

QUARTERLY ECONOMIC BULLETIN

An Economic Summary for Herefordshire

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Key Points for Herefordshire:

- Unemployment rose sharply in January 2010 (page 4).
- Median weekly earnings for people who work full time in Herefordshire were £383.30 in 2009, 23% lower than earnings across England as a whole (page 4).
- The volume of house sales was up 22% in mid-2009 compared with 2008 (page 5).
- GVA per employee in Herefordshire was £35,500 in 2007, low compared to the West Midlands (£38,800) and England (£45,400) (page 6).
- Business confidence in turnover has steadily increased over the last four quarters, coming into positive territory (page 7).

The Research Team has a new website, which draws together information previously held on the Herefordshire Council and Herefordshire Partnership websites.

www.herefordshire.gov.uk/factsandfigures

We welcome your feedback on the new site, particularly whether it is clear and simple to use, and whether it offers the information you are interested in. Our contact details can be seen in the box below.

NEWS

SOURCED FROM LOCAL PRESS

Development and Investment

Plans for an anaerobic farm digester have been unanimously approved by Herefordshire Council's planning committee. The site at Hampton Bishop will convert 7,000 tonnes of farm waste annually into electricity.

Wye Valley Brewery has expanded production, which will enable the company to start bottling other brewers' beers.

Sainsbury's supermarket in Hereford plans to add almost 10,000 square feet to its current sales area, creating about 60 new jobs.

A Ross-on-Wye timber company has invested £250,000 in a new kiln. Walford Timber will use the kiln to produce a new brand, PermaTimber, which is a longer-lasting product than non-kiln dried timber.

Former Woolworths stores in Hereford and Ledbury are set to be filled. Fashion retailer Peacocks is to take over the Hereford store, while in Ledbury a local firm plans to open under the trading name Wellworth It.

Community shops have opened in St Leonard's church, Yarpole, and in a former dovecote in Eardisland. Meanwhile, investment in Orleton village shop and Post Office will double the size of the facility, ensuring its future viability.

Projects and opportunities

Herefordshire businesses have been given the chance to find out how to win contracts for the London Olympic and Paralympic Games, at an event chaired by the Chamber of Commerce and funded by Advantage West Midlands.

Small businesses have a new opportunity for networking in the form of the Small Business Breakfast Group, which is holding early morning sessions in the county.

Women in Rural Enterprise (WiRE) is holding an Opening Doors course which aims to give Herefordshire women the skills to start a new business.

Herefordshire Council has secured a further 12

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For a large print copy, please call 01432 260 893

NEWS (CONT.)

months worth of money from the Future Jobs fund, which was developed to help people aged 18 to 24 back into employment if they have been unemployed for 6 months or more.

Unemployed people in Hereford are being helped back to work by a training project run by the Newton Farm Community Association. Training is flexible, and takes place in the Association's information centre or charity shop.

The Chamber of Commerce is running Herefordshire's Business Expo on 3rd March. The event will give attendees the opportunity to develop stronger business partnerships.

The Department for Business, Innovation and Skills reported that 600 students enrolled on apprenticeships in Herefordshire in the academic year 2008-09, up 20% on the previous year.

Challenges and uncertainty

Skymark Packaging, whose Leominster base was hit by a fire in June 2009, has moved out of the town. The firm had been operating from rented accommodation but has now moved permanently to its other bases in Derbyshire and Lincolnshire. While many workers left the firm in the months after the blaze, some staff have moved with the company and others are working from home.

Weobley firm The Dairy House has been bought after going into administration. The new owner hopes to continue with a smaller range of products. Retention of staff will depend on sales.

Cargill Meats Europe, the Hereford based poultry supplier, averted a potential strike over bank-holiday work just before Christmas. A ballot of Unite union members resulted in a sizeable majority voting against taking strike action.

The sale of S&A Davies' Brierly Court Farm has been called off. Initial plans to sell and then lease back the land for strawberry production have been halted by mutual agreement.

The number of companies suffering late payment from customers has more than doubled in the last six months, according to accountancy firm Baker Tilly. 41% of financial directors questioned reported a problem with late payment.

Workers at Cadbury's Marlbrook factory face uncertainty over jobs since the company's takeover by American food giant Kraft. Around 100 people are employed at the plant near Leominster.

Agriculture

2009 was a good year for Hereford Market, with an average of 5,000 sheep passing through per week, reaching a season high of almost 8,000 at the end of September. Prices have remained high, and Hereford has maintained and improved its position of being the largest weekly auction for sheep in southern England. Prices for cattle have been boosted as a result of a shortage due to TB restrictions on farms throughout Herefordshire.

The recent spell of cold weather has been a particular challenge for local farmers, often making it impossible to get animals to market. However, for those who could get to market, the short supply resulted in high prices.

Shaping Our Place 2026

Herefordshire Council has launched the Shaping Our Place 2026 consultation, which provides a chance to help finalise the Local Development Framework. This will be the blueprint for planning and developing Herefordshire for the future. The findings will affect everyone who works or lives in the county, as it aims to turn Herefordshire into a new land of opportunity, with more and better paid jobs, more decent and affordable homes, and better transport links. You can read more about the consultation and respond to the questionnaire at www.herefordshire.gov.uk

The consultation will run until 12th March 2010.

Edgar Street Grid

Plans for the redesign of Newmarket Street and Blueschool street have been unveiled. These work on the principle of "shared space" where pedestrians and traffic have equal priority. The aim is to reduce the physical barrier created by the current inner ring road between the old city centre and the ESG development area. A planning application has been submitted for a new link road running from Edgar Street to Commercial Road, which will take some of the traffic pressure from the inner ring road.

HEREFORDSHIRE BUSINESS ENVIRONMENT ASSOCIATION

JAMES DENNISON, GROUNDWORK WEST MIDLANDS



Herefordshire Business Environment Association (BEA) was formed as a partnership between Herefordshire Council and environmental charity Groundwork. The BEA was established to enable Herefordshire businesses to come together, hear about and share environmental best practice through an annual programme of breakfast events, and a “Charter Award” scheme to recognise their achievements.

Although a relatively small network with around 20 dedicated members, the BEA has been very beneficial to those businesses that have been engaged. Several members have cited the BEA charter scheme as the catalyst needed to kick start their environmental programme, finding the informal but informative approach exactly what was needed to get over the initial nervousness of taking the first steps.

Examples of member’s best practice includes:

- Implementing a bespoke Environmental Management System and producing an environmental performance report for customers and stakeholders
- Reducing amounts of waste, energy and water through low cost and no cost measures
- Implementation of staff cycling schemes
- Increasing recycling
- Reuse of materials within production processes

In many cases environmental improvements have been matched by economic benefits through reduced waste disposal, raw material and energy costs.

A Horticultural company saved

- 30,000 litres of water through recycling systems.
- £2,200 on reduced waste sent to landfill.
- 3,000 units of electricity per annum.

An Educational institution saved

- £2,000 in water usage through a Building Management System.
- £1,000 in cleaning through changes in chemicals and dosing systems used.



In recent months Business Link West Midlands have launched a series of “Improve Your Resource Efficiency Networks” including a new network that will be co-ordinated by Herefordshire and Worcester Chamber of Commerce. The BEA is now in the process of being merged into this larger programme which provides the potential to grow the membership, thus bringing greater benefits to businesses striving to improve their environmental and economic performance through better resource efficiency.

Alongside the Network programme, businesses are also able to access a free “Resource Efficiency Diagnostic”. This report is based on a site visit and includes detailed recommendations to highlight potential savings that could be made through resource efficiency measures. A further

grant (up to 50% of consultant costs) is available for businesses that need additional support to implement changes.

Both schemes are administered through Business Link West Midlands.

For businesses in Herefordshire struggling with increased energy and raw material costs this scheme could be just what is needed to tip the balance.

For further details on environmental and resource efficiency for businesses in Herefordshire, contact Dip Shah at Groundwork on 0121 530 5500

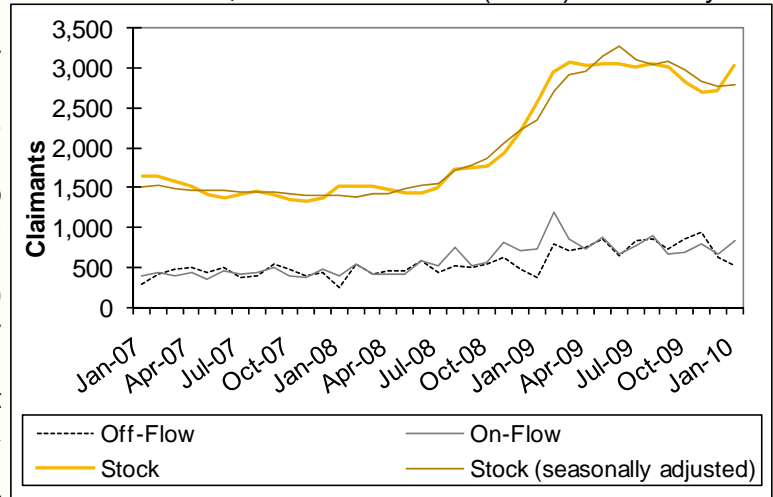
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UNEMPLOYMENT

The Office for National Statistics (ONS) supplies data on numbers and rates of unemployment (% of the working age population claiming Jobseekers Allowance), the age of those who are unemployed and duration of their unemployment.

- The claimant count for Herefordshire saw an increase between December and January 2010. In January 2010 the count was 3,028, an 11% increase on December and 19% higher than in January 2009 (2,550).
- The seasonally adjusted claimant count also saw an increase in January 2010, increasing to 2,791 from 2,764 in December.
- The unemployment rate in January 2010 was 2.9%, an increase from 2.5% in January 2009 and from 2.6% in December 2009. This rate remains low compared to the West Midlands region (5.6%) and England as a whole (4.3%).
- The unemployment rate for the 18-24s saw a considerable increase in January 2010, increasing to 6.8% from 5.8% in December. It also remained high compared to 3.0% for the 25-49s and 1.7% for the over 50s.
- In January the ratio of claimants to vacancies was 7.7, low compared to January 2009 (9.3), but similar to that for the West Midlands (7.9) and England as a whole (7.1).

Claimant on-flow, off-flow and stock (count) seasonally



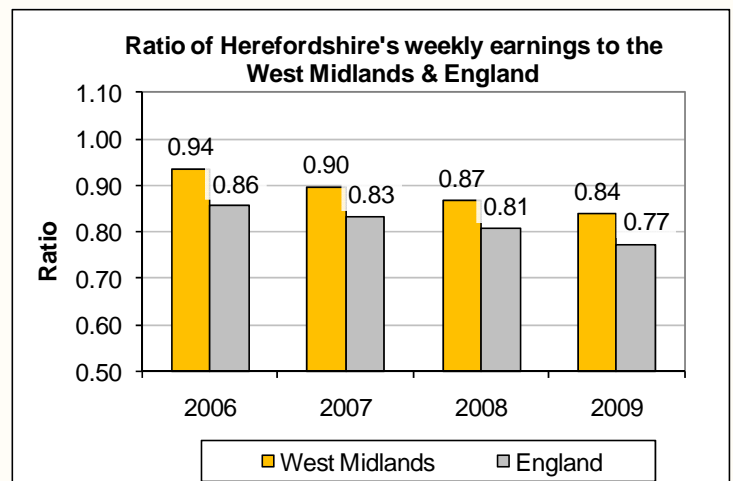
[Click here for the full article](#)

SOURCE: ONS—CROWN COPYRIGHT

ANNUAL SURVEY OF HOURS AND EARNINGS 2009

The Annual Survey of Hours and Earnings (ASHE) provides information about the levels and range of earnings and hours worked for employees in all industries and occupations. Unless otherwise stated, earnings are median gross weekly earnings by workplace i.e. the earnings of employees who work in Herefordshire, but who do not necessarily live in the county (\pm indicates 5% confidence interval).

- In 2009 work-based weekly earnings were £383.30 (\pm £37.56), significantly lower than the West Midlands region (£456.40 \pm £7.16) and England (£495.20 \pm £2.91). Although not statistically significant, this was 1.7% lower than in 2008.
- Herefordshire's weekly work-based earnings, compared to regionally and nationally, appear to be getting worse. In 2006, Herefordshire's earnings were 6% lower than the West Midlands, whereas in 2009 this gap had widened to 16% lower. The gap between Herefordshire's and England's earnings is wider, 14% lower in 2006 increasing to 23% lower in 2009 (chart opposite).
- Herefordshire had the lowest median earnings of all 14 West Midlands authorities, and was also lower than Monmouthshire, Gloucestershire and Powys.



[Click here for the full article](#)

SOURCE: ASHE ONS—CROWN COPYRIGHT

HOUSE PRICES

HM Land Registry collects data on house prices from all house sales in England and Wales which forms the basis of the statistics below. The most recent data for house prices is **Quarter 3 in 2009** and for the House Price Index, **December 2009**.

The published data includes various measures of property price – the mean, the median and the lower quartile. The median and lower quartile figures are shown in the table below for Herefordshire, the West Midlands and England & Wales.

In the 3rd quarter of 2009, the *provisional* median price of a property in Herefordshire was **£185,500**. In comparison, the median property prices for England & Wales and the West Midlands were £175,000 and £146,000 respectively.

Volume of Sales

The Land Registry figure for the number of house sales in Herefordshire during October 2009 was 197. In the 6 months prior to November 2009 (May 2009 to October 2009) the volume of sales

averaged 197 per month, which is an increase of 22% from the same period last year (161 sales per month). For comparison, England & Wales experienced an increase of 7% and the West Midlands region saw a fall of 2% between the 6 months prior to November 2009 and the same period of the previous year.

Affordability

The preferred measure for house price affordability is the ratio of lower quartile house price to lower quartile earnings. For 2009, the ratio for Herefordshire was 8.5, that is, for those on lower quartile earnings a house at the bottom end of the market would cost them 8.5 times their annual earnings. In 2009, Herefordshire had the worst affordability ratio out of the West Midlands authorities.

Year of 3rd Quarter	Median property prices			Lower quartile property prices		
	England & Wales	West Midlands	Herefordshire	England & Wales	West Midlands	Herefordshire
2007	£180,000	£150,000	£197,000	£130,000	£115,000	£149,000
2008	£173,000	£145,000	£197,000	£123,000	£110,000	£150,000
2009^a	£175,000	£146,000	£185,000	£125,000	£109,000	£140,000

Source: HM Land Registry

^aFigures for 2009 are provisional.

House Price Index

The Land Registry releases a House Price Index (HPI), calculated by selecting properties that have changed hands more than once since January 1995, so the index is based on genuine price increases for particular properties. To help see how values have changed over time the price in all areas was 'indexed' at 100 in 1995.

The table gives the index values in December 2008

and 2009 and the current annual rate of increase in house prices for Herefordshire, the West Midlands and England & Wales.

	HPI			Annual change (%)		
	Eng & Wales	West Mids	Hfds	Eng & Wales	West Mids	Hfds
Dec-08	252.4	224.8	256.2	-13.8%	-13.0%	-9.2%
Dec-09	258.8	229.5	244.4	2.5%	2.1%	-4.6%

Source: HM Land Registry

Private Rental Levels

The Rent Service (TRS) publishes Local Housing Allowance (LHA) rates monthly - these represent the amount payable in Housing Benefit to cover rental of different dwelling sizes. The LHA rates are based on on-going surveys of the rental market by TRS, who then use median values as the basis for their figures.

Most dwelling sizes in Herefordshire saw a decrease in private rental levels since February 2009. The rental level for 5-bedroom dwellings are up on this time last year, although they have seen a

relatively large decrease over the last two years. Rental levels for 1-bedroom shared accommodation remain unchanged.

	<i>(Calculated from the weekly LHA rental levels published by TRS)</i>					
	1 Bed-room Shared	1 Bed-room	2 Bed-room	3 Bed-room	4 Bed-room	5 Bed-room
Feb-09	£289	£421	£536	£652	£777	£940
Nov-09	£294	£420	£526	£632	£752	£978
Dec-09	£289	£411	£526	£627	£752	£978
Jan-10	£289	£411	£526	£627	£752	£965
Feb-10	£289	£410	£525	£625	£750	£963

Source: The Rent Service

ECONOMIC PRODUCTIVITY (GVA)

Gross Value Added (GVA) measures the contribution to the economy of each individual producer, industry or sector in an area and is a headline measure used to monitor economic performance. It is linked to Gross Domestic Product (GDP), with GDP being equal to GVA plus taxes minus subsidies on products.

- In 2007 Herefordshire's GVA was £2,708 million, this was an increase of 5.3% on 2006, a larger increase than the West Midlands (4.8%), but less than for England as a whole (5.6%).
- When looking at GVA per head of population, Herefordshire's GVA (£15,176 in 2007) has increased steadily over the last ten years (53% in total), but at a lower rate than both the West Midlands region (55%) and England as a whole (69%). Herefordshire's contribution to regional GVA was fifth lowest out of all twelve West Midlands authorities in 2007.
- GVA per employee in Herefordshire was £35,500 in 2007, low compared to the West Midlands (£38,800) and England (£45,400), highlighting the low value added per employee in Herefordshire compared to regionally and nationally.
- Distribution, transport and communication; and public administration, education, health and other services accounted for the greatest proportions of GVA in 2007 (both 24%).

Proportion of GVA and employees by industry sector in Herefordshire, 2007	GVA (£ million)	% of total GVA	% Change 97-07	% Employees*
Agriculture, forestry and fishing	196	7%	+27%	10%
Production	458	17%	-8%	15%
Construction	238	9%	+148%	5%
Distribution, transport and communication ¹	646	24%	+79%	29%
Business services and finance	528	19%	+107%	12%
Public administration, education, health and other services	641	24%	+84%	29%
Total	2,708		+58%	

*Source: Annual Business Inquiry ¹ includes retail and wholesale

['Click here for the full article'](#)

SOURCE: ONS REGIONAL ACCOUNTS — CROWN COPYRIGHT

BUSINESS BIRTHS, DEATHS AND SURVIVAL RATE

Statistics based on the registration of businesses on the VAT (Value Added Tax) and PAYE (Pay As You Earn) tax schemes provide a guide to business formation (births), closures (deaths) and survival rates. Previously only data from VAT registrations was used, but starting from a baseline of 2007 (published in 2008), statistics now include those registered for PAYE as well (i.e. businesses with employees).

- In 2008 there were a total of 735 business births in Herefordshire and an estimated 625 deaths. The total number of active businesses was 8,320.
- To allow comparison between areas the rate of business births per 10,000 population aged 16 years and above is calculated (National Indicator 171). For Herefordshire in 2008 this rate was 49.7. This was higher than the rate for the West Midlands (47.6), but lower than for England as a whole (57.2).
- The business survival rate is defined as the percentage of new businesses registered for VAT or PAYE tax schemes, in a given year, that are still operating after a given time period. For example in Herefordshire out of all the new enterprises that were registered in 2003, 67% were still trading after three years. In Herefordshire the survival rates dropped from 89% after one year to 49% after five years (registration year 2003).
- Between 2002 and 2006 both the one year and the three year survival rate showed an increase, with this being the case for Herefordshire, the West Midlands and England as a whole. However, between 2006 and 2007 there was a drop in both the 1 and 3 year survival rate for all areas.

['Click here for the full article'](#)

SOURCE: ONS — CROWN COPYRIGHT

RURAL FINANCIAL INCLUSION

Financial inclusion is the capability and opportunity to access the financial services and products which are needed to achieve an acceptable standard of living. The Treasury worked with Experian, a credit reference agency, to develop a measure of financial exclusion based on a number of existing datasets. The information in this article is a brief summary of a report by the Commission for Rural Communities (CRC) entitled “Rural Money Matters: A support guide to rural financial inclusion”.

[‘Click here for the full article’](#) - A fuller synopsis including details of the picture in Herefordshire.

The original CRC report can be found at www.ruralcommunities.gov.uk/publications/ruralmoneymatters

The key services for which access is considered essential in order to be financially included are a bank account, affordable credit, face-to-face debt advice, home contents insurance and savings.

Although there are higher numbers of financially excluded people living in urban areas, it can be a particular problem in rural areas as financial services are normally located in towns and cities, and physical distance makes accessing services more difficult and expensive. People affected by financial exclusion in rural areas are often scattered over wide areas. Concentration of services in larger areas of financial exclusion in urban areas can result in rural people being missed by service providers.

People on low incomes, the unemployed, people in receipt of benefits, older people and people

living in social housing are all more at risk from various aspects of financial exclusion.

The recession has brought additional pressure on services, with more affluent people and homeowners now seeking debt advice.

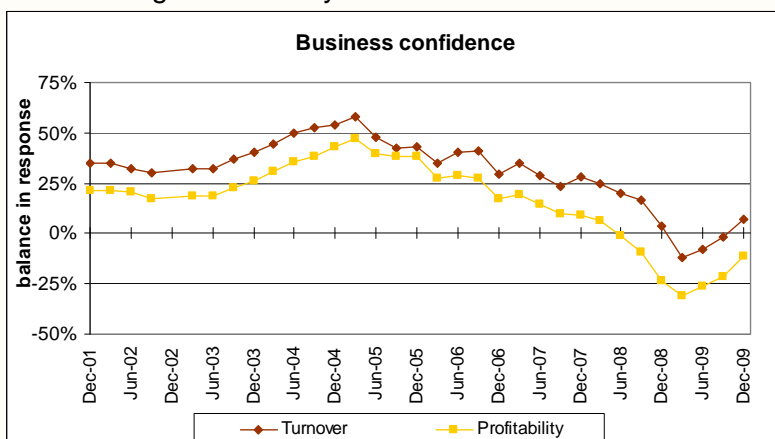
As well as areas in Hereford and the market towns, parts of the following villages showed high levels of financial exclusion: Clehonger, Credenhill, Fownhope, Goodrich Cross (just outside the main village of Goodrich) Kingstone, Lea, Madley, Weobley and Withington.

While the areas of Hereford affected are predominantly south of the river, there were also areas of financial exclusion in the suburbs of Whitecross, Three Elms, College Estate, Moorfields and Tupsley.

BUSINESS CONFIDENCE: CHAMBER QUARTERLY SURVEY

The Chamber of Commerce Herefordshire & Worcestershire carries out a quarterly survey amongst its members, as part of a wider national survey. The information for Herefordshire is based on a small number of businesses, so four-quarter moving averages are used to remove some of the uncertainty that results from a small sample size. When a date is shown on a chart (e.g. Dec 09) it refers to the four quarters leading up to that date, i.e. Jan-Dec 09. Where a measure is in negative territory, this means more businesses reported a decrease in the measure than reported an increase.

In January-December 2009, the balance for trading in the UK market was in negative territory. However, there has been steady improvement over the last three quarters. The proportion of businesses experiencing a decrease in their workforce over the past three months was high, resulting in a negative balance, similar to the previous quarter. Cashflow has steadily improved since April 08 – March 09, but is still in negative territory.



Business confidence in turnover has steadily increased over the last four quarters, coming into positive territory (see chart). Business confidence in profitability has shown a similar improvement over the same time period, but remains in negative territory.

The balance for prices is positive, meaning more businesses expect to increase prices than expect to lower them.

[‘Click here for the full article’](#)

RECENTLY PUBLISHED RESEARCH

2009 Finance Survey of SMEs

IFF Research Ltd and the Department for Business, Innovation and Skills (Feb 2010)

A survey of small and medium enterprises (SMEs) was conducted to investigate issues around the availability, cost and terms of bank finance in 2009.

Whereas the usage of most forms of finance has remained at similar levels, or even increased on the levels seen in 2007, fewer businesses in 2009 are using commercial loans or mortgages. 78% of SMEs have a current account that is in credit, with the average balance being +£17,224. However, 20% currently have a debit balance, with the average debt being -£13,290. 25% of businesses sought finance in 2009. 22% have taken steps in the last year to reduce their reliance on external finance, mainly by cutting costs. 38% of SMEs seeking overdrafts or loans reported difficulties obtaining these from the first source they approached.

The full report can be found at:

<http://www.berr.gov.uk/files/file54496.pdf>

Small employers' likely responses to the 2010 workplace pension reforms

BRMB Social Research and the Department for Work and Pensions (2009)

The Pensions Act 2008 includes a duty on employers to automatically enrol all eligible workers into qualifying workplace pension provision from 2012 and to provide a minimum contribution of 3% of qualifying earnings.

Qualitative research was undertaken with small businesses (<50 employees) to gauge awareness and understanding of the reforms.

There was a very low awareness of the pension reforms. Employers in this study thought that they were unlikely to take any action until about 12 months prior to implementation. This was generally underpinned by the view that the reforms were a long way off, and that they may be subject to change or perhaps not be implemented at all given the economic climate at the time of the study.

There was little enthusiasm for any legislation that would increase costs, and reluctance to contribute company money into pension schemes due to a lack of confidence in their performance, and in financial services as a whole.

The full report can be found at:

<http://research.dwp.gov.uk/asd/asd5/rports2009-2010/rrep617.pdf>

Work and worklessness in deprived neighbourhoods

Joseph Rowntree Foundation (Oct 2009)

This study contrasts policy assumptions about work and worklessness with the personal experiences of residents living in deprived neighbourhoods.

Employment can contribute to self-esteem and a sense of independence. However, it is equally the case that many residents are trapped in 'poor work', characterised by low pay, long hours or pervasive job insecurity. Poverty-level pay can force those in employment to work excessive hours or, in the case of those out of work, can act as a disincentive to leave benefits. Tensions exist between work and parenting, including the inability of low-paid work to support childcare costs and the lack of flexibility within jobs to fulfil parenting responsibilities. There was also a marked reluctance to use formal childcare, for both moral and financial reasons, with a preference for using close family as carers.

The full report can be found at:

<http://www.jrf.org.uk/publications/work-worklessness-deprived-neighbourhoods>

Invisible workers: The Informal Economy

Community Pride Initiative and Oxfam (Feb 2009)

The "informal economy" refers to work which would usually be legal, but is not legal as it is either not declared for tax and national insurance purposes, or it is carried out by people who are on benefits or who are not allowed to work. Qualitative work was undertaken with workers in the informal economy.

Many people cannot earn enough from the formal economy or from benefits to have a decent standard of living and quality of life. People may be better off on benefits than in low paid work, particularly if all the costs of working are included (the benefits trap). The complexity of the benefit system has been found to cause confusion and anxiety.

The full report can be found at:

http://www.oxfam.org.uk/resources/ukpoverty/downloads/invisible_workers_the_informal_economy.pdf

For more information or any queries please contact:

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