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Good growth for cities

A report on urban economic wellbeing from PwC and Demos

November 2013

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Contents

Summary

There have been encouraging signs recently that the UK economy is picking up, but there is some way to go yet before the recovery becomes fully sustainable.

Fiscal austerity will still need to continue well into the next Parliament. Further growth, job creation and the associated tax revenues will be critical both to paying down our debts as well as funding our public services.

And cities have a key role to play in this drive to achieve sustainable long term growth and so reduce the structural deficit. But how do we define economic success at city level?

To address this question in the context of the government's localism agenda and a wider drive to decentralise and rebalance the economy spatially, in 2012 PwC and Demos refined our original Good Growth Index[1] to focus on cities.[2] Our aim was to shift the debate on local economic development from a narrow focus on 'Gross Value Added' (GVA) to a more holistic measure, understanding the wider impacts that are associated with economic success in a city.

Our 2013 report takes this agenda forward with an updated methodology that for the first time includes skills.

Key findings

The Demos-PwC Good Growth for Cities Index measures the current performance of a range of the largest UK cities against a basket of ten categories defined, through engagement with the public and business, as key to economic success and wellbeing. Employment, health, income and the new measure of providing for the future – skills – are the most important of these factors, as judged by the public.

Using these measures, **Table A** shows the highest and lowest ranking cities in our index based on the latest available data.

The highest ranking cities in our index tend to do relatively well on jobs, income and skills. There is, however, a price for their success seen in relatively low scores for housing affordability. In contrast, with the important exception of London as discussed below, cities which rank lower down in our index score relatively less well for jobs and income as well as skills. Their brighter spots tend to be housing affordability and work-life balance.

London is an exception in many ways. It has the highest income levels in the country and scores well in international surveys of what makes for a great 'world city',[3] but has a relatively low ranking in our index. This is because success can have its own costs: the issues associated with living in a large urban area (such as the lack of affordable or suitable housing, congestion and long working hours) are sufficiently prevalent in London to more than offset many of the benefits of high income levels in the overall index.

Looking at the cities in the devolved administrations, it is notable that two Scottish cities – Aberdeen and Edinburgh – are in the top 5 highest ranking cities in **Table A**.

1 'Good Growth: a Demos and PwC report on economic wellbeing', Demos, 2011. www.pwc.co.uk/government-public-sector/publications/good-growth-index-how-gov-can-kick-start.jhtml
2 'Good growth for cities: A report on urban economic wellbeing from PwC and Demos', November 2012. www.pwc.co.uk/government-public-sector/good-growth/index.jhtml.
3 For example, 'Cities of Opportunity', New York City Partnership/PwC, October, 2012.

Table A: Highest and lowest ranking cities (by TTWA) on Demos-PwC Good Growth Index[4]

Highest Ranking Cities	Index Score, above average	Lowest Ranking Cities	Index Score, below average
Reading & Bracknell	0.63	Middlesbrough & Stockton	-0.52
Aberdeen	0.59	Wakefield & Castleford	-0.52
Edinburgh	0.57	London	-0.36
Southampton	0.44	Newcastle & Durham	-0.34
Cambridge	0.38	Swansea Bay	-0.32

Source: PwC analysis. Scores are relative to a UK average score set to zero.
City definitions are based on Travel To Work Areas (TTWAs).

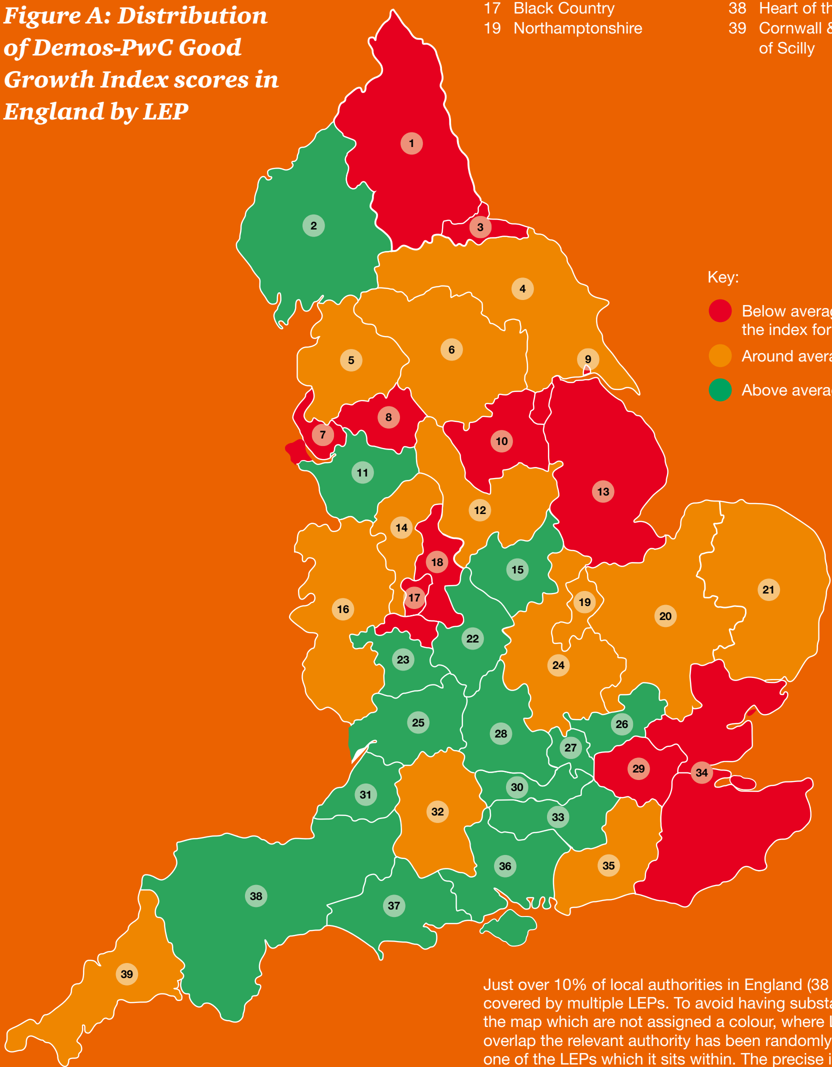
In fact, we find that the majority of the devolved administration cities perform above average in work-life balance, transport, sector balance (e.g. the size of the manufacturing sector) and income distribution, although their performance tends to be less strong on average in relation to health in particular.

In 2013, we have also analysed our index by Local Enterprise Partnership (LEP) area in England. We found that most of the significantly above average scoring LEP areas (coloured green in **Figure A**) are located in a continuous bloc, ranging from Leicestershire across to the Welsh border and down to Solent, Dorset and Heart of the South West on the South Coast.

On the other hand, regions located in the North and East of England are much less likely to achieve significantly above average scores, with only the Cheshire and Warrington and Cumbria LEPs bucking this trend.

Figure A: Distribution of Demos-PwC Good Growth Index scores in England by LEP

No	LEP	No	LEP
1	North Eastern	20	Greater Cambridge & Greater Peterborough
2	Cumbria	21	New Anglia
3	Tees Valley	22	Coventry and Warwickshire
4	York, North Yorkshire	23	Worcestershire
5	Lancashire	24	South East Midlands
6	Leeds City Region	25	Gloucestershire
7	Liverpool City Region	26	Hertfordshire
8	Greater Manchester	27	Buckinghamshire Thames Valley
9	Humber & East Riding	28	Oxfordshire
10	Sheffield City Region	29	London
11	Cheshire & Warrington	30	Thames Valley Berkshire
12	Derby, Derbyshire, Nottingham & Nottinghamshire	31	West of England
13	Greater Lincolnshire	32	Swindon & Wiltshire
14	Stoke-on-Trent & Staffordshire	33	Enterprise M3
15	Leicester & Leicestershire	34	South East
16	The Marches	35	Coast to Capital
18	Greater Birmingham & Solihull	36	Solent
17	Black Country	37	Dorset
19	Northamptonshire	38	Heart of the South West
		39	Cornwall & the Isles of Scilly



Key:
- Below average relative to the index for all LEPs (≤ -0.5)
- Around average (-0.49 – +0.49)
- Above average (≥ +0.5)

Just over 10% of local authorities in England (38 of 326) are covered by multiple LEPs. To avoid having substantial areas of the map which are not assigned a colour, where LEPs do overlap the relevant authority has been randomly assigned to one of the LEPs which it sits within. The precise index score for each LEP, which accounts for all local authorities within it, can be seen in Figure 7

4 The Office for National Statistics defines Travel To Work Areas (TTWAs) as labour market areas where the bulk (75% or more) of the resident economically active population work in the area and also, of everyone working in the area, at least 75% actually live in the area. We recognise that TTWAs vary considerably depending on city characteristics and for different segments of the population (e.g. wealthier commuters who may be able to live outside standard TTWAs).

Implications

Our 2013 findings indicate that for many cities there are important trade-offs to be made in achieving good growth. Congestion, pollution and high house prices are just some of the indicators of a rising price for success, as measured by conventional economic indicators such as incomes and jobs. And many of our large urban centres are having to cope with these problems at a time when the funding needed to make the necessary investments to adapt and improve infrastructure is in short supply.

This does, however, present opportunities for those cities well placed in our index, often mid-sized or with a mix of urban-rural topography, to increase their share of economic activity. But these cities need to have a clear vision of their assets and identities and sell themselves better to the investor community, presenting 'investor ready' opportunities.

The lesson arising from the big movers in our 2013 index, notwithstanding changes in methodology, is that jobs have a key impact on position in the index, with increases or decreases in unemployment being a key driver of short term positional changes. This emphasises the importance of innovation to drive productivity and new job creation. Better skills are also needed so that individuals can take up the opportunities available, particularly 16-24 year olds – the cohort with the highest unemployment rate – with improved infrastructure needed to connect and house people in the right places.

Table B summarises the key areas for action discussed in the body of the report.

Table B: Agenda for action

Stakeholder	Agenda for action
City leaders and other local public bodies including LEPs	• Continue to balance between a necessary internal focus on efficiency, cost-cutting and reform with an external focus on good growth. • Create a platform for growth through a collaborative approach to leadership across political/administrative boundaries (including Combined Authorities) and sectors of the local economy. • Work together, and with businesses, universities, the third sector and the public to define the city's vision – what city stakeholders want it to be famous for – based on analysis of the city's strengths, using data analytics and documented in Growth Plans. • Re-brand cities based on a clear vision for success linked to good growth outcomes. • Use good growth outcomes to guide decisions when allocating resources, prioritising investments and re-investing the dividend of public sector reforms. • Develop an integrated programme of infrastructure investments to enhance quality of life and city competitiveness. • Prioritise public spending on the levers important for good growth, particularly skills and infrastructure (housing and transport). • Monitor and evaluate progress, building the evidence base to link decisions and outcomes and using a placed-based approach to measuring and managing total impact (TIMM).
Central government	• As Growth Deals unfold, focus cities on unlocking their individual growth challenges in their Growth Plans linked to their distinctive local assets, rather than the standard menu of priorities e.g. green jobs and digital hubs. • Accelerate decentralisation where the costs, benefits and solutions are localised e.g. local transport, planning. • Revisit the funding options for local government (including the Barnett formula) to support wealth creation. • Drive the development of demand-led skills provision and empower individuals to make well-informed job and career choices by improving the availability of good quality information and transforming the role of Jobcentre Plus as a broker of people to jobs, particularly the young.

Stakeholder	Agenda for action
Devolved administrations	• Recognise cities/city government as having an important role complementing the devolved administrations themselves. • Consider the impact at city level of any proposals with respect to fiscal powers e.g. Stamp Duty, Air Passenger Duty and Landfill Tax.
Education and training providers	• Improve the dialogue with businesses on their training and skills needs. • Promote and welcome business engagement in schools, colleges and universities to inspire students in their future career choices. • Be responsive and agile to the needs of both business and students and so maximise the chances of matching people to the opportunities available.
Businesses	• Agree a clear, consistent set of public-private priorities, via the LEPs and their Growth Plans, and then collaborate to deliver on them. • Measure and manage the total social, fiscal, environmental and economic impact of business activities in order to deliver good growth. • Improve the articulation of education and training needs in discussion with education and training providers.

Conclusion

The challenge for many of our cities is to unlock their potential as engines of sustainable growth by investing in the enablers that businesses require to succeed, grow and create wealth for the UK public.

Public sector organisations at all levels, but particularly in our cities, have an important role to play in creating a platform for growth through a focus on the key levers of skills, infrastructure and innovation.[5]

In addition, the ability to re-invest revenues and savings locally so as to achieve better long term outcomes means that a new approach is needed where all local stakeholders collaborate and share in both the risks but also the dividends of public service reform and growth.

A demand-driven skills system, value-adding infrastructure and a self-sustaining innovation ecosystem are needed, with good growth at the heart of the purpose and mission of our public bodies.

5 'Investing for Prosperity: Skills, Infrastructure and Innovation' Report of the LSE Growth Commission in partnership with Institute for Government and Centre for Economic Performance P. Aghion et al. 2013.

Introduction

> "It is not enough just to have a recovery in London and the South East"
>
> Mark Carney, Governor of the Bank of England

Cities have a significant role to play as the engines of sustainable growth. But the development of competitive cities requires an integrated strategic approach, with greater collaboration, as set out in the Heseltine Review.[6] And the UK needs stronger growth regionally for a lasting recovery: as Mark Carney, Governor of the Bank of England, notes, 'It is not enough just to have a recovery in London and the South East.'[7]

In turn, this requires city leaders to develop a clear vision for growth which encapsulates their ambitions and which is underpinned by the capital investment strategies and delivery plans needed to foster sustainable, long term prosperity.

Developing this sort of vision and direction has many facets, but one central action we believe would help policy-makers is to look beyond 'Gross Value Added' (GVA) as a measure of local economic success. GVA has its uses but is just one measure of success and a narrow one at that.

In the context of the government's localism agenda and a wider drive to decentralise and rebalance the economy spatially, in 2012 PwC and Demos therefore refined our original Good Growth Index[8] to focus on cities and enable the debate on local economic development to shift from a narrow focus on GVA to a more holistic measure of city success.

Beyond Gross Value Added

If the pursuit of growth is essentially about improving the prosperity, life chances and wellbeing of citizens, is there more to the equation than a narrow focus on 'Gross Domestic Product' (GDP) and GVA?

Our research with think tank Demos, launched in 2012,[9] created a good growth for cities index, based on the views of the public on what economic success means to them. Within the index, good growth encompasses broader measures of economic wellbeing including jobs, income, health, work-life balance, housing, transport infrastructure and the environment – the factors that the public have told us are most important to the work and money side of their lives.

Local economic development and policy is ultimately about choices and priorities – where to take action and invest scarce resources to promote growth. The Demos-PwC Good Growth for Cities index provides a framework for allocating resources and investment, driving decisions based on what people want. This is an opportunity to move beyond the narrow confines of GVA and for city leadership to start with the outcomes that people – the voters – value and so providing a more democratic dimension to the decisions made.

This report sets out the second edition of the Demos-PwC Good Growth for Cities Index.

6 'No Stone Unturned in the Pursuit of Growth', Lord Heseltine , 2012.
7 Interview with ITV News Anglia, 2nd October 2013.
8 'Good Growth: a Demos and PwC report on economic wellbeing', Demos, 2011. www.pwc.co.uk/government-public-sector/publications/good-growth-index-how-gov-can-kick-start.jhtml
9 'Good growth for cities: A report on urban economic wellbeing from PwC and Demos', November 2012. www.pwc.co.uk/government-public-sector/good-growth/index.jhtml

Methodology

The broad methodology which we have applied in this report is similar to that used in our previous Good Growth reports in 2011 and 2012, but has been adjusted to reflect feedback on these earlier reports at roundtables discussing the findings as well as newly available data and the results of additional polling. Our approach to developing the 2013 index is summarised in **Figure 1**.

The aim of this methodology was to create a composite 'good growth' index. This index looks to capture and weight the characteristics of a city which the UK public believes are important for judging economic success in the medium to long term. The elements used within the index are:

- Secure jobs.
- Adequate income levels.
- Good health (so as to be able to work and earn a living).
- Time with family/work-life balance.
- Affordable housing.
- Sectoral balance of the economy (e.g. the size of the manufacturing sector).
- Affordable and good quality transport systems (road and rail in particular).
- Providing for the future through the potential to be in employment and earn a living.
- Protecting the environment (carbon emission reduction, preserving forests).
- Fair distribution of income and wealth.

These are the same elements as those used in the previous version of the report, aside from a change to the 'providing for the future' variable. Previous versions of the report had defined provision for future generations through the savings rate. While this had been appropriate in the first *Good Growth* report comparing countries, taking into account feedback received on our first *Good growth for cities* report in 2012, it appears less appropriate at local level than looking at an individual's ability to provide for their future.

As a result, provision for future generations is now defined through a measure of skills level, which was seen as an appropriate proxy for future earnings and employment potential. This also links well with the agenda of both businesses and the newly created Local Enterprise Partnerships (LEPs) in England, whose remit includes among other things a focus on improving local skills levels.

Defining the index weights

The weights given to each element of the index have been defined in each report by reference to a series of polls for representative samples of the UK working age population. In order to capture any changes in public opinion, we repeated the poll from the last two years covering an additional representative sample of over 2,000 adults. The results of this poll were combined with the previous two to create three-year average weights that now encompass a total sample of around 7,000 people.

The skills variable was given a weight of 12% based solely on the results of the most recent poll, as it was not previously included. The other weights were adjusted accordingly in light of this. The impact of updating the weights can be seen in **Table 1**.

As can be seen from this table, the updated polling has had a limited impact on most of the weights, aside from the increase in the weight placed on the new measure of providing for the future – skills. The considerably higher weight placed by the public on skills, relative to savings, further supports its inclusion within the index.

***Figure 1:* Approach**

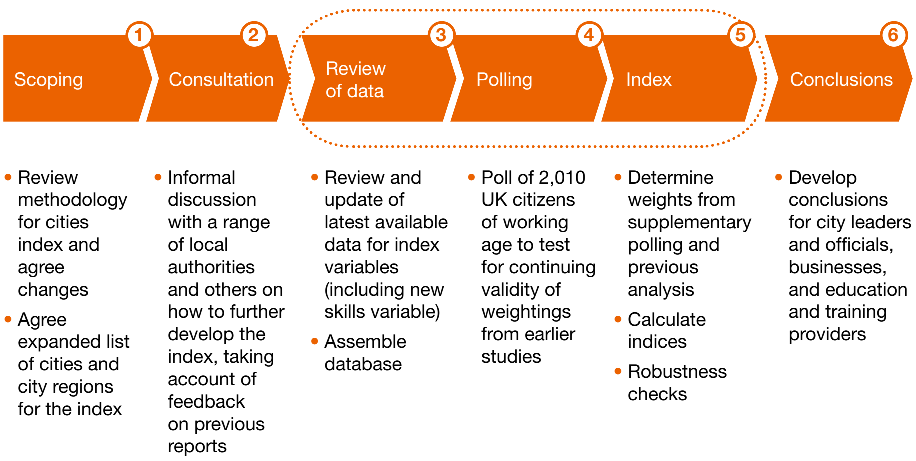


Table 1: ***Latest index weights compared to 2012 study***

	Jobs	Health	Income	Skills	Work-life balance	Housing	Sectoral balance	Income distribution	Transport	Environment
2013 weights	16%	13%	12%	12%	9%	9%	8%	8%	7%	6%
2012 weights	18%	13%	13%	7%	11%	9%	7%	8%	7%	7%

Jobs, health and income have remained the highest priorities for the UK public, with the environment and transport still receiving relatively lower weights. The broad conclusions of previous polling on the relative importance of different factors in the index were therefore confirmed.

Defining the list of cities

The previous list of 37 cities, based on Travel To Work Areas (TTWAs),[10] was expanded to include Swindon and Milton Keynes. These areas had only just missed out on inclusion from the previous list on the basis of population size. We have used a working definition throughout for defining appropriate UK cities as those with a population of 250,000 or more, although minor adjustments to this list have been made.

The final list of 39 cities can be seen in Table 2.

In addition to comparing this list of cities, we also produced the following versions of the index:

- All 39 LEPs in England – this expands upon the analysis conducted in the previous report which looked at just the eight 'core' English cities outside London using LEP definitions.
- Eleven cities within the devolved administrations – data was collected for five new cities (Inverness, Stirling, Dundee, Perth and Londonderry) and combined with the six cities that were included previously (Aberdeen, Glasgow, Edinburgh, Belfast, Cardiff and Swansea).

The scores for these cities could then be compared relative to each other.

- London local authorities – given the high variation in economic and social conditions within London, this comparison provides more information on the distribution of index results across the London boroughs.

Table 2: ***List of cities included within the 2013 Demos-PwC Good Growth Index***

Aberdeen	Leicester	Portsmouth
Belfast	London	Preston
Birmingham	London (Boroughs Only)	Reading & Bracknell
Bradford	Liverpool	Sheffield & Rotherham
Brighton	Maidstone & North Kent	Southampton
Bristol	Manchester	Southend & Brentwood
Cambridge	Milton Keynes & Aylesbury	Stoke-on-Trent
Cardiff	Middlesbrough & Stockton	Sunderland
Coventry	Newcastle & Durham	Swansea Bay
Edinburgh	Norwich	Swindon
Glasgow	Nottingham	Wakefield & Castleford
Hull	Oxford	Warrington & Wigan
Leeds	Plymouth	Wirral & Ellesmere Port

10 The Office for National Statistics defines Travel To Work Areas (TTWAs) as labour market areas where the bulk (75% or more) of the resident economically active population work in the area and also, of everyone working in the area, at least 75% actually live in the area. We recognise that TTWAs vary considerably depending on city characteristics and for different segments of the population (e.g. wealthier commuters who may be able to live outside standard TTWAs).

Key findings

Distribution of scores across Travel to Work Areas (TTWAs)

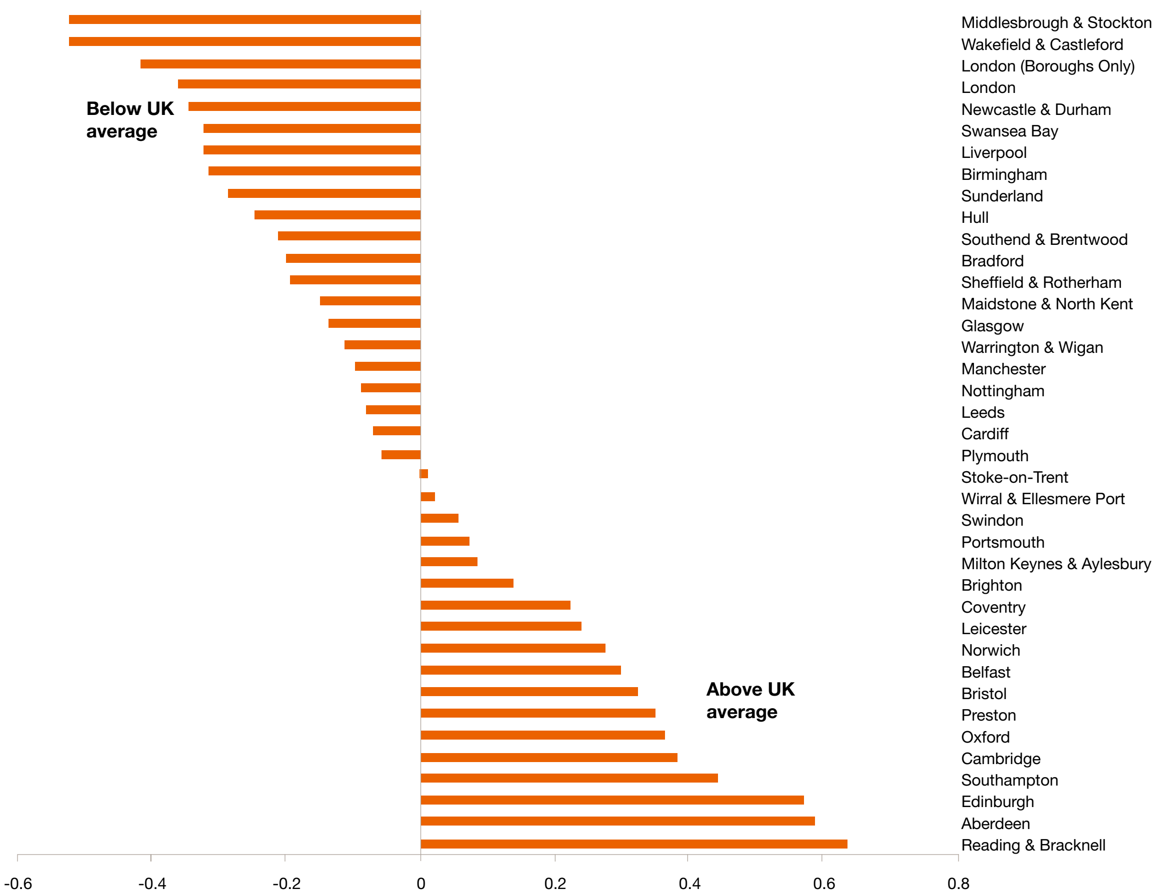
The overall distribution of cities' scores, defined by TTWAs (plus Greater London on an aggregated borough basis) can be seen in **Figure 2**. These scores represent the weighted-average value of the elements which make up the overall index. Each area is scored relative to the rest of the areas with a sample average across all of the cities of zero. Negative values therefore represent below average scores and positive values above average ones.

In order to create the index, each of the variables was normalised through scoring each data point in terms of the number of standard deviations it is away from the sample mean. This ensures that the score for each variable is directly comparable, and thus allows for collation of variables with a range of means and distributions into a single index.

This approach is consistent with that taken in our 2011 and 2012 reports, and is standard industry practice when constructing such indices. As a result, if a city has an index value of, say, -0.5 then this can be interpreted as having a weighted average score on the ten indicators that is, on average, half a standard deviation below the UK national average.

Figure 2 shows that the cities with lower scores are often located in less affluent regions, such as the North East. On the other hand, more affluent areas, such as the South of England and the wealthiest cities in Scotland (Edinburgh and Aberdeen) typically score more highly. These cities tend to score higher on skills, jobs and income as opposed to the cities at the other end of the index, which typically do better in areas such as housing affordability.

***Figure 2:* Demos-PwC Good Growth for Cities Index (UK average = 0)**



Changes to city rankings since last year

These findings are similar to those we found in the 2012 report. Due to the range of methodological, source and sample changes between the two years, it is not possible to compare our 2013 index scores directly with those published in the 2012 report.

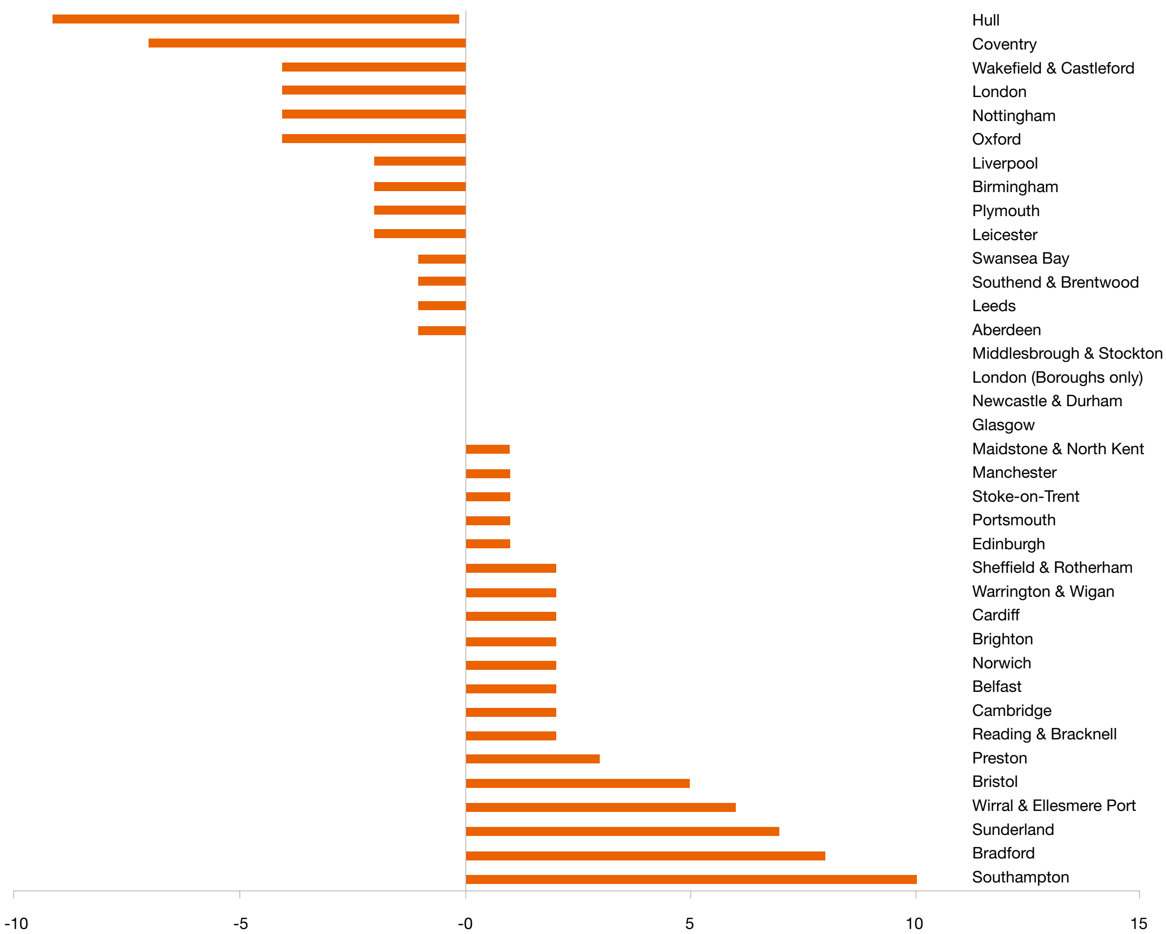
However, **Figure 3** below shows the estimated changes in rankings if our 2013 methodology had been used with 2012 data to create a comparable set of results for last year.[11] In the chart, a negative change represents a worsening of a city's ranking between 2012 and 2013, and vice versa.

As can be seen from **Figure 3**, the majority of cities did not see significant changes in their rankings, broadly confirming the findings of the 2012 report.

While some cities did see larger changes (most notably Hull and Southampton), these were due to short term data fluctuations that should not necessarily be taken to represent permanent shifts given the propensity of data at this geographic level to fluctuate quite widely year-to year.

Further years of data will be needed to assess trends in city rankings with greater confidence. A more detailed analysis of the reasons for significant ranking changes between 2012 and 2013 is provided in **Appendix 2**.

***Figure 3:* Estimated ranking changes between 2012 and 2013 indices using consistent methodology**



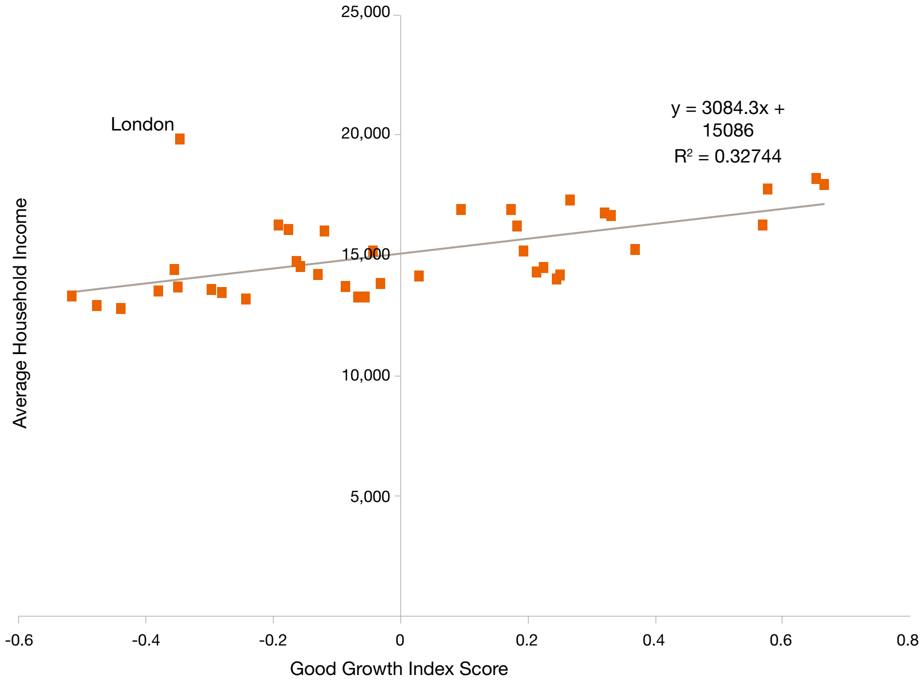
11 Data from a year previous were available for all variables, aside from owner occupation data which were sourced from the 10-yearly census and so did not change from last year.

London – a special case?

One notable outlier in the analysis is London, which once again comes towards the bottom of the index, despite having the highest average income. Further analysis of the wide variations between London boroughs is discussed below, but generally it appears that the issues associated with living in large urban areas (such as the lack of affordable housing, congestion and long working hours) are sufficiently prevalent in London to more than offset the benefits of high income levels.

The degree to which London underperforms in the index, relative to its average income level, can be seen most clearly in Figure 4.

***Figure 4:* Relationship between Demos-PwC Good Growth Index scores and average income levels**



This shows a consistently positive relationship between index score and income; a one point increase in the index is approximately associated with a £3,000 increase in annual income, on average.

However, some cities perform better or worse on the wider index than income levels alone would suggest. This is most dramatic for London, whose score on the Good Growth Index might be expected in a city with 25% lower average income levels based on the measured relationship for all UK cities.

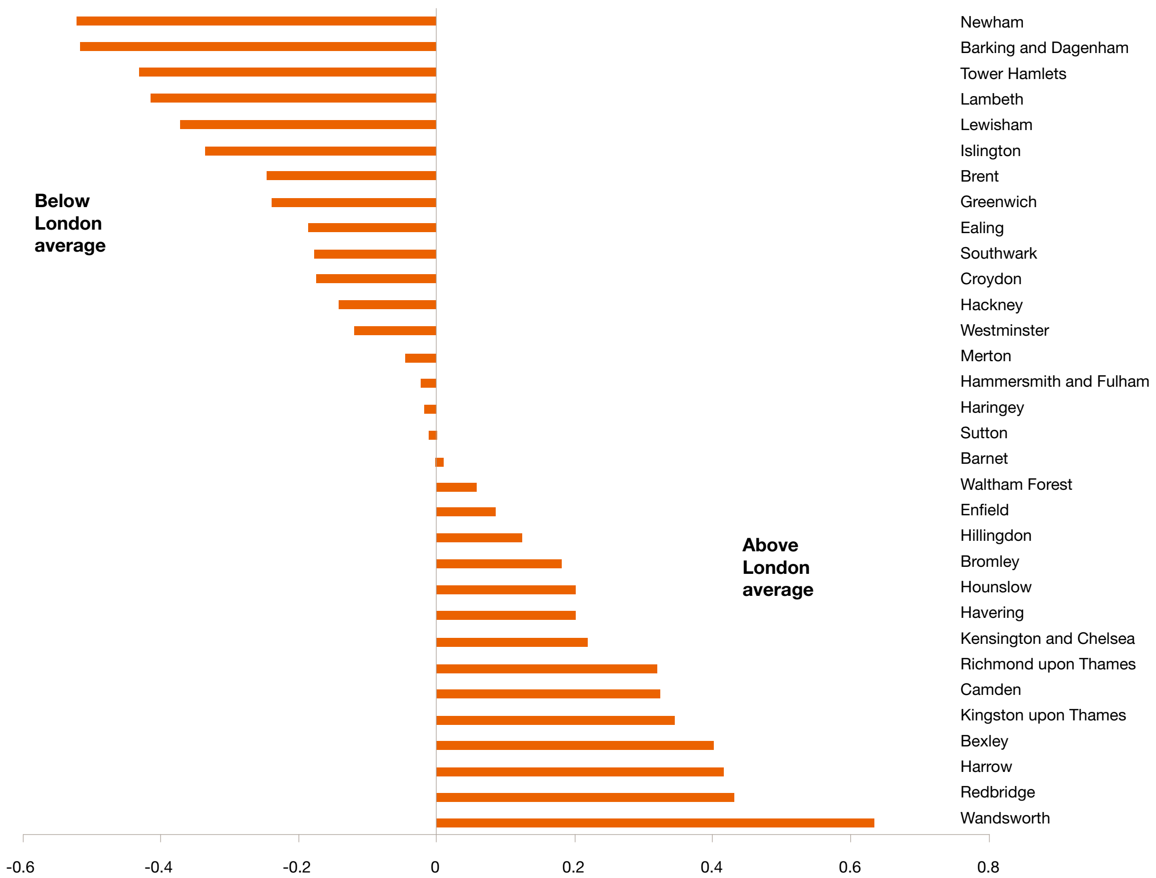
London Local Authorities

In London, however, it is important to bear in mind its considerably larger scale and diversity compared to the other UK cities.

Figure 5 below demonstrates this by showing the wide distribution of index scores across the London local authorities (measured relative to the overall London average).

Perhaps unsurprisingly, it appears that the more affluent areas of the city tend to score more positively than less affluent areas.

***Figure 5:* Demos-PwC Good Growth Index for London local authorities**

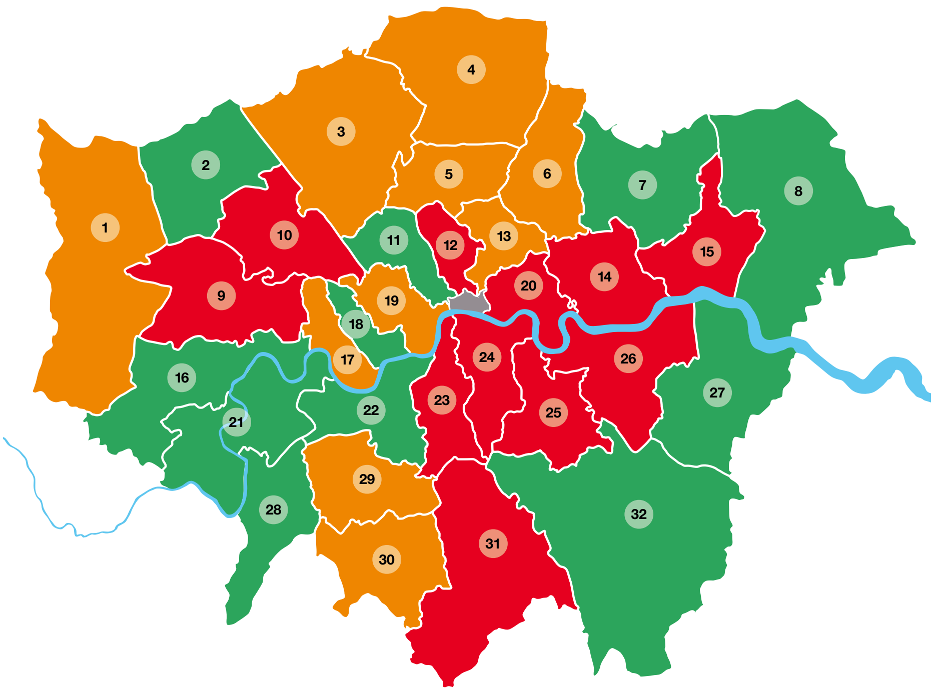


This result leads to the geographical distribution of scores shown in Figure 6, where green colours indicate significantly above average index scores and red colours significantly below average index scores.

This clearly demonstrates that while the majority of below-average scoring boroughs are located near the centre of London, the above average scorers are generally located further out in more suburban commuter-heavy boroughs. These systematic differences within London have important policy implications which need to be considered when assessing the overall index score for London.

It should also be noted that some London boroughs such as Wandsworth, Harrow and Redbridge would be well above the average for cities in our overall index.[12] However, London boroughs have a range of scores for each variable which is well beyond the case for other cities e.g. Wandsworth ranges from a score of -6.24 in work-life balance to +9.18 for income. The wide range also reflects the fact that, at local authority level, you can get some extreme variances, which is one reason for caution about these results.

***Figure 6:* Distribution of Demos-PwC Good Growth Index scores across London boroughs**



Key:

- Below average relative to the index for all LEPs (≤ -0.5)
- Around average (-0.49 – +0.49)
- Above average (≥ +0.5)

No.	Local authority	No.	Local authority
1	Hillingdon	17	Hammersmith & Fulham
2	Harrow	18	Kensington & Chelsea
3	Barnet	19	City of Westminster
4	Enfield	20	Tower Hamlets
5	Haringey	21	Richmond upon Thames
6	Waltham Forest	22	Wandsworth
7	Redbridge	23	Lambeth
8	Havering	24	Southwark
9	Ealing	25	Lewisham
10	Brent	26	Greenwich
11	Camden	27	Bexley
12	Islington	28	Kingston upon Thames
13	Hackney	29	Merton
14	Newham	30	Sutton
15	Barking & Dagenham	31	Croydon
16	Hounslow	32	Bromley

12 We have not undertaken a full analysis as we have measured London boroughs on a local authority basis which is not directly comparable with other cities which are measured on a TTWA basis.

Analysis of LEPs

As noted above, one of the innovations for 2013 is that we have extended the good growth index analysis to all LEPs in England. Figure 7 shows the results of this analysis, with areas in the South and West typically scoring highly.

It is noticeable that many of the large cities tend to score somewhat below the average. As with London in the main index, this could reflect issues typical of such large urban areas related to lack of affordable housing, transport congestion which increases commuting times, relatively unequal income distribution and other 'quality of life' issues.

The geographic distribution of scores can be seen more clearly in Figure 8, which uses the same 'traffic light colour' system as the analysis of London boroughs in Figure 6. Most evident from Figure 8 is that most of the above average scoring (green) regions are located in a continuous bloc, ranging from Leicestershire, across to the Welsh border and down to Solent, Dorset and Heart of the South West on the South Coast.

On the other hand, regions located in the North and East of England are much less likely to achieve significantly above average scores, with only the Cheshire and Warrington and Cumbria LEPs bucking this trend.

Once again it can be seen that London appears to act as an outlier, as demonstrated also by the analysis in Figure 9. This shows that, as with the main cities analysis above, an increase in income within the LEP is typically associated with a significant rise in the index score, with the notable exception of London.

***Figure 7:** Demos-PwC Good Growth Index scores for LEPs*

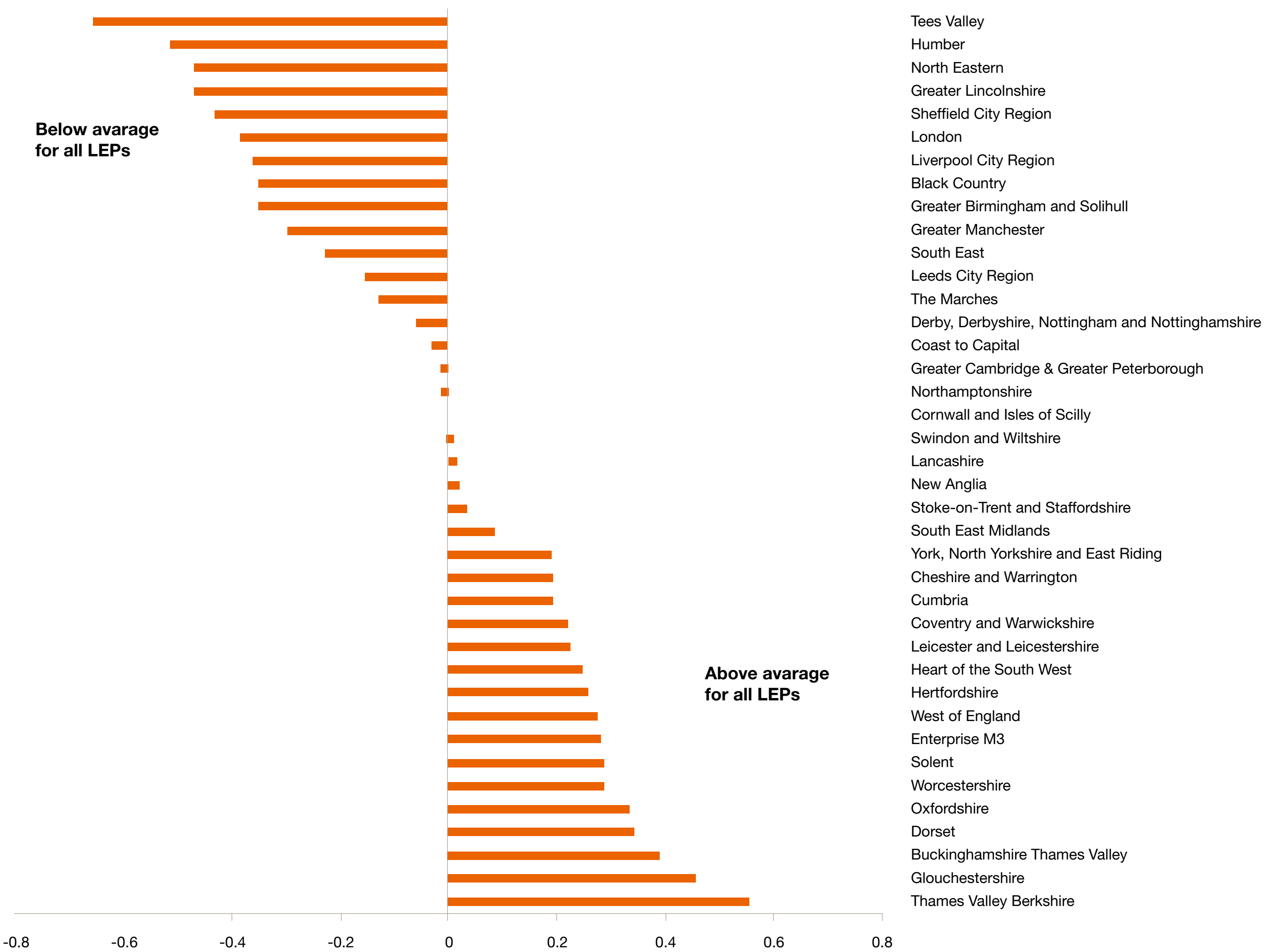
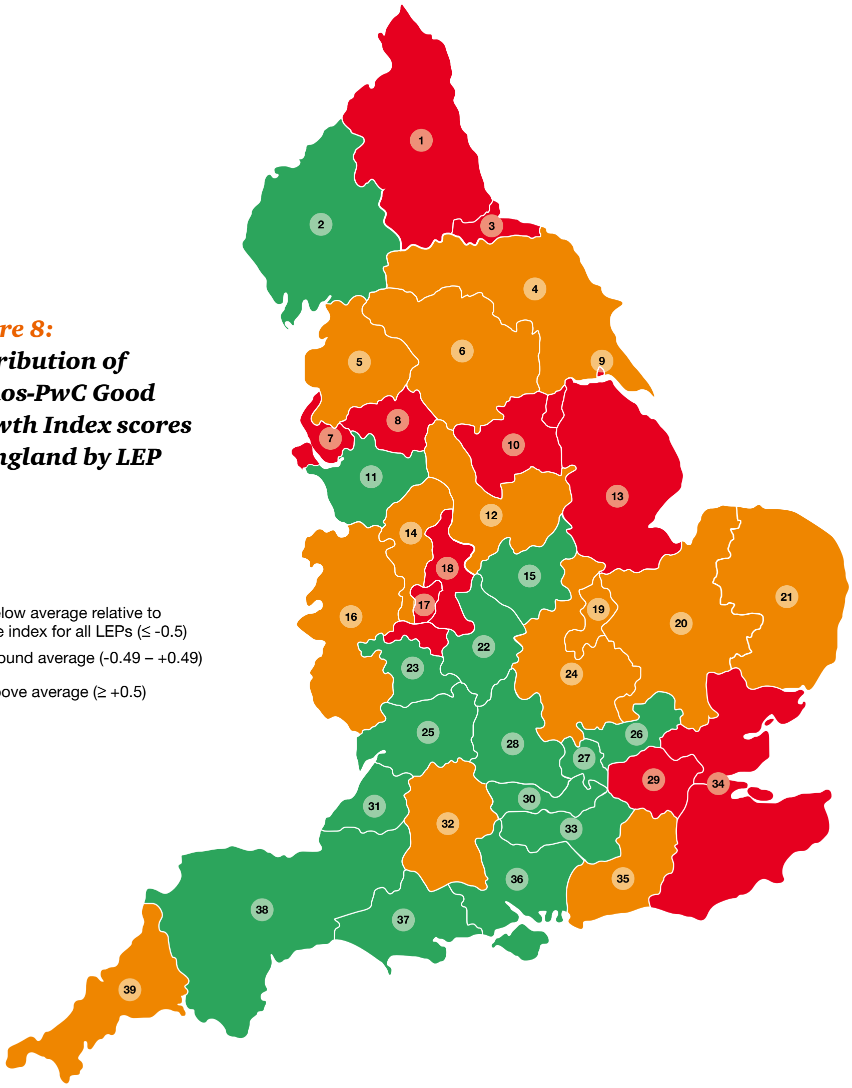


***Figure 8:* Distribution of Demos-PwC Good Growth Index scores in England by LEP**



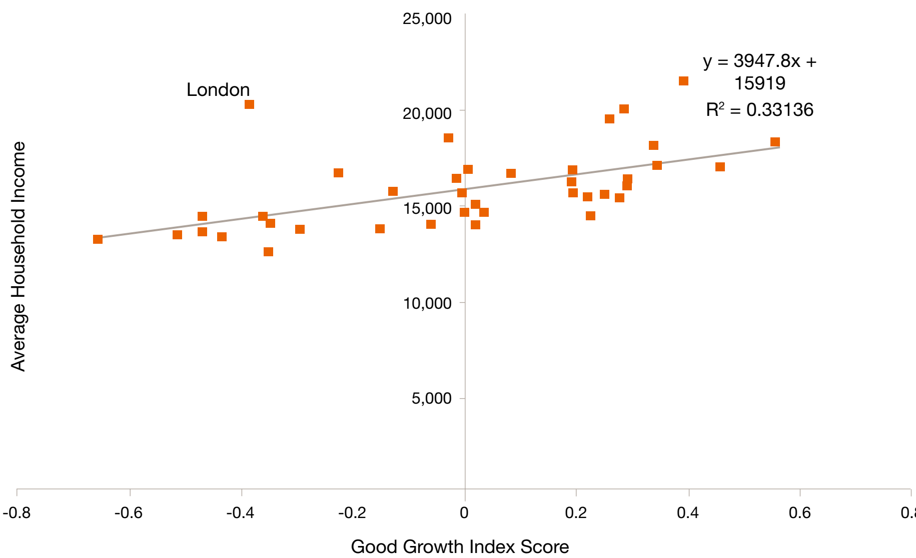
Key:

- Below average relative to the index for all LEPs (≤ -0.5)
- Around average (-0.49 – +0.49)
- Above average (≥ +0.5)

No	LEP	No	LEP
1	North Eastern	20	Greater Cambridge & Greater Peterborough
2	Cumbria	21	New Anglia
3	Tees Valley	22	Coventry and Warwickshire
4	York, North Yorkshire	23	Worcestershire
5	Lancashire	24	South East Midlands
6	Leeds City Region	25	Gloucestershire
7	Liverpool City Region	26	Hertfordshire
8	Greater Manchester	27	Buckinghamshire Thames Valley
9	Humber & East Riding	28	Oxfordshire
10	Sheffield City Region	29	London
11	Cheshire & Warrington	30	Thames Valley Berkshire
12	Derby, Derbyshire, Nottingham & Nottinghamshire	31	West of England
13	Greater Lincolnshire	32	Swindon & Wiltshire
14	Stoke-on-Trent & Staffordshire	33	Enterprise M3
15	Leicester & Leicestershire	34	South East
16	The Marches	35	Coast to Capital
18	Greater Birmingham & Solihull	36	Solent
17	Black Country	37	Dorset
19	Northamptonshire	38	Heart of the South West
		39	Cornwall & the Isles of Scilly

Just over 10% of local authorities in England (38 of 326) are covered by multiple LEPs. To avoid having substantial areas of the map which are not assigned a colour, where LEPs do overlap the relevant authority has been randomly assigned to one of the LEPs which it sits within. The precise index score for each LEP, which accounts for all local authorities within it, can be seen in Figure 7.

***Figure 9:* Relationship between Demos-PwC Good Growth indices and average incomes for LEPs**



The analysis of all 39 LEPs expands on the analysis in the 2012 report, which focused on the eight 'core' English cities outside London, using LEP definitions. The dashboard in Table 3 repeats the analysis for the eight core cities.

The most striking feature is that virtually every city has both 'red' and 'green' areas. In other words, each city has areas of significant relative strength, but also potential development areas which impact on their good growth scores. For practical purposes, and particularly when developing LEP Growth Plans, this more nuanced analysis is more valuable than the overall index scores.[13]

13 Analysis of other LEP areas available on request.

Table 3: ***Breakdown of good growth index scores for English core cities***

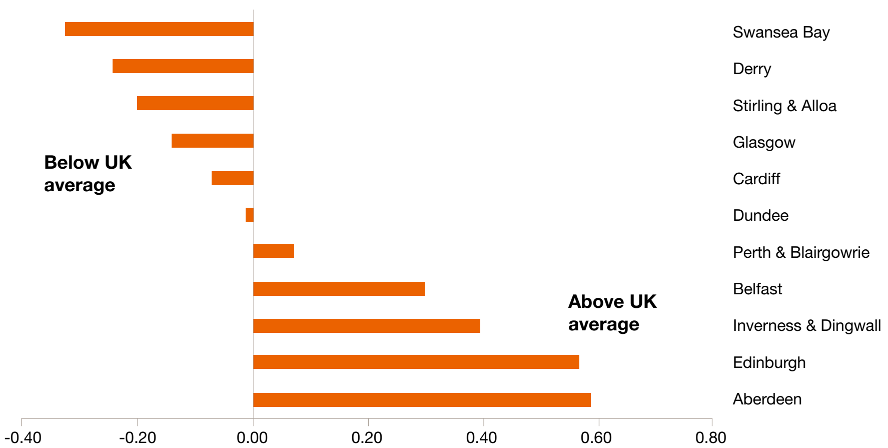
Cities (LEPs)	Jobs	Income	Health	Work-life balance	Sectoral balance	House price to earnings	Owner occupation	Transport	Providing for future generations	Income distribution	Environment
Manchester	Around	Around	Around	Above	Below	Above	Below	Below	Above	Around	Above
Liverpool	Below	Above	Below	Above	Below	Above	Below	Around	Below	Above	Around
Leeds	Above	Around	Around	Around	Around	Around	Above	Above	Around	Below	Around
Sheffield	Below	Below	Below	Around	Around	Above	Around	Around	Around	Above	Below
Nottingham	Above	Around	Around	Below	Above	Around	Above	Above	Around	Below	Below
Birmingham	Below	Around	Above	Around	Below	Below	Around	Below	Below	Below	Around
Bristol	Above	Above	Above	Below	Below	Below	Above	Above	Above	Around	Above
Newcastle	Below	Below	Below	Around	Above	Above	Below	Below	Below	Around	Below

Key: Below average relative to the index for all cities (≤ -0.5) Around average (-0.49 – +0.49) Above average (≥ +0.5)

Additional analysis for Scotland, Wales and Northern Ireland

A further extension to the 2012 report is the addition of five new cities (Stirling, Dundee, Perth, Inverness and Derry) to the devolved administrations analysis. These cities are significantly smaller than the rest of the sample, making it inappropriate to include them within the main index. However, they can be combined with the six existing cities from Scotland, Wales and Northern Ireland to create a separate index, as shown in Figure 10. Here the scores are calculated relative to the overall UK cities index average, and therefore the average score within this sample is not necessarily zero, unlike previous charts.

Figure 10: ***Demos-PwC Good Growth Index for devolved cities***



The scores are generally more strongly positive than negative, showing that these cities, on average, perform slightly better than the typical city within the overall UK index. Also evident is a wide disparity within the cities, and that the lower scores are not focused in one location; the three cities with the lowest scores are evenly distributed across the three devolved administrations.

Despite this wide range of scores, the dashboard in Table 4 shows that almost all of the cities have significant strengths and weaknesses. In particular, the majority perform above average in work-life balance, transport, sector balance and income distribution, but performance tends to be less strong on average in relation to health in particular.

In the next section of the report we draw out some of the implications of these findings for both public policy and business.

***Table 4:* Breakdown of good growth index scores for devolved cities**

Cities (TTWAs)	Jobs	Income	Health	Work-life balance	Sectoral balance	House price to earnings	Owner occupation	Transport	Skills	Income distribution	Environment
Belfast	Above	Around	Around	Above	Around	Above	Around	Above	Below	Above	Around
Derry	Below	Below	Around	Above	Around	Above	Below	Above	Below	Above	Below
Swansea Bay	Around	Below	Below	Above	Around	Around	Around	Above	Below	Above	Below
Cardiff	Below	Below	Below	Above	Around	Around	Around	Above	Around	Above	Around
Edinburgh	Above	Above	Around	Above	Below	Around	Around	Around	Above	Around	Above
Aberdeen	Above	Above	Below	Below	Above	Below	Around	Around	Above	Below	Around
Dundee	Around	Around	Below	Above	Above	Around	Below	Around	Around	Above	Around
Perth & Blairgowrie	Around	Around	Below	Around	Above	Around	Around	Around	Around	Above	Below
Stirling & Alloa	Around	Around	Around	Around	Around	Around	Around	Around	Around	Below	Around
Glasgow	Below	Around	Below	Above	Around	Above	Below	Around	Above	Around	Around
Inverness & Dingwall	Above	Around	Below	Around	Above	Around	Around	Above	Around	Above	Above

Key: Below average relative to the index for all cities (≤ -0.5) Around average (-0.49 – +0.49) Above average (≥ +0.5)

Implications

Our 2013 findings indicate that for many cities there are important trade-offs to be made in achieving good growth. Congestion, pollution and high house prices are just some of the indicators of a rising price for success based on conventional economic measures such as income and jobs. And many of our large urban centres have to cope with these problems at a time when the funding needed to make the necessary investments to adapt and improve infrastructure is in short supply.

This does, however, present opportunities for those cities well placed in our index, often mid-sized or with a mix of urban-rural topography, to increase their share of economic activity. But these cities need to have a clear vision of their assets and identities and sell themselves better to the investor community, by presenting 'investor ready' opportunities.

The lessons arising from the big movers in our 2013 index, notwithstanding changes in methodology, is that jobs have a key impact on position in the index, with increases or decreases in unemployment being a key driver of short term positional changes **(see Appendix A2)**. This emphasises the importance of innovation to drive productivity and create new jobs, as well as skills to match individuals better to the opportunities available, particularly 16-24 year olds – the cohort with the highest unemployment rate.

The challenge therefore is to unlock the potential of our cities which are the engines of sustainable growth by investing in the enablers that businesses require to succeed and grow. Public sector organisations at all levels, but particularly in our cities, have an important role to play in creating a platform for growth through a focus on three key levers: skills, infrastructure and innovation.[14]

A demand-driven skills system, value-adding infrastructure and a self-sustaining innovation ecosystem are needed, with good growth at the heart of the purpose and mission of our public bodies as we discuss in turn below.

Right skills in the right places

Cities are motivated now more than perhaps ever before by their need to drive growth, increase investment and jobs and raise standards of living. In part, this reflects the added incentive of an increase in local revenue as a result of higher growth, which can help offset declining grants from central government.

Our research with think tanks, the public and other organisations shows that if growth is a pre-condition for jobs then good growth needs to go alongside the creation of good jobs. These include ones that give satisfaction, pride in doing good work, meaning (such as contribution to the community), an opportunity for career progression, flexibility (work-life balance) and income sufficient to live on, ideally with a little left over!

Moreover, a growing body of research confirms the link between work and other aspects of good growth – for example between job quality and physical and mental wellbeing.[15] This is consistent with research on what impacts on 'happiness'. Having paid employment is the cornerstone of an individual's economic success and wellbeing. And acquiring skills, the new measure in our 2013 index, is the necessary foundation for both individuals and also for businesses seeking to expand.

Yet businesses continue to feel that our skills system does not meet their needs, despite the government's measures to improve the employability of our workforce. Youth unemployment remains unacceptably high, while an ageing population creates new demands to refresh the skills of older workers. In our book *Stepping stones to growth*,[16] we discuss in detail what a new skills system, integrating the needs of business and individuals, could look like and the size of the prize **(see Box)**.

Refuelling the labour market is vital, with a business-led skills system which better matches prospective recruits with opportunities available

Practical action is required to better connect people with opportunities. Businesses need to be in the driving seat, creating more good jobs. This needs to be supported by a demand-driven skills system – and a more outcome-focused Jobcentre Plus. These principles are the cornerstone to the future health of our labour market.

Acquiring the right skills is an essential pre-requisite to achieve the public's desired outcomes of jobs and income, is a top priority for businesses and is also requisite for societal outcomes e.g. improved social mobility and reduced poverty.

14 'Investing for Prosperity: Skills, Infrastructure and Innovation' Report of the LSE Growth Commission in partnership with Institute for Government and Centre for Economic Performance P. Aghion et al. 2013.

15 See 'Stepping stones to growth', PwC, 2013. www.pwc.co.uk/government-public-sector/stepping-stones/stepping-stones-for-growth-our-new-book.jhtml

16 Views on a demand driven skills system drawn from 'Stepping stones to growth', PwC, 2013.

There are five conclusions for those who want to maximise the potential of our workforce:

- Employers must take greater responsibility for helping young people understand the world of work and its opportunities. This responsibility does not fall solely on the shoulders of big business; small and medium sized enterprises (SMEs) have an important role to play. Employers must also see the return on investment for being involved in schools and higher/further education: capturing talent early.

- The quality of the information being communicated is crucial: education providers and businesses must develop a shared language and collaborate to ensure courses are demand-led.

- There should be an early evaluation of demand-led programmes to ensure they are really delivering the outcomes expected by employers.

- Providers need to respond and take advantage of business engagement, maximising the opportunity for businesses and pupils/students to interact and smooth the transition from education to the world of work, ensuring that individuals receive high quality, objective advice on potential career paths.

- Individuals need to be empowered to make well-informed choices, and government must step in to improve the brokering process where there is most risk of a deficit of good quality information.

The stakes are high – reducing or eliminating the productivity gap between the UK and its competitor nations is potentially worth about £140bn of extra GDP every year to our economy.[17]

Source: Stepping stones to growth, PwC, 2013

Fundamentally, connecting people with job opportunities and facilitating an effective school to work transition requires better communication and information exchange between all of those involved. Businesses, through LEPs, and local authorities have a key role in this process.

This was recognised in the Spending Round 2013 when government put £500 million of skills funding at the disposal of LEPs through the Single Local Growth Fund 'to allow local employers to drive the provision that they need to maximise growth in their areas'. This includes matched funding to support skills projects funded through European Social Funding and Further Education capital funding.

Local authorities are also rediscovering a zest for their role in post-schools skills development, acting as a broker between public provision and private sector demand. Essex is just one of a number of authorities which is taking an active approach to facilitating the connection between businesses and providers and so helping the system of skills provision to be more demand driven **(see Box)**.

Essex Employment and Skills Board (ESB)

In 2012, Essex submitted ambitious Community Budget (CB) proposals to Whitehall, reshaping skills provision for 16-24 year olds to deliver inclusive economic growth. The simplified local employer-led system requires: an Employment & Skills Board (ESB); a single portal/point of contact for business; real-time industry intelligence; and greater local determination of rewards for skills provision to meet economic and social needs.

Essex is now creating an ESB to give a voice to employers, help 'bridge the gap' between education and industry and shape and challenge the system locally. The ESB aims to oversee:

- An online mechanism through which all employers and providers can interact and employers can start to drive provision offered locally called 'MarketPlace'.

- A Fund that can utilise limited public skills funding to leverage significant investment from employers in skills development locally and equitably, particularly in support of growth sectors and SMEs – the Essex Skills Investment Fund.

- Robust intelligence and mechanisms to inform and deliver Information Advice and Guidance to young people and shape training provision across Essex.

17 In 2011 the average GDP per hour worked was 16% higher on average in the rest of the G7 economies than in the UK, and 122%-127% of the UK level in Germany, France and the US. If we were to say simplistically that success with respect to good jobs implied closing about half of this gap, say through 10% higher hourly productivity, this would be equivalent to about £140bn of extra GDP every year in the UK.

Infrastructure – competing for mobile finance

Delivering effective, efficient and sustainable urban infrastructure is essential to provide the city backbone from which economic success and prosperity can grow. With many cities in our index showing red flashing lights for indicators such as housing and transport, and with the UK at 24th place on the World Economic Forum's league table for infrastructure,[18] it is clear that more needs to be done to deliver and meet the needs of our citizens and businesses.

Not only do cities in the UK need to upgrade failing and ageing infrastructure, but as technology drives mobility and connectivity, cities are also seeking to upgrade what they can offer residents and businesses and establish smart city systems that will position them as global leaders.

Managing this scale of change is a complex undertaking, particularly if communities are to have a standard of living which meets modern day expectations. Yet cities have limited access to funds and ways of financing their plans, particularly as fiscal austerity extends deep into the next Parliament.[19] So what is the best way for their cities to attract investors and enable the financing and delivery of the critical urban infrastructure needed to become a city of the future?

This is the key question that has formed the basis of an ongoing research collaboration with Siemens and Berwin Leighton Paisner (BLP) on 'Investor Ready Cities'[20]. This work is showing that first and foremost cities need a clear, well formulated vision of growth and economic prosperity, underpinned by a set of well-defined strategic objectives (the what) and initiatives (the how). This vision must be owned by key stakeholders – politicians locally (and nationally, where appropriate), officials, businesses and residents – with strong leadership needed to develop and sell their city vision.

This in turn provides confidence to investors that the emerging challenges are understood and will be managed. Cities also need to demonstrate visibly how infrastructure will deliver value to both users and investors. In a globally connected marketplace, where cities compete with each other for scarce investment funds, success will be reflected in the ability to attract internationally mobile capital.

Ultimately cities must create a quality of life proposition which exceeds that of their closest competitors and provide an attractive offering to investors and prospective residents. City competitiveness therefore comes down to how to attract the financial investment and human capital that will sustain a city into the future.

Changing times also mean that city authorities can no longer plan for what is known today. They must plan to meet the needs of future generations too and provide, rather than consume, a legacy for successive generations.

Cities can no longer take 20 years to deliver major infrastructure developments. Our research with Siemens and BLP shows that planning needs to be swift and cities need to be agile in response to changing business, resident and investor needs.

Cites also operate in a complex environment. Political jurisdictions and overlapping administrative boundaries across city regions result in challenges, particularly where LEP boundaries are not co-terminus with those of single councils or Combined Authorities. Cities need to master these to ensure progress is not hindered by bureaucratic hurdles and develop a common platform for growth **(see Box)**.

Creating a platform for growth

There are many stakeholders critical to making growth happen on the ground **(see Figure 11)**. Through our work around the world, we have seen the benefits of bringing together the key stakeholders needed to collaborate and provide a common platform for growth – universities, the not-for-profit sector, citizens and the private sector with the local, regional or national government.

To be effective, these stakeholders need to work together and be clear on their roles and how they are jointly and collectively responsible for good growth, including creating the business cases for others – in central government and in other countries – to invest in their places.

18 The Global Competitiveness Report 2013–2014', World Economic Forum, 2013.
19 'Living with austerity', PwC, 2013. www.pwc.co.uk/government-public-sector/spending-review/index.jhtml
20 'Investor Ready Cities' an ongoing PwC research project in collaboration with Siemens and BLP.

Figure 11: ***Collaborating for growth***

The effectiveness of this collaboration requires effective partnerships and, among other things, an honest and shared understanding and articulation of their joint assets, sources of funding and finance and their 'offer', based upon a shared view of the future. It can also involve formal organisational arrangements, such as combining authorities and pooling management and resources.

Sources: Stepping stones to growth; Future of Government

Despite limited government resources to fund the delivery of major infrastructure projects, often some upfront public sector investment is needed to create investor confidence in the commitment to an infrastructure development, and (if applicable) to subsidise the tariff charged to users. Cities therefore need to tap into all existing sources of funding available to them and create the right conditions to harness new sources of funding to deliver projects ranging from housing through to local transport.

Grants from central government can only meet a small part of total needs for infrastructure and services in an area. Cities must become more innovative and adventurous with respect to how they raise finance. Investment can come not only from domestic banks, institutions and capital markets, but also from overseas sovereign wealth funds, pension funds, bilateral and multilateral institutions and public-private partnerships.

But major investors are increasingly conservative in their decision making. Cities must therefore demonstrate clearly how investors will capture the value from infrastructure investments through a variety of mechanisms including user charging, tax incremental financing[21] as well as community infrastructure levies **(see Box)**. Importantly, as our research with Siemens and BLP demonstrates, capturing value for the investor requires that value is also created for the user and for which they are prepared to pay e.g. through a tariff or user charge.

Community Infrastructure Levy (CIL) and the Milton Keynes Tariff[22]

One model for cities to fund new infrastructure is to capture a share of the uplift in land values attached to an offer of planning permission for a development. This involves setting and then applying a tariff/levy on new green field developments. An example is a community infrastructure levy (CIL) which is fixed on a per square metre basis according to a schedule of rates published by the city.

In the UK, while local authorities cannot finance against expected future CIL receipts a not dissimilar arrangement where CIL type receipts are used to prefund local infrastructure is the Milton Keynes Tariff. A "roof tax" is levied on new developments to contribute to the costs of local enabling infrastructure such as expanding transport, education, health and other social infrastructure networks to service new communities in expansion areas of the city.

With the approval of HM Treasury, English Partnerships prefunded the infrastructure works in advance of receiving the CIL. The CIL programme is administered by the Milton Keynes Partnership Committee (MKPC), a formally constituted subcommittee of English Partnerships (EP).

The scheme was developed in collaboration with Milton Keynes Council, the Highways Agency, local health officials and Milton Keynes Forward, representing developers and landowners. MKPC acts as the local planning authority for major applications within a designated Urban Development

21 Further information on charging and TIF can be found in 'Out in the open', PwC, 2011. www.pwc.co.uk/en_UK/uk/assets/pdf/out-in-the-open.pdf

22 www.miltonkeynespartnership.info/about_MKP/business_plans_infrastructure_tariff.php

Area (UDA) where c34,000 new homes are expected to be built through 2016. The tariff applies to all major developments (sites in excess of 10 dwellings per hectare) granted planning consent by MKPC in the UDA.

The developers' tariff contributions are (before adjusting for inflation) £18,500 per residential dwelling and £260,000 per hectare of employment space. Some of these tariff requirements can be paid via in-kind contributions such as provision of open public space. The CIL payments are phased, and the first phase is triggered by the grant of planning permission with the phasing differing between commercial and residential developments. All payments must be received by a long stop date 10-15 years from the grant of an implementable planning consent. As such, if the development has not been completed in the agreed timeframe, the remaining CIL payments are due from the developer.

Of course, there is no universal blueprint that can be applied to urban development and the adoption of infrastructure solutions, particularly with the onset of new and rapidly evolving technology. Each city will have to plot its own path based on an analysis of its own particular strengths and weaknesses and a definition of what it wants to be famous for.

What is clear though from our work with Siemens and BLP, is that infrastructure delivery will not be achieved without being joined up at the critical points, without being intelligently phased and sequenced and without addressing the underlying governance, legal and financing requirements.

Developing an innovation ecosystem

Innovation is a competitive necessity for business and for government. Along with skills and infrastructure, innovation is fundamental to achieving good growth. Indeed, research by PwC reveals that, over the last three years, leading innovators have grown at an impressive rate which is 16% higher than the least innovative.[23]

So how can government play its part in creating an innovation ecosystem that supports good growth? Particularly in light of the most striking finding for government from the research that just under half of the 1,757 companies surveyed internationally take advantage of any form of government funding for innovation (48%) or tax incentives (45%). In the UK, only 31% of companies surveyed made use of tax incentives. This raises the question of whether government funds devoted to innovation are being directed to best effect.

Strategically, public bodies need to consider their role in local and national innovation strategies, based on areas of competitive advantage. One approach – smart specialisation[24] – involves formulating an economic transformation agenda which builds on, and innovatively combines, existing strengths in new ways. This means identifying a place's competitive advantages and mobilising regional stakeholders (including business, universities, the third sector and the public) around an inspirational vision for the future.

We are also seeing the rise of public entrepreneurs – individuals and organisations within the public sector which create new ventures and ultimately increase local, regional and national innovation absorption capacity (Figure 12). Their efforts are in turn championed by political entrepreneurs, who are key in channelling political will and vision to support innovative strategies.

Innovation is therefore just as important for the public sector as for the private sector. Public bodies need to be capable of incubating ideas and delivery models and accelerating their impact (scaling up via rapid prototyping). This means having the right (new) service delivery models for the right results, with an eye on measurable outcomes and real impact. Especially today, with money becoming ever tighter, it is about reconfiguring existing models or developing new ones to do more with less and increase productivity.

Figure 12: ***The rise of the public entrepreneur***

Individual entrepreneurs	• Create new activities • Role model for young generations • Iconic person in and outside the country	Very small companies
Intrapreneurs	• Absorb innovation in companies • Create new activities and jobs	Large companies
Public entrepreneurs	• Match the needs of the private entrepreneurs • Create new ventures • Increase country innovation absorption capacity	Government & Administration
Political entrepreneurs	• Reshape citizen wellbeing • Smart specialisation strategies • Channel political will and vision to support innovative strategies	Political Leadership

Source – Future of Government: Tomorrow's Leading Public Body

23 'Breakthrough innovation and growth', PwC, 2013. www.pwc.com/gx/en/innovationsurvey/index.jhtml
24 'Future of Government', PwC, 2013. www.pwc.com/gx/en/psrc/publications/future-of-government.jhtml

A good growth dividend for the public sector?

Beyond demand-driven skills, value adding infrastructure and an innovation ecosystem, how else can good growth be put at the heart of our public bodies? The ability to re-invest revenues and savings locally, to achieve better long term outcomes, means a new approach is needed where all stakeholders collaborate and share in both the risks but also the dividends of public service reform and growth (see Figure 13).

There is a direct interaction between growth, more jobs and reduced demand for council services while increasing council revenue. Councils do not create growth, businesses do. So in order to maximise a city's growth potential, councils must prioritise and enable investment to develop the infrastructure and other enablers such as skills that business needs. By its nature, this process must be collaborative, as discussed earlier. A common understanding is required of the barriers and opportunities to grow.

City Deals have demonstrated the opportunity for those authorities who have a clearly evidenced investment plan for growth to negotiate the return of increased national revenues for further investment in their cities. This should also underpin LEP Growth Plans (see Figure 14) and help the drive by councils to become more fiscally sustainable (see Box).

***Figure 13:* The dividend from integrating growth and reform**

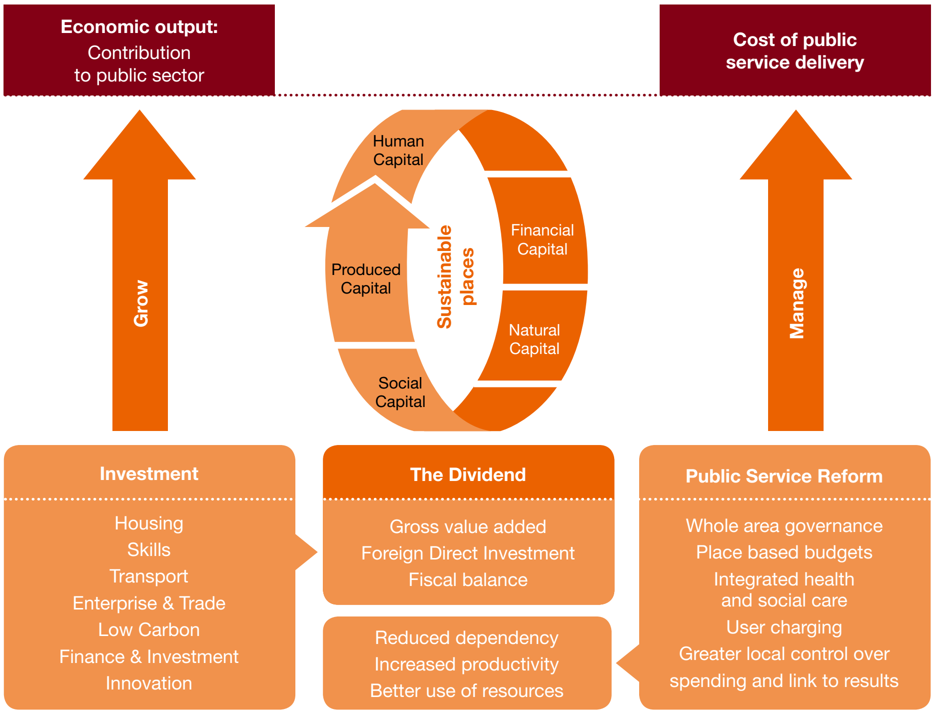
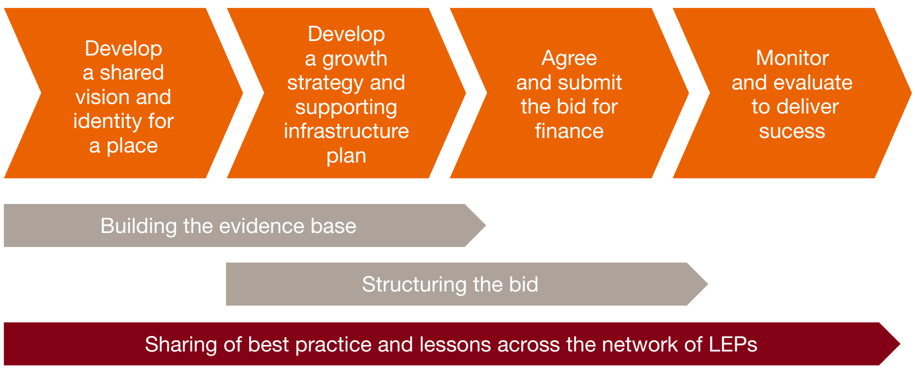


***Figure 14:* Growth planning**



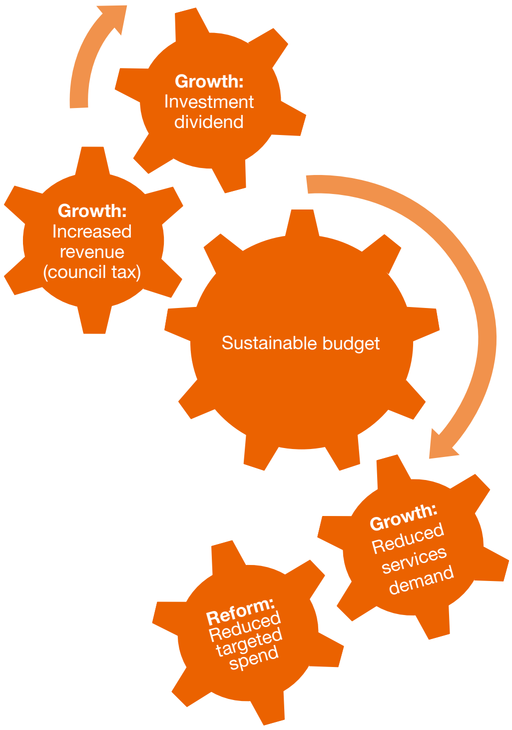
Source: Stepping stones to growth

Sustainable budgets

With the continuing drive to balance the nation's public finances, cities have a key role to play. Since 2010, councils have seen reductions in their budgets of between one third and a half as the Coalition's austerity drive has bitten.

But can cities integrate better their efforts on reform and grow their local economies to bring the public sector cost of a local area into balance with the value generated? This would need a change of approach from the centre so that local bodies gain a greater share in the proceeds of growth and reform. But the prize is a virtuous cycle with the dividend of growth, through increased economic activity and local revenues, helping to balance the books alongside continuing efforts to reform public services and manage demand (see Figure 15).

Figure 15: ***Reinforcing mechanisms***



On growth, this involves:

- Identification of prioritised projects which will deliver growth.
- Innovative funding and financing models, such as CIL, TIF and user charging.
- Fund creation with clear investment criteria promoting good growth outcomes.
- Monitoring success, setting the economic baseline to capture the uplift of value from investments as well as wider outcomes.

As far as public service reform is concerned, attention needs to go beyond cost cutting to:

- Review of business and operating models.
- A focus on the integration agenda both within a place, as well as the collaboration agenda across administrative boundaries.
- Developing a much more granular and evidence based assessment of a place through data analytics.

The impact on business

Finally, what does this all mean for the role of business, the primary source of jobs and wealth creation? There's no doubt that customers, suppliers, employees, governments and society have changed their expectations from business. Many are looking beyond today's narrow notions of input, output and profit, to something that is more inclusive, responsible and lasting.

Over the past three years, PwC has been working with businesses to help them and their stakeholders to measure and manage these wider goals and track performance against set objectives. PwC's Total Impact Measurement and Management (TIMM) approach (see Figure 16) creates a unifying framework.

In the same way that we developed the Demos-PwC Good Growth Index to define economic success in the eyes of the public at the economy and city wide level, TIMM provides a model to deliver good growth at the individual business level.

TIMM enables businesses to develop a better understanding of the social, fiscal, environmental and economic impacts of their activities **(see Figure 17)**. All businesses must make a profit and create value. But their stakeholders increasingly have a wider view of growth and influence a business's ability to make profits. For instance, the impact of a business on the economy – through its payroll, profits and taxes – as well as on the environment – such as water pollution and waste – and on society, for example on health, education and people's livelihoods.

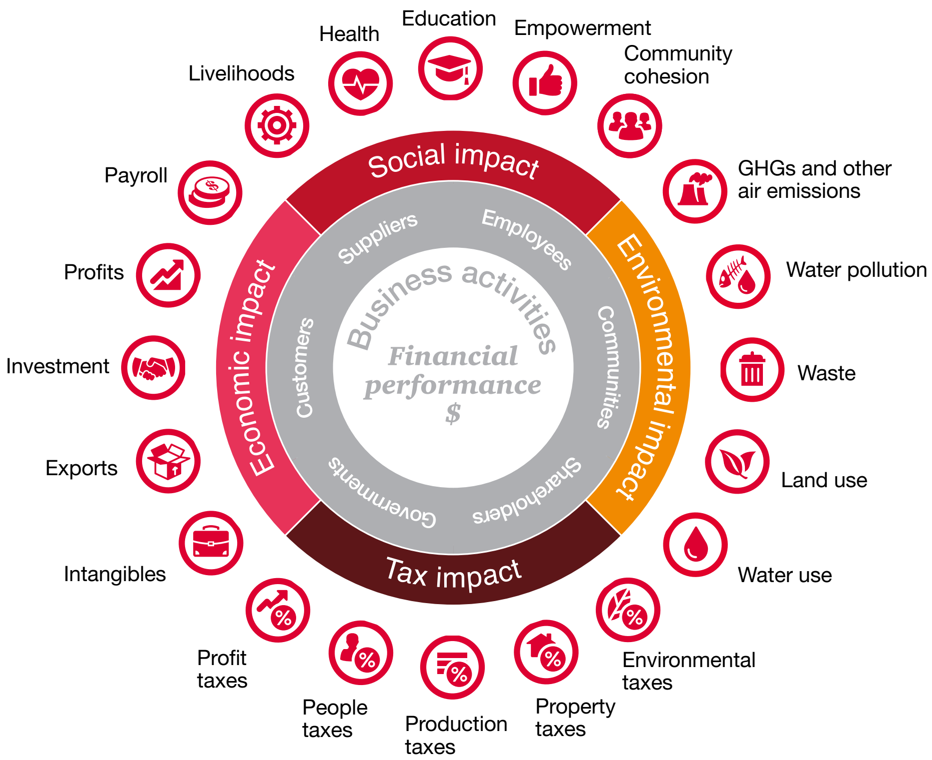
TIMM quantifies the social value or cost of these impacts. While this helps support a business' licence to operate, the real benefit to business is in decision making. It enables management to develop a better understanding of their potential impact and what that means to their stakeholders. TIMM gives management the ability to compare strategies and make business decisions such as investment choices using quantified data, and evaluate the total impact of each decision and the choices to be made **(see Box)**.

***Figure 16:* A new approach to total impact**

Total	A **holistic view** of social, environmental, fiscal and economic dimensions – the big picture
Impact	Look beyond inputs and outputs to **outcomes** and **impacts** – understand your footprint
Measurement	Quantify and **monetise** the impacts – value in a language business understands
Management	Evaluate options and **optimise** trade-offs – make better decisions

Source: Measuring and managing total impact: a new language for business decisions

***Figure 17:* Look at all the impacts!**



Source: Measuring and managing total impact: a new language for business decisions

Scottish Hydro Electric (SHE) Transmission

SHE Transmission is currently building a new 400-kilovolt transmission line between Beauly and Denny in Scotland. At present there is no approach to help assess the value of the full range of impacts, including consent conditions, of a new transmission line. Through the use of our TIMM framework, we've worked with SHE Transmission to develop a range of methods to measure and value all material social, economic, environmental and fiscal impacts in the UK resulting from the construction of the Beauly-Denny transmission line.

The project is now in the process of estimating the value of the line's impact on areas such as visual amenity, cultural heritage, traffic, land use and waste, as well as considering taxes paid and the contributions to local and national GDP. This approach will help SHE Transmission to communicate more effectively to stakeholders how planning choices and consent conditions affect the impact of the transmission line, including any trade-offs generated.

And by building jointly with SHE Transmission a transparent and quantitative framework, they will be able to revolutionise the way that social, economic and environmental impacts are considered when planning and implementing future projects. This will not only add value to the business, but also value for society.

Of course, TIMM can also be applied to public bodies and a place-based TIMM would be another aid to cities trying to measure their impact which has always been characterised in terms which are broader than purely financial. Being able to measure, understand and compare the trade-offs between different options means decisions can be made with more complete knowledge of the overall impact and a better understanding of which stakeholders will be affected by decisions, whether an organisation is in the public, private or not-for-profit sectors.

For businesses, however, this is a novel approach: TIMM enables a business to continue to operate with its usual (or, hopefully even better) levels of profitability, while at the same time creating the optimal outcomes and impacts for the communities and the environment in which it operates.

When taken together, businesses' decisions and the associated impacts can collectively either help (or hinder) the achievement of good growth in our cities too.

Agenda for action

In *Stepping stones to growth*,[46] we set out the broad agenda for public leaders **(Figure 18)**. Specifically, there is a continuing agenda for action across a range of stakeholders if we are to achieve good growth in our cities.

Good growth is in everyone's interest. Successful growth is not just about GDP or GVA, but broader measures of economic wellbeing including jobs, income, health, skills, work-life balance, affordable housing, transport and the environment.

Figure 18: Steps to growth and public leaders

Co-create a clear, ambitious, widely shared **vision** defining an **identity** (or brand) for a place which is attractive both to businesses and the public, built on robust evidence such as out good growth indicators.

Connect the **identity of a place**, with its assets and heritage, in a way which energises and inspires stakeholders, encourages businesses to invest and attracts people to work and live.

Raise **visibility** by putting good growth at the heart of the **purpose and mission** of public bodies, energising staff who are seen to be taking action and reducing the uncertainty that hinders business confidence to invest and create jobs.

Create a **strategy** that provides the enablers any business needs to succeed and grow – skills, infrastructure and innovation – and **plans** which will implement the vision.

46 'Stepping stones to growth', PwC, 2013. www.pwc.co.uk/government-public-sector/stepping-stones/stepping-stones-for-growth-our-new-book.jhtml

City leaders and other local public bodies including LEPs

- Continue to balance between a necessary internal focus on efficiency, cost-cutting and reform with an external focus on good growth.
- Create a platform for growth through a collaborative approach to leadership across political/administrative boundaries (including Combined Authorities) and sectors of the local economy.
- Work together, and with businesses, universities, the third sector and the public to define the city's vision – what city stakeholders want it to be famous for – based on analysis of the city's strengths, using data analytics and documented in Growth Plans.
- Re-brand cities based on a clear vision for success linked to good growth outcomes.
- Use good growth outcomes to guide decisions when allocating resources, prioritising investments and re-investing the dividend of public sector reforms.
- Develop an integrated programme of infrastructure investments to enhance quality of life and city competitiveness.
- Prioritise public spending on the levers important for good growth, particularly skills and infrastructure (housing and transport).
- Monitor and evaluate progress, building the evidence base to link decisions and outcomes and using a placed-based TIMM approach.

Central government

- As Growth Deals unfold, focus cities on unlocking their individual growth challenges in their Growth Plans linked to their distinctive local assets, rather than the standard menu of priorities e.g. green jobs and digital hubs.
- Accelerate devolution where the costs, benefits and solutions are localised e.g. local transport, planning.
- Revisit the funding options for local government (including Barnett) to support wealth creation.
- Drive the development of demand-led skills provision and empower individuals to make well-informed job and career choices by improving the availability of good quality information and transforming the role of Jobcentre Plus as a broker of people to jobs, particularly the young.

Devolved administrations

- Recognise cities/city government as having an important role complementing the devolved administrations themselves.
- Consider the impact at city level of any proposals with respect to fiscal powers e.g. Stamp Duty, Air Passenger Duty and Landfill Tax.

Education and training providers

- Improve the dialogue with businesses on their training and skills needs.
- Promote and welcome business engagement in schools, colleges and universities to inspire students in their future career choices.
- Be responsive and agile to the needs of both business and students and so maximise the chances of matching people to the opportunities available.

Businesses

- Agree a clear, consistent set of public-private priorities, via the LEPs and their Growth Plans, and then collaborate to deliver on them.
- Measure and manage the total social, fiscal, environmental and economic impact of business activities in order to deliver good growth.
- Improve the articulation of education and training needs in discussion with education and training providers.

Appendix 1: *Methodological details*

This report has taken a similar methodological approach to the 2011 and 2012 *Good Growth* reports, with the most significant change being the inclusion of skills in the index for the first time (replacing the savings rate, which we concluded was less appropriate at city level than in our original international comparisons index in 2011).

The availability of census data also allowed for local authority-specific owner occupation data to be used. As a result of these changes, all elements of the index are now based on data available at the NUTS3 level or lower. Table A1 shows the data source, geography, and weighting of each variable.

Occasionally, individual data points are missing at local authority level. Where this is the case, the missing data point has been benchmarked to an appropriate local or regional alternative. This occurred only rarely, however, and so did not have a material impact on the results.

The list of cities in the index consists of the 37 used in the 2012 report, with the addition of Swindon and Milton Keynes. The original cities for the index were selected with the following criteria in mind:

- **Population size:** the official definition of a city is 125,000 or above (CLG Primary Urban Areas). This would result in a list of 60 cities. To make our analysis manageable, we restricted the list to ensure that we included, as a minimum, cities with populations around 250,000 or more.
- **Mix:** one of the most important factors in any city list is to ensure that there is a mix of economies from the struggling to the mid-sized to the buoyant, which provides interesting good growth comparisons.
- **Spread:** A good geographical spread, including the devolved nations.

Both Swindon and Milton Keynes only narrowly missed inclusion previously based on these criteria, and their growing populations over time made it appropriate to add them to the 2013 index. Similar criteria were used when selecting additional cities for inclusion within the devolved administrations analysis, albeit with lower population thresholds.

***Table A1:* Measures used for the ten variables in the Index**

Category	Measure	Geography	Weight
Jobs	Unemployment rate	LA/TTWA	16%
Health	% of economically inactive long term sick	LA	13%
Income	GDHI per head	NUTS3	12%
Skills	Share of population, aged 18-24 & 25-64, with NVQ 3+	LA	12%
Work-life balance	% in employment working more than 45 hrs per week	LA	9%
Housing	Housing price to earnings ratio and owner occupation rate	LA	9%
Sectoral balance	% of GVA from production	NUTS3	8%
Income distribution	Ratio of median to mean income	LA	8%
Transport	Average commuting time to work	LA	7%
Environment	Carbon emissions: gCO2/£ earnings	LA	6%

Sources: ONS, DWP, DECC and DCLG

Appendix 2:
Major city ranking changes since last year

Repeating our 2013 analysis using data from last year and a consistent methodology allows a comparison to be made between the 2012 and 2013 results. As noted in the main text, while some changes in rankings are seen, the majority of cities remain in broadly similar positions. This is to be expected given that twelve months is a short time-frame in the context of city development.

Where changes are seen, these are due to short term data fluctuations that may or may not prove to be permanent trends. Further years of data are therefore needed before we can draw strong conclusions from this kind of trend analysis.

Noting these caveats, Table A2 below looks at the reasons behind the largest movers in the index. Changes in the unemployment rate were a key reason for rankings changes in almost all situations. Given the variability of labour market data in the short run, particularly at local authority level, this highlights the degree to which these changes should be considered with some caution at this stage. In no instance was a change in the rankings driven by a similar shift in all variables, and in some cases the change was entirely due to one variable.

***Table A2:** Explanations for major changes in city rankings since last year*

UP				DOWN			
City	Position change	Score change	Explanation	City	Position change	Score change	Explanation
Southampton	10	0.260	9 of 12 measures increased, and none decreased significantly. Large movers include unemployment (6.4% to 5.3%), long-term sick (20% to 17%) and commuting times (26.4 – 24.8 minutes).	**Hull**	-9	-0.179	Majority of change due to unemployment increase (9.5% to 10.9%), as well as worsening health (23% to 25%).
Bradford	8	0.239	Unemployment fell (12.4% to 10.3%). Also improvements in health, commuting times and income inequality.	**Coventry**	-7	-0.143	Biggest change was in work-life balance (22% to 24% working >45 hours), inequality also worsened (0.87 to 0.85) and commuting times increased (23.8 to 24.7)
Sunderland	7	0.190	Unemployment fell (12.1% to 9.4%), as well as falling commuting times (25.9-23.8) and reduced inequality (median/mean 0.87 to 0.88).	**Oxford**	-4	-0.289	Unemployment rose (from previous sample low of 3.3% to 6.3%), share of long-term sick rose (from previous sample low of 11% to second-lowest 15%)
Wirral & Ellesmere Port	6	0.141	Change entirely due to fall in unemployment (8.6% to 6.5%) – otherwise the score would be unchanged.	**Wakefield & Warrington**	-4	-0.168	Unemployment rose (7.6% to 9.7%), as well as notable falls in the scores for health, commuting times and income distribution.

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Nick is Director of PwC's Public Sector Research Centre. He co-authored (with John Hawksworth and Kitty Ussher, Demos) the original *Good Growth* report and with John the first report *Good Growth for Cities*. He also co-authored PwC's recently published *Stepping stones to growth*.

As well as growth, Nick has contributed to reports on a wide range of public services issues. In particular, he led the development of our international report on the *Future of Government* which sets out PwC's views on the characteristics and behaviours needed in tomorrow's leading public body and the implications for leadership and implementation. He has also authored or co-written a range of other publications on public service reform, including co-authoring our influential *Dealing with Debt* series and *Under Pressure*, based on a series of roundtables hosted by Reform.

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