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Policy Evaluation of the Effectiveness of PPG6

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Office of the Deputy Prime Minister: London

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Executive Summary

Introduction

1. CB Hillier Parker, in association with Cardiff University, has undertaken a review of the effectiveness of PPG6 and subsequent Ministerial Statements on retail planning. This has included a literature review, in-depth consultation with interest groups and practitioners, and detailed analysis of decision making and development trends over the last ten years.

2. Whilst there is much written about the problems of applying PPG6 in practice, there is little literature on the actual effectiveness of the policy. There is also a lack of objective writing on the way PPG6 has been applied and has shaped retail development in the UK. It is notable that one of the key retail planning textbooks was published in 1994, prior to the 1996 edition of PPG6, and has yet to be overtaken as the main text for retail planning courses.

Published views on PPG6

3. After the introduction of PPG6 in 1996 our review of the published literature identifies a raft of initial comment that warned of the effect that the guidance would have on the development industry. With hindsight, some of these concerns can be seen to be over-reactions, and despite some difficulties that have persisted, most developers appear to have been able to work within the policy.

4. Commentators have frequently pointed to what they regard as inconsistencies in the interpretation of PPG6 and its clarifications, which have frustrated developers' attempts to plan with certainty. The literature on the subject reflects the inherent difficulty in creating a policy that delivers certainty and consistency in decision-making, while being responsive to retailers' demands and changing local circumstances.

5. Local authorities have been widely criticised for their lack of proactive planning in terms of identifying and procuring suitable sites for retail and leisure development. There is a conspicuous absence of documented evidence of the guidance in PPG6 being used as anything other than a development control tool. This is a recurring theme highlighted by our research.

6. It is clear from what has been written on the subject that the issue of 'need' has caused confusion. Practitioners consider that the Ministerial Statement in 1999 did little to elucidate this issue, and failed to define 'need'. There is a widely held view that further clarification is required to identify those factors which may contribute to defining a retail need.

7. The sequential approach, while clear in principle, has provoked debate about the rigour with which it should be applied, and the degree of flexibility that retailers should be expected to exercise. While the government has made it clear that there are to be no exceptions to the policy, the limits of 'disaggregation' and what constitutes the relevant 'class of goods' are currently being considered by individual decisions in the absence of clear policy guidance.

8. The applicability of PPG6 to uses other than retailing has attracted little commentary or debate since PPG6 was published. Despite the clear intention that the policy should apply to leisure and other town centre uses, in practice its provisions have been largely ignored in the published literature on PPG6 in the leisure sector; it continues to be regarded as a retail policy statement, ie primarily related to retail development.

9. Six years on, the focus of current debate is on the more recent clarifications to the Guidance; in particular, the class of goods interpretation of the sequential approach; the definition of centres and role of hierarchies; the relevance of 'scale' in the case of town centre developments; and the issue of store extensions as 'the alternative development programme'. These and other key themes and issues highlighted in our literature review have helped to shape the design of our research.

Attitudes and interpretation

10. As part of the review, we undertook an extensive consultation exercise. This involved a detailed questionnaire circulated to local authorities, retailers, leisure operators and developers; face to face interviews; consultation with key organisations and interest groups; and focus groups with senior Planning Inspectors, leading planning lawyers, and key practitioners in the field of retail planning.

11. There is a consensus that PPG6 works in theory, but not in practice, and that it has been interpreted in different ways, according to different local circumstances and decision-makers. Only regular users of the planning system find PPG6 satisfactorily clear, and there is a need for a single point of reference for town centre and retail planning policy, as opposed to the current guidance contained in PPGs and subsequent ministerial statements.

12. The ODPM website currently includes PPG6, ministerial statements and Government responses to the Select Committee under one heading, but our study suggests that more could and should be done to clarify, and improve access to, government retail planning policy. There is a measure of consensus that a single, composite policy statement is needed.

13. Even where the guidance is considered to be clear, there is an almost universally held view by Planning Inspectors, retailers and developers that the interpretation and application of policy and practice has been inconsistent on some occasions. Our consultation exercise has identified a number of areas that have given rise to confusion.

14. First, the guidance purports to cover all 'key town centre uses', yet there is a clear emphasis on retail, with little or no useful guidance on leisure, offices and other town centre uses. There is confusion surrounding the applicability of PPG6 to drive-through restaurants, in particular.

15. Second, the objectives of PPG6 contain elements of internal conflict – notably the third objective ('to maintain an efficient, competitive and innovative retail sector') in relation to the other three objectives which are conventionally taken to seek to concentrate development in town centres. Most regard the objectives in practice as falling within an overarching objective to sustain and enhance town centres.

16. Third, while the plan-led approach is a fundamental element of the guidance, requiring local authorities to plan positively for new development and identify sites, a combination of lengthy adoption process, and the failure of many local authorities to rise to the challenges set out in the guidance has meant that in practice, PPG6 is increasingly used by local authorities as a development control tool to prevent out-of-centre development, instead of as a basis for positive planning for town centres.

17. Fourth, there are widespread calls for further clarification of the factors that are capable of constituting need, and when and where it is necessary to measure it. Richard Caborn's statement is heavily criticised for failing to clarify the issue, and has created a policy vacuum which has been filled by 'ad hoc' interpretations based on often inconsistent appeal decisions.

18. Fifth, although the purpose and principles of the sequential approach are generally considered clear, the guidance is felt to lack detail relating to a number of factors, notably:

- Definitions of centres, and the apparent contradiction that edge-of-centre development is preferable to development within a district centre;
- The applicability of the sequential approach to other, non-retail, uses;
- The rigour with which the 'class of goods' interpretation should be applied to different types of development;
- Definitions of 'suitable' and 'available' sites; and
- The difficulty of applying the sequential approach in different geographic and economic circumstances.

19. Finally, our consultation has highlighted the failure of regional and strategic policies to address the role and potential of centres and definition of new centres has created particular problems at the local plan and planning application stage, both for those promoting new development and for decision makers.

20. In these circumstances, while most of the consultees consider that the guidance itself is reasonably clear, there is a perception that its operation in practice, when weighted against local considerations and the development plan matrix, does not generate clear and consistent outcomes. A number of respondents also highlight the significant practical limitations on the role of planning policy guidance, particularly in the dynamic retail and leisure sectors.

21. Two general issues emerge:

22. First, the dynamic nature of the retail and leisure sectors, changing consumer and economic trends, and widely different local planning and economic circumstances limit the extent to which national planning policy guidance can and should provide clear, and prescriptive guidelines to apply when planning for different forms of retail and leisure development in different parts of the country.

23. Second, the unwillingness or inability of local authorities to carry out the necessary research, and to plan positively for new development and to proactively bring forward the range of development sites to meet the needs of the retail, leisure and other property sectors (and the inherent limitations of a slow and cumbersome plan-led system to provide for changing needs).

The effects of PPG6

24. PPG6 has been operating against the backdrop of a fundamentally healthy and stable economy, and a constantly evolving retail sector. In parallel with major changes in the retail sector, patterns of retailing activity have continued to shift, most significantly reflected by the ongoing polarisation of comparison retail activity in fewer, larger centres, and the continued growth of the food superstore sector. The dynamism of the UK retail sector since 1996 highlights the need for flexibility and adaptability in policy guidance, and the difficulties of attempting to prescribe detailed advice which is all-embracing in its coverage.

25. Our research indicates that there has been an increase in the number of ‘conforming' applications, as evidenced by the increasing approval rate for all retail applications, and some evidence of a tentative increase in number of applications for town centre retail development. Retailers and developers appear to be altering their development strategies and store formats to keep them in line with PPG6.

26. The location of development gaining planning approval appears to reflect this general trend. One of the clear effects of PPG6 has been to bring about an increase in the number of refusals of applications for out of town development. However, concerns about the lack of positive planning and failure to promote sites in town centres appear to be justified by the absence of a clear corresponding increase in the number of applications being approved in town centre locations.

27. There have been criticisms that the policy is applied inconsistently, and creates uncertainty. At the national level, there is a marked increase in the success rate of applications (Figure 12) and appeals, although there has also been an increase in the number of call-ins in the last two years. Overall, despite the widespread claims of confusion and inconsistency in PPG6 and its clarifications at the national level, it is delivering more predictable outcomes, but there are still aspects which warrant further clarification.

28. While there is a widespread perception that PPG6 has led to significant changes in the pattern of retailing, and to a lesser extent leisure development within the UK over the last 5 years, demonstrating clear evidence of the effectiveness of the policy, as distinct from wider economic trends, is more problematical. We have highlighted four factors.

29. First, the research has highlighted the lack of comprehensive data covering planning applications and decisions from which to determine the scale and location of proposals, and a lack of consistent, fully up to date data on the changing pattern of floorspace and retail sales. This is a key issue which needs to be addressed in order to monitor policy effectiveness in the future.

30. Second, while PPG6 in its current form was published more than five years ago, our research suggests that in some areas, subsequent Ministerial clarifications in 1999 and 2000 are likely to have had a more profound impact on development patterns, but have yet to fully manifest themselves in changes in the development pipeline.

31. Third, given:

- the size of the standing stock of retail and leisure floorspace in the UK;
- the well established shopping patterns; and
- the customer preference for the convenience of the car and the use of out-of-centre destinations,

even radical changes in the location of new development and investment are unlikely to feed through into changing shopping patterns at the national level, particularly over such a short timescale.

32. Finally, following the severe recession of the early 1990s, the UK economy in general, and the retail sector in particular have witnessed sustained growth since 1997. This resurgence of public confidence, and significant growth in high street sales over the last few years has created the conditions for retail expansion and underpinned investment decisions in town centres, which would have occurred to some extent irrespective of the policy.

33. Notwithstanding these important qualifications, our research indicates that PPG6 has contributed in a significant way to achieving a number of its stated objectives.

The effects on comparison retail

34. In the comparison retail sector, one of the most marked effects of PPG6 has been to effectively bring to an end the supply of new regional shopping centres (RSCs). As a consequence of the time delay in the effect of policy, new RSCs such as Bluewater have opened as recently as 1999. They continue to be a phenomenal success, and as a consequence we expect to see their sales performance and market share continuing to grow for several years. However, our pipeline figures demonstrate that with no out-of-centre alternative, the mainstream high street comparison sector, underpinned by the principal department and flagship store operators, has firmly refocused itself on traditional town centres, particularly the top 50 town and city centres.

35. While PPG6 has clearly contributed towards a shift in mainstream comparison development activity back towards the high street, the effect of retail trends and consumer demands, and the economics of town centre development have led to the concentration of retail and mixed use development activity into fewer, larger

schemes within major centres, and the growing concentration of the top 50 town and city centres. Major schemes have opened within the last two years, but there is less evidence of significant activity in smaller centres.

36. CB Hillier Parker research suggests that the highest levels of rental growth during the last few years have been in the largest shopping centres. While these have performed well, our research suggests that overall the proportion of sales achieved by high streets has fallen since 1996 (figures 21 and 22), indicating that the performance of small and medium sized centres has deteriorated since the publication of PPG6. While there is no other empirical evidence to support this, the ongoing pattern of retail polarisation suggests that some smaller centres are likely to become increasingly vulnerable to competition from out-of-centre retailing and higher order town centres.

Retail warehousing

37. In the retail warehouse sector, the evidence suggests that the supply pipeline has fallen, and there are examples of new edge-of-centre retail warehouse developments, which successfully combine the benefits of this format with a more central location. However, given the level of standing stock in the retail warehouse sector, and the inconsistent application of planning conditions in the past, we consider there is likely to be considerable scope within the terms of current consents and through redevelopment/refurbishment to bring about further opportunities for more traditional comparison retailers to pursue their expansion plans in out-of-centre locations. Boots is one of a number of traditional ‘high street’ retailers to pursue retail park locations. This is unlikely to affect the strong and improving position of the major regional and sub-regional centres, but it may have a more pronounced ongoing impact on smaller and medium-sized town centres.

38. While PPG6 and Ministerial clarifications have reduced the retail warehouse park pipeline, to date, the policies have not acted as a significant impediment to the growth of a limited number of ‘freestanding’ retailers in the traditionally bulky DIY, home improvement and furniture sectors. Some recent appeal decisions have suggested a more rigorous application of the ‘class of goods’ interpretation of the sequential approach may be resulting in a closer scrutiny of retailers like B&Q and IKEA, although the role for larger units selling genuinely ‘bulky’ goods appears to be widely recognised.

Convenience sector

39. In the convenience sector, there is mixed evidence of the effectiveness of PPG6. Overall, there is evidence of an increase in openings of town centre stores and neighbourhood stores, and a significant decline in the pipeline of out-of-centre stores. However, this trend has been by no means universal. Superstore operators have found it easier to develop large stores in the north, where employment and regeneration considerations have carried more weight. Conversely, northern-based retailers like Asda and Morrisons have been unable to expand as quickly as they would like in the south, where Tesco, Sainsbury’s and Safeway are already well established.

40. Some retailers have adapted their formats in response to market opportunities and the guidance in PPG6, as a consequence of which a number of smaller centres have been able to attract new foodstores. However, the development of smaller, innovative retail formats has gone hand-in-hand with the implementation of significant store extension programmes from Sainsbury's and Tesco, the latter pursuing a strategy of diversification into more non-food sales. Foodstore extensions appear to have been largely unaffected by the policy guidance. Similarly, our research suggests that there has been significant growth in the number of discount food retailers and forecourt sales (typically less than 2,500 square metres), and have tended to attract little scrutiny.

41. While the evidence of greater flexibility on the part of some food retailers appears to be a tangible measure of success of the sequential approach, it needs to be put into context. Food superstores have extended significantly their market share over the last five years, and continue to extend the range of non-food goods sold in their largest stores to encroach on traditional high street sectors including CDs, clothing, kitchenware, toys and electrical goods. The centres that are likely to be most vulnerable to this trend are smaller market towns and traditional district centres.

42. At the national level, there is no evidence of any marked shift in convenience shopping activity back into small and medium-sized town centres. However, there are numerous specific examples where the operation of a sequential approach and the policies in PPG6 have brought about new investment in smaller town centres and traditional district centres.

43. In summary, there is clear evidence that PPG6 has changed retailers', developers' and investors' perceptions. It has brought about a modest shift in activity towards established town centres, and has facilitated and encouraged innovation by retailers and developers, within town centres. In the retail sector, the policy has proved effective within its inherent limitations, the most obvious being the scale of existing and committed out-of-centre floorspace prior to 1996.

44. However, while the policy has generally been supportive as an effective development control tool, the evidence suggests that with some notable exceptions, it has so far failed to redirect significant levels of development activity towards small and medium-sized town centres. As a consequence, it may have acted as a brake on levels of retail development, and has yet to deliver any widespread renaissance in the role of smaller town and district centres.

Conclusions

45. PPG6 has certainly been effective in changing attitudes to retail development. One of the clear messages from our research is that the principles of the guidance are well-understood by all the key parties. Generally, these principles are accepted and acknowledged, and a key recommendation is that the overall thrust of the policy should be retained.

46. There has been less effectiveness in the practical application of the policy. In terms of coverage, there is little understanding of the applicability of the guidance to non-retail uses, particularly leisure. Our second recommendation, therefore, is to widen the application of the principles of the guidance, without being over-prescriptive in the consideration of particular types of development.

47. The objectives of PPG6 are generally well-accepted, but the perceived internal inconsistency between the third objective, which seeks to promote efficiency in the retail sector, and the remaining three, which relate to focusing development in town centres, is a recurring theme of this research. We recommend that while the substance of the objectives should be retained, the revised guidance should clarify this issue.

48. Despite the clear focus in the guidance on the need for positive planning to promote town centre development, it has largely been interpreted as a development control tool. As a consequence, while it has been effective in curtailing the pipeline of out of town development, it has been less successful in re-diverting activity back into town centres, especially smaller centres. The revised guidance should re-emphasise the obligation on local authorities, in partnership with the private sector, to actively encourage and promote new town centre development.

49. Our research has uncovered a gap in effective planning for retail at the regional level. The focus of development in fewer, larger, centres and the controversial issue of 'emerging' town centres suggest a key role for more effective regional retail planning policies. The relevance of regional hierarchies is not sufficiently addressed in national planning guidance, and this has contributed to a failing in the implementation of PPG6. Regional policies must be based on sound analysis, and must clearly define the role of major centres.

50. The focus on the definition of town centres and their role in the hierarchy has arisen as a consequence of the clear policy support for in-centre development. We consider that over-emphasis on definitions may ignore the key objectives the policy is seeking to deliver, and that the revised guidance should clarify the circumstances where it may still be necessary to consider the appropriateness of the scale of proposals for town centre development and their likely impact.

51. The issue of 'need' has been a key theme throughout this research; our consultation and analysis of decisions has revealed a considerable amount of confusion surrounding the factors that constitute need, and how to measure it. In addition, the assessment of the impact of retail development has been raised as an issue on which good practice guidance is needed. In this respect, we endorse the decision to commission good practice guidance on methods of assessing need and impact in relation to retail development.

52. There is evidence of a perceived inconsistency in decision-making, largely due to a lack of clarity in the guidance. The sequential approach has given rise to debate about the rigour with which it should be applied, the extent to which operators in the retail and leisure sectors should be required to disaggregate their operations, and the uses to which it should be directed. Clarification is needed, either in a policy document or in good practice guidance, on how to apply the sequential approach and the class of goods approach.

53. A more general conclusion is that the content of PPG6 should be streamlined. There is scope for distinguishing between policy guidance and advice on good practice and reducing the overlap between PPG6 and other guidance. We consider that the revised PPG6 should be limited to a general statement of policy principles, which would apply equally to retail and other town centre uses.

54. Overall, we consider that within the limited timescale within which the guidance and subsequent clarifications have been operating, the policy has attracted widespread support, and within its inherent limitations, the policy has begun to deliver changes in the retail and leisure sector.

55. The aims of the policy are well-understood, and it has had a degree of success in controlling out-of-centre development. However, in addition to streamlining the policy and supporting it with good practice guidance, the key challenge for the new guidance will be to translate policy restraint on out-of-centre development into a more positive framework for actively promoting town centre development.

Recommendations

- The key principles of PPG6 are accepted and acknowledged, and the overall thrust of PPG6 should be retained;
- PPG6 should be streamlined and limited to a general statement of principles. It should avoid overlap with other guidance;
- The scope of PPG6 requires clarification, and greater guidance should be provided for leisure and other town centre uses;
- To improve the understanding of the policy, a widening of the application of the principles of the guidance, and greater clarification, is required;
- The third objective of PPG6, to promote efficiency in the retail sector, should be retained but should be further clarified in context with the other three objectives. The revised PPG6 should clarify that this objective is to be pursued only in as far as it is consistent with the other three objectives;
- The revised guidance should re-emphasise the obligation on local authorities, in partnership with the private sector, to actively encourage and promote development in town centres. The revised guidance should provide a more positive development framework for actively promoting town centre development;
- There is a key role for more effective regional retail planning policies which must be based on sound analysis, and must clearly define the role of major centres;
- The revised guidance should clarify the circumstances where it may still be necessary to consider the appropriateness of the scale of proposals for town centre development and their likely impact rather than over-emphasising definitions;

- The factors which constitute need, the measures of assessing impact, and how to apply the sequential approach, the class of goods approach, and key concepts such as 'suitable' and 'available', need to be clarified within good practice guidance;

- Introduction of a screening mechanism to determine the requirements for, and scope of, an impact assessment; and

- The effects and effectiveness of PPG6 need to be monitored on a comprehensive data set, particularly with regard to the development pipeline.

CHAPTER 1

Introduction

Study objective

1.1 In September 2001, CB Hillier Parker was appointed by the former DTLR (now ODPM) to evaluate the effectiveness of PPG6 and subsequent Ministerial clarifications. The study, which has been undertaken in association with Cardiff University, seeks to distinguish between the effects and effectiveness of policy in each of the principal retail and leisure sectors in England. The objectives of the research are as follows:

- To assess the effectiveness of the policy in guiding new investment in retail, leisure and other key town centre uses to existing centres;
- To assess the effect of the policy on, inter alia, the pattern of development, the health of town centres, access to shopping and investment interest in town centre and out of centre development;
- To identify any problems in the way that policies have been operating that reduce its effectiveness; and
- To identify good practice which could be provided as supporting guidance to improve policy performance.

Methodology

1.2 This study has been guided by a Steering Group comprising representatives of the DTLR/ODPM, Government Offices and the Planning Inspectorate. The study has drawn on an extensive survey of local authorities, retailers and developers, and detailed analysis of the available data on planning decisions and development trends. It has been informed by widespread consultation, including: consultation with key organisations; face-to-face interviews with retailers and local authorities; and detailed discussions with Planning Inspectors, planning lawyers and leading practitioners. We are grateful to all those concerned for their invaluable input.

1.3 To supplement this analysis, and illustrate some of the issues identified by our research, we have included a selection of case studies. These include analysis of the operation of policy in particular instances, and in relation to particular issues, and analysis of individual retail planning decisions. The case studies are to provide examples of PPG6 working in practice and to help the understanding of its operation, rather than to introduce new points or to provide in-depth analysis of the particular cases in question.

Structure of the Report

1.4 We have sought to structure this report in such a way as to provide a commentary on the evolution of the current policy, and to differentiate between attitudes and interpretation and the actual effects of the policy. The extensive process of consultation undertaken during the course of the study has provided us with a wealth of informed opinion on all aspects of policy, and examples of the practical application of the policy. We have drawn on these throughout the report.

1.5 The following chapter sets out a summary of the evolution of PPG6 and a review of the commentary on PPG6 and its clarifications in the professional and academic press, as well as recent research, government publications and good practice guidance. The chapter highlights key themes emerging from the written material, which provide the context for the rest of the research.

1.6 Chapter 3 deals with attitudes, understanding and interpretation of policy. This is based on a detailed questionnaire that was sent out to local authorities, retailers, leisure operators, developers and landowners; a survey of other key organisations; and a series of face-to-face discussions with local authorities, investors and retailers. It also draws on analysis of key planning appeal/call-in decisions to explore how the policy is interpreted in practice.

1.7 Chapter 4 examines the economic trends, decision making, development trends and pipeline figures to identify the effects of PPG6 and other factors on the pattern of retail and leisure development in England. This is based on national data, where available, supplemented by more detailed examination of some of the key issues drawn from the records of a sample of 20 local authorities.

1.8 In Chapter 5, we draw together the findings of the research to examine the effectiveness of PPG6 and subsequent Ministerial clarifications. We review those elements of the policy which appear to have been effective, and those which may warrant reconsideration or further clarification. This analysis of effectiveness is related back to, and firmly rooted in our extensive consultation and analysis of development trends.

1.9 In Chapter 6, we set out our conclusions and recommendations.

CHAPTER 2

The Evolution of the Current Policy

2.1 This section tracks the evolution of retail planning policy guidance over the last two decades, by means of a review of the relevant literature. This includes policy documents, Ministerial statements and Government-sponsored research, as well as commentary from planning and property practitioners in the professional press and academic journals. This review provides contextual material as background to the project and highlights those issues that have caused the most controversy and debate, as a means of testing the subsequent stages of the research project.

2.2 The review is structured in chronological order; it briefly outlines the origins of the 1996 Guidance, and then discusses some of the initial responses to the policy. The review draws out key themes, which were used to help design our questionnaire for planning practitioners, and to structure the rest of our research. A number of themes recur throughout the report. They include perceived inconsistencies in decision-making; the requirement to demonstrate need; the application of the sequential approach; issues of definitions; regional hierarchies; and store extensions.

2.3 These themes are addressed in this section as the points have arisen, but there are also issues about which the lack of literature says more than any article. These include, inter alia, the application of PPG6 to the leisure sector and other town centre uses; the whole issue of social exclusion; and the extent to which the Guidance has been interpreted as a positive policy statement to promote new development in town centres. In this chapter, and elsewhere, we have sought to document these issues alongside those that have attracted more voluble debate.

2.4 Much of the literature discussed below could be seen as presenting PPG6 in a negative light. This is not intentional. It is simply a reflection of the fact that most of the commentary to date has focused on areas of controversy (real or perceived). The criticism of a voluble minority on some matters of interpretation needs to be considered in the context of almost unanimous support and acceptance of the objectives of PPG6 and its main provisions.

Policy evolution prior to 1996

POLICY ORIGINS

2.5 The current PPG6 represents the latest in a series of policy statements on retail planning, dating back to 1977, when a Government Circular was issued on Planning for Large New Stores. Concerns were first raised in the House of Commons about the effect of out-of-centre retail development on the health of town centres in 1985. The Minister at the time restated the general planning principle that it is not the role of the planning system to inhibit commercial competition or to preserve existing interests, but acknowledged that there may be cases where the cumulative effect of large out-of-centre developments could undermine the 'vitality and viability' of a town centre as a whole.

2.6 One of the factors influencing the introduction of planning policy guidance was the commercial pressure for large Regional Shopping Centres (RSCs), which reached a peak in 1986. This took place in the context of a 'laissez-faire' planning climate, in which policy creations such as Enterprise Zones and Urban Development Corporations played a large part in enabling the development of the Metro Centre, Merry Hill, and Meadowhall. There were 18 major public inquiries into proposals for RSCs in the period 1987-1990, the majority of which were dismissed because of concerns about the damage they would do to the health of nearby town centres.

2.7 As a consequence of this influx of applications for regional shopping centres, and the large numbers of applications for out-of-town supermarkets, the era may be regarded as 'the golden age of out-of-town retailing'. Dr Russell Schiller identified the RSC as the 'fourth wave' of retail decentralisation, following the already widespread growth by that time of foodstores, retail warehouses and retail parks. However, the way in which these applications were dealt with gives an early indication of the way policy thinking was evolving in relation to retail planning.

THE FIRST PPG6 (1988)

2.8 This emerging policy was codified with the publication of the first version of PPG6 in 1988. The emphasis of the guidance note was on permitting the market to function effectively, with little interference from the planning system, and a role for out-of-town retail development was clearly identified and sanctioned, albeit primarily where it would 'result in the reclamation of a large area of derelict land'. The role of retailing as 'enabling' development was clearly acknowledged in policy. Planning policy was to take a largely *laissez-faire* approach to the control of retail development, and the 1988 guidance stated that local authorities should not use the planning system to inhibit competition[1].

2.9 The recession of the early 1990s brought about a significant reduction in the volume of new retail development, both in and out-of-centre. Scheme openings fell to only 70,000 sq m in 1994, having reached a peak of 700,000 sq m in 1990, and the total pipeline (i.e. including schemes under construction, with consent or proposed) fell to its lowest point in 1996. In addition to curtailing some of the pressure for out-of-centre shopping, the recession hit the retail sector as a whole and highlighted the plight of some town centres.

[1] Jones, P. 'Pulling rank is not a workable policy' **Planning** 9 June 2000

FIRST REVISION (1993)

2.10 In 1993, partly in response to these concerns, the policy was revised. The new version referred to the need to secure a more balanced approach to town centre and out-of-centre development, and elaborated on how the vitality and viability of town centres might be assessed. It represented an early attempt to establish some form of protection for town centres against competition from out-of-centre developments, and reflected the general consensus amongst planners that town centre retailing would be under-provided by the free market, and should therefore be protected by the planning system[2]. However, it still advocated that the planning system should continue to 'facilitate competition between different types of shopping provision by avoiding unnecessary regulation of shopping centre development'[3].

2.11 While encouraging local authorities to be realistic in planning for the future of town centres, the 1993 version of PPG6 was subject to criticism for not going far enough in its protection of town centres. By maintaining the concept of balance between town centre and out-of-centre development, and recognising the role of out-of-centre schemes, the policy failed to act as a significant brake to new out-of-centre development. CB Hillier Parker figures show that following signs of recovery in retail spending in 1993, the amount of shopping centre floorspace in the pipeline remained relatively static, while the amount of out-of-town retail warehouse and foodstore space in the pipeline increased significantly.

THE CURRENT PPG6 (1996)

2.12 The current version of PPG6 was published in June 1996, in the face of continued pressure for further growth in out-of-centre retailing. It was regarded by some as one of the most significant and controversial pieces of planning policy in recent years[4], marking the Government's intention to redirect investment back into the high street by means of a more direct and interventionist approach. Instead of 'avoiding unnecessary regulation' (PPG6, 1993), the current revision of PPG6 seeks to put 'emphasis on a plan-led approach to promoting development in town centres'. Whether this key objective of the policy has been realised is one of a number of recurring themes arising out of our research.

2.13 The guidance introduced the 'sequential approach' to the identification of sites for retail development, already implicit in PPG13 Transport (1994), which required that town centre sites should be considered first, followed by those in edge-of-centre locations, in district and local centres, before out-of-centre locations are countenanced. The underlying rationale for the approach is to promote sustainability, and it is built on the premise that 'town centres' are the most accessible locations by alternative means of transport and facilitate 'linked trips', thereby reducing the need to travel.

[2] Guy, C. **The retail development process: location, property and planning** London: Routledge 1994

[3] Department of the Environment **'Planning Policy Guidance Note 6'** 1993.

[4] Halman, G. 'It's not easy to find the edge of centre' **Planning** 30 October 1998

Initial Reactions to the 1996 Revision

2.14 The 1996 version of PPG6 received a mixed response. A survey of planning committee chairmen found that most were 'delighted' with the perceived tightening of policy towards out-of-centre retail development[5]. Most claimed that their High Streets had suffered in the years leading up to the change in policy, and cited out-of-centre retailing as having had the most significant influence. 86% of chairmen interviewed were in support of the new PPG6, while only 3% said that they opposed it. Town centre retailers too were in support of the policy revision; two thirds were found to believe that PPG6 would lead to increased growth in town centres[6].

2.15 The retail and development industries were less enthusiastic in their reception of the new document, and it was quickly reported that it was 'vexing' planning experts, who were worried that too much 'inappropriate' development would be directed to town centres[7]. Developers registered their concern about the guidance's likely effect on patterns of development: 'PPG6 will produce things we don't need in the market'[8], and others complained that 'development has never been easy and the new PPG6 makes it more difficult'[9]. However, many retailers were less critical of the document itself than of the way in which it appeared to have been interpreted by local authority planners:

> *'Where* [the sequential approach] *has been applied sympathetically and realistically we are happy to go along with it. What concerns us is that there is a dogmatic adherence to that approach, which is trying to place all sorts of retailing and retail warehousing into town centre locations. In terms of town planning, that is not necessarily the right place to put them.'*[10]

2.16 Retailers seemed to agree that the introduction of the new PPG6 did not necessarily represent a problem in itself; rather that the way it was being applied was becoming a hindrance to the development process: '…there are good reasons for implementing PPG6 [but] the blanket approach to all retailers is not suitable'[11]. The extent and rigour with which the policies are applied to different types of retail and leisure operator, and whether there should be exceptions to the policy has remained an area of constant debate at inquiries.

2.17 Commentators were worried that the sorts of sites allocated for retail development would not necessarily be suitable, '… local authorities are going to have to understand the market. There is no point in identifying sites only to find that nobody wants them'[12]. Arguably, it has been the failure of many authorities to actively allocate and promote sites, rather than their suitability, that has given rise to most criticism. In this respect, our research suggests that some of these concerns have proved to be well founded.

[5] George, A. 'Tackling the out-of-town threat' **Estates Gazette** 27 July 1996

[6] **Retail Week** 8 November 1996

[7] Lewis and Cundell 'PPG6 Hits at new targets' **Estates Times** 21 June 1996

[8] Creedy, M, in 'PPG6 Special' **Property Week** 26 July 1996

[9] Hall, B. 'PPG6 means a new sequence of tests' **Property Week** 26 July 1996

[10] Williams, H. in 'PPG6 Special' **Property Week** 26 July 1996

[11] Spokeswoman for Safeway in Davis, G. 'PPG6 scuppers Sainsbury's stores' **Retail Week** 15 November 1996

[12] Chase, G. in 'PPG6 Special' **Property Week** 26 July 1996

2.18 There was also initial concern about the lack of comprehensive definitions of many of the terms included in the guidance – most notably there was uncertainty about what was meant by the references to 'suitable' and 'available' sites, and how 'edge of centre' was defined. This was felt likely to contribute to the already confused and inconsistent application of the guidance by decision makers. The increased emphasis on the importance of definitions introduced by the guidance is another consistent theme throughout our research.

2.19 In the leisure sector, there was some early speculation about the likely implications of the new guidance note for the developers of cinemas and other leisure facilities. Some felt that the application of PPG6 to leisure development was 'odd' and that 'the government [seemed] intent on killing the new leisure industry dead'[13], whilst others thought that it was only fair to include leisure as well as retail applications to ensure 'a level playing field'[14]. It quickly became apparent, however, that leisure developers would 'have to take positive steps to address the PPG6 criteria if called-in applications [were] to be avoided'[15], and leisure developers were forced to learn much quicker than retailers.

Application to the Leisure Sector

2.20 There is a remarkable lack of literature relating to the application of PPG6 and the sequential approach to the leisure sector, and a 2002 article highlights the difficulty in defining exactly what constitutes 'leisure' property[16]. The limited commentary is principally confined to initial speculation on the likely effects of the policy guidance on the leisure industry, which seems to have dried up as attention has focused on retail as the more controversial sector. One early article actually claimed that 'leisure operators … are some way behind retail operators in their understanding of planning restrictions'[17].

2.21 In April 1998 the DETR commissioned a research project entitled 'Planning for Leisure and Tourism'. The aim was to investigate how best to plan for what was becoming a major pressure for land-use change. One of its objectives was to develop recommendations for how planning policy guidance could best facilitate leisure and tourism development, while achieving the most sustainable pattern of development. When it was published in March 2001, the report highlighted worries about the relevance of PPG6 to the contemporary leisure sector, as well as concerns about inconsistencies in decision-making and the resulting uncertainty.

2.22 The report concluded that planning policy needed to reflect the special circumstances that related to the impacts of leisure and tourism. It uncovered a general acceptance, by both the public and private sectors, of the objective behind PPG6, but highlighted inconsistent decision-making in respect of, amongst other things, the definition and means of assessing need and capacity; the application of PPG6 to large and mixed-use leisure developments; the definition and measurement

[13] Kelly, J. in 'PPG6 Special' **Property Week** 26 July 1996

[14] Hartwell, T. in 'PPG6 Special' **Property Week** 26 July 1996

[15] Krassowski, M 'Leisure is hard work with PPG6' **Property Week** 21 March 1997

[16] Sayce, S & McIntosh, A 'Key players call for change in leisure land rules' – **Chartered Surveyor Monthly**, January 2002

[17] Howarth, A. 'Merry Hill decision clarifies Government's planning policy' **Estates Gazette** 4 July 1997

of the vitality and viability of town centres in leisure terms; and the application of PPG6 to different leisure land uses. It recommended more guidance on planning for leisure uses, but reaffirmed that the fundamental PPG6 principles, including the sequential approach, should be applied to leisure as well as retail development.

2.23 The key recommendations of the DETR report on 'Planning for Leisure and Tourism' are:

- to clarify the role of local economic objectives, alongside the other PPG6 issues of vitality and viability, trip generation and accessibility, within national planning policy guidance;
- to clarify what other factors the definition of need should cover in addition to market capacity and physical capacity;
- to carry out further research to establish the optimal means of need and impact assessment;
- to continue to direct leisure development of all scales to appropriately-sized centres, in line with the principles of PPG6 and PPG13;
- to reinforce current policy relating to disaggregation of uses, and to require impact statements for proposals over 1,000 sq m;
- to provide adequate town centre parking to meet the needs of evening leisure uses;
- to develop new approaches to measure the long-term impact of out-of-centre leisure developments on vitality and viability of centres;
- to encourage local authorities to identify and/or assemble leisure development sites to meet identified need;
- to undertake the definition of town centre, edge-of-centre and other locations at the development plan stage, and to apply the sequential test to leisure applications;
- to reinforce the benefits of working pro-actively in planning for leisure and tourism in guidance to local authorities; and
- to revise PPG6 to provide up-to-date, focused advice on planning for leisure; clarifying, rather than changing, the policy itself.

2.24 The report reinforces the applicability of the sequential approach to the leisure sector, and concludes that PPG6 gives insufficient consideration to leisure uses. It also provides a number of pointers for good practice guidance, which are likely to be equally applicable to the retail and leisure sectors.

2.25 Commenting on the report, a leisure property professional writes that the key tenets of the sequential approach – to use the most central, urban sites first – represents 'a reasonable philosophy, but [are] not always relevant to the leisure sector'[18]. This echoes similar comments from some retail sectors, which have sought exceptions to the policy for particular types of operation.

Putting Policies into Practice

2.26 Once PPG6 had been in operation for long enough for practitioners to experience its application and interpretation at inquiries, certain elements of the guidance became controversial and began to be debated in the professional press. Local authorities were again accused of acting as an impediment to effective retail development, and 'thwarting retailers' attempts to develop town centre sites [by] interpreting PPG6 too narrowly'[19], or even'taking PPG6 to the extreme'[20].

2.27 Alleged inconsistencies in the interpretation of PPG6 at inquiries began to be highlighted, particularly in relation to the assessment of need and the application of the sequential approach which, it was felt, was'making it difficult in terms of bringing forward new retail development'[21]. Some property professionals argued that there were'serious problems ... about how to apply the sequential test in practice and whether you have to measure need'[22] and that clarification was necessary. The sequential approach was though to be a 'neat formula', but one that had been'subject to a string of reviews, challenges, interpretations and studies [and] complicated by the ... change in government'[23]. According to one commentator,'every single decision where the sequential approach has been an issue has had a different interpretation'[24], and while this comment may be exaggerated, it illustrates the frustration of practitioners at the time. The key to the problem seemed to be the definitions of 'available' and 'suitable', used in relation to the appraisal of alternative sites for the purposes of the sequential test.

2.28 The Government's Response to the 1997 House of Commons Environment Select Committee Report into Shopping Centres was seen as a first attempt to clear up some of the uncertainty surrounding the guidance, but was felt by many to be a missed opportunity. The report strongly endorsed the policy contained in PPG6 and was satisfied that there were no difficulties with the interpretation of the sequential approach. Following the formal Government Response, Nick Raynsford MP, in a Parliamentary Answer, considered further clarification of the guidance was unnecessary, save that proposals for extensions to existing stores in out-of-centre locations should be subject to the same tests as other out-of-town developments[25]. This was seen as a response to the foodstore operators' 'alternative development programme' in response to the restrictions on new out-of-centre development imposed by PPG6.

[18] Butter, I 'Planning Ahead! Understanding the Government's future leisure planning policy' **Journal of Leisure Property** (4) 2001

[19] 'Town centres suffering as PPG6 is taken too literally' **Planning** 20 June 1997

[20] Smith, A. in 'Town centres suffering as PPG6 is taken too literally' **Planning** 20 June 1997

[21] Cooper, N. in Roberts, J. 'Retail judgement sparks PPG row' **Estates Gazette** 4 October 1997

[22] Smith, G. in Roberts, J. 'Retail judgement sparks PPG row' **Estates Gazette** 4 October 1997

[23] Hirst, C. 'Testing time for developers in the confusion of PPG6' **Property Week** 8 August 1997

[24] Mortimer, E. in Hirst, C. 'Testing time for developers in the confusion of PPG6' **Property Week** 8 August 1997

[25] **Hansard** Vol. 302 Col. 401-402

2.29 A report published by CB Hillier Parker in 1998 (guided by a Steering Group comprising representatives of the then DETR, Rural Development Commission, the District Planning Officers' Society, retailers, aned academics), examined the impact of large edge and out-of-centre foodstore development on market towns and district centres[26]. The findings reinforced the policy message, and made a nunber of recommendations, including the requirement for a clearer definition of 'need' in PPG6, thorough assessments of town centre opportunities before advocating less central proposals, and a common approach to assessing impact with all foodstore proposals over 1,000 sq m net sales to be accompanied by a Combined, Retail, Economic, and Traffic Evaluation (CREATE). The report partly contributed to the Caborn Statement (see paragraph 2.34).

2.30 This clarification was soon put into practice in a number of cases, for example Tesco's application to extend a store in Enfield, which was rejected on the basis that the applicant had not applied the sequential approach with sufficient flexibility, and that there was no reason why the goods to be sold from the proposed extension could not be sold from a number of smaller sites.

2.31 The main complaint about the Government's Response was that it failed to recognise the existence of a problem. However, others argued at the time, that'it would be foolish to rigidly define the terms [of the sequential test] because their specific interpretation differs in every case'[27], and that there might be a more consistent approach to the application of PPG6 after a 'settling-in period'.

2.32 This illustrates the inherent difficulty of achieving a policy which delivers certainty and consistency in decision making, but which is responsive to different local circumstances, and is a common theme throughout our research. A central objective of PPG was to promote the plan-led system and encourage local authorities to assess retail needs, allocate sites and promote town centre strategies. Instead, in many cases, the principal focus has been on the application of the guidance as a development control tool. This suggests not so much a failure of policy but a reflection of the way it has been used by local authorities, and is symptomatic of wider shortcomings of the operation of the plan-led system.

Ministerial Clarification

THE 'NEED' ISSUE

2.33 PPG6 has frequently been accused in the past of sending out confusing signals on the question of the need for retail development,'which leads to disparities in approach between planning authorities and inspectors'[28]. The guidance makes it clear that need is an issue at the development plan stage, when deciding whether to allocate sites, but it is less clear as to the relevance of need at the application stage. The case of *R. v. Hambleton DC ex parte Somerfield Stores* (November 1998) led one commentator to conclude'… need is not an issue'[29]. This particular decision was celebrated as a victory for common sense by some, and as a judgement that ties

[26] CB Hillier-Parker 'The Impacts of Large Foodstores on Market Towns and District Centres

[27] Williams, H. in Hirst, C. 'Testing time for developers in the confusion of PPG6' **Property Week** 8 August 1997

[28] Halman, G. 'It's not easy to find the edge of centre' **Planning** 30 October 1998

[29] Arnold, S. 'Proof that need is not an issue' **Planning** 20 November 1998

PPG6 closely to fundamental development control principles, that'an applicant is entitled to permission unless the consequences for the environment or the community would be unacceptable'[30].

2.34 This 'victory' was short-lived. Richard Caborn's statement in the House of Commons in February 1999[31] made it clear that 'need' is a relevant consideration at the application stage in the case of proposals for development outside existing centres which are not included in an up-to-date development plan, and that failure to demonstrate a need would normally be justification for refusal of planning permission. The Minister stated that demonstration of capacity or demand should not be regarded as sufficient to fulfil the need requirement, indicating that the relevant factors in each case should be determined by the decision-maker.

2.35 The Ministerial Clarification was itself widely criticised – it was suggested that in attempting to clarify the position on need, the Minister'fundamentally failed to achieve his objective'[32], leaving the development industry still confused about the role and definition of need. One commentator suggested that'the 'need' policy is flexible – it allows any matter which is relevant to a decision to form part of the demonstration of need'.[33] Others have made similar comments, suggesting Richard Caborn's statement actually helped some schemes to obtain planning permission, in that it calls for 'need' to be defined in the broadest possible terms from the Hambleton case.[34] As a consequence of the discretion afforded to 'the decision maker' applicants have advanced a wide range of factors as evidence of 'need'.

2.36 In relation to development in existing centres, Richard Caborn's statement suggested that there should be no requirement to demonstrate need for retail development in town centre locations, thus reinforcing the significance of achieving 'Town Centre' or 'District Centre' status in policy terms. This policy position was subsequently endorsed at an inquiry relating to a Tesco application at Kettering, where it was hailed as a'welcome confirmation that a proposed development within a district centre should not be required to demonstrate need'[35].

2.37 Nick Raynsford has also since confirmed explicitly that it is only developments outside existing town centres that are subject to the 'need' requirement, in a speech to the National Retail Planning Forum (NRPF) in February 2000. However, the relevance of ensuring that new 'in centre' development is of an appropriate scale relative to the role of the centre has emerged as a key issue in our research.

THE 'CLASS OF GOODS' INTERPRETATION

2.38 The application of the sequential approach at inquiries was also controversial: it gave rise to two distinct interpretations, as detailed in CB Hillier Parker's report on the Sequential Approach for the NRPF[36]. The format-driven approach, or 'built form' interpretation, asked whether the particular format of development proposed by the

[30] Arnold, S. 'Proof that need is not an issue' **Planning** 20 November 1998

[31] Parliamentary Answer 11 February 1999 **Hansard** col 309

[32] Lowe, A. and Reeves, C. 'Tesco views on planning' **Contemporary Issues in Retail Management** conference 2000

[33] Adlard, H – The 'need' for retail development J**ournal of Planning and Environmental Law** 2001

[34] Davey, J. 'Get out of town' **Property Week** 7 April 2000

[35] Williams, J. 'District centres have no need requirement' **Planning** 24 November 2000

[36] CB Hillier Parker **The Sequential Approach to Retail Development** London 2000

applicant could be accommodated on town centre or edge-of-centre sites, while the 'class of goods' interpretation asked whether the goods to be sold from the proposed development could be retailed from a town centre or edge-of-centre site, albeit using a different store format to that originally proposed.

2.39 Each of these approaches had its proponents: the less restrictive 'built-form' interpretation was supported by the argument that'retailers are restricted in their flexibility by the need to protect the integrity of the concept they want to promote'[37] and that the 'class of goods' approach was'contrary to PPG6's objective of an efficient, competitive and innovative retail sector'[38]. CB Hillier Parker's research for the NRPF also found that this interpretation was the most prevalent in local authorities' development plans. It has been suggested that this approach is'too narrow', and that it'would deprive the sequential approach of any force in most town centres'[39]. However, the NRPF research did call for further consideration of the practicalities of the class of goods approach for different types of retailing.

2.40 The class of goods approach, with its greater requirement on retailers to be flexible, has since received explicit Government support, in the form of Nick Raynsford's speech to the Local Government Association and National Retail Planning Forum conference in February 2000, where the Minister stated that'Most goods can be sold from town centres – wanting a large showroom or warehouse is not in itself a sufficient justification'[40]. The Government also made clear its commitment to the class of goods approach in its response to the report of the Select Committee on Environment, Transport and Regional Affairs on the Environmental Impact of Supermarket Competition, by rejecting the calls to clarify how the need for flexibility should apply to large-format proposals.

2.41 The House of Commons Select Committee on Environment, Transport and Regional Affairs in its Second Report on 'The Environmental Impact of Supermarket Competition'[41] recommended clarification of certain terms – notably those relating to the suitability and viability of alternative sites in town centres, for the purposes of applying the sequential approach. The Government's Response to the Select Committee's report welcomed the Committee's endorsement of existing policy, and reaffirmed its commitment to the objectives of PPG6, stating that'PPG6 helps to promote an urban renaissance, more sustainable patterns of development and social inclusion'[42], which was perhaps the first time the overarching aims of Government town centres retail and leisure policy were set out. In response to the recommendation for further clarification, the Government reiterated its commitment to the 'class of goods' approach,'as stated in PPG6'[43]:

[37] Halman, G. 'It's not easy to find the edge of centre' **Planning** 30 October 1998

[38] Rhodes, J. 'What is the policy on retail development?' **Planning** 27 October 2000

[39] Baldock, J. 'So the sequential test rules OK' Planning 26 September 1997

[40] Raynsford, N. Speech to the Local Government Association and National Retail Planning Forum, February 2000

[41] Select Committee on Environment, Transport and Regional Affairs Second Report: **The Environmental Impact of Supermarket Competition** 2000

[42] DETR **The Government's Response to the Environment, Transport and Regional Affairs Committee: Second Report** – The Environmental Impact of Supermarket Competition 2000

[43] DETR **The Government's Response to the Environment, Transport and Regional Affairs Committee: Second Report** – The Environmental Impact of Supermarket Competition 2000

'The Select Committee has suggested that there is a need to clarify how the policy should apply to large-format developments. The Government considers that PPG6 is clear – it expects developers to demonstrate flexibility. It recognises that the need to demonstrate flexibility will have consequences for retailers who insist on the need for very large formats.'[44]

2.42 This Government confirmed that it did not propose any exceptions to the application of the sequential approach.

Current Issues

2.43 Recent comments about the effectiveness of PPG6 have demonstrated concern about the guidance's applicability in the contemporary retail climate. It is contended that the way in which PPG6 has been applied by local and central government is'out of step with economic reality and with the public's shopping preferences'[45].

2.44 Retailers and those seeking to promote the efficient functioning of the retail industry have been critical of the way in which PPG6 has been interpreted:'planners are not being radical or innovative enough at a time when we need positive action'[46]. It has been argued that a relaxation of PPG6 would not necessarily be in the retailers' interests, most of them'managing to work within the system quite comfortably'[47], and having benefited from the protection that PPG6 affords them from American-style shopping warehouses. However, there are some particular areas of contemporary retail planning that have attracted specific criticism in relation to the way in which they have been interpreted in accordance with PPG6.

I) COMPETITION

2.45 A central concern of many commentators is that the restrictive nature of the guidance and its application is irreconcilable with an efficient and competitive retail sector:

'In many ways there seems to be a major paradox in the Government's approach to retailing in that on the one hand it is seeking to enhance town and city centres by restricting out-of-town development while at the same time wanting to maintain an efficient, competitive and innovative retail sector'[48]

'PPG6 is strong on competition ... It is not the role of the planning system to restrict competition, preserve existing commercial interests or to prevent innovation. These sentiments have widespread support. However while shoppers understandably like superstores, department stores and variety stores, few want to have no choice but to use such stores'[49]

[44] DETR **The Government's Response to the Environment, Transport and Regional Affairs Committee: Second Report** – The Environmental Impact of Supermarket Competition 2000

[45] Taylor, M. 'Shoppers prefer trolleys' **Estates Gazette** 21 October 2000

[46] Lowe, A. in Johnston, B. 'More sites in store' **Planning** 30 October 1998

[47] **Supermarketing** 14 January 2000

[48] Jones, P. and Hillier, D. 'Changing the balance – the 'ins and outs' of retail development' **Property Management** 18:2 2000

[49] Cooper N. and Cook, M. 'PPG6's grey areas' **Estates Gazette** 5 September 1998

2.46 The issue of competition in the retail sector was addressed by the Competition Commission in its report on supermarkets, which included an entire chapter on the role of the planning system in relation to retail competition[50]. The Commission concluded that the retail industry was generally competitive, but that limitations placed on the number of available sites by the planning system did represent a constraint on competition: it was worried about anti-competitive behaviour by superstore operators being assisted by the planning system. Nevertheless, the report stated, there was no justification for the planning system to be used to rectify this deficiency, or to promote competition[51].

2.47 The report analysed changes in numbers of applications, appeals and call-ins. It concluded that the number of appeals and call-ins fell prior to the publication of PPG6 in 1996, perhaps due to uncertainty due to the imminent policy change, then rose again between 1996 and 1997, while the actual success rates fell over the same time period. The Competition Commission also reported that the impact of PPG6 on the groceries sector had been significant, and that many retailers felt the current planning regime to be a serious constraint on entry to the market, and to expansion. Local authorities, by contrast, felt that, although the vitality and viability of their town centres had declined since 1992, it had generally improved since the publication of the latest version of PPG6.

2.48 On the subject of the price of land for retail development in the wake of PPG6 1996, the Competition Commission reported that the guidance had'reduced the ability of retailers to develop out-of-town sites, reducing the choice of locations for the retailer and increasing the demand for, and therefore price of, town centre sites.'[52]. It concluded that rental values in the UK were significantly higher than those elsewhere in Western Europe. Previous research by McKinsey[53] found that UK supermarkets made the most efficient use of land and floorspace in comparison to those in other countries, which is one consequence of the constraints on new development and the price of sites.

II) DEFINITIONS

2.49 Some of the controversy arising from the various different interpretations of the sequential approach in particular, and PPG6 in general, can be reduced to disagreement over the correct definitions of terms used in the guidance and its subsequent clarifications. Following the initial concern about the lack of comprehensive definitions in the guidance, interpretation of various terms at appeal fuelled this confusion. It was principally the term 'town centre' that caused the most controversy: even before the 1996 PPG6 had made its impact on development patterns, the term was being debated at the Merry Hill extension Inquiry, where the case was advanced to redefine the existing out-of-town development as a 'town centre'.

2.50 Post-1999 the definition has become even more controversial, since designation of a centre as a 'town centre' (and/or district centre) exempts any application for development therein from the requirement to demonstrate need.

[50] **Supermarkets: A report on the supply of groceries from multiple stores in the United Kingdom** Competition Commission, London: The Stationery Office 2000

[51] Wood, C. 'Supermarket sweep' **Property Week** 19 January 2001

[52] **Supermarkets: A report on the supply of groceries from multiple stores in the United Kingdom** Competition Commission, London: The Stationery Office 2000

[53] McKinsey Global Institute, **Driving Productivity and Growth in the UK Economy** McKinsey and Company, October 1998

2.51 A recent case decided on 11th July 2002 in the Court of Appeal (CO/337/2002) has examined the meaning of the term ‘existing centre’ in the Ministerial Statement (1999). This case involved proposals for a new foodstore on the former South London Hospital for Women at Balham Hill, South London, within the administrative boundary of London Borough of Lambeth.

2.52 The case related to a call-in application for which, in 1999, the Council had resolved to grant planning permission. The Inspector recommended refusal of both applications, however, the Secretary of State disagreed with this, and on 11th December 2001 granted planning permission. This decision was challenged by the adjoining authority, London Borough of Wandsworth.

2.53 The development involved a site on the boundary of these two authorities which variously defines the location as a ‘neighbourhood centre’/important local parade. The issue in this case involved the status of this local centre, and particularly whether it would be regarded as an existing centre for the purposes of Ministerial guidance on need and the sequential approach. In this case, the Secretary of State’s conclusion was that Balham Hill, though only a neighbourhood or local centre, would constitute an existing centre for the purposes of the guidance, indicating this term is not exclusively to be applied to town and district centres. The Court of Appeal ruled that it was open to the Secretary of State to conclude that the centre was a local centre for the purposes of the Caborn test.

2.54 The definition of ‘edge of centre’ has also been debated at length. Although PPG6 did attempt to set out some basic criteria for identifying edge-of-centre sites, it left considerable scope for flexibility. Appeal cases such as that into Sainsbury’s application for a foodstore in Chard some 600 metres from the centre fuelled the debate, and this and other precedents were used to help with the interpretation of this definition[54]. However, in the words of one commentator,‘the status of a site in sequential terms is not a matter for prescription, but will depend upon the facts and characteristics of what is on the ground’[55]. This is reflected in PPG6’s recognition that easy walking distance will depend on local circumstances.

2.55 Much of the debate about definitions in PPG6 surrounded those of ‘suitable’, ‘viable’ and ‘available’ – terms which‘go to the heart of any sequential assessment and yet are undefined in any policy guidance’[56] in the view of one commentator. Frequently retailers’ definitions of these terms did not tally with those of decision-makers, which gave rise to the two different interpretations of the sequential approach. The philosophy underlying the ‘class of goods’ interpretation appears to be understood, although how far retailers are expected to demonstrate ‘flexibility’ and adopt a literal interpretation of the approach remain unclear. At the heart of the issue is what constitutes the ‘class of goods’, and how far is it reasonable to ‘disaggregate’ certain types of retailing.

III) HIERARCHIES

2.56 PPG6 introduced the concept of a range and hierarchy of centres, from city centre, through town centres, district centre to local centre and village centres. The guidance acknowledges that the role, function and relative importance of centres

[54] Willams, J. ‘A tighter definition for retail policy is needed’ **Planning** 4 February 2000

[55] Halman, G. ‘Retail and leisure face the sequential test’ **Estates Gazette** 24 September 1998

[56] Halman, G. ‘Retail and leisure face the sequential test’ **Estates Gazette** 24 September 1998

will change over time. The definition of hierarchies has attracted some criticism; they are over-rigid, and do not allow for flexibility in the roles of centres, according to one commentator;[57] or for the 'evolution of new centres', according to one local authority. The opposing argument is that the distribution of major retail growth should be planned at the strategic level, rather than in response to opportunistic applications submitted by developers. Paragraph 7.1 of PPG11 advocates that, inter alia, in reviewing RPGs, regional planning bodies should indicate the role that the network of town centres should play and identify which town centres should be the focus for major new retail development.

2.57 The definition of hierarchies offers those promoting development a measure of certainty as to whether the scale and form of development envisaged will be acceptable. In the absence of any explicit requirement to examine the impact of development in one centre on another, the concept also provides a measure of control over the scale of development which is appropriate to the centre's current and/or proposed role. However, the mechanism by which the planning system recognises changes in the role, function and relative importance of different centres over time is a key issue. Positive planning at the regional and sub-regional levels can create certainty about the scale of development that should be planned for at the local level.

IV) STORE EXTENSIONS

2.58 Despite Nick Raynsford's answer to a Parliamentary Question in December 1997[58], which confirmed that PPG6 should apply equally to extensions to existing stores, the debate about the application of the sequential approach has continued. The Hedge End case in Hampshire is another high-profile case that gave rise to much discussion. Whilst it has now been generally recognised that'the [sequential] test bites as much upon existing extensions as on new free-standing proposals'[59], there has continued to be dispute. Retailers have claimed that extensions are a different sort of development to the building of new stores out of town[60].

2.59 Different arguments have been advanced to support extensions to out-of-centre stores. Some are advocated specifically to broaden the range of goods sold, which may invoke the class of goods interpretation of the sequential approach and call into question whether there are town centre sites available to sell such goods. A good example is the main food retailers strategy to broaden further the range of comparison goods sold to include clothing, CDs, electrical goods and other different 'classes' of goods.

2.60 Others argue that extensions are required to stock greater depth of range but within the same 'class of goods' i.e. more choice, or to maintain higher stock levels, or improve internal circulation. A common theme is that retailers will continue to argue that the ability to extend existing stores in response to consumers demand is an integral part of maintaining an efficient, competitive and innovative retail sector.

[57] Jones, P. 'Pulling rank is not a workable policy' **Planning** 9 June 2000

[58] **Hansard** Vol.302 Col. 401 – 402

[59] Halman, G. 'Muddle on the edge of town' **Estates Gazette** 13 June 1998

[60] Roberts, J. 'Shopping centre extensions will damage local retailers, Hedge End enquiry hears' **Estates Gazette** 4 April 1997

V) CONDITIONS

2.61 Some concern has been highlighted about the implications of inquiry decisions relating to applications to vary conditions governing the range of goods or unit sizes permitted. The use of such conditions is advocated in PPG6 where they are necessary to ensure development does not change its character in such a way as to create a development the authority would have refused on policy or impact grounds.

2.62 Interpreting this guidance literally, a number of appeal decisions gave the impression that applications to vary conditions should not be subject to the sequential test and requirements to demonstrate need; they should merely have to demonstrate that their approval would have no negative impact on the vitality and viability of neighbouring town centres[61]. It has been suggested that this might represent a 'loophole' in the system.

VI) FACTORY OUTLET CENTRES

2.63 The issues of 'need' and the sequential approach have been particularly controversial in relation to the application of PPG6 to factory outlet centres – a comparatively recent phenomenon that is not the subject of comprehensive policy guidance. In one case it was argued that because of the unique nature of the shopping offer provided by such outlets, if an area did not have a factory outlet centre, then there was a 'need' for one[62] and developers have argued that these centres have little effect on neighbouring centres because shoppers travel from a wide area. There is some research evidence that this is indeed the case[63], but planning policy has impacted on the location of development of factory outlet centres, to the extent that developers have admitted to building outlets wherever they can get permission[64].

VII) SOCIAL EXCLUSION.

2.64 The issue of access to shopping facilities – particularly to food shopping – has emerged as an aspect of retail planning in recent years. Research projects have examined the concept of 'food deserts'[65], and concluded that district and local centres remain largely overlooked in national policy guidance and development plan policies. The Social Exclusion Unit of the Cabinet Office, in its Policy Action Team (PAT) 13 Report[66] suggests that the larger food retailers lack interest in investing in smaller centres, particularly in deprived areas. Amongst its recommended improvements, the PAT13 report suggests that proactive local retail strategies be formulated, to allow communities to develop their own strategies for improving access to shops. Lord Falconer, the Planning Minister has recently explicitly advocated positive planning for regeneration –'*This means planning for the retail development we want in the places that need it most.*'[67]

[61] Tucker, P. 'Finding a way around the site selection test' **Planning** 21 April 2000

[62] 'Factory outlet to test PPG6' **Property Week** 23 July 1999

[63] Guy, C 'of Outings and Outlets' – **Town and Country Planning**, January 2002

[64] Eade, C 'Factory form **'Property Week Supplement'** June 2001

[65] Cannings, L 'Planning Out Food Deserts' **Town & Country Planning** November 2001.

[66] Social Exclusion Unit **'A New Commitment to Neighbourhood Renewal: National Strategy Action Plan'** London: Cabinet Office, 2000

[67] Lord Falconer of Thoroton – Speech to British Urban Regeneration Association, Birmingham, 14 May 2002

Reform of the Planning System and PPG6

2.65 Our review of the evolution of the current revision of PPG6 has focused on matters of detail. The views of commentators have inevitably focused on shortcomings or problems, whether real or perceived. This tends to obscure the widespread support for the policy guidance. This is recorded by the House of Commons Select Committee on Environment, Transport and Regional Affairs in its Second Report on 'The Environmental Impact of Supermarket Competition':

> *'The evidence is clear: leading experts on planning and retailing, planning associations, local authorities and almost all the supermarkets themselves, support the central thrust of policy laid down in PPG6. We have rarely seen so much support for a Government policy'*[68]

2.66 In autumn of 2001 the Planning Minister, Lord Falconer of Thoroton, made a series of speeches outlining his plans for improving the planning system. Referring to PPG6, and reflecting this support, he stated that it would not be changed, but that its effectiveness would be reviewed – a process of which this report is a part: 'We want to see how well [PPG6] is working and, if need be, we will clarify and improve the policy.'[69]. The Minister acknowledged that'to give [retailers] greater certainty, we need clear, unambiguous policy guidance and to apply it firmly and consistently'[70], and that 'we also need to simplify and clarify the contents of national and regional planning guidance. They must focus only on those things that are, truly, of national and regional significance'.[71]

2.67 Following Lord Falconer's speeches, in December 2001, the DTLR published its Planning Green Paper, which outlined the Government's plans for'delivering a fundamental change' in the planning system. The Green Paper suggested some radical changes in the planning system into which PPG6 and other policy guidance fits. In keeping with the themes of providing a 'better, simpler, faster, more accessible system that serves both business and the community'[72], the Paper set out the Government's proposals to review all PPGs: 'the overriding need is to set out our national policy principles clearly and not cloud them with ancillary material and detailed instruction about how policies are to be delivered.'

2.68 The proposal for PPGs in the Green Paper is to streamline them, by limiting their content to policy and producing separate good practice guidance. The Green Paper goes on to state that PPG6 would be one of the first guidance notes to be reviewed, and that policy in this guidance'needs to be more clearly expressed.'

[68] Select Committee on Environment, Transport and Regional Affairs Second Report: **The Environmental Impact of Supermarket Competition** 2000

[69] Lord Falconer of Thoroton – Speech to the British Council of Shopping Centres, Birmingham 8 November 2001

[70] Lord Falconer of Thoroton – Speech to the British Retail Consortium, London, 27 November 2001

[71] Lord Falconer of Thoroton – Speech to the CBI Conference, Birmingham, 6 November 2001

[72] DTLR 'Planning Green Paper: Planning: delivering a fundamental change' 12 December 2001

Conclusions

2.69 Whilst there is much written about the problems of applying PPG6 in practice, there is little literature on the actual effectiveness of the policy. There is also a lack of objective writing on the way PPG6 has been applied and has shaped retail development in the UK. It is unfortunate that one of the key retail planning textbooks[73], according to the National Retail Planning Forum's 'Bibliography of Retail Planning'[74], was published in 1994, prior to the 1996 edition of PPG6, and has yet to be overtaken as the main text for retail planning courses.

2.70 The main criticisms relate to the interpretation of the Guidance. The absence of any significant criticism of the basic objectives of the policy or the main elements of PPG is notable from our review. As one commentator writes, the message from Government about the correct interpretation of PPG6 is 'clear in principle, but not in detail'[75]. The overall thrust of the policy has attracted widespread support. The 'problems' highlighted relate largely to matters of detail, interpretation and perceived inconsistency of application.

2.71 Our review of the literature and outline of the policy's evolution has revealed a number of key themes and issues relating to PPG6 and its clarifications. They can be summarised as follows:

- After the introduction of PPG6 in 1996 there was a raft of initial comment that warned of the effect that the guidance would have on the development industry. With hindsight, some of these concerns can be seen to be over-reactions, and despite some difficulties that have persisted, most developers appear to have been able to work within the policy.

- There have been inconsistencies in the interpretation of PPG6 and its clarifications, which some commentators believe have frustrated retailers' and developers' attempts to plan with certainty. However, there is an inherent difficulty in creating a policy that delivers certainty and consistency in decision-making as well as being responsive to individual local circumstances.

- Local authorities have been criticised for their lack of proactive planning in terms of identifying and procuring suitable sites for retail and leisure development. There is a conspicuous absence of documented evidence of the guidance in PPG6 being used as anything other than a development control tool.

- The issue of 'need' has caused confusion. Practitioners consider that the Ministerial Statement did little to elucidate this issue, and failed to define 'need'. There is a widely held view that further clarification is required to identify those factors which may contribute to defining a retail need.

[73] Guy, C. **The retail development process: location, property and planning** London: Routledge 1994

[74] NRPF **A bibliography of retail planning** 1999

[75] Davey, J. 'Get out of town' **Property Week** 7 April 2000

- The sequential approach, while clear in principle, has given rise to debate about the rigour with which it should be applied, and the degree of flexibility that retailers should be expected to exercise. While the Government has made it clear that there are to be no exceptions to the policy, the limits of 'disaggregation' and what constitutes the relevant 'class of goods' are currently being considered by individual decisions in the absence of clear policy guidance.

- The applicability of PPG6 to uses other than retailing has attracted little commentary or debate. Despite the apparent acknowledgement that the policy applies to leisure and other town centre uses, in practice its provisions have been largely ignored in these areas. The 1998 DETR research project 'Planning for Leisure and Tourism' makes a series of recommendations which are intended to make any revised PPG6 more relevant to the leisure sector.

- Despite having been published over seven years ago, the debate continues concerning the interpretation of the policy and subsequent Ministerial Clarifications. Issues to have emerged more recently include, inter alia, the impact of the class of goods interpretation on competition, innovation and efficiency in the retail sector and what the Government means by 'flexibility', the definition of 'centres', the role of hierarchies, the relevance of 'scale' in the case of town centre developments, the issues raised by store extensions, the particular 'needs' of different retail forms such as factory outlet centres, and the issue of social exclusion and access to shopping facilities.

2.72 These themes and issues have helped to shape the design of our research, and feed through into the structure of the following chapters of the report.

CHAPTER 3

Attitudes, Understanding and Interpretations of Policy

Survey Methodology

3.1 This section reviews the attitudes, understanding and interpretation of PPG6 and its subsequent clarifications by its main users – local authorities, retailers, leisure operators, developers and members of key organisations. A variety of methods were used to collate this information including detailed structured questionnaires, follow-up interviews, and illustrative case studies which analyse the interpretation and understanding of the policy in practice.

3.2 Detailed structured questionnaires were sent to two representative samples of local authorities (31 in total) and retailers, leisure operators and developers (37 in total). In both cases, the questionnaire was structured in two parts: Part 1 dealt with the understanding and opinion of the policy guidance as a whole, and the content of this questionnaire was identical for both sample groups. Part 2 was tailored specifically for the local authority and retailer/leisure operator/developer groups separately, and sought their opinion on the effects of PPG6 on their business. Overall, we achieved a 49% response rate.

3.3 Questionnaire responses were received from a broadly representative sample of urban and rural local authorities across England, and a high proportion of retailers and developers. Despite contacting a large number of leisure operators, we only received a small number of responses, although this is in itself significant, suggesting a perceived lack of relevance of the guidance to the sector. We conducted detailed follow up interviews with 20 respondents, including local authorities, developers/investors, and food and non-food retailers.

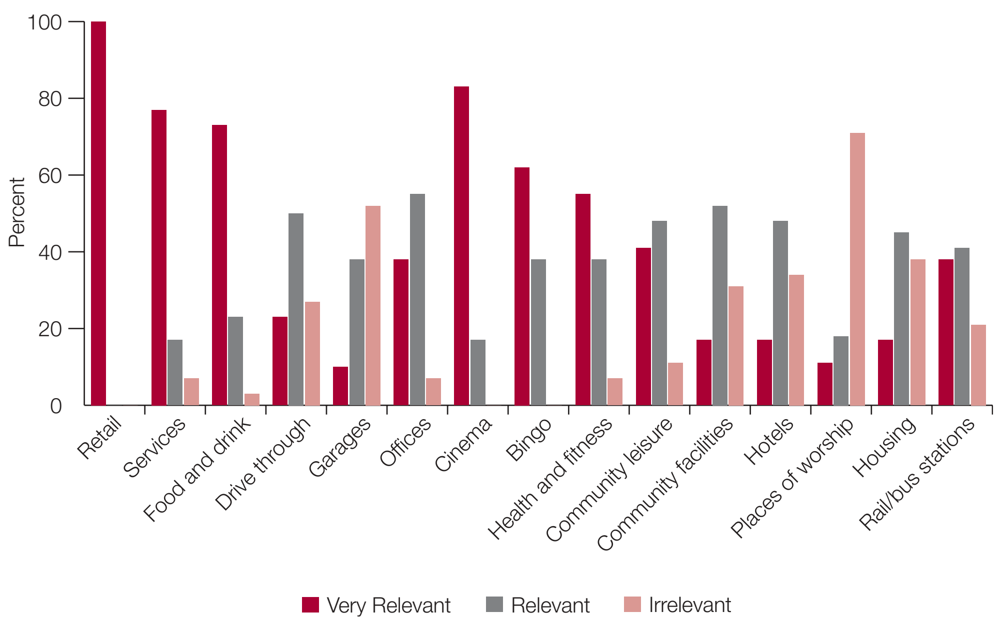
3.4 In addition to our questionnaires and interviews, we invited comments from a broad selection of key organisations, including high-profile property retailer and leisure industry groups, such as the British Property Federation (BFF) and the British Retail Consortium (BRC), professional organisations such as the RTPI and RICS, and Government departments and agencies. Instead of a detailed questionnaire, we provided a broad list of general questions relating to the scope, application and effectiveness of PPG6, allowing the organisations to focus on the issues most relevant to them and their constituent members. We received a good response from all of the key organisations.

3.5 In addition to this initial round of consultation, we subsequently held a series of in-depth discussions with three groups: senior retail planning inspectors, eminent planning solicitors and barristers, and leading practitioners in the field of retail planning. Collectively, therefore, we are confident that we have obtained the views of a broad cross section of groups and individuals, which provide a detailed insight into attitudes, understanding and the interpretation of policy.

PPG6 Coverage

3.6 PPG6 is entitled 'Town Centres and Retail Developments'. In addition to generally promoting town centres, and mixed-use developments, the sequential approach is specifically advocated as the basis for selecting sites for retail, employment, leisure and other key town centre uses, by planners in plan-making and developers in searching for sites. Our survey examined perceptions as to the relevance of the guidance to different uses. The results are shown in Figure 1.

Figure 1: **Uses covered by PPG6 and its relevance**



3.7 There appears to be consensus that the key policy principles within PPG6 apply to a range of sectors, including retail, services, food and drink, cinemas and most other key town centre uses. The situation is less clear in others e.g. drive-through restaurants, hotels and community facilities.

> *'It has been suggested that because the title is* 'Town Centre and Retail Developments' *there is an emphasis on retail development over other town centre and related uses. Despite Ministerial Statements, it does seem clear it is not always understood that PPG6 applies just as equally to related consumer sectors such as leisure. There is some confusion here with the coverage of leisure issues also in PPG17* 'Sport and Recreation' *and PPG21* 'Tourism'. *There are sections of PPG6 that only relate to retail development and indeed only a few references to other town centre uses. It is considered that the scope of the PPG needs clarifying.'* (RTPI)

3.8 In the case of some uses specifically identified in PPG6, e.g. offices, while the survey suggests that PPG6 is relevant, there is little evidence of any serious attempt to apply the sequential approach or other key aspects of the guidance on a consistent basis. Similarly, while 'drive-through' restaurants were deemed to fall within the purview of the guidance by 50% of respondents to the questionnaire, at interview one major drive-through restaurant chain suggested that in practice, 'the full tests required by PPG6 are rarely applied to drive-through restaurants, and the distinct role of out-of-centre drive-through restaurants is widely recognised'. Several of the key organisations also regarded drive-through restaurants to be beyond the scope of the guidance, in particular the sequential approach, as they are exclusively designed to cater for motorists.

> *'There have been some instances of appeal cases for drive-through restaurants, for example, where it has been unclear as to whether the sequential approach should apply since they are aimed at providing facilities for motorists' (Planning Officers' Society).*

3.9 Responses from a range of respondents also suggested a need for clearer guidance for retail warehouse clubs (although the status of such developments generally appears to have been recognised). One warehouse club operator commented, 'they are legally defined as sui generis and each of our planning applications has been accompanied by detailed Section 106 agreement which closely regulates the operation of the warehouse and which absolutely ensures that the building could not be used for retail purposes'.

3.10 A range of other non-retail uses were seen to be covered by the policy guidance. These included football and other sports stadia, arenas and conference centres. Our research highlighted a case where PPG6 was invoked in the case of a proposal to develop a new hospital. One local authority stated: 'We would regard any use/proposal which attracted a lot of people to be covered by the sequential test', which would implicitly include offices, sports stadia and other major travel-generating uses, but our research suggests that in practice PPG6 is rarely applied to such uses. The overwhelming conclusion of our survey is that the only sector to which the policies of PPG6 are universally applied in full is retailing.

Objectives

3.11 PPG6 states that the Government's objectives are:

- to sustain and enhance the vitality and viability of town centres;
- to focus development, especially retail development in locations where the proximity of businesses facilitates competition from which all consumers are able to benefit and maximises the opportunity to use means of transport other than the car;
- to maintain an efficient, competitive and innovative retail sector; and
- to ensure the availability of a wide range of shops, employment, services and facilities to which people have easy access by a choice of means of transport.

3.12 The overwhelming response of local authorities, retailers/leisure operators/developers and key organisations suggest that individually, the Government's objectives are clear and unambiguous. However, there is also a widely-held view, particularly within the property and retail sectors, that the Government's objectives are potentially contradictory. Most retail/property companies and organisations, and local authorities highlighted the potential conflict between the objective to sustain and enhance town centres – generally held to be the central objective of the guidance – and the objective to maintain an efficient, competitive and innovative retail sector. The response of Matalan provides a good example.

1: RECONCILING THE POLICY OBJECTIVES – THE MATALAN EXAMPLE

Matalan is one of a small number of retailers whose 'concept' requires that they operate exclusively from a particular format of store, which they claim needs to be on a large out-of-centre site. Unlike some warehouse clubs, Matalan does not claim to be anything other than a retailer. However, their position is that, because of the nature of their retail operation, it is not feasible to operate from town centre locations.

The only way that Matalan can afford to sell quality goods at low prices is by selling in bulk, and taking advantage of economies of scale. This requires a large store, which is very difficult to locate in a town centre. The heavy discounts offered also require the lower cost base offered by an out-of-centre location. If the sales were disaggregated into smaller stores in town centres, each one 'would not be a Matalan' – prices would be forced up, and it would be impossible to guarantee satisfactory levels of stock upon which Matalan currently relies.

This case study illustrates the inherent tension between the Government's objectives to maintain an efficient, competitive and innovative retail sector and the other objectives of PPG6.

3.13 Similar considerations apply to large-format retailers, like B&Q and IKEA, who argue that greater efficiencies, a wider range and availability of goods, and lower prices can be achieved by larger operations. Many retailers are clearly frustrated that the third objective was merely paid lip service rather than being implemented in practice: 'PPG6 does not do exactly what it says on the tin!' The general opinion of the majority of retailers/leisure operators/developers is summarised in the following response:

> *'The objectives are of equal importance. However, the Government's commitment to the class of goods approach to sequential analysis, implies that the third stated objective … may be regarded, incorrectly in our view, as being less important that the other objectives because it gives insufficient weight to innovative formats and can reduce, or undermine totally, the efficiency and effectiveness of retail operations … the rigid adherence to a class of goods approach can deny customers the benefits of innovative formats of retailing, thereby failing to meet the third stated objective at paragraph 1.1 of PPG6 without necessarily making any positive contribution to meeting the other objectives.'* (Retailer Response).

3.14 Even when the objectives are achieved and implemented in practice, frustrations can occur:

> *'PPG6 clearly sees town centres and retail as more important than leisure. The inconsistency manifests itself in the promotion of mixed use within the town centre and more specifically in encouraging people to live in town centres. It is clearly untenable if the leisure industry is to be told that it can only develop in town centres, but then to be told that residents encouraged to move to town centres are objecting to leisure use.'*
> (Business in Sport and Leisure).

3.15 A number of consultees highlighted the inherent difficulties in achieving the Government's objectives for town centres given the cultural dependency on cars, the availability of existing out-of-centre retail developments, and the absence of an effective and efficient public transport alternative. As one developer put it at interview, 'Shoppers vote with their cars and rarely with their feet. If it is not easy to park right outside the shop or leisure facility, then customers simply will not visit those establishments.' Conversely, having established the attitudes of a broad cross section of those involved in planning and retailing, it is clear that most acknowledge the profound impact of PPG6 and subsequent clarifications, and generally support the underlying objectives and broad thrust of the policy.

3.16 While the objectives are clear in theory, applying the policy to all 'town centre' uses presents practical difficulties, not least in determining which uses are most appropriate for scarce town centre sites. In this, and other respects, the results of our extensive consultation exercise mirror the comments identified in the previous chapter.

The Plan-Led Approach

3.17 Our survey identified a widely held view that while the concept of the plan-led approach is efficient and workable in theory, it regularly fails in practice. The majority of respondents acknowledged that a key purpose of the plan-led approach was to plan positively for retail, leisure and other key town centre developments. It was also key in identifying preferred locations for development, speeding up and clarifying the decision-making process, and providing certainty to retailers, developers, landowners and the public. One retailer commented: 'It *should* enable the delivery of consistent, timely and predictable outcomes'.

3.18 Many of the key aspects of PPG6 are focused on the development plan process. Specifically, identification of need, and adopting a sequential approach to the selection of sites are both advocated at the development plan stage, within the context provided by Regional Planning Guidance and Structure Plans/UDP Part 1s. One of the practical problems identified is the role of Regional Planning Guidance, Structure Plans and Local Plans in providing certainty when planning for town centres. In theory, Regional Planning Guidance should provide 'top-down' guidance on this issue, but very often the questions about the role of different centres, and changing retail hierarchies are being considered at the UDP/Local Plan or even the application stage.

3.19 Our research identifies a widely-held view that PPG6 is not always being applied in the way it was intended, as a positive planning tool for bringing development forward within a plan-led system. However, some question whether the plan-led system is actually capable of operating in the way which was intended. One retailer comments:

'As presently operated, the development plan system is incapable of responding within realistic time periods to new retail trends. It acts against innovation in many respects. The local planning authority is not best equipped to anticipate such trends and hence plan for them. Rather than attempting to make site-specific allocations, therefore, the focus of policies should be on setting a framework (criteria based) against which proposals can be judged and innovation facilitated.'

3.20 The Green Paper promises to speed up the planning process. However, our consultation highlights a widely-held concern that regional plans (in the form of Regional Spatial Strategies or Sub-Regional Strategies) will continue to lack the pro-active approach required to make key strategic choices. Our discussion with key practitioners touched on the numerous difficulties involved, including the lack of resources and technical knowledge, and the lack of consensus between individual authorities needed to plan for long-term changes in the retail hierarchy. A good example is the case of Merry Hill.

2: CHANGING RETAIL HIERARCHIES – THE MERRY HILL EXAMPLE

The Merry Hill Shopping Centre was built in a series of phases within an Enterprise Zone, and has become the new focus for shopping in Dudley. Reflecting the realities of Merry Hill's current function, Dudley MBC and the centre's owners have sought to develop a Masterplan for the effective integration of Merry Hill into its wider setting, and recognition of its status as new sub-regional town centre. This is currently being promoted through the Dudley UDP.

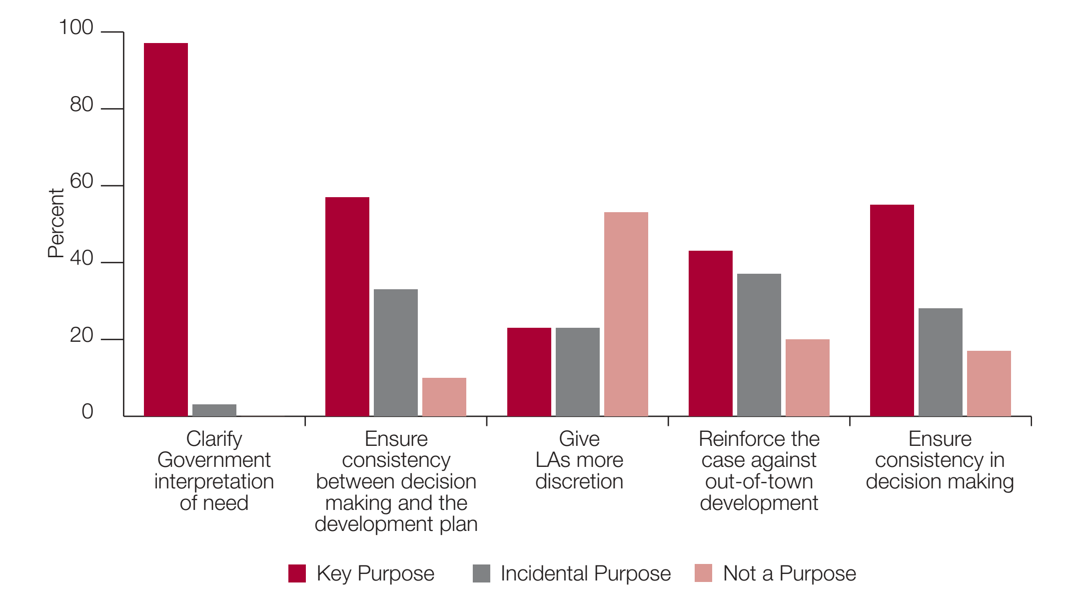
The designation of Merry Hill as a town centre has been resisted by neighbouring authorities, concerned about the impact of further growth of the Merry Hill Centre, and the potential implications of further growth, and is inconsistent with the emerging RPG for the West Midlands. The prospect of further major development in Birmingham City Centre, and highly successful developments such as Touchwood in Solihull, have highlighted the need for an objective assessment of the appropriate role and function of established and emerging centres in the context of a regional strategy which seeks to promote a more balanced network of town centres.

This issue has been the subject of a recent retail study commissioned by the Regional Planning Body, although the limited scope of the exercise, and the difficulties of achieving consensus between different local authorities have left the question as to which of the 25 centres identified should be the focus for growth, although Brierley Hill/ Merry Hill has been excluded from the list of centres. This supports the reinforced role for regional strategies and in particular, sub-regional strategies, advocated in the Green Paper, to establish the appropriate definition and role of different centres within changing retail hierarchies.

Need

3.21 Following the Ministerial Statement of February 1999, the issue of need has been increasingly debated by users of the planning system. Opinions on the purpose of the guidance on need are split equally between consensus and conflict. Our research shows that most respondents consider the main purpose of the guidance was to clarify the Government's interpretation of need, to ensure consistency between development control and the development plan, and consistency in decision making. The majority felt that it was either a key or incidental purpose of the guidance to reinforce the case against out-of-town development.

Figure 2: **Views on the Purpose of the Guidance on Need**



3.22 The omission of a definition of need within the Ministerial Clarification has severely hindered its interpretation. As one local authority commented at interview, 'retailers can demonstrate that population, incomes and spending are all increasing; there is therefore arguably always a quantitative need for more retail development'. This is supported by the private sector: 'If the Government is going to use words like 'need', it should not do so without defining them'. In the absence of a definition, the determination of factors which may constitute need has been left to decisions makers, but in practice attempts to broaden the definition have largely come from applicants and appellants attempting to reinforce their 'need' case. As a consequence, appeal decisions such as the Macclesfield case have gained some currency, although the Secretary of State has more recently taken steps to restrict the range of retail need indicators through his decisions on individual cases.

3.23 In addition to the definition of need, there is some confusion as to how far in advance it is legitimate to look in order to attempt to predict a need. Recent decisions by the Secretary of State have suggested that it is not appropriate to look beyond five years ahead because of the inherent uncertainty and the possibility of more sequentially-preferable sites becoming available. It has also been suggested that to allow an out-of-centre development to 'soak up' 10 years' worth of need would inhibit the development of town centre options in future years.

3: DEFINING THE COMPONENTS OF NEED – THE MACCLESFIELD CASE

In an appeal decision considering the development of an Asda foodstore and drive-through restaurant at an out-of-town business park in Macclesfield in 1999, the Inspector set out his perception of the key elements of need.

He considered that the following criteria might contribute to the demonstration of need, and, although the appeal was dismissed, other decision-makers have looked to this decision for guidance on the constituents of need.

I. The quantitative capacity for the proposal;

II. Meeting a qualitative deficiency in existing provision (either in overall terms or spatially);

III. A related absence of harm to interests of acknowledged importance;

IV. Broad compliance with recognised planning objectives, e.g. sustainability;

V. Meeting the requirements of the local community;

VI. The need for any town centre to be competitive with alternative retail destinations.

Since then, successive Secretary of State decisions have restricted the scope of factors that can be held to contribute to 'need' for additional floorspace. In terms of current policy it may be more appropriate for some of the criteria invoked under the heading of 'need', such as urban regeneration and employment, to be treated as other material considerations and not as indicators of need for additional retail floorspace.

3.24 The introduction of the statement on need has been criticised by retailers for its anti-competitive stance. It was noted by one retailer that planning policy over the years has gone full circle: 'It has moved from a presumption in favour of development; to the precautionary principle; to the requirement to demonstrate need for development.' Frustrations are not confined to the private sector. One local authority stated, 'the Caborn statement implies that 'need' need not be assessed for town centre applications, so the local authority does not require such rigorous assessments for town centre applications. The assumption is that as long as town centre development is flourishing, any impact elsewhere is irrelevant'.

3.25 Many retailers' and developers' concerns regarding the Ministerial clarification on need are summarised by the British Retail Consortium (BRC):

> *'The BRC believe that further qualification is necessary on the issue of need. In different areas need will have a very different meaning. In an area of widespread social and economic deprivation the need in relation to retail is mainly characterised as one of inward investment and jobs. There may not be a need for retail floorspace but the investment will create new markets and demand for the future. In other areas, need could be characterised as the need for more high-quality retail floorspace in specialist fashion and luxury good retailers to improve the competitiveness of the town centre against rivals. Without further clarification, too much discretionary power will remain in the hands of local decision makers and retailers will lack the certainty necessary for planning the future of their business.'*

3.26 In the absence of a definitive policy statement as to which factors may constitute a need, many respondents refer to the role of appeal decisions determining 'policy' in an ad hoc way. The Macclesfield example, and other decision letters, have been used to provide a 'checklist' of relevant indicators. However, until decisions such as Asda, Park Royal and B&Q, Bexley, confirmed that regeneration does not contribute to a 'retail need', there was some ambiguity about the relevance of regeneration, fuelled by apparently contradictory appeal decisions on the issue.

The Sequential Approach

3.27 Most respondents consider the purpose of the sequential approach is to encourage all retail, leisure and other town centre uses to locate in an appropriate centres; to locate on sites accessible by a choice of means of transport; and to enhance the vitality and viability of town centres. Most regard the guidance on the sequential approach included within PPG6 to be largely clear, with sound fundamental principles. However, a general point made by retailers/leisure operators/developers is that many decision makers are unrealistic or over rigid in their application of the sequential approach:

> *'The Secretary of State/local authorities seemed to have completely forgotten their side of the bargain – retailers/developers are required to be flexible, but local authorities are also asked to be realistic and to positively identify sites which are suitable, viable and available.'*

3.28 Grievances focus on several key areas:

- the definition of edge-of-centre and district centre sites;
- the applicability of the approach to other non-retail uses;
- the class of goods approach; and
- the definition of 'available' and 'suitable' sites.

I) DEFINITIONS

3.29 There is confusion about the preference of one centre or location over another, and the relationship between edge-of-centre sites and district/local centre sites. Many read the policy as supporting edge-of-centre sites over and above district centre and local centre sites, despite the fact that district centre and local centre sites may be more accessible by a choice of means of transport. Our consultation and discussions with key practitioners identifies support for the removal of the implied distinction between town and district centres, and less emphasis on rigid definitions.

II) APPLICABILITY TO OTHER SECTORS

3.30 The application of the sequential approach to the leisure sector is approached in detail by Business in Sport and Leisure. They believe that the location of leisure facilities should be considered as follows:

- *'The location of various types of leisure facilities will depend on the nature of the facility; size/noise/attendees, rather than an automatic assumption that all new development should be located in town centres (this relates to a previous comment made by BISL in relation to mixed-use development in town centres);*

- *Consideration should be given to the visitors to sporting and leisure facilities when deciding on the location of new facilities. It will often be more appropriate for new developments to be located in residential areas to reduce the need for people to travel into town centres; and*

- *Rather than looking at the sequential approach to site selection, travel patterns should have more priority, whereby consideration is given to sites which are most accessible by a variety of modes of transport for the population.*

One size fits all is not appropriate for the leisure industry. There are leisure uses which are appropriate in town centres and indeed enhance them, but many other forms of leisure are much more appropriate and (necessarily need to be) on edge of centre/out of centre sites.'

III) THE CLASS OF GOODS APPROACH

3.31 The response to the Government's clarification on the sequential approach provided by the Environment, Transport and Regional Affairs Committee Second Report, May 2000 has brought about the 'class of good vs. format' debate. Our research suggests significant disparities between retailers/developers/leisure operators and local authorities in terms of their opinions on the view of this clarification.

Figure 3: **Has the 2000 statement clarified the sequential approach? Retailers/Developers**

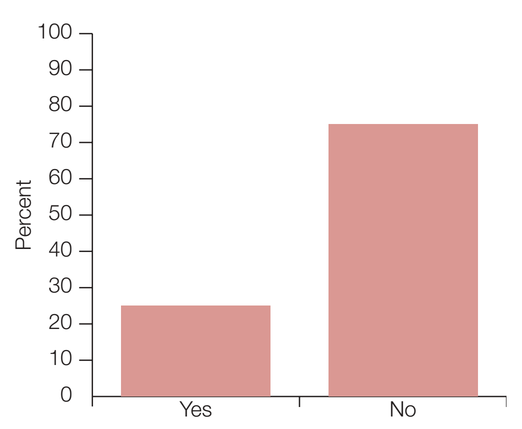
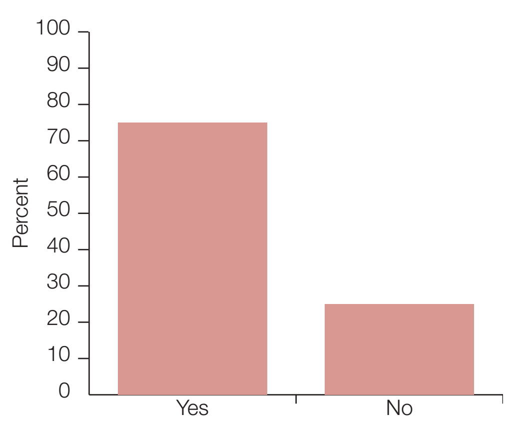


Figure 4: **Has the 2000 statement clarified the sequential approach? Local Authorities**



3.32 The figures illustrate a clear difference of opinion between questionnaire respondents from the public sector and those from the private sector. Retailers and developers perceive the approach to be unclear, while the majority of local authorities believe the statement clarified the approach.

3.33 Taking food retailers as an example, the class of goods approach appears to be generally well understood when applied to proposals to extend the range of goods sold from food and related ‘convenience’ goods to clothing, CDs, electrical goods etc, illustrated by the Tesco Extra format and the Enfield case study. The fact that these are additional items, conventionally sold in town centres from unit shops, raises legitimate calls for examination of alternatives.

3.34 However, taken to an extreme position, some respondents claimed, similar arguments would call into question the whole basis of the food superstore, essentially provoking a diverse range of food products which are individually ‘non bulky’, but are conventionally bought ‘in bulk’ as part of a single trip. Clearly, disaggregation of a supermarket into a butchers, bakers and greengrocers would make it easier to accommodate individual elements within a town centre. However, it would ignore the benefits of efficiency, convenience, accessibility and competitive pricing offered by larger stores.

3.35 Similar issues are raised by certain durable goods retailers and home improvement retailers in particular, who feel that due to both the operational requirements of their business and requirements of their customers, it is inappropriate to down-size their store formats. One argument is that such stores rely on economies of scale, in terms of volumes of goods supplied to and sold from their outlets, to achieve competitive prices and ensure the survival of their business. Whilst in theory it would be possible to disaggregate some of the goods sold from their premises, they contend, this does not concur with consumer demands and their requirements for ‘project shopping’, which consist of buying large bulky items, alongside smaller ‘ancillary’ goods.

3.36 A consensus from retail operators and others was that the ‘class of goods’ interpretation requires a balance. On the one hand, it calls for flexibility with regard to scale, format, design and testing, and prevents retailers from promoting a ‘format-driven’ approach in order to avoid the provisions of the sequential approach. On the other hand, it requires consideration of the economic and operational requirements of modern retailing and customer expectations. As a consequence, our research has identified a number of perceived inconsistencies in the operation of the policy. The recent cases including DIY stores at Charlton and Chichester illustrate the concerns highlighted to us by lawyers, inspectors and retailers on this issue.

IV) 'SUITABLE' AND 'AVAILABLE'

3.37 The issue regarding the definition of a 'suitable' and 'available' site was also noted by both local authorities and the private sector. Local authorities acknowledge the difficulty of identifying sites, while retailers and developers understandably claim that they are the best judges of what is suitable. One retailer claimed:

'There is a tendency for local authorities to introduce sites at public inquiry which are physically available, but in ownership and occupation by a vibrant business that in reality would render the site unavailable. Clear guidance is needed on the meaning of the word available.'

3.38 Another retailer expressed concerns about availability, particularly having regard to commercial practicalities and land assembly: 'If there is a current need for a large DIY store it could not realistically be met by a combination of smaller sites which may become available within five years'.

Town Centres and Retail Hierarchies

3.39 The guidance advocates the role of retail hierarchies. However, local authorities find it difficult to define hierarchies on any consistent basis. A rural local authority highlighted that in their borough there was only one town centre, supplemented by small suburban rows of shops – a local centre in PPG6 terms, but a district centre in terms of their local plan. In contrast, a London Borough highlighted that, whilst it had one main centre, its defined district centres would be classed as major town centres if they were located in a rural area. Problems arise when terms like 'district centre' are used inconsistently in practice, yet have a clear meaning and implications in PPG6 terms. This is consistent with the findings of our literature review.

3.40 Some respondents from both the public and the private sectors highlighted the difficulty that the guidance has in accommodating the potential for emerging new centres within the lifetime of the plan, and in dealing with the major proposals that have the effect of changing the centre's position in the hierarchy. The case of Merry Hill was examined in the last chapter. The case of Bracknell serves to highlight the issues of scale raised by major development proposals in town centres, again consistent with one of the key themes emerging from our literature review. This is examined in the accompanying case study.

3.41 The Confederation of British Industry (CBI) noted that hierarchies of retail centres can change over time, and the importance of allowing extensions to existing retail sites to maintain vitality must be recognised. Some such sites may not originally have been traditional town centres, but may now have the potential to become important new centres of activity if retail, housing, commercial, and transport development are allowed. The Town and Country Planning Association (TCPA) reiterated this point:

'Simply because an area is designated as in-town, does not necessarily mean that it represents the most appropriate location for additional development. It could be argued that existing out-of-town centres are now finding a new raison d'etre ie as district neighbourhood centres in the context of urban expansion.'

3.42 Like town centres, the definition of district centres, and the implications of designation, were highlighted by several respondents. One retailer suggested that where purpose-built new stores or centres have the characteristics of a district centre, they should be defined as such. Some of the issues raised by the designation of district centres are illustrated by the situation in southern Bristol summarised in our case study.

3.43 A key issue which was explored in detail at the interview stage was the requirement for need and impact testing when development is proposed within town centres. Notwithstanding the 'Kettering case', most respondents acknowledge that scale is an appropriate consideration even in the case of in centre development. One retailer commented:

> *'When development is proposed for a town centre, there should not be a requirement to demonstrate need. The development should be of an appropriate scale for the centre, but it should also be related to the evolution of the centre, and their importance within the hierarchy.'*

3.44 Another retailer commented:

> *'PPG6 implies that impact does not need to be measured for town centre development, although most local authorities would require some form of assessment where it can have major effects. PPG6 should say more about development being more appropriate to the scale of the centre.'*

Vitality and Viability Indicators

3.45 Our consultation suggests that the indicators included at Figure 1 of PPG6 for assessing the health of town centres are largely adequate, but that they should include a long-term perspective, measuring changes over time rather than providing a simple snap-shot picture of the health of a centre. Additional indicators were suggested for consideration, including town centre management, vacancies on upper floors, retailer confidence and long-term commitment strategy, and external competition from other centres. It was also felt that it would be useful to benchmark the indicators with other similar or neighbouring centres.

3.46 Our research has highlighted that generally there is still a lack of comprehensive data measured on a consistent basis. We are aware that considerable efforts are being made to develop a national database. However, at present many local authorities have no accurate up-to-date floorspace estimates for their town and district centres, or reliable records of the scale of out-of-centre development. Very few local authorities carry out regular town centre healthchecks, although lack of resources (as opposed to inadequate guidance), is usually cited as the reason.

3.47 The failure to carry out healthchecks and monitor town centres mirrors the failure of many local authorities to prepare town centre strategies and to plan positively to promote town centres and retail development. Like many aspects of PPG6, the guidance itself is regarded as being clear and is generally supported. However, many local authorities have been unable or unwilling, for whatever reason, to grasp the need to take positive measures to plan for new retail development to identify sites and monitor their centres.

Planning for Retail Development and Assessing New Retail Developments

3.48 PPG6 contains guidance on specific forms of retailing and the assessment of new retail development. Our questionnaire responses found that the guidance on superstores, supermarkets and regional shopping centres was adequate. More guidance could be given on factory outlet centres, district and local centres and, in particular, store extensions. The private sector respondents to the questionnaire were particularly critical of guidance on specific forms of retailing, whilst local authorities appear to be generally satisfied.

3.49 Despite the clarification on store extensions in 1997, our consultation has highlighted calls for further clarification on the application of the guidance for the assessment of store extensions such as:

> *'Policy clarification would help on the threshold for extensions to which the need/sequential approach applies. It is clear that no PPG can be expected to cover every type of development. In particular, some of the issues surrounding foodstore extensions and bulky goods are often very local, and material considerations will influence decisions taken in the light of the development plan policies.'*

3.50 Our research and experience suggests that decision makers generally find it easier to apply the policy to store extensions intended to extend the range of goods sold. This was an important factor in the Enfield decision where the proposed extension was intended to enable a wider range of clothing to be sold. It is more problematical when applied to expansion proposals justified on 'operational' grounds, e.g. to ease congestion or to increase storage and preparation or customer facilities. The 1997 clarification appears to be generally understood and accepted in principle, but is proving difficult to apply in practice.

3.51 Finally, consistent with one of the key themes emerging from our literature review, our consultation has highlighted the lack of guidance on leisure uses. This concern is exemplified by the comments of the RTPI.

> *'There does, however, need to be further clarification on leisure development and for the guidance to be co-ordinated with that in PPG17 'Sport and Recreation' currently under review. The leisure industry covers such a wide variety of development that it demands more attention than has previously been given. There are issues about the evening/night time economy and mixed-use development in town centres that are having to be addressed without very much national guidance. For example, the guidance in PPG6 on multiplex cinemas is seen as inadequate.'* (RTPI)

Other Factors

3.52 The British Retail Consortium (BRC) represented a majority view when it commented that if PPG6 is to be effective then it has to be as streamlined as possible. The guidance cannot possibly encompass all the issues surrounding different local development plans, foodstore extensions and bulky goods stores. British Retail Consortium (BRC) also echoed the need for additional guidance for leisure purposes, and suggested that the guidance is expanded to provide more clarity and certainty for leisure developers. Despite the very limited guidance offered in respect of 'other key town centre uses' such as offices, there were few calls for the scope of policy coverage to be further extended beyond the leisure sector.

3.53 Notwithstanding the concerns about inconsistency in decision-making, most of those consulted consider that when assessing new development proposals, the importance of each of the key tests set out in PPG6 and their application would depend on local circumstances and the particular case and nature of the proposed development. There are no calls from any sector for the rigid imposition of policy restraints on certain types or locations of development, or developments above a certain threshold.

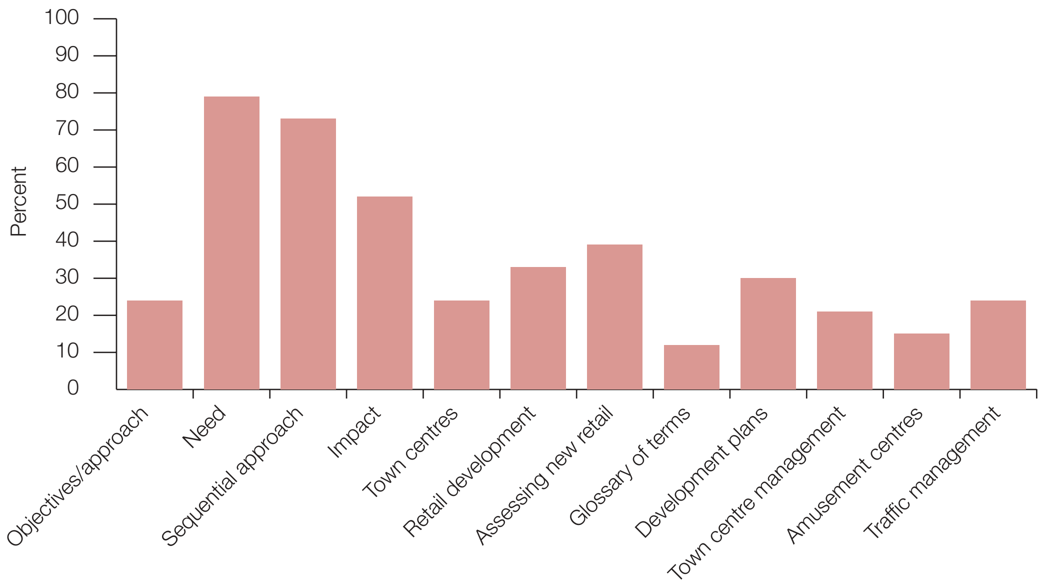
3.54 There is concern about the relevance of an arbitrary floorspace threshold for applications that require supporting evidence. The current guidance requires that all applications for retail development over 2,500 sq m gross floorspace shall be supported by assessments covering the sequential approach and impact. It suggests that such assessments may occasionally be necessary for smaller developments. In practice, our discussions with operators, local authorities and practitioners suggest that most authorities require such assessments for smaller discount foodstores, convenience stores attached to petrol filling stations, and occasionally other uses such as drive-through restaurants.

3.55 This issue was discussed at some length with key practitioners who consider the current arbitrary threshold should be deleted. In its place, it is suggested that examination of the key policy tests would be relevant to all proposals, irrespective of size, but the scope and level of detail of the study would depend on the likely significance of the proposal. One suggestion made is the introduction of a mechanism for a screening opinion to determine the requirements for, and scope of an assessment.

Good Practice Guidance

3.56 A number of topics were highlighted where good practice guidance would be useful; notably need, the sequential approach and, to a lesser extent, impact. These are the topics which have also been the subject of most of the debate as identified in the last chapter.

Figure 5: Would you like good practice guidance on any of the following aspects?



3.57 Our consultation exercise identified almost unanimous support from local authorities and the private sector that PPG6 should be streamlined, and reduced to a statement of the Government's objectives and key principles. This would be supplemented by additional good practice guidance on relevant issues. A smaller number suggested separating retail, leisure and other sectors into individual guidance notes, potentially supplemented by a separate specific 'town centre' PPG, drawing together the provisions of guidance on individual uses.

Conclusions

3.58 There is a consensus that PPG6 works in theory, but not in practice, and that it has been interpreted in different ways, according to different local circumstances and decision-makers. Only regular users of the planning system find PPG6 satisfactorily clear, and there is a need for a single point of reference for town centre and retail planning policy, as opposed to the current guidance contained in PPGs and subsequent Ministerial statements.

3.59 Even where the guidance is considered to be clear, there is an almost universally-held view by Planning Inspectors, retailers and developers that the interpretation and application of policy and practice has been inconsistent. Our consultation revealed that the following are key issues relating to attitudes, understanding and interpretation of the policy:

- **Scope:** It is acknowledged that although the guidance purports to cover all 'key town centre uses', there is a clear emphasis on retail, with little or no useful guidance on leisure, offices and other town centre uses. There is confusion surrounding the applicability of PPG6 to drive-through restaurants, in particular.

- **Objectives:** Although generally clear, they contain elements of internal conflict – notably the third objective ('to maintain an efficient, competitive and innovative retail sector') in relation to the other three objectives which are conventionally taken to seek to concentrate development in town centres. Most regard the objectives in practice as falling within an overarching objective to sustain and enhance town centres.

- **The plan-led approach:** While the plan-led approach is a fundamental element of the guidance, requiring local authorities to plan positively for new development and identify sites, a combination of lengthy adoption process, and the failure of many local authorities to rise to the challenges set out in the guidance has meant that in practice, PPG6 is increasingly used by local authorities as a development control tool to prevent out-of-centre development instead of as a basis for positive planning for town centres.

- **The issue of need:** There are widespread calls for further clarification of the factors that are capable of constituting need, and when and where it is necessary to measure it. Richard Caborn's statement is heavily criticised for failing to clarify the issue.

- **The sequential approach:** Although the purpose and principles of this policy are generally considered clear, the guidance is felt to lack detail relating to a number of factors, notably:

  - Definitions of centres, and the apparent contradiction that edge-of-centre development is preferable to development within a district centre;

  - Its applicability to other, non-retail, uses;

  - The rigour with which the 'class of goods' interpretation should be applied to different types of development;

  - Definitions of 'suitable' and 'available' sites; and

  - The difficulty of applying the approach in different geographic and economic circumstances.

- **The role of hierarchies:** The failure of regional and strategic policies to address the role and potential of centres and definition of new centres has created a policy vacuum in some cases.

CHAPTER 4

Impact on Development Trends

Introduction

4.1 This chapter examines the impact of PPG6 on retail and leisure development since 1996. The chapter is divided into three related elements.

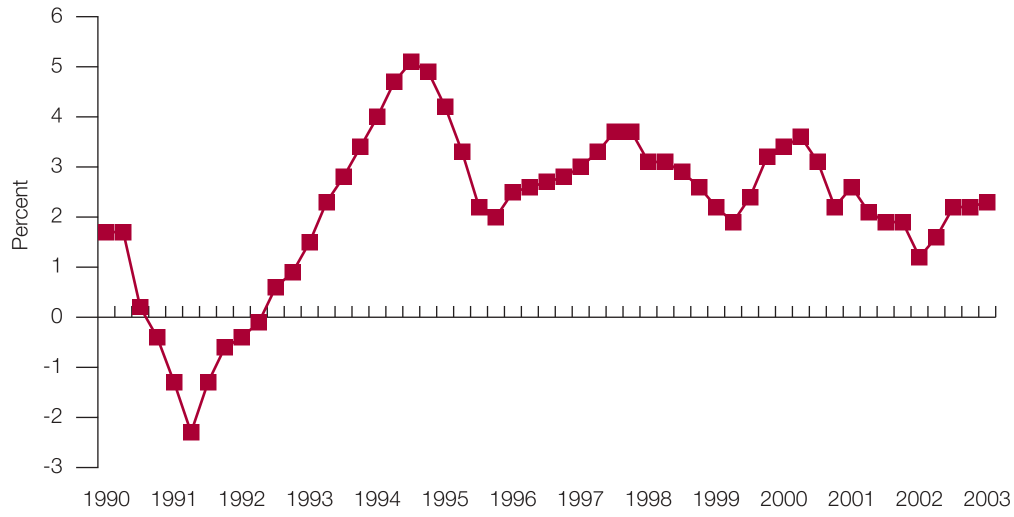
- First, we examine the economic context in order to assess the effects on retail development of economic change. This provides the baseline against which we consider the effects of policy;
- Second, we analyse decision-making to identify how the policy changes introduced in PPG6 have been translated to development control decisions at the local authority level and at appeal and call-in inquiries;
- Third, we identify patterns of completions and openings of new developments in the retail and leisure sectors, taking into account the economic and policy context to measure the effect of PPG6 on real development.

Macro-Economic Context

4.2 The timeframe for this analysis is taken as 1990-2001, since it is for this period that the most relevant data relating to economic change and retail development is readily available. The general pattern over this period was a time of initial economic uncertainty in the first few years of the decade followed by sustained growth and comparative stability. This is illustrated by two indicators.

(I) GDP GROWTH

Figure 6: **GDP Growth Year on Year**

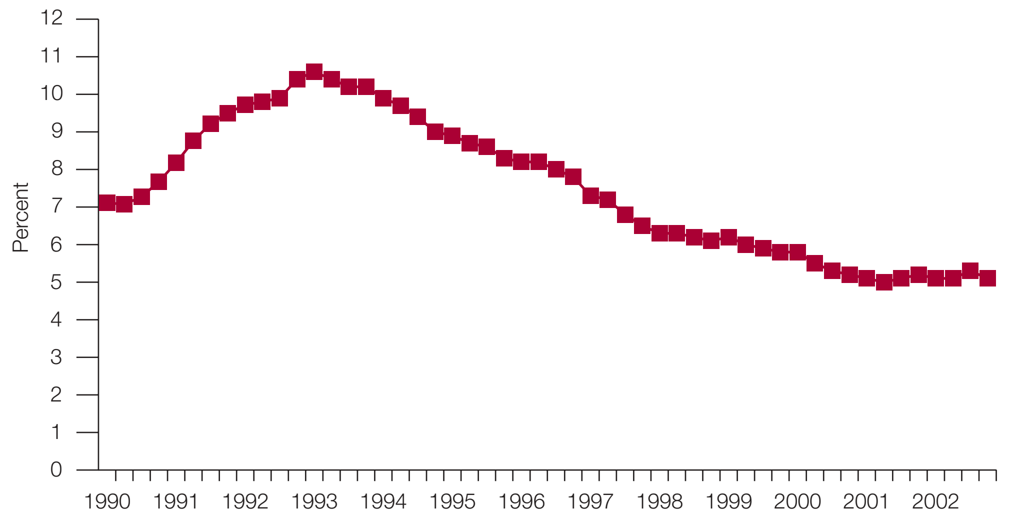


Source: CB Hillier Parker

4.3 The early 1990s showed a noticeable drop in GDP growth, with GDP actually falling for the whole of 1991 before recovering to a peak of 5% growth at the end of 1994. Since the mid nineties GDP growth has remained fairly stable, with cyclical variations around the 3% mark. The economy has performed consistently well in the latter part of the decade.

(II) UNEMPLOYMENT

Figure 7: **UK Unemployment Rate**



Source: ONS – ILO Rate

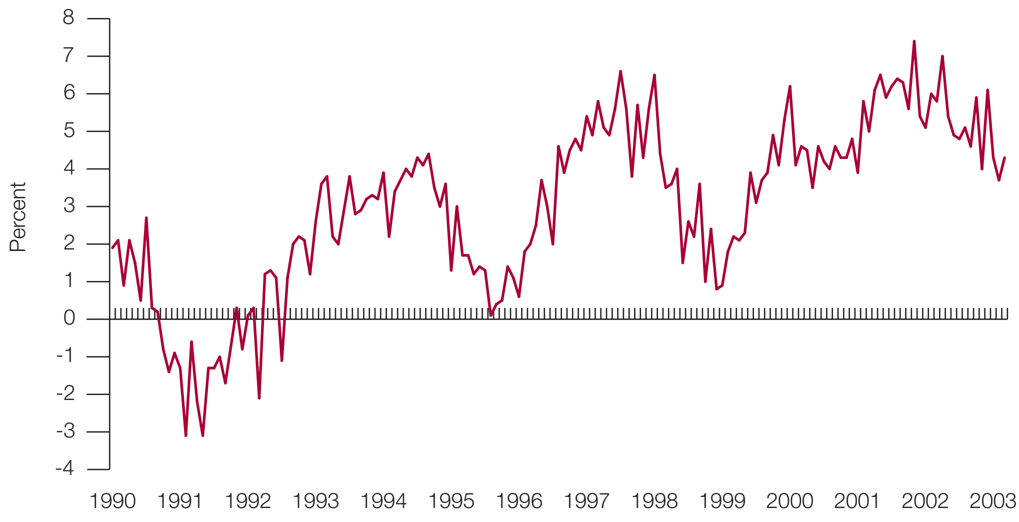
4.4 A similar pattern is noticeable in UK unemployment statistics, which rose in the early part of the 1990s, peaking in 1993, and then gradually tailing off for the second half of the decade. In the latter years, unemployment has slowly fallen, reflecting the economic stability implied by low and steady GDP growth.

4.5 Based on these indicators, the period 1990-2001 may be summarised as depression in the first part of the decade, recovery in the mid 1990s, and relative economic stability in the latter part of the 1990s. Published in June 1996, PPG was introduced in an economy that was still recovering from the 'bust and boom' and had not yet attained the stability that became typical of the late 1990s.

The Retail and Leisure Sector 1990-2002

(I) RETAIL SALES GROWTH

Figure 8: **Retail Sales Growth, Year on Year**



Source: CB Hillier Parker

4.6 The growth of retail sales year on year in the UK broadly reflects national economic performance. Growth fell below zero in 1991 and 1992 mirroring a slump in GDP growth and a rise in unemployment. For the rest of the decade retail sales grew with cyclical variations, in keeping with the pattern of GDP growth. On the basis of this data, PPG6 came into operation as the retail market was stabilising after the recession of the early 1990s and its subsequent recovery.

4.7 The UK retail sector is by its nature a dynamic and constantly evolving industry, and there are numerous other factors affecting the development patterns of retail operators. Even so, the significant time involved in any sort of property development means that there is often a substantial time lag in retail developers responding to changes in market conditions. Even allowing for the inherent delays of the planning system, lead times can vary hugely for some retail and leisure development, especially large town centre schemes.

(II) RETAIL FORMATS

4.8 The evolution of new retail formats is a continuing process as retailers seek to target niche markets, to respond to changing customer preferences and demographic trends; and to diversify their operations. Any examination of the effects of PPG6 since 1996 has to take account of the very significant level of retail development that took place in foodstores, retail warehouses and retail parks, and Regional Shopping Centres throughout the 1980s and early 1990s. The second half of the 1990s shows the emergence of new 'big box' retailing; of small-format city centre foodstores; of the evolution of retail parks selling fashion goods; of warehouse clubs and factory outlet centres; of internet retailing and the increasing sale of non-food goods and services by supermarkets, to name but a few.

(III) COMPETITION AND MARKET SATURATION

4.9 Throughout the period 1990-2001, the issue of possible market saturation has emerged. Initially debated in relation to out-of-town supermarkets, the topic has divided academic and professional commentators, with some predicting imminent saturation in the early 1990s, and others maintaining that it had still not arrived by the end of the decade. Nonetheless, impending saturation of the out-of-town foodstore market has been held up as a contributing factor to the diversification of food retailers into areas such as financial services, internet shopping and a broader range of formats, including town centre stores. Saturation has also, more recently, been mooted in relation to other sectors, notably multiplex cinemas and factory outlet centres: this is an important contributory factor to patterns of retail and leisure development which must be incorporated into our analysis of development trends.

4.10 Despite strong growth in retail sales, conditions in the traditional high street retail market for comparison goods have been difficult. Retailers such as the Arcadia Group and C&A have suffered the effects of declining sales, although others have expanded over the same period. The fortunes of major high street names like Marks & Spencer have fluctuated and corporate sales and acquisitions have taken place.

(IV) THE CONVENIENCE SECTOR

4.11 In the convenience sector, grocery retailers emerged from the early 1990s property crisis in some cases with over-valued property portfolios, and faced the impending saturation of the out-of-town market. Competition among the supermarket operators was fierce in the early part of the decade, and the phrase 'store wars' was coined to describe the intense and aggressive competition tactics of the major food retailers. In 2000, the supermarket sector was investigated by the Competition Commission amid allegations of anti-competitive practices. There was evidence of aggressive development in inappropriate locations where there was no quantitative need in order to hamper competing stores; of 'piggy-backing' large stores in small district centres; and of spoiling tactics in relation to competitors' applications.

4.12 All these factors contribute to a complex picture of retail change over the period 1990-2001. In these circumstances, it is difficult to identify cause and effect, and differentiate the effects of planning and wider economic trends although some common indicators can be identified.

Retail Property Indicators

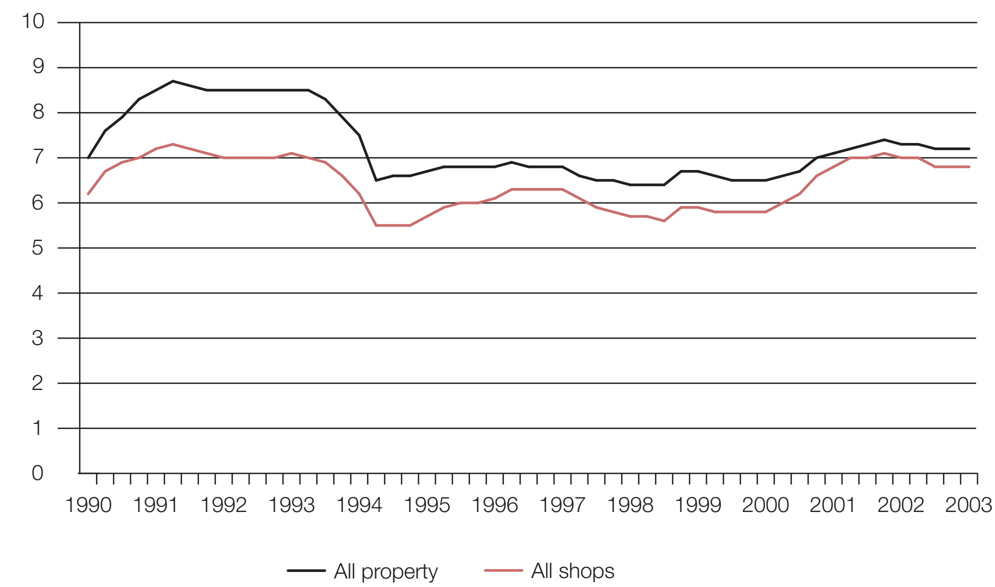
(I) RENTAL LEVELS

Figure 9: **Rent Index (May 1988=100)**

4.13 According to CB Hillier Parker's rent index, rents for all property sectors fell in the first half of the decade, before recovering and continuing to grow steadily for the remaining years, reflecting the pattern of economic change illustrated by GDP growth. By comparison, rents in the retail sector remained comparatively stable, experiencing a slight fall in the early 1990s, followed by a gradual rise.

(II) YIELDS

Figure 10: **Average Yields**

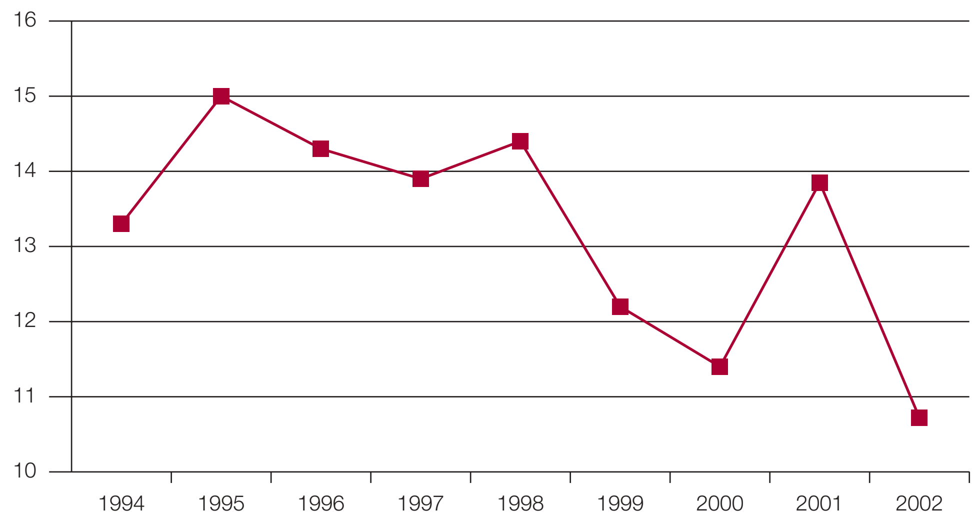


4.14 The performance of national average yields reflects the performance of the national economy. Yields for all property and for all shops increased in 1990 and 1991 indicating falling investor confidence as GDP fell and unemployment rose. As the economy began to recover from recession in the mid-1990s, both retail and all-property average yields fell dramatically, pointing to a much higher level of confidence in the value of rental incomes on the part of investors. Since then, as with many of the other indicators, yields have remained relatively stable, although it is possible to perceive a slight upward trend in average yields for retail property.

4.15 Interestingly, retail property yields appear to be much less responsive to changing economic circumstances than those for the whole property sector, indicating an underlying confidence in the UK retail sector.

(III) VACANCIES

Figure 11: **National Average % of Vacant Units**



Source: CB Hillier Parker/Experian GOAD

4.16 PPG6 was introduced as the economy and the retail sector were entering into a phase of sustained growth and stability. However, there are few reliable indicators to measure the changing 'health' of town centres over this period. Vacancy rates are one measure of the health of town centres. Data for vacancy rates in the early part of the decade are not available, but from 1995 it appears that vacancies were generally falling in line with the UK's economic performance, and providing investors with confidence in the health of town centres.

4.17 As a crude measure, this suggests an improvement in performance of town centres since 1995, in line with retail sales. However, at the macro level, there is insufficient evidence to suggest the extent to which policy changes, as opposed to the improving economy, have helped to reinforce the apparent improvement in the performance of town centres.

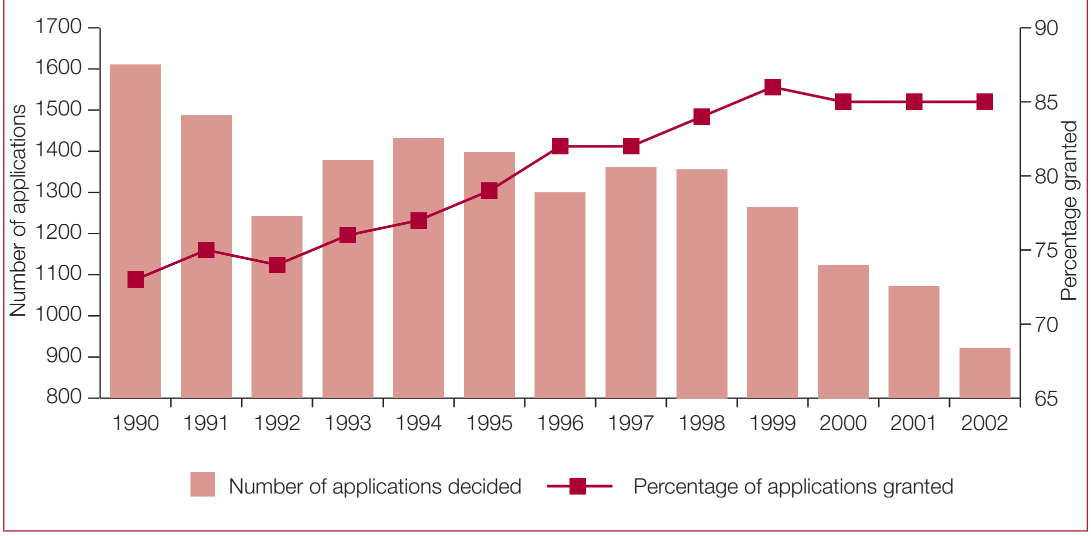
Planning Applications and Decisions

4.18 Within this overall pattern of economic growth, the number and location of planning applications provides an indication of the effects of PPG6. The data sources used for this analysis are ODPM/DTLR data on all major retail applications; data from the Planning Inspectorate on call-in and appeals; and data gathered from our own sample of 25 English local authorities which were approached and requested to provide us with locational information on applications for major (over 1,000 sq m) retail and leisure development within their area between 1990 and 2000.

(I) EFFECT ON MAJOR RETAIL APPLICATIONS DECIDED AND GRANTED

4.19 The ODPM has provided data on all major retail (including distribution and servicing) applications decided. The data is based on the calendar year, where 'major' includes all applications over 1,000 sq m. There is no reliable information about numbers of applications submitted, although assuming a constant proportion of applications are withdrawn, the trend lines should be similar.

Figure 12: **Major Retail, Distribution, and Servicing Applications Decided and Granted**



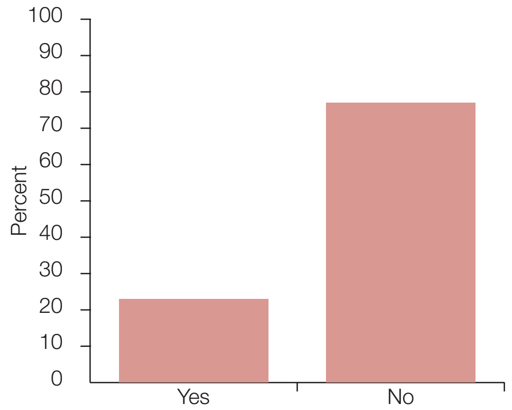
4.20 The data indicates that fewer applications are being made over the 10 years, the biggest fall being in 1992 at the time of the economic slump. The number of applications broadly follows the economic cycle, although unlike GDP and retail sales growth, the number of major retail applications decided fell markedly towards the end of the 1990s. This picture would be consistent with our analysis of retail trends, which suggests a polarisation of activity towards fewer, larger development proposals confined to the larger, more successful centres. Nationally, we have identified that the market share of the largest centres has been growing steadily over the last 20 years while the market share of smaller centres has fallen.

4.21 Over the decade, the proportion of applications granted increased steadily, with the highest level being achieved in 1999-2000. This is also consistent with our conclusion that developers and operators are being more selective, and concentrating on proposals which they consider are more likely to be supported by decision makers. This also suggests a fall in the number of speculative applications, which is likely to result from the tighter policy regime. Whilst indicating a greater degree of certainty in the planning process, this analysis suggests a falling number of applications for major retail development at a time when GDP and retail sales are both growing.

(II) EFFECT ON RETAILER/DEVELOPER CONFIDENCE

4.22 Our consultation indicated mixed opinions on the effect of PPG6 on levels of retailers' confidence and ability to plan: *'…planning is less of a lottery, but there is still wide interpretation of the guidance'*. These conflicting results suggest that, while delivering a greater degree of certainty (and subject to other, economic considerations), the policy may be acting as a constraint on the overall scale of new development being planned. Certainly, the findings of our survey suggest reduced confidence on the part of retailers and developers, as shown in Figure 13, although this may also reflect the fact that many of the respondents' programmes were based on out-of-centre expansion rather than attempting to work with the policy as others have done successfully.

Figure 13: **Has PPG6 increased retailers'/developers' confidence in planning their future development programme?**



Source: Survey of retailers and developers

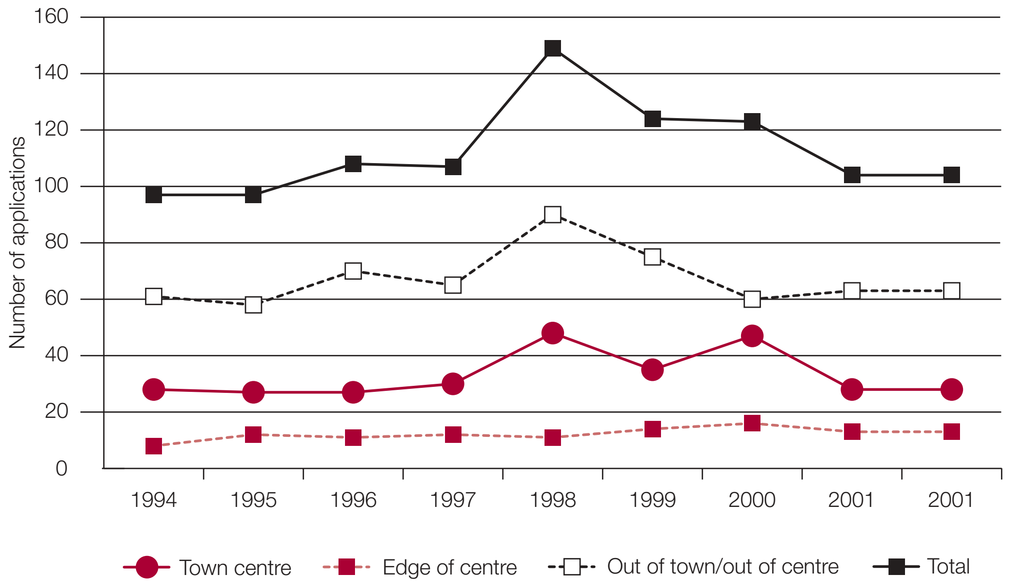
4.23 Another possible explanation for this phenomenon is that while imposing further constraints on out-of-centre development, our research suggests development plans are not necessarily being used as intended to deliver added certainty to in-centre proposals. PPG6 placed more emphasis on the role of local authorities identifying needs and allocating appropriate sites for new development, but retailers and developers are critical of the performance of many local authorities in this respect. They also identify a range of other factors that affect their confidence, even where they are promoting town centre investment. These include, inter alia, the risk of call-ins and judicial review, site assembly problems, conservation and design issues, and restrictions on parking and accessibility.

4.24 One major developer/institutional owner commented that it had begun to implement a programme of town centre developments that would not have progressed were it not for PPG6, other than in Central London, because shoppers prefer to shop in out-of-town locations. However, the company expressed frustration at the delays and lack of policy support for major town centre development – for example in the provision of town centre parking. Without further policy support, the company indicated it would consider switching its investment to more profitable sectors.

(III) EFFECT ON THE LOCATION OF DEVELOPMENT PROPOSALS

4.25 One of the key objectives of PPG6 is to focus development activity in town centres. While the evidence suggests an overall reduction in the volume of retail applications (albeit accompanied by a higher success rate) one tangible indicator of the success of this aspect of the policy is the location of planning applications. In the absence of any reliable national database for monitoring retail planning applications by location, which we consider is a key issue requiring better monitoring in the future, we have examined the position based on a sample of 20 local authorities.

Figure 14: **Total Number of Retail, Leisure and Mixed Use Applications by Location**

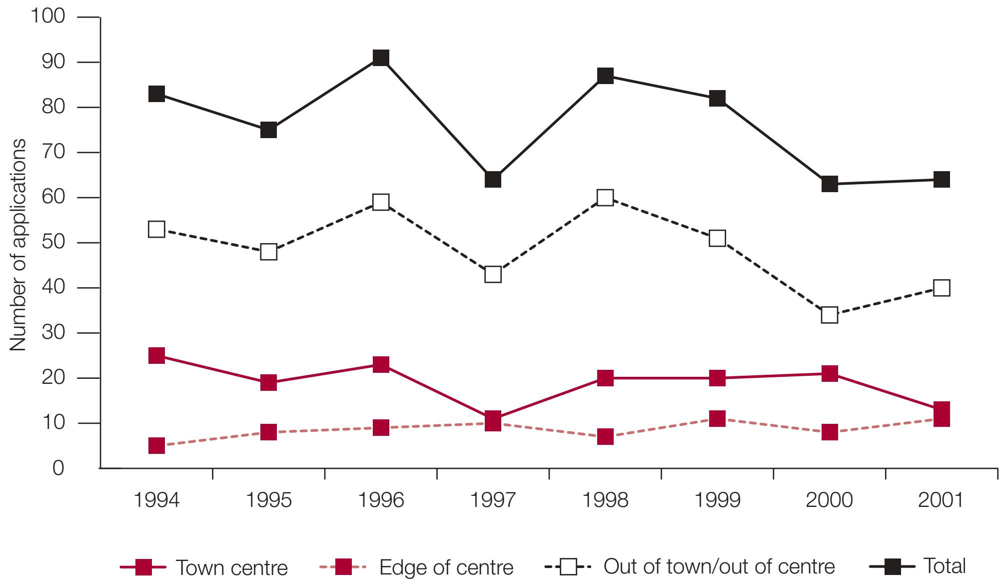


Source: Survey of Local Authorities

4.26 The sample data enables us to sub-divide all major retail and leisure applications received by location. Most of the activity has been in out-of-centre/out-of-town locations. Within our sample, the number of out-of-centre applications peaked in 1998 but has subsequently decreased to its lowest level. After a relatively inactive period between 1994 and 1997, the number of town centre applications increased between 1997-1998 but does not show any significant overall increase since 1996.

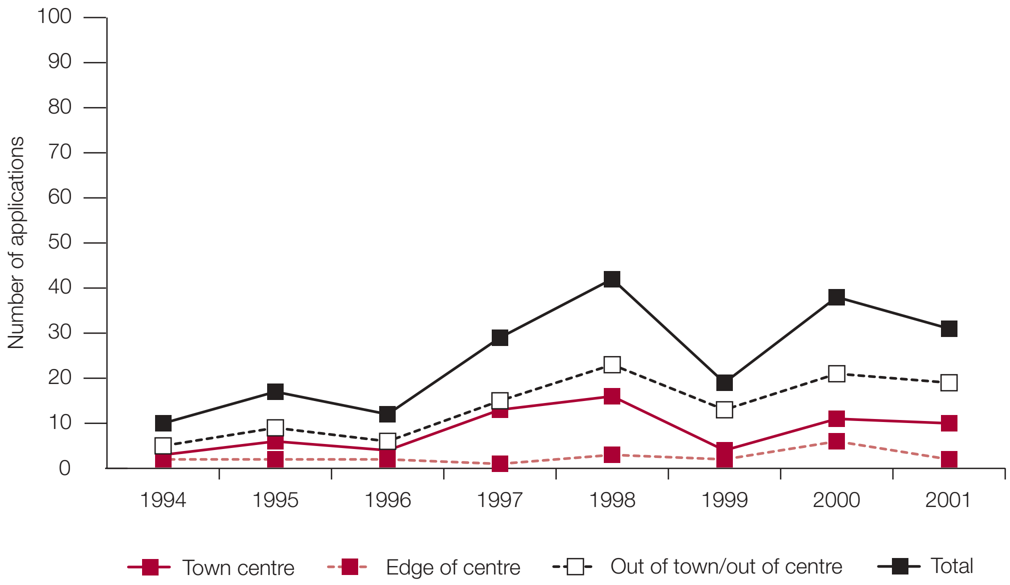
4.27 The survey suggests relatively few applications for retail and leisure developments in edge-of-centre locations over the decade with little obvious trend, although the number has slowly increased over time. The modest increase in the number of town centre and edge-of-centre applications, and marked reduction in the number of out-of-centre applications appears to support the conclusion that since the introduction of PPG6, there has been a limited shift of applications back towards town centres. However, given the time delay between the introduction of PPG6 and subsequent clarifications, it may still be too early to determine the longer-term effects of the policy. This is a key performance indicator, which requires further monitoring over the next few years based on a comprehensive data set.

Figure 15: **Location of Major Retail Applications**



Source: Survey of Local Authorities

Figure 16: **Location of Major Leisure Applications**



Source: Survey of Local Authorities

4.28 Within the overall pattern of a modest shift in the location of new development proposals, the total number of retail applications in our sample has decreased over time consistent with the ODPM/DTLR data, while the number of leisure applications has increased. There has been a pronounced reduction in the number of out-of-centre retail applications, but no equivalent increase in town centre applications. While this analysis is hindered by the absence of any accurate national database, it does not in itself provide any evidence of an increased number of applications for town centre development following the publication of PPG6.

4.29 The development completions and pipeline figures, considered later in this chapter, suggest a different picture. These suggest a significant increase in the volume of town centre development. However, for the reasons outlined, these are strongly influenced by a relatively small number of large schemes focused mainly in large centres. Overall, we do not anticipate any marked increase in the number of applications for development in smaller and medium-sized centres to date as a consequence of the policy. This is consistent with the concern expressed by many that the policy has been interpreted as a means of restricting out-of-centre development, rather than as a positive means of promoting new town centre development.

(IV) EFFECT ON DECISION MAKING – CALL INS AND APPEALS

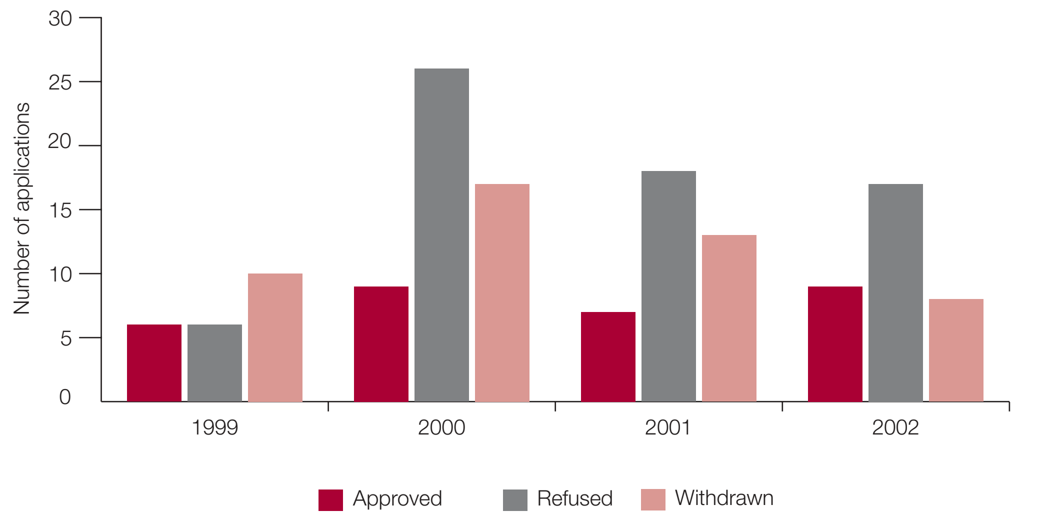
4.30 The Planning Inspectorate does not hold a complete record of cases; the onus is on the Government Offices for the Regions to notify the Inspectorate of the appropriate applications, and this procedure is prone to unreliability. From a number of sources – using primarily the incomplete records held by the Planning Inspectorate and supplemented by limited data from the ODPM – we have established a database of appeals and called-in applications.

4.31 This data is not reliable enough to include in this report as a basis for firm conclusions, but it indicates a trend in retail applications that is consistent with the remainder of our findings. Our research suggests that the number of appeals and call-ins increased in the first part of the decade to a peak in 1993-1994, and then fell to a low in 1998. Since the Ministerial statements tightened and sought to clarify the guidance in the late 1990s, the number of appeals and call-ins has increased rapidly to a secondary peak at the end of the decade.

4.32 This is consistent with our findings elsewhere in this report that uncertainty and a tougher decision-making line have contributed to a larger number of applications being called in or taken to appeal. It appears that retailers have sought to test the limits of the policy, and exploit the confusion surrounding its interpretation, while policy-makers have resorted to calling in more cases in order to rigorously enforce more recent policy clarifications.

4.33 More reliable data made available to us by the ODPM/DTLR, and illustrated in Figure 17, recorded over the calendar year (where ‘major’ includes all schemes over 5,000 sq m and where ‘retail’ is the primary land use), suggests a steep rise in the number of major retail applications being decided by the Secretary of State after 1999. It also indicates an increase in the number of applications being called in and refused. This confirms the perception by retailers and developers that the number of call-ins is increasing: 57% of those in our private sector sample who registered an opinion claimed to have been faced with a greater number of appeal and call-in inquiries as a result of PPG6 and its clarifications. 23% of local authorities also noticed an increase in call-ins.

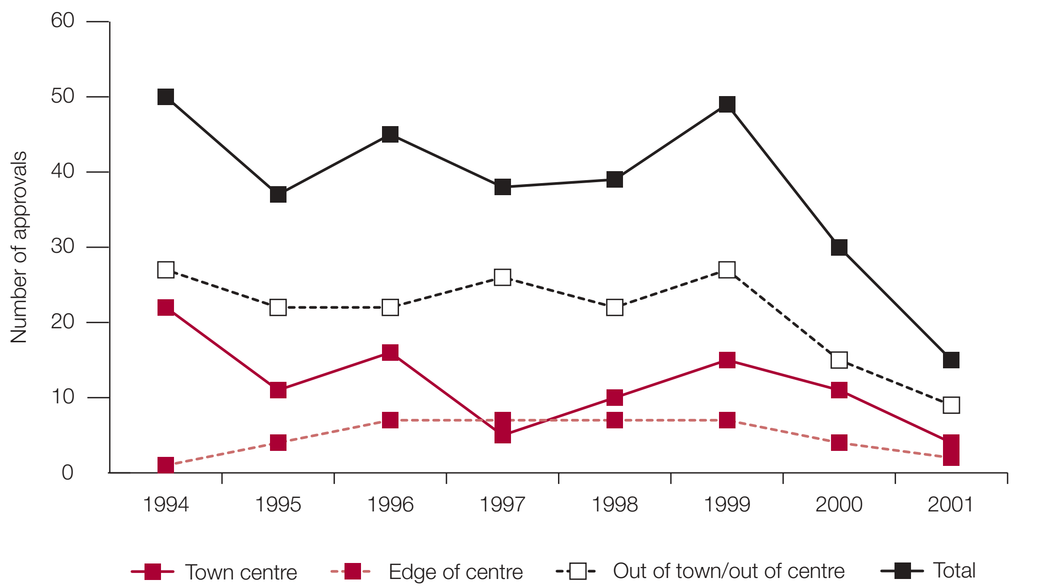
Figure 17: Major Retail Applications Called In and Decided



Source: ODPM

(V) EFFECT ON DECISION MAKING – LOCAL PLANNING AUTHORITIES

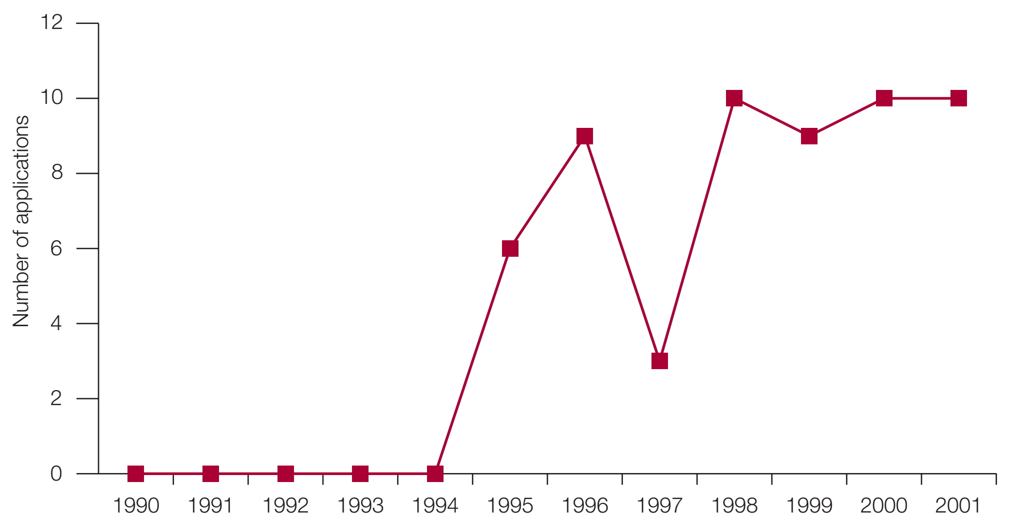
Figure 18: Location of Approved Retail Schemes



Source: Survey of Local Authorities

4.34 Analysis of planning decisions by location within the sample of local authorities, shown in Figure 18, reveals a steady decrease in the number of out-of-centre/out-of-town retail applications being approved. The number of town centre approvals has also decreased over the seven years, although there was a marked increase between 1997-1999. While this analysis is only based on a sample of 20 local authorities, the overall trend highlighted is consistent with the other findings of our research.

Figure 19: **Number of Applications for Extensions to Foodstores**



4.35 One of the reported implications of the falling number of applications and permissions for out-of-centre sites is that retailers have turned to extensions to existing stores as a means of expanding their operations without the need to apply for permission for new sites. In some cases, extensions have been achieved without the need for planning permission, by the introduction of mezzanine levels where there are no conditions governing the floorspace permitted. In others, stores have been extended outwards, and occasionally, upwards. Some have suggested that store extensions have become the alternative development programme in response to PPG6. At least one food retailer now has two separate development teams, for new stores and for extensions, each with their own targets.

4.36 In its report on Supermarket Competition, the Competition Commission recounts that its survey of local authorities revealed that 39 applications for extensions were submitted in 1997 and 1998, compared to just 20 in the whole of the preceding five years, and that there were no reports of applications for extensions being refused permission. Boots estimate that 81% of applications to extend foodstores succeed. Our sample also suggests significant activity in this area growing sharply in 1994 and in 1997, and remaining at a high level since. There are no reliable figures on a national basis to show the amount of additional out-of-centre floorspace created through this route since 1996. However, of the applications to extend foodstores identified in our sample, 92% were approved, and only 8% were refused.

4.37 This suggests that while the 1997 policy clarification on the application of the sequential approach to store extensions appears to have been understood, it has had little if any effect on the scale of additional, largely out-of-centre, floorspace created over the last five years. In many cases, this is likely to have led to the competitive position of existing out-of-centre stores being reinforced, potentially at the expense of established nearby town centres.

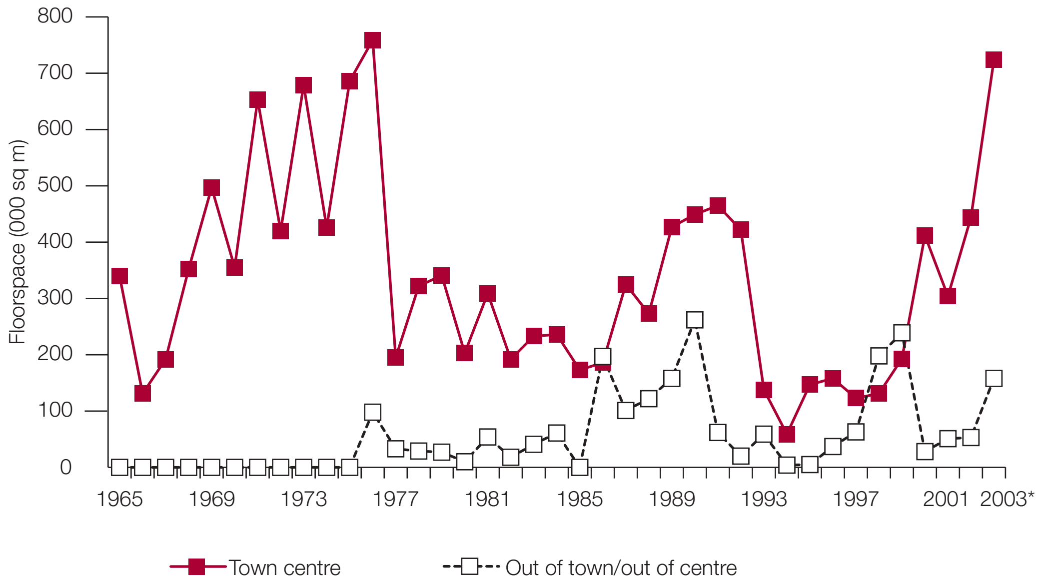
Analysis of Development Trends

4.38 Our analysis indicates that overall the number of applications for retail development has fallen. There is some evidence of a shift in focus towards town centres, but in the food sector in particular, there has also been a sustained programme of store extensions since 1997. Until a comprehensive database of planning decisions and sales data is available, and monitored over time, it will be difficult to gauge the overall effects of the policy. However, a number of databases have been used to examine trends in different sectors.

(I) SHOPPING CENTRES

4.39 CB Hillier Parker's annual floorspace completions data for all major retail development indicates that completions of town centre shopping centres were initially at a higher level than those of shopping centres in out-of-town locations. The former registered a slight increase in 1990 – 1991, whilst the latter fell dramatically. After 1991, shopping centre completions in both town centre and out-of-town locations fell and continued to do so until the middle of the decade. This is most likely due to the prevailing economic climate at the time, manifested in falling GDP and retail sales.

Figure 20: **Annual Floorspace Completions: All Major Shopping Centres[1]**



Source: CB Hillier Parker

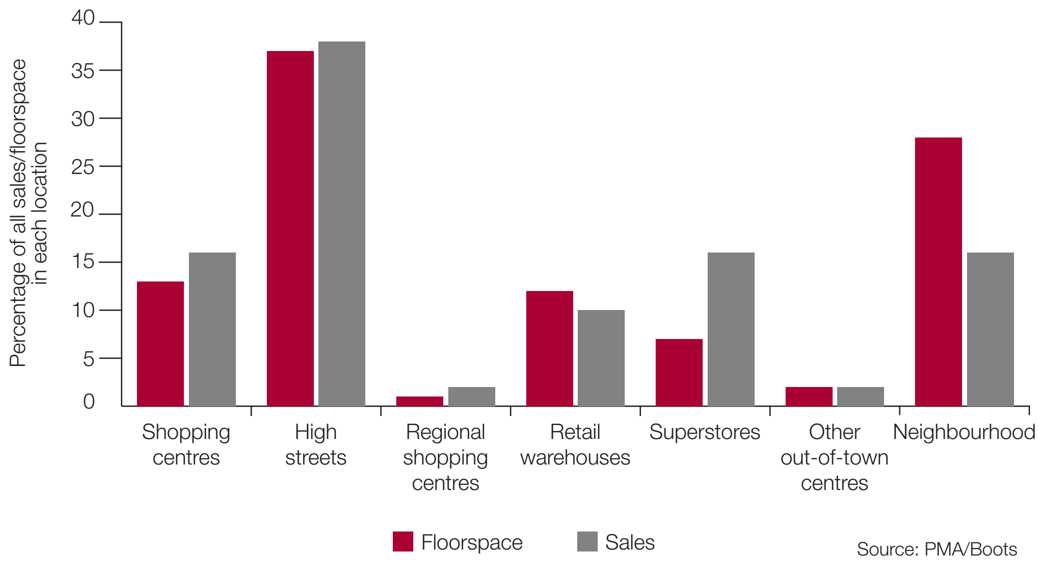
1. This data is from CB Hillier Parker's Shopping Master List 1965-2000, which defines 'Major Shopping Centres' as those over 50,000 sq ft (4,645 sq m) gross lettable area; built and let as an entity; comprising three or more retail units; and including a purpose-built pedestrian area outside component shops or being served (joint) parking facilities.

4.40 In the two years following the introduction of PPG6, and the resurgence of economic prosperity, both in and out-of-town development increased. Out-of-town shopping centre completions peaked in 1998 and 1999, reflecting the time lag involved in developing large out-of-town schemes, and the completion of major regional shopping centres granted permission prior to 1996. However, in 1999 out-of-town shopping centre completions fell noticeably whilst those in town centres increased equally dramatically. Looking ahead, the level of out-of-town shopping centre floorspace in the pipeline is negligible.

4.41 PPG6 appears to have been the major factor curtailing the growth in out-of-centre shopping centre development, and to have contributed at least in part to the parallel resurgence of town centre activity. However, much of this town centre activity is focused into large developments being promoted in the larger city centres like Sheffield, Liverpool, Bristol, Birmingham, and Nottingham. This will, over time, reduce the proportion of total floorspace out-of-town, and is perhaps the most tangible indicator of success of PPG6, although it may also reinforce the pattern of polarisation away from smaller and medium-sized town centres.

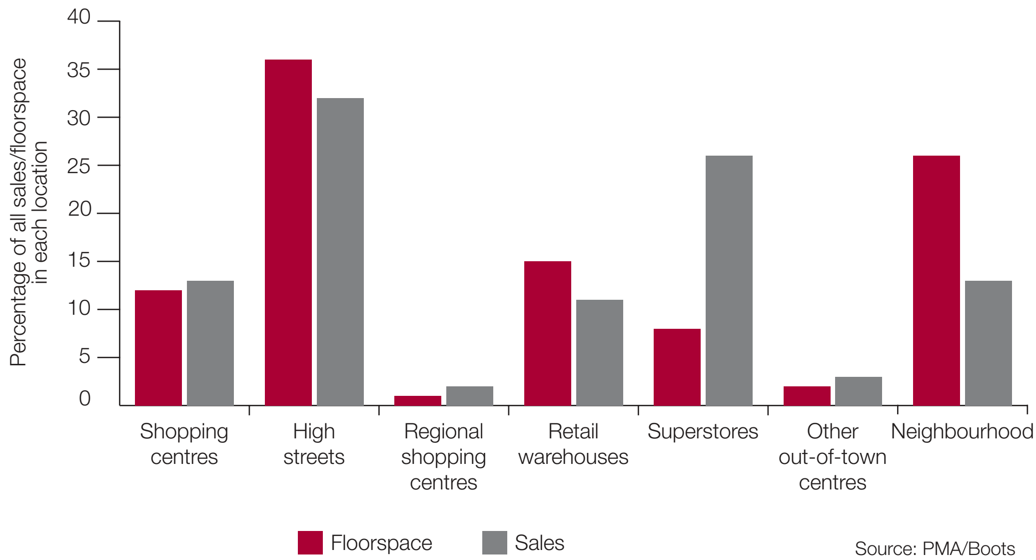
4.42 Whilst the pattern of new development shows the scale of the shift in development activity by PPG6, at the national level a different picture emerges when the changing distribution of retail sales (as opposed to floorspace) over the last five years is examined.

Figure 21: **The 1996 Position**



Source: PMA/Boots

Figure 22: **The 2001 Position**



Source: PMA/Boots

4.43 Data made available by Boots illustrates the proportions of sales area and floorspace by location for all retailers in 1996 and in 2001. Over this period the split of floorspace by location remains almost static, while the proportion of retail sales accounted for by shopping centres, high street locations and in neighbourhood stores fell as superstores grew their share of total sales. The most noticeable change was in the relative fall in the proportion of retail sales in high street locations, which fell from 38% to 32% while the proportion of floorspace remained constant. On this basis, the analysis indicates that overall the sales/floorspace ratio of High Streets and shopping centres fell, while the sales/floorspace ratio of superstores, in particular, grew significantly.

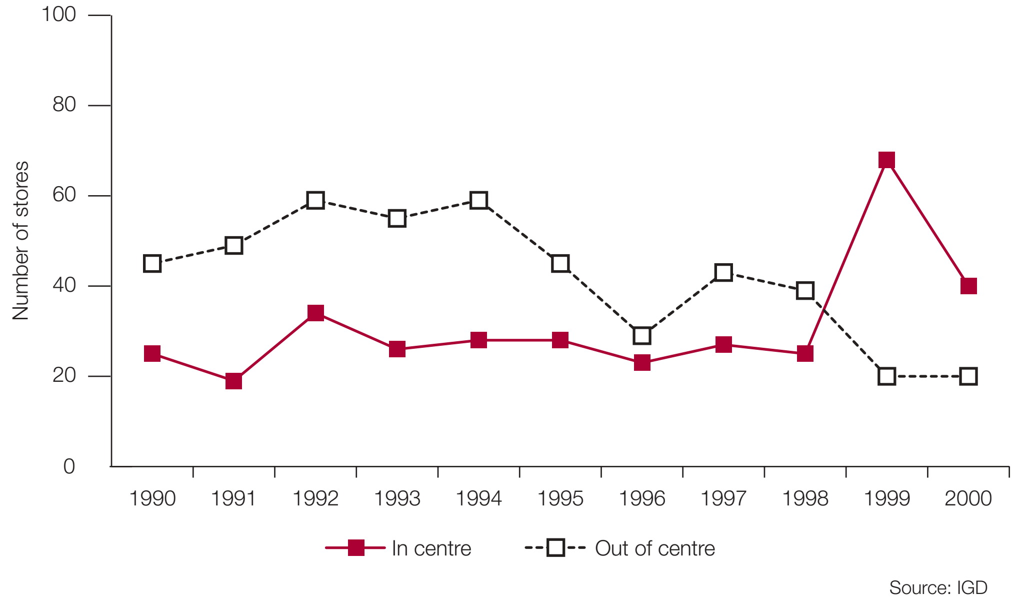
4.44 In practice, within this overall picture, we would expect the performance of the largest and most successful shopping centres and best high street locations to have improved. This is consistent with our analysis of rental growth in the largest centres. In these circumstances, the implications for the smaller and less successful centres, and for secondary retailing are likely to have been even more significant. These figures graphically illustrate the magnitude of the task of policy to redirect investment and shoppers back into smaller town and district centres. This illustrates the ongoing impact of out-of-centre development on town centres, and reinforces the justification for a strong policy response in PPG6.

II) FOODSTORES

4.45 In the grocery sector, data from IGD indicates that the number of openings of out-of-centre foodstores fell for most of the decade after an initial increase in the first few years. The number of out-of-centre store openings fell in the middle of the decade and again between 1998 and 1999. In-centre foodstore openings remained fairly constant during the first part of the decade, with a dramatic increase between 1996-1997. In-centre openings have subsequently remained comparatively high. This represents a reversal of the position of the sector in the first half of the decade.

4.46 The leap in town centre openings in 1996 does not relate to any great increase or decrease in economic prosperity, retail sales growth or demand for retail property according to our macro economic data; nor is there any dramatic increase – according to our sample – in the number of applications being submitted for town centre schemes. It is therefore reasonable to suggest on the basis of this data that one of the effects of PPG6 and its clarifications has been to focus the attention of food retailers increasingly on town centres, and to further restrict the development of new out-of-centre stores, reinforcing a trend which started in 1994. However, the policy has, to date, had little impact on the expansion of existing out-of-centre foodstores, or the further shift in sales in superstores and out-of-town shopping centres.

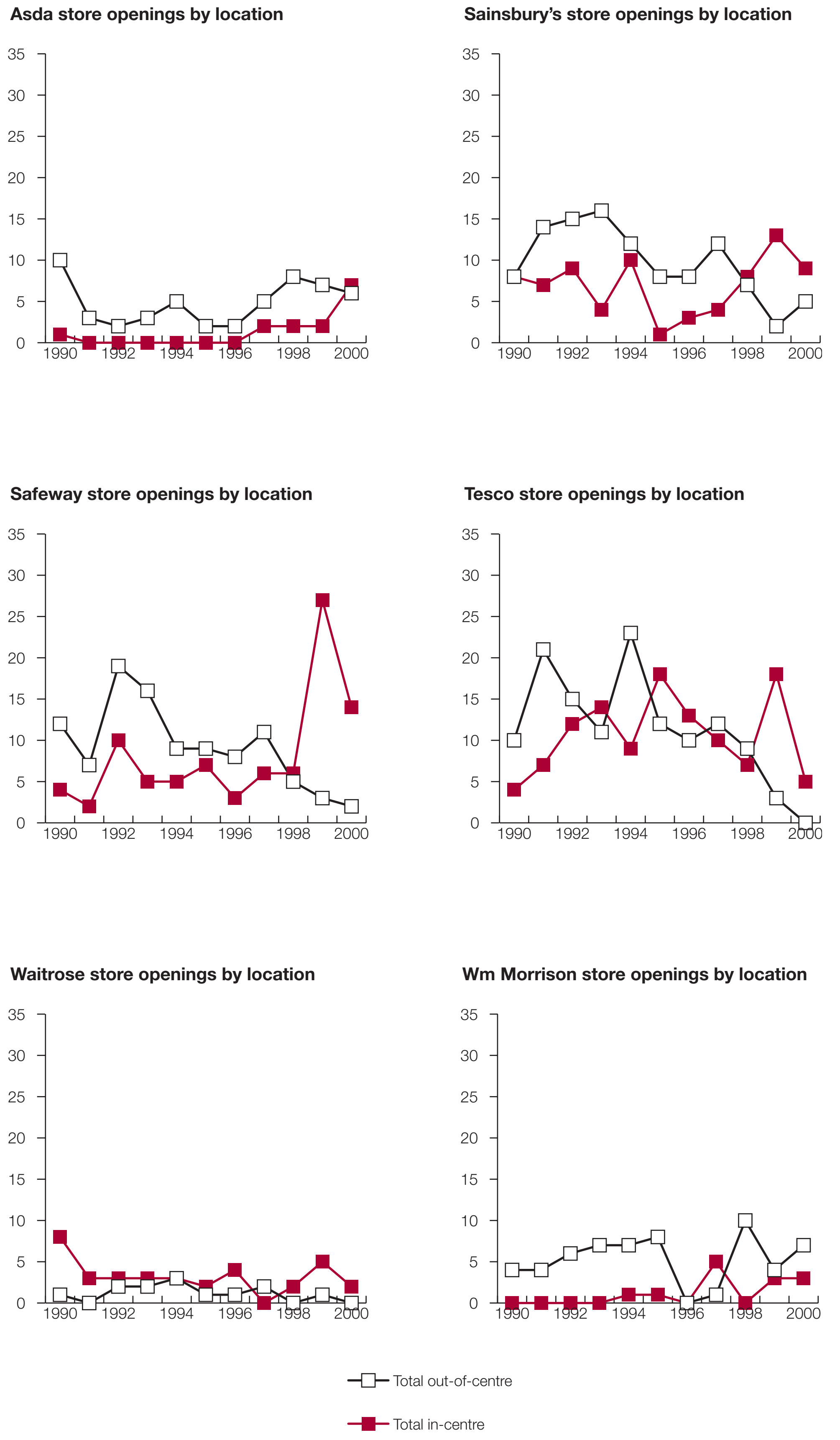
Figure 23: **Foodstore Openings (All major operators)**



4.47 While the overall pattern of foodstore openings suggests PPG6 has been effective, a number of additional factors have to be taken into account. First, many of the retailers indicate that market saturation in some areas has limited the scope for new out-of-centre superstores, while niche markets provide further opportunities for smaller stores in town centres. Second, for the reasons outlined earlier, the store extension programme of some retailers has to some extent offset the reduction in new out-of-centre openings. Third, and possibly as a consequence of these factors, based on the Boots/PMA figures, despite only a modest increase in floorspace, superstores increased their proportion of total sales from 16% in 1996 to 26% in 2001.

4.48 The analysis also conceals significant variations between individual retailers, and marked regional variations. Asda and Wm Morrisons which are both based mainly in the north of England, found their plans to expand southwards frustrated because they wished to develop large stores principally in out-of-centre locations, while the other main players consolidated their markets by generally smaller, infill stores and store extensions. Conversely, Morrisons and Asda have both been able to maintain a consistent openings programme of out-of-centre stores in the north, where regeneration and employment benefits are likely to carry more weight in the consideration of such proposals.

The Big 5 Supermarkets: In- and Out-of-Centre Openings



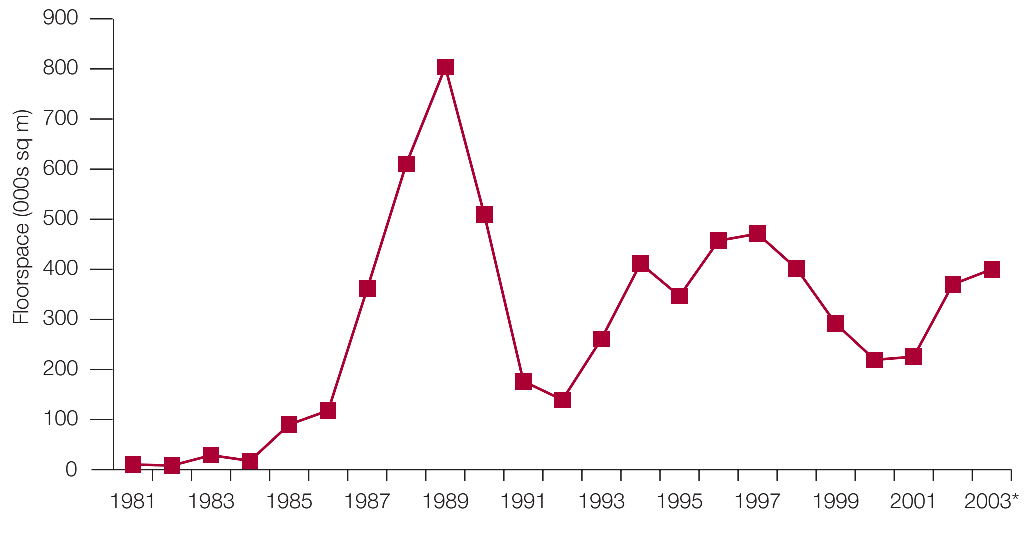
III) RETAIL PARKS

4.49 In the retail warehouse park sector, a sharp decrease in development is in evidence in the early 1990s, corresponding to poor economic conditions, which was then followed by a steady increase whilst the economy recovered as the decade went on. Unlike other sectors, retail warehouse park development recovered quickly from the economic slump of the early 1990s and remained high until 1997 when the amount of completions began to fall steadily from a peak of about 465,000 sq m in 1997 to about 230,000 sq m in 2000. Completions subsequently rose significantly in 2001-2003.

4.50 In the context of sustained growth in GDP and retail sales generally, and the commercial success of the retail park, the sharp reduction in retail warehouse completions between 1996-2000 appears to have arisen largely as a consequence of the impact of PPG6 and subsequent Ministerial comments, which have appeared to challenge the retail park concept. The policy requirement to consider whether retail park proposals can be 'disaggregated' with their component parts represents a significant policy hurdle to such developments. In these circumstances, the more recent resurgence in completions are more difficult to account for.

4.51 There are a number of examples of well-integrated edge-of-centre developments, such as Crown Wharf, Walsall, which illustrate a pragmatic solution to meeting retailers requirements.

Figure 24: **Retail Warehouse Completions**



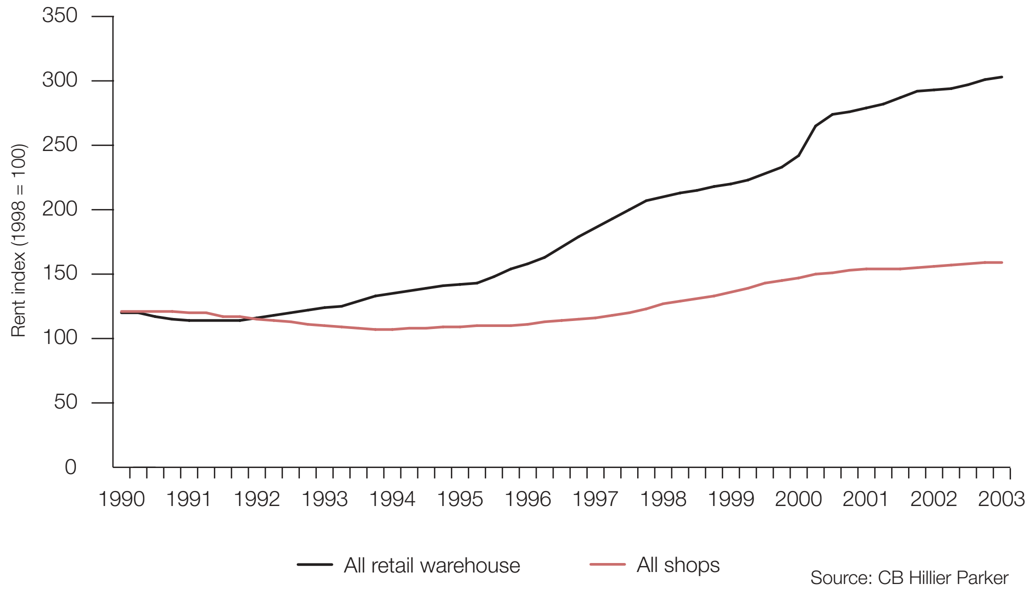
*Forecast

Source: CB Hillier Parker

4.52 To put the overall reduction in the retail park pipeline into context, however, the standing stock of retail warehouse parks and 'hybrid' parks (i.e. containing elements of fashion and other 'high street' retailing) totalled over 5.7 million sq m in 2000. Against the scale of existing stock, the decline in the level of completions between 1996-2000 is relatively insignificant. Furthermore, while there are no reliable figures for the scale of activity, the extension of existing facilities by the provision of mezzanines where possible, and 'trading up' of existing stock by refurbishments and variation of user conditions is likely to have added significantly to the performance of the existing stock.

4.53 There is little evidence that the restriction on the supply of retail parks has led to any widespread redistribution of activity back into town centres so far, although it is likely to have contributed to increased confidence amongst those promoting town centre schemes. At the same time, it has contributed to sustained rental growth in the retail warehouse sector, running well ahead of the 'all shops' rate. Rental levels for retail warehouses increased by about 140% over the course of the decade, compared to just 30% for all retail property. Paradoxically, this may have provided added impetus to the development industry to continue to exploit the remaining opportunities out of centre, rather than investing in town centres.

Figure 25: **Retail Warehouse Rental Growth**



Source: CB Hillier Parker

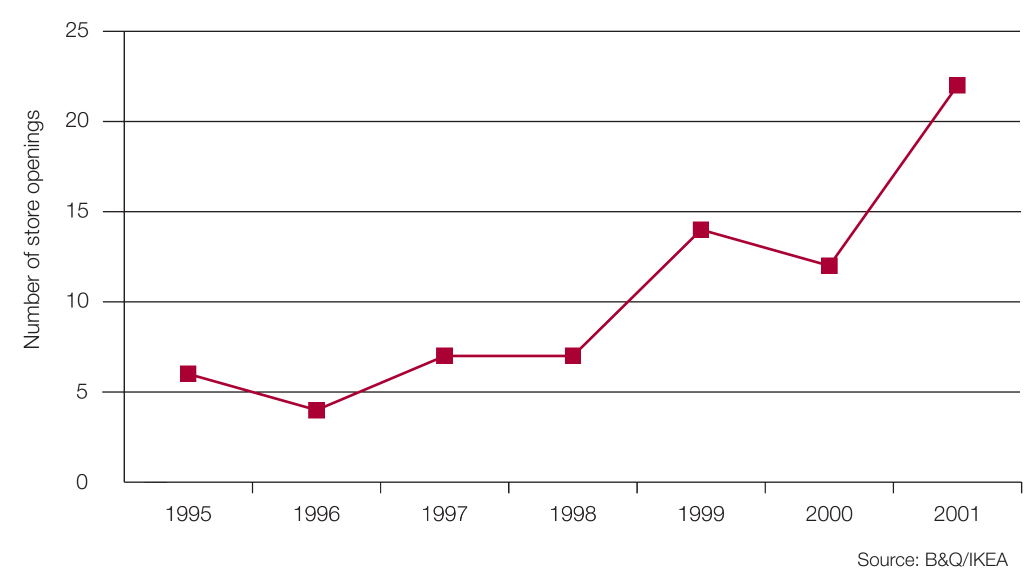
IV) SOLUS RETAIL WAREHOUSES

4.54 As the general trend for retail warehouse park openings has been downwards, the openings of new floorspace by large standalone retailers, typified by B&Q and IKEA, have increased. This increase of predominantly out-of-centre development contradicts the general trend, and illustrates how new formats of store that have evolved against the background of PPG6 have continued to be successfully developed despite the continual tightening of policy.

4.55 As a measure of the significance of the scale of solus development, by 2001 retail park completions had fallen to about 200,000 sq m from a level of about 500,000 sq m in 1996. Taking B&Q and IKEA openings alone, they accounted for about 100,000 sq m in 1999. It remains to be seen whether recent indications of a more rigorous application of the class of goods interpretation of the sequential approach will have any effect on their development programme. Certainly to date, based on our analysis, such proposals have generally not given rise to the same level of concern as more contentious out-of-centre comparison and convenience retail proposals.

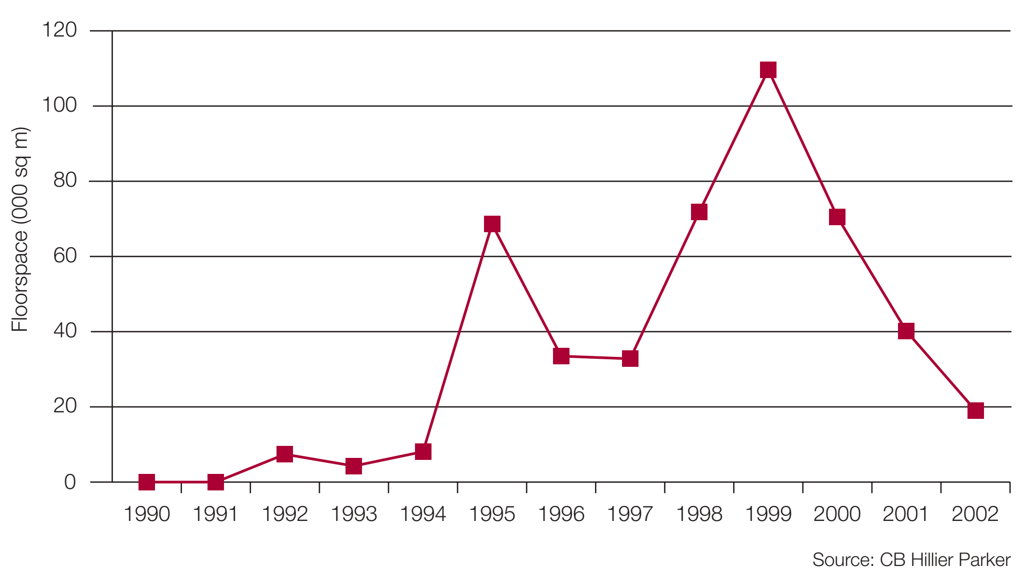
4.56 One of the consequences of this scrutiny may be that large format retailers are forced to re-examine their requirements. To date, retailers like IKEA have maintained relatively inflexible store specifications, determined largely by their commercial and operational requirements. However, B&Q has recently experimented by developing a two-level store on the edge of Sutton town centre in response to the limitations of the site, and has been experimenting with smaller stores, and twin stores in larger catchment areas such as Croydon.

Figure 26: **B&Q Warehouse and IKEA Store Openings**



V) FACTORY OUTLET CENTRES

Figure 27: **Factory Outlet Centres – Completions**

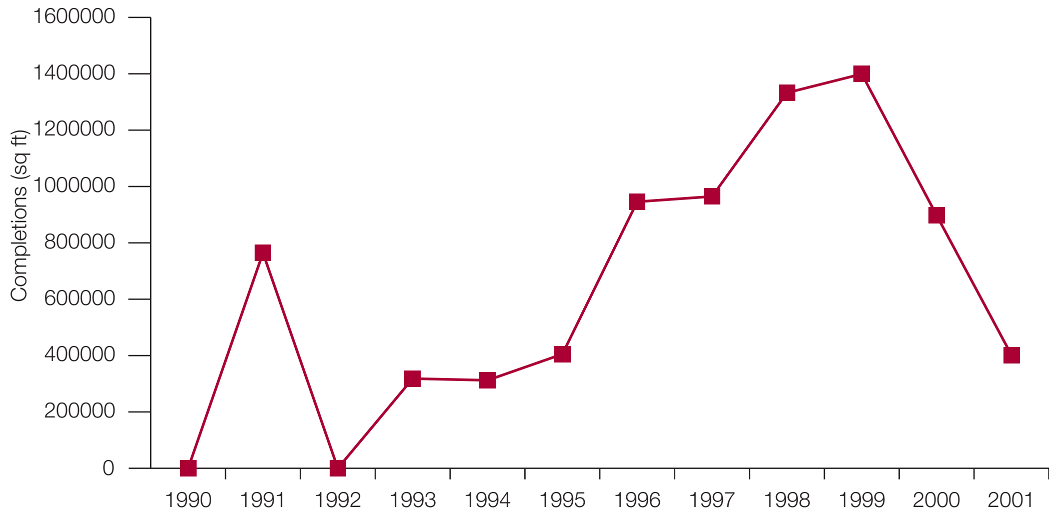


4.57 Data on factory outlet centre completions from CB Hillier Parker's Master List clearly shows the concept as a relatively recent one. Despite there being little or no development activity in this sector in the first part of the decade, there was a marked increase in the completion of FOCs between 1996-1999. This is likely to be partly due to unimplemented permissions being taken up. At 2000, there were 23 factory outlet centres in the UK, with a combined total floorspace of 430,000 sq m.

However, in 2000 the number of completions fell, which suggests the generally restrictive policy position in PPG6 is starting to take effect, and/or the sector is approaching saturation.

VI) LEISURE DEVELOPMENTS

Figure 28: **Top 50 Leisure Park Completions**



Source: FPD Savills/TW Associates

4.58 Our data on leisure park completions is based on a sample of the top 50 leisure parks in the UK in terms of size, in the absence of the availability of a complete data set for all leisure parks. According to this data, leisure park completions follow the established trend, falling at the beginning of the decade, rising subsequently to a peak around 1998, and a significant decline since 1999. There is no data available that classifies leisure parks into town centre and out-of-centre locations. A comprehensive database monitoring development activity is urgently needed. However, it is a reasonable assumption that the majority of such developments are out-of-centre. The pattern of completions similarly appears to follow that of out-of-centre development in other sectors falling in the years after the introduction of PPG6.

4.59 Locational data over time is not available for multiplex cinema development. Previous research by the DETR provides a snapshot of the location of major leisure developments, including multiplexes, which can be used to inform data from elsewhere on the number of multiplex openings. This shows the highest proportion of mixed leisure developments, including multiplex cinemas, took place in town centres, although taken together, edge-of-centre and out-of-centre schemes accounted for the majority of developments.

Figure 29: **Major Leisure Developments 1996-98 by location**

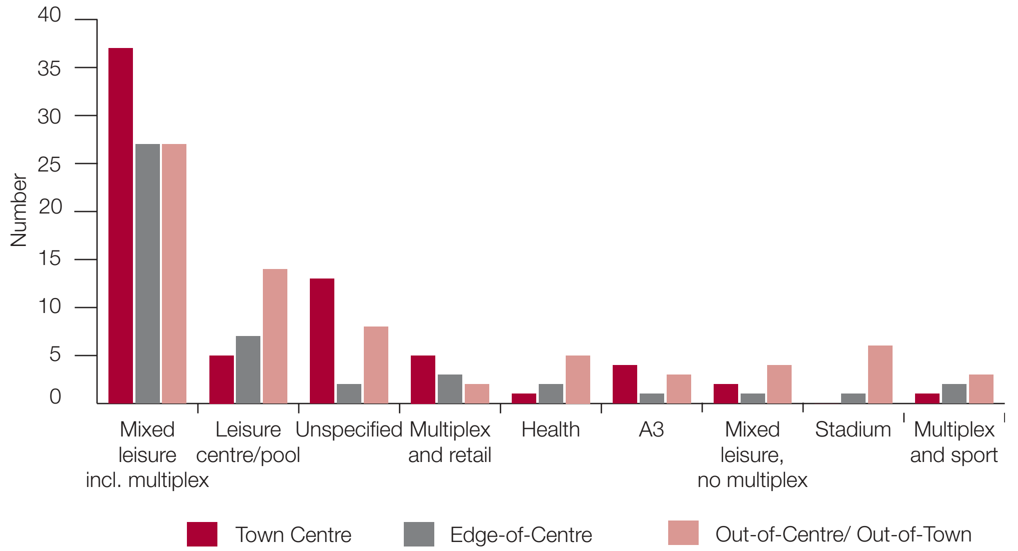
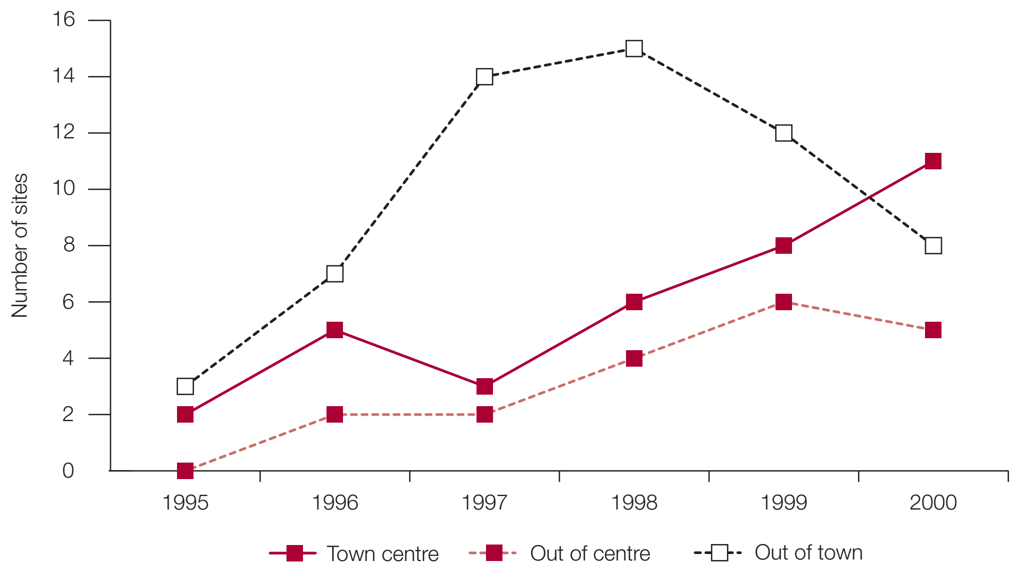


Figure 30: **New Multiplex cinemas by location**

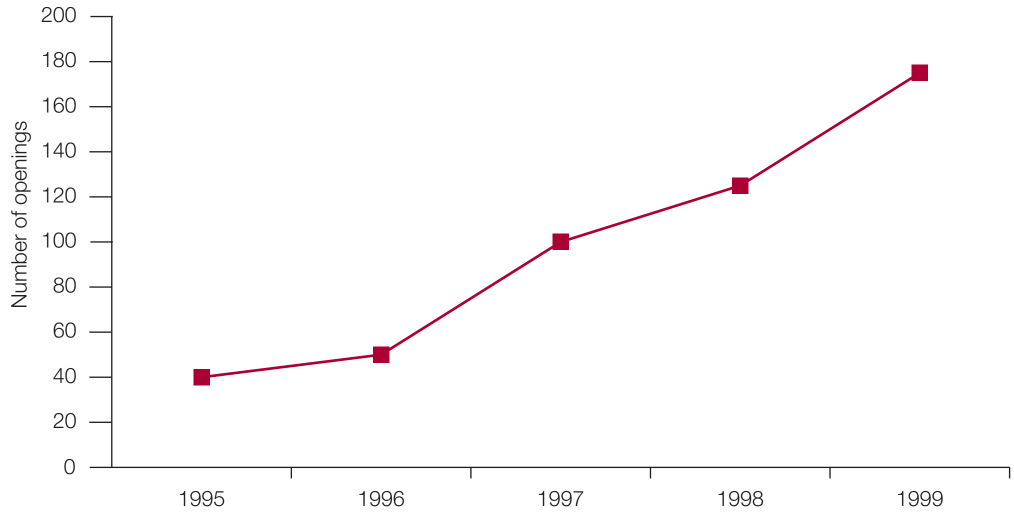


Source: Dodona

4.60 Data from Dodona Research shows a dramatic and steady increase in total cinema openings from 1995 onwards[76]. The locational pattern of openings appears to mirror that uncovered elsewhere, with town centre developments increasing in number at the expense of development elsewhere, particularly out-of-town sites. There is evidence that in the last few years there has been a resurgence in the level of new development taking place in town centre locations. In addition to policy considerations, this trend has increased in latter years due to changing market conditions – in particular the realisation on the part of operators that town centres represent a viable location for cinema development, and the threat of impending saturation of the multiplex cinema sector.

[76] Dodona Research, **Cinema Going 9**, 2001

Figure 31: **Health & Fitness Clubs Openings**



Source: Mintel

4.61 Data relating to health and fitness club openings is less readily available than that relating to retail and other leisure uses. Data from Mintel gives some indication as to the magnitude of increase in the number of openings of such facilities during the 1990s. However, the difficulty of classifying such development and lack of reliable data means that it is not possible to determine the location of openings. Based on the DETR research on leisure locations it might be concluded that a significant proportion of health and fitness club openings are in out-of-town or out-of-centre locations, although more detailed examination would be likely to reveal distinct differences between individual operators, depending on the facilities provided.

4.62 Health clubs are one of a number of forms of leisure development to which the policies of PPG6 appear to be applied in principle, but not in practice. Clearly disaggregation arguments, for example separating gym, swimming pool and racket sports facilities could be at least as relevant to this growing sector. There is clear evidence of the inclusion of health and fitness clubs within mixed-use town centre schemes, and health and fitness club operators have demonstrated a significant measure of flexibility. However, given the limited extent to which the tests in PPG6 have been applied to such uses, this appears to have been in response to commercial opportunities, rather than the effects of Guidance.

Summary

4.63 PPG6 has been operating against the backdrop of a fundamentally healthy and stable economy, and a constantly evolving retail sector. In parallel with major changes in the retail sector, patterns of retailing activity have continued to shift, most significantly reflected by the ongoing polarisation of comparison retail activity in fewer, larger centres, and the continued growth of the food superstore sector. The dynamism of the UK retail sector since 1996 highlights the need for flexibility and adaptability in policy guidance, and the difficulties of attempting to prescribe detailed advice which is all-embracing in its coverage.

4.64 Our research indicates that there has been an increase in the number of 'conforming' applications, as evidenced by the increasing approval rate for all retail applications, and some evidence of a tentative increase in number of applications for town centre retail development. Retailers and developers appear to be altering their development strategies and store formats to keep them in line with PPG6.

4.65 The location of development gaining planning approval appears to reflect this general trend. One of the clear effects of PPG6 has been to bring about an increase in the number of refusals of applications for out-of-town development. However, concerns about the lack of positive planning and failure to promote sites in town centres appear to be justified by the absence of a clear corresponding increase in the number of applications in town centres.

4.66 There have been criticisms that the policy is applied inconsistently and that this creates uncertainty. At the national level, however, there is a marked increase in the success rate of applications and appeals, although there has also been an increase in the number of call-ins. Overall, despite the widespread claims of confusion and inconsistency in PPG6 and its clarifications at the national level, it is delivering more predictable outcomes.

4.67 There is a widespread perception that PPG6 has led to significant changes in the pattern of retailing, and to a lesser extent leisure development, within the UK over the last five years. However, demonstrating clear evidence of the effectiveness of the policy, as distinct from wider economic trends, is more problematical. There are a number of reasons for this:

- The research has highlighted the lack of comprehensive data covering planning applications and decisions from which to determine the scale and location of proposals, and a lack of consistent fully up-to-date data on the changing pattern of floorspace and retail sales.

- While PPG6 in its current form was published more than five years ago, our research suggests that in some areas, subsequent Ministerial clarifications in 1999 and 2000 are likely to have had a more profound impact on development patterns, but have yet to fully manifest themselves in changes in the development pipeline.

- Given the size of the standing stock of retail and leisure floorspace in the UK, and well-established shopping patterns and the customer preference for the convenience of the car and the use of out-of-centre destinations, even radical changes in the location of new development and investment are unlikely to feed through into changing shopping patterns at the national level, particularly over such a short timescale.

- Following the severe recession of the early 1990s, the UK economy in general, and the retail sector in particular, have witnessed sustained growth since 1997. This resurgence of public confidence, and significant growth in high street sales over the last few years has created the conditions for retail expansion and underpinned investment decisions in town centres, which may have occurred to some extent irrespective of the policy.

CHAPTER 5

Has PPG6 Been Effective?

Introduction

5.1 It may be too early to judge the long-term effects of PPG6, and measure how effectively it is delivering the Government's objectives. The lack of fully reliable data or key Performance Indicators makes measurement of policy performance against the Government's four stated objectives difficult. In the absence of quantifiable measures, several questions emerge from our research:

- Are the objectives of the Guidance clear and consistent?
- Has the Guidance changed development patterns, and encouraged more investment in town centres?
- Has the policy been applied uniformly to the sectors to which it was intended to apply?
- Has the Guidance been used as a positive planning policy to promote new development through a plan-led system?
- Are the key criteria of need, the sequential approach, and impact understood and applied consistently?

5.2 One of the recurring themes of this research, which may partly account for this, is the failure of those operating the planning system to act on the key positive messages in the Guidance: in particular, the need to provide a 'positive framework to encourage appropriate investment', and to 'enable town centre development by facilitating site assembly'. As a consequence, as development control policies have restricted new out-of-centre development, the system has failed to deliver sufficient central opportunities on which to meet the continued demand for retail, leisure and other developments.

5.3 In this section, drawing together this and the other themes which have emerged in the course of our research, we set out our conclusions on the effectiveness of the policy, and recommendations for improving the clarity and effectiveness of policy within the forthcoming revised guidance and good practice guides.

Are the Objectives Clear?

5.4 Our consultation has highlighted some difficulty in reconciling the stated objectives of PPG6 with each other and with the Ministerial Clarifications. There is a highly-polarised debate about the relative importance of each objective. While there is no explicit prioritisation in the guidance note, it is evident from the pattern of decisions and Ministerial Clarifications that the objectives are by no means being applied with equal importance. It is also evident that other important policy objectives, notably urban renaissance and social inclusion, are not explicit in the guidance.

5.5 The first objective, to *'sustain and enhance the vitality and viability of town centres',* appears to be the fundamental and overarching objective of the guidance. Many consultees regard this as the principal goal of the guidance, within which the remaining objectives operate. Our analysis of development trends suggests some improvement in the prospects for town centres, and specifically larger centres, but it is difficult to distinguish the direct effects of PPG6 from those of the performance of the economy. This is compounded by a lack of data and time lags in the planning process. Decisions have contributed to a general shift of new development activity to town centres, but this is not matched by a similar shift in sales, which continue to grow in out-of-town locations.

5.6 Our analysis of planning decisions and completions appears to suggest that the second objective, *'to focus development, especially retail development, in locations where the proximity of businesses facilitates competition from which all consumers are able to benefit and maximises the opportunity to use means of transport other that the car',* is being achieved successfully. A number of consultees, including BRC, have argued that the policy focus on 'town centres' ignores the fact that in some cases, other options may be more sustainable. The fact that the objective does not specifically refer to 'town centres' indicates that in some circumstances, other 'centres' may be appropriate locations in which to focus development. However, this objective has to be read in conjunction with the overall focus on town centres.

5.7 The third objective, *'to maintain an efficient, competitive and innovative retail sector'* caused the most controversy in our consultation. This objective appears to be considered to carry less weight than the others: it is being pursued in decision-making only to the extent that it is consistent with other objectives. It is clear from the example of Matalan that the promotion of efficiency, competitiveness and innovation in the retail sector may in some cases be difficult to reconcile with the other objectives of the policy. Conversely, we have heard arguments to suggest that the restrictions imposed by PPG6 and its clarifications have, in fact, fostered innovation – for instance in the case of smaller, town centre foodstores being developed by Sainsbury and others, and have forced operators to improve the efficiency with which existing floorspace is being used, as discussed in the McKinsey report.

5.8 The final objective of PPG6 is *'to ensure the availability of a wide range of shops, employment, services and facilities to which people have easy access by a choice of means of transport'.* The fact that operators have been able to develop new formats and concepts in order to meet consumer demand suggests that this objective has been maintained over the last five years. However, the evidence of a pattern of retail polarisation, and of limited activity in small and medium-sized centres may have implications for social inclusion. The whole issue of access to local shopping facilities warrants further detailed consideration. It is currently the subject of wide ranging studies being carried out in Birmingham and Manchester.

5.9 Overall, the four key objectives of PPG6 are widely supported and regarded as relevant. However, it may be appropriate to clarify the need to interpret the objectives as a whole, rather than individually. Specifically, it may also be relevant to clarify that the third objective is to be pursued only in as far as it is consistent with the other three objectives.

Effect on Development Patterns

5.10 In the comparison retail sector, one of the most marked effects of PPG6 has been to effectively bring to an end the supply of new regional shopping centres. As a consequence of the time delay in the effect of policy, several new RSCs, such as Bluewater, have opened since 1996. They continue to be a phenomenal success, and as a consequence we expect to see their sales performance and market share continuing to grow for several years. However, our pipeline figures demonstrate that with no out-of-centre alternative, the mainstream high street comparison sector, underpinned by the principal department and flagship store operators, has firmly refocused itself on traditional town centres.

5.11 While PPG6 has clearly contributed towards a shift in mainstream comparison development activity back towards the high street, the effect of retail trends and consumer demands, and the economics of town centre development have led to the concentration of retail and mixed-use development activity into fewer, larger schemes within major centres. Major schemes including West Quay (Southampton), The Oracle (Reading), and Touchwood (Solihull), have opened within the last two years. CB Hillier Parker research suggests that the highest levels of rental growth during the last few years have been in the largest shopping centres. While these have performed well, the PMA figures suggest that overall the proportion of sales achieved by high streets has fallen since 1996. This suggests that the performance of many small and medium-sized centres may have deteriorated since the publication of PPG6, although there is no empirical evidence to support this.

5.12 In the retail warehouse sector, the evidence suggests that the supply pipeline has fallen, and there are examples of new edge-of-centre retail warehouse developments, which successfully combine the benefits of this format with a more central location. However, given the level of standing stock in the retail warehouse sector, and the inconsistent application of planning conditions in the past, we consider there is likely to be considerable scope within the terms of current consents and through redevelopment/refurbishment to bring about further opportunities for more traditional comparison retailers to pursue their expansion plans in out-of-centre locations. Boots is one of a number of traditional 'high street' retailers to pursue retail park locations. This is unlikely to affect the strong and improving position of the major regional and sub-regional centres, but it may have a more pronounced ongoing impact on smaller and medium-sized town centres.

5.13 While PPG6 and Ministerial clarifications have reduced the retail warehouse park pipeline, to date, the policies have not acted as a significant impediment to the growth of a limited number of 'freestanding' retailers in the traditionally bulky DIY, home improvement and furniture sectors. Some recent appeal decisions have suggested a more rigorous application of the 'Class of Goods' interpretation of the sequential approach may be resulting in a closer scrutiny of retailers like B&Q and IKEA, although the role for larger units selling genuinely 'bulky' goods retailing appears to be widely recognised.

5.14 In the convenience sector, there is mixed evidence of the effectiveness of PPG6. Overall, there is evidence of an increase in openings of town centre stores and neighbourhood stores, and a significant decline in the pipeline of out-of-centre stores. However, this trend has been by no means universal. Superstore operators have found it easier to develop large stores in the North, where employment and regeneration considerations have carried more weight. Conversely, northern-based retailers like Asda and Morrisons have been unable to expand as quickly as they would like in the South, where Tesco, Sainsbury's and Safeway are already well established.

5.15 Some retailers have adapted their formats in response to market opportunities and the guidance in PPG6, the consequence of which is a number of smaller centres have been able to attract new foodstores. A good example is Sainsburys' development programme. However, the development of smaller, innovative retail formats has gone hand in hand with the implementation of significant store extension programmes from Sainsbury's and Tesco, the latter pursuing a strategy of diversification into more non-food sales. Foodstore extensions appear to have been largely unaffected by the policy guidance. Similarly, our research suggests that there has been significant growth in the number of discount food retailers and forecourt sales, which have typically fallen below the threshold, identified in PPG6 (2,500 sq m) and have attracted little scrutiny.

5.16 While the evidence of greater flexibility on the part of some food retailers appears to be a tangible measure of success of the sequential approach, it needs to be put into context. According to PMA figures, food superstores have extended significantly their market share over the last five years, and continue to extend the range of non-food goods sold in their largest stores to encroach on traditional high street sectors, including CDs, clothing, kitchenware, toys and electrical goods. Again, the centres that are likely to be most vulnerable to this trend are smaller market towns and traditional district centres. At the national level, there is no evidence of any marked shift in convenience shopping activity back into small and medium-sized town centres. However, there are numerous specific examples where the operation of a sequential approach in the policies in PPG6 has brought about new investment in smaller town centres and district centres.

5.17 In summary, there is clear evidence that PPG6 has changed retailers', developers' and investors' perceptions. It has brought about a modest shift in activity towards established town centres, and has facilitated and encouraged innovation by retailers and developers, within town centres. In the retail sector, the policy has proved effective within its inherent limitations, the most obvious being the scale of existing and committed out-of-centre floorspace pre-1996.

Scope of the Policy

5.18 The restrictive policies of PPG6 and its clarifications have been understood by all of the key stakeholders. The guidance has been effective in that few of our consultees claim not to have changed the way in which they plan for retail development. There is more ambiguity surrounding the application of the guidance to leisure and 'other town centre' uses, however. While the guidance is seen as relevant or highly relevant to a number of uses other than retail, with the exception of cinemas, operators and local authorities have generally had little regard to the guidance in practice.

5.19 Given the expressly-stated scope of the sequential approach, it is surprising that decision-makers have given the policy only limited consideration in determining applications for employment, leisure and other town centre uses. This appears to have been caused by the clear perception identified by our consultation process that PPG6 relates mainly to retail. It is possible to foresee a range of practical difficulties arising from the application of the policy to other uses, as identified by Business in Sport and Leisure. How, for example, might competing demands on town centre space be reconciled in the context of a sequential test that must be applied to retailing, offices, residential, affordable housing, leisure and civic or community uses?

5.20 Precisely because of this issue, and the increased focus on mixed-use development, we consider it is important that the scope of the policy continues to encompass all 'key town centre uses'. We see town centre strategies, advocated by PPG6, as having an essential role in assessing priorities and competing demands for key town centre sites. There is clear evidence that the guidance on some other uses is currently regard as inadequate. However, we would question whether it will be appropriate within the revised version to include prescriptive policy guidance for the whole range of retail, leisure and other uses. We consider the main thrust of the policy should be to state the general principles which will apply to all key town centre uses.

5.21 As well as giving rise to questions about the broad scope of the guidance, our consultation suggested that there is a significant degree of overlap between PPG6 and other PPGs. Our interviews and focus groups consistently suggested that certain elements of the guidance should be addressed elsewhere; transport was frequently mentioned in this context. One of the reasons for this overlap has been the time taken to produce new PPGs, as a consequence of which the 'most current' PPG has tended to provide a vehicle for updating aspects of older guidance. This would be resolved by more regular, concurrent guidance updates. Adopting this approach, issues that might be more usefully dealt with in separate guidance are transport, design, retail development on land allocated for other uses, and environmental impact.

Positive Planning Through the Plan-Led System

5.22 At the regional/strategic level, the focus on major developments in fewer, larger centres and the issue of 'emerging' town centres both suggest a need for more effective regional policies. Our research suggests this has been a major failing in the implementation of PPG6. Regional policies should be based on sound research, to examine the sustainability of existing hierarchies and the capacity for change, and provide clear guidance as to the appropriate role of different centres and scale and form of development likely to be appropriate in each. This would be consistent with the role for Regional Spatial Strategies and Sub-Regional Strategies identified in the Green Paper.

5.23 Our research suggests that at the local plan level, many authorities have adopted the advice in PPG6 to consider existing provision, need and demand, and identified locations and sites for new development. However, the system has been widely criticised on a number of counts. First, the slow and cumbersome local plan process is criticised as being incapable of addressing the needs of a dynamic sector like retailing. Second, need assessments have been criticised and sites identified by local authorities are often not regarded by retailers as suitable. Third, while many authorities are prepared to consider need and allocate sites outside the largest centres, there has been less progress towards proactive measures to bring sites forward, for example, through more widespread use of CPO powers.

5.24 Section 2 of PPG6 deals with planning for town centres and town centre strategies. It is presented in such a way that it is largely perceived as good practice guidance, rather than policy. Many of our focus group participants discussed removing Section 2 wholesale. This perception goes some way to explaining why relatively few local authorities appear to have adopted its provisions, and taken on board its good practice advice. The general consensus that PPG6 is a useful and effective development control tool is illustrative of the way in which some local authorities regard this section. Few appear to have taken a positive and proactive approach to planning for town centres and prepared town centre strategies or development briefs for key sites.

5.25 Whatever the reason, (and our research has identified many, including lack of resources, technical skills and lack of political commitment to promoting 'contentious' town centre development), this rates as one of the most significant failings of the policy to date. By effectively curtailing the scope for further out-of-centre development, and bringing about greater flexibility and realism by some retailers and developers, the policy has created better conditions for bringing forward more town centre development. However, a consistent conclusion of our research is that, with some notable exceptions, these opportunities have not been followed through in the way PPG6 envisaged.

5.26 Our research has highlighted a number of examples of outstanding successes as a result of effective public/private partnerships. Major successful schemes like West Quay (Southampton), The Oracle (Reading) and Touchwood (Solihull) illustrate what can be achieved in centres in areas which have in the past been the subject of pressure for major out-of-centre schemes. Other exciting schemes currently nearing completion like Festival Place, Basingstoke, demonstrate what can be achieved by effective public and private partnership and a local authority with clear vision and the commitment to see it through. Beacon Councils like Birmingham and Croydon and others including Sheffield and Manchester, are also planning exciting new developments as part of a clear vision for their centres.

5.27 At a smaller scale, other notable successes include Eccles, where Salford City Council grasped the initiative to promote and assemble a site to accommodate a new quality town centre superstore. This was in response to an identified deficiency, and to address the problems of what was a declining centre.

5.28 Supported by PPG6, the City Council resisted proposals for out-of-centre foodstore development which could have brought about the relocation of Morrisons, the main town centre anchor store, and identified a site within the centre, partly owned by the Council and partly owned by a number of other interests. Based on a planning brief, the City Council secured the commitment of a retailer and successfully promoted a CPO on the site. The site has now been developed to provide a new quality Morrison's superstore, fully integrated into the centre and linked by the new tram link, providing a key catalyst for the regeneration of the centre.

5.29 This is an excellent example of the practical application of the guidance, and the need to match a restrictive anti 'out-of-town' policy stance with a proactive approach to providing in-centre opportunities. However, we have found relatively few other examples of the success of positive strategies promoting development in smaller centres. Our research suggests that more needs to be done to translate these conspicuous examples of successes into a more widespread renaissance in town and district centres.

The Key Policy Criteria

(I) NEED

5.30 Since the requirement for need to be demonstrated was introduced by Richard Caborn's statement in 1999, the concept has been actively adopted by decision makers. However, there is also an almost universally-held view that by not defining the factors that might constitute need, the clear policy message that need is a relevant factor in the development control context has become confused by conflicting views on how it should be defined.

5.31 We consider that there is a case for further clarification on the question of need. Further guidance is needed to identify those factors that may constitute a need, whilst retaining an element of discretion for the decision maker to determine the weight that should be attached to each. To simplify the process, the guidance needs to identify the factors likely to indicate a retail or leisure 'need', and distinguish them from what may more appropriately be defined as 'other material considerations'.

5.32 We also consider such guidance should more explicitly recognise the link between need and the sequential approach. In particular, need assessments should be required to identify the type of retailing which is required, the geographical area of need, and the timescale within which the need should be met, in order to clarify the appropriate interpretation for the sequential approach in terms of the suitability, viability and availability of alternative sites.

5.33 We anticipate that examination of need will be carried out at a number of different levels at the regional and sub-regional level to determine the appropriate role of different centres and the scale of retail development appropriate in each; and at the LDF level to consider the specific requirements of town and district centres and local shopping needs. The findings of the Social Exclusion Unit, and the large number of cases involving the definition of 'local' shopping needs suggest that this issue, in particular, warrants further clarification in the revised guidance policy and in good practice guidance.

(II) THE SEQUENTIAL APPROACH

5.34 The sequential approach has had a significant impact on the location of new retail development. Our survey of development trends indicates that since its introduction, it has contributed to a modest increase in the level of development activity and proposals in town and district centres, as well as a tailing-off of the number of out-of-town proposals in the development pipeline. The increase in the success rate of applications also appears to point to an increase in the certainty with which applications can be submitted.

5.35 However, our research has identified a number of areas of confusion. As currently drafted, the policy indicates that edge-of-centre sites are sequentially preferable to district centre locations; it is also argued that the definition of 'edge of centre' within the guidance and Annex is inconsistent. More generally, our research suggests there is still scope for further clarification relating to the definitions, and the meaning of suitable, viable and available within a reasonable timescale. In practice, we consider a clearer definition and identification of need would go some way to addressing these concerns.

5.36 There are widely-held concerns about the application of the class of goods approach and its application to some sectors. These are not only expressed by retailers promoting large format stores; Planning Inspectors and local authorities are also unsure how far the principles embodied in the approach should be taken in practice.

5.37 Our research suggests that the concept is readily understood. However, the recent cases involving large DIY stores, in particular, have given rise to claims that the requirement for retailers to demonstrate 'flexibility' is not being dealt with on a consistent basis. Given the fact that it is theoretically possible to sell any goods within a range of shop units within a town centre, the literal interpretation of the class of goods approach would appear to be at odds with the acknowledgement in PPG6 at paragraph 3.3 that 'some types of retailing such as large stores selling bulky goods may not be able to find suitable sites within or on the edge of such centres'.

5.38 The key issue appears to be where to strike an appropriate balance between legitimate operational and commercial considerations raised by the retailing of large volumes of some types of goods, and the requirement to demonstrate flexibility. In our focus group discussions, we discussed whether this issue could be clarified by more prescriptive guidance, for example by defining certain classes of goods that may warrant a large format, and concluded this would be unworkable in practice. As well as ignoring the fact that every case involves different circumstances, this would not overcome the issue of 'ancillary' goods.

5.39 A more practical solution is that local authorities, in preparing their development plans and town centre strategies, should be more specific as to their aspirations for the centre, the types of retailing and other uses likely to be appropriate for key sites, and the role, if any, for complementary forms of development on edge of or out-of-centre sites. The widespread use of standardised planning conditions to control the type of goods sold would ensure that the character of such developments would not merge unacceptably over time. Provided local authorities clearly justify their reasons for making decisions to support large format retailing, this may reduce the number of call-ins.

5.40 Another aspect of the sequential approach that still warrants further clarification, in the light of the identified development trends, is the question of store extensions. While Ministerial Statements have clarified the policy position, its practical application has proved more problematical. Our analysis suggests that local authorities are treating extensions to existing out-of-centre stores and developments differently to new freestanding out-of-centre proposals. This may in part account for the significant scale of store extensions, and the ongoing shift in the pattern of retail sales away from the High Street to freestanding out-of-centre stores.

5.41 Addressing this issue is likely to call for a different approach by retailers and local authorities. For their part, local authorities need to clearly distinguish between measures designed to improve the comfort and facilities provided by existing stores and those designed to meet further capacity in the system, for which a new, more central development may be a more appropriate policy response. However, local authorities need to be clear how more central opportunities are to be delivered, and be willing to drive them through. Retailers may also need to be more flexible if they are to devote more resources to new store development in town centres and less on expanding their existing out-of-centre superstores.

5.42 Our survey suggests that good practice guidance on the practical application of the sequential approach may be necessary. Instead of providing overly prescriptive guidance on a range of issues, such as the definition of ‘edge-of-centre’ or what constitutes ‘suitable’ within the revised guidance, by highlighting examples of good practice, some of the issues identified in this review may become clearer, giving decision makers, in particular, a better appreciation of the operation of the sequential approach in practice.

(III) IMPACT

5.43 The need to assess the impact of retail proposals is one of the longest-established policy tests, with its roots being traceable back to the 1970s Government circulars. It is a well-respected test in the eyes of most of those we have consulted, and the concept is well understood. This almost unanimous support for the impact test means that our research has revealed little criticism of its provisions; the indicators of impact contained in Section 4 of PPG6 are generally accepted to have operated effectively.

5.44 Our research suggests, however, that there is still some confusion concerning the circumstances where the impact of new development within defined centres is a relevant consideration. At present, the guidance is clear: Section 4, which sets out the key tests, explicitly relates to developments proposed outside existing centres.

By inference, development 'outside' existing centres would include edge-of-centre proposals. The guidance also suggests that impact assessments would only be necessary for proposals below 2,500 square metres (gross) in certain circumstances.

5.45 The 2,500 sq m threshold is generally regarded as confusing and inappropriate. Most practitioners recognise that the main principles and provisions of PPG6 apply to any proposals for new development (including extensions and applications to vary planning conditions). In these circumstances, in the case of any proposals outside defined town centres, which would include edge-of-centre proposals, there is no basis for such an arbitrary threshold. A more practical solution is that all such developments should be accompanied by a statement addressing the key issues of need, sequential approach and impact, but the level of detail required would depend on the likely significance of the proposal. This could be determined by the introduction of the requirement for an informal 'screening' process to agree on the requirements for and content of any assessment.

5.46 As far as the rationale for excluding in-centre development from any impact test is concerned, this appears to be founded on two principles. First, as far as impact on other retailers within the centre is concerned, the longstanding principle restated in PPG6 is that it is not the role of the planning system to restrict competition or preserve existing commercial interests. Second, the current guidance starts from the premise that within the plan-led system, there will be clear guidance on the role of hierarchies and the scale and form of development appropriate within each centre. In theory, this should obviate the need for detailed analysis of the impact of such development.

5.47 In practice, given the shortcomings of the development plan system and its ability to forecast needs and provide sites, our research has highlighted situations where it has been considered appropriate to examine the impact of in-centre development. This has also included consideration of the impact of new developments on other parts of the centre (particularly where there are specific development plan policies relating to such areas, or other important considerations such as listed building and conservation area issues), and consideration of the impact of new in-centre development on neighbouring centres.

5.48 Without diminishing the need to provide continued clear 'in principle' support and encouragement for new town centre development, our research suggests that unless there are specific development plan policies for centres, which are soundly based on up-to-date analysis and consistent with their identified scale and function, it will still be relevant to consider the appropriateness of the scale of new development in existing centres, and to consider the possible implications of such development on nearby centres.

5.49 We anticipate that details on the circumstances where retail impact assessments are needed, and advice on appropriate methodologies and data inputs are matters which will be the subject of separate good practice guidance.

Summary

5.50 PPG6 has certainly been effective in changing attitudes to retail development. One of the clear messages from our research is that the principles of the guidance are well-understood by all the key parties. Generally, these principles are accepted and acknowledged, and a key recommendation is that the overall thrust of the policy should be retained to provide continuity and consistency to local authorities, retailers, developers, and investors.

5.51 There has been less effectiveness in the practical application of the policy: In terms of coverage, there is little understanding of the applicability of the guidance to non-retail uses, particularly leisure. Our second recommendation, therefore, is to widen the application of the principles of the guidance, without being over-prescriptive in the consideration of particular types of development. In the interests of a robust, yet streamlined document, any revised PPG6 should restrict itself to a statement of general policies, while at the same time making clear its relevance to land uses other than retail.

5.52 The objectives of PPG6 are generally well-accepted, but the perceived internal inconsistency between the third objective, which seeks to promote efficiency in the retail sector, and the remaining three, which relate to focusing development in town centres as a recurring theme of this research. We recommend that while the substance of the objectives should be retained, the revised guidance should make it clear that the overriding objective of the Guidance is to sustain and enhance town centres if this is the Government's intention.

5.53 Despite the clear focus in the guidance on the need for positive planning to promote town centre development, it has largely been interpreted as a development control tool. As a consequence, while it has been effective in curtailing the pipeline of out-of-town development, it has been less successful in redirecting activity back into town centres, especially smaller centres. The revised guidance should re-emphasise the obligation on local authorities, in partnership with the private sector, to actively encourage and promote new town centre development.

5.54 Our research has uncovered a gap in effective planning for retail at the regional level. The focus of development in fewer, larger, centres and the controversial issue of 'emerging' town centres suggest a lack of effective regional retail planning policies. The relevance of regional hierarchies is not sufficiently addressed in national planning guidance, and this has contributed to a failing in the implementation of PPG6. Regional policies must be based on sound analysis, and must clearly delineate the role of each tier of centre.

5.55 The focus on the definition of town centres and their role in the hierarchy has arisen as a consequence of the clear policy support for in-centre development. We consider over-emphasis on definitions may ignore the key objectives the policy is seeking to deliver, and the revised guidance should clarify the circumstances where it may still be necessary to consider the appropriateness of the scale of proposals for town centre development and their likely impact.

5.56 The issue of 'need' has been a key theme throughout this research; our consultation and analysis of decisions has revealed a considerable amount of confusion surrounding the factors that constitute need, and how to measure it. In addition, the assessment of the impact of retail development has been raised as an issue on which good practice guidance is needed. In this respect, we endorse the decision to commission good practice guidance on methods of assessing need and impact in relation to retail development.

5.57 There is evidence of a perceived inconsistency in decision-making, largely due to a lack of clarity in certain facets of the guidance. The sequential approach has given rise to debate about the rigour with which it should be applied, the extent to which operators in the retail and leisure sectors should be required to disaggregate their operations, and the uses to which it should be directed. Clarification is needed either in a policy document or in good practice guidance on how to apply the sequential approach and the class of goods approach.

5.58 A more general conclusion is that the content of PPG6 should be streamlined. There is scope for distinguishing between policy guidance and advice on good practice and reducing the overlap between PPG6 and other guidance. We consider that the revised PPG6 should be limited to a general statement of policy principles, which would apply equally to retail and other town centre uses.

5.59 Overall, we consider that within the limited timescale within which the guidance and subsequent clarifications have been operating, the policy has proved to be effective. The main areas of controversy have arisen from its interpretation, particularly in the development control context, although inconsistencies have been largely addressed through subsequent Ministerial Clarifications.

5.60 The aims of the policy are well-understood, and it has had a degree of success in controlling out-of-centre development. We consider that in addition to streamlining the policy and supporting it with good practice guidance, the key challenge for the new guidance will be to translate policy restraint on out-of-centre development into a more positive framework for actively promoting town centre development.

CHAPTER 6

Conclusions and Recommendations

Conclusions

6.1 It may be too early to judge its long-term effects, but PPG6 and subsequent Ministerial Clarifications have already had a significant impact on retail development patterns, and have influenced policies and decision making in the retail and leisure sectors.

6.2 The objectives of PPG6 are generally understood and accepted, but the perceived internal inconsistency between the third objective, which seeks to promote efficiency in the retail sector, and the remaining three, which relate to focusing development in town centres, is a recurring theme of this research. In practice, sustaining and enhancing established town centres has been widely interpreted as the overriding objective.

6.3 The Guidance has had a profound effect on the pattern of new retail development. It has restricted the pipeline of new regional shopping centres, out-of-centre food superstores, and retail parks. However, as a consequence of the scale of commitments, asset management, and extensions to existing out-of-centre developments, traditional town centres have continued to lose market share.

6.4 PPG6 is expressly intended to apply to a range of town centre uses. In practice, the only sector to which the full scope of the policy has been generally applied is retail, although individual elements of the policy, notably the sequential approach, have been consistently applied to some forms of leisure development.

6.5 Despite the clear focus in the guidance on the need for positive planning to promote town centre development, it has largely been interpreted as a development control tool. As a consequence, while it has been effective in curtailing the pipeline of out-of-town development, it has been less successful in re-diverting activity back into town centres, especially smaller centres.

6.6 Our research has uncovered a gap in effective planning for retail at the regional level. The focus of development in fewer, larger, centres and the controversial issue of ‘emerging’ town centres suggest a key role for more effective regional retail planning policies. The relevance of regional hierarchies is not sufficiently addressed in national planning guidance, and this has contributed to a failing in the implementation of PPG6.

6.7 While the principles of the policy, and the key policy tests of need, the sequential approach, and impact are widely accepted, there is a considerable amount of confusion surrounding the factors that constitute need and how to measure it, the application of the ‘class of goods’ interpretation, and the assessment of the impact of retail development.

Recommendations

6.8 The key principles of PPG6 are accepted and acknowledged, and the overall thrust of PPG6 should be retained. However, the guidance should be streamlined and limited to a general statement of principles, and should avoid overlap with other guidance.

6.9 The third objection of PPG6, to promote efficiency in the retail sector, should be retained but should be further clarified in context with the other three objectives. The revised PPG6 should clarify that the objective is to be pursued only in as far as it is consistent with the other three objectives.

6.10 The revised guidance should reinforce the need for local authorities, in partnership with the private sector, to actively encourage and promote development in town centres, and provide a more positive development framework for actively promoting town centre development.

6.11 There is a key role for more effective regional retail planning policies which must be based on sound analysis, and must clearly define the role of major centres. Similarly, local plans and LDFs should be based on up-to-date assessments of need, and provide a clear indication of where the local planning authority considers such needs should best be met.

6.12 The key policy principles, need, the sequential approach, and impact, should be retained. However, the factors which constitute need and the means of measuring it, the practical application of the sequential approach to different sectors, and the circumstances where examination of impact is required, should be clarified within good practice guidance.

6.13 Looking ahead, we recommend that the effects and effectiveness of PPG6 need to be monitored regularly, based on a comprehensive data set which examines applications, consents, completions and, ideally, retail sales by location on a consistent basis.

This report examines the evolution of planning policy for retail and leisure development. It also provides, through a local authority survey, case studies and other data sources, a thorough evaluation of Planning Policy Guidance note 6: *Town Centres and Retail Development* and subsequent policy statements, its policy tests and implementation, the issues raised and recommendations for its revision.

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