EXECUTIVE SUMMARY

BCSC RESPONSE TO BARKER REVIEW OF LAND-USE PLANNING: KEY ISSUES:

BCSC welcomes:

- recognition of the need to promote a positive planning culture within a plan-led system – to give more certainty about what will be encouraged not just what is discouraged
- recognition of the economic and social benefits that flow from development, eg focusing major retail developments in town centres,
- support for the Government's 'town centre first' policy
- support for up-to-date plans and a streamlined planning process
- recognition of the need for a robust evidence base for national policy

BCSC's areas of concern include:

- planning policy statements (eg PPS6) may need to be rewritten to streamline national policy
- removing the need test for out-of-town retail development proposals as
  - it <u>only</u> applies to out-of-centre/out-of-town proposals
  - it is the <u>only</u> robust indicator of headroom in the market over next five years
  - It is, an integral and essential first stage of a retail impact assessment
  - it is a key intermediate output of retail impact assessment
- retail impact assessments are an inadequate alternative to the 'need test'

The 'needs test' issue:

- More out-of-centre retail development in Scotland than England
- The policy would appear to have been most successful with shopping centres and least successful for the retail warehouse, retail warehouse parks and supermarkets
- For the supermarket sector, both the sequential test and need test have not been consistently applied, especially for extensions and mezzanines
- The majority of the new supermarket floor space has been provided to accommodate non-food sales
- If out-of-town formats, as a result of the abandoning of the 'need test', were encouraged to expand, investors would withdraw from town centre schemes and the Government's 'town centres first' policy would be undeliverable.

BCSC RESPONSE TO BARKER REVIEW OF LAND-USE PLANNING: KEY ISSUES

BCSC welcomes:

- **Recognition of the need to promote a positive planning culture within a plan-led system –** this will provide developers with more certainty about what will be encouraged not just what is discouraged

- **Recognition of the economic and social benefits that flow from development**, such as focusing major retail developments in town centres, and

- **Support for the Government's 'town centre first' policy.**

  Continued support for such development through national policy and local development plans is essential for regenerating town centres, especially medium-sized and smaller towns that both need the development (whether new shopping centres or major refurbishment of existing centres) and are most at risk from out-of-town retail development.

  The need for policy continuity and, in particular, the need to apply tests that ensure that smaller town centres are not undermined by major out-of-town retail development, is one of the key conclusions of one of BCSC's recent research projects.

- **The support for up-to-date plans and a more streamlined planning process** – these are essential to improving both confidence and degree of certainty about the policy that will be applied as well as the timescale in which decisions will be made.

- **The recognition of the need for a more robust evidence base for national policy**. This is particularly true of the 'town centres first' policy in PPS6. Insufficient evidence has been published about recent performance of the policy at national, regional and local level, although DCLG and its predecessors have been working on this for over 10 years.

  Recent BCSC research has revealed that only 35% of new retail floorspace completed in the last 5 years in England has been in town centres. That still means that 65% of new retail floorspace has been outside these centres, although increasingly closer to them, and that these are mainly very large supermarkets and extensions and retail warehouses. Despite the policy, about two-thirds of new retail space is out-of-town.

BCSC's areas of concern include:

- Despite strong support for the Government's 'town centres first', the report **suggests that planning policy statements (including PPS6) may need to be rewritten to streamline national policy** (Recommendation 14; see also paragraph Executive Summary, para. 7)

  BCSC welcomed the current planning policy statement (PPS6: Planning for Town Centres) and would be very concerned if it were to be revised again in the near future. As Barker's interim report suggested, it needs time to bed down. The retail development industry welcomes policy continuity to give it the confidence to make long-term investment in our town and city centres – such projects take on average 11 years from start to finish - and, in particular, if such schemes are to be rolled out to medium-sized and smaller towns.

- The report (Recommendation 4; paragraphs 1.32/33) **supports a need assessment in preparing development plans, but appears to consider it inappropriate to use this evidence in assessing the need for particular planning applications. It therefore proposes removing the need for out-of-town retail developments to have to demonstrate that there is a need for the scale of development proposed. (**Recommendation 4; ES paragraph 7, paragraphs 1.31-33)

  BCSC strongly supports a plan-led approach, including assessing the need for further retail development, identifying the centres where growth will be encouraged, the identification of town centre sites and, even, the use of compulsory purchase powers to assemble sites. This proactive approach identifies opportunities for town centre development and provides confidence for the retail development industry to play an active, long-term role in regenerating town and city centres.

  The assessment of the future need for additional retail floorspace is, therefore, essential for planning for the development of town centres and for identifying the need for different types of retail floorspace 5 or 10 years into the future and identifying how best to meet that need.

  When it comes to individual retail proposals the report suggests that such information is not appropriate for informing individual planning decisions.

Lack of understanding:

The Barker report does not recognise that the test is essential for assessing proposed out-of-centre retail developments, because:

- **Like the sequential test, it <u>only</u> applies to out-of-centre/out-of-town proposals.** It is an essential 'policy signal' to promote town centre development – where retailers are encouraged to compete in the same physical market place – the town centre – rather than locate all over the place. However, if there are no suitable town centre sites available, the need test is essential to assess whether there is headroom for a new store in the next 5 years.

- **The Need test is the <u>only</u> robust indicator of headroom in the market over the next 5 years** for all types of additional retail floorspace for specific types of goods – it should be applied equally to all new retail floorspace, including extensions and mezzanine floors over 200 sqm, but the information requirements should be proportionate. This is the current policy in PPS6.

- **It is, however, an integral and essential first stage in a retail impact assessment** - and, therefore, there is, contrary to 'evidence' provided to Barker, little or no additional cost to applicants. Indeed, the assessment of need, may already have been done by the local planning authority in preparing its development plan and by the business in drawing up its business plan. For most companies it is recognised as helpful and informative material about the wider context.

- As the assessment of need is the **key intermediate output of the retail impact assessment** it provides a robust indicator of scale of likely impact – indeed is the only robust indicator.

- **Retail impact assessments are an inadequate alternative to the 'need test'** as 'selective' assumptions made in the later stages of the impact assessment allow manipulation of the distribution of impact which make it difficult to check. In addition they are notoriously difficult to interpret.

The likely impact of dropping the need test:

- **Comparison of performance between England and Scotland** between 1999 and 2005, and, in particular, the most recent data, shows that, despite notionally identical policies, the proportion of new retail floorspace in town centres in Scotland is much lower than for England. From 1999-2005 35% of new retail floorspace in England was in town centres; in Scotland it was only 22%, but in 2004 and 2005 it was only 5%. To a significant extent this could be due to lack of a need test in Scotland.

- **The main area of success of the 'town centre first' policy has been the shopping centre sector –** 78% of all new floorspace in shopping centre schemes in Great Britain was in a city or town centre – it would have been higher but for the last of the regional shopping centres completed in 1999 (eg

Bluewater), major extensions (eg Metrocentre in 2004) and factory outlet centres and extensions.

- **The policy would appear to have been least successful for the retail warehouse, retail warehouse park and supermarket sectors** where the proportion of new floorspace in town centres was 7% for retail warehouses and retail warehouse parks and 23% for supermarkets – the latter, however, is exaggerated due to the data undercounting extensions and excluding mezzanine floors – by 2005 the real figure for supermarkets would have been closer to 10%.

- **For the supermarket sector, it would appear that both the sequential test and need test have not been consistently applied, especially for extensions and mezzanines.** Proposals for extensions have frequently had little scrutiny as many were less than 2,500 sqm and many local planning authorities, mistakenly, have not subjected such proposals to these tests. The Barker Review is right to say that extensions have had less scrutiny than new stores – again, the effect of inadequate testing, has been a significant contribution to out-of-centre retail floorspace. Mezzanine floors were not subject to planning control until 2006 – neither have they been counted properly as new floorspace.

  NB: The data in the table below for supermarkets includes neither extensions nor mezzanine floors, but if these were included, the retailer with the largest development programme had only 12.5% of its new floorspace in town centres.

- **The majority of the new supermarket floorspace has been provided to accommodate non-food sales** which have been provided traditionally in town centres - the largest stores are not foodstores, but hypermarkets and sell a wide range of general merchandise.

- The quantity of new supermarket floorspace, the size of stores and the fact that a very high proportion of these are outside town centres would suggest that rather than a further relaxation of the policy tests, an improvement in the effectiveness and fairness of its operation is needed so that these 'least policy conforming' formats are not given further preferential treatment and the policy is not further undermined.

- **If there is no effective 'need test' and large-format general merchandise stores cannot find town centre or edge-of-centre sites, the only tests left – impact, access and car dependence – are not sufficiently robust to contain a major surge of out-of-town retail development.**

- **If out-of-town formats, as a result of the abandoning of the 'need test', were encouraged to expand, investors would withdraw from town centre schemes and the Government's 'town centres first' policy would be undeliverable.**

- The Barker Review was looking to the Competition Commission to provide evidence that the need test caused harm by preventing market entry of large-format stores. In the event, the Competition Commission did not provide any such evidence, indeed it concluded that, comparing England with Scotland, where there is no 'need test', they did not find any difference in the size of stores built (in contrast to BCSC's research which shows that less retail development in Scotland was in town centres). Since Barker is insistent on the need for evidence-based policy development, the same should apply to the case for policy change.

- Barker and the Competition Commission have both failed to demonstrate that the need test is harmful. Although the reason it is in place goes against both of their theoretical positions - that assessing demand/need for new floorspace should be left to the market and that it would limit market entry. Neither are interested in promoting economically-successful town centres.

Conclusion

BCSC is concerned that removing the need test will make it easier to get permission for large-format, out-of-centre retail development which would:

- reduce the prospects of getting investment in town centres and, if allowed
- further divert trade from medium-sized and smaller towns.

The ‘need test’ has proved the most useful check on whether there is room for further out-of-town developments.

The Barker report does not seem to have assessed the impact of this proposal on town centres and on their prospects of attracting investment, nor has it assessed how much development they have achieved over the last ten years despite the policy.

BCSC RESEARCH: *'IN TOWN OR OUT OF TOWN?'*, part of the *Future of Retail Property* series, published in December 2006.

Main Findings and Conclusions

The main findings and conclusions were;

- 1994 was the all-time low for the proportion of newly-completed retail floorspace in town centres – only 14%;

- it has taken ten years of consistently applied policy – PPG6 – to raise this to the town centre levels of the mid 1980s before the policy was relaxed – 32% in GB for the years 1999-2005

- the performance of town centre development varies within Great Britain, with performance highest in England (35%), with Scotland (22%) and Wales (19%) significantly lower

- pipeline data for the next 5 years suggests that the proportion in town centres in England will exceed 40%, whilst those for Wales (29%) and Scotland (10%) will be lower - there is no 'need test' in Scotland

- more recent analysis shows that performance varies with the type of retail development – for 1999-2005 about 80% of space in newly-completed shopping centres was in a town centre, whilst for supermarkets and retail warehouses the proportions were about 20% and less than 10% respectively

- the delivery of the Government's 'town centres first' policy, therefore, relies almost entirely on new shopping centres developments which have been encouraged by the consistency of Government policy over the last 10 years – it has given investors and developers the confidence to promote town centre schemes

- the shopping centre industry now needs to move beyond the top 50 dominant centres, to large and medium-sized towns that need the revitalisation that such investment would bring

- any suggestion that policy might be changed, however, such as removing the 'need test', to encourage large-format, out-of-town retail development is likely to result in a rapid change in confidence by the development industry who will defer or even abandon town centre schemes in the pipeline.

- there will be little prospect of new investment in medium-sized and smaller towns, whether in new schemes or refurbishment of existing centres, especially if it is easier to build large-format stores outside the town centre selling a whole range of goods currently being sold in town centres

Location of New Retail Floorspace by Country, Region and Type of Retail development 1999-2005: [Source: PMA Completions data]

% of new retail floorspace in town centres (Distance from town centre boundary within which 50% of new retail floorspace is contained)

	Average 1999-2005	1999	2000	2001	2002	2003	2004	2005
GB	32 (500m)	32	38	32	32	34	27	30
England	35 (440m)	32	40	35	33	37	32	37
Scotland	22 (500m)	32	24	21	39	22	5	4
Wales	19 (1270m)	24	50	18	11	23	18	4

By Region:

North	40 (290m)
North West	25 (460m)
Yorks/Humber	25 (1100m)
E Midlands	31 (730m)
W Midlands	46 (110m)
Eastern	31 (440m)
London	59 (740m/75%)
South East	38 (360m)
South West	16 (1240m)

By Type GB

Supermarkets (1)	23 (680m)	25	32	24	21	22	25	15
Retail Warehouses	7 (1110m)	7	2	9	3	6	16	7
Shopping Centres	78 (500m/80%)	51	96	83	95	85	62	81

Pipeline: GB

Under Construction 60 (320m/80%)

Planning Permission 34 (160m)
Application/Appeal 25 (750m)

(1) Data for supermarkets undercounts extensions and excludes mezzanine floors