Industry in focus

Unlocking the potential of our cities

Good Growth for Cities

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pwc

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The vicious squeeze on living standards is taking its toll, up and down the country. Only last year, as we emerged from the pandemic, our research showed the public were prioritising lifestyle choices, banking the benefits of hybrid working and rethinking how and where they lived and worked.

With soaring inflation now wearing away the value of people’s pay packets amid a fragile economic outlook, the public’s priorities are turning firmly towards immediate needs. Income, jobs and the fair distribution of wealth are now key concerns.

At this critical time, our cities have an opportunity to lead the response to current challenges, at the same time as steering us towards growth for the future and genuine levelling up. To achieve this balance, the public and private sectors need to work together more effectively and, crucially, the UK needs a more ambitious public service reform agenda.”

Rachel Taylor,
Leader of Industry for Government and Health Industries, PwC UK

1 Executive summary

Our cities have the potential to be places that create shared prosperity, opportunity and wellbeing; places able to deploy their significant resources and leadership to create cohesive and connected communities. At their best, cities can and should be able to drive economic success while tackling some of society's most challenging problems.

However, our cities are instead often places of huge disparity, where social, economic and health outcomes are determined by factors such as where you live, your background, and your ability to access opportunities. This disparity remains visible across UK cities, from those living in inner-city areas impacted by low air quality, to those who cannot afford to travel to employment hubs and are therefore unable to access high quality, well paid jobs.

Our annual Demos-PwC Good Growth for Cities report shows little evidence of the regional disparity gap narrowing overall. However, it is encouraging to see the gap between the highest and lowest ranked UK cities narrowing, with the ten lowest ranked cities showing a larger average rate of improvement over the last year than the ten highest ranked cities.

But progress is too slow, and the consequence of the disparities across the UK is that often wealth and poverty sit side by side in our cities, creating challenges for local leaders as they strive to address the competing interests and needs at each end of the socio-economic spectrum.

With our Good Growth for Cities Index, we are able to present a clear picture of what matters to the public now—and look at how central government, the private sector, local government and wider local public services can work together to deliver inclusive growth, in spite of the headwinds we face. The Index covers broad measures of economic wellbeing, including jobs, income, health, skills, work-life balance, housing, transport and the environment.

This year, public priorities have shifted towards the measures more closely aligned to financial wellbeing; with jobs, income and income distribution understandably scoring highly. In contrast, the public now places less importance on the environment and on health.

Untapped opportunities

35%

of UK CEOs are not collaborating with national or local government to address societal issues

30%

of UK CEOs are not collaborating with national or local government to create new sources of value

Source: PwC's 26th Annual CEO Survey, January 2023

From our conversations with local leaders, at the frontline of current challenges, it is obvious they are in the thick of making many difficult decisions, and are braced for more. But they still have the desire—and the opportunity—to level up the UK and unlock the potential of our cities.

Though the economic outlook for cities is largely expected to be sluggish this year—with low, and often negative, growth across much of the UK—we expect a more positive outlook for 2024. We believe there is scope for cities to view the current economic climate as an opportunity to reshape how they think about growth and investment.

Delivering good growth

We believe the key to addressing these challenges and levelling up our cities is a move towards a model of *inclusive growth* which balances productivity, the environment, and community outcomes—where success is measured by how well growth is shared across a place and its people, rather than simply by its size and pace. This requires a radical reshaping of the roles of central and local government, business, and communities, how they operate and how they engage to deliver the best outcomes for places.

To achieve this, there needs to be a further devolution of governance and powers to a regional and local level. By devolution we don't mean simply the shift of powers between central and local government, but instead the effective distribution of accountabilities and responsibilities to the best placed decision makers—whether they may be local politicians, regionally based civil servants or executive and non-executive directors in a range of locally based institutions, or indeed community leaders.

In the Agenda for action section of this report, we explore what a move to an interconnected system of governance could look like—and how explicitly incorporating business and communities as partners, stakeholders and decision makers could promote good growth in our cities. We lay out the practical steps that could be taken towards ambitious public sector reform, that these groups could take together to drive good growth.

We believe these steps would be best focused around three key aspects:

- Delivering productivity through specific place-based strategies
- Moving towards low carbon local economies
- Creating local communities that thrive

While these three aspects are equally important in delivering good growth, we recognise that devolution is the critical enabler. Without the redistribution of accountabilities and responsibilities from a central to a local level, places will not be able to respond to their own needs and opportunities. Though it would take time to see the signs of success, we believe that a new form of place based governance underpinned by real resources and capabilities is key to unlocking the potential of our cities.

It will require creativity, collaboration across all levels of government, sectors and with citizens. This creativity needs to be underpinned by accountabilities, responsibilities and resources that will help cities to deliver. It will need an ecosystem where decisions that impact people's lives are made by those who really understand the places where they live. And that requires a new type of devolution.

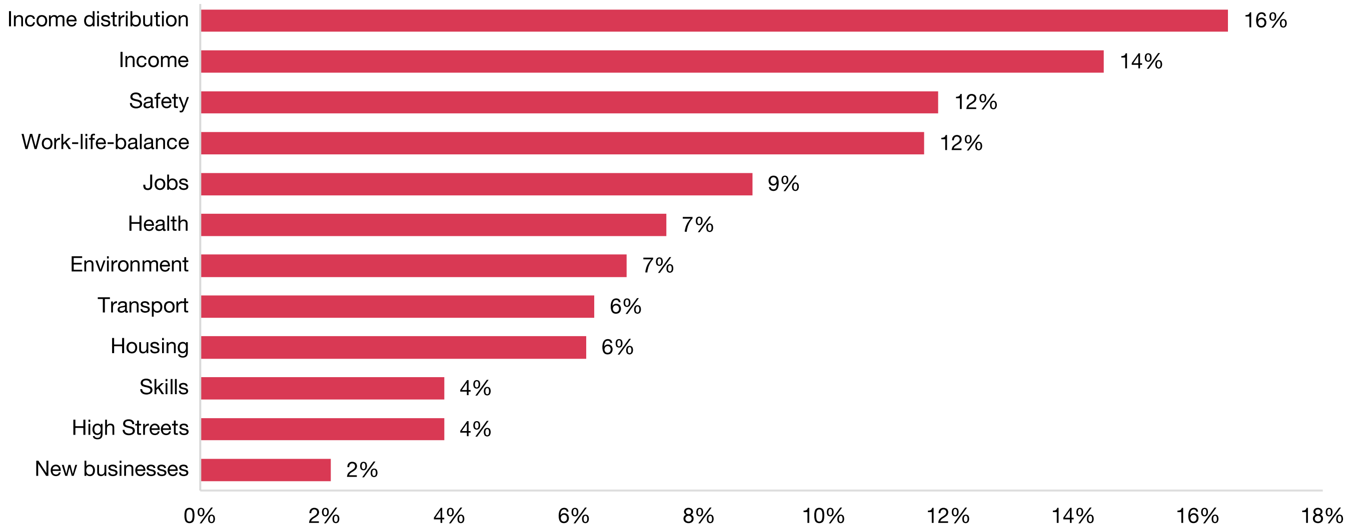
2 Public priorities turn to cost of living

As households across the UK struggle with the soaring cost of living, priorities have shifted towards economic factors. In particular, this year's Good Growth for Cities Index shows the public is placing increased importance on income, jobs and the fair distribution of wealth.

The Good Growth for Cities Index measures the performance and characteristics of cities and regions in a composite Good Growth Index. The Index seeks to recognise that if growth is essentially about improving the prosperity, opportunities and wellbeing of the general public, the focus must go beyond traditional measures of economic success, such as gross domestic product (GDP) or gross value added (GVA).

Our annual Index covers a list of broad measures of economic wellbeing—factors the public identifies as most important to their work and finances, and are therefore essential for judging economic success. This year, we worked with Demos to understand how the cost of living crisis has influenced public priorities. We also sought to understand any regional differences to public priorities.

Figure 1: Measures of economic success, ranked highest to lowest in terms of their weightings, rounded to nearest whole number[1]



Source: Demos / PwC analysis (2022)

Compared to 2021, the weightings for our variables this year see some shifts in their importance relative to the other variables. **Figure 2** compares our weightings from last year's Index and with this year's.

Changes in public opinion towards variables more closely aligned to financial wellbeing see a relative increase in importance, with jobs, income and income distribution all seeing an increase in weighting. Income distribution sees the largest improvement, followed closely by work-life balance and income.

In contrast, the environment variable declined the most, dropping by more than 3 percentage points compared to last year's Index. This is closely followed by health—perhaps reflecting how concerns around health have eased since the pandemic. This change of emphasis towards financial variables is consistent with expectations given the widespread impact of the cost of living crisis on UK households.

1 Figures do not sum to 100% due to rounding of each indicator

Figure 2: Our revised Good Growth weightings compared to 2021[2]

%	Jobs	Income	Health	Work-life balance	New businesses	Housing	Transport	Skills	Environment	Income distribution	Safety	High Street & Shops
2021	8	13	10	10	2	4	8	2	10	14	14	5
2022	9	15	7	12	2	6	6	4	7	16	12	4
Change	▲	▲	▼	▲	–	▲	▼	▲	▼	▲	▼	▼

Source: Demos / PwC analysis (2022)

This year, we extended our research to estimate public priorities at regional levels across the UK (see **Figure 3**). It shows that public priorities in each region are fairly consistent, with limited differences between regions. The difference between the highest and lowest weightings within each public priority does not exceed 5%.

The most significant range is found on income distribution, where Wales places a slightly higher importance on income distribution compared to North East England (18.8% in Wales compared to North East England's at 14.5%).

Figure 3: 2022 Good Growth weightings by UK region (% for each region)

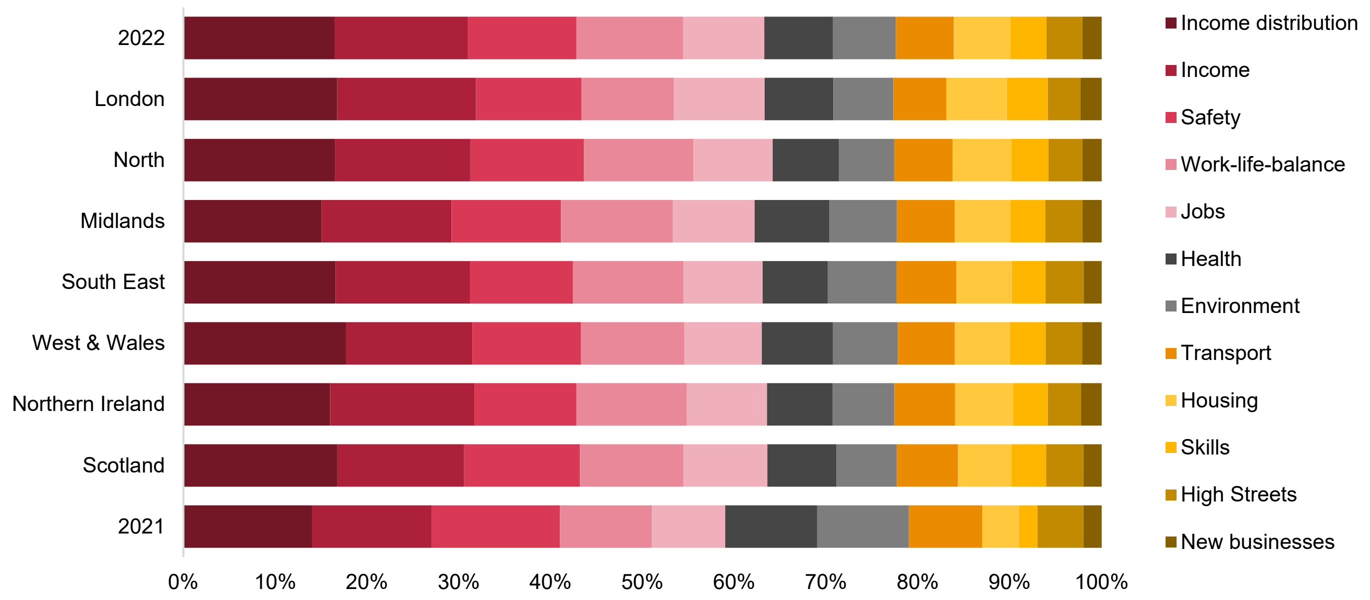
Key:
Green up indicator ▲ = higher than UK average
Red down indicator ▼ = lower than UK average

Regions	Jobs	Income	Health	Work-life balance	New businesses	Housing	Transport	Skills	Environment	Income distribution	Safety	High Street & Shops
Scotland	▲ 9.2	▼ 13.8	▲ 7.5	▼ 11.2	▼ 2.0	▼ 5.8	▲ 6.7	▼ 3.8	▼ 6.6	▲ 16.8	▲ 12.6	▲ 4.0
Northern Ireland	▼ 8.7	▲ 15.8	▼ 7.1	▲ 12.0	▲ 2.3	▲ 6.3	▲ 6.6	▼ 3.7	▼ 6.7	▼ 16.0	▼ 11.1	▼ 3.6
North East	▲ 8.9	▲ 15.1	▲ 7.8	▲ 12.8	▼ 2.1	▲ 6.5	▲ 6.7	▲ 4.0	▼ 6.0	▼ 14.5	▲ 12.0	▼ 3.6
North West	▲ 9.0	▲ 14.6	6.8	▲ 11.8	▼ 2.0	▲ 6.5	6.1	▲ 4.1	▼ 5.5	▲ 17.7	▲ 12.2	▲ 3.9
Yorkshire and Humberside	▼ 8.0	▲ 14.8	▲ 7.6	▲ 11.6	▲ 2.3	▲ 6.3	▲ 6.6	▲ 3.9	▼ 6.6	▼ 15.9	▲ 12.9	▼ 3.5
East Midlands	▼ 7.8	▼ 14.2	▼ 7.5	▲ 13.3	▼ 2.1	▼ 6.2	▼ 6.1	▼ 3.7	▲ 7.4	▼ 15.4	▲ 12.3	▲ 4.1
West Midlands	▲ 9.8	▼ 14.2	▲ 8.7	▼ 11.3	▲ 2.1	▼ 6.0	▲ 6.5	▼ 3.8	▲ 7.4	▼ 14.7	▼ 11.6	▲ 4.0
Wales	▼ 7.7	▼ 13.9	▼ 7.2	▼ 10.6	▲ 2.1	▼ 5.5	▼ 6.3	▼ 3.6	▲ 6.4	▲ 18.8	▲ 13.0	▲ 4.8
East of England	▼ 8.8	▲ 14.9	▼ 7.2	▲ 11.8	▼ 2.0	▼ 5.6	▲ 6.3	▲ 4.1	▲ 7.1	▲ 16.7	▼ 11.0	▲ 4.4
London	▲ 9.9	▲ 15.1	▲ 7.5	▼ 10.1	▲ 2.3	▲ 6.6	▼ 5.8	▲ 4.4	▼ 6.5	▲ 16.7	▼ 11.5	▼ 3.6
South East	▼ 8.6	▼ 14.4	▼ 7.1	▲ 12.1	▼ 1.9	▲ 6.4	▲ 6.6	▼ 3.3	▲ 7.7	▼ 16.5	▼ 11.4	▲ 4.0
South West	▼ 8.8	▼ 13.7	▲ 8.1	▲ 11.7	▲ 2.1	▼ 6.2	▼ 6.2	▲ 4.1	▲ 7.4	▲ 17.1	▼ 11.1	▼ 3.5
UK	**8.9**	**14.5**	**7.5**	**11.6**	**2.1**	**6.2**	**6.3**	**3.9**	**6.8**	**16.5**	**11.8**	**3.9**

Source: Demos / PwC analysis (2022)

2 We have rounded up income for completeness of the overall indicators, as the figures otherwise do not sum to 100%.

Figure 4: Change in Good Growth Index score by city, from 2018-20 scores to 2019-21 scores using latest weightings, ranked by highest to lowest change)



Source: Demos / PwC analysis (2022)

Scotland:

Scotland has the second highest weighting for transport among the regions, with the third highest weightings on both safety and employment. Despite this, Scotland has the second lowest weighting on income, alongside low prioritisation of housing and new businesses.

North East:

The North East has the highest weighting for transport of any UK region, with a very high weighting on income. This contrasts with the lowest weighting on both income distribution and the environment.

North West:

Contrary to the North East, the North West has the second highest weighting on income distribution, with very low weighting on transport. The North West also has very high weightings on both housing and skills, however it has the lowest weighting on health.

Yorkshire and Humberside:

Yorkshire and Humberside has the second highest weighting on both safety and new businesses, however it also has the second lowest weighting on high streets, with low weighting also placed on employment.

Northern Ireland:

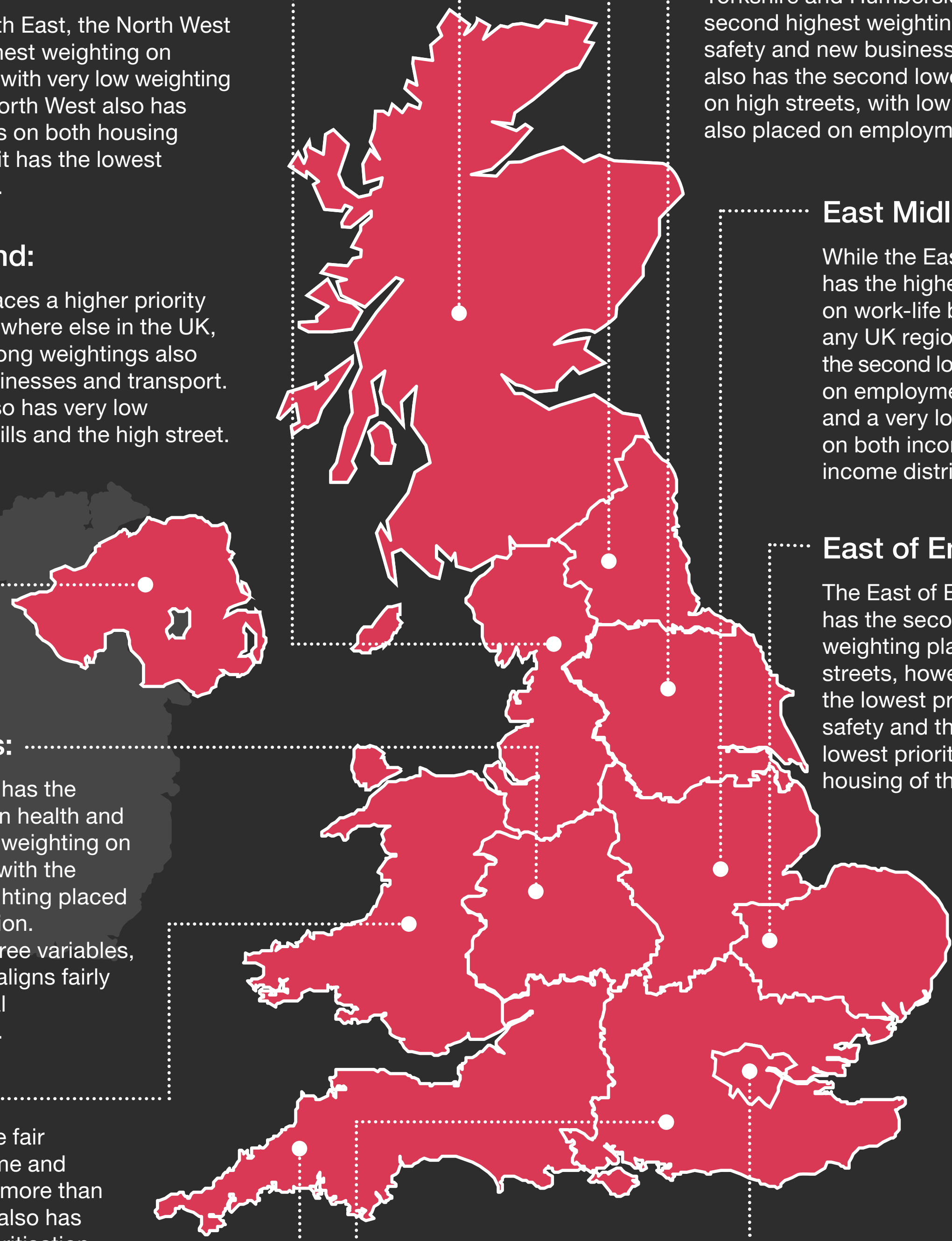
Northern Ireland places a higher priority on income than anywhere else in the UK, with particularly strong weightings also evident for new businesses and transport. Northern Ireland also has very low prioritisations on skills and the high street.

East Midlands:

While the East Midlands has the highest weighting on work-life balance of any UK region, it has the second lowest weighting on employment rates and a very low weighting on both income and income distribution.

East of England:

The East of England has the second highest weighting placed on high streets, however it also has the lowest prioritisation of safety and the second lowest prioritisation of housing of the UK regions.



West Midlands:

The West Midlands has the highest weighting on health and the second highest weighting on employment rates, with the second lowest weighting placed on income distribution. Aside from these three variables, the West Midlands aligns fairly closely with national average weightings.

Wales:

Wales prioritises the fair distribution of income and wealth significantly more than any other region. It also has the third lowest prioritisation of overall income levels and the lowest weighting on employment rates.

South West:

The South West has the lowest weighting on income of the UK regions, with a very low relative priority placed on crime. However, the South West places a lot of weight on health, income distribution and the environment.

South East:

The South East places the highest weighting on the environment, with the lowest weighting on skills and new businesses relative to other regions. The South East also has the second highest weighting on work-life balance.

London:

London shows strong weightings for income and income distribution, with the highest weightings of all the UK regions on employment and housing. This stands to reason given the relative house pricing and cost of living in London. These high weightings are accompanied by the lowest weighting on work-life balance of the regions, and the lowest priority placed on transport.

Spotlight on Birmingham

“Birmingham understands the value of collaboration between local government, the private sector and its communities. We expect this understanding to continue to drive its bold, outward looking, vision for the future.”

Birmingham

A bold, more confident vision for the future

While Birmingham has had a great record of attracting inward investment in recent years, there is also an imperative to ensure growth is inclusive so it reaches all parts and people. This is about securing opportunities for a city with a very young, growing population and addressing some of the highest levels of poverty and disadvantage in the country.

City leaders have set out plans to be more bold, ambitious and confident in grasping opportunities to tackle these inequalities and transform the city. This approach to inclusive growth prioritises bringing forward development opportunities, and the public and private sectors working more collaboratively and creatively together to solve important problems.

The city has an international outlook, wanting to build partnerships abroad to contribute to and share in the success of the city. The goal is that all future investments in the city can deliver social value, and boost employment opportunities for local people. The Birmingham 2022 Commonwealth Games was a great example of this approach in action. Boasting the largest integrated para-sport programme in history, more than 5,000 athletes from 72 Commonwealth nations and territories took part—helping ticket sales of more than 1.5 million.

Hosting the Games not only created an international showcase for sporting talent and the cultural vibrancy of Birmingham, it also put sustainability and inclusive growth at the heart of everything. Some £778 million was invested in Birmingham and the West Midlands to stage the Games, designed to catalyse long-term positive changes for the city and region.

Meanwhile, the Games also aspired to create a carbon neutral legacy—supported by initiatives such as the planting of a 2,022 acre Legacy Forest in the Midlands region, in partnership with Severn Trent Water.

The emphasis in the city has now shifted rapidly to the post-Games legacy, focussing on the continued near and medium-term attraction of capital and investment. It is hoped the Games will continue to benefit local communities, and reaffirm to the UK and the world that the Midlands is a great place to visit and invest in.

Birmingham should now have a renewed confidence in its ability to turn existing and new investments and partnerships into meaningful opportunities in the future, including the development of more social housing, unlocking East Birmingham through a new levelling up zone via the recent devolution deal, and boosting its 'knowledge quarter'.

3 Work-life balance drives improvements

While the public is placing increased importance on jobs and the fair distribution of income this year, the measure that has seen the most significant improvement over recent years is work-life balance.

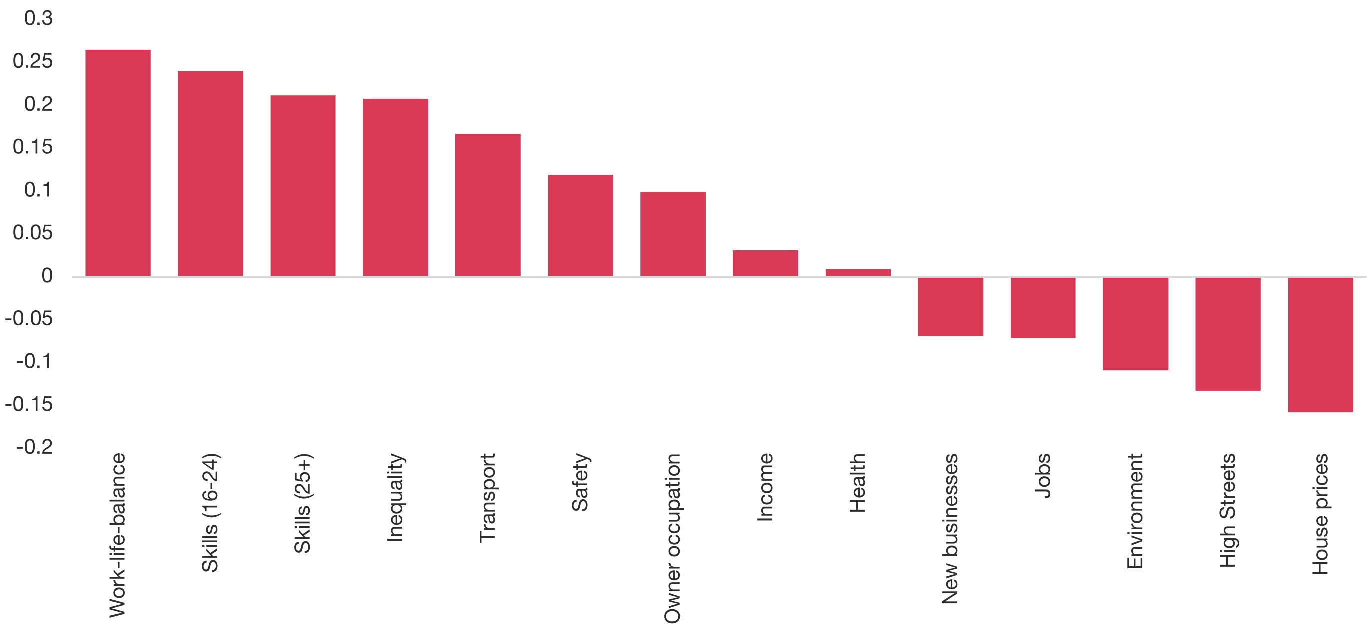
Since the publication of the 2021 Good Growth Index, there have been a series of external influences that have changed both the priorities and performance of cities across the UK. By comparing the average change in Good Growth indicators (across all cities) between 2021 and 2022, it is possible to identify the areas in which there has been a marked improvement, or deterioration, in performance.

As illustrated in **Figure 5**, there are certain indicators which, on average, have seen large increases since the publication of the 2021 Good Growth Index. Most notably, there has been a marked improvement in work-life balance (as measured by the proportion of those employed working less than 45 hours a week). Changing employment patterns since the pandemic are allowing workers more flexibility, offering greater control over working location and, in many cases, supporting a better balance between work and personal commitments. This is helping to unlock good growth in many cities across the UK.

Good growth is also being supported by improvements in the skills of individuals in both the 16-24 and 25+ age categories. While there are many plausible explanations for this change, the negative impact the pandemic had on the education sector was captured within the 2021 Good Growth Index. Since then, many educational institutions have applied the positive learning experiences of the pandemic in an effective way (such as remote learning), while also returning to more conventional, classroom-based, learning environments.

However, there are continued signs of declining high streets and rising house prices, as cost of living pressures dampen consumer appetite for spending. There is also an ongoing worsening of the house price-to-earnings ratio, with rising interest rates putting pressure on housing affordability. Finally, environmental scores have worsened and employment rates have declined.

Figure 5: Average change in score since the 2021 Good Growth Index (2018-20), by indicator of the Index



Source: Demos / PwC analysis (2022)

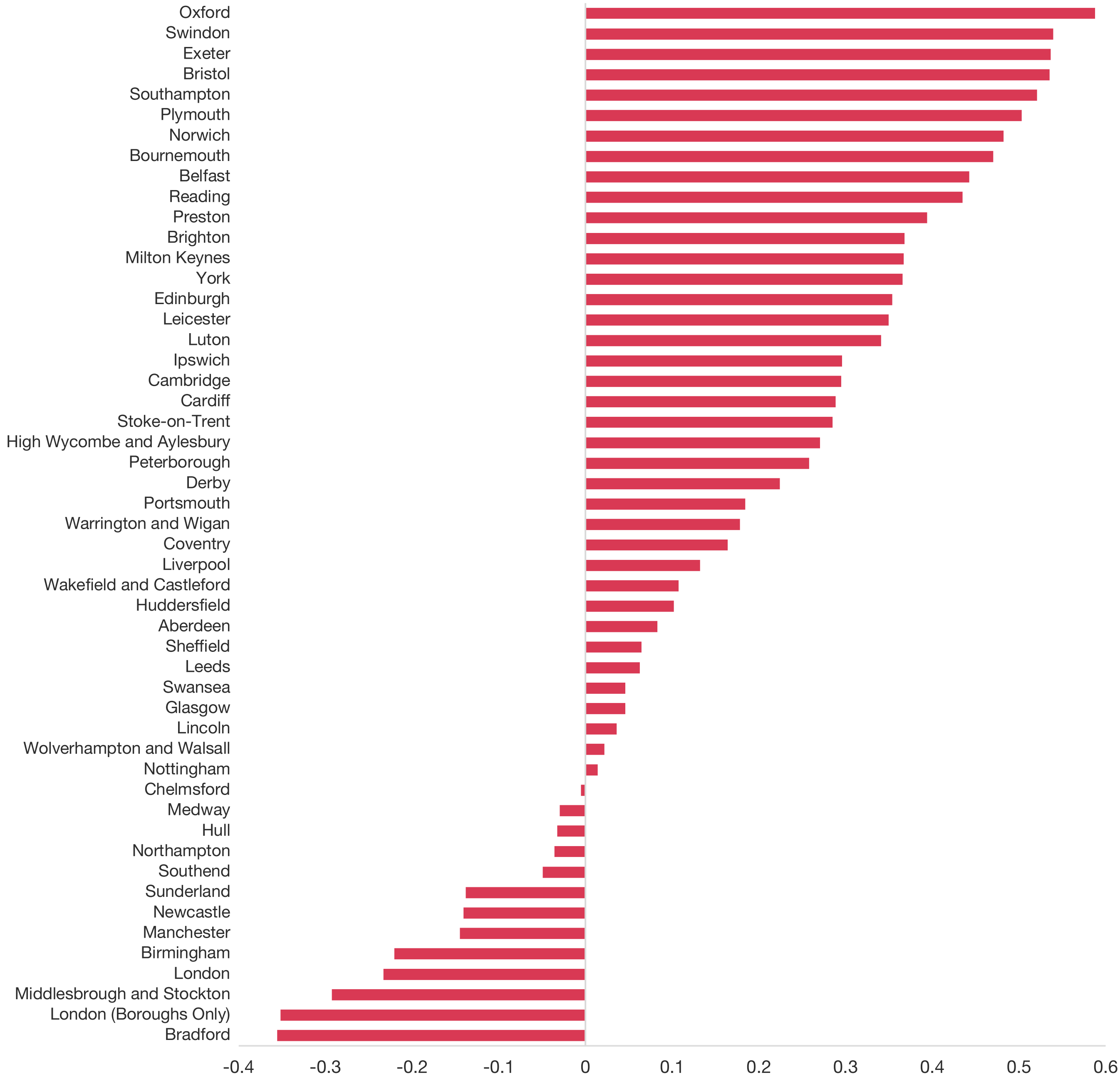
Note: The housing variable consists of owner occupation and house price-to-earnings ratio, and skills consists of youth skills and adult skills.

Good Growth scores by city

Oxford and Swindon top this year's Index, with Exeter rising significantly to third—performing strongly on health, jobs and safety. Oxford does well on income, employment rates and life expectancy to maintain first place. The shift of public priorities this year also contributes to some movement in city rankings, with significant changes in weightings across the variables prompting broad changes to overall scores. Plymouth takes fifth place this year, performing well on income distribution, work-life balance and commuting times.

Figure 6 presents the overall distribution of cities' scores, defined by travel to work areas (TTWAs) and our baseline over 2017-19.

Figure 6: 2022 Good Growth for Cities Index results by city, ranked highest to lowest



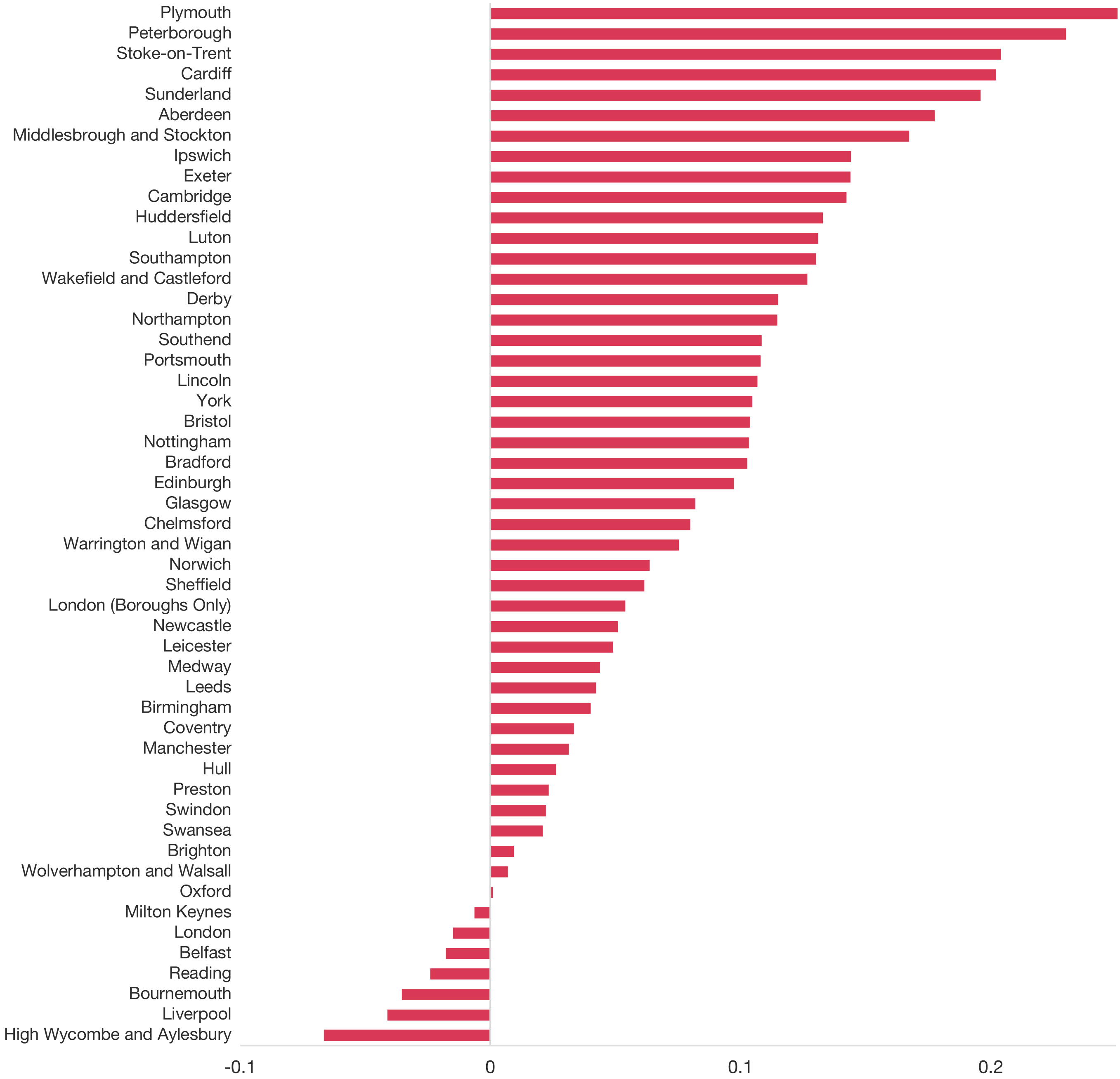
Source: Demos / PwC analysis (2022)
Note: The data covers the period 2019—2021

Change in Good Growth score

Plymouth, Peterborough and Stoke-on-Trent are the most improved cities since last year using the latest weightings. Their performance is mainly driven by the improvements seen in these cities for jobs and work-life balance.
On the other hand, High Wycombe & Aylesbury, Liverpool and Bournemouth see the largest declines driven primarily by their performance on jobs and income distribution.

Figure 7 shows the overall change in Good Growth score by city, defined by TTWAs from 2018-20 to 2019-2021.

Figure 7: Change in Good Growth Index score by city, from 2018-20 scores to 2019-21 scores using latest weightings, ranked by highest to lowest change



Source: Demos / PwC analysis (2022)

Spotlight on Oxford

“

Oxford uses its commercial assets for the benefit of local people – wholly-owned companies and the commercial properties create jobs, support the local economy and provide additional funds that support the delivery of public services. They call this the Oxford Model.”

Oxford

Building on tradition for a greener, fairer future

Taking top spot in our Index once again, Oxford has been the highest performing city on our Index since 2017. Best known for its world-class universities, natural beauty, diversity and cultural heritage, Oxford attracts up to eight million visitors a year.

It is an attractive place to invest as well as live, as one of the UK's most highly skilled and important city economies it contributes around £6.8bn a year to the national economy. Oxford is a small city with a huge global influence on social challenges, for example developing the Oxford-AstraZeneca COVID-19 vaccine and pioneering new cancer treatments.

But there are some major challenges threatening to constrain economic growth and public wellbeing going forward. Oxford is one of the UK's most unaffordable cities, with similar housing, inequality and social mobility issues to London. There is also limited space available for new housing, holding back new commercial developments, as well as severe transport congestion issues.

However, city leaders are redoubling their efforts to ensure "Oxford is a world-class city for everyone". Central to this vision is ensuring a more inclusive economy, providing more affordable housing, and empowering local communities— all underpinned by the transition to a zero carbon economy.

Oxford has many assets to build on, but crucially it has mature public/private sector partnerships ready to deliver better outcomes, and a proactive approach to working with central government stakeholders. For example, collaboration with major institutions and businesses locally, like the universities and BMW, is central in working towards being a zero carbon city.

Key to this is a modal shift that will help ease congestion, help businesses and boost wellbeing, supporting an improved bus network and safer walking and cycling. Transport infrastructure improvements, such as Network Rail's £160m redevelopment of Oxford train station and the proposed reopening of the Cowley Branch Line, will improve connectivity to more deprived areas of the city, while also providing better links to existing and emerging science and innovation clusters, and unlocking more investment and affordable housing.

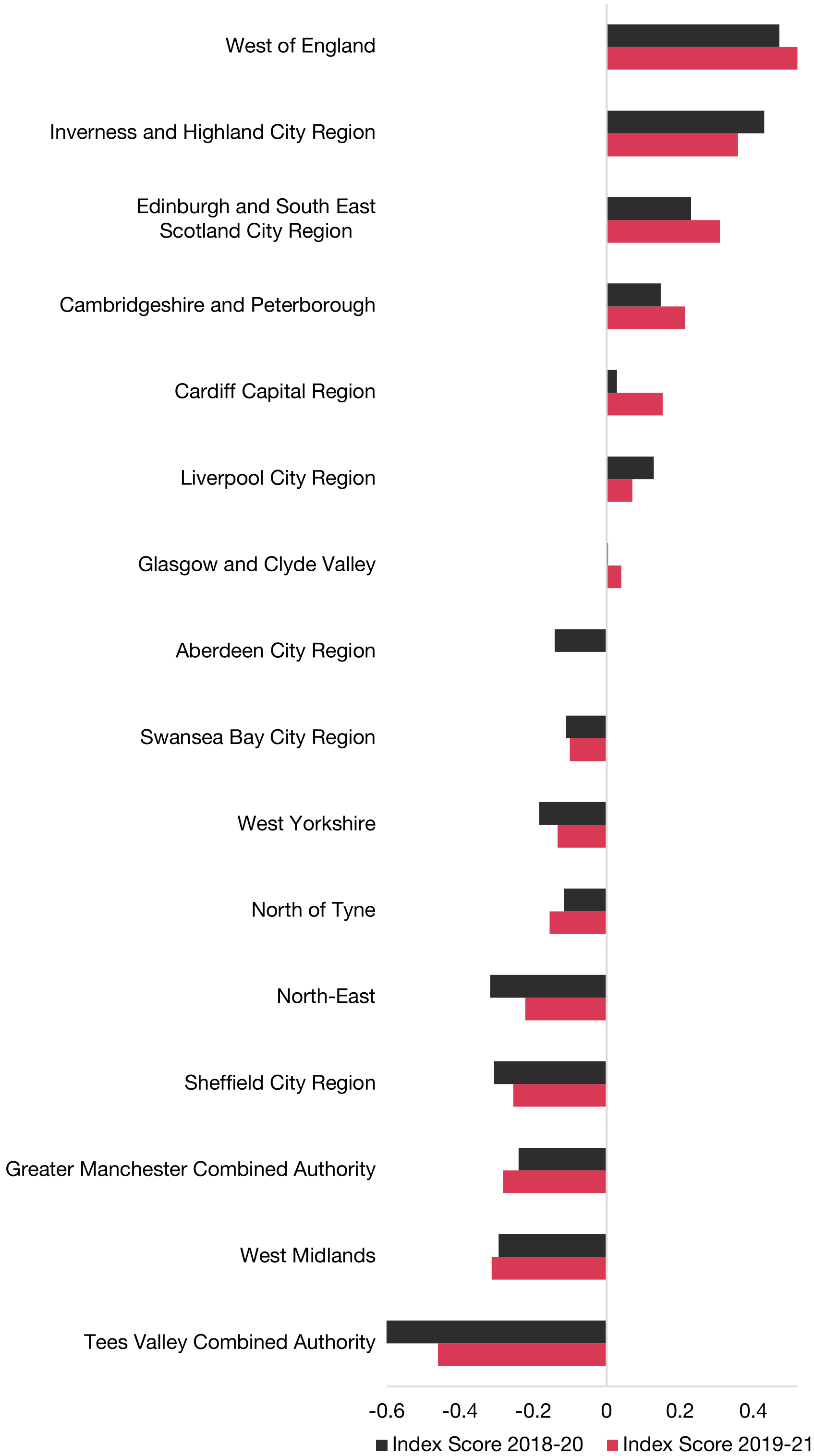
Greener energy solutions are also being explored. Project Local Energy Oxfordshire (LEO) is running trials to build a greener, more flexible, and fair electricity system. Meanwhile, Energy Superhub Oxford (ESO) provides a model for cities around the world to cut carbon and improve air quality.

The council will continue to use its Oxford Model using its wholly owned companies to build affordable homes and deliver services and reinvesting funds in community centres, facilities and services, a position many cities aren't as likely to be in. Other initiatives include greater pedestrianisation of the city centre, a £7m investment in Oxford's beloved covered market and a major redevelopment of the west-end of the city.

Good Growth scores by Combined Authorities

Almost all Combined Authorities (CAs) improved their Index scores this year, with the Cardiff City region, Tees Valley Combined Authority and Aberdeen City Region showing particular improvement. The West of England tops the CA Index, scoring highly on skills, work-life balance and income distribution.

Figure 8: 2022 Good Growth Index scores by Combined Authority area, ranked highest to lowest

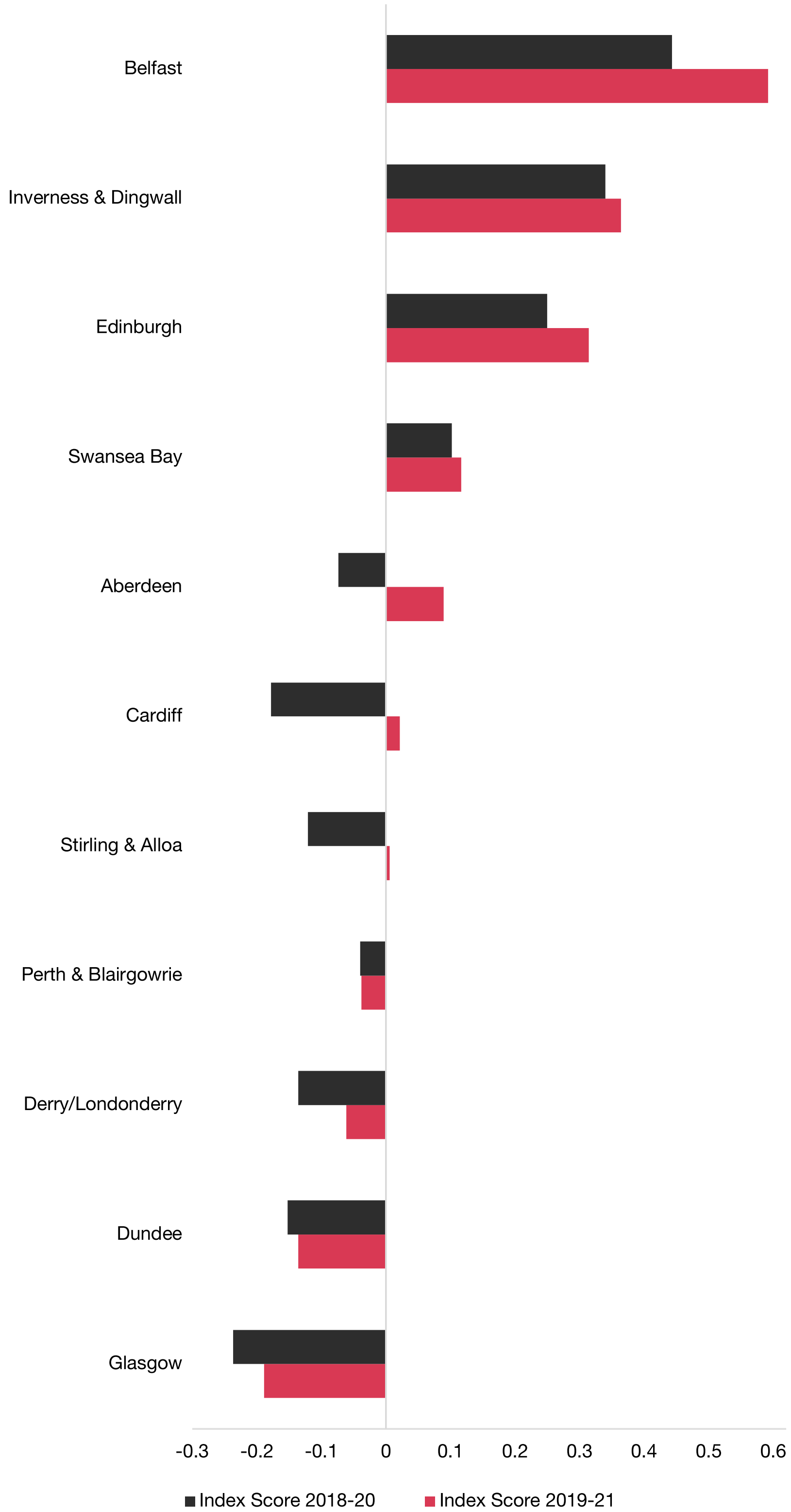


Source: Demos / PwC analysis (2022) Note: Data covers period of 2019—2021

Good Growth scores by cities in Devolved Administrations

Belfast, Inverness & Dingwall and Edinburgh top the Index for cities in the Devolved Administrations (DAs) this year, maintaining the top three spots from last year. While every city improved their Index score, Cardiff is the biggest climber, with all variations of Cardiff across the Indexes improving significantly.

Figure 9: 2022 Good Growth Index scores in devolved regions, ranked highest to lowest

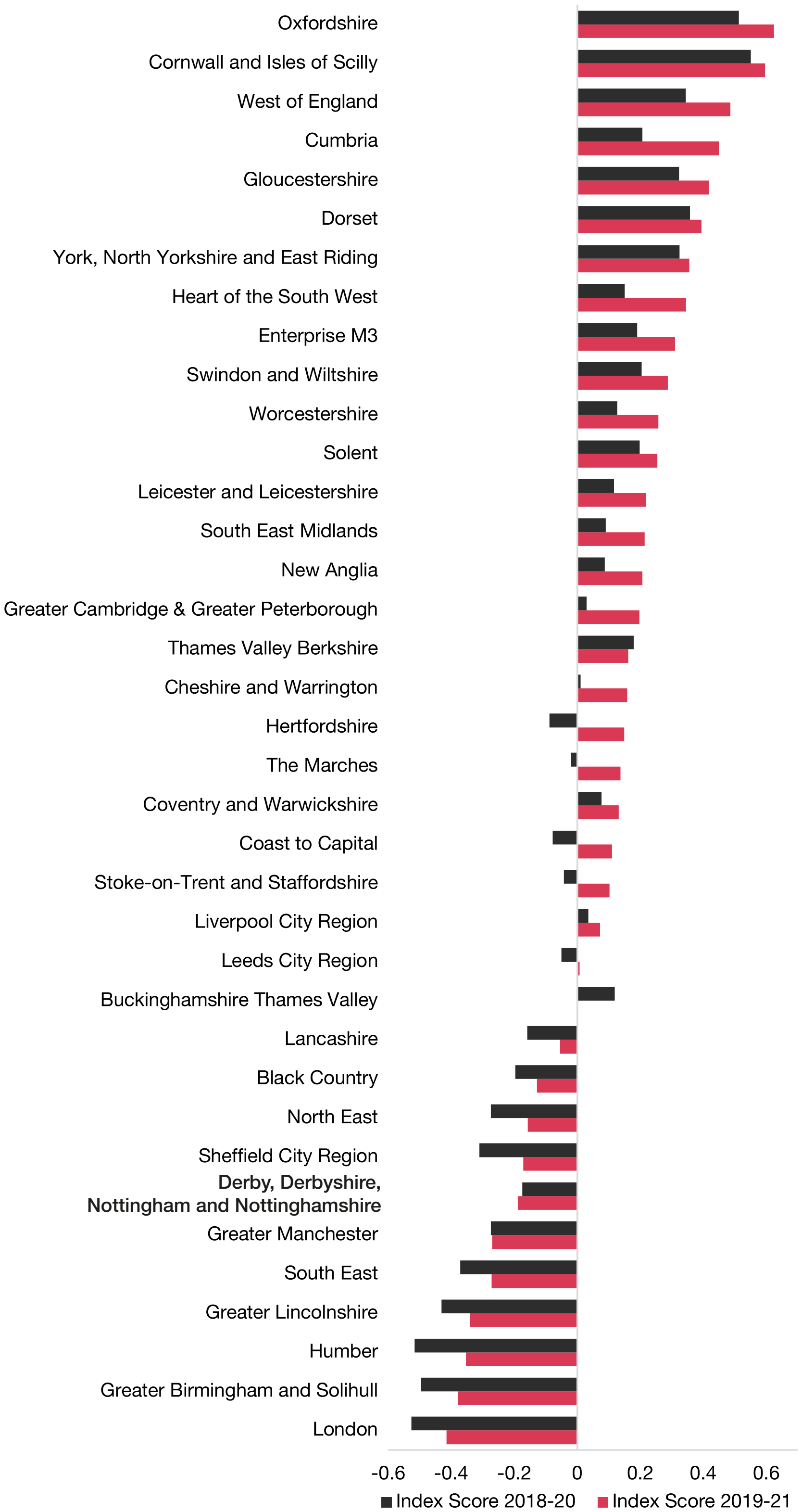


Source: PwC analysis (2022) Note: Data covers period of 2019—2021

Good Growth scores in England's Local Enterprise Partnership (LEP) areas

Oxfordshire claims the top spot among England's 38 Local Enterprise Partnership (LEP) areas this year, overtaking Cornwall and the Isles of Scilly. Heart of the South West and Worcestershire show significant improvement compared to last year, while all but two of the LEP areas show a positive change in Index score.

Figure 10: 2022 Good Growth Index scores in LEPs, ranked highest to lowest



Source: Demos / PwC analysis (2022) Note: Data covers period of 2019—2021

Spotlight on Manchester

"Manchester aims to emphasise the transformational benefits of a coordinated vision, highlighting the ways in which it can deliver a greener, fairer and more prosperous city area, bringing benefits to all residents."

Manchester

Striving for a one city vision

The reinvention of Manchester has been no small feat for its leaders. Over the years, efforts towards economic diversification, cultural rebranding and investment in service-industry jobs for the city's highly skilled graduates have paid off. It has successfully remodelled itself as a leading post-industrial, knowledge-intensive city economy.

Manchester today is a major city-region driving UK growth and prosperity, with the ten Greater Manchester local authorities representing the largest functional economic area outside London. That said, as with major metro areas elsewhere, the recent years of rapid economic transition came at a time of national austerity and has generated a city characterised by an unequal distribution of wealth and opportunity.

To achieve productive growth that is also inclusive, cluster strategies must not only address labour and skills shortages, but also the need to think about how changes could provide communities access to better paid/ better quality jobs.

Place leaders have prioritised new investments in business and innovation hubs in order to capitalise on the city centre's growth trajectory. Yet leaders now mandate that this growth must be inclusive. Strategic partnerships are crucial in creating a competitive, dynamic economy—and this means looking beyond just achieving maximum growth in the high-value city-centre, to consider how to support those more geographically isolated.

Businesses are able to take a lead role in driving greater productivity, working with local leaders, the further education sector, and communities to address current or expected skills needs. Particularly in terms of reversing the current trend which has seen a fall in employer investment in training, leaving investment levels much lower than some EU counterparts. For example, this investment could be directed towards vocational and on the job training to support the existing workforce, and apprenticeships and graduate schemes to develop the future workforce.

Inroads towards inclusive growth are further evident in Manchester's coordinated redevelopment efforts beyond the city centre, where it is focused on new and far more complex regeneration projects, such as those at Wythenshawe and Strangeways.

Importantly, Manchester's rules around redevelopment also give city leaders an unprecedented opportunity to control more directly how, and with what impact, construction can occur. For example, the council has applied a minimum weighting to social value when evaluating bids which has broadened to include an environmental score. This functions as a check to ensure all new work in the city, without exception, prioritises net zero outcomes and inclusive growth.

And, in March 2023, local leaders signed a historic devolution deal with the Government which gives Greater Manchester new powers over transport, housing and technical education with mayor Andy Burnham handed full control over finances.

4 UK cities struggle for growth

Growth in the UK is expected to subside in the coming years. Businesses and households in cities across the UK are likely to be constrained by wider macroeconomic pressures, leading to much slower, and sometimes negative, growth.

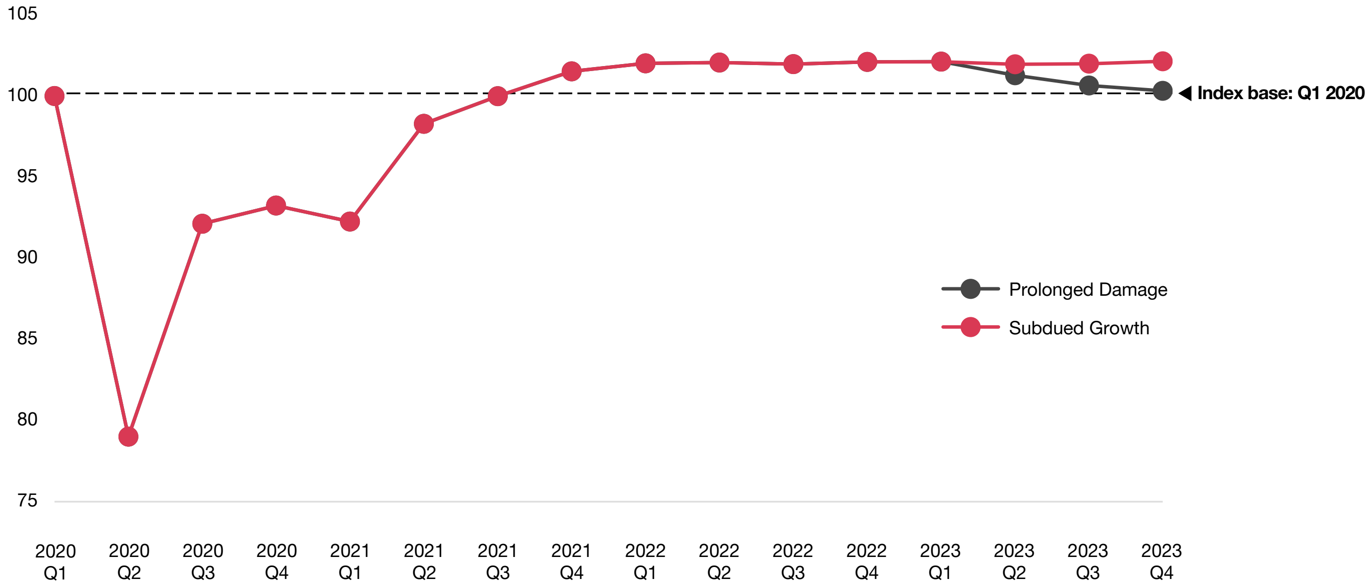
Our analysis suggests many cities will suffer a decline in economic activity in 2023, driven by recent high inflationary pressures, policy tightening and an increasingly gloomy global outlook. Economic growth is expected to recover somewhat in 2024, with positive growth expected for all the cities in our Index.

UK economic outlook

Due to macroeconomic uncertainty, our economic forecasts cover a number of different scenarios. We expect UK economic growth in 2023 to vary between positive 0.1% growth (under the 'Subdued Growth' scenario) and -0.9% (under the 'Prolonged Damage' scenario). By Q4 2023, UK Real GDP is anticipated to be 2.1% higher than pre-pandemic levels under the 'Subdued Growth' scenario. Despite the sluggish economic outlook in 2023, we expect a more positive outlook in 2024, with UK economic growth under the 'Subdued Growth' scenario expected to be approximately 1.0%[3].

Recently, certain sectors have been impacted by global issues (such as supply chain disruptions) more acutely than others, while others have been subject to more notable inflationary spikes (such as fuel prices). These sectors began 2023 more on the backfoot than others, and the accuracy of our growth rate forecasts depends on how quickly these issues subside.

Figure 11: Quarter-on-Quarter growth for UK Real GDP



Source: ONS Gross Domestic Product: chained volume measures, PwC UK Economic Outlook (April 2023).

3 Our annual forecasts are relative to the economic activity in previous years (base-year effects).

Sustained growth challenged

The UK economy began to recover more quickly from the pandemic than many comparable nations, as a result of the swift vaccination rollout, relatively loose long-term lockdown policies and the early release of pent-up demand. However, since achieving pre-pandemic Real GDP parity in Q3 2021, growth has been relatively sluggish. This is likely to continue, with soaring living costs and challenging business conditions expected to dampen growth in the immediate future.

The level to which growth can be sustained at a city level depends on demographic factors and the local sectoral mix. Some sectors are expected to see significant downturns in 2023, as consumers continue to tighten their belts. Cities with notable economic activity in these sectors are likely to face challenges to local growth, while cities with activity in sectors with strong forecast performance are likely to be more successful in driving city-level growth.

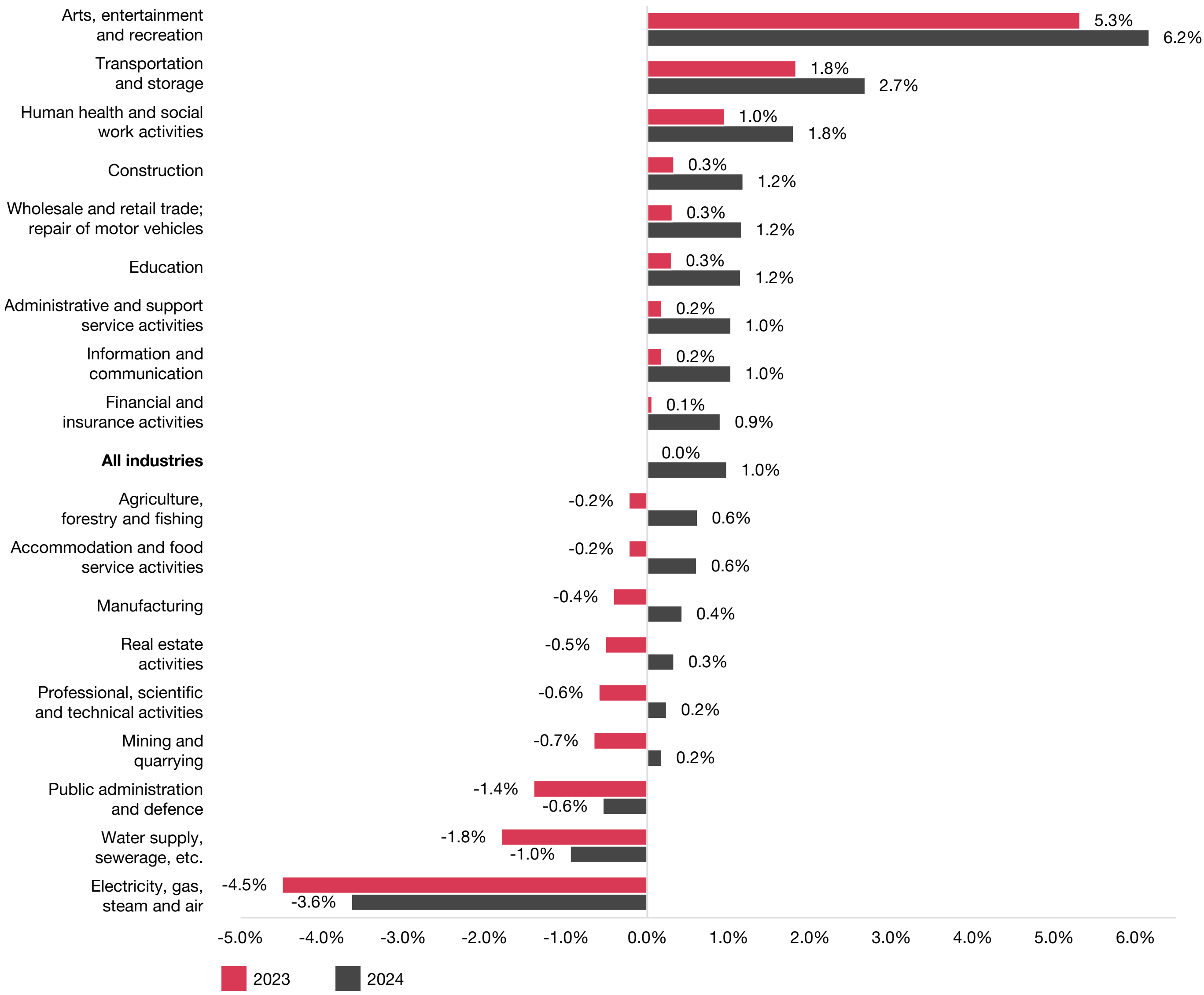
Mixed sector recovery rates

Half of the sectors considered in our analysis are expected to contract in 2023 (see **Figure 12**). A particularly large reduction in GVA is expected in the electricity, gas, steam and air sector, where the recent spike in gas prices has driven a change in consumer behaviour which is expected to reduce demand for energy. Meanwhile, the real estate activities sector, which is particularly sensitive to interest rates, is expected to see a reduction in GVA of approximately 0.5%.

Other sectors are forecast to experience notably high growth rates. The arts, entertainment and recreation sector is expected to see a 5.3% increase in GVA, continuing the recent growth following the lifting of COVID-19 restrictions.

Growth is likely to be further driven by changing consumer priorities, with the latest PwC Consumer Sentiment Survey suggesting more affluent households may look to prioritise holidays, home and health as we head into Spring and Summer. Positive growth is also expected across other industries, including transportation and storage, and human health and social work activities. The magnitude of this growth will be heavily dependent on the outcome of the ongoing strikes that affect these industries.

Figure 12: Projected GVA growth rate by industry sector, % annual change in 2023 and 2024[4]



Source: PwC analysis (2023)

Note: These figures form part of our methodology for calculating the GVA impacts to each city's economy in our Index (see methodology for further details).

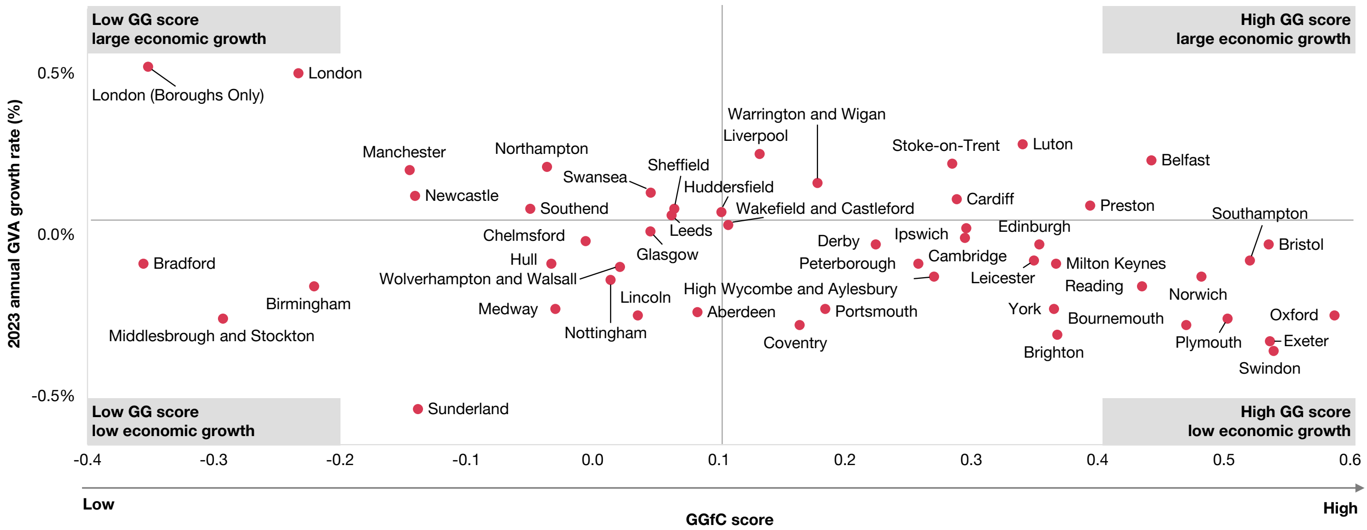
4 Given current conditions, our projected GVA growth rate is based on a 'Subdued Growth' scenario. However, under a 'Prolonged Damage' scenario, the GVA growth rates would be lower for each sector in the economy.

Outlook for cities

Generally, there is little correlation between how well cities perform in the Good Growth for Cities Index and their expected economic growth during 2023. This is because the Index gives a measure of how well cities have performed historically, as opposed to how well they are expected to perform in the coming year.

Figure 13 shows where each city lies in terms of its forecast annual GVA growth rate in 2023 and its score in the Good Growth for Cities Index.

Figure 13: 2023 annual GVA growth rate (%) and Good Growth for Cities Index score



Source: PwC analysis (2023)

Some cities rank highly in the Index and are also expected to see strong GVA growth in 2023. For example, Belfast is ranked within the top ten cities in the Index, and is also projected to experience GVA growth of 0.23% during 2023, which is only lower than London, Luton and Liverpool. Belfast is expected to see higher growth than many other cities because a higher than average proportion of its economic activity falls within high-growth sectors, including transportation and storage, and human health and social work activities.

Meanwhile, some cities are expected to see a contraction in GVA during 2023, despite ranking highly in the Index. For instance, Oxford, Exeter and Swindon are expected to see a reduction in GVA in 2023, even though they are the top three ranked cities on the Index. For Oxford, this is partly due to its above average share of economic activity within the professional, scientific and technical activities sector, which is expected to contract during 2023.

Similarly, Swindon and Exeter are expected to see a lack of growth partly due to their above average share of economic activity in the electricity, gas, steam, air, water and agriculture sectors, which are expected to be among the worst performing industries in 2023.

While London ranks very poorly in the Index, it is expected to see the strongest growth of all cities during 2023. GVA growth is expected to be approximately 0.50%, which increases to 0.52% if the City of London is excluded. The high growth is due to both a below average share of economic activity in contracting industries (such as electricity, gas, steam and air), and an above average share within growth industries (such as arts and entertainment).

Sunderland ranks towards the bottom of the Index, and is also expected to see the most pronounced contraction in GVA through 2023 (over 0.5%). This can be partly explained by the share of the city's economic activity that falls within the electricity, gas, steam and air; and water, supply and sewerage industries, which are far above the average seen across other cities.

As shown in **Figure 14**, there is strong correlation between city-level GVA growth forecasts in 2023 and 2024. This highlights the importance of managing growth over the coming year, as the short-term growth experienced by many cities will likely be built upon, resulting in a stronger medium-term outlook.

Figure 14: 2023 and 2024 annual GVA growth rates

Source: PwC analysis (2023)

London is expected to see substantially higher growth than all other cities in both 2023 and 2024. In 2023, the expected growth rate is 0.50%, which is almost double the growth rate of Luton, the city that sees the next highest growth rate (0.28%). This positive trajectory of growth is expected to continue into 2024, when London's GVA is anticipated to grow by a further 1.30%.

On the flip side, the lack of growth expected for Sunderland during 2023 is expected to endure, with the large contraction in GVA during the next year expected to translate into reduced economic growth in 2024 (approximately 0.19% growth rate). This is less than half the growth rate expected for Swindon, which is the next worst-performing city.

Outlook for regions

Of the regions considered within the analysis, London is expected to see by far the highest GVA growth rate in both 2023 and 2024, for the reasons explained above. The South West region of England is projected to have the lowest growth rate out of all regions in 2023, driven by negative growth rates in some cities such as Exeter and Swindon.

All regions will see substantially improved growth in 2024 compared to the previous year, as the low rates of growth seen across industries in 2023 are reversed. However, there are still large disparities in regional performance, with a 0.71% difference in the expected GVA growth rate between London and the South West of England.
All regions perform in the same relative ranking in both 2023 and 2024.

Figure 15: 2023 and 2024 GVA growth rate forecasts by region, ordered by descending GVA growth rate

Region	2023	2024
London	0.46%	1.40%
Northern Ireland	0.20%	1.14%
North West	0.12%	1.05%
East of England	0.06%	1.00%
Wales	0.00%	0.94%
East Midlands	-0.06%	0.88%
Yorkshire and the Humber	-0.07%	0.86%
Scotland	-0.11%	0.82%
North East	-0.18%	0.79%
South East	-0.19%	0.75%
West Midlands	-0.20%	0.74%
South West	-0.25%	0.69%

Source: PwC analysis (2023)

Spotlight on Bradford

"

There is renewed ambition, determination and confidence across the city. Winning designation of UK City of Culture 2025 is the most obvious recognition of this, but more important are the major regeneration and transport schemes currently in delivery. Youth, diversity and culture will power Bradford's future growth."

Bradford

A city now shaping its own future

Bradford is beginning to show signs of improvement compared with last year's report. We expected that, as one of the cities hit hardest by the pandemic, it would be one of the slowest to recover. With almost a quarter of its population under-16, the city's decision-makers have worked hard to offset the impact of the pandemic and shape a bright prosperous future.

Economic growth with social stability is at the heart of the long-term strategic vision—rather than growth at any cost. City leaders are striving to achieve an inclusive and sustainable economy that focuses on net zero, improving transport connectivity, decent housing, jobs, and skills.

Key to achieving this vision are partnerships between the council, businesses, educational institutions, community and faith groups. Focused career pathways for young people are being amplified and businesses are being encouraged to relocate into the city to access the talent it has to offer. Bradford is home to many household names in professional services, including PwC, and manufacturing, particularly food production. It also has an ambitious university which has been named number one in the country for improving students' social mobility.

The Council has a positive trading mentality with many assets under its control. To improve attractiveness and accessibility, the city is investing in large scale projects to transform the relationship between transport, entertainment, culture and commerce.

Development activity is highly visible with many major schemes in the final stages of delivery. The Darley Street Market scheme will improve city centre living alongside other projects such as the Bradford Live 4,000 capacity indoor music venue which will be operated by NEC and soon start hosting major gigs and conferences on a regular basis. This is in addition to the 1,000 new dwellings planned for the community green space City Village and the 55,000sq ft One City Park office building.

Winning UK City of Culture 2025 clearly reflects Bradford's new found confidence. It secures an estimated £700m of investment, acts as a catalyst for further culture-led regeneration and greater community cohesion, creating around 3,000 jobs and attracting over one million visitors.

Bradford may well be one of the most interesting places in the UK right now. While its northern neighbours have attracted more investment over the past two decades, Bradford is now forging a path where previous developments are no longer an obstacle to its potential. Youth, diversity and culture are now powering Bradford's path to confidently becoming the city it wants to be.

5 Challenges and opportunities ahead

Looking ahead, each city faces unique challenges and opportunities—and in recognising these, they can devise appropriate strategies and take action-oriented decisions based on real data and evidence. Meanwhile, there are some key challenges that can be mitigated across the board, and opportunities that can be captured, through local policy choices.

The catch up challenge

Productivity is a key economic challenge for the UK, with PwC research for the Core Cities Commission showing many large cities are failing to maximise worker productivity, with weaker performance than many smaller towns and cities across the country. Low relative productivity creates a catch up challenge.

This research looked to understand how productivity, measured by GVA contribution per worker, differs between the Core Cities. These cities are: Belfast, Birmingham, Bristol, Cardiff, Glasgow, Leeds, Liverpool, Manchester, Newcastle, Nottingham and Sheffield. **Figure 16** illustrates the average productivity levels in the Core Cities for a select group of industries and grouped industries between 2018-2020. The figure shows productivity performance relative to the UK average of 3.00 (excluding London).

London has been excluded from the UK average as there is a clear divide between London and other regions of the UK, due to London's standing as the political and finance capital of the country. By excluding London, we are able to more accurately capture the relative performance of the Core Cities to other, comparable, regions. Even after excluding London, many of the 11 Core Cities have average productivity levels below that of the adjusted UK average.

Figure 16: Productivity per worker, by industry, for UK Core Cities, for a select group of sectors and grouped industries, 2018-2020 data

	All industries	Finance and insurance	Information & communication	Construction	Manufacturing	Transport & storage	Public sector	Professional services	Retail	Hospitality
Belfast	2.88	2.80	2.12	3.95	2.62	4.22	2.93	2.79	3.41	3.16
Birmingham	2.89	3.45	3.74	3.37	2.98	2.60	3.14	2.58	3.11	3.59
Bristol	3.20	2.91	2.35	3.26	3.03	3.09	3.10	4.69	3.15	2.62
Cardiff	2.84	3.71	2.60	3.04	3.36	2.33	2.85	2.46	2.43	2.66
Glasgow	2.74	3.02	2.60	2.38	2.82	2.95	3.09	2.46	2.72	2.99
Leeds	2.97	2.75	2.91	3.07	2.64	3.10	3.00	2.93	3.57	3.46
Liverpool	2.62	2.87	3.62	2.75	3.03	2.92	3.01	2.31	2.48	3.01
Manchester	2.89	3.16	2.78	3.10	3.00	2.81	3.15	3.00	2.92	3.37
Newcastle	2.53	2.40	2.70	2.77	2.72	2.84	2.71	2.80	2.41	2.61
Nottingham	2.78	2.92	2.32	2.76	2.61	2.30	2.96	3.34	2.99	2.73
Sheffield	2.51	2.28	2.40	2.95	2.13	2.30	3.07	2.43	2.50	2.32

Figures shown are against the UK average (excluding London) for that sector

Source: PwC analysis / ONS (2023), presented at the LGA Urban Summit, March 2023.

As shown in the first column of **Figure 16**, 10 of the 11 Core Cities are less productive than the UK average (when considering average productivity per worker across all industries). One of the reasons observed productivity in the Core Cities is below average is due to the sectoral composition.

The below average productivity observed for most of the Core Cities is driven by sectoral composition, with the Core Cities having significantly higher employment shares in the public sector, and lower shares in high-value added sectors such as finance and insurance, and information and communication.

Low relative productivity in the Core Cities creates a catch up challenge, which needs to be addressed to ensure Core Cities can support economic growth in a similar way to their high performing counterparts such as Edinburgh, Milton Keynes and Oxford, which are all at least 10% more productive than the Core Cities on average. There are several ways in which Core Cities can address the catch up challenge, including capitalising on existing comparative advantages and reducing sectoral disparities.

Capitalising on existing comparative advantages can boost a city's overall productivity, helping it balance out less productive sectors. For example, Cardiff has a strong manufacturing base (£91,200 of GVA contributed per worker vs. £78,000 for the UK average). Targeted growth in this industry would help drive average productivity at a city level and support economic growth. While comparative advantages differ for each city, Core Cities could consider how they can use their sectoral strengths to address the catch up challenges they face.

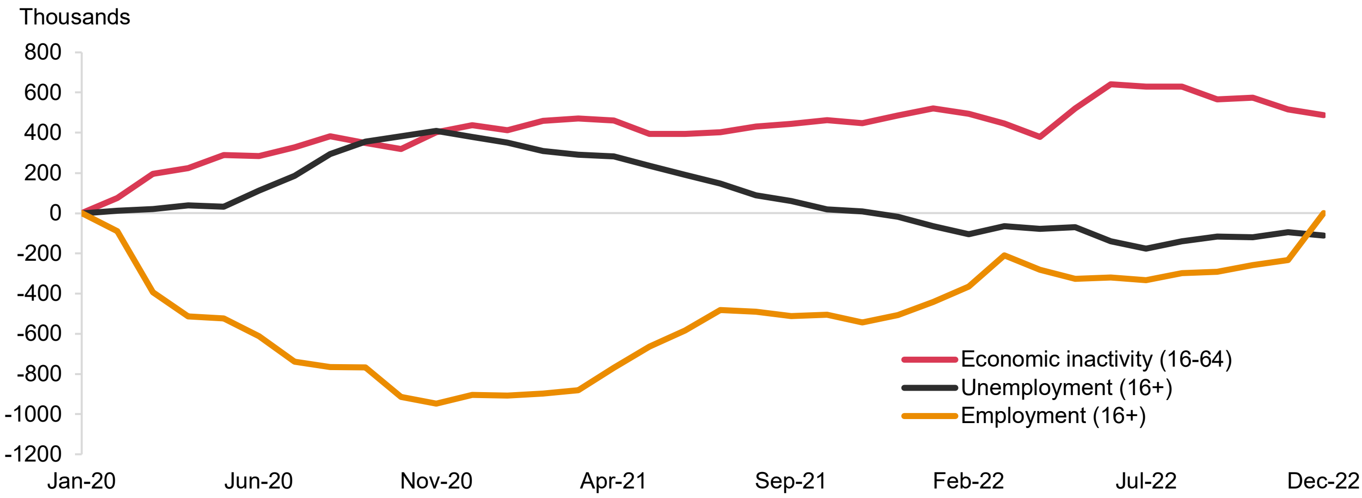
Alternatively, overall productivity can be improved by addressing productivity disparities between sectors. For example, sharing learnings from high productivity sectors with low productivity sectors. Knowledge sharing between regions may also prove to be highly effective, as intra-sectoral learnings can be transferred from one region to another.

Finally, addressing labour and skill shortages can boost overall productive capacity; for example by enabling activity like infrastructure investments and innovation adoption.

The workforce participation challenge

A considerable share of the working-age UK population is currently neither working nor actively seeking employment for the future (defined as economically inactive). **Figure 17** shows the trends in economic activity following the pandemic, including a marked and consistent rise in economic inactivity over the last three years. In December 2022, there were almost 500,000, (5%), more economically inactive people in the UK than in January 2020. Over the same period, the UK labour force only increased by 0.5% (204,000 people), demonstrating a significant change in structure of the workforce.

Figure 17: Change in UK economic inactivity, employment and unemployment levels



Source: ONS Labour Force Survey (2023)

There are a number of reasons why working age people become economically inactive, such as long-term sickness, full-time education, caring for others, or early retirement. Since the start of 2020, there have been 10% and 16% rises in reported temporary and long-term sickness respectively. Some 1.9 million people reported ongoing symptoms of long Covid in March 2023[5]. This high number however, has dropped from 2.3 million in September 2022 and it is likely that some of these people may look to re-enter the labour market in the coming months.

Nevertheless, the high numbers of long Covid sufferers have put further pressure on the healthcare system, adding to the growing backlog of patients awaiting provision and access to healthcare more widely. According to the British Medical Association, the median waiting time for treatment in March 2023 was 14.1 weeks—more than double the median wait time of 6.9 weeks for treatment in March 2019.[6] Many waiting for treatment are consequently unable to enter the labour force which classifies them as economically inactive.

Meanwhile, the increasing cost of childcare in the UK threatens to price a growing number of women out of work, further impacting the economic inactivity rate[7].
Average nursery costs per week rose by more than 20% between 2015 and 2022, while average weekly earnings rose by 14% (both in nominal terms)[8]. As a result, increasing numbers of women are choosing to leave the workforce after parental leave or reduce their paid work hours, to care for their children. The Government has sought to address this by extending free childcare to all children above the age of one (from September 2024). In March 2022, the Centre for Progressive Policy estimated that 1.7 million women were prevented from taking on more hours of paid work due to unaffordable childcare[9].

5 ONS (2023). Prevalence of ongoing symptoms following coronavirus (COVID-19) infection in the UK: 30 March 2023.
6 BMA NHS backlog data analysis
7 PwC Women in Work Index 2023
8 Average weekly earnings at sector level headline estimates, Great Britain, monthly, seasonally adjusted.
9 Centre for Progressive Policy: The economic costs of a failing childcare system (2023)

While increasing economic inactivity rates across the UK can be explained by overarching national trends to some degree, there are regional and city-level differences. **Figure 18** shows recent regional differences, with an 8.3% difference in the economic inactivity rate between the best and worst performing regions in December 2022.

Though they are not directly related, there are some similarities between the economic inactivity rates presented in **Figure 18** and the 2022 Good Growth for Cities Index results. The six strongest performing cities in the 2022 Index are all located in the South West or South East; the two regions with the lowest economic inactivity rates. However, Belfast is the ninth best performing city in the Index, despite Northern Ireland having the highest economic inactivity rate in December 2022.

The change in the economic inactivity rate between January 2020 and December 2022 also sheds light on differences in regional performance. Several regions experienced large rises in inactivity over this three year period (such as Wales, the North East, and the East Midlands), while others experienced minimal change over the period (such as Northern Ireland, Yorkshire and The Humber, and the East of England). To some extent, this change reflects how well each region managed the impact of the pandemic on their local workforces.

Figure 18: Economic inactivity rate by UK region

Region	January 2020 (%)	December 2022 (%)	Change in economic activity rate
South West	18.4	18.0	-0.4
South East	17.5	18.4	0.9
East of England	18.8	19.0	0.2
Scotland	22.3	20.8	-1.5
London	19.7	21.4	1.7
West Midlands	21.2	21.9	0.7
East Midlands	19.0	22.7	3.7
North West	20.9	23.0	2.1
Yorkshire and The Humber	23.1	23.0	-0.1
Wales	23.5	25.5	2.0
North East	23.1	25.7	2.6
Northern Ireland	26.4	26.3	-0.1

Source: ONS Labour Force Survey (2023)

More granular data shows all regions suffered an increase in economic inactivity as a result of long-term sickness, with the largest increase in the East Midlands (21%) and the lowest in the South West (5%). Some regions also lost a large portion of their working-age population to early retirement, with a rise of almost 20% in the North East compared to 10% in London. This shift towards early retirement has been well documented, with many people reassessing their careers during the pandemic.

While national policy has a role in tackling the varied and complex challenges around economic inactivity, the issues can also be diagnosed at a local level, capturing the key drivers specific to the region and allowing the development of targeted solutions. As discussed, a key challenge is enabling productive employment for people facing long-term health conditions. Localised support packages can be particularly effective, for example providing financial support to help businesses offer employee assistance programmes and medical, health and wellbeing advisory services.

Local packages are also effective as they can target areas where economic inactivity rates are the highest, providing health support where there is the greatest need.

For example, Greater Manchester's *Working Well* programme has helped more than 23,000 people find employment since 2014[10].

More can also be done to attract the over-50s back to work, with 34% of economically inactive 50-64 year olds citing early retirement as the reason behind their workforce exit. There are several policies which could prove successful, such as offering more flexible working options and providing upskilling and retraining programmes. A common concern among older workers is being under-skilled, and this is likely to increase with the acceleration of automation and new technologies in the workplace. Effective training programmes would equip older workers with new skills and increased confidence.

Finally, it is worth noting the additional skills needed to effectively transition workers back into the labour force will be industry specific. For example, the rate of technological change, and the skills required to adapt accordingly, will differ across sectors. As each city has a distinct sectoral mix, the importance of localised interventions which provide skills relevant to local industries cannot be overstated.

10 GMCA (2023). Working Well.

The cluster opportunity

The term economic cluster is used by the Government to describe the geographic concentration of interconnected companies and institutions. Clusters are ecosystems in which people meet and exchange ideas, goods and services as part of common supply chains.

By locating near one another, firms benefit from an area's pool of expertise, finance and skilled workers, access to component suppliers and channels for spreading information and innovation.

Economic and industrial clusters can provide a welcome boost to a region's economic growth. Clusters attract firms with common requirements, bringing clients, suppliers and people in closer proximity to one another. As noted in the Government's Levelling Up White Paper in 2022, economic clustering can support the UK's ambition of closing the inequality gap, with benefits arising from stakeholders operating in closer proximity to one another, lower recruitment costs to obtain skilled employees and more efficient means of attaining inputs for the creation of goods and services.

As clusters provide benefits, their attractiveness, attention and presence increases too. This encourages more stakeholders to look towards these areas for opportunities and ideas, using clusters as platforms for business and social endeavours. This extends to government stakeholders too, whose focus shifts to providing support for clusters to continue to grow economically, building public policies that directly or indirectly support the activities taking place in the clusters.

In focus: the role of the BBC in creative clusters

A separate PwC report[11], analysing the BBC's impact on the wider UK economy, finds strong empirical evidence that the BBC's presence drives the development of clusters across the UK. In particular, the BBC generates 'creative clusters', capturing sectors that are directly attributed to the BBC's activity.

Figure 19 demonstrates the employment patterns across a select group of UK cities, and outlines the creative specialisation within each industry. This is calculated using location quotients (LQ) for creative employment in a city. The higher the LQ, the more 'specialised' a city can be considered for a particular sector.

Figure 19: Location quotients for creative employment in a select group of cities, UK, 2020

Creative sector	Birmingham	Bristol	Cardiff	Glasgow	Newcastle
Advertising & Marketing	■ 1.63	■ 1.33	● 0.27	■ 1.02	▶ 0.51
Architecture	▶ 0.92	■ 1.40	■ 1.50	■ 1.36	■ 1.05
Craft	◆ 8.72	● 0.27	● 0.00	▶ 0.55	● 0.42
Design	▶ 0.65	■ 1.38	▶ 0.59	▶ 0.68	▶ 0.62
Film, TV, Video & Radio	▶ 0.82	◆ 2.04	◆ 2.17	■ 1.57	▶ 0.78
IT, Software & Computer Services	▶ 0.63	■ 1.71	▶ 0.52	■ 1.18	■ 1.23
Museums, Galleries & Libraries	▶ 0.63	▶ 0.99	■ 1.81	▶ 1.00	■ 1.06
Music, Performing & Visual Arts	▶ 0.91	■ 1.50	■ 1.94	■ 1.47	■ 1.36
Publishing	● 0.34	■ 1.98	▶ 0.64	▶ 0.80	● 0.38
All Creative Industries	▶ 0.80	■ 1.65	▶ 0.96	■ 1.20	▶ 1.00

Source: PwC (2022)—The role of the BBC in creative clusters

Key:

LQ > 2 ◆ LQ: 1 to 2 ■ LQ: 0.5 to 1 ▶ LQ < 0.5●

11 The role of the BBC in creative clusters

Of these five cities, creative employment overall is most prominent in Bristol, with a particular strength seen in the film, television, video and radio sector. There is evidence that Bristol's strength in this sector is spilling over into Cardiff, as the close proximity enables Bristol to share its knowledge, skills and capabilities with cities like Cardiff (or vice versa).

Other cities show patterns of specialisation in particular creative industries. Creative employment in Birmingham is strongly focused in the craft sector, with relatively little creative employment in other sectors. The development of specialist hubs may be particularly likely to induce clustering effects, especially if the industry in question requires specialist infrastructure that is present in the region and may be shared across organisations.

Other industries

There are several other industries known to benefit from clustering, including manufacturing, professional services, and IT and communications. Organisations in these industries benefit from being near each other and sharing resource pools.

For example, the manufacturing industry is energy-intensive, needing access to a consistent and large supply of energy. By clustering together in areas with strong grid capacity, firms are able to access a common energy resource which would be costly to establish elsewhere. Similarly, professional service businesses often choose to be near each other, as there are more likely to be appropriately qualified staff living nearby. This lowers the cost of recruitment and provides access to a higher quality labour pool.

Industry clusters also generate a series of benefits for wider society. Firms residing in close proximity can generate healthy local competition—potentially lowering consumer prices and increasing wages in a city. This can generate further indirect benefits, including better local living standards. Industry clusters also provide a sector of specialisation at a city level, helping attract talent and support productivity enhancement through knowledge transfer.

To benefit from clustering, policy decisions need to be taken to allow productive clusters to form. It is important local decision makers are able to recognise local endowment, and identify the industries that perform most strongly, or have the potential to. This will allow collaboration with anchor employers in that cluster, helping to recognise industry challenges and tailor support accordingly.

Where relevant, local decisions can also support 'cluster enablers', such as infrastructure (for example, digital connectivity), skills (such as qualifications of local residents) or other, specific, factors (such as academic partnerships and local research capability). Cluster enablers are specific to each local area and should be identified and used appropriately to encourage cluster development and unlock the associated benefits.

Spotlight on Cardiff

“

Looking ahead, it will be interesting to see Cardiff continue its growth journey, as it further develops its approach to urban development, industry clustering and, perhaps most importantly, shares the benefits of these across the city and beyond.”

Cardiff

A creative drive towards productivity and growth

Knowledge intensive services are central to Cardiff's transformation, with around a fifth of the city's population employed in these sectors, and the city continuing to both attract global firms and nurture home grown businesses. But Cardiff is also driving an industry clustering model within the city's economy, with expansion of creative industries.

The BBC acts as an anchor organisation within the Cardiff creative community, after it invested £120 million in opening Cardiff Central Square in 2022. The Square is home to BBC Wales, BBC Network teams, S4C, the National Film and Television School and other independent production companies. This is also complemented by the city's drama production capabilities – including the BBC Roath Lock Drama Village, and Badwolf Studios – where many of the UK's biggest dramas are produced.

The result of a partnership between the BBC and Cardiff Council, the investment demonstrates the success of public sector collaboration in the city. Building strong links to Bristol, the home of Aardman animations, has further supported the growth of Cardiff's creative industries. This burgeoning creative cluster not only provides job opportunities within Cardiff, but the associated supply chains have provided a significant boost to the local economy, as has the opportunity to host events such as the BBC 6 Music Festival.

Cardiff, like many other cities, needs to ensure economic growth benefits all of its people and communities. Cardiff Council has been striving to spread private sector investments across the city. By doing this, it can ensure the economic boost provided locally is felt across multiple communities.

For example, a £1bn investment in the Cardiff Metro will mean the benefits of economic growth within the city will be felt much more widely, connecting the city and the South Wales Valleys. It also continues to increase Cardiff's potential workforce and access to talent, supporting the continuation of economic growth in the city.

In November, Cardiff Capital Region (CCR) and Capricorn Fund Managers launched Innovation Investment Capital (IIC); a fund to provide capital to innovative high-growth businesses supporting the regions of Southeast Wales. Funded with £50m from the £1.2bn CCR City Deal, it's intended to drive good growth in the region. The IIC opened for investment at its Cardiff launch, with the first potential investments being researched and appraised already.

6 Agenda for action

Ambitious public service reform is the key to unlocking good growth. In the face of stagnant productivity and economic uncertainty, cities could be the catalyst for driving inclusive growth and levelling up the UK. To achieve this, there needs to be a further devolution of governance and powers to a regional and local level.

Greater Manchester's Local Industrial Strategy recognised the variation within the city-region, and each local authority developed a borough-level response to identify key opportunities and barriers to ensure coordinated implementation.

Accountability at the right level

By devolution we don't mean simply the shift of powers between central and local government, but instead the effective distribution of accountabilities and responsibilities to the best placed decision-maker—be that at a regional, city, local or hyper-local level. This type of structural reform would result in the strategic, policy and fiscal control necessary to effect the scale of change required to deliver good growth.

From this position local leaders would be able to catalyse their communities and businesses better, as they address key place based issues such as regeneration and renewal, public transport, jobs and skills. The creation of city and regional government would also bring about a better coordination of activity across geographies to deliver a 'city vision'.

This shift in accountability means a different role for central government; one that is concerned with setting broader strategic direction, policy outcomes, minimum standards, and data-informed frameworks which address national issues and market failures while enabling local flexibility in the delivery of good growth.

Greater fiscal flexibility, freedoms and innovation

A further distribution of powers to a local level would need to be matched by greater fiscal flexibility and freedoms, as in the case of Greater Manchester's trailblazing devolution deal, which allows for 100% retention of business rates. This kind of flexibility would help cities respond to their specific challenges and shape opportunities for good growth by creating long term strategic funding that supports local capacity building and infrastructure development as well as providing greater flexibility to determine local investments.

There is also a role for business and central government to support local government to engage with innovative financing solutions, such as private equity, insurance funds, pension funds, local government bonds and so on, to secure the necessary long term and large scale financing for the investment.

To take advantage of these new freedoms and models of long term investment, local government would also need a new set of financial, commercial, and place related capabilities. It would be important for them to demonstrate a more open risk appetite balanced by strong financial management and good governance that can respond to a different risk environment.

Unlocking the capacity of a place

Effective devolution would create good growth by unlocking the capacity of a place and its communities, rather than that of institutions. It would create a place-based ecosystem where each of the key actors feels able to deploy their specific skills, knowledge, experience and networks to create successful places, complementing each other and coordinating activities to achieve collective objectives.

This type of devolution moves from a focus on the instruments of government to an interconnected system of governance explicitly incorporating business and communities as partners, stakeholders and decision makers.

An interconnected system of governance

Key aspects of good growth

Moving to an interconnected system of governance acknowledges the scale at which policy, investment and delivery are best determined and coordinated and, as a result, creates the foundations for delivering three key aspects of good growth—productivity, the transition to net zero, and better community outcomes.

Central government

Leaner and more comfortable with relying on the capacity and capability of regions and localities, central government provides a clear steer to local leaders about what is required and gives them the mandate to act through the relevant funding, legal and policy levers, while addressing any market barriers that persist at a national level:

- Clear guide on national priorities (net zero, inequality, growth, skills).
- Gives local leaders permission and mandate to act on these priorities.
- Provides necessary guidance and commitments (funding/ legal/policy) to give local leaders/ businesses/ communities the best chance of success/flexibility to implement in a way that suits.
- Invests in innovation where the market perceives risky capital.
- Makes market interventions where necessary.
- Supports with overarching outcomes-focused delivery frameworks and access to regional technical assistance and data.
- Consolidates local reporting to track progress at a national level.

Businesses

Businesses proactively engage at local level, deploying their creativity, innovation and insight in line with the place strategy they have helped create. They become a core partner to local leaders and communities identifying opportunities to make a difference:

- Act as the delivery lead where they are best placed in a local market or area of skills, or by forming partnerships with local government where their capacity can make delivery more effective.
- Coordinate activity to create a place that is better for everyone; for example, through bodies like BIDs.
- Provide their skills, resources, capacity and intelligence to enable better placemaking decisions.
- Recognise a commitment to supporting local good growth in their own business plans.
- Invest in programmes to support the local economy such as the reskilling of the workforce.
- Deploy their own capital to deliver strategies in a way that supports local growth.

Local government

All levels of local government exercise their mandate and embrace their role as anchor institutions to convene their communities, business and wider public sector leaders. They understand the opportunities for their places and work with others to achieve the outcomes that all their communities can benefit from:

- Creates a collective vision for their place and identifies the plan, portfolio of projects and investment to deliver it.
- Establishes the partnerships required to deliver the plan; for example creating investor relationships, developing clustered skills with local businesses, supporting forums for community voice and action.
- Invests in its own skills and capacity in economic development, community led regeneration and community engagement, etc.
- Coordinates the delivery activity across a place to achieve better value for money, establishing clear governance mechanisms and reporting lines to monitor and deliver.
- Evaluates the impact of activity to understand what works and enable lessons.

Communities

At the heart of the defining vision for their places, communities take an active role in the delivery of key place projects and services. Through this codesign of projects and services, better outcomes are delivered for places and benefits than can be shared by all:

- Increased confidence and opportunity to engage with local leaders and businesses in the decisions that affect them.
- A greater influence over decision-making though increased civic participation.
- Explicit inclusion in the place partnerships and governance that determine how resources are deployed.
- Empowered to create and manage long-term solutions to place issues and opportunities.
- Receivers of direct transfer of power and resources as a result of place based decision-making, allowing them to manage services, assets and other resources.

1. Delivering productivity through specific place-based strategies

Local leaders are best placed to develop strategies and plans that take account of the specific opportunities and challenges in their area. Through their understanding of their local areas and engagement with communities and businesses they are well positioned to bring together economic and skills development, investment, and infrastructure planning so that:

- City level plans identify the industries and businesses local leaders want to attract, take a strategic approach to identifying competitive advantages, and cultivate economic clusters that drive growth and productivity. By developing and publicising a clear cluster strategy, places should be able to market themselves to businesses and investors in a clear and credible way.
- Infrastructure planning and investment (such as transport, housing, broadband) are coordinated at a city level to achieve better value for money. This approach should consider the interdependencies between parts of the system and align to wider place based and economic needs. For example, by addressing how new housing and transport can be linked to improve access to jobs, how employment and business hubs can be placed throughout a city to ensure its positive effects are shared, or how local infrastructure investment provides apprenticeships or training to support the local skills agenda.

Cardiff is driving an industry clustering model within the city's economy, through the expansion of creative industries. The BBC is acting as an anchor organisation in the creative community, investing £120 million in 2022 to open Cardiff Central Square.

The Manchester Hoteliers' Association has teamed up with Marketing Manchester, CityCo and Manchester and Salford City Councils to develop the Manchester Accommodation Business Improvement District (ABID). This aims to boost the visitor economy through marketing campaigns that drive overnight stays, secure large events, improve street cleanliness and provide opportunities to futureproof the sector.

- Productive growth is also inclusive, which means that cluster strategies must not only address labour and skills shortages, but should also look at how changes could provide communities access to better paid/ better quality jobs.
- Local leaders are able to respond to the needs of business and communities, ensuring activity and investment is directed towards programmes which build skills and support productivity, for example, local training addressing skills shortages or support for businesses with advice and funding on productivity—for example, the Leeds city business support service.
- Businesses are able to take a lead role in driving greater productivity, working with local leaders, the further education sector, and communities to address current or expected skills needs. Particularly in terms of reversing the current trend which has seen a fall in employer investment in training, leaving investment levels much lower than some EU counterparts. For example, this investment could be directed towards vocational and on the job training to support the existing workforce, and apprenticeships and graduate schemes to develop the future workforce.
- Businesses are able to deploy capital to deliver in a way that supports local economic growth and job opportunities. For example, business could support the development of new transport hubs, regeneration efforts, and residential and commercial development.

2. Moving towards low carbon local economies

Cities need to rethink how they use their resources to create a balance between providing access to essentials—health, income, housing, transport, and so on—with their natural, environmental boundaries. This requires a shift to a low carbon economy that is regenerative by design, rather than one that focuses on growth at all costs. To achieve this transition and maximise value for money, projects can be prioritised based on the specific characteristics, needs and opportunities of their location. This in turn requires a balance of central government policymaking, local government delivery, and private sector innovation, including:

- A national delivery framework that supports a whole-system approach to local net zero action enabling local government to deliver portfolios of low carbon projects tailored to meet local needs. This framework should involve supporting governance, technical assistance, data oversight and consistent methodologies; for example, clarifying roles for Local Net Zero Hubs and Oflog to enable the pipeline of projects.

> Bristol City Council has launched a joint venture with Ameresco Ltd and Vattenfall Heat UK that will enable over £1 billion of investment into Bristol's energy system, helping Bristol become carbon neutral by 2030. This innovative partnership has been five years in the making – local leaders elsewhere should be able to learn from the challenges faced to deliver similar holistic solutions that maximise social value for their places.

- Long term certainty from central government on funding, regulation and priorities to invest[12] as many of the most effective investments needed to transition to a low carbon economy will be large scale, long term, have uncertain returns and depend on other investments across the local portfolio. Public sector funding and financing instruments should align with the scale and dependencies between projects to enable a portfolio approach to investment. For example, the Skidmore Review of the UK's net zero plans recommended a wholesale simplification of net zero funding, highlighting how competitive funding pots disadvantage smaller authorities and prevent long-term whole-systems thinking and create inefficiencies[13].
- Delivery on the scale required, which will require local government to build back its internal capabilities and coordinate with businesses and communities to provide further capacity. Local leaders need to invest in building core internal technical and delivery capacity, and bring in external specialist skills from Local Net Zero Hubs or the private sector, as needed, particularly for smaller locations or more complex projects.
- Engagement from businesses on investment priorities and strategies to address the barriers to investment, in order to identify opportunities for private finance and develop solutions to mobilise finance and investment at scale.

3. Creating local communities that thrive

Inclusive growth is about more than just economic success and productivity, it is also about creating thriving communities with opportunities to improve their well-being. Public services that meet the needs and aspirations of the people that use them are key to building the community capital making a city a place where people can live happy, healthy and sustainable lives:

- Building this community capital needs public investment to broaden its focus from capital projects and also consider how public services can better provide access to new opportunities which address inequalities and deprivation. New funding and business models will be needed, and local leaders will need to adapt their mindset so communities can drive and even control the services they need.
- The public services communities will need and benefit from will vary depending on background, location and priorities. Stakeholders can come together to design and deliver public services that enable and encourage greater participation. Communities need to be able to proactively articulate their needs and local leaders should create the structures and opportunities to support engagement, civic action and decision making.

12 Mazzucato (2019). 'How industrial strategy can drive a Green New Deal'. IPPR and WWF.

13 Skidmore (2023). 'Mission Zero: Independent Review of Net Zero'.

- Local leaders should consider regeneration as an opportunity to create places that serve their communities better. This needs a holistic and strategic approach to considering how regeneration could deliver a wider range of outcomes as well as a narrower set of objectives. For example, the renovation of Bat & Ball Sevenoaks rail station incorporated new community amenities which led to a reduction in crime in the area as well as the local economic impact on GVA.[14]

Preston City Council has collaborated with anchor institutions and local partners on a community wealth building programme, the 'Preston Model', which seeks to create an inclusive economy. Examples of initiatives include extending procurement opportunities to SMEs and targeted recruitment in disadvantaged neighbourhoods. The programme has helped reduce the prescription of antidepressants by 3%, improve life satisfaction by 9% and boost wages by 11%, according Lancet Public Health.

From policy intent to delivery

Central government has itself begun to associate the 'local' agenda with the objective of growth through its recent policy making and investment decisions; most recently through policies such as investment zones and levelling up partnerships. Equally, the innovative strategies being pursued by places such as Manchester, Cardiff, Oxford, Birmingham and Bradford described in this report are themselves having an impact. Meanwhile, up and down the country, businesses and communities are also seizing opportunities to drive more inclusive growth.

However, to deliver good growth across cities, regions and localities, there needs to be more ambitious public service reform. This should be matched by funding decisions that are simple, significant and create certainty, such as the single settlement approach used in the Greater Manchester Combined Authority and West Midlands Combined Authority Trailblazer Deeper Devolution Deals, rolled out across multiple localities and supported by new accountability frameworks.

Ultimately, to move from policy into the delivery of good growth, the power needs to be in the hands of those who can best grasp both the issues and the opportunities.

14 Design Council (2022), 'The Value of Design to UK Rail Infrastructure'.

Appendix

Methodology

Good Growth Index methodology

In developing the Demos-PwC Good Growth for Cities Index this year, we have primarily used the same methodology as in previous editions. We have made our usual minor adjustments to the periodic data that we assess, but have made more significant changes to our weighting analysis. The variables, and the weights applied to them, are outlined in **Figure A1** below.

Despite the differences in the way we have captured the analysis this year, comparisons to our report last year are still possible as the underlying methodology is consistent, although approach to weightings differs slightly (see clarification below). Our overall approach to developing the Index is summarised in **figure A1.**

Figure A1: Our Approach

		Quantitive analysis			
Scoping ▶	Consultation ▶	Review of data ▶	Polling ▶	Index ▶	Conclusions
• Review of methodology for ciites Index and agree changes • Agree list of cities and city regions for the Index	• Informal discussion with a range of local authorities and others on how to further develop the Index, taking account of feedback on previous reports	• Review and update of latest available data for Index variables • Assemble database	• Poll of c.2,000 UK citizens of working age to test for continuing validity of weightings from earlier studies	• Determine weights from supplementary polling and previous analysis • Calculate indeces • Robustness checks	• Develop conclusions for local public leaders and officials, central government and businesses

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

Figure A2: Index variables, geographical areas and weights[15]

Category	Measure	Time period	Geography	Weight
Income distribution	Ratio of median to mean income	2018-2021	LA	16%
Income	GDHI per head scaled by regional price indices	2018-2021	LA	15%
Safety	Violence against the person, weapons and drugs offences	2018-2021	LA	12%
Work-life balance	% in employment working more than 45 hrs per week	2018-2021	LA	12%
Jobs	Unemployment rate	2018-2021	LA/TTWA	9%
Health	Life expectancy	2018-2021	LA	7%
Environment	Carbon emissions: gCO2/£ GVA	2018-2021	LA	7%
Transport	Average commuting time to work	2018-2021	LA	6%
Housing	Housing price to earnings ratio and owner occupation rate	2018-2021	LA	6%
High street & Shops	Stores openings & closures	2018-2021	LA	4%
Skills	Share of population, aged 16-24 & 25-64, with NVQ 3+	2018-2021	LA	4%
New businesses	New businesses per head of population	2018-2021	LA	2%

Constructing the Index

The scores for each city are given relative to a base year of 2017-19 (i.e. a score of zero means that a city's Index score in 2019-21 is equal to the 2017-19 average score for all UK cities in the Index). 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 we have taken in previous reports and is standard practice when constructing such indices.

15 We have rounded up income for completeness of the overall indicators, as the figures otherwise do not sum to 100%

Our list of cities

Our framework of how we decide which cities we include or exclude from our analysis is outlined below.

Population size: all cities contain 350,000 or more people, based on 2019 population data[16].

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.

The use of this methodology means we have 50 cities in our Index (plus one for London (Boroughs only))[17]. The full list of cities included in this year's Index is set out in **Figure A2** below.

Figure A3: All 50 cities included in our Index, excluding London (Boroughs only).

1	London	11	Nottingham	21	Medway	31	Middlesbrough and Stockton	41	Ipswich
2	Manchester	12	Leeds	22	Southend	32	Exeter	42	Huddersfield
3	Birmingham	13	Warrington and Wigan	23	Reading	33	Derby	43	Lincoln
4	Glasgow	14	Cardiff	24	Oxford	34	Preston	44	Peterborough
5	Newcastle	15	Wolverhampton and Walsall	25	Portsmouth	35	High Wycombe and Aylesbury	45	Bournemouth
6	Liverpool	16	Luton	26	Bradford	36	Swansea	46	Plymouth
7	Leicester	17	Cambridge	27	Stoke-on-Trent	37	Aberdeen	47	Wakefield and Castleford
8	Belfast	18	Edinburgh	28	Hull	38	Swindon	48	York
9	Sheffield	19	Southampton	29	Chelmsford	39	Sunderland	49	Brighton
10	Bristol	20	Coventry	30	Norwich	40	Milton Keynes	50	Northampton

We also apply the Good Growth Index methodology to:

- **10 Combined Authorities:** 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. We also look at the performance of six city regions in Wales and Scotland, including Aberdeen City Region, Edinburgh City Region, Inverness City Region, Glasgow City Region, Cardiff Capital Region and Swansea City Region.
- **All 38 Local Enterprise Partnerships (LEPs) areas in England**
- **10 cities in the Devolved Administrations:** Belfast, Inverness & Dingwall, Edinburgh, Swansea Bay, Aberdeen, Cardiff, Stirling & Aloa, Perth & Blairgowrie, Derry/Londonderry, Dundee and Glasgow.

Clarification

This year, we have adopted a similar approach to our report last year, where the weights for the Index are derived from the polling conducted for a single year. Last year we assessed 2021 Index weights and for the 2022 Index, we have also followed the same approach. This means considering these variables in isolation as opposed to being considered as part of a three year average. The three year average approach was a method applied prior to our refresh on Good Growth for Cities last year. This year, we determined that in order to fully capture public sentiments moving forward with the report, a year-on-year set of indices will better reflect the most current set of public opinions.

This **does not** mean that our analysis is incomparable to last year's results.

16 Based on mid-2019 Small Area Population Estimates

17 We engaged the ONS to understand what the proportion of each local authority was in each TTWA in June 2021. Source: ONS (2021), "Listing of 2021 UK local authorities by component 2011 travel to work areas based on mid-2019 Small Area Population Estimates"

Economic analysis methodology

Our economic analysis forecasts the economic growth rate of the cities in our Index for 2023 and 2024. Gross Value Added (GVA) is used as the basis for economic growth rate forecasts. Our approach is dependent on three key inputs:

Regional GVA by industry figures: These provide a sectoral breakdown of GVA at Local Authority (LA) level (ONS, 2020). Regional adjustment factors: Adjustment factors based upon previous economic downturns to understand how quickly/resilient a sector can recover has been included to adjust economic forecasts.

Local Authority to City mapping: This allows the sectoral breakdown at a LA level to be translated to the sectoral mix at a city level[18].

GVA growth forecasts by sector: National level forecasts used to estimate the amount each sector is anticipated to grow in 2023 and 2024[19].

The core modelling approach applies the national GVA growth rate forecasts for each sector to the sectoral mix of each city, allowing the development of city-level growth forecasts which consider the nature of local economic activity. These city-level growth forecasts allow us to understand and predict the economic growth rate of each city included in the Good Growth Index.

It should be noted that the GVA data on which the sectoral mix has been defined is from 2020 as this was the latest data available at the time of analysis. While this data is almost three years old, the sectoral mix of each city is unlikely to have changed significantly since this time, and therefore it is not expected to have any material impact on the results of our analysis.

18 Using ONS Local Authority data (ONS, 2021)

19 These have been developed through PwC analysis using the latest data available from the ONS

Contacts

Rachel Taylor
Government and Health Industries Leader

Email: rachel.z.taylor@pwc.com
Phone: +44 (0) 7841 783 022

Karen Finlayson
Regional lead for Government and Public Services

Email: karen.finlayson@pwc.com
Phone: +44 (0) 7881 805 552

Justin Martin
Devolved and Local Government Sector Leader

Email: justin.f.martin@pwc.com
Phone: +44 (0) 7881 802 336

Ben Pykett
Director, Government and Health Industries

Email: ben.pykett@pwc.com
Phone: +44 (0) 7841 786 900

Nick Forrest
UK Economics Consulting Leader

Email: nick.forrest@pwc.com
Phone: +44 (0) 7803 617 744

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