



Nathaniel Lichfield
and Partners

Planning Design Economics

storeys:ssp

Chester-le-Street District Council

Derwentside District Council

Sedgefield Borough Council

EMPLOYMENT LAND REVIEW



23rd June 2008

Nathaniel Lichfield & Partners Ltd

Generator Studios
Trafalgar Street
Newcastle upon Tyne
NE1 2LA

T 01912615685
F 01912619180
newcastle@nlppanning.com
www.nlppanning.com

Offices also in:
London
Cardiff
Manchester

CONTENTS

- 1.0 INTRODUCTION 1**
- 2.0 PLANNING POLICY, REGENERATION AND EMPLOYMENT LAND CONTEXT 5**
 - Introduction 5
 - National Guidance 5
 - Regional Guidance 6
 - Local Planning Policy10
 - Aim / Vision13
 - Business14
 - Place.....15
 - Assessments of Availability and Take-up within County Durham17
 - Conclusion23
- 3.0 ECONOMIC CONTEXT25**
 - Introduction25
 - Population25
 - Population Movements.....26
 - Economic Structure.....28
 - Unemployment/ Skills.....30
 - Business Base33
 - Productivity34
 - Conclusions36
- 4.0 METHODOLOGY39**
 - Introduction39
 - Quantitative Methods39
 - Qualitative Methods42
- 5.0 THE MARKET FOR EMPLOYMENT PREMISES.....44**
 - Introduction44
 - The Market for Industrial Premises.....44
 - The Market for Office Premises.....50
- 6.0 ASSESSMENT OF SUPPLY AND DEMAND FOR SITES.....56**
 - Introduction56
 - Availability and Take Up.....57
 - Site Assessments, by Local Authority58
- 7.0 STAKEHOLDER CONSULTATION.....68**
 - Introduction68
 - Stakeholder Consultation68
 - Business Survey71
 - Stakeholder Workshop.....82
- 8.0 DRIVERS OF FUTURE GROWTH.....87**
 - Introduction87
 - Indicators of demand.....87
 - Potential Drivers of Future Demand89
- 9.0 CHALLENGES AND RISKS.....96**
 - Introduction96
 - Small Businesses.....96
 - Sites and Premises96

| | |
|--|------------|
| Labour Market..... | 98 |
| Public Transport..... | 99 |
| Image..... | 99 |
| Future Uncertainty | 100 |
| 10.0 ANALYSIS OF FUTURE NEED FOR EMPLOYMENT SPACE | 101 |
| Introduction | 101 |
| Growth Scenarios | 101 |
| Employment Space/ Land Projections..... | 104 |
| 11.0 MATCHING SUPPLY AND DEMAND - IMPLICATIONS FOR THE STUDY AREA | 113 |
| Introduction | 113 |
| Understanding the Portfolio of Supply | 113 |
| Balancing the Needs of Future Employers | 115 |
| Demand versus Supply - Identification of Gaps in the Portfolio | 119 |
| Summary | 131 |
| 12.0 KEY POLICY CHOICES | 133 |
| Introduction | 133 |
| Distributing the Future Supply of Employment Land..... | 133 |
| Site Deliverability | 135 |
| An Action Plan for a Sustainable Future..... | 136 |

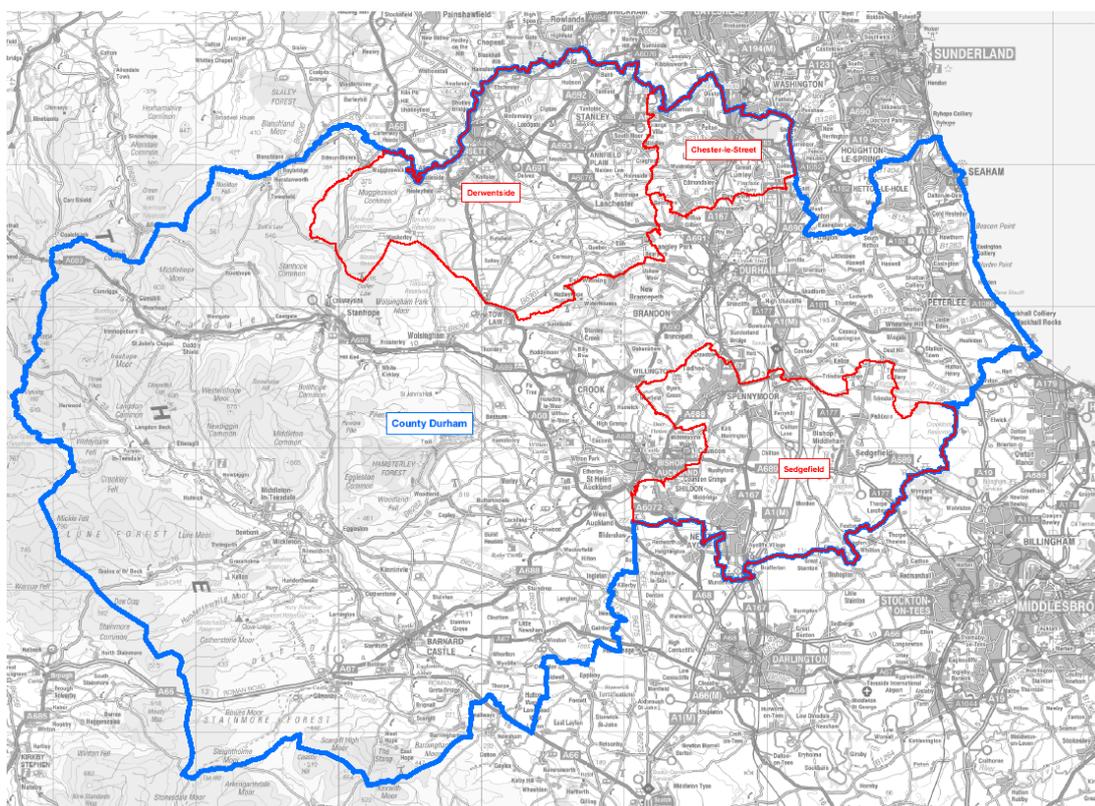
1.0 INTRODUCTION

1.1 This report sets out the findings of the Employment Land Review commissioned by the Local Authorities of Chester-le-Street District, Derwentside District and Sedgelyfield Borough and undertaken by Nathaniel Lichfield and Partners (NLP) and Storey's:SSP (SSP). The Study Area is shown in Figure 1.

1.2 The main aims of the study are to:

- Consider the future employment land and premises requirements of the Study Area;
- Review the Study area's current supply of employment land in both quantitative and qualitative terms; and to
- Identify any surpluses or deficiencies in the provision of employment land.

Figure 1: The Study Area



Chester-le-Street District

1.3 The District is located in close proximity to the Tyne and Wear conurbation and is bounded by Gateshead and Sunderland to the north. The A1(M) and A167, the main

strategic roads in County Durham, both run through the District from north to south and Chester-le-Street has a train station served by the East Coast Mainline (ECML), providing excellent links with Tyne and Wear and the Tees Valley.

- 1.4 Historically, the economy was dominated by coal mining and the District comprises of a number of former pit villages. Chester-le-Street is the principal town and provides the main retail and leisure offer within the District.

Derwentside District

- 1.5 The District of Derwentside is located in the north of County Durham and covers approximately 105 square miles. Derwentside is bounded to the north by the greenbelt protecting the Tyne and Wear conurbation, although the District does not benefit from the accessibility afforded Chester-le-Street by the A1(M) and ECML. The District's population is concentrated primarily within the two main centres of Consett and Stanley.
- 1.6 Derwentside's economy was historically dominated by coal mining and steel production, with Consett Steelworks once the largest of its kind in Europe. However, both the steelworks and the District's last deep mine closed in the early 1980's. Despite this restructuring, manufacturing remains an important element of the economy and still accounts for a substantial proportion of overall employment.

Sedgefield Borough

- 1.7 The Borough of Sedgefield is located in the south east of County Durham and comprises a mixture of historic villages, small towns and industrial centres. The majority of its population is concentrated in the four main towns of Newton Aycliffe, Shildon, Spennymoor and Ferryhill.
- 1.8 The A1(M) and A167 run through the Borough from north to south, providing good access to the conurbations of Tyne and Wear and Tees Valley. Employment in Sedgefield has historically been focussed upon heavy industry including coal mining and the railways, and manufacturing is still the largest sector in terms of overall employee numbers.

The Study's Overall Approach

- 1.9 This report has been undertaken in accordance with the methodology outlined within the Communities and Local Government's (CLG) 'Guidance Note on Employment

Land Reviews' (December 2004). As stipulated by the government guidance, the employment land assessed by this ELR focuses primarily on the B-Use Classes i.e. B1 (office), B2 (industry) and B8 (warehousing/distribution); needs for other employment generating uses such as retail, health and tourism are excluded from the detailed analysis.

1.10 The CLG Guidance Note separates the ELR process into three key stages, which have been adhered to in producing this report:

- **Stage 1: Taking stock of the existing situation** - undertake a site audit to assess the 'fitness of purpose' of the existing stock of employment land;
- **Stage 2: Creating a quantified picture of future land requirements** - consider local commercial property market trends and develop a range of economic growth scenarios to forecast the scale and nature of future demand against the available supply of employment land; and
- **Stage 3: Identifying a portfolio of sites** - using the preceding stages as a basis, determine which sites should be retained or redeveloped for employment uses or released for alternative uses and identify the need for any new allocations to ensure a balanced portfolio that meets future needs.

1.11 As required by the project brief, there are a number of key outcomes to be delivered for each of the three stages:

Stage 1:

- An assessment of the key employment land issues in each Local Authority;
- An initial assessment of existing or allocated employment sites to determine whether they should be retained or released;
- A portfolio of sites to assess in greater detail.

Stage 2:

- Quantitative and qualitative employment land requirements for the principal market segments;
- An assessment of the likely 'gaps' in the supply of employment land.

Stage 3:

- Identification of any surpluses or deficits in the provision of employment land;
- The production of an action plan to address the document's conclusions and recommendations.

1.12 The study takes on board the views emerging from consultation with various organisations including economic development and enterprise agencies, business groups and commercial property agents, as well as a survey of businesses in the area.

1.13 The report is presented under the following headings:

- Section 2: Planning Policy, Regeneration and Employment Land Context;
- Section 3: Economic Context;
- Section 4: Methodology;
- Section 5: The Market for Employment Premises;
- Section 6: Assessment of Supply and Demand for Sites;
- Section 7: Stakeholder Consultation;
- Section 8: Drivers of Future Growth;
- Section 9: Challenges and Risks;
- Section 10: Analysis of Future Need for Employment Space;
- Section 11: Matching Supply and Demand - Implications for the Study Area; and
- Section 12: Key Policy Choices

2.0 PLANNING POLICY, REGENERATION AND EMPLOYMENT LAND CONTEXT

Introduction

2.1 This section of the report provides a summary of the relevant economic and planning policy documents at the regional, sub-regional and local level. The section is set out under the following headings:

- Planning Policy Context;
- Regeneration Strategies and Initiatives; and
- Employment Land Contextual Research.

PLANNING POLICY CONTEXT

National Guidance

PPS1 : Delivering Sustainable Development (2005)

2.2 PPS1 actively promotes sites which would encourage high quality development well served by a choice of means of transport. In the pursuit of sustainable economic development PPS1 states that it is important to:

- Recognise the wide sub-regional, regional and national benefits of economic development and consider these alongside any adverse local impacts;
- Ensure that suitable locations are available that are supported by infrastructure and services so that the economy can prosper;
- Identify opportunities for future investment to deliver economic objectives; and
- Recognise that all local economies are subject to change and be sensitive to these changes and the implications for development and growth.

PPS3: Housing (2006)

2.3 PPS3 encourages Local Planning Authorities (LPA) to consider whether sites that are currently allocated for industrial or commercial use could be more appropriately re-allocated for housing development. In assessing the housing potential of employment sites LPAs should be mindful of existing employment land review advice.

PPS4 (draft): Planning for Sustainable Development (2007)

2.4 Draft PPS4's main aims are to:

- Improve the productivity of the UK;
- Create more job opportunities;
- Ensure that the planning system provides adequately for economic growth; and
- Promote the efficient and effective use of land.

2.5 The draft guidance recommends a presumption in favour of economic development, stating that proposals should be considered favourably, unless there is reason to believe that the costs of development outweigh the benefits.

2.6 The draft PPS4 states that a wide and robust evidence base is required in order to plan effectively for economic development. It is recommended that this evidence base should include an assessment of an authority's supply of land through an ELR.

2.7 However, it is important to note that the draft PPS4 sets out a broad range of uses that are to be considered as economic development, including housing, retail and leisure.

Regional Guidance

The Interim North East of England Regional Spatial Strategy (2004)

2.8 It was formerly the case that planning policy encouraged local authorities to allocate substantial amounts of land for economic development purposes as a means of meeting government requirements to provide a range and choice of employment sites. However, RPG1 (November 2002)¹ signalled the shift away from over-provision. It identified that:

- "a different approach in the future to the allocation of employment land, including a review of existing allocations" is required.²;
- "there is a general over-provision of employment land"³;

¹ RPG1 has subsequently been retitled as the Interim RSS. The text is unchanged.

² Paragraph 4.14, Interim RSS

³ Paragraph 4.15, *ibid.*

- “the over-provision of employment land means that the limited resources for site assembly, clearance, decontamination and basic infrastructure provision are spread too thinly”⁴.

2.9 Policy EL2 stated:

“In preparing Development Plans, local authorities should undertake a rigorous assessment of the amount of employment land needed to:

- *make provision for good quality land for employment uses which is sufficient to provide flexibility and choice to potential investors, and recognising changing business requirements;*
- *ensure that ... a range and variety of sites in terms of size quality and distribution are offered;*
- *ensure that where new greenfield sites are required their provision does not lead to the economic disadvantage of brownfield sites, and*
- *include policies to facilitate a phased approach to the release of land ...*

Development Plans should critically re-examine all current employment land allocations against the criteria set out in Policies DP1 and DP2” (sequential approach and sustainability criteria).

Draft Regional Spatial Strategy and Secretary of State’s Proposed Changes (May 2007)

2.10 The Draft RSS was discussed and debated at an Examination in Public (EiP) in March 2006, and a Panel Report was published in June 2006. The Secretary of State’s Proposed Changes were published in May 2007.

2.11 In terms of economic regeneration, the key challenges facing the region are identified as follows:

- Managing structural economic change - the transition of the economy to a more broadly based economy centred on information-based ‘knowledge’ industries and the service sector.

⁴ Paragraph 4.16, *ibid*.

- Maximising productivity - employment growth in the region is increasingly concentrated in the sectors with the highest productivity levels, particularly in knowledge intensive business services. To maximise sustained economic growth and competitiveness, the expansion of these best performing sectors is essential.
 - Linking with universities and colleges - harness the research, technology and learning capacity of the region's further and higher education institutions and improve links with businesses.
- 2.12 The sequential approach to the identification of sites for development is set out in Policy 3 in recognition of the need to utilise previously developed land in sustainable locations where possible. Policy 13 recommends that strategies, plans and programmes should support brownfield mixed-use developments in sustainable locations throughout the Region.
- 2.13 Sustainable development is a key principle of the RSS and Policy 12 states that the core areas of the city regions and key employment locations will be the main foci for economic development and investment.
- 2.14 Chester-le-Street and Derwentside are located within the Tyne and Wear City Region. As set out in Policy 6, development within these areas should be focussed on supporting the regeneration and development of Chester-le-Street, Consett and Stanley for sustainable growth without jeopardising the regeneration initiatives within the Tyne and Wear conurbation.
- 2.15 Sedgefield is located within the Tees Valley City Region; Policy 7 states that development in the area should focus on supporting:
- The regeneration and development of Newton Aycliffe, Spennymoor, Shildon and Bishop Auckland for sustainable growth without adversely impacting upon the regeneration initiatives within the Tees Valley conurbation;
 - The appropriate development of NETPark as a key employment location and the expansion of research and development capabilities at the site; and
 - The development of Newton Aycliffe as an employment location, to capitalise on its location close to the A1, A66 and East Coast Main Line.
- 2.16 The RSS also acknowledges the importance of further and higher education, with Policy 14 recommending that strategies, plans, programmes and planning proposals

should support an increasing role in the regional economy for universities and colleges. This is to be achieved by:

- Recognising their pivotal role in the transition to higher productivity and a more knowledge-based economy;
- Encouraging greater links with local businesses, particularly in terms of workforce development and research and development; and
- Assist existing and new companies to capitalise upon partnering opportunities and/or clustering activity at a range of sites including NETPark.

2.17 Policy 19 states that appropriate investment should be focused towards key employment locations including NETPark and Heighington Lane West in Sedgefield. This approach will facilitate the accelerated economic growth of the region.

2.18 The emerging RSS provides a framework for quantifying the appropriate provision of employment land. *'The Secretary of State's Further Proposed Changes to the Draft Revision Submitted by the North East Assembly'* was issued for consultation in February 2008.

2.19 Policy 18 requires LDF, to make *'appropriate provision'* of employment land in each local authority area subject to stated maxima which are set out in the table below.

Table 1: RSS Maximum Employment Land Allocations for County Durham

| Local Authority | General Employment Land Allocations (hectares) | Key Employment Locations (hectares) | Total (hectares) |
|--------------------------|--|-------------------------------------|------------------|
| Chester-le-Street | 30 | 0 | 30 |
| Derwentside | 105 | 0 | 105 |
| Durham City | 150 | 0 | 150 |
| Easington | 110 | 0 | 110 |
| Sedgefield | 55 | 95 ¹ | 150 |
| Teesdale | 20 | 0 | 20 |
| Wear Valley | 105 | 0 | 105 |
| Durham | 575 | 95 | 670 |

¹ This relates to 25ha at Net Park and 70 ha at Heighington Lane West, Newton Aycliffe

2.20 It is understood that these maxima are not based on a robust assessment of what individual districts need; they are simply the aggregated total of the existing stock of available sites at or before the time of the Submission Draft RSS in June 2005. Their function is to ensure that oversupply of employment land is not exacerbated, prior to local authorities carrying out ELRs for their areas.

2.21 Policy 18 continues:

“In determining the land portfolio in accordance with the provision set out above, planning authorities should undertake sub-regional and local employment land assessments based on a 25 year level of supply and take-up, taking into account:

- *the need to protect employment land and premises from redevelopment to alternative uses, where they are an essential part of the long-term employment land and premises portfolio;*
- *the potential of existing employment allocations no longer required for employment purposes for reallocation to alternative uses or de-allocation;*
- *a presumption in favour of regenerating and upgrading existing employment land and premises in advance of allocating new sites on greenfield land;*
- *the need to ensure that employment land is of an appropriate scale and nature, particularly at employment sites outside the conurbations; and*
- *the need for the Tyne & Wear authorities to seek to maximise opportunities to meet any shortfall of employment land supply through the intensification of sites around transport hubs and on previously developed land.”*

2.22 Thus LPAs are to provide a 25 year level of supply, which can be less or more than the stated maxima set out in Table 1.

Local Planning Policy

2.23 At the local level, the relevant planning documents are:

- Chester-le-Street District Local Plan (2003);
- Derwentside District Local Plan (1997); and
- Sedgefield Borough Local Plan (1996).

Chester-le-Street District Local Plan

- 2.24 Adopted in October 2003, the Chester-le-Street Local Plan allocates 35ha of new industrial land at the following locations:
- Drum Industrial Estate (31.5ha);
 - Daisy Hill, Sacriston (0.9ha);
 - Stella Gill Industrial Estate (1.7ha); and
 - Lumley Brickworks (0.8ha).
- 2.25 Land to the east of Stella Gill Industrial Estate (13ha) is safeguarded under Policy IN2 to provide scope for future B1, B2 and B8 development beyond 2006.
- 2.26 Three classes of industrial estate (prestige, general and local) have been identified by the Local Plan to allow development to be channelled to appropriate locations.
- 2.27 Policy IN3 identifies Drum Industrial Estate as the District's only Prestige location. Development will only be permitted at the site if units are of good specification and appearance (particularly on primary site frontages), external storage is to the rear of units and well screened and landscaping is of a high quality.

Derwentside District Local Plan (January 1997)

- 2.28 The Local Plan for Derwentside was adopted in January 1997. The Plan states that a minimum of 100ha of land for new industrial development is required in the District over the period to 2006.
- 2.29 It is estimated by the Plan that approximately 25ha of this requirement will be met by the infilling of sites located on existing industrial estates. To supplement this, Policy IN1 allocates land for new business/ industrial development at:
- Berry Edge Business Park (40ha);
 - Crookhall General Industrial Estate (3ha);
 - Delves Lane North General Industrial Estate (8ha);
 - Harelaw General Industrial Estate (2ha);

- Hownsgill Prestige Industrial Park (20ha); and
- Leadgate General Industrial Estate (1ha).

2.30 The Plan identifies three classifications of estate (Business Park, Prestige Industrial and General Industrial) to enable development to be directed to the most appropriate location, as discussed below.

2.31 Policy IN2 identifies Berry Edge (Consett) and Villa Real (Consett) as Business Parks, where development will only be approved if it includes B1 uses on the majority of the site. Planning permission will only be granted on these sites for high spec, attractive units with no external storage that provide very high quality landscaping.

2.32 Greencroft (Annfield Plain), Hownsgill (Consett) and Number One (Consett) are identified by Policy IN3 as Prestige Industrial Parks. The Plan states that B1, B2 and B8 units will be permitted on these sites, provided that units are of good specification and appearance, external storage is to the rear of buildings and well screened and high quality landscaping is incorporated.

Sedgefield Borough Local Plan (October 1996)

2.33 The Local Plan for Sedgefield was adopted in October 1996. Policy IB3 allocates the following new sites for employment use:

- Aycliffe Industrial Park (part) Newton Aycliffe (56ha);
- Chilton Prestige Estate, Chilton (21ha);
- Lambton Industrial Estate, Shildon (13ha);
- Winterton Hospital Estate, Sedgefield (part) (minimum 12.2ha); and
- All Saints', Shildon (2ha).

REGENERATION STRATEGIES AND INITIATIVES

2.34 The purpose of this section is to provide an analysis of economic policy documents relating to the future need for, and supply of, employment land within the Study Area. The following documents have been reviewed, with the key findings summarised below:

- Leading the Way: Regional Economic Strategy 2006 - 2016;

- Tyne & Wear City Region Development Programme;
- Tees Valley City Region Development Programme;
- Building our Future: draft County Durham Economic Strategy 2008-2013;
- Chester-le-Street District Regeneration Strategy; and
- Enterprising People: Sedgefield Economic Development Strategy 2007-2011.

2.35 The Regional Economic Strategy (RES) represents the overarching strategy that underpins the economic vision for the North East and has been used to inform the development of the other documents cited above. In recognition of this, the following section is structured under the three key themes of the RES namely Business, People and Place. The vision set out within the RES is also discussed.

Aim / Vision

2.36 The RES provides a framework to guide work towards achieving sustainable and inclusive economic growth over the strategy period. This core aim is reflected in the other strategies reviewed. The RES states that Gross Value Added (GVA) per capita in the North East is currently 80% of the national average and a central aim of the RES is to increase this to 90% by 2016.

2.37 The initiatives outlined by the strategies to help drive future economic growth at the various spatial levels are set out under three priority themes:

- Business;
- People; and
- Place.

2.38 Additionally, the draft County Durham Economic Strategy (2008-2013) sets out the future vision for the County and identifies the following key economic targets:

- To create 9,000 additional employee jobs between 2005 and 2012/13;
- To achieve GVA growth of 4% per annum;
- To increase gross weekly earnings from 85% of the national average to 95%.

Business

2.39 The RES identifies 'Three Pillars' that will provide a platform for the future economic growth of the North East. These pillars are shown below and represent high value and growing sectors, within which the region has a particularly strong chance of achieving world leading competitive advantage:

- Energy and the Environment;
- Healthcare and Health Sciences; and
- Process Industries.

2.40 NETPark is identified as a key regional facility that will support the Process Industries pillar, by focussing on activity in the field of Novel Electronics. NETPark is also identified by the Tees Valley City Region Development Programme as one of seven economic drivers within the City Region, further highlighting the development's importance. The document highlights that it is a science/ technology park of regional significance that has a crucial role to play in the development of higher value added, knowledge based businesses. NETPark also allows Sedgefield to benefit from the world class research and development strengths of the University of Durham.

2.41 The need to attract more high value businesses and assist existing companies to move higher up the value chain is identified by the RES. The County Durham Economic Strategy and the County Durham Development Company's Annual Report indicate that this is likely to be driven by:

- Development of the knowledge economy;
- Attracting high quality office jobs;
- Developing the logistics sector (in those parts of the County with locational advantages);
- Added value manufacturing and engineering; and
- Developing the design and research and development functions of existing key businesses.

- 2.42 Any changes in the industrial structure of the Study Area are likely to impact upon the future need for employment land. This is because different types of industries have differing locational and size requirements.
- 2.43 The strategies reviewed also highlight the need to promote and encourage business start-ups throughout the North East in order to increase the business stock. This policy focus will clearly have implications with regards the future need for employment land across the region; it will be important to ensure that there are sufficient premises and employment land sites to accommodate the expanding business base.
- 2.44 Additionally, the focus upon encouraging business start-ups is likely to increase the need for managed workspace and incubator developments for embryonic businesses.

Place

- 2.45 The importance of quality of place in determining future economic growth is recognised by the strategies; the availability of fit for purpose sites and premises in appropriate locations is vital to achieving greater business productivity. It is also recommended that sites are provided in areas that are highly accessible by public transport.
- 2.46 The draft County Durham Economic Strategy (2008-2013) sets out the spatial priorities for development and investment over the period. This indicates that the following locations are likely to be key to the Study Area's economic development over the period:
- A1(M) Central Corridor: represents the main North-South transport route through the county and includes the East Coast Main Line. These locational advantages make the central corridor the most buoyant area of the County. Development opportunities should be focussed on NETPark and the further development of the Drum Industrial Estate;
 - Bishop Auckland - Darlington Corridor: has strong connections with the Tees Valley, presenting opportunities for complementary growth. Priorities for the area include the development of Aycliffe Industrial Park and Green Lane Industrial Estate. Aycliffe Industrial Park is also identified as one of the key economic drivers of the Tees Valley City Region;
 - North/ North West Durham: has strong links with the Tyne and Wear City Region. Investment priorities for the area include the development of a major new business

centre at Tanfield Lea and further expansion of the industrial estate, as well as encouraging further office development at Consett Business Centre.

2.47 In addition, the sites listed above (with the exception of Consett Business Centre) have all been included within a portfolio of strategic employment sites identified by the County Durham Economic Partnership. These sites will be the focus for public and private investment over the period to 2013.

2.48 Furthermore, the Sedgefield Economic Development Strategy (2007-11) identifies the following as key assets that underpin the Borough's competitive advantage:

The A1(M), providing good transport links;

Proximity to the sub-regional economic centre of Durham City;

- Green Lane Industrial Estate, which offers a high quality business environment and represents an ideal location for environmentally friendly 'flagship' projects;
- Aycliffe Business Park, the second largest business park in the North East and an asset of regional significance; and
- NETPark, a key strategic priority at the regional level. NETPark is now achieving a critical mass of development that will increase opportunities for broadening the economic impact of the scheme.

2.49 There are, however, a number of issues regarding the current supply of employment land and premises that need addressing to facilitate economic growth. The County Durham Economic Strategy highlights the following:

- A lack of high quality office accommodation, particularly in the A1/A19 Corridors;
- A limited supply of industrial units providing 500-2,000sq.m of floorspace; and
- A limited supply of managed workspace/ incubator units in some areas.

EMPLOYMENT LAND: CONTEXTUAL RESEARCH

2.50 The market for employment land within County Durham and the North East has been the subject of studies and consideration at planning inquiries during the last decade. It is now well established that the market for employment land functions across Local Authority boundaries, and given the mobility of employees, the need to assess the

economic development provision within the wider County as well as in individual districts is essential. Surpluses in employment land allocations in one district may, to some extent, be offset by shortfalls elsewhere in the sub-region.

- 2.51 A quantitative analysis of employment land at regional and county levels was prepared in 2003 by King Sturge. Relevant findings of *'The Employment Sites and Premises Study'* are summarised in Table 2.

Table 2: King Sturge's Analysis of Employment Land in the Region

| | Available Land (Hectares) | Take-up 2001-2002 (Hectares) | Implied Supply (Years) |
|----------------------|---------------------------|------------------------------|------------------------|
| North East | 3,948 | 130 | 30 |
| County Durham | 672.4 | 24.6 | 27 |

- 2.52 It is important to note that the average consumption rate for County Durham of 24.6 hectares per annum, from which the implied supply has been calculated, is based on only one year's take-up. Because of this paucity of reliable take-up data throughout much of the region, the findings of the King Sturge study were considered to be unreliable, and Halcrow was commissioned to carry out a second study. The findings of them *'North East Regional Employment Land Availability and Take-up Study'*, (January 2006), are summarised in Table 3.

- 2.53 Once again the reliability of the findings has been undermined by the continuing lack of long-term take-up data for some districts. This is acknowledged in the study which states that *"Due to incomplete information, the figures for County Durham and Tyne & Wear are based on pro rating (sic) an annual average based on only one or two years data"*.

Table 3: Halcrow's Analysis of Employment Land in the Region

| | Available (Hectares) | Take-up (Hectares per annum) | Implied Supply (Years) |
|----------------------|----------------------|------------------------------|------------------------|
| North East | 4,950 | 171 | 29 |
| County Durham | 824 | 46 | 18 |

Assessments of Availability and Take-up within County Durham

- 2.54 The *'County Durham Employment Sites and Premises Study'* was prepared by Donaldsons and published in August 2005. The purpose of this study was to

objectively determine strategic public investment priorities for sites and premises; to identify the immediate priorities up to 2008, within the context of the 10 year strategic review; and to inform regional and local planning policy. It reviewed those findings of the King Sturge study which related to the County, and using updated data provided by Durham County Council, prepared its own analysis of availability and take-up. It noted a significant increase in supply between 2003 and 2004 attributable to the addition of Tursdale, a 188 hectare green field site at Bowburn in the City of Durham District. By excluding this site and by comparing annual changes in availability between 2002 and 2004, it derived take-up figures for two consecutive years of 16.47 hectares and 16.84 hectares. The study noted the discrepancy with the King Sturge figure of 24.6 hectares per annum.

2.55 Donaldsons' analysis concluded that, as at 2004, there was a 36 year supply if Tursdale was excluded, and 47 year supply if it was included.

Table 4: Donaldsons' Analysis of Employment Land in County Durham

| County Durham | Available (Hectares) | Take-up (Hectares per annum) | Implied Supply (Years) |
|--------------------|----------------------|------------------------------|------------------------|
| Excluding Tursdale | 618.61 | 17 | 36 |
| Including Tursdale | 806.61 | 17 | 47 |

2.56 The Donaldsons study does not provide a breakdown by District and the accuracy of these estimates are undermined by the methodology used:

- Differences in availability from year to year do not necessarily equate to take-up; and
- Two year's figures may not be representative of longer term trends,

2.57 It should be noted that this quantitative analysis was not central to the purpose of the report. The Donaldsons study did not consider whether this amount of allocated employment land is appropriate from the perspective of planning policy. Consequently, whilst identifying oversupply, it was beyond the remit of the study to make recommendations on how to deal with it. The study briefly considered those sites in the County that were identified for de-allocation by the King Sturge study. Of the 11 sites considered, only two are within our Study Area (Morrison Busty North and

South in Derwentside), and neither of these were included in the shortlist of sites which were identified for de-allocation.

2.58 A major focus of the Donaldsons study was to identify key sites to be considered as strategic investment priorities. Twenty two sites are identified. Nine of these are within our Study Area. We have categorised these by District in Table 5.

Table 5: Key Sites Identified by the Donaldsons Study

| District | Employment Sites |
|--------------------------|------------------------------------|
| Chester-le-Street | Drum Industrial Estate |
| Derwentside | Berry Edge |
| | Greencroft Industrial Estate |
| | Hownsgill Industrial Estate |
| | Tanfield Lea Industrial Estate |
| Sedgefield | Aycliffe/Heighington Lane |
| | Chilton Prestige Industrial Estate |
| | Green Lane Industrial Estate |
| | NETPark |

2.59 The study also identified four second tier sites which are of importance to the marketplace and which are located in close proximity to certain key centres of population. Only one of these, No 1 Industrial Estate, Consett, is within our Study Area.

2.60 Donaldsons' 22 key sites and 4 second tier sites are taken as a starting point for the 'County Durham Employment Land Study' prepared by Durham County Council and published in February 2006. This reviewed the portfolio of employment sites throughout the County with a special focus on key sites linked to the County's key settlements. The Council's study incorporated a thorough review of employment land availability by District as at 31st March 2005. This is summarised in Table 6.

Table 6: County Durham Employment Land Study - Availability

| District | Net Estate Area (Hectares) | Developed / Under Offer (Hectares) | Available Short Term (Hectares) | Available for Long Term (Hectares) |
|--------------------------|----------------------------|------------------------------------|---------------------------------|------------------------------------|
| Chester-le-Street | 96.46 | 81.82 | 4.89 | 9.75 |
| Derwentside | 257.77 | 190.70 | 24.03 | 42.54 |
| Durham City | 355.96 | 190.16 | 27.24 | 138.56 |
| Easington | 360.87 | 250.01 | 59.03 | 51.83 |
| Sedgefield | 630.14 | 523.40 | 41.24 | 65.50 |
| Teesdale | 55.11 | 44.29 | 0.65 | 10.17 |
| Wear Valley | 205.86 | 116.54 | 40.34 | 48.98 |
| County Total | 1,865.71 | 1,315.10 | 192.53 | 357.58 |

Note: This table replicates the inconsistent totals found in the original report.

2.61 Table 7 compares the County Council's availability figures from March 2005 with land available in January 2008, as identified through site inspections by ssp.

Table 7: Comparison of Land Availability by District

| District | Net Available Area (CDELS March 2005) | Net Available Area storeys:ssp January 2008 |
|--------------------------|---------------------------------------|---|
| Chester-le-Street | 14.64 | 24.68 |
| Derwentside | 66.57 | 100.40 |
| Sedgefield | 106.74 | 176.56 |

2.62 It would appear that the County Durham Employment Land Study significantly underestimates land availability. There is insufficient information to allow a detailed analysis of the reasons for these significant discrepancies, but some factors are:

- the exclusion of sites that are under offer;
- the exclusion of those of less than 1 hectare; and
- the adoption of a blunt net to gross ratio of 75% in all circumstances.

2.63 In its review of the availability of employment sites within each District, the study concluded:

- **Chester-le-Street** - there is an established demand for land at Drum, but this has little remaining land. A modest amount at Stella Gill is not well located enough for the type of development that Drum has attracted and there is no likelihood of further well located land becoming available.
- **Derwentside** - the amount of land available short term is reasonable, provided that Hownsgill is being made available on terms that are acceptable to the majority of interested companies. In the long term there is likely to be little land on the two key sites supporting Stanley, but more at Consett. In the short to medium term investment in property on any of the key sites would be appropriate (and indeed on remaining land at Consett Business Park and Number One) but perhaps with the focus shifting to Berry Edge as the main site in the District as and when significant amounts of service land becomes available.
- **Sedgefield** - has a number of the County's key sites and in particular ones with much potential to serve a variety of premises' needs and opportunities. Of the key sites, however, Chilton Prestige is one that is not needed in the short to medium term, but may have a role to play in the long term.

2.64 In summary, the study notes that the distribution of available land is reasonably well related to the pattern of demand, but there is an obvious shortage in the northern parts of the central corridor (i.e. Bowburn Interchange northwards). It recognises that the A1 corridor is of increasing significance for logistics and distribution premises and that there is the prospect of the creation of major amounts of floorspace (and hence major land take-up) by the private sector. It concludes that the supply of land may not last as long as past take-up of land would suggest without attempting to quantify levels of take-up or implied supply.

Summary

2.65 These Regional and County-wide employment land studies vary significantly in their calculation of the level of supply within County Durham. Estimates range from 18 to 47 years. All the consultants have relied on data provided by third parties, the quality and quantity of which has been insufficient for a robust analysis. The principal weakness has been the reliance on take-up data derived over relatively short periods. Despite a number of the studies identifying over-supply, recommendations on the scale and location of sites to be deallocated have been modest. Crucially these

studies do not consider levels on a district by district basis whether there are under or over-allocations.

2.66 The market for employment land is not constrained by local authority boundaries. Developers and occupiers will consider locations regardless of the district in which they are situated, and a shortage of employment land in one district may be offset by a surplus in another. This study considers three districts which are not contiguous. It is outside the scope of the study to prepare a detailed study of availability of other districts in the County and other adjoining areas, but there are two districts, the understanding of which, is crucial to our study. These are the City of Durham and Wear Valley:

- **Durham City** adjoins Sedgefield, Chester-le-Street and Derwentside. In common with the first two of these districts, it is situated in the County's central corridor. Here, demand is strong for sites that are in close proximity and have good access to the A1(M).

2.67 Data from the '*County Durham Employment Land Study*' identifies the very large supply of land in Durham City. Having regard to the way in which this study underestimates actual supply, the true figure is expected to be even higher. As a result it is highly likely that the supply in Durham City will exceed the RSS 25-year cap. Durham City has not undertaken an ELR and we are not aware of any proposals for de-allocation. The quantity of available land in the District was a key factor at a planning inquiry in July 2007. The Appellant represented by Simon Haggie of Knight Frank estimated that supply in the District was equivalent to 55 years, and the Council's own data identified 33 years supply. In allowing the Appeal the Inspector concluded that "*Any which way around, there can be no serious suggestion that there is less than 25 years' worth of land available in this District. Indeed there is massively more.*"⁵

- **Wear Valley** adjoins Sedgefield and Derwentside Districts. As with Durham City, it has sizeable towns which have suffered from the closure of major industries, but have the disadvantage of being relatively remote from the strategic highway network.

2.68 Storey's:SSP has recently considered in detail the supply and take-up of employment land in Wear Valley to provide expert evidence to a planning inquiry. It has been

⁵ Paragraph 7.20 of the Inspector's Report APP/Z1320/A/07/2034704. Land at former Cape Asbestos Works, Durham Road, Bowburn, Durham. 23rd August 2007.

established that there is a significant oversupply, in excess of the RSS 25-year cap. The Council is proposing modest de-allocations although these have not yet been adopted and may prove insufficient to bring supply below the 25-year level.

2.69 It may be concluded that surplus allocations in both these Districts is likely to continue for the foreseeable future.

Conclusion

2.70 The key messages from this section can be summarised as follows:

Planning Policy Context

- Draft PPS4 aims to stimulate economic growth within the framework of sustainable development. However, a broad spectrum of uses are classified as economic development;
- The RSS appears to be recommending a move away from overprovision of employment land, whilst acknowledging the need for a portfolio of sites that provides flexibility and choice;
- The quantitative employment land figures set out in Policy 18 of RSS are maximum allocations that are not based on an assessment of need. They are to be used as a framework for LPAs in making appropriate provision of employment land;
- Provision at the Local Authority level should be sufficient for 25 years, based upon an assessment of supply and take-up of employment land.

Regeneration Strategies and Initiatives

- The North East's key economic aim is to increase levels of economic growth. This is to be pursued by:
- Increasing business start-up rates and the business stock;
- Attracting more high value businesses to the region and assisting existing companies to move up the value chain.
- NETPark is identified in the Tees Valley City Region Development Programme as one of the seven key economic drivers of the City Region;

- Growth sectors in the Study Area's economy are knowledge-based industries, value-added manufacturing and engineering, logistics and high quality office jobs;
- Economic policies acknowledge the need for the provision of a balanced employment land portfolio that meets the needs of businesses. A lack of sites can constrain economic growth;
- The Study Area contains a number of strategic employment sites which will be key to future economic growth.

Employment Land Contextual Research

- Various Regional and County-wide employment land studies have been undertaken in recent years and provide significantly different estimates of the level of supply in County Durham;
- These previous studies have been based upon data which is insufficient to support a robust analysis;
- The commercial property market is not constrained by Local Authority boundaries and it is important that this study is mindful of the employment land position elsewhere in County Durham, particularly Durham City and Wear Valley. Both authorities are understood to have a significant overprovision against the RSS requirement for a 25 year supply.

3.0 ECONOMIC CONTEXT

Introduction

3.1 In order to determine the likely need for employment land in the Study Area over the period to 2021, it is important to understand the economic context of the three Local Authorities. This section of the report therefore considers recent trends and the current performance of Chester-le-Street, Derwentside and Sedgefield with respect to a number of socio-economic indicators.

Population

3.2 Table 8 contains ONS midyear population estimates sourced from Nomis. This clearly shows that in line with the regional trend, Chester-le-Street (-1.48%) and Sedgefield (-1.13%) experienced a reduction in population over the period 1996 to 2006. In contrast, Derwentside experienced a marginal increase in population over the period, rising from 86,300 to 86,500 (0.23%).

Table 8: Population Change

| Population Change | | | |
|--------------------------|------------------|------------------|--------------|
| | 1996 | 2006 | Change (%) |
| Chester-le-Street | 54,000 | 53,200 | -1.48 |
| Derwentside | 86,300 | 86,500 | 0.23 |
| Sedgefield | 88,700 | 87,700 | -1.13 |
| North East | 2,576,500 | 2,555,700 | -0.81 |

3.3 Table 9 overleaf shows the levels of population forecast by the 2004-based Durham County Council population projections. This illustrates that all three Local Authorities within the study area are projected experience population growth over the period to 2021. Growth is forecast to be particularly strong within Chester-le-Street, with the population increasing by 3.33% to 54,785 in 2021.

3.4 However, it should be noted that the working age population of each authority is forecast to decline. Over the period 2006 to 2021, the number of residents aged between 15 and 64 will fall by:

- 1,778 (to 33,083) in Chester-le-Street;
- 4,188 (to 53,219) in Derwentside; and
- 4,220 (to 52,757) in Sedgefield.

3.5 This could potentially result in a tightening of the local labour market, reducing the number of people available for work and thereby making it harder for locally-based businesses to recruit staff and expand their operations.

Table 9: Population Projections

| Population Projections | | | | | |
|------------------------|---------|---------|---------|---------|------------|
| | 2006 | 2011 | 2016 | 2021 | Change (%) |
| Chester-le-Street | 53,021 | 53,687 | 53,890 | 54,785 | 3.33 |
| Derwentside | 88,475 | 87,730 | 90,272 | 88,908 | 0.49 |
| Sedgefield | 87,835 | 88,405 | 87,930 | 88,818 | 1.12 |
| County Durham | 497,780 | 503,436 | 507,005 | 513,681 | 3.19 |

3.6 It must be remembered that the population projections simply project forward past trends. They do not reflect any potential population outcomes from the more positive policies of RSS and RES. They are also influenced by past housing build rates. In this regard higher recent build rates in Derwentside and lower build rates in Chester-le-Street have influenced the projections.

Population Movements

Migration Patterns

3.7 ONS patient migration data has been analysed to understand population movements within the Study Area. Table 10 sets out the headline figures for the relevant Local Authorities during the year ending June 2006.

Table 10: Net Migration

| | Inflow | Outflow | Net Migration |
|-------------------|--------|---------|---------------|
| Chester-le-Street | 2,000 | 1,900 | 100 |
| Derwentside | 2,700 | 2,300 | 400 |
| Sedgefield | 2,800 | 3,100 | -300 |

3.8 This clearly shows that Sedgefield was the only authority to suffer a net outflow of population over the period. 2,800 people moved into the Borough from elsewhere, whilst 3,100 residents moved out, resulting in a net outflow of 300 migrants.

3.9 The migration activity of Sedgefield is focussed upon interaction with neighbouring authorities within County Durham and the north of Tees Valley. The largest inflows of migrants into the Borough over the year ending June 2006 were from Wear Valley (550), Durham (330) and Darlington (290), followed by Easington and Stockton.

Similarly, the largest outflows of population from Sedgefield were to Wear Valley (560), Darlington (450) and Durham (240) followed by Easington and Stockton.

- 3.10 In contrast, the migration activity of both Chester-le-Street and Derwentside highlights an inter-relationship between the two authorities, as well as with the Local Authorities of County Durham and Tyne and Wear.

Travel to Work Patterns

- 3.11 Table 12 below contains Travel to Work data taken from the 2001 Census. This demonstrates that less than one-third (29.8%) of all Chester-le-Street residents in employment live and work in the District. The containment rates of Derwentside (52.2%) and Sedgefield (54.3%) are also low, with almost half of all employed residents working outside of their resident Local Authority.

Table 11: Travel to Work

| | Residents in Employment | Live and Work in LA | Work Outside LA | Available jobs in LA | Net Flow |
|--------------------------|--------------------------------|----------------------------|------------------------|-----------------------------|---------------------|
| Chester-le-Street | 24,661 | 7,359 (29.8%) | 17,302 (70.2%) | 12,185 | -12,476(- 50.6%) |
| Derwentside | 36,004 | 18,806 (52.2%) | 17,198 (47.8%) | 24,570 | -11,434(- 31.8%) |
| Sedgefield | 36,590 | 19,855 (54.3%) | 16,735 (45.7%) | 31,651 | -4,939(- 13.5%) |

- 3.12 Table 11 also shows that all three Local Authorities suffer a net outflow of workers. This is greatest with respect to Chester-le-Street; there are 24,661 residents in employment but just 12,185 jobs available in the District resulting in a net outflow of 12,476. Table 12 sets out the principal travel to work flows for each Authority and highlights that:

- Chester-le-Street and Derwentside interact primarily with the Local Authorities of County Durham and Tyne and Wear; and
- The commuting patterns of Sedgefield demonstrate an interrelationship with the Local Authorities of County Durham and the Tees Valley.

Table 12: Travel to Work for each Authority

| | Chester-le-Street | | |
|-------------------|-------------------|---------|----------|
| | Inflow | Outflow | Net Flow |
| Gateshead | 767 | 3,890 | -3,123 |
| Durham | 741 | 3,639 | -2,898 |
| Sunderland | 1,002 | 3,347 | -2,345 |
| Newcastle | 240 | 2,445 | -2,205 |
| Derwentside | 961 | 969 | -8 |
| | Derwentside | | |
| | Inflow | Outflow | Net Flow |
| Durham | 950 | 4,120 | -3,170 |
| Newcastle | 436 | 3,191 | -2,755 |
| Gateshead | 1,044 | 3,611 | -2,567 |
| Sunderland | 404 | 1,518 | -1,114 |
| Chester-le-Street | 969 | 961 | 8 |

| | Sedgefield | | |
|-------------|------------|---------|----------|
| | Inflow | Outflow | Net Flow |
| Darlington | 2,280 | 3,841 | -1,561 |
| Durham | 1,874 | 3,432 | -1,558 |
| Stockton | 684 | 1,389 | -705 |
| Sunderland | 356 | 712 | -356 |
| Easington | 764 | 751 | 13 |
| Wear Valley | 3,104 | 2,593 | 511 |

- 3.13 The analysis of population movements demonstrates that the Study Area currently suffers a significant outflow of residents to employment opportunities elsewhere. This is most acute in Chester-le-Street and Derwentside. It will therefore be important to increase the provision of appropriate employment opportunities within the Study Area in order to reduce the level of out-commuting and promote more sustainable patterns of employment.

Economic Structure

- 3.14 Table 13 contains Annual Business Inquiry (ABI) data from Nomis regarding the number of total employee jobs within the Study Area. The data clearly demonstrates that the number of jobs within Chester-le-Street and Derwentside has grown substantially over the period 1996 to 2006, increasing by 20.59% and 17.73% respectively.
- 3.15 In contrast, the number of jobs in Sedgefield has fallen by 22%. Despite this significant decline, Sedgefield still accounts for more jobs (27,800) than Derwentside (23,800) and Chester-le-Street (12,000) at present.

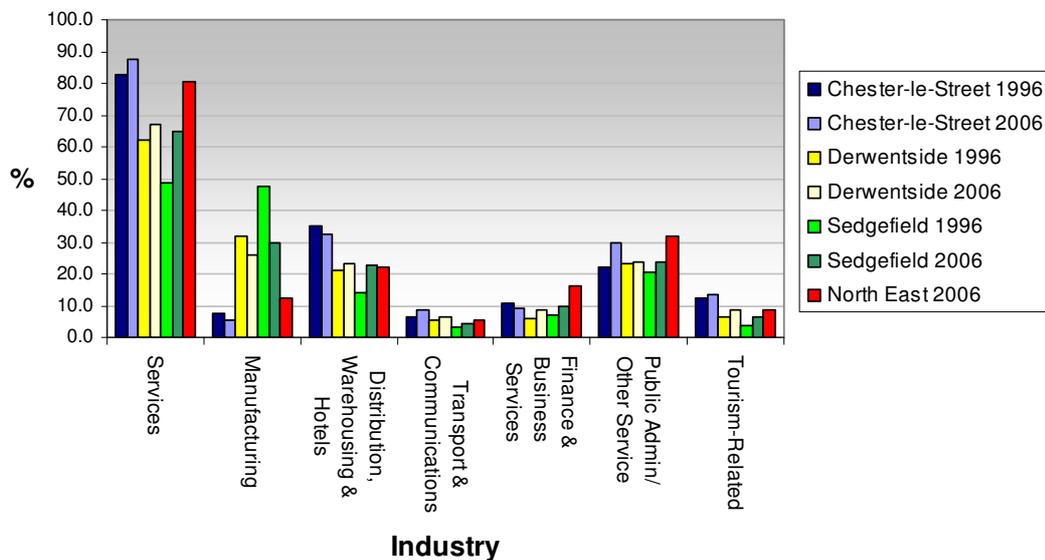
Table 13: Total Employee Jobs

| | 1996 | 2006 | Change (%) |
|--------------------------|--------|--------|---------------------|
| Chester-le-Street | 9,951 | 12,000 | 20.59 |
| Derwentside | 20,215 | 23,800 | 17.73 |
| Sedgefield | 35,575 | 27,800 | -21.86 ⁶ |

- 3.16 The economic structure of all three Local Authorities has changed over the period 1996 to 2006, as illustrated in Figure 2. The graph presents ABI data and illustrates how the percentage of employment accounted for by a range of industrial sectors has changed over the decade. For comparative purposes, the current employment structure at the regional level has also been included.
- 3.17 The graph shows that, in terms of employment, the growth sectors in Chester-le-Street over the period 1996 to 2006 were 'services,' 'public administration / other services' and 'transport and communications.' It is likely that growth in the latter has been driven (in part) by the area's excellent links to the A1.
- 3.18 Within Derwentside, it can be seen from Figure 2 that the growth sectors with respect to employment change have been 'services,' 'distribution, warehousing and hotels' and 'finance and business services.' However, the proportion of employment accounted for by 'finance and business services' at the local level is still considerably lower than the sector's regional share of employment.
- 3.19 In Sedgefield, the most dramatic growth was observed in 'services' and 'distribution, warehousing and hotels.' Smaller levels of growth were observed in 'finance and business services' and 'public administration/ other services.'
- 3.20 Another significant change highlighted by Figure 2 is the decline of manufacturing. This has been most pronounced in Sedgefield, where the industry accounted for 47.3% of jobs in 1996 falling to 29.9% by 2006. In Derwentside, manufacturing accounted for 31.9% of jobs in 1996, which fell to 26.1% a decade later. The proportion of employment accounted for by manufacturing is higher in Sedgefield and Derwentside than in any other Local Authority in the North East.
- 3.21 The decline of the manufacturing industry has been less pronounced in Chester-le-Street; in 1996 manufacturing accounted for 7.4% of employment, reducing to 5.2% by 2006.

⁶ ABI data indicates that this reduction in employment has been driven by manufacturing decline. Over this ten year period, the number of manufacturing jobs in Sedgefield fell by 8,545 to 8,300.

Figure 2: Employment Structure



3.22 These changes in the economic structure of the Study Area clearly have implications regarding the type and location of employment land required by businesses. ‘Transport and communications’ and ‘public admin’ / other services grew in all three authorities, whilst growth in ‘finance and business services’ and ‘distribution, warehousing and hotels’ was observed in two of the three areas. This is likely to generate increased demand for B1 office accommodation and B8 premises with good accessibility. Notwithstanding this trend, it is important to acknowledge that manufacturing still accounts for a significant, if declining, proportion of the economy in Derwentside and Sedgefield.

Unemployment/ Skills

Job Density and Unemployment

3.23 The most recent ONS Job Density data available from Nomis (2006) is summarised in Table 14. Chester-le-Street has a job density of 0.40, indicating that there are 0.4 jobs for every one resident of working age within the District. In Derwentside, there is approximately one job for every two working age residents. Sedgefield has the highest job density of the three Authorities (0.59). However, all three are below the regional average and addressing this gap should be a key policy objective for each authority.

Table 14: Job Density (2006)

| | Job Density |
|--------------------------|--------------------|
| Chester-le-Street | 0.40 |
| Derwentside | 0.50 |
| Sedgefield | 0.59 |
| North East | 0.75 |
| Great Britain | 0.84 |

- 3.24 The job density data indicates that there may be a need to increase the number of employment opportunities within the Study Area. This would help to improve the economic performance of the area as well as reduce the current outflows of residents to employment opportunities in the neighbouring city regions of Tyne and Wear and the Tees Valley.
- 3.25 An examination of ONS Claimant Count data from Nomis (Table 15) highlights that levels of unemployment in the Study Area are lower than the regional average, particularly in Chester-le-Street, where 1.7% of working age residents are currently claiming Job Seekers Allowance (JSA).

Table 15: JSA Claimant Count (2006)

| | JSA Claimant Count |
|--------------------------|---------------------------|
| Chester-le-Street | 1.70% |
| Derwentside | 2.10% |
| Sedgefield | 2.30% |
| North East | 2.90% |

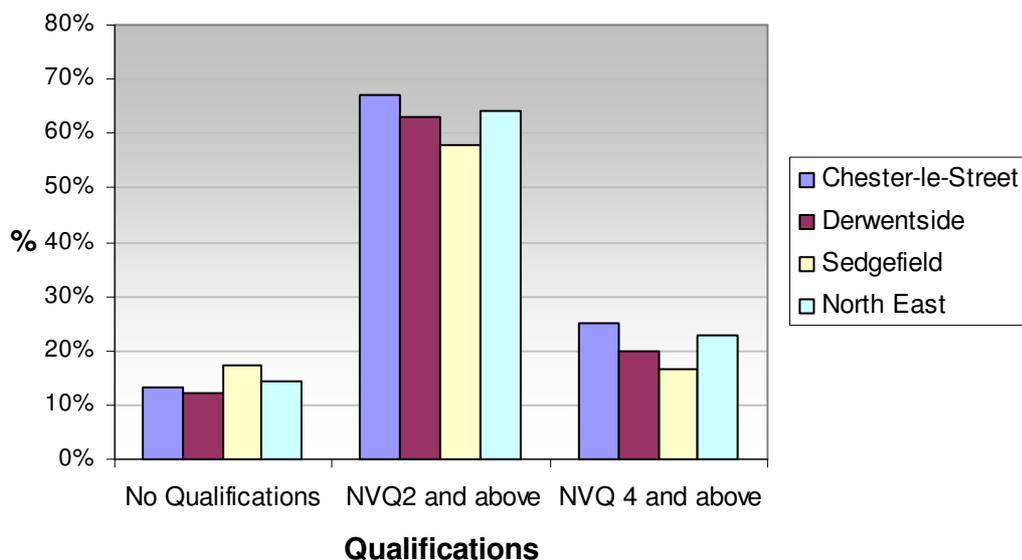
- 3.26 The low job density figures for the Study Area, coupled with the low rates of unemployment indicate that a significant number of the Local Authorities' residents are employed elsewhere. This is reinforced by the travel to work data discussed above.
- 3.27 The low levels of unemployment in the Study Area and the projected reduction in the working age population could result in a tightening of the labour market over the study period. This could make recruitment increasingly difficult and potentially constrain economic growth. It will therefore be important to reduce the current outflow of commuters from the Study Area in order to provide additional slack within the supply of labour.

Skills and Qualifications

3.28 Figure 3 contains data from the ONS Annual Population Survey, obtained via Nomis, regarding skills levels in the Study Area. This indicates that over two-thirds (67.1%) of Chester-le-Street's working age population are educated to NVQ level 2⁷ or above. This is above the regional average of 64.1%. The corresponding figures for Derwentside and Sedgefield of 63.1% and 58.0% respectively are below the regional level.

3.29 Chester-le-Street also has the greatest proportion of highly skilled residents. 25.0% of the District's working age population is qualified to NVQ level 4⁸ or above. As with the NVQ level 2 figures, the regional average of 22.7% is again higher than the figures observed in Derwentside (19.8%) and Sedgefield (16.5%).

Figure 3: Qualifications of Working Age Population



3.30 As outlined within Section 2.0, economic policy is advocating a move towards a higher value, more knowledge driven, economy to facilitate economic growth. Clearly, the pool of skilled labour currently resident within Chester-le-Street provides the District with a significant advantage in achieving this sectoral shift. However, the proportion of highly skilled residents within Derwentside and Sedgefield is below the regional average and initiatives will need to be put into place to upskill the resident population or to attract skilled migrants to the area to help drive economic growth.

⁷ NVQ level 2 is the equivalent of 5 GCSE's at grade A to C

⁸ NVQ level 4 is the equivalent of an HND, Degree or Higher Degree

Business Base

- 3.31 Data from the Small Business Service, sourced from Nomis, provides information on business start-up and failure rates. The data, summarised in Table 16, shows that in 2006 there were 9.4% new VAT registrations (relative to the stock of businesses at the end of the year) across the North East and 7.0% de-registrations.

Table 16: Net Business Growth (2006)

| | VAT Registrations (% of Business Stock) | VAT De- registrations (% of Business Stock) | Net Business Growth |
|--------------------------|---|---|------------------------|
| Chester-le-Street | 10.9% | 7.1% | 35 |
| Derwentside | 10.9% | 5.2% | 100 |
| Sedgefield | 9.7% | 6.4% | 60 |
| North East | 9.4% | 7.0% | 1,155 |

- 3.32 Derwentside was the best performing Local Authority, with 10.9% new VAT registrations and just 5.2% de-registrations, resulting in a net increase of 100 businesses. The performance of Chester-le-Street and Sedgefield also exceeded the regional average; business start-up rates were above those observed regionally and only Chester-le-Street has a business failure rate that (marginally) exceeds the corresponding figure for the North East.
- 3.33 The net change in the business base of all three Local Authorities has fluctuated over the period 1996 to 2006, although it does appear to have been on an upward trajectory. Should this trend continue, the business base of all three Local Authorities could be expected to expand. This is likely to generate greater demand for employment land and premises in the Study Area. It will therefore be important to ensure that the employment land portfolio of each Authority provides sufficient choice to accommodate the needs of new and expanding businesses. However it should be borne in mind that the period 1996 to 2006 was a period of steady growth in the national economy, whereas the current economic outlook is less favourable.
- 3.34 Table 17 indicates that the Study Area's business base is broadly comparable with that of the North East, with the majority of firms employing fewer than 20 people.
- 3.35 Stimulating business start-ups and the development of small businesses is therefore likely to be an important factor in supporting the economic growth of the Study Area. To facilitate this, it will be important to ensure that each Local Authority has a supply

of managed workspace facilities and move-on accommodation that meets the needs of modern businesses.

Table 17: Size of Businesses (2007)

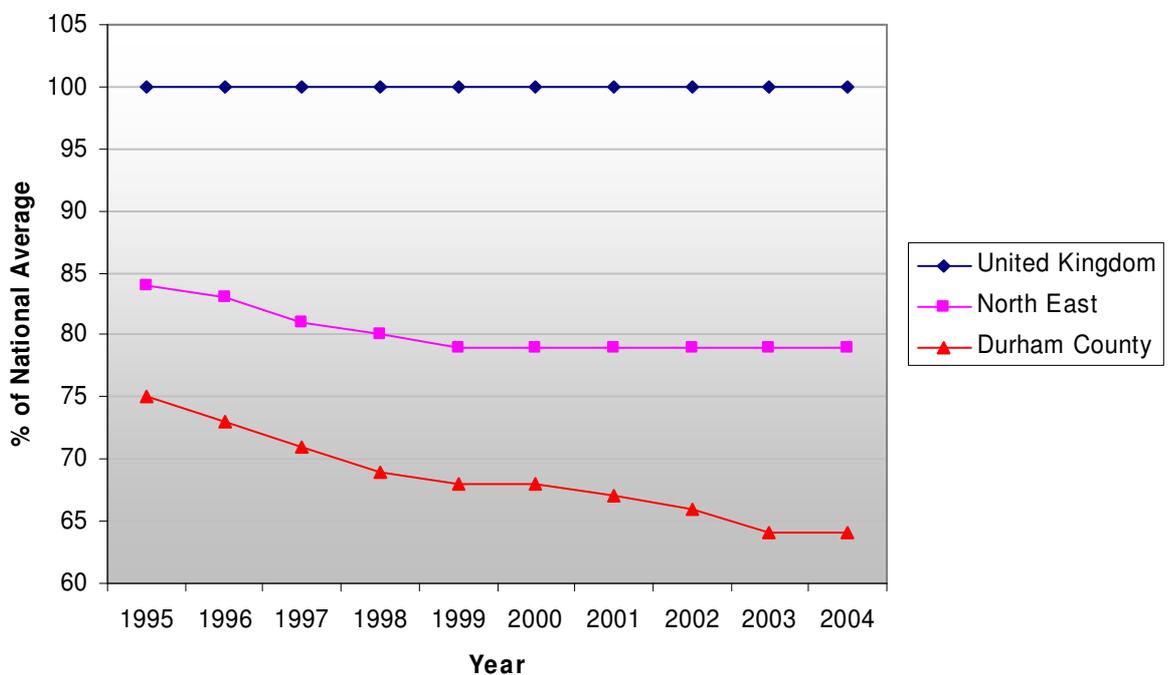
| | 0-19 Employees | 20-249 Employees | 250+ Employees |
|--------------------------|----------------|------------------|----------------|
| Chester-le-Street | 93.7% | 6.3% | 0.0% |
| Derwentside | 92.9% | 6.3% | 0.7% |
| Sedgefield | 91.5% | 7.9% | 0.7% |
| North East | 92.7% | 6.7% | 0.6% |

Source: UK Business: Authority, Size and Location (2007)

Productivity

3.36 As discussed in Section 2.0, the principal aim of the RES is to increase the region's GVA per capita from 80% of the UK average to 90% by 2016. Figure 4 uses ONS data to illustrate how GVA per capita has changed in relation to the UK average since 1995. Information at the Local Authority level is not available and therefore data for the NUTS3 area of Durham County has been used as a proxy for the Study Area.

Figure 4: GVA Per Capita Index (Current Basic Prices)



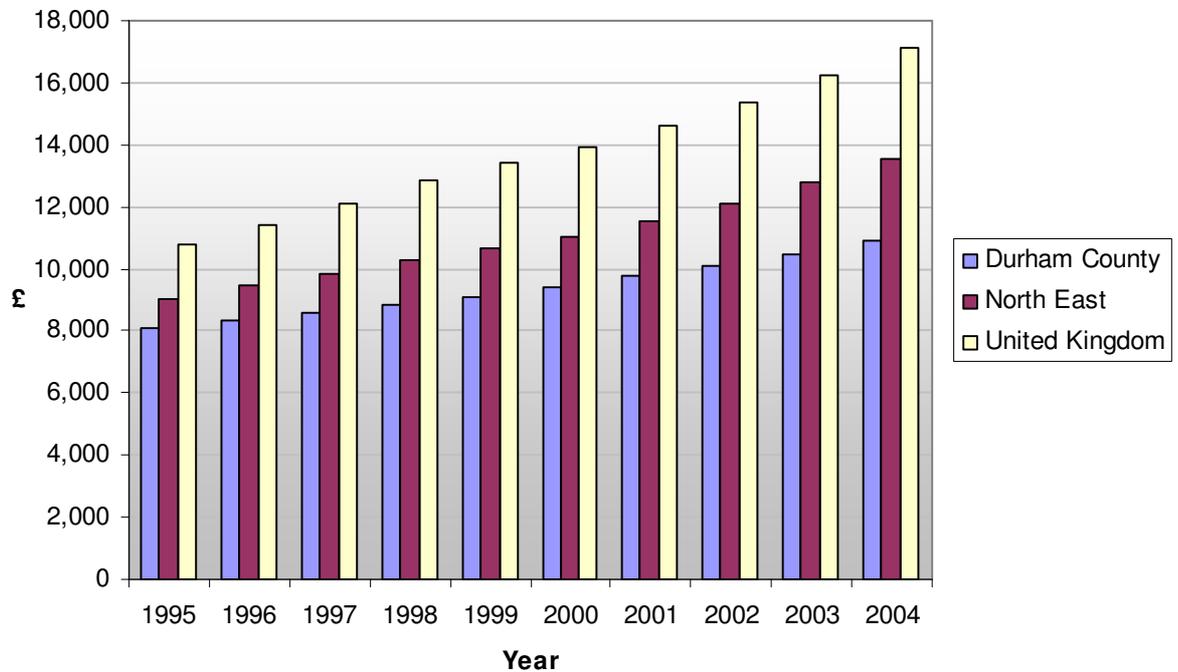
3.37 The graph indicates that the relative economic performance of Durham County is below that of both the North East and the UK, and has declined over the period. In

1995 Durham County's GVA per capita was 75% of the national average; this had fallen to just 64% by 2004.

3.38 The rate of decline observed at the regional level has been less marked than for Durham County and as a consequence, the gap between the two has widened over the period.

3.39 Figure 5 shows the GVA per capita of the areas in current basic prices⁹. This clearly illustrates that GVA per capita has increased year on year over the period for the UK, North East and Durham County. However, it can be seen that Durham County's GVA per capita has increased at a slower rate than the national and regional average.

Figure 5: GVA Capita (Current Basic Prices)



3.40 Between 1995 and 2004, the GVA per capita of Durham County rose by 34.9%. In contrast, growth rates for the United Kingdom and North East were 58.3% and 49.3% respectively over the same period.

3.41 This illustrates that Durham County's falling GVA per capita index does not represent a contraction in the area's economy. Rather, it demonstrates in this instance that although the economy is growing over time, it is losing ground to the national and regional averages because of a slower rate of growth.

⁹ Current basic prices have been adjusted for inflation to allow comparisons over time to be made

3.42 To help address this, there is a need to increase rates of economic growth in the County by attracting higher value businesses and encouraging the indigenous business community to move up the value chain. The County Durham Economic Strategy states that this should be pursued by:

- Developing the knowledge economy;
- Attracting high quality office jobs;
- Developing the logistics sector in those areas with locational advantages; and
- Encouraging the development of added value manufacturing and engineering.

3.43 This indicates that Local Authorities should look to provide a balance of high quality office, light industrial and warehousing/distribution premises to help facilitate higher levels of economic growth.

Conclusions

3.44 The key messages identified in this chapter are set out below for each LPA:

Chester-le-Street

- The population of C/S is anticipated to increase by 3.33% between 2006 and 2021, although the working age population is expected to fall by 1,778;
- Levels of unemployment are low amongst the resident population. However, there is just one job in Chester-le-Street for every 2.5 residents of working age. As a result, less than 30% of those residents in employment work in Chester-le-Street. There are significant net outflows of commuters to Tyne and Wear and Durham City;
- Between 1996 and 2006 the number of jobs in Chester-le-Street rose by over 20%;
- Chester-le-Street has a well educated population. The proportion of residents educated to NVQ level 2 and level 4 is above the regional average and this represents an opportunity to support economic growth in the area; and

- Business growth rates are above the regional average and the business base is expanding. It is dominated by small firms and there are no companies employing over 250 people in Chester-le-Street.

Derwentside

- The population of Derwentside is projected to increase by 0.49% between 2006 and 2021. However, a reduction in the working age population of 4,188 is also anticipated;
- Levels of unemployment in the District are low, although there is just one job for every two residents of working age;
- Almost half of all residents in employment travel outside of the District to work. The most significant net outflows are to Tyne and Wear and Durham City;
- The number of jobs in Derwentside increased by almost 18% between 1996 and 2006;
- The proportion of employment accounted for by manufacturing has declined significantly over the past decade. However, it still supports more than one in four jobs in the District; and
- The local business base is expanding, with start-up rates above the regional average and rates of failures below. The stock of businesses is dominated by small companies.

Sedgefield

- The population of Sedgefield is forecast to increase by 1.12% over the period 2006 to 2021. It is anticipated that the working age population will reduce by approximately 4,220;
- The number of jobs in Sedgefield has fallen dramatically between 1996 and 2006, declining by over 20%; this has been driven largely by a decline in manufacturing employment. However, the industry still accounts for 30% of all jobs in the Borough;
- Educational attainment at NVQ level 2 and 4 is below the regional average and this will need to be addressed to facilitate a move to a higher value economy;

- Almost half of all residents in employment travel outside of the Borough to work. The most significant net outflows are to Durham City and the Tees Valley; and
- The local business base is expanding, with start-up rates above the regional average and rates of failures below. The stock of businesses is dominated by small companies.

4.0 METHODOLOGY

Introduction

- 4.1 This chapter provides an overview of the methodological approach adopted in the production of this ELR. As set out in Chapter 1.0, this complies (where practicable) with the approach set out in the CLG Guidance Note. It is important that the study is underpinned by a robust and transparent methodology, to ensure that the resultant future land requirements are sound and defensible. In recognition of this, the study draws on methods and data sources that take account of both quantitative and qualitative factors. These are discussed in turn below.

Quantitative Methods

Long-Term Take-Up Data

- 4.2 Past take-up of employment land in the Study Area has been analysed by ssp and is discussed in Section 6.0. This data is unavailable for all three authorities on a consistent basis over a sufficiently long time frame and as a consequence ssp have identified actual long term take-up through a detailed analysis of Ordnance Survey mapping.
- 4.3 Historic Ordnance Survey mapping was compared against current mapping on a plot by plot basis to identify the amount of land taken up for development on each industrial estate or business park. This was then supplemented by site inspections that record where new development is occurring or has occurred in the recent past. Boundaries were plotted onto current Ordnance Survey mapping to determine site areas.
- 4.4 It should be noted that Ordnance Survey mapping has historically been carried out in different locations at different times. As a result, long term take-up in the three Local Authorities has been recorded over periods ranging from 20 to 27 years.

Economic Forecasting

- 4.5 The economic modelling for this study is based upon a variety of scenarios produced by Experian Business Strategies. The first three scenarios are underpinned by work undertaken by CEBR to help inform the development of the North East RSS, compliance with this model has helped to ensure that the ELR is aligned with the

regional policy framework. The fourth scenario has been based upon the aspirations inherent within the County Durham Economic Strategy:

- **Bronze** Scenario: economic growth of 2.3% per annum;
- **Bronze/ Silver2** Scenario: economic growth of 2.8% per annum (used within the RSS);
- **Silver** Scenario: economic growth of 3.4% per annum (used within the RES)
- **High** Scenario: economic growth of 4.3% per annum¹⁰.

4.6 The four scenarios were available at regional level only; consequently, they were adjusted by Experian Business Strategies to provide employee growth forecasts at Local Authority level over the period 2005 to 2021. The adjustments were made using Experian's sub-regional economic model, which takes into account the existing economic structure of each Local Authority and the historical relationship between the regional performance of an industry and the performance observed at the Local Authority level.

4.7 For each scenario, the Experian model set out the anticipated level of job growth in each Local Authority. This job growth was broken down into the 30 standard industrial classification sections used by Experian. Therefore, in order to determine the employment land projection by type resulting from a scenario, it was necessary to categorise the level of employment change forecast for each Local Authority by B-use class. It was assumed that:

- The B1 office floorspace requirement would be related to job growth/ decline in the financial and business services sector;
- The B2 floorspace requirement would be related to job growth/ decline in the manufacturing industrial sectors;
- The B8 floorspace requirement would be related to job growth/ decline in the wholesale and distribution sectors.

4.8 It should be noted that an analysis of recent SIC Level 4 data from the ABI Statistics database for 2006 indicated that across the Study Area, 70.6% of jobs in

Wholesaling, Transport and Communications can be considered to contribute to the need for B8 employment land. Consequently, the figures for these three Industrial classifications were reduced by just under 30% to remove non B8 based uses (such as taxi operations, for example) from the statistics. It was necessarily assumed that this proportion remains relatively constant over the study period.

4.9 Employment densities, as recommend in the English Partnership 2001 Guidance Note¹¹, and plot ratios by use class were then applied to the job change figures to translate these into employment land projections. In summary, it was assumed that:

- One B1 job requires 19sq.m. of employment floorspace and a gross area of 1ha is required to develop 3,250sq.m of B1 floorspace;
- One B2 job requires 34sq.m. of employment floorspace and a gross area of 1ha is required to develop 4,000sq.m. of B2 floorspace; and
- One B8 job requires 50sq.m. of employment floorspace and a gross area of 1ha is required to develop 5,000sq.m. of B8 floorspace.

4.10 As the scenarios for employment floorspace calculated via steps A to C take no account of vacant premises, this was calculated separately. Vacancy rates were calculated by ssp for each District as they relate to office, industrial and warehousing floorspace. The percentages relating to current vacancy rates were then applied to the employee-based floorspace figures for 2005, to present a projection of the existing situation. In order to calculate a future vacancy rate for the scenarios up to 2021/2030, it was necessary to make certain assumptions regarding the 'ideal' future scenario the Study Area should be aspiring towards. There will always need to be a proportion of vacant premises in order to allow for the smooth operation of the market. However, high vacancy rates are undesirable in the long term, raising the question of whether we should be planning to provide new employment sites if there is already a substantial amount of premises that are lying under-utilised.

4.11 Consequently, the study not only planned for a reduction in occupied land because of continuing industrial decline, but also for a fall in the existing total of vacant premises to bring it in line with the minimum required for proper operation on the market. For the future employment scenarios, 'ideal' vacancy rates of 10% for office, industrial

¹⁰ The County Durham Economic Strategy states that in order to truly narrow the output gap between the County and the UK, GVA would need to increase from £5.5billion to £8billion by 2012/13. This represents an annual growth rate of 4.3%

¹¹ English Partnerships (2001): Employment Densities: A full guide

and storage or distribution were used. Whilst 5% might usually be the norm for office space, in this instance, where there a number of 'easy-in easy-out' lease terms on a number of incubator units and managed workspaces in the Study Area, a 10% rate was deemed more appropriate.

4.12 As discussed above, the employment projections generated by Experian were for the period 2005 to 2021. In order to produce employment land projections for the LDF period, therefore, the figures were annualised and projected forward over a 25 year period to comply with the RSS requirement to provide sufficient employment land to meet anticipated demand over such a period.

4.13 It is also important to ensure that a margin of choice is added to the net projections to ensure that businesses making locational choices have flexibility. Even where the identified demand for employment land is likely to decrease, there should always be some new development coming forward to avoid stagnation and further decline in the market. Consequently, it is desirable to allocate more land than is likely to be used, as some land, particularly sites that have been carried over from past plan periods, and those with significant constraints to overcome, may not come forward for development in the short to medium term (if at all). It is, therefore, standard practice to allow for a degree of flexibility or 'margin of choice' in the allocations by applying a stated factor into the demand calculations. Discussions with SSP indicated that it would be appropriate to apply a margin of choice equal to 50% to the positive net projections and to reduce any forecast fell in demand by a third where net demand is negative.

Qualitative Methods

Site Appraisal

4.14 A qualitative assessment of sites was also used to inform the employment land review. Site visits were undertaken and each site was assessed with respect to a range of attributes as summarised below. A pro-forma was produced outlining the criteria to be adopted in assessing the sites and is included at Appendix C, to ensure that the appraisal process was as objective as possible. The attributes were separated into nine categories, as follows:

- Site availability and viability
- Ownership constraints/ willingness to develop

- Site preparation constraints
- Scope of demand
- Infrastructure provision
- Compatibility with neighbouring uses
- Accessibility
- Environmental constraints
- Compatibility with regeneration initiatives

4.15 The attributes and criteria were developed in consultation with the three Local Authorities and are based upon those set out in the CLG Guidance Note.

4.16 A traffic light system was adopted for the site assessment process, with each site graded red, amber or green with respect to each attribute. Green represents the site performing well against the appraisal attribute, whilst red represents weak performance.

4.17 The results of the site appraisal process have been used to inform our understanding of the qualitative supply position in each Local Authority and each sub-area therein. Overall summaries are presented for each Local Authority in the following chapters.

4.18 The information collected via the site appraisals has been collated into a site matrix for each Local Authority. These can be found at Appendix E. These matrices provide an overview of the quality of the sites assessed and clearly highlight their particular strengths and weaknesses via the traffic light system discussed above. This information was then used to inform the study's recommendations regarding the sites that could be considered for removal from the employment land portfolio.

5.0 THE MARKET FOR EMPLOYMENT PREMISES

Introduction

- 5.1 To a large extent the markets of factories and warehouses are indistinguishable. Buildings typically accommodate either use, and what was originally designed for one use may be subsequently used for the other. There are a handful of large purpose-built high bay warehouses with multiple loading bays, which can be distinguished, but these are too few to allow meaningful analysis. Our analysis therefore does not distinguish between them.
- 5.2 Data from the Valuation Office Agency (VOA) provides a comprehensive and up-to-date list of employment premises throughout the Study Area. We have analysed this by use type, location and size, to provide an overview of the existing stock of premises.
- 5.3 Data on available premises is collated by the County Durham Development Company (CDDC) and, until recently, by the independent company Economic Research Services (ERS). This has been examined relative to the stock to identify vacancy rates and the shortage or over-supply of premises in different sectors of the market.
- 5.4 It is important to note that occupiers are not constrained by local authority administrative boundaries and will typically consider available premises throughout County Durham and the wider region; thus, a shortage in one district may be compensated by surplus capacity elsewhere in the Study Area. We therefore consider availability within each district but cross-check this against availability in the wider sub-region.
- 5.5 A shortage of premises within a particular sector is evidence of a need for additional accommodation. This will only translate into demand for development sites if property values relative to construction costs will allow viable development. Our review considers the level of values and the viability of development for different property types in various locations within each District.

The Market for Industrial Premises

Stock

- 5.6 The VOA identifies 1,766 industrial units in the Study Area. Table 18 categorises these by type and location.

Table 18:- Stock of Industrial Units

| PSD Code | Description | Chester-le-Street | Derwentside - Consett | Derwentside - Stanley | Derwentside - Other | Sedgefield - Ferryhill | Sedgefield - Newton Aycliffe | Sedgefield - Shildon | Sedgefield - Spennymoor | Sedgefield - Other | Total |
|--------------|-------------------------|-------------------|-----------------------|-----------------------|---------------------|------------------------|------------------------------|----------------------|-------------------------|--------------------|--------------|
| CG1 | Vehicle Repair Workshop | 20 | 10 | 19 | 11 | 5 | 4 | 2 | 7 | 1 | 79 |
| CW | Warehouse | 60 | 43 | 37 | 16 | 17 | 57 | 13 | 50 | 16 | 309 |
| CW1 | Land used for Storage | 7 | 8 | 13 | 7 | 28 | 6 | 7 | 12 | 5 | 93 |
| CW2 | Storage Depot | 6 | 1 | 3 | 3 | 1 | 3 | 0 | 2 | 1 | 20 |
| CW3 | Store | 23 | 27 | 34 | 41 | 13 | 20 | 8 | 20 | 6 | 192 |
| IF | Factory | 26 | 54 | 48 | 15 | 9 | 88 | 21 | 12 | 7 | 280 |
| IF3 | Workshop | 140 | 114 | 98 | 53 | 63 | 145 | 81 | 64 | 28 | 786 |
| IX | Other Industrial | 1 | 0 | 4 | 1 | 0 | 1 | 0 | 0 | 0 | 7 |
| Total | | 283 | 257 | 256 | 147 | 136 | 324 | 132 | 167 | 64 | 1,766 |

- 5.7 The stock of industrial premises in **Chester-le-Street** is less than half that of Derwentside and only a third that of Sedgefield, underlying the distinctiveness of the industrial market in the three districts. The vast majority of units in Chester-le-Street district are situated in or around this one dominant town.
- 5.8 In **Derwentside**, the market is almost equally split between the Consett/Leadgate/Blackhill urban area and the Stanley/Annfield Plain area, each with around 38% of the total. Other outlying settlements contribute the remaining 22%.
- 5.9 In **Sedgefield**, 40% of the stock is at Newton Aycliffe, 20% is at Spennymoor, and 16% is at Shildon. The remainder of the District comprises smaller settlements which between them accommodate the remaining 24% of the stock. Less than 10% of the stock is situated to the east of the A1(M).
- 5.10 The description of property types used by the VOA is not definitive and some terms are interchangeable, but it suggests that around a third of the stock is used for warehousing and storage and two-thirds for manufacturing or servicing.

5.11 An analysis by number of units does not fully capture the scale of industrial stock in each location. At Spennymoor and Newton Aycliffe there are some very large scale industrial complexes, and other major towns throughout the Study Area have a handful of large premises.

Table 19: Size of Factory Units

| | SIZE (sq ft) | | | | | | | | Total |
|--------------------------|--------------|-------------|-------------|--------------|---------------|---------------|---------------|-----------|--------------|
| | <1000 | 1000 - 2500 | 2500 - 5000 | 5000 - 10000 | 10000 - 20000 | 20000 - 40000 | 40000 - 75000 | >75000 | |
| Chester le Street | 83 | 80 | 48 | 38 | 17 | 8 | 5 | 4 | 283 |
| Derwentside | 123 | 195 | 125 | 75 | 69 | 39 | 19 | 15 | 660 |
| Sedgefield | 132 | 202 | 131 | 132 | 104 | 66 | 28 | 28 | 823 |
| Total | 338 | 477 | 304 | 245 | 190 | 113 | 52 | 47 | 1,766 |

5.12 Nearly 20% of units in the study area are less than 1,000 sq ft, and only 12% are over 20,000 sq ft. In Chester-le-Street the average size of unit is within the 1,000-2,500 sq ft range, whilst in Derwentside and Sedgefield the average size of units is larger and within the range of 2,500-5,000 sq ft.

5.13 The VOA data will not pick up the most recent additions to stock. The development of logistics warehousing is particularly pertinent to employment land provision as it involves large sites. There has been recent development of bespoke distribution sheds at Drum (the Co-op) and Heighington Lane (Lidl) as well as speculative units elsewhere. Critical to the location of these is quick and easy access to the strategic highway network.

5.14 Demand for appropriate sites in the southern part of the County, such as Heighington Lane West, will be further underpinned by the developments at Teesport which will increase its capacity for container shipping. This, combined with new drive-time legislation which militates against companies having a single UK base, will ensure a distribution hot-spot for those sites that can offer both proximity to Teesport and the strategic highway network. It is important to recognise, however, that several major sites are vying for this sector of the market, e.g. Wynyard, Heighington Lane, Faverdale and Teesport itself. In the northern part of the County the distribution market is driven to a greater extent by the need to service the region’s dominant City Region, Tyne & Wear.

Availability

- 5.15 CDDC collates data on available units across the County. Its durham4business website can be interrogated by Local Authority, and in our experience it is reasonably accurate and well maintained. However it only records units that are being marketed, so some vacant units will not be included. Typically such units are not being marketed because they are in poor condition and / or redundant and marketing is seen as a fruitless exercise.
- 5.16 As at March 2008 there were 121 factories comprising 1,828,000 sq ft (169,800 sq m) of floorspace within the Study Area. This equates to an overall vacancy rate of 6.8%, which suggests that the market is broadly in equilibrium. Adopting a typical plot ratio of 50% for established industrial areas, this is the equivalent of an additional 34 hectares of employment land across the Study Area.
- 5.17 Across the Study Area there are significant variations. In Chester-le-Street the vacancy rate is very low with only four vacant units, half of which are accounted for by the new distribution sheds at Drum Park, where the vacancies are attributable to normal marketing periods for speculatively developed buildings of this size. In Derwentside the overall vacancy rate of 6% suggests a market in equilibrium. In Sedgfield, a rate of 10% suggests very modest oversupply.
- 5.18 Table 20 compares availability and stock of units across different size bands.

Table 20: Vacancy Rates of Factory Units

| | SIZE (sq ft) | | | | | | | | Total |
|--------------------------|--------------|-------------|-------------|--------------|---------------|---------------|---------------|--------|-------|
| | <1000 | 1000 - 2500 | 2500 - 5000 | 5000 - 10000 | 10000 - 20000 | 20000 - 40000 | 40000 - 75000 | >75000 | |
| Chester le Street | | | | | | | | | |
| Stock of Units | 83 | 80 | 48 | 38 | 17 | 8 | 5 | 4 | 283 |
| Vacant Units | 1 | 0 | 1 | 0 | 0 | 0 | 0 | 2 | 4 |
| Vacancy Rate (%) | 1 | 0 | 2 | 0 | 0 | 0 | 0 | 50 | 1 |
| Derwentside | | | | | | | | | |
| Stock of Units | 123 | 195 | 125 | 75 | 69 | 39 | 19 | 15 | 660 |
| Vacant Units | 9 | 7 | 11 | 7 | 4 | 0 | 0 | 2 | 40 |
| Vacancy Rate (%) | 7 | 4 | 9 | 9 | 6 | 0 | 0 | 13 | 6 |
| Sedgefield | | | | | | | | | |
| Stock of Units | 132 | 202 | 131 | 132 | 104 | 66 | 28 | 28 | 823 |
| Vacant Units | 9 | 10 | 16 | 9 | 13 | 14 | 5 | 3 | 79 |
| Vacancy Rate (%) | 7 | 5 | 12 | 7 | 13 | 21 | 18 | 11 | 10 |

- 5.19 In Sedgefield, the oversupply is concentrated amongst units of over 10,000 sq ft. The decline of manufacturing across County Durham has left a residue of large factory complexes that have been subdivided, but even the units so created are of significant size and represent a significant element of this oversupply. It should be noted that despite the growing demand from the distribution and logistics sector for large floorplates, the stock of older manufacturing complexes provide poor substitutes for new buildings as they are often in the wrong location, cannot provide the eaves heights, lack specialist loading docks, etc.

Demand

- 5.20 Economic Research Services (ERS) monitored take-up of industrial property across the North East on a quarterly basis until 31st March 2007. These quarterly reports did not distinguish between the Local Authorities within County Durham, nor between factory and warehouse premises. Its analysis is limited to units in excess of 500 sq m. It calculates take-up by comparing units available at the end of a quarter compared with those available at the start of the quarter. Where units are no longer available they are included in take-up. The method does not distinguish between units withdrawn from the market and those sold or let. Units that come to the market and are taken up within a single quarter will not be captured by the statistics. These both have modest impacts on the integrity of the data but tend to cancel each other out.

Table 21: Take-Up of Industrial Premises in County Durham

| | 2002 | 2003 | 2004 | 2005 | 2006 | Average |
|-------------------------|---------|---------|---------|---------|---------|----------------|
| Units | 54 | 67 | 101 | 79 | 76 | 75.4 |
| Floorspace (sqm) | 159,210 | 145,800 | 240,100 | 205,700 | 193,000 | 188,762 |

5.21 There is no obvious trend in the take-up of industrial units over the last five years. There appears to be a peak in 2004, and a gradual decline across the two subsequent years. Take-up has averaged 75 units per annum equating to 188,762 sq m (2,032,000 sq ft). Comparing this with the stock of vacant industrial premises in excess of 500 sq m (ERS identified 155 units comprising 549,000 sq m as at 31st March 2007) this suggests that there is between two and three years supply of premises. This is further evidence of modest oversupply in the market as a whole.

Values

5.22 Industrial rents are typically between £3.50 and £4.50 per sq ft for good quality space, though smaller units can achieve up to £5.00 per sq ft. At this level, new development is just viable: the private sector can develop on serviced sites in good locations without public sector subsidy. However, abnormal costs of site preparation or infrastructure provision can easily tip the balance and make a project unviable. Demand for industrial premises is strongest in those locations that have easy access to the strategic highway network. In more peripheral locations, thinner demand leads to longer marketing periods and lower rents, both of which will undermine the viability of speculative development and justify public sector intervention.

Summary

5.23 This analysis of the market identifies differing market conditions across the Study Area. In **Chester-le-Street**, particularly around the town itself and in locations with good access to junctions of the A1(M), there is a shortage of industrial premises, as well as employment land. Here, there should be a focus on the provision of new units, particularly in the lower size ranges. Bringing forward land which has infrastructure provision appropriate to the delivery of small development plots should be a priority.

- 5.24 In **Derwentside** demand and supply of industrial premises appear evenly matched so there is no pressing need to either increase or decrease the level of stock.
- 5.25 Within **Sedgefield** there is an overhang of large manufacturing units and this should inform the approach to the reuse/redevelopment of such premises that will be vacated in the foreseeable future.

The Market for Office Premises

Stock

- 5.26 VOA data identifies 700 office units in the Study Area. We have analysed these by type and location.

Table 22: Stock of Office Units

| PSD Code | Description | Chester-le-Street | Derwentside - Consett | Derwentside - Stanley | Derwentside - other | Sedgefield - Ferryhill | Sedgefield - Newton Aycliffe | Sedgefield - Shildon | Sedgefield - Spennymoor | Sedgefield - Other | Total |
|----------|------------------|-------------------|-----------------------|-----------------------|---------------------|------------------------|------------------------------|----------------------|-------------------------|--------------------|------------|
| CO | Office | 125 | 143 | 85 | 31 | 31 | 163 | 19 | 45 | 43 | 685 |
| ML | Municipal Office | 2 | 3 | 7 | 2 | 0 | 0 | 0 | 1 | 0 | 15 |
| | Total | 127 | 146 | 92 | 33 | 31 | 163 | 19 | 46 | 43 | 700 |

- 5.27 Overall, 18% of the stock is in Chester-le-Street, 39% in Derwentside and 43% in Sedgefield.
- 5.28 The modest level of office space in **Chester-le Street** has recently been expanded by two new developments: Gladman’s Lumley Court at Drum and the Bowes Offices at Lambton Park were both completed in the first quarter of 2008. The former is a typical Business Park, but the latter is a redevelopment of farm buildings in a parkland setting.
- 5.29 Within **Derwentside** over half (54%) of all office units are within the Consett sub-area; much of this is recent public sector provision in business park locations on the periphery of the town. By contrast, the stock of units in the Stanley area is much

smaller, though recent development at Greencroft has increased both the scale and quality of the stock.

5.30 In **Sedgefield** over half (54%) of office units are within the Newton Aycliffe sub-area. The Aycliffe Industrial Estate accommodates a sizeable stock of offices, whilst two new developments on recycled land at Heart of the Park complement existing provision. These are Evans' Business incubation Centre and Gladman's Parsons Court. At Sedgefield, NETPark is being developed in the landscaped grounds of a former hospital. As noted in more detail elsewhere in this Report, NETPark is specifically aimed at science, technology and engineering sectors. The development incorporates stand alone office buildings as well as managed office suites.

Table 23: Size of Office Units

| | SIZE (sq ft) | | | | | | Total |
|--------------------------|--------------|-------------|-------------|--------------|---------------|----------|------------|
| | < 1000 | 1000 - 2500 | 2500 - 5000 | 5000 - 10000 | 10000 - 20000 | > 20000 | |
| Chester le Street | 51 | 52 | 19 | 3 | 1 | 1 | 127 |
| Derwentside | 181 | 58 | 19 | 8 | 4 | 1 | 271 |
| Sedgefield | 172 | 81 | 32 | 12 | 4 | 1 | 302 |
| Total | 404 | 191 | 70 | 23 | 9 | 3 | 700 |

5.31 58% of offices in the Study Area are less than 1,000 sq ft in size and only 15% are larger than 2,500 sq ft. To an extent, this reflects the business incubation initiatives aimed at encouraging an enterprise culture. But it is also an indicator of the Study Area's role within the wider regional economy. It is not seen as a viable location for larger service sector employers, whose requirements in terms of both premises and labour pool are better met when located in the core of the North East's two City Regions.

Availability

5.32 CDDC collates data on available units across the County. As at March 2008 there were 154 available offices comprising 351,800 sq ft (32,683 sq m) of floorspace within the Study Area. This equates to an overall vacancy rate of 22%, which suggests that there is considerable oversupply. Adopting a typical plot ratio of 50% for established business parks this is the equivalent of an additional 6.5 hectares of employment land across the Study Area.

5.33 Table 24 compares availability and stock of units across different size bands. Oversupply is pronounced in all size bands between 1,000 and 10,000 sq ft, but most significant amongst units in the size bands 1,000-2,500 sq ft and 5,000-10,000 sq ft. The high level of development and the amount of space awaiting its first occupier will account for a proportion of this, but there are also increasing vacancies amongst second-hand space for which the market has become thinner.

Table 24: Vacancy Rates of Office Units

| | SIZE (sq ft) | | | | | | Total |
|--------------------------|--------------|-------------|-------------|--------------|---------------|---------|-------|
| | < 1000 | 1000 - 2500 | 2500 - 5000 | 5000 - 10000 | 10000 - 20000 | > 20000 | |
| Chester le Street | | | | | | | |
| Stock of Units | 51 | 52 | 19 | 3 | 1 | 1 | 127 |
| Vacant Units | 2 | 25 | 7 | 1 | 1 | 0 | 36 |
| Vacancy Rate (%) | 4 | 48 | 37 | 33 | 100 | 0 | 28 |
| Derwentside | | | | | | | |
| Stock of Units | 181 | 58 | 19 | 8 | 4 | 1 | 271 |
| Vacant Units | 35 | 3 | 3 | 1 | 1 | 2 | 45 |
| Vacancy Rate (%) | 19 | 5 | 16 | 13 | 25 | 0 | 17 |
| Sedgefield | | | | | | | |
| Stock of Units | 172 | 81 | 32 | 12 | 4 | 1 | 302 |
| Vacant Units | 35 | 25 | 7 | 6 | 0 | 0 | 73 |
| Vacancy Rate (%) | 20 | 31 | 22 | 50 | 0 | 0 | 24 |

5.34 Significant levels of new space have been provided in four recent developments:

- Gladman's Lumley Court at Drum, Chester-le-Street;
- Bowes at Lambton Park, Chester-le-Street;
- Gladman's Parsons Court at Aycliffe, Sedgefield; and
- Evans Business Incubation Centre at Aycliffe, Sedgefield.

5.35 These account for 31 units totalling 6,900 sq m in Chester-le-Street, and 52 units totalling 8,122 sq m in Sedgefield. If these recent developments are excluded from the analysis then vacancy rates in Chester-le-Street and Sedgefield fall to 5% and 8% respectively.

5.36 Derwentside has a high proportion of managed office space where units are typically let on easy-in easy-out terms. Sustainable maximum occupancy rates in such

centres are typically around 90%. In Derwentside the vacancy rate amongst units of less than 1000 sq ft is 19%, indicative of oversupply but here again some of the space is newly developed and so full occupancy would not be expected for a couple of years.

- 5.37 Overall therefore the high vacancy rates are not indicative of oversupply, but largely attributable to a bubble of recent development activity. The vacancy rates within these new schemes can be expected to fall to normal levels over the next 12 - 18 months.

Demand

- 5.38 Economic Research Services (ERS) monitored take-up of office property across the North East up until 31st March 2007. This was published quarterly as North East Property Data. These quarterly reports do not distinguish between the Local Authorities within County Durham and analysis is limited to office units in excess of 150 sq.m. The data is underpinned by the same methodology outlined in Paragraph 5.20 with respect to the monitoring of the take-up of industrial property.

Table 25: Take-Up of Office Premises in County Durham

| | 2002 | 2003 | 2004 | 2005 | 2006 | Average |
|---------------------------|---------|---------|---------|---------|---------|----------------|
| Units | 25 | 35 | 32 | 20 | 21 | 26.6 |
| Floorspace (sq ft) | 176,528 | 188,368 | 300,313 | 150,695 | 548,959 | 272,973 |

- 5.39 There is no obvious trend in the take-up of office units over this five year period. Take-up has averaged 27 units per annum equating to 272,973 sq ft (25,360 sq m). Comparing this with the stock of vacant office premises in excess of 150 sq m (ERS identified 65 units comprising 93,000 sq m as at 31st March 2007) there is around three years supply of premises. This suggests an element of oversupply across the County as a whole, which new development in the Study Area could exacerbate.

Values

- 5.40 Asking rents for high quality office accommodation in landscaped settings such as Lambton Park are now £15 per sq ft, and new business park accommodation with good access to the motorway are seeking rents of £11 - £13 per sq ft. At these levels of rent private sector speculative development is viable on greenfield sites, in good locations without public sector subsidy. However, abnormal costs of site preparation or infrastructure provision can easily tip the balance and make a project unviable.

5.41 In more peripheral locations, thinner demand leads to longer marketing periods and lower rents, both of which will undermine the viability of speculative development and justify public sector intervention. At Greencroft for instance, £9.75 per sq ft is being asked for new office accommodation, whilst second-hand offices in town centre locations can be rented for as little as £5 per sq ft. In such locations, viable development continues to rely on considerable investment by the public sector in site assembly, remediation and infrastructure provision, but even then the gap between construction costs and values is often too great for the private sector to viably develop without gap funding. Limitations on the amount of funding available to the private sector means that in many cases advance office provision is reliant on direct development by the public sector.

Summary

5.42 Private sector development of offices is viable only in certain locations. High quality landscaped environments in reasonable proximity to major centres of population - but more critically within easy reach of the A1(M) - can support viable speculative development; and if costs can be reduced through the re-use of existing buildings, profitability can be enhanced. Business park accommodation is viable where infrastructure has been provided to the edge of the site, but again proximity to the A1(M) is a critical factor.

5.43 Recent schemes have created an overhang of new space which could deter further development in the short term. These new schemes were commenced before the onset of the credit crunch, and whilst developers such as Gladman are not heavily reliant on credit, overall the nascent speculative office development market within the County's central corridor can be expected to stall until economic and property market conditions improve.

5.44 With grant funding being prioritised and specifically targeted into strategic development projects and investment in the core areas of the City Regions, it is now widely recognised that the necessary financial resources to subsidise general employment development in peripheral areas is unlikely to be available from the public purse. It follows that the regeneration of some brownfield land for economic development purposes will be entirely dependent upon the availability of cross-subsidies.

5.45 In locations outside County Durham's central corridor, opportunities to cross-subsidies to bring forward employment sites and premises should be actively

pursued. This changed approach to funding has a profound implication for the way in which sites are identified and brought forward for economic development. So much so that the draft Regional Spatial Strategy advises local authorities to review existing employment land use allocations and re-allocate sites if there is no reasonable prospect of development.

6.0 ASSESSMENT OF SUPPLY AND DEMAND FOR SITES

Introduction

- 6.1 This section assesses the quantity of available land within the Study Area that is allocated for future employment use in the relevant Local Plan, or has an extant planning consent for employment use. The current availability of land on each industrial estate, Business Park or other employment area has been identified by site inspections. Site areas have been determined by plotting boundaries on current detailed Ordnance Survey mapping. Definitions of terms used in this assessment are set out at Appendix A.
- 6.2 Derwentside District Council has identified four additional sites that are not allocated in the Adopted Local Plan. One of these sites has an extant planning consent for employment use. The remaining three sites are excluded from this initial assessment, but considered in our more detailed assessment of individual Local Authorities later in this section. The most recent draft of the RSS (February 2008) reinstates Heighington Lane West and NETPark Phase 2 as Key Employment Locations within Sedgefield, and these are included within the assessment.
- 6.3 Where sites appear to be held for expansion by a business in occupation of adjoining premises they are excluded on the grounds that they are not generally available for development.
- 6.4 During our site surveys we were prepared to classify major vacant premises that appeared to be time-expired and had become redundant, as available sites capable of redevelopment. In the event, no properties appeared to fit these criteria. However, two properties in Chester-le-Street were identified by the Steering Group which, though currently occupied, were about to become vacant and due to their size and obsolescence, would be extremely unlikely to be reoccupied. Consequently, whilst the bulk of existing employment stock (or vacant sites) in the Study area has not been appraised, an exception has been made for these two sites and they have been included in our qualitative assessment.
- 6.5 A list of sites within each local authority area is set out in the site matrices at Appendix E. These matrices record quantitative and qualitative data on available plots within each industrial estate. Where there are no available sites on an estate, the site assessment criteria represent the scoring of a hypothetical typical site on that estate.

Availability and Take Up

Forward Supply

- 6.6 Take-up of employment land is typically recorded on a plot by plot basis, which equates to a net developable area. To be consistent, availability should be measured on the same basis. So for some sites, gross to net adjustments are appropriate. We have considered each site and estimated the proportion of land likely to be lost to servicing and landscaping, having regard to typical gross-net ratios achieved on industrial estates and business parks elsewhere in the region. A guide to the adjustments appropriate in different circumstances is set out in Appendix B.
- 6.7 A summary of available land within each of the three Local Authorities is set out in Table 26.

Table 26: Summary of Available Employment Sites (January 2008)

| | Number of Available Sites | Gross Site Area (Hectares) | Net Site Area (Hectares) |
|--------------------------|----------------------------------|-----------------------------------|---------------------------------|
| Chester-le-Street | 14 | 27.77 | 25.88 |
| Derwentside | 40 | 112.85 | 100.40 |
| Sedgefield | 64 | 202.27 | 175.28 |

- 6.8 The gross area of available employment land in Derwentside and Sedgefield exceeds the figures set out in Policy 18 of the RSS; but as these figures are intended to ensure that oversupply is not exacerbated prior to the preparation of an Employment Land Review (see paragraph 2.20) this is somewhat academic.

Take Up

- 6.9 Due to the unreliability of using just one or two years' take-up as a proxy for long term average annual take-up, the actual long term take up has been identified by comparing historic ordnance survey mapping with current mapping to identify, on a plot by plot basis, the amount of land taken up for development on each industrial estate or business park. This has been supplemented by site inspections recording where new development is occurring or has occurred in the recent past. Site areas have been determined by plotting boundaries on current detailed Ordnance Survey mapping. As historically Ordnance Survey mapping has been carried out at different

times in different locations, long term take-up has been recorded over periods ranging from 20 to 27 years.

- 6.10 A summary of employment land take-up within each of the three Local Authorities is set out in Table 27. A list of sites within each local authority area is set out in Appendix E.

Table 27: Summary of Employment Land Take-up over the Long Term

| | Take-up (Hectares) | Period measured (Years) | Average Take-up (Hectares p.a.) |
|--------------------------|--------------------|-------------------------|---------------------------------|
| Chester-le-Street | 27.56 | 20 | 1.38 |
| Derwentside | 56.58 | 20 | 2.83 |
| Sedgefield | 117.01 | 24 - 27 * | 4.77 |

* Within Sedgefield historic mapping has occurred at different times in different parts of the Borough.

- 6.11 Comparing the net available site area within each Local Authority with historic annual take-up provides an estimate of the period of years that the supply will last. This is summarised in Table 28.

Table 28: Implied Supply of Employment Land

| | Net Site Area (Hectares) | Average Take-up (Hectares p.a.) | Implied Supply (Years) |
|--------------------------|--------------------------|---------------------------------|------------------------|
| Chester-le-Street | 25.88 | 1.38 | 19 |
| Derwentside | 100.40 | 2.83 | 35 |
| Sedgefield | 175.28 | 4.77 | 37 |

- 6.12 Against the RSS recommendation of a 25-year supply there are significant oversupplies of employment land within Derwentside and Sedgefield and a shortfall in Chester-le-Street.

Site Assessments, by Local Authority

Chester-le-Street

- 6.13 As at January 2008 there were **14 sites** available for employment use, with an estimated total net area comprising some **25.88** hectares. A further six employment areas - Vigo Lane, Birtley; Station Approach/Turnpark, Chester-le-Street; Front Street, Stella Gill; the Co-operative Workshops, Sacriston; Kimblesworth Colliery Yard

and Bowes Offices, Lambton Park have no land currently available for employment use.

- 6.14 The largest of the available sites is the undeveloped Plot 2 at Drum Park which comprises 7.42 hectares. Drum Park is being developed for warehousing by Evander Properties. A 270,000 sq ft warehouse is proposed on Plot 2; this is a bespoke unit that has been pre-let to The Co-operative. Thus in the immediate future additional take-up of 7.42 hectares will occur. The effect will be to reduce availability to **18.46** hectares, and increase average take-up to 1.75 hectares per annum. This would have a major impact on implied supply which would fall from **19 to 11 years**, significantly aggravating the shortfall in employment land supply.

Table 29: Anticipated Supply and Take-up in Chester-le-Street

| Sub-Area | Available (Hectares) | Take-up (Hectares p.a.) | Implied Supply (Years) |
|--------------------------|----------------------|-------------------------|------------------------|
| Chester-le-Street | 18.46 | 1.75 | 11 |

- 6.15 Drum is the predominant industrial estate within the District. 95% of the employment land take-up since 1987 has been on this one estate. Of this take-up at Drum, an estimated 66% has taken place since the start of the decade. This increasing rate of take-up reflects sub-regional as well as local property market forces. The Washington industrial estates, which for many years have provided serviced plots with easy access to the A1(M) and the Tyne & Wear conurbation, are reaching capacity. At the same time, the provision of infrastructure at greenfield sites at Drum has provided a supply of viable development opportunities for the private sector.
- 6.16 Drum is now reaching capacity. On the basis of take-up rates since the start of the decade, available land here is equivalent to two years supply.
- 6.17 To maintain current levels of activity within the District, new serviced industrial land in close proximity to the A1(M) would need to be allocated. Options identified during the Visioning Workshop included further extensions to Drum, either to the north or to the south (on land on the opposite side of the A693). Both of these would result in the loss of Green Belt. Brownfield sites that may come forward for redevelopment include the BOC site at Vigo Lane, Birtley, and the coach depot on the edge of Chester-le-Street Town Centre. Furthermore, office provision is proposed as part of the Town Centre regeneration strategy. Within the District's other settlements,

demand is weak and current allocations are sufficient to accommodate local requirements.

- 6.18 Over 90% of take-up has been for the development of warehousing and industrial units. To some extent, the use of such units is interchangeable, but the design and scale of modern high specification warehousing limits its use for general industrial purposes. At Drum Park, purpose built distribution warehousing is being developed with high eaves and dock level loading. It is estimated that within the District: 46% of employment land take-up has been for warehousing; 48% for industrial; and just 6% has been for offices. Three-quarters of the land taken for warehousing and all of the land taken for office development has occurred in the last two years.
- 6.19 The choice of new allocations will determine the type of development and the rate of future take-up. Provision of sites in close proximity to a motorway junction and of sufficient size to accommodate distribution sheds will stimulate high levels of take-up for this use, whereas provision of smaller serviced plots that are easily accessible and situated in locations of high environmental quality will stimulate office development.

Derwentside

- 6.20 As at January 2008 there were **40 plots** available which comprised an estimated net area of **100.40** hectares. Sixteen of the employment areas have no land currently available for employment use.
- 6.21 The Project Genesis site at Berry Edge is a major employment land allocation on the southern edge of Consett town centre with an estimated net developable area of 34.20 hectares. It has recently received planning consent for mixed-use comprising residential, retail and a sports village. Its future availability for employment use now seems unlikely. The availability of employment land would reduce from **100.40** hectares net to **66.20** hectares with the reallocation of the Berry Edge site. The impact would be to reduce the implied supply from **35 to 23 years**.
- 6.22 Derwentside Council have provided take-up data for the eight year period April 2000 to March 2008. This has been cross-checked and compared with the 20-year figure derived from Ordnance Survey mapping. The short term average of 2.75 hectares per annum broadly correlates with the long term average of 2.83 hectares per annum, and shows that take-up is continuing at its long term rate.

6.23 As part of this study Derwentside District Council has identified in its mapping data a further three sites with an estimated net area of **12.29 hectares**. These do not presently have an employment commitment and are not allocated as employment land in the Adopted Local Plan. They are:

- Tanfield Lea North Extension 6.89 hectares net (7.65 gross)
- Tanfield Lea South Extension 3.08 hectares net (3.62 gross)
- Langley Park North Extension 2.32 hectares net (2.44 gross)

6.24 The allocation of these three sites proposed by the Council would increase the supply to 78.49 hectares or 28 years worth.

6.25 The distribution of the supply and take-up of employment land within the District is set out in the following table.

Table 30: Distribution of Supply and Take-up in Derwentside

| Sub-Area | Available (Hectares) | Take-up (Hectares p.a.) | Implied Supply (Years) |
|--|----------------------|-------------------------|------------------------|
| Consett, Leadgate & Blackhill | 67.30 | 1.00 | 67 |
| Stanley & Annfield Plain | 25.13 | 1.06 | 32 |
| Other Settlements | 7.97 | 0.78 | 10 |
| DERWENTSIDE TOTAL | 100.40 | 2.83 | 35 |

6.26 Oversupply is most pronounced in Consett. The reallocation of Berry Edge for mixed-use would reduce the supply in this location to the equivalent of 33 years. However, there is an argument for ensuring that the mix of uses at Berry Edge should retain an employment component to enable the Ponds Court office development to establish a greater critical mass. As the major centre of population within the District, a higher proportion of allocated employment land can be justified in Consett, although there is scope for further de-allocations in this sub-area.

6.27 The distribution of sites would be better aligned to historic take-up if the Council’s proposed allocations were adopted.

6.28 70% of take-up within the District has been for industrial and warehouse development and 14% for offices. The remaining 16% of take-up is accounted for by miscellaneous uses, principally involving external storage. Advance office provision in the District is reliant on the public sector, as values are insufficient to provide private sector developers with an adequate return for their risk.

Sedgefield

- 6.29 As at January 2008, **64** sites were available, comprising an estimated net area of **175.28** hectares. We include in our assessment both Heighington Lane West and NETPark Phase 2, which have been reinstated as Key Employment Locations in the most recent draft of the RSS (February 2008). Eight of the employment areas have no land currently available for employment use. Within this Borough, there is a relatively high level of land held for expansion; this has been excluded from our calculations of both availability and take-up.
- 6.30 In the foreseeable future, it is considered that major increases in the amount of available land will result from the closure of some of the Borough's largest manufacturing complexes, which will bring forward allocated employment land for redevelopment. These sites comprise both brownfield land and greenfield expansion sites. Examples include:
- Black & Decker, Green Lane, Spennymoor: 21 hectares;
 - Thorn Lighting, Merrington Lane, Spennymoor 16 hectares
 - Electrolux and Carrisbrooke, Merrington Lane 26 hectares;
- 6.31 At Newton Aycliffe the future of the Filtronic wafer fabrication facility at Heighington Lane has been secured by its purchase as a going concern by RFMD in March 2008. A large area of the expansion land at the facility is surplus to the company's requirements and is included in our schedule of available employment land, leaving 20 hectares within the company's occupation.
- 6.32 With the exception of Black & Decker's expansion land (5.94 ha), which is now self evidently surplus to the company's requirements, the sites at Spennymoor are excluded from our calculations of current availability. However entries are provided within the matrix at Appendix E, with gross site areas provided for information only.
- 6.33 Together, these Spennymoor sites could provide 63 hectares of additional employment land. In reality the redevelopment of some of these sites is more likely to be for mixed use, the employment component of which could be modest. There are also other sites in the Borough where mixed-use is being propounded, but all are at an early stage and masterplans that might identify the proposed extent of the employment component within the mix of uses are not available.

6.34 The distribution of the supply and take-up of employment land within the Borough is set out in the following table.

Table 31: Distribution of Supply and Take-up in Sedgfield

| Sub-Area | Available (Hectares) | Take-up (Hectares p.a.) | Implied Supply (Years) |
|---|----------------------|-------------------------|------------------------|
| Newton Aycliffe | 84.70 | 2.58 | 33 |
| Shildon | 30.14 | 0.44 | 69 |
| Spennymoor | 16.41 | 0.71 | 23 |
| Ferryhill, Chilton & Cornforth | 23.30 | 0.69 | 34 |
| Sedgfield, Fishburn & Trimdon | 20.73 | 0.32 | 65 |
| SEDGFIELD TOTAL | 175.28 | 4.77 | 37 |

6.35 The industrial estates at **Newton Aycliffe** are of regional importance and provide land in close proximity to Junction 59 of the A1 (M). At Heighington Lane West 68 hectares of land that was reserved for major inward investment is now identified in the emerging RSS as a Key Employment Location for distribution and logistics¹² and has an extant planning consent for this use. Despite the scale of this site, the level of oversupply at Newton Aycliffe is more modest than in some other parts of the Borough and a case can be made for retaining land here as the purpose of allocating Key Employment Locations is to provide for growth sectors in the economy. Thus take-up here can be expected to improve. Moreover, the identification of Heighington Lane West for logistics and distribution will promote the take-up of large sites and this too can be expected to increase the annual average consumption of employment land.

6.36 At **Shildon**, there is significant scope either through redevelopment for other uses or de-allocation reductions in supply; the Durham Growth Point Bid proposes a ten hectare extension to South Church Enterprise Park at Bishop Auckland, however, this has not been included when considering the availability of employment land in Sedgfield. Topography constraints mean that such an extension would be on land within Sedgfield Borough rather than Wear Valley, and would exacerbate the level of oversupply within the Bishop Auckland / Shildon area. On the basis of current long-term take-up rates, a 25-year supply could be provided with just 11 hectares - around a third of what is currently available, indicating a substantial over-supply.

6.37 Within **Spennymoor** the calculation of implied supply is distorted by the ongoing relocation of Thorn. Its newly developed premises on Green Lane Industrial Estate

¹² Heighington Lane West straddles the boundary of Sedgfield and Darlington. We estimate the net area of the Sedgfield part to be 40 hectares.

are counted within take-up, although their existing factory complex at Merrington Lane has not yet become available for redevelopment. When the relocation is complete Thorn will retain a distribution warehouse at Merrington, but the remainder of the site has been granted outline planning consent for residential development. Furthermore, Electrolux has announced that it is closing its factory at Merrington Lane in March 2009; and Black & Decker which was employing 2,300 people at its Green Lane factory in 2000, announced another round of job losses in January 2008 reducing its staff to just 150. Mixed use proposals are being drawn up for both the Black & Decker and Electrolux sites, as well as land owned by Carrisbrooke at Merrington Lane.

6.38 The table below summarises land available for development at Spennymoor as at January 2008 and land expected to come available in the foreseeable future.

Table 32: Land available for development at Spennymoor (Jan 08)

| Estate | Net Area (ha) | Comments |
|--|----------------------|--|
| Available as at January 2008 | | |
| Green Lane | 14.28 | Includes Black & Decker Expansion Land (5.94 ha) |
| Merrington Lane | 0.73 | Two small sites at Coulson Street |
| Wesleyan Road | 1.4 | |
| Total | 16.41 | |
| To become available in foreseeable future | | |
| Black & Decker, Green Lane | 15.55 | Mixed-use scheme with employment component proposed |
| Thorn, Merrington Lane | 16.5 | Residential consent. Distribution Centre on 2.72 ha to be retained |
| Electrolux, Merrington Lane | 18.11 | Mixed-use scheme being considered |
| Carrisbrooke, Merrington Lane | 7.88 | Mixed-use scheme being considered |
| Total | 58.04 | |

6.39 For the purpose of this Study it is assumed that at Merrington Lane the mixed use redevelopment will incorporate a notional 3 hectares of employment land to accompany the retained Thorn distribution centre. At Black & Decker, an assumption has been made that the employment component will approximate to the size of the company's current surplus expansion land.

6.40 Within the **Ferryhill, Chilton & Cornforth** sub-area the level of supply is 34 years. The revision to the alignment of the Chilton Bypass has meant that access to the western part of the Chilton Prestige Site, as identified in the Adopted Local Plan, is restricted, and a non-employment use is proposed. This reduces implied supply to

around 28 years. A proposal for mixed use development on the eastern part of the Chilton Prestige site would reduce the level of supply in the sub-area to below the RSS 25 year yardstick.

- 6.41 Within the **Sedgefield** sub-area, the allocation of NETPark and the reinstatement of Phase 2 creates a considerable over-supply, based on long-term take-up rates. However, NETPark is a Key Employment Location that will be an important economic driver at a regional level. As it establishes critical mass, take-up rates in the sub-area, which are already showing signs of growth, can be expected to further improve. Having regard to current oversupply in the Borough as a whole and in this sub-area in particular it would be prudent to classify Phase 2 of NETPark as a reserved site that would only be brought forward once Phase 1 is nearing completion.

External Impacts on Employment Land Markets

- 6.42 The scale of demand for employment land is affected by various factors including the viability of development, business confidence, economic trends and fiscal policy.
- 6.43 This Employment Land Review is being prepared at a point in the economic cycle where after a sustained period of economic growth the outlook is much less certain. Property investment yields are increasing, capital values are declining, and development funding is both more expensive and more difficult to come by. At the same time demand is weakening as businesses become more cautious and marketing periods are extended. All these factors impact on the viability of development, and will significantly reduce the level of private sector speculative development for the foreseeable future.
- 6.44 Within County Durham such private sector development has, even at times when the national economy is strong, only been viable in the central corridor where there is easy access to the A1(M) or within the now expired East Durham Enterprise Zone. Development of employment premises in more peripheral areas is reliant on direct provision by the public sector or bespoke premises for identified end users.
- 6.45 Our analysis adopts long term take-up rates that ensure that the impact of economic cycles is evened out. In the case of Derwentside these have been compared with recent short-term rates, but there is little difference between the two rates.
- 6.46 The speculative development of employment premises will be further hit by the changes to Empty Property Rates Relief that took effect on 1st April 2008. Under the

new rules full business rates will be payable on industrial properties 6 months after they become vacant, whereas previously they were entitled to 100% relief; and rates will be payable on office properties 3 months after becoming vacant, whereas previously they were entitled to 50% relief. For developers of employment premises the costs of development will increase, and the viability worsen. The impact will be compounded by the weaker property market and longer marketing periods. The effect on the market for employment land in the Study Area will be that it more difficult for the private sector to develop outside Durham's central corridor and in the current poor market conditions it will also be difficult to viably develop within this corridor. In the longer term, as the property market improves developers will cautiously return to the market but, other things being equal, the level of development can be expected to be lower.

- 6.47 Landlord's conscious of empty property rates liability will be keen to reduce vacancies. Tools at their disposal include inducements to tenants or reductions in asking rents. The latter will directly impact on the overall value of the investment portfolio so is likely to be a last resort. Where industrial properties are nearing the end of their useful economic life, the change in the rates relief is expected to result in a more proactive approach to their redevelopment.

Summary

Chester-le-Street District:

- The District presently contains **14** available employment sites comprising a net available area of **25.88** hectares. This would equate to an implied supply, based on past take up rates, of **19 years**, below the 25 year RSS level of provision.
- The largest site in the District, at Drum Park, is anticipated to be built out shortly. This would further reduce the forward supply of employment land to **18.46** hectares, enough to last for around 11 years based on past take up rates.
- To maintain current levels of activity within the District, new serviced land in **close proximity to the A1(M)** is required. **Further expansion of Drum** should also be considered. Both options would require the release of greenbelt land.

Derwentside District

- The District presently contains **40** available employment sites comprising a net available area of **100.40** hectares. This would equate to an implied supply, based on past take up rates, of **35 years**, well above the 25 year RSS level of provision.
- The largest employment land allocation in the District, at **Berry Edge**, has recently received planning consent for mixed use, and its future availability for employment use seems unlikely. This would reduce the forward supply of land by **34.2** hectares.
- **Three potential employment sites** with no current planning commitment were identified by the LPA. If these sites were to be allocated, they would increase the forward supply of land by 12.29 hectares. Allowing for the loss of Berry Edge, this would increase the total supply of land to **78.49** hectares, enough to last **28 years**.
- Oversupply of sites is most pronounced in **Consett**, although the de-allocation of Berry Edge would help to redress this imbalance.

Sedgefield Borough

- The Borough presently contains **64** available employment sites comprising a net available area of **175.28** hectares. This would equate to an implied supply, based on past take up rates, of **37 years**, considerably above the 25 year RSS level of provision.
- The situation in Sedgefield is relatively fluid, as a number of sites (excluded from the calculations) are retained for future expansion, whilst the **imminent closure** of a number of the Borough's largest manufacturing complexes could release substantial new sites for development.
- **Levels of over-supply** are most pronounced in **Shildon, Spennymoor and Sedgefield**. Both Shildon and Spennymoor would benefit from further de-allocations of land, whilst within the Sedgefield sub-area, the presence of NETPark (a regional economic driver) distorts the figures. It would be prudent to classify Phase 2 of NETPark as a reserve site to come forward only once Phase 1 is nearing completion.

7.0 STAKEHOLDER CONSULTATION

Introduction

7.1 Consultation with stakeholders is essential to ensure that employment land projections and allocations meet the needs and aspirations of the three Local Authorities. Consequently, stakeholder engagement and consultation formed an integral part of the Employment Land Review throughout the project. Face to face meetings and telephone discussions were organised with 12 key stakeholders, whilst a stakeholder workshop was conducted with attendance from a variety of stakeholders including public sector bodies, potential investors and businesses. A Business Survey was also sent out to 600 local businesses to elicit property and land requirements. A summary of all three consultation process is presented in the sections below.

Stakeholder Consultation

Introduction

7.2 Consultations were held with a range of key stakeholders to help inform the development of the employment land review. NLP attended face to face meetings with representatives of ONE, Durham County Council, County Durham Economic Partnership and County Durham Development Company and undertook telephone discussions with the following organisations:

- North East Chamber of Commerce;
- Business Link;
- Learning and Skills Council;
- Chester-le-Street Enterprise Agency;
- Derwentside Industrial Development Agency;
- Sedgefield and Shildon Development Agency;
- Derwentside Engineering Forum;
- Sedgefield Engineering Forum.

7.3 These consultations were used to discuss the current and future role of the Study Area within the regional and sub-regional economy and the existing opportunities and constraints of each Local Authority as a business location. The findings of this process are summarised below.

Summary Findings

7.4 Issues raised and views expressed through the stakeholder consultations are as follows:

- **Changing economic structure:** traditional manufacturing, which has played a key role in the economy of County Durham historically is in decline. However, high value, niche manufacturing presents an opportunity for future growth in Derwentside and Sedgefield in particular. Knowledge-based industries and high quality office jobs should also be developed to diversify the Study Area's economy
- **Indigenous growth:** is anticipated to be a key driver of future economic growth, in part because a number of remote employers have left County Durham in recent years. It is therefore important to ensure that the requisite premises and support infrastructure are in place to enable local firms to start-up and develop
- **Funding priorities:** ONE intend to concentrate their support through public sector funding on a smaller number of larger, strategic sites to maximise the impact of future intervention. Much of this will be focussed within the City Regions. However, it is anticipated that NETPark, Aycliffe Industrial Estate, Tanfield Lea and Salter's Lane will continue to be eligible for funding support from the RDA
- **Spatial priorities:** the key areas for future development within County are Durham are the A1 and A19 corridors

7.5 In addition, a number of Local Authority-specific issues were also highlighted via stakeholder consultations. These are summarised below.

7.6 **Chester-le-Street** benefits from a generally pleasant environment, as well as close proximity to Tyne and Wear and excellent access to the major regional economic centres of Tyne and Wear, Tees Valley and Durham City. As a result it is a highly desirable location for people wishing to work from home. Most non-retail business start-ups in the District are home-based enterprises including consultants, IT specialists and skilled trades.

- 7.7 There is a demand within the District for small office premises with good access. This is being driven primarily by business start-ups and the expansion of home-based enterprises and the need is not being met at present.
- 7.8 Drum is the District's key employment location, in recent years it has been increasingly successful.
- 7.9 **Derwentside** also benefits from a high quality environment, as well as a comprehensive business support network. A key component of this is the Local Authority, who have been successful at developing managed workspace units and encouraging business start-ups and growth. However, there is a shortage of move-on accommodation for businesses to relocate to as they expand.
- 7.10 The manufacturing and engineering sector is likely to continue to play a key role in the economic future of the District. Many local businesses have streamlined their operations to focus upon value adding processes and there are a number of market leaders in niche markets located in Derwentside. However, there are some skills shortages that must be addressed to maximise the potential of the industry, particularly with respect to technical skills, crafts and middle managers
- 7.11 Key employment locations within the District are Tanfield Lea, Number One Industrial Estate and Derwentside Business Park. A key issue for the District is its remoteness from the strategic road and rail network.
- 7.12 **Sedgefield** benefits from excellent access to the City Regions and Durham City and a strong business support network. NETPark and Aycliffe Industrial Estate are anticipated to be the key drivers of future economic growth and both have a role to play in the wider sub-region. Aycliffe Industrial Estate and Heighington Lane are understood to be attracting logistics and distribution operators because of their proximity to the A1(M) and can form a clustering of logistics activity in the area given their proximity to Faverdale in Darlington.
- 7.13 High value manufacturing is also expected to play a significant role in the economic future of the Borough. As with Derwentside a number of local firms have streamlined their operations and are well positioned to prosper in future. However, there are skills shortages that need to be addressed.

Business Survey

Introduction

7.14 To help determine the property and land requirements of the local business community, a postal survey of businesses located in the three Local Authorities was undertaken by NLP in January 2008. Business databases maintained by the Councils were used to provide contact details. The information within the databases was then sorted to ensure that the survey sample included a range of industrial sectors and incorporated all of the main employment locations in the Study Area.

7.15 The survey was used to examine a range of issues as outlined below:

- business background - activity, size and location;
- current premises - type, size and occupation;
- future growth - drivers of future growth and anticipated land and premises requirements; and
- the Study Area - benefits, constraints and levels of satisfaction.

7.16 A full copy of the survey is attached at Appendix D.

Summary of Respondents

7.17 The postal survey was sent out to a sample of 600 businesses identified using the process outlined above. NLP received 84 completed surveys, representing a response rate of 14%, which is not untypical of postal surveys of businesses. The responses were distributed by Local Authority as follows:

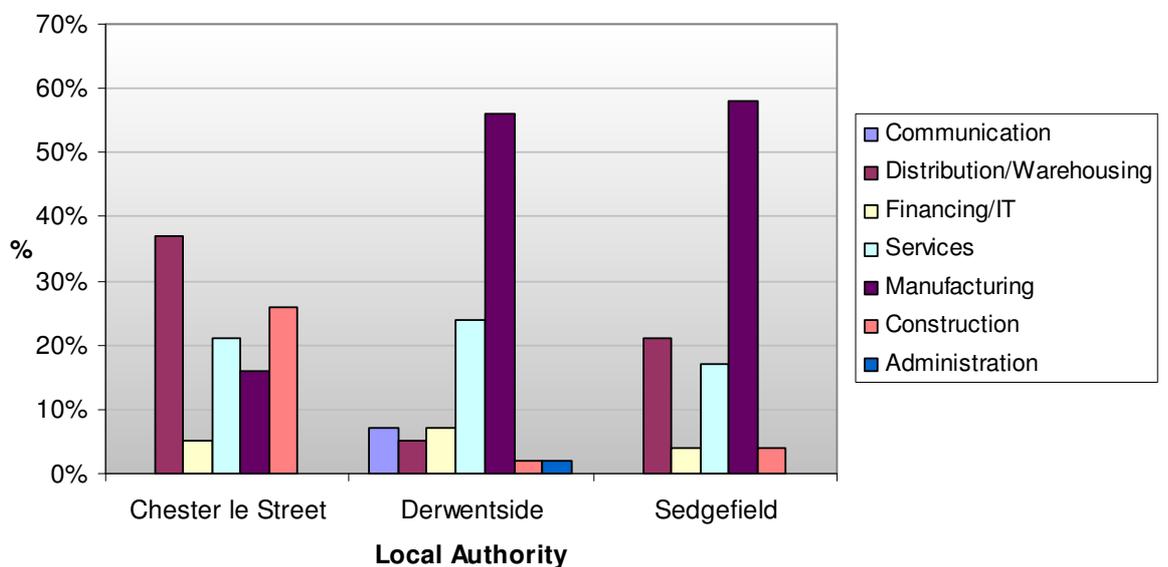
- Chester-le-Street: 19 completed surveys;
- Derwentside: 41 completed surveys; and
- Sedgefield: 24 completed surveys.

Business Background

7.18 Figure 6 presents the key business function of respondents and clearly illustrates that:

- The majority of respondents in Derwentside (56%) and Sedgefield (58%) classified themselves as a manufacturing firm. The sector accounted for far fewer responses (16%) in Chester-le-Street;
- Distribution and Warehousing was the most prominent sector amongst respondents from Chester-le-Street (37%); and
- Financing and IT accounted for a small proportion of respondents throughout the Study Area.

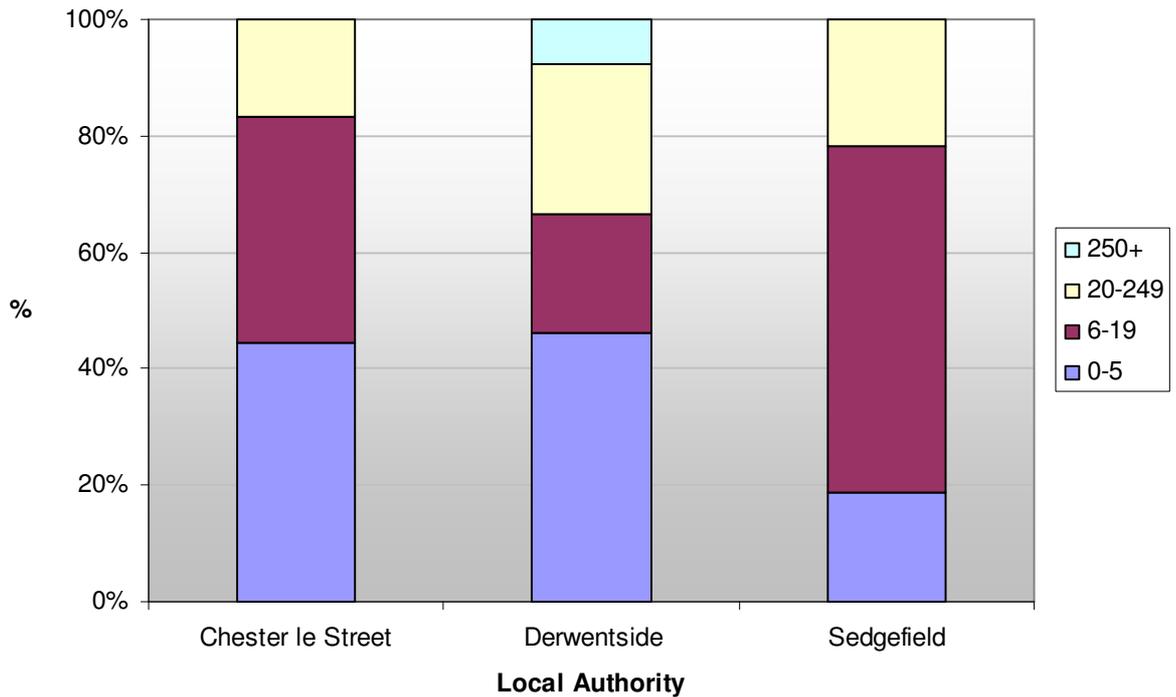
Figure 6: Respondents by Industry



7.19 Based solely on the survey returns data, it appears that the majority of businesses in the Study Area are small, with fewer than 20 employees. As shown in Figure 7 the proportion is highest in Chester-le-Street (83%) and Sedgefield (78%). The corresponding figure for Derwentside is 67%. It can also be seen from the graph that fewer respondents in Sedgefield (19%) could be categorised as micro-businesses¹³ compared to Chester-le-Street and Derwentside (44% and 46% respectively).

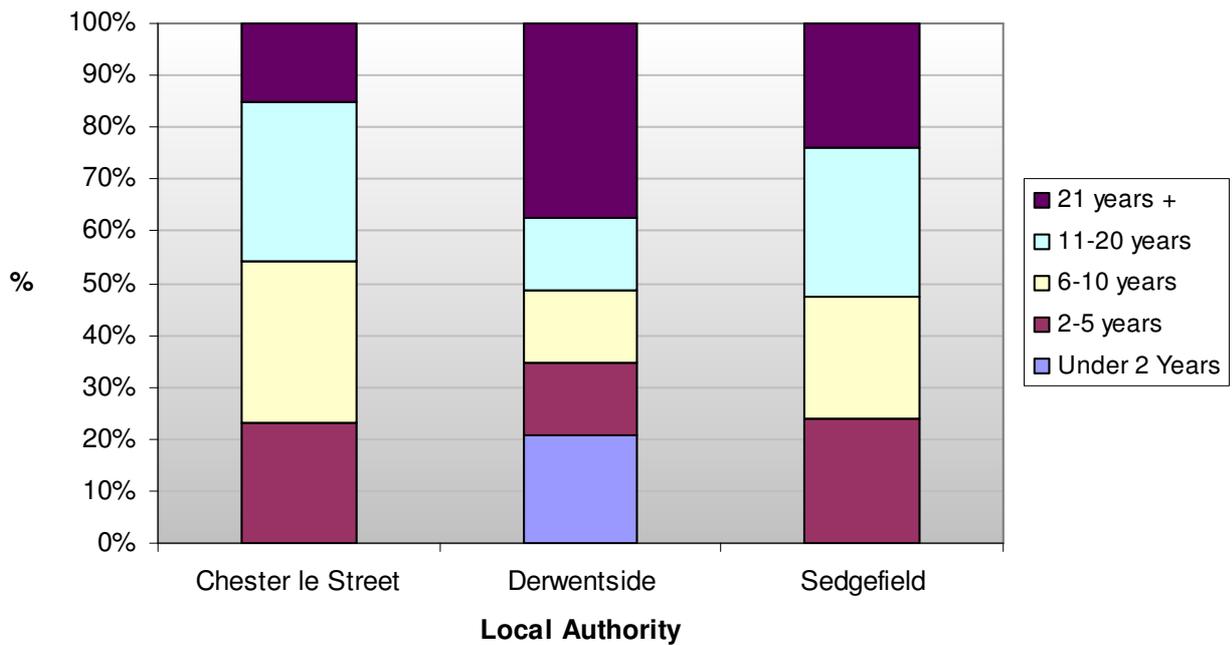
¹³ Micro-businesses are defined as having 5 employees or less

Figure 7: Number of Employees



7.20 A high proportion of businesses surveyed have been located within their Local Authority for a long time, as demonstrated by Figure 8. 46% of all respondents in Chester-le-Street have been there for over 10 years and more than half of all respondents in Sedgefield (53%) and Derwentside (52%).

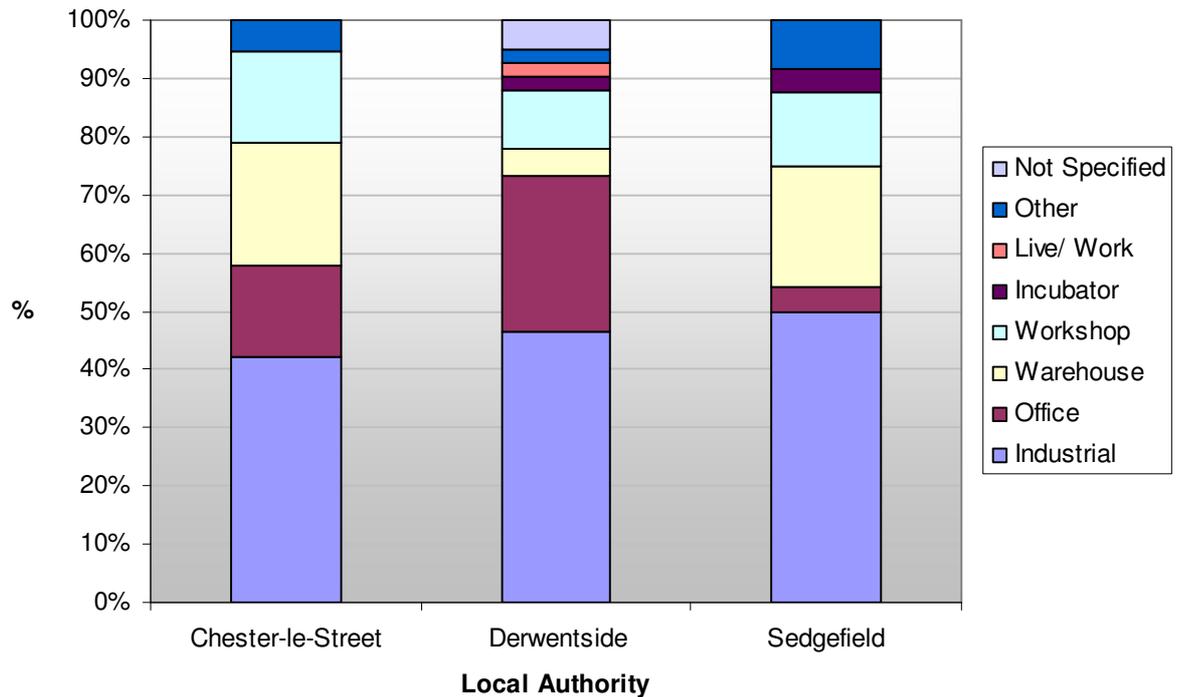
Figure 8: Length of Time in Local Authority



Current Premises

- 7.21 The survey indicated that, for all three Authorities, just over half of all respondents had relocated to their current premises. However, the proportion of those businesses that had moved from elsewhere in the Local Authority varied considerably from 85% in Sedgefield, 64% in Derwentside, and 50% in Chester-le-Street.
- 7.22 The most significant source of relocations to Derwentside were Gateshead and Chester-le-Street, illustrating the area's interdependence with the Tyne and Wear conurbation and County Durham. Similarly, the majority of respondents that have relocated to Chester-le-Street had previously been located in Sunderland or Derwentside.
- 7.23 Businesses participating in the survey were asked to classify their current premises, with the results summarised in Figure 9. This clearly demonstrates that:
- Over three quarters of respondents in each Local Authority occupy B-use class premises (office, industrial or warehouse);
 - 50% of respondents in Sedgefield classified their premises as industrial. The corresponding figures for Derwentside and Chester-le-Street were 46% and 42% respectively;
 - Very few respondents in Derwentside (5%) classified their premises as warehousing, compared to Chester-le Street (21%) and Sedgefield (21%). This perhaps reflects the better road and rail links of the two latter authorities, making them more suitable for distribution operations;
 - Over one quarter of respondents in Derwentside (27%) occupy office premises. This is significantly higher than the figures recorded for Chester-le-Street (16%) and Sedgefield (5%).

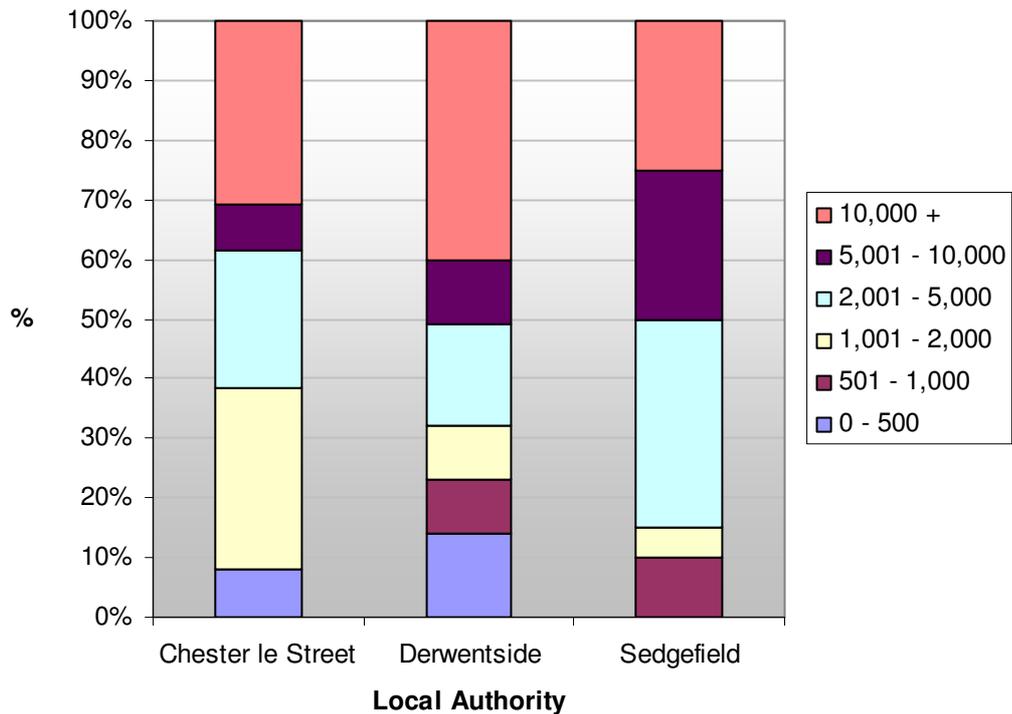
Figure 9: Current Premises



7.24 Figure 10 sets out the size of premises currently occupied by respondents. This highlights that:

- A significant proportion of businesses in all three local authorities occupy large premises. 39% of respondents in Chester-le-Street, 50% in Sedgefield and 51% in Derwentside are currently in units of over 5,000sq.ft.
- Based upon the NLP sample, Derwentside appears to have a greater provision of smaller business premises, with 23% of respondents occupying units of less than 1,000 sq.ft. The corresponding figures for Chester-le-Street and Derwentside are much lower at 8% and 10% respectively

Figure 10: Size of Premises (sqft)



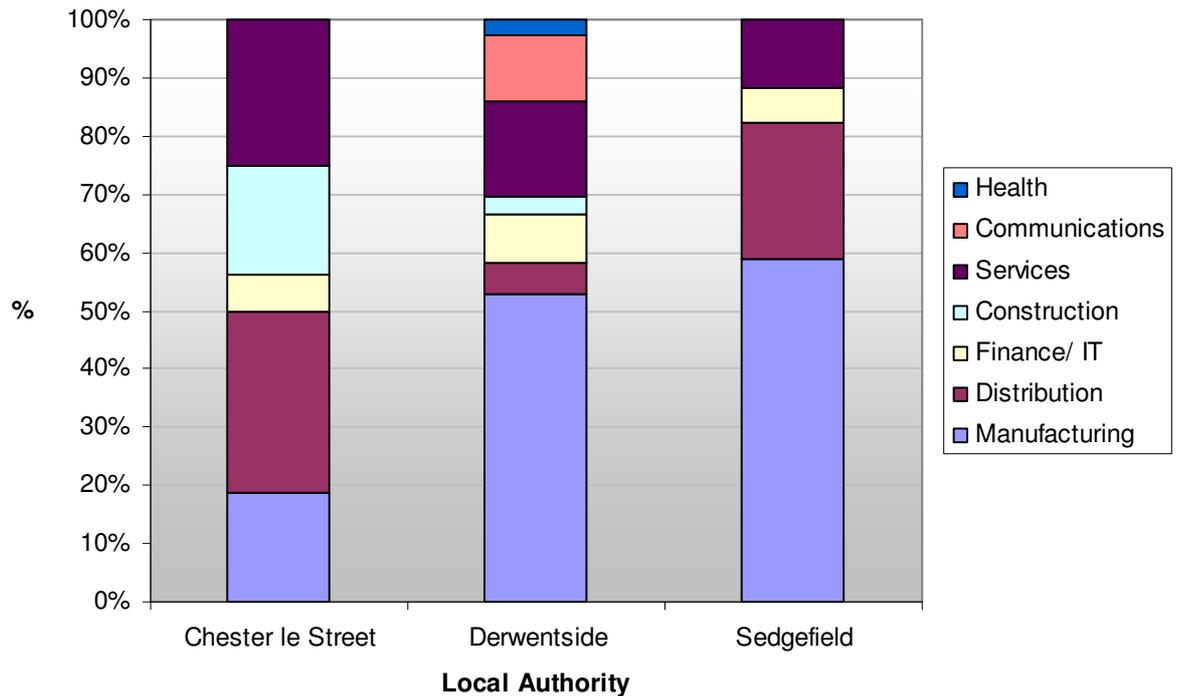
Future Premises

7.25 To help inform the Employment Land Review, the business survey also included questions relating to the growth prospects and future land requirements of respondents. A very high proportion stated that they expect their business to grow over the next 10 to 15 years, equal to 94% in Chester-le-Street; 88% in Derwentside; and 74% in Sedgefield.

7.26 Figure 11 examines the distribution by industry of those businesses anticipating growth. It can clearly be seen that more than half of all businesses expecting growth in Derwentside (53%) and Sedgefield (59%) cite their core function as manufacturing, whereas the figure is considerably lower for Chester-le-Street (19%).

7.27 Within Chester-le-Street, almost one third of all respondents with positive growth expectations classify themselves as distribution companies. This sector also accounts for 24% of those businesses in Sedgefield anticipating future growth.

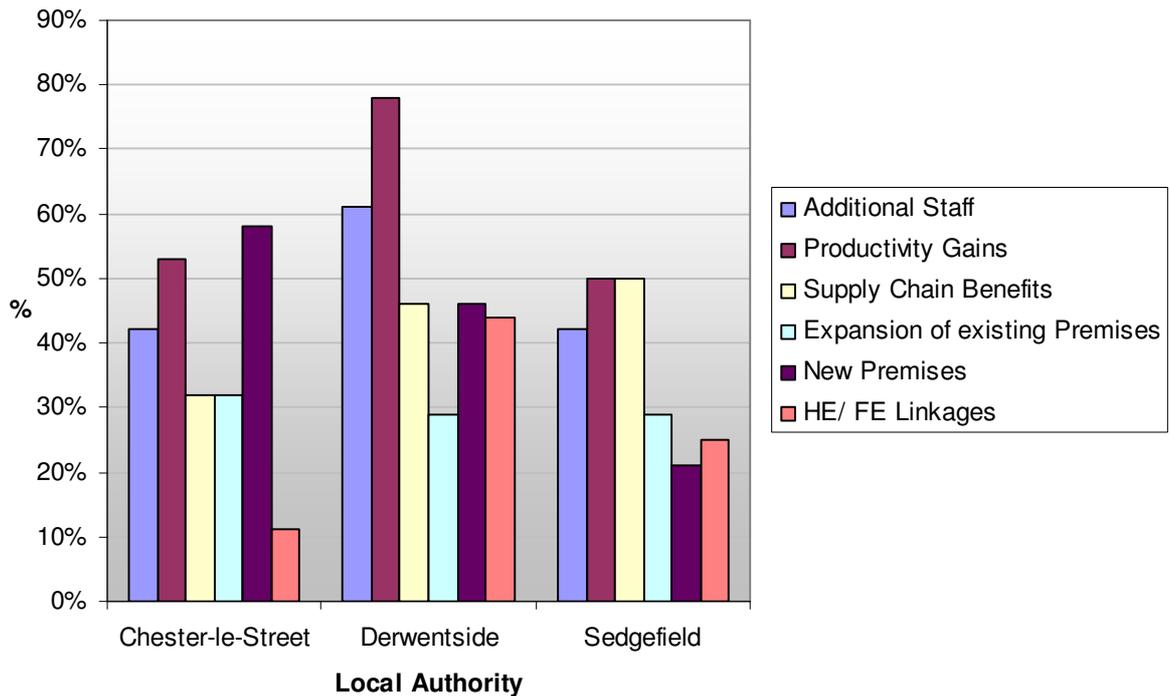
Figure 11: Anticipated Growth by Industry



7.28 Figure 12 shows that the majority of respondents in Derwentside (78%) and Chester-le-Street (53%) expect the future growth of their business to be driven by productivity improvements. In Sedgefield, productivity gains and supply chain benefits arising from greater utilisation of local firms are forecast to be the main drivers of growth.

7.29 It should also be noted that within Derwentside, a far greater proportion of respondents expect new/enhanced linkages with colleges and universities to be a driver of growth (44%). It is likely that this is in part as a result of initiatives being implemented by Derwentside Engineering Forum to improve collaborative working between Derwentside College, Durham University and the local business community. This is discussed in more detail later in this document.

Figure 12: Future Growth



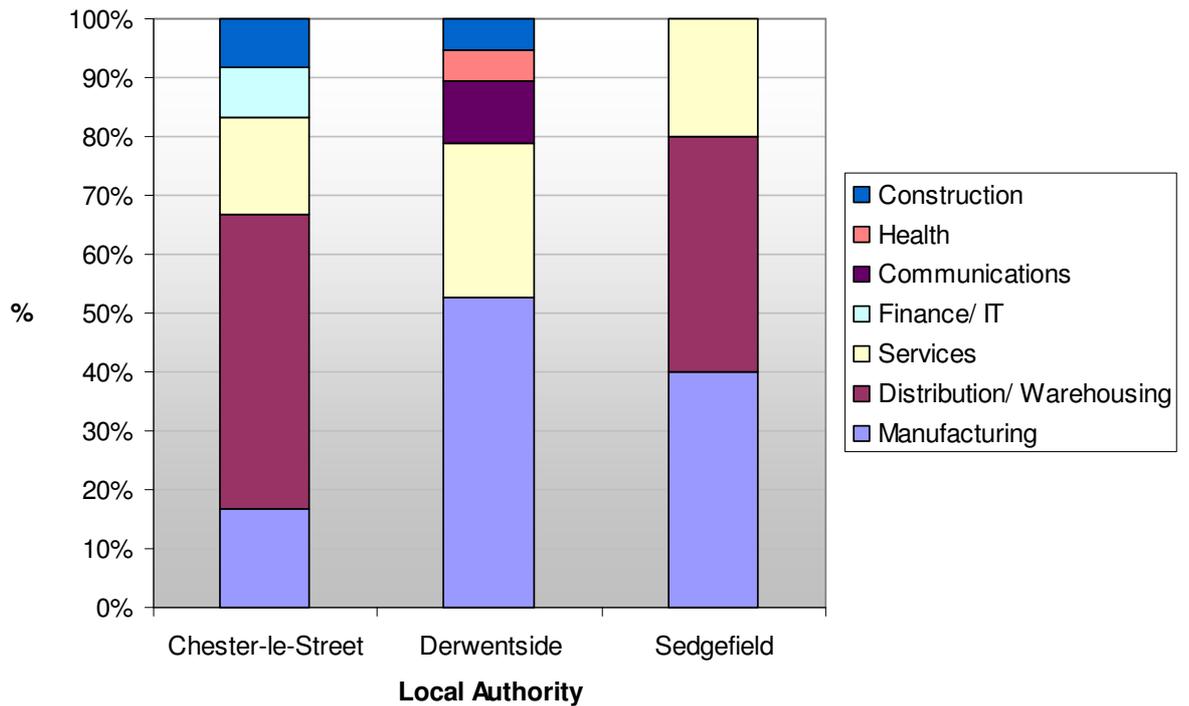
7.30 The graph also highlights that a significant proportion of respondents expect the growth of their business to result in the need to expand their existing premises. The figures are broadly comparable for Chester-le-Street (32%), Derwentside (29%) and Sedgefield (29%).

7.31 Within Chester-le-Street (58%) and Derwentside (46%), an even greater proportion of business expect this growth to result in the need for new premises. The figure for Sedgefield is slightly lower (21%).

7.32 The distribution by industry of those businesses forecast to need new premises is set out in Figure 13. This demonstrates that:

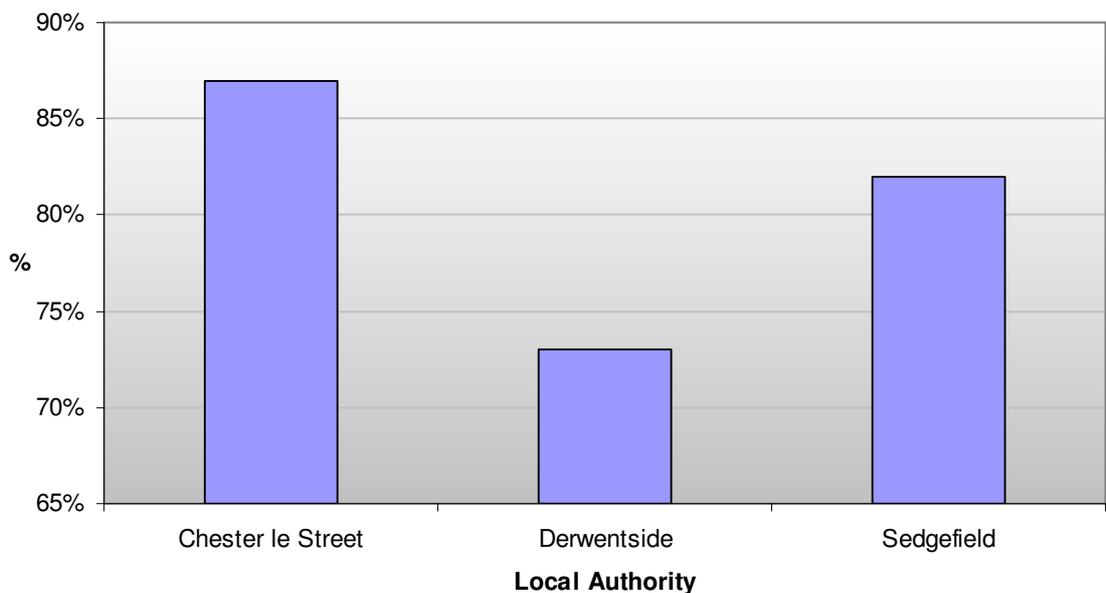
- 50% of firms in Chester-le-Street expected to need new premises are from the distribution/warehousing sector;
- In Derwentside, 53% of businesses expected to need new premises classified themselves as manufacturing firms; and
- In Sedgefield, manufacturing and distribution/warehousing both account for 40% of firms expected to need new premises.

Figure 13: New Premises by Industry



7.33 As discussed above, a large proportion of respondents expect the future growth of their business to result in the need for new premises. The majority of this demand is likely to be expressed within the Study Area, with 73% of respondents in Derwentside responding that would like to remain in their current Local Authority if they were to relocate, rising to 82% in Sedgefield and 87% in Chester-le-Street.

Figure 14: Remain Within Existing Area



Advantages and Constraints

7.34 Participants were asked to outline what they considered to be the key advantages of their Local Authority as a business location. The key messages arising from this can be summarised as follows:

- The business support network is identified as a key benefit of the Study Area, and is particularly prominent within Derwentside - the local council and DIDA (Derwentside Industrial Development Agency) were the main bodies cited by respondents;
- The financial assistance available to businesses was highlighted as another significant benefit of Derwentside;
- Businesses in Sedgefield and Chester-le-Street stated that the central location within the North East region was a significant advantage of operating in the area; and
- Businesses in Sedgefield also acknowledged the accessibility of the area as an advantage, particularly the proximity to junctions onto the A1(M).

7.35 In addition to the business support network identified above, a significant proportion of respondents in Derwentside (61%) and Sedgefield (54%) are members of a business forum, although just 26% of Chester-le-Street respondents are members. This supplements the support provided by those organisations cited above and offers a range of benefits including sharing best practice, establishing links with further and higher education providers and providing a critical mass that generates greater bargaining power with suppliers and a stronger voice with respect to influencing policy formulation. As a consequence, this network should be viewed as a significant asset of the area that can help to attract new businesses, as well as support the growth and retention of indigenous firms.

7.36 The survey highlighted a broad range of organisations to which businesses belong, with those most frequently cited by respondents set out below:

- North East Chamber of Commerce
- Federation of Small Businesses
- Derwentside Business Network

- Derwentside Engineering Forum
- Sedgefield Business Forum
- A range of industry-specific organisations

7.37 Additionally, participants were asked to identify what they considered to be the principal constraints of their Local Authority as a business location. Although there does not appear to be one clear constraint identified by a large number of respondents, image was highlighted as an issue. Concerns were raised about the quality and security of cheaper industrial estates and a perceived lack of marketing of the Study Area as a business location. The perception of Derwentside as an 'economic backwater' was also highlighted. Uncertainty related to the move to a Unitary Authority and particularly the impact of this on development and support functions was cited as a disadvantage by a number of respondents.

Conclusions

7.38 The main findings of the business consultation process can be summarised thus:

- The majority of businesses in the Study Area are small, particularly in Chester-le-Street and Sedgefield;
- A high proportion of businesses surveyed have been located within their Local Authority for a long time;
- A significant proportion of businesses in Sedgefield and Chester-le-Street occupy large premises;
- A high proportion of respondents (74-94%) stated that they expect their business to grow over the next 10 to 15 years;
- More than half of all businesses expecting growth in Derwentside and Sedgefield cite their core function as manufacturing, whereas in Chester-le-Street the growth is forecast to be in distribution;
- The majority of respondents in Derwentside and Chester-le-Street (53%) expect the future growth of their business to be driven by productivity improvements, compared to productivity gains and supply chain benefits in Sedgefield;

- Just under a third of respondents in all three Local Authorities expect the growth of their business to result in the need to expand their existing premises. 58% of respondents in Chester-le-Street expect this growth to result in the need for new premises. The majority of this demand is likely to be expressed within the Study Area;
- The business support network is identified as a key benefit of the Study Area, and is particularly prominent within Derwentside. The financial assistance available to businesses was highlighted as another significant benefit of Derwentside;
- Businesses in Sedgefield and Chester-le-Street stated that the central location within the North East region and proximity to the A1 was a significant advantage of operating in the area.

Stakeholder Workshop

Introduction

7.39 To help inform the development of the ELR, a visioning workshop was held on Thursday 6^h March to discuss the work undertaken to date. The workshop was facilitated by NLP and ssp and attended by Council officers from Chester-le-Street, Derwentside and Sedgefield, as well as a range of stakeholders that included One North East, local commercial agents and Durham County Council. The key messages emerging from the workshop are summarised below.

Summary Findings

7.40 General comments relevant to the whole Study Area were as follows:

- **Growth Projections:** it was noted that econometric forecasting is less reliable at the Local Authority level than when undertaken regionally and a caveat to this effect should be included. No consensus was reached with respect to the growth that should underpin the ELR. There was some support for the 2.8% GVA growth scenario upon which the RSS is based. However some workshop attendees highlighted that if the area is aiming to bring economic performance in line with regional levels, there is a need to anticipate higher levels of growth and possibly more demand for land than there has been in the past.
- **Over-Allocation:** It was suggested that the Authorities could allocate sufficient land to support the preferred scenario whilst also identifying a number of 'reserve'

employment sites. These reserve sites could then be brought forward should the Study Area outperform the preferred scenario. It was generally acknowledged that an oversupply of employment land could have an adverse affect, by driving down rents and reducing the value of private sector assets. This in turn could mean that developments require more public sector assistance to make them viable.

- **Home Working:** there was a focus on the large numbers of home-based businesses in the Study Area and the economic potential that this represents. It was suggested that an appropriate policy response should be considered to help capitalise upon this opportunity, potentially through the provision of live/ work schemes in appropriate locations.
- **Provision of Freehold Sites:** Attendees stressed that there was a need to ensure a greater supply of freehold sites and premises, as there is a strong preference for such developments amongst the local business community in the three Local Authorities.

7.41 Local Authority-specific comments are summarised in the following text boxes:

Chester-le-Street

- Chester-le-Street's generally well educated population drives the local economy, manifesting itself in the form of demand for small office space. Estimates suggest that 60% of all businesses in Chester-le-Street are home-based businesses. A high proportion of home-working businesses are finding it difficult to take the next step and move to employment premises and grow their business. This because the premises are seen as too expensive and represent a big step for embryonic firms.
- Drum Industrial Estate is approaching capacity, yet it is the only estate in Chester-le-Street that serves a sub-regional market. Given the importance of this site, it was suggested that options for an extension to the site should be considered positively. It was suggested that this would need to be considered regionally in the context of supply in Gateshead and Sunderland. Further analysis should consider whether the estate can be re-modelled to free up additional land, or whether there is a need to provide an extension to the estate.
- There are currently congestion issues in the area which could be further exacerbated by further employment allocations. Public transport in the area is poor, making it difficult for residents to access employment opportunities. Others recognised that by increasing employment opportunities in the District this could help reduce congestion.
- It is unsustainable for Chester-le-Street to continue as a commuter town. To drive the economy forward, there is a need to create more jobs. But where can they be located? Most saw greatest potential at Durham.
- There is a role for logistics in the southern area of the District and the future prospects of the sector in this location look favourable. Smaller logistics sheds, serving a local market, could be a way forward.

Sites:

- There are very few sites available in Chester-le-Street, particularly near the A1. Sites within the greenbelt, such as Chester Moor Colliery, may need identifying.
- Vigo Lane was identified as a good site and some felt that the retention of this site should be a priority.
- The Coach depot is also a good employment site where there is currently pressure for it to come forward for residential development.
- Office development in Chester-le-Street town centre would be sustainable and the main opportunity site would be near the train station. However, it is questionable whether anyone would develop speculatively in the town centre as there is currently no office market in the area. It was recognised that the proposals ongoing from the town centre masterplan could be critical in this.
- Some felt take-up at the Gladman office development at Drum has been slow so far although others felt it had been proceeding at a reasonable pace.
- Other small sites in the District provide for a local market. Large sites are not required outside of Chester-le-Street Town Centre and Drum.

Derwentside

- Manufacturing was identified as a strength of the local economy. The District contains a number of market leaders and many businesses have streamlined to allow them to focus on value-adding processes and are well placed to prosper in future, even though employment statistics indicate that Derwentside has been suffering manufacturing job losses.
- Public transport in the area is poor, making it difficult for residents to access employment opportunities on the Industrial Estates.
- The majority of premises available are leasehold, whilst demand in the area is mainly for freehold properties. The Council could have a role in addressing this demand.
- The vast majority of recent development in the District has been residential, which provides an opportunity to retain these workers if jobs can be provided in the area.
- Although Derwentside has a large supply of employment land, there is an issue regarding the quality and deliverability of much of the portfolio. Very little land is actually available – the majority of enquiries made by businesses are for smaller units, but the land needs upgrading which means small developments are not viable. Further analysis should seek to identify whether there is a need to rationalise the supply of employment land, and whether there is scope to remove some Council owned sites to generate capital receipts that can be reinvested into those sites to be retained, perhaps to create freehold opportunities.
- There is an opportunity to foster growth through the provision of live/ work units. The Council is receiving LEGL funding that will help to stimulate local business start-ups.

Sites:

- There is ongoing demand for small build, not speculative development. There is a need to provide small sites to meet this demand.
- Demand is very low in Consett despite high levels of supply. The level of enquiries is high but investors are put off by ownership issues. Some of the sites could be deallocated to enable more land to be provided elsewhere (i.e. Stanley) in order to achieve a greater spatial balance in the supply of sites. Questions were asked as to whether the oversupply was prejudicing investor interest by driving down values.
- Esh Winning and Langley Park relate better to Durham City than to Derwentside's principal towns..
- Greencroft is a very good site. 15 acres are still available, although much of this land is affected by stability issues.

Sedgefield

- The significance of NETPark to the local economy was acknowledged. However, whilst it was accepted that the site would make a large contribution in terms of GVA, the impact in terms of levels employment generation was questioned. A number of attendees felt that any manufacturing spin-offs could ultimately relocate to lower cost economies if they began to move towards high volume production.
- The growth of logistics in Sedgefield will be focussed upon Heighington Lane. Green Lane is likely to be the focus for higher value uses within the Borough. Beyond Heighington Lane and Green Lane, the need in Sedgefield is for premises that meet the needs of small, growing, local businesses.
- The stock of premises includes several large, old sites often in relatively remote locations. These do not meet the needs of modern businesses and it is difficult to attract tenants to these sites.
- The majority of business start-ups are home-based businesses but they find it difficult to identify move-on premises that would enable the business to grow. Cost has been identified as the most significant issue.
- There is a shortage of specialist skills in modern logistics and storage.
- Although Sedgefield has a large supply of employment land, there is an issue regarding the quality and availability of much of the portfolio. Further analysis should seek to identify whether there is a need to rationalise the supply of employment land, and whether there is scope to remove some Council owned sites to generate capital receipts that can be reinvested into those sites to be retained.

Sites:

- Development pressures exist for mixed use/residential at Merrington Lane; Part of Green Lane; Chilton (mixed-use comprising housing and B2); Dale Road and Mainsforth.
- In Shildon, it was suggested that George Reynolds Industrial Estate should reduce in size; that there was scope to reinvigorate Dabble Duck Industrial Estate (which should serve a local need due to its location); and that Dale Road is at capacity, but had opportunities for rationalisation.
- If Green Lane is redeveloped, part of the site could be promoted in the longer term for higher quality B1 and could possibly link with NETPark. There are aspirations for the site to provide regional headquarters, possibly for blue chip companies. However, the site requires infrastructure improvements and high quality residential development may need to come forward on part of the site to subsidise development costs.
- Faverdale and Wynyard are seen as competitor locations to Aycliffe Industrial Estate and Heighington Lane.

8.0 DRIVERS OF FUTURE GROWTH

Introduction

- 8.1 Before assessing the future employment land needs of the Study Area, it is important to consider the potential future direction of the economy and those factors likely to drive economic growth. This is set out in the following sections.

Indicators of demand

- 8.2 The amount and type of employment land that will be required in the Study Area over the period to 2021 will be determined largely by the number of locally based companies starting-up, expanding or relocating, as well as the land requirements of any new companies wishing to relocate to the Study Area. It will also be determined by the number of existing businesses contracting or closing. In order to estimate the general direction and broad scale of potential future demand, a number of indicators are considered below. This draws upon the findings of the preceding sections.
- 8.3 Across the Study Area there are significant variations in the strength of property markets and the viability of development. Moreover, a range of factors are set to constrain the development of business premises and thus the demand for employment land. Within a corridor centred on the A1(M) the development of employment premises is viable on clean, serviced sites; however, levels of rent and overall occupier demand decline the further a site is from a motorway junction. This property market failure is most evident in Derwentside, although it also affects peripheral locations in the other two Local Authorities. Until recently, the response to market failure has been the provision of gap funding, but the overall level of funding to the region has been declining as the European Union has been expanding. In response to this available funding is being targeted at those proposals that will bring greatest economic growth. A higher proportion of funding is therefore being directed towards high profile projects in the core areas of the City Regions and those 'Key Employment Locations' that have been identified as economic drivers in the RSS.
- 8.4 Nor are conditions ideal for the cross-subsidy of economic development. Housing is often the only use that can generate sufficient value, but the recent market downturn is seeing housebuilders put development programmes on hold, and values decline.
- 8.5 Over recent years steady economic growth; a prolonged period of low interest rates; easy access to capital; and healthy business confidence have stimulated

development activity and sustained employment land take-up. More recently, economic conditions and business confidence have deteriorated and the current economic outlook is far less certain. At the same time changes to empty rates relief, which were introduced in April 2008, are increasing the costs and risks of speculative development, and could depress values.

8.6 The combined impact of these factors is expected to depress development activity across the region, with peripheral locations being particularly affected. Reduced levels of employment land take-up can be expected for the foreseeable future in many areas. However, long term take-up rates of employment land can provide a good starting point for informing future land needs.

8.7 **Rental levels** of employment premises can provide an indication of the relative attractiveness of a location, as well as the balance between supply and demand in the local property market. Industrial rents are typically between £3.50 and £4.50 per sqft for good quality office space, which render developments just viable - any abnormal costs of site preparation or infrastructure provision can, however, make projects in the study area unviable. As for office rents, high quality office accommodation in landscaped settings and new business parks with good access to the A1(M) can achieve rents of between £11 and £15 per sqft; however, in more peripheral locations or areas with abnormal infrastructure/remediation costs, development relies on considerable investment by the public sector.

8.8 **Vacancy levels** and floorspace availability can also be used to gauge the relative balance of supply and demand for employment premises. A typical vacancy rate in a normal market would be around 5%. This allows for movement and the expansion of firms, as well as to enable the provision of a choice of locations. The vacancy rates for factory and warehousing units is 1% in Chester-le-Street, which represents a shortage of premises. Vacancy rates of 6% in Derwentside and 10% in Sedgefield, is evidence that here demand and supply of premises are broadly in equilibrium. As for office premises, the relevant figures for Chester-le-Street, Derwentside and Sedgefield are 28%, 17% and 24% respectively, indicating that there is an oversupply in the three Boroughs. However, if four substantial recent developments in Chester-le-Street and Sedgefield are removed, vacancy rates for the two Local Authorities fall to 5% and 8% respectively.

8.9 An **expanding business base** can create additional demand for employment land. VAT registration and de-registration data indicates that in 2006 Chester-le-Street,

Derwentside and Sedgefield experienced net increases of 35, 100 and 60 businesses respectively. Although the net change in businesses observed throughout the Study Area has fluctuated in recent years, it does appear to be on an upward trajectory for all three authorities.

- 8.10 The most up-to-date population projections available forecast that the population of all three Local Authorities will increase over the period to 2021. However, the working population of each authority is forecast to decline. This is likely to reduce the **labour supply** of the Study Area, a key indicator of the need for employment land. It must be recognised that the population projections essentially project forward recent population trends rather than reflect the possible population outcomes flowing from improving economic performance.

Potential Drivers of Future Demand

Key Industrial Sectors

- 8.11 One of the key industrial sectors within Sedgefield and Derwentside is **manufacturing**. It is acknowledged that traditional manufacturing is an industry in decline nationally, with the lower cost economies of Eastern Europe representing a particular emerging threat. This trend of decline has been observed in the Study Area in recent years. Despite this, manufacturing is still a major employer, particularly in Sedgefield and Derwentside (where it accounts for 29.9% and 26.1% of total employment respectively).
- 8.12 Conversely, the business survey and stakeholder consultations have indicated that the industry's future growth prospects in the three Local Authorities are favourable. The nature of manufacturing in the Study Area is changing from its traditional heavy industry base and this is likely to continue. Consultations have indicated that a significant proportion of manufacturing companies in the Study Area have streamlined their operations in response to competition by outsourcing low cost activities to lower cost economies in recognition that it is difficult for UK-based businesses to compete in this market. This has enabled companies to focus their efforts on value-adding process and producing niche products. A shift towards higher value manufacturing is therefore anticipated.
- 8.13 The Study Area already has a number of market leaders producing high value, niche products including:

- Ion Bond (Derwentside): manufacturer of specialised coatings for hip-joints;
- Schmitz Cargobull (Derwentside): produce refrigerated lorries for the food logistics industry;
- ROAR Particles (Sedgefield): produce chemicals for the forensic industry; and
- Neo Systems (Sedgefield): manufacture precision measuring equipment.

8.14 In addition, the industry is well supported by the Derwentside and Sedgefield Engineering Forums. These organisations help to disseminate information and best practice amongst members, foster links with local colleges and the region's universities, encourage greater collaboration and provide networking opportunities. The forums were highlighted as a key benefit of Derwentside and Sedgefield as employment locations during the business consultation.

8.15 **Logistics** is another key industrial sector for Sedgefield and Chester-le-Street. Distribution, warehousing and hotels currently accounts for a greater proportion of employment in Sedgefield and Chester-le-Street than the regional and national averages. Both Local Authorities are centrally located within the North East with excellent transport links as a consequence of their proximity to the A1 and the East Coast Mainline. These locational benefits have the potential to further expand the logistics sector in the two authorities. It is considered unlikely that Derwentside offers scope to attract significant investment in the sector.

8.16 Chester-le-Street has an existing strength in the sector at Drum Lane and demand remains strong for sites there. Logistics activity is also increasing at Heighington Lane in Sedgefield. It is understood that consent has recently been granted for the development of a 40 hectare distribution centre at Heighington Lane that will provide 1.5 million sq.ft. of floorspace, whilst Filtronic have also sold a plot to a supermarket operator for use as a distribution warehouse.

8.17 Additionally, the drive-time directive is likely to further increase demand for warehousing and distribution facilities in the North East. The drive-time directive has introduced legislation to limit the length of time individual lorry drivers can work for to 8 hours a day. As a consequence, many companies with one national distribution centre are now considering operating from a series of regional centres and there are opportunities for Sedgefield and Chester-le-Street to benefit from this, particularly at sites with good access to the A1(M).

NETPark

- 8.18 NETPark is a regionally significant science and technology park, with a particular focus on the high value electronics sector. The site is identified as one of the key economic drivers of the Tees Valley City Region and has a crucial role to play in the development of higher value, knowledge based businesses in the North East.

Plate 1: NETPark



- 8.19 The development of NETPark is being led by a partnership of Durham County Council, Sedgefield Borough Council, One North East and Durham University. Opened in 2004, it is already one of the UK's fastest growing science parks.
- 8.20 To date, the Research Institute and Incubator Phase 1 have been developed on-site. The Research Institute accommodates a number of world class R&D groups from Durham University and allows Sedgefield to benefit from the world class research strengths of the University.
- 8.21 Incubator Phase 1 provides incubation space and tailored business support. The facility has attracted spin-out businesses from many of the region's universities, as well as inward investment from outside the North East or in some cases the UK. These inward investors have been attracted by the NETPark 'brand' and the

clustering opportunities offered by the development. A number of occupants are market leaders in emerging technologies including.

- 8.22 In addition, a number of new facilities are currently under construction at NETPark and due for completion by the end of 2008 including Incubator Phase 2, which will increase the provision of incubator space at NETPark and the Innovation Village. This will provide bespoke research and development units that can serve as move-on accommodation to businesses already located on site and seeking larger premises to facilitate expansion.
- 8.23 The development of the Plastic Electronics Technology Centre (PETeC) at NETPark is also due for completion by the end of 2008. This will be a national centre of excellence for the development of plastic electronic technologies and one of just four centres of excellence worldwide, helping to maintain the UK's status as one of the internationally pre-eminent innovators in the field. The industry is projected to be worth \$250billion by 2025 and clearly NETPark provides Sedgefield and the wider sub-region and region with an opportunity to capture a significant share of this market.

Knowledge Transfer

- 8.24 One of the key assets of the three Local Authorities is their proximity to the region's Universities - particularly Durham University - and it is important to ensure that the local economy capitalises upon the research specialisms of these Higher Education institutions. Research at Durham University is among the best in the UK and extends across a broad range of subjects, particularly Applied Mathematics, Chemistry, English, Geography, History and Law. The 2005 THES science citation table ranked Durham as the top UK institution - and 18th in the world - for the worldwide impact of its science research.
- 8.25 The employer forums active within the Study Area play a key role in exploiting this potential. For instance, Derwentside Engineering Forum (DEF) recently arranged for their members to attend an open day at Durham University. This was used to showcase to industrialists the research currently being undertaken in the hope that the industrialists would spot opportunities to use this to develop their products or processes.
- 8.26 Additionally, member companies of the DEF mentor university students. This allows students to gain practical experience and provides companies with a flexible, highly

skilled and motivated labour force. It also creates ties between students and the business community and can thereby increase graduate retention.

- 8.27 DEF liaise closely with Derwentside College to ensure that the courses offered meet the needs of the local engineering and manufacturing sector. Derwentside College have recently invested heavily in staff and equipment to meet the specific needs of the sector with support from the Forum. This has helped the College to improve from a poorly performing to a first grade rating. The provision of high quality training developed to meet the specific needs of the local business community will help to address skills shortages and assist companies in moving up the value chain.
- 8.28 The Forum also facilitates collaborative working between member companies. For instance, consultations have highlighted examples where member companies have loaned staff to other member companies to cover the long-term absence of skilled employees. This member of staff was also able to provide training to existing staff.
- 8.29 **NETPark Net** has also recently been established and will assist with knowledge transfer amongst the local business community. This is a 'virtual science park' providing online access to business advice and best practice case studies. Membership is available to any business but promoted primarily within County Durham and membership fees are paid on a sliding scale. NETPark Net provides shared software, networks and databases for the use of members and facilitates workshops and other events to disseminate best practice, whilst one-to-one business mentoring is also available to members.

Location

- 8.30 The location of Sedgefield and Chester-le-Street is considered to be an advantage that can support the future growth of the local economy. The key locational benefits of the two authorities are:
- Centrally located within the North East;
 - Good access to the A1;
 - Proximity to the East Coast Mainline.
- 8.31 These locational benefits mean that Sedgefield and Chester-le-Street are attractive to businesses because they offer good access to the markets and supply chains concentrated within the key conurbations of Tyne and Wear and Tees Valley.

Quality of Place

- 8.32 All three authorities offer a pleasant environment, well located with respect to the City Regions of the North East. This was identified during consultations as a key advantage of the Study Area which should be capitalised upon to help attract and retain businesses. Anecdotal evidence suggests that the majority of businesses located in the Study Area are there because the company owner or director lives nearby and wants businesses premises that are close to home. This was also highlighted in the business survey.
- 8.33 Additionally, a substantial amount of good quality, relatively inexpensive (compared to the neighbouring City Regions) housing is being developed in the Study Area and Derwentside in particular. A number of consultees indicated that this is already fuelling an expansion of the business base as people are attracted to live in the area and look to start-up their own business or relocate an existing business nearer to their new home.
- 8.34 The high levels of house building and the propensity for entrepreneurs to set-up businesses near to their home represents an opportunity for the Study Area. If high levels of house building continue (and a successful Growth Point Bid could see a significant increase in housing development in Sedgefield depending upon the uncertain housing marketing for the foreseeable future) thereby attracting skilled workers and entrepreneurs there is scope to increase business start-ups if the requisite support network and the provision of appropriate premises are in place. A key issue will be developing the right type of housing to attract both indigenous and footloose entrepreneurs looking to start or grow a business from home or a live/work unit. This necessitates the identification and release of truly high quality houses with homeworking potential.
- 8.35 A number of regeneration initiatives are currently underway in the Study Area that will further enhance the quality of place and improve the provision of leisure and retail facilities. This should help to improve perceptions of the area as a place to live and work and thereby increase demand for employment premises. These initiatives include:
- The development of a 34ha site at Berry Edge, on the edge of Consett Town Centre for a mixed-use scheme comprising of retail, housing and new leisure centre, gym and swimming pool; and

- Extensive public realm improvements planned for Chester-le-Street, to be combined with efforts to increase linkages between the town centre and the Riverside cricket ground.

8.36 The Durham New Growth Point Bid proposal has been submitted and sets out plans to focus development on six regeneration towns in the County, including three in Sedgefield: Newton Aycliffe, Shildon and Spennymoor. If the Bid is successful, this will result in significant investment in new housing, employment sites, public transport and public realm improvements. The benefits from securing and implementing Growth Point status would make Sedgefield a more attractive investment location.

9.0 CHALLENGES AND RISKS

Introduction

- 9.1 The preceding chapter outlined a number of factors that could drive the future need for employment land within the Study Area. However, it is also important to acknowledge the risks that could limit the impact of these drivers, as well as other challenges facing the economies of the three Local Authorities. By identifying these challenges and risks, it may be possible for the authorities to put in place measures to address or minimise them.

Small Businesses

- 9.2 In all three LPAs, homeworking accounts for a significant proportion of the business base. Consultations indicated that these businesses find it difficult to make the next step and move to employment premises that would enable them to expand their workforce and grow their business. This is because premises are seen as relatively expensive and the commitment of having to pay rent and utility bills represents an enormous step for embryonic businesses and one that many are reluctant to take. This is an issue that needs to be considered in order to maximise the economic growth potential of the Study Area's indigenous business base.

Sites and Premises

Chester-le-Street

- 9.3 The availability of employment land is limited within Chester-le-Street, as discussed in preceding sections. In addition, Drum Industrial Estate is now nearing capacity. Drum has absorbed 95% of all take-up of employment land in Chester-le-Street in recent years and is clearly the District's most significant location in terms of attracting businesses and investment. It was suggested at the stakeholder workshop that there may be scope to utilise the land at Drum more effectively to free up some land for further development. However, if this is not feasible, it was acknowledged that options for the site's extension should be considered, given its importance to the economy. In simple terms how can Chester-le-Street capitalise on its locational advantage, in economic development terms, without an extension to Drum?
- 9.4 There is a shortage of office premises within the town centre that meet the needs of modern businesses, and sites near to the train station are considered to represent the

best opportunity to address this. However, despite interest from local businesses, private sector offices will be difficult to develop viably due to level of abnormal costs involved in site assembly and brownfield redevelopment. It is therefore questionable whether anyone would develop speculatively. Visionary and deliverable outputs from the emerging town centre masterplan will be critical in addressing this challenge.

Derwentside

- 9.5 Although Derwentside appears to have a substantial amount of available employment land, there are issues regarding the deliverability of many of the sites. This problem is compounded by the fact that the majority of enquiries received by the Council are from businesses wishing to develop small units; however, because the land needs upgrading, such schemes are generally not viable.
- 9.6 It was suggested at the stakeholder workshop that the oversupply of employment land is particularly great in Consett and that some of this land could be removed from the District's employment land portfolio to enable more to be provided near to other settlements such as Stanley. It was argued that this would help to ensure a greater spatial balance in the supply of sites, and that the oversupply is driving down values and hence prejudicing investor interest.
- 9.7 Whilst Derwentside has been successful in providing a range of incubator and managed workspace developments, including Derwentside Business Centre there is a need for a greater provision of move-on accommodation which is not being met at present. Consultations have indicated that this shortage of move-on space is resulting in some businesses moving out of the District to find premises, whilst others are taking up several units in managed workspace/ incubator developments. This restricts the availability of such premises to stimulate new start-ups and in turn constrains the growth potential of Derwentside.
- 9.8 Another issue within the District is that the majority of available premises are leasehold, whilst demand is mainly for freehold premises. Consideration needs to be given as to how this can be overcome to ensure that the supply of land meets the requirements of businesses. As a key owner of employment land the Council could have an important role in this.

Sedgefield

- 9.9 As with Derwentside, Sedgefield appears to have a substantial amount of employment land; again, however, there are issues relating to the availability of much of this land for development. In addition, the stock of premises includes some large, old industrial sites and buildings often in remote locations. Therefore, whilst in quantitative terms Sedgefield appears to be well catered for, a significant proportion of this cannot be viably developed to meet the requirements of modern businesses.
- 9.10 It was highlighted at the stakeholder workshop that the key consideration in taking the Borough's employment land portfolio forward should be the quality rather than quantity of available sites. It was suggested that the rationalisation of the stock of employment land could help to improve the quality of available sites; some poorer quality sites could be released for alternative uses to generate capital receipts that could then be reinvested to pump-prime the retained sites to remove constraints to development.
- 9.11 Another issue in Sedgefield is that large manufacturing closures are anticipated over the next few years and this will result in the release of significant plots of land. Given that there is already an oversupply of employment land, consideration should be given as to how these emerging windfall opportunities are treated.

Labour Market

- 9.12 The consultations undertaken by NLP have indicated that the future economic prosperity of the Study Area could be constrained in part by skills shortages. It is understood that businesses generally find it difficult to recruit for both high and low skilled positions; however, these difficulties are particularly acute with respect to the following:
- Technical skills;
 - Craft skills; and
 - Middle managers.
- 9.13 It should be noted that the Derwentside and Sedgefield Engineering Forums have established apprenticeship schemes to help address skills shortages in the manufacturing and engineering sectors. However, because the first intake into such schemes are still in the early stages of their careers, this initiative has not yet been

able to contribute significantly to addressing shortages for more senior staff members (particularly middle management).

9.14 Stakeholder consultation has also highlighted that many feel there are issues with the aspirations and attitude of the local population, particularly in areas where high unemployment and poor educational attainment are entrenched within the community. This makes it difficult for businesses to find a suitable candidate for some positions; this needs to be addressed to enable the three authorities to fulfil their economic potential.

9.15 Levels of out-commuting from all three authorities are relatively high and it is also likely that this daily outflow of economically active residents contributes to the recruitment difficulties being experienced within the local business community.

Public Transport

9.16 Public transport was identified as an issue in all three Local Authorities and is understood to contribute to recruitment difficulties in the Study Area, particularly with respect to the recruitment of low-waged staff. Consultations highlighted that public transport provision is poor and that this makes it difficult for residents to access employment opportunities on the industrial estates of Chester-le-Street, Derwentside and Sedgefield.

Image

9.17 Consultations and the business survey highlighted that local businesses and stakeholders believe there is a need to improve the image of the Study Area as a business location. This would help to attract relocations from elsewhere and encourage more business start-ups to locate in the area. The principal consultation feedback with respect to image is summarised below:

- Derwentside is perceived by people from outside the Study Area to be an 'economic backwater', although consultees have been keen to stress that this perception is incorrect;
- There are issues relating to the environmental quality and security of the cheaper industrial estates, which does not make them desirable locations for potential investors; and

- Consultees also highlighted that readily available statistics from sources such as ONS and IMD portray a negative image of Sedgefield and Derwentside because of relatively poor performance in relation to indicators such as educational attainment and unemployment. These are easily and regularly used by the media and, again, could perhaps deter potential investors.

9.18 These issues could be addressed through targeted improvements of existing industrial estates and effective marketing of the Study Area. Agencies such as SASDA (Sedgefield and Shildon Development Agency) and DIDA (Derwentside Industrial Development Agency) have a key role to play in promoting the Study Area as a business location and can help stimulate greater demand for employment premises by addressing negative perceptions.

Future Uncertainty

9.19 A number of respondents to the business survey highlighted the move to a Unitary Authority for Durham County as a potential disadvantage of being located in the Study Area at present, because of the resultant uncertainty. It is understood that businesses are worried about the impact of the restructuring upon the current business support network and the availability of funding and grants to support indigenous businesses. Others felt a strong single authority may bring a higher profile higher impact business support service.

9.20 In addition, there are concerns about the extent to which schemes in the Study Area will be eligible for public sector funding, following a shift in the priorities of regional agencies. Consultations with ONE, for instance, have indicated that they intend to focus funding on a smaller number of strategically important sites, located primarily (though not exclusively) within the core City Regions to maximise the impact of future investment.

9.21 Whilst it is anticipated that ONE will continue to support NETPark, Aycliffe Industrial Estate, Salters Lane and Tanfield Lea through the provision of public sector funding, it may be unlikely that other sites in the Study Area will receive significant funding from ONE. This is likely to make it more difficult to finance the pump-priming of constrained sites to bring them forward for development.

10.0 ANALYSIS OF FUTURE NEED FOR EMPLOYMENT SPACE

Introduction

10.1 This Section of the report assesses the projected demand for employment land in each Local Authority over the period to 2021, and also 25 years hence to accord with the draft RSS. Consideration is also given to the type of employment space likely to be required over the study period. The Methodology followed to translate the econometric growth projections into employment land projections is summarised in Section 4.0.

Growth Scenarios

10.2 To help inform the development of the North East Regional Spatial Strategy, CEBR were commissioned to model a range of economic growth scenarios for the Region, as summarised below:

- **Bronze** Scenario: economic growth of 2.3% per annum;
- **Bronze/ Silver2** Scenario: economic growth of 2.8% per annum(used within the RSS);
- **Silver** Scenario: economic growth of 3.4% per annum (used within the RES).

10.3 To ensure the alignment of this ELR with the regional policy framework, the CEBR scenarios were used as the basis to develop a range of growth scenarios for the Study Area. An additional growth scenario, incorporating the growth aspirations of the County Durham Economic Strategy, was also used to inform the study. This **High** scenario was underpinned by an economic growth rate of 4.3% per annum¹⁴.

10.4 The four scenarios, which provided sectoral employment growth at regional level, were subsequently adjusted to provide job growth forecasts at the Local Authority level by Experian Business Strategies. The adjustments were made using Experian's sub-regional economic model. This takes account of the existing economic structure of each Local Authority and the historical relationship between the regional performance of an industry and the performance observed at the Local Authority level.

¹⁴ The County Durham Economic Strategy states that in order to truly narrow the output gap between the County and the UK, GVA would need to increase from £5.5billion to £8billion by 2012/13. This represents an annual growth rate of 4.3%.

10.5 Before presenting the job growth outcomes from the four scenarios it is worth highlighting, in broad terms, how these outcomes have been generated:

- a) they are, by and large, trend-based estimates and therefore reflect into the future that which has happened in the recent past. For example, recent manufacturing successes in Derwentside; logistics developments in Sedgefield/Chester-le-Street; and the lack of recent office development in Chester-le-Street will be reflected in the future projections;
- b) they are 'policy-off' estimates - namely, they do not (and could not) reflect the influence of very recent (or future) policy and funding strategies;
- c) they do not reflect the feedback forecasts provided to this study by the businesses and stakeholders in the area.

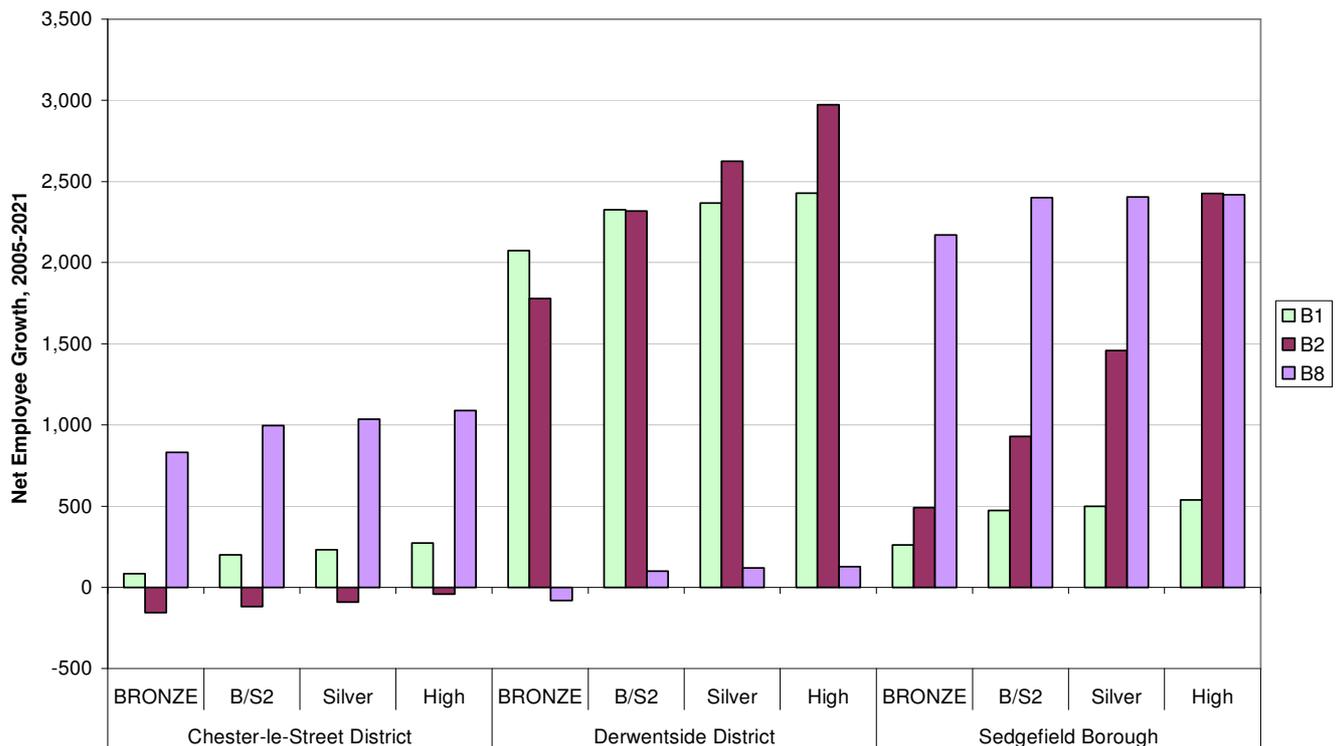
10.6 Table 32 sets out the level of employment change forecast over the period 2005 to 2021 for each Local Authority under each of the four growth scenarios.

Table 32: Project Employment Change 2005-2021

| | Bronze | B/S2 | Silver | High |
|--------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| Chester-le-Street | 2,179 (17%) | 3,584 (29%) | 3,856 (31%) | 4,236 (34%) |
| Derwentside | 5,003 (19%) | 7,674 (29%) | 8,251 (31%) | 8,944 (33%) |
| Sedgefield | 5,342 (16%) | 8,126 (25%) | 8,920 (27%) | 10,261 (32%) |
| Total | 12,523 (17%) | 19,385 (27%) | 21,028 (29%) | 23,441 (33%) |

10.7 As might be expected, the total amount of net employment growth over the period 2005-2021 increases for each of the four scenarios for all three Local Authorities, with the High Scenario resulting in overall employment growth almost double that projected under the Bronze Scenario. Translating the overall employee projections into B1, B2 and B8 use classes on the basis of the methodology described in Section 4.0, however, indicates clear variances across the industrial sectors and across the three Local Authorities generally.

Figure 15: Net Employee Projections 2005-2021



10.8 Figure 15 illustrates that net B1 employee (office) growth is projected to be particularly strong in Derwentside District, with growth rates of between 100% and 117% projected. This is predominantly due to rapid projected growth in Business Services. It should be noted that Derwentside District started from a lower base in terms of overall employment in B1 (office) type industries than Sedgefield, but nevertheless a doubling of employment in this sector over the next 16 years, even under the Bronze Scenario, is important to note.

10.9 As regards B2 employee projections for the Study Area, Figure 15 indicates that growth is highly variable across the three Local Authority areas, with Chester-le-Street projected to experience a slight decline in manufacturing jobs between 2005 and 2021; Sedgefield Borough projected to experience moderate growth (with the exception of the High Scenario, which projects B2 growth at levels above 25%); and Derwentside District projected to experience high levels of growth, of between 26% and 44%. Derwentside's manufacturing growth is primarily expected to be focused within the Machinery and Equipment; Electrical and Optical Equipment; and Transport Equipment sectors.

10.10 Similarly, the growth in B8 employee projections exhibits a high degree of variation across the three Local Authority areas. Growth is anticipated to be moderate in absolute terms for Chester-le-Street (although, proportionately, growth is forecast to

increase by between 64% and 84% 2005-2021); low for Derwentside (between -4% and 7% growth), which is perhaps a reflection of its location relative to the A1 and A19; and high for Sedgefield Borough (between 91% and 102% growth), particularly in the Transport and Wholesaling sectors.

Employment Space/ Land Projections

- 10.11 Following the calculation of the employee breakdown for B1, B2 and B8 for the four Scenarios in each LA area, standard employment density and plot ratios were applied to translate the figures into floorspace and land, with vacancy rates applied to allow the Local Authorities to plan for reducing the amount of vacant stock in their District whilst still maintaining a healthy level of 'churn'.
- 10.12 Additionally, whilst an initial employment land projection was provided for the period 2005-2021, a 25 year projection was also produced to comply with the draft RSS requirement, by projecting forward the 2005-21 figure on a pro-rata basis. A full discussion of the methodology's principles is provided in Section 4.0.
- 10.13 The following sub-sections discuss the implications of the results for each Local Authority in turn.

Chester-le-Street

- 10.14 Table 33 and Figure 16 present the results of the four employment land projections as they relate to Chester-le-Street. They indicate that the District could require minimal net additional B1 office space over the plan period of less than 3.5 hectares even under the most optimistic scenario to 2021. This is due largely to the current absence of any significant office market in the District, as despite some internal amendments to the model by Experian, it remains largely trend-based. The potential effects of the emerging town centre masterplan have not been factored in. Until recently, office development in Chester-le-Street had not been viable, but this is changing. In the long-term, therefore office-based employment could represent an important component of economic growth and this clearly represents an important policy choice for the District Council.
- 10.15 The potential net growth in demand for B2 industrial land is also projected to be very low, even negative, for three of the four scenarios. This is despite the very low current vacancy rates in the District as reported in Section 5.0, which could be

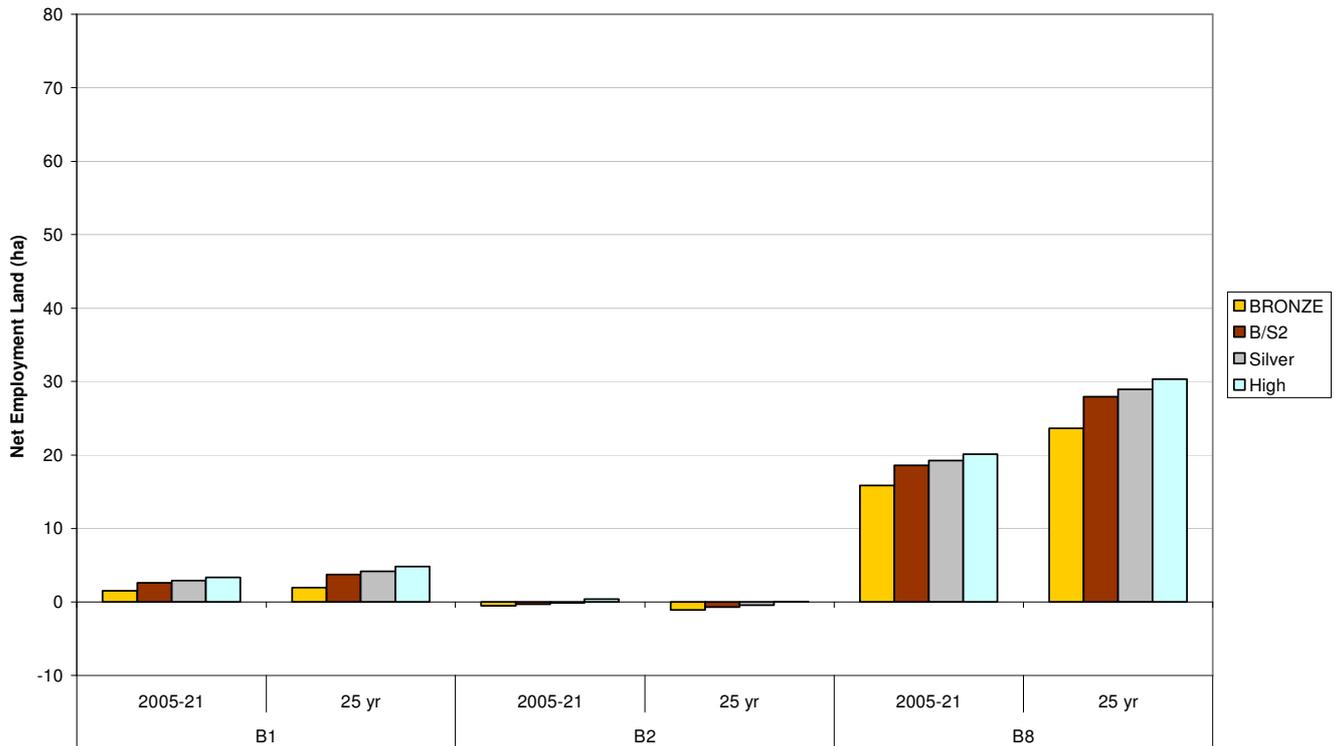
deemed unhealthy for the functioning of the market, and which has been adjusted upwards to allow for an aspirational 'ideal' rate of 10% in the 2021 / 2030 figures. The relatively low proportion of Chester-le-Street employees working in the manufacturing sector and the likely continued (though moderate) decline in sectors such as chemicals and rubber and plastics ensures that future demand for this type of space in the District is likely to be minimal. There is little well located B2 land in Chester-le-Street, and where it occurs (Drum) it has tended to be developed for B8. This is because there is weak demand for B2 and as a result, this ready supply of services sites has been taken for B8. This has obviously affected the B2 growth forecasts for the District.

- 10.16 Net growth in demand for B8 land is, in contrast to the other two use classes, projected to be high, with strong growth forecast in the order of between 16 and 20 hectares for the period 2005-12. This is clearly a function of the District's excellent accessibility and proximity to the A1. Recent growth in demand for land for B8 has been stimulated by the provision of large serviced sites. Without further provision of such sites, demand will move elsewhere and growth may be frustrated.
- 10.17 However, it is recognised that B8 uses are particularly land hungry and that Chester-le-Street is currently constrained by a shortage of available employment land, whilst needing to create employment opportunities to address the District's low job density. Clearly, the extent to which growth in B8 jobs is pursued is a matter of policy choice. Chapter 12.0 considers the key policy choices for each Local Authority in more detail.
- 10.18 In total, to meet the RSS requirement of a 25 year forward supply of land, Chester-le-Street could require between 24 and 35 hectares of employment land, depending upon the scenario used (Bronze indicating the weakest growth, with the High scenario representing the most optimistic forecast).

Table 33: Chester le Street - Employment Land Projections

| | B1 Financial and Business Services | | B2 Manufacturing and Industrial | | B8 Wholesale and Distribution | | Total B Class Space | |
|---------------|--|-------|---------------------------------------|-------|-------------------------------------|-------|------------------------|-------------|
| | 2005-21 | 25 yr | 2005-21 | 25 yr | 2005-21 | 25 yr | 2005-21 | 25 yr |
| Bronze | 1.5 | 1.9 | -0.6 | -1.1 | 15.8 | 23.6 | 16.8 | 24.5 |
| B/S2 | 2.6 | 3.7 | -0.3 | -0.7 | 18.6 | 27.9 | 20.9 | 30.9 |
| Silver | 2.9 | 4.2 | -0.1 | -0.5 | 19.2 | 28.9 | 22.0 | 32.7 |
| High | 3.3 | 4.8 | 0.4 | 0.1 | 20.1 | 30.3 | 23.8 | 35.2 |

Figure 16: Chester-le-Street District Employment Land Projections



Derwentside

10.19 Table 34 and Figure 17 present the results of the four employment land projections as they relate to Derwentside District. They indicate that in contrast to the other two Districts in the Study Area, net demand for B1 office land over the study period is forecast to be strong, with projections indicating a need for around 18-22 hectares between 2005 and 2021 and potentially up to 35 hectares over the 25 year RSS period. As noted in earlier sections, this is a reflection of the recent strong growth in the 'Business Services' sector, which is projected to more than triple in employee numbers over the coming years. Good work by public sector business support organisations has been a strong contributor in this.

10.20 The potential net growth in demand for B2 industrial land is also projected to be very strong compared to the other two LPAs, with growth in the order of 29 - 46 hectares depending upon the scenario used between 2005 and 2021. As much as 70 hectares of B2 land (net) could be required under the 'High' scenario over the 25 year RSS period. This is likely to be as a result of continued growth in niche manufacturing industries, particularly relating to the machinery and electrical equipment industrial sectors.

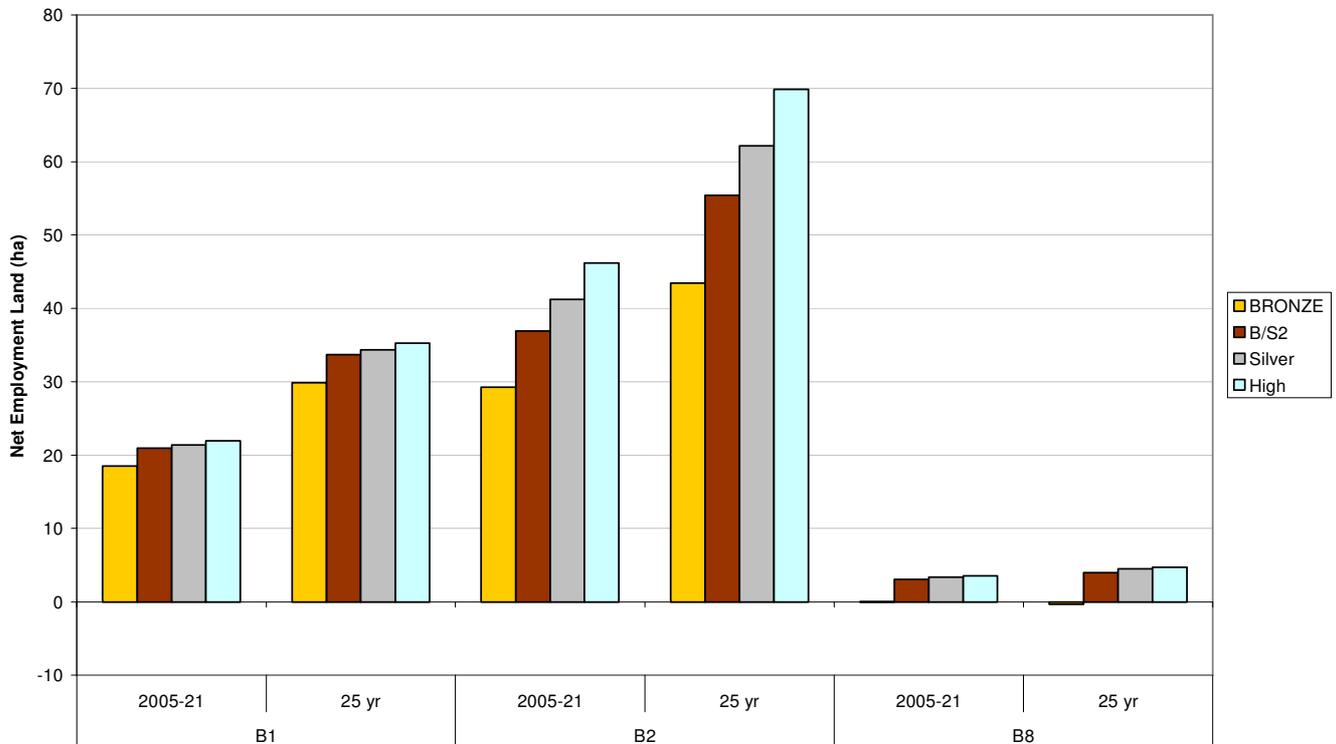
10.21 However, net growth in demand for B8 land is projected to be considerably lower than the other two land use sectors, at less than 4 hectares even under the most optimistic scenario for the period 2005-2021. This is clearly a reflection of the District's relatively poor accessibility from the North East's main trunk road network.

10.22 In total, to meet the RSS requirement of a 25 year forward supply of land, Derwentside District could require between 73 and 110 hectares of employment land, depending upon the scenario used (Bronze indicating the weakest growth, with the High scenario representing the most optimistic forecast).

Table 34: Derwentside District - Employment Land Projections

| | B1 Financial and Business Services | | B2 Manufacturing and Industrial | | B8 Wholesale and Distribution | | Total B Class Space | |
|---------------|--|-------|---|-------|---|-------|----------------------------|--------------|
| | 2005-21 | 25 yr | 2005-21 | 25 yr | 2005-21 | 25 yr | 2005-21 | 25 yr |
| Bronze | 18.5 | 29.9 | 29.3 | 43.4 | 0.0 | -0.3 | 47.8 | 73.0 |
| B/S2 | 20.9 | 33.7 | 36.9 | 55.4 | 3.0 | 4.0 | 60.9 | 93.1 |
| Silver | 21.4 | 34.3 | 41.2 | 62.1 | 3.4 | 4.5 | 66.0 | 101.0 |
| High | 21.9 | 35.3 | 46.2 | 69.9 | 3.5 | 4.7 | 71.6 | 109.8 |

Figure 17: Derwentside District Employment Land Projections



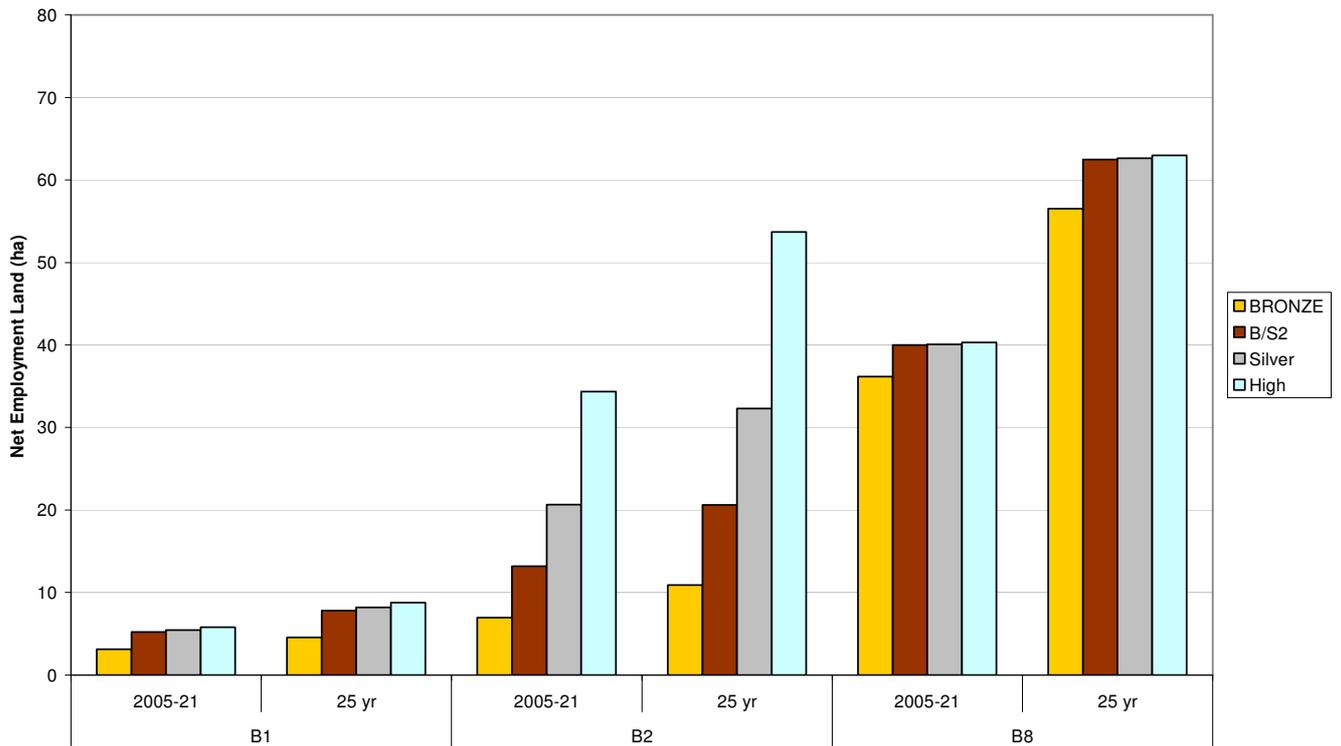
Sedgefield

- 10.23 Table 35 and Figure 18 present the results of the four employment land projections as they relate to Sedgefield. They indicate that the Borough could require relatively low levels of net additional B1 office space over the plan period of between 3 and 6 hectares to 2021. As with Chester-le-Street, this is due largely to the current absence of any significant office market in the Borough; much of the anticipated growth to be attributed to NETPark over the coming years is likely to have been included in the B2 land requirement, as light industry/specialist engineering, which is difficult to extract from the SIC classifications.
- 10.24 Partly as a consequence of this, and also because of Sedgefield's historical reliance on the sector, projections for B2 growth are high, with a net demand projection of between 7 and 34 hectares between 2005-21, rising to almost 54 hectares 25 years hence under the most optimistic scenario.
- 10.25 Net growth in demand for B8 land is also high, due to the Borough's excellent communication links. Between 36 and 40 hectares could be required between 2005 and 2021, rising to up to 63 hectares under the 'High' scenario 25 years hence.
- 10.26 In total, to meet the RSS requirement of a 25 year forward supply of land, Sedgefield Borough could require between 72 and 126 hectares of employment land, depending upon the scenario used.

Table 35: Sedgefield Borough - Employment Land Projections

| | B1 Financial and Business Services | | B2 Manufacturing and Industrial | | B8 Wholesale and Distribution | | Total B Class Space | |
|---------------|---|--------------|--|--------------|--|--------------|-------------------------------|--------------|
| | 2005-21 | 25 yr | 2005-21 | 25 yr | 2005-21 | 25 yr | 2005-21 | 25 yr |
| Bronze | 3.1 | 4.6 | 7.0 | 10.9 | 36.2 | 56.5 | 46.3 | 72.0 |
| B/S2 | 5.2 | 7.8 | 13.2 | 20.6 | 40.0 | 62.5 | 58.4 | 90.9 |
| Silver | 5.5 | 8.2 | 20.7 | 32.3 | 40.1 | 62.6 | 66.2 | 103.1 |
| High | 5.8 | 8.8 | 34.4 | 53.7 | 40.3 | 63.0 | 80.5 | 125.5 |

Figure 18: Sedgfield Borough Employment Land Projections



Summary

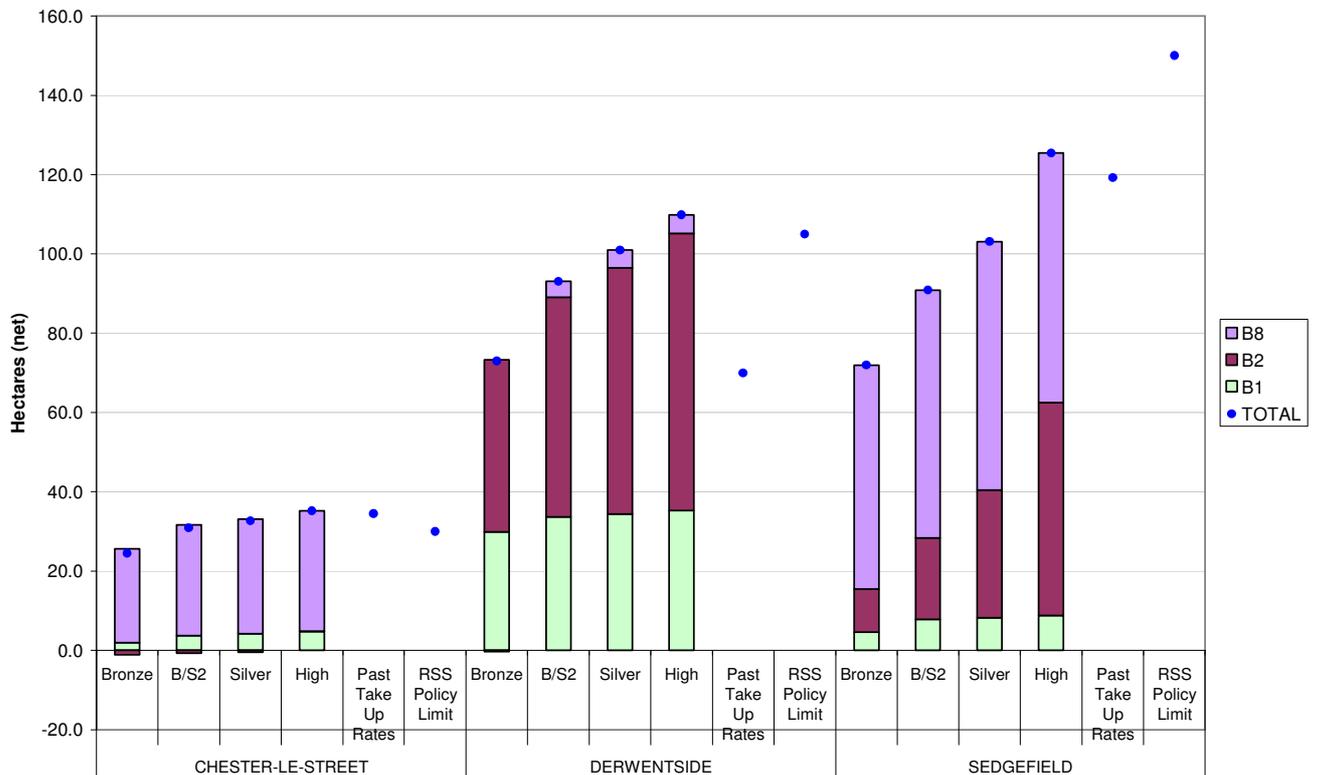
10.27 This study has therefore modeled a number of different methodologies and scenarios to provide a range of employment projections for the Study Area. Table 36 and Figure 19 provide a comparison of the key findings over a 25 year study period, comparing the four econometric scenarios against past take up rates as reported in Section 6.0 and the guidance on the appropriate provision of employment land as specified in the Draft North East RSS Secretary of State’s Further Proposed Changes (2008).

Table 36: Summary 25 Year Employment Land Projections

| | B1 | B2 | B8 | TOTAL |
|---------------------------|-----|------|------|--------------|
| CHESTER-LE-STREET | | | | |
| Bronze | 1.9 | -1.1 | 23.6 | 24.5 |
| B/S2 | 3.7 | -0.7 | 27.9 | 30.9 |
| Silver | 4.2 | -0.5 | 28.9 | 32.7 |
| High | 4.8 | 0.1 | 30.3 | 35.2 |
| Past Take Up Rates | | | | 34.5 |
| RSS Policy Limit | | | | 30.0 |
| CURRENT SUPPLY | | | | 25.88 |

| DERWENTSIDE | | | | |
|--------------------|------|------|------|--------|
| Bronze | 29.9 | 43.4 | -0.3 | 73.0 |
| B/S2 | 33.7 | 55.4 | 4.0 | 93.1 |
| Silver | 34.3 | 62.1 | 4.5 | 101.0 |
| High | 35.3 | 69.9 | 4.7 | 109.8 |
| Past Take Up Rates | | | | 70.0 |
| RSS Policy Limit | | | | 105.0 |
| CURRENT SUPPLY | | | | 100.40 |
| SEDGEFIELD | | | | |
| Bronze | 4.6 | 10.9 | 56.5 | 72.0 |
| B/S2 | 7.8 | 20.6 | 62.5 | 90.9 |
| Silver | 8.2 | 32.3 | 62.6 | 103.1 |
| High | 8.8 | 53.7 | 63.0 | 125.5 |
| Past Take Up Rates | | | | 119.3 |
| RSS Policy Limit | | | | 150.0 |
| CURRENT SUPPLY | | | | 175.28 |

Figure 19: Summary 25 Year Employment Land Projections



10.28 The key policy choices to be drawn from the scenarios are as follows:

Table 37: Policy Choices

| | Low Employment Land Demand | Medium Employment Land Demand | High Employment Land Demand |
|-----------------------------|---|--|---|
| Scenario Description | Bronze Econometric Scenario | B/S2 Econometric Scenario Silver Econometric Scenario | High Econometric Scenario |
| Projections | Chester-le-Street: 25 ha; Derwentside: 73 ha; Sedgefield: 72 ha | Chester-le-Street: 30 - 33 ha; Derwentside: 93 - 101 ha; Sedgefield: 90 - 103 ha | Chester-le-Street: 35 ha; Derwentside: 110 ha; Sedgefield: 126 ha |
| Positives | <ul style="list-style-type: none"> • A restricted future supply of land would enable the economy to continue to restructure; • This would provide the impetus necessary to de-allocate many of the older industrial sites that are less well suited to the demands and requirements of modern businesses; • This would avoid the need to allocate new employment sites in contentious locations, particularly the Tyne and Wear Green Belt; • It would encourage investment in existing sites rather than spreading their resources too thinly. | <ul style="list-style-type: none"> • Interpreting the land requirements of the study on the basis of these two projections would enable a high degree of policy conformity; • There was some support at the workshop for the B/S2 scenario upon which the RSS is based; • Although Derwentside and Sedgefield appear to have an existing oversupply of employment land under this Scenario, much of the existing supply is of poor quality. Taking a balanced approach to provision - recognizing the need to de-allocate the worst performing sites whilst allocating more sustainable areas and improving much of the remainder - would appear to have merit. | <ul style="list-style-type: none"> • This would allow for further provision of land in the northern parts of the Study Area where there is presently a clear shortage of sites. • This Scenario would be more in keeping with the RSS policy limit and (with the exception of Derwentside) would also be in general accordance with past take up rates. • New job opportunities could reduce the net outflow off workers in the Study Area; • This high level of growth could help the Study Area to catch up with regional and national levels of GVA per capita. |
| Negatives | <ul style="list-style-type: none"> • This results in levels of net demand that are, with the exception of Derwentside, well below past take up rates. The net demand is also considerably lower than the RSS targets in all 3 LPAs. • A restricted supply of employment sites could prejudice growth and investment in the Study Area. • This scenario would not reduce the present high levels of out-commuting from the Study Area. • A contraction of past take up rates would be unlikely to assist the Study Area in making a transition towards higher productivity and a more knowledge based economy. • This Scenario would do little to meet the need for new managed workspace and incubator developments, or provide high quality office accommodation and medium-sized industrial units. | <ul style="list-style-type: none"> • The B/S2 and Silver projections are considerably lower than past take up rates in Sedgefield, and are well below the RSS Policy limit. As the Borough also has some 175 ha of land, it would require widespread de-allocations. | <ul style="list-style-type: none"> • New allocations of land would have to be considered in contentious locations, such as the Chester-le-Street Green Belt. • One NorthEast are likely to concentrate their funding on a few key sites in the Study Area, and hence there may be insufficient funding available to remediate many of the poorly performing sites. • An over-supply of land could potentially have an adverse effect by reducing the value of private sector assets. This, in turn, could ensure that developments require additional public sector gap funding to ensure viability. |

10.29 In summary, therefore, it is clear that the extent of employment land to be provided over the 25 year plan period depends greatly upon the policy choices made by each LPA. For the purposes of this report, it is suggested that a range of demand forecasts should be used, for the following reasons:

- It would allow a degree of policy conformity with the RSS, RES and County Durham's Economic Strategy;
- It would allow further provision of sites in areas where there is a clear shortage at present;
- It would help to reduce levels of out-commuting from the Study Area;
- It would assist the Study Area in moving towards a higher value, knowledge based, economy.

11.0 MATCHING SUPPLY AND DEMAND - IMPLICATIONS FOR THE STUDY AREA

Introduction

11.1 Based on the analysis contained within the preceding sections, the following overall conclusions can be made with respect to the provision of and future need for employment land within Chester-le-Street, Derwentside and Sedgefield.

Understanding the Portfolio of Supply

11.2 The current supply of employment land within the study area is examined in full in Section 6.0 of this report, with the key points summarised below for each Local Authority. It should be noted that for the purposes of this report, 'committed employment land' has been defined as those sites with outstanding planning permission for employment use or undeveloped employment land allocations identified in the relevant authority's Local Plan.

11.3 All figures relate to the employment land position as at January 2008. All site areas are net figures unless otherwise stated.

Chester-le-Street

- 14 available employment sites in the District, totalling **25.88ha** of land, have been assessed by this ELR. Based upon historic take-up rates, the available land equates to an implied supply of 19 years.
- It is anticipated that the District's largest available site, Drum Park will be developed out in the near future. This will reduce the available stock of employment land to **18.46ha** and increase take-up rates. As a result, the implied supply of Chester-le-Street would fall to 11 years. This is significantly below the 25 year level of provision set out in the emerging RSS.

Derwentside

- 40 available employment sites have been assessed by the ELR. These sites provide a total of **100.40ha** of land, which equates to an implied supply of 35 years.

- The largest employment land allocation in the District, at **Berry Edge**, has recently received planning consent for mixed use, and its future availability for employment use seems unlikely. This would reduce the forward supply of land by 34.2ha.
- Three potential employment sites with no current planning commitment were identified by the LPA and have been assessed as part of the review. These three sites account for an additional 12.29ha of land.

Sedgefield

- 64 available employment sites, comprising **175.28ha** of land, have been assessed by the employment land review. This would provide an implied supply of 37 years.
- Large manufacturing closures are also anticipated in the foreseeable future which could bring forward a large amount of allocated employment land for development. Three major sites in Spennymoor (Black & Decker, Thorn and Electrolux) could result in the release of 56ha of additional land.
- Heighington Lane West and NETPark Phase 2, which have been reinstated in the emerging RSS as Key Employment Locations account for 48.62ha of the total land available.

Summary

11.4 Table 38 provides a summary of the potential supply of employment land assessed by this review.

Table 38: Supply Summary

| | | Number | Gross Site Area (Hectares) | Net Site Area (Hectares) |
|--------------------------|-----------------|---------------|---------------------------------------|-------------------------------------|
| Chester-le-Street | Committed Sites | 14 | 27.77 | 25.88 |
| | Potential Sites | 0 | 0.00 | 0.00 |
| | Total | 14 | 27.77 | 25.88 |
| Derwentside | Committed Sites | 40 | 112.85 | 100.40 |
| | Potential Sites | 3 | 13.71 | 12.29 |
| | Total | 43 | 126.56 | 112.69 |
| Sedgefield | Committed Sites | 64 | 202.27 | 175.28 |
| | Potential Sites | 0 | 0 | 0 |
| | Total | 64 | 202.27 | 175.28 |

Balancing the Needs of Future Employers

11.5 Section 10.0 sets out, for each Local Authority, a range of employment land projections that can be broadly categorised as low, medium and high. It is important to ensure an appropriate level of supply that achieves a balance between market realism and policy objectives within each Local Authority. A range of qualitative and quantitative factors have been considered within this report that can help to inform a judgment on the appropriate level of supply for each Local Authority within the broad range provided by the growth scenarios. The key issues are set out below.

Chester-le-Street

- Stakeholders have acknowledged that it is unsustainable for Chester-le-Street to continue as a commuter town and there is therefore a need to provide new job opportunities to reduce out-commuting;
- The District is located in close proximity to the Tyne and Wear conurbation and centrally within the region with excellent accessibility, making it an attractive business location subject to the provision of good sites in the right locations;
- The industrial estates of Washington are beginning to reach capacity, which is driving strong demand for sites at Drum because of their excellent accessibility via the A1. Drum is also approaching capacity;
- There is a shortage of available employment sites within Chester-le-Street. Following the development of Plot 2 at Drum Park, there will be enough land to provide 11 years supply based on historic take-up rates;
- In order to maintain recent levels of activity in the District, new serviced land needs to be allocated in close proximity to the A1;
- Projecting past take-up rates forward over a 25 year period would result in the need for 34.5ha of employment land;
- Demand for B2 appears to have been prejudiced by land supply - there are few good sites except Drum and this is being developed for B8 for market reasons;

- Homeworking has flourished in Chester-le-Street without any specific policy or funding support; and
 - The market for B1 has until recently been frustrated by a lack of supply. This is changing with developments at Bowes Park and Drum and with proposals for town centre offices identified in the Chester-le-Street town centre masterplanning work.
- 11.6 Consequently, given the lack of industrial sites presently available in the District, coupled with the need to reduce the level of out-commuting to the Tyne and Wear conurbation, it is recommended that **the higher end of the 24 - 35 hectare range** should be used to inform Chester-le-Street's emerging LDF. This higher level of provision would be in alignment with historic take-up and would help to create more employment opportunities in the area, thereby offering an opportunity to improve Chester-le-Street's job density.
- 11.7 Furthermore, Chester-le-Street is required by the RSS to provide an additional 2,000 residential units over the plan period. This additional housing development is likely to significantly increase the number of economically active residents in the District and it is therefore important that the District is able to provide a significant number of additional employment opportunities.
- 11.8 Allocations should be weighted towards warehousing and logistics use (particularly in the lower B8 size ranges) in close proximity to the A1 due to the current level of market demand. The emphasis should be on identifying new deliverable sites to improve range and size.

Derwentside

- Derwentside does not have quite the same advantages as the other authorities in terms of accessibility. However, it provides an attractive, semi-rural environment with a substantial number of new, relatively inexpensive housing coming forward in reasonably close proximity to the Tyne and Wear conurbation. It is anticipated that this will attract skilled residents and stimulate localised demand for employment premises;
- Manufacturing is expected to continue to play a key role in the economic future of the District and there are a number of market leaders providing high value niche products. There is an excellent business support structure in place to help these and other businesses develop;

- However, it is likely that the manufacturing industry will continue to experience structural change for the foreseeable future;
- Industrial and warehousing units have accounted for approximately 60% of historic take-up, whilst office units have accounted for less than 20%; and
- Take-up rates in the District have been low relative to supply. Projecting forward historic take-up rates over a 25 year period would result in a requirement for 70 ha of employment land below even the Bronze estimate of growth.

11.9 Taking into account the issues set out above, as past take up rates for the District are relatively low compared to the supply of land presently available, and as the manufacturing sector continues to experience structural change for the foreseeable future, it is recommended that **the lower end of the 73 - 110 hectare range** should be used to inform Derwentside's emerging LDF, with allocations weighted towards delivering office/light industrial/general industrial units to accommodate ongoing localised demand. This will mean de-allocations of poorer sites in remoter locations.

Sedgefield

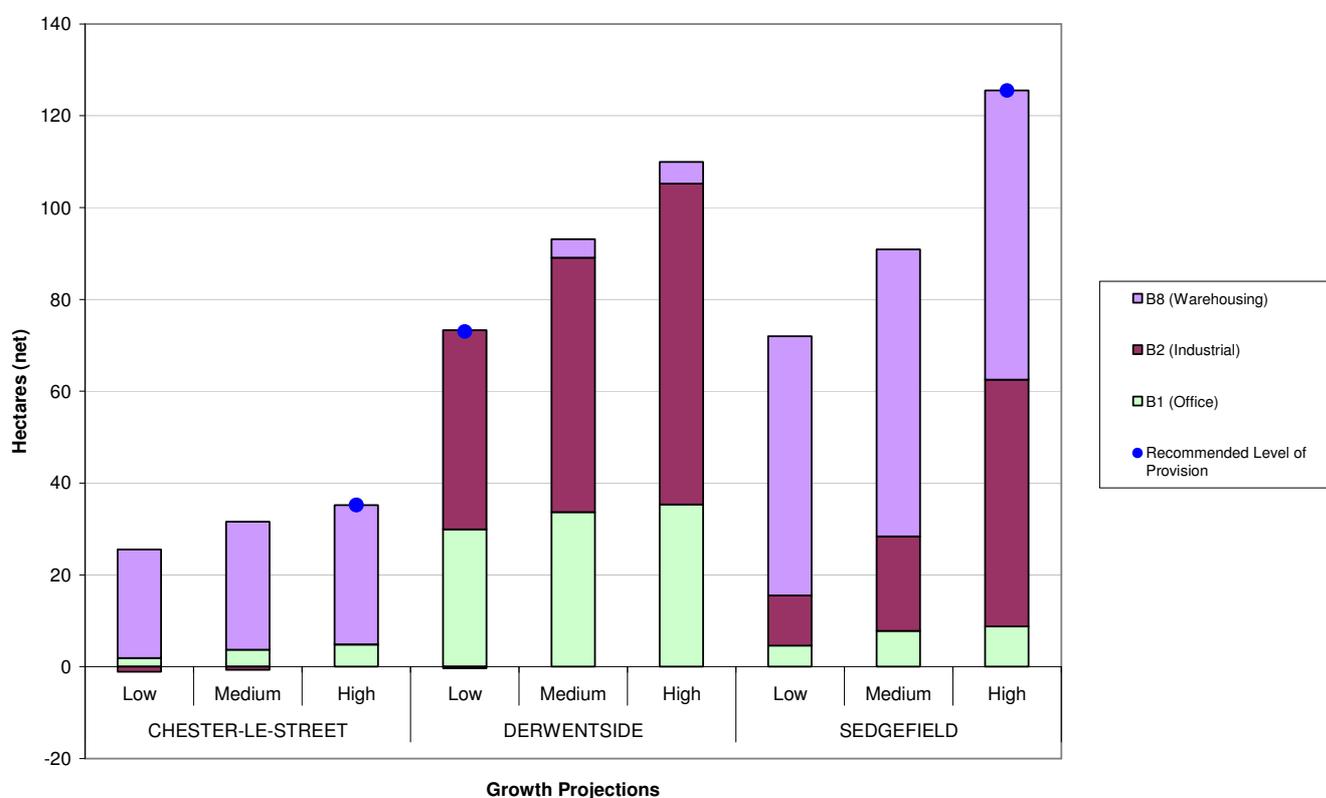
- Sedgefield is located in close proximity to the Tees Valley conurbation and benefits from excellent accessibility links, making it an attractive business location;
- Distribution and logistics is therefore considered to represent a significant growth opportunity for Sedgefield, with the proximity to the A1(M) a key asset in this respect;
- Within the emerging RSS, Heighington Lane West is identified as a Key Employment Location for distribution and logistics. Greater logistics activity is likely to increase take-up rates in the Borough due to the land hungry nature of the sector; and
- NETPark is also identified as a Key Employment Location in the emerging RSS and is acknowledged as a major future driver of the regional economy, attracting university spin-offs and relocations from elsewhere. It is expected that NETPark will also stimulate higher levels of future take-up in the Borough as the development establishes critical mass;
- Aycliffe Industrial Estate is an employment area of regional significance and the second largest industrial estate in the North East. The site is important to the

Borough's employment land offer and the perception of Sedgefield as an employment location;

- Almost 90% of historic take-up has been for industrial and distribution units; and
- Projecting forward historic take-up rates over a 25 year period would result in a requirement of 119.3ha.

11.10 In summary, past take up rates, RSS policy and the presence of two strategic key employment sites (NETPark and Heighington Lane West) would indicate that **the higher end of the 72 - 126 hectare range** would be a suitable target to inform Sedgefield's emerging LDF. Given the very high level of present supply (particularly of large manufacturing units), de-allocations of poorer, remoter sites should be encouraged to avoid the negative effects on value caused by local market oversupply. Future provision should be weighted towards warehousing and logistics use, and to a lesser extent, general industrial. Recent development activity demonstrates that speculative provision of offices is now viable on serviced sites that are easily accessible. Capacity for growth in this sector should be acknowledged.

Figure 20: Summary 25 Year Demand Projections



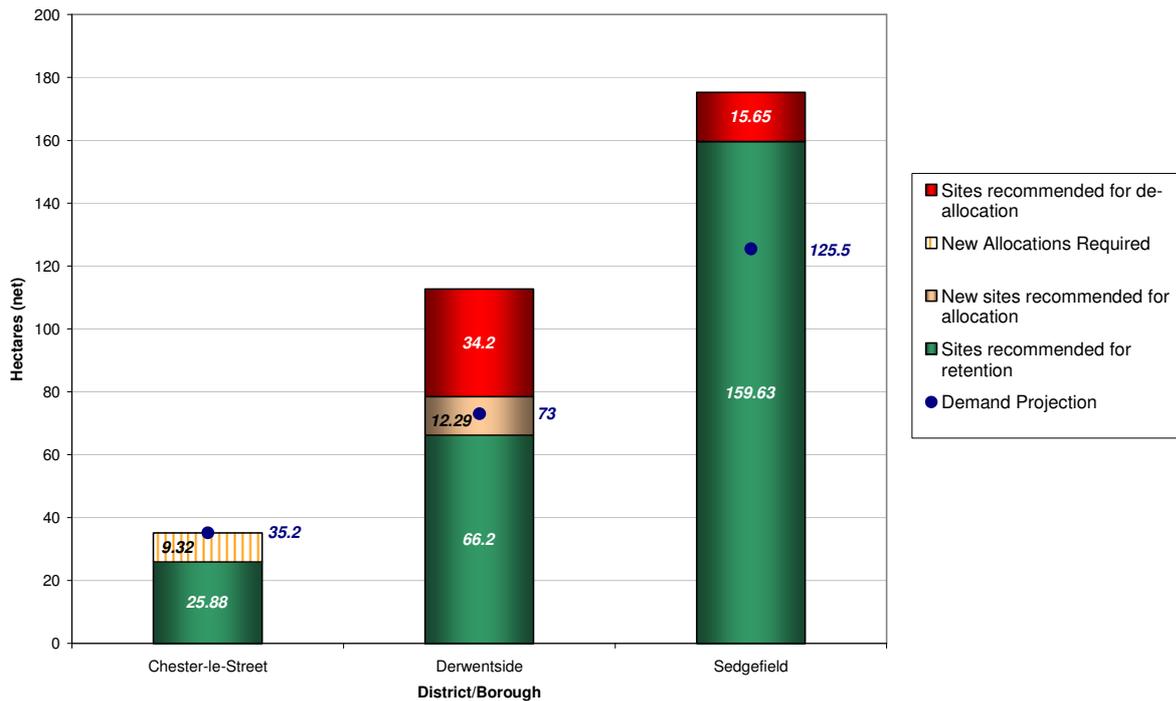
Demand versus Supply - Identification of Gaps in the Portfolio

11.11 Figure 21 demonstrates the current employment land situation in the Study Area and compares this against projected future demand. It indicates a situation whereby supply is in excess of demand in Sedgefield Borough and Derwentside District, whilst in Chester-le-Street demand is 40% above the current level of supply. This section of the Report summarises the results of the final stage of the site appraisal process. It outlines the basis on which sites were identified as being suitable for retention as part of the LPAs' employment land portfolios, and also which sites should not be included in the future supply of employment land. The reasoning underpinning the latter recommendations are elaborated upon for each site in turn, by Local Authority.

11.12 However, it should be noted that in light of the current oversupply of employment sites in the Derwentside District and Sedgefield Borough, a number of key considerations informed the process of arriving at conclusions and recommendations:

- Policy considerations, particularly the need to prioritise development on brownfield sites well related to existing centres of employment and within easy reach of the resident population;
- Compatibility with adjacent land uses; and
- Constraints such as flood risk, environmental designations, infrastructure, topography and land contamination.

Figure 21: Summary of Demand versus Supply



Chester-le-Street District

11.13 The projected employment land requirement for Chester-le-Street is suggested to be in the order of 35ha. The present employment land portfolio in the District comprises of 18 committed employment land sites, equating to just under 26 hectares. As can be seen in Figure 22, this clearly equates to a shortfall in supply over the 25 year plan period equal to around 9 hectares. Table 39 presents the full list of committed employment sites in the District. It is recommended that all 18 sites are retained and protected for future employment use, with two of these, Stella Gill and Kimblesworth Colliery Yard, recommended for specific site modification works.

Figure 22: Summary of Demand versus Supply: Chester-le-Street

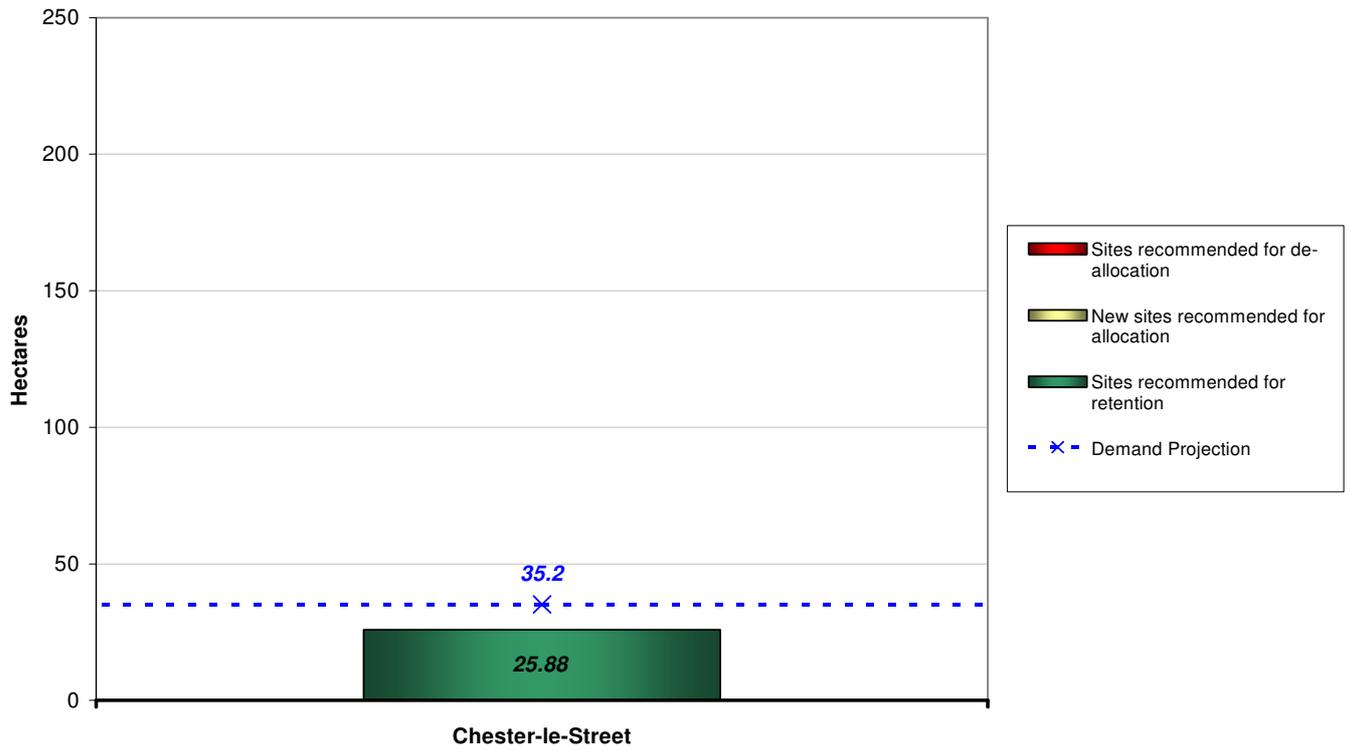


Table 39: Chester-le-Street District Employment Portfolio Recommendations

| Site Name | Adjusted Area (Hectares) | Recommendation |
|--|--------------------------|-------------------|
| Westline SW corner | 1.40 | Retain |
| Drum | 0.40 | Retain |
| Drum Park | 7.42 | Retain |
| Drum Extension | 4.03 | Retain |
| Stella Gill | 0.46 | Retain |
| Stella Gill West | 1.35 | Retain |
| Stella Gill East (at entrance to Estate) | 1.30 | Retain |
| Stella Gill East (Central field) | 5.94 | Retain |
| Front Street | 0.00* | Retain |
| Pelton Fell Banks | 0.20 | Retain |
| Sacriston Colliery | 0.48 | Retain |
| Sacriston Colliery Extension | 0.71 | Retain |
| Co-operative Workshops | 0.00* | Retain |
| Lumley Sixth Pit | 0.24 | Retain |
| Lumley Brickworks | 0.74 | Retain |
| Station Approach / Turnpark | 0.00* | Retain and modify |
| Stella Gill Fertilizer Works | 1.20 | Retain and modify |
| Kimbleworth Colliery Yard | 0.00* | Retain and modify |
| Total | 25.88 | |

* Sites have been assessed as part of the ELR but do not contain any available employment land

11.14 Two additional sites, Vigo Lane and Kimbleworth Colliery Yard, have also been considered as part of the analysis. These are existing employment sites with no

available employment land at present. However, it is understood that the situation is fluid at present and there may be pressure to release the sites for alternative, non-employment, uses. In summary:

- **Kimblesworth Colliery Yard** has convenient access to the A167, and the buildings are nearing the end of their life, but there are factors that will impact on the viability of redevelopment for employment purposes. The site is small, but abnormal costs will be high due to the need for demolition and site remediation. The size of the site could be increased, but this would require incorporating land within the City of Durham, which has a substantial over-supply of employment land. Access to the A167 is restricted to the northbound carriageway - to rectify this would add further to the abnormal costs of development.
- **BOC, Vigo Lane** is an underused site which the owners are thought to be considering vacating. It is ten hectares of brownfield land in a location that would be attractive to industrialists due to its proximity to the A1(M). The complex of buildings on the site includes premises that are effectively redundant for industrial purposes. The abnormal costs of redeveloping the site for employment use would undermine viability, but the size of the site and its topography lend itself to development for mixed-use which could allow cross-subsidy of the employment component. It will be important to ensure that this component is of sufficient size to be viable as a business location, particularly if other parts of the site were to be developed for residential.

11.15 Following the detailed site appraisal, it is apparent that the sites are well located, viable and sustainable but present viability and deliverability issues. Given the present shortfall of sites in the District, and the policy restrictions relating to other opportunity sites in the Green Belt, it is considered that the retention of these sites as part of the employment land portfolio should be a key function. The sites should be designated for retention for employment use in the District's LDF, although recognising that a mixed use approach may be the only way of bringing either site forward for a viable employment redevelopment.

11.16 There will still be a need to identify additional allocations in Chester-le-Street through the LDF process. Section 12.3 of this document provides some recommendations regarding the broad areas of search that may be considered by the LPA.

Derwentside

11.17 As indicated in Figure 23, Derwentside has a projected demand for employment sites of around 73 ha, compared with a current portfolio of over 95 hectares, indicating a modest over-supply of sites (in crude quantitative terms). The qualitative appraisal analysed the merits of all of these sites, making recommendations as specified in Table 40.

Figure 23: Summary of Demand versus Supply: Derwentside

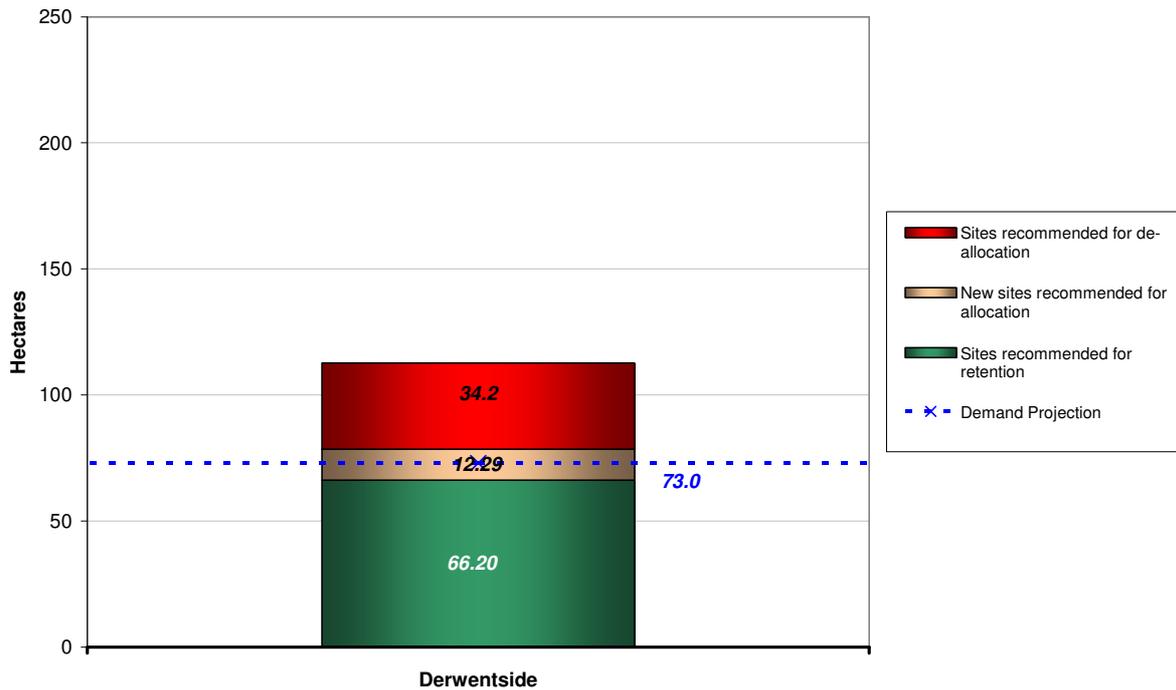


Table 40: Derwentside District Employment Portfolio Recommendations

| Site Name | Adjusted Available Area (Hectares) | Recommendation |
|-----------------------------|------------------------------------|----------------|
| Hobson - Frontage | 0.68 | Retain |
| Hobson Extension - North | 1.89 | Retain |
| Hobson - West | 0.00* | Retain |
| Harelaw | 0.00* | Retain |
| Harelaw Extension | 1.61 | Retain |
| Greencroft - South West | 5.93 | Retain |
| Greencroft - Park Head | 0.48 | Retain |
| Greencroft - North West | 2.21 | Retain |
| Greencroft - North East | 1.87 | Retain |
| Greencroft - Central East | 0.90 | Retain |
| Greencroft - South East | 2.03 | Retain |
| Morrison Busty North | 0.14 | Retain |
| Morrison Busty North (East) | 2.22 | Retain |
| Morrison Busty South | 0.00** | Retain |

| Site Name | Adjusted Available Area (Hectares) | Recommendation |
|--|------------------------------------|----------------|
| Craghead | 0.00** | Retain |
| Tanfield Lea North - South West | 1.63 | Retain |
| Tanfield Lea North - B4B w | 0.33 | Retain |
| Tanfield Lea North - B4B e | 0.37 | Retain |
| Tanfield Lea North - Esh Group | 2.71 | Retain |
| Tanfield Lea South - East | 2.68 | Retain |
| Tanfield Lea South - West | 1.63 | Retain |
| Ever Ready | 0.00** | Retain |
| Malton | 0.00** | Retain |
| Esh Winning | 0.00** | Retain |
| Esh Winning Extension | 3.64 | Retain |
| Langley Park North | 0.00** | Retain |
| Langley Park South | 0.00** | Retain |
| Leadgate Ind Est (west) | 1.39 | Retain |
| Leadgate Ind Est Extension (east) | 0.96 | Retain |
| Watling Street Ind Est (north) | 0.87 | Retain |
| Watling Street Ind Est (south) | 1.43 | Retain |
| Bradley Shops (south) | 0.92 | Retain |
| Derwentside Business Park (north east) | 0.51 | Retain |
| Derwentside Business Park (west) | 0.70 | Retain |
| Number One - north | 1.40 | Retain |
| Number One - south | 0.47 | Retain |
| Crookhall | 0.00** | Retain |
| Crookhall Extension | 1.04 | Retain |
| Crookhall Extension | 0.46 | Retain |
| Delves Lane North | 0.00** | Retain |
| Delves Lane South of entrance | 1.48 | Retain |
| Delves Lane Western end | 0.65 | Retain |
| Berry Edge / Ponds Court | 0.36 | Retain |
| Hownsgill west side | 9.37 | Retain |
| Hownsgill east side | 7.17 | Retain |
| Hownsgill south side | 3.16 | Retain |
| The Grove | 0.00** | Retain |
| Castleside | 0.58 | Retain |
| Derwentdale | 0.00** | Retain |
| Park Road | 0.00** | Retain |
| Park Road North | 0.18 | Retain |
| Hamsterley | 0.15 | Retain |
| Total | 66.20 | |
| Carr House | 0.00*** | Deallocate |
| Delves Lane North Extension | 0.00*** | Deallocate |
| Former Berry Edge Workshops | 0.00*** | Deallocate |
| Genesis North | 7.00 | Deallocate |
| Genesis South | 27.20 | Deallocate |
| Spiracon Workshops | 0.00*** | Deallocate |
| Total | 34.20 | |

* Sites are held as Expansion Land and are therefore not classified as available

** Sites have been assessed as part of the ELR but do not contain any available employment land

*** Site is understood to be coming forward for non-employment use

11.18 In total, of the 58 committed employment sites appraised, 52 sites were recommended for retention, which would leave a total forward supply for the District of 66.20ha. Six sites were recommended for de-allocation, on the basis of the following:

- **Carr House, Leadgate:** This allocated employment site has now been developed for housing, and consequently no longer forms part of the District's employment land portfolio.
- **Delves Lane North Extension, Consett:** This allocated employment site has now been developed for housing, and consequently no longer forms part of the District's employment land portfolio.
- **Former Berry Edge Workshops, Consett:** There is significant over-supply of employment land in the District and particularly within the Consett sub-area. This site is surrounded by new residential development on three sides, and it is considered that it would be more suitably allocated for alternative uses in the forthcoming LDF.
- **Genesis North and South, Consett:** The former steelworks site has been remediated and a spine road has been provided. However, the two sites recommended for de-allocation are on the south western side of Consett town, and relatively remotely located relative to the core of the City Region and the Strategic Highway Network than other sites within the sub-area. Consent for alternative uses has been granted, and therefore it is considered that the sites should not be considered as part of the District's employment land portfolio.
- **Spiracon Workshops, Consett:** This allocated employment site has been redeveloped as a retail warehouse, and consequently no longer forms part of the District's employment land portfolio.

11.19 The removal of these six unviable sites would reduce the forward supply of employment sites by 34.2 hectares, primarily due to the substantial de-allocation at Genesis North and South. This would leave the District with a 10 hectare shortfall over the 25 year plan period. Three potential employment sites with no current planning commitment were identified by the LPA to be assessed as part of the review. The site recommendations are summarised in Table 41 below.

Table 41: Derwentside District Potential New Sites

| Site Name | Adjusted Area (Hectares) | Recommendation |
|--------------------------------|--------------------------|----------------------------------|
| Tanfield Lea North - Extension | 6.89 | Allocate (subject to investment) |
| Tanfield Lea South - Extension | 3.08 | Allocate (subject to investment) |
| Langley Park North Extension | 2.32 | Allocate (subject to investment) |
| Total | 12.29 | |

11.20 It is considered that all three sites have the potential to make a valuable contribution to the employment land portfolio, subject to the necessary investment. Including them within the forward supply would also help to redress the current focus of provision within Consett and provide an employment land supply that is more even distributed in spatial terms. Allocating these sites for employment through the LDF would provide Derwentside with a forward supply of 78.48ha against a projected need of 73ha

Sedgefield

11.21 As indicated in Figure 24, the projected employment land requirement for Sedgefield is approximately 126ha, against a committed supply of 175.28ha, indicating a substantial over-supply in quantitative terms. The qualitative appraisal analysed the merits of all of these sites, making recommendations as specified in Table 42.

Figure 24: Summary of Demand versus Supply: Sedgefield

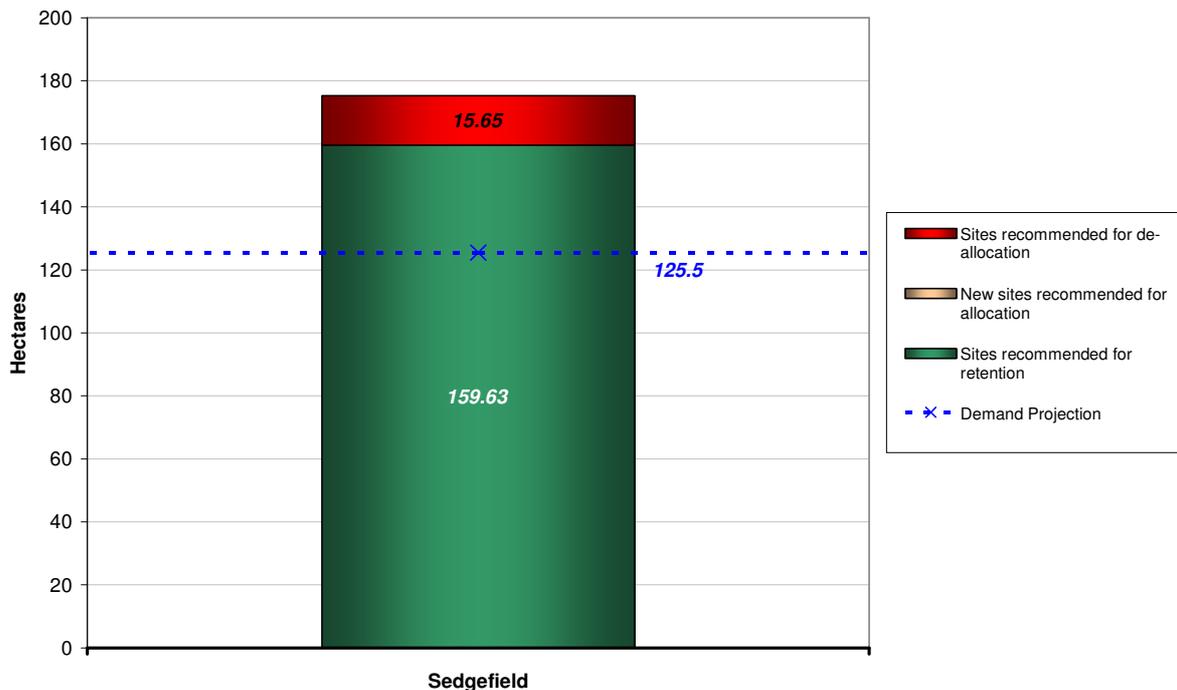


Table 42: Sedgefield Borough Employment Portfolio Recommendations

| Industrial Estate | Plot | Adjusted Area (Hectares) | Recommendation |
|--|-----------------------|---------------------------------|-----------------------|
| Aycliffe Industrial Estate - Heart of the Park | Rembrandt Way | 1.78 | Retain |
| | Durham Way South | 0.18 | Retain |
| Aycliffe Industrial Estate - North East | Groat Drive | 0.00* | Retain |
| | Howden Road | 1.76 | Retain |
| | Durham Way North | 0.27 | Retain |
| | St Cuthberts Way | 0.00* | Retain |
| | Burtree Road | 0.31 | Retain |
| Aycliffe Industrial Estate - North West | Jowett Way | 1.31 | Retain |
| | Northfield Way | 1.19 | Retain |
| | Leaside | 0.18 | Retain |
| | Hilton Road | 0.20 | Retain |
| | Preston Road | 0.00* | Retain |
| Aycliffe Industrial Estate - South West | Cumbie Way | 0.23 | Retain |
| | Beaumont Way | 0.56 | Retain |
| Heighington Lane / Aycliffe Prestige | Long Tens Way | 2.89 | Retain |
| | Long Tens Way W | 3.48 | Retain |
| | Heighington Lane | 2.10 | Retain |
| | St Andrews Way | 5.42 | Retain |
| | Long Tens Way SE | 0.83 | Retain |
| | W of Filtronic | 19.30 | Retain |
| Lambton Street Ind Est - north | | 3.09 | Retain |
| Lambton Street Ind Est - south | | 4.11 | Retain |
| Lambton Street Proposed Ind Est - north | | 6.62 | Retain |
| Lambton Street Proposed Ind Est - South | | 3.92 | Retain |
| Furnace Pit Local Industrial Area | | 0.12 | Retain |
| Hackworth Park Industrial Estate | | 0.00** | Retain |
| Dabble Duck / Shildon Industrial Estate | | 0.00** | Retain |
| George Reynolds / All Saints Ind Est | George Reynolds IE | 3.28 | Retain |
| | All Saints IE N | 2.26 | Retain |
| | All Saints IE S | 2.94 | Retain |
| | All Saints IE SE | 1.15 | Retain |
| Green Lane Industrial Estate | Entrance Rd (E of) | 5.94 | Retain |
| | N of Butchers Race | 1.21 | Retain |
| | S of Butchers Race | 1.82 | Retain |
| | N Edge of Estate | 1.72 | Retain |
| | NE of Green Lane | 3.59 | Retain |
| Merrington Lane Industrial Estate | Coulson Street | 0.57 | Retain |
| | Coulson Street -north | 0.16 | Retain |
| Wesleyan Road Industrial Estate | Former gas works | 1.04 | Retain |
| Tudhoe Industrial Estate | | 0.00** | Retain |
| Dean and Chapter Industrial Estate | N of Entrance Road | 0.47 | Retain |
| Mainsforth Ind Est, Ferryhill Station | At back of estate | 1.81 | Retain |
| Chilton Industrial Estate | Smith Way West | 0.83 | Retain |
| | Smith Way North | 0.00* | Retain |
| | Avenue 1 | 0.76 | Retain |
| | W of Chilton | 1.08 | Retain |

| Industrial Estate | Plot | Adjusted Area (Hectares) | Recommendation |
|--|-----------------|--------------------------|-------------------------------|
| Sedgefield General Industrial Estate | | 3.41 | Retain |
| North East Technology Pk (NETPark) | Plot 3 | 0.87 | Retain |
| | Plot 7 | 1.62 | Retain |
| | Plot 8 | 0.65 | Retain |
| | Plot 9 | 0.85 | Retain |
| | Plot 10 | 0.73 | Retain |
| | Plot 11 | 0.57 | Retain |
| | Plot 12 | 0.75 | Retain |
| NETPark Phase 2 | | 9.00 | Retain |
| Hutton Villa Depot / Sedgefield Station IE | North East | 0.11 | Retain |
| | East | 0.37 | Retain |
| Fishburn Industrial Estate | Fishburn W | 0.37 | Retain |
| | Fishburn E | 0.33 | Retain |
| | Fishburn SE | 0.62 | Retain |
| Sub-Total | | 110.73 | |
| Heighington Lane West | | 39.62 | Retain and modify |
| Sub-Total | | 39.62 | |
| Chilton Proposed Prestige Estate | East | 9.28 | Retain part for mixed-use |
| Sub-Total | | 9.28 | |
| Total for Retention | | 159.63 | |
| Aycliffe Industrial Estate - Heart of the Park | Welbury Way | 1.13 | Deallocate |
| | Welbury Way | 1.95 | Deallocate |
| Dale Road Industrial Estate | | 0.53 | Deallocate |
| All Saints Proposed Business Area | | 1.21 | Deallocate |
| Old Eldon / Middridge Drift Ind Est | | 0.92 | Deallocate |
| Wesleyan Road Industrial Estate | Former showroom | 0.36 | Deallocate |
| Chilton Proposed Prestige Estate | West | 3.79 | Deallocate |
| Trimdon Grange Depot | | 0.48 | Deallocate |
| Cornforth Industrial Estate | | 0.00** | Deallocate |
| Chilton Proposed Prestige Estate | East | 5.28 | Reallocate part for mixed-use |
| Total for De-allocation | | 15.65 | |

* Sites are held as Expansion Land and are therefore not classified as available

** Sites have been assessed as part of the ELR but do not contain any available employment land

11.22 It can be seen from the table above that 110.73ha of committed employment land, relating to 60 sites, is recommended for retention; additionally, it is recommended that a further 39.62ha of land at **Heighington Lane West** is retained and modified through the facilitation of site improvements.

11.23 It is further understood that around 14.56ha is available at **Chilton Proposed Prestige Estate, East** and that 9.28ha of this is recommended for retention for employment uses. Adding this 9.28ha to the forward supply results in 159.63ha for Sedgefield against a proposed employment land requirement of 126ha.

11.24 Ten sites are recommended for de-allocation on the following grounds:

- **Welbury Way (Plot A), Heart of the Park, Aycliffe Industrial Estate:** This site is on the eastern edge of Aycliffe Industrial Estate. It is identified within the Sedgefield Strategic Flood Risk Assessment as being within a high risk flood zone due to its proximity to Demon's Beck.
- **Welbury Way (South of the Sewage Works), Heart of the Park, Aycliffe Industrial Estate:** Part of this former expansion land to the sewage works has been declared surplus to requirements. It is situated on the eastern periphery of Aycliffe Industrial Estate. It is identified within the Sedgefield Strategic Flood Risk Assessment as being within a high risk flood zone due to its proximity to Demon's Beck. There is a surplus of employment land within the Borough and the Newton Aycliffe sub-area in particular.
- **Dale Road Industrial Estate, Shildon:** This brownfield industrial site scores poorly against market viability factors. There is a surplus of employment land provision within the Borough and a significant level of over-allocation in the Shildon sub-area. The estate is the town's smallest and is poorly located relative to the other Shildon Estates.
- **All Saints Proposed Business Area, Shildon:** This greenfield site was allocated as a proposed business park in the adopted Local Plan. It is situated on the southern periphery of Shildon. One office building has been developed on the site since it was allocated, and 1.34 ha remains undeveloped. There is a surplus of employment land provision within the Borough and a significant level of over-allocation in the Shildon sub-area. As a greenfield site with no infrastructure provision it is considered that this represents an appropriate site for de-allocation.
- **Old Eldon/Middridge Drift Industrial Estate:** This is an isolated pocket of employment land situated to the north east of Shildon, surrounded by open fields. The former employment buildings on this site have been demolished, and the area has become overgrown. The site scored poorly on a range of qualitative criteria. There is a surplus of employment land provision within the Borough and a significant level of over-allocation in the Shildon sub-area.
- **Merrington Lane Industrial Estate, Spennymoor:** This 42 ha industrial estate is in three ownerships two are major manufacturing complexes: Electrolux and Thorn, which will have closed by March 2009. Thorn's distribution centre will be

retained on the site. The remainder of Thorn's land has planning consent for residential. Options for the redevelopment of the remainder are being considered. The buildings are unlikely to be reoccupied in their entirety, and there is an over-supply of subdivided factory space within the Borough as a whole and the Spennymoor sub-area in particular. Allowing the site to form part of the Borough's long term employment land portfolio would create a substantial over-supply of employment land in the sub-area. It has been assumed that the mixed use proposals will contain a modest additional employment component in addition to the Electrolux distribution centre. The remainder of the site could be re-allocated for alternative uses.

- **Former Showroom, Wesleyan Road Industrial Estate, Spennymoor:** This allocated local employment site was previously used as a car showroom, and the building is now redundant. The site is situated on the periphery of Spennymoor town centre and is poorly related to other employment areas. There is an over-supply of employment land at Borough level and hence the re-allocation of this site for alternative use is appropriate.
- **Land to the West of Chilton Bypass, Chilton Proposed Prestige Estate:** The line of the bypass (which at that point had not been constructed), is shown in the adopted Local Plan as running along the eastern edge of Chilton Industrial Estate. The original intention was for Chilton Proposed Prestige Estate to be situated on land to the east of the bypass. The bypass has now been constructed and the actual line is to the east of its original position; consequently, a strip of land between the bypass and Chilton Industrial Estate is now isolated from the remainder of the Prestige Estate. This site would be difficult to bring forward for employment uses without acquiring rights over adjoining land. There is an over-supply of employment land within the Borough as a whole, and within Chilton there is more than sufficient land over the 25 year Plan period.
- **Depot, Trimdon Grange Industrial Estate:** Trimdon Grange is a local employment site. Part of the allocated area that remains available is in use as allotments. There is an over-supply of employment land in the sub-area of the Borough, and much of the available land is situated on local industrial estates. The site has poor access and is poorly located towards the back of the estate.
- **Cornforth Industrial Estate:** This site is in single occupation. It has extant planning consent for residential development. As a brownfield site there will be

high abnormal costs to redevelop. The site is relatively isolated and has poor accessibility. Demand for employment uses will be weak and the viability of new development will be poor.

11.25 Notwithstanding these ten de-allocations and two partial de-allocations for mixed use, it is acknowledged that there is still an over-supply of employment land in the Borough. However, the level of supply is broadly in alignment with the historic take-up of employment land and the 150ha cited within the emerging RSS. Nevertheless, there may well be a need to identify further (modest) de-allocations in the longer term over and above the 15.65ha identified for removal in this ELR and therefore the de-allocations proposed above should be regarded as a minimum for LDF purposes. Given the current localised supply and demand figures considered within Section 6.0, it is considered that Shildon and Spennymoor currently represent the most appropriate areas of search for identifying further de-allocations over and above those mentioned earlier.

Summary

Chester-le-Street

- Employment land projections forecast the need for approximately **35ha** of employment land over a 25 year period;
- The study has identified **26ha** of available employment land within Chester-le-Street. Following site assessments it is recommended that all of these sites are retained;
- It is considered that additional allocations in the order of 9ha will need to be identified through the LDF process.

Derwentside

- Employment land projections forecast the need for approximately **73ha** of employment land over a 25 year period;
- Approximately 100ha of committed employment land has been assessed by this study, and following the site appraisal process, sites totaling **34ha** have been recommended for de-allocation;

- Following site assessments, **66ha** of committed employment land is recommended for retention. A further four sites currently with no current planning commitment have been appraised and it is recommended that they should be allocated for employment use (subject to investment). This would culminate in a total forward supply of approximately **78ha**;
- This is broadly in alignment with the projected requirement of 73ha.

Sedgefield

- Employment land projections indicate a need for approximately **126ha** of employment land over a 25 year period;
- Approximately **175ha** of committed employment land has been assessed by this study;
- Following the site appraisal process, sites totaling **16ha** have been recommended for de-allocation;
- **160ha** of employment land has been recommended for retention;
- This represents an oversupply against projected requirements, although it should be noted that the forward supply of employment land is broadly in alignment with historic take-up rates and the figures contained within the emerging RSS. Notwithstanding this, it is recommended that further de-allocations are considered in the longer term. At present, Shildon and Spennymoor represent the most appropriate areas of search when considering additional de-allocations.

12.0 KEY POLICY CHOICES

Introduction

- 12.1 This final Section of the Employment Land Review outlines the policy choices faced by the three LPAs in the Study Area in developing a sustainable employment land portfolio, and provides an Action Plan, informed by a number of Case Studies and other relevant examples, that can help to address the issues raised over the course of this Review.

Distributing the Future Supply of Employment Land

- 12.2 The site appraisal work presented in Section 11.0 identified a shortfall in the employment land portfolio in Chester-le-Street and Derwentside (in the letter's case, only after necessary de-allocations) against a 25 year level of provision. This sub-section provides recommendations on the broad areas of search for the LPAs of both Districts to consider when formulating their LDFs. It should be noted a surplus of employment land was identified within Sedgfield in Section 11.0 and as a result the Borough is not considered within this sub-section of the report.

Chester-le-Street District

- 12.3 The analysis of the market for industrial premises in the District indicates that in Chester-le-Street, particularly around the town itself and in locations with good access to junctions of the A1(M), there is a severe shortage of industrial premises. Whilst there has been recent market activity that has successfully provided speculative distribution sheds at Drum, there is still a shortage of general industrial premises across all size ranges. The market is strongest for smaller units, and land should be brought forward that caters specifically for this need. Thus infrastructure provision to sites that facilitates the delivery of small development plots should be a priority, and should ensure that future provision is not skewed towards further distribution sheds.
- 12.4 The locational requirements of general industrial users are proximity to the A1(M) and centres of population. Thus Birtley and Chester-le-Street will be of interest, whilst provision in outlying settlements would be inappropriate.
- 12.5 To encourage viable development by the private sector, a new industrial estate will need to be identified and provided with suitable infrastructure. Identification of a greenfield site would limit the level of abnormal costs that will need to be borne by the

public purse. The need to remediate brownfield sites would add significantly to the up-front costs. With more limited public funding available, opportunities to bring forward sites and premises through cross-funding should be seriously considered.

12.6 Private sector development of offices is viable only in certain locations. These are:

- Business park accommodation on sites where infrastructure has been provided to the edge of the plot, but again proximity to the A1(M) is a critical factor.
- High quality landscaped environments in reasonable proximity to major centres of population, and in easy reach of the A1(M), such as Lambton Park.

12.7 Development of town centre offices will have higher levels of abnormal costs and are likely to be viable only with public sector gap funding or cross-funding from the development of other more valuable uses.

Derwentside District

12.8 With the exclusion of Berry Edge and the inclusion of the three additional sites identified by the Council (at Tanfield Lea North and South and Langley Park) there is an estimated 28 years supply and therefore no overall shortage of employment land in Derwentside. Due to the range of factors outlined in Section 8, improving upon past take up rates will be challenging.

12.9 The majority of past take-up of employment land in Derwentside has been by manufacturing firms; a sizeable proportion of these have been bespoke premises for specific businesses, such as International Cuisine, Radford Shelving and Schmitz CargoBull. Some of these companies have taken both premises and adjoining land for future expansion. To ensure continued opportunities for such investment, Derwentside needs to provide a pipeline of serviced industrial sites in a range of sizes which are available on a freehold or leasehold basis.

12.10 Current allocations provide a good range of sites by size, although not all are available for purchase. Notably, plots at Hownsgill are only available on a design & build basis. Having regard to the scale of provision at this one estate relative to Consett's overall employment land supply, the Council should use whatever opportunities and tools it has to widen the tenure on offer here through discussions with the developer.

- 12.11 Some industrial estates and other employment areas within the District are ageing and during the course of the LDF period, opportunities for redevelopment of sites are likely to arise. As speculative development of employment premises on brownfield sites are unlikely to be viable, the Council should consider opportunities for the provision of new workspace through cross-funding when granting consents for alternative uses.
- 12.12 Larger established industrial estates have critical mass that provides a focus for demand. Investment in improvements to estates such as Number One will prolong their market appeal and when buildings become redundant their prospects of redevelopment for employment purposes are improved. We recommend that the Council produces a programme for improvements to its principal industrial estates, and works with landowners and businesses to ensure the longevity of established industrial estates.
- 12.13 The Council has an excellent track record in providing office accommodation, business support and incubation to service sector businesses. To retain these businesses within Derwentside as they grow will require the identification of sites on business parks that are reserved for office use and which can provide a high quality of environment. Opportunities to reinforce established office locations, such as Consett Business Park and Ponds Court, should be considered'.

Site Deliverability

- 12.14 The supply of employment land for development is highly dependent upon availability; private landowners simply may not wish to release land for development. This could be because their handling of the land is restricted by title issues or trusts, or because they have alternative aspirations for the site, often for higher value uses such as residential. A robust evidence base underpinning the LDF is therefore important in providing the conditions necessary to support, protect and bring forward valued employment sites for development.
- 12.15 Notwithstanding ownership and planning policy constraints, the financial viability of a site plays a crucial role in determining whether it comes forward for development. Redevelopment costs (particularly site remediation), anticipated demand and rental levels are all fundamental components of a scheme's viability and if these are considered to be unfavorable at a particular site then landowners are unlikely to put the land forward for redevelopment.

- 12.16 In such instances, public sector intervention may be required in the form of subsidy, grant or gap funding to make a site stack-up financially. Alternatively, a site could be brought forward as a mixed-use scheme to enable higher value uses to cross-subsidise the provision of new employment land / premises. Maintaining a flexible approach to requiring s.106 contributions could also reduce the overall financial burden on developers. Public sector investment should focus upon facilitating parcels of ready-made, serviced, development land.
- 12.17 It should also be noted that the greater the policy specificity and certainty, the easier it is for the market to make informed investment decisions. A clear implementation strategy setting out the phasing of development and the actions needed to deliver the requisite infrastructure can help in this regard.

An Action Plan for a Sustainable Future

- 12.18 This final Section of the ELR outlines an Action Plan, supported by relevant Case Studies from elsewhere in the North East, which seeks to address the review's conclusions and recommendations.

Home Working and Live-Work Schemes

- 12.19 The importance of homeworking and home-based businesses to the Study Area's economy has been highlighted throughout the stakeholder consultation process. It is understood that approximately 60% of all business in Chester-le-Street are home-based, and anecdotal evidence suggests that this is also the case for a large proportion of businesses in Derwentside and Sedgefield. In addition, changing working practices through improvements in ICT and a move towards a service-based, knowledge-intensive economy are also making homeworking more prevalent.
- 12.20 With the closure of a number of large employers across County Durham in recent years, there is now an increasing emphasis upon the need to drive economic growth through the development of the indigenous business base. The Study Area has a number of strengths in this regard, namely the environmental quality of the area; its close proximity to the City Regions and the excellent links to the wider highway and rail networks. Within this context, it may be appropriate to develop a policy response through the LDF to encourage further homeworking and live/work schemes in the area. This could provide an opportunity to attract entrepreneurs to the three Local Authorities and thereby support higher levels of economic growth.

12.21 The Case Study below considers the economic impact of Wynyard as a base for home-workers and identifies some of the scheme's critical success factors.

Case Study: Home-Working at Wynyard

The Wynyard development in Stockton-on-Tees is an executive housing development that has had considerable success in attracting and retaining entrepreneurs and those involved in knowledge intensive business services (the creative class). This success was examined in the 2006 CURDS study '*The economic role of mobile professional and creative workers and their housing and residential preferences*'.

The study noted that members of the creative class are relatively footloose and have specific housing needs and aspirations. By meeting these, an area can attract and retain such individuals and in this way, housing provision can be a key driver of regional competitiveness.

Concentrations of Knowledge Intensive Business Services (KIBS) are typically found in central urban locations. However, Wynyard was able to attract a significant concentration to a suburban/semi-rural housing development. A resident survey undertaken as part of the study revealed that 58% of households included at least one adult knowledge worker. In addition, 42% of households contained at least one adult who owned or part owned a business, with almost half of these individuals running their business from home. Most of the business owners ran businesses which operated in markets beyond the North-East.

It is understood through anecdotal evidence that the estate is home to some of the region's pre-eminent business figures, who have been attracted to Wynyard to oversee their business interests from home, without the development of formal live/work provision and policies. The residential search area for many of these people stretched from North Leeds/York/Harrogate up to Northumberland. The amenities, housing types, environment and security attracted them to Wynyard.

The size and quality of housing has been critical. 70% of homes on the estate are in Council Tax bands G and H and therefore provide the type of aspirational executive housing needed to attract successful, wealthy individuals. The size of the housing has facilitated the ability to work from home, by providing sufficient space to allow a dedicated work area to be provided.

The resident survey indicated that quality of life and accessibility were the key components of the Wynyard offer. When asked to identify the most important factor underpinning their decision to move to Wynyard, the majority of respondents cited a combination of the size of the house; security; countryside amenity and road access.



12.22 The case study above clearly demonstrates that providing an executive housing product that meets the needs of entrepreneurs could provide a real competitive advantage for the Study Area. In addition, the Government agenda to significantly

increase the housing supply could provide some scope for limited housing provision of this type. Local allocations on the right types of site will be required.

12.23 Lessons to be learned from the Wynyard scheme include:

- Live/work schemes should ensure the house offers sufficient space for the dwellings' dual purposes;
- Business owning Home-workers value a high quality of environment and therefore the housing product should be high quality located in a pleasant, rural environment.
- Good accessibility is also important and it will therefore be necessary to locate any scheme in an area that provides reasonable access to the City Region's via the strategic road network.
- Security and amenities are key considerations.
- Excellent ICT facilities and broadband access is essential.

ACTION:

It is recommended that the LDF process in each authority seeks to define sites which can create home-working opportunities to match the economic development benefits delivered by the Wynyard example.

The Provision of Managed Workspace

12.24 The consultation process has highlighted the need, particularly within Sedgefield and Chester-le-Street, to provide managed workspace and incubator developments to support indigenous businesses. This will be particularly important if homeworking or live/work schemes are actively pursued. This is because a move to a managed workspace scheme often represents a likely natural progression for successful home-based businesses as they expand.

12.25 Without adequate provision of such premises, the Study Area may be prevented from realising its full potential. Home-based businesses that have been nurtured using public sector resources could be forced to move out of the Study Area to find suitable premises if they are to realise their growth aspirations.

12.26 It is acknowledged that Derwentside District Council has been successful in developing and growing indigenous businesses through the provision of such premises at the Derwentside Business Centre and by providing financial support for business start-ups, resulting in a strong business support network including the Council, DIDA and DEF. Notwithstanding this, the Case Studies below provide examples of best practice that are particularly relevant to the Study Area. These set out some of the key factors that have contributed to the success of similar schemes and could be used to inform the provision of managed workspace.

Case Study 2: Managed Workspace at I-Space, Hexham

I-Space provides managed workspace units in Hexham that are targeted at small knowledge-based businesses in the early stages of growth. The scheme provides 10 fully serviced units that range in size from 120sq.ft. to 316sq.ft. The scheme was funded by:

- One North East's Regional Innovation Fund
- European Regional Development Fund; Objective 2 programme
- Tynedale Council
- E-Business Foundation

I-Space was developed to address the failure of the private sector to supply modern office accommodation in Hexham, deterred by a lack of demonstrable demand. However, Tynedale Council were aware of anecdotal evidence of demand amongst the local business community and undertook a feasibility study that highlighted that similar schemes throughout the North East filled up rapidly even if no tangible demand could previously be evidenced.

The scheme was fully let within six months and continues to generate requests for accommodation. Furthermore, the success of I-Space has resulted in the development of similar schemes in Tynedale and, significantly, has generated confidence in the demand for modern, high quality office space in the area. This has resulted in two new private sector schemes coming forward in Hexham, providing over 40,000sq.ft. of new office space.

The I-Space example clearly demonstrates that in areas where the private sector is reluctant to develop speculatively, good quality public sector schemes may be needed to demonstrate demand. This can act as the catalyst for market provision.

The critical success factors underpinning I-Space are summarised below:

- **Location:** I-Space is located on the outskirts of Hexham within easy reach of the A69. The centre therefore appeals to entrepreneurs who wish to live in a pleasant rural area but still want excellent access to the Tyne and Wear conurbation;
- **Flexibility:** the scheme offers flexible, easy-in easy-out leasing terms which are attractive to business start-ups, whilst the office space is also flexible, allowing businesses to grow on-site;
- **Benefits of Co-location:** businesses operating in similar fields and located in the managed workspace scheme have been able to develop partnerships to facilitate the sharing of information, creative ideas and best practice.

Case Study 3: Incubator Development at Springboard, Stokesley

Opened in 2006, the Springboard Business Centre in Stokesley is a 13,500sq.ft. incubator development in Hambleton, North Yorkshire. The scheme consists of 20 individual office units in a range of sizes and is fully occupied. The spaces are small and flexible, thereby meeting the needs of embryonic businesses.

Springboard targets new and young businesses operating in the high-tech, creative and knowledge-based sectors. It is anticipated that attracting and developing these high value businesses will play a crucial role in underpinning the future economic growth of the District.

The building has been designed so that all units open out onto communal space. This helps to maximise the benefits of businesses operating in related fields being located in close proximity. The communal space helps to provide opportunities for informal networking to create a culture of sharing information and best practice.

The facilities available at Springboard have been important in ensuring the success of the scheme. The centre's ICT facilities are excellent and shared secretarial support, and conference and training rooms are also available. In addition, on-site professional business advice is also available.

Firms that locate to Springboard must commit to entering into an ongoing relationship with the in-house Business Development Officer and must also be able to provide a robust business plan. This helps to ensure the long-term success and growth of those businesses located on site.

The scheme's location has also been fundamental to its success. The development is located on the edges of the market town of Stokesley, with excellent access to the commercial centres of Stockton, Middlesbrough and Darlington. Springboard is also well located with respect to the East Coast Mainline and Durham Tees Valley Airport. As a consequence, the development offers entrepreneurs the chance to live and work in a pleasant semi-rural environment without becoming remote from the major sub-regional centres of commerce.



ACTION:

There is a need in Sedgefield and Chester-le-Street, to provide additional managed workspace and incubator developments to support indigenous businesses. It is suggested that to stimulate the market in this regard, the LPAs concerned should seek and provide funding for the development of a number of fully serviced, quality business units, of between 100 sqft – 400 sqft, on Council-owned land. These units should ideally be located within easy reach of the A1 and offer flexible leasing terms to attract both business start-ups and firms looking to consolidate and expand.

Initiatives should be put in place to develop close ties between such schemes and local business support and enterprise agencies. This could include an on site business advisor or regular drop-in sessions which would help facilitate the growth of companies located in these managed workspace developments.

It is suggested that at least one of these developments in each Local Authority should target creative and knowledge-based businesses and provide an environment that facilitates the sharing of information and best practice. This would help to maximise the benefits of high value businesses operating in similar fields being located in the same development.

Provision of Freehold Sites

- 12.27 Demand for freehold sites is driven by both owner occupiers and developers. The latter may require sites for immediate development to construct premises to meet known requirements; to speculatively develop immediately at those points in the economic cycle where demand and viability allow; or to land-bank for future development on either a speculative or bespoke basis. Many occupiers often prefer the security of site ownership and sometimes wish to land-bank sites adjacent to existing premises to allow for future expansion.
- 12.28 The study has clearly identified that there is strong demand for freehold sites, and it seems that policy makers should try and respond to ensure that economic growth is not held back. Some of these requirements will be for immediate development, whilst others will be for land-banking. Consequently, the provision of such sites may not necessarily immediately lead to development and associated economic growth.
- 12.29 Based on knowledge of the regional property market, it is suggested that this demand is likely to ensue from occupiers of plots up to one hectare, generally situated on established industrial estates with road and service infrastructure up to the plot boundary. Such sites are typically required for use as depots or for the development of buildings for their own use. Meeting these owner occupier requirements may not be of interest to existing private landowners, who may regard the long term rental income as more important or may wish to hold onto land for redevelopment at a future

date. Public sector organisations therefore may have a key role in facilitating such opportunities for local businesses who wish to become owner occupiers..

12.30 This is most easily achieved where other public sector landowner is able to provide roads and then sell serviced freehold plots. A recent example is Ramparts Business Park at Berwick.

12.31 Within the Study Area and surrounding Local Authorities, there are publicly owned sites that could accommodate such requirements. These are typically small local industrial estates, but there are also some larger estates. Examples include:

- Watling Street and Delves Lane in Derwentside;
- All Saints, Furnace Pit, Fishburn and Trimdon Grange in Sedgefield;
- Stella Gill in Chester-le-Street; and
- Low Willington and South Church in Wear Valley.

12.32 Sites in the Study Area where further infrastructure provision to part of the estate would facilitate such requirements could include: Greencroft, Hownsgill, Lambton Street, and Chilton. Regard should be had to the potential for over-provision in the Shildon / Bishop Auckland area and under-provision in the Newton Aycliffe area. To address the latter, consideration should be given to opportunities to provide such plots at Aycliffe or Heighington Lane.

ACTION:

The ELR has identified a need for freehold sites throughout the study area, particularly for small serviced plots of up to one hectare. Public sector organisations will need to play a facilitating role to ensure such sites come forward, and this will be most readily achievable in areas where the Council already owns the land and can provide the roads and infrastructure necessary to bring forward suitable plots.

Councils should still explore opportunities to cross-subsidise the provision of such sites, or alternatively seek to obtain s.106 monies from larger private developments.

Integration with Local Development Frameworks

12.33 The key function of this report is to assist the three local authorities in developing robust LDF policies. This will enable planning applications for employment (and non employment) uses to be determined on the basis of those policies.

- 12.34 The emerging LDFs for Chester-le-Street, Derwentside and Sedgefield are required to allocate future sites for economic development. It is likely that General economic development policies, following the general principles for economic development espoused in the relevant Core Strategy, each LPA will provide site specific information relating to identify employment allocations on the accompanying Proposals Map and an Allocations DPD (assuming that no separate Employment DPDs are to be produced).
- 12.35 Each LPA's LDF will need to identify new sites to be allocated for employment development, as well as to identify and protect other important existing employment sites from alternative forms of development. In cases where it is proposed that existing employment sites are not retained for employment uses if they come forward for development, it will be necessary to provide new allocations for those sites. It is further suggested that in those instances where this study has made recommendations regarding the modernisation of existing employment sites, special provision should be made in the LDF to that effect.
- 12.36 **Given the imminent creation of a single Unitary Authority for the whole of County Durham, it will also be important to ensure that the recommendations of this ELR are carried forward for consideration by the new planning regime.**
- 12.37 This policy approach will provide a robust basis for determining applications on all proposed employment sites. Applications for non-employment uses on these sites can therefore only be considered in exceptional circumstances, due to such applications being a departure from the Development Plan.
- 12.38 Authorities may also seek to include a mechanism in their LDFs to use S106 contributions from non-employment development on parts of certain sites to allow them to bringing forward the remainder of the site for employment use where there are prohibitive infrastructure constraints; this should be reflected in a specific policy inherent within the appropriate LDF document.

ACTION:

This ELR will form an important part of the Evidence Base for the Council's emerging LDFs.

Consequently, this ELR has recommended a number of sites for de-allocation in Derwentside and Sedgefield, with protection/enhancement of the remaining sites. Suggestions have also been made with regards to the potential inclusion of four new allocations in Derwentside and the broad areas of search when appraising new allocations, particularly in relation to Chester-le-Street.

The Core Strategies and Site Specific Allocations DPDs of the three authorities (and ultimately those of the new Unitary Authority for Durham County) will need to respond to the evidence and recommendations within this ELR in preparing their emerging LDF.

It is recommended that a mechanism be incorporated in each LDF to allow LPAs to use s.106 agreements from non-employment developments to cross-subsidise the provision of particular types of employment premises which would not otherwise come forward (if the market were operating in isolation).

Monitoring

- 12.39 The ODPM document *Local Development Framework Monitoring: A Good Practice Guide* states that *“survey, monitoring and review are crucial to the successful delivery of Local Development Frameworks.”* This Employment Land Review has provided a suite of employment land projections based upon a range of economic growth scenarios. It is essential that monitoring of the employment land situation is undertaken within the Study Area to establish what is happening now and to determine how the area is performing against the preferred scenario and whether any revisions are required to LDF allocations as a consequence. This reality checking is important, particularly in the later stages of the LDF, as econometric projections become less reliable over longer time periods.
- 12.40 The importance of effective monitoring in the Study Area is also highlighted by the dearth of information that was available regarding the historic take-up of employment land. It is difficult to make an informed decision regarding take-up trends based upon two years of time series data. Therefore in monitoring the continued relevance of the preferred scenario, it will be important that each Local Authority continues to record take-up data to inform future decisions.
- 12.41 The CLG Employment Land Review Guidance Note sets out the minimum recommended employment monitoring to be undertaken by LDF Authorities. This is focused primarily upon information relating to the local supply and demand for employment land and includes:

- Employment land and premises database (recording B1a, B1b, B1c, B2, B8 or suis generis);
- Employment permissions granted by type;
- Employment permissions implemented by type and matched to allocated sites;
- Permissions and development of sites and premises previously in employment use for non-employment uses;
- Employment land and premises available and recent transactions;
- Employment premises enquiries;
- Employer requirements and aspirations (to be gauged via periodic surveys or forum and focus group events).

12.42 It is recommended that as a minimum, the Local Authorities put in place systems to monitor the above where these are not already established. However, it is considered advisable that a wider overall view is taken to the monitoring of employment land in the Study Area, which takes account of additional output and contextual information. The key variables that could be included are discussed below.

12.43 The socio-economic assessment set out in Section 3.0 clearly identified that the study area performs poorly against regional and national averages with respect to GVA and job densities. In response, the Durham Economic Strategy aims to create 9,000 new jobs by 2012/13 and raise levels of GVA growth by moving the business base up the value chain. It will be important to monitor the progress of the study area against these aims and therefore it is recommended that Local Authorities monitor the number of jobs and the type/quality of jobs provided by new development. Information on these indicators could be estimated from planning applications submitted in respect of proposed new developments and could be assessed against the levels of employment actually sustained by a scheme once it is occupied.

12.44 The employment land projections set out within this document have been derived using **employment densities** recommended by *English Partnerships (2001) A Full Guide*. In updating the employment land review in future, the Local Authorities may wish to adopt locally derived employment densities and this can only be achieved by monitoring trends over time or looking back at the employment density on key sites in

the Borough. The Council's Economic Development teams should already record the number of jobs created by successful inward investment enquiries. Matching this information at a site specific level to gross internal floorspace figures and the type of employment created (with respect to B-Use Classes) would enable locally derived employment densities to be constructed.

- 12.45 Additionally, the Employment Land Review applies a standard **plot ratio** of 0.4, based on the assumption that an employment generating building occupies 40% of the total plot of land. In updating the employment land review evidence base or formulating employment land policies, however, the Local Authorities may prefer to apply different plot ratios to different parts of the Study Area. This can be achieved by recording both the total site area and net developed area for all planning applications and then analyzing a sample of the applications submitted in different areas or settlements. It should be noted that monitoring this data is a resource intensive exercise.
- 12.46 Understanding **market trends** is an essential component of the employment land review evidence base and an analysis of current market trends has been provided by ssp as part of this study. However, it is important that this is regularly updated. It is therefore recommended that the Local Authorities continue to monitor this by commissioning annual market trends reports from a commercial property agent.
- 12.47 It should be noted that a proportion of the employment development that will occur in the Study Area will not require planning permission and as a consequence will not be picked up by monitoring planning applications. Such development is likely to include a change of use permitted under the Use Classes Order or the refurbishment of existing vacant or under utilised premises.
- 12.48 Development of this nature is difficult to monitor. However, occupiers are required to inform the local valuation office of any change in the nature of their business and it is therefore recommended that the Councils' business rates information is used to provide an understanding of **recycling and refurbishment**. In addition, an analysis of market trends can be used to supplement this, providing an understanding of the upgrading of existing stock compared to levels of new build.
- 12.49 Additionally, it is recommended that in monitoring the take-up of employment land by type, the Councils record the source of the development land (e.g. Local Plan allocation or windfall site). This will aid the Local Authorities' understanding of the

contribution to the employment land supply made by **windfalls** in different parts of the Study Area.

12.50 Monitoring is a fundamental element of the plan production process and Local Authorities are being encouraged to view monitoring in this context rather than as a separate task. It is therefore advisable to try and ensure that all Forward Planning officers understand the importance of monitoring and the systems in place.

ACTION:

An effective monitoring system should be put into place and maintained to inform the future analysis of the employment land situation, to include:

- Employment land and premises database;
- Employment permissions granted and implemented by type and source (i.e. allocation/windfall);
- Permissions and development of sites and premises previously in employment use for non-employment uses;
- Employment land and premises available and recent transactions;
- Employment premises enquiries; and
- Employer requirements and aspirations (to be gauged via periodic surveys or forum and focus group events)

In addition, it is considered advisable that a wider overall view is taken to the monitoring of employment land in the Study Area, which takes account of additional output and contextual information. The Local Authorities should also commission regular annual market trends reports from a commercial property agent.

Summary

12.51 In summary, this report has considered the future employment land and premises requirements of Chester-le-Street District, Derwentside District and Sedgefield Borough, setting this against the Study Area's current supply of employment land in both quantitative and qualitative terms. The study has identified areas where there is a surplus or deficiency in the provision of employment land, taking into account factors such as the local economy; sustainability and planning policy objectives; Local Authority aspirations and deliverability/viability considerations. Clear recommendations have been made with regards to the need to support the development of the Study Area's indigenous business base; of encouraging embryonic growth industries - particularly niche manufacturing and the knowledge

based economy - and encouraging types of businesses that would be attracted by the Study Area's locational attributes.

12.52 Key conclusions by Local Authority are as follows:

- **Chester-le-Street District:** The area has an under-supply of employment sites; consequently, no de-allocations are required. New allocations should be forthcoming in areas that are easily accessible from the A1(M). This may require difficult policy choices to be made with regards to the release of Green Belt sites; extending Drum Industrial Estate should be a consideration. Additionally, whilst the employment projections forecast that growth will be driven primarily by the warehousing and logistics sectors, it should be noted that these forecasts are primarily trend-based. Whilst provision of office premises in the District has historically been limited, such provision is now becoming viable and a number of schemes have recently been brought forward. A key policy choice facing the District, therefore is a decision regarding the extent to which office-based employment is pursued in future.
- **Derwentside District:** The current supply of employment land is unbalanced across the District, with an overprovision of poorer quality traditional industrial land in areas such as Consett, and an undersupply in the more accessible places further east. The portfolio requires careful re-structuring, with de-allocations considered alongside the need for new, more sustainable sites.
- **Sedgefield Borough:** The Borough has an over-supply of employment sites and requires a comprehensive approach to de-allocating many of the less viable industrial sites in areas such as Shildon and Spennymoor. However, the Borough also benefits from a number of locational advantages and contains several strategic employment sites that exert a sub-regional influence. Consequently, although allocating Phase 2 of the NETPark development would increase the supply of land, its importance to the regional economy is such that it should be reserved to come forward as required, following the successful completion of Phase 1.

APPENDIX A

Definitions of Terms Used in the Assessment of Employment Land Supply and Take Up

1. **Employment Land** - Land allocated for business, general industrial and storage/distribution uses as defined by Classes B1, B2 & B8 of the Town and Country Planning (Use Classes) Order 1987 or with an extant planning consent for such uses. This land could generally be developed for any type of employment use with no distinction being made between general industrial uses, warehousing and commerce. Employment uses exclude retail, leisure, residential care facilities, mineral extraction and waste disposal.
2. **Available Employment Land** - All available land allocated for industrial uses excluding (a) expansion land, (b) land with empty industrial buildings already in-situ, unless those buildings are time expired, and (c) special sites allocated for specific employment uses.
3. **New Employment Land** - Land which has not previously been allocated for employment uses but which is now identified for economic development in emerging Local Development Frameworks where a public inquiry is still pending.
4. **Economic Development** - B1, B2 or B8 uses.
5. **Land Immediately Available** - Land serviced or capable of being serviced in 12 months.
6. **Land Requiring Preparation** - Land where major provision of roads and utility services is required, or where major demolition and site remediation is required.
7. **Historic Take-up** - The average yearly take-up of industrial land for employment uses over the last 20 - 25 years.
8. **Current Take-up** - The average yearly take-up of industrial land for employment uses over the last 5 years.
9. **Restricted Employment Sites** - Land in addition to general employment land allocations that is restricted for particular purposes such as airport and port expansion, chemical and steel industry, protecting land for potential rail freight interchanges and sites reserved for major users and inward investment.

10. **Key Employment Locations** - Major sites identified in the Regional Spatial Strategy for specific economic sectors which are critical to delivering accelerated growth in the regional economy.
11. **Implied Supply** - An estimate of the number of years that it would take to consume available land at prevailing take-up rates. It is calculated by dividing the amount of available land by the average yearly take-up.

APPENDIX B

The Use of Gross:Net Ratios in Employment Land Assessments

Take-up of employment land is typically recorded on a plot by plot basis, which equates to a net developable area. To be consistent, availability should be measured on the same basis. So for some sites, gross to net adjustments may be appropriate. We have considered each site and estimated the proportion of land likely to be lost to servicing and landscaping, having regard to typical gross:net ratios achieved on industrial estates and business parks elsewhere in the region. Research by storeys:ssp has shown that ratios range from 100% where a site is in single occupation, to 56% for a business park on a sloping site with large areas set aside for landscaping and sloping banks between development plots. A guide to the adjustments appropriate in different circumstances is set out in the following table.

TYPICAL GROSS:NET RATIOS TO BE APPLIED TO EMPLOYMENT LAND

| Type | Ratio | Comment |
|--|-------|--|
| Serviced plot on industrial estate fronting road. | 100% | |
| Area of land that could easily subdivide into serviced plots with road frontage. | 100% | |
| Large area of land on industrial estate too big for single scheme, having regard to other buildings on estate. | 95% | Provision for spur road. |
| Major undeveloped part of industrial estate or extension to industrial estate. | 90% | Provision for roads and landscaping to one or more sides. |
| Small local allocation, requiring infrastructure. | 90% | Provision for spur road, but landscaping likely to be minimal. |
| Level site allocated for industrial estate. | 85% | Provision for spur road and landscaping. |
| Site allocated for industrial estate where terracing or bunding required. | 80% | Provision for spur road and landscaping. |
| Land allocated for business park with high landscape quality. | 75% | Provision for spur road extensive landscaping, balancing ponds etc. |
| Land allocated for employment use where a single end user could be in the market. | 100% | All land to be taken by single user, surplus areas to be kept for its expansion. |

APPENDIX C

Site Pro-formas

The criteria for assessing the quality of sites are set out below. Each site will be graded as red, amber or green against each criterion. No individual weightings would be attached to different criteria.

Other information captured on the spreadsheet but not scored will include:

- type of employment site (i.e general, prestige, or local)
- land quality (greenfield, remediated, brownfield)
- use (B1 offices, B2, B8, bad neighbour uses)
- unimplemented planning consents where known.

The criteria we shall apply to **allocated** employment sites are:

1. Availability

Green: a cleared site with no existing buildings that is not affected by constraints to development. Immediately deliverable.

Red: a site with existing, unsuitable buildings or major constraints to development. Site unlikely to be delivered within 12 months.

2. Ownership Constraints/ Willingness to Develop

Green: site in single ownership. Recent development activity on same estate.

Red: site in multiple ownership or landlocked. No recent development in local area.

3. Site Preparation Constraints

Green: generally level site of regular shape and with no expected abnormal costs of site preparation relating to remediation.

Red: contaminated land, likely to require significant remediation/ sloping or uneven site of irregular or narrow shape.

4. Viability

Green: viable for private sector to develop without gap funding.

Red: Public sector will need to develop.

5. Scope of Demand

Green: Site of interest to regional / national businesses.

Red: Site only of interest to local businesses.

6. Prominence

Green: site visible from primary road network and easily accessible.

Red: site not visible from main estate roads/ view of site obscured/ inaccessible.

7. Infrastructure

Green: High quality utilities and highways infrastructure provision and landscaping to estate.

Red: limited utilities and highways infrastructure provision and no landscaping to estate.

8. Amenity Considerations

Green: neighbouring land uses likely to be in harmony with employment use at the site.

Red: neighbouring land uses likely to be in conflict with employment uses at the site.

9. Highways Accessibility

Green: within 2 km of strategic road junction via good unconstrained roads.

Amber: within 2 km of other primary road junction via good unconstrained roads.

Red: over 2 km from strategic or primary road network or with constrained access to junction.

10. Environmental Constraints

Green: no flood risk or environmental/ heritage designations.

Red: high level of flood risk, presence of environmental/ heritage designations.

11. Compliance with Regeneration Initiatives

Green: development of the site could contribute/ would be aligned with the pursuit of RES/ local regeneration priorities.

Red: development could undermine the objectives of the RES and the pursuit of local regeneration priorities.

Additional criteria will be used for assessing **potential** sites that are not currently allocated. These are:

12. Strategic Alignment with Planning Policy

Green: development would be located and be of a scale and form compliant with RSS and Local Plan policies.

Red: development would not comply with RSS and Local Plan policies.

13. Current Site Allocation

Green: currently an existing employment site or allocated for employment use in adopted Local Plan, or with outstanding planning permission for employment use.

Amber: allocated for mixed-use development in adopted Local Plan.

Red: site allocated in adopted Local Plan for alternative, non-employment land use.

14. Demand for Alternative Uses

Green: no alternative use likely to be found/ alternatives would conflict strongly with policy considerations.

Red: several alternative uses (compliant in policy terms) and high pressure for such uses to come forward.

APPENDIX D

Business Survey