Sustainable Growth Index

Creating dynamic places and thriving economies
About us

A successful economy requires places where people and businesses can flourish. The Sustainable Growth Index seeks to define and measure the components that create these successful areas. Our aim in establishing the Index was to create a tool to help frame future discussions between all interested parties, stimulate action and drive change locally.

As a Public Services Advisory practice we are having discussions of this nature on a regular basis. Whether it is through our transport, real estate, energy, healthcare or infrastructure teams as we seek to support the development and implementation of successful projects and programmes that help enable sustainable economies. Or through:

- Supporting economic growth at the local level using robust data and dynamic insight to underpin place-based investment, decision making and growth plans.
- Working with local authorities in helping them to ensure financial sustainability and resilience as they manage complex financial and demand pressures alongside ambitions to grow their local economies.
- Engaging service leads to tackle demand challenges, market weaknesses and complex cost pressures to enable more effective and sustainable delivery.

In all of these conversations the nature of the place is critical. It directly influences demand and need and it informs the shape and scale of the solution.

Our team comprises consultants, advisors, economists, analysts and modellers, researchers and developers with backgrounds that include project finance, corporate finance, engineering, data analytics, banking, accounting, financial modelling, project and programme management, programme assurance, governance and controls, economics, and senior operational roles in the public sector.

Much of our work is underpinned by our national insight, data and analytics capabilities, which help to shape location and customer strategies, make commercial decisions and drive financial performance improvement.

We have a deeply collaborative approach, and we work effectively across systems and with organisations from the public, private and third sectors. Our people have a strong public service ethos, who are proud to be part of our clients’ improvement journeys including through the implementation stage.
Contents

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>The geography of sustainable growth</td>
<td>04</td>
</tr>
<tr>
<td>Creating sustainable growth</td>
<td>08</td>
</tr>
<tr>
<td>Using the sustainable growth index to shape change</td>
<td>10</td>
</tr>
</tbody>
</table>
The geography of sustainable growth

The Sustainable Growth Index – now in its third year – seeks to define and measure the components that create successful places. The measures included in the Sustainable Growth Index extend beyond the traditional economic measures of success to include components related to:

<table>
<thead>
<tr>
<th>Prosperity</th>
<th>Dynamism and opportunity</th>
<th>Inclusion and equality</th>
<th>Health, wellbeing and happiness</th>
<th>Resilience and sustainability</th>
<th>Community trust and belonging</th>
</tr>
</thead>
<tbody>
<tr>
<td>Does the local area produce wealth and create jobs?</td>
<td>Is the area entrepreneurial and innovative, does it have the skills set necessary to drive future growth?</td>
<td>Is everyone benefiting from economic growth, where are there still challenges? Is the gap between richest and poorest narrowing?</td>
<td>Are people healthy and active, leading fulfilling lives which provide individual prospects?</td>
<td>Is the economy having a neutral impact on the natural environment and is the built environment creating resilient places that people want to live in?</td>
<td>Is there a lively and creative culture life? Do people feel safe and engage in community activities?</td>
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</tbody>
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- Total GVA (£m)
- GVA per job (£000)
- Average workplace earnings (£)
- Employment in knowledge-driven sectors [%]
- Businesses with turnover over £1 million [%]
- Businesses with turnover over £100 million [%]
- Foreign-owned businesses [%]
- Business formation rates
- Patent applications granted (per 100,000 population)
- Residents qualified to NVQ 4+ (degree level)
- Share of knowledge workers [%]
- Percentage of pupils who achieved grade 9-5 at GCSE level [%]
- Employment in higher education [%]
- Employment in research and development [%]
- Indices of Multiple Deprivation (average score)
- Inequality score
- Child poverty (score)
- Housing affordability
- Employment rate [%]
- Total income (£)
- Fuel-poor households [%]
- Unemployment over five years [%]
- Working-age population claiming benefits [%]
- Housing benefit claimants [%]
- Homelessness
- NEETs
- Unemployed inequality (ethnicity)
- Sports participation
- Life expectancy at birth (male and female combined)
- Diabetes prevalence [%]
- Obesity in adults [%]
- Child obesity in Year 6
- Happiness (score)
- Anxiety (score)
- Life satisfaction (score)
- Life worthwhile (score)
- Mean hours
- Air quality score
- Waste recycled
- Per capita CO2 emissions
- Energy consumption (all fuels)
- Households on local authority waiting list [%]
- Total dwelling completions
- Total planning applications
- Proportion of new residential addresses created in national flood zone
- Valid votes turnout [%]
- Violent crimes (per 1,000 population)
- Living alone, aged over 65 years old [%]
- Cultural amenities score
- Community asset score
- Ethnic diversity score

Together, this provides a framework for a broader assessment of the 324 local authority areas across England, which clearly identifies strengths and opportunities, as well as challenges.
It is acknowledged that these measures are not perfect. Some are proxies of a wider indicators (e.g., business formation rates as a proxy for entrepreneurial activity); others have limitations in their collection methodology (e.g., life satisfaction); and others have constraints in their application (e.g., the inequality score which looks at the range in overall deprivation between all the Super Output Areas within each area). They are however all collected consistently on a national basis and therefore enable place-based measurement and comparison.

At the national level the picture of sustainable growth has not changed significantly. Across all of the measures, large parts of the south of England continue to dominate. Cambridge remains the top-performing place, followed again by two London boroughs – Westminster and Camden (although their ranking has reversed). Wokingham, Windsor and Maidenhead, Oxford, Guildford and Winchester also remain highly ranked.

Standout pockets of sustainable growth outside of the south of England continue to include Warwick, Rushcliffe and Stratford-on-Avon in the Midlands; Cheshire East, which has been joined by Trafford, in the North West; and York, which has been joined by Harrogate, in Yorkshire and Humber.
It is a national picture that continues to underline:

- The inter-relationship between places with a number of neighbouring areas ranking amongst the country’s strongest performers and clear corridors clustering around key transport routes.

- That the economic measures related to prosperity and dynamism and opportunity are the domain of the cities with Leeds, Manchester, Bristol, Cambridge, Birmingham, Coventry, York, Brighton and Hove, Bath, Sheffield, Southampton, Bristol and Liverpool all performing strongly.

- That cities face significant challenges in relation to health, wellbeing, happiness and inclusion and equality with some parts of London and other cities across the East and West Midlands, North West and Yorkshire ranking in the bottom 20% nationally on these baskets of measures.

- That inclusion and equality remains a challenge for both highly urban and highly rural places. With the stronger performing places either ‘halo-ing’ cities or occupying some of the more rural parts of England.

- The strongest performers on the community, trust and belonging basket of measures are places in London and the immediate areas to the north and south. At the other end of the spectrum, it is apparent that some coastal areas, particularly along the east coast from the North East to Essex and Kent, face the most significant challenges in relation to these measures and generally rank below average.

- The combination of measures within our resilience and sustainability basket results in a very diverse geographical spread of high performers. The top 10 includes places in five different regions, from Croydon and Barnet in London, to Wiltshire, Cornwall and Bath in the South West, to Milton Keynes, Aylesbury Vale and Maidstone in the South East, to Central Bedfordshire in the East. It is a variation that remains the result of a suite of measures that are most strongly influenced by individual local authority decision-making and policy.

### Top 5 ranked places by basket

<table>
<thead>
<tr>
<th>Prosperity index</th>
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<th>Health, wellbeing and happiness index</th>
<th>Resilience and sustainability index</th>
<th>Community, trust and belonging index</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Westminster</td>
<td>Cambridge</td>
<td>Hart</td>
<td>Ribble Valley</td>
<td>Wiltshire</td>
<td>Westminster</td>
</tr>
<tr>
<td>2 Tower Hamlets</td>
<td>Runnymede</td>
<td>Elmbridge</td>
<td>Warwick</td>
<td>Craydon</td>
<td>Oxford</td>
</tr>
<tr>
<td>3 Islington</td>
<td>Vale of White Horse</td>
<td>Waverley</td>
<td>Wokingham</td>
<td>Harrow</td>
<td>Kensington and Chelsea</td>
</tr>
<tr>
<td>4 Camden</td>
<td>Oxford</td>
<td>Wokingham</td>
<td>Uttlesford</td>
<td>Cornwall</td>
<td>Camden</td>
</tr>
<tr>
<td>5 Southwark</td>
<td>Westminster</td>
<td>Mid Sussex</td>
<td>Waverley</td>
<td>Bath and North East Somerset</td>
<td>Richmond upon Thames</td>
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### Most improved places 2018 to 2019

<table>
<thead>
<tr>
<th>Most improved</th>
<th>Prosperity index</th>
<th>Dynamism and opportunity index</th>
<th>Inclusion and equality index</th>
<th>Health, wellbeing and happiness index</th>
<th>Resilience and sustainability index</th>
<th>Community, trust and belonging index</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Fylde</td>
<td>Derby</td>
<td>Weymouth and Portland</td>
<td>Hertsmere</td>
<td>Islington</td>
<td>na</td>
<td>na</td>
</tr>
<tr>
<td>2 Bolsover</td>
<td>Wyre</td>
<td>Telford and Wrekin</td>
<td>Cheltenham</td>
<td>Three Rivers</td>
<td>na</td>
<td>na</td>
</tr>
<tr>
<td>3 Rugby</td>
<td>Daventry</td>
<td>Maldon</td>
<td>Rachford</td>
<td>Stroud</td>
<td>na</td>
<td>na</td>
</tr>
<tr>
<td>4 Newham</td>
<td>Nottingham</td>
<td>Medway</td>
<td>Broadland</td>
<td>Southampton</td>
<td>na</td>
<td>na</td>
</tr>
<tr>
<td>5 Tunbridge Wells</td>
<td>Norwich</td>
<td>Warwick</td>
<td>Cambridge</td>
<td>Broadland</td>
<td>na</td>
<td>na</td>
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Looking below this steady national state does however point to more significant change at the local level. Southampton is the most improved area nationally (in terms of its ranking) driven by significant improvement in relation to resilience and sustainability, followed by the London Borough of Islington. Of the 20 areas that ranked in the top 20 in last year’s analysis 15 have remained and been joined by Warwick, Islington, Surrey Heath, West Berkshire and Elmbridge.

Overall nine areas have seen their ranking move from the top 40% nationally to the top 20%. These areas cover a number of regions including Swindon in the South West, Islington in London, Harrogate in Yorkshire and Humber, Trafford in the North West, Tunbridge Wells in the South East, Cheltenham in the South West and Three Rivers, Brentwood and Hertsmere in the East of England. For all bar one area (Tunbridge Wells) this improvement was largely driven by significant improvement in either the resilience and sustainability basket of measures, or the health, wellbeing and happiness basket.

Looking across the different baskets also points to some notable change in ranking. Fylde in the North West was the most improved nationally on the prosperity basket of measures moving from the bottom 20% of places nationally to the top 40%. Bolsover in the East Midlands also saw significant improvement moving from below the national average to above it.

Across the Midlands and the North West seven areas saw significant improvement in relation to dynamism and opportunity, driven by a range of different measures but most notably business formation rates and employment in R&D. Derby saw the greatest improvement moving from the bottom 20% of places nationally to the top 40%. Other areas include Wyre in the North West and Manchester, Reigate and Banstead and Chiltern all of which moved in to the top 20 ranked places nationally.

There was less notable movement in relation to inclusion and equality. Weymouth and Portland saw the greatest improvement but only moved one quintile from the bottom 20% to the bottom 40%. Interestingly however there were eight new areas in the top 20 on this basket of measures. Five were from the South East (South Oxfordshire, Mid Sussex, West Oxfordshire, East Hampshire and Bracknell Forest) alongside Harborough and South Northamptonshire in the East Midlands and St Albans in the East of England.

It was in terms of health, wellbeing and happiness where there was the greatest variation in the top 20 nationally with 13 areas moving in. This included: Ribble Valley and Eden in the North West, Warwick in the West Midlands, Surrey Heath and Rushmoor in the South East, Harrogate in Yorkshire and Humber and Three Rivers in the East of England. The highest improvement overall was Hertsmere which improved from the bottom 20% nationally to the top 20% largely driven by a significant improvement in happiness levels coupled with a fall in the levels of anxiety.

Across the resilience and sustainability basket there were a number of areas that saw significant improvement in their ranking. This covered a number of regions including Islington (London), Three Rivers (East of England), Stroud (South West), Southampton (South East) and Wirral (North West). Harrow, Leeds, Chelmsford, Swindon and South Oxfordshire all joined the top 20 highest ranked places in the country.

Due to limited changes in the data for the community, trust and belonging basket of measures we have not analysed the change for this basket.

While this data only looks at relative change in terms of the improvement in ranking in the index it does highlight that sustainable growth is not a static picture. The challenge for policy makers at both a national and local level is to understand more about what is driving these changes and how best to prioritise investment and action in order to affect further change. It is this issue that the remainder of this report focuses on as it looks first at the policy challenge before detailing more practical steps that places can take.

Looking at particular groups of authority areas also highlights a number of important implications for policy makers at both a national and local level:

• For cities – particularly core cities – it is apparent that challenges around inclusion and equality and health, wellbeing and happiness are significant. The prosperous and dynamic economies in these areas are not translating into inclusive and healthy societies. It is a change that will require a new approach to economic development.

• For economically significant sub-national geographies, such as the Northern Powerhouse or the Midlands Engine, the Sustainable Growth Index underlines the complexity that exists within these economic areas. It is a complexity that revolves around: (i) a need to maximise existing economic strengths and ensure connectivity across the geographic area to these; (ii) targeting support and investment in those places where performance is particularly low and often low across multiple baskets; and (iii) understanding the economic relationships between different places within the wider economic area (eg community flows, supply chains, housing markets).

• For more rural, and particularly coastal areas, there is a need for significant intervention. For example, of the “Leading Edge” collaboration of rural upper-tier local authority areas without a large city only one ranks in the top 20% nationally and one in the top 40%. Two further districts (but not the whole County) are in the top 40% but the vast majority ranks at or below the national average. While some of these places score higher in terms of inclusion and equality and health, wellbeing and happiness – many do not and as such face a broad spectrum of different challenges.
Creating sustainable growth

Three years ago we created our Sustainable Growth Index to provide an evidence base that could help to change the conversation and debate about what successful places look like. We wanted to move the conversation away from one that simply focused on the economic measures of place. We wanted to provide data and insight into the debate to challenge existing concepts and to stimulate new thinking. We wanted to help place leaders – and particularly local authorities as they sat at the heart of this discussion – to shape compelling and distinctive narratives for their places that could inform and shape investment decisions.

As we have discussed the Sustainable Growth Index, what it shows and what it means, with hundreds of leaders – across the public, private and third sectors – throughout the UK, it has been clear that this is a conversation and debate that people want to have. People want to live and work in successful and dynamic places. They want to understand the challenges facing their place so that they can be part of framing the solution. These discussions have also enabled us to see first hand why creating sustainable growth matters and perhaps, more importantly, what is happening locally to enable and facilitate it.

Through these discussions we have also seen that the debate – both locally and nationally – is changing. Sustainable growth, inclusive growth, good growth – along with others – are now firmly part of the place shaping vernacular. Their prominence has been driven by a clear sense that the traditional economic model of growth has not worked. A sustained period of growth has not seen long standing historic differences narrow both between and within places. As the Sustainable Growth Index shows these disparities exist in terms of wealth, skills, opportunity, health and infrastructure. It is these gaps that continue to need to be narrowed through concerted and focused action, otherwise the risk is that sustainable growth, inclusive growth or other similar phrases simply become jargon.

To achieve this, national policy makers and local authorities need to do seven things:

1. Ensure that decisions are made on the basis of robust local evidence. In particular this evidence needs to focus on exploration of the ‘gap’ that exists between both national comparators and other comparable places, be that locally geographic neighbours, authorities facing similar socio-economic challenges or those sharing comparable geographic circumstances (eg coastal, rural or urban). This approach will assist areas in identifying both strengths on which to build as well as challenges which require targeted intervention.

2. Focus on the transformational trends as well as the local enablers. A number of significant trends are going to significantly impact society over the coming generation from changing demographics; to artificial intelligence and technology advancements and the fourth industrial revolution; to a growing demand for more sustainable solutions and services. Each of these has significant implications for creating and enabling sustainable growth, addressing issues across multiple baskets. There is a need to ensure that these challenges are grounded in local places and that they address specific local need. However, the risk will be that local strategies result in competition rather than agglomeration, the impact of
which would be to simultaneously hinder the UK’s ability to best respond to the challenge while also potentially reinforcing local economic disparities between places.

Alongside a focus on the macro trends it will also be important that adequate focus is given to more local enablers. The ‘nuts and bolts’ of the local economy. This would include, but by no means be limited to: ensuring that skills providers (from schools to further and higher education) are aligned to the demands and needs of local employers; that local economies are creating better paid and more productive jobs; that there is the necessary infrastructure to enable people to both access employment opportunities but also to live healthy and fulfilling lives; that those furthest from the labour market are supported into employment; that local town centres and high streets fulfil both economic and community roles.

3 Align investment decisions to support the creation of sustainable economies. Many of the traditional decision-making tools and criteria are still overly focused on economic growth – GVA, jobs and land value uplift. For some places these measures are not appropriate and will not necessarily bring forward the right prioritised investment. Although, decisions based solely on equity or social grounds are extremely subjective and as such difficult to implement. However, including an equity lens alongside an – increasingly important – environmental one as two of a number of decision-making criteria alongside more traditional measures of appraising economic benefits is an important addition to the decision making tool kit.

4 Align new funding to support sustainable growth. There has been much discussion around funding that looks towards rebalancing the economy. However, the allocation of this funding both to different places and then the criteria against which they are further allocated locally will be critical if they are to deliver the expected impact. For instance our analysis shows vastly different allocations if decisions are made on a per capita basis or on the basis of need. These decisions are complex and individual places will need to wrestle with the merit of investing in opportunity or in response to specific needs. Robust decision making criteria that takes account of multiple factors (as per point 3 above) is therefore critical.

5 Provide space for innovation and new approaches. Given the scale and nature of the challenge, coupled with the fact that the historic model of economic development has not benefitted all places means that a new model is required. This model will require innovative and new approaches. Therefore, it will be important to enable piloting of new models and approaches. Some of these pilots should be locally driven, others nationally with an approach tested across a number of different geographies. The pilots should also be vastly different in terms of scale and focus. For example it could range from a local social enterprise, through to a tech solution rolled out across different geographies to a national pilot programme. Any pilot activity will require robust evaluation frameworks to ensure that benefits are measured and lessons learnt.

6 Focus on place over organisation. Increasingly we are seeing local authorities tackle the challenge of driving sustainable growth by focusing more on the place as opposed to the organisation. In practice this has meant two things. First, drawing together local leaders from across different organisations to identify the strengths, opportunities and challenges of the place as a whole and then to collaboratively work out what actions, investments and activities are required. This includes creating a ‘shared version of the truth’ in terms of data about the place. Second, to think beyond the administrative boundary of their place and to understand the wider economic area in which they are part of. This approach should be commended and encouraged. Driving sustainable growth is not simple and will require the joint working of multiple agencies and between central and local government.

7 Take a longer term view. While the financial pressures for local authorities are very real in the short-term and there is significant uncertainty around the longer term growth of the economy this does not diminish the need for local authorities to take a longer term view around what they would like the economy of their place to be in 20 or 30 years. To think about what sustainable growth is in their place. With national and local electoral cycles this is not without its challenges. However, looking at a longer term horizon is something a number of authorities are or are starting to do and it should continue to be encouraged. Establishing this vision is not easy, it requires extensive engagement within and outside the authority; it needs boldness and creativity; and it requires strong place-based leadership – leadership that looks beyond political colours. Where a local authority is able to establish a longer term vision it provides an invaluable framework against which shorter term priorities can be set and investment decisions made. It provides a set of short and longer term outcomes against which progress can be measured and communicated. It provides a roadmap for the place bringing partners and budgets together. And culturally it can also provide energy and excitement amongst officers enabling them to feel more positive about the important role they have to play. For central government a longer term approach is more complicated given political cycles. However, this does not diminish its importance.
Using the Sustainable Growth Index to shape change

The past 12 months have also seen us continue to use and apply the Sustainable Growth Index to help affect change at the local level. This activity can broadly be grouped into three main types.

1 A framework to stimulate discussion
By telling the story of local places through the Sustainable Growth Index we have supported individual local authorities (both officers and members), local enterprise partnerships, partnership boards, chambers of commerce and other place leadership bodies in framing the challenge, identifying the opportunities and establishing the strengths on which to build.

The separate indices create a framework for discussion around what constitutes a successful place. The data and findings provide a robust evidence base, which – by drawing comparisons with other places – stimulate discussions and debate around local priorities. It has provided a ‘neutral’ or ‘outside’ perspective that has enabled challenge of pre-existing ideals. It has provided content to enable key questions to be identified and lines of enquiry to be established.

2 An evidence base to identify (and measure) strategic priorities or investments
For some areas we have moved beyond the discussion and debate and used the data that sits behind the index to create evidence bases that enable strategic priorities and investment decisions to be taken and then progress to be measured. This has included:

- Using the six headings and a number of socio-economic indicators that sit under them to support the development of robust, HM Treasury compliant business cases. In particular, the data has underpinned the strategic and economic case for particular investment decisions. By looking across multiple indicators the Sustainable Growth Index provides rich context and a broader perspective against which to frame the need for intervention or the opportunity for investment. It is a framework that enables places to communicate a clear understanding of their area. It identifies challenges that local places face as well as assets and opportunities on which to build.
• Undertaking a deeper analysis of the individual indicators within each basket with the explicit purpose of understanding the way in which each component impacts on performance – both positively and negatively – locally. This analytical technique provides a detailed data set that can help to inform strategy development. For example for Essex County Council, as part of their development of their local industrial strategy, we looked in detail at the drivers of local performance across each local authority district area at three spatial levels: (i) in the national context to identify those strengths and challenges which were of most importance from a national perspective; (ii) in an Essex context to understand place-based variation and how investment may need to be spread geographically across the county; and (iii) in the context of four transport corridors to further understand the relationship and interaction between different places and how strengths and challenges play out in different parts of the county.

• Using the Sustainable Growth Index as part of a suite of key performance indicators or place-based scorecard, providing an overview of the strengths and opportunities, challenges and weakness and – importantly – the dynamic between them. It is a framework that has enabled and facilitated communication to wider stakeholder groups.

3 A tool to support investment decisions

Having identified strategic priorities, the next step is to develop a locally tailored suit of measures that enable investment decisions to be appraised. This approach should take government approved appraisal methodologies and build on them to create a suite of criteria that prioritise investment based on their contribution to sustainable growth and not just economic growth. These tools need to be heavily tailored to the local place-based priorities.

They need to consider weightings and scoring between the different components so that priorities (be they challenges or opportunities) are reflected accordingly. The challenge in developing these tools is three-fold: the tool needs to be robust and credible to withstand scrutiny; the wider elements need to be fully integrated into the assessment and not just an afterthought; but at the same time the tool needs to be fully transparent and simple enough to communicate and explain.
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