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Your Ref: DC/21/0427/FUL

Dear Mr Durrant

APPRAISAL OF RETAIL ASSESSMENT IN SUPPORT OF A PLANNING PERMISSION FOR THE CHANGE OF USE FROM GYM TO RETAIL (CLASS E), SPORTS DIRECT FITNESS, EASTLEA ROAD, BURY ST EDMUNDS IP32 7BY

This letter sets out our response to additional information provided by Hargest Planning Ltd ('HPL') on behalf of K/S Cratfield, the applicant for the proposed scheme. Additional information was requested by LSH following our appraisal of the supporting Retail Impact Assessment & Sequential Test ('RA') prepared by HPL.

The RA assessed the sequential and impact tests against three different end user scenarios to support the application to allow for former Sports Direct Fitness Unit on Easlea Road to trade as an unrestricted Class E retail use.

LSH's appraisal of the RA ('RA Appraisal') considered the sequential and impact assessments prepared by HPL. LSH was satisfied that the sequential test was passed, which was informed by the availability and suitability of sites within and on the edge of Bury St Edmunds at the time of reporting. However, HPL had not provided sufficient evidence for LSH to make a recommendation on the impact test. As such, LSH's RA Appraisal requested that HPL submit the following additional information / clarifications for review:

- Online Market Share – HPL should confirm whether online market share has been adjusted to take account growth experienced nationally and if not, why not.
- Bury St Edmunds Comparison Goods Turnover - HPL should confirm whether the town's comparison goods turnover has been adjusted to take account of the closure of Debenhams and other retail anchors.
- Scenario Turnover - Base year sales density used to assess base year turnover (2021) and application of separate productivity growth rates for convenience and comparison goods retail turnover for the three scenarios.
- Potential occupation by M&S Foodhall – assess the potential for Scenario B to be occupied by an M&S Foodhall including the potential impact on the loss of turnover from the town centre if the Buttermarket Foodhall closes.
- Trade diversion from The Arc – further justification is required to support comparison goods trade diversion assumptions from The Arc to a Scenario C scheme.

- Trade diversion from Wilko and Poundland and potential occupation by either store – review trade diversion from these stores for Scenario C and assess the potential for Scenario C to be occupied by Wilko or Poundland.

In response to the appraisal HPL has provided further evidence which is contained in their Retail Impact Assessment Update and Additional Scenario Tests document ('RIA Update').

This addendum appraisal has been prepared on behalf of the Council and reviews the additional evidence provided in the RIA Update. The key themes for reassessment and assessment are set out as follows:

Population and Expenditure

HPL has revised the expenditure variables to reflect the most up to date Experian Retail Planner Briefing Note 19 (published in January 2022). A description on how HPL has applied the updated variables is described in paras. 2.3 to 2.9 of the RIA Update. It is noted that population and expenditure has been adjusted from 2021 to 2022, which HPL state is to avoid the expenditure growth anomaly that occurred in 2021.

Turnover of Existing Centres

Revisions to expenditure rates and growth highlighted above have in turn resulted in revisions to the turnover market share of existing stores and centres in the study area. The revised turnovers are set out in Table 2.2 of the RIA Update. HPL provide an overview of these revised turnovers for key centres/stores for consideration, with separate commentary provided on convenience turnover (paras. 2.12 to 2.15, RIA Update) and comparison goods turnover (paras. 2.16 to 2.21, RIA Update).

Based on HPL's revisions the convenience turnover Bury St Edmunds (BSE) reduces by -0.4%. For comparison goods turnover, the value for BSE increases in line with an overall increase in total available expenditure.

HPL has provided further explanation on the assessment of existing centre turnover that clarifies that vacant floorspace is accounted for in the turnover estimates presented in Table 2.2 of the RIA Update. We are satisfied that the centre turnover assessment, which is based on benchmark turnovers rather than derived from the 2016 South Edmundsbury Retail and Leisure Study accounts for the closure of Debenhams and Topshop and new out of centre retail floorspace (i.e. The Range and B&M, and the extension of Glasswells).

Productivity Growth

HPL maintain the same position taken in their original RA that the sales density used to inform the impact assessment scenarios should not be estimated from a base year and projected to the design year using an efficiency growth. The justification being that there is no actual floorspace to benefit from an appreciation in turnover.

The application of a productivity growth rate against a base year sales density to inform future turnover is an approach that is accepted by most retail planning consultants to inform retail impact assessments, RIA appraisals and retail evidence base work.

We take note of HPL's observations on how published sale densities in Retail Rankings (RR) have changed for over recent years. Allowing for a fluctuation in company sales densities is entirely reasonable which HPL to agree with. Whilst the application of productivity growth rates may not be the most exact metric to assess future turnover rates, it is an accepted methodology and provides the best indicator of how sales densities could perform in future years.

However, it is noted that while HPL has based their estimates on sales densities for identified retail formats on the most current sales density figures, HPL has sought to adjust sales densities upwards to account for potential growth.

We have carried out a high level review of the most recent sales densities published by Mintel in their 2022 RR database which have been projected to the design year using Experian productivity growth rates ('constant floorspace' variable). The exercise confirmed that the sales densities applied by HPL for the design year are higher than what LSH identified based on the standard approach. As such, while we query the adopted approach by HPL to assess forecast turnover, we are satisfied that the uplift in sales density that they have applied does not under estimate the turnover of Scenarios A to C.

Trade Diversion Estimates for Scenario C

LSH's appraisal requested that HPL review the trade diversion estimates associated with Scenario C on the basis that too much reliance on trade diversion from retailers in The Arc. HPL has duly revised the distribution of turnover between The Arc and the rest of the town centre. Whilst HPL highlight that this exercise makes no difference to the overall outcome on trade diversion from the town centre, it is still prudent to ensure patterns of distribution are realistic for identified locations.

Revised Impact - Scenarios A, B & C

The various amendments to the economic variables and assumptions discussed above result in changes to the monetary and percentage impact figures previously identified by HPL in their original RA. This includes the central case impact scenario and resulting impact figures informed by HPL's applied sensitivity tests (i.e. notably +25% increase in turnover and 33% increase in trade diversion from BSE)

Focusing on impact figures for BSE, the following table summarises the impact on retail turnover:

	Convenience	Comparison	Total	Upper Range on Sensitivity Impact
Scenario A	-4.6%	-0.7%	-1.2%	-1.6% ¹
Scenario B	-4.6%	-0.6%	-1.2%	-1.6% ¹
Scenario C	-0.7%	-1.4%	-1.3%	-1.6% ¹

1) Based on a 33% increase in trade diversion from the town centre.

The impacts identified by HPL under the three scenarios do not represent a significant impact in respect to BSE's total retail turnover, although this assumes that the scheme will not result in the relocation of an existing store from the town centre.

HPL have also tested scenarios under which the unit is occupied by a frozen food retailer (Scenario D), Wilko (Scenario E), and Poundland (Scenario F).

LSH requested in the RA Appraisal that HPL consider an impact scenario whereby the application site is occupied by an M&S Foodhall and where it coincides with the closure of the town centre department store. HPL have not assessed the potential for the unit to be occupied by M&S based on feedback the applicant's agent received from M&S' retail agent (CBRE). The feedback received by email states that the site that *"the site is too small and not prominent enough"*.

HPL follow the same methodology for assessing the retail impact of the additional three development scenarios that informed Scenarios A to C. The impact assessments for the three additional scenarios are discussed in turn:

Scenario D/ Frozen Food Retailer

Under Scenario D/ Frozen Food Retailer, HPL has assumed that the net sales area equates to 70% of gross. A more appropriate ratio is 80%, which is in line with other Limited Assortment Retailers (LADs) and reflects how LADs and Frozen Food Retailers have limited, if any stock in storage. This is also informed by LSH's appraisal of both Farmfoods and Iceland RIAs, which apply the 80% net of gross ratio.

However, this is not an issue that needs to be remodelled by HPL as the Council can condition the net sales floor area to 70% of gross to reflect what has been assessed.

HPL base the average sale density for a frozen food retailer using the average for three national brands – Iceland/ Food Warehouse, Farmfoods and Heron. However, it is noted that average applied does not account for a sales density for Heron in 2021. We do not consider it necessary to include Heron within the average given that this retail brand is exclusive to the north of England.

Of the three additional scenarios tested, we found that HPL's sales density estimation for Scenario E is under estimated. For example, HPL's applied sales density for 2024 is £7,000/sqm which according to para. 3.8 and Table 2.2D is an over estimate. However, the latest RR database identifies a higher sales density for both Iceland (£8,274/sqm in 2021 @ 2021 Prices) and Farmfoods (£7,286/sqm in 2021 @ 2021 Prices), which even if these rates were rebased to 2014 are still likely to be higher than what was quantified by HPL. As such, we consider that the turnover for Scenario E is underestimated. However, we accept these concerns are addressed in HPL's sensitivity testing on turnover in Table 2.8 (RIA Update).

HPL assume that 20% of Scenario D's convenience goods turnover would be drawn from BSE with diversions split between Waitrose and the rest of the town centre. The total estimate for town centre trade diversion seems reasonable in the context of comparable out of centre provision, albeit we would not identify trade diversion from Waitrose. Instead, trade diversion would be focused on Iceland (Cornhill) and other value food retailers in the town centre.

Trade diversion from out of centre retail locations is focused on the larger stores. It is noted that only 4% of Scenario D's turnover is diverted from Barton Retail Park. The retail park includes Iceland Food Warehouse which would be subject to much higher levels of trade diversion.

The resulting impact from Scenario D on BSE town centre's total convenience turnover is -4.1% reducing to -0.6% when based on total retail turnover.

Scenario E/ Wilko Non-Food Discounter

Under Scenario E, HPL has assessed the potential for the application site to be occupied by Wilko, who currently trade from Risbygate Street. HPL do not consider that Wilko would relocate to the application site on the basis that the application site represents a smaller store. In addition, HPL state that the applicant would not consider Wilko as a tenant.

LSH requested in the RIA Appraisal that HPL consider a scenario under which Wilko relocate from their town centre store to the application site. HPL has declined this request and only assesses the scenario based on Wilko operating a second store from the application site. We do not accept the rationale given by HPL for not considering the closure of Wilko's town centre store and we consider it to be a less likely scenario that the retailer would maintain a dual presence in Bury St Edmunds given that many retailers are now rationalising store portfolios rather opening multiple stores in same locality (with the exception being convenience retailers).

In assessing Wilko's retail turnover, HPL assume a net sales area of 1,250 sqm, which equates to 75% of gross floorspace. This is a reasonable assumption for Wilko. HPL apply a sales density for Wilko that is derived from Retail Rankings (2014 Prices) and which has been rounded up to £2,500/sqm. The latest Retail Rankings database (2022) identifies Wilko's sales density at £1,865/sqm for 2021 (2021 Prices) which indicates that HPL has applied a higher sales density than what would be expected for Wilko.

It is assumed by HPL that 62.5% of the store's turnover would be diverted from BSE town centre, of which half would be diverted from the Wilko store. In respect to the 37.5% of store turnover diverted from beyond BSE town centre HPL focus trade diversion from St Edmundsbury Retail Park where there are retailers that cumulatively sell some comparable retail products to Wilko. We would expect a different distribution of turnover from locations outside the town centre, but this does not have a bearing on the impact figures.

The resulting impact in Table 2.6e shows that Scenario E would have a -1.4% impact on the total turnover of BSE town centre. Notably, the impact on the town centre Wilko would be -26.3%. Whilst a hypothetical scenario, it raises the question as to whether this would impact on the viability of the town centre store.

Scenario F/ Poundland

Under Scenario F, HPL has assessed the potential for the application site to be occupied by Poundland, who currently trade from 24-26 Cornhill. HPL has assumed that under this scenario that Poundland would relocate to the application site.

HPL assume the same net sales area as Scenario equates to 70% of gross floorspace. A sales density of £3,900/sqm has been applied to the design year, which HPL state is 18% higher than the average identified for Poundland in 2019 (Retail Rankings 2021, rebased to 2014 prices). As highlighted by HPL in para. 3.22, Mintel's Retail Rankings does not record of Poundland's sales density for 2020. We can confirm that Poundland is not identified in the 2022 RR database. LSH has tested the 2019 RR sales density figure to allow for productivity growth up to the design year, which indicates that HPL has applied a slightly higher sales density for Poundland than what would be expected.

The trade diversion assumptions for this Scenario F assume that the Poundland would divert 52.5% and 74.4% of its convenience and comparison goods turnover, respectively, from BSE town centre. This includes current estimated turnover of the existing Poundland at Cornhill. Beyond BSE town centre, HPL assume that the convenience turnover would be drawn from out of centre foodstores. The remaining comparison turnover is drawn from retailers at St Edmundsbury Retail Park and other standalone out of centre non-food retailers. We consider that these trade diversion estimates are reasonable for Scenario E.

The trade diversion estimates result in -0.7% impact on BSE's convenience goods turnover and -1.3% impact on comparison goods turnover. The overall impact on BSE's retail turnover is -1.2%.

Scenarios D to F: Sensitivity Testing

HPL apply the same sensitivity testing metrics to Scenarios D to F as was applied to Scenarios A to C. The results are set out in Table 2.8 and summarised below to show the upper range identified and how it compares to the central case impact result.

	Convenience	Comparison	Total	Upper Range on Sensitivity Impact
Scenario A	-4.1%	0.0%	-0.6%	-0.8% ¹
Scenario B	0.0%	-0.9%	-0.7%	-1.0% ¹
Scenario F	-0.7%	-1.3%	-1.2%	-1.8% ¹

1) Based on a 33% increase in trade diversion from the town centre.

The impacts identified by HPL under the three scenarios do not represent a significant impact in respect to BSE's total retail turnover, although this assumes that the scheme will not result in the relocation of an existing store from the town centre. However, there would be knock on impact associated with Scenario C with the loss of linked trips as a consequence of Poundland closing in BSE town centre. Similarly, if Wilko was to open a second store as tested under Scenario B there is concern that the cannibalisation of market share from its BSE store could render this store unviable and risking its closure. This would also have the knock on impact associated with loss of linked trips to other town centre businesses. Whilst we recognise that the Poundland or Wilko stores could be re-let if they closed this cannot be taken as a certainty.

However, we consider that even when allowing for an increase in impact based on the sensitivity metrics tested the additional Scenarios D to F would still sit within a tolerable impact range on BSE's total retail turnover.

LSH still remained concerned that an open E Class consent could facilitate the relocation of anchor retailer from BSE. HPL's reluctance to model the impact of a scenario in which M&S closes its town centre store and relocates its food offering to the application site raises more queries. If the site is not suited to a foodstore operator such as M&S on the grounds that the site does not offer sufficient frontage then we question why the site would appeal to any other branded food retailers.

Summary on Revised Impact Assessment

HPL has broadly co-operated with the further information requests put by LSH in the original appraisal. There still remain differences in opinion between LSH and HPL to how design turnover of the proposed retail format scenarios should be assessed; specifically in how sales densities at the design year should be treated. However, we consider that HPL's approach to applying a higher sales density to what they consider is necessary (e.g. a higher rate for the base year) overcomes any concerns that the proposed retail turnover for Scenarios A to E have been underestimated. However, this assumes that of the six retail format scenarios tested that only Scenario E would lead to the relocation of a town centre store (i.e. Poundland).

HPL's approach to originally testing three retail format scenarios was done so in order to demonstrate that an unrestricted retail use within the former Sports Direct unit would not lead to a significant adverse impact on BSE town centre, thereby justifying a deviation from Policy DM35 of the Joint Development Management Policies Document and complying with paras. 90 and 91 of the National Planning Policy Framework. The three additional retail format scenarios tested in the RIA Update provide further clarity on potential impact but it must be noted that these additional scenarios still relate back to the type of formats tested under Scenarios A to C.

Applications for open Class E retail where the end retailer is not disclosed and where the applicant is not willing to restrict the type of goods sold through planning conditions creates difficulties in accurately assessing the potential impact on a town centre. HPL's impact assessments (as contained in their RA and RIA Update) have covered a number of scenarios but they do not reflect an open Class E retail use for the site. What has not been considered is the impact of wider comparison retail formats, such as retail formats that offer comparison goods typically associated with town centres and high streets (e.g. clothing, footwear, sports goods, etc).

We consider that while the impact assessments demonstrate a tolerable range of impact for the type of retail formats tested this should be reflected in the type of permission granted. In other words, the planning consent for Class E use should be restricted to allow the sale of goods typically sold within the retail formats tested under Scenarios A to E. We consider that this is a necessary and a justifiable step to ensure that BSE town centre is not subject to untested retail impact. Otherwise, it is the onus of the applicant to test a broader range of retail formats to justify an open Class E retail consent.

We do not consider that it is necessary to restrict the type of convenience goods sold within the unit, but a planning condition should restrict the type of comparison retail goods sold to reflect the range of products limited to Scenario C, E and F.

The suggested condition could contain the following text:

"....The unit and 3 shall be used for the sale of convenience goods Use Class E(a), and for the sale of non-food comparison goods within Use Class E(a1 of the Town and Country Planning Act excluding fashion clothing, footwear and fashion accessories, health and beauty / personal care products, jewellery, sports, toys and hobby goods and books and stationary, unless ancillary to the primary use of the unit".

A planning condition should also be applied that limit the sale of convenience goods to a maximum net sales area of 992 sqm (as tested under Scenario A) and the sale of comparison goods to a maximum net sales area of 1,000 sqm (as tested under Scenario E). The GIA of the unit should

also be conditioned and the Council should require that permission is sought to install mezzanine floorspace.

Finally, as the decision-taker in this case the local planning authority will have to apply the planning balance and weigh our advice against any wider impacts and/or benefits arising from the planning application.

I trust our advice set out in this letter is of assistance to the Council in its determination of the application proposal. However, if you do require further clarification and/or advice please do not hesitate to me directly.

Yours sincerely,

Bláthnaid Duffy

Director

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