

Norfolk and Suffolk - Inclusive Growth

Maximising the inclusive growth potential of
interventions and investment.

Introduction

This guidance note has been developed for Norfolk and Suffolk decision makers in support of wider work on a new Norfolk and Suffolk Economic Strategy. It draws on our own research and work with a number of cities and the Joseph Rowntree Foundation. Our aim over time is to create an open source approach to assessing Inclusive Growth Impacts.

RSA – Inclusive growth enables as many people as possible to contribute and benefit from growth

Socially - Benefitting people across the labour market spectrum, including groups that face particularly high barriers to high quality employment

Place-based - Addressing inequalities in opportunities between different parts of the country and within economic geographies

What is inclusive economic growth?

Inclusive Growth is broad based economic growth that enables the widest range of people and places to both contribute to and benefit from economic success. Much government spending at the local level is targeted at increasing economic growth. However, despite this focus on economic growth, since the 1980s inequality has remained high and is forecast to rise even higher in the coming years without intervention.

Urban areas, in particular, have borne the consequences of inequality and there is growing concern at the wider impact of social and economic exclusion. But living standards and life chances can be lower in absolute terms in rural areas, where issues may also be more hidden. Drawing on the wealth of material available from work done around inclusive growth, including in the area of impact investment and social value/community benefits, this framework has been designed to enable decision makers to take account of the impact on individuals of investments and interventions.

What is the problem? Current Assessment Frameworks overlook impacts on individuals

Public sector interventions and investments are already subject to rigorous assessments before funding is approved. Most significant projects and investments are assessed using the Treasury's Green Book methodology which seeks to ensure the government is funding net additional outcomes at a cost that can be deemed objectively as good value for money. Similarly, assessment frameworks used by other government departments (notably DfT) and European agencies focus almost exclusively on ensuring a strong rationale for state intervention and value for money.

What none of these frameworks do is assess whether the impact of the intervention or investment (IoI) is shared amongst particular groups within society who have been less likely

to benefit from economic growth in the past. Nor do other frameworks examine the impact at the individual level.

In other words all of these tools assess the impact of the IoI from the perspective of government – both the benefits and the risks.

For an IoI to be assessed for its impact on inclusive growth, it must be assessed from the perspective of the target individual. The focus of this framework is individuals on low-incomes, it could be adopted to focus on specific target groups. This will help to determine:

- a) whether the IoI has a real financial, or other beneficial, impact on people who are less well off, and,
- b) what the mechanism by which that benefit is created.

The advice in this note has been developed as part of a project with the Joseph Rowntree Foundation and is designed to be used alongside more traditional evaluations such as value for money, or the Cost Benefit Analysis created by New Economy and now forms part of the Treasury's Green Book. It is likely that the information gathered for this and other assessment frameworks will be useful to elements of the other, helping to articulate and sharpen the assessment analysis. This will enable decision makers to have a clear understanding of not only the traditional assessments around value for money, commercial viability and financial probity, but also of the potential inclusive growth impact.

Tools for Inclusive Growth

Drawing on our work and other research we have developed two tools or approaches which we suggest could be of benefit of Norfolk and Suffolk decision makers.

- **Strategic Case Tool** to determine whether the IoI supports Inclusive Growth;
- **Operational Tool** to evaluate non-inclusive growth specific projects.

The **Strategic Case Tool** poses a set of waterfall questions to help assess whether an intervention or investment will directly and substantively improve the economic well-being of underserved and/or low-earning populations.

The **Operational Tool** provides a series of questions to apply to projects that are not deemed Inclusive Growth projects to challenge whether can be managed and procured to ensure inclusive growth principles are supported.

How to use these tools

Ultimately, our aim is to develop an open source Inclusive Growth framework – designed to be used by public sector practitioners across all parts of government, particularly at the city and city region levels. The tools in this guidance note have been designed using the following principles:

- It acts as a complement to current assessment frameworks such as the Treasury Green Book.
- The tools can be applied by practitioners by following the instructions in this document. There is no need for external consultancy or third party support, although it may be necessary to undertake research and work with colleagues to access the information required to complete it.
- The steps within each of the three tools can be evidenced. This means an evidence trail can be established which enables ex-post evaluation of projects against Inclusive Growth outcomes.
- The checklists provide illustrative outcomes that can be used as presented, or you may choose to tailor the checklists to better reflect future challenges. The tools are structured as a flow diagram and instructions on how to complete are contained within this document.

What you need to complete the Framework evaluation

Inclusive Growth Tool

Evidence + Documentation required

Strategic Case Tool

- Details on how the intervention/investment will operate
- Details on the population that will be affected
- Information on the data that will be collected as part of the IoI

Operational Considerations

- Information on the procurement process and/or likely contractors or providers

RSA – Quality GVA Indicators

The RSA's Inclusive Growth Commission identified the use of 'quality GVA' as set of indicators that could be used to assess applications for funding. In particular, the expected impact on broad based 'quality GVA' is a useful measure.

The Commission identified a series of readily available public data, as well as suggesting additional survey data, that could be used to assess quality GVA.

The four categories under which data would be collected are:

- Skills and employment
- Living standards
- Enterprises
- Local capacity

Skills and employment

- Education attainment and progress at 16 years
- Academic and vocational Level 5 completions
- 16–19 years and Adult FE destinations data (eg employability, earnings)
- Employment (eg by gender, BME, disabled)
- Economic inactivity (eg by ill health)
- Access to the professions (Social Mobility Indicator)

(Additional: job quality, skills utilisation)

Living standards

- Median household income (at neighbourhood, local and city-regional level)
- Median household income after housing costs (neighbourhood, local and city-regional level)
- Healthy life expectancy ONS wellbeing survey
- School readiness (Social Mobility Indicator)

(Additional: median household savings, individuals sense of agency and belonging)

RSA Quality GVA indicators (cont)

Local capacity

- Diversity, strength and sustainability of local civil society organisations via Community Life survey
- Use of local authority public procurement clauses for work placement and/or local job creation

(Additional)

- Application of Social Value Act (via flag on planning investment appraisal data)
- Employer engagement in civic institutions (eg Chamber of Commerce, LEP)
- Community confidence indicator

Enterprise

- Bank of England SME access to finance
- Rate of local business formation

(Additional)

- Power to Change community business survey data
- Rate of local business formation combined with job quality data to create 'good business density' metric
- Proportion of money earned and re-spent in the local economy (LM3)
- Percentage of workforce protected by employment rights
- Self-employed and micro-business confidence indicator)

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Strategic Case

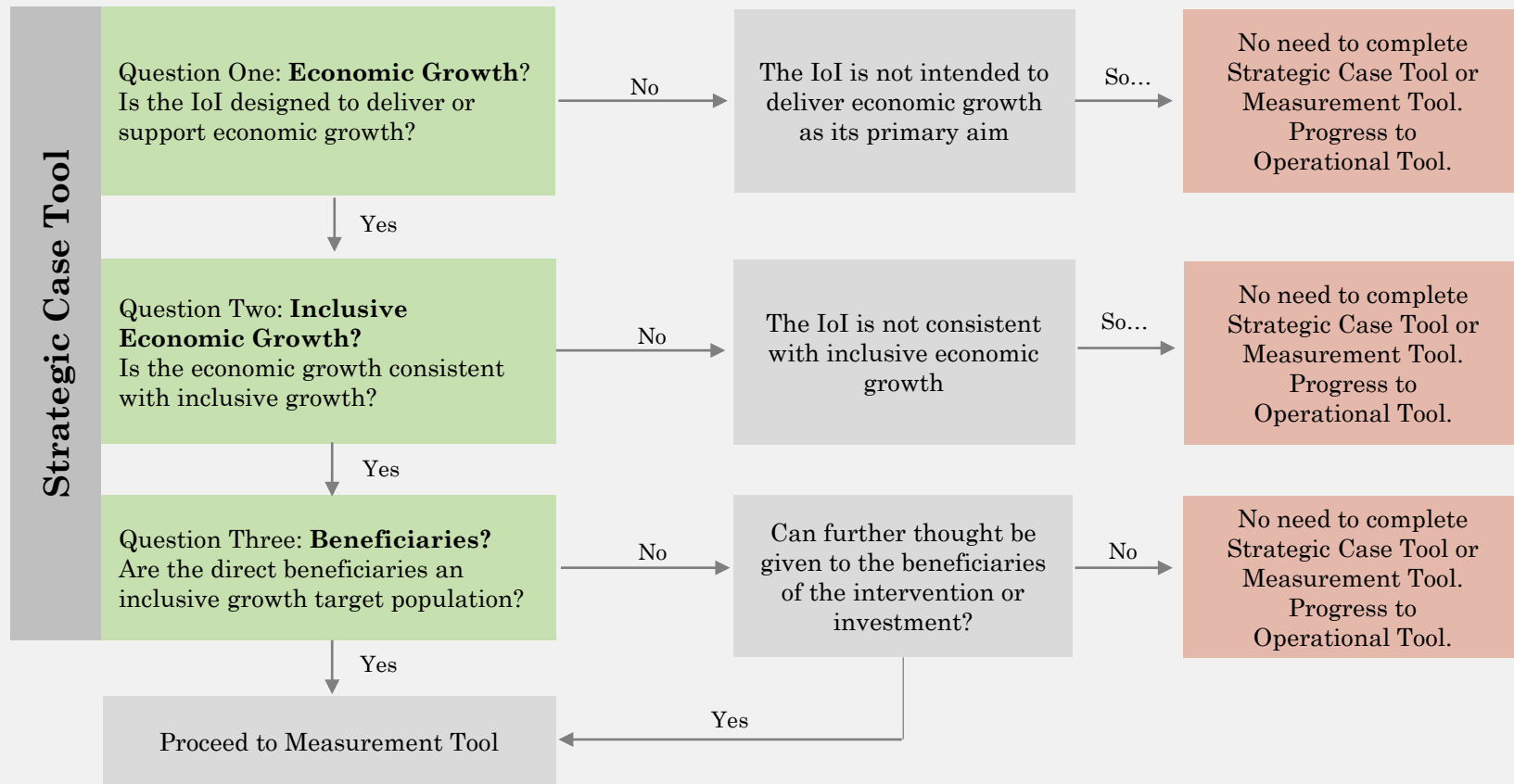
Will the Intervention or Investment
support Inclusive Growth?

Strategic Case Assessment Tool

The first tool helps to determine whether an intervention or assessment will directly and substantively support Inclusive Growth.

There are three steps to this evaluation, and they should be followed in sequence. Please answer the questions with respect to your project and follow the guidance to determine whether the

intervention or investment will impact directly on Inclusive Growth. If the assessment tool indicates that an intervention or investment, as currently constituted, does not support Inclusive Growth, further consideration may be given to restructuring the project to ensure the benefits of the project are shared more widely, or by populations at the lower end of the income spectrum.



Question One: Economic Growth?

There are many different types of interventions that could be considered as contributing to economic growth. However, the focus of this framework is on areas that have a primary focus on, and are traditionally associated with, economic growth.

So, the first question that needs to be answered is:

Is the primary purpose of the project to deliver economic growth; that is to increase the volume of goods and services produced per capita over a

period of time? If so, it is important to work both questions one and two in order to assess the project

Please review the list of outcomes below and mark those to be delivered directly by the project. You should consider how the project will deliver the outcomes.



Will this intervention deliver economic growth by:

Jobs

Creation of net additional jobs. Creation of employment areas, employment zones, business incubators.

Skills

Provision of stand-alone skills programme, skills up-skilling, in-work training, apprenticeships or adult FE.

Housing

Provision of net additional housing units, including temporary housing, affordable housing, family housing, executive housing.

Physical Development

Investment in publicly-owned buildings, public areas and public works to improve the area and increase footfall.

Transport

Provision of new and/or improved transport linkages including trams, buses, trains and other means of public transport.

Business Growth

Grants to businesses to expand, purchase new equipment, support innovation, undertake marketing, attend trade fairs.

Question Two: Inclusive Economic Growth?

Through Question One, it has been established that the intervention or investment's primary aim is to drive economic growth. Through Question Two, we will establish whether that economic growth is likely to be inclusive, that is it will benefit those who are on the lower end of the income distribution, or who face specific economic barriers.

It is not possible to assume that the outcomes of economic growth will benefit these groups or individuals automatically. Through Question Two we seek to probe the nature and quality of those outcomes by reviewing operational plans in order to determine the mechanics of how the intervention or investment will work.

The objective behind Question Two is to interrogate the logic chain behind the intended growth outcome and the mechanics of how that growth will be delivered.

We have set out a set of questions for each of the major economic growth outcome areas to provide indicative outcomes.

These outcomes can be adapted or changed to suit local areas and local priorities.

Jobs	Page
Skills	Page
Housing	Page
Physical Redevelopment	Page
Transport	Page
Business Growth	Page

Jobs

Employment is an important contributor to inclusive economic growth. However, not all employment opportunities will have the same impact. Employment that pays a decent income and offers the potential for training and growth, in short, a quality job, will help drive economic growth at the macro level whilst also helping to improve the lives of individuals and households.

New employment opportunities provided or enabled by government-funded interventions and investments should be steered towards supporting sustainable, quality jobs.

To assess whether the jobs created through your intervention or investment could be considered sustainable, quality jobs, further diligence may be required to check the nature of the jobs and the likely employers. This will help to determine whether the final jobs are likely to support Inclusive Growth, or perpetuate the disconnect between macroeconomic growth and income growth, or contribute to cycles of precarious work with people moving between low-pay work and being out of work.

Indicative inclusive growth outcomes:

Sustainable jobs with employers that provide career ladders

Sustainable jobs with employers that runs apprenticeship scheme

Sustainable jobs that pay higher than living wage

Sustainable jobs that pay living wage only

Skills

The provision of skills is an important measure to increase Inclusive Growth. Training opportunities, whether in-work, or through a dedicated programme supporting people to transition into better quality work at better wages, whilst also improving productivity at the macroeconomic level.

Some economic growth projects are dedicated skills projects, for instance the creation of community Fabrication Laboratories ('Fab Labs') or sector-based training.

In addition there are a range of economic growth projects, like infrastructure developments, that should also consider access to up-skilling opportunities as part of their delivery plans.

Therefore we encourage all interventions and investment be assessed against the skills assessment, even when skills provision is not the primary aim.

There is a distinction in the indicative inclusive growth outcomes for those individuals who are in-work and who

Indicative inclusive growth outcomes for skills provision:

In-work

Increase the number of people receiving on-going training in the work place

Increase the number of people in-work with vocational qualifications

Increase the number of formal training opportunities for those in-work

Provide limited 'on-the-job' (informal) training opportunities

Out-of-work

Increase the number of people with vocational qualifications in sustainable employment

Increase the number of unemployed people undertaking formal and soft skills training with sustainable employment opportunities

Increase the number of unemployed people undertaking formal training with employment opportunities

Increase the number of unemployed people undertaking formal training that meet the needs of local employers

Housing

The provision of housing has become an important government priority; the lack of availability of affordable housing across many parts of Britain is leading to financial squeezes on household income as well as impacts on quality of life.

In addition, the construction of housing provides an immediate and effective boost to economic growth through the creation of jobs and consumption of building materials.

With that said, consideration should be given to who will benefit from the additional houses – are they being designed and constructed to change an area's population and reduce demand and need or are they being designed and constructed for people who require good quality, affordable homes.

If the primary objective of the intervention or investment is to provide additional housing, it may also be useful to consider Skills and Jobs created through the construction process.

Indicative inclusive growth outcomes:

Increase the availability of shared ownership housing within an area

Increase the availability of affordable housing within an area

Increase the number of homes with a minimum EPC rating of C

Increase the availability of housing with public transport links within 5 minutes walking distance

Physical Redevelopment

Much locally available funding is focussed on developing and improving places. As devolution single funding pots are vested, it is likely that even more funding will be directed in this way, especially as business rate retention rules change.

While it is clear that the aim of regeneration projects is to increase economic growth by changing the population and economic dynamics of a place, it is also possible to achieve these aims whilst also ensuring the net additional growth that is created is shared throughout a community.

This can be achieved in two ways. First, through the actual physical construction and regeneration of a place, by ensuring large capital projects are opened up to local labour and by providing upskilling and training.

The second is by ensuring the regenerated environment is designed for all in the community, and not just those with the largest disposable income.

It is important not to double count the impact of IoI. Accordingly, if, for example, jobs have already been counted in the jobs assessment, they should not be counted here.

Indicative inclusive growth outcomes:

Provide employment opportunities (including upskilling) for unskilled/low income people through the construction

Provide space for retailers and employers that provide jobs and hire locally

Provide housing (if mixed development) that will be available at all income levels

Open physical access to enable private sector investment

Transport

Outside of major cities (and even within several major cities) the public transport spine does not always run through areas in which people, particularly people on low incomes, live.

In other cases, while transport infrastructure has been laid, the cost of use is prohibitive.

Therefore for all new transport projects, it is important to assess the transport project on the basis of the population that will be served by the investment. Two assessments should be made – the spatial areas that will be opened up and connected by the new or improved transport link, and the cost of the transport mode (both in terms of time and money) when compared to alternative transport modes.

Indicative inclusive growth outcomes:

Link underserved areas on low incomes with employment areas through new direct transport links

Create new direct transport areas between areas on low income and city centres, or areas with amenities like hospitals

Reduce the cost of transport for areas of low income

Businesses

There are a number of mechanisms whereby grants or loans can be made to small businesses to support growth. Often the case for funding is based on whether there is a market failure or growth, and/or innovation can be accelerated through public finance, in lieu of private sector finance, which is often not available.

These interventions and investments can also be assessed to determine whether they support Inclusive Growth. This should include factors such as whether the SME will provide goods or services for those at the lower end of the income scale; whether the SME will employ additional people from the lower end of the income scale as a direct result of the investment, or whether the investment will provide additional capacity to train or upskill people.

Indicative inclusive growth outcomes:

Enable the business to provide goods or services to a wider customer base, including those at the lower end of the income scale.

Enable the business to create net additional jobs, which will target those at the lower end of the income scale.

Enable the business to create net additional jobs, some of which could be taken by those at the lower end of the income scale.

Enable the business to purchase/lease additional equipment or facilities to expand

Question Three: Who Will Benefit?

At this stage it has now been established that the investment or intervention will:

- deliver economic growth (**Question One**)
- deliver outcomes that are not inconsistent with Inclusive Growth (**Question Two**).

It is now necessary to assess whether the investment or intervention is targeted at groups who are not as likely to benefit from macroeconomic growth. As discussed early, we suggest doing this by assessing against those in the lowest income quartile and groups known to benefit unevenly from general economic growth.

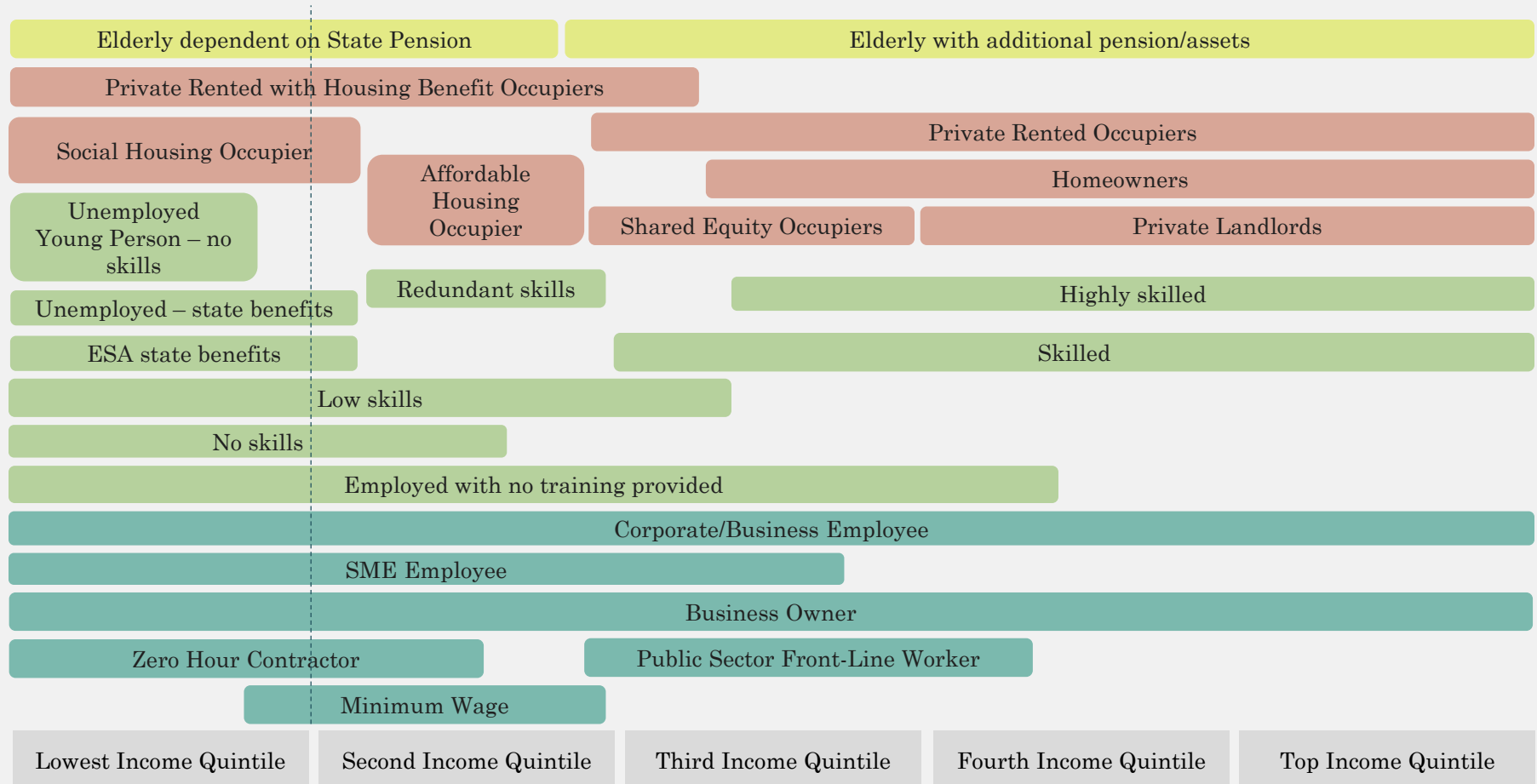
On the following page, we have set out an indicative diagram to guide assessment on which groups will benefit directly from the intervention or investment. These are indicative only, and using your understanding of the local area you should identify who those are who are likely to be in the lowest income quartile.

We suggest that you assess each intervention or investment against the possible beneficiaries and estimate the number of people who will be impacted. Beneficiaries should not be double counted – so even if there are multiple impacts (such as jobs that pay above minimum wage *and* are with an employer that provide career ladders) the number of beneficiaries identified should be the total number of individuals who will be positively affected.

Intervention A

Beneficiary Group A	100
Beneficiary Group B	200
Beneficiary Group C	300
Total Beneficiaries	600

Illustrative Guide to Potential Low-Income Beneficiaries



How to count the number of beneficiaries

Different types of interventions or investments will require different approaches to identifying the number of beneficiaries. It may also be necessary to accept that the number of beneficiaries will be a 'best available estimate'. However, the greater clarity around numbers of beneficiaries will enable increased accuracy.

For some interventions or investments the number of beneficiaries may be clear from the project documentation, such as the number of jobs created or people to be receive skills training. In others, it may be necessary to undertake a little 'investigative work'. For example, it is possible to use the Home and Communities Agency's *Employment Density Guide* to calculate the approximate number of jobs within a development where the square meterage is known before assessing whether such employees are likely to be from the lowest income quintile.

Worked Example: Retail Development

A large city central retail regeneration project will deliver approximately 75,000m² of retail space.

Using the HCA guidance of one full-time job for each 15-20m² of 'high street' retail space, it is possible to identify that this will create approximately 3,750 jobs (on the basis of 1 FTE per 20m² – at the upper end of the HCA's 15-20m² per job guidance). The way in which the investment is managed will have an impact on potential number of beneficiaries from the lowest income quintile.

Working with employers renting the retail areas and providing basic retail skills training to prepare unemployed people for the employment opportunities that accompany the redevelopment could increase the number of people likely to find work.

Taking all of this into account a conservative estimate of the potential number of beneficiaries could be identified to take forward to the Measurement Tool.

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Operational Procurement

How can the procurement process be used for
inclusive growth?

The Operational Tool

If a project cannot be identified as directly supporting inclusive growth, that does not mean that it cannot produce a wider benefit to the community. In order to do this, a clear focus from the outset as to the potential to procure and manage the project in way that will create those benefits is critical. To that end, the Operational Tool demonstrates how an inclusive economic growth element can be incorporated into investments or interventions by ensuring that they are built into the procurement process.

Some organisations already have procurement plans or strategies that seek to maximise the community benefits of a contract and provide ways of calculating the potential of a procurement contract to create, for example, direct employment and training opportunities. Procurement can also be used to support a range of other activities that will have benefits for the community consistent with the development of inclusive economic growth, such as the inclusion of local SMEs into supply chains and the provision of mentoring and support to local SMEs and third sector organisations.

Once the potential of an intervention or investment to be procured in ways that will bring wider benefit to the community has been identified it is important that the project is then managed and regularly monitored effectively to ensure that the benefits are being delivered.

How can every pound spent on *every* intervention and every investment be used to produce a wider benefit to the community?

Using procurement to support the community

The following questions are designed to help aid the identification of how the investment or intervention could have a secondary positive effect on inclusive economic growth. They are not conclusive, and indeed there is the possibility to include a range of potential other benefits with both short and long-term positive consequences. For example, the provision of mentoring to SMEs or third sector organisations by large companies and business engagement in schools could also be considered.

Not all questions will be applicable to all investments or interventions, and indeed there may be more questions that can be identified specifically relevant to the proposed project, but where the opportunity exists to manage a project in such a way its potential should not be overlooked.

There is already a wide-range of material available on how to use procurement in this way. What is critical is this is considered at the very start of the process, not after it has commenced. It will also require active contractual management and effective reporting to ensure that the projects benefits are being delivered.

The number of beneficiaries can be quantified using Strategic Case Tool Question 3.

Can this intervention or investment be managed so that:

There is an increase in the number of people in the local area who receive sustainable employment opportunities?

There is an increase in the number of people in the local area who receive formal training opportunities?

There is an increase in the number of people who receive work placements?

There are apprenticeship opportunities provided to people from the local area?

Zero-hours contracts are precluded?

There is a stipulated proportion of the total contract costs awarded to local SMEs?

There will be an increase in the number of local SMEs procured?

SMEs and/or social enterprises can receive mentoring and support from larger firms to improve their business?

Local residents are not subjected to increased pollution as a result of greater traffic flows?