



Good Growth for Cities 2019

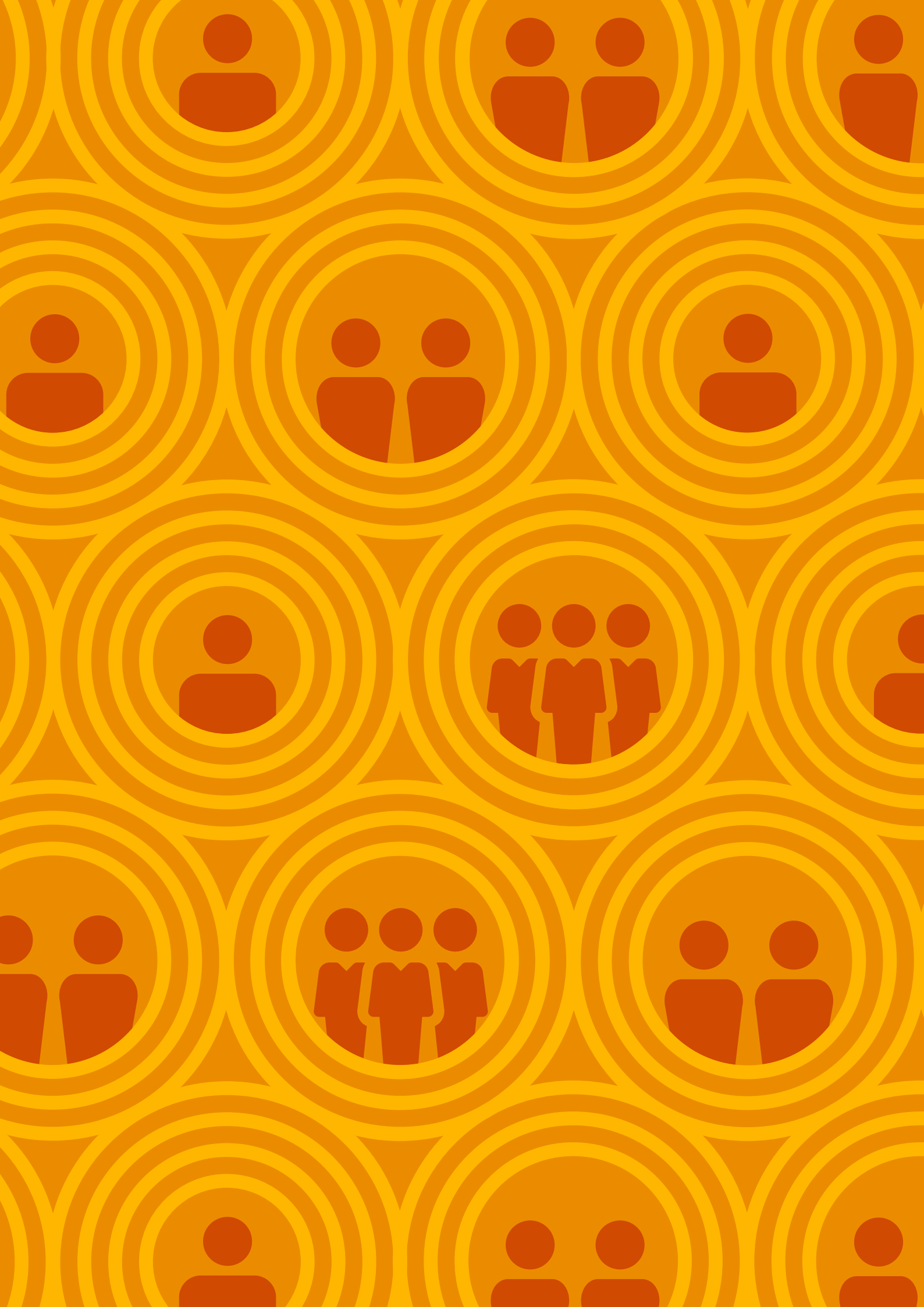
A report on urban economic wellbeing
from PwC and Demos



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Contents

Executive summary	01
Introduction	07
Methodology	08
Key findings	11
Implications	27
Conclusions	39
Appendix	41
About the authors	43



Executive summary

When you ask people about what they value, they talk about the places they live, the community around them and the opportunities available to them and their families. This means we need to take a broad approach to measuring economic success, looking well beyond the GDP headlines.

It was in the aftermath of the financial crisis that we first worked with the think tank Demos to engage business, the public and policy-makers to create an index for 'good growth'. We found that factors like jobs, income, skills and health were most important factors in the eyes of the public, alongside housing, transport, income distribution, work-life balance, business start-ups and the environment.

While the factors that matter most to the public have stayed largely consistent over the years since, political, economic, technological and environmental disruption has transformed the wider context dramatically.

As the UK prepares to leave the EU, there is an opportunity to create a new narrative for the country, and for its regions, towns and cities. This means reconsidering how places can become more productive and innovative, to compete on a global stage, and also fair and inclusive, where everyone can achieve their potential.

Disruptive technology is reshaping the world of work, transforming industries, creating new jobs and demanding new skills, leading to a focus on

upskilling. Record low unemployment rates mean that attention is also turning to questions around the quality of jobs available, opportunities for career progression and how to improve productivity. While declining unemployment rates continue to drive performance in good growth scores for now, places will need to look to the other areas of the index, such as transport, housing and skills, to achieve further improvements.

Environmental concerns are also gaining increasing attention, with cities and national government exploring solutions to climate change and opportunities for clean growth.

Local leaders need to adapt in response to this disruption. This means taking a broad view on what economic success means, focusing on the outcomes they want to achieve in terms of inclusive growth, community resilience and improved experience, and crucially, having a plan to translate those ambitions into reality.

Brexit looks set to dominate the Westminster agenda for some time to come, but national government also needs to rethink how it works with local leaders and communities to deliver better outcomes. Our Future of Government research has been exploring the importance of fairness in policy-making and public services. It sets out a framework of five tests for fairness, including closing the opportunity gap that exists between places and empowering communities to shape the places where they live and work — both of which are at the heart of our good growth approach.



Key findings

Now covering over a decade of data, the Demos-PwC Good Growth for Cities Index measures the performance of a range of the largest UK cities, as well as Local Enterprise Partnership (LEP) areas and Combined Authorities in England, against a basket of ten indicators based on what the public find most important when they think about the ‘work and money’ side of their lives.

Table A shows the highest ranking and most improved cities in our latest index; detailed breakdowns are available later in this report and online.

As in last year’s index, the two highest performing cities are Oxford and Reading, with Oxford increasing its lead at the top. The most recent results also show a significant gap between these two cities and the rest of the index, although the difference between Southampton (third) and Reading (second) has narrowed marginally. Oxford, in particular, has seen a strong improvement in this year’s index, driven across a range of measures including work-life balance, transport and skills.

Table A: Highest ranking and most improved cities (by TTWA¹) in the Demos-PwC Good Growth Index, 2016-18

Highest ranking cities	Index score	Top 10 improvers	Score increase
Oxford	1.09	Bradford	0.14
Reading	0.95	Liverpool	0.13
Southampton	0.79	Norwich	0.12
Bristol	0.75	Newcastle	0.12
Milton Keynes	0.73	Cardiff	0.12
Aberdeen	0.72	Swansea	0.11
Edinburgh	0.72	Wolverhampton & Walsall	0.11
Swindon	0.66	Brighton	0.10
Cambridge	0.64	Hull	0.08
Leicester	0.61	Manchester	0.08

Explore the good growth data online at www.pwc.co.uk/goodgrowth

Source: PwC analysis. Index scores for individual cities are scaled relative to the 2011-13 UK average score, which is set at zero.

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.

Cities in less affluent regions typically have lower scores than their more affluent peers, driven by weaker performance in some of the more highly-weighted elements of the index such as jobs, income and skills. It's worth noting, however, that some of the cities with low overall scores have seen some of the biggest increases recently, such as Swansea, which has seen the sixth largest improvement of any city. Much of this reflects the way that jobs growth has rippled out to all parts of the UK in recent years, reaching regions that had previously lagged behind. However, the impact of unemployment rates on overall Good Growth scores diminishes when analysing performance over a longer time horizon.

In this year's edition we analyse the index values from the pre-crisis average for 2005-07 to the latest data for 2016-18. While short term index movements tend to be heavily influenced by cyclical factors, such as the fall in unemployment in recent years, longer term trends reflect more structural factors (given that the average UK unemployment rate in 2016-18 is at a pre-crisis low), such as skills, transport and housing.

The average city in our index has improved its score significantly over the period since 2005-07, more than recovering from the decline associated with the recession triggered by the global financial crisis. This has been driven largely by strong increases in skill levels of both 16-24 year olds and those over 25, rising new business creation

per head and a reduction in carbon emissions. But housing affordability has worsened and average commuting times have increased, offsetting some of the gains in the index over the past decade.

Overall, this '**price of success**' is becoming more pronounced. Declining scores since last year's index in owner occupation, transport and particularly housing affordability highlight some of the ongoing challenges faced by UK cities.

Our index only covers economic performance to the end of 2018, so it does not fully capture the latest economic impact of the Brexit process. In 2018, economic growth slowed to around 1.4% as inflation squeezed consumers and Brexit-related uncertainty dampened business investment growth, but jobs growth has remained strong so the index values have not yet been greatly affected by Brexit. We expect the consequences of Brexit may be increasingly evident in future iterations of the index, with a potential negative medium-to-long-term impact on income and jobs, especially if the UK leaves the EU without a deal, but potentially offsetting benefits for housing affordability.

But it is too early to judge how large these effects may be, given that this will depend on the timing and nature of how the UK leaves the EU and how governments, businesses and individuals respond to this outcome.

“The average city in our index has improved its score significantly over the period since 2005-07, more than recovering from the decline associated with the recession triggered by the global financial crisis.”



Implications

The changing good growth performance of many places over the long term shows that success is not determined by where a city is currently positioned on the index. So, how can local leaders design and implement strategies and interventions that deliver good growth outcomes for their places and people, particularly in times of uncertainty and change? And what is the role of national government and business?

This year's report explores three lenses through which local leaders, national government and businesses should focus: delivering inclusive growth, developing community resilience, and improving the experience of residents, visitors and business.

1. Delivering inclusive growth

Jobs and income are consistently rated highly important by the public when it comes to good growth, but income distribution also features, indicating that the public value an inclusive approach to growth.

When we first created the Good Growth index, people were more concerned about getting and keeping a job than earnings growth and progression. However, near record low unemployment now means that the jobs challenge has shifted to some extent from being just about numbers. The focus is now on the quality of jobs being created, particularly given the growth of low paid, low skills, low productivity jobs that leave people working longer hours, and with few opportunities or routes to progress, as well as on how to ensure the workforce has the skills it needs for the jobs of the future.

In response, local leaders can focus their efforts on working with business to attract and create 'good jobs'; investing in skills to equip people, particularly adults, with the skills they need for today's jobs and tomorrow's; and playing a brokering role to help match people to employment and learning opportunities.

2. Developing community resilience

Developing community resilience and fostering independence means that people support each other to live fulfilling lives, are more able to make the most of opportunities that arise, and are less reliant on public services.

Health is of particular interest in terms of resilience, and there has been a decline in the overall UK average health score in this year's index. We know that the social, economic and environmental factors of where we live and work can greatly influence an individual's health, and as a result, their ability to work. Addressing the broader social determinants of health will be key.



A second element is the extent to which individuals feel they have a voice in decision-making, a factor which we explore in our Future of Government research. Our public polling shows that four in ten say they would participate more to improve their local area and help local people if their council made it easier to do so.

The focus needs to shift to finding new ways to engage the public, including communicating in smarter ways and reaching out to individuals and communities who don't typically turn up to traditional consultation events or engage in local policy and decision making.

3. Enhancing the experience of residents, visitors and business

Good growth taps into the everyday experience of people living and working in different places across the UK. How clean is the environment? Is housing affordable? How long does it take to get to work? Places need to focus efforts on enhancing this experience, creating vibrant and sustainable environments that attract people to live, work and thrive.

As the environment rises up the agenda, increasingly cities are focusing on clean growth and sustainability. Our findings also point to a clear need for investment in transport to connect people to opportunities, and this is the case for cities across the index. And in terms of the business experience, the most successful places will be those with a commercial culture that supports entrepreneurship, investment and innovation to flourish.

Good growth purposefully takes a broad approach to economic success, and leads to broad implications as a result. We conclude with a priority agenda for action for central government, local leaders and businesses to come together to create vibrant places of opportunity, where everyone can fulfil their potential.



Introduction

If the pursuit of growth is essentially about improving the prosperity, life chances and wellbeing of citizens, there needs to be more to the equation than a narrow focus on Gross Domestic Product (GDP) or Gross Value Added (GVA)².

Together with the think tank Demos, we created our first Good Growth for Cities Index in 2012,³ 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 decision-making is ultimately about choices and priorities – where and how to intervene and invest scarce resources. The Demos-PwC Good Growth for Cities Index provides a framework for allocating and aligning resources and investment, driving decisions based on what people value most. This is an opportunity for place leaders to start with the outcomes that people prioritise, and so provide a more democratic dimension to the decisions made, and ensure that multiple organisations across a place can all align themselves behind a common goal.

“The Demos-PwC Good Growth for Cities Index provides a framework for allocating and aligning resources and investment, driving decisions based on what people value most.”

² GVA is a variant of GDP that is often used as a summary measure of local or regional economic performance.

³ ‘Good Growth for Cities: A report on urban economic wellbeing from PwC and Demos’, November 2012. Previously we published a version of the Good Growth index in 2011 comparing countries rather than cities. www.pwc.co.uk/government-public-sector/good-growth/index.jhtml



Methodology

Throughout the Demos-PwC Good Growth for Cities series, our aim has been to develop a composite ‘good growth’ index that captures a variety of characteristics of cities, and other places across the UK.

The characteristics included within the index are based on those chosen by the UK public as essential for judging economic success, and are weighted according to their level of relative importance. The approach to weighting each characteristic, and the slight changes made to this weighting over the past year, are explained in more detail below.

Elements of the index

The ten factors included in 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
4. Time with family/work-life balance
5. Affordable housing
6. High levels of entrepreneurship and new business start-ups
7. 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. Protection of the environment (e.g. carbon emission reduction, preserving forests)
10. Fair distribution of income and wealth.

⁴ The Good Growth for Cities Index measures the proportion of the working age population out of employment due to long term sickness. This has been selected to reflect the impact of poor health on economic well being through potential earnings.

Defining the index weights

Every year we conduct polls of a representative sample of around 2,000 members of the UK working age population in order to capture any recent shifts in opinion. We use these polls to identify which elements in the index are deemed most important by the public, and then assign weights to these elements accordingly (see **Table 1**).

We now have a combined sample of over 16,000 respondents since we began our Good Growth Index work in 2011. The latest index weights reflect average survey results across the whole sample, not just the latest survey year.

The only changes since last year are that the weight placed on jobs has decreased slightly from 15% to 14%, and the weight placed on the environment variable has increased slightly from 7% to 8%. We view these as minor changes, although they could reflect broader social shifts such as the public's increasing awareness of the climate challenge facing the UK. The consistently high weighting of health and housing in the public opinion polls does emphasise the importance of including broader indicators in our index, rather than focusing purely on traditional economic indicators like income and jobs.

As in previous years, jobs, health, income and skills are identified as the most important elements by our survey respondents. The broad consistency of our polling findings is encouraging, providing additional assurance that the weights accurately capture public opinion. This is especially important as we apply the same weights to years before 2012 in our historical analysis, although we cannot be sure they would not have differed slightly in earlier years. Further details on the index methodology are contained in the appendix.


Defining the list of cities

The list of cities included in this year's index is set out in **Table 2** below. The main criterion is a population of around 250,000 or more, with cities defined according to Travel to Work Areas (TTWAs) for the main index.

Table 2: Cities included in the Demos-PwC Good Growth Index (defined as TTWAs)

List of cities included within the 2019 Good Growth Index	
Aberdeen	Medway
Belfast	Middlesbrough & Stockton
Birkenhead	Milton Keynes
Birmingham	Newcastle
Bradford	Norwich
Brighton	Nottingham
Bristol	Oxford
Cambridge	Plymouth
Cardiff	Portsmouth
Coventry	Preston
Derby	Reading
Doncaster	Sheffield
Edinburgh	Southampton
Glasgow	Southend
Hull	Stoke-on-Trent
Leeds	Sunderland
Leicester	Swansea
Liverpool	Swindon
London	Wakefield & Castleford
London (Boroughs Only)	Warrington & Wigan
Manchester	Wolverhampton & Walsall

Table 1: Latest weightings compared to the 2018 report

										
	Jobs	Income	Health	Work-life-balance	New businesses	Housing	Transport	Skills	Enviroment	Income distribution
2018 weights	15	12	14	8	6	10	8	12	7	8
2019 weights	14	12	14	8	6	10	8	12	8	8

Source: PwC analysis, based on public polling of a representative sample of the UK working age population.



In addition to this list of cities, we have also undertaken analysis for:

10

Combined Authorities

10 Combined Authorities: over the last year, one additional Combined Authority - North of Tyne - has been created on top of the nine previously in place. We have analysed the good growth performance for: Cambridgeshire and Peterborough, Greater Manchester, Liverpool City Region, North of Tyne, North East, Sheffield City Region, Tees Valley, West of England, West Midlands and West Yorkshire.

11

Cities within the devolved administrations

11 cities within the devolved administrations: for the devolved administrations we analyse five additional cities (Inverness, Stirling, Dundee, Perth and Londonderry / Derry) to the six that are already included within the index (Aberdeen, Glasgow, Edinburgh, Belfast, Cardiff and Swansea). The scores for these cities are then compared to each other.

38

Local Enterprise Partnerships (LEPs) areas in England

All 38 Local Enterprise Partnerships (LEPs) areas in England: We will update our analysis to reflect realigned LEP boundaries once these have all been confirmed.

Key findings

Oxford and Reading remain at the top of the index, with Bristol moving into fourth place.

As in the 2018 report, Oxford and Reading are the two highest performing cities, with Oxford increasing its lead in first place. There continues to be a significant gap between index scores for these two cities and the rest, although this gap has been narrowing over the past three years.

Oxford's extension of its lead at the top of this year's index reflects continued improvement across a range of measures, including work-life-balance, skills, income and transport. Oxford also performs strongly across jobs and health, scoring within the top five cities for both of these variables.

In addition to the performance of Oxford and Reading, it's notable that Bristol has edged ahead of Milton Keynes to become the fourth highest performing city, while Norwich enters the top 15 having climbed up four places from our previous index.

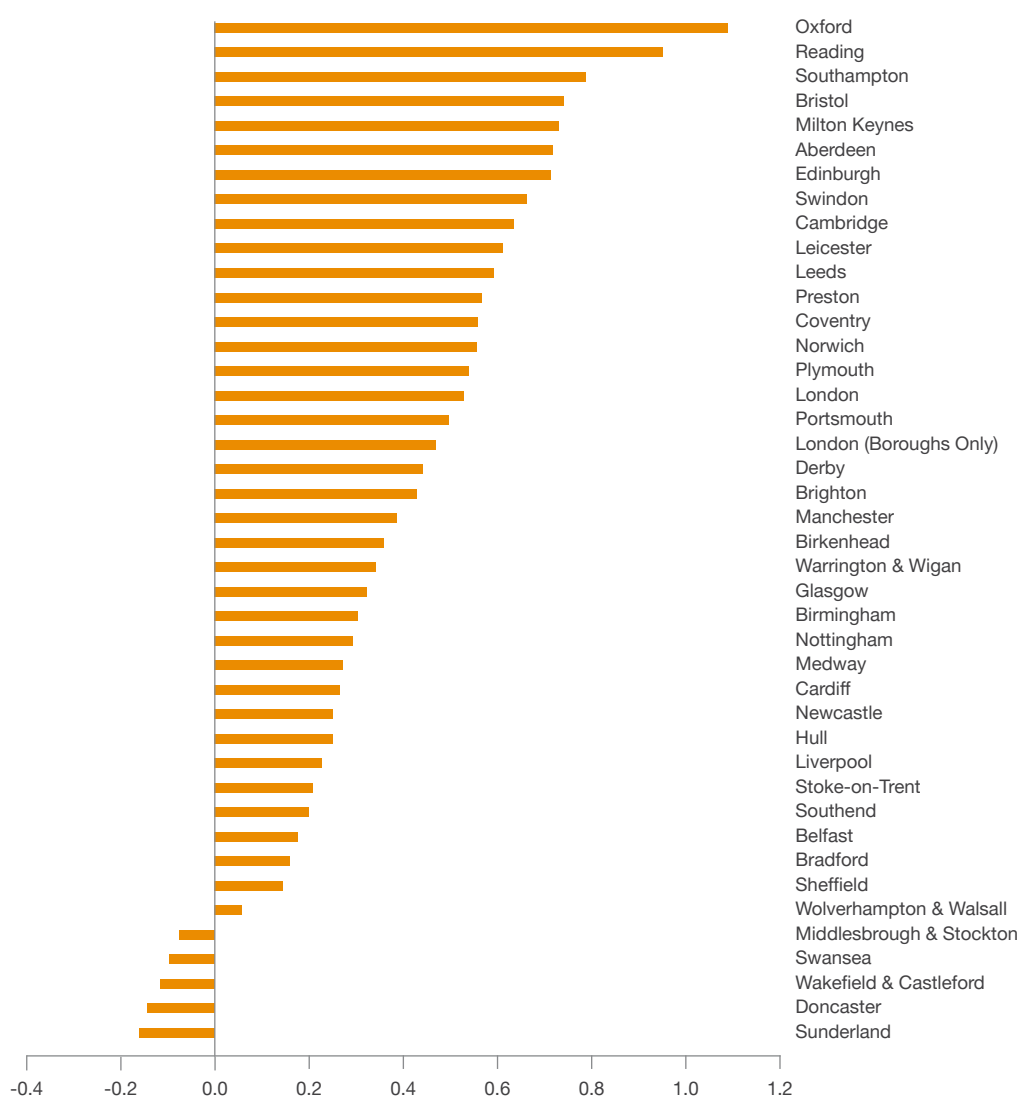
Figure 1 presents the overall distribution of cities' scores, defined by TTWAs and averaged over 2016-18. As in previous editions, we use rolling three year averages in order to minimise the impact of the volatility which can be present in annual data at a local level. The scores for each city are given relative to a base year of 2011-13 (i.e. a score of zero means that a city's index score in 2016-18 is equal to the 2011-13 average score for all UK cities in the index)⁵.

“Oxford and Reading remain at the top of the index, with Bristol moving into fourth place.”

⁵ For each element of the index, a city receives a score equivalent to the number of standard deviations it is away from the mean score on that indicator for all cities. As a result, a score of +0.2 means a city performs 0.2 standard deviations better than the sample mean for that element of the index in the base year. The scores for each element are then weighted and summed to create the overall Good Growth index score for that city. The approach is the same for the analysis of different geographies, such as those covered by Combined Authorities. This is the same approach that we have taken in previous reports and is standard practice when constructing such indices.



Figure 1: Good Growth for Cities Index (2016-18)



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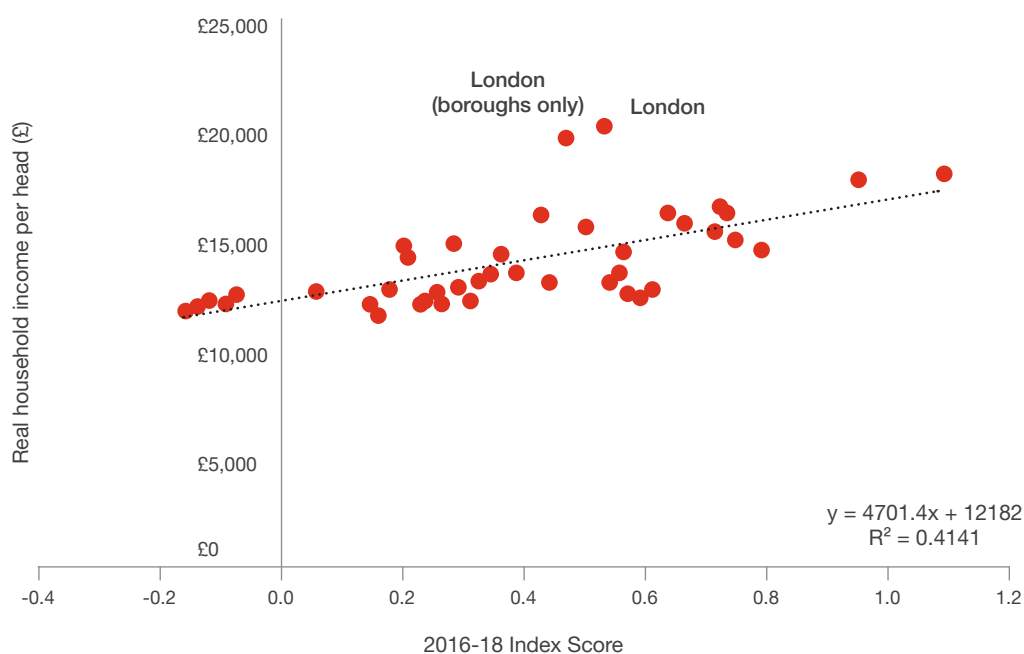
Link between good growth and income

In line with the results seen in previous years, more affluent cities typically have higher scores than their less affluent peers. This is driven by stronger performance in some of the more highly weighted elements of the index, such as jobs, income and skills. However, there are also downsides to this success, with

wealthier cities typically seeing lower scores in the areas of housing affordability and ownership and commuting times — particularly in the case of London.

This is demonstrated in **Figure 2** below. This chart shows that less than half the variation in scores between cities can be explained by variations in income levels across cities (R-squared = 0.41). This reinforces the importance of cities and regions focusing on measures of success that go beyond traditional metrics such as jobs or contribution to GDP.

Figure 2: Relationship between city index scores and average income levels



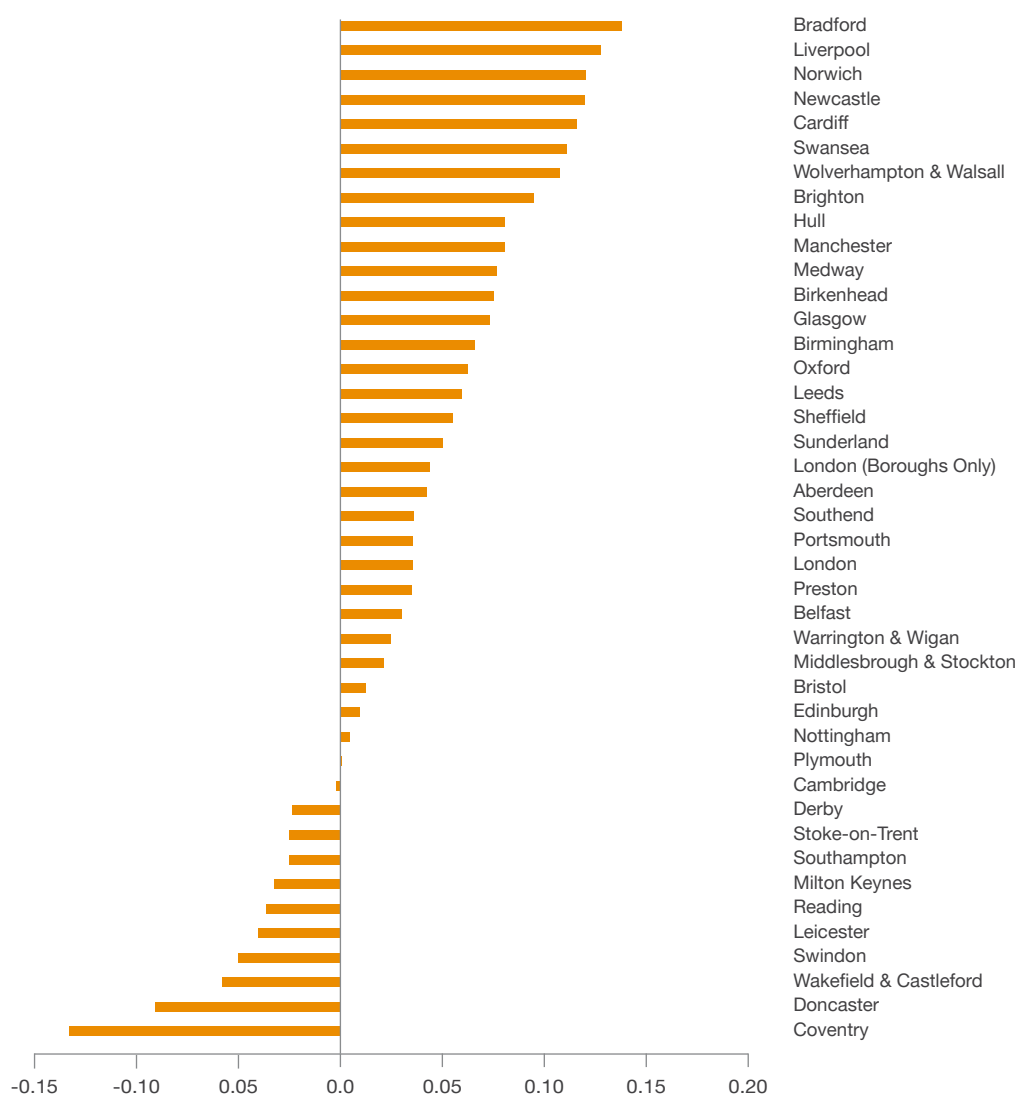
Continued improvement in performance for the majority of cities

Figure 1 demonstrates that almost nine in ten cities in 2016-18 had scores higher than the average for all cities in our base year of 2011-13. This highlights the rate of recovery since the financial crisis, with the number of cities below the 2011-13 average continuing to fall. This improvement is reflected in **Figure 3**, which shows that **three-quarters of cities have experienced an improvement in their index score relative to last year's report**. As the index uses a three year moving average, these improvements are driven by changes between 2015 and 2018.

Bradford emerged as this year's top improver, with an almost 0.14 increase in its index score. Its change in performance is covered in detail in the box below.

However, this year's index has seen a higher number of cities experience a decline in their scores relative to previous indices in recent years. This is primarily driven by the fact that higher performing cities, like Reading and Milton Keynes, have seen more pronounced declines in 'price of success' variables, such as house price to earnings and owner occupation, while lower performing cities, like Doncaster and Wakefield and Castleford, have seen falls in their work-life-balance and transport scores. The majority of cities that have experienced a decline relative to last year's report have also witnessed a fall in their health scores. However, given the volatility of the data used at the local authority level, we would not place undue weight on cities which have seen a marginal fall in their index scores over the period.

Figure 3: Change in Good Growth for Cities Index score since 2015-17, all UK cities



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Case study: Falling unemployment in Bradford

Bradford has experienced the largest improvement in Good Growth scores since last year's index.

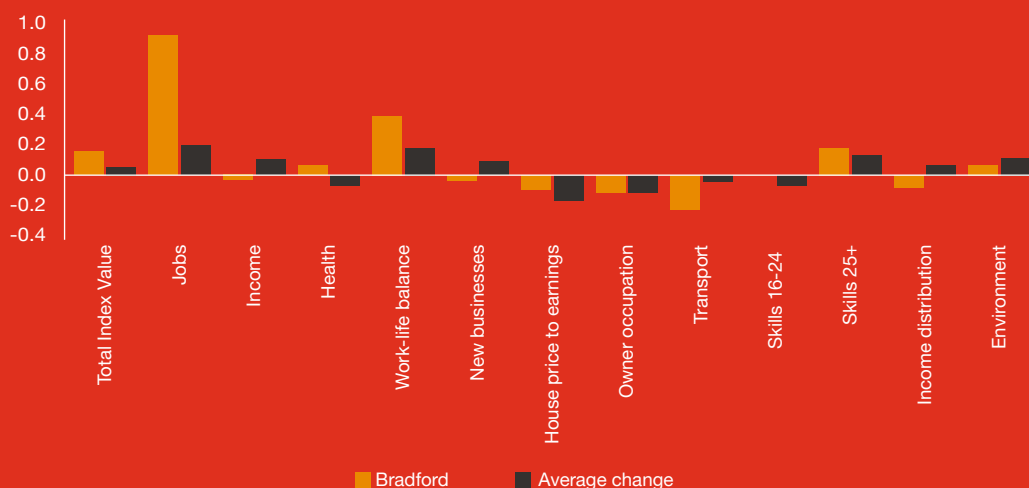
Figure 4 outlines the drivers behind this improvement. As we use a three year average approach, these movements are largely driven by data previously used in 2015, compared to newly included data from 2018.

Bradford has experienced a large reduction in its unemployment rate, measured at 4.1% in 2018 compared to 10.0% in 2015. This represents the largest improvement in the jobs score of any city in the index over this period.

There have also been more moderate improvements in work-life balance, health, environment and skills amongst the adult population. For instance, in 2018 over 43% of 25+ year olds held at least an NVQ level 3 qualification, compared to 39% in 2015.

However, there are still further improvements to be made. For instance, despite seeing substantial improvements in its unemployment rate, Bradford's income score fell over the period. Moreover, the skills of those aged 16-24 also saw a marginal decline. Improvements within these two variables could see Bradford climb further up the index in future years.

Figure 4: Change in Bradford's Index score, 2015-17 to 2016-18



In 2018

43%

of 25+ year olds held at least an NVQ level 3 qualification

compared to only

39%

in 2015

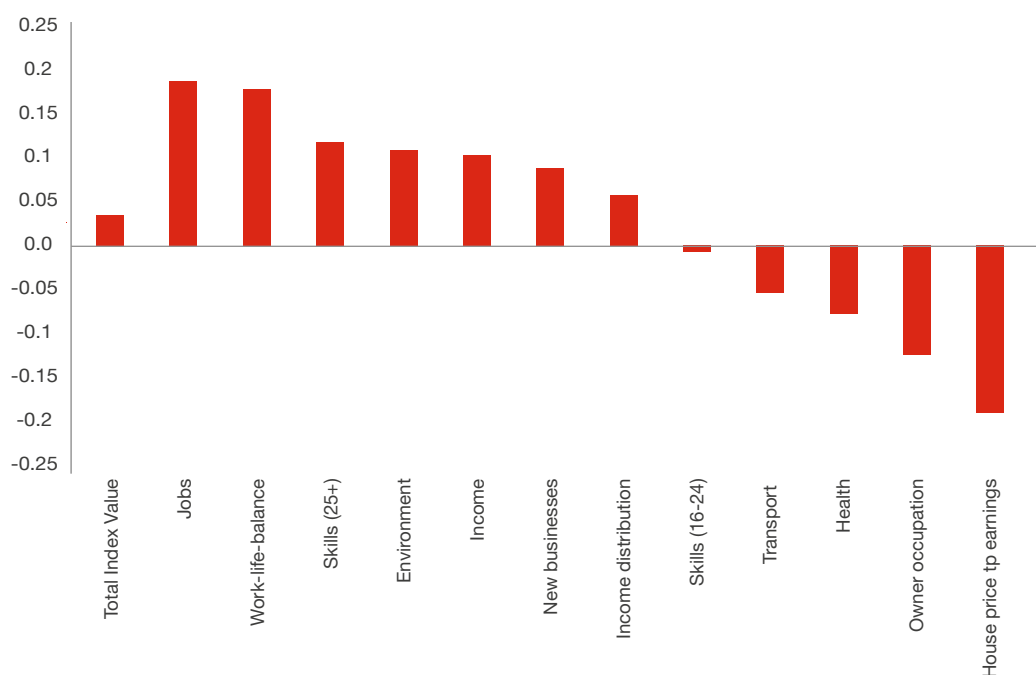
The biggest driver of higher scores this year, as in last year's report, has been the impact of increasing jobs scores (as shown in **Figure 5**). This is due to replacing 2015 data, when unemployment was still relatively high in parts of the UK, with data for 2018, when there were much lower unemployment rates across the country. Those cities which have seen the biggest improvement in overall score often experienced particularly large falls in unemployment, although the eleven year view paints a different picture (as outlined in **Figure 7**).

However, it is equally important to consider those elements of the index which have seen decreasing scores between 2015-17 and 2016-18. While 2015 to 2018 has been a period of broad economic recovery, there has been a reduction in housing affordability, falling owner occupation rates and rising commuting times since last year's report.

These pressures, which we refer to as the 'price of success', alongside the declining health scores, raise some questions as to the sustainability of the improvements in scores that have been observed in recent years. Although declining unemployment rates have continued to drive the improvements we have seen this year, the national unemployment rate is now down to around 4%, its lowest rate since 1974/75. It will be hard to get this much lower so, looking forward, it is likely that cities will have to rely on other opportunities to drive continued improved index performance.

Failure to tackle supply side issues, such as housing and transport, will constrain the rate of improvement in cities' scores in the future, with the potential for the positive trend to flatten off and perhaps eventually start to fall back. Addressing supply side constraints on growth should therefore be an increasingly pressing priority for national, regional and local policymakers.

Figure 5: Average change in score since 2015-17, by element of index



Over a decade of Good Growth

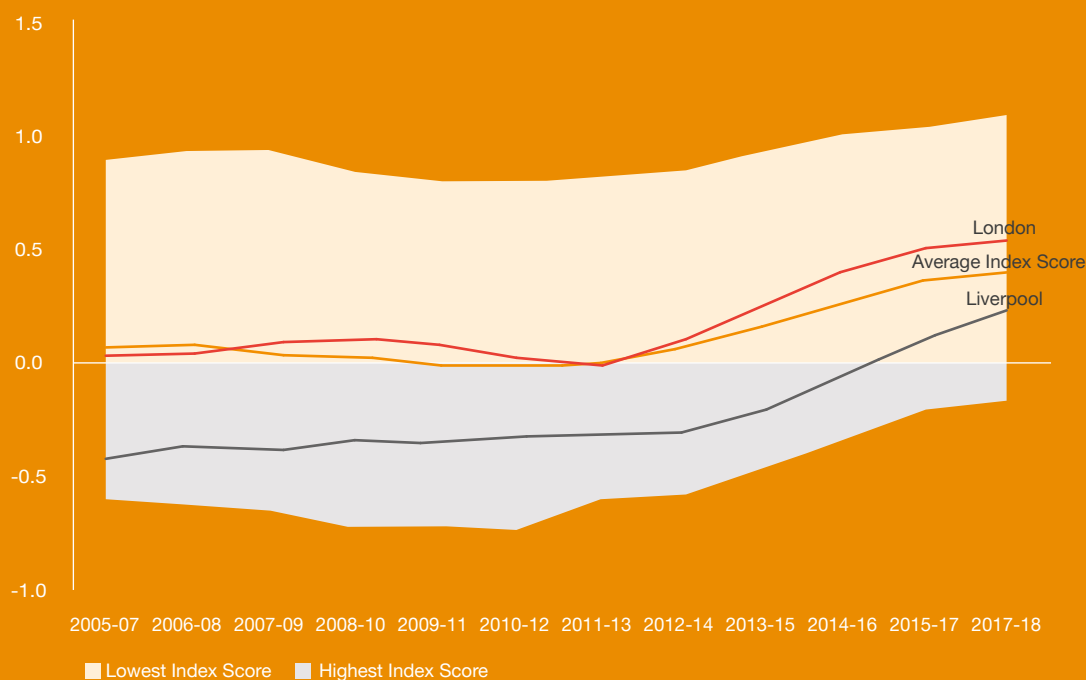
The long term data suggests that performance over time on our index is not driven primarily by a city's starting position, but rather by a combination of local and national improvements in the economy.

The continued improvement in scores over the past few years is reinforced by **Figure 6**, which summarises the change in the average score of all cities included in our index since 2005-07. This shows that the latest 2016-18 results continue a trajectory of improvement first identified clearly in our 2015 report, and have now reached a new peak, surpassing levels seen before the financial crisis.

Figure 6 also plots the movement in the highest and lowest scores achieved across the cities in the Good Growth index in each three year window. Over time, the gap has narrowed from approximately 1.5 in 2005-07 to approximately 1.3 in 2016-18. In this year's index, almost 90% of cities exceeded the level of performance measured in the average city in 2011-13.

Comparing performance since 2005-07, London has experienced the largest improvement in its Good Growth score of any city, followed by Liverpool, Newcastle, Belfast and Aberdeen. As shown in **Figure 7**, its performance has followed a similar trajectory to the index average over the period. However, since 2013-15, Liverpool has improved at a faster rate, closing the gap between its index score and the UK average. We explore the drivers behind Liverpool's improvement over time in the case study below.

Figure 6: Change in average Good Growth index scores across all cities since 2005-07 (and results for Liverpool and London for comparison)



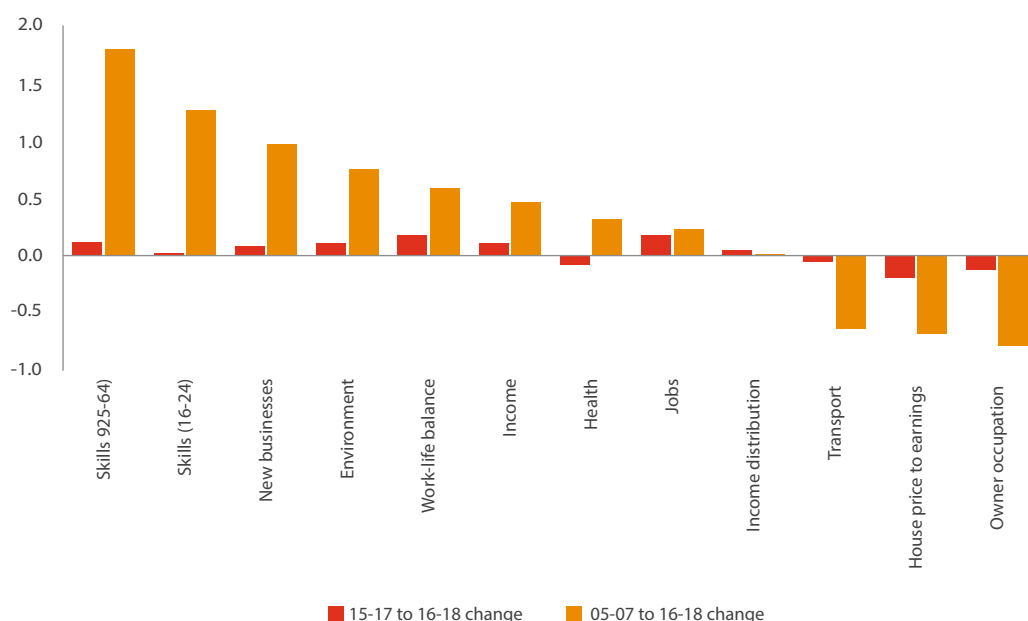


It is also interesting to consider how the drivers of improvements in overall index scores has varied between the short and longer term, as shown in **Figure 7**. Skills amongst the population of 16-24 and 25-64 year olds, alongside the number of new businesses created, have seen the largest improvements in average scores over the period between 2005-07 and 2016-18. This is in contrast to the movements over the past few years, where job scores have seen the largest improvement on average, as unemployment rates have fallen across the country. Although there has been a large improvement in jobs in the short term, this is not reflected in our longer term analysis — in fact, jobs scores are only marginally above their 2005-07 levels. This is because the average UK unemployment rate then was only slightly higher than the average rate in 2016-18.

Addressing structural issues, such as local skills, encouraging new business development and addressing local environmental challenges have therefore provided a greater source of good growth since 2005-07 than traditional economic measures including jobs and income. Developments around devolving the adult skills budgets, and potentially taking a local approach to the apprenticeship levy, offer places the opportunity to align their skills strategies further to local needs.

Figure 7 also highlights areas where there have been deteriorations in structural factors over the past decade, most notably in housing affordability and owner occupation rates. There have also been rising average commuting times that may reflect, at least in part, inadequate levels of transport investment over the past decade relative to increasing demand as employment levels have risen.

Figure 7: Change in average Good Growth index scores by variable, across all cities since 2005-07 and 2016-18





Case Study: What has driven improvements in Liverpool's Good Growth index score over the past decade?

Liverpool has experienced the second largest increase in its index score since 2005-07 as well as seeing the second largest improvement since last year's index. Figure 8 below compares the long term drivers of Liverpool's improvement, as compared to the changes seen on average across the UK since 2005-07.

As the chart shows, Liverpool has seen a significantly greater improvements in new business start-ups, income distribution and unemployment rates since 2005-07 compared to the UK average.

Liverpool has also experienced above average improvements in the skills of both 16-24 and 25-64 year olds, in housing affordability, and also in terms of falling carbon emissions. In contrast, both work-life balance and income levels have weaker growth relative to the UK average. However, in general, there are similarities in which factors have been positive or negative over this period in both Liverpool and the UK as a whole.

Figure 8: Changes in average Good Growth index scores by variable since 2005-07 for Liverpool compared to UK city average




Good Growth scores in Combined Authorities

The performance of the Combined Authorities is summarised in Table 3. This table shows, for each region, the performance relative to the average for all LEPs⁶. As in all analysis in this report, this is relative to the baseline 2011-13 level of performance. Interestingly, every Combined Authority in this table has at least one 'red' and two 'green' ratings. This reflects that each area has relative strengths alongside potential areas for development.

All of the Combined Authorities perform above average on jobs and work-life balance, and below average on owner occupation. Beyond that, they have different strengths and challenges. For example, only Cambridgeshire and Peterborough and the West of England perform above average on income, suggesting jobs growth is not necessarily translating into income growth in many places. However, they are also the only two to perform below average when it comes to housing affordability. Many of the Combined Authority also face transport challenges, with only Liverpool City Region, Tees Valley and the North of Tyne performing above average. Tees Valley is the only Combined Authority to score below average on environment, reflecting the industrial nature of the area.

Table 3: Breakdown of Good Growth scores for Combined Authorities⁷

	Greater Manchester	Sheffield City Region	West Yorkshire	Liverpool City Region	North-East	West Midlands	Tees Valley	Cambridgeshire and Peterborough	West of England	North of Tyne
 Jobs	●	●	●	●	●	●	●	●	●	●
 Income	●	●	●	●	●	●	●	●	●	●
 Health	●	●	●	●	●	●	●	●	●	●
 Work-life balance	●	●	●	●	●	●	●	●	●	●
 New businesses	●	●	●	●	●	●	●	●	●	●
 House price to earnings	●	●	●	●	●	●	●	●	●	●
 Owner occupation	●	●	●	●	●	●	●	●	●	●
 Transport	●	●	●	●	●	●	●	●	●	●
 Skills (16-24)	●	●	●	●	●	●	●	●	●	●
 Skills (25+)	●	●	●	●	●	●	●	●	●	●
 Income distribution	●	●	●	●	●	●	●	●	●	●
 Environment	●	●	●	●	●	●	●	●	●	●

● Above average (approx mean + 1 SD) ● Around average ● Below average (approx mean - 1 SD)

⁶ Combined Authorities are typically more similar in size to LEPs than cities, and hence LEPs have been chosen as a more appropriate group for comparison. This comparison sheds light on how Combined Authorities perform relative to other areas across the country.

⁷ Green = above average (approx mean + 1 SD) Amber = around average red = below average (approx mean - 1 SD). Although not strictly a Combined Authority, the Good Growth scores for the London Boroughs covered by the Greater London Authority are provided for comparison.

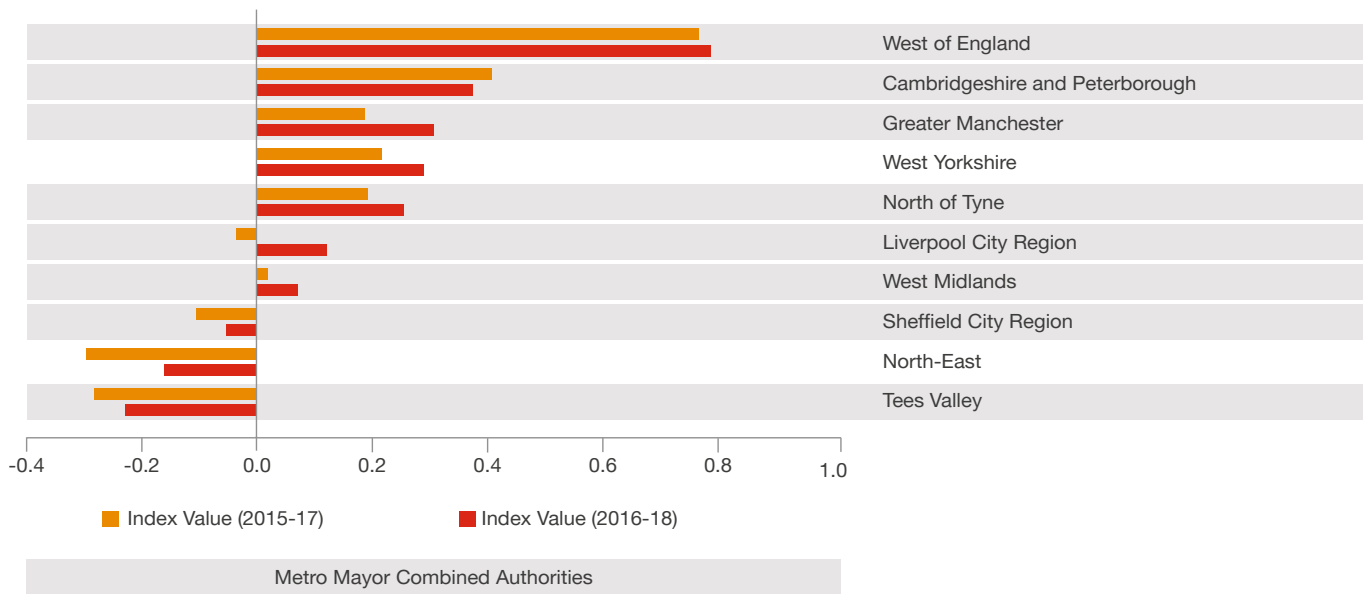
“Compared to last year’s index, the majority of Combined Authorities have experienced an improvement in their score.”

Figure 9 shows this year’s and last year’s Good Growth index scores for Combined Authorities in England, with those represented by an elected metro mayor shaded. These scores are shown relative to the English LEP average in 2011-13.

The Combined Authorities of Cambridgeshire and Peterborough and the West of England are the highest performing areas and sit firmly above the LEP average. The newly formed North of Tyne Combined Authority also performs well, though its creation has seen the North East Combined Authority’s score decline from -0.11 to -0.15. This is primarily driven by the boundary movements that have occurred as a result of the North of Tyne Combined Authority being created. Namely, the movement of high-performing local authorities like Newcastle and Northumberland outside of the North East Combined Authority boundaries has impacted its score.

Compared to last year’s index, the majority of Combined Authorities have experienced an improvement in their score. Liverpool City Region has experienced the largest improvement in its index score (see case study above for further detail on Liverpool), driven largely by lower unemployment, an increase in the number of new businesses and strong improvements in the skills of both its youth and adult population. In contrast, Cambridgeshire and Peterborough is the only Combined Authority to witness a decline in its score, driven by worsening skills of 16-24 year olds, health, transport, and a fall in both owner occupation and housing affordability.

Figure 9: Combined Authorities scores, 2015-17 and 2016-18





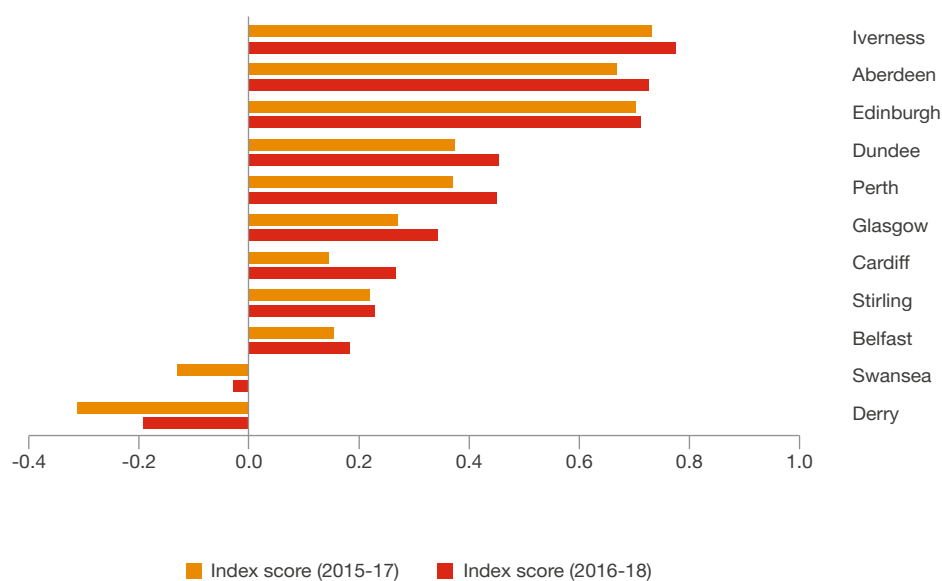
Good Growth scores in cities in Devolved Administrations

Figure 10 the latest Good Growth index scores for a selection of cities in the Devolved Administrations alongside last year's. This includes the six cities outside of England that are in the overall index, plus five more (Derry⁸, Stirling, Perth, Dundee and Inverness). These scores are shown relative to the average of all UK cities in 2011-13.

Inverness, Aberdeen and Edinburgh remain the clear top three cities in the Devolved Administrations. Cardiff, Derry and Swansea have each seen particularly strong improvements in their scores this year, with notable improvements also seen in Perth, Glasgow and Dundee.

Each of the cities in the Devolved Administrations experienced an increase in their score in this year's index, and only two of these cities (Derry and Swansea) still remain below the 2011-13 UK average.

Figure 10: Cities in devolved administration scores, 2015-17 and 2016-18



8 For brevity, we refer to 'Derry' here rather than Derry/Londonderry.

Good Growth scores in England's LEP areas

Our final piece of analysis shows index scores for all 38 Local Enterprise Partnership (LEP) areas in England. **Figure 11** presents the score for each LEP, relative to the average score for all English LEP areas in 2011-13. Oxfordshire remains the top performer and, as with the overall index for cities, there is a strong geographical pattern, with higher scores typically seen in the South East and lower scores are typically found in the North East of England.

The geographical distribution of scores can be seen clearly in **Figure 12**. This map shows that only five LEPs are either around or below what the average was in 2011-13. With further improvements since our 2018 report, only three LEPs have an index score significantly below the 2011-13 average.

Figure 11: Good Growth scores across LEP areas, 2016-18

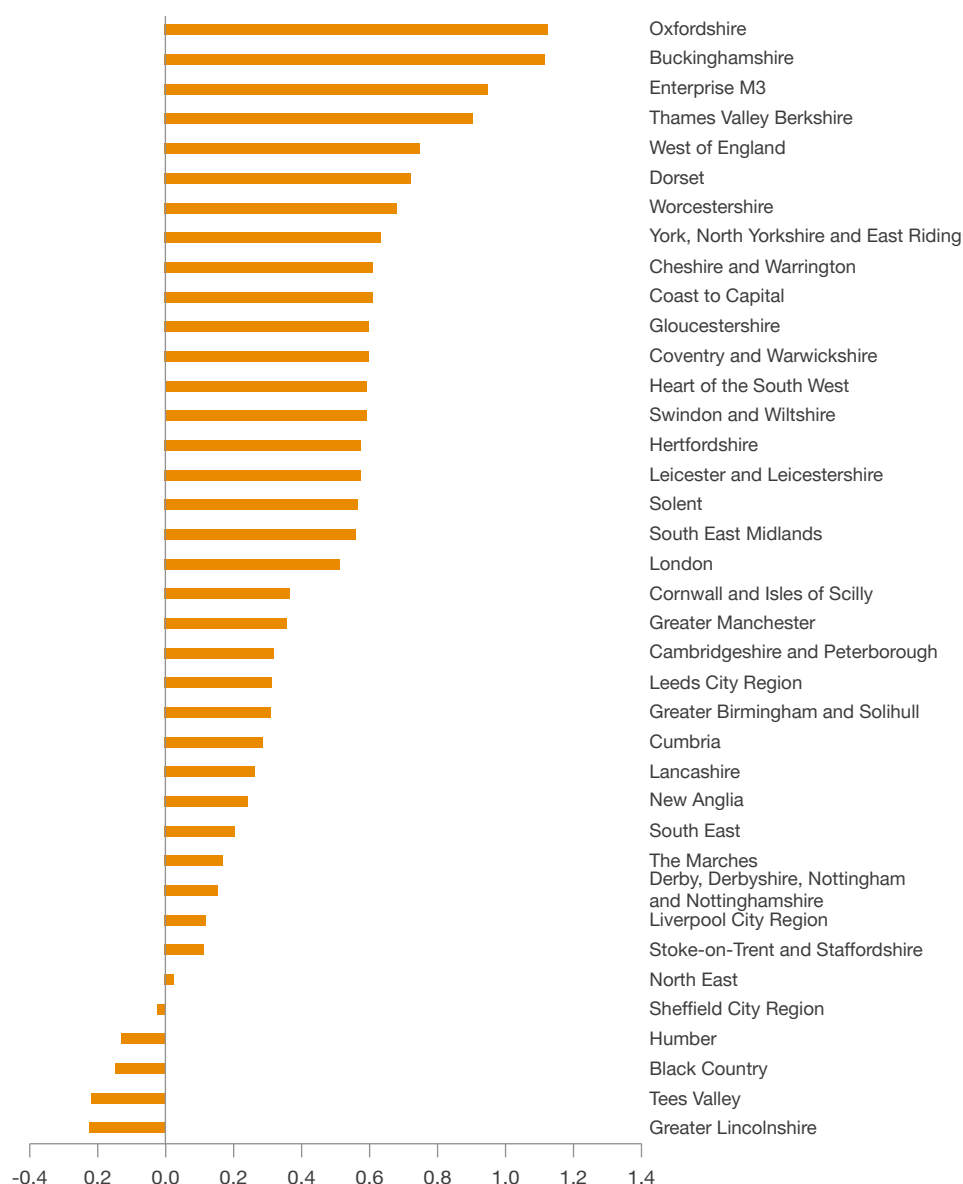
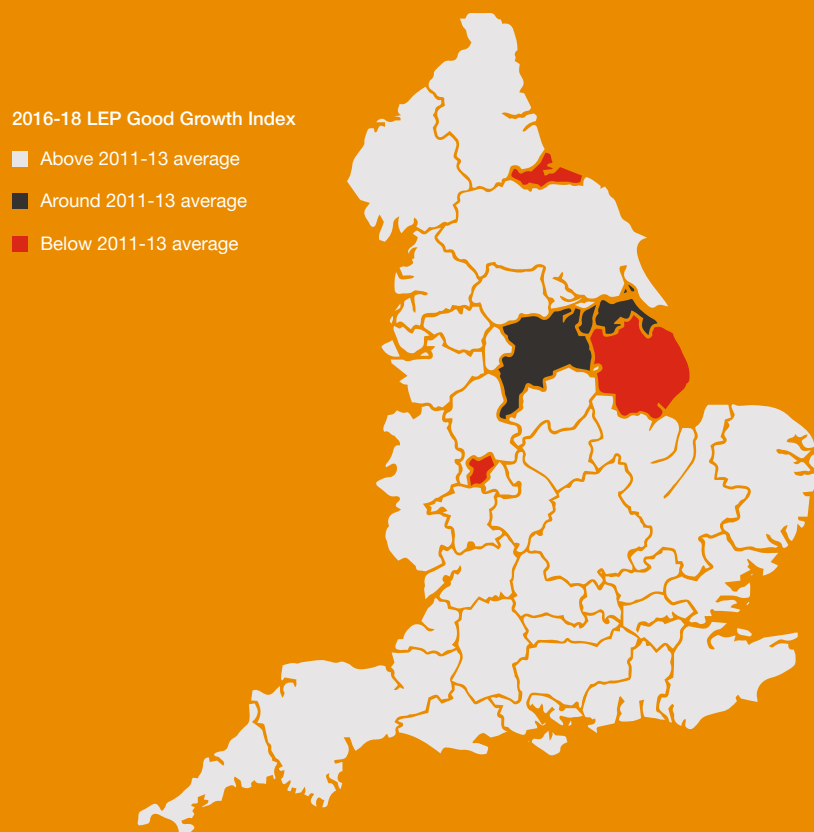




Figure 12: Distribution of Good Growth Index scores across LEP areas, 2016-18



Finally, **Figure 13** shows the change in scores for all LEP areas in England between this year and last. As with all other geographical samples, the analysis shows improvements for the vast majority of areas, driven largely by falling unemployment rates between 2015 and 2018.

Liverpool City Region achieved the largest improvement in index scores this year — rising up to 31st place. As with the changes observed in city scores, there is some variety in the areas experiencing improvements.

For example, Buckinghamshire experienced the second largest increase in its score and emerged second in the overall LEP index. In contrast, the Black Country also experienced a fairly substantial increase in its score, but remains at 36th place in the overall LEP index.

Leeds City Region also experienced a strong improvement in its index score, driven by falling unemployment rates, with Bradford emerging as the top improving city in our overall index.

Figure 13: Change in score for Local Enterprise Partnerships, 2015-17 to 2016-18



Conclusions

The dominant theme of this year's results has been continued broad-based improvements in our Good Growth index scores across the UK, driven in particular by falling unemployment rates and increases in new business per head.

At the same time, the recovery has highlighted the supply side constraints faced by many UK cities, particularly in relation to housing. This is further emphasised by our analysis over eleven years, where the price of success has been exhibited through deteriorating average scores for both housing and transport.

If cities are to sustain the continuous improvement of recent years, it will become increasingly critical to address these supply-side constraints through increased housing and transport investment. In the next section we discuss in more detail the implications of these findings for public policy and business.



Implications for policy and business

How can local leaders design and implement strategies and interventions that deliver good growth outcomes for their places and people, particularly in times of uncertainty and change?

This year's report explores three lenses through which local leaders, national government and businesses should focus on improving their places: delivering inclusive growth; developing community resilience; and improving the experience of residents, visitors and business.

1. Delivering inclusive growth

Jobs and income are consistently rated highly important by the public when it comes to good growth, but income distribution also features, indicating that the public value an inclusive approach to growth.

When we first created the Good Growth index, people were more concerned about getting and keeping a job than earnings growth and progression. While the UK now has near record low unemployment rates, it is worth noting recent exploratory research by Centre for Cities and the OECD on 'hidden unemployment' that highlights the extent of economic inactivity in cities, an important additional dimension to consider beyond the unemployment figures in our Index.

If we consider the unemployment rates, the jobs challenge has shifted to some extent from being about numbers. The focus is now more on the quality of jobs being created, particularly given the growth of low paid, low skills, low productivity jobs that leave people with few opportunities or routes to progress, as well as on how to ensure the workforce has the skills it needs for the jobs of the future.

In response, local leaders can focus their efforts on working with business to attract and create 'good jobs'; investing in skills and upskilling, to equip people with the digital and other skills they need for today's and tomorrow's jobs as automation and disruptive technology transforms the world of work; and playing a brokering role to help match people to employment and learning opportunities.

What makes a good job?

Jobs have consistently been the most important factor for the public in our Good Growth polling. However, while the UK has record low unemployment, it still faces challenges both in terms of living standards and productivity. The quality and design of jobs is pivotal to addressing both challenges.

Along with Britain Thinks, we held a Citizens Jury to explore what makes a 'good job' (see table). At the root of the jury's discussion was the need

to create a 'happy, satisfied workforce'. A 'happy environment is a more productive environment' according to members of the jury. Other elements of our Good Growth index, including good health, to be 'fit for work in mind and body' and, skills, specifically a better match between the skills an individual has and the work opportunities available, were also highlighted.

The challenge of raising productivity in the UK economy as a whole, while improving living standards, has no easy answers, but a focus on designing good jobs is a good place to start.

Table 2: Criteria for good jobs and why they are important

Criteria for a 'good job'	Why important for individuals	Why viewed as important for employers and the country
Job satisfaction	<ul style="list-style-type: none">• They can enjoy the work• They feel like they are making a difference• They feel motivated	<ul style="list-style-type: none">• Employees would feel motivated and committed to the job• Lower staff turnover
Having a stake – incentives linked to the performance of the business	<ul style="list-style-type: none">• Feel rewarded• Be part of the success of the company• Have a greater sense of how their role contributes to wider organisational success	<ul style="list-style-type: none">• Employees would feel motivated and committed to the job
Working with good people	<ul style="list-style-type: none">• It helps employees enjoy their jobs• It contributes to employees feeling happy more generally in their lives	<ul style="list-style-type: none">• Productivity would be higher• Commitment to the job would be higher
Opportunities for progression	<ul style="list-style-type: none">• It demonstrates an appreciation of employees' hard work• It provides motivation and something to aim for	<ul style="list-style-type: none">• It allows the workforce to develop and grow skills over time

Source: 'What do the public think?' Chapter in the Demos / PwC (2014) Good Jobs: A Demos and PwC Essay Collection



Upskilling hopes and fears, and fairness

Businesses often highlight skills gaps as a concern, yet our global Upskilling Hopes and Fears survey of more than 22,000 people indicates that three-quarters (73%) of workers would take the opportunity to better understand or use technology if they were given the option by their employer. Clearly, businesses need to play their part in investing in training and upskilling to ensure they have the skills they need for the jobs of the future.

In the UK, over half (54%) of adults (67% of 18-34 year olds) say that they are ready to learn new skills or completely retrain in order to improve future employability - only 11% say they are not. But despite the appetite to upskill, of the countries we looked at, UK workers are given the fewest opportunities by employers, with over half (51%) offered no opportunities at all. Those workers

without education beyond school are getting fewer opportunities to learn new skills (59% offered no opportunities by their employers compared with 44% of graduates).

The mismatch between the skills people have and those needed for the digital world is a major global challenge, but it is also a regional one. Organisations across the UK need to seize on people's appetite to learn new skills. Too often assumptions are made about the type of worker who should be upskilled, so the opportunities are not evenly spread. Without combined efforts from government and employers, swathes of people risk being left behind, exacerbating social and economic inequalities.

Our Future of Government research, delving further into the UK public's views on skills, will be published in late 2019 and will be available from www.pwc.co.uk/futureofgovernment

Out of 22,000 people

73%

of workers would take the opportunity to better understand or use technology if they were given the option by their employer

In the UK

67%

of 18-34 year olds say that they are ready to learn new skills or completely retrain in order to improve future employability

From our survey

73%

of respondents are ready to take a new qualification online

A local approach to skills

If the UK is to improve productivity and deliver inclusive growth across the country, focusing on developing the right skills will be essential. Local leaders have a key role to play in developing interventions that help match people to skills training and job opportunities. A locally-driven model means skills planning is done on a place basis, with employers in the driving seat, shaping skills planning in line with their own unique labour market strengths, weaknesses and potential.

From 2019, the adult education budget has been devolved to Mayoral Combined Authorities, presenting an important opportunity for these areas to strategically tailor their approach to skills. It is important that local approaches to skills focus on:

1. Ensuring that their local skills strategies reflect the full spectrum of skills levels in the area, investing in lower level skills as well as higher level in order to allow people to progress in work and also create entry level opportunities for people to enter the job market.
2. Focusing skills interventions on lifelong learning and upskilling, particularly as the jobs of tomorrow evolve in response to artificial intelligence (AI) and automation.
3. Developing, delivering and funding meaningful careers and training advice and guidance services, to help people make effective decisions about career planning and the skills development they require.
4. Playing a brokering role and engaging with Local Enterprise Partnerships, business leaders and providers to keep a continuous dialogue on skills, ensuring that the system continues to be fit for purpose and offers relevant training which is fit for the job market of today and the future.

2. Developing community resilience

Developing community resilience and fostering independence means that people support each other to live fulfilled lives, are more able to make the most of opportunities that arise, and are less reliant on public services.

Health is of particular interest in terms of resilience, particularly as there has been a decline in the overall score in this year's index. Our public polling shows that health is an economic issue: health consistently comes out as one of the key concerns for people. It is seen as not just important in itself, but as an essential requirement for being able to work, to earn a living and to reach their full potential.

We also know that wider social, economic and environmental factors can greatly influence an individual's health, and as a result, their ability to work. Yet the vast proportion of public spending and effort is focused on curative health measures rather than on these wider determinants of health outcomes. Addressing the broader social determinants of health, including housing, will be key — an issue explored in our recent global research.

Addressing the social determinants of health

The social determinants of health — including many of our good growth indicators such as employment; housing; income inequality; environment and level of access to education and transport — are often overlooked by policy makers, yet they can overwhelm health systems that ignore them.

There is wide recognition of what constitutes social determinants of health in the UK and what action is needed. The NHS Long Term Plan makes clear the need to focus on health inequalities and tackle the wider determinants of health. The very development and objectives of Integrated Care Systems, Local Health Boards, Health and Social Care Trusts and Integrated Joint Boards is to address the health needs of local populations and deliver person centred and coordinated care, crucial to tackling health inequalities. However our research shows that 52% of people said they have not discussed any social, economic, behavioural and environmental factors with any healthcare provider or professional.

Our global report, *Action required: The urgency of addressing social determinants of health*, suggests ways for healthcare systems and governments to target social determinants of health by intervening earlier to prevent or stall the progress of chronic disease, especially when it comes to obesity and diabetes. It proposes five steps for action:

- **Build the collective will:** too many healthcare stakeholders aren't talking about social determinants. A convener can help bring partners together across the system by demonstrating the long-term benefits to each stakeholder of preventing long-term illness.
- **Develop a framework that enables partners to work toward common goals:** partners must overcome the everyday challenges of integrating different organisations, each with their own missions, incentives and perspectives.
- **Generate data insights to inform decision making:** predictive analytics can be used to predict the health needs of individuals and populations, enabling preventative interventions and better planning of resources.
- **Engage and reflect the community:** social determinants of health strategies must be grounded in the ways people live and work. Retailers, technology providers, carers, employers and education institutions could all be engaged to connect with people as they go about their daily lives.
- **Measure and redeploy:** review, report and plan ahead to further refine strategy and investments.



A second theme we have explored through our Future of Government research is ensuring that people and communities feel that they have a voice in decision-making for their place, as well as in shaping services. Almost half (48%) of those we polled for our Future of Government research said they wanted to get more involved, while our local government public poll found that four in ten say they would participate more to improve their local area and help local people if their council made it easier to do so.

While decentralisation and place-based approaches to date have largely focused on devolving from central to local government, the focus needs to shift to finding new ways to engage the public and communities themselves in decision-making. This means communicating with the public in smarter ways, on their own terms and reaching out to people and communities who don't typically turn up to traditional consultation events, for example through citizen assemblies or juries as well as online methods.

Practical steps to create a fair and inclusive future

As the UK prepares to leave the European Union, it has perhaps never been more important for us to focus on what kind of society we want to call home, and what role each of us can play in creating a fair and inclusive future in which everyone's voice is heard.

Our Future of Government research explores what fairness really means, whether people feel like they're being treated fairly, and what responsibility national and local government has to create more inclusive communities. Building on this, we have created a framework of five tests for fairness that we believe could be used by government to test and design public policy in a way that would build a fairer future for the UK.

Our five tests for fairness, each of which touch upon elements of our Good Growth for Cities Index and its implications, are:



Test	Good growth implications
1. Provide for fundamental needs, prioritising the vulnerable and those in greatest need	Focus on inclusive growth, ensuring that the benefits of growth are felt across cities and regions, focusing on housing affordability and those with no formal qualifications.
2. Help people earn a decent living and prepare them for the future world of work	Address adult skills shortages, now and in the future, with a focus on in-work progression and upskilling, playing a brokering role between employers, skills providers and people.
3. Close the opportunity gap that exists between places	Central government should provide clarity on the next chapter of devolution to places, based on a comprehensive new relationship between national government and places across the UK.
4. Give individuals more control over the services they access	Embed a joined up approach to local public services - from Whitehall downwards - with the citizen at the centre.
5. Empower communities to shape the places in which they live	Engage people and communities to both build resilience and ensure their voices are heard in local policy and decision-making.

www.pwc.co.uk/futureofgovernment

Of those we polled

48%

said they wanted to get more involved



3. Enhancing the experience of residents, visitors and business

Good growth brings to life the everyday experience of people living and working in different places across the UK. How long does it take to travel to work? How clean is the environment? Places need to focus efforts on enhancing this experience, creating vibrant environments that attract people to live, work and thrive and businesses to invest.

The Good Growth findings highlight the need for investment in transport infrastructure, particularly when you look at the longer term trend. While unemployment has fallen, and more people are in work, there hasn't been a corresponding investment in transport capacity or infrastructure quality to get people from where they live to where they work. This is not just a feature of top performing cities at the top of the index, but is the experience of places right across the Index.

While some of the investment required will be at a national level, regionally there is an opportunity for place leaders to ensure their transport needs are embedded in their local place strategies, and are seen as intrinsic to connecting people to opportunities and communities to each other.

Rethinking smart futures

Successful smart places – whether cities or regions – will be about much more than new technologies. They'll also help to address societal issues in areas like health and education. They'll promote inclusion. They'll embrace digital innovation. And they'll prioritise transport as a vital enabler, underpinning all the other benefits. Achieving these goals requires an approach that puts improving people's lives at the heart of every decision.

Our research, together with London Transport Museum, Thales and Gowling, sets out the challenges of delivering smart places focused on people, enabled by transport and powered by technology.

Similar issues were touched on in our Local State We're In research, where interviewees acknowledged that the conversation around transport had shifted in recent years to focus much more on the role transport can play when it comes to enabling inclusive growth. For example, one interviewee spoke of their focus on "connecting cranes to community", ensuring that local people feel the benefit of growth, including exploring how to use capital spend to influence wider inclusive growth issues. Examples of this include using procurement routes to encourage apprenticeships and working with education providers to influence syllabuses.

Another interviewee from a Mayoral Combined Authority emphasised the importance of the mayor in bringing both national and local transport organisations together to create a forum and foster a dialogue around how to work together to address mutual issues and concerns, with good results.

Read our Rethinking Smart Futures research at www.pwc.co.uk/smartfutures



Our Good Growth public polling also shows that the environment is rising up the agenda, mirroring wider public concerns about climate change. The government has responded by legislating for the UK to commit to achieving net zero greenhouse gas emissions by 2050, the first commitment of this kind from a G7 economy. Cities and regions clearly also have an important role to play in achieving this commitment. A number of cities have ambitions to becoming carbon neutral, including Bristol, Nottingham and Southampton. Clean growth is also a focus for many places as they develop their local industrial strategies, with 61% of council respondents to our Local State We're In survey agreeing that clean growth was a priority.

Our Index uses carbon dioxide emissions as the measure for our environment indicator, but cities are also increasingly focusing on clean air. In addition to London's low, and now ultra-low, emission zones, Birmingham and Leeds are also introducing charging Clean Air Zones from early 2020 and there are plans or consultations for charging and non-charging zones in cities including Sheffield, Greater Manchester, Oxford and Glasgow. There are lessons to be learned from cities globally on how to approach developing solutions to climate challenges and clean growth.



Climate resilience and clean growth in the Solent

With rising sea levels and the advancement of coastal erosion, there is little doubt that the South of the UK is facing threats of climate change and, by necessity, needs to be a pioneer in climate change adaptation. The Solent could see up to a third of one of its two cities – Portsmouth – lost to coastal flooding, whilst transport links in this strategic trading gateway are vulnerable, making infrastructure resilience a priority. The Solent Local Enterprise Partnership has used their emerging Local Industrial Strategy to set a path to both build resilience to climate change, but also to nurture associated opportunities too. The Solent is in a prime position to spearhead green innovations and technologies, harnessing their relationships with local SMEs and universities, schools and local authorities. The region is already making headway in this arena, with current green innovations including the Wightlink hybrid ferry service, the MHI Vestas Offshore Wind facility, and Cheetah Marine's sea-trials of a hydrogen-powered catamaran.

Climate innovation in global cities: Sizing the prize

Cities contain the ideal ingredients for innovation to thrive, and city leaders all over the world are turning their attention to how they can apply innovation to urgent climate challenges.

In a collaborative research effort with the C40 Cities Climate Leadership Group and the Los Angeles Cleantech Incubator, we recently explored how urban innovation and new collaborations focused on improving climate outcomes can be accelerated and scaled in three areas of opportunity:

1. Advanced mobility solutions such as electric last mile solutions and goods delivery optimisation
2. Intelligent energy systems including virtual grids and remote home energy controls
3. Conscious consumer products and services such as closed loop solutions for waste food and zero plastics shopping.

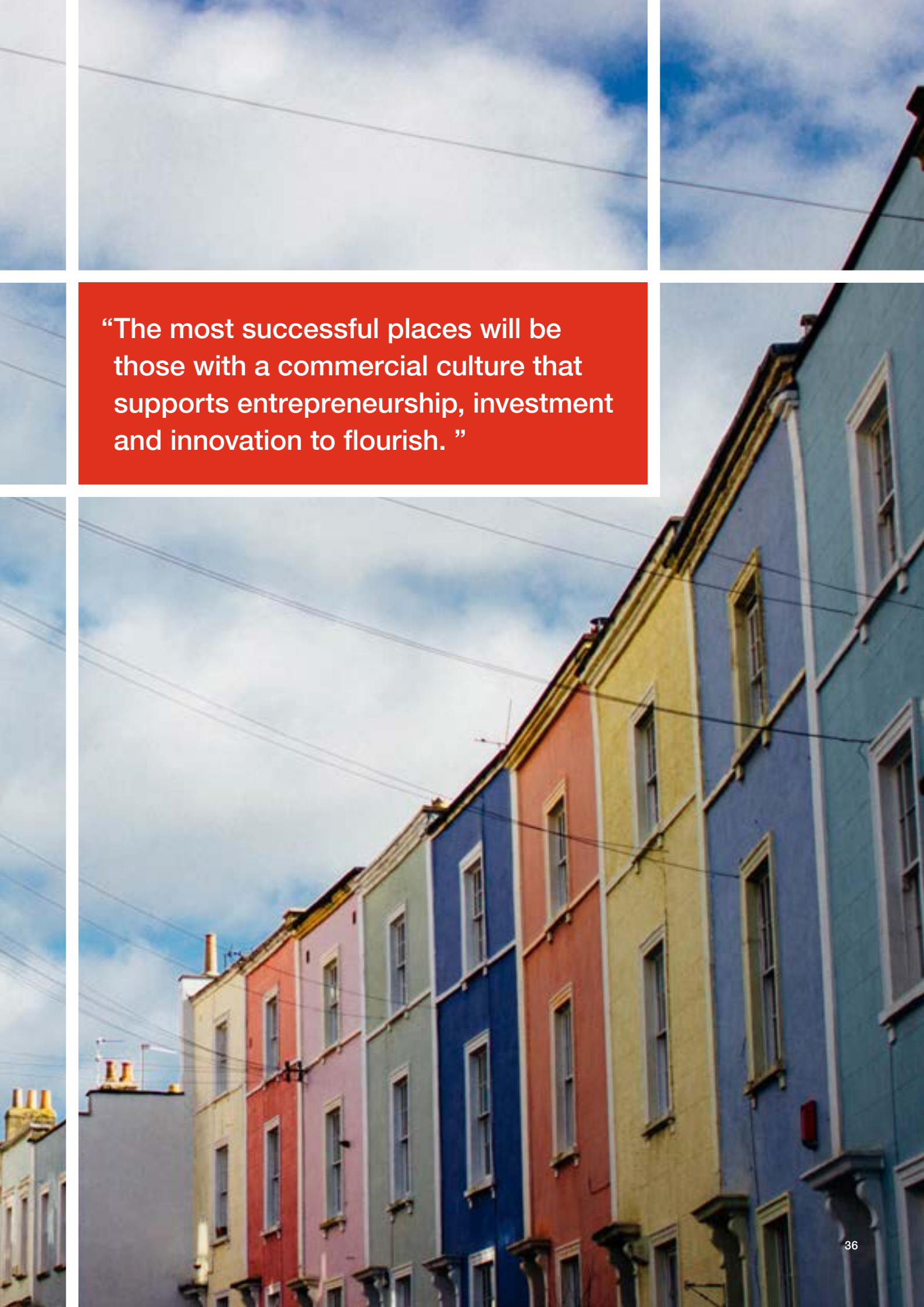
We found that these innovations can enhance more established climate solutions such as renewable energy and public transport by offering both additional and accelerated reductions in greenhouse gas emissions. We estimated that through disruptive innovation and new technologies, climate innovation in cities could deliver 1.3 Gt of GHG reductions by 2030, a 35% increase from existing estimates of what is needed to deliver a 'safe' 2 degree climate future. Our estimates suggest that cleantech innovations in cities also offer significant investment potential, presenting just over \$5 trillion of new global investment opportunities by 2030.

However, to realise these opportunities further action is needed to improve the enabling environment for urban innovation including policy, regulatory, procurement and commercial functions. Better alignment within the ecosystem of entrepreneurs, innovation partners, supply chains, academia and innovation finance is also needed.

Some cities such as Vancouver, LA and Helsinki are actively inviting public-private collaboration via piloting and competitions, but many cities lack mature plans, policies and platforms for developing public-private solutions. To assist with facilitating faster outcomes, public, private and third sector actors could look to expand the role of impartial intermediaries such as incubators to help de-risk and accelerate climate action.

Investor ready cities

In terms of the experience of business, places need to be 'investor ready', both in terms of public sector funding as well as private investment. The most successful places will be those with a commercial culture that supports entrepreneurship, investment and innovation to flourish. There is a balance to be struck between supporting existing businesses and key assets, and nurturing future growth industries. Forging strong relationships between the public sector, universities and business will be an important competitive differentiator, particularly for cities in the UK that will have to increasingly compete on the global stage. This is a key area of focus for many Local Enterprise Partnerships as they develop their Local Industrial Strategies and identify strategic priorities to boost growth and productivity and support innovation.



“The most successful places will be those with a commercial culture that supports entrepreneurship, investment and innovation to flourish. ”

Five success factors for good growth

There are a number of cross cutting challenges that all places face when developing and shaping their good growth story:

1. Start and end with citizen outcomes

Collaboration across the public, private and third sectors is critical to deliver on a comprehensive place strategy, and a focus on outcomes is the glue that binds successful place collaborations together. Everything needs to start and end with the citizen outcomes you're aiming to achieve, and this means including the public on the journey and making sure everyone's voice is heard.

2. Take a broad view

Successful plans and strategies will feature broad measures of economic success and consider how they interact with each other, as well as focusing on how benefits will be distributed to achieve inclusive growth. While different places will have different areas of focus, in the longer term, the local skills and jobs strategy needs to be aligned to local plans for housing, transport and the environment.

3. Balance today's challenges with tomorrow's opportunities

Successful strategies will be grounded in an honest assessment of the strengths and weaknesses of a place, with an eye on the future. The economy is changing rapidly, with disruptive technology and automation creating new jobs, changing others and making some obsolete. Local leaders, and employers, need to have an understanding about what this means for good growth in their place.

4. Build collaborative relationships

Achieving broad economic success means engaging with a broad range of organisations across a place, and beyond. This means investing in relationships and building collaborative ways of working, including with communities and people themselves.

5. Back up your ambitions with deliverable plans

For many, the key challenge is in bringing ambitions, vision and strategy to life, and delivering real change for people. For local public sector leaders, funding pressures, competing priorities and capacity gaps all make this difficult. Clear accountability, strong governance and a funding and financing strategy aligned to the vision for the place are all essential to ensuring that resources and effort are focused on successful delivery.

Will devolution in England be back on the agenda?

While the political landscape remains uncertain, the inclusion of a Devolution White Paper in the October 2019 Queen's Speech raised some hopes that there may be a revival of interest in devolution in England. This raises questions about whether places have the powers, funding and levers and they need to shape local strategy and interventions.

Eight out of ten respondents to our local government survey, the Local State We're In, said that a siloed approach from central government is a barrier to place-based transformation, while they also say lack of influence over skills policy, lack of investment in infrastructure and lack of affordable housing are barriers to local growth.

As we move towards the planned longer term Spending Review in 2020, central government has an opportunity to rethink how departments work with places to deliver better outcomes. A new relationship between central government and local public services is needed, based on collaboration and trust, flexibility and accountability, and investment in innovation.



The future landscape of regional funding

Following Brexit, the government has proposed to create a UK Shared Prosperity Fund to replace EU structural funding. Other recent local funds announced include the Stronger Towns Fund and Future High Streets Fund. While the consultation for the Shared Prosperity Fund has not yet started, it has been associated with the Local Industrial Strategies that are being developed by Local Enterprise Partnerships across England and there is a case for linking future funding with the challenges our Index identifies around skills, and upskilling, in particular.

More broadly, based on our experience of fund management, there are some common conditions for the success of the Shared Prosperity Fund:

- Building trust that on the one hand central government has a clear and transparent mechanism for assessing and distributing funds and, on the other, that local places use the funds devolved competently and to greatest effect.
- Ensuring accountability, to 'follow the money', enabled by whole area governance, and flexibility, to deliver good returns on investment by ensuring programmes are tailored to local needs.
- While it has not yet been confirmed if the fund will be competition based, it is worth noting that competition-based funding stimulates greatest innovation and improvement when those involved are operating on a level playing field: this would mean investing to bring all LEPs up to a similar standard in terms of both their capacity and capability.
- Innovation in developing bids needs to be matched by robust fund administration at the centre, which changes and keeps pace with developments and lessons arising in the process.

For local leaders, the priority should be ensuring that their local industrial strategy sets out a shared vision for the future of their place, so that they can be on the front foot and align to new funding opportunities that emerge.

Conclusion

In times of uncertainty, the places where we live and work are more important than ever in providing a sense of security. Local leaders - across the public sector, business and beyond - need to adapt to the dynamics of disruption, and come together to deliver good growth strategies, starting with what matters most to the public when it comes to economic success.

While this year's index results have shown continued broad-based improvements across the UK, there are also signs that progress has plateaued, particularly among top performing cities in the index. Economic, political and technological disruption mean that new strategies will be needed to achieve good growth in future.

The economic recovery and its consequences on the 'price of success', have highlighted constraints faced by many UK cities, particularly in relation to housing and transport. If cities are to sustain the improvement of recent years, these constraints will need to be addressed.

The long term view shows that good growth improvements have been largely driven by skills and new businesses. As the economy and world of work transforms, ensuring people are equipped with the digital and other skills they need for future jobs and that they have opportunities to improve their living standards will be key to ensuring that individuals and places achieve their full potential.

And as the UK's position on the world stage shifts, cities and regions will need to reposition themselves too, and consider how they can stand out and compete globally, improve productivity and support innovation, while also creating places that are fair and inclusive.

This also raises questions over whether places have the powers, responsibilities and levers they need to deliver good growth, and central government needs to rethink how it works with local leaders to close the opportunity gap that exists between places and achieve better outcomes.



Agenda for action

For central government:

- Establish a national outcomes framework, encompassing a broad definition of economic success.
- Embed place-based approaches across Whitehall to help local leaders close the opportunity gap that exists between places.
- Develop a future blueprint for devolution in England based on a new deal for local public services, considering the powers, responsibilities and funding that could be devolved to a local level to deliver better outcomes.
- Engage cities and local government in reshaping regional investment and regeneration in a post-Brexit landscape, with a focus on productivity and innovation, fairness and inclusion, and environmental sustainability.

For local leaders:

- Engage with the public, in order to understand their priorities for good growth and embed their views within local decision-making.
- Take a broad approach to economic success, balancing inclusive growth, community resilience, enhanced experience and environmental sustainability.
- Invest in collaborative relationships as a basis for creating a shared vision and comprehensive strategy for place-based transformation, incorporating organisations across the public, private and third sectors.
- Focus on being 'investor ready', establishing a clear and distinctive brand for your area and balancing supporting existing businesses and key assets, with nurturing future growth industries and ensuring that the necessary skills are available locally or can be attracted to the area.
- Develop and implement integrated programmes of infrastructure investments, particularly housing and integrated local transport systems, with an overarching focus on sustainability.

For business:

- Proactively work with local leaders to build innovation and productivity-focused Local Industrial Strategies, identifying strategic priorities to boost productivity, support innovation and deliver clean growth.
- Actively engage with the skills system, getting more involved with education and training providers and new apprenticeship schemes to gear training towards skills gaps and future skills needs.
- Focus job design, learning and development, and pay and rewards on improving productivity and incentivising workers to innovate.
- Support local programmes to improve the health and wellbeing of employees to work, and to live, for longer as the population ages.
- Demonstrate a sustained commitment to upskilling and career development to aid progression and help individuals evolve their skills as the job market changes radically.



Appendix

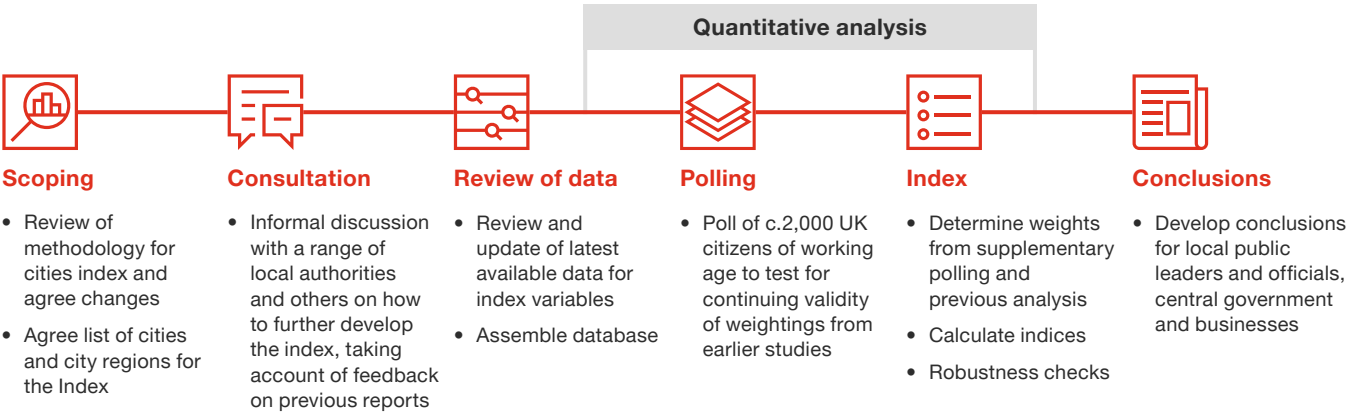
In developing this report, we have used the same methodology as in last year's **Demos-PwC Good Growth for Cities Index**. Minor adjustments have been made for changes in geographic definitions and historical data revisions, but the indicators included in the index have remained consistent since the last edition. The variables, and the weights applied to them, are outlined in **Table A1** below.

Where we have compared the results of the 2019 index with previous editions, we have updated the previous results in order to enable direct comparison on a consistent basis. Our overall approach to developing the index is summarised in **Figure A1**.

The occasional piece of local authority level data is missing, and where this happens the data have been benchmarked to an appropriate local or regional alternative. However, this has not had a material impact on the results.

The list of cities used is as in the previous three years, in addition to alternative geographies that are covered.

Figure A1: Our Approach















Cities were chosen to fit the following criteria:

- **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. In order to make our analysis manageable, however, we restricted this list somewhat, ensuring we included cities with a population of 250,000 or more as a minimum.
- **Mix:** one of the most important criteria for any city list is to ensure there is a mix of economies in order to provide interesting good growth comparisons.
- **Spread:** we ensure we have a good geographical spread, including cities in the devolved nations.

Table A1: Index variables, geographical areas and weights

	Category	Measure	Geography	Weight
	Jobs	Unemployment rate	LA/TTWA	14%
	Health	% of economically inactive long-term sick	LA	14%
	Income	GDHI per head	NUTS3	12%
	Skills	Share of population, aged 18-24 & 25-64, with NVQ 3+	LA	12%
	Housing	Housing price to earnings ratio and owner occupation rate	LA	10%
	Work-life balance	% in employment working more than 45 hrs per week	LA	8%
	Income distribution	Ratio of median to mean income	LA	8%
	Transport	Average commuting time to work	LA	8%
	Environment	Carbon emissions: gCO2/£ earnings	LA	8%
	New businesses	New businesses per head of population	LA	6%

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John 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.



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