

Rural England Prosperity Fund: Addendum to the UKSPF Investment Plan

Your Area	Herefordshire
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UKSPF Investment Plan Reference Number	ANON-QPA8-9PHM-R

Local Context
<p>You have already submitted your UKSPF investment plan. Here, we would like you to provide any additional information about specific rural challenges, market failures, and opportunities for rural businesses or rural communities in your area that you would like us to consider.</p> <p>As set out in the Herefordshire UKSPF Investment Plan, Herefordshire is one of the most sparsely populated areas of the UK, with an ageing population and connectivity challenges characteristic of rural areas.</p> <p>The overall population of Herefordshire has increased by 2% over the past 10 years compared to 6.6% in England, and between 5.2% and 6.4% in neighbouring areas. This increase has been primarily amongst the over 65 population; an increase of 24.1% compared with a decline in the working age population by 4.1% (ONS, 2021).</p> <p>Much of the county is deprived in terms of access to services due to rurality, with 46% of the population facing longer journey times to key services than nationally (National Audit Office, 2020). Living costs are typically 10-20% higher for rural households, making these residents more vulnerable to price increases (Herefordshire Council, 2021). The Herefordshire Vital Signs community survey (2018) highlighted that people living in the most disadvantaged communities are more likely to be less satisfied with the area, and levels of wellbeing are lower.</p> <p>The rural nature of the county, with a sparsely dispersed and aging population, means there are very significant challenges for the care sector in delivering critical services to residents. There are also related issues in terms of isolation and wellbeing of local people.</p> <p>A larger proportion of homes in Herefordshire (16.6%) are in fuel poverty than in the West Midlands (13.5%) and England (11%). This is particularly a concern for older people who are more susceptible to ill health (including the risk of death in the winter) as a result of residing in cold homes. An estimated 60% of people aged 65+ live in rural parts of Herefordshire, where access to mains gas may not be possible, and properties with poor thermal efficiency are more common, both of which increase the risk of fuel poverty. Applying the Government's new 'low-income low energy efficiency' measures, around 17% (14,000) of households in Herefordshire were in fuel poverty in 2019 (higher than England's 13%). The detrimental effects of fuel poverty pose a considerable threat to the health and wellbeing of older people living in Herefordshire (JSNA, 2021).</p> <p>The county's natural landscape and quality of life offer attracts retirees, but does not offer the range of high-quality employment opportunities or density of leisure and recreational services that attracts and retains young people and business talent. Young people are more likely to be less satisfied with the local area than the rest of the population, report lower levels of well-being, and feel they have less influence in their local communities (Herefordshire Council Community Wellbeing Survey 2021).</p>

The Herefordshire business base is predominantly small companies and micro-enterprises. Self-employment is high, with micro-businesses accounting for 90% of companies based in Herefordshire. In 2022 there were 10,620 enterprises in Herefordshire. Similarly to nationally, the majority (90%) of these were 'micro' enterprises employing 9 or fewer employees whilst 8% were 'small' (employing 10 to 49 people), and 1.3% were 'medium' size enterprises employing 50 to 249 employees. Enterprises classified as 'large' (employing 250 employees or more) accounted for a very small percentage (0.1%) (ONS, 2021)

The latest Annual Survey of Hours and Earnings (ONS, 2021) reveals that the workplace-based median weekly earnings for people who work in Herefordshire is now £536; a 12% increase from the amount recorded for 2020 (£481). Herefordshire's weekly earnings however remain significantly lower than that in England of £613, and the county has the lowest median earnings of all 14 West Midlands authorities. Resident based weekly earnings are also lower compared to England and the West Midlands region. Analysis of the business base indicates that the county has a lower proportion of businesses providing knowledge intensive services than the UK, and a lower proportion of employment in knowledge-based jobs; the proportion of innovation jobs is 2.4% compared to 5% nationally (ONS, 2020). In addition, the county has a lower proportion of working age people qualified at NVQ4+ - 39% compared to 43% nationally (ONS, 2021).

Productivity is below the national average, with GVA per hour worked at £23.79 in Herefordshire which is much lower than the national average of £35.15. GVA per hour has also grown at a slower rate than nationally which is resulting in the productivity gap widening (ONS, 2019)

Businesses across Herefordshire state their single biggest issue is the lack of a skilled and available workforce, with significant challenges in terms of recruitment and retention. This is a particular challenge in rural areas where many required roles are seasonal. Investment in innovation and automation, for example agri-tech, is likely to be one of the required solutions to this issue, and to improve efficiency and productivity.

Rural businesses across the north of Herefordshire also face significant challenges due to planning restrictions as a result of the level of phosphates in the River Lugg. This has prevented new housing and business developments for circa three years. Housing and construction businesses, and their local supply chains, have been and continue to be severely affected.

Agriculture is facing an uncertain future as direct payments are phased out and with the introduction of the Environmental Land Management scheme (ELMs), which will not be a full substitute for the EU Basic Payment Scheme. The reduction in support for farm businesses, and the end of the wider Rural Development Programme for England, is likely to have an impact across the whole of the rural economy.

Around 10,200 people work directly on farms across the county and around 3,700 of these are casual workers. Herefordshire has the third highest number of people working in agriculture in England, behind Cornwall and Shropshire. Defra statistics for Herefordshire show that there are around 300 cereal farms in the county, covering nearly 30,000 hectares, while general cropping accounts for nearly 430 farms, covering 34,000 hectares. There are around 240 horticulture farms in Herefordshire, the highest number across the West Midlands' counties. These cover an area of nearly 13,000 hectares, which is more than the combined area of all other West Midlands' counties (NFU Home Grown Heartland report June 2019).

Overall the rural areas of the county are predominately a low skilled, low wage economy with a high proportion of employment in low value sectors such as tourism and agriculture, average earnings are below the national average. There is a significant lack of available skilled workforce. Existing sectors are also more restricted in terms of the potential to innovate/ add value, and significantly

enhance productivity. The high numbers of micro businesses need access to advice and finance in order to grow.

Opportunities

However, the county has a wide range of significant opportunities to address some of the issues outlined above. An outstanding natural environment and quality of life offer that makes the county an attractive place to live, work and visit. Opportunities include: the county's location as part of the 'cyber triangle' (with Worcestershire and Gloucestershire) which is home to the largest cluster of cyber businesses outside of London; high quality locally distinctive food and drink production alongside internationally recognised brands; globally renowned local specialisms in terms of defence and security, under-utilised potential in tourism; a new and growing University focused on engineering and technology (New Model Institute in Technology and Engineering); a thriving enterprise zone; and a resilient and enterprising micro and small business base.

UKSPF and REPF will help address local challenges and realise some of these opportunities through;

- Business growth/ added value – capital grants to rural micro and small businesses providing the finance required to catalyse growth. 98% of county's business base is micro (90%) or small (8%), often requiring access to grant funds to enable growth through for example accessing new equipment, introducing innovation (such as agri-tech and automation), extending premises, improving customer/ visitor facilities. The previous LEADER and Rural Development Programme for England 'Growth' schemes had a high take up and impact across the rural economy.
- Improving productivity and energy efficiency – capital grants to support businesses to improve productivity through automation and innovation, and address spiralling energy costs through decarbonisation. The Herefordshire UKSPF Investment Plan prioritises revenue support for energy audits, this will be complemented through REPF capital grants helping rural businesses to implement the measures that will make the most significant impact to them and the environment. Grants can also help farm businesses consider new opportunities such as using lower grade lands for possible energy generation either directly by them or by community owned energy projects.
- Visitor Economy/ Place-Shaping – enhancing the welcome and environment for visitors, including visitor information points, enhancing the visitor experience and infrastructure across the rural areas. Herefordshire has a strong visitor offer, but tourism in the county pre-Covid was underperforming compared to similar destinations across the country. Through targeted investment and support, this important local sector can achieve significant growth.
- Place shaping/ improved connectivity – As a large rural county, transport is a significant barrier for many accessing work, public/ community services, and training. Capital grants will improve mobility through building on best practice community transport initiatives, as well as cycling and walking networks, and building on our current network of community hubs will enable people to access employment, training/ education and critical services.

Interventions – Rural Businesses

Please choose the interventions you wish to use under the rural business investment priority.

Select as many options as you wish from the menu. The list of interventions can be viewed [here](#).

2023-2024 interventions:	<ul style="list-style-type: none">• Funding (capital grants) for small scale investment in micro and small enterprises in rural areas. Including capital funding for net zero infrastructure for rural businesses, and diversification of farm businesses outside of agriculture to encourage start up, expansion or scale up of these businesses where this may involve converting farm buildings into other commercial or business uses.• Funding (capital grants) for the development and promotion (both trade and consumer) of the visitor economy (Corresponds to UKSPF Intervention E17)
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2024-2025 interventions:	<ul style="list-style-type: none">• Funding (capital grants) for small scale investment in micro and small enterprises in rural areas. Including capital funding for net zero infrastructure for rural businesses, and diversification of farm businesses outside of agriculture to encourage start up, expansion or scale up of these businesses where this involves converting farm buildings into other commercial or business uses.• Funding (capital grants) for the development and promotion (both trade and consumer) of the visitor economy (Corresponds to UKSPF Intervention E17).
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Please explain how the interventions selected will address local rural business challenges, market failures, and opportunities (max 300 words)

Funding (capital grants) for small scale investment in micro and small enterprises in rural areas.
The vast majority (90%) of the county's business base are micro enterprises with more limited turnover and access to finance for innovation, investment and growth.

Building on the successful impact of LEADER, the Rural Development Programme for England Growth programme, and the Marches Business Improvement Programme (funded to date through the European Regional Development Fund), the provision of small scale capital grants to rural businesses will enable them to grow. The capital grants will be open to micro and small businesses to apply to, for example to improve productivity, innovation, and energy efficiency, and to enhance the visitor offer. The grants will add value to the UKSPF proposed support, for example in terms of the revenue funded advice for energy audits and business support packages, with REPF providing capital support to implement thereafter.

Funding (capital grants) for the development and promotion (both trade and consumer) of the visitor economy (Corresponds to UKSPF Intervention E17).

The visitor economy is critical to Herefordshire in terms of employment, income generation and raising the profile of the county as a great place to live, work, study and visit. Visitor economy businesses were severely impacted by Covid 19. A STEAM economic impact assessment undertaken in 2020 identified a 66% reduction in visitor numbers and 53% reduction in visitor spend compared to 2019.

Compared to similar rural destinations, Herefordshire has in the recent past underperformed in terms of tourism potential. This has largely been due to a lack of co-ordinated marketing/ promotion, and limited investment in place-shaping and wider infrastructure.

Complementing the UKSPF intervention E17 to support the promotion of tourism, the REPF funds will provide capital grants to enhance the visitor economy offer of the county, realising the opportunity for growth.

Please rank the interventions selected in order of expected value added

1. Funding (capital grants) for small scale investment in micro and small enterprises in rural areas
2. Funding (capital grants) for the development and promotion (both trade and consumer) of the visitor economy (Corresponds to UKSPF Intervention E17).

Interventions – Rural Communities

Please choose the interventions you wish to use under the rural communities investment priority. Select as many options as you wish from the menu.

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| 2023-2024 interventions: | <ul style="list-style-type: none"> • Funding (capital grants) for investment in capacity building and infrastructure support for local civil society and community groups. • Funding (capital grants) for active travel enhancements in the local area. (This intervention corresponds to the UKSPF intervention E70). |
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| 2024-2025 interventions: | <ul style="list-style-type: none"> • Funding (capital grants) for investment in capacity building and infrastructure support for local civil society and community groups (this intervention corresponds to the UKSPF intervention E11). • Funding (capital grants) for active travel enhancements in the local area. (This intervention corresponds to the UKSPF intervention E70). |
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Please explain how the interventions selected will address local rural community challenges, market failures, and opportunities (max 300 words)

Funding (capital grants) for investment in capacity building and infrastructure support for local civil society and community groups (this intervention corresponds to the UKSPF intervention E11).

Herefordshire Council has established over 70 Talk Community hubs across the county, focal points for local communities to access advice and support (health, finance etc) and address issues of isolation. In future community hubs can also provide support in terms of to those seeking education

training and employment support. Building on this network the capital grants will be utilised to support community energy schemes, particularly where benefitting community hubs. The funding will also be utilised to establish EV charging points at key locations to support the ability for local residents and visitors to travel around the rural areas of the county in electric vehicles.

Funding (capital grants) for active travel enhancements in the local area. (This intervention corresponds to the UKSPF intervention E70)

Walking and cycling is a key element of the county's rural tourism offer and attraction, as well as providing alternative means for local people to utilise active travel to move around the county. As highlighted above, the county faces significant challenges in terms of access to public services with 46% of the population facing longer journey times to key services than nationally (National Audit Office, 2020). The lack of available transport options is also a significant barrier to people accessing training, further and higher education, and employment.

Capital grants will be utilised to enhance trails and cycleway, enhancing the tourism offer and active travel options for local people. Grants may also be used to build on best practice community transport schemes, assisting local communities to access public services, training/ education and employment.

Please rank the interventions selected in order of expected value added

1. Funding (capital grants) for active travel enhancements in the local area. (This intervention corresponds to the UKSPF intervention E70)
2. Funding (capital grants) for investment in capacity building and infrastructure support for local civil society and community groups (This intervention corresponds to the UKSPF intervention E11)

Intervention Outcomes

Please select what outcomes the interventions selected in the rural business investment priority are expected to achieve

- Jobs created
- Jobs safeguarded
- Number of new businesses created
- Number of businesses adopting new to the firm technologies or processes
- Number of businesses with improved productivity
- Number of businesses experiencing growth
- Number of businesses reducing carbon emissions
- Number of businesses increasing their turnover
- Increased visitor numbers

Please select what outcomes the interventions selected in the rural communities investment priority are expected to achieve

- Improved perception of facilities or amenities
- Increased users of facilities or amenities
- Improved perceived or experienced accessibility
- Number of new businesses created
- Increased use of cycleways or paths

Delivery

Please set out the indicative spend profile of your REPF allocation, additional to that of your UKSPF investment plan. Please detail the indicative budgets at investment priority level and at Intervention level, for the 2 years of the fund, including if REPF money will be used to complement UKSPF funded projects. (300 words max)

Funding (capital grants) for small scale investment in micro and small enterprises in rural areas indicative profile. Will complement UKSPF outcomes E17, E19, E24.

2023/24	2024/25	Total
£500,000	£500,000	£1,000,000

Funding (capital grants) for the development and promotion (both trade and consumer) of the visitor economy indicative profile. Will complement UKSPF outcomes E17.

2023/24	2024/25	Total
£125,000	£125,000	£250,000

Funding (capital grants) for active travel enhancements in the local area indicative profile. Will complement UKSPF outcomes E70.

2023/24	2024/25	Total
£125,000	£125,000	£250,000

Funding (capital grants) for investment in capacity building and infrastructure support for local civil society and community groups. Will complement UKSPF outcomes E11.

2023/24	2024/25	Total
£100,000	£100,000	£200,000

Please set out how you intend to select projects to support, detailing including how you will ensure they deliver value for money, including additionality. Please also set out how you will determine that projects cannot be funded by private finance. (500 words max)

Whilst the £1.7m of additional capital funding is very welcome, it is disappointing that government has not provided any additional funds to administer what will be a resource intensive scheme. The council will deliver the REPF alongside the UK Shared Prosperity Fund.

Herefordshire Council has significant experience of delivering a wide range of publically funded grant schemes, including two previous LEADER programmes, a wide range of European Regional Development Fund grant schemes such as the Marches Business Improvement Programme, and is currently the accountable body for the government funded £22.4m Hereford Towns Fund programme.

In line with the national REPF guidance, and building on the experience of delivering the above schemes which have been subject to previous audits, the council will deliver the REPF through the following process;

- Open Grant Calls – the council will publish open grant calls for projects in accordance with the Addendum which will clearly specify (in accordance with the national guidance/ contract) who is eligible to apply, what they can apply for, the maximum intervention level/ match funding requirements, output/ outcome requirements, timescales for delivery, criteria for selection and transparent decision making process.

- Project Application – applicants will initially be asked to complete an Expression of Interest form to provide an early indication as to the viability of their project. Those successful at this stage will then be asked to complete a detailed application/ business case form setting out the need for public intervention, how the project meets the requirements of the call/ strategic fit, the outputs/ outcomes that will be delivered, how the project will deliver value for money/ additionality, and how the project meets subsidy control requirements.
- Project appraisal – each application will be independently assessed, reviewing how it meets the project call/ strategic fit, scored against all of the grant scheme criteria. The appraisal will consider the case made for public funding/ why the activity is not commercially viable, and include an assessment of the financial position of the applying business, as well as risks, compliance with subsidy control, and the value for money/ additionality that will be delivered. The appraisal will fully consider the possible risk of displacement of trade through supporting the project. Should more applications be received than budget those that achieve the highest score against the grant fund criteria (including value for money) will be selected.
- Approving applications – All application appraisals will be considered by a senior council officer in accordance with our constitution/ scheme of delegation. An assessment panel of stakeholders will also help provide advice on project appraisals, utilising the experience of previous grant schemes such as the former LEADER Action Group.
- Contracting – each project will be subject to a specific grant funding contract detailing the use of the grant funds, any specific conditions, timeframe for delivery, output/ outcomes, monitoring/ reporting requirements and the basis for clawback should the project fail.
- Grant claims/ Monitoring – as per the previous LEADER and other grant funding schemes we have successfully implemented, projects will claim funding in arrears against defrayed expenditure through a grant claim form and supported by evidence that expenditure has been incurred in line with the contract, and that outputs/ outcomes have been achieved. The claim form will be assessed by the council prior to the payment of grant claims.

Subject to approval of the Addendum, grant calls will be developed and launched in early 2022/23, to complement the revenue support services due to be launched through UKSPF, and providing the maximum time possible for people to apply and then deliver their respective projects.

Have you identified opportunities to work with other places on specific interventions and/or projects for the rural business interventions?

Intervention(s) you intend to collaborate on:

The council will work with the Marches Local Enterprise Partnership, and surrounding counties of Shropshire, Worcestershire, Powys and Telford and Wrekin, and the Herefordshire Business Board in implementing all elements of the funds.

We have a long history of working collaboratively together in implementing grant schemes.

Place(s) you intend to collaborate with:

Marches Local Enterprise Partnership, Shropshire, Worcestershire, Telford and Wrekin and Powys.

	As grant schemes are further developed we will engage our surrounding partners to explore opportunities for joint working.
Have you identified opportunities to work with other places on specific interventions and/or projects for the rural communities interventions?	
Intervention(s) you intend to collaborate on:	As above, the council will work with the Marches Local Enterprise Partnership, the Herefordshire Business Board and surrounding counties of Shropshire, Worcestershire, Powys and Telford and Wrekin in implementing all elements of the funds. We have a long history of working collaboratively together in implementing the grant schemes.
Place(s) you intend to collaborate with:	Marches Local Enterprise Partnership, Herefordshire Business Board, Shropshire, Worcestershire, Telford and Wrekin and Powys. As grant schemes are further developed we will engage our surrounding partners to explore opportunities for joint working.

Engagement
Further to your UKSPF Investment Plan engagement, have you engaged or consulted with rural stakeholders, or expanded your UKSPF local partnership group, to inform the information you have submitted above? If yes, please give details. You should also use this section to tell us about planned future engagement with rural stakeholders.
<p>As per the development of the UKSPF Investment Plan, the development of the Addendum has been overseen by the Herefordshire Sustainable Growth Strategy Board (HSGSB) who are our UKSPF local partnership group. Due to the predominately rural nature of the county the Board has strong rural representation already including a wide range of rural based businesses (tourism, agriculture, housing etc), colleges and the Herefordshire Business Board.</p> <p>A separate consultation workshop session was held with key rural partners such as the CLA, NFU and Herefordshire Rural Hub. Further one to one meetings were held with a wider range of rural tourism, agriculture and food and drink businesses.</p> <p>The draft Addendum has also been circulated to partners and stakeholders for review and comment.</p> <p>It has been subject to a Herefordshire Council cabinet decision in accordance with our constitution in order to submit to government.</p>

Are there aspects of your plans to use your REPF allocation that are not supported by rural stakeholders and the rural community? If yes, please provide more detail.
N/ A
Are there MPs who are not supportive of your investment plan? If yes, please list which MPs are not supportive and outline their reasons why.

N/A

Confirmation of Approval	
Please provide the names of who has approved the submission of the additional information provided	
Chief Executive	
Elected Leader	
Section 151 Officer	