South Worcestershire Retail Study Update

September 2013

South Worcestershire Development Plan Examination

Hearing Statement:

Response to Inspector's Matters, Issues and Questions

South Worcestershire Councils

Matter 4 – The requirement for retail provision

SWCs: 6 September 2013

Main issue*: *Is there adequate justification for the retail provision figure in the Plan?

Question 1:

1) Does the evidence base provide adequate justification for the retail provision figure of 50,000sqm set out in the Plan?

1.1 The evidence base does provide adequate justification for the retail provision figure set out in the Plan. The South Worcestershire Town Centres and Retail Strategy (The Study) has been updated to reflect the latest population and expenditure forecasts and to extend the forecasts to 2031. The main data updates affect:-

- Population
- Expenditure per Head
- Special Forms of Trading (including internet shopping)
- Floorspace Productivity (sales per sq ft of retail floorspace)
- Planning Commitments

Population

1.2 The population figures have been updated to reflect a new 2011 base population from ONS "Interim 2011-based Sub-national Population Projections for Local Authorities" and the forecasts to 2021. For the period 2021-2031, the same rates of growth have been assumed as ONS forecast for the period 2011-2021. These forecasts adopt the first results of the 2011Census.

1.3 The effect of the 2011 population estimate is minimal compared with the population figures used in the 2010 Retail Study up-date (CD193 & 194.195.196). For the study area as a whole, the 2013 Retail Study Update is based on a population of 492,837 in 2011 compared with 493,996 for 2012 in the 2010 up-date (The 2010 update did not include a 2011 figure). Within the study zones the main differences are some 1,200 more people in the three Worcester City zones (zone 6, 7 & 8) and some 2,500 fewer in zone 15 – in the Tewkesbury area.

1.4 The new population forecasts indicate an increase of 35,429 people in the period 2011 – 2026 compared with 26,801 in the 2010 update. Overall population growth is forecast to be significantly faster in zones 2 and 3 (where a population decline had previously been forecast) and significantly slower in the three Worcester City zones. The study area population is forecast to be 541,584 by 2031.

1.5 Maximus Knightsbridge Ltd in their representation to the Plan refer to the 2010 Study holding population levels constant at the 2012 population (para 2.12). It is referring to the population sensitivity exercise that was carried out as part of the 2010 up-date and included as an appendix and not part of the main study.

Expenditure per Head

1.6 The expenditure per head figures for 2011 have been revised to take account of the revisions to pre-2011 data shown in Experian Retail Planner Briefing Note 10.1of September 2012. ONS has revised its estimate of price changes over time. This has had the effect of changing the estimated change in expenditure per head pre 2011. Consumer retail spending per head on convenience goods is forecast to have declined significantly more since 2005 than previously estimated, while comparison goods expenditure has proved more resilient to economic conditions. The expenditure per head figures for 2011are therefore significantly lower for convenience goods spending, but higher for comparison goods than previously estimated. This has had an effect on the amount of available expenditure and floorspace requirements for 2011.

1.7 For the forecasts, the rates of growth per year advised in Fig 1a of Experian Retail Planner Briefing 10.1 (RP10.1) have been used. The 2013 figures are shown compared with the 2010 study figures (based on Experian Retailer Planner Briefing Note 8 - RP 8) in the tables below.

Table 1 – Spending per Head Forecasts 2013 and 2010 Retail Studies

Conv. Goods	2007	2008	2009	2010	2011	2012	2013-	2014	2015 - 2019	2020 -2029
2013 Update	-0.6%	-3.5%	-3.9%	-0.8%	-3.0%	0.1%	-0.1%	0%	0.6%	0.8%
2010 Update	0.4%	-1.6%	-2.9%	0.3%	0%	0.4%	0.8%	0.8%	0.8%	0.8%

Comp. Goods	2007	2008	2009	2010	2011	2012	2013-	2014	2015 - 2019	2020 -2029
2013 Update	6.6%	3.0%	-0.1%	2.4%	0.6%	1.4%	1.8%	2.4%	2.9%	2.9%
2010 Update	2.7%	3.7%	-0.6%	0.4%	1.2%	2.4%	2.7%	2.7%	2.7%	2.9%

1.8 The effect of the revisions to both past data and the forecasts on convenience goods spending is clear. The slower recovery post 2011 now expected is also clear with the increase not now expected to the reach the a long term figure of 0.8% until after 2020. The forecasts indicate that spending per head on convenience goods is not expected to reach the 2007 level until 2031. The only growth in convenience goods spending will come from population growth.

1.9 For comparison goods sales per head, the higher rates of growth now estimated between 2007 and 2011 are clear. Experian (RP10.1) now expect the economic recovery to be slower than in the 2010 forecast, with growth in the period 2011- 2014 significantly lower, but forecast to pick up in the second half of the decade.

Special Forms of Trading

1.10 In relation to special forms of trading (SFT), Experian has increased its forecasts of the market share. For comparison goods, it is forecast that SFT will achieve a 21.4% market share by 2022 and remain at that level thereafter. In its previous forecasts, growth was forecast to flatten off at about 12.6% in 2016 and then remain constant. For convenience goods, the market share is estimated to reach 15.4% by 2028 with steady growth throughout the period. There is considerable uncertainty about the share of retailing that internet sales will achieve, and other economic forecasters forecast a significantly greater share. Forecasts have been consistently increased, as the actual performance in the early years exceeds the forecast levels.

1.11 A considerable amount of internet retailing is serviced through retail outlets. To account for this, Experian advise that 25% of internet sales of comparison goods are deducted to allow for sales through existing outlets. For convenience retailing, it advises that 70% of such sales should be deducted, reflecting the general pattern of the main grocery chains to distribute internet sales from existing shops.

1.12 This 2013 Update has adopted the Experian's latest forecasts. It is however, considered that these are somewhat conservative and are likely to be revised upwards.

Floorspace Productivity

1.13 Sales per sq m have been increasing with more efficient use of retail floorspace in the long term. However, with the recessions of recent years sales densities failed to increase as sales themselves have faltered and floorspace has failed to respond at the same speed according to Experian's analysis (RP10.1), . For convenience goods floorspace, the sales density declined by 3.8% in 2011 and is estimated to increase by 0.1% in 2012 before another drop, of 0.7% in 2013, and is forecast to increase by 0.1% a year between 2014 and 2019 and 0.2% a year thereafter. It has been assumed in the 2013 Retail Study Update forecasts that there will be no increase in sales density until 2016, an increase of 0.1% a year 2016-2021 and an increase of 0.2% 2021-2031.

1.14 The overall sales density for comparison goods has continued to show a moderate increase over the recent past. Experian (RP10) expects the rate of growth to pick up in the later half of the decade. For the forecasts it has been assumed that sales densities will increase by 1.5% in the period 2011-2016, 2% 2016-2021 and 1.8% 2021-2031, in line with Experian's forecasts.

Commitments

1.15 Planning permissions in the study area since 2010 have been added to the commitments figures. The main commitments are shown in the table below.

Table 2 – The Main Planning Commitments

	Comparison floorspace Sq m Gross	Convenience floorspace Sq m Gross
Evesham		
Evesham Country Park	5670	859
Curry's – mezzanine	557	
Morrison Ext		280
M & S Variation of condition	-706	+706
Droitwich		
Local Centre		500
Malvern		
Morrison Extension		56
Tenbury Wells		
Tesco - Cattle market site		1384
Worcester		
Worcester Library Redev.	3512	
Phase 2 Shrub Hill	3240	

1.16 The floorspace figures taken from the relevant applications have been converted to net sales floorspace according to application details or judgement where details are not known and turnover assessed according to application details.

1.17 In relation to Evesham, the turnover figures for the Country Park application have been reduced by two-thirds to take account of the non-local trade draw demonstrated in the application. A condition restricting the sales from two existing units on the Worcester Rd Retail Park was varied to allow the sale of food to allow an M&S Simply Food outlet to trade. This resulted in the loss of comparison goods floorspace included in the earlier commitments.

1.18 At Droitwich, a local centre has been permitted as part of housing development. It has been assumed that about half of the centre would be used as a foodstore and the remainder as a retail service uses such as takeaways or hairdressers. In Worcester the figures also make allowance for some of the units to be used for retail services in the Worcester Library/Hub development. The shops have not yet been built. Planning permission has been granted for a Tesco store on the Cattle Market site in the town centre of Tenbury Wells. The store is large in relation to the catchment area of the town and will meet the town's requirement for convenience floorspace beyond 2031.

The Results

1.19 The floorspace requirements calculated in the 2013 Update are shown in the table below.

Table 3 – 2013 Update Floorspace Requirements - Convenience Goods Sq m

	2011	2031
Worcester	-4801	-3509
Evesham	-1090	-1304
Malvern	-398	+664
Droitwich	-1508	-1232
Pershore	-1537	-1349
Tenbury Wells	-1446	-1335
Upton-on-Severn	-31	+5-

1.20 For convenience goods floorspace, all centres are in negative territory in 2011, with no centres requiring additional floorspace. This is largely the result of planning commitments or changes in operator (as in Pershore where Asda bought the store from the Co-op), which has been more than enough to meet the needs arising from overtrading in existing foodstores (i.e. trading above the benchmark levels) where this was identified in the 2007 Retail Study. All floorspace requirements identified in the original study were met by additional commitments by the time of the 2010 Retail Study Update and permissions since then have increased this surplus. Expenditure growth in the period to 2031 is not generally forecast to be sufficient to use up the surplus by 2031 despite the faster population growth now forecast. The exception is in Malvern where the "surplus" of floorspace in 2011 is relatively small, at -398 sq m, (the only commitment is a small extension to the Morrison's foodstore) and the population growth increases the requirement despite the virtually flat spending per head.

1.21 *Table 4 – 2013 Up-date Floorspace Requirements - Comparison Goods Sq m*

	2011	2031
Worcester	-897	+30726
Evesham	-4631	-1714
Malvern	+1362	+5952
Droitwich	-1418	+296
Pershore	+253	+1030
Tenbury Wells	+125	+552
Upton-on-Severn	+64	+282

1.22 This 2013 Update shows a need for some 39,000 sq m of comparison floorspace by 2031, ignoring the surplus in Evesham which results from the level of commitments at the present time.

1.23 A comparison of the 2026 figures in the 2010 Study (CD 193) and 2013 update indicates the extent to which the changes are the result of changes in forecasts of population and expenditure etc described above and how much result from the roll forward of the study period to 2031.

Table 5 - Floorspace Requirements to 2026 – Convenience Goods Sq m

	2013 Update	2010 Study
Worcester	-3898	-675
Evesham	-1243	+952
Malvern	+391	+1031
Droitwich	-1217	-787
Pershore	-1356	-1184
Tenbury Wells	-1364	-68
Upton-on-Severn	-6	+21

Table 6 - Floorspace Requirements to 2026 – Comparison Goods

	2013 Update	2010 Study
Worcester	+19045	+9837
Evesham	-3928	-3225
Malvern	+3662	+3639
Droitwich	-609	-598
Pershore	-683	+740
Tenbury Wells	+367	+302
Upton-on-Severn	+174	+174

1.24 It can be seen that the reduction in the growth rates for convenience goods spending has increased the surplus of convenience goods retail floorspace, despite the greater population increase now forecast. Significant surpluses are predicted to increase and small requirements to become surpluses. This picture is somewhat obscured by new commitments since the 2010 Study and in the case of Tenbury Wells it is of course the entirely due to this.

1.25 In general the requirement for comparison goods floorspace is remarkably similar in both studies. The exception is in Worcester, where its floorspace requirement has nearly doubled. This is the result of revised population estimate for 2011 which shows a much higher population for the three Worcester zones, and means that the commitments are not sufficient to meet the unaccommodated expenditure in the early years of the decade.

Question 2:

2) Does the retail provision figure take adequate account of latent demand and demand from outside the study area?

2.1 The retail provision figure does take adequate account of latent demand and demand from outside the study area for the reasons set out below.

Latent Demand

2.2 St Modwen's objection to SWDP 3 includes the complaint that the Retail Study assumes that floorspace demand and supply was in equilibrium in 2007. In relation to convenience goods, the study and both updates benchmark the survey estimated turnover of foodstores against turnover estimated by floorspace and average company sales per sq m to estimate whether there is over- or under- trading and this is taken into account. This is not possible in relation to comparison goods because the data is not available to support it.

2.3 As a result it would be necessary to make a normative judgement on the sales density that a town or city centre should be trading at. While such judgements are sometimes made, the assumption that a city centre should be trading, at say £6000 per sq m, as opposed to the £5,500 that it is estimated to be trading at from the household survey, cannot be supported by any evidence. The actual performance of individual centres will depend on a large number of local factors including the general prosperity of the catchment area, the characteristics of the town centre, the prevalence of out-of-centre provision and or the distance to the nearest comparable centre. There is no body of information available to inform the judgement necessary to benchmark comparison goods retail performance in the way necessary.

2.4 It follows that there is no substantive evidence of latent demand in 2007 – it would depend solely on the judgment made on what the sales density of the city centre should be. It follows that it would be equally valid to hypothesise a latent surplus of floorspace, dependent on the normative sales density chosen.

Expenditure from outside the study area

2.5 The importance of expenditure from outside the study area depends on the extent of the defined study area in relation to the catchment area of the towns. In the South Worcestershire Retail Study (2007 & 2010-CD192 and CD193), the study area is extensive and covers a much larger area than the SWDP. The evidence from the Study's household survey indicates that the study area includes residents in the "outer zones" who do not habitually shop in the SWDP towns and this indicates that the study area is sufficiently large to encompass the SWDP's town's and city's catchment areas.

2.6 There will however also be visitor expenditure in the area. There are surveys of visitors and their spending in some areas but it is difficult to relate this information to the household survey data. While it is clear that few visitors staying overnight in the area are not included in the household survey, the position with day visitors is much less clear and there is a considerable risk of double counting. Where it has been attempted to take visitor spending into account, such as in seaside towns, where the number of visitors is high compared to the resident population, the additional retail spending (as opposed to leisure spending in pubs, cafes restaurants etc) is surprisingly small despite the obvious importance of tourism to the town centre. This is in part because the range of goods bought by visitors is relatively narrow and does not include the large range of household items, electrical goods major food shops etc and in part because the spending is seasonal. Although there is no survey evidence, from experience, leisure retail spending in this sense is probably a small proportion of annual retail spending. In the South Worcestershire towns, the proportion of spending derived from visitors is likely to be smaller.

2.7 If account of is to be taken of visitor spending, it is also necessary to take account of the expenditure outside the study area by residents when they are visitors to other towns to avoid the overestimation of town centre turnover. Household surveys do not generally ask questions on this “occasional” spending and it would be difficult to frame questions which reliably identified this. People do visit centres other than their usual centre for a variety of reasons, including simply for a change, and retail models assume that this evens itself out.

2.8 The significance of these factors depends on the way that the results are used in the development of planning policy and this is considered under the next question.

Question 3:

3) Should the retail provision figure be increased to allow for Worcester to increase its market share relative to competing centres?

3.1 The retail provision figure should not be increased to allow for Worcester to increase its market share. The retail provision figure would not act as a cap on retail development in the city centre and increasing it would not increase the market share.

3.1 Increasing the market share of Worcester would raise the question of where that additional market share should be drawn from. Bearing in mind long term trends in shopper behaviour the logical conclusion is that the market shares of the smaller towns would have to be reduced to account for it. While it would be attractive to assume that the increased market share could be attracted from larger centres outside of South Worcestershire, and particularly Birmingham, this is not realistic. It would be difficult to find a consensus on this view within the Councils. There is also a practical difficulty of assessing what increase in market share would be achievable in practice.

3.2 In reality, the market share of any centre will depend on the decisions of residents - where to spend their money - and on retailers - whether they wish to be in Worcester and the South Worcestershire towns. Increasing the market share in the study will not increase the market share in reality. The study results would only have an impact on the market share if they were used to act as a constraint on retail development. It is clear from the reasoned justification that the policy is not intended to do that.

3.3 Para 53 of the SWDP notes that Worcester and the other towns will do well to maintain their market share in the Plan period. This is because retail sales are becoming increasingly concentrated in the largest national multiple chains in all retail sectors, and because, in recognition of peoples willingness to travel further to shop in larger centres with wider choice, these retailers increasing wish to concentrate their presence in larger units in those centres.

3.4 Para 54 of the SWDP moves on to explain the working of the policy

"*If retail development is located in town centres, any retail development that exceeds the policy figures but which is consistent with the role of the centres and benefits the vitality and viability of the centre would not undermine the spatial strategy. Town centre schemes need to be of sufficient size to achieve viability. Qualitative improvement in the retail offer and environment of centres also helps to make them attractive to residents and visitors and will help them retain their market share".*

3.5 Thus the SWDP 3 figures are only likely to act as a constraint on out-of-centre retail development. This would be entirely consistent with national policy which aims to recognise town centres as the heart of the community and promote competitive town centres that provide customer choice. Where retail development is promoted on out-of-centre sites, it will be assessed in relation to the sequential and impact tests and will only be refused if there are suitable sites available in the city centre or the development would have an adverse impact on the centre. The only effect of increasing the market share in the Retail Study leading to higher provision in SWDP3 would be to encourage more out-of-centre retail development, contrary to both local and national policy. It would not affect the actual level of new retail development in the city centre, but undermine the locational policy to encourage the retail development to take place within the city centre.

3.6 This is also true of the questions raised in Matter 2. Neither increasing the figures to take account of some notional but unsubstantiated latent demand in the base year, nor making an allowance for additional tourist expenditure would make any difference to the level of retail development in the city centre during the plan period.

3.7 The policy and reasoned justification recognise the challenges facing the Worcester city centre and other town centres in South Worcestershire and take a positive attitude to future retail development in the centres. The study gives sufficient guidance on the level of floorspace which should be planned for in the centres to avoid a shortage of sites constraining demand, and the figures in SWDP3 F are not intended as a cap on further additional retail development. Out-of-centre retail development would remain to be judged on the basis of the sequential and impact tests. The policy is therefore positive and in accordance with the NPPF.

4.0 Conclusions

Question 1 The adequacy of the evidence base

4.1 The 2010 Study (CD193) has been updated to take account of the latest population and expenditure data and forecasts and extended to 2031. The results indicate that there still will be no need to identify additional land specifically for convenience goods retailing and that the requirements for comparison goods are still supported by the available evidence.

Question 2 – Latent demand and spending from outside of the study area

4.2 There is no evidence to support either the existence of a latent demand in 2007 or, if any, its extent. Any attempt to take this into account would introduce an entirely subjective judgement and would have no practical consequence for the level of retail development in the city centre in the plan period, except to undermine the policy to encourage that development to take place in the city centre rather than on out-of-centre sites.

4.3 The Retail Study area is sufficiently large to take account of most spending in the study centres. While there will be some “tourist” expenditure not accounted for, it would be incorrect to take account of this without deducting the expenditure of residents spent on tourist trips outside the area. Both exercises are fraught with practical difficulty arising from a lack of quantitative data and any attempts take these expenditure flows into and out of the area would introduce a spurious precision which would have no consequence to the level of development achieved, because of the way policy SWDP 3 is intended to operate.

Question 3 – Increasing the Market Share

4.4 In seeking to increase the market share of Worcester city centre it would be necessary to identify where that increased share would be captured from and this would realistically be from the smaller towns. It would however, have no practical consequences to development in the centres because the floorspace figures in policy SWDP 3 are not intended to act as a constraint on development over and above that level. Increasing the figures to express aspiration would however encourage more out-of-centre development and undermine the policy to promote the vitality and viability of the city and town centres.

4.5 The Plan recognises the competition between town centres for investment and shoppers and the challenges facing the city centre and in making provision for at least the level of floorspace identified in the study provides a positive and realistic approach to retail development in Worcester and the town centres.