

Please Reply to: Swindon
Our Ref: DAM/jsb/C10247
Your Ref:
Date: 20th August 2015



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Mr N Crowther
Head of Planning Policy & Strategic Development
Arun District Council
Arun Civic Centre,
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Dear Neil

Planning and Development Consultancy Services : Application A/23/15/OUT Land south of New Road (A259) and East of Brook Lane Angmering
Full of Planning Permission for a retail unit (A1) of 1487 sq m and Outline Planning Permission for a Public House (A4) 587sq m

I refer to letters from Montagu Evans (ME) dated 30th June, Store Property Investments Ltd dated 19th June and Dalton Warner Davis (DWD) dated 1st July. I have also taken DWD's email to you of the 16th July into account.

Background

The original impact assessment was prepared before the announcement that Waitrose was moving from the unit in Littlehampton to the former Co-op store in Rustington. This had implications for both the impact and sequential test conclusions and ME responded with its "Retail Policy Response" document in June. We prepared an Addendum to our report on this in June. This addendum concluded that the applicant had passed the sequential test but there were remaining concerns about the impact assessment. These concerned the adjustment of the town centre turnovers of Littlehampton and Rustington to take account of developments since the Arun Retail Study was prepared, the adjustments needed to take account of the move of Waitrose to Rustington and the estimated trade draw of the proposal in the context of that relocation. ME's letter of the 30th June responds to those points following a meeting on 17th June. We therefore have to consider how far ME's letter of 1st July meets the matters raised in our Addendum report.

As a general point on its response, ME states that various matters were agreed at the meeting with the Council on 17th June. These statements are expressed in somewhat brief terms and in places go beyond our view of what was agreed which was in more general and nuanced terms. Furthermore, ME's additional information should stand on its own and be capable of being understood by third parties. Finally the Council must also consider further objections without prejudice. We will therefore seek to explain the logic of ME's further letter and our conclusions on the matters raised in it in sufficient detail to be understood by all parties.

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DWD had objected to the application by letter dated 14th April and this was considered in our original report in May. In its latest letter, DWD claims that it is not clear on what basis the Waitrose unit in Littlehampton site is being discounted and that the health check-up-date by ME in its Policy Response is unsatisfactory. It also draws attention to the proposal for a foodstore on the Mill Lane site contrary to the statement in para 2.14 of the Policy Response that the site is being developed with the focus on comparison goods. The letter from Store Property states that terms have been agreed for a unit on the site from a food retailer. The email of 16th July raises further points on impact including the turnover of the former Waitrose building in Littlehampton by 2018 and further points on the sequential test.

The Sequential Test

DWD claims that the Littlehampton unit is 156 sq m gross smaller than the propose development, but its assessment includes the pub building in the proposal's floorspace. The pub floorspace is given as 581sq m at ground level. The proposed foodstore building is 1487 sq m gross compared with the 2377 sq m for the Littlehampton unit. The proposed sales floorspace in the Brook Lane development would work out 786 sq m on a like for like basis (i.e. excluding the café areas) compared with 880 sq m in the M&S feasibility study. This works out as 12% larger. M&S gives the reason that the acquisition of the Littlehampton unit failed to gain board approval 2011 was the poor net sales to gross floorspace ratio of 46% (including the 223 sq m café area in the net sales floorspace). The proposal provides for a ratio of 56%. In its email of the 16th July, DWD complains that the cost of converting and maintaining the building have not been quantified and no viability exercise undertaken. Such exercises are not normally undertaken or required in applying the sequential test and the previous government guidance discouraged LPAs from making such requests.

Following the Dundee judgment, the sequential test has to consider the suitability of sites (and buildings) for the retailer concerned. On the basis of the evidence submitted, the retailer had the opportunity to acquire the Littlehampton unit 2011 and did not do so. This is in our view powerful evidence of the unit's unsuitability for the retailer which it would be difficult to overcome in a planning appeal.

It should be noted that this conclusion on sequential test only applies if M&S is the occupier and a condition restricting the occupier accordingly might be appropriate. Conditions would be necessary to limit the gross internal floorspace to that assessed and to restrict sales to A1 food and drink sales and the sale ancillary goods.

Impact

Our key findings on ME's revised Impact assessment were that the adjustments to the turnover of Littlehampton and Rustington centres for developments since the Arun Retail Study were not sound and that the trade draw split between Littlehampton and Rustington required more justification.

Base Line Turnover – 2015

ME have used the estimated base line turnovers used by DWD in application A/19/15 for amendments to conditions applying to the Mill Lane site. These figures were taken from Table 12 of DWD's report of Feb 2015 and are as follows.

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Table 1 Base Line Turnover – Littlehampton and Rustington

	Littlehampton	Rustington
2015	£37.06m	£29.20m
2018	£39.90m	£31.45m

Adjustments for the Waitrose Relocation

They need adjusting to take account of the relocation of Waitrose to Rustington.

The Waitrose is estimated to have a turnover of some £11.93m in the Arun Retail Study. ME estimates that 85% of this turnover will transfer to Rustington. On this basis, Rustington's turnover will increase by £10.14m.

Littlehampton's turnover will decrease by the same amount. ME then assume that the existing unit will be re-occupied and have made an allowance for its turnover based on the sales density of B & M, a mixed goods discount retailer. The sales density is given as £3873/sq m and the turnover estimated at £5.25m. In its email of 16th July, DWD objects to the calculation on the basis that B & M have, at present, made no commitment to take the unit. Notwithstanding that, the unit is being actively marketed and it is reasonable to make allowance for the unit to be re-occupied. The sales density used is reasonable for any other prospective retailer that might take it.

The calculations are not well set out in ME's letter but are as follows:

Table 2 Adjustments for Waitrose Relocation

	2018 Turnover	Waitrose	New Occupier	Adjusted
Littlehampton	£39.90m	- £10.14m	£5.25m	£35.01m
Rustington	£31.35m	+ £10.14m		£41.49m

Our only concern with this process is whether the 2015 turnover for Rustington, taken from DWD's February report takes account of the closure of the Co-op. The Arun Retail Study estimated that this had a turnover of some £3.66m. In the applicants first report (Blue Sky Planning Feb 2015), it was estimated that 75% of this turnover would remain in the centre leading to a reduction in the centre's turnover of £0.92m. We regard the 75% assumption as reasonable but suspect that some deduction should be made for the Co-op's closure in the latest figures.

In its email of 16th July, DWD states that the assumption that Waitrose will still be in the centre in 2015 is flawed and that Waitrose is due to take occupation considerably before 2018. However, Waitrose is in the centre in 2015 and ME cannot be criticised for that assumption. While post Waitrose turnovers in 2015 could have been calculated, the impact assessment year is 2018 and the adjustments have been made for that year. A 2015 post Waitrose turnover would not affect that assessment. I will return to the wider point of the impact of the relocation on the vitality and viability of Littlehampton in due course.

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Trade Draw

We put forward our own estimate of the combined trade draw from Littlehampton and Rustington centres in our first report. For the reasons given there, we concluded that the proposal would draw about 22.5% of its turnover from Littlehampton and Rustington centres (most would be from the large supermarkets and particularly the Sainsbury at Rustington). We did not however split the trade draw because this needed reconsidering after adjustment was made for the relocation of the Waitrose store.

ME has adopted this figure (up slightly from BSP's estimate of 20%), which gives a combined trade withdrawal of £1.97m on a 2018 turnover of £8.74m for the proposal. It has assumed that 85% of this would be diverted from Rustington centre and 15% from Littlehampton. While we agree that the majority of the trade diversion would be from Rustington as the nearer of the centres and the one which will have the nearest competitor in Waitrose. However, there appears to be some misunderstanding - we did not sign up to the 85%. Nevertheless, even if one-third of the trade diversion was from Littlehampton, the trade diversion would amount to only £0.65m compared with the £0.30m estimated by ME. Both sums are well within the margins of the uncertainty associated with retail impact assessments.

It is worth noting that the sums are small because of the bulk of the impact is likely to fall in the large food stores in the area – Asda at Ferring, Tesco Broadpiece, Morrisons Wick and Sainsbury at New Road Rustington. These stores attract 63% of catchment area expenditure according to the retail study survey, and the M&S proposal is orientated at "top-slicing" their offer.

Solus Impact

Even with the higher trade draw from Littlehampton of £0.65m, the impact would only be 1.86% and the impact on Rustington would be reduced to 3.17% after the Waitrose adjustments are made. The figures are shown below.

Table 3 Solus Impact – M&S Proposal

	Turnover	ME		Alternative	
		Trade Diversion	% Impact	Trade Diversion	% Impact
Littlehampton	£35.01m	£0.30m	0.86%	£0.65m	1.86%
Rustington	£41.59m	£1.67m	4.02%	£1.31m	3.17%

Cumulative Impact

ME estimate the cumulative impact by combining the trade diversions of the Mill Lane proposals calculated by DWD with its M&S proposal's turnover. DWD estimated a trade diversion to the Mill Lane development of £1.64m from Littlehampton and £1.36m from Rustington (DWD Table 12). The combined impacts are estimated at 5.54% for Littlehampton and 7.29% for Rustington. As noted in the DPDS addendum report, the balance of the Mill Lane trade diversions could be expected to shift more towards Rustington following the relocation of the Waitrose store. ME have not taken this into account. Its reluctance to move from the DWD figures is understandable, but we think some adjustment is necessary.

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DWD has estimated that 55% of the combined trade diversion from Littlehampton and Rustington would be from Littlehampton and 45% from Rustington. The Mill Lane scheme does have a significant comparison goods element and the proportion of the impact falling on Littlehampton might be expected to be higher, but the centres sell a similar range of goods. To sensitivity test the cumulative impact estimate we have assumed that both schemes draw their trade from the centres in the same proportion as we used in relation to the solus impact – 67% to Rustington and 33% to Littlehampton. The combined trade draw from the centres is £4.97m so £3.3m would be diverted from Rustington and £1.6m from Littlehampton. The result would be a 4.57% trade diversion from Littlehampton and 7.93% trade diversion from Rustington. The figures are as follows:

Table 4 Cumulative Impact – revised Mill Lane trade draw

	Turnover	Trade Diversion	% Impact
Littlehampton	£35.01m	£1.66m (33%)	4.7%
Rustington	£41.59m	£3.31m (67%)	8.0%
Total		£4.97m	

These figures make now allowance for trade diversion between the two proposals, but as both contain some convenience floorspace, some mutual impact could be expected. The figures probably over-estimate the cumulative impact as a result. As would be expected, the impact on Littlehampton is reduced and that on Rustington is increased compared with ME's estimates.

The Vitality and Viability of the Centres

These figures have to be seen in the context of the vitality and viability of the centres and the substantial changes that will have taken place by 2018 as a result of the relocation of Waitrose. DWD draws attention to this in its email of the 16th July. In relation to Rustington, the centre's vitality and viability will have been boosted substantially with a new store attracting customers from wider area than the Co-op did, and the centre benefiting from linked trips. It will be trading substantially above its current level even after the estimated impact. Much of the impact would fall on the Waitrose store, but this is unlikely to close.

The opposite is obviously true of Littlehampton and, taking account of effect of the loss of Waitrose on the vitality and viability of the town centre, there is cause for concern. However, the current application proposal would only draw some £0.30m to £0.65m from the centre and it would, in our view, be unreasonable to give overriding weight to the cumulative impact when the solus impact is this small. This is emphasised by the fact that the greatest change arises from events which do not require planning permission at all.

DWD expresses concern about the applicant's assessment of the health of the centres in its letter of 1st July, but we have been familiar with the centres and the key indicators of vitality and viability for some considerable time. We have drawn attention to the significant weakness of Littlehampton town centre in our original report on the BSP impact assessment and have relied on our own assessment in drawing our conclusions.



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Overall Conclusion

There have been a great many revisions to the impact assessment, not by any means all the fault of the applicant, but this does create a paper trail that is not easy to follow. There would be some advantages in producing a new retail impact assessment from scratch, because many of the assumptions about trade draw go back to impact assessments carried out some time ago and based on assessments which should be reviewed in the context of changes since. This would, however, have its own difficulties and drawbacks and a new household survey which would include the trading patterns following implemented planning permissions is becoming necessary so that the developments can be omitted from the cumulative impact assessment. However, we have examined the results of alternative assumptions and conclude that the proposal on its own would have a limited impact on the relevant centres and that this could be overcome with suitable mitigation. I confirm for the avoidance of doubt that we have taken account of the matters raised by First Plan on behalf of Waitrose.

Yours sincerely

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