

Policy and Research - Commissioning, Communities and Policy

Derbyshire Economic Review - September 2018

Introduction

This document gives a brief overview of the latest statistics and news on the Derbyshire¹ economy both in a national and local context. The report provides a 'snapshot' of the Derbyshire economy, to help inform the development and delivery of economic strategies in the area. It is primarily based on evidence available from the Derbyshire Observatory, which is a single information source for partners and organisations across the county. The update also provides information on an 'in focus' topic, in this edition 'HS2 in Derbyshire'.

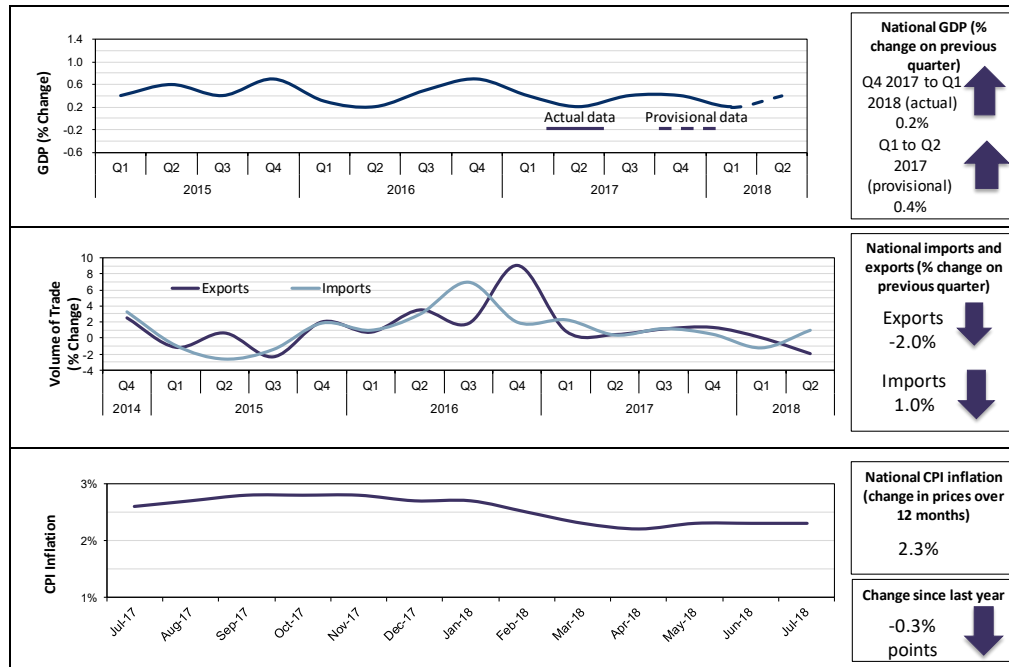
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Overview

- The UK economy grew by 0.4% in the second quarter of 2018, a pick-up on the figure of 0.2% for quarter 1 of 2018. This reflects, to some extent, the good weather and World Cup celebrations. However, the trend since the second half of 2014 is one of slowing GDP growth.
- The annual Consumer Prices Inflation (CPI) rate (including housing costs) currently stands at 2.3% for the 12 months to July 2018, meaning that there have been five months in a row of stable inflation.
- The Derbyshire economy has dipped during quarter two of 2018, according to the East Midlands Chamber of Commerce's (EMCC) most recent Quarterly Economic Survey⁷, as has the region's. This is the third month in a row when the level has dropped in the county although the performance is above that seen two years ago around the time of the Brexit vote.
- The employment rate⁹ locally rose from 77.9% to 78.9% in quarter one of 2018, and with the national rate remaining fairly stable, the gap with England has widened this quarter.
- The overall claimant count unemployment rate in Derbyshire is currently 1.6%, remaining 0.5% points lower than the England rate. However, levels locally and nationally have risen slightly since the early part of 2018. This is likely to reflect the transition of people from Jobseekers Allowance to Universal Credit.
- More than a third of Derbyshire's JSA unemployment claimants have been out of work for more than a year (34.7% or 1,120 residents). This has increased by 2.3% points over the last year although this is lower than the national increase of 6.5% so the gap with England has widened slightly.
- The youth unemployment rate in Derbyshire stood at 2.4% (1,780) people aged 16-24) in August 2018, marginally above the England rate of 2.3%. Having been relatively stable since Spring 2015, the youth unemployment rate in the county has risen slightly during 2018. As with overall unemployment this pattern is the same as that nationally and is likely to be linked to the transfer of people from Jobseekers Allowance to Universal Credit.
- The average price of a house in Derbyshire is £173,080, over £70,000 lower than the England average. However, over the last 12 months the house price growth of 2.8% in the county has been marginally higher than that nationally.

National Performance Indicators



UK gross domestic product (GDP) was estimated to have increased by 0.4% during the second quarter of 2018², a rise of 0.2% on the previous quarter. The latest figures show that UK growth was marginally below that for the G7 nations. The increase in quarter 2 reflects, to some extent, consumers taking advantage of the warm weather and World Cup celebrations. However, the underlying trend since the second half of 2014 is one of slowing growth.

Growth in services output increased to 0.5%, contributing 0.4% points to the growth in GDP. The strength in quarter 2 2018 reflects a pick-up in a number of service industries, particularly wholesale and retail trade which had been affected by the adverse weather earlier in the year. Encouragingly, the construction sector, showed a bounce back of 0.9% and contributed 0.1% points to GDP growth. However output in the production sector fell by 0.8%, making a negative contribution to GDP growth. This was driven by a 0.9% fall in manufacturing and a 2.7% fall in energy supply. The weakness in manufacturing in quarter 2 largely reflects an easing in manufacturing export growth.

The total UK trade deficit widened by £4.7 billion to £8.6 billion in the three months to June 2018³. There was a £5.5 billion widening of the goods deficit due to goods exports falling and goods imports rising. ONS reported that the top three export markets for UK manufacturers were the US (15.2% of all exports), Germany (11.0%) and France (7.2%). The slowdown in manufacturing exports reflects an easing in global demand for products such as UK-produced vehicles and materials for processing. The widening deficit in goods was countered by a trade surplus in services of £0.7 billion. Despite the widening trade deficit this quarter, the last year has seen an improvement in the trade balance of £6.2 billion. The imposing of EU tariffs on some US imports in response to the US administration putting duties on European aluminium and steel, as well as the ongoing Brexit negotiations, mean that future UK trade figures will be monitored closely by commentators.

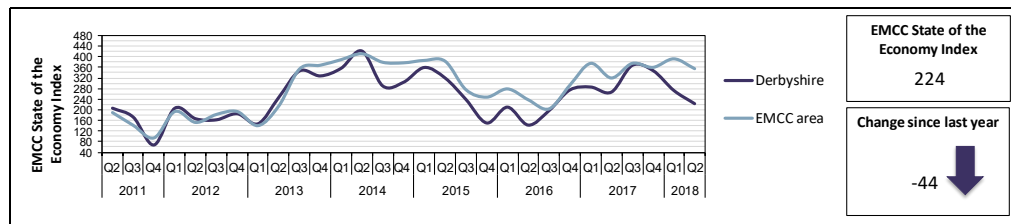
The Consumer Prices Index (including housing costs) 12-month inflation rate was 2.3% in July 2018⁴ unchanged from June 2018. Rising prices for computer games and transport fares produced the largest upward contributions to change in the 12-month rate between June and July 2018. The upward effects were offset by falls in prices for clothing and footwear, and the removal of initial charges for investment in some unit trusts. The rate of 2.3% is just above the Bank of England's inflation target of 2.0%, and means that there have been five months in a row of stable inflation. This is helpful news for consumers when compared with the higher rates a year ago.

The Bank of England's (BoE) Monetary Policy Committee voted unanimously in favour of keeping the UK interest rate unchanged at 0.75% in September⁵. However, the Bank noted that there could be further rises if the economy continues to recover from the slowdown earlier in the year. This follows the BoE raising the cost of borrowing last month to the highest level since the financial crisis. The Bank has reported that there has been an improving picture of economic growth in recent weeks and stronger wage growth for UK workers. However, it also noted that there have been increasing signs of stress in the economy linked to Brexit, with some businesses beginning to put investment plans on hold. The BoE also highlighted the following national trends as at August 2018⁶:

- Consumer spending growth rose but remained modest.
- Growth in business services activity eased.
- Manufacturing output growth slowed modestly, but remained above average.
- Construction output growth increased slightly but remained sluggish.
- Employment intentions remained positive in most sectors but recruitment difficulties remained elevated.

Local Economic Context

Business Conditions



The Derbyshire economy has dipped during quarter two of 2018, according to the East Midlands Chamber of Commerce's (EMCC) most recent Quarterly Economic Survey⁷, as has that across the region. This is the third month in a row when the level has dropped in the county although the performance is above that seen two years ago around the time of the Brexit vote. Additionally, firms locally have seen better results in domestic markets than their counterparts across the East Midlands, with a slight pick-up in orders from UK based firms. Export performance also appears to have stabilised after two quarters when the level has shown a generally downward trend. There has also been some positive progress over the last quarter in recruitment with more firms taking on new workers than not.

However, it is a concern that there has been a fall in the number of businesses saying that they will be investing in machinery and particularly training. Firms have also expressed concern about future pricing, which has shown the greatest fall of any of the 12 indicators that make up EMCC's State of the Economy Index, a finding also picked up at the regional level. This relatively mixed picture has fed through to business confidence, which on both turnover and profitability has shown a dip in the number of firms optimistic about the next three months.

Local Economic Context

Investment

Invest in Derbyshire received a total of 11 enquiries between May and July 2018⁸ the same as the previous three months and one more than the corresponding period a year ago. Six of these enquiries came via the Department for International Trade and the remaining five were direct enquiries. The enquiries covered the rail, advanced manufacturing, life sciences, office, food and drink and retail sectors.

The Markham Vale regeneration site continues to grow with the ongoing addition of new companies to the business community.

On Markham vale North, the second Great bear logistics centre has become operational and the company is busy recruiting new staff. A further construction project has been completed for the international sterilisation specialists Sterigenics who have acquired the new facility in addition to its existing base at Somercotes in Derbyshire. Sterigenics will be the fourth business to join Gist, Ferdinand Bilstein UK and Great Bear Distribution on Markham Vale North.

On Markham Vale West, construction has started on a 43,000 sq. ft. manufacturing and distribution unit for Grangers International manufacturers of protection and cleaning products for clothing and footwear. It is anticipated that the facility will be operational towards the end of 2018. Terms have also been agreed with another occupier for the development of a 55,000 sq. ft development subject to securing planning approval.

On Markham Vale East, Priority Space, the developer of Wilson Business Park, has acquired a further plot to develop a 15,000 sq. ft warehouse with offices. The company are developing this speculatively with the aim of selling the development immediately on completion. One of the first occupiers on site, Andrew Page Ltd have rationalised their distribution activities upon their acquisition by Euro Carparts Ltd. This resulted in the company vacating their 100,000 sq. ft distribution centre. Fortunately the 125 employees have all been able to secure alternative employment, many of them with other companies at Markham Vale, with the assistance of the Councils Grow Your Workforce service which operates at Markham Vale.

A number of initial enquiries for potential developments across Markham Vale were also received during the quarter, one of which is progressing to more detailed discussions.

Job Losses and Gains

The following job losses and gains information relates to Derbyshire (including Derby City), and is drawn from articles in the local press between May and July 2018.

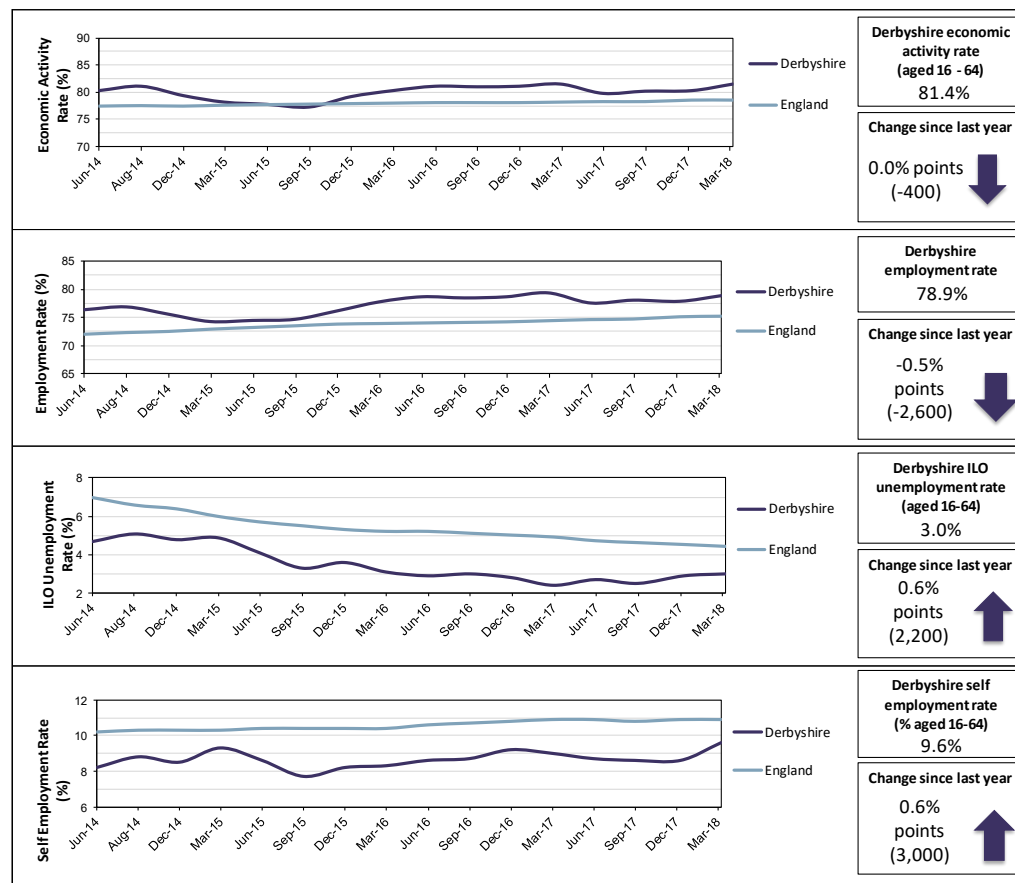
Job Losses

- During this quarter several employers have announced job losses across the whole of their workforce nationwide, including, at the beginning of May RBS revealing the closure of 162 bank branches across England and Wales with the loss of over 790 jobs, and in June Rolls Royce announcing the loss of 4,600 jobs. It is unclear yet how either will affect the Derby and Derbyshire areas.
- It was announced at the beginning of July that through redeployment, deletion of vacancies, voluntary release and compulsory redundancy, Derbyshire County Council has cut 20 jobs and expects a further 240 to follow.

Job Gains

- Rolls Royce revealed in May that a new contract won by their Defence business in Derby has secured the future of 700 jobs.
- Also in May, Ford car franchisee Perrys announced that a new dealership will open in Chesterfield employing just under 400 people.
- First Solutions call centre at Pride Park announced in June the recruitment of an extra 300 members of staff.
- At the end of May KFC announced a new pub and take away development in Long Eaton that is expected to create up to 140 new jobs, and Macdonald's announced that a new branch in the town will create 65 new jobs.
- At the beginning of May it was announced that McPhee Mixers, Chesterfield, had been acquired by Elagmore, saving 70 jobs.
- New plans released at the beginning of July by Cootehill Poultry Products to redevelop a site in Allenton, Derby, could create up to 60 new jobs.
- In June Wagamama stated that a new restaurant is to open in Derby creating almost 50 new jobs.
- Administrators for Bounce Health and Fitness, Derby, revealed in June that the sale of the trampoline park has secured nearly 40 jobs.
- At the beginning of June Garner Holdings applied to Amber Valley Borough Council to build a new warehouse and distribution centre at Denby Hall Business Park that will employ 30 staff.

Labour Market Participation



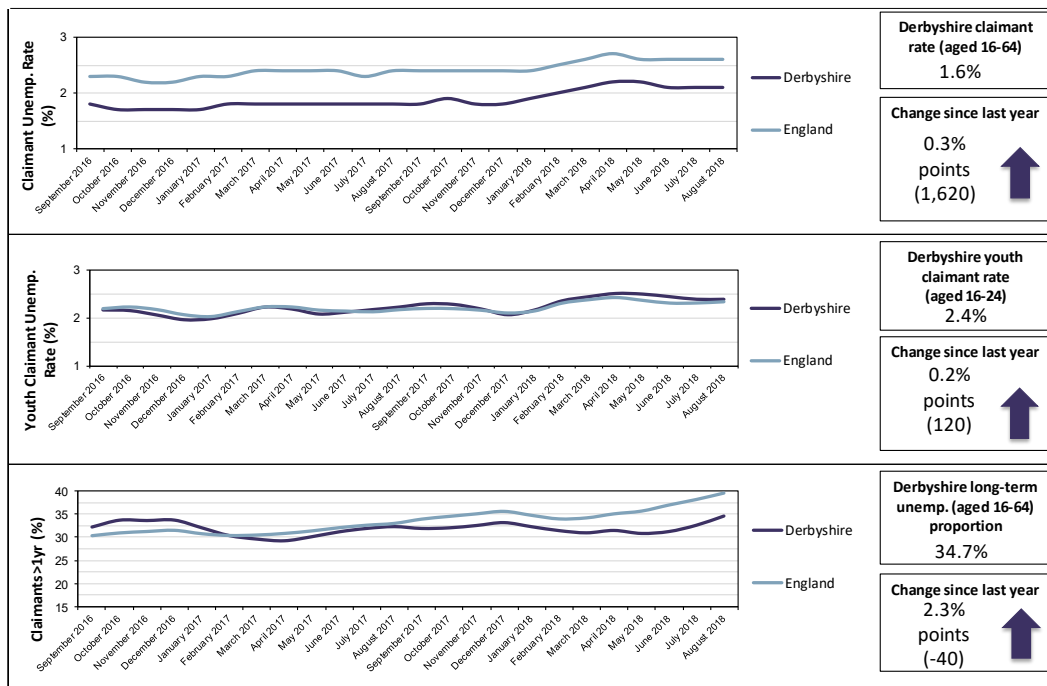
Source: Annual Population Survey, Apr 2017-Mar 2018, ONS (Nomis) © Crown Copyright.

The employment rate⁹ locally rose from 77.9% to 78.9% in quarter one of 2018, and with the national rate remaining fairly stable, the gap with England has widened this quarter. However, the rate remains lower than the year before. Over the last year, Derbyshire Dales has seen the biggest decline and High Peak the biggest rise in employment rate. The gap has also widened on economic activity¹⁰.

International Labour Organisation (ILO)¹¹ unemployment is regarded as the official measure of unemployment. Whilst the rate for England has continued to fall over the last year, the Derbyshire rate has drifted upwards, rising from 2.4% to 3% over the last year, with 2,200 more people out of work in Derbyshire. However, the

Labour Market

number of people in the county who are self-employed has risen by 3,000 compared with a year ago, to stand at 9.6%, making the gap with England the narrowest it has been in three years.



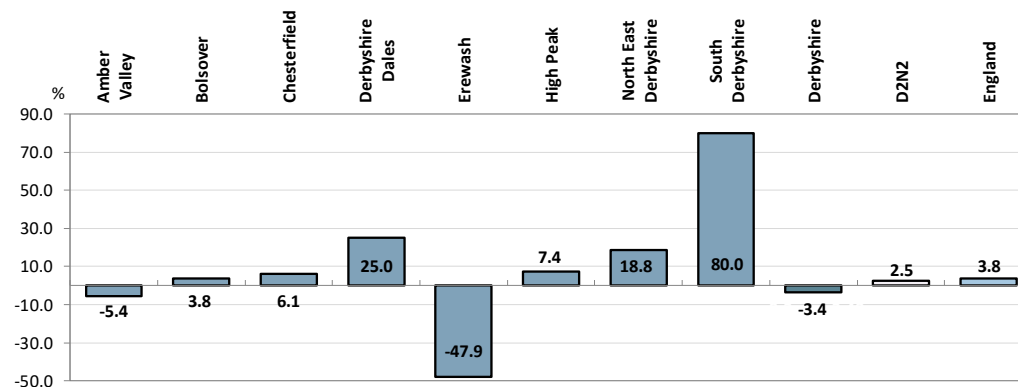
The claimant count unemployment rate in Derbyshire, based on a count of all people claiming Jobseekers Allowance (JSA) and those claiming Universal Credit (UC) who are required to seek work, is currently 1.6% (8,040 residents), remaining 0.5% points lower than the England rate¹². Following around three years of relatively stable unemployment levels, since the early part of 2018 the rate has risen slightly. This mirrors the increase nationally and is likely to reflect in part the transfer of people from JSA onto UC.

The number of wards where the rate of unemployment is more than double the national rate remains at five, the same as in the previous three months. These five wards are Cotmanhay and Awworth Road in Erewash, and Rother, Loundsley Green and St Helens in Chesterfield.

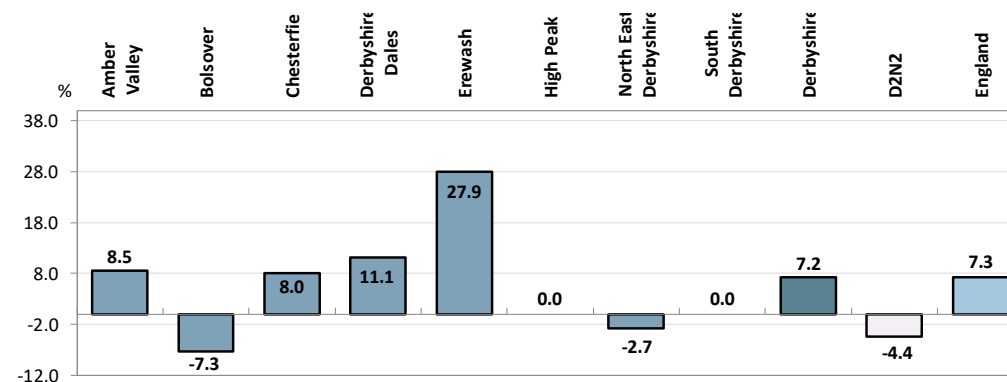
Labour Market

More than a third of Derbyshire's JSA unemployment claimants have been out of work for more than a year (34.7% or 1,120 residents). This has increased by 2.3% points over the last year although this is lower than the national increase of 6.5% so the gap with England has widened slightly. The increases are again likely to reflect in part the transfer of people from JSA onto UC. Long-term unemployment has risen in six of the districts, the largest increase in South Derbyshire (80.0% or 20 people). Erewash has seen the greatest decline in long-term unemployment (-47.9% or 115) residents.

Annual % change in long-term unemployment (August 2017 to August 2018)



Annual % change in youth unemployment (August 2017 to August 2018)



Derbyshire Observatory Link: <http://tinyurl.com/lea2012-unemploy>

Source: JSA (long-term) and claimant count (youth), August 2018, ONS (NOMIS) © Crown Copyright

Note: D2N2 is the Local Enterprise Partnership covering Derby, Derbyshire, Nottingham and Nottinghamshire

Labour Market

The youth unemployment rate¹³ in Derbyshire stood at 2.4% (1,780) people aged 16-24) in August 2018, marginally above the England rate of 2.3%. Having been relatively stable since spring 2015, the youth unemployment rate in the county has edged up slightly during 2018. As with overall unemployment this pattern is the same as that nationally and is likely to be linked to the transfer of people from Jobseekers Allowance to Universal Credit.

Across the districts, four have seen an increase, the greatest shown by Erewash (27.9% or 95 people). This is notable given that Erewash has seen the greatest decline in long-term employment over the last year. Two districts have seen no change, whilst Bolsover has seen the biggest fall (-7.3% or 15 people). The number of wards where the rate of youth unemployment is more than double the national rate remains at 10 this quarter. This includes Rother in Chesterfield and Cotmanhay in Erewash, that have rates above 9.0%. Encouragingly though the proportion of young unemployed people who have been out of work more than a year has dropped by 6.7% points over the last year and is now just 0.2% points above the figure for England. A year ago the gap was nearly 5.0% points.

Despite the relatively low levels of unemployment, more than 8,000 residents are out of work, including nearly 1,800 young people. Data from the East Midlands Chamber of Commerce's Quarterly Economic Survey for quarter two 2018 shows that levels of recruitment are amongst the highest in seven years, with 64% of Derbyshire businesses attempting to recruit in the last quarter. Additionally, nearly 60% of recruiting firms in the county experienced recruitment difficulties, the highest figure in over three years.

Ensuring that people both in and out of work have the skills to match those required by employers needs ongoing focus. The Employment and Skills Board at Derbyshire County Council has commissioned officers to write an Employment and Skills Strategy. This will aim to bring together the vast amount of activity the Council is involved with in this area into a single document. It will set out a framework within which DCC can work with partners to deliver the skills and employment required by Derbyshire's businesses and residents. The timetable is to have a draft strategy completed by the end of the year for approval by the Council.

Labour Market

The table below provides data for some of the key benefits available.

Indicator	Number	Rate (%)		Annual change		Annual trend
		Derbyshire	England	Number	%	
Individual benefits (February 2018 except UC and JSA/sanctions*)						
Employment Support Allowance (ESA)	29,080	6.0	5.4	-1,270	-4.2	↓
- Long term claimants (1yr or more)	24,920	85.7	84.7	310	1.3	↑
- 18 to 24 year old claimants	2,190	7.5	6.8	-320	-12.7	↓
Lone Parent Income Support (LPIS)	3,740	0.8	0.9	-390	-9.4	↓
- Long term claimants (1yr or more)	2,700	72.2	74.7	-180	-6.3	↓
- 18 to 24 year old claimants	880	23.5	20.7	-190	-17.8	↓
Personal Independence Payment (PIP)/ Disability Living Allowance (DLA)	50,826	7.8	6.8	-880	-1.7	↓
Universal Credit (UC)	10,613	2.2	2.7	5,916	126.0	↑
JSA/UC sanctions	150	0.0	0.0	-48	-24.2	↓
Carers allowance - working age group	10,780	2.2	2.0	670	6.6	↑
Household benefits (March 2018 except benefit cap**)						
Housing Benefit claimants	43,862	12.9	15.8	-2,978	-6.4	↓
Households affected by removal of Spare Room Subsidy	4,655	10.6	8.1	-266	-5.4	↓
- 1 Bedroom	3,873	83.2	82.4	-228	-5.6	↓
- 2 or more bedrooms	782	16.8	17.6	-38	-4.6	↓
Benefit Cap	479	0.1	0.2	-40	-7.7	↓

Source: Department for Work and Pensions (DWP)/ONS (Nomis) © Crown Copyright.

Notes: * UC August 2018 and JSA/UC sanctions April 2018, ** benefit cap May 2018.

In Derbyshire, 6.0% of working age respondents are claiming ESA, slightly above that for England. Of these, 85.7% have been claiming ESA for over 12 months. Lone parents claiming income support make up 0.8% of the working age population, with over 70% having claimed for more than a year. Nearly a quarter are aged 18-24. Although this is greater than nationally, the number of young people claiming LPIS has fallen over the last year locally. The proportion of residents 16+ claiming PIP/ DLA stands at 7.8%. The number of UC claimants in the county has risen to 10,613, increasing by 5,916 over the last year as claimants are transferred across from other benefits. However, over the last 12 months there has been a reduction in the number of people claiming JSA/UC who have had their benefit stopped or reduced through sanctions. There are 10,780 people locally claiming working age carers allowance, a slight increase on the year before. Nearly 45,000 (12.9%) Derbyshire households are claiming housing benefit, with around 4,655 affected by removal of the spare room subsidy¹⁴. There are 479 households affected by the benefit cap.



Source: UK House Price Index, ONS and Land Registry, June 2018, © Crown Copyright

In June 2018, the average price of a house in the county was £173,080, more than £70,000 lower than across England. However, annual house price growth in Derbyshire stands at 2.8%, 0.1% points higher than for England. Four districts locally have seen an above average rise with Chesterfield (7.8%) and High Peak (7.3%) leading the way. South Derbyshire and North East Derbyshire have seen slight falls of 2.5% and 0.5%.

Nationally house price growth has been slowing since the summer of 2016, and for the last year annual house price growth in Derbyshire has been ahead of that across England. The slowing in annual house price growth has been driven by falling price growth in the London area and wider South and East of England. Less than four years ago annual house price growth in the capital was running at more than 20%. However, the last few months have seen a fall in house prices. The West and East Midlands have seen the greatest rises in houses prices over the last year at 5.8% and 4.1% respectively.

The number of house sales in Derbyshire and England has fallen over the last year by around 20%. Demand from prospective home buyers is relatively subdued with a range of factors thought to be at play including inflation, the potential for another interest rate rise and stretched household finances. However, the relative lack of housing stock across the country to meet demand helps to ensure that house prices continue to rise, albeit at a relatively slow rate.

HS2 in Derbyshire

High Speed 2 (HS2) promises to be one of the most transformative infrastructure projects for the country. It is the biggest construction project since the building of the M1 and will be a catalyst for growth across Britain providing benefits to businesses and residents for years to come. This 'in-focus' outlines some of the key milestones in the project, the potential impact locally and some key areas of focus for delivering and maximising the impact across Derbyshire.

Key milestones

High speed rail is at the heart of the government's national transport policy to improve connectivity between London and the South-East and more northern parts of Britain. The process started with the completion of HS1 in 2007, which runs from London to the Channel Tunnel, and is set to continue through the delivery of HS2. Phase 1 of HS2, which will run from London to Birmingham was given the go-ahead through Royal Assent in early 2017 and is scheduled to take its first passengers in late 2026. The route for phase 2a, which will run from the West Midlands to Crewe, was confirmed in late 2015 with the line planned to receive its first passengers in late 2027.

Finally, the Government confirmed the route for HS2 phase 2b in late 2016. This encompasses a western arm that runs from Crewe to Manchester and, crucially for Derbyshire, an eastern route that runs from the West Midlands to Leeds. HS2 Ltd and the Department for Transport (DfE) have started work on preparing the Bill for HS2 phase 2b which is due to be submitted to Parliament in 2020. It is anticipated that construction work for HS2 phase 2b would begin in 2023, and that the line would open in 2033. The following map shows the routes for the different phases of HS2¹⁵.

The scale of the HS2 project nationally is huge, with over 550km of new track to be built, including nearly 75km of tunnels and 60km of viaducts. The project will generate 25,000 jobs during its construction phase and serve 300,000 passengers per day when it is fully operational. The budget for its completion is £56 billion. Trains on HS2 will be able to run at speeds of 360km/hour, quicker than anywhere else in the world.

HS2 routes in the UK



- ○ ○ Destinations served by HS2
- HS2 phase 1 (completed 2026)
- HS2 phase 2a (completed 2027)
- HS2 phase 2b (completed 2033)
- HS2 services on existing network



Key areas of focus for maximising the impact across the county

HS2 should provide major opportunities for businesses in the East Midlands to expand their horizons and to trade and compete in wider markets. Around 60% of the wider economic benefits of HS2 phase 2 are estimated to be on the Eastern leg as opposed to the Western one. This equates to potentially over £600 million per year¹⁶. Similarly, high speed rail will connect the people of the East Midlands to new work, learning and leisure opportunities whilst opening up the region to new visitors.

The East Midlands HS2 Growth Strategy (EMHGS) aims to maximise the opportunities for HS2 to enhance towns and cities across the East Midlands and key assets like East Midlands Airport and the East Midlands Gateway Freight Interchange near Junction 24 of the M1. The Strategy estimates that HS2 connectivity will generate an additional 74,000 jobs across the East Midlands by 2043 and almost £4 billion in gross value added (GVA). Ensuring there is excellent connectivity between HS2 and centres such as Derby, Nottingham, and Leicester and other towns and villages in the D2N2 area will be essential for the economic impact to be realised.

The Strategy has identified two 'Growth Zones' where the benefits of HS2 connectivity will be most directly felt locally. Firstly the East Midlands Hub Growth Zone centred on the hub station just beyond the Derbyshire border at Toton. Secondly the Northern Derbyshire Growth Zone based around Chesterfield, which will be served by high speed trains, and the development of an Infrastructure Maintenance Depot at Staveley.

East Midlands Hub Growth Zone

The HS2 Hub Station at Toton in Nottinghamshire will be the most connected station on the high speed network outside of London. There will be up to nine trains per hour south in each direction hour and 11 north. There is also potential for an additional two HS2 classic compatible services linking Leicester with Northern Powerhouse Rail. It has been suggested that the East Midlands Hub Station could have the greatest economic uplift of any HS2 stations.

To capitalise on the improved connectivity with the Toton Hub, it is proposed that an 'innovation campus' is developed alongside the station. This would be linked to the university sector and be capable of delivering around 10,000 high quality jobs, utilising the technological and innovation strength in the region to attract global research talent. The aim is that the site will be an inspiring gateway to the East Midlands. There would also be new community facilities and a range of new housing opportunities. It is proposed that the innovation campus would sit at the heart of a thriving network of 'garden village' developments including the nearby sites of Stanton and Chetwynd Barracks.

Northern Derbyshire Growth Zone

The ability to serve Chesterfield with high speed trains and the decision to locate an Infrastructure Maintenance Depot at Staveley is set to have a transformational impact on the Derbyshire economy. The East Midlands HS2 Growth Strategy looks to integrate Chesterfield Station with the town, opening up regeneration opportunities and enhancing its role as a gateway to the Peak District National Park. It is hoped that HS2 connectivity can not only secure the growth and redevelopment of Chesterfield but that the proposed Infrastructure Maintenance Depot can kick start the regeneration of the Staveley corridor and key surrounding sites. The depot, which will provide 250 jobs, will have a remit to maintain the track between Birmingham and Leeds. The aim is that it will sit

at the heart of a mixed use housing and employment zone within the wider growth corridor. It is also hoped that it will serve as a construction base for HS2 and provide a focus for the local rail engineering sector, including the possible development of a rail industry 'centre of excellence' linked to the High Speed Rail College at Doncaster/Birmingham. Construction of early phases of the Chesterfield and Staveley Regeneration Route will enable key brownfield regeneration sites to be developed linked to the wider benefits of the A61 Corridor and the extended Markham Vale Enterprise Zone.

It is estimated that the proposals for the North Derbyshire Growth Zone could generate £270 million in GVA. The arrival of HS2 in Derbyshire provides added impetus to the existing regeneration activity planned for Chesterfield, such as the Waterside development and the Northern Gateway. With a catchment of over 1 million people within a 30 minute drive and first rate rail connectivity, the station provides a platform for jobs and housing growth that can commence well ahead of HS2 services.

People and businesses

For local people and businesses across Derbyshire and the East Midlands, HS2 should mean more jobs and training opportunities, the chance to earn higher wages and more housing choices. The EMHGS seeks to build on the existing strengths in manufacturing technology and construction. It aims to support growth in business services and the visitor economy and help to shift the long-term economic growth rate above the UK average.

Around 15% of construction workers are set to retire in the next 10 years and with an ageing workforce in the rail industry, it is important that young people are inspired to take advantage of the many opportunities that there will be in the development of HS2. The peak phase of construction on the Derbyshire section of HS2 is likely to be 2026-2028 so there is a real need to capture the imagination of young people now in the need for skilled construction and rail engineers. This also applies to the other skills that will be needed such as environmental consultants and soil scientists. The scale of the HS2 project means that in some disciplines skills shortages may be a factor. For example Historic England has identified that there is an urgent need for more trained archaeologists. A '#EM33' HS2 business/school engagement programme will be developed and already plans are underway for a

leaflet targeted at young people called 'HS2 and Me'. Building further education capacity and harnessing the resource within the university sector will also be important.

HS2 Ltd estimates that every main contract awarded at the top of the supply chain will create around 1,000 opportunities further down the supply chain. The government's aim is that 60% of contracts will be awarded to small and medium sized enterprise. To date more than £8 billion has been procured into the supply chain, a figure set to double over the next year. Whilst the building of HS2 phase 2b that will have the most impact in Derbyshire, there will also be opportunities for local firms to play a role in both phase 1, where contracts have started to be awarded, and also phase 2a once the contracting process begins. The demands of HS2 go far beyond preparation of the ground, civil engineering and the production of railway systems and rolling stock. It will include opportunities for businesses involved in demolition, tree surgery, ecology, drone technology, health and safety and website development as well as many other areas.

HS2 has the potential to provide the rail sector locally with a boost. The Derby and Derbyshire rail cluster is one of the biggest in Europe and the project could have a significant impact. The rolling stock manufacturer Bombardier is at the heart of the industry locally and alongside Hitachi Rail has submitted a joint response to the Initial Invitation to Tender for HS2 rolling stock. This contract, which would be worth nearly £3 billion will be awarded some time in 2020.

There is a danger that businesses think that HS2 is something that is years away. However, local firms are being urged to look out for information on contracting opportunities. Partners across Derbyshire and the East Midlands are working hard to ensure businesses are 'HS2 ready'. A number of actions in the EMHGS focus on this. These include dedicated HS2 supply chain support through the D2N2 growth hub, the delivery of HS2 'supply ready' workshops, and the establishment of a rail industry 'innovation group' through the Rail Forum Midlands. The contracts opportunities tables on the HS2 website <https://www.gov.uk/government/publications/hs2-contract-opportunities> and also supply chain portal <https://www.competefor.com/hs2/> where the high value contractors are advertising potential work, will be key sources for firms.

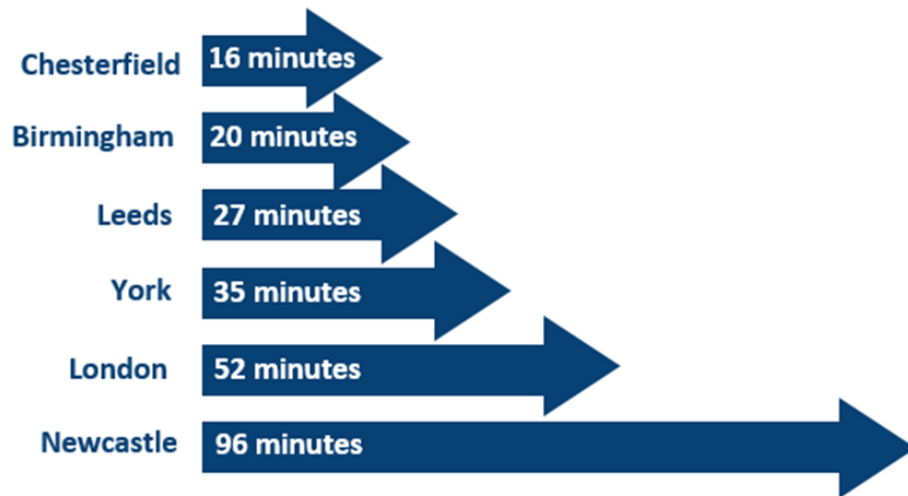
The East Midlands Midlands Councils HS2 Strategic Board has recently proposed a Skills and Supply Chain Delivery Board. This is to bring the voice of business, HE and

FE more to the fore and help to ensure that the skills base locally is able to contribute to bringing HS2 and the wider benefits to the region.

Connectivity

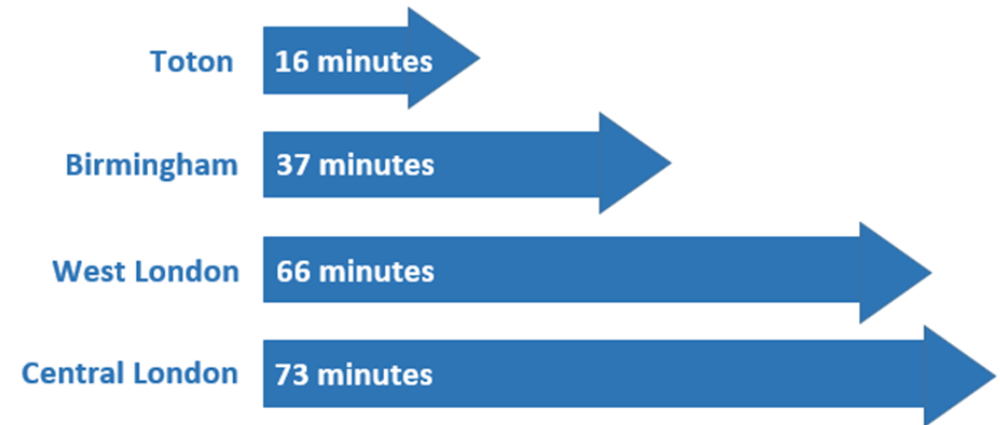
The improved connectivity from HS2 will be a significant benefit to Derbyshire and the region, with current rail connectivity from the East Midlands to other parts of the country a constraint on business. The journey time from Toton to London will be reduced to around 50 minutes from the current journey time of around 1 hour 40 minutes from Derby or Nottingham. The reduced travel time from Toton to London brings the capital nearer by train than some of the settlements in the South East such as the commercial centre of Bracknell in the Thames Valley. Similarly the journey time from Chesterfield to London will be almost halved, down from approaching two hours now to around 70 minutes¹⁷.

HS2 - time to/from East Midlands Hub Station (Toton)



Whilst the arrival of high speed rail in Chesterfield will utilise the existing station and infrastructure, albeit with significant modification, the HS2 hub station in Toton will be a new station. Fundamental to the success of the project will be the ability to connect existing settlements into the high speed network, such as the city centres of Derby, Leicester and Nottingham, nearby towns and villages as well as the likes of

HS2 - time to/from Chesterfield



East Midlands Airport. This is likely to involve a mixed mode approach that utilises classic rail, tram, bus/coach, bike and walking as well as the car. At the Toton site this will require the location of a classic railway station adjacent to the Hub station to enable links with Derby, Nottingham and beyond.

In addition to the provision of new employment sites, improved connectivity will provide opportunity for the development of strategic housing sites, with proposals for 'garden village' developments at Chetwynd, Stanton, Spondon and Infinity Gardens south of Derby in the East Midland Hub Growth Zone as well as housing proposed in the Chesterfield and Staveley Growth Corridor within the Northern Derbyshire Growth Zone.

It is likely that HS2 Royal Assent will not only be the trigger for construction work to start but will also lead to an increase in land values. The reduced journey times could well draw interest from high value earners who will want properties to match. Firms will also see the opportunities from markets further afield being brought closer by the speedier links. The region's existing strength in logistics and distribution capacity provides a good platform for this to happen. However, conversely the improved links could increase competition for local firms in some sectors, such as professional services, with firms outside of the region being able to access local business more easily.

Whilst investment opportunities would be provided for new firms, the bulk of businesses within the growth zones will be ones that were already present before HS2 was up and running. It is important that the potential within the existing business base isn't overlooked. If HS2 draws workers from higher wage economies such as London, Birmingham and Leeds, then the demography of areas will be changed. Such residents will have greater wages to spend locally and will also be looking for local services and suppliers to meet their lifestyle needs. The extent to which the existing businesses within Long Eaton, Sandiacre, Chesterfield and its surrounding areas can respond to changing needs will be an important in maximising the wider HS2 impact.

Next Steps

Planning

Although the HS2 Phase 2B line between Birmingham and Leeds is not due to open until 2033, the planning processes for the route are already underway. HS2 Ltd has appointed an Aecom/Capita/Ineco Joint Venture to provide the engineering and environmental support needed to take forward the development of the route in support of the Hybrid Bill which is to be presented to parliament in 2020. Following Royal Assent in 2022, the ten year construction phase would start in 2023. Additionally, the firm Cushman and Wakefield has been appointed to support the next phase of work required to bring forward the growth plans for Chesterfield station and surrounding area.

The Government's decision to allow the East Midlands HS2 Housing Investment Fund (HIF) bid led by Nottinghamshire County Council to progress to full application stage will provide the mechanism through which the initial phases of development can be planned and delivered. This will be in both the East Midlands Hub Growth Zone, including the planned 'garden village' development, and in the Northern Derbyshire Growth Zone, including a Chesterfield Station Link Road.

The delivery of the East Midlands Growth Strategy will require additional resource beyond the 'core' Government HS2 funding. Demonstrating the economic case for investment will be a key element in securing the resources needed to support the wider HS2 Growth Strategy. A number of feasibility studies are being carried out across the region in support of this. For example, the East Midlands Gateways

Connectivity Study, to demonstrate the investment for improving the connectivity needed to ensure that HS2 has the greatest impact. Also the continuing work with Transport for East Midlands and Midlands Connect to make the case for heavy rail services and a classic compatible link at the Hub Station, as well as early funding for comprehensive A52/M1 junction 25 improvement. Partners will also be having an ongoing dialogue with government to identify the potential for wider elements of the EMHGS to be funded centrally but other sources of funding are being actively sought too. Ongoing engagement with the Department for Transport/HS2 Ltd will also be required to make the case for a second HS2 train per hour calling at Chesterfield, identifying how and when the electrification of the Midland Main Line needed between Clay Cross and Sheffield will be delivered, and making the case for Staveley becoming a construction base for HS2.

Minimising the impact on the environment is an important government priority. In support of this the East Midlands HS2 Strategic Board has established a 'Mitigation Board' to work with DfT and HS2 Ltd to help develop detailed designs for key structures that will minimise and mitigate the environmental impacts of the line, and look to ensure that existing businesses can continue to thrive.

Conclusion

The arrival of HS2 offers the potential to provide an enormous economic boost to Derbyshire and the wider East Midlands, benefiting businesses, communities and residents alike for many years. Derbyshire County Council and the other partners on the East Midlands Councils Strategic Board are determined to ensure that the potential benefits of HS2 are maximised. The East Midlands HS2 Growth Strategy outlines some of the key priorities for Derbyshire and the wider East Midlands and potential economic impacts. Analysis is being carried out to demonstrate the benefits of the wider regeneration activity that could be gained alongside the core HS2 development. This evidence will be crucial in the months ahead in informing the content of the Government's Phase 2b Bill and securing alternative sources of funding that are likely to be needed to complement central funding. There is also a HS2 coordination group within DCC. This draws on people from a variety of areas including traffic and transport, economic development, landscape and heritage, flood management and rights of way. At the moment this group is focused on responding to the Draft Environmental Statement which HS2 has recently published.

End Notes

¹Data for Derbyshire in the review does not include Derby City unless otherwise stated.

²Gross Domestic Product (GDP) Preliminary Estimate, Quarter 2 2018, Office for National Statistics (ONS) © Crown Copyright.

³Statistical Bulletin, UK Trade, June 2018, ONS © Crown Copyright.

⁴Statistical Bulletin, Consumer Price Inflation (CPI), June 2018, ONS © Crown Copyright.

⁵Monetary Policy Committee Decision, May 2018, Bank of England.

⁶Agents' Summary of Business Conditions, August 2018, Bank of England.

⁷Quarterly Economic Survey, Q2 2018., East Midlands Chamber of Commerce.

⁸Derbyshire Economic Partnership, 2017-2018.

⁹The employment rate is the percentage of the working age population (age 16-64) who are employed.

¹⁰The economic activity rate is the percentage of the working age population (age 16-64) who are employed or International Labour Organisation (ILO) unemployed.

¹¹ILO unemployment is regarded as the official measure of unemployment. It has a much wider definition than the claimant count of unemployment and includes people who are out of work and claiming Jobseekers Allowance or Universal Credit (UC) as well as those who are actively looking for work but not necessarily claiming unemployment related benefits. The ILO defines the unemployed as people who are without work, are available to start work within the next two weeks, and have actively sought work within the previous four weeks. This is used in the Annual Population Survey and is not compatible with claimant count unemployment.

¹²Claimant count unemployment is derived from administrative data generated by the system of benefits paid to people who are out of work. It is a different definition and measure of unemployment than the ILO unemployment noted above. Additionally, claimant count unemployment published by the ONS now includes Universal Credit claimants as well as Jobseekers Allowance claimants. This is now the headline measure of unemployment. Data for the youth unemployment rate is based on the Claimant Count and that for long-term unemployment is still based on Jobseekers Allowance claimants.

¹³Youth unemployment relates to people aged 16-24. The rates at ward level are unofficial and have been calculated using population figures from the 2017 Mid-Year Population Estimates.

¹⁴Housing benefit spare room subsidy is shown as a % of those households claiming housing benefit.

¹⁵HS2 Supply Chain Event organised by East Midlands Chamber, presentation by HS2 Ltd Supply Chain Manager, May 2018.

¹⁶HS2 East Economic Benefits, Systra, October 2017.

¹⁷HS2 Supply Chain Event organised by East Midlands Chamber, presentation by HS2 Ltd Supply Chain Manager, May 2018.



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