
NORTH AYRSHIRE COUNCIL

20 March 2018

Cabinet

Title: Inclusive Growth Diagnostic – Results of Pilot

Purpose: To update Cabinet on the results of the North Ayrshire Inclusive Growth Diagnostic Pilot undertaken in partnership with the Scottish Government.

Recommendation: It is recommended that the Cabinet:

- (a) Note the findings of the Inclusive Growth Diagnostic Pilot, including the priorities for action and excluded groups.
- (b) Approve the work being undertaken to assess the Diagnostic findings against current Council activities and programmes and to identify areas where enhanced or additional activity is required; and
- (c) Support the dialogue with government and national agencies around what is required to facilitate inclusive growth in the area.

1. Executive Summary

- 1.1 North Ayrshire Council recognise that in an increasingly challenging economic environment, we have to work in new ways in order to deliver inclusive growth. As a result, the Council piloted the Scottish Government's Inclusive Growth Diagnostic, working in partnership with the Scottish Government's Office of Chief Economic Advisor. The main purpose of the diagnostic was to identify constraints and opportunities for driving inclusive growth in North Ayrshire in order to prioritise actions to address them. In December 2017, the Pilot won the 2017 Scottish Public Service Award for Policy Development.
- 1.2 The outputs from the Pilot are a set of identified local constraints that if tackled over a long and sustained period could make a transformational difference to our local communities and excluded groups. The Council will commence work to assess the findings of the Diagnostic against current activities and to identify areas where enhanced or additional activity might be required to tackle the constraints identified by the Diagnostic. The findings from the Diagnostic are also being used to inform the Council's Fair for All Strategy and the Basic Income Pilot.

2. Background

- 2.1 The Scottish Government's Economic Strategy launched in 2015, heralded a shift in emphasis in economic policy. While previous strategies had focused solely on economic growth or recovery, this strategy placed equal emphasis between economic growth and ensuring that all parts of society could benefit from growth, i.e. 'inclusive growth'. The approach to Scottish Government's economic strategy is based on two key mutually supportive pillars: increasing competitiveness and tackling inequality.
- 2.2 The concept of inclusive growth recognises that not all people, groups and places benefit from growth. This trend is evident within North Ayrshire, with certain geographies and groups not fully participating in economic growth. Therefore, Inclusive Growth is a key component of the Council's refreshed Economic Development and Regeneration Strategy.
- 2.3 In early 2016, the Scottish Government informed North Ayrshire Council of their intention to pilot an inclusive growth diagnostic tool. Based on a methodology by Harvard Economists, diagnostics are increasingly used in developing countries to identify the main constraints to growth and prioritise spending actions to unlock them. It is anticipated that taking the same evidence based approach to assessing the North Ayrshire economy would give the Council and its partners an agreed set of priorities. The diagnostic tool attempts to look at all the potential factors constraining inclusive growth in an economy and assess their relative importance in terms of impact and in terms of what issues people care about.
- 2.4 At its meeting of 21 June 2016, Cabinet supported the Council's participation in an Inclusive Growth pilot with Scottish Government and agreed that the results of the pilot are reported to Cabinet as part of the Council's measures to reduce inequality in North Ayrshire.

Method

- 2.5 The Pilot followed a five step process. Officers from Economy and Communities worked alongside the Scottish Government's Office of Chief Economic Advisor (OCEA) throughout this process.
 - 1) Interrogation of data to unpick what is driving local inclusive growth performance
 - 2) What constraints do benchmarking, evidence and local knowledge identify
 - 3) Community consultation to ensure constraints identified are accurate
 - 4) Prioritisation of constraints using diagnostic methodology
 - 5) Local results which are informing priorities and innovative projects
- 2.6 The diagnostic process began by benchmarking North Ayrshire's performance on a range of inclusive growth indicators against neighbouring local authorities and the Scottish average to identify high-level areas of achievement and challenge. This expanded the focus beyond the traditional measures of economic success and highlighted the areas to investigate through the diagnostic.

2.7 Due to the breadth of potential issues identified in North Ayrshire, a holistic diagnostic approach was utilised which investigated three levels:

- The external environment to determine what external drivers may be impacting on growth and inclusion in the area;
- Local conditions that are determining the opportunities of the local population at each stage of life; and,
- Social factors which act to compound an individual's experience of inclusive growth.

2.8 This produced a list of constraints which were agreed on as being the most important in North Ayrshire. At this point a range of groups across North Ayrshire were consulted to identify at a high level whether the constraints identified by the Pilot were considered as barriers by stakeholders. These engagements were held as part of officer's normal meetings/activity schedule. The groups consulted were as follows:

- Community Associations – Broomlands and Bourtreehill Community Association (BABCA), Barrmill Community Association, Pennyburn Community Association, Largs Organic Gardeners
- Criminal Justice partners and clients
- Employability and Skills partners and clients
- North Ayrshire Network Tenants' Inspection Panel and Service Improvement Groups

2.9 Work then took place to priorities this long list of constraints. The prioritisation exercise ranks the identified constraints based on the interaction of two dimensions: impact and care about.

- Impact – An evidence-based approach which ranks constraints based on their relative importance in unlocking inclusive growth opportunities. The methodology considers an assessment of synergies and trade-offs and impact on key excluded groups.
- Care about –This stage is a more qualitative assessment taking account of the preferences of policy-makers, local communities (feedback obtained from engagement undertaken with community groups to ensure correct constraints identified) and the private sector, as well as a time dimension and funding feasibility.

The methodology used to score constraints is attached as appendix 1.

Outcome

2.10 The result of the diagnostic was a list of constraints which the evidence indicates should be prioritised in order to achieve inclusive growth in North Ayrshire.

- Intermediate/Advanced skills
- Jobs density
- Health and well-being

- Basic digital skills
- Entry-level skills/Work-readiness
- Business-specific skills and entrepreneurship
- Childcare
- Migration and Population decline
- Sector composition
- Digital connectivity
- Aspirations
- Digital innovation
- Business premises
- People to jobs (transport)
- Housing
- Goods to market (transport)

The results are outlined in graph form in Appendix 2.

2.11 This exercise also identified ‘excluded’ groups – that is, groups sharing similar characteristics that have been particularly excluded from the benefits of economic growth (and particularly labour market inclusion). The excluded groups identified are as follows:

- Young People;
- Those experiencing long-term health problems;
- Those experiencing in-work poverty; and
- Females.

2.12 Throughout the pilot the importance of ‘social capital’ has been raised but due to difficulties with measuring social capital has not appeared in the analysis. The concept of social capital includes those elements of social networks that can bring about positive social, economic and health development at the micro (individual, family/household) and macro (local, national and international) level. North Ayrshire is now working with Scottish Government to develop a suite of social capital measures.

2.13 In December 2017, the Pilot won the 2017 Scottish Public Service Award for Policy Development.

Next Steps

2.14 The findings of the diagnostic are being used to inform investment and policy decisions in the short, medium and long term. In the short term the work is already being incorporated into the delivery of our current programmes. More emphasis on excluded groups such as females can be seen in recent “Skills for Life” programmes, which have focused on lone parents. We have increased investment in health and employability services recently resulting in increased employability referrals from Health Visitors and providing some support with condition management through an occupational health provider SALUS. We have increased our investment in developing basic digital skills in recent budgets.

2.15 In the medium to longer term it is important that we assess current activity against each of the constraints and excluded groups and identify where further action is required. This will then inform the development of key projects –

- Ayrshire Growth Deal
- Regional Partnership
- Supported Employment for disabled residents
- Final phase of EU funding 2019-2022
- Basic income pilot
- Implementation of Fair for All strategy

2.16 An Inclusive Growth Programme Manager has commenced employment in February 2018 in order to take forward such key pieces of work.

2.17 The inclusive growth diagnostic has influenced the priorities of the local authority in the delivery of its economic development plans, however there needs to be further discussions with government and its national agencies on how they will reflect and respond to the North Ayrshire priorities. To address the low jobs density (2 people of working age for every job in North Ayrshire) will largely depend on investment decisions that are made or directed by government or national agencies. Whilst it is recognised that the priorities in themselves are complex and interdependent, there needs to be recognition that national policy must change to recognise the challenges that North Ayrshire faces if inclusive growth is to be fully addressed. It is proposed that dialogue take places with national agencies and government on how they can facilitate inclusive growth.

Ayrshire Inclusive Growth Diagnostic

2.18 The underperformance of the Ayrshire economy and the stubborn persistence of deprivation means a new approach to growth is required. For Ayrshire to be successful and to build on its current strengths we must reduce the disparities across communities and make full use of the opportunities a growing Ayrshire economy presents. Successful economies are inclusive economies and tackling inequality will help ensure that the region is competitive in an increasingly global market and that our business and communities are resilient to emerging trends and technological advancements in the economy.

2.19 At the meeting of 28 February 2017, Cabinet noted that the Inclusive Growth Diagnostic is being rolled out across Ayrshire to inform the work of the Ayrshire Growth Deal and the Ayrshire Regional Partnership. By focusing on inclusive growth, we will ensure that the needs of all communities in Ayrshire are considered in our economic growth plans.

2.20 Through the work of the Ayrshire 'Inclusive Growth Diagnostic', we have collectively identified the barriers that individuals, local communities and businesses in Ayrshire face in participating in economic growth. This systematic interrogation of data and identification of collective barriers will be the basis of an Ayrshire Inclusive Growth Strategy. Through a regional approach and working with government we will ensure we have the expertise and specialist support, and alignment of the services required, to

remove these barriers, ensuring local communities across Ayrshire have the opportunity participate in regional growth.

3. Proposals

3.1 It is recommended that the Cabinet:

- (a) Note the findings of the Inclusive Growth Diagnostic Pilot, including the priorities for action and excluded groups;
- (b) Approve that work will commence to assess the Diagnostic findings against current Council activities and programmes and to identify areas where enhanced or additional activity is required; and
- (c) Support the dialogue with government and national agencies around what is required to facilitate inclusive growth in the area.

4. Implications

Financial:	There are no financial implications from this report, however the results of the work may influence future local spending priorities.
Human Resources:	There are no Human resource implications from this report.
Legal:	There are no legal implications from this report.
Equality: Children and Young People:	<p>This report illustrates findings that could reduce inequalities in North Ayrshire.</p> <p>Young people have been identified as an 'excluded group' as part of the Diagnostic and work will be explored on how to remove the barriers faced by this group.</p>
Environmental & Sustainability:	This report outlines findings that will support sustainable economic growth.
Key Priorities:	<p>The Inclusive Growth Pilot supports the Council plan priorities of:</p> <ul style="list-style-type: none">• Growing our economy, increasing employment and regenerating our towns;• Working together to develop stronger communities; and• Ensuring people have the right skills for learning, life and work.
Community Benefits:	There are no community benefits related to this report

5. Consultation

- 5.1 North Ayrshire Council worked in partnership with the Scottish Government to develop the Diagnostic. Consultation has taken place with the Fair for All Steering Group. A range of local groups were consulted as part of the prioritisation exercise.



Karen Yeomans
Executive Director (Economy & Communities)

For further information please contact **Caitriona McAuley** on **01294 324020**.

Background Papers

Appendix 1: Inclusive Growth Diagnostic Prioritisation Methodology

Appendix 2: Inclusive Growth Diagnostic Findings

Appendix 1: Inclusive Growth Diagnostic Prioritisation Methodology

Impact Prioritisation

The following matrix is produced for each constraint in the diagnostic as an overview of the findings for the impact a particular constraint has and supporting evidence.

This is primarily an evidence-based exercise (led by analysts and supported by policy-makers).

Constraint	Inclusion		Growth		Sustainability		Trade-off Synergies	Ranking
	Impact	Evidence	Impact	Evidence	Impact	Evidence		
X	Large	Strong	Small	Strong	Medium	Weak	Positive	1
Y	Medium	Weak	Medium	Weak	Large	Weak	Negative	2
Z	Small	Strong	Medium	Medium	Small	Weak	Neutral	3

Impact Scoring

Impact Descriptor	Score	Inclusion	Growth	Sustainability
Large	3	The constraint significantly impacts upon more than 1 of the excluded groups (i.e. young people, women, long-term health problems, in-work poverty). Also if it significantly impacts upon inclusion within society as a whole.	The constraint is significantly holding back more than 1 of the key drivers of growth (i.e. innovation, investment, human capital, internationalisation).	Easing the constraint would have strong potential to ensure sustainability of inclusive growth, with strong positive implications for the more than one of the sustainability parameters (environmental sustainability, fiscal sustainability and social cohesion).
Medium	2	The constraint significantly impacts upon 1 of the excluded groups (i.e. young people, women, long-term health problems, in-work poverty). Also it impacts upon inclusion within society as a whole.	The constraint is negatively impacting 1 of the key drivers of growth (i.e. innovation, investment, human capital, internationalisation).	Easing the constraint would have positive implications for the one of the sustainability parameters (environmental sustainability, fiscal sustainability and social cohesion).
Small	1	The constraint has a minimal impact upon the excluded groups (i.e. young people, women, long-term health problems, in-work poverty). Also it has some impacts upon inclusion within society as a whole.	The constraint has a minimal impact on the key drivers of growth (i.e. innovation, investment, human capital, internationalisation).	Easing the constraint would have minimal positive implications for the sustainability parameters (environmental sustainability, fiscal sustainability and social cohesion).
Neutral	0	The constraint has no positive or negative impacts upon the inclusion groups or inclusion within society as a whole.	The constraint has no positive or negative impacts on the key drivers of growth.	Easing the constraint would have no positive or negative implications for the sustainability parameters
Negative	-1	If the constraint were to be eased then there would be a	If the constraint were to be eased then there would be a	If the constraint were to be eased then there would be a

		negative effect upon the excluded groups (i.e. young people, women, long-term health problems, in-work poverty) or inclusion within society as a whole.	negative effect on the key drivers of growth (i.e. innovation, investment, human capital, internationalisation).	negative effect on the sustainability of inclusive growth, risking breakdown in fiscal sustainability, social cohesion or environmental damage.
--	--	---------------------------------------------------------------------------------------------------------------------------------------------------------	------------------------------------------------------------------------------------------------------------------	-------------------------------------------------------------------------------------------------------------------------------------------------

Evidence Scoring

Evidence Rating	Score	
Strong	3	There is a large amount of good quality both quantitative and qualitative evidence which supports the impact the constraint has on Inclusion/ Growth/ Sustainability.
Medium	2	There is some qualitative evidence which supports the impact the constraint has on Inclusion/ Growth/ Sustainability.
Weak	1	There is minimal qualitative evidence which supports the impact the constraint has on Inclusion/ Growth/ Sustainability.
No Evidence	0	There is no qualitative or quantitative evidence which supports the impact the constraint has on Inclusion/ Growth/ Sustainability.

Trade-offs/ Synergies

Evidence Rating	Score	Calculate the trade off and synergies with easing the constraint
Positive	3	The result is greater synergies than trade-offs.
Neutral	0	The synergies and trade-offs balance out.
Negative	-3	The result is greater trade-offs than synergies.

Overall Ranking

To calculate the overall ranking, firstly multiply each of the Impact scores by their relevant Evidence scores, then add together along with the Trade-offs/ Synergies score. Finally, multiply the overall score with either the Feasibility score. The constraints can be ranked based on these scores. Example:

Constraint	Inclusion		Growth		Sustainability		Trade-off Synergies	Feasibility (SG power)	Ranking (score)
	Impact	Evidence	Impact	Evidence	Impact	Evidence			
X	Large	Strong	Small	Strong	Medium	Weak	Positive	Yes	
Score	3	3	1	3	2	1	3	1	17

'Care About'/ Deliverability Prioritisation

The following matrix is produced for the care about/ deliverability dimension. Equal weightings are given to each of the underlying factors. This represents the policy side of the diagnostic (led by policy-makers with analyst support).

Constraint	Preference of key groups	Time Dimension		Funding	Care about ranking
		Time for constraint to be eased	Time once constraint eased for impact to be felt on inclusive growth		
X	High	Short Term	Medium Term	Medium	1
Y	Medium	Medium Term	Long Term	Low	2
Z	Low	Long Term	Long Term	High	3

The criteria agreed with NAC to rank the constraints are:

1. Preferences of three key groups, including:
 - Local community
 - Businesses
 - Decision/ policy-makers
2. Time dimension (length of time for constraint to be eased and benefit to be felt)
3. Funding (level of funding required to ease constraint)

The criteria for scoring on each of these factors is outlined below.

Preference of key groups

Priority	Score	Inclusion
High	3	The constraint is a key concern for all groups (community, business and decision-makers).
Medium	2	The constraint is a key concern for two groups, or of moderate concern to all groups.
Low	1	The constraint is a concern to only one group, or of low concern to all/ some groups.
Neutral	0	The key groups see no positive or negative impacts from alleviating the constraint.
Negative	-1	One or more groups consider that easing the constraint would have a negative impact.

Time dimension

	Score	Time for constraint to be eased	Time once constraint eased for impact to be felt on inclusive growth
Long Term	1	Policy actions would take longer than 5 years to impact and alleviate the constraint	Once the constraint has been eased, the benefit impact on inclusive growth will be felt after 5 (or more years).
Medium Term	2	Policy actions would take between 1 and 5 years to impact and alleviate the constraint	Once the constraint has been eased, the benefit impact on inclusive growth will be felt after between 1 and 5.

Short Term	3	Policy actions would immediately/within 1 year impact and alleviate the constraint	Once the constraint has been eased, the benefit impact on inclusive growth will be felt immediately/within 1 year
-------------------	---	------------------------------------------------------------------------------------	-------------------------------------------------------------------------------------------------------------------

Funding

	Score	How much funding does easing the constraint need?
High	1	Policy actions needed to take to ease the constraint would approximately more than £1,000,000
Medium	2	Policy actions needed to take to ease the constraint would approximately between £100,000 and £1,000,000
Low	3	Policy actions needed to take to ease the constraint would approximately cost up to £100,000

Overall Score

The overall score was calculated by simply adding these scores. The constraints were then ranked based on these final scores.

North Ayrshire Inclusive Growth Diagnostic Pilot

Winner of 2017 Scottish Public
Service Award for Policy
Development

Delivering our services with

Focus. Passion. Inspiration.

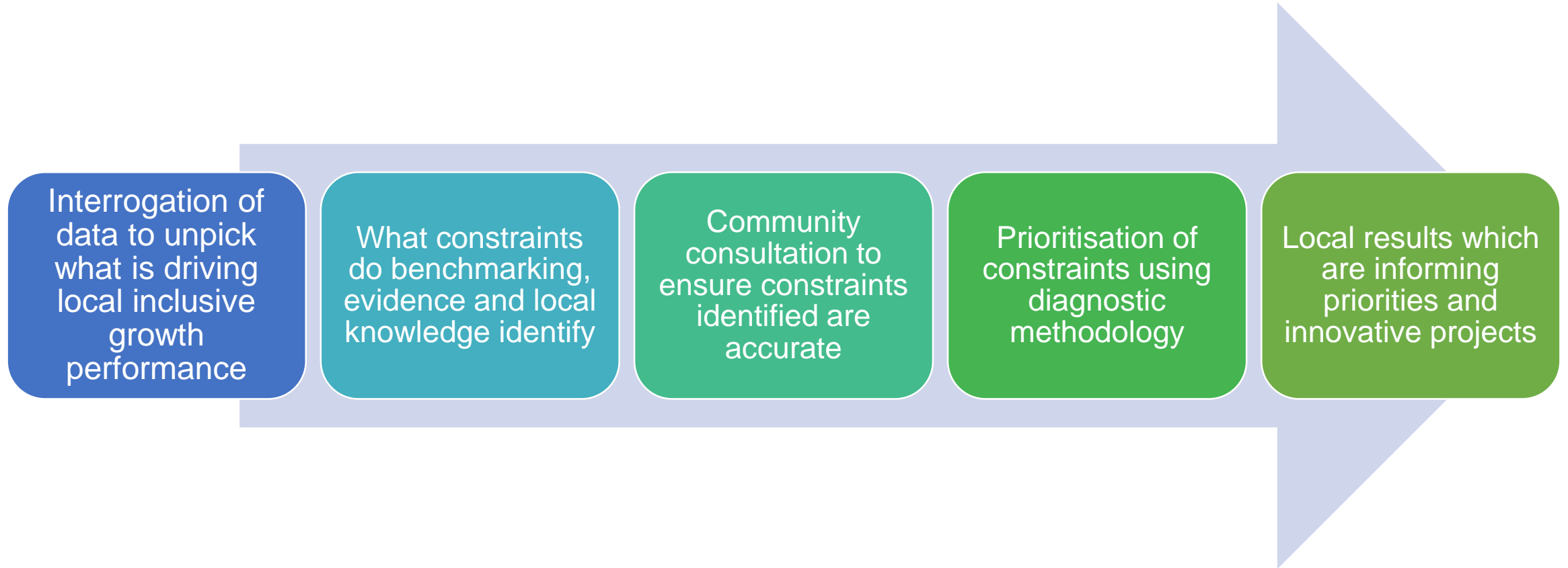


North Ayrshire Council
Comhairle Siorrachd Àir a Tuath

Proud to be  Overall Council of the Year 2017



North Ayrshire Inclusive Growth Diagnostic Pilot



Purpose: Main purpose is to identify constraints and opportunities for driving inclusive growth in North Ayrshire in order to prioritise actions to address them.

Excluded Groups Identified

Young people

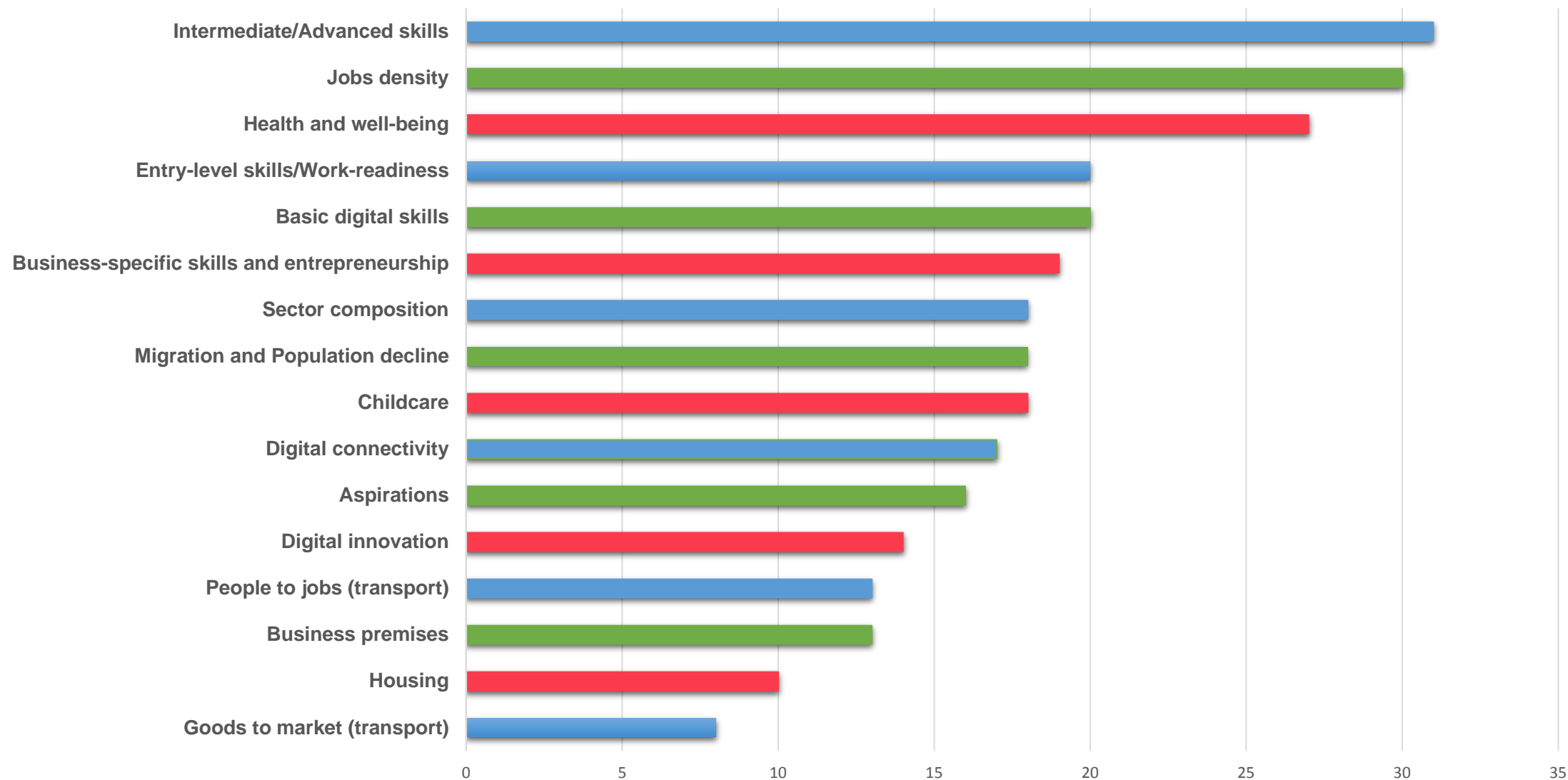
Those experience long-term health problems

Those experiencing in-work poverty

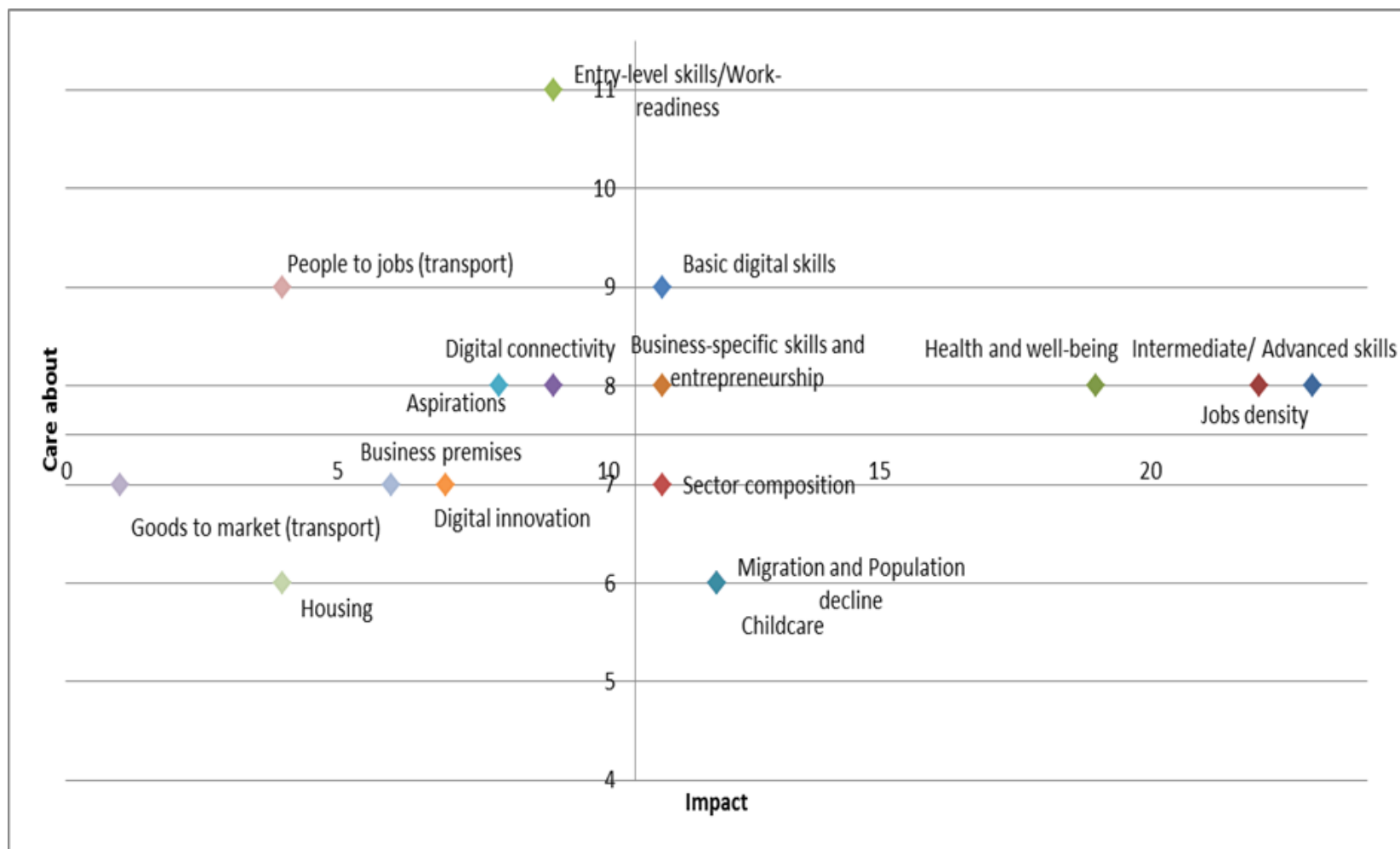
Females



Diagnostic Results: Total Prioritisation Score



Diagnostic Results: Impact and Care About



Diagnostic Results: Impact and Care About

Constraint	Total Score	Impact	Care About
Intermediate/Advanced skills	31	23	8
Jobs density	30	22	8
Health and well-being	27	19	8
Basic digital skills	20	11	9
Entry-level skills/Work-readiness	20	9	11
Business-specific skills and entrepreneurship	19	11	8
Childcare	18	12	6
Migration and Population decline	18	12	6
Sector composition	18	11	7
Digital connectivity	17	9	8
Aspirations	16	8	8
Digital innovation	14	7	7
Business premises	13	6	7
People to jobs (transport)	13	4	9
Housing	10	4	6
Goods to market (transport)	8	1	7