Initial Questions for Hambleton Local Plan Examination

Introduction

Pegasus Group has been instructed by Hambleton District Council to provide support on retail matters at the upcoming Hambleton Local Plan Examination. The Inspector has issued an initial list of questions and has requested a response from the Council.

This note seeks to specifically address questions 32 which states:

> *The PPG advises that town centre strategies can be used to establish the realistic role, function and hierarchy of town centres over the plan period. However, given the uncertainty in forecasting long-term retail trends and consumer behaviour, assessments may need to focus on a limited period (such as the next five years). In this case, the Retail and Leisure Study was carried out in October 2016, with the March 2019 Update recognising that the retail capacity modelling exercises should be revisited in 2021. Taking into account the likely timescales for adoption, will the Local Plan be based on an up-to-date assessment of retail capacity?*

Reference has been made to Examination Document SD13 (Retail and Commercial Leisure Study 2013) and Examination Document SD13.2 (Retail Update Note 2019), which shall be drawn upon accordingly within this note.

Retail and Commercial Leisure Study 2016

Hambleton District Council commissioned a Retail and Commercial Leisure Study to undertake a review of the future retail and commercial leisure needs of the District Council's administrative area up to 2035. The Study was to understand how the existing facilities serve the District's residents and what potential there was to plan for any additional facilities over the study period. This was finalised and issued in October 2016.

The Retail and Commercial Leisure Study (RCLS) had at its evidence base a new 700 household telephone interview survey alongside an on street and business surveys which sought to establish residents' shopping and leisure usage patterns. The study area was defined to broadly reflects the District's geography and its attraction.

The results of the household survey were applied to current and projected population and consumer spending to establish the need for future retail and leisure provision. The analysis provided an overall district wide basis and a more local 'sectoral' basis for convenience goods, examining trade retention levels currently achieved by the individual centres as well as the District as a whole.

The projections showed that the population in the survey area was expected to grow by 5,035 residents by 2035. When a combination of spend per capita and forecast growth rates was applied to these population figures it identified that the total pool of available convenience expenditure in the survey area would grow from £343.38 million in 2016 to £347.63 million by 2035 (an increase of £4.25 million).

When the existing commitments, which were anticipated to draw around £27.39m from the catchment area, were factored in, there was **no quantitative capacity to support additional convenience floorspace over the plan period**.

In terms of comparison goods, the combination of population and expenditure growth was expected to grow from £552.97m in 2016 to £1,063.64 by 2035. This was an uplift in total available comparison expenditure across the survey area over the plan period of £510.67m, which equated to a 92% growth.

Once commitments were included, there was no quantitative comparison need until 2026 when £1.29m of residual expenditure was in a position to support 118 sqm of additional net comparison floorspace.

The capacity was forecast to grow to 2,543 sqm by 2031 and to as much as 3,924 sqm by 2035. However, it was advised that capacity figures beyond 2026 be treated with a high degree of caution, and that the retail capacity modelling exercise is revisited in 2021, in line with planning policy guidance.

Retail Update Note 2019

In 2019 Hambleton District Council commissioned a Retail Update Note (RUN) to consider the future retail needs of the Council's administrative area up to 2036. The Note was to build upon the work undertaken in preparing the 2016 Hambleton RCLS, by using the previous shopper survey results, but updating the population and expenditure information, using Experian's Retail Planner Briefing Note 16 to project expenditure levels forward.

The previous Experian population figures were slightly lower than the 2019 update, but the previous data showed a slightly higher level of population growth across the study zones over the study period. The population comparison is provided below:

Table 1: Catchment Population

	2021	2036	Growth
Experian 2014 base	173,510	176,497	2,987
Experian 2016 base	179,026	181,721	2,695

Experian Briefing Note 15 identified a falling year on year growth for convenience goods and a growth in comparison goods, as high as 5.3%p/a.

The updated Experian Briefing Note 16 (Table 1a) expected there to be only moderate growth in comparison expenditure per head, but an overall levelling in the convenience expenditure per head as identified below:

Table 2: Experian Brief 16 volume growth per head (%)

	2017	2018	2019	2020-24	2025-2036
Comparison	2.3	0.9	2.1	3.2	3.2
Convenience	0.0	-0.6	-0.2	0.1	0.1

For the avoidance of doubt SFT levels were also updated to reflect the findings of the Experian's Expenditure Briefing Note 16.

Bringing the population and expenditure together identified the expenditure per capita (EPC) in the catchment area. These are identified below along with the results from the RCLS:

Table 3: Expenditure Per Capita

Convenience	2021 (£m)	2036 (£m)	Growth (£m)
Convenience			
Experian 2014 base	£344.14	£347.63	£3.49
Experian 2018 base	£374.23	£380.33	£6.10
Comparison			
Experian 2014 base	£627.5	£1,063.64	£436.14
Experian 2018 base	£651.71	£952.69	£300.98

2019 Retail needs

In relation to convenience goods, once commitments were removed from the capacity pre-commitments, the table below identifies the following overall capacity position for Hambleton as a whole:

Table 4: Convenience capacity pre and post commitments

	2019	2021	2026	2031	2036
Capacity Pre-Commitments (£m)	0.00	-5.78	-6.93	-5.86	-4.75
Capacity post commitments (£m)	-33.44	-39.72	-41.22	-40.15	-39.04
Floorspace capacity (sqm net)	-2,994	-3,504	-3,599	-3,506	-3,409

As can be seen, the starting position across the Hambleton remains that there was **no quantitative retail capacity for additional convenience goods and this reflects the findings of the 2016 RCLS**.

In respect to comparison goods, the table below identifies the following overall capacity position for Hambleton as a whole both before and post commitments.

Table 5: Comparison capacity pre and post commitments

	2019	2021	2026	2031	2036
Capacity Pre-Commitments (£m)	0.00	12.37	-0.24	8.92	21.57
Capacity post commitments (£m)	-10.31	1.58	-12.62	-4.96	6.02
Floorspace capacity (sqm net)	-1,158	170	-1,180	-414	448

When the comparison expenditure is considered in light of the approved commitments, there is negative capacity until 2031 (except for a very small amount in 2021), with a very small residual requirement of 448sqm up to the end of the plan period in 2036.

Will the Local plan be based on an up-to-date assessment of retail capacity?

The 2019 RUN is only just over 12 months old and was based on the information available at the time. In this respect, it is appropriate and is sufficiently up to date as an evidence base for the purposes of the Local Plan preparation.

This is further supported by the fact that it predicts that there remains no capacity for additional convenience goods over the plan period and this is consistent with the findings of the 2016 RCLS.

In respect of the comparison goods, there is very limited need at around 448sqm net over the plan period according to the RUN. Although this is less than the 3,942 sqm (net) identified in the 2016 RCLS, a fall in the level of need for comparison goods reflects the findings of other retail and leisure studies which Pegasus are involved within when more up to date data is used. This is due to comparison goods forecasts being less optimistic than previously expected, retailers making more floorspace efficiencies i.e making existing floorspace 'work harder' rather than opening more floorspace and therefore the need is identified to be significantly lower.

Overall, there is a note of caution about predicting retail needs over a period to 2035 and it is advised that the retail evidence base is kept sufficiently up to date. Although it is noted that the 2019 update suggested that retail needs should be revisited in 2021, this should actually state 2024.

In the context of these conclusions no sites are allocated for retail provision in the district in this plan.

In this respect there are two areas to note, updated Experian information and also the impacts of Covid 19, which are considered below:

<u>Experian Update</u>

Further information has been released by Experian through their usual annual updates. It has also updated its Retail Planner Experian Brief and the latest version is now No. 17.

Below is a short summary of the differences between the Briefs:

Convenience growth data is generally lower year on year (note: slightly higher in 2018 and 2021)

- Brief 16: *Annual growth in expenditure of 2017: 0.6%, 2018: 0.7%, 2019: 0.1%, 2020: -0.1% and 0.0% year on year thereafter.*
- Brief 17: *Annual growth in expenditure of 2018:1%, 2019: -0.8%, 2020: -0.3%, 2021:0.2% 22-26: -0.2% and 27-40: 0.0%.*

Comparison growth data is now expected to be generally higher in the early years, lower in the middle years and the same 26/27 onwards

- Brief 16: *Annual growth in expenditure of 2017;3%, 2018;1.1%, 2019;1.5%, 2020;1.8%, 2021 to 2025;2.8% and 26 onwards; 3.1% year on year*
- Brief 17: *Annual growth in expenditure of 2018: 3.4%, 2019: 2.9%, 2020: 2.0%, 2021: 2.3% 2022 to 2026; 2.3%, and 27-40: 3.1% year on year*

Effectively what the new results are showing is that the growth in comparison goods expenditure is slower than the previous Expenditure Brief. Coupled with this, there is an increase in the density of existing and new floorspace. This means that overall, any potential growth in turnover is effectively being lost to floorspace productivity and commitments (plus their productivity).

Therefore although there are further updates to the Experian information, this would not alter the overall findings of the 2019 RUN, insofar as there is no convenience need and very little comparison need such that no retail allocations are considered necessary.

Covid 19

The other implication which should also be borne in mind as a potential constraint to retail needs moving forwards are the effects of Covid 19.

Experian Projections

In light of the COVID-19 pandemic, in mid April 2020, Experian produced a set of high level scenarios on the UK economy, presenting 4 different trajectories that the UK economy could follow depending on how the pandemic timescales and knock on effects on the economy play out. At the time of writing, Experian's view was that on-balance, the more likely trajectory based on the scale of response from the UK and other Governments was a quick, V shaped recovery. The Bank of England's chief economist also predicted a rapid V-shaped recovery from the coronavirus pandemic (27th May 2020).

In this scenario, Experian predicted that the virus was contained in 2020 Q2 and the reduction in infection rates triggers a swift rebound in investor, business and consumer confidence. Financial markets rebound, sterling recovers and the tightening in credit conditions is mild and short lived. Alongside this, mitigation efforts by the Government will seek to prevent large scale job shedding and business insolvencies. This enables activity to recover relatively swiftly as workers return to normal working hours, businesses re-open and delayed investments are restarted. Under this scenario, the key economic outcomes are as follows:

- Suppression policies and the associated enforced lockdown triggers a sharp drop in output in 2020 Q2 as non-essential businesses and activities temporarily close.
- Consumer demand suffers as social distancing and low confidence leads to a big drop in discretionary spending, especially for big ticket items, recreation, leisure and travel. Sales of essential items rise sharply over this period due to stockpiling, but this is not sufficient to offset the decline in other areas, leading to an overall fall in spending.
- Investment declines as hits to business confidence and financial positions leads to the postponement/cancellation of projects
- The relatively short time frame for the suppression period in this scenario enables activity to spring back equally swiftly in Q3. With the majority of jobs safeguarded, companies are able to rapidly restore output via a return to normal working hours.
- The combination of a V-shaped recovery and minimal scarring effects.
- A focus of the UK Government's response to the economic threat from the Covid-19 crisis has been how best to help companies of all sizes retain staff and prevent insolvencies.
- Experian expect this fiscal response will rein in the rate of job shedding. The working assumption is that the scale of impact will be less than that of the last recession. However, because the effects are mostly concentrated in Q2, the hit is considerably higher than seen in any single quarter of the 2008 recession

- Despite this, the unemployment rate is anticipated to rise sharply and substantially in the second quarter of the year, as a range of sectors of the economy such as retail, leisure and hospitality, reduce staff.

The 'Centre for Retail Research' forecasts that the lockdown will have a severe impact on the retail sector, most of which was in a poor state even before coronavirus. It will survive a long lockdown only with great difficulty. Department store groups, fashion and footwear, large general stores as well as the smaller independents are most vulnerable.

The 'Centre for Retail Research' forecast (April 2020) suggested that total retail sales in 2020 would fall overall by **-4.6% compared to 2019** (or a reduction of £17,281m)**.** It is forecasted that the level of retail sales will not regain last year's level (2019) until 2022.

The 'centre for retail research' also forecast that the sales in bricks and mortar shops in total will fall by £73.436bn or -19.4% compared to last year, which will be 'disastrous' for many of them.

According to BDO, consumer behaviour may become fundamentally different from what it was before. As we are all restricted to staying at home, a vast proportion of consumer spend will now take place online. Increased home delivery and convenience may make this the 'new norm', even for those more traditional consumers who previously preferred the high street.

Although online businesses will benefit, their sales will not rise exponentially. According to Econsultancy, as lockdown continues to affect brick-and-mortar stores, online shopping as a proportion of all retail reached 30.7% in April, up from 22.4% in March.

Overall, it is evident that the Covid-19 pandemic will have an impact on the retail and leisure sector in the short and medium term, and potentially the long term. It is however important to note that it will take time to fully establish exactly what this impact is because we have never been in a comparable situation, and it is dependent on numerous factors and parameters which are currently unknown.

Going into the Local Plan Examination, the retail evidence base is sufficiently up to date as it identifies no convenience retail need and only a small amount of comparison goods needs towards the end of the plan period.

In the context of these conclusions no sites are allocated for retail provision in the district in the Local Plan. Nevertheless, it remains even more essential that the evidence base is kept up to date. This should take into account the impact of COVID-19 once this is understood to a greater degree than at present.

Pegasus Group

June 2020