

# QUARTERLY ECONOMIC BULLETIN

An Economic Summary for Herefordshire

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## Key Points for Herefordshire:

- In 2009-10, Herefordshire's **employment rate** was 76%, higher than regionally (69%) and nationally (71%) (**Page 4**).
- The seasonally adjusted **number of unemployed** increased from 2,450 in September to 2,501 in October (**Page 5**).
- There were an estimated 5.4 private sector employees for every 1 public sector employee in Herefordshire in 2008 (**Page 6**).
- In 2001, 48% of self-employed people in Herefordshire worked from home, this was higher than all neighbouring authorities, the West Midlands region and England (**Page 6**).
- The current annual rate of **increase in house prices** for Herefordshire is 1.8%, the same as for the West Midlands and slightly lower than for England & Wales (5.2%) (**Page 7**).

## NEWS

### SOURCED FROM THE PRESS

#### Development and Investment

The proposal to convene a Marches Local Enterprise Partnership (LEP) has been given the go ahead by the coalition government, 1 of just 24 to be given the green light. The partnership will bring together representatives from Herefordshire, Shropshire and Telford and Wrekin and have a strong private sector membership. The aim of the partnership is to create the conditions for enterprise to flourish and improve the economic prosperity of the Marches area by co-ordinating action to stimulate the drivers of economic development, including housing, transport, infrastructure, broadband availability, inward investment and skills. The partnership is also being used as the platform for a bid to the regional growth fund, which is worth £1 billion across England. A shadow board has already met and recruitment for a chairperson (from the private sector) is currently underway. For more information please visit [www.marcheslep.org.uk](http://www.marcheslep.org.uk)

The Chancellor, George Osborne, announced on 20th October that Herefordshire would be included as one of 4 rural pilot areas for fast broadband. The final pilot area is yet to be determined but will cover areas in the south west of the county. The focus is on a fast broadband service of more than 20Mb delivered to people's homes and this will require a fibre optic cable infrastructure as a basis, even if fibre is not used in the final link. The aim of the pilot is to test out the technology requirements of delivering superfast broadband in hard to reach areas to inform UK wide delivery. The full details of the scheme will be established over the coming months, as many of the details will depend on a competitive procurement process.

Social enterprise company Halo, which operates leisure centres across the county, has used expertise developed through its work in the county to expand business in its trading arm. Halo has developed a customised asset management software, which it

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## NEWS (CONT.)

licenses out to leisure facilities across the country. It is currently being used in 105 centres nationally, and the company is now looking to develop into the international market.

The 17 jobs thought to be at risk in Colwall after Coca-Cola announced that they were to close their bottling plant that produces Malvern Water, may now be safe after local entrepreneur William Chase said he hoped to save the plant and the brand.

### Job creation

A new care home has opened its doors in Hereford creating up to 60 new jobs. The Charles Court care home in Hinton has room for 76 residents and can provide for those with nursing or dementia care needs.

### Community and Volunteering groups

A new finance scheme offering modest loans at fair prices is set to keep loan sharks out of business. My Home Finance is a not-for-profit partnership, led by the National Housing Federation supported by the Department for Work and Pensions. The branch on West Street in Hereford is the first to open in the West Midlands and will offer those on low incomes an affordable and trustworthy means to save or borrow.

### Health

St. Michaels Hospice, who provide care for people with life-limiting illnesses, are planning to develop their Bartestree facility by adding 4 beds and developing current space into single-bed accommodation. The development will enhance both the experiences of patients and their relatives and allow the Hospice to accept patients earlier in their illness. The plans also include enhancing the education facilities that have in the past hosted seminars and training for professionals involved in end of life care, both in the public and the private sector.

### Agriculture and Food

A survey by Savills has shown that the value of farm land in the West Midlands is increasing, by 8% so far in 2010. The number of new buyers registered with the company was up 56% on the same period in the previous year. Buyers also have more to spend with an increase to three quarters of all buyers that have between £2-£10 million.

### Transport and Environment

A new development in Wigmore is one of the greenest in the county. The 14 affordable homes have solar panels and ground source heat pumps to provide hot water and warmth and rainwater harvesters to flush the toilets. The homes are being offered for rent by the Kemble Housing association under the local lettings plan, which prioritises people with ties to the area.

Potato skins could become the fuel of choice in the county. The Chase Distillery, that produces vodka from potatoes, is looking at the feasibility of producing bio-ethanol from potato skins and other by-products of the distilling process. Bio-ethanol is more efficient than ethanol as a fuel and can be used in ordinary cars without any need for adaptation.

### National News

Mortgage approval rates have seen a decline with approval for house purchases in October falling to their lowest in 19 months. The data from the British Bankers' Association showed that 30,766 mortgages were approved for house purchase in October, down from 31,058 in September and below the average rate for the previous six months (33,914). The data also showed that lending to British businesses was also down, but by less than in recent months.

Net migration to the UK rose to 215,000 in the four quarters to March 2010 according to figures from the ONS. This is high in the light of the coalition government's target to bring it down to tens of thousands by 2015. The increase was due to a decrease in Britons moving to live elsewhere, particularly those moving for work. The ONS data showed emigration at a ten year low, whilst immigration remained stable. The number leaving for a definite job was down 40% on two years ago, with the number of people emigrating to Spain seeing a particularly steep decline.

Some of the large UK banks are preparing for an increase in insolvency amongst small businesses in the new year despite latest data showing a decrease according to a report by the Financial Times. The number of insolvencies fell in the third quarter of 2010, with the numbers for large businesses being down 13% and small businesses down 14%. This continues the trend from earlier in the year, but insolvency rates for small businesses remain double pre-credit crunch levels.

## EDITORIAL: HOUSING AND BENEFIT REFORMS

### LAURA KING HEAD OF HOUSING AT HEREFORDSHIRE HOUSING

Herefordshire Housing is a not-for-profit registered provider (housing association), which provides affordable homes throughout Herefordshire. Herefordshire Housing took over the running of the Herefordshire Council's housing stock in 2002 and is now the county's largest provider of affordable housing. It has since adopted Charitable Status. [www.hhl.org.uk](http://www.hhl.org.uk)

The coalition government has embarked on fundamental changes to the administration and eligibility for welfare benefits, including Housing benefit. The principal focus is on working age claimants specifically those in receipt of income support or incapacity benefit.

The key aim of the welfare benefit changes is to disincentivise non-working regardless of situation and penalise those who fail to take up work opportunities where they are able. The changes commenced this October with lone parents whose youngest child is over 7 being transferred to Job Seekers Allowance (JSA), and will continue until 2017. The reforms will culminate in the full implementation of a universal credit system administered by the Department of Work and Pensions.

The fundamental challenge for all claimants is making the cultural shift from a paternalistic approach from statutory and voluntary agencies to ensure claims are maximised to that of the individual taking responsibility for generating their own income. This challenge is also faced by social housing landlords, welfare benefit campaigners and advisors and in particular the local authorities homelessness departments. Their role is to enable and support individuals to understand that benefits are an income, whereby they must comply with the work seeking requirements in order to retain their benefits. Those whom have been claiming JSA for over a year will find that their Housing benefit is reduced by 10% from 2013. Also those claimants under occupying their home will find their Housing benefit reduced to correspond to their Housing need. Consequently if claimants wish to remain in this home they must pay the shortfall, or negotiate with their landlord.

Given the acute shortage of affordable housing within Herefordshire this may lead to further pressures on the local authorities' homeless.

There are plans for housing benefit to be paid directly to the claimant as opposed to the landlord, where currently 95% of payments are made to social landlords in Herefordshire. The claimants' second challenge will be to gain the skills of budgeting, prioritising and understanding the consequences of failing to comply to benefit payment conditions.

In Herefordshire with some 600 incapacity claimants living in social housing, where 400 will on average be transferred on to either JSA or Employment and Support Allowance and thus joining those already in receipt of JSA, our attention is drawn to the job market. Herefordshire's rural economy on the whole has seen considerable job losses in manufacturing during the recession. The other sectors that typically employ low skilled labour (wholesale and retail and accommodation and food services) tend to only provide more seasonal and part-time work. The task ahead for work matching agencies, like Jobcentre Plus, is to encourage a broader range of employers to recruit locally and claimants to engage in up skilling. There is likely to be a gap between work opportunities and number of jobseekers.

The final challenge for anyone who either has not experienced work ever or for a long time is to be prepared to take "any" job as this is one of the benefit conditions and to adapt to the routine of working. Perhaps the latter is the most challenging.

# LABOUR MARKET STATISTICS

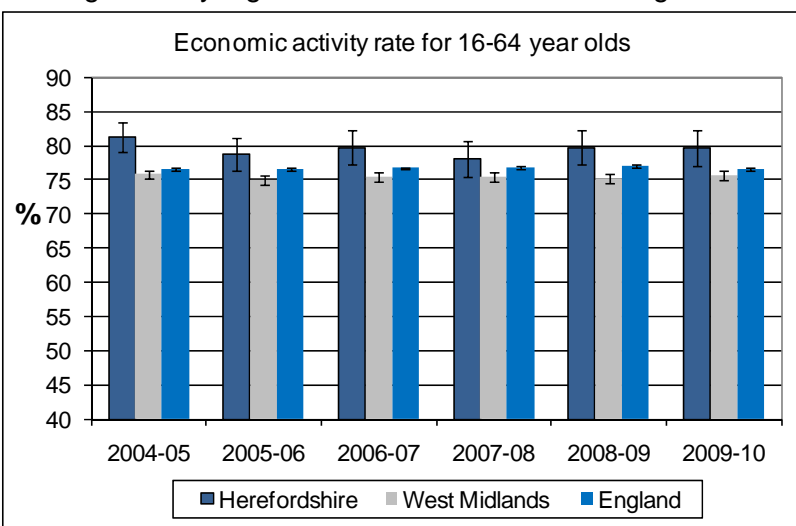
The Annual Population Survey is a residence based labour market survey encompassing population, economic activity (employment and unemployment), economic inactivity and qualifications. These are broken down where possible by age, gender, ethnicity, industry and occupation. It is available at Local Authority level and above and updated quarterly. This article uses annual data from April to March unless otherwise stated.

The sample size for Herefordshire is relatively small resulting in the confidence intervals being large, limiting its usefulness. There is very little ethnicity analysis presented as this data is often suppressed or the confidence intervals are so large no differences are shown. This is largely due to the relatively small ethnic minority numbers in the county thus in turn very small numbers in the sample.

SOURCE: ANNUAL POPULATION SURVEY (ONS CROWN COPYRIGHT)

## Economically active individuals include those who are:

- Employed (full time, part-time and self-employed)
  - Unemployed but actively seeking work
  - On a government supported employment or training programme
- In 2009-10, 80% of Herefordshire's 16-64 year old population were economically active, which was significantly higher than the West Midlands region and England as a whole.



- Herefordshire's economic activity rate has generally been at the same level since 2004-05 and in most years been significantly higher than regionally and nationally (see chart).

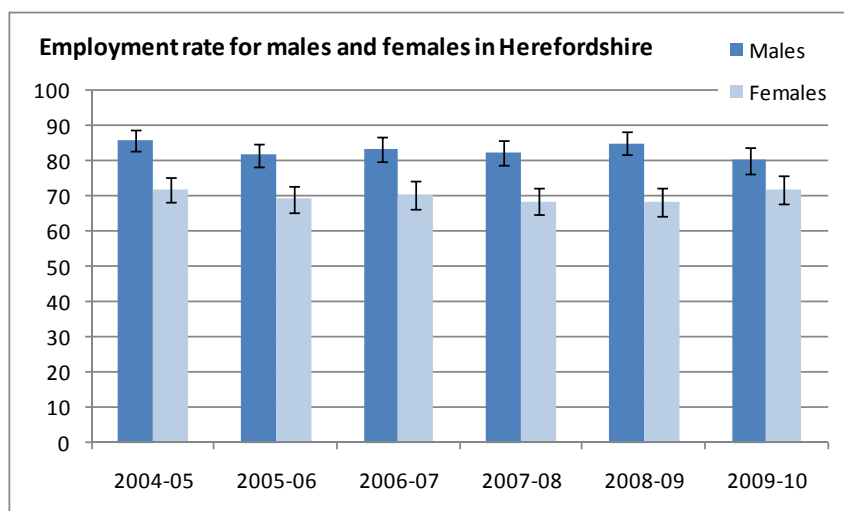
- The economic activity rate for males looks higher than for females, however this difference is not significant in Herefordshire. This is likely to be a result of the small numbers in the sample.

- Herefordshire's economic activity rates are higher for those aged 20-24, 25-34 and 35-49 years than those aged 16-19, 50-64 and those aged 65 years and over. This is similar to figures for the West Midlands region.

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

## Employment rate gives the percentage of 16-64 year olds in employment (full-time, part-time and self-employed)

- In 2009-10, Herefordshire's employment rate was 76% (including full- and part-time employees and self employed). This was higher than regionally and nationally (69% in the West Midlands and 71% across England).
- The proportion of 16-64 year olds in employment in Herefordshire has been consistently higher than regionally since April 2004 and on most occasions higher than nationally.
- Since 2004-05, there has been a higher proportion of males in employment in Herefordshire than females, however this is also the case regionally and nationally.
- The highest employment rate in Herefordshire, regionally and nationally is seen in the population aged 35-49 years old.

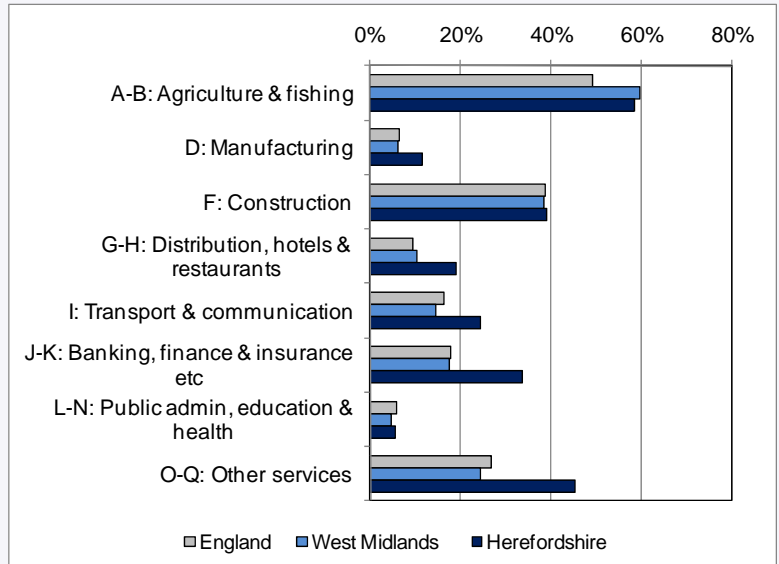


['Click here for the full article'](#)

# LABOUR MARKET STATISTICS CONTINUED

## Self-employment rate gives the percentage of 16-64 year olds in employment who are self-employed

- In 2009-10, 20% of 16-64 year olds in employment were self-employed, much higher than regionally and nationally (12% and 13% respectively).
- Herefordshire's rate has not change significantly since 2004-05.
- Herefordshire's self employment rate was higher than all neighbouring authorities with the exception of Powys (22%).
- In 2009-10, 26% of 16-64 year old males were self-employed and 14% of females. Again both of these are higher than regionally and nationally but similar to all neighbouring authorities.
- **Compared to regionally and nationally, Herefordshire has much higher proportions of people who are self-employed working in the following sectors (see chart):**
  - ◆ banking, finance and insurance etc,
  - ◆ transport and communication,
  - ◆ distribution, hotels and restaurants
  - ◆ other services.



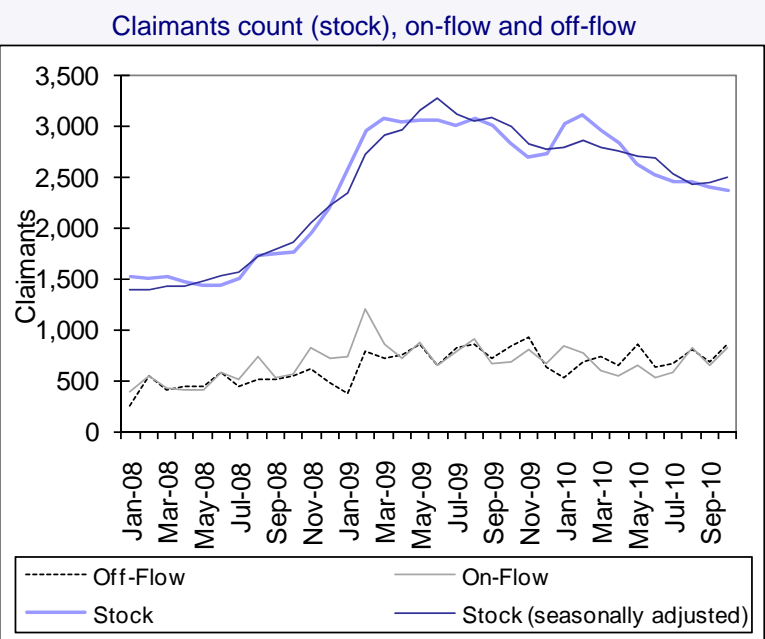
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SOURCE: ANNUAL POPULATION SURVEY(ONS CROWN COPYRIGHT)

# 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 a decrease between September and October 2010. In October 2010 the count was 2,368, a 1% decrease on September 2010 and a 16% decrease on this time last year (2,831).
- The seasonally adjusted count saw an increase in October 2010, increasing to 2,501 from 2,450 in September (+2%).
- In October both the on-flow (new claimants) and the off-flow (claimants leaving benefit) increased, but the off-flow remained slightly higher resulting in a small decrease in stock (claimant count).
- Herefordshire's unemployment rate in October was 2.2%, low compared to West Midlands region (4.4%) and England as a whole (3.5%).
- The unemployment rate for the 18-24s saw an increase in October 2010, to 5.7% from 5.5% in September. The rate for the over 50s remained at 1.3%, whilst the 25-49s decreased by 0.1 of a percentage point to 2.3%.



[Click here for the full article](#)

SOURCE: ONS—CROWN COPYRIGHT

## PRIVATE AND PUBLIC EMPLOYEE NUMBERS

The following article contains analysis of new estimates published by the ONS of the number of public and private sector employees taken from the Annual Business Inquiry (ABI<sup>1</sup>). The ratio of private to public sector employees is used in this article as a measure of dependency on public sector employment i.e. those areas with more private sector employees for every public sector employee (a higher ratio) are deemed to be less dependent. This takes no account of public sector supply chains or procurement within the private sector. Data is only available for the period 2003-2008 so pre-dates most effects of the recession.

- In 2008 the ratio of private to public sector employees in Herefordshire was 5.4 i.e. there were an estimated 5.4 private sector employees in Herefordshire for every 1 public sector employee.
- This was above the regional and national figures in 2008 (both 3.9). It was also higher than any of its neighbouring authorities.
- Between 2003 and 2008 the ratio of private to public employees increased from 4.7 to 5.4. This was due to a greater increase in the number of private sector employees (+15%) compared to the number of public sector employees (+1%).
- Rural authorities throughout England are less dependent on public sector employment i.e. the ratio of private to public sector employees is higher.
- The more rural areas across England (rural 50 and rural 80 classifications) saw the greatest increases in private sector employee numbers between 2003 and 2008 (+8.5% and +7.2% respectively), whilst at the same time seeing the smallest growth in public sector employees (+2.8% and +3.1% respectively). Herefordshire is classified as rural 50.

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

**SOURCE: ANNUAL BUSINESS INQUIRY, ONS - CROWN COPYRIGHT**

1. The ABI is a workplace based measure i.e. it covers people who work in Herefordshire rather than residents

## HOME BASED BUSINESSES

The following is a summary of information available about home based businesses from the Home Business Survey and the 2001 Census.

Nationally there are 2.8 million businesses operating full-time from home, contributing £284 billion to the annual UK economy. In the West Midlands region there are estimated to be around 207,200 home businesses contributing 21.4 billion to the UK economy.

- Home businesses are growing by outsourcing and subcontracting work, as opposed to taking on staff. 89% of home businesses expected to increase turnover in the next 12 months and plan to do so by using freelancers/outsourcing (45%), and making greater efficiency of existing resources (42%).
- When asked ‘what is the one thing you would like to see in your area that would help your business’, 43% responded with ‘events & networks for home business owners’ which is, in turn, driving the growth in home business hub facilities.

**SOURCE: THE HOME BUSINESS REPORT 2009, ENTERPRISING NATION**

At the time of the 2001 Census, 48% of self-employed people in Herefordshire worked from home, which was higher than all neighbouring authorities, the West Midlands region and England as a whole, with the exception of Powys where it was 56%. Powys had a slightly higher proportion of 16-74 year olds who are self-employed, 27% compared to Herefordshire’s 22%.

Comparatively, of those who work from home both Herefordshire and Powys have lower proportions who are employees (34% and 26% respectively) whilst Telford and Wrekin and the West Midlands region as a whole had much higher percentages (56% and 51% respectively).

**SOURCE: 2001 CENSUS, CROWN COPYRIGHT**

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

## PROPERTY PRICES

HM Land Registry collects data on house prices from all house sales in England and Wales which forms the basis of the data below. The most recent data for house prices is **quarter 2 in 2010** and for the House Price Index, **September 2010**.

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 2nd quarter of 2010, the *provisional* median price of a property in Herefordshire had increased to **£195,000**. In comparison, the median property prices for England & Wales and the West Midlands were £183,000 and £148,000 respectively.

### Volume of Sales

The Land Registry figure for the number of house sales in Herefordshire during July 2010 was 208. In the 6 months prior to August 2010 (February 2010 to July 2010) the volume of sales averaged 170 per month, which is an increase of just 4% from the same period last year (163 sales per month). For comparison, England & Wales experienced an increase of 21% and the West Midlands region saw an increase of 17% between the 6 months prior to August 2010 and the same period of the previous year.

Year of 2nd Quarter	Median property prices			Lower quartile property prices		
	England & Wales	West Midlands	Herefordshire	England & Wales	West Midlands	Herefordshire
2008	£175,000	£144,000	£194,000	£125,000	£111,500	£148,000
2009	£175,000	£137,000	£165,000	£117,000	£102,000	£135,100
<b>2010<sup>a</sup></b>	<b>£183,000</b>	<b>£148,000</b>	<b>£195,000</b>	<b>£125,000</b>	<b>£109,500</b>	<b>£146,500</b>

Source: HM Land Registry

<sup>a</sup>Figures for 2010 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.

The table shows that the current (September 2010) annual rate of *increase* in house prices for

Herefordshire is 1.8%, which is the same as for the West Midlands and lower than for England & Wales (5.2%). This compares to *decreases* of around 5% that were seen in the year to September 2009.

	Annual change (%)		
	Eng & Wales	West Mids	Hfds
Sep 08-09	-5.1%	-5.7%	-5.1%
<b>Sep 09-10</b>	<b>5.2%</b>	<b>1.8%</b>	<b>1.8%</b>

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.

Private rental levels for two, three and four bedroom properties in Herefordshire have remained unchanged since December 2009;

5-bedroom dwellings are lower than they were a year ago, as are 1-bed *shared* dwellings; 1-bed dwellings on the other hand are higher than they were.

Monthly LHA	(Calculated from the weekly LHA rental levels published by TRS)					
	1 Bed-room Shared	1 Bed-room	2 Bed-room	3 Bed-room	4 Bed-room	5 Bed-room
Dec-09	£289	£411	£526	£627	£752	£978
<b>Dec-10</b>	<b>£276</b>	<b>£421</b>	<b>£526</b>	<b>£627</b>	<b>£752</b>	<b>£902</b>

Source: The Rent Service

### Other House Price Information

The latest Hometrack House Price Survey of agents and surveyors in England & Wales ([www.hometrack.co.uk](http://www.hometrack.co.uk)) shows that house prices have fallen for the fourth consecutive month in October. The supply of houses has grown by 14% in the last six months, while demand has dropped by 8%.

For further information contact the Herefordshire Council Research Team: 01432 383 069 or [researchteam@herefordshire.gov.uk](mailto:researchteam@herefordshire.gov.uk)

## NATIONAL RESEARCH

### A minimum income standard for rural households

*Joseph Rowntree Foundation and Commission for Rural Communities (November 2010)*

The research shows that people in rural areas need to take home up to 24% more than those in urban areas in order to reach a socially acceptable standard of living. For example a single person living in a hamlet will need £18,600 a year to get by, compared with £14,400 for the same person living in an urban area (including differences in tax requirements).

Although some things could be cheaper for rural households than for urban households (e.g. leisure activities for primary school children) this was unusual. Most household requirements were the same for rural as for urban families. However, there were critical differences that meant, overall, all rural households faced additional costs. Transport costs make up the single largest element of the additional costs – between 60%-100% of differences. This reflects the shift from reliance on buses as the main mode of transport in urban budgets to the need for cars in most rural households. Cars were deemed essential in locales where bus services were inadequate or unavailable. After transport, domestic fuel costs make up the next largest element of the additional costs. These increases reflect two issues: the absence of mains gas in many rural areas and reliance on more expensive forms of fuel for heating; and the prevalence of larger, older and less well-insulated housing stock in rural areas.

Therefore households in rural areas need to earn more to cover a range of higher costs than those for urban households. However, due to the increase in taxes and loss of tax credit that such increased earnings incur, rural households need to earn a substantially greater amount than they would need to spend to pay for the minimum living standard. Rural households would be unlikely to be able to earn enough for a minimum living standard on the national minimum wage (£5.93 an hour).

**For more info visit:** [www.tinyurl.com/ruralMIS](http://www.tinyurl.com/ruralMIS)

### An Independent Review of the Work Capability Assessment

*Professor Malcolm Harrington (November 2010)*

The Work Capability Assessment (WCA) is the main assessment for Employment and Support Allowance, which replaces Incapacity Benefit, and is being used in transferring claimants onto the new benefit. The WCA was designed to distinguish people who could not work due to health-related

problems from people who were fit for some work or, with additional support, could eventually return to the world of work.

In summary of his findings Professor Harrington said the following:

'I have found that the WCA is not working as well as it should. There are clear and consistent criticisms of the whole system and much negativity surrounding the process. There is strong evidence that the system can be impersonal and mechanistic, that the process lacks transparency and that a lack of communication between the various parties involved contributes to poor decision making and a high rate of appeals.

I do not believe that the system is broken or beyond repair. I am proposing a substantial series of recommendations to improve the fairness and effectiveness of the WCA. If adopted, I believe these recommendations can have a positive impact on the process – making it fairer and more effective, changing perceptions so the WCA is seen as a positive first step towards work, and reducing the rate of appeals. I also set out a future programme of work indicating areas that subsequent reviews should examine.'

**For more info visit:** [www.tinyurl.com/WCAreview](http://www.tinyurl.com/WCAreview)

## LOCAL RESEARCH

The 2010 State of Herefordshire has now been produced. The key findings can be downloaded from [www.herefordshire.gov.uk/soh](http://www.herefordshire.gov.uk/soh)

The report is a digest of statistics about Herefordshire containing local performance and contextual information. The State of Herefordshire Report describes the county and the current issues that it is facing, a useful tool for policy making and evidence for funding bids.

**Housing Needs Studies** continue across the county. After survey and analysis, a report is issued to the parish or town council and circulated to other interested parties. A report for **Kingsland** has now been published showing a need for additional affordable housing of 20 units. Surveys for Canon Pyon and Sutton St. Nicholas are currently underway. For more information please visit [www.herefordshire.gov.uk/factsandfigures/housingresearch.aspx](http://www.herefordshire.gov.uk/factsandfigures/housingresearch.aspx)

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