1. This Update Statement 2015 has been prepared on behalf of John McIntosh of Goval Farm by Halliday Fraser Munro Planning. We have made a number of previous submissions to earlier iterations of the SDP and LDP for Aberdeen. This statement should be read in conjunction with those earlier submissions. A copy of the original North of the Don Masterplan [NotD] has also been submitted as a supplement to this representation.

2. This submission comprises a set of key imperatives which we feel should be examined in greater depth during this LDP Examination, through Public Inquiry if necessary. The broad thrust of the argument is that housing need and housing affordability have become over-riding concerns for Aberdeen City which require more significant and direct intervention than is presently being carried forward in this proposed LDP. In summary we see these key imperatives as:-

   - Housing Availability and Housing Affordability in Aberdeen;
   - A constrained land supply in the face of these housing imperatives; and
   - The North of the Don opportunity to meet these housing issues in a far more comprehensively planned manner.

3. It remains our view that any constraints to the NotD Masterplan are principally policy based rather than technical. The few technical issues which exist are common to any larger scale development and are fully documented in the NotD Masterplan. They are all capable of resolution through sensible planning and infrastructure provision. Moreover the history of Bridge of Don's growth has been fully taken into account.

4. A suburban town of 36,000 population has now been built which we loosely term Bridge of Don – but in comparison to any other suburban towns of this scale [it is the equivalent of Stonehaven added to Inverurie added to Ellon] there are minimal facilities. Westhill, which is less than a third of the size of Bridge of Don, has infinitely better facilities and yet ironically its residents are holding out against any more development unless additional facilities have been provided.

5. Commuting for work, shopping, recreation, health, education etc has become the expectation and norm in Bridge of Don. There has been no active, serious consideration of a substantial district centre of strategic significance which could provide much of the local services and facilities and jobs that a settlement of this scale would normally justify. Danestone and Middleton Park are identified as Town Centres

in the current LDP but have very little in common with town centres elsewhere in Aberdeen such as Rosemount or Cults/Culter. They are just big supermarkets.

6. Once Grandholm is built an additional circa 15,000 – 18,000 population will have moved into Bridge of Don making it the equivalent of a city the size of Perth – with over 50,000 population. It is in this context that the question should be asked whether the sanctity (in town planning terms) of Aberdeen City Centre as the only significant Shopping Centre should be at least raised and questioned if not addressed. Congestion in the City Centre is now at such levels that the possibility of a more local centre that services a wider set of town centre needs could make sense for Bridge of Don, with wider benefits for the City Region as a whole.

7. If we look at the other major Cities in Scotland they all have significant satellite towns in their close orbit which offer alternatives to the City Centre – especially for the range of goods and services which are classed more as convenience shopping. In Glasgow there are towns the size of Perth which have coalesced with Greater Glasgow; namely Paisley, Dumbarton, Clydebank, Bearsden/Milngavie, East Kilbride, Motherwell, Hamilton and Airdrie. Each has a significant town centre in its own right. Even some of the closer suburbs include such centres such as Parkhead or Rutherglen. The Edinburgh LDP identifies as other Town Centres places including Corstorphine, Morningfield/Bruntsfield, Gorgie/Dalry, Leith, Portobello, Stockbridge and Tollcross. All these are Town Centres in their own right with character and identity. Even Dundee has planned for Town Centre development and protection in Broughty Ferry and Monifieth.

8. It is further noted that in Glasgow and Edinburgh a successful set of Strategic District Centres have now been planned and implemented including Ocean Terminal, the Gyle, Silverburn and Glasgow Fort. The convenience and service these provide to their surrounding neighbourhoods substantially increases the sustainability of these suburbs and reduces the need to travel, with congestion benefits for all.

9. It is obvious in our professional view that a masterplanned and substantially bolstered Town Centre for Bridge of Don is required. Such provision can build on existing facilities but ideally a degree of whole town masterplanning is required – of the very sort that is advocated in the LDP.

10. The town planning logic is very difficult to counter and we would be concerned if an underlying aversion to this is simply prompted by concerns about allocating too much

residential land. There is no rationale which would justify housing land constraint in the face of sensible masterplanning of places, infrastructure and facilities. It has always been our contention and remains our contention that the north of the City has far greater ability to grow in a masterplanned fashion than the west of the City. Anderson Drive constrains all the western new community areas. The 3rd Don Crossing helps in the north but the fundamental planning tenet which justifies northwards planning extension is the ability to reverse the direction of travel to a new central place destination – namely Bridge of Don. This applies for work, for shopping and for recreation.

11. The precise location of a new Bridge of Don Town Centre is a matter for Bridge of Don residents and the Planning Authority. We would suggest there is no need to contemplate any demolitions or substantial reorganisation. Arguments which have been made in the past by NESTRANS that a route through Bridge of Don could undermine the AWPR Northern Leg no longer apply – since the latter is now under construction. We are however convinced that a public transport 'loop' as set out in the NotD Masterplan and linking across the 3rd Don Crossing to University and Science Parks makes absolute sense in planning terms. The opportunity for this to be a dedicated hydrogen bus loop remains obvious.

12. All of the NotD masterplan perfectly complements Energetica.

13. In the face of such logic the Planning Authority have chosen to stick with existing allocations based upon the argument that they have zoned enough land for housing and new development, and that to add any more would undermine the viability of the sites already zoned.

14. Appended to this LDP update statement is an overview of the housing land circumstance in Aberdeen. At present the City Council is presenting a contradictory answer to the housing question. The Planning Authority maintains they have a 5 year land supply (possibly even more) – but the 2014 Strategic Infrastructure Plan has committed to a "Step Change in the Supply of Housing by.....

    - Removing the remaining barriers to bringing forward developable land;
    - Delivering more affordable homes for rent and for sale;
    - Enabling the private sector to deliver."

15. The overview appended to this statement shows that the allocated sites included in the 2012 plan (and in fact in the draft versions going back to 2008 plan) are LESS THAN 2% PROGRESSED. ONLY 182 HOMES OUT OF THE 11,150 ALLOCATED HAVE BEEN BUILT. So much for a plan led approach. The lack of housing is now having a huge impact on the labour market in Aberdeen. Energy businesses are choosing to invest in Central Belt Scotland simply because of the lower house prices and more fluid labour markets. Aberdeen must therefore press ahead beyond statutory 5 year land supply targets and consider doubling the supply [NB: there is not statutory rule preventing tehm from doing so]. Moreover, they can do this without infringing the '***right place, right development***' principles of planning through such vehicles as the NotD Masterplan and Energetica. We would contend that in the Scotland wide context there is no better placed site or circumstance than Bridge of Don where a revisited/revised Development Corporation approach could be utilised to develop town centre, housing and suitably synchronised infrastructure provision.

16. There is moreover an added, underlying, future-proofing rationale for why Aberdeen needs more houses. In our MIR submission we quoted the PWC Good Growth Report [now updated to 2015 with plaudits for Aberdeen] and we support the underlying principles it has espoused. We also note that the Wolfson Prize winner has effectively endorsed this approach by outlining a similar 'masterplanned urban expansion for Oxford' [copy submitted for info].

17. The PWC 2013 report showed that Aberdeen will have to attract 120,000 recruits over the next 10 years if it wants to realise its potential as a global energy capital. The present sites allocated in the local plan looked like a good start, but cannot realise the level of delivery growth which is required. Economic Development analysts recognise that one of the biggest constraints on growth in the North East Economy will be the lack of available and affordable homes.

18. We maintain that a Local Development Plan for Aberdeen which recognises the potential of the NotD Masterplan (with appropriate long term zonings) is necessary for the ongoing economic development of Aberdeen. We recognise that the City Council will have to go far beyond simply allocating land in Local Development Plans if its City Aims are to be met. This could involve revisiting well established routes of housing and infrastructure procurement – where the City Council works in close partnership with the private sector.

19. If such interventionist strategies are not employed, the fear is that we will be left behind in the Global Energy Cities stakes. Rollin Stanley [Director of Planning for Calgary] spoke in Aberdeen as part of the present City Centre Masterplanning exercise. He made the simple point that there are "no such things as 'shrinking' successful cities" – pointing out that Calgary was growing at 30,000 population per annum. He went on... "Successful Cities <u>are</u> Growing Cities; Growing Cities are Successful Cities". Aberdeen City should have no fear or aversion to promoting higher levels of growth than they are presently achieving.

20. The Land at Perwinnes [ref B0209] is an intrinsic and integral part of the land which would be required to successfully masterplan the NotD area. This should be done in conjunction with Grandholm, and the rest of the NotD area [B0210, B0205, B0207, B0202, and B0206) – and not subsequently or individually. Assumptions are being made about the scope, shape and form of Grandholm (and other sites) which do not take into account the wider Bridge of Don area. That is not the developers fault but is just the present modus operandi of the Scottish Planning system. We can and should do better.

21. We would recommend that the Perwinnes land is allocated – failing which we see it important that it is identified as strategic reserve. With these changes the LDP will have risen to the expectation set out in the Cities Strategic Infrastructure Plan.

This statement is a general position statement on the present state of housing land supply in Aberdeen City Council.

Background

It is important to emphasise the overarching guidance which the Scottish Government provide to planning authorities about housing land supply. The SPP2014 states (inter alia) that the

- planning system should identify a generous supply of land for each housing market area within the plan area to support the achievement of the housing land requirement across all tenures, maintaining at least a 5-year supply of effective housing land at all times; and
- have a sharp focus on the delivery of allocated sites embedded in action programmes informed by strong engagement with stakeholders; and
- Planning authorities should actively manage the housing land supply. They should work with housing and infrastructure providers to prepare an annual housing land audit as a tool to critically review and monitor the availability of effective housing land, the progress of sites through the planning process, and housing completions, to ensure a generous supply of land for house building is maintained and there is always enough effective land for at least five years. A site is only considered effective where it can be demonstrated that within five years it will be free of constraints and can be developed for housing.

Housing Land supply/demand

The housing land allocations in the PLDP are predicated on the housing requirements set out in the 2012 Strategic Development Plan (SDP). They are required to sustain a 5 year housing land supply at all times during the lifetime of the LDP. The housing land supply is also divided approximately 50/50 between the City and the Shire. The performance of the housing market has to be considered against both authorities. Out of the available monitoring figures available the most consistent for comparison purposes are the figures published by the Scottish Government based on completion certificates supplied by the local authorities.

Table 1 Housing Completions in the Aberdeen Aberdeenshire SDP Area 2007 – 2016 (2014 figures based on the 3 quarters published and 2015/2016 based on the 10 year averages)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2007-2016 OUT TURN	10 yr average
CITY	848	354	194	519	657	491	575	576	455	455	5124	512
SHIRE	1445	1559	1553	1635	1190	1167	1049	1445	1380	1380	13803	1380
TOTAL	2293	1913	1747	2154	1847	1658	1624	2021	1835	1835	18927	1893
(Scottish Government Completion figures)												

The annual completion figures have only been more than 2000 units twice in 2007 and 2010. The SDP targets are to achieve 2500 per annum by 2014 and to achieve 3000 per annum by 2020. It is clear that 8 years into this SDP plan period the targets are not being met. It is also clear that the trends are not in the right direction. We would argue that this is attributable a number of factors, not least the performance of the forward planning system. That generality has been critiqued at the National Level by the Land Reform Review Group in their report The Land of Scotland and the Common Good [Part 5 – Land Development and Housing;

http://www.scotland.gov.uk/Resource/0045/00451087.pdf]

AND by the RICS Housing Commission report 'Building a better Scotland'.

[http://www.rics.org/uk/about-rics/what-we-do/influencing-policy/influencing-activity/thought-leadership-papers/the-rics-scottish-housing-commission-report-building-a-better-scotland/].

The general thrust of the critique is that planning authorities just fall-back upon achieving 5 year land supply on paper rather than address the housing crisis that is the reality before them. The recommendations from both LRRG and RICS Commission is to increase supply – in the latter case to double 5 year supply targets.

It should also be noted that in the face of the housing crisis ACSEF have identified housing shortages as a key brake on the regional economy. The City Council has responded by including the housing supply issue in its Strategic Infrastructure Plan and, in turn, carrying that forward into its City Deal bid. Nevertheless the fact remains that the performance illustrated in Table 1 is not adequate for present need. Most significant is fact that the City Council have effectively rested on their 5 year land supply laurels.

Notwithstanding the arguments about the detail of the housing land supply – when asked '*what have you done to address the housing crisis?*' – sadly, the City Council cannot point to any change of tack or change of direction or emphasis that could be described, in any way shape or form, as urgently addressing the issues prevailing in terms of the housing crisis.

Looking at the specifics, in analysing the allocations versus delivery it's clear that the current allocations are not delivering the scale of housing required by the SDP. Table 1 below summarises the current position on the delivery of housing land in the 2007 – 2016 first phase of the 2012 Local Development Plan across Aberdeen. On the larger allocated sites (in excess of 100 houses), with only a year to go in the first phase of the LDP, these are only delivering less than 2% of their associated allocations.

Table 2 – Housing Delivery in Key Aberdeen Sites at May 2015 (sources: Aberdeen Local Development Plan 2012, Aberdeen City and Shire Housing Land Audit 2012 and Draft Audit for 2015.

Comparison of Major Housing Proposals in 2012 LDPs with outturn					
City	site	ref	2007-2016	actual at May 2015	shortfall
	Grandhome	OP12	2600	0	2600
	Dubford	OP25	550	64	486
	Stoneywood	OP24	500	88	412
	Craibstone South	OP28	750	0	750
	Rowett South	OP30	1000	0	1000
	Greenferns Landward	OP31	750	0	750
	Maidencraig SE	OP43	450	10	440
	Maidencraig NE	OP44	300	0	300
	Greenferns	OP45	600	0	600
	Countesswells	OP58	2150	20	2130
	Oldfold	OP62	400	0	400
	Loirston	OP77	1100	0	1100
	TOTALS		11150	182	10968
			percentage delivered	1.63	

Table 3 - 2009 SDP Housing Allowances to be delivered by 2012 LDP

Aberdeen City	2007 to 2016	2017 to 2023
brownfield	4500	3000
greenfield	12000	7000
	16500	10000

This raises a number of fundamental questions …

a) What has happened to the need and demand for what can only be described as undelivered housing over this plan period? This is shortfall that has to be accounted for.

The SDP set out the housing need with flexibility over and above that to theoretically provide "generous" housing allocations across Aberdeen City and Shire. The theory, however, has not matched practice and Aberdeen now has a serious historical shortfall in housing land because of non-delivery. Every year that delivery doesn't meet the need targets is an undershoot which is unmet need. Non delivery figures are carried forward from one HLA to the next as if there is no consequence or effect – they're just carried forward as land supply figures without any recognition that need is going unmet. And prices just keep rising as a consequence. To be effective these allocated sites have to be capable of delivering within the 5 year plan period – not at some point as yet undetermined, sometime off into the future. The City cannot expect to convince the wider public and their own politicians that all the non-performing sites are going to substantially deliver what was allocated, over the next two years. Continual under delivery in terms of completions points to a problem which is simply not being addressed – even glossed over.

In terms of housing land, this is an issue recognised in England and Wales but less so across Scotland. In a recent Parliamentary Briefing paper (Planning for housing SN/SC/3741, 18 March 2015) on housing land supply the models were explained:

"**2.5 Accounting for shortfall: Liverpool and Sedgefield methods**"

The NPPF directs that the housing supply calculation should be updated annually.

The Department for Communities and Local Government research document, Land Supply Assessment Checks, May 2009 uses case studies from Liverpool and Sedgefield about how these authorities calculated housing figures in their (now abolished) regional spatial strategies. In particular it highlights Liverpool and Sedgefield as being "good examples" for calculating **historic undersupply of housing** in a "clear and transparent manner".

The Sedgefield method of calculating land supply involves adding any shortfall of housing in the local plan from previous years over the next five years of the plan period, whereas the Liverpool method spreads the shortfall over the whole remaining plan period.

An article from the specialist publication, Planning highlighted that the Sedgefield method is currently used most often by Planning Inspectors at appeal.

Although Scottish Planning legislation is separate from the rest of the UK the principle of the issue remains the same i.e. simply carrying forward allocations as they are, does not deal with historical housing need shortfalls, reduces supply relative to demand and increases the difficulty for those needing to access housing. Both the Liverpool and Sedgefield methods expect some or all of the historical shortfall to be carried forward into future housing land allocations <u>over and above</u> the need projected for that period in its own right. In effect these are methods that allow housing delivery to catch up with housing need. Aberdeen's LDP has not considered this, instead suggesting that they still have a 5 year housing land supply [they claim nearly 7] and so no more housing sites require to be allocated. That just ignores the historic shortfall. How many of the sites comprising that 7 year land supply are the sites we currently see not performing, sites which have been in the plan since pre 2012, pre 2007 even, but are still not delivering.

b) Will carrying these sites forward in the Proposed Local Development Plan improve the chances of the housing need for the next plan period being delivered/met?

Quite clearly the scale and pace of delivery for the major housing sites in the City have not met expectations (see the 2014 and draft 2015 HLAs). Successive Housing land Audits have exposed a story of under delivery and long lead-in times to get sites on the go. And a draw-down mechanism that relies on a limited number of larger sites is flawed. If these sites have difficulty in delivering their first houses then it's highly unlikely that future phases can be expedited plus the ability to market significantly more houses on a single site just doesn't fit how the housing market works. The housing market needs choice and it needs more sites of all sizes across a wide range of locations and developers or landowners.

So – in conclusion does the Council actually have a deliverable 5 year housing land supply?

Given the historical evidence we don't believe that the Council does have an 'effective' 5-year housing land supply. Extending the historical delivery rates, even with an increase as a result of infrastructure coming on stream, we believe that delivery will continue to be less than expectations set out in the Strategic Development Plan.

Changes requested to the Proposed Local Development Plan – we believe that additional housing sites are required to help match historical housing shortfalls (using either the Liverpool or Sedgefield methods) and to deliver the baseline housing need across the PLDP timeframe.

Halliday Fraser Munro Planning

June 2015

HALLIDAY FRASER MUNRO
ARCHITECTS • PLANNING CONSULTANTS • PROJECT MANAGERS
ABERDEEN • BELFAST • DUNDEE • EDINBURGH • GLASGOW

North of the Don Masterplan 2010

North of the Don - Introduction

Planning the future growth of a City is an undeniably complex task. In the past, mistakes have been made. Few in the planning profession would be willing to put their hand up and state that Bridge of Don was "well planned". The historic planning of the Bridge of Don area has never been a comprehensive affair where strategic masterplans have been set out and then adhered to, so that joined-up sensible urban places are built. Many of the developments came about as a result of appeal decisions and very little has been done as a result of genuine town planning or design in its widest sense.

Since the 1990's there has been a long running debate about the nature of Bridge of Don, about its problems and the dilemmas that face this part of the City going into the future. Bridge of Don (if we take this to mean the area north of the River Don in Aberdeen) already amounts to a settlement of nearly 30,000 population and would easily be the second biggest town in the north east were it to have a more distinct identity of its own. It is the equivalent of adding together Inverurie, Portlethen and Westhill, three other north east towns which have undergone considerable expansion in their own right.

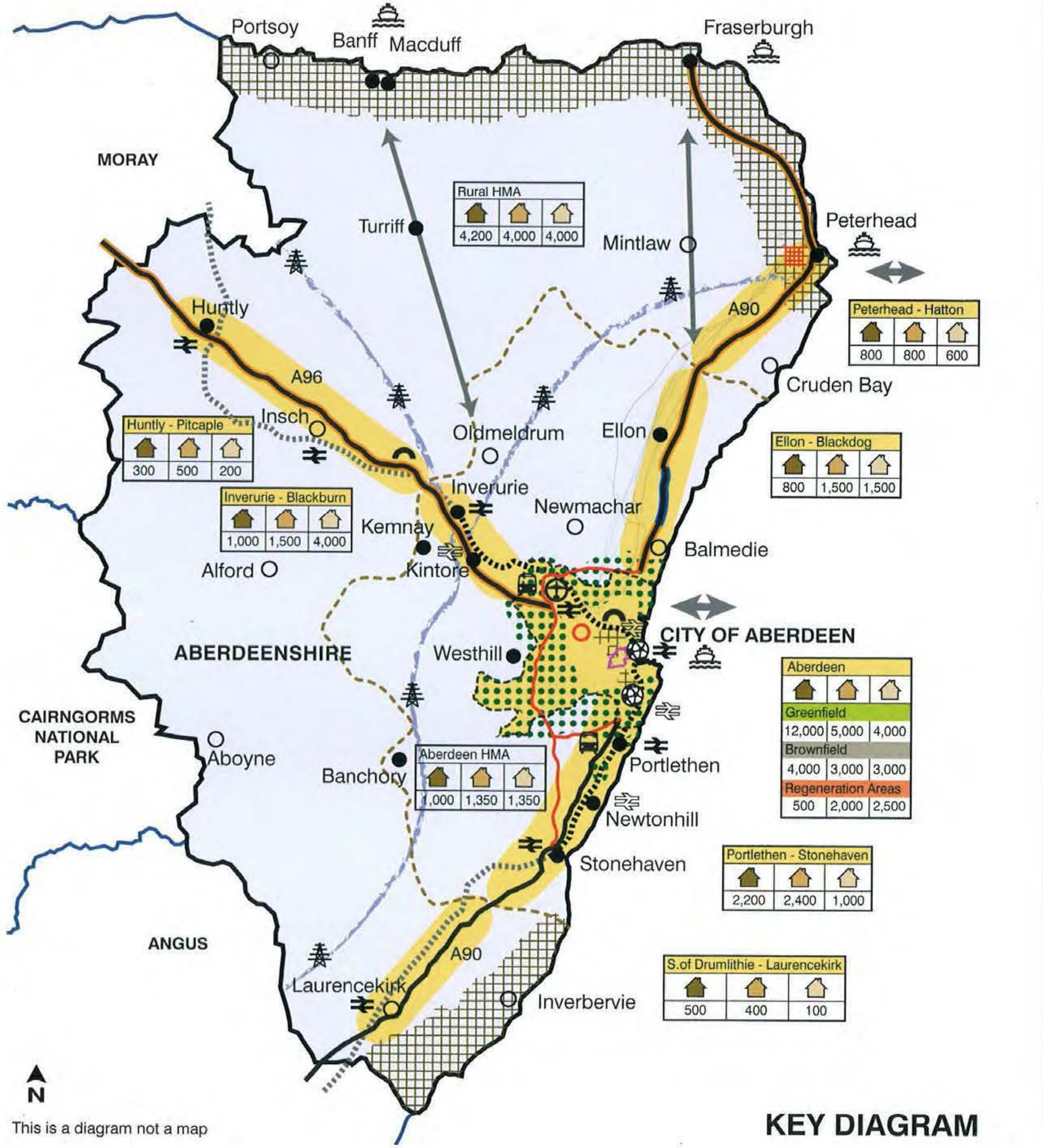
Were we to add together the facilities that exist in these three Aberdeenshire towns it would amount to considerably more socio-economic infrastructure compared to Bridge of Don (though it is acknowledged there are generic faults in all these settlements which result from inappropriate1960s/1970s design concepts). There are some reasons for this discrepancy; namely the distance these settlements are from Aberdeen; the pre-existence of some historic urban fabric; and the fact that Bridge of Don is seen to have Aberdeen City Centre 'on its doorstep'. However whilst this debate might be seen as a matter of some town planning interest – if you are an resident of Bridge of Don it might well be viewed differently. Whether manifest in the Third Don Crossing debate, or in other debates about facilities it has led to the campaigning banner headline becoming: "no more development before facilities". A commonly heard argument has been to describe Bridge of Don as the largest suburb in Europe.

The important question this poses is….

"At what point does it become important for an area of a city to have its own clearly recognised service centre, its own identity, and in parallel, a greater degree of influence over its own destiny going forward?"

It is debatable whether this present proposed Aberdeen Local Development Plan [ALDP] would address this conundrum. It is clear that a significant additional new area of housing is proposed, but is this on its own enough? The Grandhome proposals for circa 7000 houses, the Dubford development for 500, added to several other small schemes means a very significant increase in the size of Bridge of Don is proposed. At average 2010 house occupancy levels this could add 15,000 population to Bridge of Don, increasing the size to 45,000 population. Ayr, the 12th largest town in Scotland is 46,000 population, Perth, the 13th largest town in Scotland is 44,800 population. If one considers the scale of facilities that Perth and Ayr enjoy, even half that amount would be considerably more than Bridge of Don presently has. It is a straight-forward task to assess the scale of facilities, amenities and retail provision in a town like Perth. This is documented for instance through their Town Centre Management projects – who do town centre viability and health checks.

The important conclusion to be drawn is that in planning for the further expansion of development north of the River Don, very substantial investment in infrastructure will be required. It becomes a precondition of any strategic design exercise considering tens of thousands of houses that infrastructure provision has to be considered. And the devil in the detail in that exercise is not the list of facilities, but how to fund those facilities so they are delivered ahead of the housing being occupied. Not only is this important for future residents but the present deficit in Bridge of Don should be a priority for early action.



Portsoy
Banff
Macduff
Fraserburgh
MORAY
Rural HMA
4,200
4,000
4,000
Turriff
Mintlaw
Peterhead
Peterhead - Hatton
800
800
600
A90
Cruden Bay
Huntly
A96
Insch
Oldmeldrum
Ellon
Huntly - Pitcaple
300
500
200
Ellon - Blackdog
800
1,500
1,500
Inverurie - Blackburn
1,000
1,500
4,000
Inverurie
Newmachar
Kemnay
Balmedie
Alford
Kintore
CITY OF ABERDEEN
ABERDEENSHIRE
Westhill
Aberdeen
Greenfield
12,000
5,000
4,000
Brownfield
4,000
3,000
3,000
Regeneration Areas
500
2,000
2,500
CAIRNGORMS NATIONAL PARK
Aboyne
Aberdeen HMA
1,000
1,350
1,350
Banchory
Portlethen
Newtonhill
Stonehaven
Portlethen - Stonehaven
2,200
2,400
1,000
ANGUS
A90
S.of Drumlithie - Laurencekirk
500
400
100
Laurencekirk
Inverbervie
N
This is a diagram not a map
KEY DIAGRAM

North of the Don - Conceptual Approach

CONNECTIVITY

Airport to AECC on Energetica Boulevard
3rd & 4th Don Crossing
AWPR
Public Transport (see AECOM Annexe)

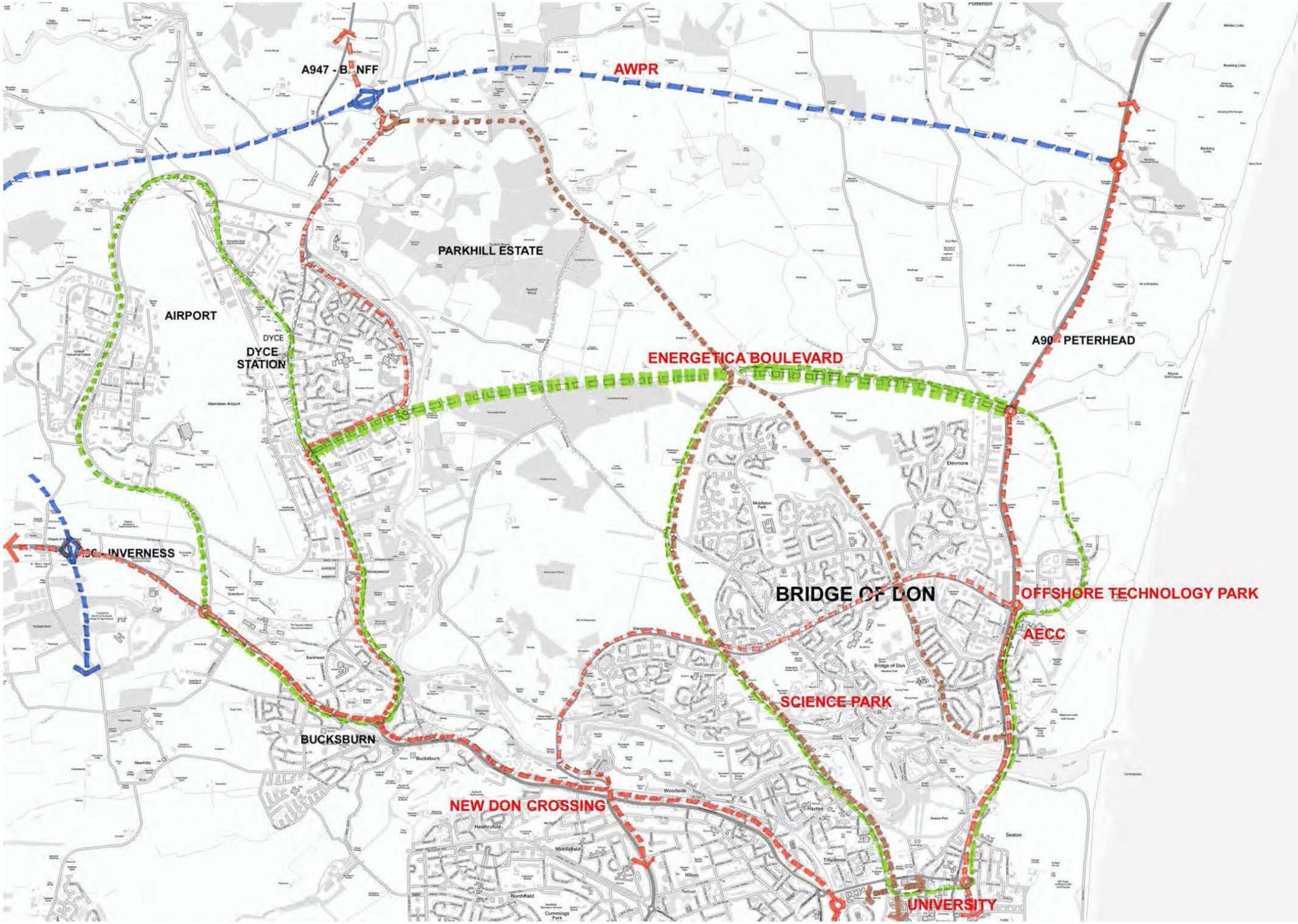
MASSING

3 development nodes
New town centre

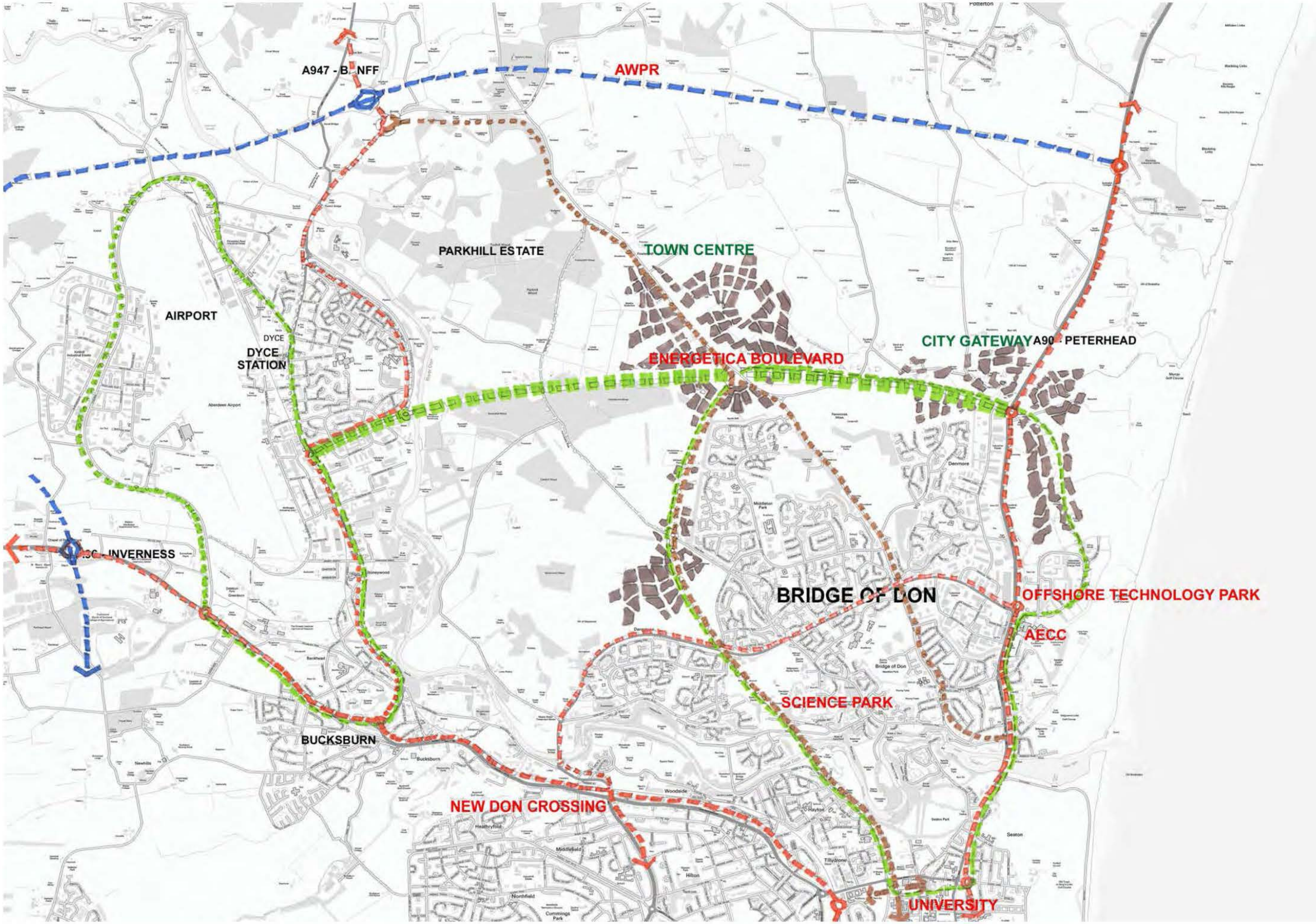
GREEN SPACE

2 green corridors – River Don Valley & Perwinnes Moss
Golf on Coast including Mennie and Murcar

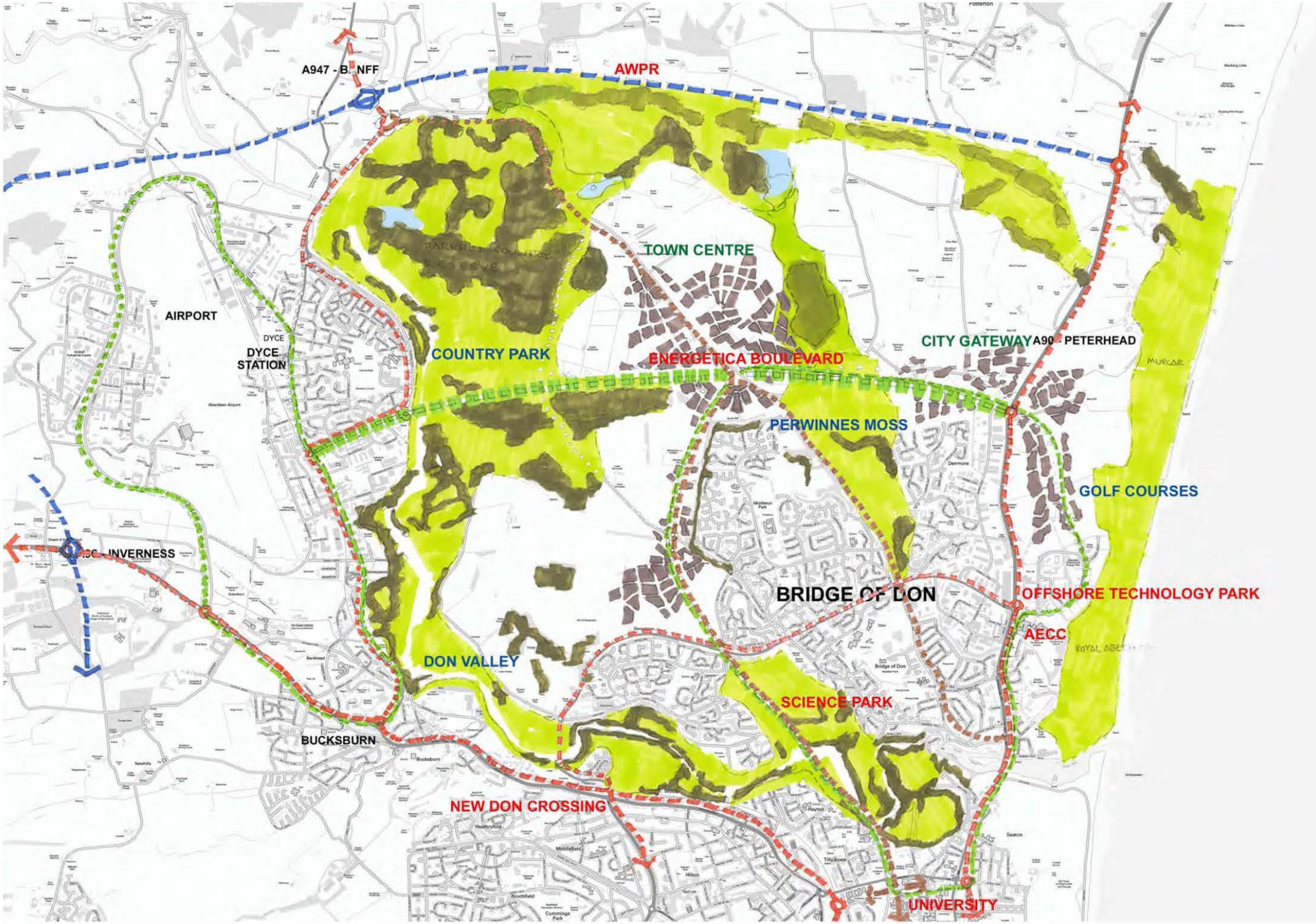
North of the Don - Movement Framework



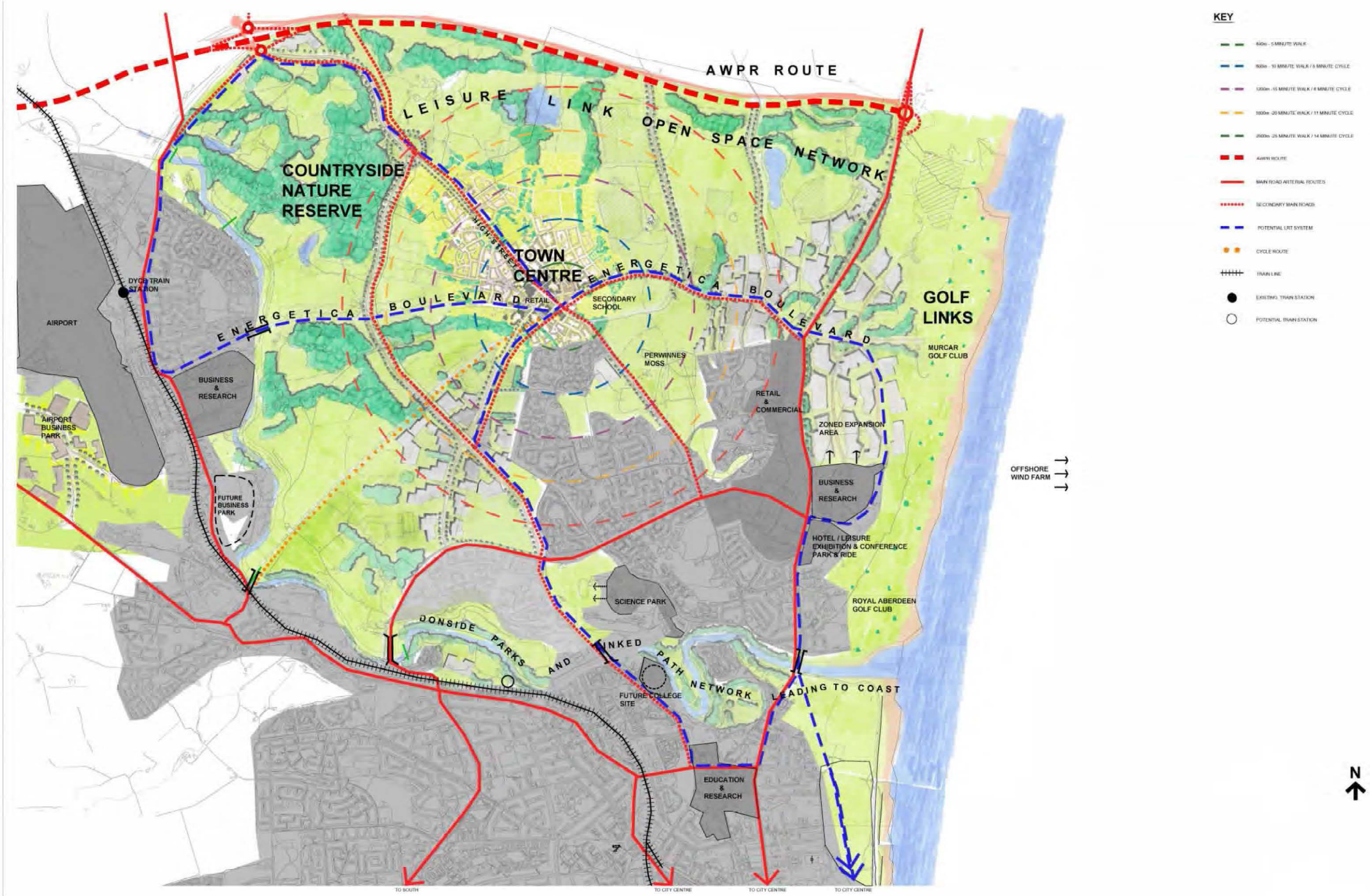
North of the Don - Block Plan



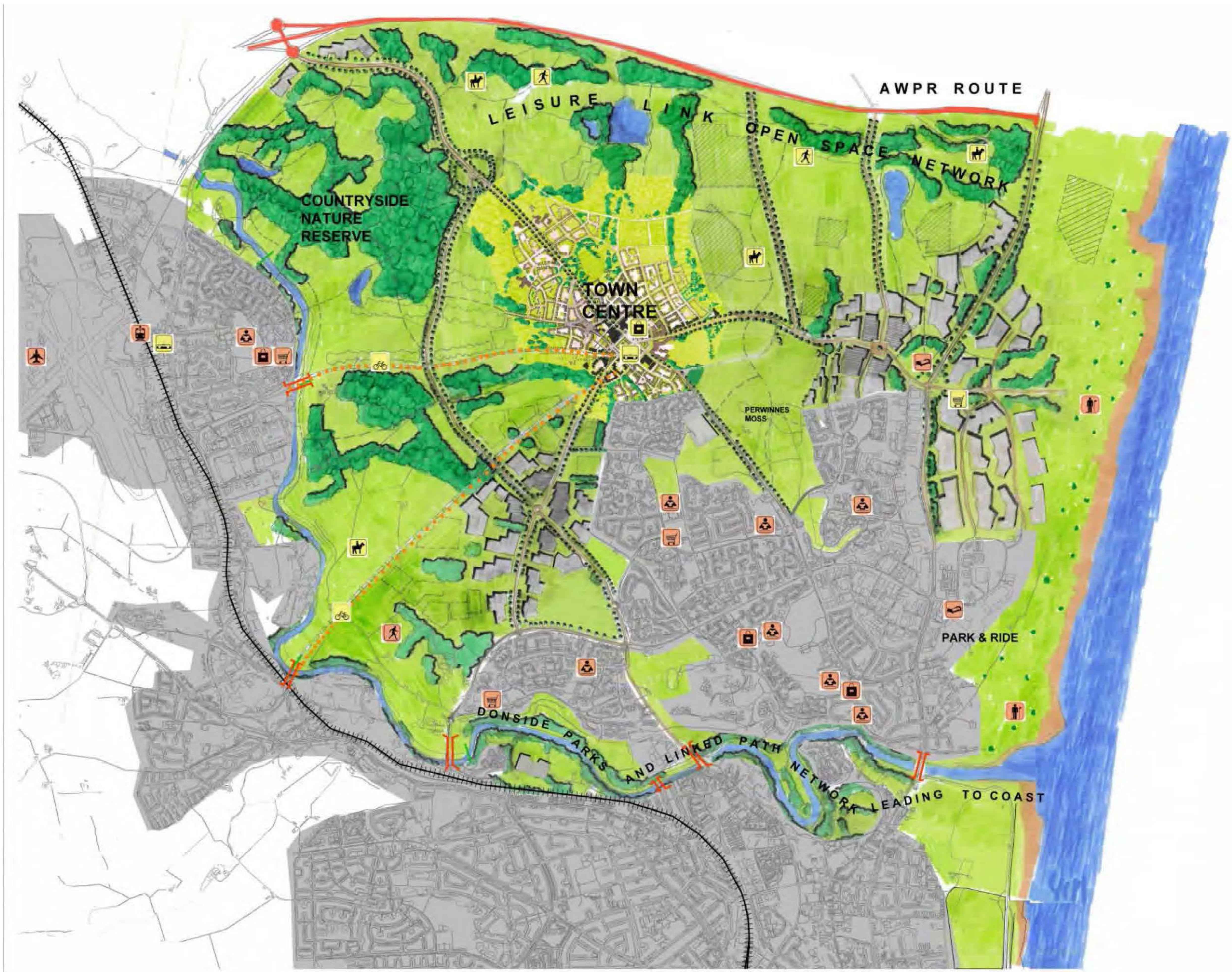
North of the Don - Green Space



North of the Don - Connectivity Plan



North of the Don - Masterplan



KEY

- AIRPORT
- TRAIN STATION
- PROPOSED WALKING AREA
- PROPOSED CYCLE PATHS
- PROPOSED EQUESTRIAN CENTRE / BRIDLE WAYS
- GOLF COURSES
- SCHOOLS
- HOTELS
- SUPERMARKET
- PROPOSED SUPERMARKET
- SHOPS
- PROPOSED SHOPS / TOWN CENTRE USES
- PROPOSED LRT INTERCHANGES

KEY BENEFITS

- INTRODUCES A TOWN CENTRE FOR BRIDGE OF DON AT APPROPRIATE SCALE - A NEW FOCUS LOCALLY
- SUPPORTS CRITICAL STRATEGIC ROAD LINKAGES & INTRODUCES A CHOICE OF ROUTES
- EMPLOYMENT LAND
- HOUSES
- NEW LEISURE / COMMUNITY FACILITIES
- MAJOR NEW COUNTRY PARK FOR NORTH OF THE CITY
- PROTECTS COASTAL STRIP AND DONSIDE FOR FOR OPEN AIR RECREATION WITH SIGNIFICANT NEW FOOTPATH / CYCLEPATH & BRIDLEWAYS
- INCLUSIVE & COHESIVE
- PUBLIC TRANSPORT, WALKING & CYCLING AS CORE PRINCIPLE
- PROVIDES A FOCUS FOR ENERGETICA IN THE THE CITY & LINKS "KNOWLEGE ECONOMY" SITES

N

4

1. Town Centre

2. Town Centre

3. Countryside Nature Reserve

4. Transport Network

1

3

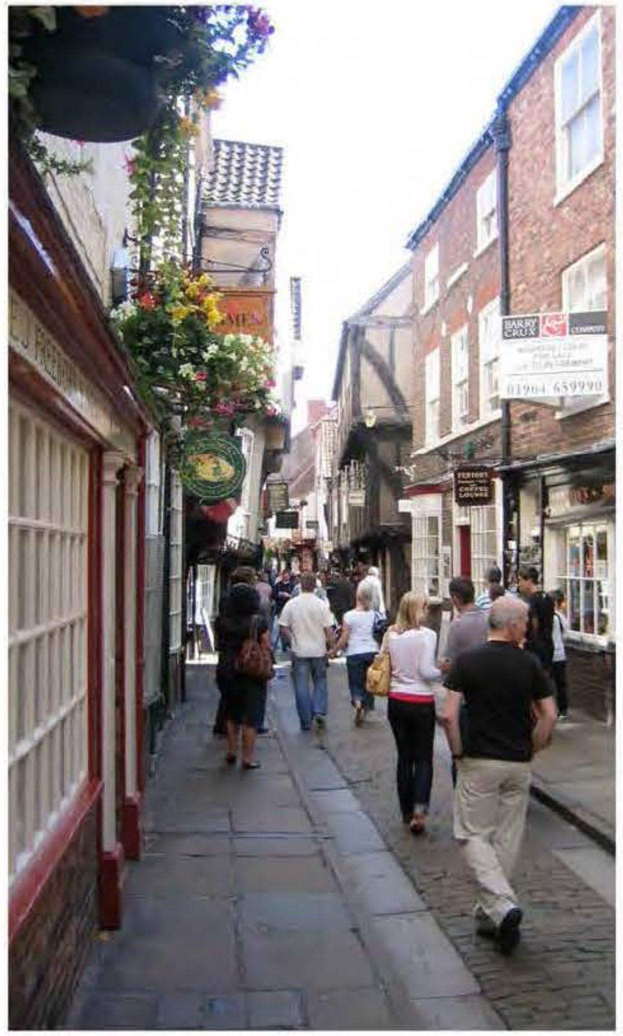
2

North of the Don - Town Centre


Stonehaven


Inverurie


Banchory



Town Centre

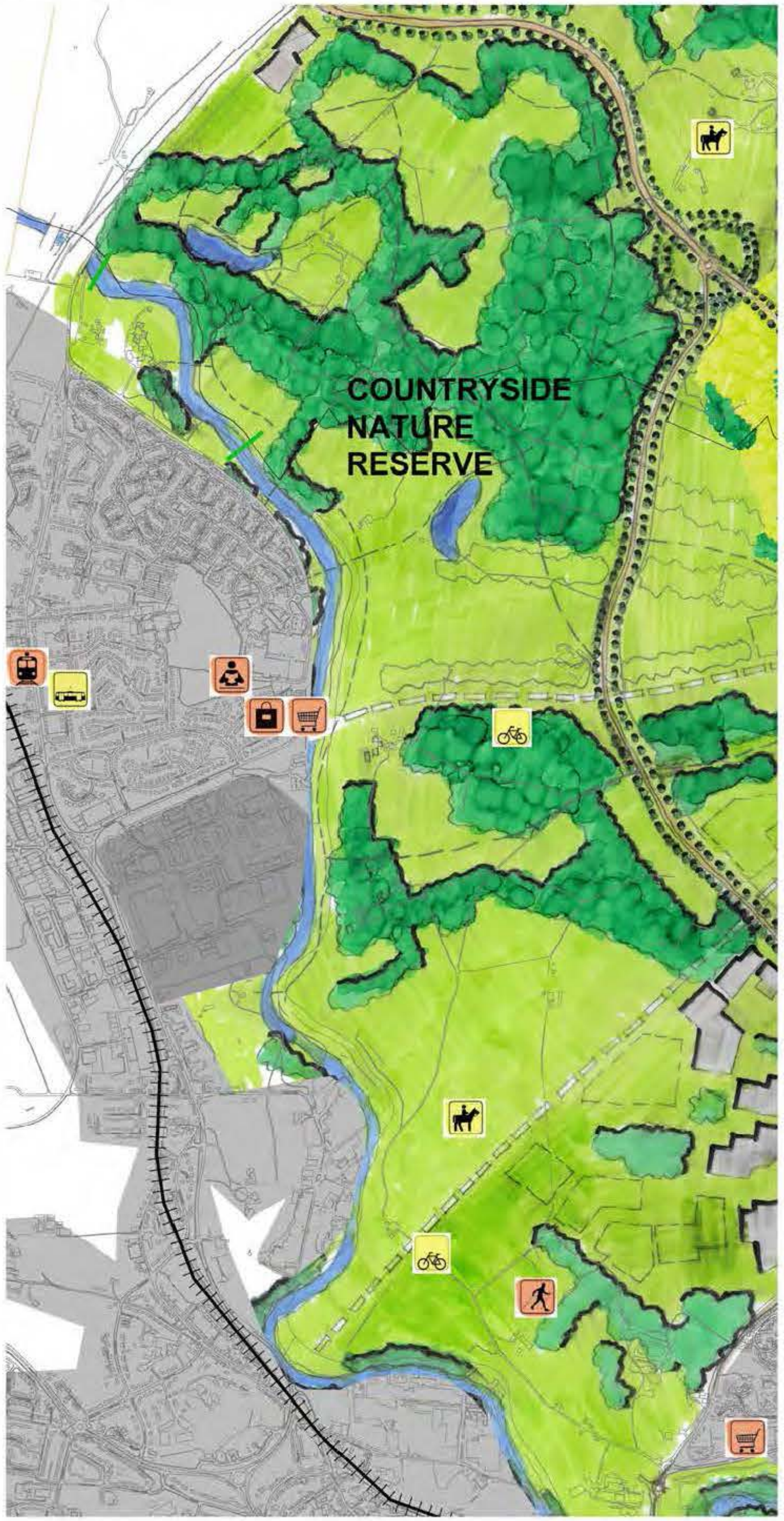
- High Street - Shopping and leisure.
- Public squares and spaces - pedestrian priority.
- To include housing of different densities, decreasing from the town centre.
- Development based around streets, walkable communities and "home zones".
- Town centre uses to include: Health centre, opticians, dentist, banks, hairdressers, post office, pharmacy, florist, offices, housing, education and nursery, hotels, cafes restaurants, pubs, and others.
- Contemporary zero carbon houses and at least 25% affordable housing.
- Balanced community.

Transport

- Pedestrian priority and path networks linking surrounding areas.
- Light rapid transport (LTR) node - bus and trolley bus stops and interchanges.
- Transport option based around Town Centre and Neighbourhood centres.
- Cycle parking and integrated cycle routes.
- C0$_2$ reduction a core driver

TRANSPORT

North of the Don - Leisure




Aden Country Park


Banchory-Devenick Forest


Hazelhead Park








Green Space

- Nature reserve at Perwinnes preserved and enhanced
- Nature reserve at Parkhill Woods fostered and promoted
- Nature reserve based on Lily and Corby Lochs
- Integrated green space network and wildlife corridors providing green links
- Enhanced coastal strip and reinforced green corridor for AWPR
- Local nature conservation benefits, globally significant benefits from renewables research and development.
- Major native woodland planting.

Leisure

- Royal Aberdeen and Murcar Links Golf Courses - both internationally renowned
- Proximity to Trump Menie Proposals
- Informal and formal countryside based Leisure close to all new neighbourhoods

Energetica

- Energetica concept requires greenspace network excellence and fostering of a high quality of life
- "Energetica Boulevard" linking East to West.
- Murcar business land, "Energetica Boulevard" and Airport Business Park connected
- Minimal CO2 emissions - core design philosophy and core economic driver

BROAD INFRASTRUCTURE COSTINGS	
	BASE COST
Goval Junction (as approved, or upgraded)	4,000,000
Haudagain Improvements	7,000,000
3rd Don Crossing	14,500,000
Secondary School	35,000,000
Primary School	5,000,000
Primary School	5,000,000
Primary School	5,000,000
Primary Health Centre	2,000,000
Primary Health Centre	2,000,000
Dedicated Bus Route (capital cost)	20,000,000
General Roads Improvements	2,000,000
Water & Drainage	2,000,000
total	103,500,000

RESIDENTIAL INFRASTRUCTURE COST PER UNIT			
Total houses built	Base Cost	Median	Max Cost
5000	20700	28950	37200
10000	10350	**14475**	18600
15000	6900	9650	12400

There are two ways of looking at the town planning problems experienced by residents of Bridge of Don, now and in the future. You can approach development with a slide-rule, measuring the impacts, counting the numbers and accommodating all the fall-out. Alternatively you can examine the wider requirements of the area and establish whether development can sensibly provide and enable these improvements.

Any settlement of 45,000 population (whether a suburb or not) should clearly be a good place to be, a good place to live. It should be a home town for those that live there, identifiable and tangible. Is it too much to expect that it should have the following characteristics.

•**A central place**. With suitable provision of facilities easily accessible to the local population. In both Glasgow and Edinburgh this has been addressed without any harm to their respective suburban centres. Arguably less congestion results and greater levels of amenity exist in suburban areas.

•**An identity**. A place should be identifiable and be recognisable by what the local centre looks like. There are many satellite centres in the two largest cities in Scotland, all of which have an identity – without detracting from the overall identity of the city.

•**A modern transport system**. A town equivalent to the size of Perth should have a public transport system which assists efficient and sustainable movement within and around that area as well as efficient connection to the neighbouring City Centre. The AWPR remains essential for the North of the Don area.

•**A suitable provision of facilities to serve the local population.** Schools, social facilities, health care, recreation and sport facilities, work place, church and community facilities.

We have examined the range of community facilities that such a centre of population would ordinarily expect to see. It is relatively straightforward to list these and apportion a cost against all of the items. Benchmark figures can be extrapolated from other developments elsewhere in Scotland and locally. Within the Government's budgeting process [Green Book] there are mechanisms for assessing future risk and means of assessing validity and robustness of costs [optimisation bias and risk management]. Applying cautious analysis to the expected costs the range of infrastructure investment could easily be in the range of ***£100million to £186million***. When costed out against the levels of development (residual analysis) this results in average costs ranging from an unaffordable £37,000 per new house down to a far more affordable £6,900 per unit -depending upon the numbers of houses built.

Rolling Infrastructure Fund
The problem with residual analysis is that is does not explain how ***up-front costs*** are to be funded. Novel approaches are required where the Council through its Future Infrastructure Requirements initiative must address means of overcoming up front funding for infrastructure. The Council will have to front-end certain infrastructure costs on the basis of them being apportioned proportionately against development consents through time. There needs to be a means of equalising contributions so that there is a level playing field. Through the course of development delivery of appropriate facilities can move forward hand in hand. Certainty is an absolute prerequisite and the forthcoming ALDP is a clear means of at least establishing some of that certainty. A ***rolling infrastructure fund*** should be established which broadly takes advantage of Section 75 of the Planning Acts. What clearly must take place alongside this is ***large scale partnering*** with a multiple set of partners to deliver the benefits.

The drawings on this and the next page clearly set out the ***phasing*** which should also be agreed (if necessary at Strategic Development Plan level) given the importance of this area – ***North of the Don*** – to the future of Aberdeen and ***Energetica***. The clear differences from what has been proposed in the local plan is firstly the fact that there is a three centre approach which would better enable future roads and communications infrastructure. And secondly there is a recognition that North of the Don can have a far more significant role to play in North East Scotland terms, should it harness and take advantage of what is being considered under the Energetica banner.

North of the Don - Sustainability

A fundamental part of all new development must be an examination of its impact under the new Climate Change (Scotland) Act 2009. This masterplan for North of the Don has taken account this aspect of town planning with serious proposals which mitigate the environmental impacts. There are clear linkages and synergies with the Energetica proposals these are covered in the next section.

Renewable Energy

The Bridge of Don Masterplan capitalises on two key energy developments.

•The connectivity plan has already illustrated that by providing a central place for the North of the Don, movement and transport are radically altered. Similarly the connectivity plan illustrates a dedicated public transport route servicing the whole of the area North of the Don. Based upon dedicated bus routes (either guided bus or trolley bus) this is a significant and proven way by which the growing settlement of Bridge of Don can have its own bespoke transport system – both within the town and connecting to Aberdeen City Centre. Buses running on this route could be fuelled by overhead cable of fuel cell – capitalising on energy available from the Aberdeen Bay Wind Farm.

•All of the built development will require energy. The connection between Bridge of Don and the adjacent Aberdeenshire farmland offers an unmatched potential to deliver energy via "anaerobic digestion". This is a tried and tested system used extensively across Northern Europe. The existing landowners are part of a significant strategic farm coop – which provides socio-economic infrastructure of exactly the kind that anaerobic digestion systems require. This does not involve fuel crops, but rather operates on agricultural waste – with outputs in terms of fertiliser at the end of process. One 500kw power station offering combined heat and power requires a footprint of circa 600 acres of farmland to supply it with fuel stock. It is feasible to see an arrangement of 3 or 4 installations supplying local CHP to Bridge of Don. As it is a sealed system, there is no smell, there is no noise and current "off-the-shelf" systems are operating at 94% efficiency. The Scottish Government will be including anaerobic digestion systems within their energy subsidies from next financial year and any built kit presently has a life of 40-50 years. Feed-in-tariffs make this an even more attractive option.

Combining the wind farm with anaerobic digesters – a considerable proportion of the supply of electricity for the expansion of the north of the Don is met from the sustainable approaches proposed.

PRE 2020

AWPR BUILT

AIRPORT LOOP

BRIDGE OF DON LOOP

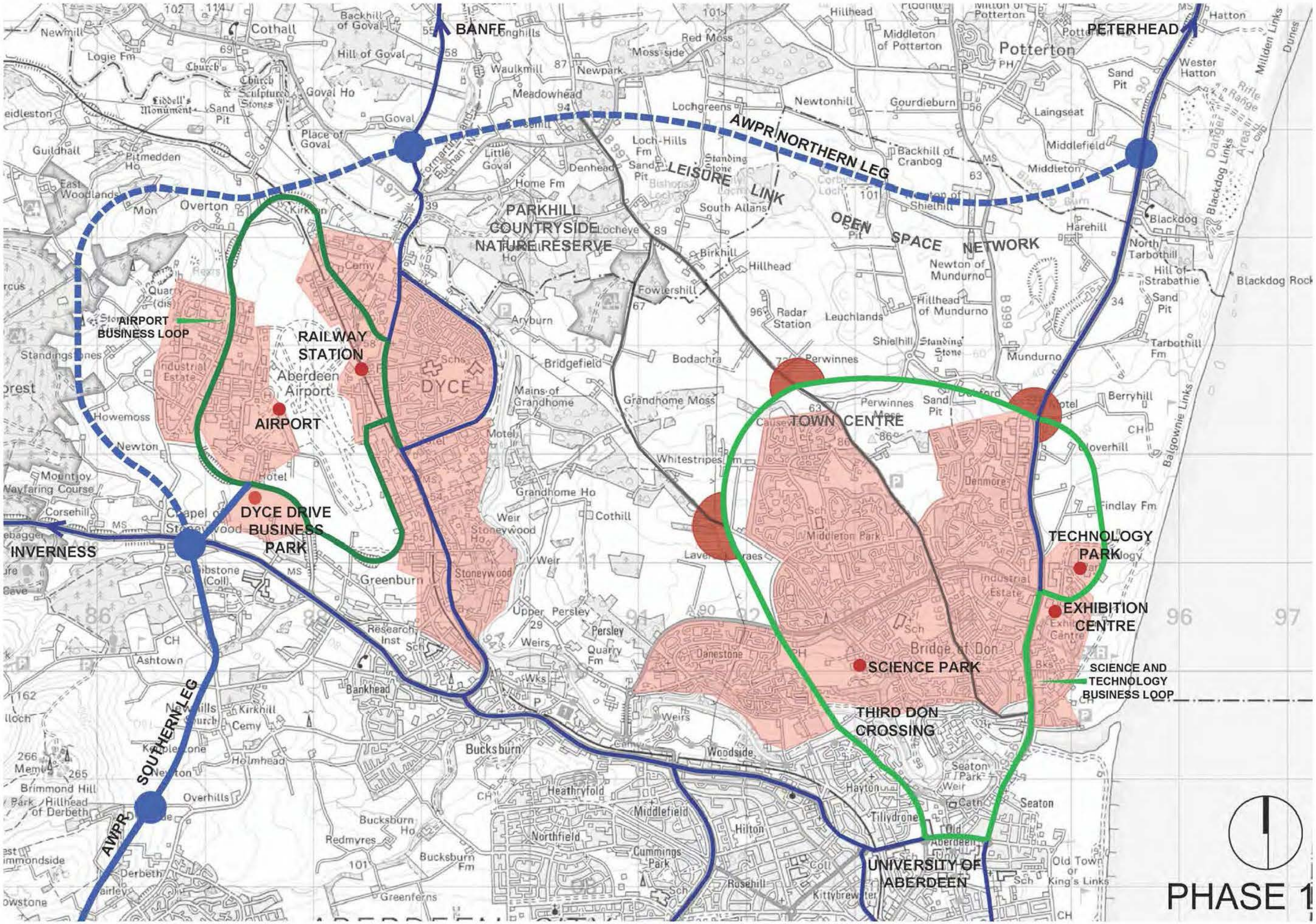
3 NEW CENTRES OF DEVELOPMENT AT BRIDGE OF DON

AIRPORT BUSINESS AND INDUSTIRAL PARKS PROGRESSING

ABERDEEN WINDFARM & DEPLOYMENT CENTRE BUILT

TRUMP MENNIE COURSE OPEN

North of the Don - Structure Plan Phase 1



PRE 2030

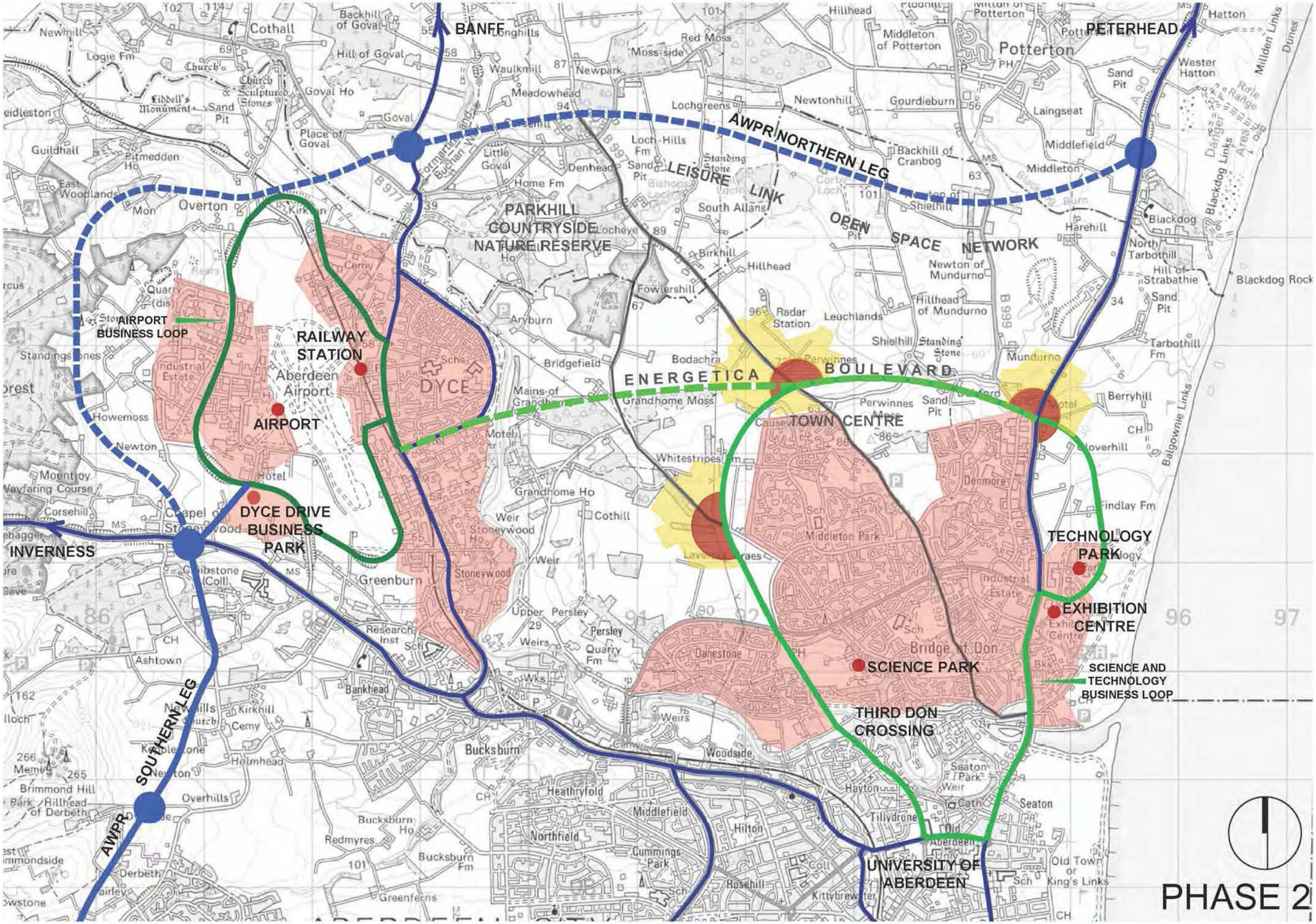
ENERGETICA BOULEVARD BUILT

DYCE AND BRIDGE OF DON CONNECTED AS HUB FOR ENERGETICA

DEDICATED BUS ROUTE(S) OPERATIVE FOR BRIDGE OF DON

NEW TOWN CENTRE BUILT

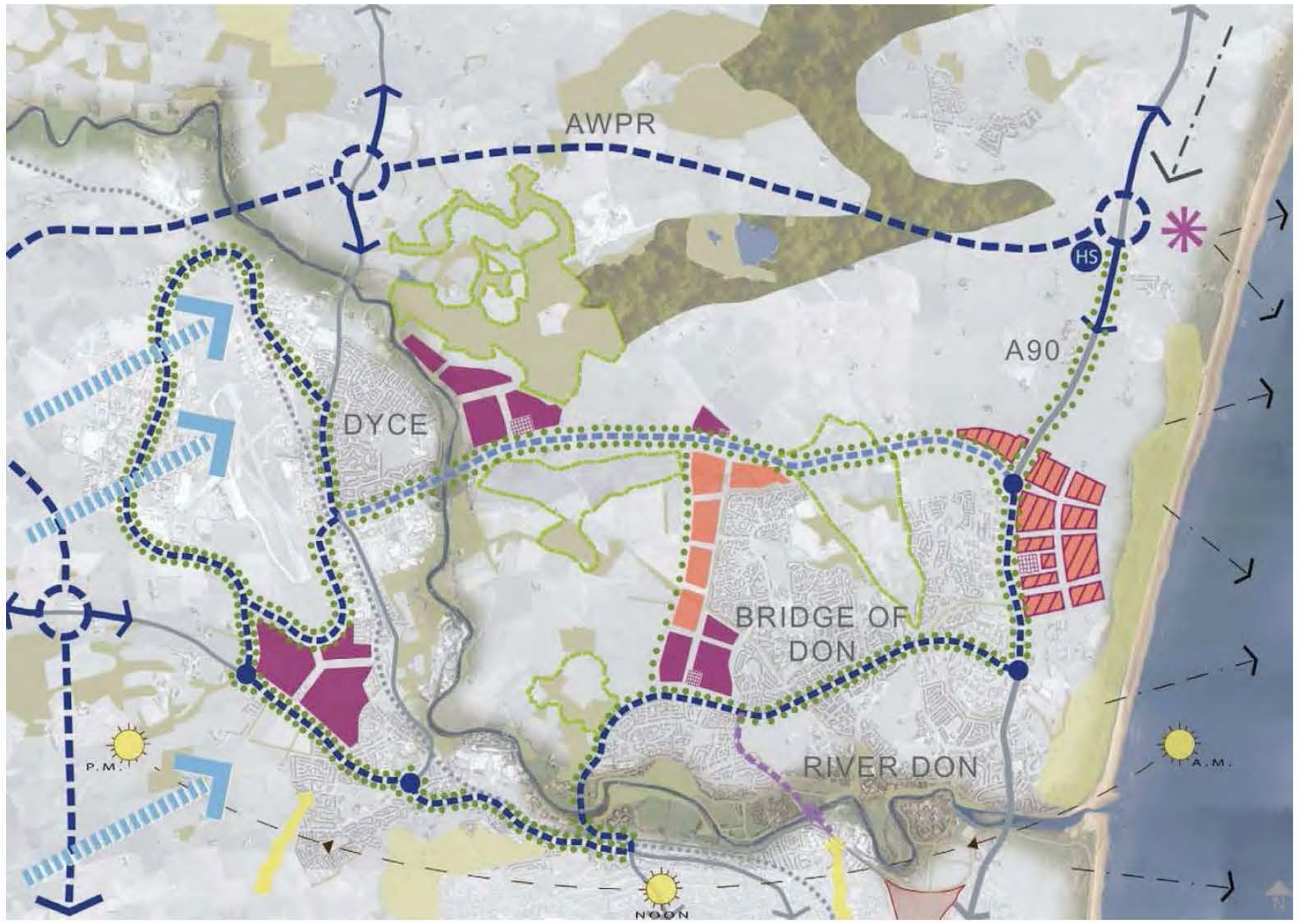
North of the Don - Structure Plan Phase 2

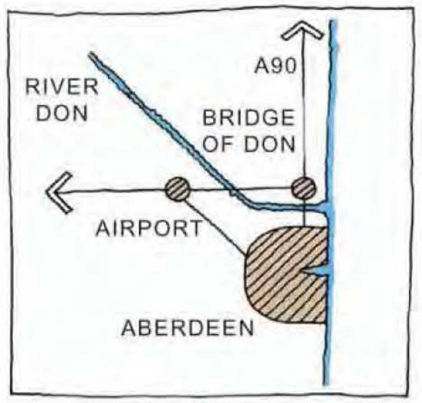


STOP PRESS 15.12.2010
EU GRANT CONFIRMATION WELCOMED BY EUROPEAN OFFSHORE WIND DEPLOYMENT CENTRE PARTNERS

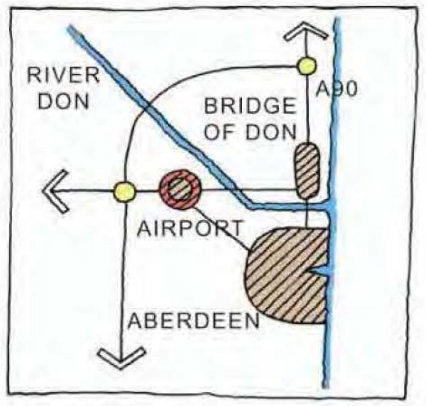
Vattenfall, Technip and Aberdeen Renewable Energy Group have welcomed confirmation from the European Union that a grant award of up to 40m Euros within the European Economic Recovery Plan has been made to the proposed European Offshore Wind Deployment Centre (EOWDC).

energetica

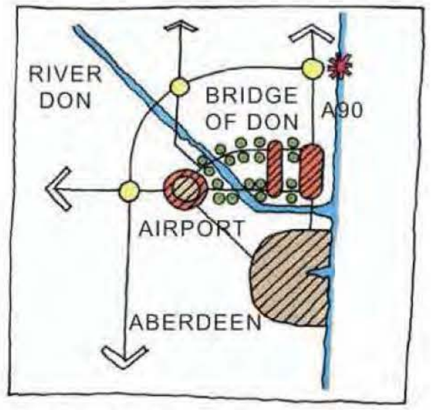




Bridge of Don: **Existing**



Bridge of Don: **Planned**



Bridge of Don: **Proposed**

Energetica "A Global Hub for Energy Technology"

The PLDP suggests "*Significant land allocations have been made to the area to the North of the River Don to support the Energetica Corridor Concept…*"and "*The Energetica Concept seeks to improve the economy and promote the energy industry along the Aberdeen to Peterhead growth corridor*".

Energetica, however, is much more than that. It is a private and public sector initiative focusing on opportunities for new investment in infrastructure, leisure and housing. Its strategy is enshrined in national policy (National Planning Framework for Scotland 2), regional strategy (the Structure Plan), local economic agency approaches (Scottish Enterprise and Aberdeen City and Shire Economic Forum – ACSEF) and the PLDP.

"**The primary aim for Aberdeen and Aberdeenshire is to grow and diversify the economy, ‚making sure the region has enough people, homes, jobs and facilities to maintain and improve its quality of life. Under the banner of the Energetica project, the economic development community is seeking to build on the energy sector and offshore strengths of the region, diversifying into renewable and clean energy technologies to consolidate its position as a global energy hub.**" (National Planning Framework for Scotland 2, paragraph 204)

"**Making sure that there is enough of the right type of land for business use, in the right places, will give Aberdeen City and Shire a competitive advantage … We expect that the 'Energetica' initiative will help to deliver this in the Aberdeen to Peterhead strategic growth area …"** (Aberdeen City and Shire Structure Plan, August 2009, Economic Growth Chapter, para. 4.3)

Energetica is a multi-use economic growth strategy based on the existing oil and gas economy and expertise and building it into an all-energy economy and knowledge base. It is about, as the slogan says, creating a global hub for energy technology. To do that and attract inward invest, however, the strategy recognises that the City and Shire need to offer more than just new business land. It needs to offer business land with outstanding quality of place, with stunning outlook and with technology to reflect the exemplary nature of those businesses who choose to locate there – including communications technology and modern public transport that runs on locally-sourced renewable energy.

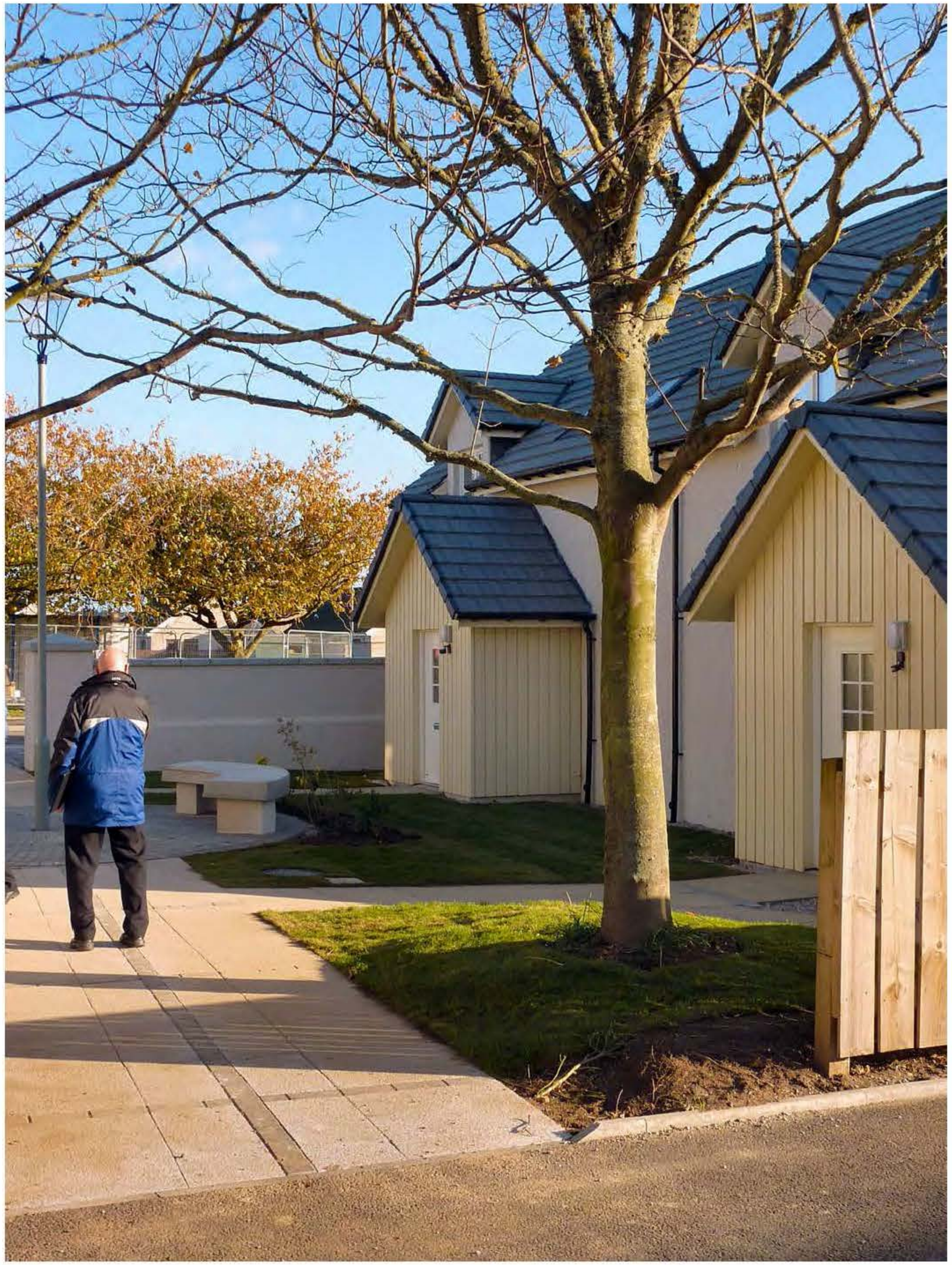
It also needs to offer the best quality of life, with facilities and leisure or recreational opportunities for those who are relocating their business and life here. Aberdeen, and particularly the North of the Don, has some of the best coastline, golf courses, parks and open spaces in Scotland. Amongst that, however, are areas where new development can take advantage of these benefits for the people who could live and work there. Where else in Aberdeen City is there developable land close to the coast, with sea views, great golf courses, the best quality public parks, and a potential network of open space extending across the northern boundary of the City and along the River Don valley to the sea?

Energetica also offers a unique business environment based on the principles of low carbon dependency. It revolves around a development corridor extending from Aberdeen to Peterhead, linking together key economic and energy assets such as the Aberdeen Science Parks, Aberdeen Airport, OceanLab and the Port of Peterhead. In Aberdeen the key linkages are back to the City, north to Peterhead and, most importantly, strong connections to Aberdeen Airport and resulting international markets. This east-west link (Also called Energetica Boulevard) was formulated in the initial stages of the Energetica Concept but are significantly underplayed in the Proposed Local Development Plan.

Key aims include:
Attracting businesses founded and inspired by the energy industry, which promote and use renewable technologies.
▪Designed using sustainability principles with low energy requirements
▪High quality design, low emission, energy efficient buildings
▪Sympathetic development that enhances the natural environment
▪Radically improved transport arteries that make use of low emission technologies
▪Encouraging healthy lifestyles by creating a unified green network of footways and cycleways
▪Introducing new neighbourhood centres with high levels of local amenity and good quality, flexible business space will encourage people to live and work in the same area, reducing congestion and general car use

Energetica aims high but it has to be aspirational to be competitive. It is essential that the Proposed Local Development Plan doesn't fall short of Energetica's aspirations risking non-delivery of the prosperous future that Aberdeen deserves. Energetica is the best economic development opportunity in the City and Shire and given the importance of the economy, jobs and future prosperity – far greater profile is fully warranted. North of the Don has the capability of becoming central to the full and effective delivery of Energetica.

North of the Don - Housing Land



The effective housing land supply across the Aberdeen Housing Market Area is well below the 5-year supply required by Scottish Government through their Scottish Planning Policy.

The effective housing land supply in the Aberdeen Housing Market Area is below 2.5 years (half the requirement).
Effective supply unlikely to be augmented until the adoption of this Local Development Plan in late 2012 / early 2013.
At January 2010 the effective supply was 2.5 years. From 2010 – 2013 there will be an entirely inadequate supply of land and this will continue to decrease until the Local Development Plan can supplement the supply. These problems will be exacerbated by the heavy reliance on large multi-phased development sites and brownfield land, which is historically difficult to develop. A range of sites need to be allocated to help to deliver a choice of housing in compliance with the numbers set out in the Structure Plan. There is a heavy reliance on the timely completion of the AWPR which appears unlikely at this stage due to the current judicial review.

Developers are unlikely to market or deliver more than 150 houses a year on any site. The reliance on larger sites to deliver housing numbers required by the Structure Plan will immediately fall short due to the number of houses that can be delivered by any one developer.

The AHMA housing requirement as set out in the Structure Plan 2007 – 2016 is 19,773 (Figure 8). This is based on forecasts on what will be needed over a set period of time.

Appendix 3 of the 2010 Housing Land Audit shows that there were 3,900 completions in the AHMA between and including 2007 and 2009. This averages 1,300 completions per annum. If this pattern continues through 2010 and beyond up to 2016 then this would provide another 7,800 units. This would mean that during the period 2007 – 16, 11,700 houses would be provided, some 8,073 short of the Structure Plan requirement set out in Figure 8.

The potential for delivery of sites in the AHMA will increase as the City and Shire Local Development Plans progress to a point of adoption. The adoption of these plans are likely to be 2013 and 2012 respectively which means that there will only be around three years to increase to delivery rate of sites.

There are two main issues with regard to housing land in Aberdeen's Housing Market Area. There is a massive shortfall in the effective housing land supply, which will continue to fall until the established sites contained in Local Development Plans are shown as effective. Secondly, there is a significant reliance on the allocation of large sites in both City and Shire PLDP's, which will need significant upfront infrastructure and expenditure and will not deliver the large numbers of houses required during the relatively short lifespan of the plan.

Allocations such as the ones at Grandholm and Countesswells are expected to deliver 2600 homes and 2150 homes respectively during the first phase of the plan (2007 – 16). Whilst these large allocations can be comprehensively planned they are slow to deliver on the ground and can be reliant on key pieces of infrastructure. The Structure Plan clearly states that making land available quickly is a key part of meeting the strategic targets. Local Development Plans are not simply about allocating land on a map, but also about making best efforts to ensure the prompt delivery of that land for development.

Based on the (optimistic) view that the plan is adopted late in 2012 then it will be the end of 2013 before permissions are in place to begin works. Working on the basis that works could start on these sites in early 2014 that leaves two years to deliver over 2000 homes on each site. A developer will only be able to market and deliver around 150 homes a year because it would otherwise saturate the market and wouldn't deliver a choice of housing in the City (not everyone wants to live in the same place in the same kind of house). The delivery of the numbers proposed for the larger sites is simply impossible and will inevitably force un-built allocations back into a later phase of the plan resulting in each review of the plan shifting allocations to later phases and not delivering a much needed choice of development on the ground.

In Bridge of Don (areas A&B) there are 7550 homes allocated across the lifetime of the plan, but only on two allocations. 7000 at Grandholm and 550 at Mundurno/Dubford. This delivers neither choice nor immediately deliverable sites.

Both of these allocations will require to be masterplanned and will have to go through the major applications process delaying their delivery further. A range of sites need to be allocated in Bridge of Don to ensure the timely delivery of new homes in a range of locations where they can be linked into a wider strategic plan for the area creating a sustainable location for living and working.

The wider strategic masterplan concept at North of the Don reflects the Energetica concept promoted through ACSEF and offers choice as well as a joined-up approach to development north of the river.

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Good growth for cities

A report on urban economic wellbeing from PwC and Demos

November 2013

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

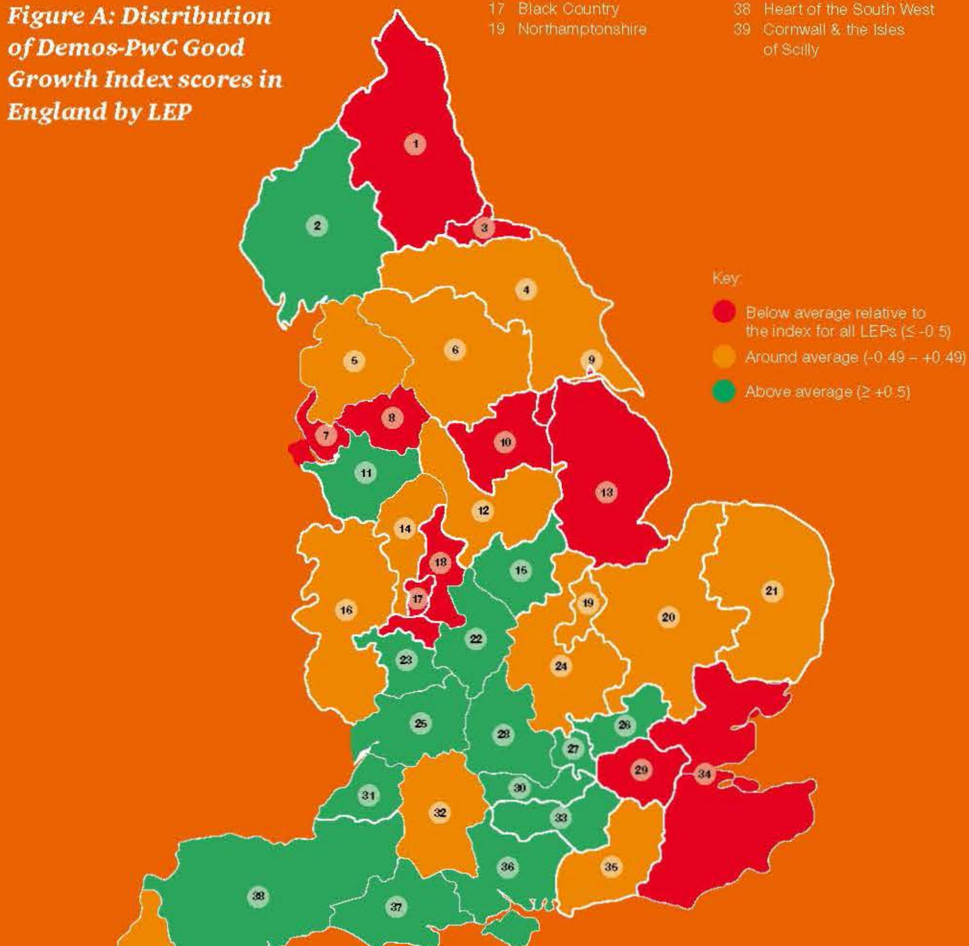
Source: PwC analysis. Scores are relative to a UK average score set to zero. City definitions are based on Travel To Work Areas (TTWAs).

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

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

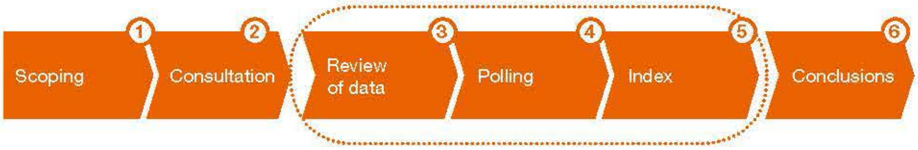
The broad methodology which we have applied in this report is similar to that used in our previous Good Growth reports in 2011 and 2012, but has been adjusted to reflect feedback on these earlier reports at roundtables discussing the findings as well as newly available data and the results of additional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

***Figure 1:* Approach**



1. Scoping
   - Review methodology for cities index and agree changes
   - Agree expanded list of cities and city regions for the index

2. Consultation
   - Informal discussion with a range of local authorities and others on how to further develop the index, taking account of feedback on previous reports

3. Review of data
   - Review and update of latest available data for index variables (including new skills variable)
   - Assemble database

4. Polling
   - Poll of 2,010 UK citizens of working age to test for continuing validity of weightings from earlier studies

5. Index
   - Determine weights from supplementary polling and previous analysis
   - Calculate indices
   - Robustness checks

6. Conclusions
   - Develop conclusions for city leaders and officials, businesses, and education and training providers

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.

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)

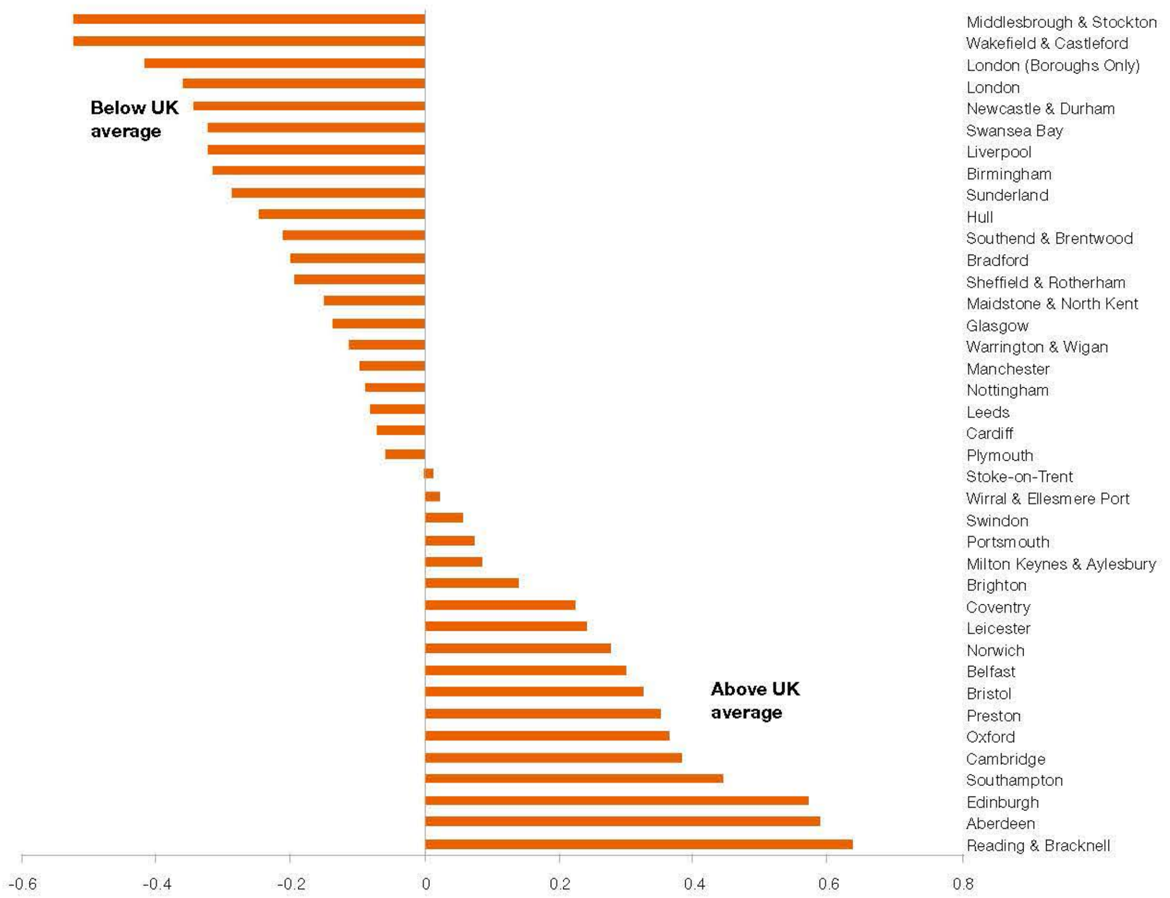
The overall distribution of cities' scores, defined by TTWAs (plus Greater London on an aggregated borough basis) can be seen in Figure 2. These scores represent the weighted-average value of the elements which make up the overall index. Each area is scored relative to the rest of the areas with a sample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

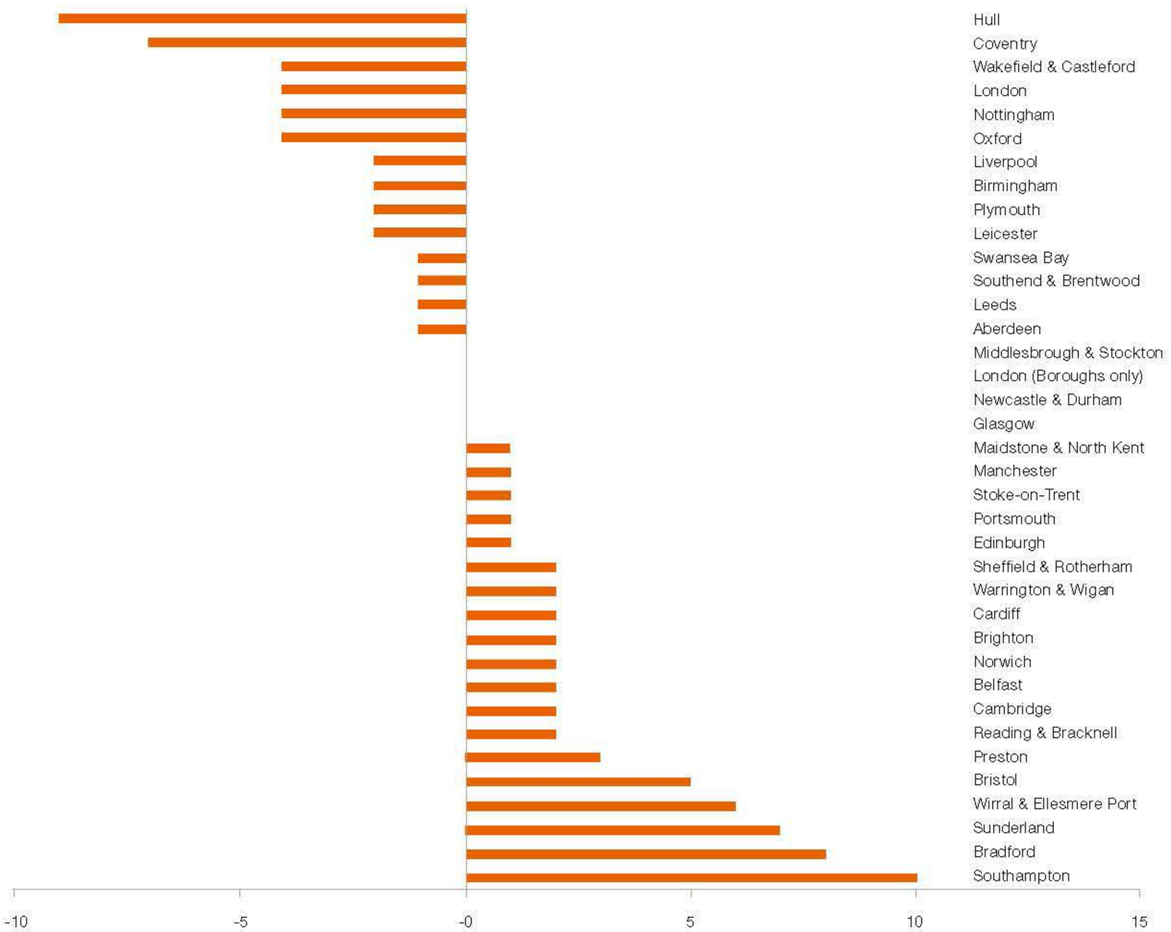
However, **Figure 3** below shows the estimated changes in rankings if our 2013 methodology had been used with 2012 data to create a comparable set of results for last year.[11] In the chart, a negative change represents a worsening of a city's ranking between 2012 and 2013, and vice versa.

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**



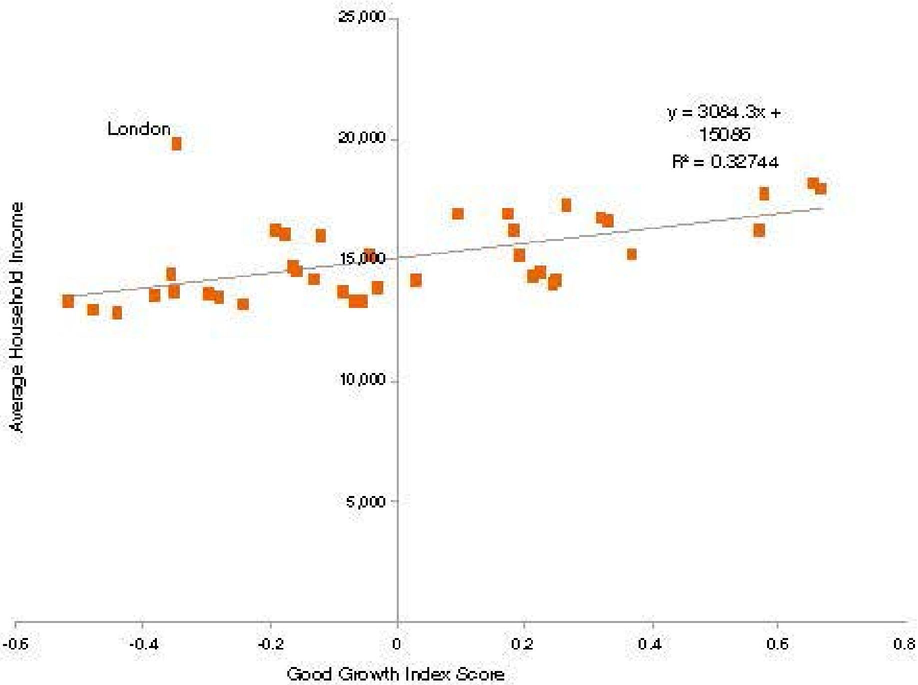
11 Data from a year previous were available for all variables, aside from owner occupation data which were sourced from the 10-yearly census and so did not change from last year.

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.

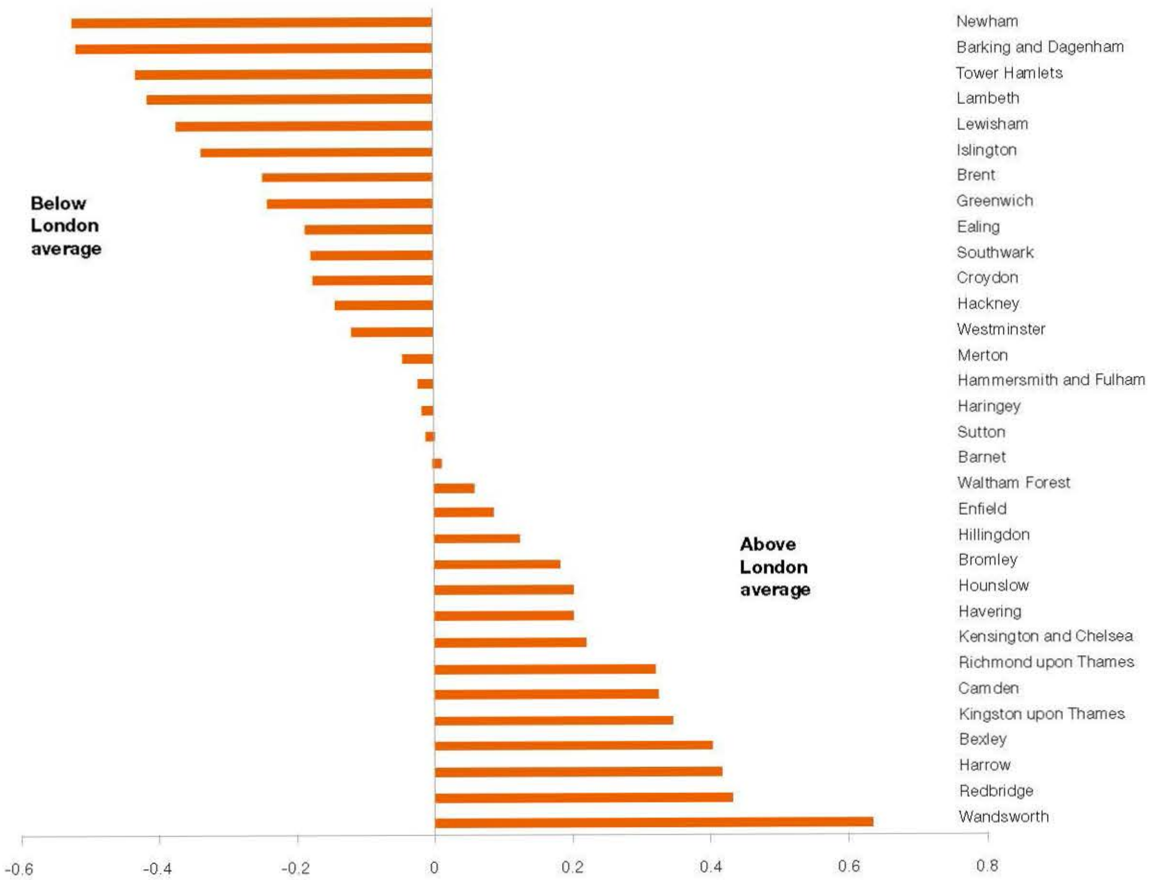
London Local Authorities

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**

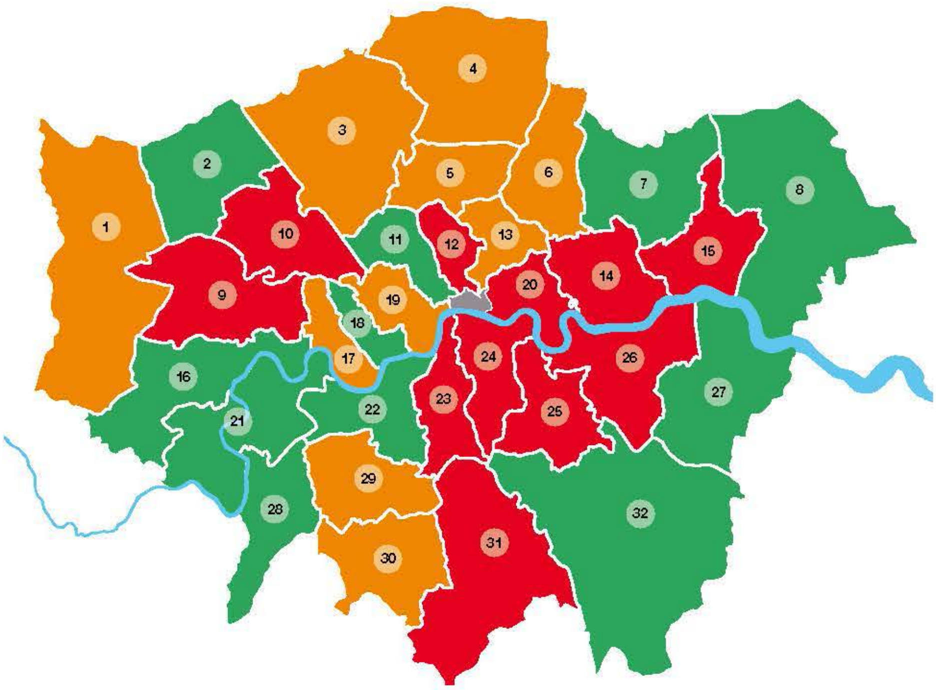


This result leads to the geographical distribution of scores shown in Figure 6, where green colours indicate significantly above average index scores and red colours significantly below average index scores.

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**

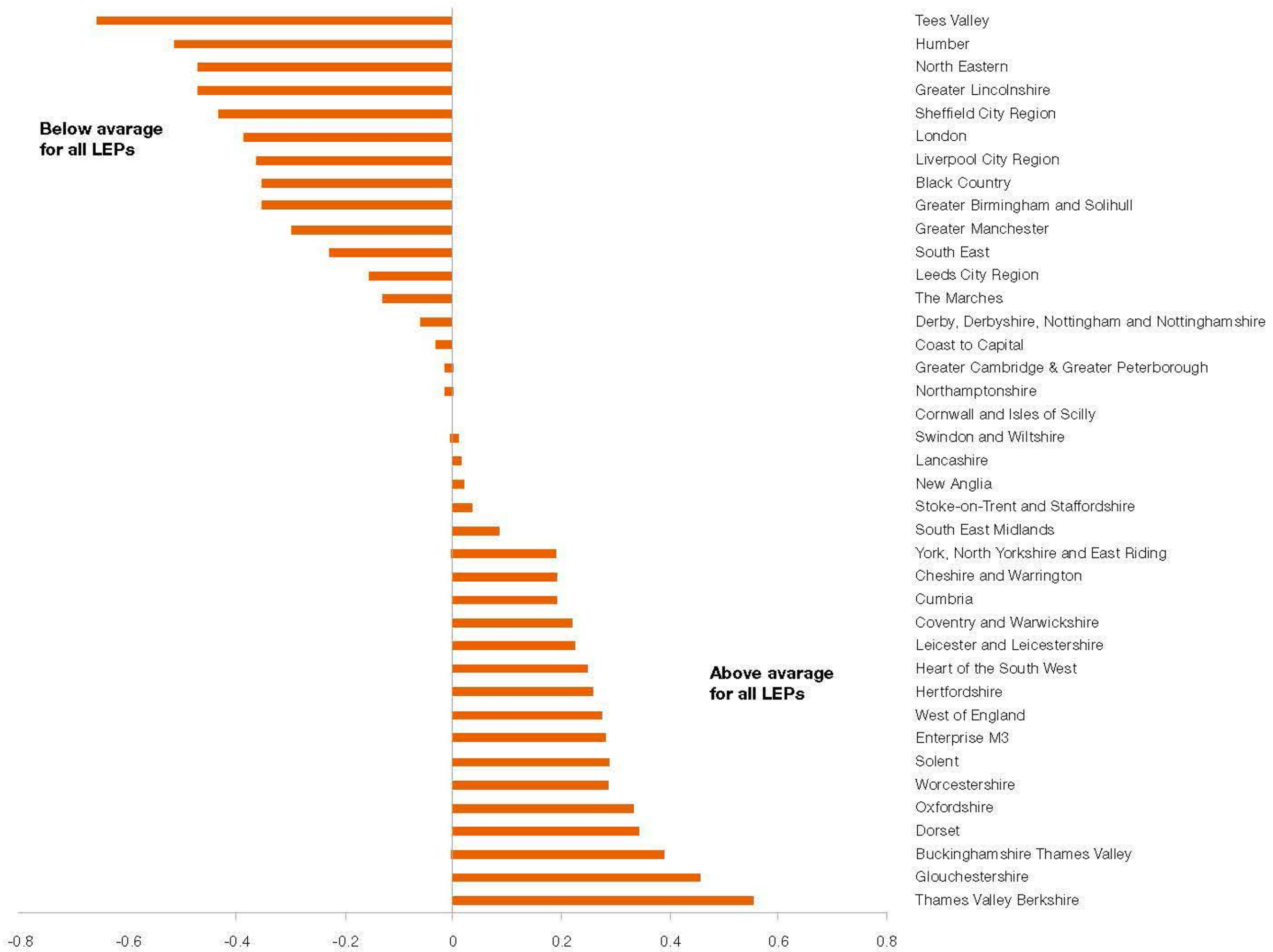
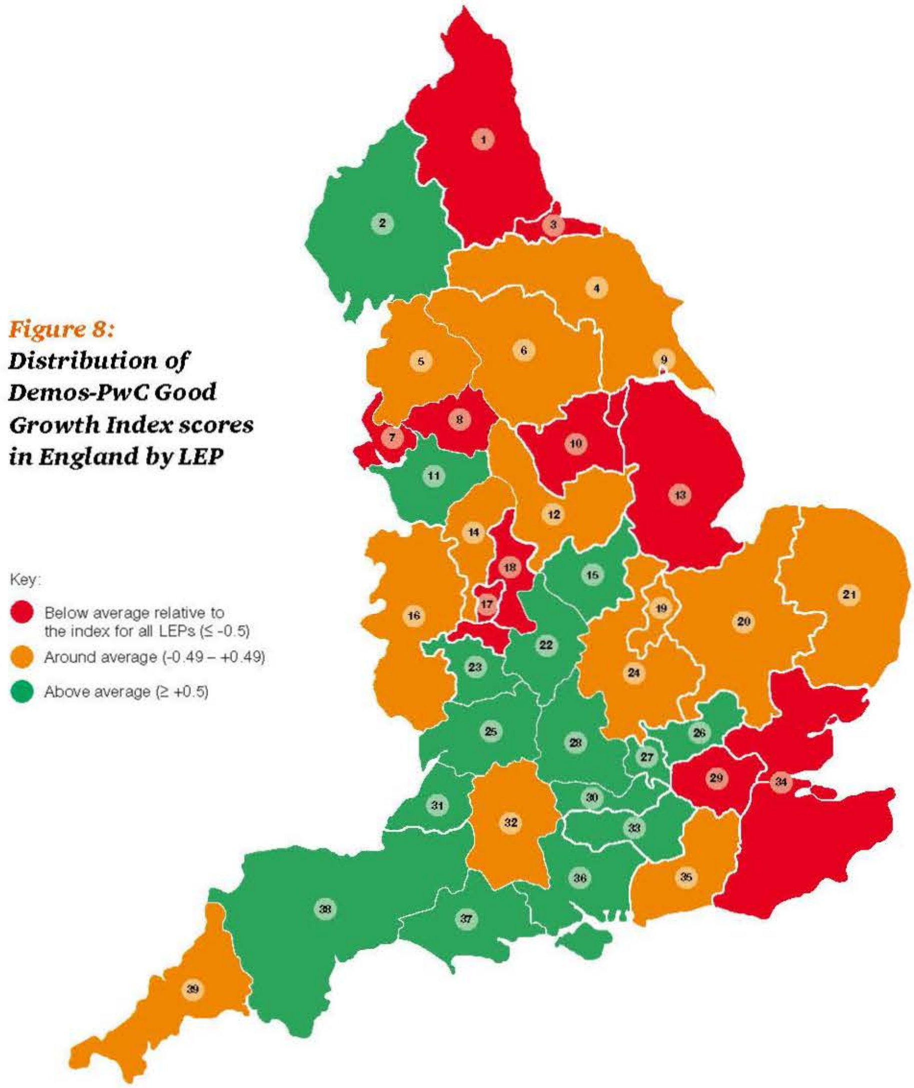


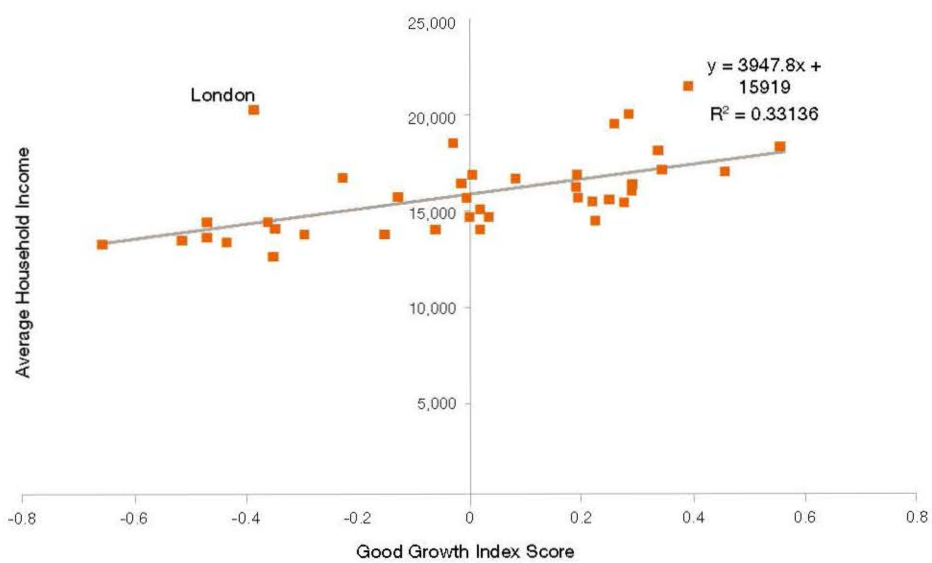
Figure 8: **Distribution of Demos-PwC Good Growth Index scores in England by LEP**



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**

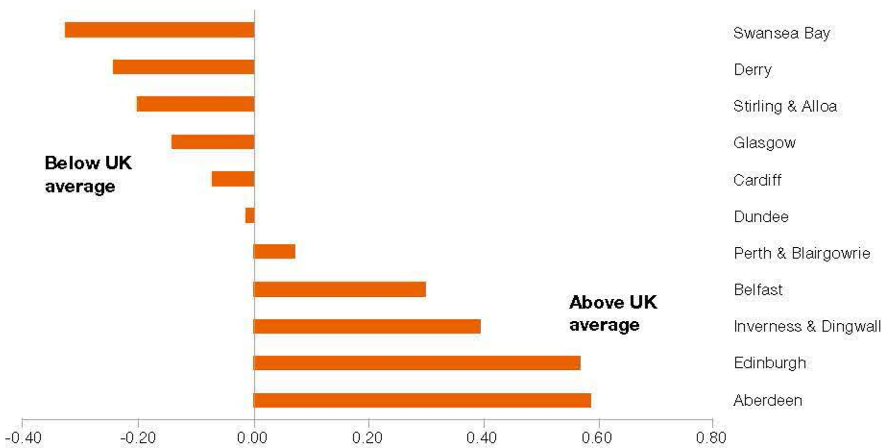
Cities (LEPs)	Jobs	Income	Health	Work-life balance	Sectoral balance	House price to earnings	Owner occupation	Transport	Providing for future generations	Income distribution	Environment
Manchester	Around	Around	Around	Above	Below	Above	Below	Below	Above	Around	Above
Liverpool	Below	Above	Below	Above	Below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

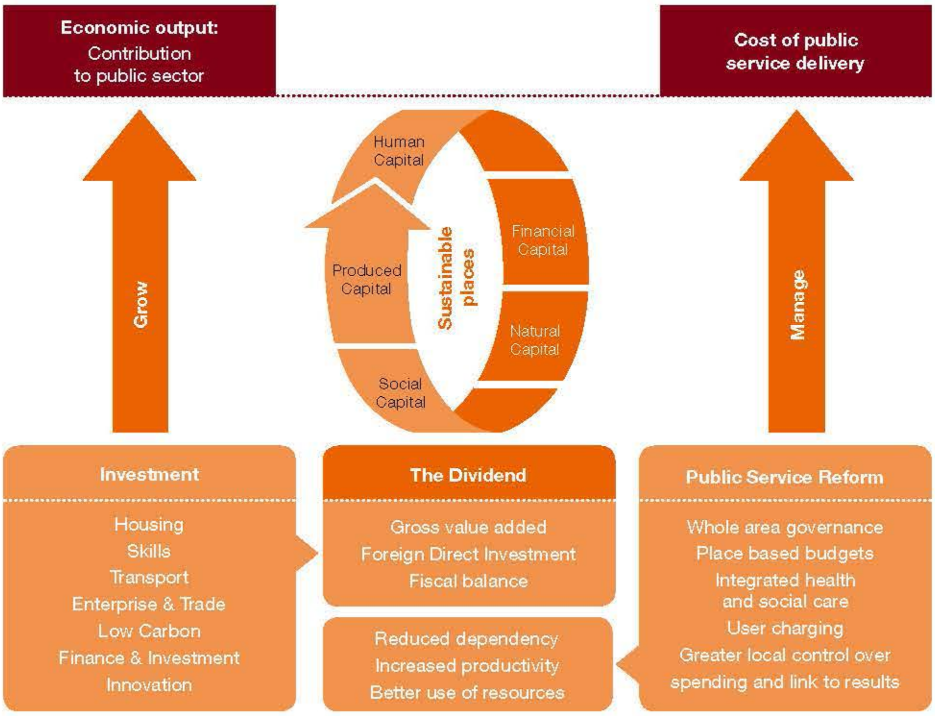
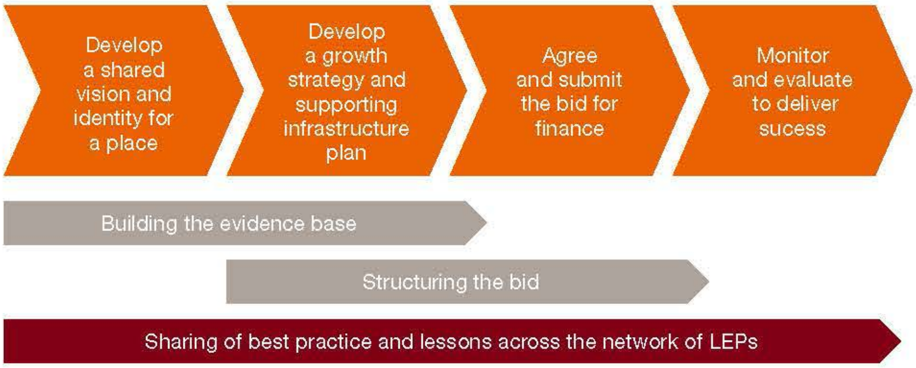


Figure 14: ***Growth planning***



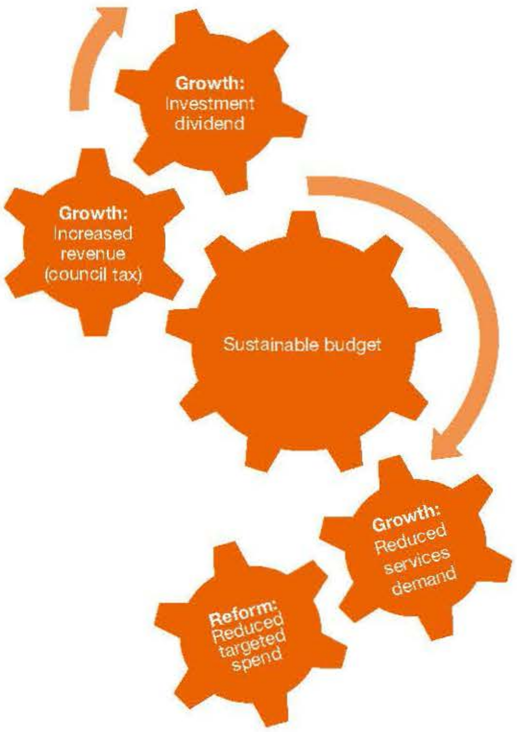
Source: Stepping stones to growth

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.

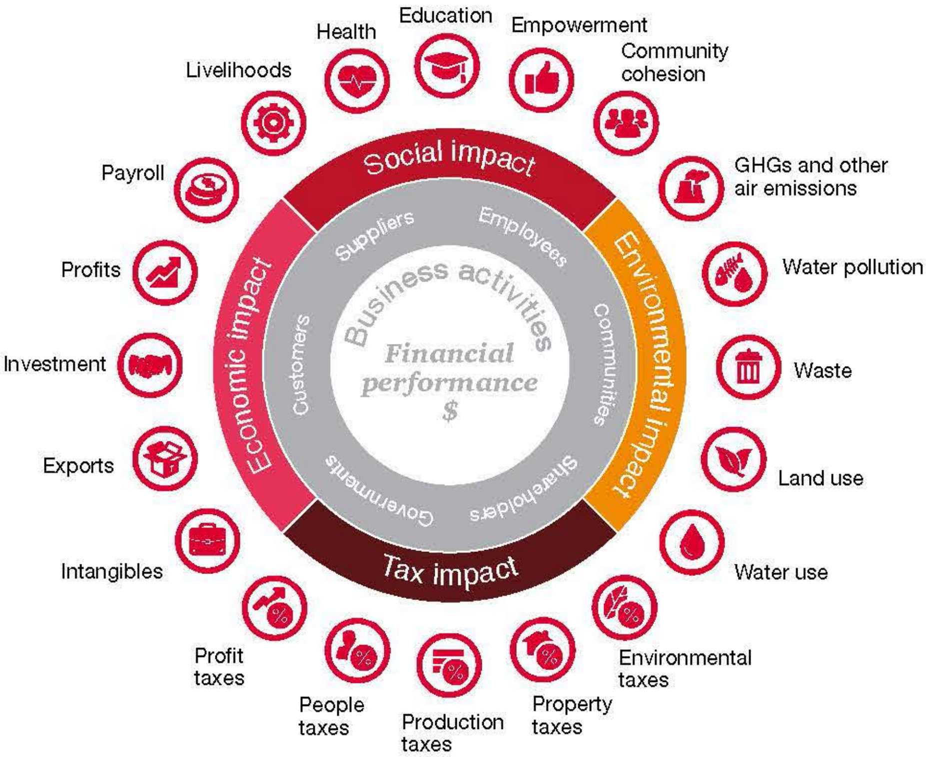
TIMM quantifies the social value or cost of these impacts. While this helps support a business' licence to operate, the real benefit to business is in decision making. It enables management to develop a better understanding of their potential impact and what that means to their stakeholders. TIMM gives 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

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).
Bradford	8	0.239	Unemployment fell (12.4% to 10.3%). Also improvements in health, commuting times and income inequality.
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).
Wirral & Ellesmere Port	6	0.141	Change entirely due to fall in unemployment (8.6% to 6.5%) – otherwise the score would be unchanged.

DOWN

City	Position change	Score change	Explanation
Hull	-9	-0.179	Majority of change due to unemployment increase (9.5% to 10.9%), as well as worsening health (23% to 25%).
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)
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%)
Wakefield & Castleford	-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.

About the authors

John Hawksworth
+44 (0) 20 7213 1650
john.c.hawksworth@uk.pwc.com

John Hawksworth is Chief Economist at PwC. He was closely involved in developing our original Demos-PwC Good Growth Index and co-author of our previous reports on this topic. He is the editor of our regular *UK Economic Outlook* publication and many other reports and articles on macroeconomic and fiscal policy issues. He has extensive experience in analysing and commenting upon Budgets and Spending Reviews since the early 1990s. He also has over 20 years of experience as an economics consultant to leading public and private sector organisations, both in the UK and overseas.

Nick C Jones
+44 (0) 20 7213 1593
nick.c.jones@uk.pwc.com

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.

In addition, Nick is a member of the Core Editorial Team for PwC's Annual Global CEO Survey, and produces an annual sister publication, Government and the Global CEO, commenting on the relationship between business and government internationally.

Research

Jonathan Bruce
+44 (0) 20 7213 4220
jonathan.m.bruce@uk.pwc.com

Jonathan Bruce is an Economist within the Economics & Policy practice at PwC. Since joining the firm, he has contributed to reports and articles on a range of topics, including the *UK Economic Outlook* and the *Global Economy Watch*. He has also worked with organisations in a number of industries, including healthcare and aviation, as an economics consultant.

About PwC

At PwC we focus on three things for government and the public sector: assurance, tax and advisory services. Working together with our clients across local government, health, education, transport, home affairs, housing, social care, defence and international development, we look for practical, workable solutions that make a difference in solving the pressing challenges that are being faced every day.

As well as bringing our insight and expertise to this sector, we contribute our thinking and experience to the public policy debate through our Public Sector Research Centre. To join this free online community, go to **www.psrc.pwc.com** and register today for our research and analysis.

The PwC Economics and Policy Practice helps our clients understand how big economic, demographic, social, and environmental changes affect their organisations by setting out scenarios that identify growth opportunities and risks on a global, regional, national and local level. We help make strategic and tactical, operational, pricing and investment decisions to support business value creation. We help clients achieve sustainable growth which meets the objectives of their business partners, influencers and broader stakeholder groups. For more details please see our website at: **www.pwc.co.uk/economics**

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Demos is Britain's leading cross-party think-tank. We produce original research, publish innovative thinkers and host thought-provoking events. We have spent 20 years at the centre of the policy debate, with an overarching mission to bring politics closer to people.

Demos is now exploring some of the most persistent frictions within modern politics, especially in those areas where there is a significant gap between the intuitions of the ordinary voter and political leaders. Can a liberal politics also be a popular politics? How can policy address widespread anxieties over social issues such as welfare, diversity and family life? How can a dynamic and open economy also produce good jobs, empower consumers and connect companies to the communities in which they operate?

Our worldview is reflected in the methods we employ: we recognise that the public often have insights that the experts do not. We pride ourselves in working together with the people who are the focus of our research. Alongside quantitative research, Demos pioneers new forms of deliberative work, from citizens' juries and ethnography to social media analysis.

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Good growth for cities

A report on urban economic wellbeing from PwC and Demos

November 2014

pwc

Cover image
Liver Buildings, Liverpool

Contents

Executive Summary

The economic outlook continues to improve, with renewed business confidence evident across all UK regions. But there is some way to go yet before the recovery becomes fully sustainable – and the public finances still need to be repaired.

In the wake of the Scottish Referendum, there is heightened attention on the role that all parts of the United Kingdom need to play in delivering growth, with decentralisation very much at the forefront of political debate. But is decentralisation part of the answer to unleashing the economic potential of UK plc as a whole?

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

For the past two years, PwC and Demos have published a Good Growth for Cities Index to put the spotlight on local economic performance. Our aim has been 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 place.

For the first time, our 2014 report allows us to look back to before the 'Recession' and compare how places have fared since the financial crisis and what this means for the long term decisions needed in any place.

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, based on the views of the public and business, as key to economic success and wellbeing. Employment, health, income and 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, which covers the 'Recovery' period from 2011-13. This shows similar results to the 2013 report with Reading & Bracknell, Aberdeen, Edinburgh, Oxford and Cambridge leading the way.

The highest ranking cities in our index continue to do relatively well on jobs, income and skills. There is, however, a continuing theme from our previous reports on the price these cities pay for their success, as seen in relatively low scores for housing affordability. Reading & Bracknell retains top spot from 2013, with particular strengths in jobs, income, health and skills.

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.

***Table A:* Highest and lowest ranking cities (by TTWA[1]) in the Demos-PwC Good Growth Index for the 'Recovery' period (2011-13)**

Highest Ranking Cities	Index Score, above average	Lowest Ranking Cities	Index Score, below average
Reading & Bracknell	0.61	Middlesbrough & Stockton	-0.49
Aberdeen	0.55	Wakefield & Castleford	-0.48
Edinburgh	0.54	Sunderland	-0.44
Oxford	0.54	London (Boroughs only)	-0.41
Cambridge	0.45	Bradford	-0.37

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

London is, as in our previous editions, an exception. While having the highest income levels in the UK and scoring well in international surveys of what makes for a great 'world city',[2] the capital has a relatively low ranking in our good growth index. This is because London's success has come at a cost, with issues including a lack of affordable housing, congestion, income inequality and long working hours. These downsides are sufficiently prevalent in London to more than offset many of the benefits from high income levels in the overall index.

Looking at the cities in the devolved administrations, it is also notable that two Scottish cities – Aberdeen and Edinburgh – continue to be in the top 5 cities in Table A, with Belfast sitting just below them in sixth place.

1 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.

2 In 'Cities of Opportunity 6', PwC's index of 30 major cities internationally, London claimed the top spot as a centre for business, finance and culture for the first time. Against key indicators, London came top for Economic Clout, Technology Readiness and as a City Gateway. However, the index also revealed some of London's underlying vulnerabilities. The city came sixth for transport and infrastructure, 17th for sustainability and the natural environment, and 16th for cost. A number of these vulnerabilities align with the findings of the 'Good Growth for Cities 2014' report.

The main innovation in the 2014 index has been to extend it back in time to allow a comparison between the latest results and city index scores for the 'Pre-Crisis' period of 2005-07.

We find here that, on average, the latest Demos-PwC Good Growth Index scores are slightly lower than in the 'Pre-Crisis' period. This reflects offsetting effects from, in particular:

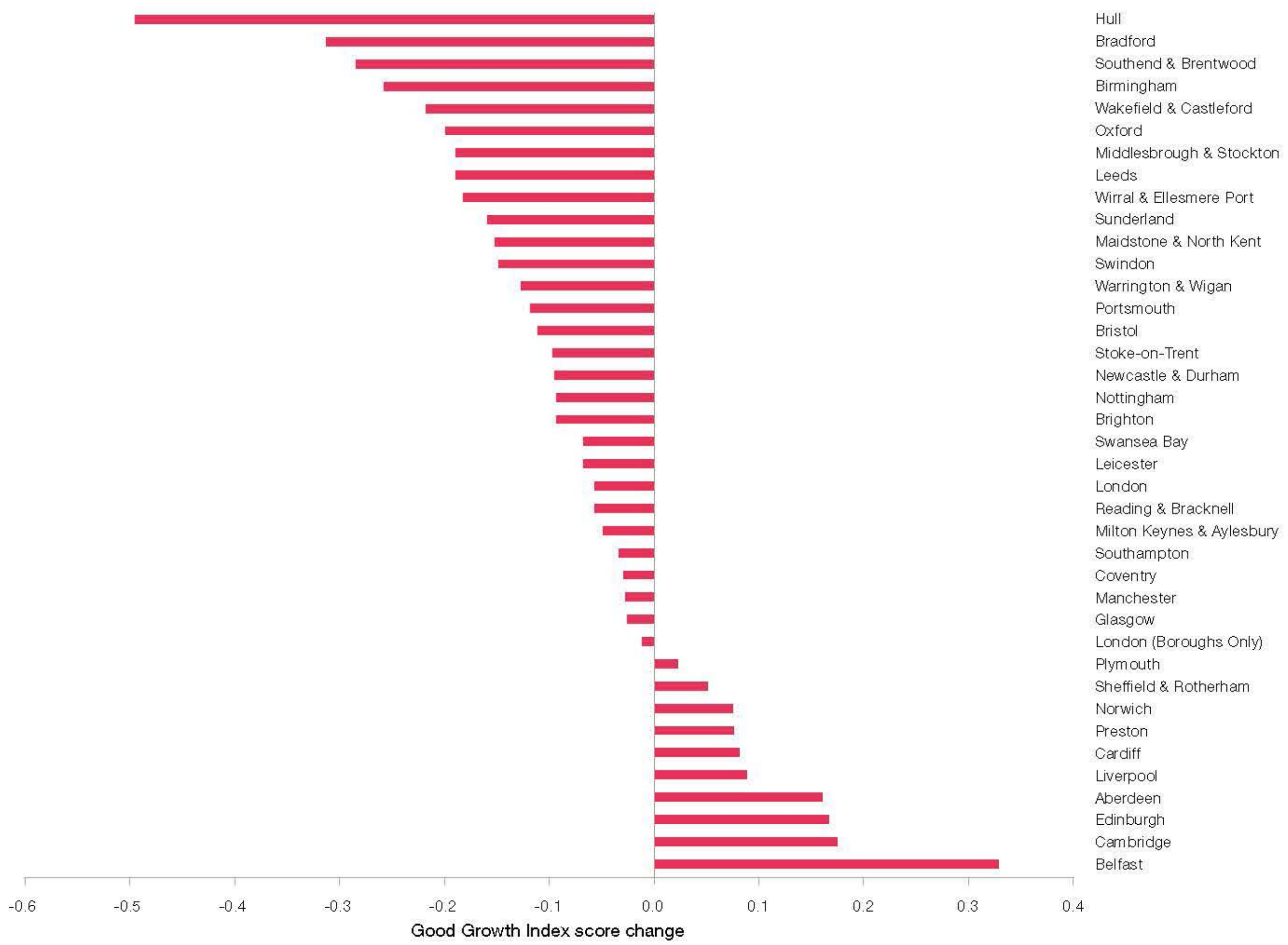
- **Jobs:** a reduction in the score, with unemployment having risen from 'Pre-Crisis' levels (despite some recent falls).
- **Skills:** a rise in the score over time.

So although there has been a rebound of the economy in terms of Gross Domestic Product (GDP), not all of the ground lost during the recession has been recovered in terms of the public's priorities for good growth.

Belfast, Cambridge, Edinburgh, Aberdeen and Liverpool show the largest rises over the period since 2005-07, while Hull and Bradford show the largest falls over this period. This is shown in Figure A below.

Importantly, we do not find any systematic relationship between a city's score in 2005-07 and the subsequent change in its index score between 2005-07 and 2011-13. Strong performers therefore do not inevitably move further ahead, and relatively weaker performers do not necessarily fall further back.

Figure A: ***Total change in city score from 'Pre-Crisis' (2005-07) to 'Recovery' (2011-13)***



Unless otherwise stated, all tables and charts are based on PwC analysis.

Implications

The success (or otherwise) of a place depends on the effects of long lasting structural factors including its brand and identity. Although these tend to change slowly over time, it is not the case that today's successful places will always endure, as we have seen from our findings this year.

As such, those ahead on our index today cannot be complacent that they will maintain their position; equally those behind have the opportunity to improve if they think, and invest, for long term gain. This requires robust assessment of the specific strengths and weaknesses of places to inform future decision making, based on evidence and data. Such an evidence base would in turn help to:

- **Define the relevant economic area:** assess strategic economic models for collaboration across the 'natural' local market and its hinterland.
- **Target investment:** show how tailored interventions will support the delivery of place-based targets, citizen outcomes and Value for Money (VfM).
- **Make the case for greater local power:** provide evidence of the benefits and value of localising additional powers and budgets.
- **Demonstrate delivery:** provide a baseline against which progress and VfM can be clearly demonstrated.

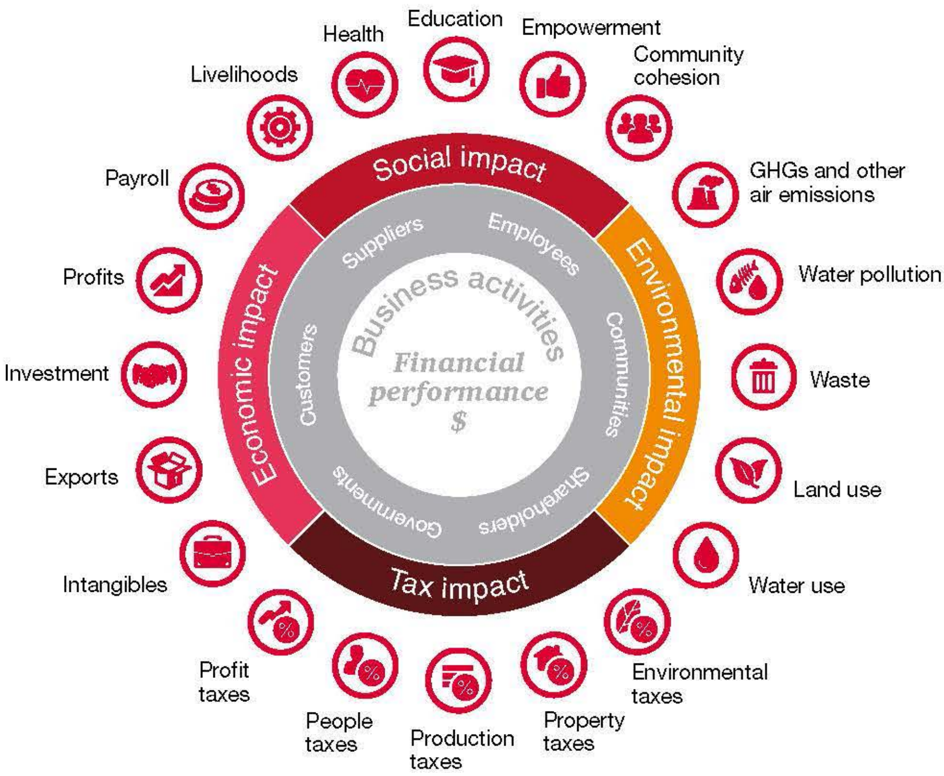
One approach to achieve this is **Total Impact Measurement and Management (TIMM)**, a technique supporting decision making between options to improve outcomes in a place, many of which are long term in nature. A place-based TIMM can aid cities trying to measure their impacts in terms which are broader than purely financial (see Figure B).

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. It can also help when assessing the options for collaboration, from combining authorities to less formal alliances. It provides a clear framework to articulate progress towards the vision for a place in a simple, graphical way that all stakeholders can understand. In addition, it develops the framework within which to design the strategy to deliver the vision and, critically, the priorities for the implementation plan.

Accountability and transparency are also important enablers for growth as the focus on decentralisation intensifies. This in turn requires monitoring and evaluation. A focus on our good growth indicators can help by providing a **place-based dashboard** against which local policy makers and managers can measure and monitor progress over time in achieving the factors that voters identify with when deciding 'what growth means for them'. This highlights that within each city there are areas of relative strength which contribute most positively to the overall score, and areas of relative weakness which may provide the greatest opportunity for development and improvement.

By monitoring on a regular basis the movement of the 'traffic lights' that underpin the analysis in the index, public bodies can then highlight areas for investment e.g. in housing and transport, prepare the supporting **business cases** and offer new **funding and financing opportunities** to attract either the investor community (including inward investment) or government e.g. as part of Growth and City Deals. This would also place them well to access finance through innovative financing platforms such as Funding Circle and MarketInvoice.

***Figure B:* Place-based TIMM**



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

Agenda for action

From our experience, we know that success requires a **robust evidence base**, as set out previously, which in turn supports action from a combination of stakeholders involving:

- **Investment in the assets of a place**, particularly the skills of its people, the infrastructure to enable sustainable growth and the brand of a place.
- **Collaboration and clear accountability** among the stakeholders driving growth: each needs to know their role and priorities, and buy in to the plan for growth.
- **A focus on the long term:** economic, social and environmental change takes time and needs an appropriate decentralisation of powers and responsibilities.

However, action will not just happen. It often requires **a strategic brokering role**, facilitating the development and execution of the **partnership plans** that are needed to deliver change across local authorities, LEPs, higher/further education and business where this is either not happening, or not happening effectively. In a few cases, metro mayors can play this role in areas for which they have defined responsibilities. In other cases, **leaders in a place** need to step forward to make things happen.

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

Table B: *Agenda for action*

Stakeholders	Agenda for action
City leaders, LEP Chairs and leaders of other local public bodies	• Provide leadership to deliver a platform for growth, working collaboratively across political/administrative boundaries and sectors of the local economy to define the vision for a place – what city stakeholders want it to be famous for – which is attractive for both business and the public. • Build a robust evidence base to underpin the analysis of the appropriate economic model for a place; and use this as a lens through which to prioritise investment, make the case for new powers and report delivery of outcomes. • Design and develop an implementation plan, which focuses on the priorities to deliver good growth for a place. Where relevant, develop/implement a marketing and communications campaign to refresh and promote the identity brand of a place, in line with the vision. • Develop and implement an aligned and integrated programme of infrastructure investments to enhance quality of life and city competitiveness, particularly housing and transport. • Develop systems to underpin, manage and administer devolved powers and funding as and when decentralisation progresses. • Monitor and evaluate progress and risks, using the good growth dashboard to guide decisions, and build the evidence base to link decisions and outcomes (including on the options for collaboration) using a placed-based TIMM approach. • Drive good growth in tandem with a necessary internal focus on transformation and sustainable cost reduction as fiscal austerity continues into the next Parliament.
Central government	• Set out a clear vision for future decentralisation; in particular, cross-party consensus is needed to agree a route map to decentralisation spanning years, not months, and then implement and embed a programme of change. • Adopt a multi-speed approach to decentralisation, accelerating devolution where local bodies have the appetite and capacity to take on new powers and responsibilities e.g. local transport, planning, skills. • 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 transform the role of Jobcentre Plus to act as a broker of people to jobs, particularly the young.

Stakeholders	Agenda for action
Devolved administrations	• Assess the impact at city level of the proposals arising from the Commission on Scottish Devolution, particularly with respect to further devolution of tax-raising powers e.g. property taxes, corporation tax and even income tax. • Assess the local capacity and capability to take on and deliver new powers and responsibilities.
Education and training providers	• Promote and encourage business engagement in schools, colleges and universities to inspire students in their future career choices, including apprenticeship pathways. • Improve the dialogue with businesses on their training and skills needs to make courses and skills development more demand driven. • 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	• Work proactively with LEPs and other public bodies to deliver the recently agreed public-private priorities in their Growth Plans. • Measure and manage the total social, fiscal, environmental and economic impact of business activities in order to deliver good growth on a business-by-business basis using a TIMM approach. • Improve the articulation of skills needs by getting more involved directly with education and training providers.

Conclusion

In an era of fiscal austerity and resource scarcity, most places will need to make important **choices and trade-offs** to achieve good growth. For instance, there is often a price for success in terms of the congestion, pollution and unaffordable housing that detracts from the quality of life in any place, as our results for London (and other major conurbations) show.

But strong performers do not inevitably move further ahead, just as relatively weaker initial performers do not necessarily fall further back. A **robust, evidence-based assessment** is therefore needed of the specific strengths and weaknesses of places to enable them to forge a way ahead, rather than being either complacent about continued success, or resigned to continued relative underperformance. This forms the platform to design and implement a **plan for success** which is owned across the leaders in a place.

The challenge is to identify how best to unlock the potential of our cities, which are the engines of sustainable growth, by investing in the assets and enablers that businesses require to succeed and grow over the long term including **skills, infrastructure and innovation**. This could, in turn, be helped by achieving a greater degree of **decentralisation**, with stronger local decision making and incentives to unleash the potential of places across the UK.

Introduction

Quayside and Millenium Bridge, Newcastle

Cities have a significant role to play as the engines of sustainable growth. But the development of sustainable and competitive cities requires an integrated strategic approach, with greater collaboration, as set out originally in the Heseltine Review[3] and subsequently the Adonis Review.[4] And the UK needs stronger growth regionally for a lasting recovery, not just one based on London and the South East.

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, PwC and Demos have, since 2012, refined our original good growth index[5] to focus on cities. We believe this enables 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, first launched in 2012,[6] 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, skills, 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 provide a more democratic dimension to the decisions made.

This report sets out the third edition of the Demos-PwC Good Growth for Cities Index, with the main new element being to extend the analysis back to 2005 in order to get a perspective on how cities' relative performances have evolved since before the financial crisis.

3 'No Stone Unturned in the Pursuit of Growth', Lord Heseltine, 2012.
4 'Mending the fractured economy: Smarter state, better jobs', Final report of the Adonis Review, Policy Network, 2014.
5 '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
6 '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, 2012 and 2013. This consistency allows for more direct comparison between different years, which was previously made difficult due to methodological changes.

Our overall approach to developing the latest index is summarised in Figure 1, and remains consistent with the 2013 report.

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:

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

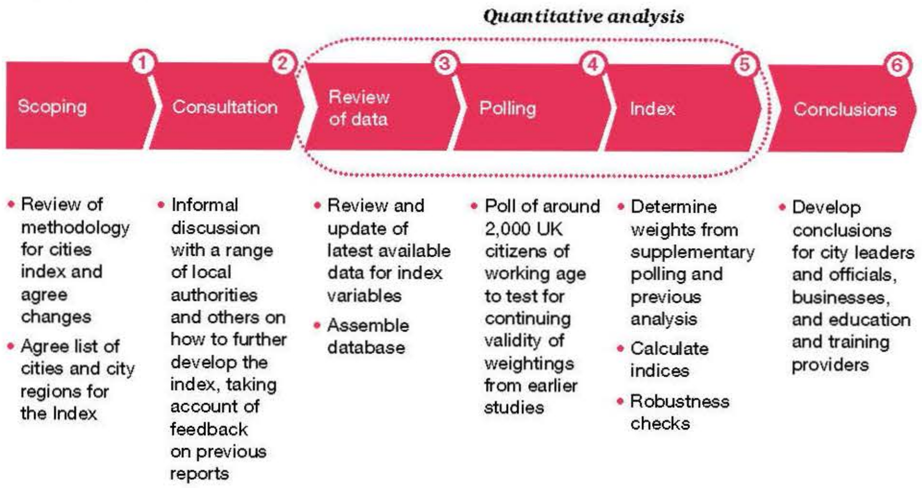
These are the same elements as those used in the previous version of the report, and which were validated recently in a set of Citizens' Juries at the main political party conferences (see Box).

The Citizens' View

The original scoping work for the Demos-Good Growth Index involved running a Citizens' Jury with BritainThinks to identify the factors important to the public in the work and money sides of their lives. This ultimately resulted in the ten indicators that we still use today.

To test for the currency of these indicators, we presented them to three Juries at each of the party conferences in September-October 2014. The Juries validated these criteria, while also offering views on alternative indicators. One of the Juries also took a deep dive into the most heavily weighted indicator – jobs – and set out both their views on what makes for a good job, as well as some practical ways to bring this about. The results can be found in our publication 'The Public Matters'.[7]

***Figure 1:* Approach**



Extension of results back to 2005

This version of the report presents results over nine years, split into three year averages: 'Pre-Crisis' (2005-07), 'Recession' (2008-10) and 'Recovery' (2011-13). Combining the results into three-year groups helps to smooth out year-to-year fluctuations, which can be volatile when dealing with city-level data. The most recent version of the index should therefore be seen as referring to the 'Recovery' period from 2011-13.

The only variation from this is for Local Enterprise Partnerships (LEPs), which did not exist before 2012. Results are therefore only presented for an average of 2012 and 2013 (again we prefer to average the years to smooth out short term 'noise' in the data).

7 www.pwc.co.uk/government-public-sector/central-government/publications/the-public-matters-autumn-2014.jhtml

***Table 1:* Latest index weights compared to previous years**

	Jobs	Health	Income	Skills	Work-life balance	Housing	Sectoral balance	Income distribution	Transport	Environment
2012 weights	18%	13%	13%	7%*	11%	9%	7%	8%	7%	7%
2013 weights	16%	13%	12%	12%	9%	9%	8%	8%	7%	6%
2014 weights	16%	13%	12%	12%	9%	9%	8%	8%	7%	6%

**In 2012, this variable related to savings rates rather than skills. However, skills has proved to have a much higher weight in our 2013 and 2014 polls, justifying its inclusion in the index and validated in our most recent Jury discussions.*

Defining index weights

In each report we have defined the weights given to each element of the index through annual polls of the UK working age population. This enables us to capture the elements of the index which are deemed most important in public opinion, and to weight these more highly accordingly.

In order to capture any changes in public opinion, we ran another year of polling on the relative importance of each category, taking our combined sample to over 9,000 respondents. However, the additional results were not enough to shift the average weights from those used in the previous report, and as a result the 2014 weights remain unchanged from those applied in 2013. The full list of weights applied can be seen in Table 1 above.

As in previous versions of the report, jobs, health, income and skills are seen as the most important issues by our survey respondents. The consistency in responses, and therefore the weights applied, provides additional assurance that these weights do appropriately capture public opinion and therefore can be applied with an increased degree of confidence. This is also reassuring as we need to apply the same weights to years before 2012 in our historical analysis (although we cannot be sure the weights would not have differed in those years).

Defining the list of cities

We have retained the same list of cities used in the 2013 report, as set out in Table 2 below. As before, our main criterion was for a population of around 250,000 or more. Cities were defined on the basis of Travel to Work Areas (TTWAs) for the main index.

In addition to the main list of cities, we also replicated the good growth index analysis (as we did in 2013) for:

- **All 39 Local Enterprise Partnerships (LEPs)** in England: as noted above, this analysis was only completed using 2012 and 2013 data, as these Partnerships did not exist before then.
- **11 cities within the devolved administrations:** data was collected for five additional cities (Inverness, Stirling, Dundee, Perth and Derry) and combined with the six that were included within the index (Aberdeen, Glasgow, Edinburgh, Belfast, Cardiff and Swansea). The scores for these cities could then be compared relative to each other, as we did in the 2013 report.
- **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 Greater London boroughs.

***Table 2:* Cities included in the Demos-PwC Good Growth Index**

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

Key findings

Edinburgh city from Calton Hill

Distribution of scores across Travel to Work Areas (TTWAs)

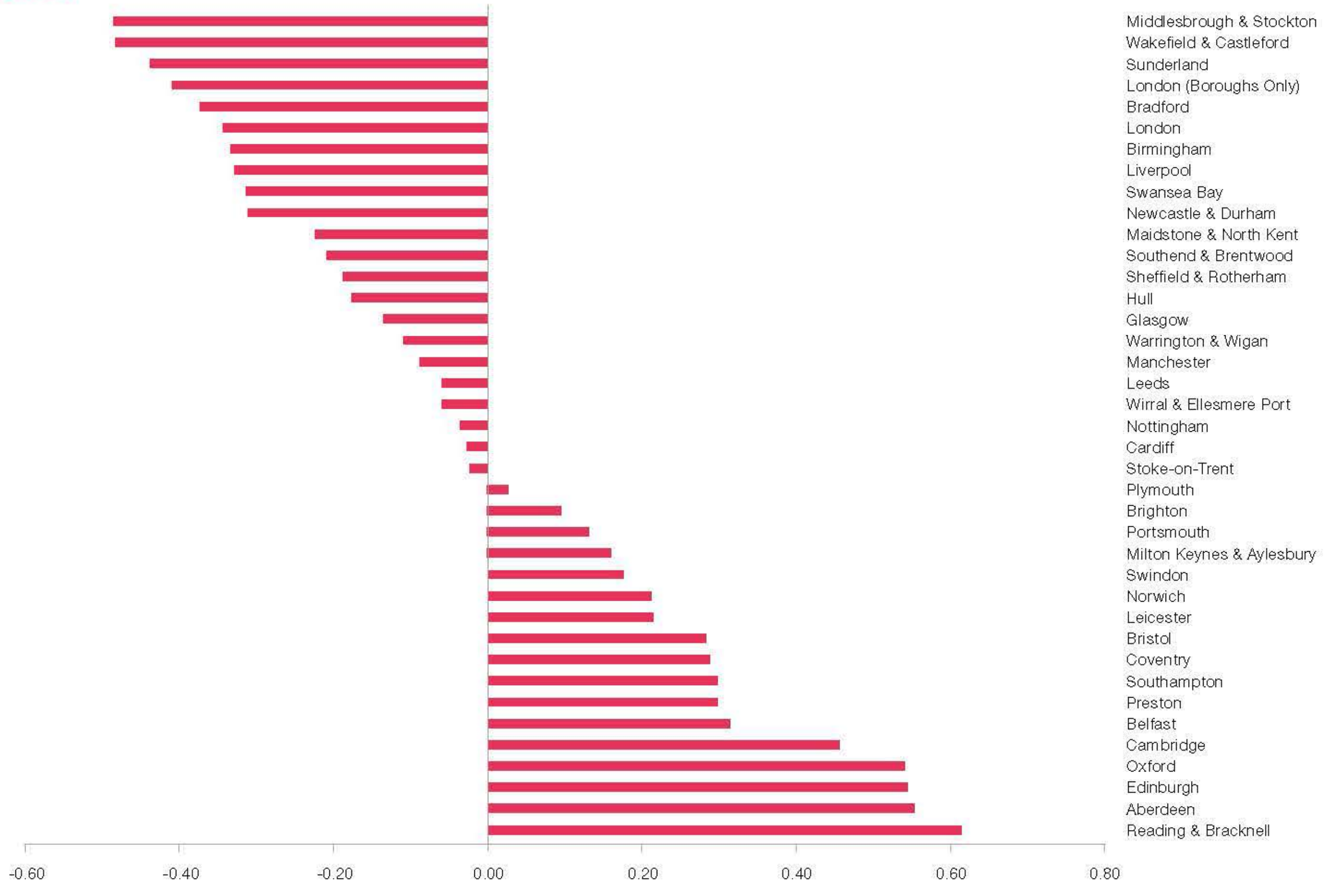
The overall distribution of cities' scores, defined by TTWAs[8] and averaged over three years, can be seen in Figure 2. These scores represent the weighted-average value of the elements which make up the overall index. Each area is scored relative to the rest of the areas with a sample average across 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 mean for our 39 cities. This ensures that the score for each variable is directly comparable, and therefore 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 previous reports, and is standard practice when constructing such indices. For example, 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.

As seen in previous versions of the report, Figure 2 shows that the cities with lower scores are often located in less affluent regions, such as the North-East or Yorkshire & Humberside. On the other hand, more affluent areas,[9] 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 on indicators such as housing affordability.

Figure 2: ***Latest version of the Good Growth Index – 'Recovery' period (2011-13)***



8 Plus Greater London on an aggregated borough basis.
9 With the notable exception of London, which scores relatively low in the index for the reasons discussed further below.

Changes in city scores since 2005

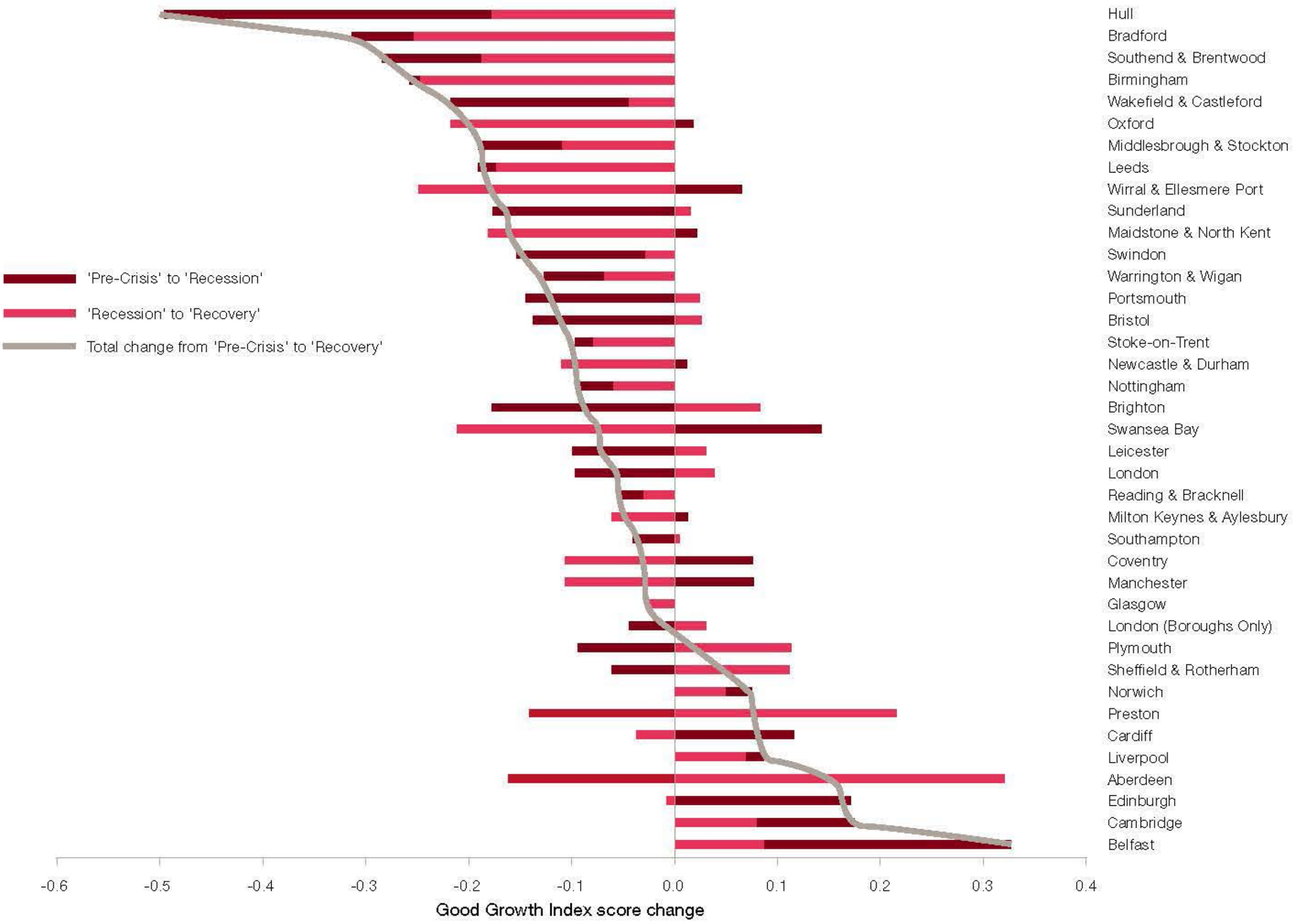
Figure 3 below demonstrates the total change in city scores from the 'Pre-Crisis' period (2005-07) to the 'Recovery' period (2011-13). This total change is given by the dotted line, while the breakdown of this change into the two different periods analysed is also given. Here all scores are normalised relative to the 2011-13 means and standard deviations, therefore a score of less than zero represents a worsening of the overall index score.

It can initially be seen that the majority of cities, 29 out of 39, have seen a fall in overall score over the period since 2005-07. The first part of this fall is perhaps not unexpected, with cities suffering in the period from 'Pre-Crisis' to 'Recession' and many cities witnessing a fall in score, albeit with notable exceptions such as Aberdeen and Preston.

What is perhaps more surprising is that relatively few cities have seen a substantial subsequent bounce back to, and beyond, the 2005-07 scores. Only two cities in the index, Cardiff and Edinburgh, have had sufficient recovery in the second period to have a positive overall change since the 'Pre-Crisis' period, despite a fall in score during the recession. This highlights the issues which many cities have faced during this 'Recovery' period, particularly in key variables such as jobs and wages.

The inconsistent nature of the recovery is reinforced by looking at **Figure 4**. This splits out the overall change in average score into the constituent elements of the index.

Figure 3: ***Total change in city score from 'Pre-Crisis' to 'Recovery'***



It is evident from this chart that while overall scores have fallen, on average, very marginally, there is great variation in the experience of different elements of our index. In particular, while skills have substantially improved over the period, the unemployment rate has notably increased, represented by the fall in the 'jobs' score. Despite recent falls in unemployment, this highlights the length of time it can take to recover fully from the effects of an economic crisis. Average real income levels also remain slightly below 'Pre-Crisis' levels on the measure used in the index.

Appendix 2 looks at some of the cities which have experienced the largest changes in score in more detail, and the components of the index driving these changes.

Figure 4: *Change in average score by component of index*

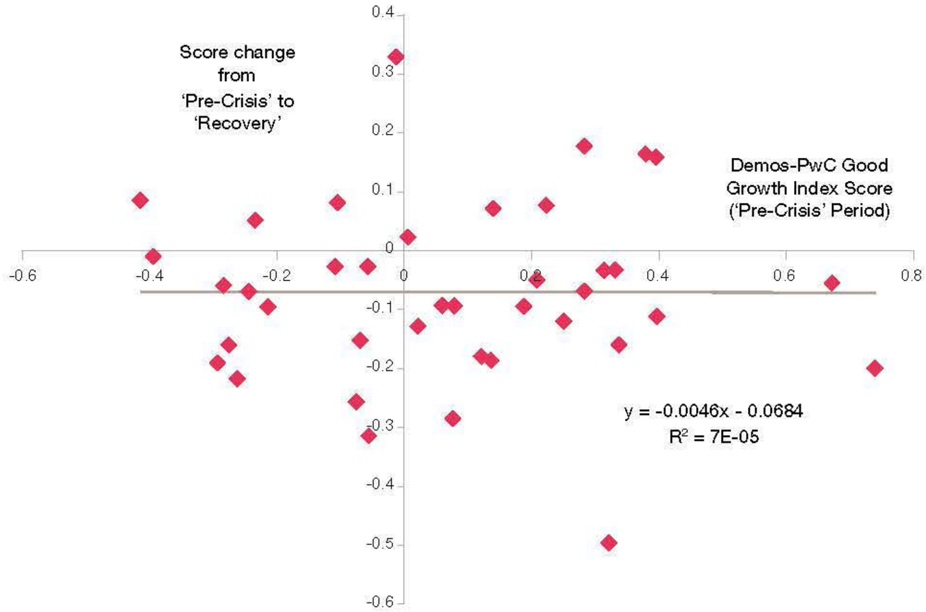
How entrenched is a city's score?

The extension of results back to 2005 gives the opportunity to attempt to unpick the key drivers of long term changes in index scores.

Figure 5 summarises one element of this through looking at the relationship between the 'Pre-Crisis' score and the subsequent score change. This shows that there is no statistically significant relationship between the two, suggesting firstly that there hasn't been a widening of the gap between high and low scoring cities over the period, but also secondly, that there is no evident systematic reversion to the mean in city scores either.

At the same time, there is considerable variation in the relationship across cities, with data points in all four quadrants of the chart. This indicates the need for a detailed assessment of specific individual strengths and weaknesses by city that influence relative performance over time.

Figure 5: *Relationship between 'Pre-Crisis' score and subsequent score change*



Capturing variation beyond income levels

An important motivation for creating the index has been to develop a performance measure that looks beyond average income levels. However, as highlighted in the discussion around Figure 2 earlier, many of the less well-performing cities in the index are from regions typically associated with lower average income levels.

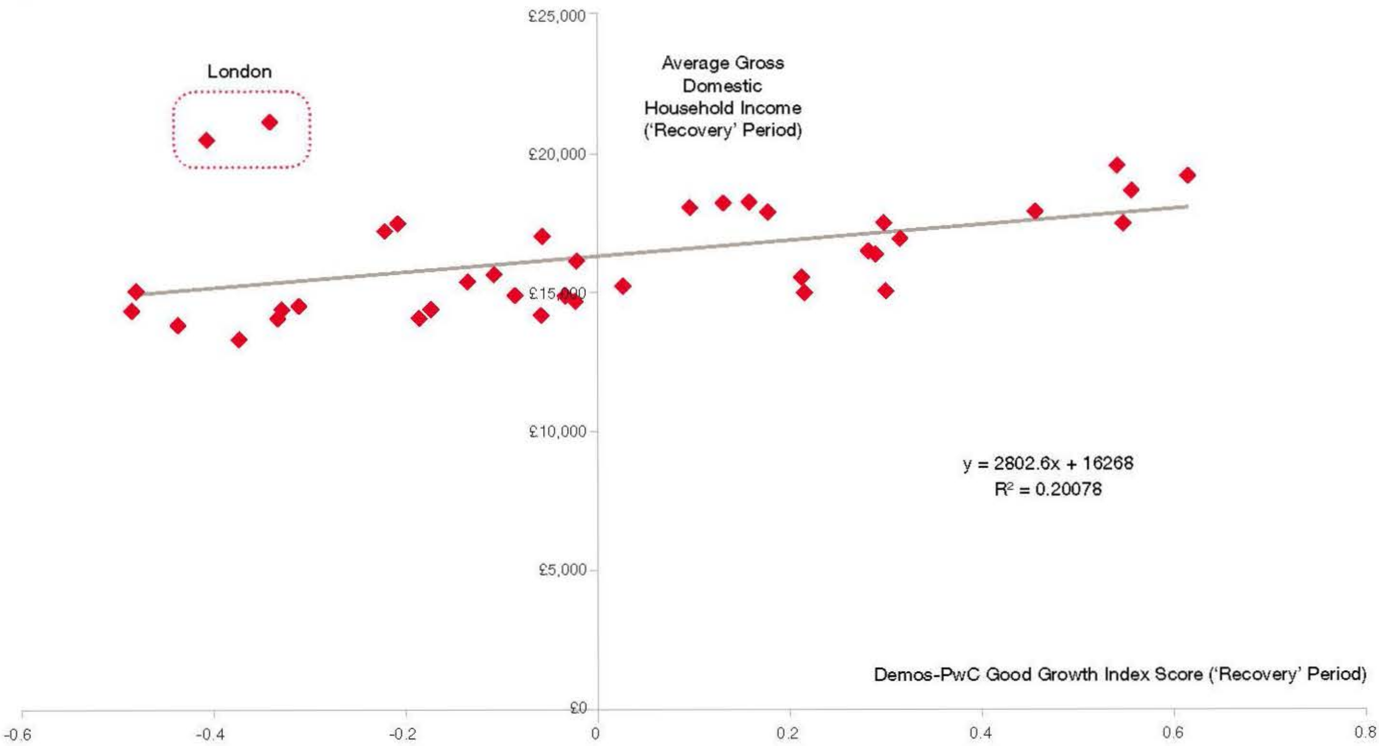
Figure 6 investigates the strength of the role played by income in determining overall index scores, and shows (through the R-squared statistic of 0.2) that just 20% of the variation in index score is determined by variations in income level, leaving 80% to be determined by other factors.[10] This result reinforces the value of a broader range of measures when considering a city's performance.

London – a special case?

One finding highlighted by Figure 6 is the strong disparity between London's high income level and its relatively low good growth index score. This is substantially out of line with the trend displayed by the other cities, and shows that London has an index score which one would associate, on average, with a city having an income level approximately 25% lower than its actual level.

However, when looking at this result, it is important to consider that London is significantly larger and more diverse than any other UK city. As a result, one can expect the degree of intra-city variation to be far greater for London than within other cities. Therefore, the overall London index score may not be sufficient to capture more nuanced differences at the local level.

Figure 6: Relationship between city index scores and income levels



10 If we exclude the two London results, however, then the explanatory power of income in relation to good growth index scores rises to 0.55.

Figure 7 looks at this in more detail by splitting each London borough into above average (green), around average (yellow) or below average (red) index score ranges. It is evident here that there is a stark difference between low-scoring central and eastern London boroughs, and high-scoring boroughs on the periphery.

Figure 8 plots this same relationship for the 'Pre-Crisis' period, which demonstrates that the distribution of scores was broadly similar at that time. This points to deep-seated differences in performance across boroughs that persist across the economic cycle.

Key:

- Below average relative to the index for all London LA (≤ -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

***Figure 7:* Distribution of good growth index scores across London boroughs ('Recovery' period)**

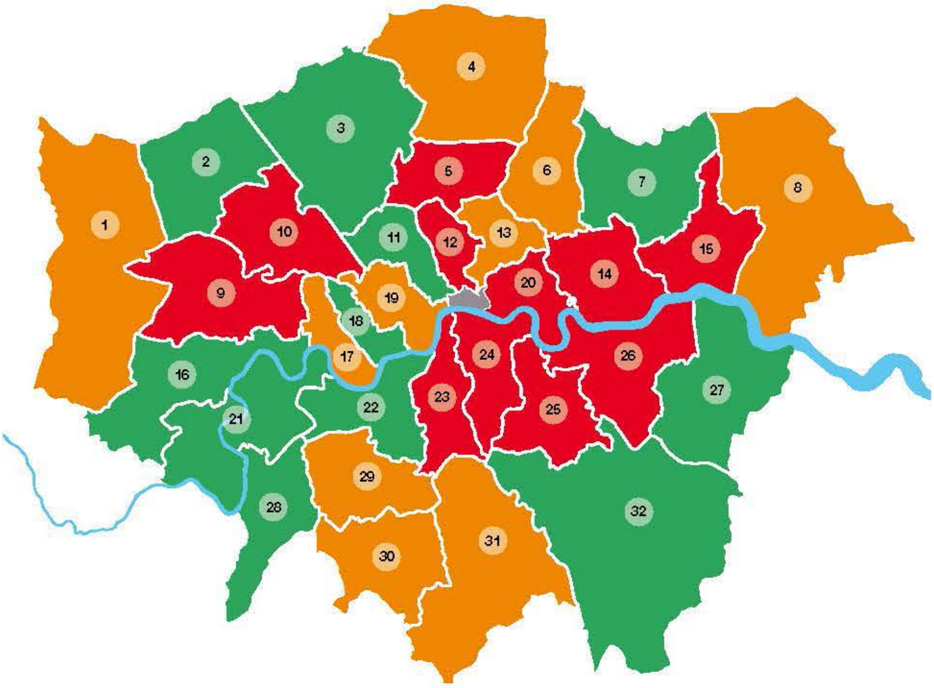
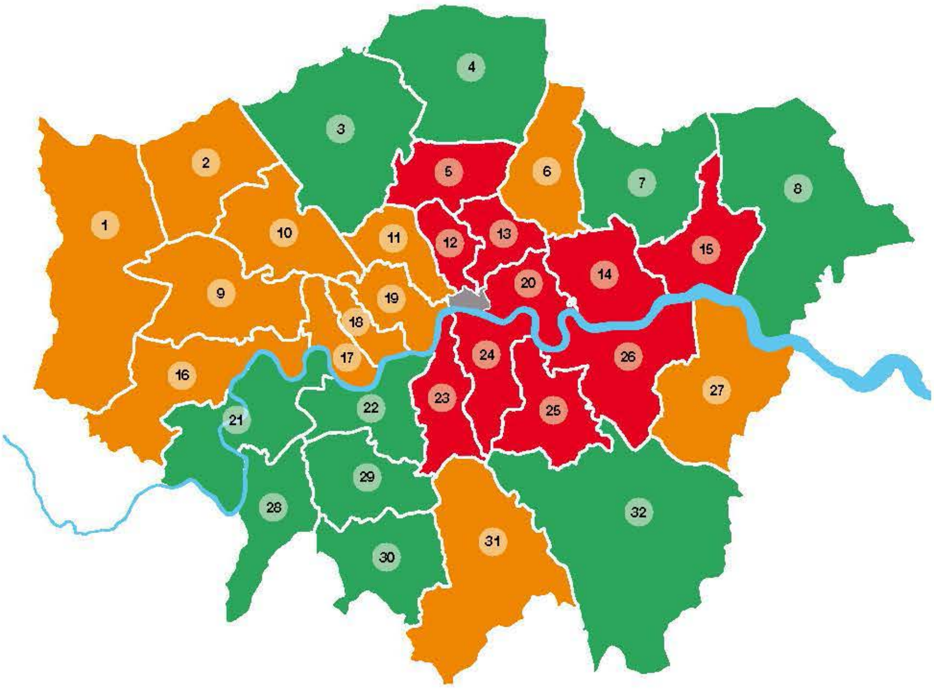


***Figure 8:* Distribution of good growth index scores across London boroughs ('Pre-Crisis' period)**



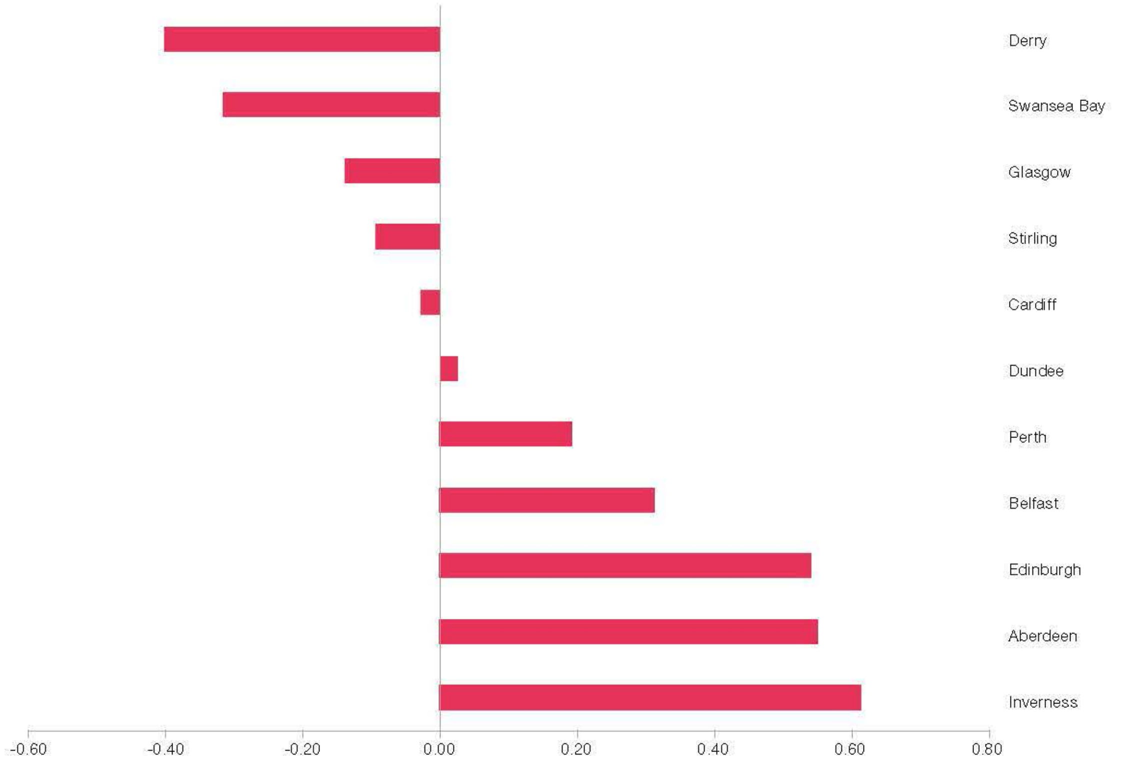
Devolved Administrations

As seen in Figure 2, large cities in the Devolved Administrations often perform strongly in the index (e.g. Aberdeen, 2nd, Edinburgh, 3rd and Belfast, 6th). Figure 9 extends this analysis to the largest 11 cities in the Devolved Administrations, although four of these cities[11] were not included in the national Index.

The dashboard in Table 3 demonstrates that each of these scores is driven by significant strengths and weaknesses in individual components of the index. All cities can be seen to perform significantly above and below average in at least one variable. As seen in previous versions of the report, the majority perform above average in work-life balance, transport[12] and sectoral balance, with health being the main area of significant under-performance on average.

Figure 10 identifies how these scores have changed since the 'Pre-Crisis' period and demonstrates that, as with the overall UK list of cities, the net change is more often negative than positive. Again we also find no clear evidence of a substantial across the board bounce-back from the 'Recession' to 'Recovery' period. For Belfast, both the absolute level of its score, and especially the improvement since 2005-07, reflect the peculiar experience of that city's housing market.[13]

Figure 9: Devolved Administrators score – 'Recovery' period (2011-13)



11 We included Dundee, Inverness, Perth and Sterling in our supplementary analysis for Scotland last year.

12 It should be noted for transport that almost all of the Devolved Administration cities included have relatively smaller populations compared to the major English conurbations.

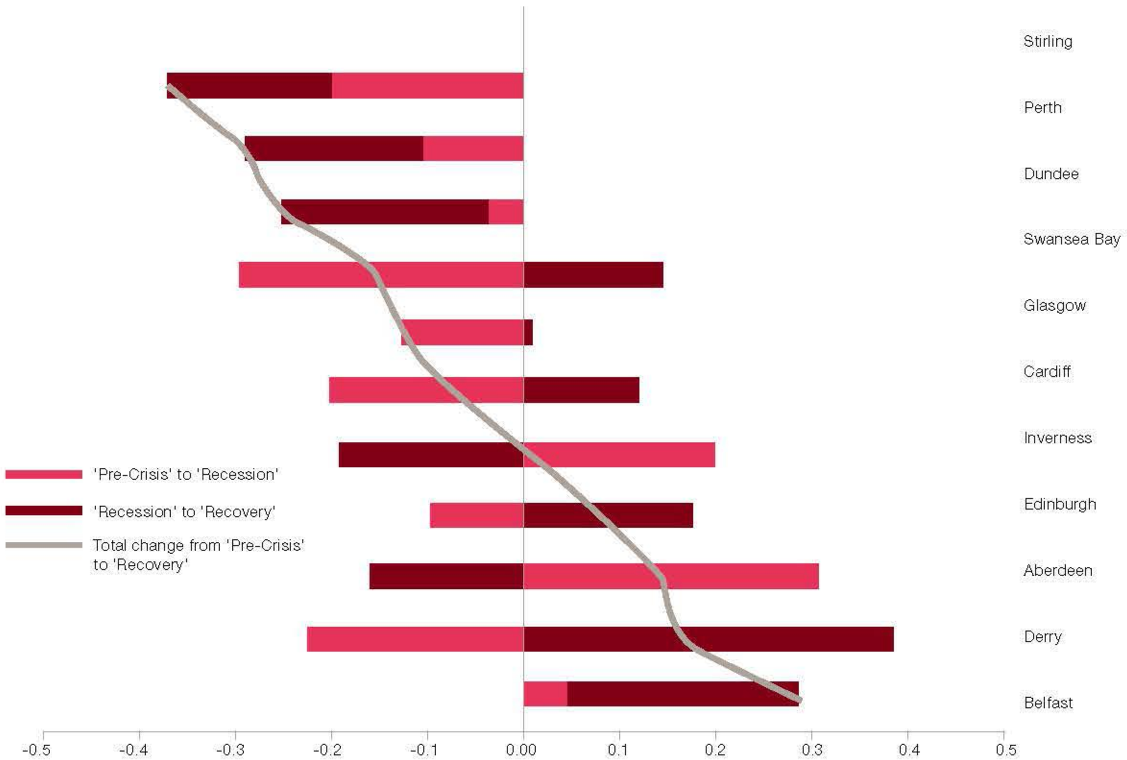
13 In Belfast, a relatively exaggerated price boom during 2005-07 was followed by one of the most severe price corrections. House price recovery since 2013 has been very limited. By implication Belfast's affordability measure, and hence its position in the index, is improved relative to the mid 2000s.

***Table 3:* Breakdown of good growth index scores for Devolved Administration cities**

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

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

***Figure 10:* Total change in city score from 'Pre-Crisis' to 'Recovery'**

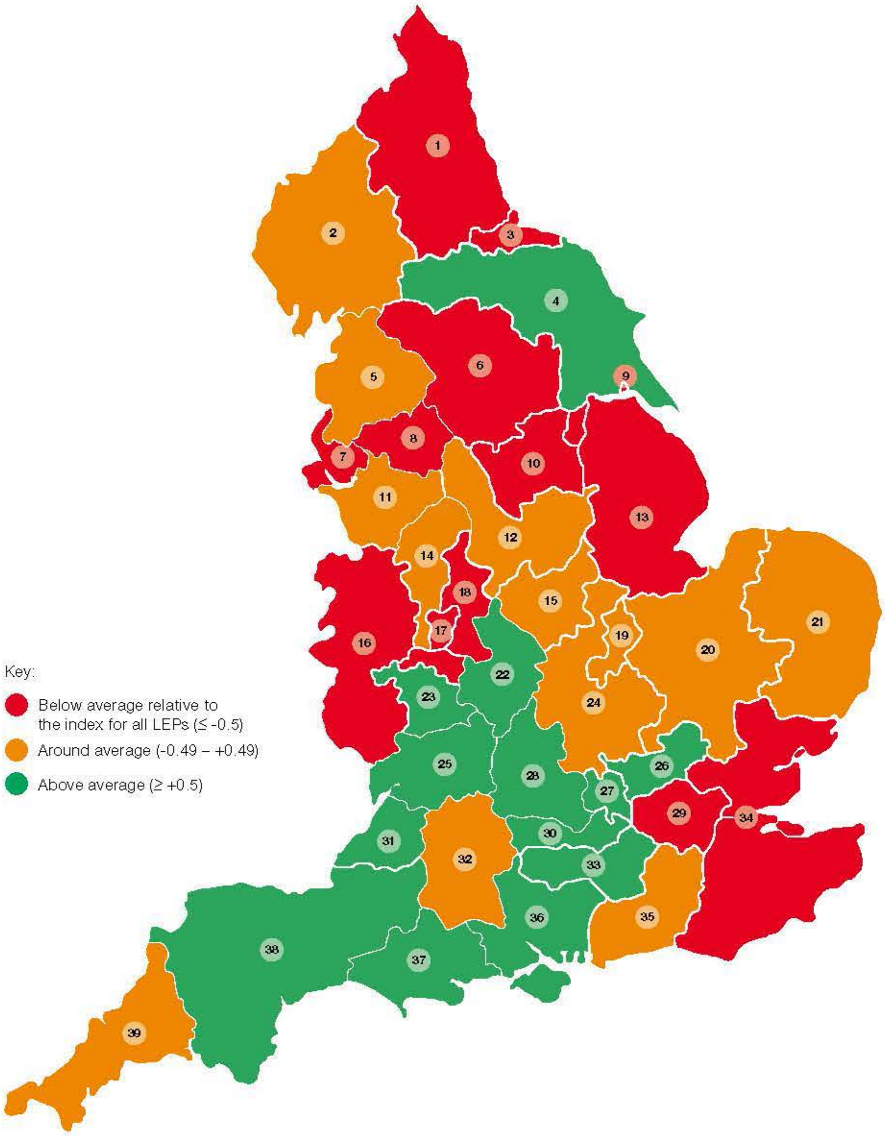


LEP Analysis

A further stage of analysis, initially introduced in the 2013 report, looks at the distribution of scores across LEPs in England. The result of this analysis for the average score in 2012 and 2013 is given in Figure 11.

As with the 2013 report's results, the majority of the green above-average scores are situated in a lengthy block in the West Midlands and South West, broken up only by Swindon and Wiltshire. The LEP-level analysis does not go back to 2005, as LEPs did not exist at this time.

***Figure 11:* Distribution of good growth index scores across LEPs**



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

Summary of key findings

Our latest Good Growth for Cities Index, covering the 'Recovery' period from 2011-13, shows similar results to the 2013 report with Reading & Bracknell, Edinburgh, Aberdeen, Oxford and Cambridge leading the way.

The main innovation in the 2014 index has been to extend this back in time to allow a comparison between the latest results and city index scores for the 'Pre-Crisis' period of 2005-07.

We find here that, on average, good growth index scores are still somewhat lower than in the 'Pre-Crisis' period, reflecting offsetting effects from, in particular:

- **Jobs:** a reduction in the score, with unemployment having risen from 'Pre-Crisis' levels (despite some recent falls).

- **Skills:** a rise in the score over time.

So although there has been a rebound of the economy in terms of GDP, not all of the ground lost during the recession has been recovered in terms of the public's priorities for good growth.

Belfast, Cambridge, Edinburgh, Aberdeen and Liverpool show the largest rises over the period since 2005-07, while Hull and Bradford show the largest falls over this period.

We did not find any systematic relationship between a city's score in 2005-07 and the subsequent change in its index score between 2005-07 and 2011-13. Strong performers do not inevitably move further ahead, and relatively weaker initial performers do not necessarily get weaker.

This indicates the need to look at specific strengths and weaknesses of cities rather than being either complacent about continued success or resigned to continued relative underperformance.

Implications

Waterfront Hall Belfast

The success (or otherwise) of a place depends on the effects of long lasting structural factors including its brand and identity. Although these tend to change slowly over time, it is not the case that today's successful places will always endure – as we have seen from our findings this year, there is no systematic relationship between a city's score 'Pre-Crisis' and the subsequent change in its index score through to the 'Recovery' period.

Strong performers do not inevitably move further ahead, and relatively weaker initial performers do not necessarily fall further behind. As such, those ahead on our index today cannot be complacent that they will maintain their position; equally those behind have the opportunity to improve if they think, and invest, for long term gain. This requires robust assessment of the specific strengths and weaknesses of places to inform future decision making, rather than being either complacent about continued success or resigned to continued relative underperformance. Such an evidence-based approach would in turn help to:

- **Define the relevant economic area:** assess strategic economic models for collaboration across the 'natural' local market and its hinterland.
- **Target investment:** show how tailored interventions will support the delivery of place-based targets, citizen outcomes and Value for Money (VfM).
- **Make the case for greater local power:** provide evidence of the benefits and value of localising additional powers and budgets.
- **Demonstrate delivery:** provide a baseline against which progress and VfM can be clearly demonstrated.

In an era of fiscal austerity and resource scarcity, most places will need to make important choices and trade-offs to achieve good growth. For instance, there is often a price for success in terms of the congestion, pollution and unaffordable housing that detract from the quality of life in any place, as our results for London (and many other major conurbations) show. 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 over the long term.

In this context, success requires a robust evidence base which in turn supports action from a combination of stakeholders involving:

- **Investment in the assets of a place:** particularly the skills of its people, the infrastructure to enable sustainable growth and the brand of a place.
- **Collaboration and clear accountability among the stakeholders driving growth:** each needs to know their role, and buy in to the plan for growth.
- **A focus on the long term:** economic, social and environmental change takes time and needs an appropriate decentralisation of powers and responsibilities.

We discuss each of these points in turn in the rest of this section.

Birmingham

Investing in the assets of a place

In the 2013 report, we highlighted that there are 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 in order to attract and retain mobile businesses, finance and talent.

As we also commented in 2013, public sector organisations at all levels, but particularly in our cities, have an important role to play in helping to define this vision with other stakeholders and foster the improvement of the assets of a place. This then can create a platform for good growth, through a focus on three key levers: skills, infrastructure and innovation.

A demand-driven skills system

Although skills in our index have risen since the 'Pre-Crisis' years, there is still much to be done to connect business and the education system and better match people to jobs.

Businesses continue to feel that our skills system does not meet their needs, despite the government's measures to improve the employability of the UK's workforce. A more demand-driven skills system, a more outcome-focused Jobcentre Plus and a stronger careers service (building a better bridge between education and employment) should be the cornerstones of a strong talent pipeline.

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 needed to deliver broader societal outcomes e.g. improved social mobility and reduced poverty.

Value adding infrastructure

Delivering effective, efficient and sustainable urban infrastructure is essential to provide the city backbone from which economic success and prosperity can grow. Recently, the International Monetary Fund (IMF) has demonstrated the tangible return for long term growth from infrastructure projects, if they are chosen wisely.[14]

With many cities in our index still showing red flashing lights for infrastructure indicators, such as housing (see Box) and transport, it is clear that more needs to be done to deliver the outcomes needed by our citizens and businesses.

More can also be done to offer the finance and business community 'investor ready' opportunities to help a place succeed, particularly its infrastructure (see Box).

14 'World Economic Outlook, October 2014 : Legacies, Clouds, Uncertainties', IMF.

The need for more affordable and suitable housing

Cities that do relatively well on jobs, income, and skills often pay the price for their success in their relatively low scores on housing affordability.

The recent publication of the Lyons Housing Review brings home once again the stark reality of the UK's housing challenge. A look back over historic data on new builds demonstrates just how challenging the Review's target of at least 200,000 completions a year by 2020 is, with annual housing completions in England currently around 114,000.

Our UK Economic Outlook projects that UK house prices could rise by around 8% this year, with prices increasing by around 13% in London. The decreasing rate of housing completions has caused a shortage of housing, which has been particularly acute in the South East, and has been one of the key drivers of these price increases.

The Review outlines a series of 39 recommendations, recognising the range of issues that need to be tackled to get Britain house-building again, including: bringing forward enough land for new homes; addressing capacity and skills shortages in the construction industry; and funding the infrastructure necessary to support housing developments.

The Review also recognises that different solutions are needed in different places. As well as a shortfall in the overall volume of house-building, in too many cases housing is not being built in the areas with the highest level of demand and growing economies.

Councils, working with public sector partners, private developers, the not-for-profit sector and their communities have an important role to play in setting a strategic direction for housing development for their areas as part of their wider growth strategy and collaborating across boundaries where appropriate. The new Housing Revenue Account (HRA) system is already providing councils with the opportunity to invest in, and create, new stock in a way that would have been impossible a decade ago; but further powers and funding could still be devolved to the local level. The contribution of housing associations is also critical and many are already working to generate new capacity and supply.

Building the right houses, in the right places, is critical to sustaining the UK's economic recovery for 2015 and beyond.

Investor Ready Cities

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. And, as our research with Siemens and BLP[15] 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.

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. Additionally, cities can no longer take 20 years to deliver major infrastructure developments. Planning needs to be swift and cities need to be agile in response to changing business, resident and investor needs.

15 'Investor Ready Cities', PwC, Siemens and Berwin Leighton Paisner (BLP), 2014. www.pwc.com/gx/en/psrc/publications/investor-ready-cities-how-cities-can-create-and-deliver-infrastructure-value.jhtml

And as technology drives mobility, helping to connect people, places and ideas, cities need to regard broadband and mobile technology as part of this core infrastructure: upgrading what they can offer to residents and businesses. This is part of becoming a 'smart city' but remembering that while technology is a really important enabler, there are some wider key principles important to creating a truly smart city (see Figure 12).

A self-sustaining innovation ecosystem

Strategically, public bodies need to consider their role in local and national innovation strategies, based on areas of competitive advantage. A smart specialisation[16] approach is needed: formulating an economic transformation agenda which builds on, and innovatively combines, existing strengths in new ways (see Box).

Smart Specialisation Strategy[17]

The smart specialisation strategy concept, which was developed by the European Commission, aims to boost economic growth and prosperity by:

- Promoting efficient, effective and synergetic use of public research, development and innovation (RDI) investments while attracting private investment.

***Figure 12:* A truly smart city**

16 'Future of Government', PwC, 2013. www.pwc.com/gx/en/psrc/publications/future-of-government.jhtml
17 'Transformative Power of Service Innovation: Call for Action on New Policy Framework (Part I/III)', PwC 2013.

- Supporting countries and regions in strengthening their innovation capacity.

- Diversifying and modernising existing industries while focusing scarce human and financial resources in select globally competitive areas.

This approach builds on emerging evidence which shows that focusing on areas of real potential has a much better pay-off than spreading investments thinly over unrelated areas. Importantly, smart specialisation asserts that understanding a region's knowledge assets is achieved not through a top-down approach, driven by public leaders, but by involving key local stakeholders including academia and businesses in a process of 'entrepreneurial discovery'.

By involving key stakeholders through a consensus-driven process, public leaders can develop a clear and ambitious vision which is widely shared and then agree on a roadmap to deliver the strategy – the critical issue in making things happen as a result.

This means identifying a place's competitive advantages, its core capabilities and assets and mobilising regional stakeholders (including business, universities, the third sector and the public) around an inspirational vision for the future.

Collaboration and accountability for growth

Through our work around the world,[18] 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, the private sector with the local, regional or national government, as well as citizens (see Figure 13).

***Figure 13:* Collaborating for growth**

Better collaboration across public and private sectors is needed to deliver a shared vision for a place and a delivery plan to make things happen. But given that there are so many stakeholders critical to making growth happen on the ground, it is also important to be clear on their roles and responsibilities (**see Box overleaf**). This has become a particular issue with the advent of LEPs, many of whose boundaries do not match those of local authorities. Who's accountable for growth?

18 Examples include 'Stepping stones to growth', PwC 2013; Future of Government, PwC 2013.

Who's accountable for growth?

In our research, we have found that the public appears to distinguish responsibility for the economy at different levels (**Figure 14**).[19] Locally, the highest number of respondents to our survey would give most credit to local businesses (38%) and local people (25%) if their local economy improved; councils (8%), and in England the recently formed Local Enterprise Partnerships (7%),[20] received lower responses.

However, both councils and LEPs were recognised by about a quarter of our respondents as being one of a number of bodies to whom credit could be given; it was just that they were not the bodies to whom our respondents typically gave the most credit.

In the English regions, just over one in ten respondents in London (11%) gave greater credit to their councils than elsewhere for improvements in their local economy. Respondents in the North East and South West recognise the role of LEPs to a greater degree than other regions, with 9% and 11% respectively giving most credit to LEPs compared with 7% for England overall.

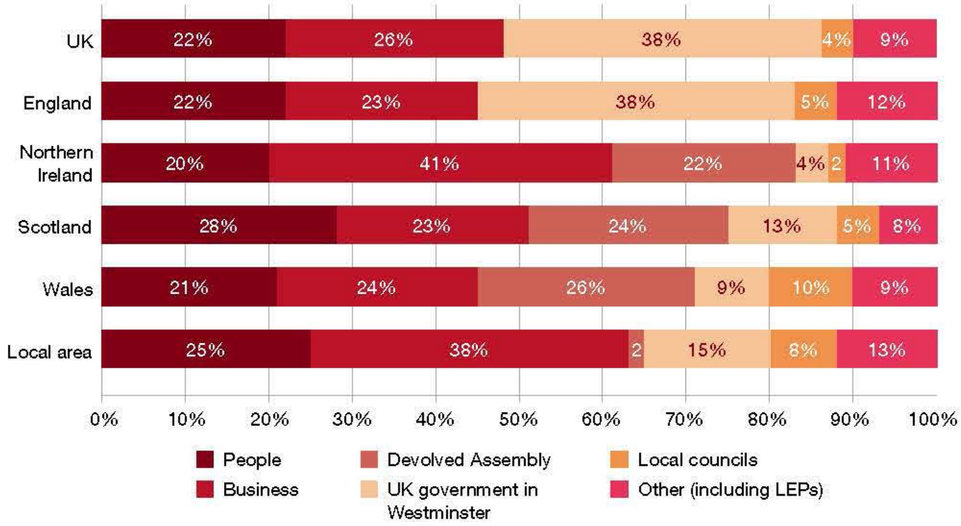
In contrast, credit for growth in the devolved administrations is varied. The public in Scotland give most credit for improvements in the Scottish economy to people in Scotland (28%), in Wales the Welsh Assembly comes top (26%), and in Northern Ireland most credit goes to local businesses (41%). In England, the most credit for growth in the English economy goes to the UK government in Westminster (38%).

For the UK economy as a whole, the highest number of respondents (and particularly males and the young i.e. 18-24 year olds) also gave most credit for any improvement to the UK government in Westminster. Given the attention given by the national government to the economy and dealing with the fiscal deficit, and the associated media spotlight, this may not be particularly surprising.

If perceptions of accountability are to shift, our research demonstrates that communications and engagement are essential: the public needs time to get used to understanding who is responsible for exercising decentralised powers and their impact on growth.

***Figure 14:* Credit for growth**

Which one of the following would you give the most credit to if the economy across [place] improved?



Note: Responses relate to residents of each place only.

19 'Who's Accountable Now', PwC, August, 2014.
20 Local Enterprise Partnerships are included in 'Other' in the Figure.

To be effective, local stakeholders in a place 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.

The effectiveness of this collaboration therefore requires clear accountabilities as part of effective partnerships across a place. It also requires, among other things, an honest and shared understanding and articulation of the joint assets across stakeholders, their access to sources of funding and finance and their 'offer', based upon a shared view of the future. This can also involve formal organisational arrangements such as combining authorities, creating partnerships/alliances and pooling management and resources.

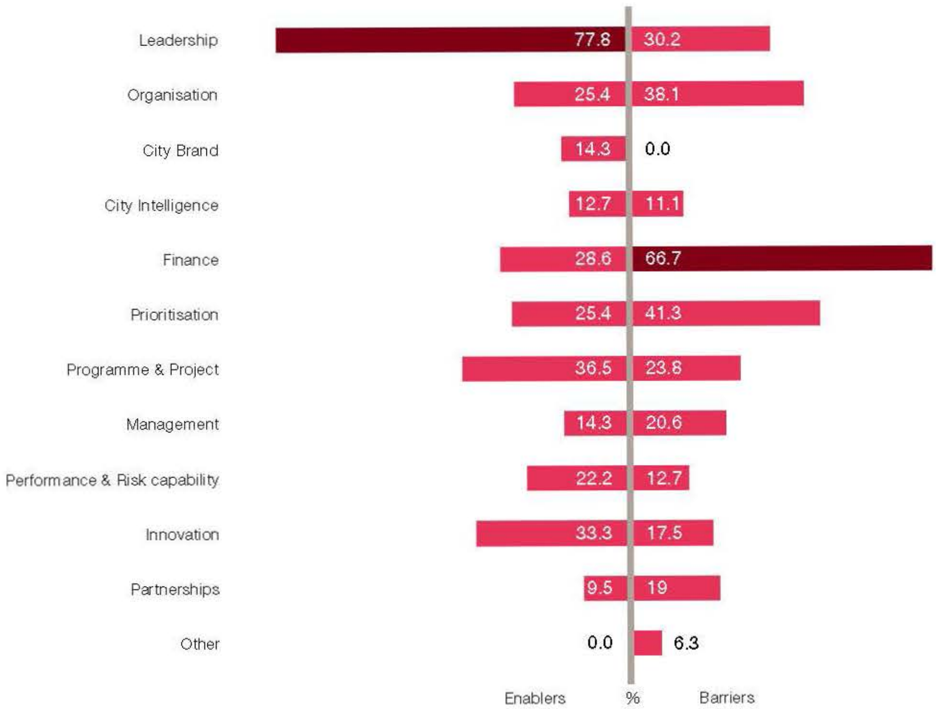
This often requires a **strategic brokering role**, facilitating the development and execution of the partnership plans that are needed to deliver change across local authorities, LEPs, higher/further education and business where this is either not happening, or not happening effectively. In a few cases, metro mayors can play this role in areas for which they have defined responsibilities. In other cases, leaders in a place need to step forward to make things happen (**see Box**).

The importance of leadership

In our report on 'Making it happen', we surveyed 64 cities, with a population of over 120 million people, from around the world, and set out key enablers and barriers vital for the execution of a city's strategy and realisation of its vision.

We found that leadership was by far the most important enabler (**Figure 15**). While leadership is not a panacea, without it visions will remain just dreams. Equally, without finance, delivery is stymied.

***Figure 15:* Enablers and Barriers for execution of city strategy**



Accountability also requires monitoring and evaluation. A focus on our good growth indicators can help by providing a **place-based dashboard** against which local policy makers and managers can measure and monitor progress towards their aspirations and move away from reliance on measures such as GVA.

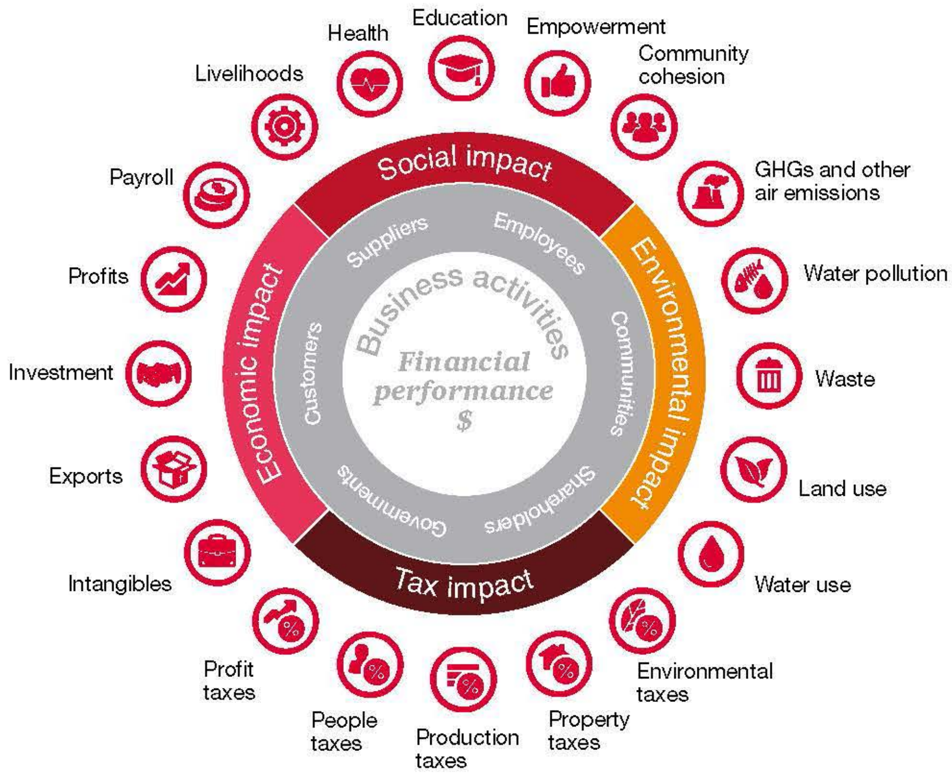
Table 3 demonstrates this in more detail in the context of large cities in Devolved Administrations. This highlights that within each city there are areas of relative strength which contribute most positively to the overall score, and areas of relative weakness which may provide the greatest opportunity for development and improvement.

By monitoring on a regular basis the movement of the 'traffic lights' that underpin the analysis in the index, public bodies can then highlight areas for investment e.g. in housing and transport, prepare the supporting **business cases** and offer new **funding and financing opportunities** to either the investor community or government e.g. as part of Growth and City Deals. This would also place them well to access finance through innovative financing platforms such as Funding Circle and MarketInvoice.

This in turn can be supported by using approaches such as **Total Impact Measurement and Management** (TIMM) which provides a tool for making decisions between the various options to improve outcomes in a place, many of which are long term in nature.

A place-based TIMM can aid cities trying to measure their impact which has always been characterised in terms which are broader than purely financial (Figure 16). 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, a better understanding of which stakeholders will be affected by decisions, and whether an organisation is in the public, private or not-for-profit sectors. It can also help when assessing the options for collaboration, from combining authorities to less formal alliances.

***Figure 16:* A place-based TIMM**



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

Long term focus

In the wake of the Scottish Referendum, there is increased political debate on the need not only for more devolution for Scotland but also for greater decentralisation in the rest of the UK. But is decentralisation the answer to unleashing the potential of our regions (as well as improving public service outcomes)?

One fact stands out in the debate: nine out of ten[21] of the Core Cities outside London have consistently performed below the national average in terms of GDP per capita, which is atypical compared with many of our European competitors.[22] Fiscally, the UK is also one of the most centralised nations in Europe; and there is increasing disaffection nationally with the concentration of power in Westminster.

Addressing these issues, perhaps the most important aspect of the IPPR North report which PwC supported – 'Decentralisation Decade' – is the call for government to embark on a **ten-year programme of decentralisation**. Politicians in Westminster need to hold their nerve and set out a route map to decentralisation spanning years, not months, if we are to achieve real, and lasting, change.

There is unlikely ever to be a "neat" fix for decentralisation across England. As such, a **phased and prioritised programme** of changes across the next two Parliaments is proposed in the IPPR North report, which recognises the importance of taking advantage of the momentum already established from initiatives such as the City Deals process.

This is particularly important as the experience in Scotland, Wales and Northern Ireland shows that it can take time for devolution to have an impact, especially a positive impact, and for public perceptions of accountability to change once power has been transferred to a new body. This presents a challenge for politicians, because it implies that there will be a period of time in which they will still be held responsible for the outcomes of decisions taken by a devolved body once they have let go of decision-making powers.

But to turn the tide in favour of decentralisation requires a sea change in the culture at the centre of government and needs business involvement too (**see Box**).

Indeed, if political leaders were to adopt this as a principle, supported in the next Spending Review by **five year funding settlements** for local bodies, we might well see a significant shift in the balance of power and responsibility in England over the next decade.

But, for a long term approach to work, it will require real engagement from across the political spectrum and adherence to five key principles (**see Box overleaf**).

The business view

Business representatives at the launch of Decentralisation Decade, and in our preceding roundtables, stressed the need for the private sector to be actively engaged in the discussions around decentralisation.

The need to rebalance the UK economy remains one of the key factors behind the drive to decentralisation, and it must be remembered that economic growth will ultimately by delivered by business, rather than the public sector.

For this reason, the decentralisation debate needs to find a way to work at the city or regional level with partners from across the private, public and third sectors in order to create a platform for growth, and to deliver a vision for their places.

Devolutionary initiatives to date, such as City Deals and Tax Increment Financing, have not yet delivered a decisive shift in the relationship between central and local government, enabling areas to make decisions locally, and act quickly where needed. With council delegations still travelling down to London to negotiate deals, navigate competitive processes, and "wrench the purse" from Whitehall, changing the presumption in favour of decentralisation might be the first step to achieve a culture of **decentralisation by default**.

21 Includes Cardiff and Glasgow as recent joiners.
22 'The Decentralisation Decade' IPPR North, September 2014. www.pwc.com/gx/en/psrc/united-kingdom/decentralization-decade-report-ippr.jhtml

Principles for decentralisation

In the research we supported by IPPR North, entitled 'The Decentralisation Decade', five principles are set out to guide those wanting to decentralise greater power and responsibilities from the centre of government to local public bodies as follows:

1. **Decentralisation must be for a broad and clear purpose.** A programme of decentralisation must set ambitious goals and demonstrate that it can achieve long term outcomes in order to gain broad-based support.

2. **Decentralisation must be joined up.** Achieving long term outcomes requires a coherent and coordinated approach across different government departments, at different geographical levels, and between a wide range of public, private, and voluntary bodies as well as enthusiastic citizens.

3. **Decentralisation will necessarily be asymmetrical, progressing at different speeds in different places.** The appetite and capacity to take on new powers and responsibilities will differ from place to place: those that are ready to move forward with greater levels of decentralisation should not be constrained by those not yet ready, or unable to implement change.

4. **Decentralisation takes time.** In the UK, for instance, it has taken over a decade for powers in Scotland, Wales and Northern Ireland to be embedded and for practices and attitudes to take new shape.

5. **Decentralisation requires cross-party support.** The best chance of securing the time needed to implement and embed a real programme of decentralisation is to gain cross-party support, while ensuring that national and local governments work in unison rather than in conflict to deliver change.

There is also a two way street. Those at the local level – whether they are Combined Authorities, local authorities or LEPs – need to have the **capacity and capability** to make use of the devolved powers and associated funding.

Cities and regions have differing levels of appetite and capacity for taking on additional powers and responsibilities. This means a **multi-speed, asymmetrical approach** to decentralisation is needed, with places taking on additional powers and responsibilities in line with their appetite and capacity. The pace of change needs to be driven by those areas at the vanguard of decentralisation rather than being held up by the 'slowest ships in the convoy'.

Meanwhile, central government needs to do more to enable ground-up localisation: the focus should be on enabling a more organic approach to collaboration at local and, where appropriate, regional levels. This is being seen in some of the developments around collaboration between county and district councils in the absence of top-down re-organisation in favour of unitary authorities (**see Box**).

Two tier futures?

In the absence of political sponsorship for top-down local government reorganisation, the two tier debate rumbles on in England's 27 remaining county areas. We supported research from the New Local Government Network (NLGN)[23] exploring the potential of locally-driven collaboration between counties and districts to secure savings and improve outcomes. NLGN's report focuses on three transformational opportunities for two tier collaboration:

1. **Economic growth:** where counties and districts must collaborate to align district powers over housing and planning with the strategic county role in infrastructure. For example, over the last few years Staffordshire County Council has implemented 'District Deals' with a number of its districts, setting out shared priorities for economic growth and complementing the work with the LEP and Stoke-on-Trent City Council to develop a City Deal offer.

2. **Service transformation:** where collaboration between counties, districts and other public services can help to support the elderly and vulnerable to live independently, reducing demand for expensive social care support. For example, Suffolk County Council has focused on taking a new approach to public service delivery in Lowestoft, seeking to address the root causes of the town's social challenges by collaborating with district authorities, as well as the police and the local clinical commissioning group.

3. **Digital transformation:** where two-tier areas collaborate to drive forward the digital transformation of public services, creating shared infrastructure for customer contact and self-service access. For example, central to North Yorkshire County Council and Selby District Council's Better Together programme are efforts to combine digital services so that residents have just one portal to access end-to-end services and information.

Collaboration is not an easy route and takes considerable time and effort. NLGN's report makes three broad recommendations to help improve collaboration based on their case study research:

1. **Focus on outcomes rather than individual projects:** this ensures that both district and county councils pursue a shared vision for their area and a common approach to collaboration.

2. **Scale up collaboration:** Collaboration should start on a small service by service basis and be scaled up. A small group of officers and members successfully working together will demonstrate 'the possible' to colleagues.

3. **Focus on relationships not structure:** Local authorities should focus their energy on building relationships and agreeing common goals and outcomes. While some degree of structure is clearly needed, it is important that work on collaboration is not stunted by technocratic discussions about structure.

Central government has a role to play in enabling local collaboration, for example through facilitating county combined authorities, and must make its intentions clear about top-down reorganisation.

23 www.pwc.co.uk/government-public-sector/local-government/publications/right-tier-right-now-new-directions-for-two-tier-working.jhtml

Conclusions

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.

Good growth is therefore in everyone's interest and needs to be at the heart of the purpose and mission of our public bodies. It raises some fundamental questions for local leaders about how best to build a platform for growth.

1. **Scoping:** With whom do I need to collaborate to drive growth and deliver successful outcomes for the public and business i.e. the most relevant area for collaboration across the 'natural' local market and its hinterland?

2. **Alignment:** How aligned are the stakeholders in our place on the vision and priorities for growth?

3. **Baselining:** Do we have a robust evidence base from which to assess the specific strengths and weaknesses of our place and inform our decision making?

4. **Targeting:** Based on the evidence, which are the priority interventions which will support the delivery of place-based targets, citizen outcomes and Value for Money (VfM)?

5. **Planning:** Are our plans designed and in place to implement our agreed priority interventions?

6. **Partnerships:** Do we have a partnership plan to underwrite a commitment to deliver the resources needed for achievement of our agreed vision and priorities?

7. **Capacity and capability:** Do we have a business and operating model which has the talent, systems and procedures to deliver our plans?

8. **Accountability and transparency:** Do we have the governance arrangements in place to hold us to account for the delivery of outcomes?

9. **Monitoring and evaluation:** Do we have a baseline against which progress and VfM can be clearly demonstrated to our stakeholders?

10. **Case-making:** Can we provide evidence of the benefits and value of localising additional powers and budgets?

The associated agenda for action is equally wide ranging and includes:

City leaders and other local public bodies including LEPs

- Provide leadership to deliver a platform for growth, working collaboratively across political and administrative boundaries, and sectors of the local economy, to define the vision for a place – what city stakeholders want it to be famous for – which is attractive for both businesses and the public.
- Build a robust evidence base to underpin the analysis of the appropriate economic model for a place; and to use this as a lens through which to prioritise investment, make the case for new powers and report delivery of outcomes.
- Design and develop an implementation plan, which focuses on the priorities to deliver good growth for a place. Where relevant, develop and implement a marketing and communications campaign to refresh and promote the identity brand of a place, in line with the vision.
- Develop and implement an aligned and integrated programme of infrastructure investments to enhance quality of life and city competitiveness, particularly housing and transport.
- Develop systems to underpin, manage and administer devolved powers and funding as and when decentralisation progresses.
- Monitor and evaluate progress, using the good growth dashboard to guide decisions, and build the evidence base needed to link decisions and outcomes (including on the options for collaboration) using a placed-based TIMM approach.
- Drive good growth in tandem with a necessary internal focus on transformation and sustainable cost reduction as fiscal austerity continues into the next Parliament.

Central government

- Set out a clear vision for future decentralisation; in particular, cross-party consensus is needed to agree a route map to decentralisation spanning years, not months, and to then implement and embed a programme of change.
- Adopt a multi-speed approach to decentralisation, accelerating devolution where local bodies have the appetite and capacity to take on new powers and responsibilities e.g. local transport, planning and skills.
- 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 to act as a broker of people to jobs, particularly the young.

Devolved administrations

- Assess the impact, at city level, of the proposals arising from the Commission on Scottish Devolution; particularly with respect to further devolution of tax-raising powers e.g. property taxes, corporation tax, and even income tax.
- Assess the capacity and capability locally to take on and deliver new powers and responsibilities.

Education and training providers

- Promote and encourage business engagement in schools, colleges and universities to inspire students in their future career choices, including apprenticeship pathways.
- Improve the dialogue with businesses on their training and skills needs to make courses and skills development more demand driven.
- Be responsive and agile to the needs of both business and students to maximise the chances of matching people to available opportunities.

Businesses

- Work proactively with LEPs and other public bodies to deliver their recently agreed public-private priorities in the Growth Plans.
- Measure and manage the total social, fiscal, environmental and economic impact of business activities in order to deliver good growth on a business-by-business basis using a TIMM approach.
- Improve the articulation of skills needs by getting more involved directly with education and training providers.

Appendix 1: Methodological details

This report has taken a similar methodological approach to the previous good growth reports, with the most significant change being the use of data back to 2005, and the grouping of results into three-year averages in order to gain more robust index scores.

All variables in the index, and the weights applied to them, are the same as the 2013 report. These are outlined in Table A1.

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 39 used in the 2013 report. 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.

Table A1: ***Index variables, geographical areas and weights***

Category	Measure	Geography	Weight
Jobs	Unemployment rate	LA/TTWA	16%
Health	% of economically inactive long term sick	LA	13%
Income	GDHI per head	$NUTS_3$	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: gCO_2/£ earnings	LA	6%

Sources: ONS, DWP

Appendix 2:
Major changes in city ranking since the 'Pre-Crisis' period

Table A2 below looks at the reasons behind the largest movers in the index. Those cities which experienced the largest improvement in overall score were affected by a range of factors, with skills, health and work-life balance among the variables most commonly seeing improvements within these cities.

Unsurprisingly, given its substantial weight within the index, all the cities with substantial falls in score experienced increased unemployment over the period. In a number of cases, specifically Hull, Bradford and Wakefield & Castleford who had the three largest unemployment increases, this change accounted for the majority of the overall change.

Table A2: Explanations for major changes in city rankings since the 'Pre-Crisis' period

UP			DOWN		
City	**Score change**	**Explanation**	**City**	**Score change**	**Explanation**
Belfast	0.33	Very large improvement in house price to earnings, with improvements also in work-life balance and health.	**Hull**	-0.49	Large increase in unemployment, and greatest fall in income equality
Cambridge	0.18	Change almost entirely determined by changes in skills, with other variables relatively unchanged.	**Bradford**	-0.31	Second largest fall in jobs, and no significant offsetting factors
Edinburgh	0.17	Improvements in health, skills and work-life balance, and a below-average fall in jobs.	**Southend & Brentwood**	-0.28	Largest fall in health and substantial fall in the score for income inequality
Aberdeen	0.16	Improvements in health, sectoral balance and work-life balance, and a below-average fall in income, partially offset by a fall in housing affordability.	**Birmingham**	-0.25	Substantial fall in jobs score and relative falls in health and skills.
Liverpool	0.09	Largest rise in income equality, second largest rise in sectoral balance and fourth largest rise in income.	**Wakefield & Castleford**	-0.22	Third largest fall in jobs score and relative falls in income & skills

About the authors

John Hawksworth
+44 (0) 20 7213 1650
john.c.hawksworth@uk.pwc.com

John Hawksworth is Chief Economist at PwC. He was closely involved in developing our original Demos-PwC Good Growth Index and co-author of our previous reports on this topic. He is the editor of our regular *UK Economic Outlook* publication and many other reports and articles on macroeconomic and fiscal policy issues. He has extensive experience in analysing and commenting upon Budgets and Spending Reviews since the early 1990s. He also has over 20 years of experience as an economics consultant to leading public and private sector organisations, both in the UK and overseas.

Nick C Jones
+44 (0) 20 7213 1593
nick.c.jones@uk.pwc.com

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 previous *Good Growth for Cities* reports.

Nick also 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.

In addition, Nick is a member of the Core Editorial Team for PwC's Annual *Global CEO Survey*, and produces an annual sister publication, *Government and the Global CEO*, commenting on the relationship between business and government internationally.

Research

Jonathan Bruce
+44 (0) 20 7213 4220
jonathan.m.bruce@uk.pwc.com

Jonathan Bruce is an Economist within the Economics & Policy practice at PwC. Since joining the firm, he has contributed to reports and articles on a range of topics, including the *UK Economic Outlook* and the *Global Economy Watch*. He has also worked with organisations in a number of industries, including healthcare and aviation, as an economics consultant.

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