

## CRITIQUE OF SAINSBURYS REVISED APPLICATION AT SIXFIELDS, NORTHAMPTON

Following our report to WNDP on the previous application by Sainsbury's to extend their superstore at Sixfields, Northampton, Sainsbury's have revised the proposal, and are now seeking permission for a smaller extension of the superstore. The current proposals are for an increase in net sales area of 3,016 sq m; of which 1,156 sq would be used for the sale of convenience goods and 1,860 sq m for the sale of comparison goods. The revised proposals are supported by a 'Retail Policy Update Report', dated February 2010, prepared by Indigo Planning. In that report, Indigo update the assessments of impact and the sequential approach to take account of the reduced size of the proposed development; and of comments on the assessments supporting the original application, which we set out in our previous report. Indigo has also updated the scope of their impact assessment to comply with the new impact test of PPS4, which was published after their original report was prepared.

WNDP has now instructed AECOM to review the Retail Policy Update Report (RPUR) in the light of PPS4 and the accompanying 'Practice Guidance'. We were asked to advise on whether or not the development now proposed would pass the tests for impact set out in Policies EC10 and EC16 of PPS4, and whether or not it would comply with the sequential approach.

Under PPS4, there is now no longer a 'needs test' for proposed retail development which is not in a town centre or in accordance with an up-to-date development plan. Lack of expenditure capacity to support such a proposed development per se is therefore no longer a valid reason for refusal of planning permission. The issue is now whether or not there would be significant adverse impacts from such a proposed development. However, we agree with Indigo that *'need considerations are relevant in undertaking both the sequential and impact assessments'* (PRUR paragraph 1.9). Expenditure capacity is relevant, because the lower the expenditure capacity, the greater the likely retail impacts. This is why PPS4 states that trade diversion should be assessed *'taking account of current and future expenditure capacity in the catchment area...'* (Policy EC16.1.d).

Indigo have therefore updated their forecasts of available capacity for additional convenience and comparison goods floorspace in their study area of west and central Northampton, to reflect the reduced scale of the proposed store extension, and our criticisms of their previous capacity forecasts. The update is set out in Document 2 annexed to Appendix 5 of the RPUR. We comment on it briefly before considering compliance with the impact tests of PPS4. Where we have not commented, it cannot necessarily be taken to mean that we agree with Indigo or support their analysis.

### Revised Retail Expenditure Capacity Analysis

#### *Convenience Goods*

In their revised analysis, Indigo have now adopted many of the forecasting parameters recommended in our previous report to WNDP. We therefore now consider that their population forecasts, growth rates for per capita expenditure, and rates for deduction of expenditure on Special Forms of Trading are now realistic. However there appear to be arithmetical errors in Table 2a of Document 2, which sets out growth in per capita expenditure on convenience goods. This table shows per capita expenditure on convenience goods reducing over time; whereas with application of the growth rates and SFT deductions stated in the footnotes, it should be increasing. This has led Indigo to calculate that available expenditure (Table 3a) and 'surplus expenditure' (Tables 9a and 9b) are also falling, whereas both should be increasing. These arithmetical errors mean that Indigo have under-estimated available convenience goods expenditure capacity.

Indigo have now assumed that the proposed additional floorspace in the superstore would trade at 75% of the 'benchmark' company average sales density. We do not accept this, for the reasons stated in our previous report. Indigo refer to 51 examples of store extensions trading at less than this 'benchmark' level. We are aware of such claims having been made elsewhere, but note that no evidence has ever been provided of actual superstore sales before and after store extensions. We are therefore unable to test or verify such claims; and remain of the view that superstore extensions should be assessed as likely to trade at the 'benchmark' company average sales density with no discount.

As in their previous retail capacity analysis, Indigo have again omitted to take account of trade draw from their study area by large foodstores outside the study area, in particular Morrison's at Kettering Road, and Weston Favell District Centre.

In view of the foregoing, we conclude that Indigo's updated expenditure capacity analysis for convenience goods is unreliable. However, as indicated in our previous report, the forecasts by CBRE in their 2007 Retail Study of Northampton indicate that there should be more than sufficient expenditure capacity to support the scale of convenience goods floorspace in the proposed superstore extension. We would therefore not expect significant adverse impacts on existing convenience goods floorspace in the town, as we discuss further below.

#### *Comparison Goods*

In Table 10a, Indigo has again assumed that the market shares of available expenditure attracted by existing centres and stores in the study area would fall over time, thus generating additional 'surplus' expenditure. This is unrealistic, and inappropriate in view of the overall policy of 'town centres first' in PPS4. Allowing the resulting increased 'surplus' in expenditure to be used to support the out-of-centre Sainsbury's extension would amount to decentralisation of growth in comparison goods expenditure, contrary to PPS4.

In Table 10a, Indigo identify 'surplus' comparison goods expenditure which is substantially greater than would be needed to support the proposed superstore extension. Because the study area is not a self-contained 'watertight' area in terms of retail expenditure and sales, this is not really 'surplus' at all. Much of it is actually attracted by stores and centres outside the study area, for example by Morrison's at Kettering Road, Weston Favell District Centre and centres outside Northampton. However, we agree that there will be more than sufficient expenditure capacity to support the scale of new comparison goods floorspace in the proposed superstore extension. This means that the retail impacts are likely to be moderate or insignificant in most cases. The key issue is therefore whether or not extension of this out-of-centre superstore would be the most appropriate way to accommodate such additional comparison goods floorspace, in view of the requirement to comply with the sequential approach, and the emerging development plan strategy for new retail development in Northampton.

#### **Retail Impact**

Indigo's updated assessment of retail impact is set out in Appendix 5 of the RPUR; and in Tables 11 (convenience goods) and 12 (comparison goods) of Document 3 annexed to that appendix.

#### *Convenience Goods*

The assessment of trade diversion in Table 11 assumes that the Sainsbury's extension would achieve convenience goods sales of only £8.7m in 2012 and 2014, of which 90% (£7.8m) would be drawn

from the study area. We consider that sales of £11.6m should be assumed (applying the 'benchmark' company average sales density for convenience goods with no discount). If 90% of this is drawn from the study area, as now accepted by Indigo, this would mean that £10.44m would be drawn from the study area. *Ceteris paribus*, all of the impacts calculated by Indigo should therefore be about one third higher than they have indicated in Table 11.

Even with this correction, we do not think that any of the impacts would be high enough to give serious grounds for concern. Most of the impacts would fall on major competing stores such as Tesco Extra at Mere Way, Morrison's at Victoria Promenade, and Morrison's at Kettering Road. These stores are all trading well, and should be well able to withstand the moderate impacts which they would suffer. None would be likely to close as a result.

### *Comparison Goods*

As with convenience goods, Indigo has under-estimated the comparison goods impacts through basing the assessment on a discounted sales density in the proposed store extension. Thus Indigo has assumed comparison goods sales of £10.5m in 2012, of which about 90% (£9.5m) would be drawn from the study area. Again, we do not accept this for the reasons stated in our previous report. We consider that sales of £13.6m would be more likely in 2012. Applying Indigo's 90% assumption would mean that about £12.2m would be drawn from the catchment area. *Ceteris paribus* therefore, the impacts in Table 12 should be almost 30% higher than indicated by Indigo.

In addition, in Table 12, Indigo has allocated too much of the trade draw of the proposed superstore extension to the out-of-centre retail warehouse parks. We accept that there would be some trade draw from these, but not to the degree Indigo has assumed. They have assumed that 55% of their assumed total draw of £9.5m in 2012 would be from these retail warehouses alone. In contrast, they have assumed that only 10% of the total trade draw would be from Northampton Town Centre. This balance of trade draw is clearly unrealistic. The comparison goods floorspace in the proposed extension would comprise a mix of goods which is widely available and sold from Northampton Town Centre. We would therefore expect about 50% of the trade draw to be from the town centre, about 30% from the superstores and retail warehouses named in Table 12, and about 20% from elsewhere (including Morrison's at Kettering Road and Weston Favell District Centre). Making this correction, and applying our estimate of sales in the store extension rather than Indigo's, would mean that the impact on the town centre's trade drawn from the study area would be about 3.8%, rather than the 0.6% assumed by Indigo.

Of course, the impact on total town centre trade would be much less than 3.8%, because the town centre also draws trade from a much wider catchment area than Indigo's study area. Based on CBRE's forecast of total town centre comparison goods sales in 2012 (£675m), the impact on total comparison goods sales in the town centre in 2012 would be about 1%. In the context of growth in catchment area population and expenditure, we consider that this impact would be insignificant.

### **The PPS4 Impact Test**

Indigo has undertaken an assessment of how the proposed store extension would comply with the new impact test in Policies EC10 and EC16 of PPS4. In doing so, they have assumed that a balanced judgement should be undertaken of the pros and cons of the development under each of the criteria in these policies. In our opinion, this is an incorrect interpretation of PPS4. Policy EC17.1. states that planning permission should be refused where *'there is clear evidence that the proposal is likely to lead to significant adverse impacts in terms of any one of impacts set out in policies EC10.2 and 16.1....'* (our emphasis). No mention is made of a balanced judgement. A balanced judgement

only becomes applicable 'where no significant adverse impacts have been identified under policies EC10.2 and 16.1' (Policy EC17.2). The criteria in Policies EC10 and EC16 are therefore 'gateway' tests, which must show 'no significant adverse impacts' before the balance between pros and cons can be considered.

Indigo frequently refer in the RPUR to the 'bar' in these tests being set 'very high'. It is not clear to us whether they intend this to mean that the new impact tests are very easy or very difficult for such a superstore extension to pass. However, we consider that the new impact tests are very tough tests, because identification of 'significant adverse impacts' under any one of the 11 criteria in Policies EC10 and EC16 would be sufficient to warrant refusal of planning permission.

In their assessment, Indigo have also applied terminology for severity of impacts which is not found in PPS4 or the Practice Guidance. They have used this terminology as the basis for their balancing judgement of pros and cons of the development under the impact criteria. PPS4 does not support this approach; and we have therefore undertaken our own broad assessment of how the proposed development complies with each criterion, as indicated below. Applying the tests in Policy EC10.2, we conclude as follows:

- a. We cannot comment on the effect of the proposed superstore extension on carbon dioxide emissions or climate change. WNDC will need to be satisfied that the proposal would pass this test.
- b. Similarly, we cannot comment on accessibility or the effect on local traffic levels and congestion. Again, WNDC will need to be satisfied that there would be no significant adverse impacts under this criterion.
- c. We also cannot comment in any detail on the design of the proposed superstore extension and whether or not it would improve the character of the area and the way it functions. However, as with the previous proposal, the proposed development is merely a superstore extension. It does not contain any of the other facilities which would normally be required in a district centre, such as a range of smaller shops and service businesses, or any community or other non-commercial facilities. We therefore doubt that it would improve the quality and character of the area for local residents to any substantial degree.
- d. The proposed superstore extension would go some way towards meeting the capacity for new convenience goods floorspace in Northampton identified in the CBRE 2007 study. However, whether or not it would be the most appropriate way of achieving this would depend on the emerging strategy for the location of new retail development in the town. In the event that a new district centre is designated elsewhere in west Northampton, it would be put at risk by the proposed Sainsbury's superstore extension. In such a case, the latter would therefore fail this part of the impact test. However, as yet no such designation has been published in any development plan document; and so there would be no significant adverse impact under this criterion.
- e. Whilst the proposed superstore extension would result in significant new employment on the site, some of this would be transferred from existing foodstores and other shops, as a result of the impacts on trade which they would suffer. It is likely that the proposed extension on its own would result in a smaller increase in employment in Northampton than that due to a new district centre in west Northampton as an alternative, if such was to be designated in the emerging Core Strategy. However, the proposal would not have a significant adverse impact on local employment.

Applying the impact tests in Policy EC16.1, we conclude as follows:

- a. No new district centre elsewhere in west Northampton has yet been designated in any development plan document. Whilst the proposed development would make it more difficult to achieve such a new district centre, there is currently no such committed investment which could be put at risk by the superstore extension. The proposed substantial increase in comparison goods floorspace in the out-of-centre superstore would make it slightly more difficult to achieve major new retail development in the town centre. However, given that proposals for the Grosvenor Centre extension are still in the early stages of formulation, and there appear to be some obstacles to the assembly of a site for a financially viable development in the next few years, we consider that the adverse impact on the Council's strategy for the town centre would not be substantial, if planning permission was granted subject to the conditions suggested below.
- b. It would have a small adverse impact on the vitality and viability of Northampton Town Centre as a whole; but would result in an increase in local consumer choice of convenience and comparison goods. However, this could also be achieved, and perhaps more effectively, by developing a new district centre elsewhere in west Northampton.
- c. We understand that there are no sites outside town and district centres allocated for new retail development in the adopted or emerging development plans, so this criterion does not apply.
- d. There would be a small impact on town centre shops and stores; and slightly more significant impacts on shops in some of the district centres, and on trade in out-of-centre stores in the wider area in the city.
- e. The proposed development would be out-of-centre, so this criterion does not apply.
- f. This criterion also does not apply, as we understand that the adopted and emerging development plans do not define any such centres in relation to locally important impacts.

Overall (leaving aside the matters on which we have been unable to comment) we conclude that there would be small adverse impacts under Policy EC16.1.a. and d. However, we consider that the impacts would not be sufficiently adverse to mean that the proposal should fail this 'gateway' test.

### **The Sequential Approach**

In principle, we continue to remain of the view that the convenience and comparison goods elements of the proposed superstore extension could potentially be disaggregated, and Sainsbury's could open a comparison goods store in Northampton Town Centre if they wish to sell more comparison goods. Whilst we understand that Sainsbury's does not yet have a comparison goods only store business model, we see no reason why the company cannot develop such a model (as other retailers are doing) in response to the sequential approach of PPS4. However, the scale of the extension now proposed would mean that the comparison goods net sales area in the extended store would be about 36% of the total sales area. This would be closer to the scale of comparison goods floorspace which has been permitted by the Secretary of State in recent years, than was the previously proposed larger extension. The impact on the town centre from the proposed extension would therefore be significantly less than previously proposed. We accept that the proposed extension would enable the store to provide a better service to the residents of expanding west Northampton; and would be more in scale with the local catchment area than the previous proposal. However, the scale of extension proposed is similar to that of a new superstore (3,016 sq m net sales area). We therefore consider that sites capable of accommodating a superstore of this size (which would be about 5,000 sq m gross) should be sought.

A number of sites have been considered in the RPUR. We accept that some of these would not be suitable, available and viable for such a new superstore. However, we consider that two potentially available sites have been dismissed without adequate assessment. The former Royal Mail Sorting Office could potentially accommodate a new superstore of this scale, and is currently available for such a use, subject to planning permission. Whilst another party may have secured a controlling interest, thus making the site unavailable to Sainsbury's, if a superstore was developed there by another retailer it would absorb some of the forecast expenditure capacity, thus meeting forecast needs and to a substantial degree obviating the need to extend Sainsbury's at Sixfields.

The second site not adequately assessed is the St James Road Bus Depot site. This site is on the edge of a defined centre, and is therefore sequentially preferable to the out-of-centre Sainsbury's site. Whilst we appreciate that it is currently in active use as a bus depot, we consider that Indigo should discuss with the owners the prospects for relocation of the bus depot, and purchase of the site for a new food superstore. This does not appear to have been done, and it is therefore premature to dismiss this site in the way that Indigo has done.

We therefore consider that it cannot yet be concluded that the smaller superstore extension now proposed complies with the sequential approach; since it is equivalent in scale to a new superstore, and two sites exist (one of which is certainly sequentially preferable) which could potentially accommodate such a superstore. However, if the current application was to be withdrawn, and a smaller extension applied for with significantly less floorspace than would be in a new superstore, it would be easier to conclude that it could not be disaggregated from the existing superstore for the purposes of applying the sequential approach.

## Conclusions

We were specifically asked by WNDP to advise on whether or not the proposed development would be acceptable in relation to PPS4 Policies EC10.2.d; and EC16.1.a, b and d. We therefore summarise our overall conclusions in relation to each of these policies.

EC10.2.d: Because no new district centre in west Northampton has yet been designated in any development plan document, we consider that the proposed development would not result in significant adverse impacts upon economic and physical regeneration in the area. Whilst it would reduce the prospects for such a new district centre being successfully developed in the future, it would improve the shopping facilities in west Northampton at an earlier date.

EC16.1.a: There is as yet no existing, committed or planned public or private investment in a new district centre in west Northampton, which could be put at risk by the proposed development. The only commitment to new in-centre retail development is the proposed Grosvenor Centre extension in Northampton town centre. However, this scheme is at an early stage of preparation, does not yet have planning permission, and is more than 5 years away from completion (which is unlikely to be before 2017 for the first phase). There appear to be some obstacles to the assembly of a site for a financially viable development in the next few years. We do not think that this proposed development would be put at risk by the development now proposed by Sainsbury's, provided that planning permission was granted subject to the conditions recommended below.

EC16.1.b: The proposed superstore extension would have a very small adverse impact on the vitality and viability of Northampton Town Centre, and small adverse impacts on the vitality and viability of some other designated centres, in particular Kingsthorpe. Provided that planning permission was granted subject to the conditions recommended below, we do not think that these impacts would be sufficiently significant to warrant refusal of planning permission.

EC16.1.d: The proposed development would result in insignificant trade diversion from Northampton Town Centre and other centres. Whilst it would result in more significant trade diversion from existing food/non-food superstore, most of these are out-of-centre and do not qualify for any planning protection from such competition under PPS4. In any event, they are currently trading well, and should be well able to withstand the moderate impacts which they would suffer.

In terms of the sequential approach, we conclude that further work needs to be done by Indigo on the St James Road Bus Depot site, before it could be determined that this site could not be made available for a new superstore of the scale represented by the proposed superstore extension. Indigo also needs to consider the implications for the scale of the proposed Sainsbury's superstore extension if there was to be a new superstore on the Barrack Road site (or the Bus Depot site).

Overall therefore, we consider that at the present time, there remain retail planning reasons why the proposed superstore extension should not be granted planning permission. We suggest that Sainsbury's be invited to withdraw the current application and consider submitting new proposals for a significantly smaller extension; which could more realistically be considered as a store extension rather than a new superstore, when applying the sequential approach.

### Planning Conditions

If planning permission is to be granted we recommend that it be subject to strict conditions limiting the size of the extension, the goods which may be sold, and sub-division into independent retail units. We note that in the revised proposal, Sainsbury's still intends to build an extension with a double height ground floor sales area. Whilst the previously proposed mezzanine sales floor above this area has now been omitted, the shell of the building would clearly be capable of accommodating such a mezzanine sales floor with modest additional investment at a later date; thus further extending the store to the degree previously proposed, which we advised would be unacceptable in planning terms. The conditions we recommend are therefore essential to strengthen planning control over this possibility.

We also recommend limiting the proportion of the new sales area in the extended store which may be used for the sale of comparison goods; in order to reduce the adverse impact on the vitality and vitality of the town centre and the prospects for successful development of the Grosvenor Centre extension.

In each case, the reason for the recommended condition is to protect the vitality and viability of the town centre and district centres in Northampton.

Our recommended conditions are as follows:

- *The retail superstore as hereby permitted to be extended shall not exceed 11,878 sq m gross internal area.*
- *There shall be no further increases in floorspace in the store as hereby permitted to be extended whether by internal alterations or in any other way without the express permission in writing of the local planning authority.*
- *The store extension hereby permitted shall not exceed 3,016 sq m net retail sales area and the whole store as extended shall not exceed 6,575 sq m net retail sales area. For this purpose, net retail sales area is as defined by the Competition Commission in Appendix A of the 'Practice Guidance', published by Communities and Local Government in December 2009.*

- *Not more than 35% of the net retail sales area in the store as hereby permitted to be extended shall be used for the sale of comparison goods as defined in Appendix A of the 'Practice Guidance', published by Communities and Local Government in December 2009.*
- *The store as hereby permitted to be extended shall not be subdivided into more than one independent retail unit without the express permission in writing of the local planning authority.*

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