The future of cities: creating a vision
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The prestigious title of European Green Capital is awarded annually by the European Commission to promote and reward the efforts of cities to improve their sustainability for their residents. The award, which was established in 2010 in recognition of the vital role of sustainable, low-carbon living for cities and citizens everywhere, has been won by Stockholm, Hamburg, Vitoria-Gasteiz, Nantes, Copenhagen, and in 2015, by Bristol, the first UK city to do so. Ljubljana bears the title in 2016.

During its tenure as European Green Capital, Bristol convened leading practitioners from a variety of sectors to promote the sustainable future of the city. As part of that discussion, the city council asked KPMG in the UK to work with others to develop a knowledge-transfer program that other cities around the globe could apply to their own sustainability needs.

The result was the Bristol Method, a series of modules addressing different aspects of urban sustainability. KPMG’s Global Sustainability and Cities practices worked with stakeholders to produce practical modules that guide city governments in measuring their current and future sustainability and building a vision for stakeholders. These modules have been updated and enhanced to form The future of cities report.

The report has two modules: “Creating a vision” and “Measuring sustainability.” It draws on the expertise of many sources and includes a range of case studies to ensure that cities find approaches relevant to their own context. Although the report has its genesis in the experience of Bristol, its findings are widely applicable, outlining the considerations and processes involved in building sustainable cities for current and future generations.
Introduction

As the world becomes more connected, cities are competing ever more fiercely for residents who will help them prosper. People are always attracted to the extensive opportunities offered by global capital cities such as London, New York and Hong Kong. This module examines how so-called second cities — major regional cities — can compete with these bigger players to attract and retain residents over the long term.

Competition between cities is growing. With the advent of globalization, cities now vie for residents, investment, ideas and so on — not only from neighboring cities but from all around the globe. People, particularly young high achievers, are increasingly willing to move to find the best opportunities. If cities are to survive and prosper, it is therefore up to them to attract these citizens by providing better prospects than those of the competition.

For centuries, cities have specialized in particular industries and processes, either as a consequence of easy access to rare commodities or because some type of technical expertise gives their inhabitants a competitive advantage over those elsewhere. People move to these cities, attracted by the local wealth and work opportunities.

This enables such cities to thrive during periods of high demand, but strong dependence on a single commodity or process can be a weakness as well. A sudden decrease in global demand for a city’s output can have a dramatic effect on employment, dragging the city into recession. Bilbao, for example, experienced rapidly rising unemployment in the 1970s when the oil shock reduced global demand for steel, iron and ships, which were its fundamental industries. Other cities, such as Detroit, have faced competition from emerging cities that can manufacture the same goods better, cheaper and/or closer to growing markets.

Long-term survival necessitates diversification of a city’s outputs to reduce its dependence on particular industries. The city’s economy becomes more robust as a result, with greater immunity to global market changes and therefore greater economic resilience.

A city should be considered sustainable, however, only if it can demonstrate the capacity for strong performance indefinitely. Many of the concepts described in this module have been seen in cities with demonstrated sustainability over 10 to 30 years, but their long-term robustness, over more than 30 years, has still to be proven. Time will tell.

This module explains the central role of vision in the success of second cities, identifying seven guiding principles to make cities more attractive. Examples are provided of various cities around the globe that are putting some of these principles into action.

It is important to understand how cities behave in the modern world. Cities are like magnets, in that they can either attract or repel new residents, visitors and business investment. For a city to develop a strong magnetic pull, its leaders need to make conscious decisions about who, when and how they want to manage the migration of people, ideas and investment to and from the city. This can be achieved only if they have a clear vision, implemented by strong, inspiring leadership. Without these factors, the city risks falling victim to other, unmanaged forces.

If second cities can attract residents with a demographic profile that aligns with their vision, particularly young creative thinkers, businesses will relocate to work with those people. The city will develop a reputation as the place to be for particular industries and lifestyles. The buzz about the city then grows into national, and sometimes global, mass consciousness.

Countries need strong, healthy second cities, as they offer a pace and quality of life that differs from the hustle and bustle of global cities. Acting as regional centers of commerce, they are key to spreading wealth and employment throughout a country. Their accessibility results in increased diversity and stimulates innovation.

Yet today, many such centers act as negative magnets compared to the overwhelming pull of capital cities. Top talent and investment are lured away from the second cities, reducing their ability to compete and creating a downward spiral.

City leaders must act now to halt this exodus of people, energy and resources. They need to determine the type of people they would like to live and work in their cities, as well as the type of businesses they would like to invest there, and then take decisive, consistent and coordinated action to attract them. Following this vision will help keep and enhance a city’s character and set it apart from its rivals.
Keeping a city vision on track

Several high-level observations can be made about how to implement the vision for a city, based on lessons learned by cities around the world.

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<td>1</td>
<td><strong>Establish geographic, demographic and thematic priorities.</strong> Remember that various areas and types of activity are not isolated from one another. Interactions between initiatives or program areas may support or hinder the ability to implement a new vision. If a plan focuses on energy, for example, it is important not only to avoid becoming distracted by a waste recycling program or the national energy policy but also to consider the impact these other areas of activity can have on the city’s approach to implementing its vision.</td>
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<td>2</td>
<td><strong>Build in wide and repeated consultations on the plan.</strong> Make sure to confer with the appropriate people, and do so frequently. Too often, a city vision fails because people don’t feel any ownership of it.</td>
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<td><strong>Give key decision makers and influential stakeholders a seat at the table.</strong> Some city plans fail because the most influential stakeholders are not at the table. Campaign groups and businesses, for example, may work together to establish a plan for the future of the city but not involve property owners, transport providers and the city council.</td>
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<td><strong>Know where the money is coming from.</strong> Some plans can be so aspirational that they become unrealistic. Have a clear plan and cost out the early stages. Nevertheless, the savings and/or new revenue generated from these initial projects mean that a long-term plan does not need to be fully costed at the outset. The success of early projects may also encourage further investment as the plan progresses, making new funding streams available.</td>
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<td>5</td>
<td><strong>Focus on feasible projects and actions.</strong> Some cities fail to convert ideas into a practical plan of action as they try to move forward. A good vision will help make this conversion from the theoretical to the real easier.</td>
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<td><strong>Once a plan is launched, stick to it for several years.</strong> In large, dynamic cities, especially those with many stakeholder groups, it can be tempting to reinvent plans and policies constantly. Sometimes, the time spent on planning could have been better spent on implementation.</td>
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<td><strong>Review progress regularly and adapt your course as needed.</strong> Sticking to a plan does not mean following it blindly. Select key performance indicators (KPIs) that will make it possible to monitor the inputs, outputs and impacts of the plan. This topic is covered in the measurement module of <em>The future of cities</em> report.</td>
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Cities must put people at the center of their vision

There is nothing permanent about a city. Like living organisms, cities are in a constant state of flux. A city in decline needs a clear purpose and vision of its future identity, with people at its heart, to turn that decline around.

Many city leaders have focused on the type of businesses or industries they wish to attract. The experience of the KPMG in the UK’s Magnet Cities project reveals that cities need to shift that focus to the type of people they want to attract. It is people who create prosperity, start businesses and build communities.

The contrast between the world’s fastest-growing urban areas (which are all in developing countries) and the fastest-shrinking (many of which are in Europe) is stark. In the UK, London is a super-conductor of talent, drawing people from all over the world. In 2014, however, more 25–35-year-olds left the capital than moved to it for the first time in over 20 years. And many are not leaving for other parts of the country. Instead, they are traveling to foreign cities that seek residents in their demographic and offer opportunities for work, career growth, culture, and other aspects of well-being — cities such as Hong Kong, Dubai or Berlin.

Cities that have a clear identity, offer a good quality of life and have the amenities their target demographic demands can move ahead of the competition. Pittsburgh in the US, Bilbao in Spain and Malmö in Sweden have all successfully repositioned themselves from bust to boom.

Circumstances will vary from city to city, but once city leaders have identified who they want to attract — entrepreneurs, young families or creative people — they can plan accordingly. Incheon, South Korea, for example, wishes to attract expatriate families specifically, and the authorities are consequently designing the entire city vision to target that cohort.

Getting representatives of a target group to provide input into the planning process is the next step. If you want to attract 25-year-olds, you need 25-year-olds to tell you what they want. Second-guessing what might appeal to them in five or 10 years, once the vision has been realized, is unlikely to work. The most successful projects come about when city representatives hand planning over to end users. Designing their own space allows people to identify with their city and their environment.

The city vision also needs to be comprehensive, covering everything from public facilities to accommodation and from green space to sewage systems.

A city that wants to attract families who care about the environment, for example, must support that vision with everything from solar-powered apartments to a grey-water harvesting system.

Time is the biggest challenge to the successful realization of any such vision. It takes strong political tenacity to stick with a plan, particularly if it involves creating a city for people who do not yet live there. It takes eight to 15 years to change the population and dynamic of a city. That does not sit easily with political cycles.

In some cases, the push for change has to come from beyond the political system. In Pittsburgh, university leaders sought to build on the city’s heritage as a steel town to help it become a center for innovation. In other cities, business leaders or other community representatives may spearhead change.

Whoever creates the vision, they must move quickly to reverse any decline in income or population. Many cities must work now to identify who they need to drive their economies. Only once they have a clear picture of the people who will populate their city in the future can they set about creating the environment to bring them there.

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George Ferguson is a mayor with a lot on his plate — the devolution of services, a major train station redevelopment, a new arena, controversial changes to city parking, not to mention an election — but that rarely seems to slow him down. Dressed in his characteristic white shirt and red trousers, he can regularly be seen cycling between meetings in Bristol.

“I don’t tell my staff how to live their lives but I do want to demonstrate that change is possible”, says George, as he explains that he gave up his car because he recognized he could have a better quality of life without one. “I’m deliberately visible walking and cycling as I want people to feel that if I can do it, they can.”

George isn’t who comes to mind when you picture the mayor of a major city, but perhaps that helped him become the first elected mayor of Bristol, without any political affiliations. “I want Bristol to have recognizable leadership because this can be converted to city-wide leadership”, he says. This approach was first seen in his use of social media. It set him apart and showed that city leaders need to re-engage with the public in a different way from the hustings debates of the past. “I say that I’m not the mayor of the council, I’m the mayor of the city, and my role is to encourage people to participate in the life of the city.”

His pledge to consolidate the council administration from 30 sites down to two central offices also reveals that he passionately believes in the need for people to work together, face to face, to create a thriving city. “When I was elected,
I realized that I needed to appoint a top team that shares my vision for the city in a constructive but critical manner. I don’t just expect people to go away and do exactly what I ask them but to come to me with strategies to achieve the corporate vision and to use the skills that they have.”

“I want to help create a place that’s healthy and a great place for our children. I believe if you make a city that’s good for children then it’s good for everyone”, George declares when asked how he pictures the future development of Bristol. “Although I do want to achieve certain physical things, my focus is on ensuring the city is a safe and friendly place to live.”

“I believe success comes from making the most of what you’ve got but also being open to the opportunities that present themselves. Our success in attracting funding, skills and jobs for our Bristol Is Open smart city concept came through a coming together of the right people and right technology at the right time, building on some wise choices made by the council in the past.

It’s perhaps this balance of planning and opportunity that is the trickiest aspect of a high-profile public role, because the residents and businesses of a city often expect results long before it’s possible to make a transformative difference.

“I’ve worked in business and I’ve worked with the public sector”, says George, “and I’ve lived long enough to know that it takes time to make a real difference in both business and in cities. Business has shareholders to keep happy and it’s very similar in cities. The citizens of Bristol are our shareholders and they expect dividends from their city too. The difference with citizen shareholders, compared to business shareholders, is that the dividends they want are well-being dividends: better physical and mental health, outstanding education, improved air quality, a fair system and a happy place for people to live.”

While George is aware of the need to please people, he’s also very aware of the imperative to balance immediate and deferred dividends when it comes to managing the city. Just like a business, a city sometimes has to use some of its resources in the short term to ensure prosperity in the long run. “As a leader, you need to have courage to take charge through the pain barrier until people can see the benefit”, he says.

Some of George’s greatest challenges have come when trying to implement programs that split public opinions. These have included a mandatory 20mph speed restriction in some areas, residents-only parking on certain streets and a new bus system that required building infrastructure on green land.

“You have to get over the hump of the difficult period for some people to see the benefit, and I had to stick with my convictions”, George explains. “It’s a simple matter of chicken and egg. You can’t restrict cars until you have good public transport, but you can’t have good public transport until you restrict cars.”

“Sometimes the people who make a lot of noise against something drown out the larger number of people who support an idea and recognize the long-term benefit to the city. True leadership is about being prepared to work to achieve that long-term dividend and remembering that a resilient city is one that plans for the future.”
Seven principles for sustainable magnet cities

KPMG believes that when city leaders create a vision for their future city, they should ensure a strong focus on seven fundamental principles. These factors underpin magnet cities and are explained in this section primarily within the context of Bristol, while the experience of other cities showcased in the case studies enriches the discussion.

1. Attract young wealth creators
2. Undergo constant physical renewal
3. Define the city identity
4. Connect to other cities
5. Cultivate new ideas
6. Stimulate investment
7. Develop strong leadership
The future of cities: creating a vision

When young people move into a city, they not only take up existing jobs but in many cases help to create the jobs of the future, driving economic growth and future wealth. Mark Zuckerberg of Facebook or Evan Williams and Biz Stone of Twitter come to mind. The increased variety of employment opportunities that young residents generate draws more people to the city and a positive cycle begins. There is a strong correlation between the economic growth rate of a city and a high proportion of young wealth creators living within it. The net additional jobs they create also secure a city against any decline of its existing industries.

The most successful second cities target specific cohorts of young wealth creators, often by focusing on digital media. App development, artisanal food, the arts, biotech and clothing are just some examples of cultural specialisms that cities can develop.

Groups need to feel as though they would fit in if they moved to a particular city, and focused investment can help develop this natural affinity. Cities in the northern UK did not learn this lesson. They invested heavily in infrastructure to attract young people but saw their economies contract despite population increases. This was because the investments were not sufficiently focused on attracting a particular type of young wealth creators. As a result, the perception of these cities around the country did not change.

The Bristol example

Bristol has defined itself as a diverse place. Its young and energetic population gives the city an alternative feel, and the variety of communities help maintain a village-like atmosphere that residents find appealing.

The Bristol 20:20 Plan, designed to put Bristol in the top 20 European cities, is an initiative that focuses on what the city wants to be in 2020. The approach to forging an identity has been to capitalize on the city’s diversity, as this taps into huge creative potential and defines the city’s character.

Each of the different communities in the city has creativity at its core. Among other things, Bristol is the UK’s top technology city after London, a global hub for the production of natural history programs, a center for street artists such as Banksy, and the home of a vibrant arts and cultural scene supported by various national and international creative agencies.

A profile of young wealth creators

— 20–34 years old
— scientists, engineers, entrepreneurs, designers, artists
— able to develop new businesses
— consider sustainability and environmental issues important
— interested in physical fitness, outdoor pursuits, technology, artisanal food and drink

Undergo constant physical renewal

One of the reasons global cities are so attractive is that they undergo constant physical renewal, ensuring that they remain fresh and innovative and can accommodate the future needs of their citizens. Different areas of these cities fluctuate in popularity, constantly shifting their atmosphere and appearance as different demographic groups come and go. Old buildings are frequently knocked down and rebuilt in a more modern and profitable style by developers.

Second cities do not have such a cycle of physical renewal. The pace of change is considerably slower, and for cities that have experienced years of decline, the need for physical renewal can become comprehensive. If a city fails to evolve with its residents, its magnetism can potentially flip from positive to negative.

The KPMG in the UK’s Magnet Cities report examined several cities and determined that the state of both the housing stock and the urban core is central to any physical renewal process. It is not enough to create good-quality homes and work spaces. Renewal must also generate gathering areas, public spaces, parks and iconic structures that help associate the city with an identity.

As well, renewal must include updating the transportation network. An ineffective network isolates peripheral communities, preventing them from contributing to the vibrancy of the city. It also means that people coming into the city from elsewhere struggle to get access to what it has to offer.

Housing

Young professionals favor housing in or close to urban centers, for easy access to work and leisure facilities. This tendency matches a growing trend within this demographic in many countries of avoiding car ownership and using public transport, bicycles or pay-per-hour automobiles. Young professionals also value the design and sustainability of their accommodation. Housing should be flexible enough to allow a range of accommodation forms and easy to adapt as an individual’s living situation changes. Cities need to cater to these preferences in order to attract young residents.

The Bristol example

Population growth and limited land supply in Bristol have made house prices very high relative to earnings. The shortage of affordable housing for low-income households, particularly younger ones, has acted as a brake on economic growth.

Bristol Housing Strategy 2010–15

The Bristol Housing Strategy 2010–15 was developed to rectify the problem by working with housing organizations to increase the supply of housing through mixed development and good design of sustainable urban communities. The initiative included improving thermal insulation to reduce fuel poverty and CO₂ emissions, bringing empty properties back into use and intervening in the private rental sector.

George Ferguson, the mayor of Bristol, has pushed to avoid building vast housing estates with no identity, arguing that local economies will not thrive because people will go elsewhere. Instead, he has proposed the creation of self-contained and well-designed neighborhoods, with vibrant, easily accessible local centers. The mayor believes that these developments must be appropriate and sympathetic to the identity and culture of the particular area, ensuring that housing is sustainable and will maintain its appeal for future generations.
Affordable Housing Delivery Framework 2015–20
Bristol’s Affordable Housing Delivery Framework 2015–20 has superseded the Housing Strategy and highlights the following priorities:
— locking in available land for housing use
— preventing affordable homes being lost to the market
— pursuing development opportunities within the mandate of the city council and encouraging the release of other unused or underutilized public land for development
— aligning planning policy with the delivery of affordable homes
— having the city council function as a direct developer of new homes.

Urban core redevelopment
A magnetic city has a vibrant center that provides its identity. The energy created by the urban core permeates the entire city. A desirable center typically consists of large numbers of restaurants, bars and shops. Their presence encourages people to travel to the heart of the city from the suburbs to shop, work and socialize. Other factors, such as pedestrianized areas, green recreational spaces and housing, are also becoming increasingly important to ensure that the downtown remains the hub of a city.

Transforming a weak center into a strong one may require city leaders to turn their backs on a city’s heritage. It may be necessary, for example, to demolish old industrial areas and buildings to make space for pleasant social areas, as was the case in the regeneration of Bilbao. Above all else, city planners must be prepared to close the door to parts of a city’s past to make way for the new.

The Bristol example
Bristol benefits from having 450 green spaces — proportionately more than any other city in the country. One-third of Bristol is ‘green and blue’ open space (green spaces and waterways), and 87 percent of the population lives within 300 meters of a public green area. Almost all new construction is carried out on brownfield sites, largely because the city has a small footprint and very little unused green space.
The MetroBus project has invested in a new generation of rapid transit buses to improve journey times across the Greater Bristol area. Three new interconnected routes will be integrated with rail and bus services, complementing other forms of travel in the city.

These characteristics make Bristol a very pleasant place to live, but the limited supply of cost-effective, available development land does present challenges as the population grows. Almost all the city development plans therefore involve creating better transportation connections to neighboring areas and building there.

**Rejuvenating the historical center**
Bristol has seen significant redevelopment over the last few decades, rejuvenating its historical center and revitalizing the surrounding neighborhoods. Major infrastructure schemes have been undertaken, such as the construction of a new arena, redevelopment of the sports stadium and creation of a new business district centered on the redeveloped train station.

The urban core has also developed a thriving cultural scene that acts as a strong pull for young people. The Make Sunday Special program leaves streets traffic-free for markets, street performers and food stands, and a large number of festivals attract residents and visitors to the city center.

**Renewing public transportation**
Transportation is part of the constant renewal in cities. Bristol has historically suffered from underinvestment in public transportation, and the city now recognizes that young people demand quick and reliable ways of getting around a city, for both work and leisure. Over the last decade in particular, the city council has tried to encourage people out of their cars by improving the alternatives. To make the city more appealing to new residents, visitors and investors, Bristol has invested heavily in transportation infrastructure improvements.

The Greater Bristol Bus Network (GBBN) project produced 10 transit corridors with priority bus lanes, traffic lights, bus stops with seating and real-time information, and higher-quality, more accessible buses. This has improved the service dramatically, with faster journey times, more frequent buses and reliable schedules, and greater capacity.

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The future of cities: creating a vision

The municipal corporation serves a large constituency, many of whose residents experience significant poverty. It needed modernization of its service delivery systems and a more coherent vision of its mandate.

The vision

KMC wanted to transform itself into an institution of excellence in city administration and good governance by providing sustainable and equitable urban services. It turned to KPMG in India to devise and coordinate an extensive program of initiatives to improve urban planning, alleviate poverty and maximize service delivery efficiencies.

Objectives and actions

To enhance urban planning, property tax reforms were undertaken and heritage buildings received tax exemptions. Private-party property leasing was introduced in some cases and surplus KMC-owned land was developed with hotels to provide an impetus to the local economy. Increased investment in the city permitted an increase in the number of services that the KMC was able to provide for residents.

To address the needs of low-income residents, a poverty policy was drafted and various poverty alleviation schemes were put in motion. A midday meal scheme was introduced in all schools in Kolkata, and school development committees were established to improve standards in schools.

To improve service delivery, a KMC web portal was developed and accounting and IT systems were restructured. Reduced transaction processing times meant faster release of pensions to employees, faster issue of birth certificates and quicker payment to vendors, among other examples. A grievance redress system and a citizens’ charter were also proposed. These initiatives not only made the KMC more efficient but also enhanced its public image.

Challenges

Over the course of the program, KMC experienced two high-level regime changes. This political discontinuity resulted in changes in policy direction that meant the reforms suffered. Fortunately, some dedicated officials undertook to continue promising initiatives and mitigate the impact of changes at the top.

Lessons learned

Programs of this size require senior management to feel a sense of ownership and commitment.

Building consensus takes time but can be sustained over a longer period. Major reforms will succeed only if they receive broad support.

Implementation of a large program requires continuous communication within the organization to maintain focus on the objectives.

Key recommendation

Large municipal authorities need carefully conceived and planned systems of service delivery, but these can only be planned and implemented on a solid foundation. The authority must articulate its mandate and build consensus — starting from within.
Define the city identity

A city’s identity reflects the values, interests and skills of its residents. If this identity is unique and resonates with a particular group of people, many members of that group will be enticed away from competing cities. A clear identity helps potential young residents understand what the city stands for and whether they are attracted to it.

The ability to promote this identity through media outlets is useful. Manchester did so successfully through its association with popular music in the 1980s and ’90s. New York and Los Angeles are known as film cities. The cultures or subcultures of other cities have been immortalized in books and television series.

Successful second cities have proved that it is possible to refine, re-establish or entirely reinvent what a city is known for. The loss of an earlier identity does not have to produce a magnetic push. Many cities have made a conscious decision to invest in the creation of a new identity to make themselves competitive, particularly following a disaster, negative press or economic decline in one of their traditional sectors.

One such place is Oklahoma City. After the 1980s oil price collapse and the bombing of a major federal office building, it became associated with decline and tragedy. After significant investment in new sports teams, stadiums, health campaigns and bicycle trails, the city became known as a wholesome, outdoorsy, sports-mad city that many young people identified with. Christchurch, New Zealand, is facing similar challenges to reinvent itself from an almost blank slate following an earthquake in 2011.

The Bristol example

Bristol has a great many identities but one stands out. Much like Austin, Texas, the city prides itself on offering an alternative lifestyle, largely from its connection to the arts and grassroots community movements linked to sustainability. This culture has evolved somewhat organically and without central intervention, perhaps promoted by the proximity to tourist hotspots such as Glastonbury and Stonehenge.

Bristol also seeks to be part of innovative movements. It labels itself as a smart city, a playful city, an innovative city, a resilient city, a fair trade city, an open city, a city of the future, a maritime city, a city of natural history, a city of driverless cars, a laboratory for change and more. Each label may apply to a somewhat different demographic group, but together they create the identity of a city that is a melting pot of ideas and cultures.

Owning an identity

While a strong core of residents and businesses is actively engaged in these agendas and identifies with this image of Bristol, however, many groups do not — particularly in less affluent areas of the city. The council is working to overcome this challenge, reaching out to these more isolated groups and areas to encourage them to participate in and identify with their city and their neighborhoods.

A cycling city

The mayor also wants to transform Bristol into a cycling city, because the combination of clean air, reduced traffic congestion and a cheap and easy form of transportation makes the city appealing to young people. A significant investment in cycle lanes, the provision of bicycle loans and cycling training, and the general promotion of cycling have given Bristol the highest rate of pedestrian and bicycle commuting of any city in England and Wales.

Global cities have clear identities

- Austin is quirky.
- Monte Carlo is affluent.
- Berlin is cool.
- Manchester is for music.
Case study: Malmö, Sweden

Malmö has transformed itself from an aging industrial city with a diminishing population and high unemployment to a global center of sustainable technology that attracts young entrepreneurial minds and businesses from around the world.

Initial problems
The city was hugely dependent on the Kockums shipyard, leading to high levels of unemployment when Kockums ceased to trade. The city lost its industrial heart and with that, its identity. Young people left in droves to find opportunities in larger cities. As the tax base shrank, the city got into financial difficulty.

A new identity was required to transform the city from having a magnetic push to a magnetic pull. And this new identity had to be sustainable in the long term.

The mayor’s vision
The mayor let go of Malmö’s old identity. A new city-defining industry was not chosen to replace ship building, as history had proven this strategy to be very risky.

With the help of residents, the mayor decided that Malmö should become a global capital for sustainable living. This would transform the city into a magnet for the entrepreneurial and young.

Objectives and actions
To prioritize residents’ well-being over short-term profits for companies, the mayor rejected a government support package that gave tax breaks to companies that moved operations to Malmö. To encourage young creative thinkers to move to Malmö and remain over the long term, the mayor instead commissioned a brand-new university.

In order to project an identity of sustainability, the city converted its polluted industrial waterfront into an international showcase for sustainable housing. The city also provided testing facilities for prototype clean and sustainable technologies, turning Malmö into an urban laboratory.

To improve access to and from the city and create a larger labor pool to enable businesses to grow, the Oresund Bridge was constructed, a 16-kilometer road and rail link between Malmö and Copenhagen, Denmark.

Finally, to boost visitor numbers and raise awareness of the city, Malmö started hosting major international events such as the Eurovision Song Contest.

Challenges
Unforeseen levels of immigration burdened the education system, and newcomers to the city struggled to find employment. They required significant ongoing financial support.

The influx of young people caused a baby boom, and many new schools had to be built to meet increasing demand.

The vision for the city contrasted with its industrial heritage, and many residents and workers opposed the changes. The mayor stood firm in the face of local dissent and pressed on to fulfill his plan and achieve his vision for the city.

Lessons learned
The mayor’s audacious rejection of the government support package was criticized but secured a more stable future for Malmö’s residents.

A totally new identity can be established for a city if its old identity is lost.

A growing city can become the victim of its own success, with population growth putting stress on social services.

Key recommendation
To attract young wealth creators, a city needs a clear identity. Young wealth creators moved to Malmö when it became known as a hub for sustainable technology. To convince young people to relocate, the identity must appear genuine and should permeate the entire city.

Malmö has transformed itself from an aging industrial city with a diminishing population and high unemployment to a global center of sustainable technology that attracts young entrepreneurial minds and businesses from around the world.
The importance of strong connectivity between cities must not be underestimated. Strong transportation links facilitate the larger labor pool and cheaper exports and imports that can help a city’s businesses grow. This can develop into a positive cycle of job creation for residents.

With easier access come more visitors, boosting income for local businesses and potentially becoming a new generation of residents. Visitors who witness the improvements a city is undergoing will spread the word about these changes. Young people are also more inclined to move to the city if they know they can easily visit friends and family back home, and a city with poor connectivity will find it difficult to attract them.

The Bilbao example

Bilbao was once accessible only by slow local trains. Although an international airport helped to bring in tourists, it did little for locals. Investment in a high-speed train link connecting Bilbao, Madrid and Barcelona dramatically improved access to the city, which boosted numbers of both domestic and foreign tourists.

The Bristol example

Bristol has had long-standing connectivity challenges. There is currently no high-speed rail service to London or Europe although new high-speed rail plans connect other second cities in the country, such as Birmingham, Manchester and Leeds. Future city visions such as 2050 High in Hope involve connecting Bristol and Cardiff to London by high-speed trains.

In the meantime, mainline services from Bristol to London are being electrified as part of the central government’s investment plans to cut journey times and reduce noise and carbon emissions. The modernization will improve the intercity connection for huge numbers of residents and businesses and help grow the economy outside the capital.

A planned redevelopment of Temple Meads train station, which functions as a hub linking Bristol to London and several other large cities, will also reduce travel times, double the number of services and open new lines. Once it becomes a gateway to the rest of the country, the station will boost investment and economic growth in the enterprise zone where it is located — and in the rest of Bristol as well.

These developments bring the risk of Bristol becoming a commuter outpost of London. The city will have to make efforts both to ensure that businesses see the value of basing themselves there and to find ways to draw businesses out of London. Industries that have already relocated to Bristol have come to enjoy better staff retention, and the city can promote a better lifestyle and more affordable housing for employees as a way to attract businesses.
Cultivate new ideas

It is important to cultivate a city culture that encourages and takes pride in new ideas. KPMG’s work on magnet cities found that one of the most effective drivers of such a culture is the presence of a well-performing university. A strong education sector that includes universities, colleges, schools, community courses and apprenticeships will produce a high proportion of skilled and ambitious residents and attract similarly driven and able people to move to the city to work with them.

Spin-off companies that can help build a new identity for a city often originate from universities, typically those specializing in research and emerging technologies. Universities in Pittsburgh, for example, chose to specialize in computer science and robotics, and the city built a large commercial building for the companies that grew out of the university and for technology firms such as Google. An investment fund was established to support the emerging technologies developed by researchers, with the result that the city is now a global center for medical robotics.

Universities, of course, do not provide the only means of cultivating new ideas, particularly when it comes to engaging the entire population of a city. In Tel Aviv, for example, many citizens join the Intelligence Services as part of their mandatory army service, and the knowledge they gain has helped produce a population with expertise in communication technologies. In response, the city has supported the growth of communication businesses by holding an annual Start-Up Week, allowing young entrepreneurs and investors to meet.

The Bristol example

Students make up approximately a tenth of the population of Bristol, which has two universities. The student population of more than 40,000 represents a huge pool of young talent that attracts businesses to the area.

Bristol is also home to world-class academic research, business activity and technological innovation, with the potential for increasing economic investment through science and advanced engineering. Aerospace engineering, information and communication technology and creative technologies form a particularly significant cluster of activity that attracts a highly skilled young workforce. That results in further innovation and productivity, as like-minded companies set up offices in the city.

Bristol Temple Quarter Enterprise Zone

Bristol Temple Quarter Enterprise Zone is a 70-hectare urban regeneration project that was completed in 2012 in the heart of the city. It is now home to over 300 businesses. With rapidly growing clusters of small and start-up businesses, particularly in the creative, digital and high-technology sectors, estimates suggest that the zone could create 17,000 new jobs over the next 20 years.

The initiative was intended to drive local growth and create jobs. The Enterprise Zone offers a range of incentives to businesses, including tax breaks, low-rent business incubator units and simplified planning procedures. Because the zone was developed with businesses in mind, it offers high-speed
The Engine Shed has kick-started growth in the Enterprise Zone and become a sustainable, thriving hub of enterprise that houses 18 businesses and supports 44 more. It contributed an estimated £8 million to the local economy in its first year and has the potential to create 5,000 new jobs over the next 15 years.

**Engine Shed**

The Engine Shed is a collaboration between Bristol City Council, the University of Bristol and the West of England Local Enterprise Partnership in the Temple Quarter Enterprise Zone. Its purpose is to stimulate long-term economic growth by supporting businesses, inspiring young people and showcasing local opportunities to the public and to potential investors. The venue focuses on science, technology, and low-carbon, creative and digital industries, offering entrepreneurs, business leaders, academics, students and corporations a place to collaborate and inspire one another.

The Engine Shed has kick-started growth in the Enterprise Zone and become a sustainable, thriving hub of enterprise that houses 18 businesses and supports 44 more. It contributed an estimated £8 million to the local economy in its first year and has the potential to create 5,000 new jobs over the next 15 years.

The initiative has been so popular that demand for space is outstripping supply and funding for a second facility has now been granted. Its success can be attributed to the combination of talent, ideas and support through mentoring schemes with established businesses.

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To become a magnet, a city must embrace a spirit of financial self-determination. This involves offering its own risk capital to attract investment and reducing reliance on investment from national government. In an age of global austerity, municipal governments increasingly understand that they cannot rely on the support of central government funding to deliver services. The global devolution of fiscal and other powers from central to local governments means that cities must become masters of their own financial destiny.

Being self-reliant enables a city to make high-risk decisions without permission, and to implement significant changes quickly and efficiently. City residents gain far greater control over the decisions that affect them, and the city government can determine the policies and priorities that will support the implementation of the city’s vision.

In many ways, self-reliance also makes it easier to raise revenue, because residents and businesses are less likely to object to tax or fee increases when they see that the money will be spent directly for the benefit of the city.

Most second cities struggle to meet their budgets, particularly if they are losing residents. With little to invest in future assets, the most effective way to raise funds is often to utilize high-value assets. The Swedish city of Malmö, for example, borrowed funds to clean up brownfield sites and install sustainable infrastructure. The land was subsequently sold to developers, generating sufficient profit to cover the debt and start a second phase of investment.

Similarly in Incheon, South Korea, a plot of land was sold to a consortium of developers and construction companies to finance and build privately. The result was a new district — developed and paid for.

Several UK cities have negotiated deals with the central government that take advantage of historically low interest rates to borrow large sums. The money has been invested in infrastructure that will create growth and jobs, and the resulting increased tax revenues can then be used to repay the capital.

**The Bristol example**

Various visions for Bristol have recognized that an investment plan is required to achieve the city’s ambitions. They suggest that the city pool resources across the region, including those of neighboring local councils, drawing on a combination of government funds, private-sector investment, and public-sector land banks — entities that manage and repurpose inventories of undeveloped or underused land.

It is vital to give businesses a say in how and where the funds are invested in order to generate the private-sector jobs. Many UK cities are exploring the possibilities that political and financial devolution presents.

**Sources of funding**

**Private investment:** The business community can be persuaded to create investment vehicles for emerging technologies and start-ups.

**National government:** Support from the national government is often needed to finance large infrastructure projects.

**Direct taxes:** Local residents and businesses can be taxed directly to pay for investment in the city, such as a 1 percent sales tax levy voted for by Oklahoma City residents.

**Levies:** Service users or beneficiaries of a service (not always the same groups) can be subject to levies, which can then be used to repay loans or bonds.

**Assets:** Public assets can be leased or sold to enable investment elsewhere.
Creating a city that attracts new residents inevitably requires strong leadership. These leaders feel compelled to turn their cities into a beacon for others, rather than prioritizing politics and short-term goals. KPMG in the UK’s Magnet Cities report clearly identified that leaders of strong, successful cities must be capable of making controversial decisions such as refocusing the city’s heritage or forcing businesses and homeowners to relocate. They must also have the courage to face any resulting criticism. In Bristol, the introduction of residents’ parking permits and the development of a rapid transit bus scheme — despite having to put a route through some much-loved allotment gardens — are two examples of clear leadership from the mayor.

In many cities, the projects invested in typically benefit one social group or another, sometimes at the expense of other groups. For example, a project to develop old housing in the city to create new living space for young wealth creators might support young middle-class families at the expense of workers who are left vulnerable to increasing housing prices. Any intervention therefore needs to be balanced to manage public dissent.

It is also important, however, that city leaders stick to their vision even when faced with hostility, because compromises can produce a bland city without any true identity. The process is about finding a vision that delivers a better quality of life for all residents and distributes benefits fairly.

“The city must not succeed only for the benefit of the few, at the expense of the many.”

George Ferguson
Mayor of Bristol
Case study: Casey, Australia

The City of Casey is one of the fastest-growing municipalities in the outer suburbs of Melbourne, Australia. Established only in 1994 from a merger of various local governing authorities, the City of Casey Council has had to forge a governing culture for itself in order to succeed — and to this end has been successful.

Initial problem
The City of Casey Council needed to energize itself and the administrative leadership team, but that required a solid foundation of trust and greater organizational maturity.

The vision
City councillors wanted to ensure they were managing resources as efficiently and effectively as possible. To do so meant developing stronger leadership with the confidence to focus collectively on solving the city’s problems. They asked KPMG to help.

Objectives and actions
To review the efficiency and effectiveness of council services, KPMG employed a five-step process for evaluating the city’s performance, including:
1. Identifying City Services and the cost to deliver each service
2. Defining effectiveness criteria to evaluate each City Service
3. Applying the evaluation criteria through focused interviews
4. Determining design principles to assess City Services
5. Developing recommendations and next steps for improving City Services.

A key component of the exercise was to establish 12 criteria for assessing the city’s performance. These criteria not only reflected their strategic aspirations and the needs of the growing population but also identified factors that were unique to Casey, such as requirements of particular parts of the community.

The efficiency and effectiveness of services were then reviewed based on outputs and performance. This ‘value for money’ assessment was also carried out to address the relevance and sustainability of the services being provided. Based on this review, KPMG and the Executive Management Group identified areas that required deeper analysis, but certainly areas worthy of focused attention.

To develop a corporate plan, the project provided a platform for councillors to identify and focus on corporate priorities, and this in turn energized their leadership.

Challenges
Both the City of Casey Council and its executive team lacked cohesion especially when it came time to act in the best interests of all city stakeholders. This was addressed by using straightforward language and simple assessment tools. Throughout the exercise, KPMG worked with councillors and city executives alike to build skills and provide sufficient time to engage and listen to all stakeholder perspectives.

Lessons learned
Understanding the culture of city councils and their executive leadership teams is critical in order to work more collaboratively to achieve common goals and objectives.
To successfully implement service improvements in complex city organizations requires pragmatic evaluation tools that combine cost-of-service levers (efficiency) tempered with value of service in achieving broader program goals (effectiveness) – a balance that can only be achieved by working collaboratively.

Key recommendation
While many cities around the world are striving for improvements in service efficiency and effectiveness, some cities have taken this to a new level by building a culture of trust, collaboration and cohesion between the elected officials and administrative leadership team.
City leaders need to remember their purpose; they are custodians, building future success. It is easy to focus on short-term gains and lose sight of the potential to make long-term changes. A good city manager may stay in the post for only 10 years, but he or she has the ability to affect the lives of city residents for the next 50. It is a long game.

Legacy is important — everyone wants to be remembered — but vanity projects are not the answer. City leaders must first provide the basics for the population: access to clean water, safety and security, accommodation, transport, healthcare and so on.

A successful city is one that goes further and creates a sense of belonging and purpose. A city has arrived when people identify with it irrespective of their own nationality or ethnicity, becoming Vancouverites, New Yorkers or Muscovites. There is no template for these ‘higher functions’. Each municipality must build on its particular strengths, but developing a sense of place and community is essential.

City leaders face different challenges, but they must all be able to inspire, to communicate and, perhaps most important, to listen to both their colleagues and the public. I have spent my whole career helping people build and lead big infrastructure projects — everything from transit systems to hospitals, schools or airports. In my experience, project leadership and project management are among the biggest determinants of success or failure.

An uninspired leader will create an uninspiring project. If you want people to work harder and strive for excellence, you have to inspire them. Interestingly, this kind of leader is often also the best listener: someone who can absorb information and offer coherent feedback to their staff and city residents more widely.

Some of the biggest leadership challenges involve developing a clear vision and communicating it effectively. Ideally, that vision should emerge from consensus, from listening to the public, interpreting trends and responding to what people need. The current financial environment makes it more important than ever to build consensus among civic authorities, developers and the public.

Staying in touch with the original vision, while consistently bringing projects in on time, on budget and with the expected benefits, is the hallmark of a truly effective leader. A few examples spring to mind — people such as Sir Howard Bernstein in Manchester or David O’Brien in Mississauga, who have delivered solid financial management and growth over many years.

That said, creating the infrastructure of a successful city is such a complex task that it cannot be the work of one individual. Developing a vision and delivering on the details require very different skill sets.

Delegation is key. Fundamentally, the leader’s job is to empower people to do their work while keeping an overview of the entire project. Holding on too tightly to every detail slows down all activities — and that is ultimately bad for the city.

Maintaining momentum is also part of a leader’s mandate. Many projects will take years to deliver and decades to pay back on investment. Continuing to justify a project over the time it takes to come to fruition will be an ongoing challenge. I can foresee city leaders having to make the same justifications repeatedly, but then cities are not built in a day, a year or even a lifetime. Leaders need to maintain their purpose and keep their eyes on the horizon.

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About KPMG

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