

Herefordshire Economic Development Strategy

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Herefordshire Economic Development Strategy

introduction

Stage 1

This document presents the **Stage 1** output of a three stage economic strategy development process for the County of Herefordshire. This stage is essentially about developing a new economic development ‘**vision**’ for Herefordshire. This vision can be thought of as an agreed and shared aspiration for the future of the Herefordshire economy, which will be signed up to by all the key stakeholders.

Working towards the establishment of a vision involved a number of key research elements. These are:

- In-depth review of data and statistical analysis, which formed the economic context and statistical baseline section of this document;
- A series of face to face stakeholder consultations;
- A series of seven ‘consultation events’ organised individually with:
 - Parishes and Market Towns
 - Council Members
 - Strategic Partners (2)
 - Chambers of Commerce (2)
 - Regional Stakeholders
- A synthesis process, bringing together the findings of the research, and distilling the quantitative and qualitative evidence relating to the strengths, weaknesses opportunities and threats facing the Herefordshire economy.

It should be borne in mind that this Stage 1 Vision document does not contain the detailed actions which will be implemented in an attempt to improve the competitive position of the County. Instead, this document provides the framework upon which the detailed strategy, to be worked up subsequently, will be structured.

This document sets out the ‘Vision’ for the New Herefordshire Economic Development Strategy. Underpinning this Vision, is a set of key strategic theme areas within which the specific activities and actions of the final strategy framework will sit. We provide a small number of initial, indicative actions for each theme which will be tested, worked up further and added to in Stage 2 of the Strategy development exercise.

economic context & statistical baseline

STATISTICAL BASELINE - SUMMARY

(1) Population, Demographics and Labour Supply

- Herefordshire has a comparatively lower share of its population in younger age groups (16-24 years).
- The County has a relatively higher proportion of its population aged over 65 years. These groups are concentrated, to some extent in the most rural parts of the County.
- The share of the population who are economically active in Herefordshire is similar to the national position.

(2) Employment and Labour Demand

- Total employment in Herefordshire has declined by 4% between 1999 and 2002.
- Manufacturing industries employ a larger share of the workforce than is the case nationally.
- Service sector activities, broadly, are under-represented in Herefordshire. Despite this, the County actually has an over-representation of employment in public sector activities.
- Technology and knowledge intensive industries are under-represented in Herefordshire in employment terms.
- Agriculture remains very important as a source of employment in Herefordshire.
- The Tourism sector accounts for a relatively greater share of employment in Herefordshire than nationally or regionally.
- Self-employment is a relatively more important form of employment in Herefordshire

(3) Business performance and Competitiveness

- Herefordshire generates relatively lower levels of economic wealth compared to the UK as a whole.
- Gross Value Added in Manufacturing in Herefordshire is relatively high.
- The size of the overall business base has remained fairly static over recent years.

(4) Skills and Education

- Herefordshire has a relatively lower share of individuals in higher level occupations than nationally.
- The share of the County's workforce with degree level qualifications is lower than the national share of the workforce with this qualification level.
- The share of the workforce in Herefordshire with no qualifications is similar to the national share.
- Levels of basic Numeracy and literacy in the County are similar to national positions.
- Pupils in Herefordshire perform strongly at GCSE level.
- Performance in terms of post 16 FE qualifications is very strong.

(5) Social Inclusion and Quality of Life

- Economic inactivity is generally low in Herefordshire, although this tends to be concentrated in the western and northern fringes of the County.
- Claimant Count unemployment in Herefordshire is low.
- Residence based incomes in the County are significantly lower than national and regional levels, with workplace based incomes being lower still.
- Average house prices in the County are above regional levels.
- General socio-economic deprivation, although not statistically significant, tends to be concentrated in the relatively more urban parts of the County.
- The Herefordshire population is generally comparatively healthy.

INTRODUCTION

In this section, we investigate a number of key socio-economic indicators for the County of Herefordshire. The objective here, is to describe the current socio-economic context for the County, highlighting areas where Herefordshire is performing well and also where the County is struggling economically, relative to either national or regional performance.

Analysis of indicators is gathered around the following key areas:

- Population, demographics and labour supply;
- Employment and labour demand;
- Business performance and competitiveness;
- Skills and education;
- Social inclusion and quality of life.

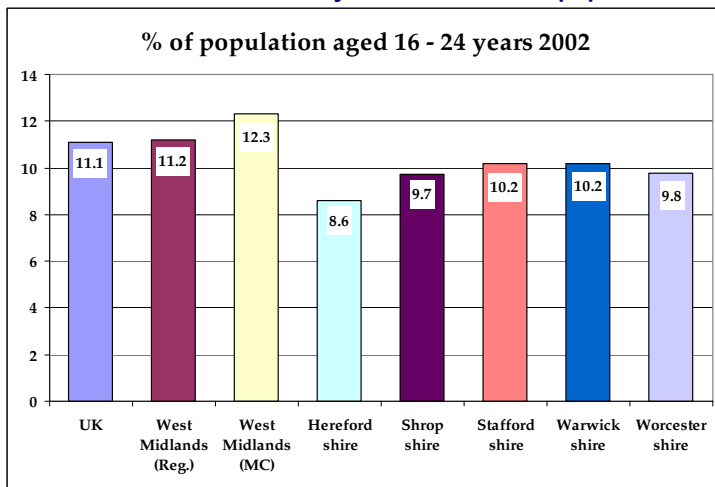
Data is drawn mainly from centrally available or ‘top down’ sources, including:

- Census of Population 2001;
- Annual Business Inquiry;
- Labour Force Survey;
- New Earnings Survey;
- Other data sources via the Office for National Statistics.

Throughout the analysis, we compare the statistical position of Herefordshire with both regional and national positions. Beyond this, where possible given the specific nature of the individual data sources, we have used a series of ‘benchmark’ or comparison geographies. These geographies include the other ‘shire’ counties of the West Midlands region, namely Worcestershire, Shropshire, Warwickshire and Staffordshire. In addition, we use additional areas outside of the West Midlands region which directly border the County of Herefordshire. These additional areas are: Gloucestershire, Powys and Monmouthshire. The objective here is to compare the performance of Herefordshire County with that of its immediate neighbours.

(1) Population, Demographics and Labour Supply

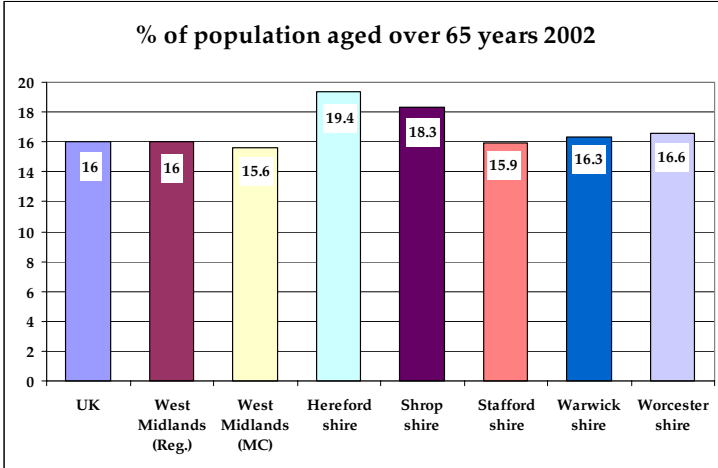
Herefordshire has a relatively lower share of its population in younger age groups.



Source: ONS

Only 6.6% of the Herefordshire population is aged between 16 and 24 years, compared to 11.1% across the UK as a whole and 11.2% within the West Midlands region. This situation is possibly related to the lack of opportunity for HE level education in Herefordshire, resulting in some degree of out-migration of young people to other areas. The broader implications of this trend may include a less active population generally and possibly a lack of higher level skills associated with HE education within the workforce. This latter effect may be offset to some extent by in-migration into the County of higher skilled individuals

A relatively greater share of the Herefordshire population is aged over 65 years.



Source: ONS

Herefordshire has a larger share of its population aged over 65 years (19.4%), compared both to the region and the UK as a whole. Part of this older population will be related to in-migration of retired individuals. This situation is likely to result in lower overall levels of economic activity and potentially issues associated with higher demand and higher need for provision of health and welfare services for older people.

The older population is not evenly distributed across the County.

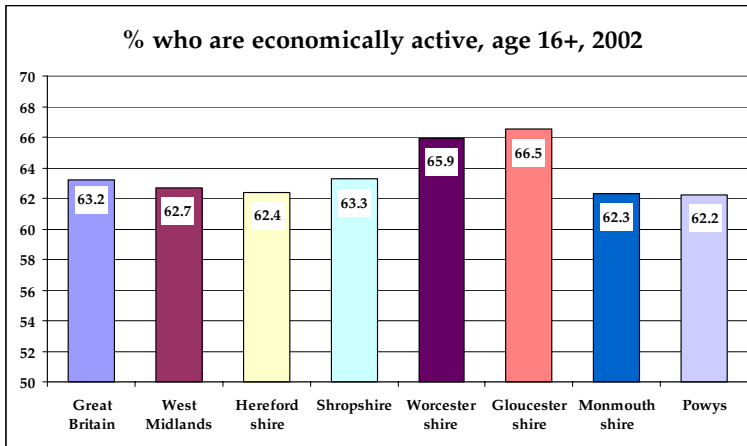


Source: ONS (2001)

The share of the population aged over 65 years is broadly higher in the western and northern areas of the County, arguably the relatively more rural parts. There is a relatively lower share of older population in the eastern parts of the County, closer to the Metropolitan West Midlands conurbation.

This situation is likely to be associated, in part, with retired people moving to rural parts of the County in order, perhaps, to take advantage of associated quality of life factors. However, there may also be issues associated with isolation of lone older people in these areas and the associated requirement for specific health and welfare services. Delivery of these services is likely to be both more costly and more problematic in these particularly sparsely populated areas.

The share of the population who are economically active is broadly similar to the national position

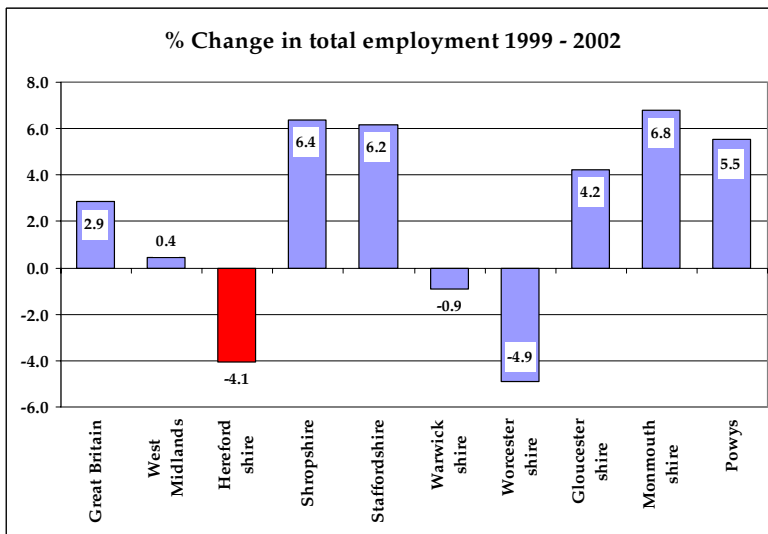


Source: Labour Force Survey

In Herefordshire, 62.4% of those aged over 16 years are economically active, only slightly below the national (63.2%) and regional positions (62.7%). Given that the County has a relatively older population, this suggests that economic activity amongst older people is likely to be higher than nationally. This may be related to the importance of Agriculture to the County – a sector with a relatively older age profile, compared to other sectors.

(2) Employment and Labour Demand

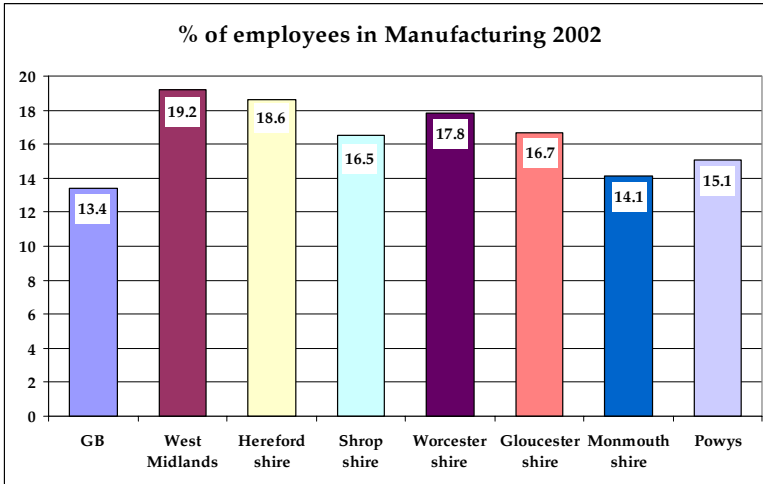
Total employment in Herefordshire has declined in recent years



Source: Annual Business Inquiry

Between 1999 and 2002, total employment in Herefordshire declined by 4.1%. This is in contrast to an increase nationally of 2.9% over the same period. The regional position over the same period remained virtually unchanged. The decline in total employment in Herefordshire was concentrated mainly in the Manufacturing and Construction sectors, both of which experienced a decline of over 10%. In addition, the number of full time jobs in Herefordshire has declined by 10%, while part time employment has increased by 7.5%. Services broadly, including public sector services, have experienced an increase in employment overall, but the scale of this increase has not been sufficient to counteract declining employment in other sectors.

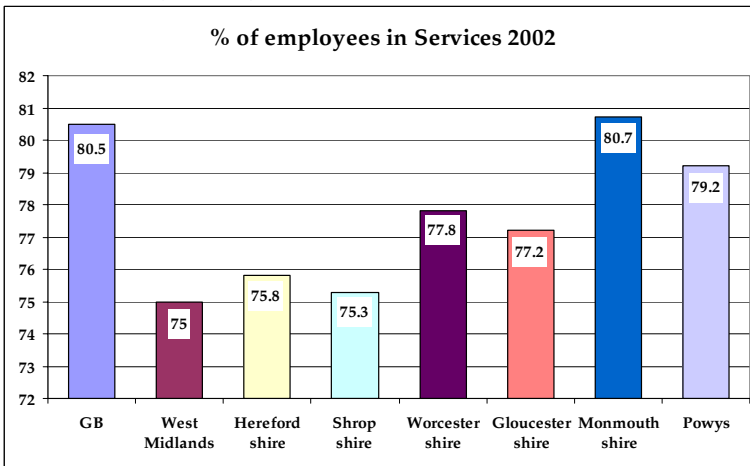
Manufacturing continues to be an important sector for Herefordshire.



Source: Annual Business Inquiry

Manufacturing is a relatively more important source of employment in Herefordshire - accounting for almost 19% of employment - compared to the national position. The share of employment in Manufacturing in the County is similar to the overall West Midlands level - the region continues to be a major base for UK manufacturing, despite continually declining employment levels over a long period.

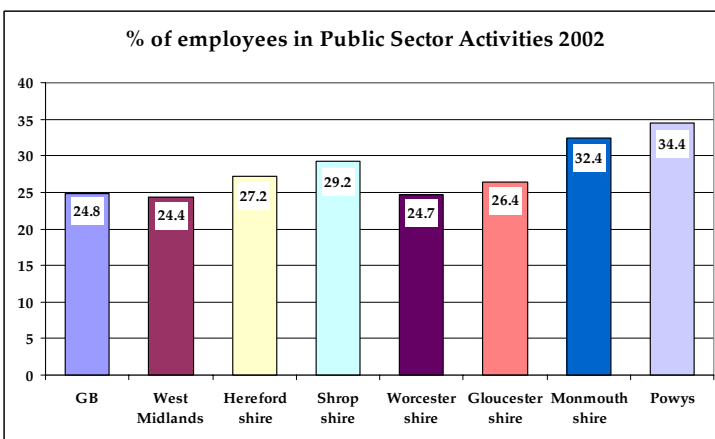
Services are generally under-represented in Herefordshire as a source of employment.



Source: Annual Business Inquiry

Although Service sectors, generally, account for 75% of employees in employment in Herefordshire, this is a relative under-representation in comparison to the share nationally (80.5%). Herefordshire is very similar to the West Midlands region in this respect, but differs regarding share of Service sector employment compared to neighbouring counties such as Worcestershire and Gloucestershire.

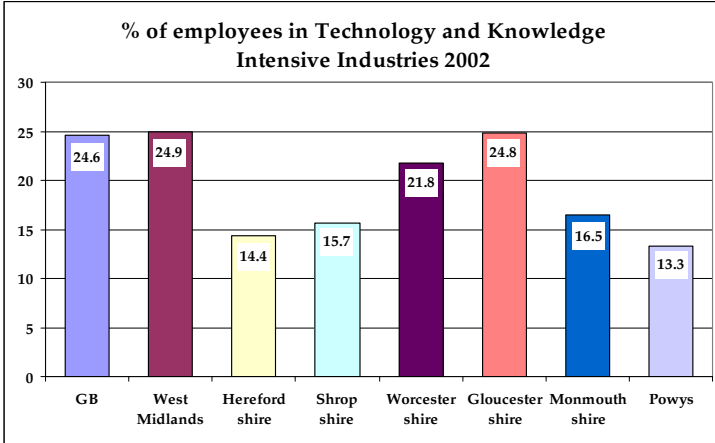
Employment in Public Sector activities is over-represented in Herefordshire.



Source: Annual Business Inquiry

Public sector activities, the majority of which tend to be services, account for 27.2% of employment in Herefordshire, compared to 24.8% in Great Britain as a whole. Given that services broadly defined are actually under-represented in the County, this suggests that it is the 'tradeable' or private sector service activities which are particularly under-developed in Herefordshire in employment terms. This may give some cause for concern, as it is this latter category of services which are more likely to account for greater increases in sectoral GVA, especially activities associated with commercial, business oriented services.

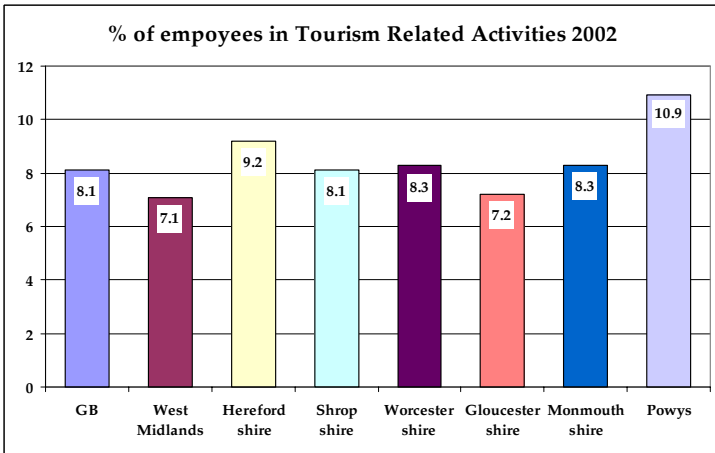
Technology and Knowledge Intensive industries¹ are under-represented in Herefordshire in employment terms.



Source: Annual Business Inquiry

Technology and Knowledge intensive industries account for almost 25% of jobs in both Great Britain as a whole and in the West Midlands region. The share of employment in these activities in Herefordshire is considerably lower, at only 14.4%. This is also significantly lower than some of the County's neighbours, such as Worcestershire and Gloucestershire. It is well documented that these industries contribute disproportionately to increases in GVA and hence to local and regional prosperity. Wealth generation within Herefordshire will be affected negatively by the relative under-representation of jobs in knowledge rich and hi-tech activities.

The Tourism Sector accounts for a relatively greater share of employment in Herefordshire.

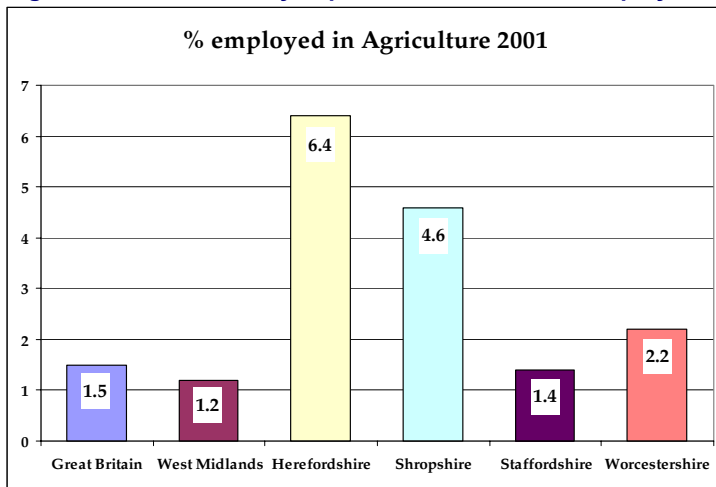


Source: Annual Business Inquiry

Tourism sector activities account for 9.2% of jobs in Herefordshire – higher than both national and regional levels. Despite this, Herefordshire experiences relatively lower levels of visitor numbers and visitor spend, compared to other parts of the West Midlands region. This may be partly explained by the fact that a significant share of visitor activity is driven by retail and entertainment related 'offer' and business related tourism. Herefordshire currently has a lower relative supply of this type of Tourism activity compared to other areas. Overall, this suggests that 'visitor spend' per employee is likely to be considerably lower in Herefordshire, compared to other areas.

¹ OECD definition: Pharmaceuticals, Office Machinery and Computers, Aerospace, Electronics-Communications, Scientific Instruments, Post and Telecommunications, Finance and Insurance, Business Activities, Motor Vehicles, Chemicals, Other Transport Equipment, Non-Electrical Machinery.

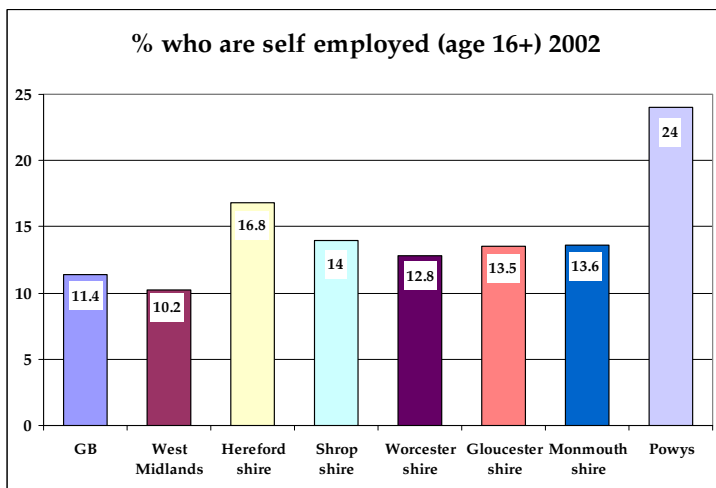
Agriculture remains very important as a source of employment for Herefordshire.



Source: Labour Force Survey

Employment in Agriculture in Herefordshire is higher than in other areas of the West Midlands, as well as nationally. This figure is an underestimate of the impact of Agriculture on employment, as it does not take into account the range of supply chain and allied industries which support the sector. Some of these additional industries will include higher level activities such as financial and legal support activities, which will contribute significantly to the broader economy. In addition, 25% of business 'sites' in the County are directly related to Agriculture.

Self-employment is a relatively more important form of employment in Herefordshire.

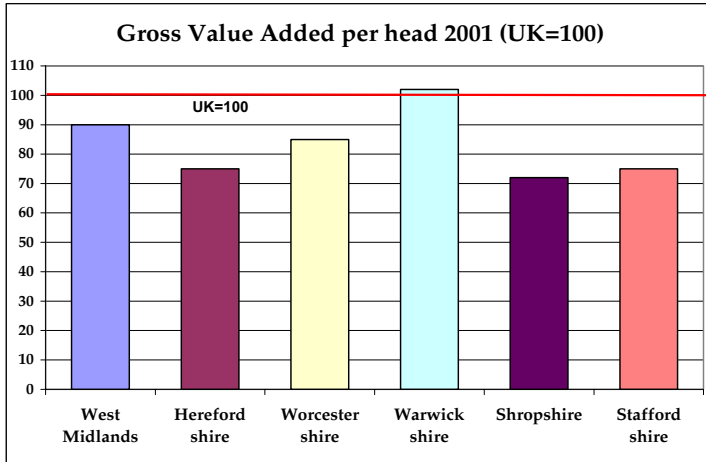


Source: Labour Force Survey

In Herefordshire, almost 17% of those aged over 16 are self-employed; a higher proportion than nationally or regionally. In common with other predominantly rural areas, higher levels of self-employment may be associated with the relatively greater importance of sectors such as Agriculture, Tourism and increasingly Creative Industries, which are generally characterised by higher levels of self-employment than other sectors. There may also be issues, however, of individuals becoming 'necessity' entrepreneurs i.e. due to lack of other available alternatives, rather than 'opportunity' entrepreneurs; again, a trend which is relatively more common in rural areas.

(3) Business performance and Competitiveness

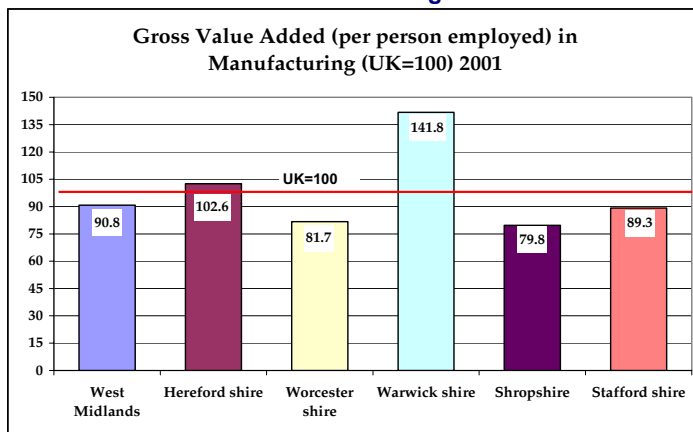
Herefordshire generates relatively lower levels of economic wealth compared to the UK as a whole.



Source: ONS

Gross Value Added² (GVA) is commonly used as a measure of the level of wealth generated within an economy. GVA per head in Herefordshire is significantly below the UK level. This is likely to be caused by the under-representation of employment in certain forms of activity, especially knowledge and technology intensive industries, which generally contribute to higher levels of value added in production. Overall, lower levels of GVA in Herefordshire are likely to impact negatively upon incomes and general prosperity within the County, in relative terms.

Gross Value Added in Manufacturing in Herefordshire is relatively high.

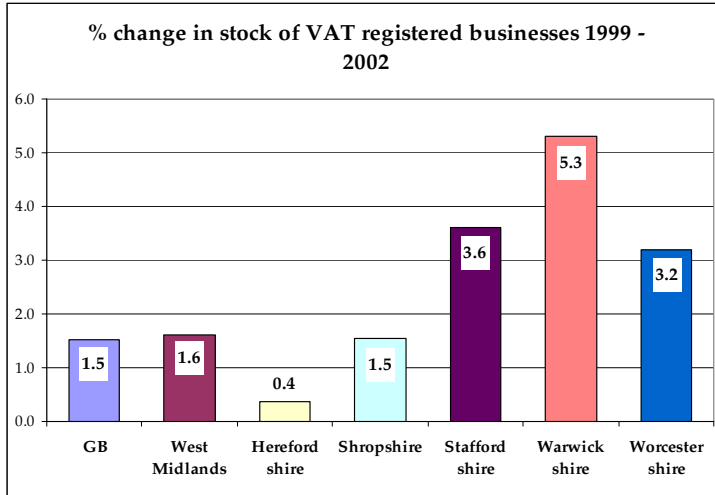


Source: ONS

Generally, GVA in Manufacturing is higher than the equivalent for service activities. In Herefordshire, GVA in the Manufacturing sector broadly, is slightly higher than nationally. Given that, overall, for all industries, GVA in Herefordshire is lower than the UK rate, this suggests that average levels of wealth generated within manufacturing are brought down by relative under-performance in service activities within the County. Again, this will be due in part to an under-representation of higher value services within the County, relative to other areas.

² Gross Value Added can be defined as the difference between gross output and intermediate inputs. Gross outputs of a production unit during a given period is equal to the gross value of the goods and services produced during the period and recorded at the moment they are produced, regardless of whether or not there is a change of ownership. Intermediate inputs refer to the value of goods and services used in the production process during the accounting period.

The size of the business base in Herefordshire has remained static over recent years.

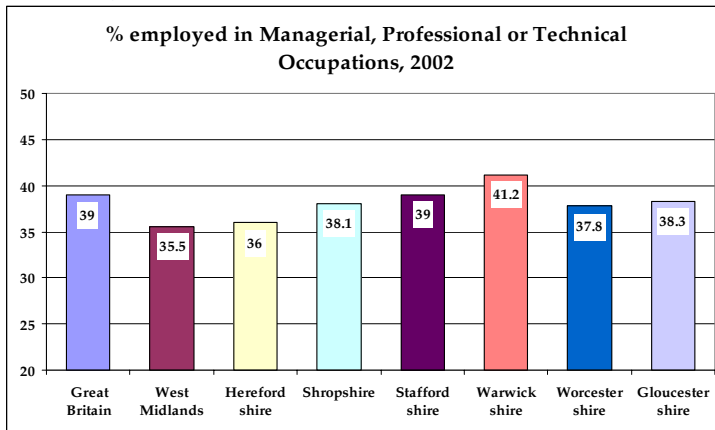


Source: ONS

Between 1999 and 2002, the stock of VAT registered businesses in Herefordshire increased by only 0.4%, a lower rate than nationally or regionally. This suggests that the overall business base in the County has remained fairly static. This is in contrast to some other parts of the West Midlands region, such as Staffordshire, Warwickshire and Worcestershire, which have experienced an increasing stock of businesses. One interpretation for this may be related to lower levels of entrepreneurship generally in Herefordshire, relative to other areas, or alternatively, a relatively more difficult trading environment in the County, particularly for SMEs.

(4) Skills and Education

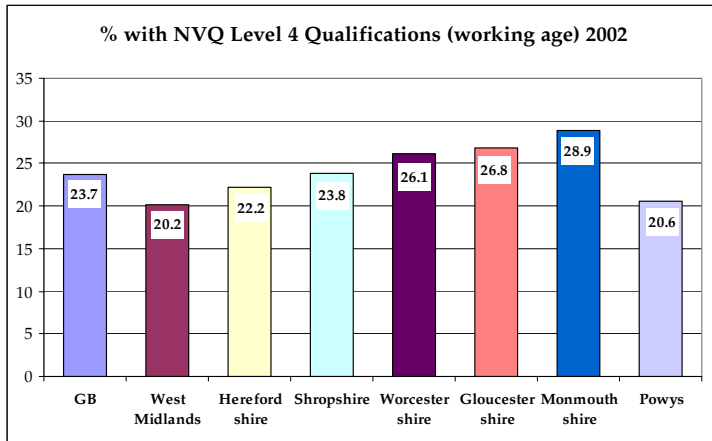
Herefordshire has a lower share of individuals employed in higher level occupations than nationally.



Source: Labour Force Survey

The share of the workforce in Herefordshire in higher level occupations (i.e. Managerial, Professional or Technical) at 36%, is lower than the share nationally (39%). Economic prosperity, generally, is positively correlated with the share of the workforce in these higher skill occupations, suggesting that the Herefordshire economy may be adversely affected by an under-representation of these occupational groups within the County's workforce.

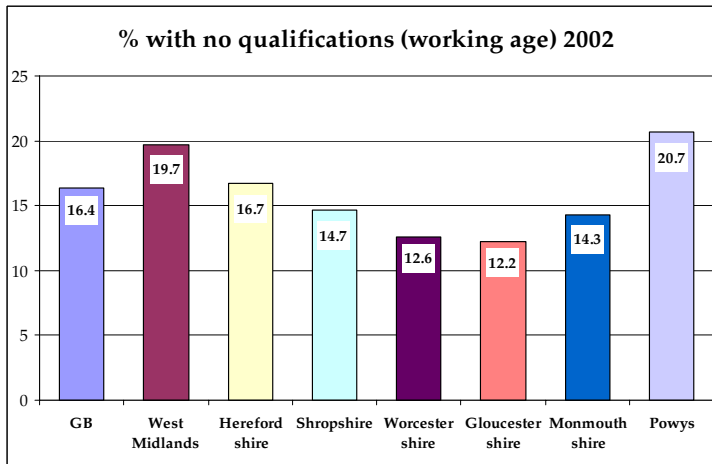
The share of the Herefordshire workforce with degree level qualifications is lower than the national share.



Source: Labour Force Survey

A slightly smaller share of the workforce in Herefordshire (22.2%), hold degree level qualifications (i.e. NVQ Level 4 and above), compared to the national share. The share of the workforce with this qualification level is significantly higher within some of the County's neighbours, particularly Monmouthshire, Gloucestershire and Worcestershire. These qualifications are generally associated with higher value added activities, indicating that Herefordshire may continue to under-perform economically relative to these other counties. It should also be borne in mind that some residents in possession of higher level qualifications may actually be employed outside the County.

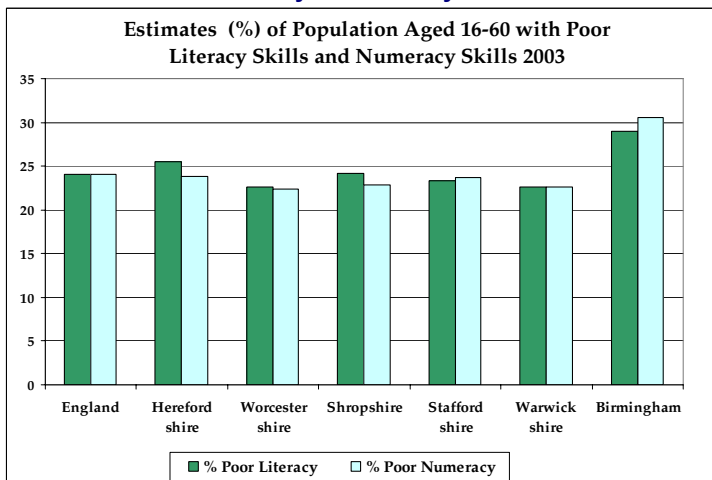
The share of the workforce in Herefordshire with no qualifications is similar to the national share.



Source: Labour Force Survey

Economic performance will be enhanced where the share of the workforce without qualifications can be minimised. In Herefordshire, 16.7% of the workforce have no qualifications, similar to the GB average and below the regional share. However, in some neighbouring counties, there is a lower proportion of the workforce with no qualifications, suggesting that skills levels generally in these other areas will be higher than in Herefordshire.

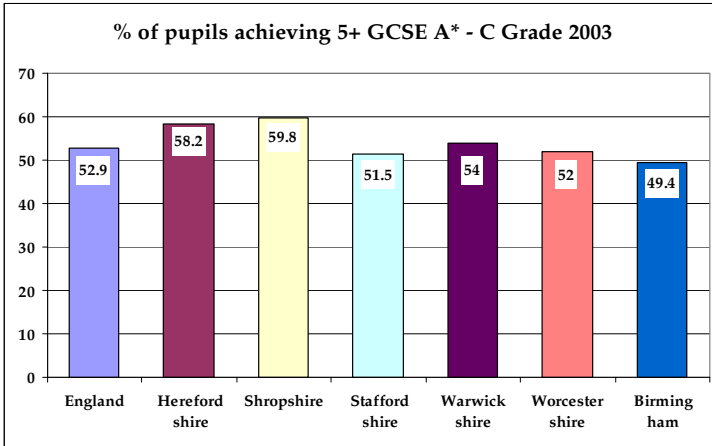
Levels of Basic Numeracy and Literacy skills in Herefordshire are similar to the national average.



Source: Basic Skills Agency

Levels of key and basic skills form the platform upon which further skills development and therefore improved economic performance can be based. In Herefordshire, levels of basic literacy skills are similar to the national average, however, there is a slightly higher proportion of working age individuals who have poor literacy skills. The position in Herefordshire is significantly better than some other parts of the West Midlands region, in particular Birmingham.

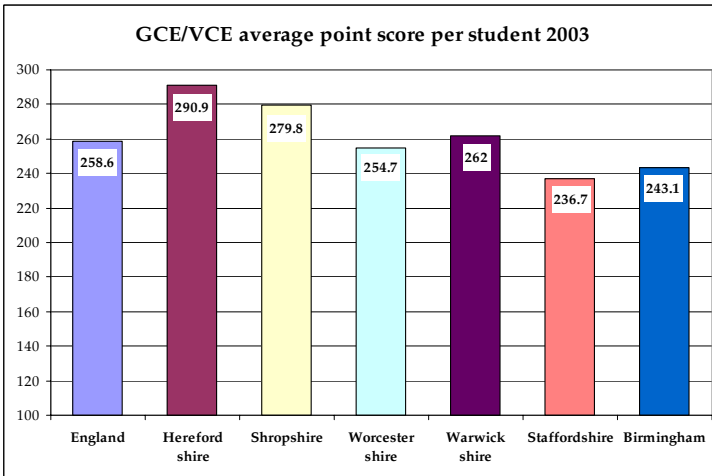
Pupils in Herefordshire perform strongly at GCSE level.



Source: DfES

Strong performance at school level is generally a good indicator of future workforce skills, assuming that significant numbers of young people can be retained locally. Herefordshire secondary schools out-perform the national average in terms of attainment of 5 plus A*-C GCSE passes. Herefordshire's performance is also considerably ahead of most other parts of the West Midlands region on this indicator.

Performance in terms of immediate post 16 FE qualifications is very strong in Herefordshire.

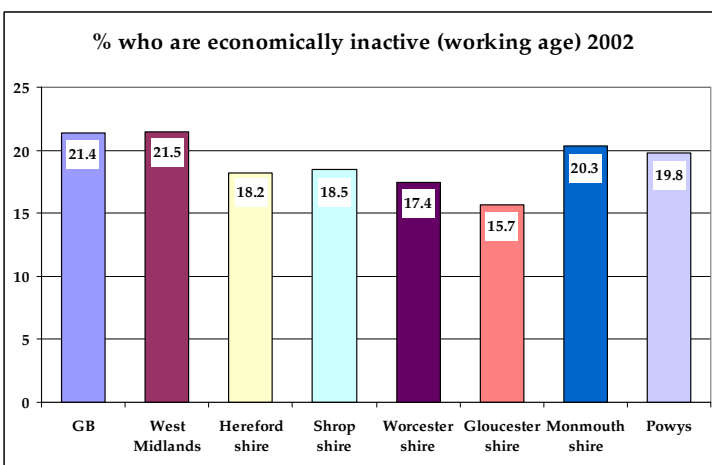


Source: DfES

Performance of students in Herefordshire in terms of immediate post 16 FE qualifications (e.g. A Levels, AS Levels and GNVQs), is particularly impressive. The County clearly out-performs both the national average and the rest of the West Midlands region. It should be noted, however, that the share of the workforce with degree level qualifications is slightly below the national average. This suggests that the County is failing to capitalise upon the learning and skills performance of its young people, probably due to an inability to retain those young people who wish to access higher education elsewhere in the country.

(5) Social Inclusion and Quality of Life

Economic inactivity is generally low in Herefordshire.



Source: LFS

Economic prosperity is enhanced where the proportion of economically inactive individuals can be minimised. By doing this, an economy takes full advantage of the human resources available to it and reduces dependence upon benefits and other forms of welfare support. The proportion of the working age population in Herefordshire who are inactive (18.2%), is below the national and regional positions (both around 21.5%). This suggests that Herefordshire is taking better advantage of its available human resources in general than the West Midlands region. There is also the possibility that the figures may be influenced by informal economic activity, which will also be recorded statistically as inactivity.

Economic Inactivity is relatively concentrated in specific parts of the County.

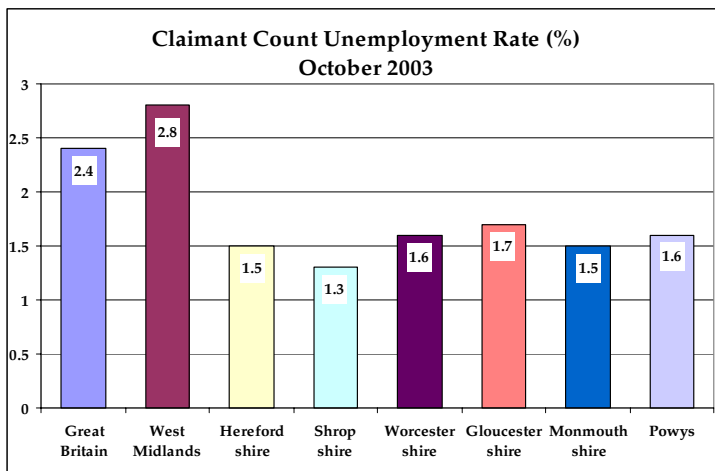


Source: ONS (2001)

For the population aged 16 to 74 years, economic inactivity tends to be more apparent in the northern and western areas of the County. This corresponds to those areas which also have a higher than average concentration of older people, most of whom are likely to be retired and therefore economically inactive.

It should also be noted that economic inactivity in Herefordshire appears to be more of an issue in those parts of the County which are relatively more rural or remote. As such, economic inactivity may also be related to an inability on the part of some individuals and communities to physically access employment, learning and training, or any other services which facilitate job readiness and employment access, such as childcare provision.

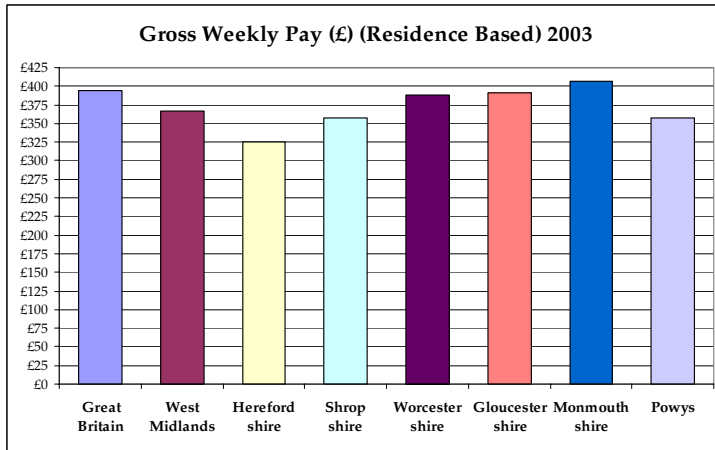
Claimant Count Unemployment is relatively low in Herefordshire.



Source: ONS

At only 1.5%, claimant count unemployment in Herefordshire is low, in comparison to regional and national averages. Unemployment is generally statistically low in rural areas. It should be noted that the rate may be kept artificially low as a result of 'under-employment' or 'inadequate employment'. This is often associated with individuals working only part time (perhaps due to physical access issues) when they would prefer full time employment, or alternatively, individuals working in a series of seasonal jobs, as opposed to permanent employment. This is common in rural areas, where sectors such as Agriculture and Tourism offer opportunities for non-permanent and non full-time forms of employment, which can be taken advantage of by those who face physical or other access related constraints.

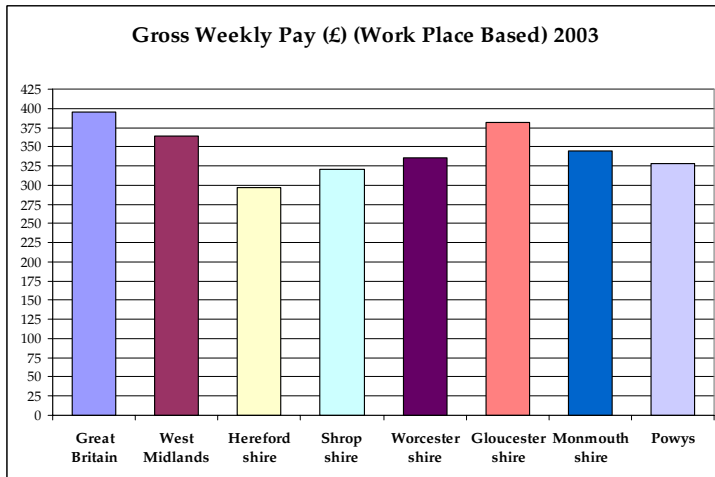
Residence based incomes in Herefordshire are relatively low.



Source: New Earnings Survey

Average gross weekly pay for residents of Herefordshire is significantly below the national average. It should be borne in mind, that a number of residents of the County will earn incomes outside of Herefordshire, particularly some of the higher earners. Gross weekly pay in Herefordshire is clearly below some of the County's neighbours, particularly Worcestershire, Gloucestershire and Monmouthshire. Earnings will be a function of the main types of employment available for Herefordshire residents. The statistics suggest, overall, that residents of the county are concentrated into relatively lower paid activities.

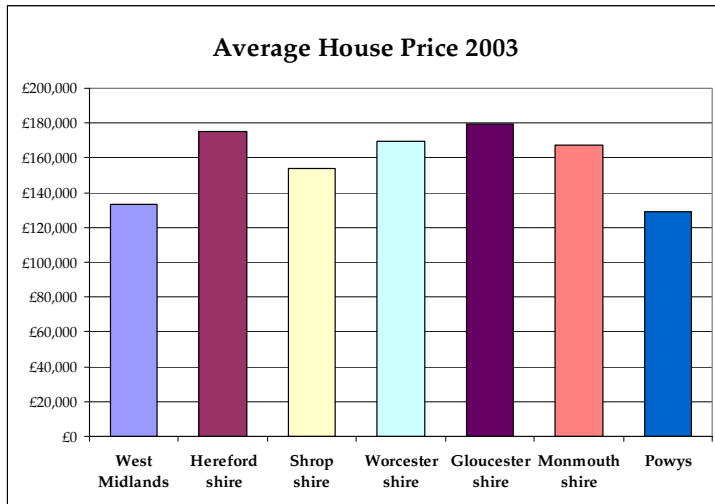
Work place based incomes in Herefordshire are lower than residence based incomes.



Source: New Earnings Survey

Work place based incomes in Herefordshire are again significantly below the regional and national averages and are in fact lower than residence based incomes. This suggests that pay is particularly low for those who are both residents of the County and whose work place is based in the County. The residence based average is clearly brought up by higher earnings of those who are in employment outside of the County. Overall, the data show that low pay is one of the key issues facing the Herefordshire economy. Overall, via multiplier effects, relatively lower incomes will have a detrimental impact on the general economic prosperity of the County.

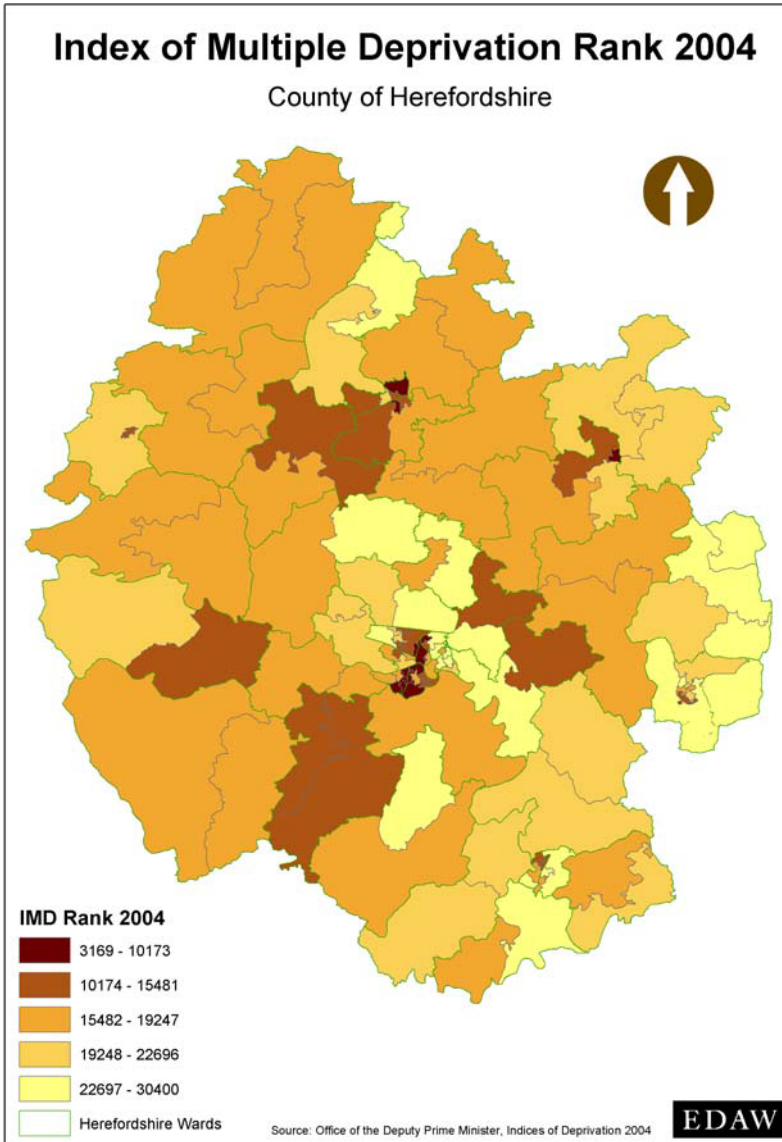
Average house prices in Herefordshire are above regional averages.



Source: The Land Registry

The average cost of property is higher in Herefordshire than in the West Midlands region generally. The average cost will be a function of the types of property available in the County. In keeping with most rural areas, there is a preponderance of detached and semi-detached properties, relative to more urban areas, which will have an effect on inflating average prices. However, it should be noted, that while average house prices are high, average incomes for those working in the County are low. This clearly has implications for the affordability of housing, in particular for groups which are in relatively low paid, seasonal or temporary employment.

Socio-economic deprivation tends to be concentrated in the relatively more urbanised parts of the County



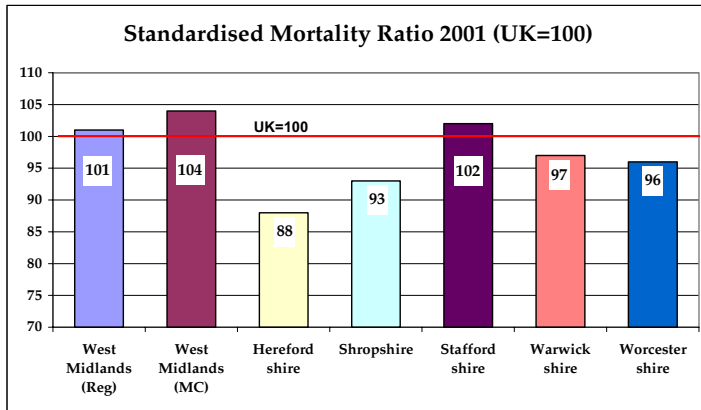
Source: ONS

The Index of Multiple Deprivation (IMD)³ is used as a 'rank' measure of general socio-economic deprivation: the higher the rank, the more deprived is the area under consideration. In general, Herefordshire as a County, does not suffer from extreme forms of deprivation, relative to some other parts of the country. However, according to the IMD, some parts of the County are relatively more deprived than others – concentrated mainly in the more urban areas of Hereford City and to some extent, Leominster.

It should be borne in mind, that the configuration of the IMD results in it being much more effective as a measure of 'urban' deprivation. It is more difficult, statistically, to capture the specific characteristics of rural deprivation – a more pertinent form of deprivation for Herefordshire. Issues associated with peripherality, isolation and access to services may potentially be under-reported by the IMD and hence may under-estimate deprivation generally within the County.

³ The Index of Multiple Deprivation (IMD) is a ranking of all districts (and wards within districts) across England, showing their degree of 'deprivation'. The current Index is made up of six different domains, each measuring different aspects of deprivation. These domains are income deprivation, employment deprivation, housing deprivation, health deprivation, education, skill sand training deprivation and geographical access to services. Each domain is made up of a number of different statistical indicators, which are combined to produce ward rankings for each of the domains. The different domains are then combined to produce an overall Index of Multiple Deprivation.

The Herefordshire population are generally healthy



Source: ONS

In general, SMR⁴ scores for the County indicate that the population of Herefordshire experiences good health overall, relative to the national average. This suggests that there is likely to be relatively lower demand for health and welfare services in comparison with some other areas.

⁴ Standardised Mortality Ratio (SMR) allows comparison of populations with different age and sex structures. Calculation of SMRs involves applying national age-specific deaths rates to the local population in order to calculate a ratio of expected to observed deaths. This figure is then multiplied by 100. The comparative national figure is 100. A local figure of 105 therefore indicates an increased incidence or risk of 5%, a local figure of 95 indicates a risk 5% lower.

the vision

This Development Strategy is about the future of Herefordshire. It is about the driving forces that will shape the economy of the County over the next 10 years and beyond.

DRAFT VISION

Herefordshire is a place where people, business and an outstanding natural environment will together bring about sustainable prosperity and wellbeing for all.

Productivity, competitiveness, sustainable development and inclusion are at the heart of this agenda.

Herefordshire will be:

- A county with **well connected** and **inclusive** communities in both rural and urban areas;
- A county with an **adaptable and skilled** workforce;
- A county where workplace and resident **incomes compare favourably with the regional average;**
- A county with **a balanced and diversified business base;**
- A county where a genuine commitment to **sustainable development reinforces a unique quality of life;**
- A region where all stakeholders and agencies work effectively together across a common agenda **to deliver shared priorities;**

THE OPPORTUNITY

In developing a Vision and economic development strategy for Herefordshire, we are fortunate in a number of ways. The County has some genuinely distinctive assets which, if effectively harnessed, could significantly reinforce efforts to strengthen and diversify the economy and increase the prosperity of its people. This strategy is therefore about unlocking the potential of what Herefordshire has to offer and ensuring that, by effective co-ordination and partnership working, the County can deliver change and secure a bigger share of resources from regional and national sources. This strategy therefore seeks to build upon:

- An outstanding natural environment, with the potential to generate significant economic benefit through attracting people and business, as well as significant leisure and tourism activities;
- An emerging sustainable development and sustainable product sector, with the potential to establish exemplar best practice and excellence in the field;
- Distinctive local culture, food, heritage and creative industries, which give Herefordshire a strong identity;
- Performance at GCSE and 'A' levels which is considerably above the England average;
- A strong sense of commitment and partnership from all Herefordshire stakeholders (resident, business and organisations).

THE CHALLENGE: Addressing the Key Drivers

Despite some obvious strengths, Herefordshire has a relatively fragile economy and must improve its economic performance in order to raise incomes and tackle issues of economic inactivity and social exclusion. Key challenges for Herefordshire involve addressing the following key drivers:

- Productivity
- Entrepreneurship
- Knowledge & Technology
- Skills

[1] The Productivity Challenge

We measure productivity through **Gross Value Added (GVA)**. This is an effective measure of an economy's productivity, as it captures the value added through production, which in turn is raised through high levels of economic activity, high skill levels and a competitive business environment. Baseline data tells us that Herefordshire GVA lies below the national and regional averages and that GVA performance in the service sector is particularly weak. The challenge is, therefore, not only to raise the overall Herefordshire level of GVA, but to strengthen efforts to attract and grow higher value services within the economy, such as private sector business and professional services. Tackling this challenge is also crucial to reducing the fragility of the Herefordshire economy and dependency on the agriculture sector, as well as increasing the flexibility and innovative capacity of the County.

[2] The Entrepreneurship Challenge

The Government has identified entrepreneurship as a key driver of productivity growth in the economy⁵. New firms are associated with the introduction of new technologies, innovative ways of working and increased competitive pressure on other firms. Domestic and international research has shown that new firms entering the market account for a significant part of total productivity growth. In contrast to other parts of the West Midlands region, net rates of new firm formation in Herefordshire have remained sluggish. The challenge for stakeholders in Herefordshire is to bring about an increase in the number of new businesses in the County, but also to encourage the development of small and micro business that could play a key role in a 'sustainable business development' approach.

[3] The Knowledge and Technology Challenge

Technology and knowledge have become key drivers of economic growth. An indicator of the ability of the Herefordshire economy to adopt new technologies, is the share of jobs in high technology sectors; currently the share is significantly lower than regional and national averages and markedly lower than neighbouring counties. Knowledge rich locations are more productive, more innovative and can continue to draw in higher levels of investment; similarly, wealth creation in Herefordshire is currently constrained by the relative under-representation of employment in high-tech knowledge rich industries. Stakeholders face a real challenge here; to increase the proportion of jobs within the Herefordshire economy in high tech and knowledge based sectors (this should include renewable energy technologies). Key levers will include investing in workforce skills, greater R&D activity, investment in ICT and developing new and better links between companies and universities and other centres of excellence. We must also seek to address the possible capacity constraints which may be experienced by the many small businesses in Herefordshire, in terms of taking up and adapting to new technologies.

⁵ Productivity in the UK3 – The Regional Dimension' HM Treasury and DTI

[4] The Skills Challenge

High level skills are a key determinant of economic growth. Higher skilled workers are essential to both introducing and operating advanced production techniques. They adapt faster to new innovations, are more flexible generally, play a key role in knowledge creation and are more able and likely to receive additional training at work. An increasing proportion of the jobs in the economy require a high level of skills. Baseline analysis tells us that, despite a strong performance at GCSE level, Herefordshire has a lower share of people employed in higher level occupations than the regional average. Furthermore, the workforce in Herefordshire is less well qualified than the national average and less well qualified than neighbouring counties (many high skilled Hereford residents work outside the county). In order to compete effectively with other areas, Herefordshire must rise to the skills challenge, deliver a 'step-change' in the current levels of workforce skills and create a labour market that will retain more of the young people that perform so well at school and in post 16 FE education.

THE STRATEGIC THEMES

The Herefordshire Economic Development Strategy must tackle the key challenges set out above. This will be achieved through a set of strategic themes. The themes have been derived through extensive stakeholder consultations across Herefordshire. The themes and illustrative actions are set out in subsequent sections. It is intended that the strategic themes are integrated and mutually reinforcing in nature and should be seen as a collective response to the key challenges facing Herefordshire.



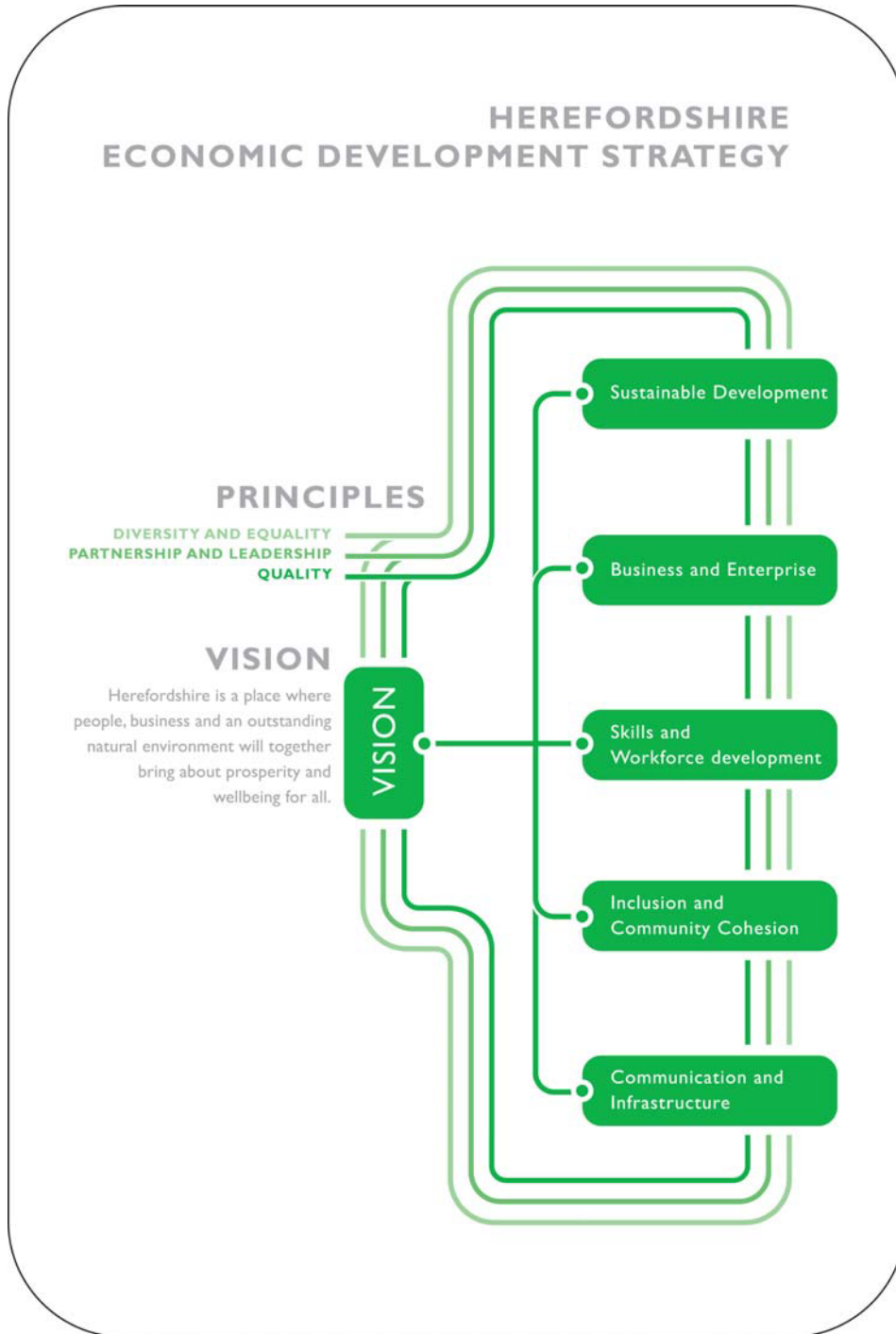
THE PRINCIPLES

The delivery of all actions contained within the strategy will be shaped by a set of guiding principles, in order to guarantee integrity and accountability. These principles are:

- **Diversity & Equality of Opportunity** – ensuring that there is equality of opportunity for all, irrespective of location, culture, language, ethnicity, age and gender.
- **Partnership & Leadership** – the effectiveness of the strategy depends fundamentally on working in partnership with our communities, businesses, individuals, the local authority and other stakeholders.
- **Quality** – the strategy is about aspiring to quality both in terms of action and outcome.

The overall structure of the Herefordshire Economic Development Strategy is illustrated diagrammatically overleaf.

The Herefordshire Economic Development Strategy



theme 1

sustainable development

INTRODUCTION & RATIONALE

Herefordshire's greatest assets are its distinctive and largely unspoilt landscape and its high quality of life. However, the County is in urgent need of imaginative and exciting development to ensure its future prosperity and must, therefore, capitalise on these assets.

The UK Government defines **sustainable development** as: "A better quality of life for everyone, now and for generations to come."⁶ Within this, four objectives are to be simultaneously achieved: social progress which recognises the needs of everyone; effective protection of the environment; prudent use of natural resources; and, maintenance of high and stable levels of economic growth and employment. A sustainable approach to economic development with a shared commitment by all agencies and stakeholders could give the County a genuine USP (Unique Selling Point), as the leading county in sustainable development in the region and make it a place that people want to come to, want to stay in and wish to invest in.

The baseline indicators previously discussed demonstrate that Herefordshire has a relatively high share of employment in vulnerable business sectors with a lack of employment in growth sectors. In addition, the County faces numerous constraints in supporting the development of large scale manufacturing businesses and is vulnerable to the loss of its existing ones. This, however, does not mean that we cannot encourage and expect new businesses to locate here. A new approach to economic development, integrating economic, social and environmental elements, would enable the County to attract high value and environmentally beneficial growth businesses and entrepreneurs to locate in the County. This would in turn create exciting job opportunities and encourage skills development. Herefordshire is already developing a strong reputation in the market for organic foods, for example, and can build upon this is seeking a unique brand for the County's products.

POLICY CONTEXT

Sustainability is a key theme in European, national and regional policies across all disciplines and, in particular, in land use and energy. Furthermore, sustainability is one of the main themes of the **Rural Regeneration Zone**; the primary focus for rural regeneration in the West Midlands, is sustainability.

The local strategic partnership, the Herefordshire Partnership, has a vision to create fair and thriving communities, to protect Herefordshire's environment and to build a strong, competitive and innovative economy. Locally, all agencies have a stated commitment to sustainable development and are already pursuing the agenda with some vigour.

For example, large parts of the Herefordshire countryside are within protected designated areas; Herefordshire Council is working on a number of fronts including environmental management systems, LA21 initiatives, waste management, integrated transport and green tourism programmes and sustainable development is a key theme informing land use planning policies promoted through the UDP. Within education, a Healthy Schools Programme is underway and many schools are involved in environmental projects. In addition a large number of waste management companies already operate in the county and an increasing number of land managers and farmers are advocating sustainable land management.

⁶ DETR 1999 A Better Quality of Life: a Strategy for Sustainable Development for the United Kingdom, Cm 4345, The Stationery Office, London

OBJECTIVES

The key objectives for the **sustainable development** theme are:

1. To establish and promote Herefordshire as the leading county for sustainability and quality of life;
2. To position Herefordshire as the nationally recognised county for knowledge, expertise and good practice in sustainable development (building on success of existing initiatives e.g. Project Carrot and the Biomass project);
3. To attract and support entrepreneurial businesses in sustainable high value sectors such as environmental technologies and knowledge based activities;
4. To establish Herefordshire as a leader in sustainable development education;
5. To mainstream sustainability into local policy framework.

Possible Indicative Actions

- Develop Biomass plant further;
- Give consideration to possible re-opening of railheads;
- Sustainable property development;
- Extending current Masters level training and sustainable development advocacy education.

theme 2 business and enterprise

INTRODUCTION & RATIONALE

High levels of entrepreneurial activity are key to achieving increased levels of competition, innovation, investment and skills. We know from evidence across the UK and Europe, that the most successful locations are those which are the most entrepreneurial. Herefordshire lags behind other parts of the region in terms of new firm formation and furthermore, knowledge based high-tech growth firms are under-represented in the stock of new firms in Herefordshire. Agencies and stakeholders in Herefordshire need to stimulate a higher rate of new firm formation and facilitate higher levels of business confidence, but most importantly, increase the area's attractiveness to entrepreneurs in high value services and high technology businesses.

The data analysis and qualitative research undertaken to inform this strategy, both point to the need for diversification in the economy and to simultaneously tackle the under-representation of services and specifically, a lack of higher value tradable services such as business and professional functions.

Successful business locations are often characterised by **clusters** of businesses with **networks** to support them. Groups of businesses which share the same customers, infrastructure or skills base can form linkages that significantly enhance competitive advantage. Strengthening and maximising the growth potential of Herefordshire's clusters should remain a key priority. This should specifically include environmental technology, food and drink, health and care, creative industries and tourism. There is also significant a number of synergies between Herefordshire sectors, notably environmental management, tourism and the creative industries which indicate that an integrated approach would generate greater benefits for the Herefordshire economy. Herefordshire must also seek to take advantage of the increasing incidence of **portfolio working** generally within the economy. Individuals are often exhibiting more diverse work portfolios, sometimes combining elements of employment and self-employment simultaneously. Entrepreneurship is becoming an increasingly important part of working life in general, not just for those who establish conventional new business enterprises.

Herefordshire has the potential to become a high quality and distinctive business location, attracting investment and new entrepreneurs in a range of sectors and lured by a high quality natural environment, excellent schools and a distinctive quality of life. It is important, therefore, that the business and enterprise theme is fully integrated with measures contained within the other themes which aim to improve workforce development, ICT infrastructure and knowledge networks.

POLICY CONTEXT

The Economic Regeneration element of the Rural Regeneration Zone promotes the growth of key sectors and advocates support for sustainable business and new business networks. Targeted support for small and micro businesses is also supported through the Zone and this has been further reinforced through links with a range of other programmes and agencies which has included; Objective 2, the Rural Development Programme, the Herefordshire Young Enterprise Programme, Business Link, the Central Technology Belt, and SRB. A number of sector specific strategies and initiatives also exist notably for the Creative Industries, Tourism and Agricultural diversification.

OBJECTIVES

The key objectives for the **business and enterprise** theme are:

1. To increase the business birth rate across Herefordshire;
2. To improve the competitiveness of existing indigenous businesses;

3. Extend existing efforts to diversify the agricultural sector;
4. To encourage the County's young people to become entrepreneurs (building upon the Young Enterprise Programme);
5. To create an excellent environment (comprehensive support package) for small and micro businesses;
6. To provide high level sector specific support for growth sectors;
7. To become a centre of excellence in business support for sustainable development and the environmental sector;
8. Provide virtual centres for in market towns and in the parishes and following 'working villages' model;
9. Develop a bespoke set of support programmes geared to the Social Economy.

Possible Indicative Actions

- Development of virtual business centres;
- Developing clusters in the County's key and potential growth sectors;
- Development of supply chains and sourcing initiatives;
- Developing the optimum environment for high growth 'opportunity' entrepreneurs.

theme 3

skills & workforce development

INTRODUCTION & RATIONALE

Human capital is a key determinant of economic growth. Skilled workers add value to production, adapt more quickly to new technologies and are more likely to receive additional training, increasing their productive capacity even further. Herefordshire, in keeping with the UK generally, exhibits much diversity within its skills base, with incidences of both high level and low level skills apparent within the regional workforce. Recent studies⁷ have shown that variations in the regional composition of the skills base lead, in turn, to variations in sub regional economic performance.

Herefordshire faces a number of very important issues regarding the skills and learning landscape. A key issue relates to **Higher Education** and the ability of individuals and businesses to access the types and levels of delivery that HE institutions can provide. The County has no single HE level provider, meaning that many young people who wish to study at HE level have to leave the County (one factor contributing to the County's specific demographic profile). Many of these young people do not return. Given that the County is extremely successful in generating high levels of compulsory education attainment, it does not capitalise upon this, due to out-migration and non-return of some of the most able young people. In addition, those industries or individual companies which would benefit from close liaison with HE level providers are also disadvantaged to some extent by the lack of extensive locally based provision.

Workforce development has also emerged as a key issue amongst stakeholders, businesses and the broader community. Consultation suggests that the County's workforce, in general, does not possess the necessary level of skills and qualifications which will allow it to move forward and take advantage fully of changing technology and work practices. In addition, many consultees felt that a great many businesses in the County struggle both to identify their workforce development needs and then to meet these needs through accessing adequate or flexible support services. There is potentially a more robust role to be played here by the County's **FE sector**.

A significant proportion of people employed in the County have low skill levels and lack any formal qualifications. This problem is particularly significant where low literacy and numeracy levels exist. Ensuring that those in employment have the opportunity to raise their skill levels is fundamental to improving future economic wellbeing in the County.

POLICY CONTEXT

The need to develop a more robust HE and FE level 'offer' within the County has been long recognised as a factor which will help to develop the economy. The 'Learning Village' is a collaborative HE sector project involving Herefordshire College of Technology, Herefordshire College

⁷ 'HM Treasury, 2001, 'Productivity in the UK 3: the Regional Dimension'.

of Art and Design and Hereford 6th Form College. The initiative is examining mechanisms by which the three institutions can collectively and collaboratively offer a limited HE level curriculum. One of the benefits of the collaborative approach, apart from cost savings, is that it will hopefully overcome issues associated with the quality of the building stock within individual institutions.

The Learning and Skills Council Herefordshire and Worcestershire is currently charged with leading a **strategic area review** of post-16 learning provision across Herefordshire. Working in collaboration with key stakeholders, the intended outcome of this review process is definition of the most appropriate strategic options for addressing the learning and skills needs of people and employers within the County. Key objectives and actions arising under this skills and workforce theme will need to be informed and steered by the outcomes arising from the strategic area review process.

OBJECTIVES

The key objectives for the **skills & workforce development** theme are:

1. Enhance opportunities for and effectiveness of **workforce development**. This must include robust mechanisms (outreach, where necessary) to aid firms in the diagnosis and identification of their workforce skill needs, as well as sourcing and accessing the required forms of support both from within and outside the County. Employer awareness of coordinated sources of assistance such as 'Skills Station' must be raised;
2. Develop the **county's HE offer** further. This will involve further research into the feasible forms of development for HE within Herefordshire, principally building upon existing collaborative models and including additional regional HE providers;
3. Promoting greater links between businesses based in Herefordshire and HE/FE providers and centres of excellence outside of the County;
4. Development of **niche training and learning specialisms** in environmental and sustainable development skills; building upon existing initiatives and developing Herefordshire as a 'centre of excellence' for the delivery and provision of this form of learning/training;
5. Enhancing the provision of **community based training and learning**, using enhanced forms of outreach and making better use of community facilities. This should be developed in conjunction with enhanced transport and childcare provision. In addition, greater links should be promoted between employers and the community and voluntary sectors.

Possible Indicative Actions

- Outreach learning and training support in the County's most rural areas – particularly, to aid firms in diagnosis of skill/training needs;
- Research into the scale and characteristics of HE demand within the County;
- Identifying feasible forms of HE delivery;
- Extending community based learning.

theme 4

communications & infrastructure

INTRODUCTION AND RATIONALE

The most common concern from stakeholders in the consultation events and particularly local businesses, has been that of road infrastructure. The ongoing debate surrounding a Hereford outer-relief road, congestion (particularly lorries) on the A49 and in Hereford itself, has dominated many of these discussions. Furthermore, there is serious concern amongst business stakeholders that access to and from Hereford takes too long and this makes the City a poor location to serve national and international markets. In addition, congestion in Hereford is such that it is significantly detrimental to the quality of the environment, the operation of the labour market and business performance.

What is clear, is that if Herefordshire is to meet the challenge of raising productivity, increasing skills levels and encouraging entrepreneurship across the County, then significant improvements in communications and infrastructure will be required. Access to facilities, services and employment is also a key determinant of economic growth. Furthermore, areas of sparse population density create particular challenges in terms of delivering equality of access to services and facilities for some of the more peripheral businesses and communities.

The proliferation of broadband, particularly to the more peripheral parishes and Market Towns, is absolutely essential to support other components of this strategy. The provision of up to date and fast digital connectivity is fundamental to support growth sectors, self employment and to enhance the sustainability of communities and quality of life in rural areas. Currently it is difficult to access broadband in many of the more rural parts of Herefordshire, with a number of question marks hanging over the financial viability associated with providers taking provision deeper into these areas.

Stakeholders have also expressed concerns about the suitability of the current land and premises portfolio in Herefordshire. It is clear that in order to respond effectively to the challenges set out in the Vision and especially in terms of encouraging and attracting higher value added activities, a major improvement in the overall investor offer in terms of sites and buildings is required. The availability of flexible business space and shared facilities in the Market Towns was highlighted as a key requirement in attracting small and micro firms in both 'life-style' and high value sectors.

POLICY CONTEXT

It is our understanding from recent discussions that a Hereford Outer Relief Road is unlikely in the immediate future although there does appear to be a good economic case for substantial expenditure on new road investment and other measures to relieve congestion in the city centre. A number of ongoing transport developments also have a bearing on this theme area, including the Local Transport Plan, Hereford Transport Review (Multi-modal Study), workplace travel plans, Freight Quality Partnerships and the Edgar Street Grid proposals for Hereford City.

The Rural Regeneration Zone advocates appropriate infrastructure support for small and micro firms and the development of better ICT infrastructure in rural areas. Further complementarity and links exist with the Objective 2 programme, The Market Towns Initiative, The Countryside Agency, and the Rural Transport Partnerships. The 'Herefordshire in Touch' SRB programme, and the 'We want Broadband for Herefordshire' campaign are working to extend the coverage of broadband throughout the county. Advantage West Midlands are also supporting a number of programmes to increase broadband coverage across the region.

OBJECTIVES

The key objectives for the **communications and infrastructure** theme are:

1. Improve ICT infrastructure and digital connectivity across the Herefordshire;
2. Maximise the economic impact of competitive locations by improving the land and property offer;
3. Provide flexible business accommodation and other support services in peripheral locations;
4. Provide a sector specific property offer for key sectors (such as mixed use live-work space for the creative industries sector);
5. Develop a 'virtual business centre' network to link small/micro business in rural areas;
6. Continue to lobby for road investment to improving transport links and access to markets;
7. Address traffic congestion in Hereford through additional traffic management measures.

Possible Indicative Actions

- Development of Broadband & ICT infrastructure;
- Traffic management systems;
- Sustainable transport initiatives.

theme 5

inclusion & community cohesion

INTRODUCTION & RATIONALE

Strong, cohesive communities form the bedrock of any society and hence act as a platform for the regional economy. Herefordshire has a network of strong and distinctive communities and parishes across the County. Despite this, however, there are still individuals, families and specific groups which suffer from various forms of social exclusion and disadvantage, emanating from numerous causes such as a lack of access to employment, training, transport, welfare and other services. Herefordshire has a strong voluntary and community sector, which often helps to plug gaps in the delivery of certain types of service and support and generally adds much to overall quality of life for some residents.

Statistically, Herefordshire has a very specific demographic profile, with both an over-representation of older people and an under-representation of younger people within the population. This statistical phenomenon, in conjunction with the very rural nature of the county, can lead to a variety of issues emerging. General effects of **isolation** and **limited access to services** can impact negatively upon all age groups, but particularly upon the very oldest and youngest in society. **Older people**, particularly those left alone by bereavement, may be particularly vulnerable to socio-economic disadvantage due to an inability to easily move around the County. This leads to a need for more outreach forms of service delivery and a greater effort to ensure that some groups of older people remain active within their communities. Our consultations have revealed a strong sense of appreciation for the community activities which many older residents themselves become involved in; in many cases retired individuals who have moved into the County and who wish to use their skills for the good of the local community.

Younger people also often face issues associated with mobility and access. Again, the rural nature of much of Herefordshire means that services and facilities for young people are often limited. Those who can, often leave the County to work or study elsewhere, whereas those staying behind may be left with very limited training or employment opportunities, due again to access constraints. Anecdotally, there are also issues associated with few, if any, opportunities for the different generations to come together in any meaningful sense within communities.

Many issues of social exclusion and disadvantage in Herefordshire are associated with rural areas. However, the County's few urban areas, especially Hereford City, are also characterised by pockets of disadvantage. The nature of **urban disadvantage** within the County needs to be fully understood, otherwise, there is a danger that these areas may lose out to rural parts of the county in terms of securing funding and attracting further support. Hereford City is already disadvantaged due to its non-eligibility for EU Objective 2 funding which is available to other parts of the county.

One of the key problems for Herefordshire relates to **affordability of housing**. Herefordshire incomes are relatively low, while house prices are above the regional average. This situation creates difficulties for local people who wish to buy property and remain in the County.

Generally, provision of services and availability of retail and other activities is very limited within rural villages and parishes. This means that access to private transport is very important as a means of enhancing economic activity. For those reliant on **public transport** – which is very limited in rural areas – opportunities for actively contributing to the County's economy may be limited.

Policy Context

Towns, villages and Parishes within Herefordshire are currently undertaking comprehensive health checks, leading to the development of implementation plans. Initiatives such as the Countryside Agency's 'Vital Villages' also operate within the County. The **South Wye SRB** programme is focussed upon delivering additional regeneration and economic development support to one particular area within Hereford City, which is characterised by above average levels of disadvantage relative to the rest of the county. In addition, the Herefordshire **Voluntary Sector Assembly** initiative is considered to be of national significance - this initiative enables representatives of the County's voluntary and community sector to play an active part in the Herefordshire Partnership.

OBJECTIVES

The key objectives for the **inclusion & community cohesion** theme are:

1. To develop and enhance the role services and activities for **young people**, through mobile and outreach youth service provision;
2. To improve quality of life for **older people** – emphasising 'active ageing'- and to create greater opportunities for older people to contribute economically through employment, community democracy and decision making, provision of services and community projects;
3. To enhance opportunities for developing **social and community enterprise**, focussing in particular on childcare, transport, community facilities, credit unions, delivery of welfare and care services, as well as formalising informal and hidden economic activity;
4. Developing **community capacity** further, especially taking full advantage of the skills and talents of in-comers, ensuring older people remain active within their communities and providing a robust mechanism for engaging young people in the life of their neighbourhoods;
5. To enhance access to **affordable housing** for those on low incomes, or those who are generally disadvantaged. This objective should involve detailed research on the current nature of housing supply within the county and the main causes of mismatch with housing demand;
6. To fully understand and address issues associated with **urban disadvantage**, particularly in Hereford City.

Possible Indicative Actions

- Active ageing – enhancing the economic and social contribution of older people;
- Developing community enterprise – transport, childcare and finance initiatives;
- Identifying housing supply issues fully.