

# Let's talk about Towns

Building a better understanding  
of town vitality

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Aveek Bhattacharya

**SMF**

Social Market  
Foundation

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Kindly supported by

**VISA**

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Before joining the SMF, he was Head of Macroeconomics and a Director at the economics consultancy Cebr, where he led much of the consultancy's thought leadership and public policy research.

Scott's expert insights are frequently sought after in publications including the Financial Times, The Guardian, The Times and The Daily Telegraph. Scott has appeared on BBC News, Sky News, Radio 4 and a range of other broadcast media.

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Aveek studied Philosophy, Politics and Economics at undergraduate level, and has Master's degrees in Politics (from the University of Oxford) and Social Policy Research (from the London School of Economics). He holds a PhD in Social Policy from the London School of Economics, where his thesis compared secondary school choice in England and Scotland.

Aveek is co-editor of the book *Political Philosophy in a Pandemic: Routes to a More Just Future*.

## FOREWORD FROM THE SPONSOR

### Mandy Lamb, Managing Director, UK&I, Visa

Up and down the United Kingdom, there is enormous potential across our towns. Towns where the majority of us live, work and raise our families. Towns where a thriving mix of businesses and services contribute to vibrant local economies.

Crucial to these towns are the people, ideas, businesses, investment, and infrastructure around them.

During this period of economic uncertainty, it is important to understand the economic foundations of our towns. Through better understanding, we hope to explore what steps can be taken to further unlock their potential.

That is why we are launching *Talk of the Town*.

A geography often overlooked in favour of cities, *Talk of the Town* seeks to better understand our towns and celebrate the many ways, up and down the country, they are supporting prosperous businesses and communities.

Visa is playing its part in this. We strive to uplift everyone everywhere by being the best way to pay and be paid, delivering an innovative, reliable, and secure payments network for businesses and consumers, no matter where they are in the world.

As part of that mission, we are delighted to be launching *Talk of the Town* with the Social Market Foundation, and supported by the British Retail Consortium, combining primary research with Visa payments data to deliver fresh thinking on the dynamic changes in economic strength across the UK.

With the insights generated from this first-of-its-kind report, we want to start a conversation with policymakers at a local and national level on how we drive commerce, entrepreneurship and business led growth across the country.

This is only the first step on that journey, and we very much look forward to seeing how *Talk of the Town* might inform future policies aimed at ensuring that everyone, everywhere, is uplifted.

## EXECUTIVE SUMMARY

This report is about towns. Smaller and less populous than major cities, these places often fall by the wayside in policy discourse – particularly when it comes to conversations about the economy.

Despite efforts from policymakers in recent years to harness the power of towns, their potential remains an issue that needs to be addressed. This analysis presented here – which leverages proprietary Visa payments data – shows that there is significant untapped potential in our towns which could be unlocked with the right policy focus. This would not only benefit local businesses and people, but also the economic growth of the whole country.

This is just the first step of a broader programme of work that will bring businesses, partners, and policymakers together to understand the drivers of economic success in towns that can help inform and shape policy in the future.

### The growing political salience of our towns

Far from being a partisan topic, improving the economic vitality of towns should be a cross-party matter with scope for consensus on a range of policy options for achieving this.

Talk of the Town shows that 86% of towns have untapped potential that could spur growth in their communities. Unlocking wider growth across these towns will be essential in driving positive outcomes for the UK economy and enable people and businesses, across all our communities, to thrive.

Half of us in the UK live in towns and over a third of our jobs are based in them. Almost a third of these towns sit within the boundaries of swing parliamentary constituencies.

### The analysis gap

Despite increasing recognition of the economic importance of towns, and of their political and economic potency, the data and analysis used to inform policymaking is yet to catch up. There is little readily available information comparing the strengths and limitations, assets and opportunities, of different towns – though several such exercises have been conducted for other geographical units like cities and regions. That is why we decided to develop *Talk of the Town*.

This report is the first study of its kind to measure the vitality of towns as distinct places, rather than data analysing broader local authority territories or other statistical areas.<sup>i</sup> We examined nearly 900 towns across the UK to identify their vitality using five key indicators: economic prosperity, people and skills, infrastructure, business environment and sustainability.

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<sup>i</sup> To do this, the SMF has analysed granular Office for National Statistics data covering “build up areas” and “built up area sub-divisions”. The Talk of the Town Report also draws on granular VisaNet data on local-level spending patterns.

In this phase of the project, we have focused on measuring economic vitality in towns and understanding how the drivers of prosperity vary across the country. By compiling a local-level dataset of town economies, we have then developed a typology of towns sharing similar characteristics.

### Six types of towns

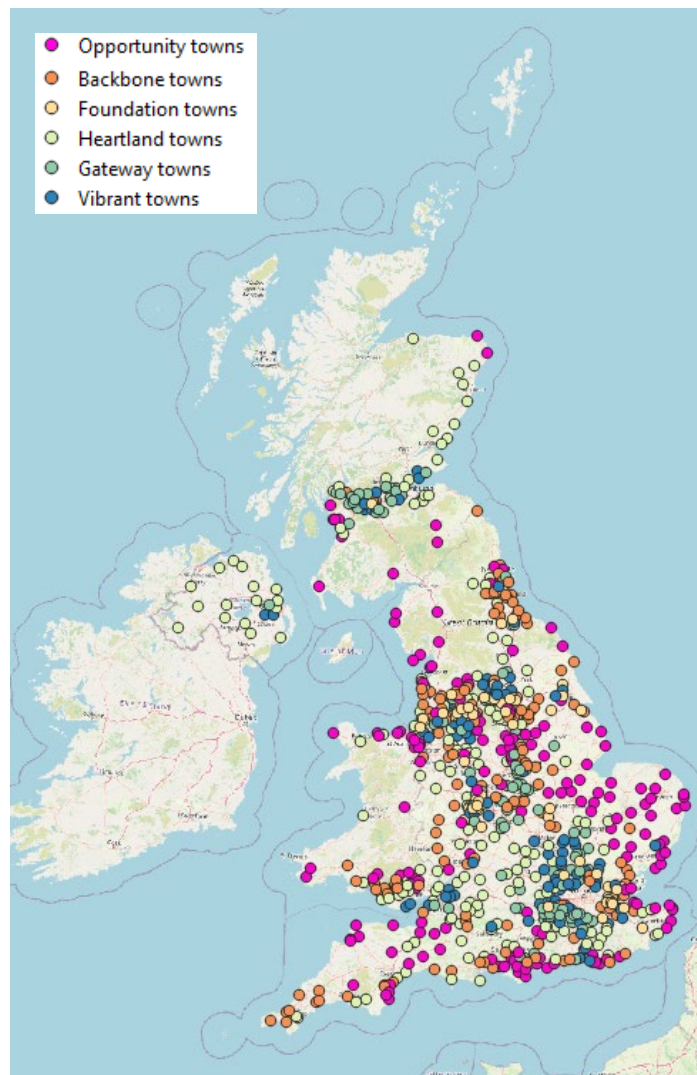
The 86% of towns with untapped potential are far from a homogenous group – with economic strengths, weaknesses, risks and opportunities varying greatly. Our analysis of the data splits these towns into five categories. Including the 14% of “vibrant” towns, this gives us six town types in total, summarised in the below table:

Town type and % of all UK towns in category	Description	Typical examples	Noteworthy geographical concentrations of town type
<b>Vibrant towns (14%)</b>	Towns scoring above average on skills, infrastructure and the business environment.	Watford, Sutton Coldfield, Livingston	Often near major cities The “London-Gatwick-Brighton corridor”
<b>Opportunity towns (21%)</b>	Often nice places to live (for example, as measured by resident wellbeing) and sometimes relatively affluent, but scoring below-average on skill levels, infrastructure and business environment.	Ramsgate, Clacton-on-Sea and Scarborough Merthyr Tydfil Peterhead	Coastal towns Places that have struggled from de-industrialisation, such as ex-mining communities.
<b>Backbone towns (20%)</b>	Places scoring above average on infrastructure or business environment (but not both), suggesting strengths to build on. These places are below-average on skill levels.	Sittingbourne, Hastings, Wellingborough, Blaydon-on-Tyne	Southern coastal towns South Wales Towns near Liverpool and Newcastle
<b>Foundation towns (11%)</b>	Towns that perform well on infrastructure and business environment but fall short on skills levels.	The “New Towns” of Harlow, Stevenage and Basildon Ashford, Kent	Towns around Birmingham, Manchester and Leeds. “New Towns” The “Thames Gateway” (estuary towns in Kent and Essex)
<b>Heartland towns (21%)</b>	Towns with above-average skills levels but below-average infrastructure quality.	Buckingham, Brackley, Banbury	More rural parts of England and Wales, the East coast of Scotland, Northern Ireland
<b>Gateway towns (14%)</b>	Towns with above-average skills levels and infrastructure, but a below-average local business environment	Oxted, Caterham, Rickmansworth, Harrogate	“Commuter belt” towns near major cities such as London, Edinburgh, Manchester and Leeds

Source: SMF analysis



Figure 1: Typology of towns



Source: SMF analysis

### Other key themes

Beyond identifying 86% of towns with untapped economic potential, we have identified six key themes that have emerged from our analysis, and our segmentation of towns into different types:

1. **A towns versus cities narrative is likely to be counterproductive.** Towns benefit from the economic “halo effect” of successful cities. Successful city economies have a halo effect with prosperity and a strong business environment spilling over into surrounding towns. Improving the dynamism of less economically successful cities could be a powerful way of improving the vitality of towns.

There are exceptions to the rule – for example, Ipswich and Cheltenham are vibrant towns despite not being within the economic halo of a major city. This may reflect, among other things, both towns performing well on livability and resident wellbeing, as well as benefits associated with being university towns.

2. **A North-South divide in economic vitality is far too simplistic.** Vibrant towns and less economically dynamic towns can be found all over the country. A narrow policy focus on levelling up the North raises the risk of Southern towns failing to meet their full potential.
3. **Prosperity needs people.** Our “people & skills” metric is the best predictor of economic vitality. Driving up skills levels, attracting talent from other parts of the country and tackling health inequalities has to be a focus of policy.

Levelling up health appears to be relatively more important in Scotland and Northern Ireland, while levelling up skills is more important in Southern coastal towns and the East of England.

4. **Foundation towns need to focus on skills, wellbeing and livability.** We have identified 91 “Foundation towns”. These are above-average on infrastructure quality and business environment, but below-average on skill levels. Several “New Towns” fit into this category, such as Stevenage, Basildon and Harlow.

Upskilling and drawing talent into these places could unlock growth. Policymakers need to understand the “secret ingredients” needed to make these places attractive to high-skilled individuals, which may include factors such as the cultural offer of the town, access to good schools and the town’s ‘trendiness’. Our analysis shows that Foundation towns have relatively low levels of resident happiness – suggesting a focus on wellbeing may be the key to drawing in talent and unlocking economic growth.

5. **Economic vitality must not come at the expense of wellbeing.** Many places that score relatively poorly on economic dynamism have relatively high levels of life satisfaction. Improving the vitality of town economies should not come at the expense of worse wellbeing outcomes.
6. **On average, opportunity towns and heartland towns face the greatest challenges in reaching net zero.** High car dependency, tied to below-average infrastructure, is pushing up CO2 emissions in these areas. To reach net zero, these towns will need to consider ways of encouraging a modal shift to public transport, cycling and walking, in addition to easing the transition to electric vehicles (e.g. through investment in charging infrastructure).

Also, a relatively high proportion of businesses in Opportunity towns and Heartland towns are in carbon-intensive industries.

## The next phase

This report begins a broader programme of work that will bring businesses, partners, and policymakers together to dive deeper into the drivers of economic success in towns and the concrete steps policymakers can take to untap their potential.

We will be speaking to people across the country who know the most about what makes towns tick – the people who live and work in them – in a series of policy workshops. This will be complemented with a programme of engagement with industry, government, and the third sector, to identify scope of consensus and coalition-building on key policy ideas.

Ultimately, we want to identify policies that are both beneficial to towns, and have a good chance of being implemented. We are keen for interested individuals and organisations to get in touch with us to participate in the discussion about the future of town economies.

Policy recommendations will be published in 2023.

## CHAPTER ONE – WHY FOCUS ON TOWNS?

There is a great deal of untapped potential across towns. Potential that, with the right policy, could be unlocked in the near future.

A substantial proportion of British people live in towns and have a deep attachment towards, as well as pride in, the places they have chosen to live and build their lives around. This has, in part, been recognised in recent years and has led to something of a mini-resurgence of the political salience of towns. However, there is also a recognition that more can be done by policymakers to harness their potential and resources.

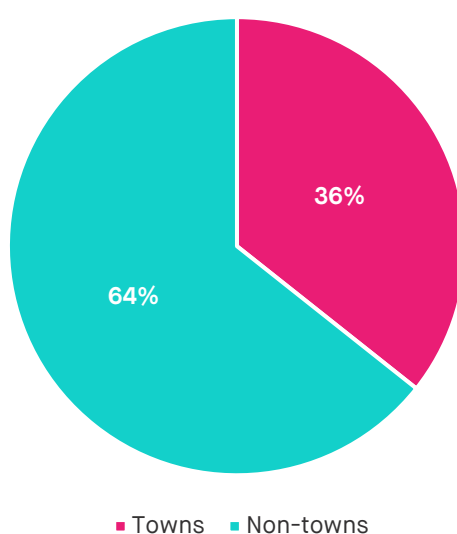
According to our data, towns – as we shall see – do not exist as a coherent and consistent statistical category, however strong they are in the public perception and residents' identity. That is why we have chosen to focus on towns: to help inform discussion and policymaking by bringing the metrics on different areas' performance closer in line with the places that people care about.

### The social and economic significance of towns

As we shall see, there is no settled definition of a town – in contrast to the official accreditation process for cities – a fact that perhaps illustrates the political status bestowed on each type of settlement. However we choose to define them, towns are significant.

Under the definition we use in this report (more information on which can be found in the appendix), nearly half the UK population (46%) lives in a town. Towns' share of economic activity is somewhat smaller – since many people commute from towns to work in organisations based in cities, and others live in towns but do not work (e.g. retirees). Nevertheless, over a third of UK employment (36%) is in towns.

**Figure 2: Share of UK employment**



Source: ONS, Business Register and Employment Survey, SMF analysis

It is common for economists to lionise the economic value of cities, which are praised for their ‘agglomeration effects’, their ability to bring people together to collaborate, coordinate and learn from one another – therefore creating economic ‘clusters’. To some extent, this reflects economies of scale, and the effects are likely stronger when populations are in their millions rather than their thousands.

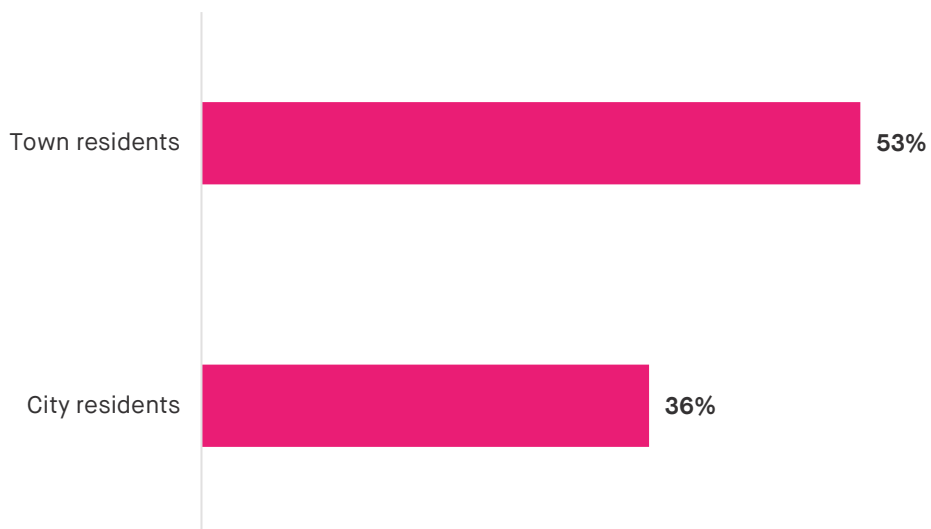
But the benefits of urbanism are not just restricted to cities. Towns can also produce likeminded individuals sharing the same space and can also create their own unique specialisms and niches. Part of the purpose of this report is to explore such success stories.

In the British economy today, there are plenty of examples of towns that match cities for economic performance. For example, the Government’s Levelling Up White Paper observes that productivity in Darlington is similar to central Manchester.<sup>1</sup> There may be some debate over how far this reflects overperformance from Darlington or underperformance from Manchester, but it demonstrates how successful well-functioning towns can be.

### The growing political salience of towns

Public opinion surveys since 2015/2016 have confirmed that residents of towns are more likely to feel disenchanting and let down by the economy, and in turn politicians. Defining towns as settlements with over 10,000 residents, a 2017 survey from the Centre for Towns found that the majority of people living in towns (53%) believed that their area is financially less well off, compared to 36% of city residents (Figure 3).

**Figure 3: Proportion of people that believe their area is ‘financially less well off’, 2017**



Source: Centre for Towns, Launch Briefing

This perception does not necessarily reflect economic reality. Analysis by the Office for National Statistics – using a broader definition of towns as places with a population between 5,000 and 225,000 – indicates that 28% of town dwellers live in the most deprived neighbourhoods in the country, compared to 33% of non-town inhabitants.<sup>2</sup>

Moreover, the average employment rate in towns is above the national average, though that is not the case for large towns with over 75,000 residents.<sup>3</sup>

Even so, people living in towns do not feel they receive enough attention. Around 69% say that their area is “less central to British society”, compared to 56% of people in cities.<sup>4</sup> Figure 4 shows that two-thirds of those in towns believe that politicians do not care about their area, 14 percentage points higher than the equivalent figure for those in cities.

**Figure 4: Proportion of people that believe ‘politicians don’t care about my area’, 2017**



Source: Centre for Towns, Launch Briefing

This finding led to something of a backlash, most visibly through the establishment of the Centre for Towns, a research organisation.<sup>5</sup>

The Johnson administration’s recent response has been the establishment of the Towns Fund for England, announced in 2019. This is a £3.6 billion pot, targeted at ‘struggling towns’ in order to improve their economic fortunes.<sup>6</sup> It contains three strands:

- £2.3 billion allocated for 101 towns that were prioritised and encouraged by government to submit proposals for projects of up to £25 million (or £50 million in exceptional circumstances)
- A competitive process for towns that were not among the 101 initially invited to bid for the remaining funding
- The £830 million future high streets fund, aimed at regenerating 72 town centres that face significant challenges, though this is open to cities as well.

Initiatives funded by the programme include improvements to Blackpool illuminations to attract tourists (the biggest award at £39.5 million), modernisation of Torquay town centre and investment in Peterborough to support green skills and sustainable transport.<sup>7</sup>

## CHAPTER TWO – THE TOWN VITALITY REPORT

Towns are far from a homogenous group, even when looked at through the narrow lens of economic performance. Relative strengths and weaknesses vary greatly, with implications for the level of prosperity in different towns as well as the policy solutions needed to improve their fortunes.

To understand how these economic strengths and weaknesses play out across the country, we have constructed the Town Vitality Report – a composite measure of economic vitality consisting of five broad pillars:

- **Economic prosperity** – consisting of data on employment, salary levels, economic output (as measured by gross value added) and consumer spending (using local-level Visa transaction data).
- **People & skills** – consisting of data on the health of the workforce, as measured by inability to work for health reasons and pervasive work-limiting conditions. This pillar also contains data on educational qualifications held and the relative size of the working age population.
- **Infrastructure** – consisting of data on the number of jobs within a one-hour drive or one-hour public transport trip to gauge the quality of transport infrastructure. We also measure data on digital infrastructure in terms of average broadband download speeds.
- **Business environment** – consisting of data on new business creation, access to support for small and medium-sized enterprises and the strength of high street spending (based on local-level Visa transaction data on leisure and retail spend).
- **Sustainability** – consisting of data on CO2 emissions, the share of businesses in carbon-intensive industries and proximity to net zero industry clusters.

In this chapter, we explore the key themes that have emerged. This includes through setting out a typology of towns, consisting of clusters of places sharing similar economic characteristics.

In the process of developing the Town Vitality Report, we aim to shed new light on the drivers of economic success in towns, the relative strengths and weaknesses of different places, and the extent to which the policy levers required to drive further economic growth vary. For example, for some towns, policy may need to focus on skills, while for others the focus is likely to be on improving infrastructure or addressing poor health outcomes which filter through into inability to work.

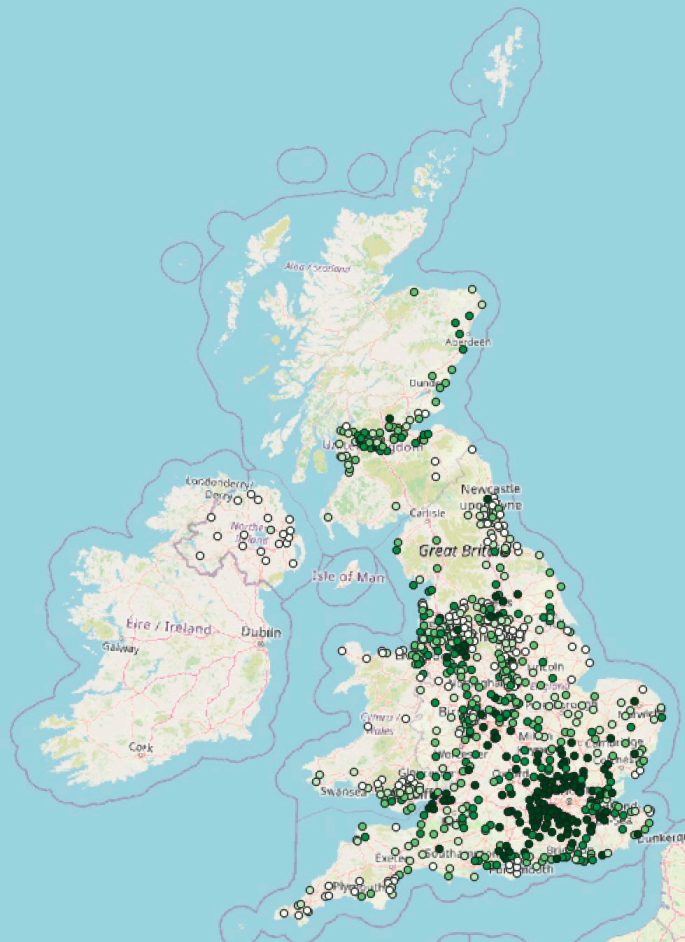
### Toplines from the Report

The maps overleaf illustrate towns across the UK on the five pillars of the Town Vitality Report. As these show, relative strength on each of the pillars is dispersed across the country, and likewise relative weakness. Further, while there are positive correlations between the pillars of the Report, these are imperfect – relative success on, for example, the business environment, does not necessarily mean similar strength when it comes to infrastructure quality. We revisit these points in more detail shortly.

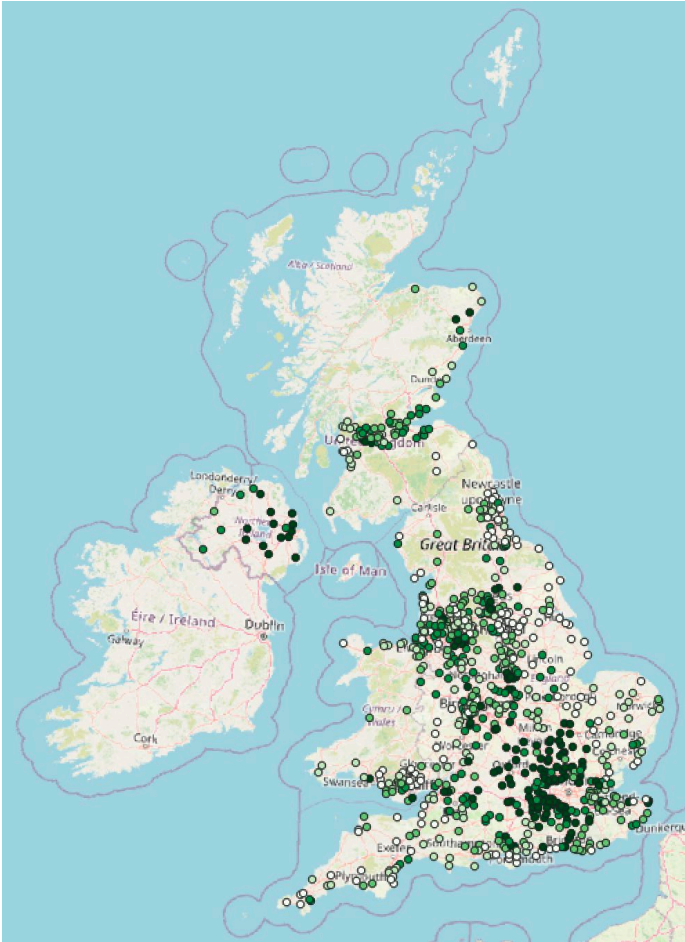


Figure 5: Mapping the pillars of the Town Vitality I Report. White = bottom quintile, Dark green = highest quintile

Economic Prosperity



People & Skills



Infrastructure

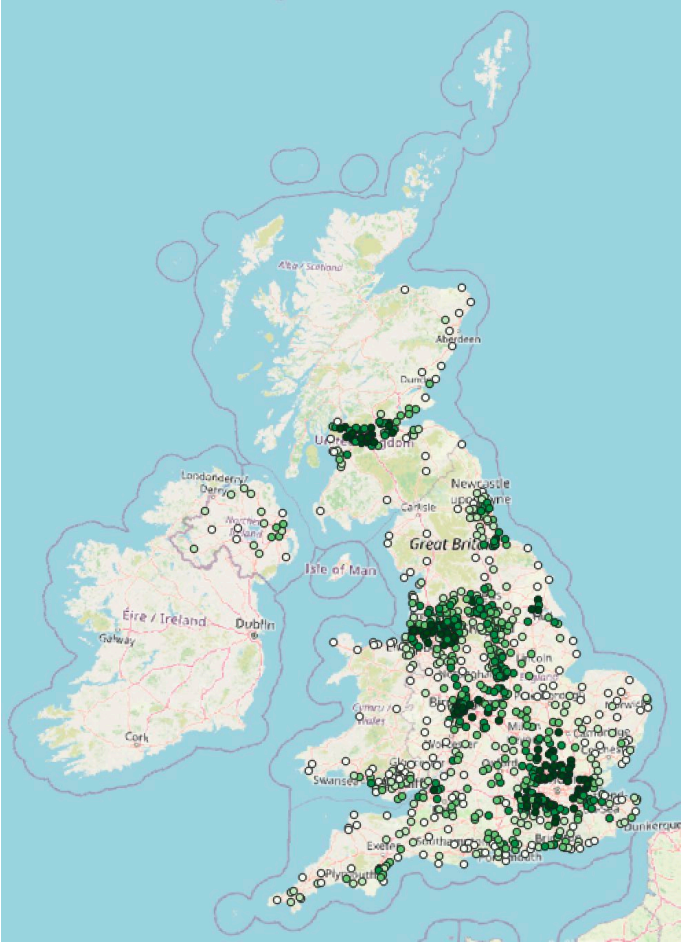
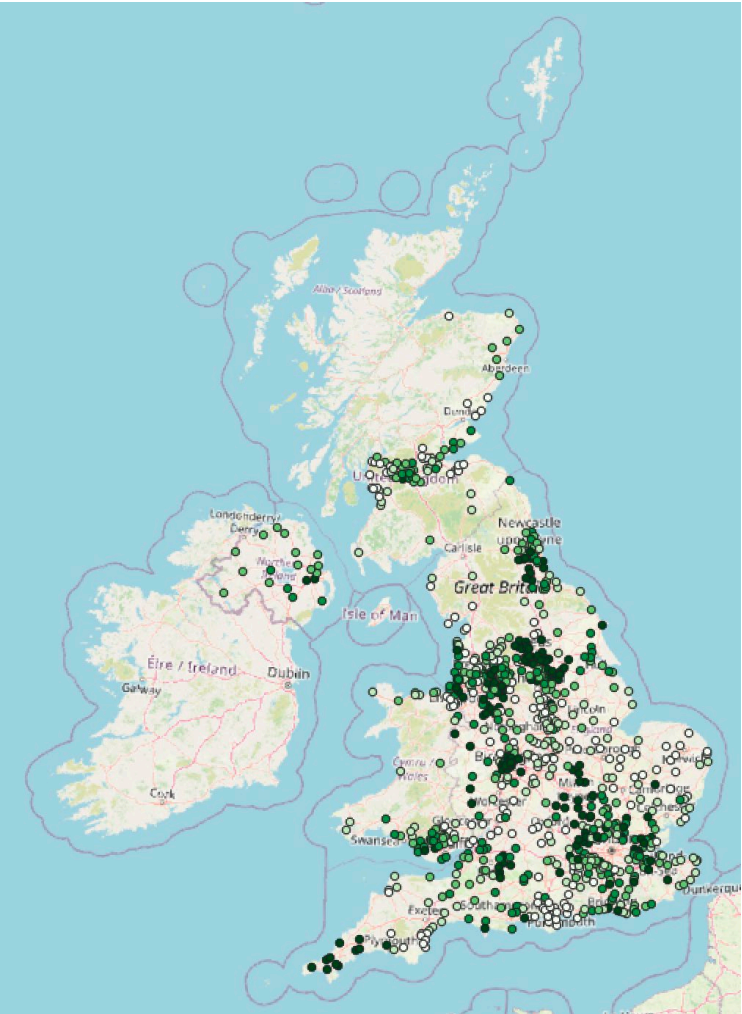


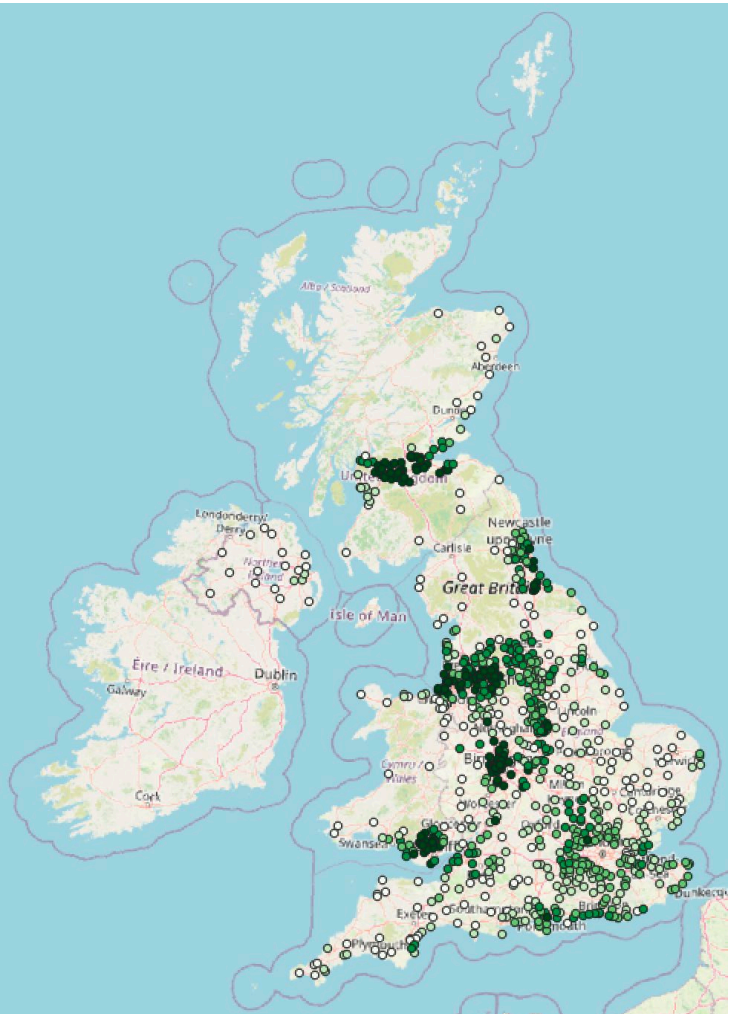


Figure 6: Mapping the pillars of the Town Vitality Report. From left to right: Business Environment, Sustainability. White = bottom quintile, Dark green = highest quintile

Business Environment



Sustainability



## A typology of towns

Using the Town Vitality Report dataset, we explored the extent to which there were natural groupings of towns, based on their scoring on the different components of the Report. This analysis first drew upon the findings of a statistical clustering analysis, complemented with a more rules-based approach to defining the clusters in order to avoid counterintuitive groupings. Based on this analysis, we have arrived at six distinct town types based on key pillars of the Report.

### Opportunity towns (21% of all UK towns)

These are often nice places to live. For example, when measuring resident wellbeing and relative affluence, but score below-average on skill levels, infrastructure and business environment.

Coastal towns are disproportionately Opportunity towns – for example, Ramsgate, Clacton-on-Sea and Scarborough. This aligns with other SMF research showing that coastal communities on average have weaker economic outcomes than “inland” communities.<sup>8</sup> Places that have struggled following de-industrialisation, such as Merthyr Tydfil in Wales, also fall into this category.

As we show later, Opportunity towns can be found across the UK. Far from being concentrated in the North of the country, a significant proportion of Opportunity towns can be found in the South, with such places sometimes being pockets of economic weakness in otherwise affluent regions. Opportunity towns in the South are at particularly high risk of being overlooked by policymakers, as their economic challenges are masked by official statistics that often look at broader levels of geography.

Economically unfavourable demographics, with a relatively small and shrinking working age population, are a common challenge for Opportunity towns. For example, Brixham, Louth and North Walsham have among the smallest populations aged under 65 in the UK (as a share of the total population in these towns). Of the 50 “oldest” towns in the UK<sup>ii</sup>, 32 are Opportunity towns.

Given their relative weakness on a range of measures, Opportunity towns are likely to require the most intensive policy support to unlock economic growth. But it is important not to treat Opportunity towns as a homogenous group. Although, given our definition, they have some shared characteristics, the *drivers* and *magnitudes* of these characteristics vary. For example, for some towns in this category, addressing poor public health appears to be a greater issue than improving the number of educational qualifications held – a topic we return to later.

Opportunity towns also differ in their relative strengths. For some, liveability and high levels of resident satisfaction could be used as a draw for talent from elsewhere in the country. For example, Tavistock, Northam and Bideford – all Opportunity towns – are among the happiest places in the UK, according to official statistics.

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<sup>ii</sup> In terms of having the smallest share of population aged under 65

### **Backbone towns (20% of all UK towns)**

In contrast to Opportunity towns, Backbone towns have relatively strong infrastructure **or** business environment, providing a useful building block for economic growth. Examples include Sittingbourne, Hastings, Wellingborough and Blaydon-on-Tyne. As with Opportunity towns, Backbone towns have relative weakness on skills levels.

Policy should explore the extent to which these towns are taking full advantage of their relative strengths – for example by marketing their strong infrastructure to draw in high-skill workers and businesses – while aiming to address relative weaknesses.

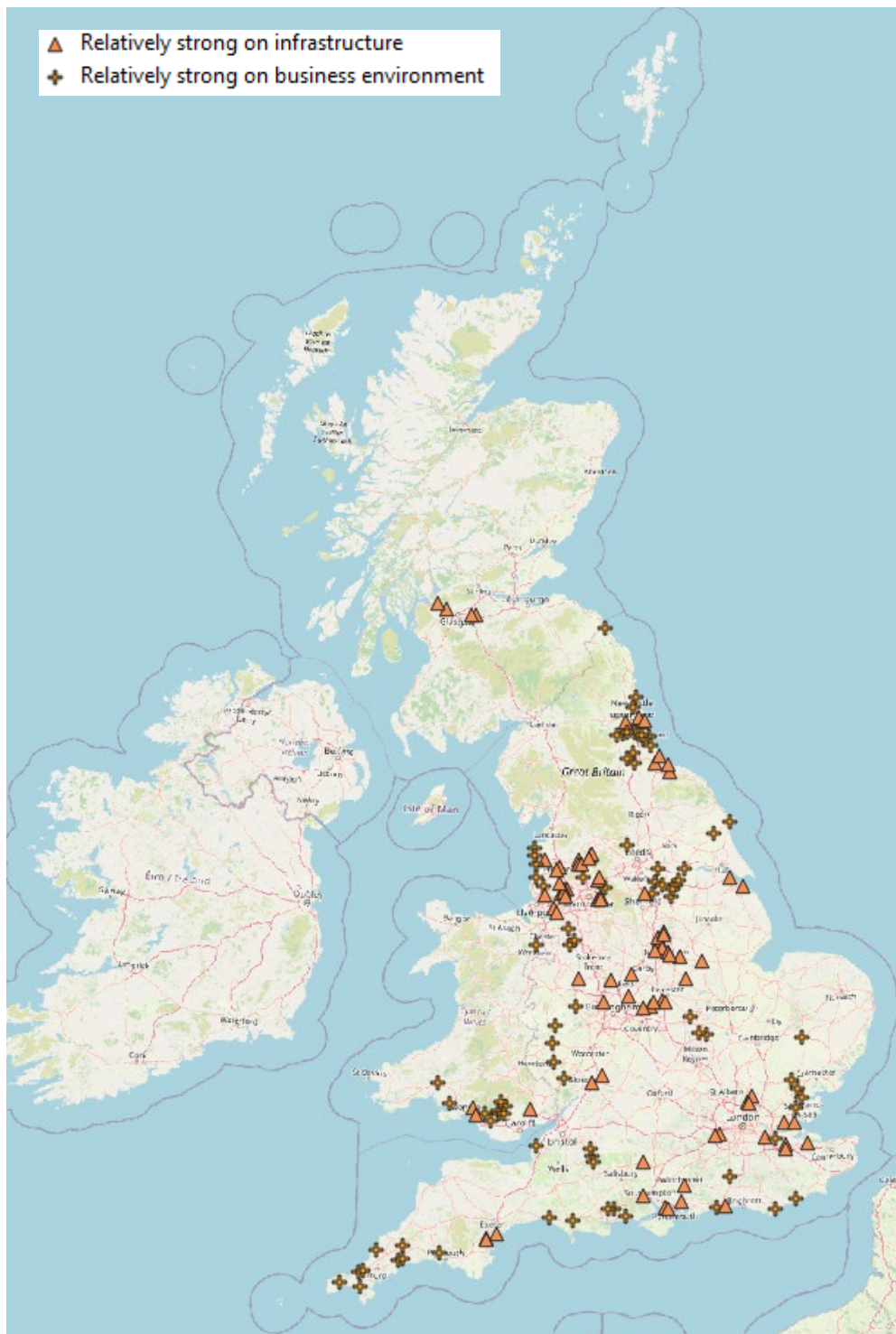
Of the 168 towns fitting into this category, there is an almost even split between towns where infrastructure is above-average (51%) and towns where business environment is above-average (49%).

An example of a Backbone town where the relative strength is infrastructure is Swanley in Kent. Trains from Swanley to Central London take approximately half an hour, and the town has easy access to the M25 and M20 motorways. However, the town has below-average levels of new business formation and high street leisure spending. The town has pockets of significant economic deprivation, despite sitting with the broadly affluent local authority of Sevenoaks.<sup>9</sup>

Newquay in Cornwall, on the other hand, has a relatively strong business environment, with tourism supporting the town centre economy. However, as with the wider county of Cornwall, the town lacks strong rail and road connections to major cities and other economic centres.

The map below provides a segmentation of Backbone towns according to where their relative strengths lie. Some noteworthy observations from the data include the relative strength of South West Backbone towns on business environment, and the cohort of Backbone towns in the Midlands – near Birmingham, Nottingham and Leicester – with above average infrastructure. Backbone towns in Scotland, such as Clydebank, also fit into this category of above-average infrastructure Backbone towns.

Figure 7: Backbone towns with different strengths



Source: SMF analysis

### **Foundation towns (11% of all UK towns)**

Foundation towns are towns that hold a lot of economic promise, in the sense of having **both** strong infrastructure and business environment (in contrast to Backbone towns where the relative strength is in infrastructure **or** business environment, but not both).

As with Opportunity towns and Backbone towns, their relative weakness is on skill levels – addressing this is likely to be key for unlocking greater rates of economic growth.

Good examples of this town type include the “New Towns” of Harlow, Stevenage and Basildon. Other examples include Bury in Lancashire, West Bromwich in the West Midlands and Darlington in County Durham.

In addition to steps to upskill the local population, a focus for these towns should be on attracting talent from elsewhere. This should include through steps to improve the liveability and desirability of Foundation towns – something we discuss in more detail later in this report. Some New Towns, for example, still have a reputation for unattractive architecture that needs to be shaken off. Our analysis of wellbeing data shows that Foundation towns have the lowest resident happiness of our town types, further highlighting the case for a focus on liveability.

### **Heartland towns (21% of all UK towns)**

Heartland towns are high-skill towns that tend to be affluent. However, they have below-average infrastructure, which can make it relatively difficult for residents and businesses to access jobs and customers from elsewhere. Perhaps unsurprising given the definition, this town type is concentrated in more rural parts England, Wales and Scotland. Examples include Buckingham, Brackley and Banbury.

Lack of public transport infrastructure in Heartland towns contributes to car dependency, which will create challenges as the UK heads towards net zero carbon emissions – something we discuss later, drawing on Town Vitality Report data. Policy will need to focus on helping Heartland towns achieve a modal shift away from private transport towards public transport, in addition to providing electric vehicle charging infrastructure.

Heartland towns may also want to consider how they can take advantage of the rise of remote and hybrid working patterns. These towns are often desirable places to live in and, with a pool of high-skill workers, they could be well-placed to benefit from the shift away from 5-day-a-week office work. The rise of remote and hybrid work may allow these towns to overcome, to some extent, their relative weaknesses on transport infrastructure.



### Buckingham: a quintessential Heartland town



Buckingham is a quintessential Heartland town, highlighting the strengths and weaknesses typical of these places.

An attractive market town surrounded by pleasant countryside, Buckingham is relatively prosperous and has a population with above-average skills levels. The town is home to the University of Buckingham – the oldest private university in the UK.

However, connectivity – as with other Heartland towns – is Buckingham's Achilles' heel. The town was a victim of cuts to train services in the 1960s, with the town's railway station closing its doors to passengers in 1963.<sup>10</sup> The closest stations to Buckingham are now Wolverton and Milton Keynes Central to the east and Bicester North and Bicester Village to the south west.<sup>11</sup>

While Heartland towns tend to have above-average affluence, as measured by worker earnings, on average earnings are lower than in Gateway towns and Vibrant towns – the two town types that we will now turn to. It seems likely that a driver of this gap is that, in contrast to these two types of towns, Heartland towns have poorer infrastructure quality – limiting the ability of individuals to access jobs and businesses custom from elsewhere.

### Gateway towns (14% of all UK towns)

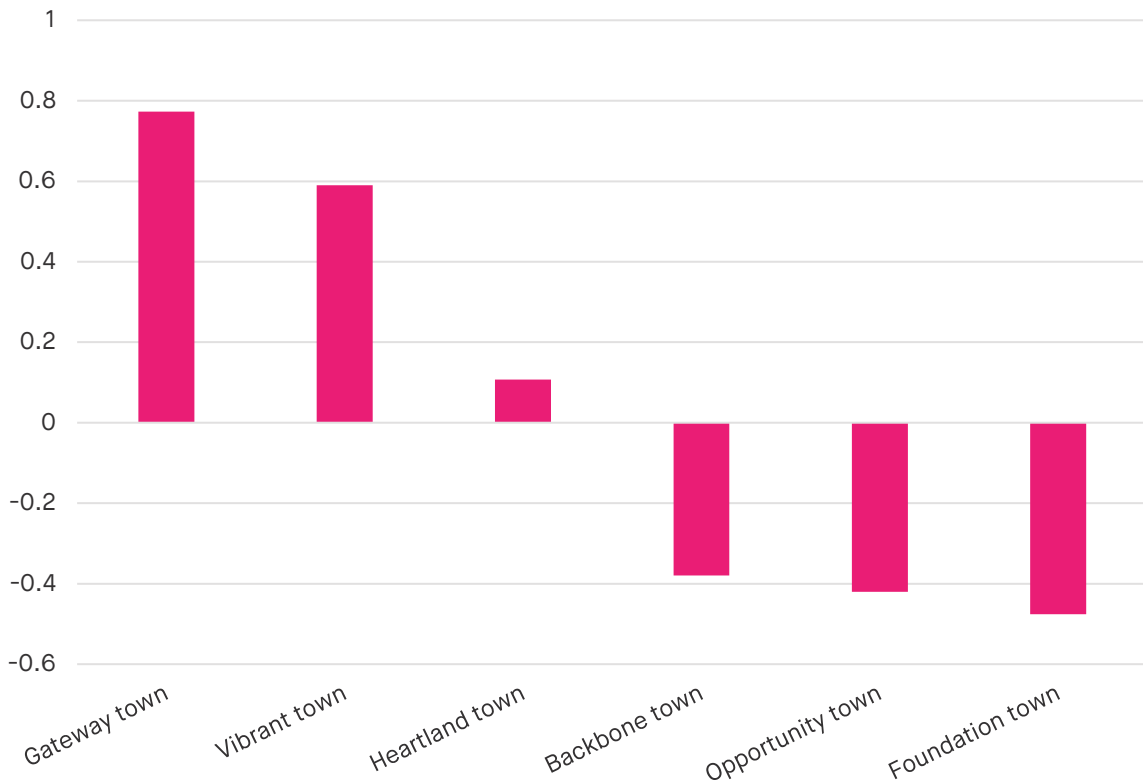
Gateway towns usually surround major cities such as London, Edinburgh, Manchester and Leeds. Acting as a base for workers to access employment in these cities, their populations have above-average skills levels, and these places have the good quality transport infrastructure needed to allow people to commute quickly to jobs outside of the town.

Given their well-skilled populations and proximity to well-paying city jobs, employee earnings tend to be above average. Quintessential examples include Oxted, Caterham, Rickmansworth and Harrogate.

However, these commuter towns score below average when it comes to the local business environment. While prosperous, they can be “dormitory towns”, with relatively little in the way of a strong domestic economy generating well-paying jobs within the town itself.

A key policy question for Gateway towns is the extent to which this below-average business environment actually matters. Do we need to, economically speaking, “wake up the dormitories”? Especially if town residents already have above-average incomes supported by well-paying work in nearby cities? These are particularly relevant questions given that, according to the Town Vitality Report dataset, Gateway towns have the highest average score for median employee earnings.

**Figure 8: Average score for median employee earnings, Town Vitality Report. Scores below 0 imply below-average earnings across all towns; scores above 0 imply above-average earnings**



Source: SMF analysis of Annual Survey of Hours and Earnings

As with Heartland towns, the rise of remote work may provide economic opportunities for Gateway towns. For example, instead of commuting to office-based jobs in city centres and spending money there (e.g. on lunch breaks), residents of Gateway towns may instead spend more in their local high street – supporting the local hospitality sector.

### Vibrant towns (14% of all UK towns)

Vibrant towns have the strongest economic fundamentals of our town types, scoring well on skills, infrastructure and business environment. While often surrounding major cities, as with Gateway towns, Vibrant towns tend to be more “economically self-sufficient”, with a stronger business environment within the town itself. Examples include Watford, Hamilton, and Sutton Coldfield.

#### Watford and Hamilton: examples of Vibrant towns



Watford in Hertfordshire and Hamilton in South Lanarkshire are good examples of the economic strengths of Vibrant towns. In addition to having above-average skills levels, both towns are very well connected with excellent transport infrastructure. Watford is served by five railway stations and a London Underground station, as well as being close to several motorway junctions on both the M1 and M25. Hamilton has three railway stations, with journeys to Glasgow by train taking less than 30 minutes.

By definition, the key difference between Gateway towns and Vibrant towns in our typology is that they have above-average local business environments, driven by a combination of greater new business formation, more support for small-and-medium-sized enterprises and a higher level of High Street spending.

Watford and Hamilton exemplify this economic self-sufficiency. Watford’s town centre has a high concentration of bars, restaurants and retail. The town also contains the (UK) head offices of several large companies including J D Wetherspoon, Camelot Group, Hilton Worldwide and Beko.

In addition to a strong retail presence, Hamilton has the Hamilton International Business Park, which is home to around 70 companies including Scottish Power, HSBC and John Lewis.<sup>12</sup>

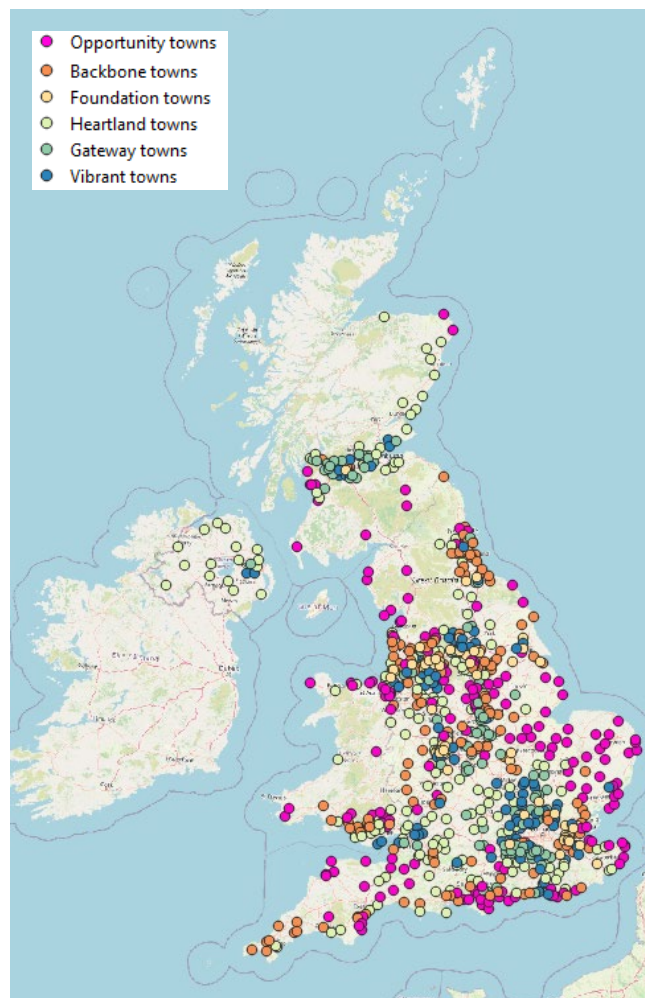


Policy for Vibrant towns needs to focus on maintaining existing levels of success, and avoiding complacency that can lead to a reversal of fortunes. As we discuss later, proximity to successful city economies appears to be an important factor for the creation and continuation of economically vibrant towns – though there are exceptions to this rule which potentially provide policy lessons for the rest of the country. In particular, these “exception towns” appear to have benefited from the presence of higher education institutions, government institutions, and the carving out of economic niches.

Just 14% of towns currently have above-average levels of skills, infrastructure and business environment – fitting into the “Vibrant towns” category. This suggests there is significant untapped economic potential that could be unlocked if policy can support the remaining 86% of towns to improve on these measures.

As demonstrated in the text above and the map below, the geographical concentration of different town types is far more nuanced than a simplistic division between the North and South of the country, or between England, Wales and Scotland – something we will discuss in more detail as we highlight key themes that have emerged from our analysis.

**Figure 9: Typology of towns**



Source: SMF Analysis

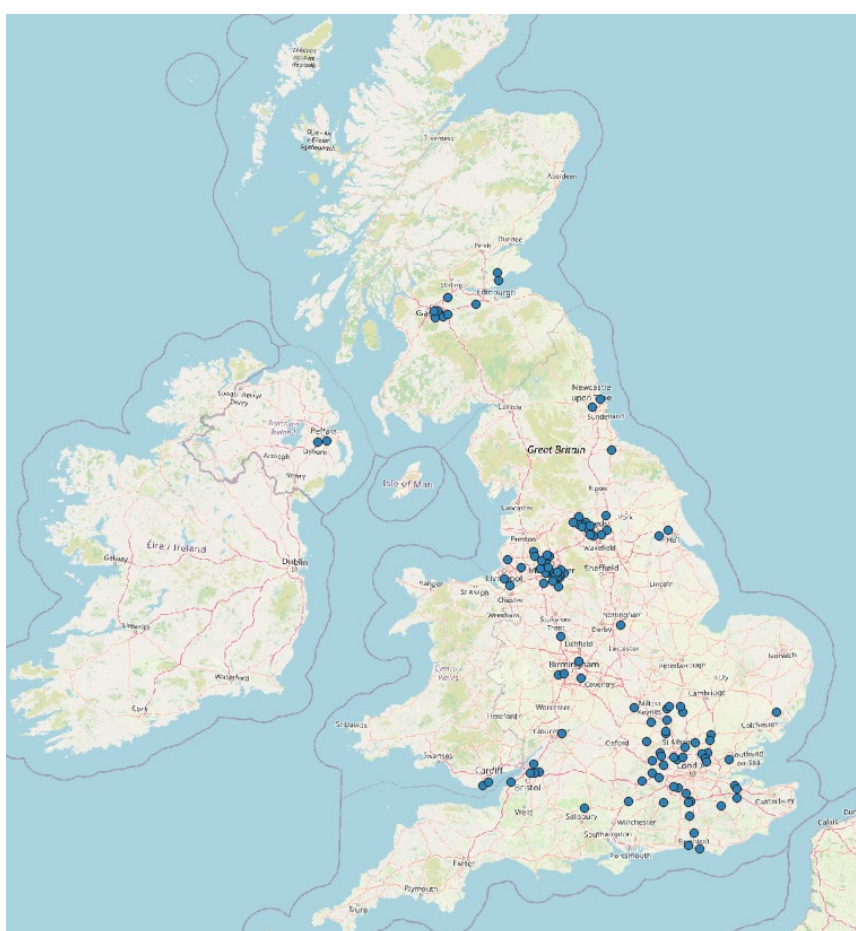
## Key themes

Below, we outline additional key themes that have emerged from our analysis of the Town Vitality Report, and our segmentation of towns into six different types.

### Towns benefit from the economic “halo effect” of successful cities.

It is notable from our analysis that the most economically vibrant towns are more likely to be close to major cities. As the map below shows, Vibrant towns are clustered around London (e.g. Watford), Leeds (e.g. Garforth) and Manchester (e.g. Macclesfield). There are some exceptions – for example, Cheltenham and Ipswich (see below) – but being close to large cities does appear to help significantly when it comes to economic vitality.

**Figure 9: Vibrant Towns are concentrated around major cities**

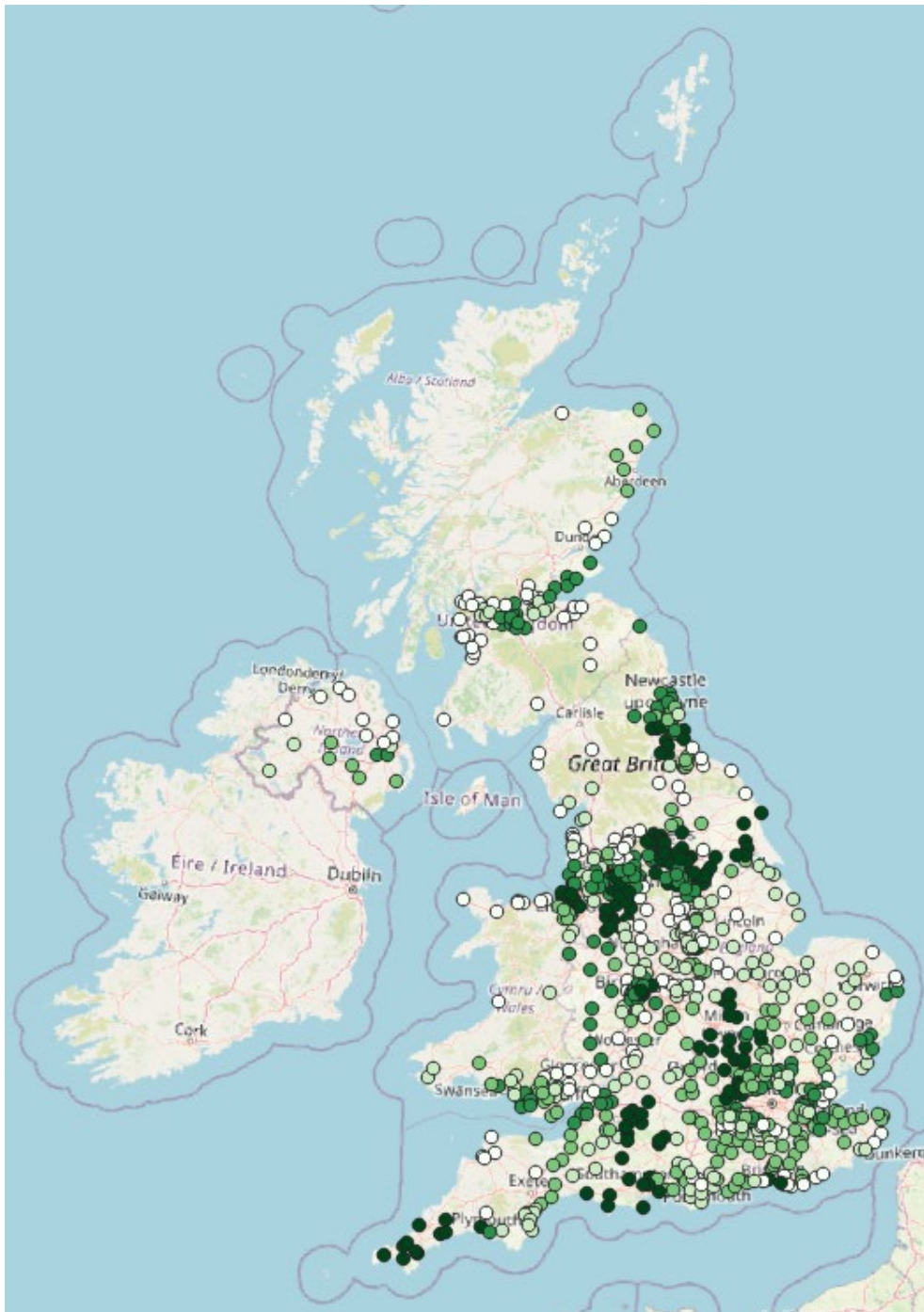


Source: SMF analysis

Similarly, as Figure 6 shows, results on our “business environment” metric also tend to be relatively strong for towns around major cities – again with some exceptions to the rule. For example, towns in Cornwall have a strong business environment, driven by new business creation, despite lack of proximity to a major city economy. We are unclear on the precise drivers of this, though conceivably the desirability of Cornwall as a place to live and its strong tourist economy support business creation.

Towns surrounding cities in Scotland and Wales also represent something of an exception when homing in on business environment specifically. Towns around Cardiff, Edinburgh, and Glasgow underperform on business environment compared with towns around major English cities such as London, Leeds and Manchester – driven by lower rates of business creation (see Figure 11 below). Other statistics have found that Wales and Scotland have lower rates of entrepreneurship than England, with fewer businesses per capita.<sup>13</sup>

**Figure 10: Town Vitality Report new business creation sub-indicator. White = bottom quintile, Dark green = highest quintile**



Source: SMF analysis of ONS business demography data

Exceptions aside, the interrelationships between towns and cities are likely to be very important for determining economic outcomes. Cities drive economic vitality in towns by providing access to a pool of well-paid jobs and high-quality infrastructure such as transport links to the rest of the country. Towns may also support city economies, for example through providing more liveable, relatively affordable places for employees to live.

Given these important economic spillovers and co-benefits, the “towns versus cities” narrative that is often played out in the media is likely to be counterproductive if we want to improve the fortunes of towns across the UK. As the think tank Centre for Cities has previously put it, “cities are not islands”.<sup>14</sup> Ultimately, the economic levelling up of towns, rather than requiring a diversion of funds away from cities, may be best delivered through investment *in* our cities.

It is noteworthy from our analysis that the spillover of prosperity from cities to towns varies significantly across the country. While London, Leeds, Manchester, and Edinburgh have a significant economic “halo effect”, other cities such as Newcastle, Sheffield and Nottingham have far less pronounced halos. Birmingham is perhaps particularly interesting in this regard. It has a relatively small halo of four Vibrant towns surrounding it (Sutton Coldfield, Solihull, Halesowen, and Stourbridge), despite being the third largest city by population after London and Manchester.

It may be the case that the most effective means of improving the fortunes of towns around Newcastle and Birmingham is to focus first on how to make these cities more economically dynamic. Here, there is much work to be done: Centre for Cities analysis has found that large British cities fare badly on productivity levels compared to similar cities elsewhere in Western Europe, meaning that the economic role they play is smaller than, for example, Lyon, Munich and Cologne. The Centre has calculated that if 31 smaller and medium-sized cities which underperform would perform as they should – mirroring peers in Western Europe – the UK economy would be £22.5 billion larger. If the eight largest cities closed their output gaps, the UK economy would be £47.4 billion larger.<sup>15</sup> If greater success in cities translates into more vibrant towns, these economic gains could be greater still.



## Exceptions to the rule: the cases of Cheltenham and Ipswich



There are exceptions to the rule that economic vitality requires being near to a major city. While proximity to a major city seems to be important, some towns appear to prosper without a nearby city.

Cheltenham and Ipswich are two such exceptions. Exploring the characteristics of these towns may provide insights into how to strengthen the economies of towns that do not fall within the economic spillover of a large city.

Firstly, the public sector accounts for a relatively high share of employment in both towns. Both places are university towns, with Ipswich home to the University of Suffolk and Cheltenham the University of Gloucestershire.

Cheltenham is also home to GCHQ, the intelligence agency, and the National Cyber Security Centre. This has contributed to the establishment of a large cyber-tech ecosystem in the region. Cheltenham has the UK's largest density of cyber-related businesses outside London – 11 times the national average.<sup>16</sup>

Ipswich's economy has a different focus, but it too has been able to develop economic niches. Firstly as an important commercial port, but the town has also accumulated a concentration of insurance expertise with offices for AXA, Willis Towers Watson and LV= based there.

Lastly, both places appear to do well in terms of resident wellbeing, with past studies showing these towns among the happiest in the UK.<sup>17 18</sup>

This combination of liveability and ability to carve out economic strengths, sometimes through the presence of public sector institutions, may explain how these towns have managed to acquire some “economic independence”.

### A North-South divide in economic vitality is far too simplistic

Secondly, policymakers should avoid falling into the trap of talking about a simplistic North-South divide in the economic vitality of towns. The reality is much more nuanced, especially given that broad regional averages mask significant pockets of deprivation and prosperity in all parts of the country.

A greater proportion of towns in the South East are in our “Opportunity towns” cluster, than in the North East – for example the coastal towns of Ramsgate and Bognor Regis. The North West of England has a high share of economically vibrant towns – such as Knutsford and Macclesfield – while the East of England is polarised with a similar share of towns fitting into both categories (e.g. Epping as a vibrant town and Clacton-on-Sea as an opportunity town).

**Figure 11: Distribution of town types across the regions**



Source: SMF analysis

The pervasive North versus South economic narrative is not just wrong when it comes to towns, but comes with considerable risks in terms of policy recommendations being mis-prescribed and weaker economies in the South of England being overlooked.

One of the challenges, and a possible cause of false narratives playing out, is how official statistics segment data geographically. Often this is presented by broad regions and nations – South East, North West, Scotland, Wales etc. Pockets of affluence and deprivation within these regions thus become overlooked. It is also difficult to extract statistics for groups of places with common characteristics but dotted across the country – such as coastal towns. In this regard, new geographical aggregations of official data could go a long way to encouraging a more useful economic debate about regional inequalities.

**Prosperity needs people**

When looking at the pillars of our analysis, People & Skills is the pillar which best predicts economic prosperity. Without high quality human capital – in terms of a healthy, well-skilled populace – it becomes much more difficult to create higher wages and productivity.

**Figure 12: People and skills is a relatively good predictor of economic prosperity in towns**



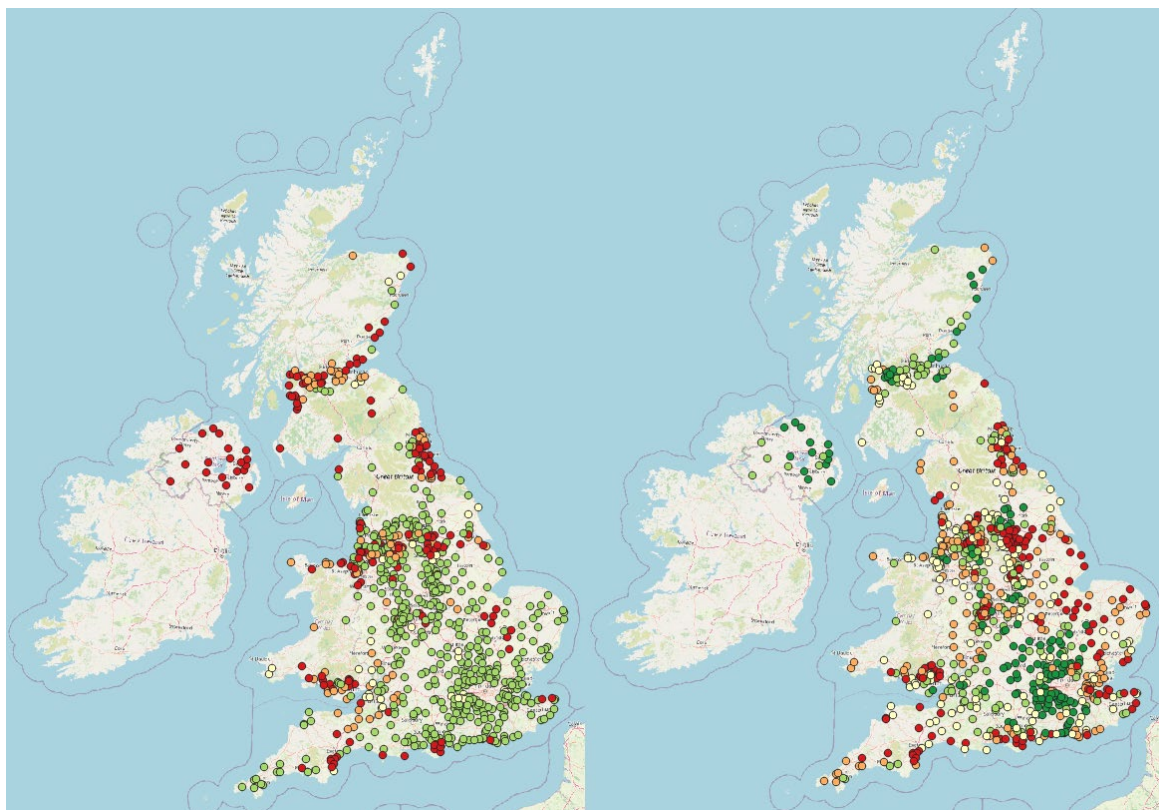
*Source: SMF analysis of the ONS Annual Population Survey, Annual Survey of Hours and Earnings and subregional productivity statistics*

Some interesting contrasts emerge when we dig beneath our headline numbers on People & Skills – exploring the sub-indicators on health and qualifications. There appear to be important geographical contrasts here, as shown in the maps below. For example, while towns in Scotland and Northern Ireland fare relatively well in terms of skills levels, they fare poorly on health outcomes – with a relatively high share of the working age population economically inactive due to health reasons. Economic inactivity refers to those that are neither in work nor looking for work (in contrast to the unemployed, who are not working but *are* looking for a job).

Economic inactivity due to poor health is concentrated in towns in South Wales, towns near Glasgow and Edinburgh, Northern Ireland and towns surrounding cities in the North of England. In contrast, below-average skill levels are more dispersed across England. A significant number of towns in the East of England have below-average skills levels, but above-average health.

**Figure 13: Towns in Scotland and Northern Ireland score relatively well on skills levels (right-hand chart) but have relatively high shares of people unable to work due to poor health (left-hand chart).**

*Red dots denote places with relatively below average health and skills, while green dots denote above average health and skills.*



Source: SMF analysis



## Contrasting priorities: Mablethorpe and Paisley



In the Town Vitality Report, Mablethorpe in Lincolnshire performs better than average in terms of the number of people unable to work due to poor health. However, the town has below average skills levels.

Of the Greater Lincolnshire resident population aged 16-64, some 7.4% have no qualifications – compared to 6.2% across England. More than 30% of residents in Skegness and Mablethorpe have either no qualifications or are qualified to just NVQ level 1 (equivalent to GCSE with grades 1-3 or D-F).<sup>19</sup>

The town is likely to struggle with the challenge of talent retention, which also affects the wider region. Less than half of local graduates stay in the East Midlands after graduation. Poor transport infrastructure, limiting the ability to access good job opportunities elsewhere, may be a contributing factor to this issue.<sup>20</sup>

In contrast to Mablethorpe, Paisley has above average skills levels but has relatively more individuals unable to work due to health.

As noted earlier, poor health appears to be an issue concentrated in Scottish towns more broadly. This is perhaps unsurprising; in public health debates, there has been a considerable and long-running discussion of ‘The Scottish Effect’ and ‘The Glasgow Effect’. These relate to the higher levels of mortality and poor health in Scotland (especially in and around Glasgow) compared to elsewhere in the UK that cannot be explained in terms of differences in material deprivation and socioeconomic circumstances alone.<sup>21</sup>

Given the relative strength of people and skills as a predictor of economic prosperity, one might be tempted to conclude that education, attracting talent and health may be the best means of delivering improved economic vitality.

But we need to be careful with such an interpretation. For example, without improving the physical infrastructure of an area, such as road and rail connections, it may be very difficult to shift the dial on attracting more skilled workers. Without an improvement in the local business environment, efforts to upskill the local population may merely result in a “brain drain” as individuals seek better job prospects elsewhere. Prosperity needs people, but all the pillars of the Town Vitality Report are interrelated. Being well resourced in people and skills is likely to be both a cause and a symptom of strong economic performance for vibrant towns.

### Foundation towns need to focus on skills, wellbeing and liveability.

There is a cohort of close to 100 towns that we have grouped into a “Foundation towns” category – having above-average infrastructure and business environment, but below-average skills levels. This is the smallest town cluster, with 11% of UK towns fitting into the category. Good examples of these types of towns include the “New Towns” of Stevenage, Harlow and Basildon. Other examples include Bury in Lancashire, West Bromwich in the West Midlands and Darlington in County Durham.

The focus of these places should be on how best to upskill local workforces and draw in talent from elsewhere.

The latter may require a focus on how to improve the liveability and desirability of the town – for example through improvements to green space and aesthetics, access to quality schools and a strong cultural offer and sense of community. Some New Towns still have to shake off a reputation for unattractive 20<sup>th</sup> Century architecture which may undermine their ability to draw in talent. Stevenage, for example, may need to explore how it can mimic the built environment and green space qualities of nearby Commuter towns such as Hitchin and Baldock.

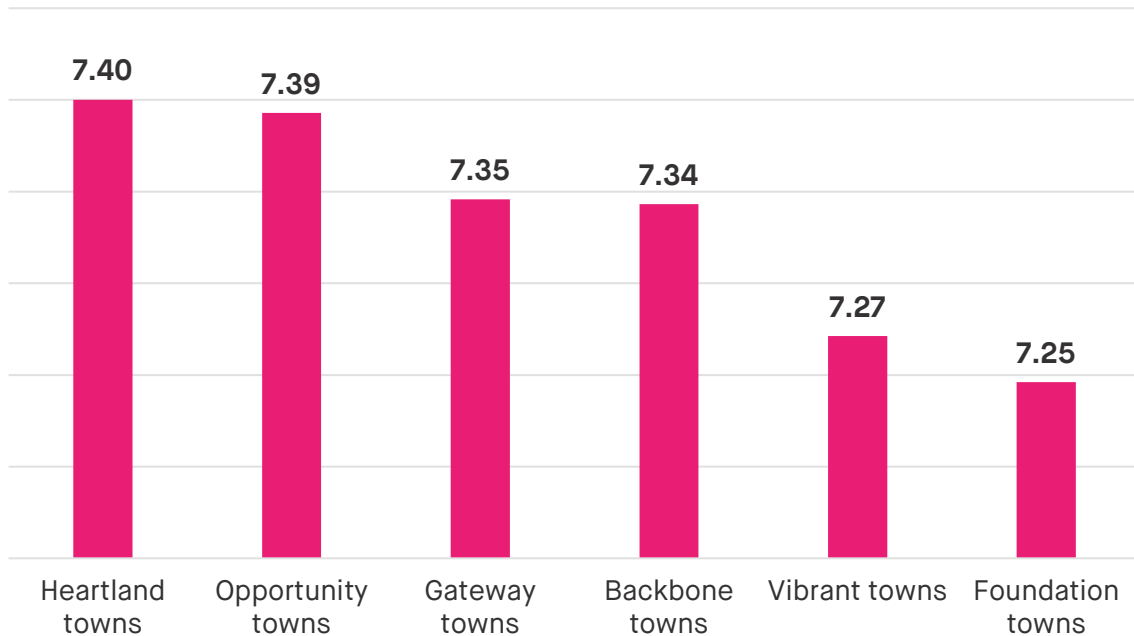
**Figure 14: Stevenage (left), a Foundation town, may need to focus on mimicking the liveability of nearby Gateway towns such as Baldock (right)**



Source: SMF analysis

A further reason to suspect the relative importance of improving liveability in strong Foundations towns is that, of our six town types, these areas appear to score relatively poorly when it comes to the reported happiness of residents, as shown in the chart below.

**Figure 15: Mean happiness score by town type (higher score = greater self-reported happiness)**



Source: SMF analysis of ONS wellbeing data

This leads us onto our fifth key theme.

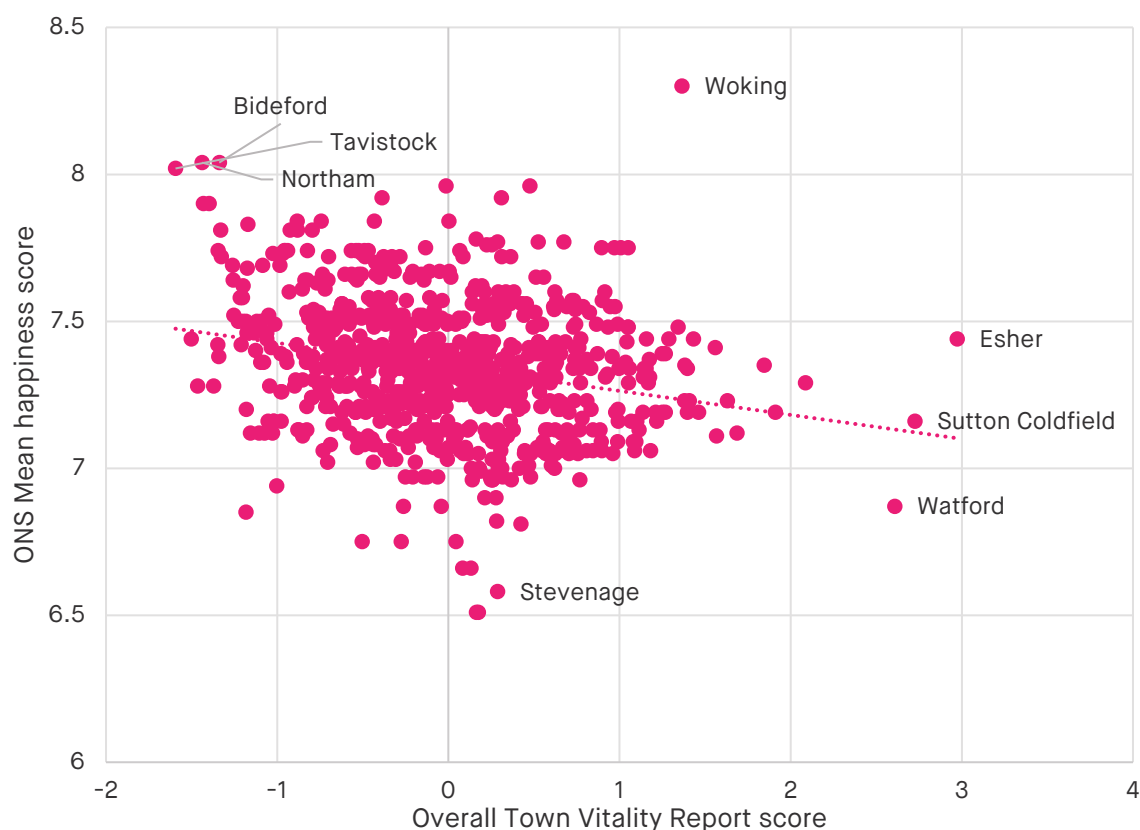
**Economic vitality should not come at the expense of wellbeing**

It is crucial that improving the economic prospects of a town does not come at the expense of its liveability, with wellbeing and quality of life being the price of success.

Indeed, when overlaying our Economic Vitality data onto local-level wellbeing measures, it is notable how little correlation there appears to be between wellbeing and economic success. Indeed, if anything, lower-vitality areas appear to score slightly higher on happiness on average (though there is significant variation here). As Figure 16 shows, Opportunity towns have the second highest mean resident happiness score, despite having relative weaknesses on skills, infrastructure and business environment.

Some places with relatively low economic vitality are among the happiest places in the UK – for example Tavistock, Bideford and Northam. On the other hand, some economically successful towns have relatively low levels of resident happiness – such as Watford (a Vibrant town). Stevenage – a Foundation town – has one of the lowest mean happiness scores across UK towns.

Figure 16: Town Vitality Report score versus mean happiness



Source: SMF analysis of ONS wellbeing data

This is not necessarily counterintuitive. While economic deprivation can weigh on life satisfaction, so too can some of the things that economic success often brings with it – such as increased congestion and air pollution, a loss of green space from commercial and residential development, and a more itinerant population with reduced sense of community.

The correlations between economic success and wellbeing at a geographical level have been explored in other SMF research, reaching a similar conclusion to the Town Vitality Report analysis.<sup>22</sup> The relationship between economic outcomes and wellbeing is complex, and levelling up the economy may not level up wellbeing – it may even be detrimental to happiness. Policymakers therefore need to approach economic regeneration efforts with care. Insofar as it is possible, increasing economic vitality should not reduce quality of life.

### Net zero creates levelling up opportunities for towns – but also challenges

The transition towards a decarbonised economy brings with it significant opportunities for towns. Beyond helping to tackle climate change, new jobs are set to be created in fields such as hydrogen power, green finance, carbon storage & capture and replacement of gas central heating with alternatives such as heat pumps. To reflect this, the Sustainability pillar of the Town Vitality Report captures data on the proximity of towns to six net zero industrial clusters that have been awarded funding by the Department for Business, Energy & Industrial Strategy (BEIS) and UK Research & Innovation (UKRI):<sup>23</sup>

1. **The South Wales Industrial Cluster (SWIC)** – a mix of critical industries that have come together to collaboratively achieve common objectives for decarbonisation and clean growth delivering job security.
2. **Repowering the Black Country phase 2 cluster plan** – a project led by the Black Country Consortium, a partnership of private, public and voluntary sector organisations. Zero carbon hubs will be based around anchor industrial processes, strategically selected to match Black Country skills and strengths (for example aluminium reprocessing).
3. **Net Zero Tees Valley: cluster plan stage 2** – a cluster plan led by the Tees Valley Combined Authority. It will identify the most appropriate range of technologies and potential pathways for the various industrial producers and energy generators in the Tees Valley, considering both existing and future new entrants. It is expected that this plan will combine carbon capture at scale, fuel switching to hydrogen, integration of renewables, low carbon energy sources, feedstocks changes, together with improved process and energy efficiencies.
4. **Scotland's net zero roadmap (SNZR)** – led by Neccus, an alliance of industries and experts, the SNZR will provide the roadmap that enables the deployment of options in a way that ensures competitive decarbonisation through continued and growing prosperity across the economy. Offshore Scotland has some of Europe's best-characterised and largest CO2 storage sites. Carbon capture and hydrogen will create opportunities for jobs and economic activity and help transition staff employed in sectors such as oil and gas.
5. **The net zero North West (NW) cluster plan** – by enabling multiple industrial facilities to reduce their emissions by the greatest possible extent, with knock-on effects in the reduction of commercial, domestic and transport emissions, the Net Zero NW Cluster Plan hopes to realise over 33,000 new jobs and over £4 billion of investment.
6. **Humber industrial cluster plan (HCP)** – a phased approach will map out how carbon capture & storage and hydrogen infrastructure can be scaled up over time.

Jobs created within these clusters, and green jobs more generally, are likely to benefit surrounding towns.

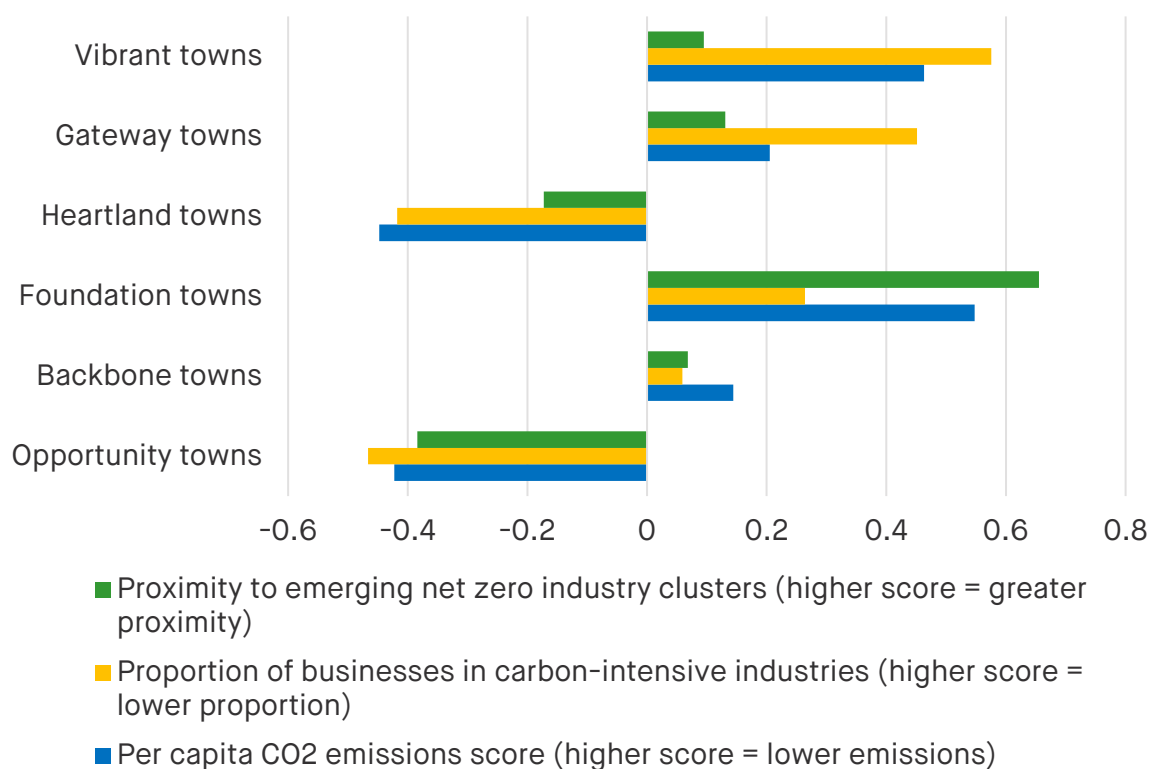
At the same time, however, decarbonisation comes with challenges. Carbon-intensive businesses may need to invest considerable resource in reaching net zero. Some jobs may be lost as a result of transition, requiring individuals to reskill for new work.

The Town Vitality Report findings suggest that these risks and opportunities are not spread evenly across town types. Encouragingly, Foundation towns appear well-placed to gain from the transition to net zero, with many in the North benefiting from proximity to net zero clusters and these towns having relatively low per capita carbon emissions to begin with.

Concerningly, Opportunity towns appear to face some of the greatest challenges, with both higher-than-average CO2 emissions and *on average* lower proximity to net zero clusters – though some (such as those in South Wales), do stand to benefit from proximity to the South Wales Industrial Cluster. It will be crucial that policy ensures that net zero generates jobs across the country and that households and businesses have the necessary support to decarbonise.

Heartland towns also appear to face relatively greater challenges from the shift to net zero. In part, this represents below-average infrastructure quality and car dependency driving up transport-related emissions. To reach net zero, these towns will need to develop ways of encouraging a modal shift to public transport, cycling and walking, in addition to supporting the transition to electric vehicles (e.g. through investment in charging infrastructure).

**Figure 17: Town Vitality Report sub-indicator scores**



Source: SMF analysis of BEIS and ONS data on local authority greenhouse gas emissions



## CHAPTER THREE – WHERE NEXT?

This report relates to the first phase of a broader research programme on the economic vitality of towns across the UK – and how best to make towns more prosperous.

In this phase of the project, we have focused on measuring economic vitality in towns and understanding how the drivers of prosperity vary across the country. By compiling a local-level dataset of town economies, we have then developed a typology of towns sharing similar characteristics.

The second phase of the project, taking place in 2023, will focus on *policy recommendations* to support economic vitality – for each of the six town types. Given the varying strengths and weaknesses of different town types, what is the economic growth strategy needed? It is to this question that we now turn.

Due to the shared traits of towns within each cluster, we would expect some common policy recommendations to emerge. However there are also likely to be some recommendations homing in on “clusters within the clusters”. For example, we discussed earlier the fact that places scoring below-average on our “People and Skills” indicator face different challenges; while in Scotland and Northern Ireland weakness is driven by poor public health, in Southern coastal towns and towns in the East of England relatively poor skills levels are a greater concern.

This report begins a broader programme of work that will bring businesses, partners, and policymakers together to dive deeper into the drivers of economic success in towns and the concrete steps policymakers can take to untap their potential.

We will be speaking to people across the country through a series of policy workshops. This will be complemented with a programme of engagement with industry, government, and the third sector, to identify scope of consensus and coalition-building on key policy ideas.

Ultimately, we want to identify policies that are both beneficial to towns, and have a good chance of being implemented. We are keen for interested individuals and organisations to get in touch with us to participate in the discussion about the future of town economies.





Policy recommendations will be published later in 2023.

## APPENDIX – MEASURING THE ECONOMIC VITALITY OF TOWNS

### Previous measures

With growing public concern and political focus on geographical inequalities in the UK – most prominently reflected in the levelling up agenda – a number of attempts have been made to compare different areas in terms of their economic and social outcomes. In particular, the following analyses helped to inform our approach to our own Town Vitality Report:

**Table 1: Previous Indices**

Organisation	Index	Objective	What it measures
 HM Government	<b>Levelling Up Fund Index of Priority</b> (March 2021)	Prioritise local authorities to receive levelling up investment	<ul style="list-style-type: none"> <li>Economic performance (productivity/employment/wages)</li> <li>Transport links</li> <li>Need for regeneration (building vacancies)</li> </ul>
 LEGATUM INSTITUTE	<b>UK Prosperity Index</b> (May 2021)	Evaluate ‘genuine prosperity’ of local authorities, beyond economic outcomes	256 indicators across three domains: <ul style="list-style-type: none"> <li>Inclusive societies (security/ governance/ social capital)</li> <li>open economies (infrastructure, and economic conditions)</li> <li>Empowered people: health, education, living conditions</li> </ul>
<b>ONWARD</b> >	<b>Social Fabric Index</b> (September 2020)	Measuring the strength of community in local authorities	<ul style="list-style-type: none"> <li>Relationships e.g. community organisations and participation</li> <li>Physical infrastructure e.g. community spaces</li> <li>Civic institutions eg voter turnout and trust in institutions</li> <li>Economic value e.g. employment and housing</li> <li>Positive social norms e.g. crime and skills</li> </ul>
 WPI STRATEGY	<b>Levelling Up Index</b> (October 2021)	Identify the parliamentary constituencies most in need of levelling up	Six indicators: spending power, financial dependency, crime, health, deprivation and commercial vacancies
 IFS Institute for Fiscal Studies	<b>Left Behind Index</b> (October 2020)	Identify the local authorities most in need of levelling up	Four economic indicators: formal education, incapacity benefits, employment and pay



All have made useful contributions to understanding geographical disparities across the UK. Yet, none have focused explicitly on towns. As we shall see, this is likely because of the methodological challenges involved – official data tends to come at the level of regions, local authorities, or occasionally parliamentary constituencies. Towns, by contrast, despite their psychological resonance and relevance to people's identities, do not have such a robust statistical foundation. That is the gap we seek to fill in this project.

### What does the Town Vitality Report measure?

As Table 1 shows, previous indices have had a range of different purposes, and comprised a range of different indicators. As we put together our Town Vitality Report, conceptual coherence was critical to us. There is a risk of such indices becoming 'Christmas trees', decorated with an array of mis-matching baubles that seem good individually but do not coordinate or relate to one another. Another danger is the possibility of conflating means and ends – confusing measures of genuine outcomes that we think are intrinsically valuable, good in themselves, with measures of things that are components or contributors to those positive outcomes.

Early in the process, we decided that our Report should be *economic* in focus, rather than attempting a more holistic accounting of all the things that might make a town pleasant or successful. That is not to imply that material wealth is the be all and end all, or that other metrics do not tell us important things – indeed, we draw on wellbeing measures alongside our final report in some of our analysis below. It just reflects a pragmatic decision to limit the scope of our research to something most people agree matters, though almost all agree that it is not the only thing that matters.

This economic focus led us to the first 'pillar' of our Report, **economic prosperity**, which captures the outcomes of greatest concern to us. Three of the indicators that underpin this pillar – pay, employment and productivity – are drawn straight from the metrics used in the Government's levelling up 'mission' to improve living standards.<sup>24</sup> In addition to those three, we have added a fourth to make use of the unique data we have access to through our relationship with Visa: a real-time measure of economic activity in the town, using local-level Visa transaction data.

The other components of our Report reflect the different assets and resources that contribute to economic prosperity. These come under four headings.

First, **people and skills**, or what economists refer to as 'human capital'. This reflects the size of the available workforce (proportion of the population that is working age), its physical health and thus availability for work (proportion of working age people that are inactive due to sickness) and their skills (proportion of people to have achieved postsecondary 'Level 4' qualifications).

Second, **infrastructure**. Here, we take into account transport connections (the number of jobs within one hour drive or one hour trip on public transport). We also cover quality of internet connectivity, proxied by average broadband download speed.

Third, **business environment** – how easy is it to set up and sustain a business in a particular town? For this pillar we use data on new business creation, perceived levels of support from small and medium-sized enterprises and the strength of high street spending (based on local-level Visa transaction data on leisure and retail spend) as proxies.

Finally, **sustainability** – to understand the long-term resilience of each town's prosperity and their capacity to respond to the shift to net zero, we collected data on their CO2 emissions, the share of businesses in carbon-intensive industries and proximity to net zero industry clusters.

Under the five headings a total of 17 indicators were used to make up the Report, as detailed in Table 1 below. Because the data were in a variety of units and scales, we standardised each into a normalised z-score (i.e. subtracting each value from the mean for that indicator and dividing by the standard deviation). This resulted in an array of data for each indicator where the mean is always 0, and the standard deviation is always 1 allowing the indicators to be fairly combined. The heading scores were produced by calculating a weighted average of the z-scores (the weights used are also given in Table 2) with the final results re-scaled into z-scores again before combining together into the overall Report score by averaging the headline z-scores. Finally, this overall result was also re-scaled.

**Table 2: Pillars and components of SMF Town Vitality Report**

Pillar	Measure	Indicator	Source	Weighting
Economic Prosperity	Employment	16-64 employment rate	Annual Population Survey, ONS	25%
	Wages	Annual median pay	Annual Survey of Hours and Earnings, ONS	25%
	Productivity	Gross Value Added	Subregional Productivity, ONS	25%
	Economic activity	Visa transactions	Visa	25%
People & Skills	Labour force	Proportion of adults aged under 65	Annual Population Survey, ONS	20%
	Health	Proportion of 16-64-year-olds inactive through sickness	Annual Population Survey, ONS	20%
		Proportion of 16-64-year-olds working with a disability	Annual Population Survey, ONS	20%
	Skills	Proportion of adults with NVQ4+ qualifications	Annual Population Survey, ONS	40%

Infrastructure	Transport	Number of jobs within 1 hour drive	Business Register and Employment Survey, ONS; Traveltime.com	25%
		Number of jobs within 1-hour public transport	Business Register and Employment Survey, ONS; Traveltime.com	25%
	Internet	Average download speed	Connected nations, Ofcom	50%
Business environment	Entrepreneurship	New business formation	Business demography, quarterly experimental statistics, ONS	50%
	SME support	Perceived support for SMEs	SME Finance Monitor, BVABDRC	25%
	Strength of town centre	Leisure and retail spending through Visa	Visa	25%
Sustainability	Carbon emissions	CO2 emissions	UK local authority and regional greenhouse gas emissions, BEIS	33%
	Net zero opportunity	Proximity to net zero cluster	Industrial strategy, BEIS	33%
	Carbon intensity	Proportion of businesses in carbon intensive sectors	Greenhouse gas emissions intensity in the United Kingdom, ONS	33%

### Aligning data to towns

As we have already discussed, geographical statistics in the UK are not typically aligned to towns. Rather, they tend to be at the level of local authorities and parliamentary constituencies, or alternatively at lower levels equivalent to statistical ‘neighbourhoods’. One of the major methodological challenges of this project therefore, has been to align data from other geographical units to recognisable towns.

Part of the difficulty is that there is no standard or official definition of what constitutes a town (unlike cities). To identify the list of towns that we have included in our Report, we started with the lists of ‘major towns and cities’ in England and Wales, Scottish ‘localities’ and Northern Irish settlements, produced by each country’s statistical agencies. For our definition of town, we included any town/locality/settlement with a population between 10,000 and 150,000. The list for England and Wales only contains places with populations over 75,000, so there we also included any built-up area sub-

divisions with populations between 10,000 and 75,000. We then manually removed any place on our list that has official city status.

We used data for our list of towns as defined above wherever it was available across our indicators, however where it was not, we took as proxy the next lowest level of parent geography that was available. This was done by geo-locating the centre (centroid) of each town into its parent geography. There may be some examples where the town boundary straddles more than one parent area – in these instances we have focused on the parent geography in which the centroids are located.

For example, in England much of the Labour Market data we used is produced for the ONS' Major Towns and Cities geography, so we use that directly, for the additional smaller BUA and BUASD towns included in our Report we took the parent Westminster Parliamentary Constituency figures. The same was true for Scottish Localities and Northern Ireland Settlements.

## ENDNOTES

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<sup>3</sup> Ibid.

<sup>4</sup> <https://www.centrefortowns.org/reports/launch-briefing/viewdocument/5>

<sup>5</sup> <https://www.centrefortowns.org/about-us>

<sup>6</sup> <https://www.instituteforgovernment.org.uk/explainers/towns-fund#:~:text=The%20Towns%20Fund%20for%20England,Fund%20announced%20in%20March%202019>

<sup>7</sup> <https://www.gov.uk/government/news/first-town-deals-worth-almost-180-million-announced>

<sup>8</sup> <https://www.smf.co.uk/publications/falling-off-cliff/>

<sup>9</sup> <https://cds.sevenoaks.gov.uk/documents/s10739/Community%20Plan%20report%20-%20Appendix%20B.pdf?txtonly=1>

<sup>10</sup> <https://www.buckinghamshirelive.com/news/history/lost-railway-stations-buckinghamshire-what-6327652>

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<sup>13</sup> <https://www.gov.uk/government/statistics/business-population-estimates-2021/business-population-estimates-for-the-uk-and-regions-2021-statistical-release-html>

<sup>14</sup> <https://www.centreforcities.org/reader/talk-of-the-town/direct-links-cities-towns/>

<sup>15</sup> <https://committees.parliament.uk/writtenevidence/36386/pdf/>

<sup>16</sup> <https://www.visitbritain.com/gb/en/business/blog/eight-uk-cities-are-celebrating-technological-innovation>

<sup>17</sup> <https://www.gloucestershirelive.co.uk/news/cheltenham-news/gloucestershire-towns-among-happiest-places-3607007>

<sup>18</sup> <https://www.itv.com/news/anglia/story/2015-08-06/ipswich-rated-as-third-happiest-place-to-live-in-the-uk/>

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<sup>22</sup> <https://www.smf.co.uk/publications/wellbeing-and-levelling-up/>

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<sup>23</sup> <https://www.ukri.org/news/ukri-announces-winners-of-industrial-cluster-competition/>

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