

Employment Land Review

Report of Regeneration and Economic Development

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Purpose of the Report

1. This report highlights the key findings and recommendations of the recently completed County Durham Employment Land Review (ELR).

Background

2. The ELR has been produced in partnership with planning consultants Nathaniel Litchfield & Partners (NLP), and provides key background evidence for the economic development elements of the County Durham Plan. The emerging ELR was used in the preparation of the 'Policy Directions' consultation paper.
3. The brief for the document was to consider all factors which contribute to a successful economic land portfolio and consider recent changes such as the loss of regional funding and public sector resources which have previously been used to direct industry; to consider what industry requires in respect of attracting national and regional, stimulating and retaining local markets.
4. There are a number of overriding conclusions from the study. These are highlighted below.

Findings

5. The unique economic geography and recent political history of the County means that Durham cannot simply be viewed as one homogeneous commercial market or economy. Analysis previously compiled by DCC indicates that the County can generally be subdivided into six distinct commercial property markets as outlined above. This has been validated through consultation undertaken with landowners, developers and commercial agents as part of the ELR process:
 - A1 Corridor and Durham City – attracting national and regional investment due to proximity to transport corridors.
 - A19 Corridor – Attracting regional investment again due to good transport links
 - Bishop Auckland and Consett areas servicing local indigenous employment.

- The rest of the County stimulating local and specialist employment which do not rely on transport infrastructure.
6. The County's economy has performed moderately in recent years – although this does not reflect the significant local variations observed. Macroeconomic factors such as the continued fragility of the global economic recovery and the impact of the Government's austerity measures are likely to present key challenges.
 7. The number of employee jobs in County Durham increased by 6.3% over the period 1998-2008 – a decade characterised by strong economic growth at the national level. Comparison with national (9.5%) and regional (9.0%) growth rates over the period suggests some degree of underperformance in Durham. Growth rates have not been uniform across the County, with Durham City (16.5%) experiencing particularly rapid increases in employee jobs. This was, however, offset by a small contraction in the rural West and a large reduction in jobs in the south of Durham.
 8. At the County level, the increase in jobs over the period 1998-2008 has been driven primarily by strong growth in: public administration & health; banking, finance & insurance; and distribution, hotels & restaurants. Manufacturing employment fell by almost 16,000 jobs during the decade. Despite this, the sector remains an important employer, with strong growth forecast in a number of key sub-sectors.
 9. Whilst the performance of the County was moderate in terms of net employment generation, it should be noted that Durham's business base grew strongly over the same time period. Indeed, the number of VAT registered businesses increased by 23%, exceeding the national (18%) and regional (20%) average.
 10. The legacy of the recession and public sector cuts will undoubtedly place significant strains on the local economy over the short to medium term, with Durham City in particular likely to be vulnerable. The public sector accounts for one third of all jobs in the County, rising to more than 40% in Durham City.

Opportunities

11. An ambitious strategy for the County has been set, predicated on delivering high levels of growth and economic prosperity. Whilst delivering this step change is clearly aspirational, it is underpinned by an understanding of the area's opportunities and a commitment to capitalise upon them.
12. Analysis set out within the ELR identifies the potential for strong growth in the businesses services sector. The aspiration to increase the provision of modern, grade A office premises in close proximity to Durham City is critical in supporting this opportunity to enable the city to attract more high quality occupiers. This will enable the County to complement the City Regions and add to and offer a different opportunity to the portfolio of sites available in the North East when seeking to attract investment.

13. Additionally, work undertaken to inform the County Durham Economic Assessment (CDEA) has identified particular growth opportunities for the local economy related to printable electronics and low carbon vehicles. The former will build upon existing assets such as NetPark. The low carbon opportunity will be realised by supporting existing businesses operating in the field, as well as efforts to capitalise upon the major investment of Hitachi at Amazon Park by maximising the supply chain benefits of the development.
14. County Durham is perceived as a popular business location but must ensure an appropriate supply of sites and premises if it is to continue to attract and retain businesses.
15. An analysis of inward investment data suggests that the County attracted more than 200 inward investment opportunities projected over the 10 year period to 2006/07, creating approximately 4,300 jobs. Business consultation undertaken as part of the ELR indicates that the investment decisions of firms moving to or setting up in County Durham were previously influenced primarily by the availability and cost of premises, as well as accessibility to the strategic road network in particular the A1(M) and A19.
16. A significant number of businesses expect to grow over the next 10 years, with almost one quarter anticipating that this growth will result in the need for new premises. Looking ahead, the factors of most importance in influencing investment decisions are expected to be more heavily weighted towards issues of quality. They include: quality of the industrial estate; quality of premises; and connectivity (broadband access and proximity to the strategic road network).

Quantum of Employment Land

17. In basic quantitative terms, the County appears to have a substantial amount of employment land, comprising some 902ha of available land on existing and allocated sites. There are, however, clear imbalances in the distribution of this portfolio, having regard to the relative strength of demand in the County's various market areas.
18. The A1 Corridor has 34 sites, comprising some 423ha of available employment land. The area benefits from a reasonable spread of higher quality sites throughout the A1 Corridor, including well established locations such as Drum, Newton Aycliffe and Bowburn. Strategically important sites such as NetPark, Tursdale and Heighington Lane Prestige are all situated within the market area.
19. There are just 13 sites in the Durham City market area, accounting for 94ha of available employment land. Sites in the area generally scored relatively well in the appraisal exercise. This indicates that the stock is of reasonable quality although there is a clear shortage of city centre office sites. The area contains relatively few large sites available for employment development; with land at Aykley Heads and Meadowfield the only exceptions.

20. The A19 Corridor has 127ha of available employment land spread across 20 sites, which are largely focussed in the main towns of Seaham and Peterlee. The poorer quality sites within the area are typically located within the smaller settlements such as Shotton and Wingate and serve a more localised market.
21. There are 40 sites in the Consett market area, comprising some 110ha of available employment land. There are a number of locations in the area, including Villa Real and Greencroft, which provide good development plots on attractive, well occupied sites and these perform well in the local market context. They do not, however, score as well as similar sites elsewhere in the County – this is reflective of the more localised nature of market demand in the area and the distance from the strategic road network.
22. In the Bishop Auckland market area, 24 sites provide a total of 126ha of available employment land. Sites in the area generally scored relatively poorly. This is in part a function of the localised nature of market demand and distance from the strategic road network, although in a number of sites it also reflects the industrial legacy of the area which has resulted in sites that are no longer fit for purpose.
23. There are an additional 24 sites elsewhere in County Durham. In total, these account for a further 22ha of available employment land. There is a good distribution of sites, with land located in a number of smaller settlements throughout the rural areas of the County, as well as a significant level of provision in the main service centre of Barnard Castle. A number of the sites are relatively poor quality and are constrained by issues of deliverability and/or viability.

Economic Forecasting

24. Econometric modelling work undertaken by St Chad's College to inform this ELR has sought to understand the impact of a change in the employment rate with respect to absolute employment numbers. Specifically, the work modelled the impact of achieving a 72% and 78% employment rate at the County level by 2030. These figures were selected to understand the implications of under or over performance relative to a target of 75%. In effect, they have been used to sensitivity test the target. While the Council's performance target of 73% is acknowledged as being slightly below the target of 75% used in the forecasting for the ELR, it is felt that this level of ambition is reasonable in the long term and is suitable to plan for over a 20 year period.
25. The modelling work indicates that achieving an employment rate of 72% would see a net increase of 12,300 jobs over the period to 2030. This figure rises to 26,000 if an employment rate of 78% is considered. Taking account of this analysis, and adopting the mid-point or average between these two 'bookends' it can be assumed that achieving an employment rate of 75% would result in a net increase of 19,000 at the County level. This equates to 950 net new jobs per annum.
26. The Council's target of 19,000 net new jobs falls within a range of labour demand scenarios considered by St Chad's. Furthermore, DCC are seeking to deliver a Core Strategy that is predicated upon delivering high levels of economic growth and closing the gap on regional and national levels of

economic performance. This is an ambitious but reasonable basis upon which to plan in employment terms.

Allocating Sufficient Land for Development

27. It is recommended that the County plan to provide 350-400ha (gross) of employment land for development over the LDF period. This range has been identified by considering a number of labour demand scenarios and historic take-up rates, whilst also having regard to market realities and economic/planning policy objectives.
28. The recommended range represents an annual demand of 17.5-20ha (gross), which is higher than the level of demand forecast under the four labour demand forecasts produced by St Chad's, as well as the land requirement implied by achieving employment growth of 19,000 jobs, as discussed above. It is however, significantly lower than the demand forecast by projecting forward past take-up rates.
29. In employment land terms, there is a risk that planning for the level of provision derived from the labour demand forecasts would result in a significant shortfall of land in the event that take-up over the LDF period is close to historic levels. Such a scenario would constrain economic development across the County. Conversely, it is inappropriate to plan on the basis of past take-up rates, particularly given current lending restrictions and the muted economic recovery. Drawing upon the above it is considered that, in land terms, it is appropriate to plan for a requirement of 350-400ha. This would appear to strike an appropriate balance between aspiration and commercial/economic realities. The performance target of 75% employment rate used in defining the level of need is acknowledged as ambitious. It will be necessary to monitor development rates over the Plan period and release more employment land if performance is meeting the target.

Site Recommendations for the County Durham Plan

30. 155 existing and allocated employment sites have been assessed, totalling around 900ha of land available for all business and industrial uses including prestige industrial locations as well as the scrap yards and small scale compounds. This is significantly higher than the level of demand anticipated over the LDF period (350-400ha). It was therefore necessary to consider reducing the portfolio of land in order to address this significant quantitative oversupply. An oversupply of employment sites could potentially undermine the Council's strategy and the soundness of the Plan.
31. A detailed assessment of the committed employment sites in the County indicates that 346ha of land, relating to 51 sites, could be de-allocated. A delivery focused approach has been adopted to identify sites for de-allocation or release, having regard to a variety of factors including: the strength of demand in an area relative to supply; consultation with developers and agents regarding the attractiveness of key sites; and site-specific delivery constraints. The attached map (appendix 2) identifies the geographic market areas, with the relative potential demand and how this could be achieved through retention, allocation and de-allocation of sites. The schedule at appendix 3 identifies the individual sites which are to be retained and those to be de-

allocated. The sites identified to be de-allocated are predominantly those which have been allocated in previous local plans but which have not stimulated any interest or investment or sites which are a legacy of industrial decline with poor quality buildings and seen as problematic in respect of accessibility. Sites to be de-allocated can therefore be addressed in a more flexible manner, whilst allowing existing employment to continue and indeed grow, it would also enable alternative uses to be explored.

32. Aykley Heads provides the Council with a unique opportunity to develop, on the edge of the City Centre, a new central business district for the city centre within a parkland setting. The site has the potential to attract new employers to the City of a national and international pedigree. The site has been identified as providing a potential mixed use development which may also incorporate an element of residential development.

33. Three other sites have the potential to deliver a specialist role within the County's economy and have been removed from the general portfolio of employment land. They offer the potential to attract end users that have distinctive requirements in terms of the scale, location or particular characteristics of a site. The sites are listed below and should be protected from coming forward for employment uses that could be accommodated on general employment sites elsewhere:

- Part of Heighington Lane / Aycliffe Prestige: strategic investment opportunities related to the Hitachi train assembly plant.
- NETPark: knowledge based r&d activity.
- Tursdale: development of a rail freight facility.

34. Taking the above sites into consideration would leave 298ha of available employment land. Given the predicted future requirement of 350-400ha, an additional 52-102ha would be required and opportunities have been identified for the following locations:

- 18ha of new allocations in the A1 Corridor, comprising a small extension to the Belmont estate near Durham and a major new land allocation adjacent to Drum.
- New allocations totalling 5ha in the Durham City market area, to include 2 small city centre development sites (Elvet Waterside and the Former Ice Rink) and additional land at Aykley Heads (4.2ha). There are also the potential of new allocations at Meadowfield or the Arnison Centre.
- Additional allocations totalling 25-35ha in the A19 Corridor. Whilst no specific sites have been identified as yet, 3 possible options are being considered.
- A small extension to the Hobson Industrial Estate in the Consett Market Area, measuring 1.66ha.
- 7ha of new allocations elsewhere in the County comprising of land at Shawbank and Eastgate.

Conclusions

35. The Employment Land Review supports the work of the County Durham Economic Partnership in planning for future employment generation of around 19,000 new jobs. Whilst current market conditions are poor, the County Durham Plan will need to make adequate provision for future employment over the next twenty years. The Employment Land Review recognises that a number of sites are no longer required and the plan could adopt a more flexible approach to the future use of these sites. In addition it also proposes new allocations of 72-82ha, creating a portfolio of up to 380ha. The basis of this work is that we have the land needed to accommodate any investment opportunity that may occur in the County having the right sites, in the right place.

Recommendation

36. Cabinet is recommended to approve the Employment Land Review and agree that it be used as evidence to support the development of the County Durham Plan.

Background papers;

A copy of the Employment Land Review has been deposited in the Members Room Library and the report is also available electronically.

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Appendix 1: Implications

Finance – None

Staffing – None

Risk – The document forms an essential part of the evidence base for the County Durham Plan. Without an up to date Employment Land Review there is a risk that the County Durham Plan would be found un-sound.

Equality and Diversity / Public Sector Equality Duty – None

Accommodation – None

Crime and Disorder – None

Human Rights – None

Consultation – The document will form part of the evidence base for the County Durham Plan. The Plan is subject to consultation through the plan making process.

Procurement – None.

Disability Discrimination Act – None.

Legal Implications – None.