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INTRODUCTION.

WHAT IS INVESTABILITY?

We want our cities to offer a thriving, aspirational environment with abundant employment opportunities and high quality of life. For businesses, access to labour, capital and markets are crucial. Balancing these elements is not easy.

UK cities are competing for resources and opportunities. Determining future prospects depends on effective and resilient infrastructure, affordable housing, a broad skills base and a quality education system. Furthermore, a strong global brand, favourable business environment and unique ‘attraction factor’ add to the potential for long-term prosperity.

The ability to attract this combination of social, economic and human capital is at the root of the investability challenge. Our regions, towns and cities need investment focused on strengths and weaknesses to be seen as desirable destinations to live and do business.

All cities have weaknesses. Some are fundamentally linked to the ability to compete, such as educational achievement. Others are less obvious. Broadband coverage remains patchy in many cities, including Sheffield and Hull, where fewer than 50 percent of premises have access to a ultrafast connection.

All too often, these limitations are seen as ‘part and parcel’ of living or working in a certain place. However, as levers of competitiveness, they cannot be ignored.

When it comes to job creation and attracting investment, many areas of the country can and do succeed despite these weaknesses. But the costs associated with success are typically borne by local people.

It all comes down to quality of life; expensive housing and congestion are just two manifestations of the price of success. This can only be addressed through joined-up investment in place-making, housing and infrastructure.

Meanwhile other areas of the country might be more affordable, but face their own unique challenges.

While regions around the country may need to prioritise several types of investment to address different types of weaknesses, they should all aspire to improve quality of life.

Where places are attractive, affordable, healthy and safe, it is easier to share the benefits of prosperity more widely.

Peter Hogg,
Arcadis UK
Cities Director
Our regions and cities are the pistons of our national economic engine. Despite their socio-economic differences and a devolution agenda that encourages competition, they must support each other and run at their maximum potential to create social and economic growth.

While Brexit has accelerated the need for the UK to adopt a more globally-focused trading model, there are background challenges that weigh heavily on our ability to achieve this nationally. Stuttering productivity, a complex public sector and regional inequality need to be addressed.

If the UK is to compete globally, we must use the full potential of the economy, ensuring that locations are firing on all cylinders.

When it comes to different stages of economic development, cities and regions fall into three distinct categories. Differentiated by demographic potential, high quality of life or the pulling power of global brand, cities at each stage have their own individual strengths and require distinct types of investment to create the right kind of growth.
**POTENTIAL KEY LEVERS FOR ENHANCING INVESTABILITY.**

<table>
<thead>
<tr>
<th>NORTHERN POWERHOUSE</th>
<th>WEST MIDLANDS</th>
<th>SEVERN GATEWAY</th>
<th>LONDON &amp; SOUTH EAST</th>
<th>SCOTLAND</th>
<th>OXFORD-CAMBRIDGE CORRIDOR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Enhance skills levels</td>
<td>Improve school performance and capacity</td>
<td>Increase inward net migration</td>
<td>Increase use of public transport</td>
<td>Reduce congestion</td>
<td>Increase number of inventions and patents</td>
</tr>
</tbody>
</table>

These represent potential key levers for enhancing investability. They are not exhaustive, nor are they guaranteed to improve investability. They are listed in no particular order.
POTENTIAL KEY LEVERS FOR ENHANCING ATTRACTIVENESS OF CITIES.

Click the icons in the Key to reveal Lever relationships between individual cities.

These represent potential key levers for enhancing investability. They are not exhaustive, nor are they guaranteed to improve investability. They are listed in no particular order.
The role of collaboration

Our proud economic legacies were forged by the ambition and ingenuity of local leadership and local people. However, central government will always have a role to play. The Industrial Strategy makes clear that devolved authority and localism must be the driving force, fulfilling the UK’s potential, improving productivity and more evenly distributing the benefits of growth.

Agglomeration of industries and knowledge, facilitated by excellent mobility, is critical to prosperity. The Industrial Strategy, with its focus on place, makes clear that most of the drive and direction will come from within the region, supported by City, Growth and Devolution deals.

However, there will continue to be a role for collaboration, be it promoting critical intra-city transport links, developing smart city standards, or identifying opportunities to create growth corridors, such as that proposed for Oxford and Cambridge. Joined-up approaches will ensure that opportunities are focused on the right locations - accelerating progress, creating scale at pace, and realising new sources of advantage for the UK as it competes globally.

Pulling the right levers

Every UK city and region should be famous for something. From advanced manufacturing in the West Midlands to world-class innovation in Cambridge, financial services in Edinburgh, or sport and music in Manchester, our nation boasts a broad socio-economic mix. But equally, every city has priority opportunities. The question is, how can government, local authorities and community leadership make these happen?

Every city and region makes a unique contribution to the national economy. As a result, the levers they need to pull will vary. For some, boosting skills will be key to attracting knowledge-based business; in others, resolving broken housing markets will equally ensure economic growth and that quality of life isn’t choked off. Several may need to address outdated perceptions, enhancing their reputation, whilst others need to improve infrastructure and mobility.

Healthy competition between regions and cities will always be a positive thing, but cities must remain focused on how they can compete not just with each other, but internationally. Collaboration between cities and regions to stand out and create global, industry-led partnerships will increase productivity and generate wider wealth.
Cities’ future growth prospects can be determined across the following six categories. Each category brings together a number of distinct indicators, each of which have been weighted to best capture the cities’ relative strength in each area.
Increasingly, the digital agenda must focus on data as well as infrastructure. Data has value in creating opportunities for new services, a chance to make better use of assets and to make better informed decisions. As the National Infrastructure Commission makes clear, data is infrastructure. It needs to be secured, maintained and managed to maximise its value.

The scale of change implied by the smart city revolution is daunting, but will be progressive rather than instantaneous. Autonomous vehicles may transform urban transport, but are unlikely to operate at scale for at least 15 years. Yet incremental steps must still be taken now. Not only to lay the foundations for high-tech mobility, but also to meet more immediate data needs around cashless transactions, mobility-as-a-service and the implementation of digital twin solutions.

Cities must commit to the smart city digital revolution as a means of driving local competitiveness. The key to managing this transition is not to do it alone. Digitally enabled services and solutions must be based on open, standards-based platforms. These must be developed in collaboration and worked back from the expectations of the connected citizen.

The Centre for Digital Built Britain is taking a key role in driving the smart cities agenda. Competitive collaboration by UK cities will accelerate the delivery of data in a way that better serves the public.

The future for cities and their people will be digitally enabled, smart and connected. Virtual assets and markets will be as important in supporting growth as physical assets. Two thirds of the UK population now own a smartphone, and mobile devices are the most popular means of accessing the internet. As the roll-out of 5G approaches, the implications of a genuinely data-enabled society must be addressed.

Expectations about service and data availability are rising, particularly among millennials. With acute competition for a skilled workforce, the quality of digital infrastructure and services is a source of competitive advantage. Some are already ahead, with cities like Bristol, Edinburgh and London positioning themselves as early adopters of smart technology. However, the urban digital revolution is at an early stage and late arrivals can still ‘leapfrog’ generations of obsolete technology.

The Centre for Digital Built Britain is taking a key role in driving the smart cities agenda. Competitive collaboration by UK cities will accelerate the delivery of data in a way that better serves the public.

14% the proportion of UK homes with a smart energy meter

1.1 million the number of premises that cannot access broadband faster than 10mbps

22% the proportion of SMEs that use any form of e-commerce

1 hour the frequency of the creation of a new tech business in London

68% the share of UK digital tech investment outside of London in 2016
Many of the UK’s most successful cities face challenges around housing and congestion that are so severe their investment attraction is at risk. The agglomeration effect of business location, well-illustrated by the growth of London as a technology innovation hub, may not be sustained.

The UK’s Industrial Strategy, which focused as much on ‘People and Places’ as ‘Infrastructure and Ideas’, acknowledges that the centralisation of the nation’s economy is a drag on growth. Instead, it is looking to accelerate the development of strong regional economic areas outside the South East.

Lower cost areas like Coventry are no longer associated with low skills and low reward. Instead, thanks to the location of the Manufacturing Technology Centres and leading businesses like Jaguar Land Rover, they are at the centre of the UK’s advanced manufacturing revolution.

The UK’s recent economic history shows that regions with great potential don’t always attract the public or private investment they need. This doesn’t have to be the case. There are a range of short- and long-term actions that can address investability and long-term growth.

There are strong underlying opportunities for people and businesses in regions including the Northern and Great Western Powerhouse and the West Midlands, particularly by providing a better quality of life and wider range of opportunities.
**Short-term.** Cities need to create momentum. Recognition comes from regeneration, innovation, sporting success or even the idea that a city is a great place to live. Manchester is highly ranked in this respect, but ultimately London and the South East lead on brand. Investing in visitor attractions, higher education and leisure should be top of the list.

**Long-term.** Cities outside the South, above all, need skills – driven not only by school performance but also net migration. Skills lie at the heart of economic transformation, providing the capability to address the ‘Grand Challenges’ identified in the Industrial Strategy: Artificial Intelligence, Clean Growth, New Mobility and the Ageing Society.

While regional cities can capitalise on economic policy, expanded trade and their own positive characteristics, world-leading cities like London will continue to face their own challenges. It is important to continue investment in London’s infrastructure and housing – even as other regional cities increase their need for similar investment. As highlighted in the recent National Infrastructure Needs Assessment, we need more investment focused on the three Cs: Congestion, Capacity and Carbon.

Beyond London, the South East and the UK’s regional growth hubs, a further tier of cities share many of the weaknesses of places in peripheral locations, without the balancing benefits of scale, opportunity and quality of life. In planning for a sustainable future, which needs short-term momentum and committed long-term investment, city leaders in smaller centres must build on existing strengths as well as future potential.

Most cities have sources of competitive advantage and all are held back by constraints. Our cities and regions rightly demand investment and, with spending on UK infrastructure alone poised to double over the next 10 years, the prognosis is good. Such a huge increase in investment creates its own challenges. Cities must be selective, focusing on their strengths and recognising how their unique set of circumstances can create competitive advantage.
The index ranks 24 of the UK’s key cities based on their performance across six pillars: economic performance, brand, housing, quality of life and place, people and growth, and infrastructure. Each of these six pillars brings together a number of distinct indicators, which have been selected to best capture the cities’ relative strength in each area.

For each indicator a value between 0% and 100% is assigned to each city, based on the well-established minimum-maximum normalisation methodology. Each indicator is weighted and combined to arrive at aggregated scores for each pillar for each city.

The average of a city’s scores across the six pillars then forms that city’s overall score in the index.

The cities are also grouped according to geographic region, with an overall index score assigned to each region. The regional index score for each indicator is calculated as the weighted average of the index scores of each city within the region. For the weighting, we have used each cities’ gross value added (GVA). Regional index scores for each pillar, as well as each region’s overall index score, are computed using the same methodology as described above for the individual cities.

**Definition of key levers**

<table>
<thead>
<tr>
<th>Category</th>
<th>Description</th>
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<tbody>
<tr>
<td>Boost number of visitor attractions</td>
<td>Increase the number of visitors to drive economic benefit.</td>
</tr>
<tr>
<td>Create more green spaces</td>
<td>Increase the area of green space per capita.</td>
</tr>
<tr>
<td>Develop ultrafast broadband</td>
<td>Enhance the number of premises that can access broadband &gt;100mbps.</td>
</tr>
<tr>
<td>Enhance airport connectivity</td>
<td>Improve journey times to the airport and/or the number of flight destinations from the closest airport.</td>
</tr>
<tr>
<td>Enhance skills levels</td>
<td>Increase the % proportion of the population registered at skill level 4+.</td>
</tr>
<tr>
<td>Hold more business support events</td>
<td>Increase the number of business events providing support to small and medium sized businesses.</td>
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<tr>
<td>Improve air quality</td>
<td>Reduce CO2 emissions per capita.</td>
</tr>
<tr>
<td>Improve schools performance and capacity</td>
<td>Improve attainment levels and number of places available.</td>
</tr>
<tr>
<td>Increase invention and number of patents</td>
<td>Take policy measures to attract and incentivise innovative organisations.</td>
</tr>
<tr>
<td>Increase inward net migration</td>
<td>Proactively encourage people to move to the city and region for employment or study.</td>
</tr>
<tr>
<td>Increase the value of exports</td>
<td>Increase the average value of exports per job.</td>
</tr>
<tr>
<td>Increase use of public transport</td>
<td>Reduce private vehicle use in favour of public transportation modes.</td>
</tr>
<tr>
<td>Introduce more enterprise zones</td>
<td>Explore how more enterprise zones could be used to attract commerce and private investment.</td>
</tr>
<tr>
<td>Make housing more affordable</td>
<td>Reduce the ratio of average house prices against average earnings.</td>
</tr>
<tr>
<td>Reduce congestion</td>
<td>Reduce the average number of hours spent in congestion each year.</td>
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</table>

**Definition of regions**

- **Northern Powerhouse**: Manchester, Leeds, Liverpool, Newcastle, Sheffield, Hull.
- **West Midlands**: Birmingham, Coventry, Wolverhampton.
- **Severn Gateway**: Bristol, Cardiff.
- **London and South East**: London, Reading, Southampton.
- **Scotland**: Aberdeen, Edinburgh, Glasgow.
Our world is under threat - from climate change and rising sea levels to rapid urbanisation and pressure on natural resource. We’re here to answer these challenges at Arcadis, whether it’s clean water in Sao Paolo or flood defences in New York; rail systems in Doha or community homes in Nepal. We’re a team of 27,000 and each of us is playing a part. Arcadis. Improving quality of life.

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