

# QUARTERLY ECONOMIC BULLETIN

An Economic Summary for Herefordshire

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## Key Points for Herefordshire:

- The number of unemployed claiming benefit saw a large increase between July and August 2008 (**Page 4**).
- The manufacturing industry in Herefordshire contributes the most to the counties economic output (Gross Value Added) (**Page 5**).
- Businesses in Herefordshire have a greater rate of survival than those in the West Midlands and England (**Page 6**).
- The volume of house sales in Herefordshire in the first part of 2008 was greatly reduced compared to the same period last year (**Page 7**).

## NEWS

### SOURCED FROM LOCAL PRESS

#### Job Losses

Triplex (who produce machined car components) have announced that 130 employees at their Hereford plant will be made redundant. The company, who also operate in Stratford-on-Avon, have said that some jobs may be available at this site, where all their production will now take place.

More than 150 workers in Eardisley face an uncertain future as Forest Garden's premises closes in the village. The move comes as the company, which makes outdoor equipment such as sheds and decking, centralises it's operation to a location in Worcestershire. Chief Executive Jonathon Halford blamed increases in operational costs resulting from inflation.

14 workers have been made redundant from car parts company LSUK after a takeover bid by Euro Car Parts failed and the company was left to go into administration. The branch in Hereford was one of 53 nationwide.

#### Edgar Street Grid

As with other businesses, ESG Herefordshire is feeling the effects of the current economic climate. However, work still progresses to help build one bigger, better city, with a great deal still to do on getting the infrastructure of roads, car parking and drainage right before other development can start.

Site investigation work has begun at Credenhill in preparation for a floodwater diversion scheme from the Yazor Brook directly into the River Wye. The innovative scheme using an underground culvert and the force of gravity will reduce the risk of flooding to the north of Hereford City centre. Concept plans for the improvements to Newmarket and Blueschool Streets, a transport hub and the new link road from Edgar Street to Commercial Road have been discussed at various public meetings and issues raised have been noted for consideration.

If you would like help to understand this document, or would like it in another format or language, please call the Research Team on 01432 383634 or e-mail [researchteam@herefordshire.gov.uk](mailto:researchteam@herefordshire.gov.uk)

For a large print copy, please call 01432 260 893

## NEWS (CONT.)

### Edgar Street Grid (cont.)

Sanctuary Housing Association have held their first public consultation on the requirements of the Urban Village which will provide up to 1000 new homes, 35% of which will be affordable. Stanhope, the developer chosen to undertake the development of the retail quarter, expects to sign the £200 million contract early in 2009.

### Development and Investment

Herefords Cathedral Close is to undergo a £5.6 million programme of restoration, which will see the introduction of new benches, railings and paving. The work, which will soon go out to tender, will start after next year's Three Choirs Festival.

Post Office chiefs have confirmed that 10 Post Offices in Herefordshire will be closed including Edwyn Ralph, Lyonshall, Bishops Wood, Rushall, Llangrove, Brampton Bryan, Sutton St Nicholas, Brockhampton, Redhill and Brampton Road. The Post Office have blamed the closures on huge annual losses and claim the closures will only effect 1% of the population.

### Agriculture and Environment

Herefordshire fruit growers are reporting a shortage of Perry pears in this years crop, a result of poor weather earlier in the year. This shortage is likely to lead to a shortage of Perry products this year as Herefordshire is one of a few counties that produce this type of pear.

### Transport

There will soon be a new hourly rail service between Hereford and Birmingham. The service, which will operate between 7am and 7pm, will be a big help to those travelling from Hereford to Birmingham and should increase patronage and take cars off the road. In addition route director for Network Rail Peter Strachan has confirmed that twin tracking between Hereford and Malvern will be "under consideration" in the next phase of the national rail investment, which will run from 2009-2014. The realisation of twin tracks on this line would bring vast improvements in service at peak times.

### National News

#### Fewer jobs available for foreign workers through the shortage occupation route.

The number of jobs available to foreign workers through the shortage occupation route will be reduced. The shortage occupation list sets out

those jobs for which there are not enough resident workers, and will be used as part of the skilled worker tier (Tier 2) of the Australian-style points system, which was launched on 27 November. Tier 2 of the points system will ensure that British jobseekers get the first shot at jobs and only those foreign workers we need will be able to come to the United Kingdom.

Recent Government work to ensure British workers are skilled and competitive means that many of the previous gaps in the labour market have been filled. As a result, today's list is tighter than ever before and will see a reduction of more than 200,000 positions in occupations with shortages that need to be filled by migrant workers. The number of positions available to migrants has been reduced from one million to just under 800,000, ensuring that only those foreign workers we need can come here.

*Source: Home Office, UK Border Control*

### Universities to Embrace Enterprise

Around 100,000 students and graduates will get the chance to develop world-class skills as entrepreneurs and business leaders with the launch of the first University Enterprise Networks (UEN). The Networks are the first of their kind and will focus on the areas of science, technology, engineering, maths (STEM), innovation and the nuclear sector. The networks will be managed by the National Council for Graduate Entrepreneurship (NCGE).

The UENs will aim to establish a culture of enterprise in universities by providing training, advice and encouragement to students and graduates who want to develop their business ideas or wish to become innovative employees. Each network will be further supported by sponsorship from privately owned companies and Regional Development Agencies (RDAs). This will give students first hand experience of enterprising workplaces.

*Source: Department for Business, Enterprise and Regulatory Reform (National), BERR*

Business Link West Midlands has launched a **credit crunch hot line** and is running a series of workshops to provide high quality information and advice to business owners and entrepreneurs, in what are likely to become hard times ahead. Businesses can receive practical guidance on things such as managing outstanding debts and cash flow, gaining finance, reducing energy bills and business planning. The number to call is **0845 002 0900** and is available from 9am to 5pm Monday to Friday.

## EDITORIAL: SMALL BUSINESSES IN THE BIG CRUNCH

Angela Smith *Federation of Small Businesses Herefordshire*

The Federation of Small Businesses (FSB) is the UK's largest campaigning pressure group promoting and protecting the interests of the self-employed and owners of small firms. Formed in 1974, it now has over 215,000 members across 33 regions and 230 branches.

**On a local front** Herefordshire, with a few exceptions, has not been significantly affected by the early symptoms of the recession. However, this probably won't last. The county has few large employers, consequently the likelihood of mass lay-offs is greatly reduced when compared with counties and towns with a strong manufacturing or processing base e.g. Telford. The multitude of small and medium sized businesses across the county employ the majority of the workforce.

Business owners are currently struggling with cash flow, using reserves and personal investment or borrowing to meet hard times. The extended family is being turned to for inward investment as banks fail to meet the needs of local small and medium enterprises (SMEs). Some businesses are having their borrowing reduced or withdrawn for no apparent reason. This is contrary to what Government and the media tell us – the banks are expected to support SMEs by continuing to lend and extending current facilities where possible and appropriate. Banks are no longer risk takers, they are reluctant to lend under prevailing circumstances, the FSB calls for them to take their business customers' history into consideration. Most SMEs have good track records.

**Businesses are turning to the internet**, where possible, to extend their markets and increase their virtual footfall. This is not appropriate to every business but for those to which it does apply it is absolutely vital that they have adequate broadband provision.

Herefordshire does not have the uniform coverage that urban areas benefit from and BT is reluctant to invest in the high spend/low return end of the market. It is understandable that decisions are made on strictly economic terms, however, if the Royal Mail fell into this practice many of us would not receive any hard copy mail at all!!

**Raising finance** – the Government are continually quoted in the media about funding available for SMEs – this funding is extremely difficult to locate. Whatever the project; business owners, inventors and other entrepreneurs are faced by a range of

government agencies which fail to meet their expectations. At best the applicant is offered some consultancy work – this often isn't what people are looking for.

It would be very helpful if there was a local resource where applicants could go for help (and actually talk to someone in person). Ideally they would know about grant aid, commercial funding, European Social Fund, Rural Enterprise Grant and so on plus information about premises and training opportunities – this is certainly not an easy thing to come up with but would be an absolute boon to those who needed help.

**Keep Trade Local (KTL)** – the FSB's national campaign to make Government sit up and listen to what local customers, clients and business owners want. Currently escalating business rates, high rents, perceived high crime rates, skills gaps, to mention a few, are either forcing business to close or to locate in other areas. The FSB will use its petition, the backbone of the KTL campaign, to demonstrate public fears and expectations.

Herefordshire needs modestly costed business units to suit a wide range of business types – not just retailing, it needs a high visibility police force (achieved in some areas, but still lacking in others) to encourage people to do business in the town centres, especially in the evening economy when 'pretty' towns such as Ledbury change their character. Anecdotal evidence suggests that local people would rather stay at home than venture into towns during the evening – this is obviously a self-fulfilling prophecy but should be tackled to ensure anti-social behaviour is dealt with. The FSB's KTL campaign was launched in March 2008 – we have held local launches in Ledbury, Leominster, Bromyard, Ross and Weobley – all towns gave the campaign an encouraging welcome and business owners are currently promoting the campaign and collecting signatures on our behalf.

# UNEMPLOYMENT

This article shows levels and trends of unemployment in Herefordshire. The Office for National Statistics (ONS) supplies data on numbers and rates of unemployment (% of the working age population claiming unemployment benefits), the age of those who are unemployed and duration of their unemployment. In response to recent changes in the UK and global economy, this article focuses on changes in unemployment over the previous four months.

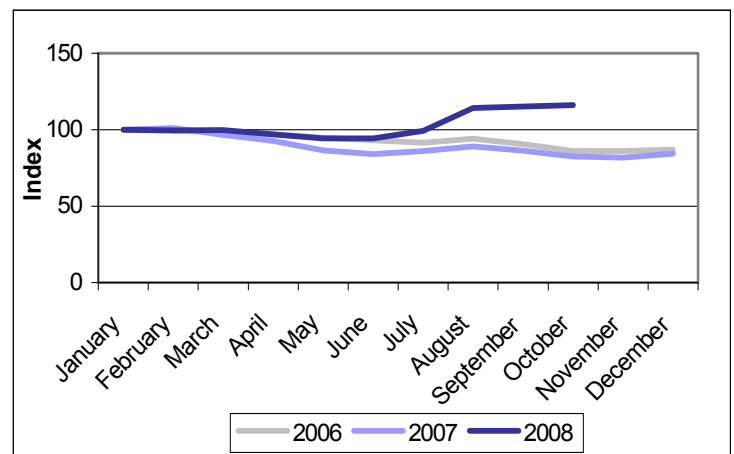
The total number of claimants in Herefordshire was **1,763** in October 2008, which represented a large increase on previous months (+258 since July) and was the highest since January 2006 (1,768). When looking at the month on month change for this year compared to previous years (chart 1) it shows a large increase between July and October compared to changes seen in 2006 and 2007 over the same period. Most noticeably there was a very large increase between July and August this year, an increase of 226, (15%). This resulted in the claimant count in October 2008 being 416 claimants up on the same point last year. The same was also true for August 2008, which was 275 up on the previous year.

The **unemployment rate** saw an increase from 1.5% in July 2008 to 1.7% in October 2008. In the West Midlands region it increased from 3.1% to 3.4% and from 2.3% to 2.5% in England as a whole, suggesting that most areas have seen an increase in unemployment.

However, in the context of unemployment rates over the last ten years, **the rate in Herefordshire is still low**. The unemployment rate is also low when compared to the rate regionally and nationally. In 1998 the unemployment rate for Herefordshire was around 3%. Over the following years the rate gradually decreased to its currently low level. In fact the trend of decrease in the claimant count and unemployment rate goes back much further. The increase over the last four months may indicate a departure from this trend but it is probably too soon to conclude that these changes are as a result of a slowdown in the local economy or that they will be long lasting.

The greatest proportion of **claimants by age** were those between 25 and 49 who accounted for 51% of all claimants in October 2008. Claimants under 25 and over 50 years of age accounted for 30% and 19% respectively. It is

Chart 1. Indexed claimant count (from January each year), 2006-2008



Source: ONS Crown Copyright

these two groups however that showed the greatest rate of increase over the four-month period ending October 2008, increasing by 20% and 30% respectively. In terms of claimant numbers this was an increase of 85 for those under 25 and 70 for those over 50 compared to 110 in the 25-49 age group.

Between July and October 2008 the **wards**, which experienced the greatest increases in the number of claimants were Belmont (35), Ross-on-Wye West (26), St Nicholas (22), Three Elms (22) and Ledbury (17).

Kerne Bridge ward in the South of the County saw the greatest increase in employment rate (from 0.8% to 1.8%). Central, Pontrilas and Ross-on-Wye West also saw large increases over the same period (0.9, 0.9 and 0.8 percentage points respectively).

# GROSS VALUE ADDED

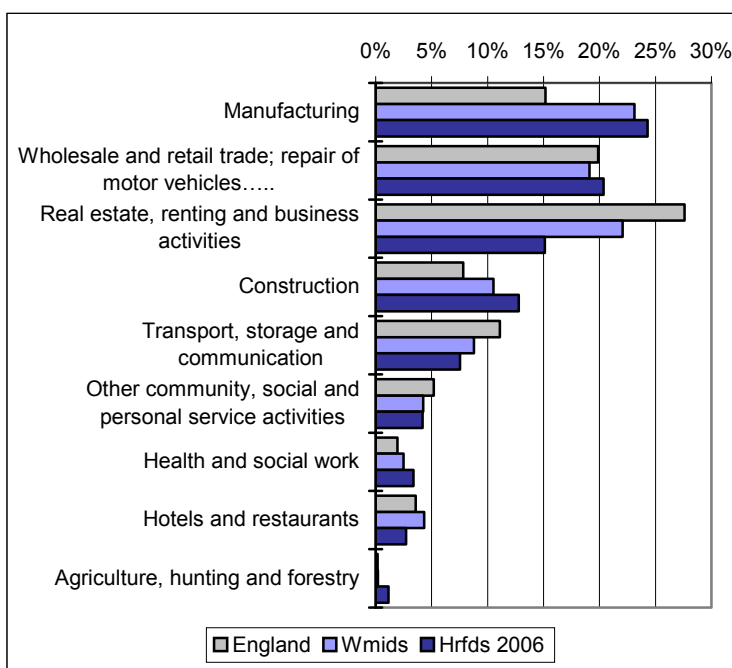
Gross Value Added (GVA) is a measure of productivity of the economy and denotes estimates that were previously known as gross domestic product (GDP) at basic prices. While GDP measures the total expenditure on final goods and services produced in the domestic economy, GVA measures production and income

The data presented here is a special analysis for Herefordshire from the Annual Business Inquiry (ABI) and is not comparable with GVA data produced using the Input-Output methodology as in the regional accounts published by the Office for National Statistics. In 2005 the estimated figure from the ABI special analysis was £1,544 million compared to £2,481 million from the regional accounts. The regional accounts are produced using data from the ABI as well as other sources, whereas the ABI special analysis uses just data from the ABI. The ABI does not capture all parts of the economy, for example the self-employed, explaining in part the difference between the two figures. However, more detailed sectorial analysis is only available from this source.

In 2006 the ABI figure for GVA was £1,693 million a 21% increase on the value in 2001. This was a smaller increase in percentage terms than for England as a whole (25%) or the West Midlands (28%).

To make comparisons with different geographical areas we need to standardise GVA to account for population. One way to do this is to measure productivity, in this case GVA per

Chart 1. Proportion of GVA by major industrial sectors in Herefordshire, 2006<sup>1</sup>.



employee. In 2006 the figure for Herefordshire was £22,779. This was low compared to both the West Midlands (£26,504) and England (£30,849). This difference in productivity can be partly explained by differences in wages. The ratio of median earnings in Herefordshire to that in the West Midlands and England is 0.87 and 0.81 respectively, demonstrating the generally lower wages seen in the county.

## Industry sectors

When looking at the different industries that contribute to GVA in Herefordshire (chart 1) it was the four sectors in table 1 that accounted for the greatest proportion in 2006.

Table 1. Proportion of GVA and employees for the four main industry groups (by GVA) in Herefordshire, 2006<sup>1</sup>

	GVA	Employees
Manufacturing	24%	15%
Wholesale and retail trade; repair of motor ve	20%	20%
Real estate, renting and business activities	15%	10%
Construction	13%	5%

In the West Midlands region it was also manufacturing that accounted for the greatest proportion of GVA (23%) whereas in England as a whole it was real estate, renting and business activities that accounted for the greatest proportion (28%). Whilst construction accounts for a greater proportion of GVA in Herefordshire than both the West Midlands and England, both real estate, renting and business activity and transport, storage and communication account for less. Whilst agriculture only accounts for 1.2% (7% of employees) in Herefordshire this is greater than the proportion in both the West Midlands and England (both 0.2%). Because the ABI does not survey the self-employed it's likely that agriculture is underrepresented in these figures.

When looking at the productivity of the major sectors in Herefordshire it is manufacturing that has the greatest GVA per employee £36,671 compared to £33,137 in real estate renting and business activity and £22,719 in the wholesale and retail trade. Also of note is the high GVA per employee in the construction sector £57,640 and a relatively low level in the hotel and restaurant sector (£9,520).

1. (source: Annual Business Inquiry—ONS Crown copyright)

# BUSINESS SURVIVAL RATES

VAT statistics provide a guide to business formation, closures and survival rates at a national, regional and local level. A business is legally required to register for VAT when its annual turnover reaches a certain threshold. This threshold changes year on year, but was £67,000 annually as of June 2008. A number of small businesses and particularly sole traders may be excluded from these figures due to the high VAT threshold. Herefordshire contains a high proportion of sole trader and micro businesses, so levels of VAT based businesses and VAT registrations and de-registrations can only give an indication of the trend in business activity in Herefordshire.

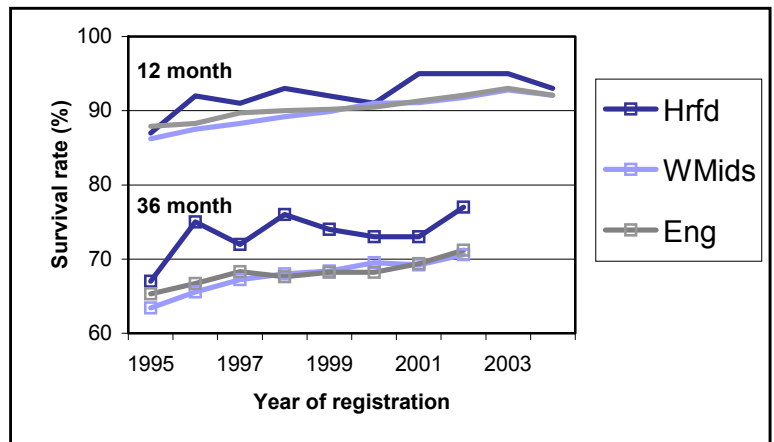
Business survival rates are determined by calculating the percentage of new VAT registered enterprises, in a given year, that are still operating after a given time period. For example in Herefordshire out of all the new enterprises that registered for VAT in 2001, 73% were still trading after three years (36 months).

Data for Herefordshire covers the period 1995 to 2005 and for a survival rate of up to 48 months after registration. This data shows how the business survival rate progressively decreases with time after registration as more businesses close. In Herefordshire the survival rate dropped from 98% after 6 months to 65% after 48 months (registration year 2001).

When compared to other areas, Herefordshire had a higher survival rate for the first 12 months after 2001, (95%) than both the West Midlands region (91%) and England as a whole (91%), with this being the case for the majority of the reporting period (1995-2005).

Between 1995 and 2004 both the 12 month and the 36 month survival rate showed an increase,

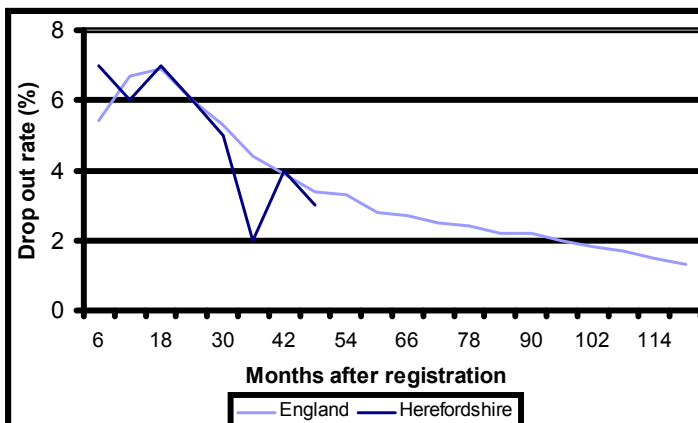
Chart 1. 12 month and 36 month survival rate for Herefordshire, the West Midlands and England, 1995 to 2004.



Source: DTI Small Business Service

with this being the case for Herefordshire, the West Midlands and England as a whole (chart 1). Over this period Herefordshire maintained a consistently higher survival rate than regionally and nationally. This difference was most noticeable for the 36 month survival rate. This suggests that a higher proportion of businesses are 'surviving' longer, especially in Herefordshire compared to regionally or nationally.

Chart 2. Drop out rate for VAT enterprises registered in 1995



Source: DTI Small Business Service

By calculating the change in the number of businesses who are still registered, we can see at what stage a business is more at risk of de-registering. Chart 2 shows the 'drop out' rates over ten years for VAT enterprises registered for England and Herefordshire in 1995. This highlights that there is a peak between 12 and 18 months when the percentage of businesses that de-registered was around seven percent. After 18 months this decreases rapidly, from 7% at 18 months to 5% at 30 months, and then tends to zero. In general businesses in Herefordshire have a lower drop out rate than both the West Midlands and England as a whole. This data set shows a greater degree of variation for Herefordshire compared to England as a whole, a result of the relatively small business population on which the data is based and of the level of accuracy to which the data is provided.

**'Click here for the full article'** - please note this opens a new window (20kb) Any queries please contact the Herefordshire Council Research Team: 01432 260464 or [researchteam@herefordshire.gov.uk](mailto:researchteam@herefordshire.gov.uk)

# 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 1 in 2008** and for the House Price Index, **September 2008**.

This data is published as a series of 'Live Tables', including 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 1st quarter of 2008, the median price of a property in Herefordshire was **£180,000**. In comparison, the median property prices for England & Wales and the West Midlands were £173,000 and £141,998 respectively.

## Volume of Sales

The Land Registry figure for the number of house sales in Herefordshire during July 2008 was 159.

In the 6 months prior to August 2008 (February 2008 to July 2008) the volume of sales averaged 154 per month, which is a decrease of 49% from the same period last year (304 sales per month). For comparison, England & Wales and the West Midlands both experienced falls of 45% between the 6 months prior to August 2008 and the same period of the previous year.

Year of 1st Quarter	Median property prices			Lower quartile property prices		
	England & Wales	West Midlands	Herefordshire	England & Wales	West Midlands	Herefordshire
2006	£158,500	£135,000	£170,000	£115,000	£104,950	£132,000
2007	£169,950	£140,000	£183,000	£123,000	£106,000	£141,000
<b>2008<sup>a</sup></b>	<b>£173,000</b>	<b>£141,998</b>	<b>£180,000</b>	<b>£123,000</b>	<b>£111,000</b>	<b>£140,000</b>

Source: HM Land Registry

<sup>a</sup>Figures for 2008 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 gives the index values in September 2008 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
Sep-07	293.4	261.3	282.5	8.9%	5.8%	8.9%
<b>Sep-08</b>	<b>269.9</b>	<b>241.9</b>	<b>260.9</b>	<b>-8.0%</b>	<b>-7.4%</b>	<b>-8.0%</b>

Source: HM Land Registry

## Private Rental Levels

The Rent Service (TRS) is a government agency providing a rental valuation service to local authorities in England. 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.

	Rental allowed for HB claimants per calendar month (Calculated from the weekly LHA rental levels published by TRS)					
	1 Bedroom Shared Ac-comm.	1 Bedroom Self Con-tained	2 Bedrooms	3 Bedrooms	4 Bedrooms	5 Bedrooms
<b>Apr-08</b>	£286.79	£411.15	£526.43	£651.79	£797.18	£1,153.14
<b>Aug-08</b>	£286.79	£421.14	£526.43	£651.79	£787.18	£1,103.04
<b>Sep-08</b>	£286.79	£421.14	£526.43	£651.79	£784.66	£1,001.75
<b>Oct-08</b>	£286.79	£421.14	£531.47	£651.79	£792.18	£977.20
<b>Nov-08</b>	£295.82	£421.14	£531.47	£651.79	£797.18	£952.61

Source: The Rent Service

There has been a marked decrease in the private rental level for 5 bedroom dwellings in Herefordshire since April 2008. Rental levels for smaller dwellings have changed little, if at all, over this period.

**HIRN seminar - Integrated Policy Model**

Tuesday the 9th December 2008 2:00 pm @  
Herefordshire Group Training Association

To book a place or to get more information  
please contact Clement Attwood (01432 260893  
or [cattwood@herefordshire.gov.uk](mailto:cattwood@herefordshire.gov.uk)) or visit  
[www.herefordshirepartnership.com/hirn](http://www.herefordshirepartnership.com/hirn)

**NATIONAL RESEARCH****Government publishes analysis of independent research on social mobility**

03 November 2008

The Prime Minister's Strategy Unit has today published '[Getting On, Getting Ahead.](#)' which analyses the evidence base on social mobility. 'Getting On, Getting Ahead, a discussion paper analysing the trends and drivers of social mobility' takes independent academic research and identifies key trends and drivers of social mobility. It finds that social mobility has remained broadly stable since 1970. The evidence since 2000 suggests it may start to rise in future.

The report identifies four key areas where the Government can have the most significant impact on improving social mobility:

- early years provision of childcare;
- education;
- post-16 education and training; and
- workplace skills.

The Minister for the Cabinet Office, Liam Byrne, said:

*"This report collects the best evidence available on how easily people can get ahead in Britain. It presents some powerful lessons from the past and some signs of good news.*

*"What seems clear is that despite the huge social, economic and political changes between 1970 and 2000, social mobility didn't go up - it stayed the same. Now, things look like they're starting to improve.*

*"The key for the future appears to be capturing a big share of high value jobs that will come as the world economy changes over the next 20 years plus investing in the things, like Sure Start, school standards, post 16 education and more training at work to give more people a fairer chance to get on".*

[www.cabinet-office.gov.uk/~media/assets/www.cabinetoffice.gov.uk/strategy/socialmobility/gettingon%20pdf.ashx](http://www.cabinet-office.gov.uk/~media/assets/www.cabinetoffice.gov.uk/strategy/socialmobility/gettingon%20pdf.ashx)

**LOCAL RESEARCH**

The Research Team have produced a new set of **Area Profiles** that aim to draw together useful information about a particular area of Herefordshire, and how it compares to the county overall. These profiles will help users build a picture of an area, and provide evidence that can be used for a range of purposes, including funding bids, strategy documents, business plans and school projects. The profiles include a range of data in the following themes: General contextual, Economic development and enterprise, Healthier communities and older people and Safer and stronger communities. There will be a profile for each of the county's 40 wards, including data for LSOA's within the ward where possible, will be published online early in December 2008 at

[www.herefordshire.gov.uk/research](http://www.herefordshire.gov.uk/research)

**Housing Needs Studies** continue across the county. After a survey and the analysis is completed, a report is issued to the parish or town council and circulated to other interested parties both within and outside Herefordshire Council. Reports for **Marden** and **Orleton** have been published during the last quarter. A need for additional affordable housing of 14 and 23 units respectively was found for these parishes.

The **Bishops Frome** and the **Ewyas Harold** areas have also been surveyed and reports for these will be published later this year. Surveys of the **Almeley, Bosbury, Little Dewchurch** and **Tarrington** areas are underway at the moment.

All housing needs survey reports can be accessed from [www.herefordshire.gov.uk/research](http://www.herefordshire.gov.uk/research) or can be obtained by telephoning the Research Team on 01432 383069.

For more information or any queries please contact:

Herefordshire Council's Research Team  
P.O. Box 4  
Plough Lane  
Hereford  
HR4 0XH

Phone: 01432 383634

Email: [researchteam@herefordshire.gov.uk](mailto:researchteam@herefordshire.gov.uk)

Website: [www.herefordshirepartnership.com/ger](http://www.herefordshirepartnership.com/ger)