

PLANNING AND ECONOMIC STRATEGY BOARD

**Meeting to be held in the Ward Room, Castlegate Quay, Moat Street,
Stockton on Tees at 2.00 pm on Tuesday 9th October 2007**

INVITEES

Councillor Bob Cook	Stockton on Tees BC	Chair
Councillor David Budd	Middlesbrough BC	
Councillor John Williams	Darlington BC	
Stuart Drummond	Hartlepool BC	
Councillor Mark Hannon	Redcar & Cleveland BC	
Tim White	Middlesbrough BC	
Richard Alty	Darlington BC	
Peter Scott	Hartlepool BC	
Carol Straughan	Stockton BC	
Ian Wardle	Redcar & Cleveland BC	
Joe Docherty	Tees Valley Regeneration	
Mike McNulty	Environment Agency	
Stan Higgins	NEPIC	
Nigel Perry	Centre for Process Innovation	
Dermot Roddy	Renew Tees Valley	
Malcolm Potter	Tees Valley Engineering Partnership	
Tom Warburton	One NorthEast	
Jonathan Lamb	Business Link North East	
Malcolm Bowes	North East Assembly	
Paul Whitaker	North Yorkshire County Council	
Keith Robinson	Keith Robinson & Co	
John Irwin	Storey:ssp	
Nigel Kidwell	Jacksons solicitors	
Bob Hope	Wear Valley District Council	
Bob Ward	Durham County Council	
Geoff Herbert	Hambleton District Council	
David Elliott	Richmondshire District Council	
John Lowther	Tees Valley Joint Strategy Unit	

OBSERVERS

Jonathan Spruce	Tees Valley Joint Strategy Unit
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|----|---|----------------------------------|
| 1 | CHAIR'S WELCOME AND INTRODUCTIONS | Councillor Bob Cook |
| 2 | APOLOGIES | |
| 3 | NOTES OF MEETING ON 10 JULY 2007 | Attached |
| 4 | CATTERICK GARRISON | Presentation |
| 5 | WORK PROGRAMME 97/08 | Attached |
| 6 | TEES VALLEY ENERGY SECTOR | Contact John Lowther for details |
| 7 | STRATEGIC HOUSING MARKET ASSESSMENT - BRIEF | Attached |
| 8 | FLIGHTS FROM DURHAM TEES VALLEY TO HEATHROW | Verbal |
| 9 | SOUTH TEES EMPLOYMENT LAND | Attached |
| 10 | DATE OF NEXT MEETING | |
| | <ul style="list-style-type: none">• 15 January 2008, 2pm, venue to be confirmed | |

PLANNING & ECONOMIC STRATEGY BOARD

**Meeting held in the Mandela Room, Middlesbrough Town Hall
at 2.00pm on Tuesday 10 July 2007**

ATTENDEES

Councillor David Lyonette	Darlington Borough Council (DBC)	Chair
Councillor David Budd	Middlesbrough Council (MC)	
Councillor Mark Hannon	Redcar & Cleveland Borough Council (RCBC)	
Richard Alty (RA)	DBC	
Peter Scott (PS)	Hartlepool Borough Council (HBC)	
Kevin Parkes (KP)	MC	
Ian Wardle (IW)	RCBC	
Carol Straughan (CS)	Stockton-on-Tees Borough Council (SBC)	
Paul Whitaker (PW)	North Yorkshire County Council (NYCC)	
David Elliott (DE)	Richmondshire District Council (RDC)	
Malcolm Bowes (MB)	North East Assembly (NEA)	
Nick Muse (NM)	One NorthEast (ONE)	
Mike McNulty (MM)	Environment Agency (EA)	
Jonathan Lamb (JLa)	Business Link North East (BL)	
Malcolm Potter (MP)	Tees Valley Engineering Partnership (TVEP)	
Stan Higgins (SH)	North East Process Industries Cluster (NEPIC)	
Dermot Roddy (DR)	Renew Tees Valley (RTV)	
Nigel Perry (NP)	Centre for Process Innovation (CPI)	
Keith Robinson (KR)	Keith Robinson & Co	
Andy Palmer (AP)	Sedgefield District Council (SDC)	
John Lowther (JLo)	Tees Valley Joint Strategy Unit (JSU)	

APOLOGIES

Councillor Bob Cook	SBC
Stuart Drummond	HBC
John Irwin	Storeys:ssp

Action

1 CHAIR'S WELCOME AND INTRODUCTIONS

Councillor Lyonette welcomed attendees to the inaugural meeting of the Tees Valley Unlimited (TVU) Planning & Economic Strategy Board.

2 APOLOGIES

As noted previously.

3 THE STORY SO FAR

JLo offered a paper for information.

DR asked about the status of the Investment Plan. **JLo** replied that individual projects were now being refined through ONE's approvals process. **NM** supported this, and re-iterated that there was a desire to negotiate a jointly agreed set of investment priorities over the coming months.

DE asked that the appreciation of the North Yorkshire Authorities for the invitation to the Board and the ability to participate both to date, and in the future, on the forward strategy, should be placed on record.

4 TERMS OF REFERENCE

JLo introduced the paper setting out the Terms of Reference for the Board for information.

The Board Members noted the contents of the paper.

5 TEES VALLEY UNLIMITED WORK PROGRAMME: 2007/08

JLo presented the paper setting out the anticipated work programme for the Board for decision.

SH stated that NEPIC and PD Ports are already working on a paper to feed into the logistics work, and that NEPIC has been leading some work on industry attractiveness that will be of relevance to skills.

DR felt that any measure of success with the work programme should relate to improvements in economic performance. **JLo** replied that this would be reflected within the indicators to be agreed for the Multi-Area Agreement.

Action

MB pointed out that work is ongoing to prepare City Region housing assessments through the NEA.

Resolved that the work programme be accepted and that it be kept under review by the Board.

6 REGIONAL SPATIAL STRATEGY

JLo presented the paper for decision, and tabled a late amendment to Table 4 of the paper, showing the proposed sub-regional housing distribution.

MB stated that the NEA would be endorsing a whole series of comments on the Modifications to the RSS at a meeting on 31 July, in consultation with the Local Authorities. **MB** also stated that the RSS should acknowledge further expansion of NetPark.

DR asked that, with regard to transport improvements, when the phasing of the proposed measures is developed, the NEA and Local Authorities should try to ensure that public transport improvements are implemented ahead of private transport improvements.

KP tabled a slight amendment to the wording of paragraph 13.1.

Resolved that the paper be agreed with the amendments shown.

7 GREEN INFRASTRUCTURE STRATEGY

JLo offered a paper for decision.

DR commented that an overall plan of the strategy would be useful.

PS asked about the likelihood of additional funding for the strategy from ONE over and above the £1 million/year identified within the strategy. **JLo** replied that discussions were ongoing in relation to other examples elsewhere of RDA contributions to green infrastructure.

Resolved that the paper and supporting report be accepted and that the Board supports the continuing development of a Green Infrastructure Strategy for the Tees Valley. It was also resolved that the Implementation Plan be brought to a future Board meeting for discussion.

Action

8 EMPLOYMENT DEVELOPMENT, HEIGHINGTON LANE, DARLINGTON

JLo introduced the background to the application and the consultation process, and stressed that the Board's consideration of this application was not part of the formal approval process – approval (or otherwise) for the application would still rest with the Local Authority concerned, in this case, DBC.

MB noted that this was a site identified for deletion within the RSS Modifications, and was subject to one of the proposed changes discussed under Item 6.

Resolved that the comments within the paper be endorsed as the response from the Board.

9 RESIDENTIAL DEVELOPMENT, SAREL JOINERY SITE, NORTON ROAD, STOCKTON-ON-TEES

JLo introduced the report.

DR asked about the future sustainable energy requirements of this, and other sites, **IW** replied that this was being considered through each Authority's Local Development Framework.

Resolved that the comments within the paper be endorsed as the response from the Board.

10 ROLE OF NEPIC/CPI

SH gave a short presentation on the role of NEPIC.

Councillor Hannon asked whether existing infrastructure could support the future expansion of Teesport. In response, **IW** confirmed ongoing work on Project Paris and the employment land review.

Councillor Hannon asked about the links between North and South Tees, and **SH** replied that some pipelines were available. **JLo** added that the Second Tees Crossing was unlikely to be pursued in its originally proposed form (an immersed tube tunnel) due to costs, but that alternatives were being examined.

KP asked about any particular locational constraints. **SH** reiterated that this was being considered through a number of ongoing studies.

NP followed with a further short presentation on CPI.

Action

PW suggested that NEPIC and CPI have contact with the MoD regarding recruitment of employees based at Catterick Garrison, given the complementary skill sets.

CS noted that SBC is also undertaking an employment land review.

11 ENERGY WHITE PAPER – IMPLICATIONS FOR THE TEES VALLEY

JLo introduced the paper for information. **JLo** also suggested that a Tees Valley response to the White Paper would be appropriate.

NP emphasised the significant role that the Tees Valley can play in the future of energy in response to the White Paper.

DR endorsed this, but stated that we should concentrate on real initiatives rather than being distracted by responding to the White Paper.

Resolved that the paper was noted.

12 ENTERPRISE INSIGHT

JLo presented the paper.

Resolved that the paper was noted and that the establishment of the EI Tees Valley Campaign Hub was endorsed.

13 ANY OTHER BUSINESS

None noted.

14 DATE OF NEXT MEETING(S)

- Tuesday 9 October 2007
- Tuesday 15 January 2008

All meetings to commence at 2pm, venues to be confirmed.

Report of: Director of Joint Strategy Unit
Report to: Planning and Economic Strategy Board
Date: Tuesday 9th October, 2007
Subject: PROGRAMME 2007/8
Item for: Decision

SUMMARY

1. Following the board meeting on 10th July 2007, Members' recommendations for a prioritised work programme were put to the Leadership Board at their meeting on 12th September.
2. The attached table shows the accepted work programme for Planning and Economic Strategy for 2007/8.

PLANNING AND ECONOMIC STRATEGY BOARD		
OCTOBER	JANUARY	APRIL
Land Review for South Tees – interim conclusions	Completion of Land Review for North and South Tees	
Energy Strategy Scoping report		Energy Strategy completed
	Logistics Study Brief	
	Financial and Business Services Study brief	
Regional Spatial Strategy - modifications		Regional Spatial Strategy – outcome of consultation on modifications
	Tees Valley Joint Minerals and Waste Development Plan – approval of options report for consultation	Tees Valley Joint Minerals and Waste Development Plan – results of consultation on options report
	European Programmes 2006-13	European Programmes – progress report
	European Initiatives – opportunities for the Tees Valley	
Catterick Garrison – implications for the Tees Valley		
Strategic Housing Market Assessment – approval of study	Strategic Housing Market Assessment – draft report for approval	
	Green Infrastructure Study – Action Plan	
Strategic issues/Policy reports arising out of regional bodies/events	Strategic issues/Policy reports arising out of regional bodies/events	Strategic issues/Policy reports arising out of regional bodies/events

Report of: Peter Ellis
Report to: Planning and Economic Strategy Board
Date: Tuesday 9th October, 2007
Subject: Tees Valley Energy Sector – A Strategic Assessment
Item for: Information / Decision / Presentation

Report of: Director of the Tees Valley Joint Strategy Unit
Report to: Planning and Economic Strategy Board
Date: 9 October 2007
Subject: Strategic Housing Market Assessment
Item for: Decision

SUMMARY

1. A Strategic Housing Market Assessment is to be undertaken for the Tees Valley. The aims of the Assessment are to:
 - Identify the most appropriate geographical housing market areas in the Tees Valley and provide a robust evidence base for their definition, and
 - Provide for the identified housing market areas, and local authority areas, an analysis of levels of market and affordable housing likely to be needed in the Tees Valley to 2026.
2. The Strategic Housing Market Assessment will also include an update of local authority Local Housing Needs Assessments.

1. PURPOSE OF REPORT

- 1.1 To report on progress towards completing a Strategic Housing Market Assessment for the Tees Valley sub-region.

2. BACKGROUND

- 2.1 In 2004 Tees Valley Living commissioned a housing market assessment for the Tees Valley and a final report was published early in 2005. It was one of the first sub-regional housing market assessments to be published.
- 2.2 In November 2006 Planning Policy Statement 3 on Housing was published placing much emphasis on the need for an evidence-based policy approach to inform Local Development Documents and Regional Spatial Strategies (RSS). Strategic housing market assessments (SHMA) are central to this approach.
- 2.3 Earlier this year the Department for Communities and Local Government issued practice guidance and advice on identifying sub-regional housing market areas and producing strategic housing market assessments. This practice guidance recommends a sub-regional and partnership approach to producing strategic housing market assessments.
- 2.4 The purpose of a strategic housing market assessment is to provide robust evidence to inform policies aimed at providing the right mix of housing across the whole housing market – both market and affordable housing. Assessments will also enable regional bodies to develop long-term strategic views of housing need and demand to inform RSS and enable local authorities to think spatially about the nature and influence of housing markets.
- 2.5 Core outputs of a SHMA include:
- Current dwellings (size, type, condition, tenure)
 - Analysis of past and current market trends
 - Total future numbers of households
 - Households in housing need
 - Households requiring affordable housing
 - Households requiring market housing
 - Household groups with particular requirements e.g. older people, key workers, black and minority ethnic groups

3. RECENT PROGRESS

- 3.1 At the meeting held on 4th July 2007, Directors of Regeneration agreed that a sub-regional approach should be taken in producing an up to date Strategic Housing Market Assessment for the Tees Valley, and that the Joint Strategy Unit and Tees Valley Living should take the lead and co-ordinate the project. A steering group has therefore been set up to guide the SHMA, chaired by the JSU, and comprising representatives from Tees Valley Living and the Planning and Housing divisions from all 5 Tees Valley local authorities.
- 3.2 It has been agreed at the steering group that consultants should be appointed to undertake the SHMA, funding for this being available through Tees Valley Living. A draft brief has been prepared and a copy is attached to this report. The brief is currently being considered by local authority representatives and an update will be provided at the meeting. However the main requirements from the commission will be:
- Identify appropriate geographical housing market areas in the Tees Valley and provide a robust evidence base for their definition. Consultants will be expected to consider the methodologies outlined in the DCLG Advice Note on housing market areas and also to draw on existing regional and sub-regional information and studies. Importantly the consultants will also be expected to identify overlap in housing markets between Tees Valley and North Yorkshire and County Durham, and explain the nature and extent of such an overlap;
 - Deliver the core outputs for an SHMA as identified in the DCLG Practice Guidance (see paragraph 2.5 above). As well as being provided at housing market area level, the core outputs must also be capable of being understood at individual local authority level to provide an evidence base for Local Development Frameworks and other local strategies;
 - Comment on a number of housing market hypotheses, based on the information and evidence gathered for the SHMA, and
 - Recommend how often the SHMA findings should be monitored and updated, and how readily this can be achieved.
- 3.3 The steering group considered that it would be difficult to proceed with the SHMA until individual local authority Local Housing Needs Assessments have been updated, as the data used in these assessments is outdated. The steering group therefore agreed that the SHMA should have two distinct stages – stage 1 would update the Local Housing Needs Assessments, and stage 2 would be the Tees Valley wide SHMA.
- 3.4 The two stages will be included in a single invitation to tender due to the close linkages between them. The local authorities will lead on the preparation of a

draft brief for stage 1 and seek internal approval to commit funds for that stage.

- 3.5 The timetable for the completion of the SHMA is still being discussed but will be driven by the need to prepare a robust evidence base that will inform Local Development Frameworks, individual local housing strategies, and the Regional Spatial Strategy.

4. RECOMMENDATIONS

- 4.1 It is recommended that the Planning and Economic Strategy Board approve the brief for the Strategic Housing Market Assessment for the Tees Valley and that the Board considers the draft results and implications of the Assessment at a future meeting.

Originator:	Malcolm Steele
Contact Tel:	01642 264832
E-mail:	malcolm.steele@teesvalley-jsu.gov.uk

TEES VALLEY JOINT STRATEGY UNIT/TEES VALLEY LIVING

DRAFT TENDER SPECIFICATION

STRATEGIC HOUSING MARKET ASSESSMENT FOR THE TEES VALLEY

Scope

The Tees Valley Joint Strategy Unit, on behalf of the Tees Valley local authorities, and Tees Valley Living (the housing market renewal organisation in the Tees Valley) wish to commission a Strategic Housing Market Assessment (SHMA) for the Tees Valley sub-region, namely the local authorities of:

Darlington
Hartlepool
Middlesbrough
Redcar and Cleveland
Stockton-on-Tees

The purpose of this commission is to:

- Provide an analysis and commentary on geographical housing market areas in the Tees Valley based on existing data and previous studies, and
- Provide an evidence base on the Tees Valley housing market(s) which will inform housing and other policies to be included in Local Development Frameworks currently in preparation, and also inform any forthcoming review of the Regional Spatial Strategy for the North East

Guidance on identifying sub-regional housing market areas was issued by the Department for Communities and Local Government (DCLG) in April 2007 and guidance on Strategic Housing Market Assessments (version 2) in August 2007. These must form the basis of any methodology used.

Background

In 2004 Tees Valley Living commissioned consultants to undertake a comprehensive housing market assessment for the Tees Valley. A final report was issued in January 2005. The primary aim of this assessment was to provide information to underpin the strategy being developed by Tees Valley Living to address market failure, and the principal themes addressed were:

- Identification of housing markets across Tees Valley, their drivers, how they interrelate, future opportunities and threats;

- Identification of scale, location and reasons for low demand, what can be done and what happens if left unchecked;
- Identification of household aspirations across all socio-economic groups and the extent to which they are being met in Tees Valley, and
- Consideration of the strategic implications of research findings.

The 2005 assessment was one of the first sub-regional housing market assessments to be produced following publication of the Office of the Deputy Prime Minister (ODPM) Housing Market Assessment Manual in February 2004.

In November 2006 DCLG published Planning Policy Statement 3 (PPS3) on Housing. PPS3 identified a number of concepts and principles that should be central to the planning of housing provision. These principles include:

- market responsiveness – Local Planning Authorities and Regional Planning Bodies should take into account market information, and in particular should have regard to housing market areas in developing spatial plans and these should be set out in the Regional Spatial Strategy, and
- evidence-based policy approach – Local Development Documents and Regional Spatial Strategies should be informed by a robust, shared evidence base, in particular, of housing need and demand, through a Strategic Housing Market Assessment.

In March 2007 DCLG issued Practice Guidance for Strategic Housing Market Assessments, and a second version followed in August 2007. An Advice Note on Identifying sub-regional housing market areas was issued by DCLG in April 2007.

Since the 2005 Tees Valley Housing Market Assessment market conditions have changed significantly. An up-dated Sub-Regional Housing Strategy (SRHS) is currently being finalised to reflect changing priorities of the sub-region and to reflect changes in policy at regional and national levels. Examples of key messages emerging from the SRHS include:

- evidence of modest population growth in some parts of the sub-region
- the need to meet household aspirations for a better quality of life, which cannot be achieved by only improving the existing stock
- the need for better understanding of black and minority ethnic community housing needs
- a continuing need for more choice and quality in housing

All the Tees Valley local authorities have completed Local Housing Assessments examining factors influencing supply and demand in the local housing market, including the need for affordable housing.

The Tees Valley has an ambitious but realistic programme for economic regeneration set out in the City Region Development Programme and Investment Plan. The important role of housing in supporting economic regeneration is recognised and is firmly embedded in the Development Programme. A new governance structure – Tees Valley Unlimited – has been developed to ensure that opportunities are realised and resources allocated within a Multi Area Agreement between local authorities and stakeholders.

A Steering Group will be established to oversee this commission. The Steering Group will consist of officers from the Tees Valley Joint Strategy Unit and Tees Valley Living, and planning and housing officers from each of the Tees Valley local authorities. Other key stakeholders may be involved and/or consulted as appropriate during the process. The Steering Group will be chaired by John Lowther, Director of the Tees Valley Joint Strategy Unit.

Aims and Objectives

The purpose of this commission is twofold:

- To identify the most appropriate geographical housing market areas in the Tees Valley and provide a robust evidence base for their definition, and
- To provide, for the identified housing market areas, an analysis of levels of market and affordable housing likely to be needed in the Tees Valley to 2026.

Identifying sub-regional housing market areas

DCLG Practice Guidance requires strategic housing market assessments to be based on geographical housing market areas. The 2005 Tees Valley Housing Market Assessment used two approaches to identify housing market areas. Firstly, the national ACORN (A Classification of Residential neighbourhoods) database was used to identify different types of households and their distribution within the Tees Valley. Secondly, migration information from the 2001 Census and CORE lettings data (relating to registered social landlords) was used to identify the relative influence of mobility in defining market areas. However the Assessment concluded that, because of the complexities involved, it was more appropriate to consider housing market typologies. The housing market typologies identified were:

Town centre cores

Emerging Urban Living

Western and Southern Affluent Belt

Stable suburbs

Vulnerable high density

Vulnerable lower density

The appointed consultant will be required to use an appropriate methodology to identify housing market areas in the Tees Valley sub-region. The consultant will be expected to consider the sources of information identified in the DCLG Advice Note, i.e.

- House prices and rates of change in house prices, which reflect household demand and preferences for different sizes and types of housing in different locations;
- Household migration and search patterns, reflecting preferences and the trade-offs made when choosing housing with different characteristics, and
- Contextual data, such as travel to work areas, which reflect the functional relationships between places where people work and live

The consultant will also be expected to draw on existing studies and information, in particular the recent Centre for Urban and Regional Development Studies (CURDS) report on Housing Market Areas across the North East Region.

The spatial extent of housing markets in the Tees Valley will extend into North Yorkshire (particularly Hambleton and Richmondshire districts) and Co. Durham (particularly Sedgfield and Easington districts). The appointed consultant will be required to:

- Identify and explain the extent of the overlap between markets in Tees Valley, North Yorkshire and Co. Durham;
- Outline and define the nature of the overlaps and explain how and why this occurs, and
- Suggest ways in which SHMA methodologies can be developed to better recognise the overlaps in housing markets between sub-regions.

Strategic Housing Market Assessment

On the basis of the housing market areas identified the consultant will be expected to deliver the following core outputs, as defined in the DCLG Practice Guidance:

1. Estimates of current dwellings in terms of size, type, condition, tenure
2. Analysis of past and current housing market trends, including balance between supply and demand in different housing sectors and price/affordability. Description of key drivers underpinning the housing market
3. Estimate of total future number of households, broken down by age and type where possible
4. Estimate of current number of households in housing need
5. Estimate of future households that will require affordable housing to 2026
6. Estimate of future households requiring market housing to 2026
7. Estimate of the size of affordable housing required to 2026
8. Estimate of household groups who have particular housing requirements to 2026 e.g. families, older people, key workers, black and minority ethnic groups, disable people, young people etc.

As well as being provided at housing market area level, the results of the market assessment must be capable of being broken down and understood at individual local authority level to provide an evidence base for Local Development Frameworks and other local strategies.

In the first instance secondary data (i.e. data from national or local data collection exercises rather than specially commissioned surveys or interviews) can be secured from the participating authorities, and the appointed consultant will be expected to minimise time through working in conjunction with contact points in the Tees Valley Joint Strategy Unit, Tees Valley Living, and the Tees Valley local authorities to establish a set of base data.

The Strategic Housing Market Assessment must be regarded as 'robust and credible' and therefore must address and provide all of the above core outputs. It must also meet the process criteria identified in the DCLG Practice Guidance, i.e.

1. The approach to identifying housing market area(s) is consistent with the approach to identifying such areas in other parts of the region and adjoining regions
2. Housing market conditions are assessed within the context of the housing market area(s)
3. *Involves key stakeholders, including house builders and other developers?*
4. Contains a full technical explanation of the methods employed, with any limitations noted
5. Assumptions, judgements and findings are fully justified and presented in an open and transparent manner
6. Uses and reports upon effective quality control mechanisms

The appointed consultant will also be required to recommend how often the assessment findings should be monitored and updated, and how readily this can be achieved.

The appointed consultant will also be expected to draw out the strategic implications/ conclusions from the local authority Local Housing Needs Assessments and take these into account as part of the Strategic Housing Market Assessment.

Communication Plan

The appointed consultant will be required to produce and administer a communication plan for the project to ensure a consistent flow of information and knowledge within the SHMA Steering Group.

Methodology

The main stages of the commission are set out in the above paragraphs. Consultants are invited to show innovation in their approach to delivering these stages provided this is supported by a methodology, project plan and a breakdown of costs per stage.

The appointed consultant will be expected to follow the assessment framework set out in the DCLG Practice Guidance, designed to assess a range of issues including:

- The balance between housing supply and demand/need;
- The scale of need and demand for affordable and market housing;
- The extent to which affordability is an issue, and
- The extent to which low demand is an issue.

The appointed consultants should address each of the research questions identified in table 2.1 of the DCLG Practice Guidance (reproduced in Annex 1), and should draw on existing regional and sub-regional strategies to identify key issues and aspirations for the Tees Valley.

It is anticipated that secondary data will provide the most appropriate sources to use for this project. However Tees Valley Living and the Tees Valley local authorities wish to obtain additional information/data on:

- *Origins of households living on major greenfield housing sites e.g. Ingleby Barwick, Middle Warren, West Park etc*
- *Factors influencing their move to that particular location e.g. work, close to family, quality of environment etc*
- *Similar for regeneration/urban sites e.g. Teesdale, Hartlepool Marina etc*

The appointed consultant will be expected to undertake an appropriate household survey(s) to provide information and evidence on these aspects.

GIS should be employed when possible and appropriate to illustrate evidence gathering and analysis.

Hypothesis Testing

The appointed consultant will be expected to use the information and evidence gathered for the project to comment on a number of housing market hypotheses suggested by the SHMA Steering Group. These will be further developed as the project progresses but could include the following:

House prices and income

Increasing house prices across the sub-region have resulted in a significant decline in the supply of affordable housing in the Tees Valley over the last 3 years.

Property prices in the Tees Valley have now reached a 'plateau' which reflects the true value of property. The volume of sales is the lowest for 5 years. 'Intervention' areas are the most dynamic markets.

The number of obsolete units in Tees Valley will reduce significantly over the next few years because increased house prices mean that investment in such properties has become worthwhile.

Low household income is a principal factor that restricts housing choice for the majority of residents of the Tees Valley inner areas.

The housing registers of the 5 Tees Valley local authorities have almost trebled from 2001 to 2007 and homelessness has been steadily increasing since 2000.

Demographics and economic growth

Forecast growth in the economy of the Tees Valley will result in net inward migration to Tees Valley, but will have limited impact in areas of deprivation.

The Tees Valley has seen a reduction in population, leading to a higher than average proportion of elderly people. This will have a significant impact on new build provision in future years.

The growing student population in the Tees Valley will radically impact on housing markets, particularly in central Middlesbrough and central Stockton, over the coming years.

Current net inward annual migration into the north East is being driven by the influx of Eastern Europeans into the workforce and higher graduate retention rates. This will have a negligible impact on the Tees Valley housing market.

Forecast growth at key business locations across Tees Valley will create demand for more and better quality homes in their vicinity.

Aspirations

Many Tees Valley residents aspire to live in north Yorkshire due to a perceived 'better quality of life'.

The existing housing supply does not meet the aspirations of middle and upper income families.

Unrelieved concentrations of deprivation are the underlying causes of low aspirations and poor life chances, and also impose a disproportionate burden on the public purse. A poor quality housing offer is inextricably linked.

Type of housing

Some types of housing 'offer' attract relatively few inward migrants.

The large amount of apartments being developed on regeneration sites will be sold to investors from outside the region, who will leave them vacant. They will not create sustainable communities.

The planned supply of apartments and flats is in excess of what the market will be able to bear over the next few years.

Increased new build in rural parts of North Yorkshire and south Co. Durham will increase affordability problems there.

Regeneration and clearances

Neighbourhood decline is localised in many housing areas within the sub-region. The earlier that decline is acknowledged by local authorities the more likely intervention will be successful.

‘Council estate’ remodelling will not successfully re-brand an area with less than 500 units being cleared for redevelopment. Remodelling should involve at least 80% owner occupation.

As clearances continue, growing issues of affordability will mean that the social rented stock within the sub-region will come under significant pressure over the next few years.

The intervention areas continue their trajectory out of owner occupation despite having relatively active markets.

Areas of deprivation have only localised markets with persistent net losses of the young, economically active family groups.

Quality and environment

Better quality housing and improved urban environments can assist in reversing out migration and in-commuting trends.

Function

The function of the Tees Valley housing market is to provide appropriate housing close to key business locations for a broad range of income groups.

Timetable

The successful consultants will be expected to adhere to the following timetable:

Circulation of tenders to pre-selected shortlist by.....
Closing date for tenders.....
Interviews and selection.....
Presentation of interim findings.....
Inception meeting.....
First draft by.....
Comments on draft by.....
Final report.....

The timetable for the project is driven largely by the urgent need to prepare a robust evidence base that will inform Local Development Frameworks, individual local housing strategies, the Regional Spatial Strategy, and will feed into other studies and strategies with which the Joint Strategy Unit, the local authorities and Tees Valley Living are currently engaged.

Reporting

- Communication Plan to be agreed with SHMA Steering Group before commencement of the project
- Fortnightly report (1 side A4) to lead officer on progress and any difficulties/outstanding issues to be resolved
- Meetings with SHMA Steering Group at key stages within the project to sign off stage and resolve outstanding issues
- Presentation of interim findings to SHMS Steering Group (possible half day event)
- Sub-regional level Technical Report setting out findings of the methodology/process and overall conclusions
- Sub-regional level non-technical summary of the above
- Presentation of finding to SHMA Steering Group and other key stakeholders (possible half day event)
- Discussion of monitoring/updating issues with SHMA Steering Group
- PowerPoint of non-technical summary

As previously stated it is a requirement that information/data resulting from this project is capable of interpretation at both housing market and local authority level.

The main point of contact with the Steering Group on a day to day basis will be (tel/fax/e-mail).

Consultants should nominate a Project Director and Project Manager, and identify how they propose to manage the project overall and on a day to day basis.

Budget

The current identified **indicative** budget for the Tees Valley SHMA project is £....., to include expenses, but excluding VAT. The budget is subject to review.

A statement on costs should be included in the tender, with time inputs by individual, by task and day rate.

Information available to Tenderers

The following documents are enclosed to assist prospective tenderers in submitting expressions of interest:

- Tees Valley 2004 Housing Market Assessment – Final Report January 2005
- CURDS Report on Housing Market Areas across the North East Region, July 2006

Assessment of bids

Bids must be returned no later than the closing time indicated above. Tenders received after the stipulated time will not be considered.

The following stages will be undertaken to assess all tenders:

- a desktop exercise based upon the content of the information provided by the tenderers;.
- the results of a presentation and interview;

Tenders will be assessed according to the following criteria:

- adherence to the brief, but the Steering Group will look favourably on any variations which add to or extend the terms of the brief in a way that will improve the quality of guidance provided as a result of the commission;
- understanding of the issues;
- flair and imagination;
- incorporation of good practice and innovation;
- relevant experience;
- value for money;
- cost.

Although the essential terms of the commission are set out in this brief, tenderers must also have regard to the conditions included at Annex 2. References to Stockton-on-Tees Council should be taken to apply equally to Tees Valley Joint Strategy Unit. The contract will be with Tees Valley Joint Strategy Unit and Tees Valley Living and not with Stockton-on-Tees Borough Council.

Copyright

All material produced through this contact will have the copyright of the Tees Valley Joint Strategy Unit and Tees Valley Living and cannot be published without prior consent of the client.

Annex 1

Extract from DCLG Strategic Housing Market Assessments – Practice Guidance Version 2, August 2007

Table 2.1 Research questions for each stage of the strategic housing market assessment

Chapter	Stage	Research questions
3. The current housing market	1. The demographic and economic context	<ul style="list-style-type: none"> • What is the current demographic profile of the area? • What is the current economic profile? • How have these profiles changed over the last 10 years?
	2. The housing stock	<ul style="list-style-type: none"> • What is the current housing stock profile? • How has the stock changed over the last ten years?
	3. The active market	<ul style="list-style-type: none"> • What do the active market indicators tell us about current demand, particularly house prices/affordability? • How is demand changing?
	4. Bringing the evidence together	<ul style="list-style-type: none"> • How are market characteristics related to each other geographically? • What do the trends in market characteristics tell us about the key drivers in the market area? • What are the implications in terms of the balance between supply and demand and access to housing? • What are the key issues for future policy/strategy?
4. Future housing market	1. Indicators of future demand	<ul style="list-style-type: none"> • How might the total number of households change in the future? How are household types changing, e.g. is there an ageing population? • How might economic factors influence total future demand? • Is affordability likely to worsen or improve?
	2. Bringing the evidence together	<ul style="list-style-type: none"> • What are the key issues for future policy / strategy?
5. Housing need	1. Current housing need	<ul style="list-style-type: none"> • What is the total number and profile of households in housing need currently (gross estimate)?

	2. Future need	<ul style="list-style-type: none"> • How many newly arising households are likely to be in housing need (gross annual estimate)?
	3. Affordable housing supply	<ul style="list-style-type: none"> • What is the level of existing affordable housing stock? • What is the likely level of future annual supply?
	4. Housing requirements of households in need	<ul style="list-style-type: none"> • What is the current requirement for affordable housing from households in need? • What are the requirements for different sized properties? • How is the private rented sector used to accommodate need?
	5. Bringing the evidence together	<ul style="list-style-type: none"> • What is the total number of households in need (net annual estimate)? • What are the key issues for future policy / strategy? • How do the key messages fit with the findings from chapters 3 and 4?
6. Housing requirements of specific household groups	Families, older people, minority and hard to reach households and households with specific needs	<ul style="list-style-type: none"> • What are the housing requirements of specific groups of local interest / importance?
	Low cost housing market	<ul style="list-style-type: none"> • What is the scope for addressing need through the provision of low cost market housing?
	Intermediate affordable housing	<ul style="list-style-type: none"> • What is the scope for addressing need through the provision of intermediate affordable housing?

Annex 2

CONSULTANCIES NOT INVOLVING DIRECT BUILDING OR ENGINEERING WORK

THIS DOCUMENT IS SUPPLIED TO ALL BIDDERS FOR CONSULTANCY WORK WITH STOCKTON ON TEES BOROUGH COUNCIL AND SHOULD BE NOTED AS PART OF STANDARD CONDITIONS OF APPOINTMENT

Attendance at Meetings

All consultants appointed must be prepared to attend meetings in Stockton on Tees during normal working hours and these costs will be included in the fee bid unless agreed in writing otherwise. Consultants are to indicate in their fee bid the number of meetings that they have included for, otherwise it will be a contract condition that consultants must attend a reasonable number of meetings as necessary to provide their services, as requested by the Project Officer. Any additional meetings requested by the Consultant shall be approved by the Project Officer.

Confidentiality

All reports and documents are confidential to Stockton on Tees Borough Council and the consultant and may only be released to third parties with the prior written agreement of the Council.

Copyright/Patent

Notwithstanding any copyright/patents the Council reserves the right to reproduce for publication and transmission to third parties any documents produced by consultants after completion of the study. The only exception to this will be reports marked only for the use of the addressee. Documents produced by the Consultant for a specific project will not be used by the Council for other related projects without the consent of the Consultant.

Professional Indemnity Insurance

All consultants and any consultants employed by them must produce appropriate professional indemnity insurance or warranties when submitting their bid and relevant time limits on its application.

Incurring of Additional Expenditure

The Council shall not be liable for any additional expenses incurred without its prior approval in writing. If the brief is changed significantly by the Council in any way, amendments to the fee will be made with reference to the scale of the alterations and the hourly rates provided by the consultant in their bid. All amendments to costings will need to be fully documented.

Value Added Tax

All prices submitted are deemed to be exclusive of Value Added Tax, which must always be shown as a separate amount.

Employment of Staff

The consultant should be solely responsible for employing staff and any other consultants and for paying for them. The Council will only pay invoices from the appointed consultant and nobody else.

Invoices

The terms of payment will be agreed based on the particular consultancy. In the case of TIME RELATED charges these must be submitted by calendar month within 7 working days of the month end. All Time Related charges must show staff name, hourly rate and weekly breakdown of charges in sufficient detail to identify work undertaken and costs relevant to the work.

Invoices must quote the purchase order number, which will be provided on appointment, and be marked for the attention of, Tees Valley Joint Strategy Unit, Melrose House, Melrose Street, Middlesbrough, TS1 2XF, unless otherwise agreed in writing. Failure to submit an invoice in this manner may result in delayed payments.

Indemnity

The consultant will fully indemnify the Council against any actions resulting directly from the negligent performance of the consultant's work and have full insurance cover for this.

Arbitration

In the event of a dispute both parties may agree to appoint an arbitrator, whose decision will be binding upon both parties.

Law

English Law will apply, and consultants agreed to be bound by the non exclusive jurisdiction of the English Courts.

Acceptability and Explanation

The Council does not bind itself to accept the lowest or any offer made. The Council does not bind itself to giving any reasons for not appointing any particular consultant for a task, but will provide general feedback on consulting bids if so requested.

Disbursements

Unless otherwise requested by the Council disbursements shall be deemed to be included in the fee and included in any hour rates quoted. Particular attention should be paid to third party charges that may arise when submitting any bid.

Meetings During Fee Bids

No meetings will be held with bidders during the fee bid period. All bidders will be informed in writing of any significant changes to the brief and supplementary information prior to the date of the submission of the bids.

Taxation Status

Consultant shall be termed as self employed for taxation and payment purposes unless already a company etc.

Project Officer

All enquiries are to be addressed to the Project Officer and no-one else, unless you are notified in writing otherwise.

Change of Terms

No member of staff of Stockton-on-Tees Borough Council has the right to vary these terms unless confirmed in writing.

Variations to the Contract

If the Project Officer issues any instructions varying the work, the valuation of that variation shall be by the most appropriate method, which may include:

- * an amount calculated pro-rata to the contract sum
- * a fair and reasonable valuation made by the Project Officer
- * an amount calculated by using hourly rates, subject to the submission of sufficient detailed information by the consultant to enable the Project Officer to judge whether the number of hours claimed is accurate and reasonable.

Conflicts of Interest

Unless the prior written consent of the Project Officer is obtained the consultant may not work for any other interested parties during the period of their consultancy with the Council. The period is to be up to the receipt of the final report. "Interested party" means any person or body, in the Council's opinion, having an interest in the subject of the consultancy.

Availability

The Consultants are to indicate which members of staff will be allocated to the specific task agreed as part of the consultancy. Prior consultation with the Council will occur if it is decided to change either the main members of staff, or the location of the relevant office of the consultancy.

The Consultant's staff will be expected to use professional care and attention to diligently carry out the task. They must timetable their work to allow for holidays, other client commitments etc. Although exclusive dedication to the Council's tasks is not expected full commitment is, and consultants must be prepared to apply themselves fully to work to achieve reasonable deadlines agreed with the Council.

Report of: Director of Tees Valley Joint Strategy Unit
Report to: Planning and Economic Strategy Board
Date: 9th October 2007
Subject: DURHAM TEES VALLEY AIRPORT – HEATHROW LINK
Item for: Information

SUMMARY

1. Attached are the two letters sent to the Competition Commission and to the Department for Transport concerning the implications of the proposed CAA Charging Policy at Heathrow on the Durham Tees Valley – Heathrow link. A number of meetings are taking place over the next 2 weeks and an update on the issue will be given at the meeting.

Tel: +44 (0)1642 264801

Fax:+44 (0)1642 230870

Email: john.lowther@teesvalley-jsu.gov.uk

Our Ref: 1749

Your Ref:

When telephoning please ask for:
John Lowther

22nd August 2007

Mr John Banfield
Inquiry Director
Competition Commission – BAA London Airport Inquiry
Victoria House
Southampton Row
London
WC1B 4AD

Dear Sir

HEATHROW AIRPORT PRICE CAPS 2008-13

I am writing to express the concern of the Tees Valley local authorities on the implications of the proposals from the Civil Aviation Authority on charges levied on airlines at Heathrow on the Tees Valley economy. I understand that the Competition Commission is currently considering the CAA's proposals and as such I am writing to make you aware of our concerns.

The CAA propose a price cap range for 2008-13 of RPI+4% pa to RPI+8% p/a which will increase charges at Heathrow by 44-73% over the review period. On this basis Durham Tees Valley Airport have been notified by bmi that it is not able to sustain the operation of short feeder services into Heathrow such as the Durham Tees Valley – Heathrow route.

The implementation of price caps at Heathrow will inevitably result in the continued reduction of UK domestic feeder services into Heathrow and their ultimate replacement by international air services operated by large aircraft providing increased profits to BAA at the expense of increased peripherality for the UK regions such as the Tees Valley.

The loss of the bmi service to Heathrow from Durham Tees Valley will severely impact on the Tees Valley economy. 35% of passengers on the flight to Heathrow are interchanging direct on to other European and intercontinental flights, most of whom are business passengers. For these reasons an alternative service to Gatwick, Stansted or London City would not be an adequate substitute to replace the Heathrow service. The rail option is unattractive because of the requirement to change once at Kings Cross to the Piccadilly line or twice for the Paddington rail link, a journey at best of at least 4 hours.

In the Tees Valley we have the second largest chemical/petrochemical complex in Europe with major international companies such as SABIC, BASF, Petroplus, Huntsman, Terra, Avecia, Johnson Mathey and world-class engineering and architectural design practices such as AMEC, Whessoe, Aker Kvaerner and Cleveland Bridge who depend on easy access via

Heathrow to both markets and their head offices. If it becomes increasingly difficult to travel direct by air from Heathrow to Durham Tees Valley then there is a danger that when investment decisions are made by global companies they will locate elsewhere because of the difficulty of travelling by air to the area. In this way the competitiveness of a peripheral region like the Tees Valley is reduced.

It is Government policy through its PSA targets to reduce the £30 billion output gap in GVA between the north and south. PSA target 1 for the DTI and the Treasury is to demonstrate further progress by 2008 on the Government's long term objective of raising the productivity growth over the economic cycle, improving competitiveness and narrowing the gap with our major industrial competitors. PSA target 7 for the DTI, Treasury and DCLG refers to the need to maintain substantial improvements for the economic performance of all the English regions by 2008 and over the long term reduce the persistent gap in growth rates between the regions, demonstrating progress by 2006. The loss of the Durham Tees Valley – Heathrow flight because of charging policy at Heathrow will make it more difficult to close the output gap.

In most countries airports are seen as major drivers of economic growth. The recent Regional Spatial Strategy for the North East of England proposes major growth of airport related industry at Durham Tees Valley Airport and planning permission for a major business park on the north side of the airport and a major development for airport related industry on the south side of the airport has been granted and development is expected to commence on the north side shortly and the on the south side in 2009. The route to Heathrow is a critical factor in attracting and developing airport related industry and hence the economic growth of the Tees Valley.

The proposal for increased charges affects primarily the non BAA airports. Where BAA are the operator of a provincial airport as well as Heathrow there is scope for cross subsidisation. Clearly this protects UK internal flights from Glasgow, Edinburgh and Aberdeen but still leaves non BAA owned airports such as Newcastle, Durham Tees Valley and Leeds/Bradford at a disadvantage.

For these reasons, the Tees Valley authorities request the Commission to consider the introduction of some sort of charging structure that safeguards the slots at Heathrow for regional feeder services for the UK like Durham Tees Valley in recognition of their special role in supporting the UK economy. Options could include the development of a separate charging structure for UK domestic feeder services, the safeguarding of Heathrow slots that have been operated from any UK region for a period of greater than 10 years, or a differential pricing policy based on the size of aircraft which is the practice at most other airports but not Heathrow.

The Tees Valley authorities consider that the Competition Commission should consider these broader issues. Our links to Heathrow have been in place for over 37 years. Everyone in the region, especially the business community and the agencies and organisations involved in the regeneration of the North East, feel strongly on this issue. We would urge the Competition Commission to consider these issues seriously in its deliberations.

We believe one mechanism the Commission should explore is a public service obligation. The Department for Transport's White Paper – The Future of Air Transport – published in December 2003 sets out Government policy on the issue of slots at London airports. Paragraph 4.44 states that:

“In recognising the importance of regional services, the Government is prepared to intervene in well defined circumstances to protect slots at the London airports for such services by imposing Public Service Obligations (PSOs). The imposition of a PSO enables the slots used for that service to be ‘ring-fenced’, so that airline cannot use them for a service to an alternative destination. The rules for imposing PSOs are set out in European regulations (Regulation 2408/92 and Regulation 95/93).

4.45 - The Government will apply PSOs where, in accordance with the existing EU Regulation 2408/92, three criteria are met:

- The route is to a peripheral region, or to a development region, or is a ‘thin’ route; we will consult shortly on the details of this;
- The air service concerned is vital to economic development for the region; and
- A PSO is required to ensure an adequate level of service. We will be consulting regional stakeholders and the aviation industry shortly on an appropriate definition of ‘adequate’ bearing in mind the importance to travellers of services at both peak and off peak times.”

In the event of a solution not being found, the Tees Valley authorities consider that the Department for Transport should consider developing a public service obligation for feeder services from areas such as Durham Tees Valley since it is clear that the Durham Tees Valley satisfies the criteria set out in para 4.45 of the White Paper.

Yours sincerely



John Lowther
Director
Tees Valley Joint Strategy Unit

Tel: +44 (0)1642 264801

Fax:+44 (0)1642 230870

Email: john.lowther@teesvalley-jsu.gov.uk

Our Ref: 1750

Your Ref:

When telephoning please ask for:
John Lowther

22nd August 2007

Ms Sandra Webber
Head of Civil Aviation Division
Zone 1/25
Department for Transport
Great Minster House
76 Marsham Street
London
SW1P 4DR

Dear Madam

HEATHROW AIRPORT PRICE CAPS 2008-13

I am writing to express the concern of the Tees Valley local authorities on the implications of the proposals from the Civil Aviation Authority on charges levied on airlines at Heathrow on the Tees Valley economy. I understand that the Competition Commission is currently considering the CAA's proposals and as such I am writing to make you aware of our concerns.

The CAA propose a price cap range for 2008-13 of RPI+4% pa to RPI+8% p/a which will increase charges at Heathrow by 44-73% over the review period. On this basis Durham Tees Valley Airport have been notified by bmi that it is not able to sustain the operation of short feeder services into Heathrow such as the Durham Tees Valley – Heathrow route.

The implementation of price caps at Heathrow will inevitably result in the continued reduction of UK domestic feeder services into Heathrow and their ultimate replacement by international air services operated by large aircraft providing increased profits to BAA at the expense of increased peripherality for the UK regions such as the Tees Valley.

The loss of the bmi service to Heathrow from Durham Tees Valley will severely impact on the Tees Valley economy. 35% of passengers on the flight to Heathrow are interchanging direct on to other European and intercontinental flights, most of whom are business passengers. For these reasons an alternative service to Gatwick, Stansted or London City would not be an adequate substitute to replace the Heathrow service. The rail option is unattractive because of the requirement to change once at Kings Cross to the Piccadilly line or twice for the Paddington rail link, a journey at best of at least 4 hours.

In the Tees Valley we have the second largest chemical/petrochemical complex in Europe with major international companies such as SABIC, BASF, Petroplus, Huntsman, Terra, Avecia, Johnson Mathey and world-class engineering and architectural design practices such as AMEC, Whessoe, Aker Kvaerner and Cleveland Bridge who depend on easy access via Heathrow to both markets and their head offices. If it becomes increasingly difficult to travel direct by air from Heathrow to Durham Tees Valley then there is a danger that when

investment decisions are made by global companies they will locate elsewhere because of the difficulty of travelling by air to the area. In this way the competitiveness of a peripheral region like the Tees Valley is reduced.

It is Government policy through its PSA targets to reduce the £30 billion output gap in GVA between the north and south. PSA target 1 for the DTI and the Treasury is to demonstrate further progress by 2008 on the Government's long term objective of raising the productivity growth over the economic cycle, improving competitiveness and narrowing the gap with our major industrial competitors. PSA target 7 for the DTI, Treasury and DCLG refers to the need to maintain substantial improvements for the economic performance of all the English regions by 2008 and over the long term reduce the persistent gap in growth rates between the regions, demonstrating progress by 2006. The loss of the Durham Tees Valley – Heathrow flight because of charging policy at Heathrow will make it more difficult to close the output gap.

In most countries airports are seen as major drivers of economic growth. The recent Regional Spatial Strategy for the North East of England proposes major growth of airport related industry at Durham Tees Valley Airport and planning permission for a major business park on the north side of the airport and a major development for airport related industry on the south side of the airport has been granted and development is expected to commence on the north side shortly and the on the south side in 2009. The route to Heathrow is a critical factor in attracting and developing airport related industry and hence the economic growth of the Tees Valley.

The proposal for increased charges affects primarily the non BAA airports. Where BAA are the operator of a provincial airport as well as Heathrow there is scope for cross subsidisation. Clearly this protects UK internal flights from Glasgow, Edinburgh and Aberdeen but still leaves non BAA owned airports such as Newcastle, Durham Tees Valley and Leeds/Bradford at a disadvantage.

For these reasons, the Tees Valley authorities request the Commission to consider the introduction of some sort of charging structure that safeguards the slots at Heathrow for regional feeder services for the UK like Durham Tees Valley in recognition of their special role in supporting the UK economy. Options could include the development of a separate charging structure for UK domestic feeder services, the safeguarding of Heathrow slots that have been operated from any UK region for a period of greater than 10 years, or a differential pricing policy based on the size of aircraft which is the practice at most other airports but not Heathrow.

Whilst we all understand that the Government wants to see fair competition at Heathrow, this should not be at the expense of increasing peripherality from the English regions. Two of the Department for Transport's key aims are:

- To sustain economic growth and improved productivity through reliable and efficient transport networks
- To enhance access to jobs, services, social networks, reaching the most disadvantaged.

Furthermore, the Treasury PSA targets outlined above stress the need to reduce the productivity gap between the north and south and improve competitiveness. The loss of the

Heathrow flight because of charging policy at Heathrow runs directly counter to these important national objectives. We believe therefore that there is a strong case for the Department for Transport to intervene to find a mechanism of safeguarding slots at Heathrow for regional feeder flights such as those from Durham Tees Valley.

We believe the mechanism the Department should explore is a public service obligation. The Department for Transport's White Paper – The Future of Air Transport – published in December 2003 sets out Government policy on the issue of slots at London airports. Paragraph 4.44 states that:

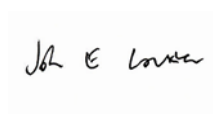
“In recognising the importance of regional services, the Government is prepared to intervene in well defined circumstances to protect slots at the London airports for such services by imposing Public Service Obligations (PSOs). The imposition of a PSO enables the slots used for that service to be ‘ring-fenced’, so that airline cannot use them for a service to an alternative destination. The rules for imposing PSOs are set out in European regulations (Regulation 2408/92 and Regulation 95/93).

4.45 - The Government will apply PSOs where, in accordance with the existing EU Regulation 2408/92, three criteria are met:

- The route is to a peripheral region, or to a development region, or is a ‘thin’ route; we will consult shortly on the details of this;
- The air service concerned is vital to economic development for the region; and
- A PSO is required to ensure an adequate level of service. We will be consulting regional stakeholders and the aviation industry shortly on an appropriate definition of ‘adequate’ bearing in mind the importance to travellers of services at both peak and off peak times.”

In the event of a solution not being found, the Tees Valley authorities consider that the Department for Transport should consider developing a public service obligation for feeder services from areas such as Durham Tees Valley since it is clear that the Durham Tees Valley satisfies the criteria set out in para 4.45 of the White Paper.

Yours sincerely



John Lowther
Director
Tees Valley Joint Strategy Unit

Originator: John Lowther
Contact Tel: 01642 264801
E-mail: john.lowther@teesvalley-jsu.gov.uk

BAA PRICING POLICY AT HEATHROW – IMPACT ON THE DURHAM TEES VALLEY AIRPORT – HEATHROW LINK – BRIEFING NOTE

The Problem

- 1.1 The Civil Aviation Authority has published their recommendations for price caps at Heathrow for the 5 year period commencing 1st April 2008, and these have been referred to the Competition Commission for investigation and review. The proposals would result in current charges at Heathrow rising from £18.55p per departing passenger in 2007/8 to £26.75 - £32.11p per departing passenger by 2013, an increase of 44% - 73%.
 - 1.2 On this basis, DTVA has been notified by bmi that it is not able to sustain the operation of short feeder services into Heathrow at these proposed pricing levels and that the recommendations made by the CAA for the next Quinquennium would have such an adverse impact on the airline, that a number of routes and services would be terminated. Worst affected would be UK domestic feeder services, one of which is the DTVA-LHR route.
 - 1.3 The reasons why the bmi are affected is that Heathrow charges the same price for a large 747 as a small Embraer 145. 747s are more profitable as they have more passengers per slot and can absorb landing charges much more easily, because they travel longer distances at higher fares.
 - 1.4 The implementation of price caps at Heathrow will inevitably result in the continued reduction of UK domestic services into Heathrow and their ultimate replacement by international air services operated by large aircraft providing increased profits to BAA at the expense of increased peripherality for the UK regions such as the Tees Valley.
 - 1.5 Even if we solve the short term price issue favourably long term slots for domestic services are under threat. In April 2008 the Open Skies Agreement will make slots at Heathrow valuable to other American and European airlines. Given runway capacity at Heathrow is full, slots at Heathrow are extremely valuable and hence the temptation for airlines to use them for long haul routes with larger planes.
- 2.0 The Case for Retaining Heathrow flights
- 2.1 The loss of the bmi service to Heathrow from Durham Tees Valley will severely impact on the Tees Valley economy. 35% of passengers on the flight to Heathrow are interchanging direct on to other European and intercontinental flights, most of whom are business passengers. For these reasons an alternative service to Gatwick, Stansted or London City would not be an adequate substitute to replace the Heathrow service. The rail service is unattractive because of the

- requirement to change once at Kings Cross to the Piccadilly line or twice for the Paddington rail link, a journey at best of at least 4 hours.
- 2.2 In the Tees Valley we have the second largest chemical/petrochemical complex in Europe with major international companies such as SABIC, BASF, Petroplus, Huntsman, Terra, Avecia, Johnson Mathey and world-class engineering and architectural design practices such as AMEC, Whessoe, Aker Kvaerner and Cleveland Bridge who depend on easy access via Heathrow to both markets and their head offices. If it becomes increasingly difficult to travel direct by air from Heathrow to Durham Tees Valley then there is a danger than when investment decisions are made by global companies they will locate elsewhere because of the difficulty in travelling by air to the area. In this way the competitiveness of a peripheral region like the Tees Valley is reduced.
- 2.3 It is Government policy through its PSA targets to reduce the £30 billion output gap in GVA between the north and south. PSA target 1 for the DTI and the Treasury is to demonstrate further progress by 2008 on the Government's long term objective of raising the productivity growth over the economic cycle, improving competitiveness and narrowing the gap with our major industrial competitors. PSA target 7 for the DTI, Treasury and DCLG refers to the need to maintain substantial improvements for the economic performance of all the English regions by 2008 and over the long term reduce the persistent gap in growth rates between the regions, demonstrating progress by 2006. The loss of the Durham Tees Valley – Heathrow flight because of charging policy at Heathrow will make it more difficult to close the output gap.
- 2.4 In most countries airports are seen as major drivers of economic growth. The recent Regional Spatial Strategy for the North East of England proposes major growth of airport related industry at Durham Tees Valley and planning permission for a major business park on the north side of the airport and a major development for airport related industry on the south side of the airport has been granted and development is expected to commence on the north side shortly and on the south side in 2009. The route to Heathrow is a critical factor in attracting and developing airport related industry and hence the economic growth of the Tees Valley.
- 3.0 What can be done?
- a) Competition Commission
- 3.1 British Airports Authority landing charges at London airports are approved by the Civil Aviation Authority. Before the Civil Aviation Authority can approve them, they are required to be considered by the Competition Commission. The terms of reference of the Commission's Inquiry are:

- a) What are the maximum airport charges that should be levied by BAA at Heathrow for five years beginning 1st April 2008?
- b) Since February 2002 has BAA or any of its associated companies operated against the public interest?
- c) If so, can the effects adverse to the public interest be modified by imposition of any conditions?

The Competition Commission will report to the CAA on 29th September 2007.

- 3.2 However, the Office of Fair Trading has also referred BAA to the Competition Commission requesting it to investigate the supply of airport services by BAA in the United Kingdom since the DfT has “reasonable grounds for suspecting that ... the markets or markets in which airport services are supplied by BAA prevents, restricts or destroys competition in the UK.” Airport services are defined as all airport services whether they are supplied to airlines, ground handling or passengers. The Commission is required to produce a report by March 2009. At the moment it is assessing evidence until the end of the year when it will notify its emerging thinking following which it will hold further hearings in March/April 2008 and produce provisional findings in the summer of 2008.
- 3.3 There is therefore the opportunity to raise the charging issue and the issue of slots with the Commission over the next few months even though recommendations will be made to the CAA on charging policy by Friday.

Action: I have requested a meeting with the Competition Commission of myself, Durham Tees Valley Airport and One NorthEast to discuss our concerns. Depending on the outcome, this could be followed by a meeting with the members of the Inquiry.

- 3.4 The key demands of the Competition Commission are:
- a) The charging policy at Heathrow is anti competitive in that rising charges at Heathrow force smaller regional airports to reduce their charges to remain competitive such that airport charges at Durham Tees Valley Airport are now at, or below cost;
 - b) The charging structure at Heathrow should be changed to reflect the size of aircraft since the current charging structure follows large intercontinental aircraft at the expense of domestic services;
 - c) The charging policy at Heathrow will impact on the Tees Valley economy as set out in section 2 of the report.
- 3.5 The Commission has appointed the same 6 members to the Heathrow Pricing Policy and the BAA Inquiry. They are:

Christopher Clarke, Chair of the Inquiry and Deputy Chair of the Commission and a Banker from Northern Ireland

Laura Carstansen, Solicitor specialising in competition law and joint MD of Blue Banyan

Dr John Collings, former Director of Regulation at Powergen

Professor Jonathan Haskel, Professor of Economics, University of London

Richard Holroyd, former Senior Executive of Shell

Professor Peter Moizer, Professor of Accounting at Leeds University Business School

Action: Since Professor Moizer is based in Leeds could John Jarvis of Northern Way arrange a briefing with Leeds Bradford and Durham Tees Valley on the issue.

b) British Airports Authority

3.6 It is likely that the Competition Commission will recommend a price cap of + or – a % increase of the retail price index. How this cap is translated into charges is therefore a matter for BAA.

Action: It is therefore worth lobbying BAA on:

- a) **The need to preserve domestic services to Heathrow because of its impact on the economy of regions such as the Tees Valley;**
- b) **Unlike other airports the charges for landing aircraft at Heathrow are the same regardless of the type of aircraft which makes it difficult for domestic services to be viable;**
- c) **In recognition of the need for interlining with the regions, BAA should produce a charging structure which enables domestic services to be viable.**

3.7 BAA is owned by Ferrovial, a Spanish company. The board is entirely Spanish except for the Chair, Sir Nigel Rudd and Lord Stevens, the ex Commissioner for the Metropolitan Police. Its Chief Executive officer is Stephen Nelson.

c) Department for Transport

3.8 Hugh Lang, Simon Dove (One NorthEast) and myself met Sandra Webber, head of the Civil Aviation Division at the Department for Transport to discuss the issue. The only way of safeguarding slots in the long term is through a Public Service Obligation (PSO). The imposition of a PSO enables the slots used for that service to be ‘ring fenced’, so that airline cannot use them for a service to an

alternative destination. The rules for imposing PSOs are set out in European regulations (Regulation 2408/92 and regulation 95/93).

4.45 – the Government will apply PSOs where, in accordance with the existing EU regulation 2408/92, three criteria are met:

- The route is to a peripheral region, or to a development region;
- The air service concerned is vital to economic development for the region;
and
- A minimum of two daily return flights.

Durham Tees Valley Airport satisfies these three criteria.

The civil servants explained at the meeting that the imposition of a PSO does not require the purchase of slots at Heathrow but can be done by a statutory order. Sandra Webber agreed to approach Ministers (Jim Fitzpatrick, Parliamentary Secretary of State responsible for Aviation and Ruth Kelly) to see if they would be prepared to entertain a Public Service Obligation application.

Action: If Ministers are prepared to consider an application for a Public Service Obligation it will be necessary to prepare an economic case for the retention of slots at Heathrow for the Durham Tees Valley service. In any event it would be worth preparing the economic case to justify our arguments. I propose that One NorthEast and myself work together to prepare a brief and find the resources for the preparation of a technical report by consultants making the business case in accordance with the Department for Transport's regulations for PSOs.

Sandra Webber also reported that the Government will shortly be issuing a consultation paper on the Future of Heathrow. This would also provide another opportunity for comment.

John Lowther
Director
Tees Valley Joint Strategy Unit

APPENDIX 1 : TEES VALLEY CHEMICAL COMPANIES AND THEIR COUNTRY OF OWNERSHIP

Chemicals	Industrial Gases
Artenius (Spain)	Air Products (US)
BASF (Germ)	Boc (Germ)
Dow (US)	Yarra (Nor)
Elementis Chromium	
Huntsman (US)	Refineries (LNG Port)
Invista (US)	Conoco Phillips (US)
Johnson Matthey Catalysts	Petroplus (Ned)
Omya	BP Cats
Sabic (Saud.)	Excelerate Energy (US)
Seal Sands Chemicals (US)	
Shell	
Terra International (US)	
Biochemicals	
Specialities	Avecia Biologics
Baker Petrolite (US)	Cambridge Research
Biochemicals - CRB	
Croda	Cleveland Biotech - CBL
Degussa Fine Organics (Germ.)	
Frutarom (Isr.)	Polymers & Plastics
Koppers	Hydropolymers (Nor)
Lundbeck (Den.)	Lucite International
Oxford Chemicals	
Oxywax	Contract Chemicals
	Dow Haltermann
Biofuels	Exwold
The Biofuels Corporation	
DI Oils	
Ensus (under construction)	

Report of: Director of Tees Valley Joint Strategy Unit
Report to: Planning and Economic Strategy Board
Date: 9/10/07
Subject: South Tees Employment Land
Item for: Information / Decision / Presentation

SUMMARY

1. The South Tees area has large amounts of vacant and underused land with some awaiting development
2. A potential £4bn of inward investment has been identified for the Tees Valley, most of which in the chemical/process industry
3. Each of the sites have varying issues such as access or contamination, and each of the investors have different land priorities such as deep water access or site image
3. It is important to ensure that allocation of land to investors is achieved in a way that takes account of land ownership and unique characteristics of each site
4. This report proposes that employment land should be looked at strategically with an aim to produce a Tees Valley Employment Land Strategy/Vision which maximises benefits for owners, investors and available land

1. PURPOSE OF REPORT

- 1.1 To inform the Planning and Economic Strategy Board of the analysis undertaken into Employment Land in the South Tees, and to consider a Tees Valley strategic approach to Employment Land.

2. BACKGROUND

- 2.1 The Tees Valley has significant amounts of previously developed employment land which is currently vacant, underused or available for development in the longer term. It is widely recognised that Wilton International is reaching capacity in terms of developable land and that an estimated £4bn worth of inward investment has been identified for the Tees Valley.
- 2.2 In order to help realise this investment it is important to understand the issues affecting the vacant land, allowing the Tees Valley to use the new investment strategically, maximising the benefit to the arriving firms as well as those that are already here.
- 2.3 It is important to understand the varying land requirements of incoming firms, this study allows us to help address those needs and can highlight where land quality and availability issues may be hampering development.
- 2.4 This approach will allow for a Tees Valley Employment Land Strategy to be developed that assists new investment, and presents Tees Valley as a place that is working together and is supportive to new and existing businesses.

3. STUDY AREA

- 3.1 This study looks at the South Tees area extending from Cargo Fleet Lane in the west through to Redcar in the east and north of the A174, extending north up the A1053 and A66. See Appendix A for details.
- 3.2 At present there is 70ha of Greenfield land and 294ha of Brownfield land available in the short term and 25ha of Greenfield land and 7ha of Brownfield land available in the long term. Details of location and issues affecting individual sites see Appendix B.
- 3.3 A further study is underway for the North Tees Area, and it is expected that parallel studies will cover the whole of the Tees Valley.

4. LAND AVAILABILITY

- 4.1 Land requirements of different sectors of the chemical and process industries vary, for example the Biotech sector require land where image is important.

- 4.2 Most of the available land is held by three major landowners; PD Ports, Tata Steel, and Sembcorp. Some of this land is held for long term development or expansion plans. However, on suitable land, opportunities for new development exist that maximises the benefits for existing businesses as well as the unique qualities of each piece of land.
- 4.3 For example, PD Ports may welcome development that maximises jetty usage, while riverside sites should be reserved for business that requires a deep water access.
- 4.4 Understanding this allows the new investment to be placed where it maximises the potential of available land in the South Tees area so that potentially unique characteristics of a particular site are matched with a new development.

5. INFRASTRUCTURE

- 5.1 Infrastructure is a key issue, road, rail, water and pipelines need to be available in a way that supports existing and incoming industries
- 5.2 For some major developments to take place along the South Tees it is likely that there would be a need for rail improvements, for example, to allow for coal transportation to the proposed clean coal plant.
- 5.3 The Teesport jetty capacity is nearing maximum and of the two pipelines that cross the Tees, the southern most pipe line is full and the northern most pipe line has spare capacity but little space to build new ones.

6. CONTAMINATION

- 6.1 Some of the industrial sites are affected by contamination; however this is not necessarily seen as a major barrier, especially where new developments have large capital costs. It is also felt that some activities, such as car storage, would be able to use contaminated sites without the need for extensive remediation.
- 6.2 In spite of this, contamination is still a major issue and can lead to negative land values, which will hamper development with low capital costs. Further investigation may be needed with land owners, the local authority and the Environment Agency

7. MAJOR INVESTMENTS

- 7.1 There are a number of major investments that are likely to occur on the South Tees, these include the expansion of Tees Port and container terminal, an

Eco-park including an advanced waste recycling site and a carbon capture and storage power station, a new freight park and a heavy oil up-grader.

- 7.2 These developments are likely to take up a large proportion of the available land on the South Tees; hence it will be even more important to get the maximum usage of the land left across the whole of the Tees Valley.

8. RECOMMENDATIONS

- 8.1 That the Planning and Economic Strategy Board discuss and note the report.
- 8.2 That the Board discuss land issues and the potential for a Tees Valley wide strategy/vision on Employment Land.

Originator: Sarah Tennison
Contact Tel: 01642 264831
E-mail: sarah.tennison@teesvalley-jsu.gov.uk

SOUTH TEES EMPLOYMENT LAND STUDY

APPENDIX B

Sites

Kirkleatham Business Park			
ID		44	
Land availability	Development info	Constraints	Comments
53.05ha Greenfield in the short term	Allocated under IND 5 in the Redcar and Cleveland Local Plan for general use, with 0.4ha of planning permission for B1 offices. Sizes of current premises are medium to large with potential for new build.	Phase 1 infrastructure is nearing maximum capacity.	One option that may be investigated is the relocation of office development from Wilton International to Kirkleatham, this would free land for process industry developments

Trunk Road			
ID		7, 5	
Land availability	Development info	Constraints	Comments
2.22ha of Greenfield in the short term, and 2.64ha of Greenfield in the long term	Allocated under IND 3 in the Redcar and Cleveland Local Plan for general use, with planning permission for a change of use to mixed. Size of current premises are small, medium and large	Partial in zone 2 & 3 flood risk	Air Products have appointed a developer to build a DIY/retail development however there has been little interest in the scheme

West of A1053			
ID		37	
Land availability	Development info	Constraints	Comments
22.66ha of Greenfield available in the long term	Allocated under IND 4 in the Redcar and Cleveland Local Plan for general use	<p>There are overhead power lines and access problems.</p> <p>This is identified as a green wedge in the structure and local plans and is close to residential areas.</p> <p>The land is not very suitable for development.</p>	

Wilton International			
ID		8, 9, 10, 11, 29, 30, 31, 32, 33, 34, 35, 36, 38, 39, 40, 41, 42, 43	
Land availability	Development info	Constraints	Comments
15.06ha of Greenfield and 135.8ha of Brownfield available in the short term	<p>Allocated under IND 1 with 78.7ha for Potentially Polluting and Hazardous Industries (PPHI).</p> <p>General use with B2 and B8 on Brownfield. There has been planning permission for paper recycling plant and polyethylene production. The sizes of premises are medium and large with new build opportunities</p>	<p>Small numbers of sites are in zone 2 & 3 flood risk. There are a number of power lines present.</p> <p>The land is in mixed ownership</p>	<p>There are a number of sites available and a few are being marketed. However it is likely that a number of sites are held strategically and would be sold if it maximised the existing business.</p> <p>There may be a need to rationalise some of the land and clear some of the area of buildings for further development</p>

Bolckow Road Industrial Estate

ID		26, 27, 28	
Land availability	Development info	Constraints	Comments
1.28ha of Brownfield available in the short term	Identified as IND 4 with general use and 0.89ha of B2. Current buildings are small to medium	Some of the sites have access problems, beck runs through the site and pylons	Local transport company are in discussions for part of the site

Corus Corridor 1

ID		13	
Land availability	Development info	Constraints	Comments
51.53ha is undeveloped but unavailable May be available in the longer term for appropriate development	Identified as IND 1 for B2 & B8 use	It is within the HSE consultation zone. The land is contaminated hence would be more suitable for a project with a large capital spend	Could possibly be used to develop a spine road to open up the dockside

Corus Corridor 2 (North east of Lackenby works)

ID		6	
Land availability	Development info	Constraints	Comments
18.79ha is undeveloped but unavailable May be available in the longer term for appropriate	Identified as IND 1 for B2 & B8 use	It is within the HSE consultation zone.	Potential for a private road to skirt NE of the site between Wilton and Teesport. This would take capacity off the main road network

development			
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Corus Corridor 3 (Tear-drop site)			
ID		1	
Land availability	Development info	Constraints	Comments
23.54ha undeveloped but unavailable	Identified as IND 1 for B2 & B8 use	It is within the HSE consultation zone with part of the site in flood risk zone 2 & 3. This is not a short term development opportunity	Option agreement being negotiated for major project

Nelson Industrial Estate			
ID		17, 18	
Land availability	Development info	Constraints	Comments
1.93ha of Brownfield in the short term	Identified as IND 4 for general use	Route of proposed Tees crossing	Part of the site is on RCBC 2007 disposal list

Imperial Park			
ID		16	
Land availability	Development info	Constraints	Comments
4.43ha of Brownfield in the short term	Identified as IND 4 for general use with new build opportunities	Route of proposed Tees crossing	On going enquiries into the site but with no formal reservation

South Tees Freight Park

ID		22, 23, 24	
Land availability	Development info	Constraints	Comments
15.64ha of Brownfield available in the short term, 6.69ha of Brownfield available in the long term	Identified as IND 4 for general use with new build opportunities	Within the HSE consultation zone. Corus infrastructure exists such as pipelines and surface water tanks. The land is contaminated and it could be made more accessible to the A66 and A1085	On the Freight Park all the sites are reserved except a couple of small plots. There is potential for a CO ² pipeline and further road infrastructure could unlock the South Tees Wharfs

Prairies Park

ID		25	
Land availability	Development info	Constraints	Comments
61.09ha of Brownfield available in the short term	Identified as IND 4 for general use with new build opportunities	Within the HSE consultation zone. Corus infrastructure exists such as pipelines and surface water tanks. The land is contaminated and it could be made more accessible to the A66 and A1085	An Eco-Park is proposed on the Prairies site with a clean coal power station. There is potential for a CO ² pipeline and further road infrastructure could unlock the South Tees Wharfs

Warrenby Industrial Estate

ID		2, 3, 4	
Land availability	Development info	Constraints	Comments
0.74ha of Brownfield in the short term	Identified as IND 4 for general use	Some of the sites are in flood risk zone 2 & 3	

Teesport

ID		45	
Land availability	Development info	Constraints	Comments
81ha of Brownfield land available in the short term	Identified as IND 1 (including PPHI), IND 2 with potential for new build	Reserved for port related activity, is within the HSE consultation zone and is within the 2 & 3 flood risk zones	There is outline planning consent for a deep sea container terminal

Tees Offshore Base

ID		14, 15	
Land availability	Development info	Constraints	Comments
19.84ha of Brownfield in the short term	Allocated under IND2 and IND4 for B2 & B8 use. Current premises are medium and large, there are new build opportunities	Within the HSE consultation zone. The western site is remediated but has no services. The eastern site will have half the slag removed in 1 yr and the rest is too contaminated with tar	

ICI River Frontage			
ID		46	
Land availability	Development info	Constraints	Comments
20.2ha of Brownfield available in the short term	IND 1 (inc. PPHI), IND 2 with B2 & B8 use	Reserved for port related activity, is within the HSE consultation zone and within zone 2 & 3 flood risk. The southern part of the site is contaminated with hydrocarbons, derelict structures and pipe work	Has the potential to be developed for a new deep sea jetty on the south side of the Tees. The southern part of the site could be used for car storage

Motor-Sports Park			
ID		47	
Land availability	Development info	Constraints	Comments
13ha of brownfield available in the medium to long term	Currently used as a motor sports park	Route of proposed Tees crossing	Currently not identified as employment land, however has potential for development in the medium to long term

Definitions

PPHI	Potentially Polluting and Hazardous Industry
IND 1	Reserved for PPHI
IND 2	Reserved for port related industrial development which particularly benefits from waterside access
IND 3	Land reserved primarily for general industry, business uses or warehousing
IND 4	Industrial areas reserved primarily for general industry, business uses or warehousing

IND 5	Reserved for prestige industry, high technology uses or research and development where particularly high quality of development is sought
B1 offices	Research and development studios, laboratories and high tech. Offices not banks, building societies, estate and employment agencies, professional and financial services, betting offices.
B2 use	General industrial
B8 use	Wholesale warehouse, distribution centres and repositories
Flood Risk Zone 2	Area of land that lies within the extent of the 0.1% (1 in 1000) chance each year flood from either rivers or the sea, but outside Flood Risk Zone 3
Flood Risk Zone 3	Area of land at a risk in a 1% (1 in 100) chance each year or greater flood from rivers, or 0.5% (1 in 200) chance each year or greater flood from the sea