

Planning shapes the places where people live and work and the country we live in. It plays a key role in supporting the Government's wider economic, social and environmental objectives and for sustainable communities.



# PLANNING

Proposed Changes to Planning Policy  
Statement 6: Planning for Town Centres  
**Consultation**

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community, opportunity, prosperity

July 2008



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Statement 6: Planning for Town Centres  
**Consultation**

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Department for Communities and Local Government: London

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## Ministerial Foreword

Town and city centres are crucial to creating sustainable communities. Local shops are an essential part of what makes somewhere a great place to live, with a significance that far outstrips their size. We all find it convenient to be able to pop down the street and buy groceries, pick up a prescription, get a haircut: it's an absolute lifeline to those who find it hard to get about, especially the elderly and infirm.

But local shops are important for more than what they sell. They are a place where people meet, get to know each other, talk about the issues that matter to them. It's no coincidence that the Roman Forum was the centre of civic as well as commercial life.

At their best, independent butchers, bakers and booksellers can be icons of local pride, giving the high street a verve and flair all of its own, and testifying to their town's unique economic and social history. Successful town centres also need investment and a strong retail mix: multiples, independents, niche retailers, large and small, which can attract shoppers and which provide choice for consumers. And they need a healthy mix of leisure facilities and other services.

Throughout the eighties and early nineties, unchecked enthusiasm for big out-of-town shopping centres eroded the vitality of our town and city centres. Investment trickled away: small businesses simply could not compete: people were left with a dwindling choice of local shops and boarded up windows became an all-too common sight on the high street.

Today, things have started to turn around. For more than ten years, Government planning policy has put town centres first. There is more retail development in and around our town centres than at any time during the last decade.

Coupled with investment in regeneration from the public and private sector, this has made a big difference with most of the top 50 town and city centres attracting major regeneration schemes over the last eight years. Centres like Manchester, Birmingham, Leeds, Newcastle, Southampton and Reading have already benefited and now it is the turn of Bristol, Sheffield and Nottingham. But it is not just about the larger city centres, it's also about nurturing the growth of small market towns and district centres. There are many examples of where local authorities have created the conditions to turn these centres around- places like Scunthorpe, Bexleyheath and Walsall have all shown what can be done.

But there is no room for complacency. Retailers face ever greater competition from online traders; global competition continues to change the way that every sector does business and the current economic climate presents additional challenges. If our towns and city centres are to continue to thrive, planning has a big role to play. We need clear, robust strategies for our town centres. We need investors to work in partnership with local authorities to bring the right development forward.

Our current town centre planning policy Planning Policy Statement 6: Planning for Town Centres (PPS6), which we published in 2005, was designed to create the framework for this to happen.

Today, however, evidence shows that it is time to revisit how specific parts of the framework is working in practice. In particular, the “need test” is a blunt tool that is not achieving the ends it was designed for. Kate Barker’s Review of Land Use Planning found that it tends to distort competition, denying consumers choice. Too often it causes planners to get caught up in debate about technical definitions, and overlook the vital question of what the proposed development actually means for the town centre and the people who rely on it.

In last year’s Planning White Paper *Planning for a Sustainable Future* we set out our intention to remove the need test.

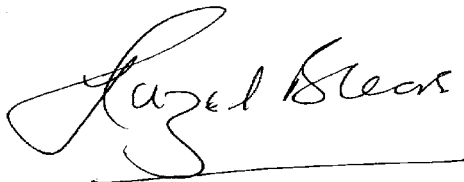
At the same time we also said that we would introduce a new impact test which enables local authorities to more thoroughly assess how proposed developments would affect town centres in the broadest sense - including how it would impact on consumer choice and competition.

This consultation sets out draft amendments to PPS6 which puts these commitments into action.

Let me be clear that this is not about revisiting the fundamentals of the policy. It is about improving the effectiveness of our policies, refining the framework so that it helps us achieve the aims of promoting vibrant, viable town centres more successfully.

This consultation starts a debate and I am keen to hear views on our proposals. I believe the changes we are making strike the right balance and will play a part in helping our town centres thrive for years to come.

I look forward to your views.

A handwritten signature in black ink, reading "Hazel Blears". The signature is written in a cursive style with a long horizontal line extending from the bottom of the name.

Hazel Blears, Secretary of State  
for Communities and Local Government

# Part 1: Introduction

## Introduction

The Planning White Paper, *Planning for a Sustainable Future*, (HM Government, 2007) announced that the current approach in Planning Policy Statement 6: Planning for town centres (PPS6) to assessing the impact of proposals outside town centres would be reviewed. It announced that the ‘need’ and ‘impact’ tests would be replaced with a new test which has a strong focus on the Government’s town centre first policy, and which promotes competition and improves consumer choice, avoiding the unintended effects of the current need test.

The White Paper said the Government would consult on proposals for policy changes and that new guidance would be prepared. It also said that the Government would consider how best to address competition considerations in town centre policy, taking into account the conclusions of the Competition Commission inquiry into the groceries market, before finalising any changes to policy.

Since publishing the White Paper the Government has engaged widely with stakeholders on its proposals. This consultation paper takes into account the feedback from this engagement. It also takes into account the recommendations of the Competition Commission inquiry.

This consultation now seeks views on policy changes which take forward the Planning White Paper proposals, the proposed approach to the preparation of supporting practice guidance as well as the accompanying Partial Impact Assessment of our proposals.

## Objectives of proposed changes

The White Paper argued that the proposed revisions to town centre policy have two clear objectives. First, they must support current and prospective town centre investment, which contributes to economic prosperity, and to our social and environmental goals. The White Paper said that simply to remove the ‘needs test’ could put this at risk. Second, that it is important to ensure that planning promotes competition and consumer choice and does not unduly or disproportionately constrain the market.



## Form of proposed changes

In the context of the above objectives it is proposed to refine the policy approach to planning for town centres in PPS6, rather than to make significant policy changes. It is proposed to strengthen the Government's policy on positive planning for town centres (Chapter 2). These changes are set out in Part 2a of this document. There is no proposed change to the requirement for planning authorities to assess the need for new town centre development or to take account of scale, impact and accessibility considerations or the sequential approach in selecting sites for development in development plans.

The main changes relate to how some planning applications should be considered and tested. The proposals remove the requirement for an applicant to demonstrate 'need' for a proposal which is in an edge of centre or out of centre location and which is not in accordance with an up to date development plan strategy. The policy replaces the existing impact assessment with a new impact assessment framework which applicants for proposals outside town centres need to undertake in certain circumstances. Key features of the new test are:

- Broader focus with emphasis on economic, social and environmental as well as strategic planning impacts that enables positive and negative town centre and wider impacts to be taken into account.
- Identification of key impacts which applicants must assess, including: impact on planned in-centre investment; whether the proposal is of an appropriate scale (the previous 'scale' test); and, impacts on in-centre trade/turnover which should take account of current and future consumer expenditure capacity. Where negative impacts are likely to be significant this will normally justify the refusal of planning permission.
- Identification of a number of wider impacts which should be considered, including: accessibility (the previous 'accessibility' test) and sustainable transport considerations; impact on traffic; effects on employment and regeneration; and how the proposal will make efficient and effective use of land. Where there are likely to be some adverse impacts but these are likely to be outweighed by significant wider benefits arising from the proposal, the proposal should normally be approved.

The new impact test includes the requirement for applicants to consider the appropriateness of the scale of development, and for local authorities to ensure that proposed locations for new development are accessible by a choice of means of transport and to consider the impact on car use, traffic and congestion arising from a proposal. Design quality, including (for the first time) how the proposal will help mitigate the impacts of climate change, also forms part of the new test. The requirement for an applicant to search for the most central sites (the 'sequential approach') is retained as a separate consideration.

The proposed changes strengthen the references to competition considerations by listing the promotion of competition between retailers as one of the Government's key objectives for town centres. The changes also include a requirement for proposals to be assessed on the extent to which they promote consumer choice and retail diversity.

The proposed changes also clarify what should be expected from impact assessments and have made it clear that judgements about the extent of any impacts should be informed by the development plan, local assessments of the health of town centres and any other relevant published local information.

To ensure consistency with the emerging Planning Policy Statement on planning for sustainable economic development (PPS4), the changes also introduce references to the need for planning authorities to plan for sustainable economic growth, to have flexible policies which are responsive to change, and to take account of Regional Economic Strategies when planning for town centres, and town centre uses.

These proposed changes are set out in the form of a replacement Chapter 3 of PPS6 which is in Part 2b of this document.

Minor consequential changes are proposed to Chapter 4 of PPS6 which are set out in Part 2c of this document.

To ensure there is maximum transparency about the policy changes being proposed and to limit the consultation to those changes the draft revisions to PPS6 do not reflect the Planning White Paper commitment to streamline national policy to make it more strategic, clearer and shorter. This will be addressed when the policy is finalised. The final revised policy will therefore be shorter and more strategic but will not introduce new policy beyond what it set out in this consultation document, consistent with the approach set out in the Planning White Paper.

A Partial Impact Assessment (IA) is attached at Part 3. This makes a provisional assessment of the impact of the proposed policy refinements in terms of the costs, benefits and risks of the proposal. Views are welcomed on any aspect of the IA and in particular the costs and benefits of the proposed policy approach for you or your organisation.

Finally Part 6 sets out the approach for bringing forward the proposed practice guidance which will support the implementation of the revisions to PPS6, when finalised.

### **Competition considerations**

The Competition Commission has published its final report to its UK groceries market investigation (Competition Commission, 30 April 2008). A key recommendation which the Commission has proposed is that the Government should introduce a 'competition test' into the planning system requiring local authorities to assess planning applications for new grocery floorspace over 1,000 square metres for their impacts on competition, in consultation with the Office of Fair Trading. The Government's response to the Competition Commission's report will be published shortly.

## Consultation arrangements

Responses are invited by **3 October 2008**. You may wish to use the form at Part 4 in making your response. This sets out questions on which we would like your views.

Responses and any questions about the consultation should be directed to:

Richard Canovan  
Communities and Local Government  
Planning: Economic and Social Policy Division  
Zone 1/J2  
Eland House  
Bressenden Place  
LONDON  
SW1E 5DU

Telephone: 020 7944 3956

Fax: 020 7944 3919

or by e-mail: [www.communities.gov.uk/consultations](http://www.communities.gov.uk/consultations)

It would be helpful if responses from representative groups could give a summary of the people and organisations they represent.

A summary of responses to this consultation will be published by January 2009 at [www.communities.gsi.gov.uk](http://www.communities.gsi.gov.uk)

Paper copies will be available on request.

Information provided in response to this consultation, including personal information, may be published or disclosed in accordance with the access to information regimes (these are primarily the Freedom of Information Act 2000 (FOIA), the Data Protection Act 1998 (DPA) and the Environmental Information Regulations 2004).

If you want the information that you provide to be treated as confidential, please be aware that, under the FOIA, there is a statutory Code of Practice with which public authorities must comply and which deals, amongst other things, with obligations of confidence. In view of this it would be helpful if you could explain to us why you regard the information you have provided as confidential. If we receive a request for disclosure of the information we will take full account of your explanation, but we cannot give an assurance that confidentiality can be maintained in all circumstances. An automatic confidentiality disclaimer generated by your IT system will not, of itself, be regarded as binding on the Department.

The Department will process your personal data in accordance with the DPA and in the majority of circumstances this will mean that your personal data will not be disclosed to third parties.

This consultation is being conducted in accordance with the Government's Code of Practice on Written Consultation. The criteria are reproduced in Part 5. Any procedural observations or complaints about the consultation exercise should be sent to:

Albert Joyce  
Communities and Local Government Consultation Co-ordinator  
Zone 6/H10  
Eland House  
London SW1E 5DU

or by e-mail to [consultationcoordinator@communities.gsi.gov.uk](mailto:consultationcoordinator@communities.gsi.gov.uk)

## Part 2a: Proposed Changes to Chapters 1 and 2 of PPS6

### Existing Paragraph 1.4

1.4 There are other government objectives which need to be taken account of in the context of the key objective in Paragraph 1.3 above:

- enhancing consumer choice by making provision for a range of shopping, leisure and local services, which allow genuine choice to meet the needs of the entire community, and particularly socially-excluded groups;
- supporting efficient, competitive and innovative retail, leisure, tourism and other sectors, with improving productivity; and
- improving accessibility, ensuring that existing or new development is, or will be, accessible and well-served by a choice of means of transport.

### Replacement Paragraph 1.4

1.4 There are other government objectives which need to be taken account of in the context of the key objective in Paragraph 1.3 above:

- promote competition between retailers and enhance consumer choice by making provision for a range of shopping, leisure and local services, which allow genuine choice to meet the needs of the entire community, and particularly socially-excluded groups;
- raising the productivity growth rate of the UK economy – through tackling market failures around investment, innovation, competition, skills and enterprise – and maximising job opportunities for all;
- supporting efficient, competitive and innovative retail, leisure, tourism and other sectors, with improving productivity; and
- improving accessibility, ensuring that existing or new development is, or will be, accessible and well-served by a choice of means of transport.

### Existing Paragraph 1.5

1.5 The following of the Government's wider policy objectives are also relevant, insofar as they would not be inconsistent with the key objective in Paragraph 1.3 above:

- to promote social inclusion, ensuring that communities have access to a range of main town centre uses, and that deficiencies in provision in areas with poor access to facilities are remedied;
- to encourage investment to regenerate deprived areas, creating additional employment opportunities and an improved physical environment;

- to promote economic growth of regional, sub-regional and local economies;
- to deliver more sustainable patterns of development, ensuring that locations are fully exploited through high-density, mixed-use development and promoting sustainable transport choices, including reducing the need to travel and providing alternatives to car use; and
- to promote high quality and inclusive design, improve the quality of the public realm and open spaces, protect and enhance the architectural and historic heritage of centres, provide a sense of place and a focus for the community and for civic activity and ensure that town centres provide an attractive, accessible and safe environment for businesses, shoppers and residents.

### **Replacement Paragraph 1.5**

1.5 The following of the Government's wider policy objectives are also relevant, insofar as they would not be inconsistent with the key objective in Paragraph 1.3 above:

- to promote social inclusion, ensuring that communities have access to a range of main town centre uses, and that deficiencies in provision in areas with poor access to facilities are remedied;
- to encourage investment to regenerate deprived areas, creating additional employment opportunities and an improved physical environment;
- to build prosperous communities by improving the economic performance of cities, subregions and local areas;
- to deliver more sustainable patterns of development, helping to tackle climate change, ensuring that locations are fully exploited through high-density, mixed-use development and promoting sustainable transport choices, including reducing the need to travel and providing alternatives to car use; and
- to promote high quality and inclusive design, improve the quality of the public realm and open spaces, protect and enhance the architectural and historic heritage of centres, provide a sense of place and a focus for the community and for civic activity and ensure that town centres provide safe environments that reduce the risk and mitigate the impact of crime, including terrorism, and that they are attractive and accessible for businesses, shoppers and residents.

### **Existing Paragraph 1.6**

1.6 Through regional spatial strategies (in London the Spatial Development Strategy)<sup>1</sup> and local development documents, regional planning bodies and local planning authorities respectively should implement the Government's objectives for town centres, by planning positively for their growth and development. They should therefore:

### **Replacement Paragraph 1.6**

1.6 Through regional spatial strategies (in London the Spatial Development Strategy)<sup>1</sup> and local development documents, regional planning bodies and local planning authorities respectively should implement the Government's objectives for town centres, by planning positively and flexibly for their sustainable economic growth and development. They should therefore:

### **Existing Paragraph 2.1 (3rd bullet point)**

- adopt a proactive, plan-led approach to planning for town centres, through regional and local planning.

### **Replacement Paragraph 2.1 (3rd bullet point)**

- adopt a proactive, plan-led approach to planning for town centres, through regional and local planning, which has regard to the strategic objectives set out in the Regional Economic Strategy.

### **Existing Paragraph 2.2**

2.2 Local authorities should use tools such as area action plans, compulsory purchase orders and, where considered appropriate, town centre strategies to address the transport, land assembly, crime prevention, planning and design issues associated with the growth and management of their centres. These matters are addressed in more detail below.

### **Replacement Paragraph 2.2**

2.2 Local authorities should use relevant market information and economic data, including price signals, to inform tools such as area action plans, compulsory purchase orders and, where considered appropriate, town centre strategies to address the transport, land supply and assembly, crime prevention, planning and design issues associated with the growth and management of their centres. These matters are addressed in more detail below.

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<sup>1</sup> References to Regional Spatial Strategies in this policy statement also apply to the Spatial Development Strategy for Greater London, also known as the 'London Plan'.



### Existing Paragraph 2.3

2.3 Set within a regional planning context, local planning authorities should actively plan for growth and manage change in town centres over the period of their development plan documents by:

- selecting appropriate existing centres to accommodate the identified need for growth by:
  - making better use of existing land and buildings, including, where appropriate, redevelopment;
  - where necessary, extending the centre.
- managing the role and function of existing centres by, for example, promoting and developing a specialist or new role and encouraging specific types of uses in some centres; and
- planning for new centres of an appropriate scale in areas of significant growth or where there are deficiencies in the existing network of centres.

### Replacement Paragraph 2.3

2.3 Set within a regional planning context, local planning authorities should actively plan for growth and manage change in town centres over the period of their development plan documents by:

- selecting appropriate existing centres to accommodate the identified need<sup>2</sup> for growth by:
  - making better use of existing land and buildings, including, where appropriate, redevelopment;
  - where necessary, extending the centre.
- managing the role and function of existing centres by, for example, promoting and developing a specialist or new role and encouraging specific types of uses in some centres; and
- planning for new centres of an appropriate scale in areas of significant growth such as in identified growth areas and proposed eco-towns, or where there are deficiencies in the existing network of centres.

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<sup>2</sup> 'Need' in this context means the likely future requirement for additional floorspace for main town centre uses.

### **Existing Paragraph 2.9**

2.9 In promoting and enhancing existing centres, regional planning bodies and local planning authorities should consider the network of centres (ie. the pattern of provision of different centres) and their relationship in the hierarchy. At both regional and local level, authorities should plan carefully how best to distribute any identified growth to achieve the objectives of their spatial strategies. In defining their objectives, regional planning bodies and local planning authorities should consider whether there is a need to rebalance the network of centres to ensure that it is not overly dominated by the largest centres, that there is a more even distribution of town centre uses, and that people's everyday needs are met at the local level. In considering the development of the network and hierarchy, regional planning bodies and local planning authorities should consider:

- whether there is a need to avoid an over-concentration of growth in the higher level centres;
- the need for investment and growth to strengthen other centres, especially those needing regeneration; and
- the need to address deficiencies in the network by promoting centres to function at a higher level in the hierarchy or designating new centres.

### **Replacement Paragraph 2.9**

2.9 In promoting and enhancing existing centres, regional planning bodies and local planning authorities should consider the network of centres (ie. the pattern of provision of different centres) and their relationship in the hierarchy. They should consider how best to bring forward any identified growth to achieve the objectives of their spatial strategies. In defining their objectives, they should take account of the priorities identified in regional economic strategies and any proposed town centre investment and ensure that there is an appropriate distribution of town centre uses, and that people's everyday needs are met locally. In considering the development of the network and hierarchy, regional planning bodies and local planning authorities should consider:

- the need for investment and growth to strengthen other centres, especially those needing regeneration; and
- the need to address deficiencies in the network by promoting centres to function at a higher level in the hierarchy or designating new centres.

### **Existing Paragraph 2.10**

2.10 Regional planning bodies and local planning authorities should recognise that networks and hierarchies are dynamic, and will change over time, but any significant change in role and function of centres, upward or downward, should come through the development plan process, rather than through planning applications. Changes to the status of existing centres or the identification of new centres which are of more than local importance should be addressed initially at the regional level through regional spatial strategies. Changes to the role and status of lower level centres, and the implications of changes in the status of higher level centres, should be brought forward through development plan documents. In all cases, consideration should be given to the relevant transport policies and strategies.

### **Replacement Paragraph 2.10**

2.10 Planning authorities should recognise that the economy is dynamic and that networks and hierarchies will change over time. Policies will therefore need to be flexible and be able to respond to such changes. Any significant change in role and function of centres should be taken forward through the development plan process, rather than through planning applications and consideration should be given to the relevant transport policies and strategies.

### **Insert new paragraph 2.11a**

2.11a The plan-led system is a key tool for promoting vital and viable town centres. Planning authorities should positively and proactively manage the role and function of their town centres. In preparing their development plan policies local authorities should support sustainable economic growth and development and the needs of business and engage with town centre investors and service providers. Local authorities should take opportunities to expand their town centres and to identify development opportunities for a wide range of shopping, leisure and local services that enhance consumer choice and promote competition. To achieve this it is essential that development plans are up to date and robust and contain a clear and proactive locally-specific vision, based on a clear understanding of the future need for new facilities, with flexible policies which are able to respond to economic change and to the needs of business. It is however equally important that business and town centre investors engage positively with planning authorities at the earliest opportunity to ensure that the right sites and development opportunities are identified in plans.

### **Existing Paragraph 2.13 (1st and 2nd bullets)**

2.13 In preparing revisions to their regional spatial strategy, the regional planning body should:

- develop a strategic framework for the development of a network of centres in their region and, where appropriate, for any identified sub-regions taking into account the need to avoid an over-concentration of growth in the higher level centres;
- make strategic choices about those centres of regional and, where appropriate, sub-regional significance:
  - where major growth should be encouraged; and
  - where appropriate, the need for new centres in areas of planned major growth.

### **Replacement Paragraph 2.13 (1st and 2nd bullets)**

2.13 In preparing revisions to their regional spatial strategy, the regional planning body should:

- develop a strategic framework for the development of a network of centres in their region which supports the broad pattern of growth anticipated across the region and, where appropriate, for any identified sub-regions;
- make strategic choices about those centres of regional and, where appropriate, subregional significance:
  - where major growth should be encouraged; and
  - where appropriate, the need for new centres in areas of planned major growth such as in identified growth areas and proposed eco-towns.

### **Existing Paragraph 2.16**

2.16 Local planning authorities should work in conjunction with stakeholders and the community to:

- assess the need for new floorspace for retail, leisure and other main town centre uses, taking account of both quantitative and qualitative considerations;
- identify deficiencies in provision, assess the capacity of existing centres to accommodate new development, including, where appropriate, the scope for extending the primary shopping area and/or town centre, and identify centres in decline where change needs to be managed;
- identify the centres within their area where development will be focused, as well as the need for any new centres of local importance, and develop strategies for developing and strengthening centres within their area;

- define the extent of the primary shopping area and the town centre, for the centres in their area on their Proposals Map (see Annex A);
- identify and allocate sites in accordance with the considerations set out below (paragraphs 2.28–2.51);
- review all existing allocations and reallocate sites which do not comply with this policy statement;
- develop spatial policies and proposals to promote and secure investment in deprived areas by strengthening and/or identifying opportunities for growth of existing centres, and to seek to improve access to local facilities (paragraphs 2.55–2.59); and
- set out criteria-based policies, in accordance with this policy statement, for assessing and locating new development proposals, including development on sites not allocated in development plan documents.

### **Replacement Paragraph 2.16**

2.16 Local planning authorities should work in conjunction with stakeholders and the community to:

- assess the need for new floorspace for retail, leisure and other main town centre uses, taking account of both quantitative and qualitative considerations and relevant market information and economic data, including price signals;
- identify deficiencies in provision, assess the capacity of existing centres to accommodate new development, including, where appropriate, the scope for extending the primary shopping area and/or town centre, and identify centres in decline where change needs to be managed;
- identify the centres within their area where economic growth and development will be focused, as well as the need for any new centres of local importance, and develop strategies for developing and strengthening centres within their area;
- define the extent of the primary shopping area and the town centre, for the centres in their area on their Proposals Map (see Annex A);
- identify and allocate sites in accordance with the considerations set out below (paragraphs 2.28–2.51), ensuring that allocations are not unduly restrictive;
- review all existing allocations and reallocate sites which do not comply with this policy statement;
- develop spatial policies and proposals to promote and secure investment in deprived areas by strengthening and/or identifying opportunities for growth of existing centres, and to seek to improve access to local facilities (paragraphs 2.55–2.59); and

- set out criteria-based policies, in accordance with this policy statement and Planning Policy Statement 4, for assessing and locating new development proposals, including development on sites not allocated in development plan documents.

### **Existing Paragraph 2.18**

2.18 Town centre strategies can play an important and complementary role in ensuring the continued vitality and viability of centres. They may be part of the evidence base for development plan documents, including area action plans and for supporting the use of compulsory purchase orders for site assembly. Guidance on design and implementation tools will be published separately. Planning Policy Statement 12: Local Development Frameworks (PPS12) sets out the Government's policy on the preparation of local development documents.

### **Replacement Paragraph 2.18**

2.18 Town centre strategies can help ensure the continued vitality and viability of centres. They may be part of the evidence base for development plan documents, including area action plans and for supporting the use of compulsory purchase orders for site assembly. Further guidance can be found in Planning for Town Centres: Guidance on Design and Implementation Tools (ODPM, 2005).

### **Insert new Paragraphs 2.18a-2.18c**

#### **Planning for consumer choice and promoting competition**

2.18a Successful town centres need a good mix of shops and services. Different but complementary uses, during the day and in the evening, can reinforce each other, making town centres more attractive to local residents, shoppers and visitors. For example, a broad range of retailer representation is likely to increase the attractiveness of a town centre and will promote competition and consumer choice. Larger retail stores can strengthen a centre's retail offer and perform an important anchor role, increase linked trips and pedestrian activity. Smaller shops can significantly enhance the character and vibrancy of a centre and make a valuable contribution to consumer choice. Although the identity of the occupier is not normally material to a planning decision, local authorities can help create the right conditions to help diversity flourish. Local planning authorities should proactively use the planning process to support the diversification of uses in the town centre as a whole, and ensure that tourism, leisure and cultural activities, which appeal to a wide range of age and social groups, are dispersed throughout the centre.

2.18b When planning for their town centres local authorities should seek to promote competitive town centre environments. This may include, where appropriate, giving priority consideration to whether the established character and diversity of their town centres should be protected and enhanced.

2.18c When addressing these considerations local authorities should make full and effective use of the tools<sup>3</sup> available to them.

### **Existing Footnote 9**

Local authorities must have regard to their duties under Section 17 of the Crime and Disorder Act 1998, which requires them to exercise their functions with due regard to their likely effect on, and the need to prevent, crime and disorder.

### **Replacement Footnote 9**

Local authorities must have regard to their duties under Section 17 of the Crime and Disorder Act 1998, which requires them to exercise their functions with due regard to their likely effect on, and the need to prevent, crime and disorder, including terrorism.

### **Existing Paragraph 2.22**

2.22 A diversity of uses in centres makes an important contribution to their vitality and viability. Different but complementary uses, during the day and in the evening, can reinforce each other, making town centres more attractive to local residents, shoppers and visitors. Local planning authorities should encourage diversification of uses in the town centre as a whole, and ensure that tourism, leisure and cultural activities, which appeal to a wide range of age and social groups, are dispersed throughout the centre.

### **Replacement Paragraph 2.22**

Deleted

### **Existing Paragraph 2.24**

2.24 In drawing up their policies and proposals, local planning authorities should consider the scale of leisure developments they wish to encourage and their likely impact, including the cumulative impact on the character and function of the centre, anti-social behaviour, crime and the amenities of nearby residents.

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<sup>3</sup> Clear, locally specific and flexible planning policies which reflect a local vision are the most important mechanism in this context. Other tools are town centre and retail strategies, Business Improvement Districts, Compulsory Purchase Orders, planning conditions, Local Development Orders and Article 4 Directions.

### **Replacement Paragraph 2.24**

2.24 In drawing up their policies and proposals, local planning authorities should consider the scale of leisure developments they wish to encourage and their likely impact, including the cumulative impact on the character and function of the centre, anti-social behaviour, crime, including tackling security issues raised by crowded places, and the amenities of nearby residents.

### **Existing Paragraph 2.26**

2.26 ODPM has launched a *How To* programme<sup>4</sup> to work with leaders and practitioners in developing solutions and tools for delivering cleaner, safer, greener public spaces and town centres. This will address a range of issues, including managing the evening and night-time economy.

### **Replacement Paragraph 2.26**

2.26 Advice is contained in *How to Manage Town Centres* (CLG, 2007).

### **Existing Paragraph 2.33**

2.33 In assessing the need and capacity for additional retail and leisure development, local planning authorities should place greater weight on quantitative need for additional floorspace for the specific types of retail and leisure developments. However local planning authorities should also take account of qualitative considerations. In deprived areas which lack access to a range of services and facilities, and there will be clear and demonstrable benefits in identifying sites for appropriate development to serve communities in these area, additional weight should be given to meeting these qualitative considerations.

### **Replacement Paragraph 2.33**

2.33 In assessing the need and capacity for additional retail and leisure development, local planning authorities should take account of both the quantitative need for additional floorspace for the specific types of retail and leisure developments as well as any qualitative considerations. In deprived areas which lack access to a range of services and facilities, and where there will be clear and demonstrable benefits in identifying sites for appropriate development to serve communities in these areas, additional weight should be given to meeting these qualitative considerations.

### **Existing Paragraph 2.34**

2.34 In assessing quantitative need for additional development when preparing its development plan documents, a local planning authority should assess the likely future demand for additional retail and leisure floorspace, having regard to a realistic assessment of:

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<sup>4</sup> For further details see [www.cleansafergreener.gov.uk](http://www.cleansafergreener.gov.uk)



- existing and forecast population levels;
- forecast expenditure for specific classes of goods to be sold, within the broad categories of comparison and convenience goods and for main leisure sectors; and
- forecast improvements in productivity in the use of floorspace.<sup>11</sup>

### **Replacement Paragraph 2.34**

2.34 In assessing quantitative need for additional development when preparing its development plan documents, a local planning authority should assess the likely future demand for additional retail and leisure floorspace, having regard to relevant market information and economic data, including a realistic assessment of:

- existing and forecast population levels;
- forecast expenditure for specific classes of goods to be sold, within the broad categories of comparison and convenience goods and for main leisure sectors; and
- for retail development, forecast improvements in productivity in the use of floorspace.<sup>11</sup>

### **Existing Footnote 12**

See also Employment Land Reviews: Guidance Note (ODPM, 2004).

### **Replacement Footnote 12**

See also Employment Land Reviews: Guidance Note (ODPM, 2004), and the Consultation Paper on a new Planning Policy Statement 4: Planning for Sustainable Economic Development (CLG, 2007).

### **Existing Paragraph 2.41**

2.41 In selecting suitable sites for development, local planning authorities should ensure that the scale of opportunities identified are directly related to the role and function of the centre and its catchment. Uses which attract a large number of people should therefore be located within centres that reflect the scale and catchment of the development proposed. The scale of development should relate to the role and function of the centre within the wider hierarchy and the catchment served. The aim should be to locate the appropriate type and scale of development in the right type of centre, to ensure that it fits into that centre and that it complements its role and function.

### **Replacement Paragraph 2.41**

2.41 In selecting suitable sites for development, local planning authorities should ensure that the scale of opportunities identified are directly related to the role and function of the centre and its catchment and take account of relevant market information and economic data, including land values. Uses which attract a large number of people should therefore be located within centres that reflect the scale and catchment of the development proposed. The scale of development should relate to the role and function of the centre within the wider hierarchy and the catchment served. The aim should be to locate the appropriate type and scale of development in the right type of centre, to ensure that it fits into that centre and that it complements its role and function, and encourages economic development.

### **Existing Paragraph 2.42**

2.42 Given their characteristics, local centres will generally be inappropriate locations for large scale new development, even when a flexible approach is adopted. Accordingly, it is likely to be inappropriate in most cases to include local centres within the search area to be applied under the sequential approach for large-scale developments. Local planning authorities should therefore consider setting an indicative upper limit for the scale of developments likely to be permissible in different types of centres, and developments above these limits should be directed to centres higher up the town centre hierarchy.

### **Replacement Paragraph 2.42**

2.42 Given their characteristics, large scale developments are likely to have an impact on local centres. Local planning authorities will need to judge the scale of development they consider appropriate for their area and should therefore consider preparing policies for the scale of developments likely to be permissible in different types of centres.

## **Existing Paragraph 2.48**

### **d) Assess Impact**

2.48 Making additional sites available for development may have both positive and negative impacts on existing centres. Positive benefits are likely to be strongest where additional development takes place in the centre, or by an expansion of the centre, followed by edge of- centre sites where a development would be well connected to the centre and result in a significant number of linked trips and clawback expenditure. Where a site is proposed to be allocated in an edge-of-centre or out-of-centre location, local planning authorities should assess the impact that the potential development of the site would have on centres within the catchment of the potential development. Where the potential development of a site or sites proposed to be allocated in a centre would substantially increase the attraction of the centre and could have an impact on other centres, the impact on other centres will also need to be assessed.

## **Replacement Paragraph 2.48**

### **d) Assess Impact**

2.48 The assessment of the impact of particular policy choices and site allocations will be critical to promoting the future vitality and viability of town centres. Making additional sites available for development may have both positive and negative impacts on existing centres. Positive benefits are likely to be strongest where additional development takes place in the centre, or by an expansion of the centre, followed by edge-of-centre sites where a development would be well connected to the centre and result in a significant number of linked trips and clawback expenditure. Where a site is proposed to be allocated in an edge-of-centre or out-of-centre location, local planning authorities should assess the impact that the potential development of the site would have on centres within the catchment of the potential development and take account of any wider economic, social and environmental impacts of such an allocation. Where the potential development of a site or sites proposed to be allocated in a centre would substantially increase the attraction of the centre and could have an impact on other centres, the impact on other centres will also need to be assessed. The impact considerations which should be taken into account when preparing development plans are set out at Paragraph 3.19a-3.19i.

## **Existing Footnote 13**

Guidance on design and implementation tools will be published separately.

## **Replacement Footnote 13**

Deleted

### **Existing Paragraph 2.53**

2.53 New centres should be designated through the plan-making process where the need for them has been established, such as in areas of significant growth, or where there are deficiencies in the existing network of centres, with priority given to deprived areas where there is a need for better access to services, facilities and employment by socially excluded groups. Whether this is done at the regional or local level will depend on the size of the proposed centre and its proposed role in the hierarchy of existing centres and how the proposed centre would function and complement the network of existing centres. Current availability or future development of transport infrastructure and choice of modes should be a key part of the decision-making process on the location of new centres.

### **Replacement Paragraph 2.53**

2.53 New centres should be designated through the plan-making process where the need for them has been established, particularly in identified growth areas and proposed eco-towns. New centres should also be considered where there are deficiencies in the existing network of centres, with priority given to deprived areas where there is a need for better access to services, facilities and employment by socially excluded groups. Whether this is done at the regional or local level will depend on the size of the proposed centre and its proposed role in the hierarchy of existing centres and how the proposed centre would function and complement the network of existing centres. Current availability or future development of transport infrastructure and choice of modes should be a key part of the decision-making process on the location of new centres.

## Part 2b: Proposed Replacement Chapter 3 of PPS6

### CHAPTER 3 DEVELOPMENT CONTROL

3.1 To deliver the Government's objective of promoting vital and viable town centres, development should be focussed in existing centres in order to strengthen and, where appropriate, regenerate them. Chapter 2 describes how local planning authorities should plan positively to accommodate growth, primarily within or on the edge of existing centres, and make allocations accordingly in development plan documents, taking account of the impact of their proposals. This Chapter sets out the considerations which should be taken into account by local planning authorities in determining planning applications for all proposals relating to main town centre uses for:

- new development;
- redevelopment of existing facilities;
- extensions<sup>5</sup> to existing facilities;
- changes of use involving development;
- renewal of extant planning permissions; and
- applications to vary or remove existing planning conditions, which would have the effect of creating additional floorspace (e.g. mezzanine floors) or changing the range of goods sold, thereby changing the scale and/or character of the development (see paragraphs 3.31–3.32 on the use of conditions).

3.2 In considering planning applications for development which include main town centre uses, before development plans can be reviewed to reflect this planning policy statement, local planning authorities should have regard to the policies in this statement as material considerations which may supersede the relevant policies in their development plan.

### ASSESSING PROPOSED DEVELOPMENTS

3.3 Where planning applications are not in accordance with an up to date development plan local authorities should require applicants to demonstrate:

1. That there are no more central sites which can accommodate the proposed development (Paragraphs 3.13-3.19); and
2. That there are no unacceptable impacts arising from the proposed development, including on existing centres (Paragraphs 3.19a-3.19i).

3.4 deleted

<sup>5</sup> These include development which creates additional floorspace, such as proposals for internal alterations, where planning permission is required.

3.5 Subject to the policies set out below, local planning authorities should assess planning applications on the basis of the above two key considerations and the evidence presented. As a general rule, the development should satisfy both these considerations. In making their decision, local planning authorities should also consider relevant local issues and other material considerations.

3.6 In considering planning applications for the development of sites proposed to be allocated in an emerging development plan document, or for the development on unallocated sites within a proposed extension to a primary shopping area or town centre in such a document, the weight to be attached to the proposal in the plan will depend on the stage the development plan document has reached. Where an adopted development plan document allocates no new sites for development local planning authorities and applicants should take a positive attitude towards early engagement to discuss if any sites exist which may be suitable, viable and available, having regard to this policy statement.

3.7 The level of detail and type of evidence and analysis required to address the key considerations should be proportionate to the scale and nature of the proposal.

3.8-3.12 are deleted.

### **Applying the Sequential Approach to Site Selection**

3.13 The sequential approach to site selection should be applied to all development proposals for sites that are not in an existing centre nor allocated in an up-to-date development plan document (see also paragraph 3.29). The relevant centres in which to search for sites will depend on the overall strategy set out in the development plan, the nature and scale of the development and the catchment that the development seeks to serve.

3.14 In selecting sites, all options in the centre should be thoroughly assessed before less central sites are considered. Where a development plan is out of date and it can be demonstrated that there are no town centre sites to accommodate a proposed development, proposals in edge of centre locations which are well connected to the centre by means of easy pedestrian access should be considered favourably under the sequential approach unless there are significant adverse impacts on the town centre, taking account of local circumstances. The order for site assessment is set out in paragraph 2.44.

3.15 In applying the sequential approach, and considering alternative sites, developers and operators should be able to demonstrate that in seeking to find a site in or on the edge of existing centres they have been flexible about their proposed business model in terms of the following planning considerations:

- the scale of their development;
- the format of their development;
- car parking provision; and
- the scope for disaggregation (see paragraphs 3.17–3.18).

3.16 This exercise aims to explore whether development would fit onto more central sites by reducing the footprint of the proposal. In seeking to demonstrate flexibility under Paragraph 3.15 above, developers and operators should consider, in terms of scale: reducing the floorspace of the development; in terms of format: more innovative site layouts and store configurations such as multi-storey developments with smaller footprints; and, in terms of car parking: reduced or reconfigured car parking areas. However, local planning authorities should be realistic in considering whether sites are suitable, viable and available (see paragraph 3.19). Local planning authorities should take into account any genuine difficulties, which the applicant can demonstrate are likely to occur in operating the applicant's business model from the sequentially preferable site, in terms of scale, format, car parking provision and the scope for disaggregation, such as where a retailer would be required to provide a significantly reduced range of products. However, it will not be sufficient for an applicant to claim merely that the class of goods proposed to be sold cannot be sold from the town centre.

3.17 As part of this exercise it is important to explore whether specific parts of a development could be operated from separate, sequentially preferable, sites. For retail and leisure proposals in edge-of-centre or out-of-centre locations which comprise a group of retail and/or leisure units, such as a retail park, leisure park or shopping centre, the applicant should consider the degree to which the constituent units within the proposal could be accommodated on more centrally-located sites.

3.18 A single retailer or leisure operator should not be expected to split their proposed development into separate sites where flexibility in terms of scale, format, car parking provision and the scope for disaggregation has been demonstrated. It is not the intention of this policy to seek the arbitrary sub-division of proposals. Rather it is to ensure that consideration is given as to whether there are elements which could reasonably and successfully be located on a separate sequentially preferable site or sites. Paragraphs 3.17 and 3.18 do not apply to uses other than retail and leisure proposals.

3.19 Where it is argued that otherwise sequentially-preferable sites are not appropriate for the particular development proposed, applicants should provide clear evidence to demonstrate why such sites are not practicable alternatives in terms of:

- Availability: the sites are unavailable now and are unlikely to become available for development within a reasonable period of time (determined on the merits of a particular case). Where such sites become available unexpectedly after receipt of the application the local planning authority should take this into account in their assessment of the application; and
- Suitability: with due regard to the requirements to demonstrate flexibility (paragraphs 3.15–3.18), the sites are not suitable for the type of development proposed; and
- Viability: the development would not be viable on these sites.

### **Assessing Impacts**

3.19a The assessment of the impacts of a development will be a key consideration in determining the acceptability of a proposal.

3.19b Impact assessments should be undertaken for any application for a main town centre use over 2,500 square metres gross floorspace which would be in an edge-of-centre or out-of-centre location and which is not in accordance with an up-to-date development plan. Where a significant development in a centre, not in accordance with the development plan, would substantially increase the attraction of the centre and could have an impact on other centres, the impact on other centres will also need to be assessed. An assessment of impact may occasionally also be necessary for a development of less than 2,500 square metres gross floorspace if it is likely to have a significant impact on smaller town centres. In such cases a decision on whether an assessment will be needed will depend on the relative size and nature of the proposed development in relation to existing centres in the catchment. Applicants should discuss their proposals with the local planning authority as early as possible to determine whether an impact assessment is likely to be needed for their proposal.

3.19c In assessing proposals, local planning authorities should consider any positive and negative impacts of the proposal on the vitality and viability of existing centres within the catchment area of the proposed development as well as any wider impacts arising from a proposal, taking account of the likely cumulative effect of recent permissions, developments under construction and completed developments.

3.19d Judgements about the extent of any impacts should be informed by the development plan (where this is up to date), in particular whether it will promote or put the plan's strategy at risk, taking account of the extent to which a proposal will alter a town centre's role in relation to the plan's hierarchy of centres and whether it will result in sites allocated in existing centres being developed in accordance with an up to date plan. Recent local assessments of the health of town centres, taking account of the vitality and viability indicators in Chapter 4 of this policy statement and any other published local information, will also be relevant.



3.19e Key town centre impact considerations, both positive and negative, will include:

- (i) how the proposal relates to the development plan for the area;
- (ii) the impact on existing, committed and planned public and/or private investment in a centre or centres in the area;
- (iii) whether a proposal which is in or on the edge of a town centre is of an appropriate scale (in terms of gross floorspace), in relation to the size and role of the centre and its catchment, taking account of the considerations in Paragraph 2.41-2.43 of this policy statement;
- (iv) in the context of a retail or leisure proposal, whether there will be an impact on in-centre trade/turnover, taking account of current and future<sup>6</sup> consumer expenditure capacity in the catchment area; and
- (v) the extent to which the proposal will promote or undermine town centre vitality and viability, including local consumer choice and retail diversity in terms of the range, type and quality of goods.

3.19f Where there is clear evidence that the proposal is likely to have a significant adverse impact on the town centre, taking into account the considerations in Paragraph 3.19e, this will normally justify the refusal of planning permission. Where there are considered to be some adverse town centre impacts but these are likely to be outweighed by significant wider economic, social and environmental benefits arising from the proposal, taking account of the considerations in Paragraph 3.19g below, local authorities should consider such proposals favourably. Proposals which fail to secure a high quality and inclusive design which does not take the opportunities available for improving the character and quality of the area and the way it functions, or which fail to deliver wider sustainable development objectives<sup>7</sup>, in particular those on tackling climate change<sup>8</sup>, are unlikely to be acceptable in impact terms, irrespective of any wider benefits which may arise from a proposal or its location.

3.19g In addition to the key town centre impact considerations in Paragraph 3.19e, other wider impacts resulting from the proposed development will also be relevant, in particular:

- (i) the impact on allocated sites outside town centres being developed in accordance with the development plan;

<sup>6</sup> Up to five years from the time the application is made.

<sup>7</sup> see Planning Policy Statement 1: Delivering Sustainable Development (ODPM , 2005)

<sup>8</sup> see Planning and Climate Change: Supplement to Planning Policy Statement 1 (CLG, 2007)

- (ii) the accessibility of the proposal by a choice of modes of transport including walking, cycling, public transport and the car, taking account of the extent to which it will reduce or increase the overall distance travelled by car, the effect on local traffic levels and congestion (especially to the trunk road network) after public transport and traffic management measures have been secured<sup>9</sup>, and the extent to which a proposal will form links with existing centres to promote linked trips and town centre vitality and viability;
- (iii) the extent to which the proposal benefits deprived areas and promotes social inclusion;
- (iv) how the proposal will affect employment in the area, particularly whether it will create new jobs (in terms of full-time equivalents) and lead to a net increase in employment;
- (v) in the context of retail proposals, the extent to which a development will 'claw back' trade leaking outside the catchment area of the proposal;
- (vi) the extent to which a proposal will help promote or undermine economic and physical regeneration in the area within 5 years of the implementation of the proposal; and
- (vii) the extent to which the proposal makes efficient and effective use of land, including re-use of previously-developed land<sup>10</sup>.

3.19h The impact considerations in Paragraphs 3.19e and 3.19g should also be taken into account when assessing the impact of policy proposals in the preparation of development plans.

3.19i Assessments should set out clear conclusions on all town centre and wider impacts. Unless otherwise indicated above, they should take a long-term view of any impacts, typically beyond 5 years, and be concise but thorough and any assumptions should be transparent and clearly justified, realistic and internally consistent. Applicants should, where possible, agree any relevant supporting information (such as trends in turnover, population, expenditure and efficiency in the use of retail floorspace, and any relevant market information and economic data) with the local planning authority prior to submitting an assessment with a planning application and present information on any areas of disagreement in a succinct and comparable form. Further guidance on the assessment of impacts will be published separately.

3.20-3.28 are deleted

<sup>9</sup> Advice on assessing transport impacts is set out in Guidance on Transport Assessments (DfT and CLG, 2007)

<sup>10</sup> As defined in Annex B of Planning Policy Statement 3: Housing (CLG, 2006)

## **Extensions to Existing Development**

3.29 Applications for the extension of existing development in edge-of-centre and out-of-centre locations may raise specific issues. The impact on existing town centres of the proposed extension should be given particular weight, especially if new and additional classes of goods or services for sale are proposed. The sequential approach is only a relevant consideration in relation to extensions where the gross floor space of the proposed extension exceeds 200 square metres. This policy relates to development which creates additional floorspace, including proposals for internal alterations where planning permission is required and applications to vary or remove conditions changing the range of goods sold, and applies to individual units or stores which may or may not be part of a retail park, mixed use development or shopping centre.

## **Ancillary Uses**

3.30 Shops may be proposed as an ancillary element to other forms of development (for example, petrol filling stations, motorway service areas, airport terminals, industrial/employment areas, railway stations, sports stadia or other leisure, tourist and recreational facilities). Local planning authorities should ensure that in such cases the retail element is limited in scale and genuinely ancillary to the main development, and should seek to control this through the use of conditions (see paragraphs 3.31–3.32). Whether a shop is ancillary will be a matter of judgement for the decision maker and will depend on factors such as the scale of development involved, the range of goods sold, and the proportion of turnover from goods sold which are not directly related to the main use. Where the retail element is not considered to be ancillary, it should be subject to the policies set out in this statement, particularly where the development would adversely affect the viability and vitality of a local centre, whether in an urban or a rural area.

## Using Conditions Effectively

3.31 Local planning authorities should consider using planning conditions to ensure that the character of a development cannot subsequently be changed to create a form of development that the local planning authority would originally have refused. When appropriate, conditions should be used to:

- prevent developments from being sub-divided into a number of smaller shops or units, or to secure the provision of units suitable for smaller businesses, by specifying the maximum size of units;
- ensure that ancillary elements remain ancillary to the main development;
- limit any internal alterations to increase the amount of gross floorspace (including for example through the addition of mezzanine floors) by specifying the maximum floorspace permitted; and
- limit the range of goods sold, and to control the mix of convenience and comparison goods.

3.32 Conditions can also be used by local authorities in seeking to resolve issues relating to the impact of the development on traffic and the amenity of neighbouring residents, such as the timing of the delivery of goods to shops and the adequate provision for loading and unloading. In considering restrictions on deliveries, local authorities should take account of all relevant factors, including impact on congestion, especially in peak periods. In considering how to mitigate night-time noise, local authorities should consider alternatives to a complete ban, such as embodying codes of practice into planning agreements relating to the number of vehicles and noise standards.

## Part 2c: Proposed Changes to Chapter 4 of PPS6

### Existing Paragraph 4.2

4.2 Under the provisions of the Planning and Compulsory Purchase Act 2004,<sup>16</sup> regional planning bodies and local planning authorities are required to submit Annual Monitoring Reports to the Secretary of State. Among the matters which these reports must cover are performance against defined core output indicators and, where policies are not being implemented, the reasons why, and the measures proposed to secure implementation, including through the review of the regional spatial strategy and/or local development documents. Guidance on monitoring is set out in *Monitoring Regional Spatial Strategies* (ODPM, 2005), and in *Local Development Framework Monitoring: A Good Practice Guide* (ODPM, 2005). The core output indicators for regional spatial strategies and local development frameworks of particular relevance to town centres are:

- the amount of completed retail, office and leisure development (Indicator 4a); and
- the percentage of completed office, retail and leisure development in town centres (Indicator 4b).

### Replacement Paragraph 4.2

4.2 Under the provisions of the Planning and Compulsory Purchase Act 2004<sup>16</sup> regional planning bodies and local planning authorities are required to submit Annual Monitoring Reports to the Secretary of State. Among the matters which these reports should cover are performance against defined core output indicators and, where policies are not being implemented, the reasons why, and the measures proposed to secure implementation, including through the review of the regional spatial strategy and/or local development documents. Guidance on monitoring is set out in *Monitoring Regional Spatial Strategies: A Good Practice Guide* (ODPM, December 2005), and in *Local Development Framework Monitoring: A Good Practice Guide* (ODPM, March 2005). The core output indicators of direct relevance to measuring the implementation of this policy statement are the overall amount of completed retail, office and leisure floorspace and how much of this takes place in town centres.

### Existing Paragraph 4.3

4.3 The following matters should also be kept under regular review:

- the network and hierarchy of centres (at both the regional and local levels);
- the need for further development (as set out in Chapter 2); and
- the vitality and viability of centres (at the local level).

### **Replacement Paragraph 4.3**

4.3 The following matters should also be kept under regular review in order to inform considerations of the impact of policies and development proposals:

- the network and hierarchy of centres (at both the regional and local levels);
- the need for further development (as set out in Chapter 2); and
- the vitality and viability of centres (at the local level).

### **Existing Paragraph 4.4 and 6th and 11th bullets**

4.4 In order to measure the vitality and viability and monitor the health of their town centres and how this is changing over time, local authorities should regularly collect information, preferably in co-operation with the private sector, on the following key indicators:

- proportion of vacant street level property: vacancies can arise even in the strongest town centres, and this indicator must be used with care. Vacancies in secondary frontages and changes to other uses will also be useful indicators;
- perception of safety and occurrence of crime: should include views and information on safety and security, and where appropriate, information for monitoring the evening and night-time economy; and

### **Replacement Paragraph 4.4 and 6th bullet, new 8th bullet and 11th bullet**

4.4 In order to measure the vitality and viability and monitor the health of their town centres and how this is changing over time and inform judgements about the impact of policies and development proposals, local authorities should regularly collect market information and economic data, preferably in co-operation with the private sector, on the following key indicators:

- proportion of vacant street level property and the length of time properties have been vacant: vacancies can arise even in the strongest town centres, and this indicator must be used with care. Vacancies in secondary frontages and changes to other uses will also be useful indicators;
- land values and the length of time key sites have remained undeveloped: data on changes in land value and how long key town centre and edge of centre sites have remained undeveloped provide important indicators for how flexible policies should be framed and can help inform planning decisions;
- perception of safety and occurrence of crime: should include views and information on safety and security, including from the threat of terrorism, and where appropriate, information for monitoring the evening and night-time economy: and

## Part 3: Partial Impact Assessment

### EVALUATION OF THE IMPACT OF POLICY CHANGES TO IMPROVE THE EFFECTIVENESS OF TOWN CENTRE POLICY

Summary: Intervention & Options		
<b>Department /Agency:</b> <b>Communities and Local Government</b>	<b>Title:</b> <b>Impact Assessment of revising PPS6 to replace the need and impact tests with a more effective impact test</b>	
<b>Stage:</b> Draft	<b>Version:</b>	<b>Date:</b>
<b>Related Publications:</b> Planning for a Sustainable Future: White Paper (including RIA) and Planning Policy Statement (PPS) 6: <i>Planning for Town Centres</i>		

**Available to view or download at:**

<http://www.communities.gov.uk>

**Contact for enquiries:** Richard Canovan

**Telephone:** 020 7944 3956

**What is the problem under consideration? Why is government intervention necessary?**

The Planning White Paper recognises that there are issues around the practical effect of the current policy requirement on applicants and decision makers to examine the need and impact of proposals on town centres, where these are outside town centres and are not supported by an up to date development plan. The need test has proved, in some respects, to be a blunt instrument, and can have the unintended effect of restricting competition and limiting consumer choice.

**What are the policy objectives and the intended effects?**

The Planning White Paper announced a review of the current approach to assessing development proposals in Planning Policy Statement 6 Planning for Town Centres (PPS6). The objectives are to:

- Support current and prospective town centre investment, which contributes to economic prosperity, and to the Government’s social and environmental goals, and
- Ensure that planning promotes competition and consumer choice and does not unduly or disproportionately constrain the market.

**What policy options have been considered? Please justify any preferred option.**

- A: The preferred option is to replace the need and impact tests for planning applications in PPS6 with a new enhanced test which, supported by practice guidance, has a strong focus on the town centre first policy and which promotes competition and improves consumer choice, avoiding the unintended effects of the current need test.
- B: Retain the current five policy tests in PPS6 for planning applications and to proceed with good practice guidance on assessing need and impact.
- C: Remove the need test for planning applications but retain the other tests in PPS6 in their current form.


**When will the policy be reviewed to establish the actual costs and benefits and the achievement of the desired effects?**

Planning authorities implement the policy, and, at local level, are asked to monitor town centre development and the vitality and viability of their town centres and prepare annual monitoring reports which will inform monitoring at regional and national level. The Government will continue to monitor the amount of retail development in and on the edge of town centres across England and the impacts and the effectiveness of the policy will be kept under review.

**Ministerial Sign-off** For Consultation Stage Impact Assessments:

***I have read the Impact Assessment and I am satisfied that, given the available evidence, it represents a reasonable view of the likely costs, benefits and impact of the leading options.***

Signed by the responsible Minister:



.....Date:



Summary: Analysis & Evidence			
<b>Policy Option: A</b>		<b>Description: Amend PPS6 to remove the need and impact tests, but introduce a new approach to assessing the wider impact on town centres of out of centre and edge of centre development, for the purpose of decision making on planning applications</b>	
<b>COSTS</b>	<b>ANNUAL COSTS</b>		Description and scale of <b>key monetised costs</b> by 'main affected groups'  We expect this option to be cost neutral.
	<b>One-off (Transition)</b>	<b>Yr</b>	
	£		
	<b>Average Annual Cost</b> (excluding one-off)		
	£		<b>Total Cost (PV)</b>
Other <b>key non-monetised costs</b> by 'main affected groups'  Opportunity costs to investors, developers, occupiers and communities where development proposals do not go ahead.			
<b>BENEFITS</b>	<b>ANNUAL BENEFITS</b>		Description and scale of <b>key monetised benefits</b> by 'main affected groups'  It is not possible to estimate the financial benefits of this policy option, given it's potential application across local authorities on a nationwide basis.
	<b>One-off</b>	<b>Yr</b>	
	£		
	<b>Average Annual Benefit</b> (excluding one-off)		
	£		<b>Total Benefit (PV)</b>
Other <b>key non-monetised benefits</b> by 'main affected groups'  Due to the consideration of wider costs and benefits of a proposal, there will be benefits such as:  Greater choice for consumers due to the increased consideration of consumer choice and retail diversity; and  Removal of unintended effects of need test. (See Annex A).			

<b>Key Assumptions/Sensitivities/Risks</b>					
<p>Some town centre investment proposals on which work has not started may be seen as more at risk due to uncertainty and delay caused by removal of the need test – but this will be mitigated by not removing the need test until the new impact test is in place, and by issuing guidance on the new test when policy revisions are finalised. Costs of preparing planning applications and fees will not be recouped.</p>					
<b>Price Base Year</b>	<b>Time Period Years</b>	<b>Net Benefit Range (NPV) £</b>	<b>NET BENEFIT (NPV Best estimate) £</b>		
What is the geographic coverage of the policy/option?		England			
On what date will the policy be implemented?		Spring 2009			
Which organisation(s) will enforce the policy?		LPAs			
What is the total annual cost of enforcement for these organisations?		£ no additional costs			
Does enforcement comply with Hampton principles?		Yes			
Will implementation go beyond minimum EU requirements?		No			
What is the value of the proposed offsetting measure per year?		£0			
What is the value of changes in greenhouse gas emissions?		£0			
Will the proposal have a significant impact on competition?		Yes			
Annual cost (£–£) per organisation (excluding one-off)		Micro	Small	Medium	Large
Are any of these organisations exempt?		No	No	N/A	N/A
<b>Impact on Admin Burdens Baseline</b> (2005 Prices) (Increase – Decrease)					
Increase	£0	Decrease	£0	<b>Net Impact</b>	<b>£</b>

Key:

**Annual costs and benefits:  
 Constant Prices**

(Net) Present Value

<b>Summary: Analysis &amp; Evidence</b>			
<b>Policy Option: C</b>		<b>Description: Amend PPS6 to remove the need test, but retain the current impact test, as per Kate Barker’s recommendation.</b>	
<b>COSTS</b>	<b>ANNUAL COSTS</b>		Description and scale of <b>key monetised costs</b> by ‘main affected groups’  No additional costs as the burden to demonstrate/consider the need for a development by the developer/LPA respectively would be removed.
	<b>One-off (Transition)</b>	<b>Y</b>	
	£		
	<b>Average Annual Cost</b> (excluding one-off)		
	£		
		<b>Total Cost (PV)</b>	<b>£</b>
<p>Other <b>key non-monetised costs</b> by ‘main affected groups’</p> <p>Removal of the requirement to demonstrate the need for a development outside town centres, without a strengthened impact test, would damage investor confidence in future town centre schemes, and pose a serious risk to existing retail businesses in struggling town centres.</p>			
<b>BENEFITS</b>	<b>ANNUAL BENEFITS</b>		Description and scale of <b>key monetised benefits</b> by ‘main affected groups’  It is not possible to estimate the financial benefits of this policy option, given it's potential application across local authorities on a nationwide basis and the impacts of proposals would still need to be assessed.
	<b>One-off</b>	<b>Y</b>	
	£		
	<b>Average Annual Benefit</b> (excluding one-off)		
	£		
		<b>Total Benefit (PV)</b>	<b>£</b>
<p>Other <b>key non-monetised benefits</b> by ‘main affected groups’</p> <p>Removal of unintended effects of need test, more floorspace in edge of centre and out of town locations, providing benefits for business, investors and the wider economy- promoting more consumer choice and competition. Also, removal of administration costs from local authorities in assessing the evidence which they require to fulfill the need test, and from applicants in producing the evidence.</p>			

**Key Assumptions/Sensitivities/Risks**

Some town centre investment proposals on which work has not started may be seen as more at risk due to uncertainty and delay caused by removal of the need test. More development outside town centres. Costs of preparing planning applications and fees will not be recouped.

Price Base Year	Time Period Years	Net Benefit Range (NPV) £	NET BENEFIT (NPV Best estimate) £			
What is the geographic coverage of the policy/option?		England				
On what date will the policy be implemented?		Spring 2009				
Which organisation(s) will enforce the policy?		LPAs				
What is the total annual cost of enforcement for these organisations?		£ no additional costs				
Does enforcement comply with Hampton principles?		Yes				
Will implementation go beyond minimum EU requirements?		No				
What is the value of the proposed offsetting measure per year?		£0				
What is the value of changes in greenhouse gas emissions?		£0				
Will the proposal have a significant impact on competition?		Yes				
Annual cost (£-£) per organisation (excluding one-off)		Micro	Small	Medium	Large	
Are any of these organisations exempt?		No	No	N/A	N/A	
<b>Impact on Admin Burdens Baseline</b> (2005 Prices) (Increase – Decrease)						
Increase	£0	Decrease	£0	<b>Net Impact</b> £		

Key:

**Annual costs and benefits:  
 Constant Prices**

(Net) Present Value

## EVIDENCE BASE (FOR SUMMARY SHEETS)

### 1. Background

- 1.1 The Government's White Paper *Planning for a Sustainable Future* (May 2007) announced a review of the current approach in *Planning Policy Statement 6: Planning for Town Centres* (PPS6) to how proposals outside town centres should be assessed. The White Paper proposed that the need and impact tests would be replaced with a new approach to testing the impact of proposals outside town centres. This recognised the importance of supporting current and prospective town centre investment and the need to promote competition and consumer choice without unduly or disproportionately constraining the market. The White Paper's Partial Regulatory Impact Assessment said that the impact of this proposal would be the subject of a separate assessment.
- 1.2 The Government's planning policy for town centres is showing real signs of success. In 2005 just under 40% of all new retail development was built in and around town centres, compared with less than a quarter in 1994, halting and partially reversing the previous long trend towards development outside town centres. The proposed changes set out in this consultation document have been developed in the context of recent retail trends and likely future market conditions.
- 1.3 Current evidence points to slowing growth in the retail economy in the short term although some operators, particularly supermarkets, appear set to continue to perform robustly despite fluctuating market conditions. In general economic terms, the latest OECD outlook (No 83, June 2008) indicates that GDP growth in the UK has slowed to an annualised rate of 1.5% in the first quarter of 2008, compared to above average growth in 2007. It expects further slowing over coming quarters as both investment and consumer demand are dampened by tight credit conditions and housing market weakness. The OECD note that potential growth should be boosted by improving planning regulations.

### Options

- 1.4 The recommended option is to replace the need and impact tests in PPS6 with a new, enhanced, impact test which has a strong focus on the town centre first policy and which promotes competition and improves consumer choice (Option A).
- 1.5 The alternative options are to:
  - Do nothing – the current need and impact tests remain in place (Option B: option currently in place); or
  - Remove the need test without enhancing the impact test – the other policy tests remain unchanged (Option C).

- 1.6 The options have been considered in the light of The Competition Commission's report following their market investigation of groceries in the UK (30 April 2008).

## 2. Option A

- 2.1 This builds on Kate Barker's Report ('the Barker Report') recommendation by changing the way impact on town centres is assessed<sup>11</sup>. A broader, more robust, impact assessment policy would replace the current impact test. This would have a town centre focus but would take account of the wider costs and benefits of a proposal.
- 2.2 By removing the need test as a separate consideration, the unintended effects, including those noted by the Barker Report, should be eliminated and it leaves decisions on the financial risks of development to those best qualified to take them, as the Barker Report recommends<sup>12</sup>.

### Costs

- 2.3 We consider that there will be no overall cost saving or cost increase to either developers or planning authorities arising from the policy refinements around the need and impact tests.
- 2.4 Our analysis indicates that the average cost for an assessment accompanying a planning application is likely to be between £25,000 and £30,000, and it is unlikely to be influenced significantly by whether an assessment relates to a capacity analysis to demonstrate a need for the development under current policy or whether the impacts of a proposal are assessed. This is because impact considerations already form a key part of a need assessment under current policy.
- 2.5 We do not consider that the new test will require significantly more work than we would expect for a properly conducted need and impact assessment under the current policy in PPS6. A full description of the new impact test is set out in Parts 1 and 2 of this Paper.
- 2.6 Some stakeholders with major town centre investment programmes have expressed concern that the proposed policy revision could undermine investor confidence in the town centre first policy due to uncertainty or delay in removing the current need test and the possibility that town centre property values and rents may fall as a result of increased competition from out of town developments. This risk will be addressed by the introduction of a more robust and transparent impact test when finalised in 2009, which will be supported by practice guidance. While there may be some local impact, we expect little overall adverse effect nationally.

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<sup>11</sup> Barker Review of Land Use Planning – Final report (HM Treasury, 2006)

<sup>12</sup> Barker Review, para 1.33

- 2.7 Retailers and other town centre uses are likely to be affected through exposure to an increased level of competition, but this would also be a benefit to consumers and to the national and local economy. Impacts on smaller shops and independents will be mitigated by more specific consideration of the impact of proposals on the local economy and shops and services that are of local importance.
- 2.8 Although there will be a familiarisation cost for developers and planning authorities in applying the policy revisions, the scale of this is extremely difficult to assess. It is not anticipated that there would be extra costs to planning authorities in respect of plan making as the policy requirement to assess the need for more floorspace will be retained along with the consideration of impacts when preparing planning policies.

### **Benefits**

- 2.9 The new test will lead to more robust, transparent and holistic assessments than is the case under the current policy which limits the assessment of proposals to the key considerations listed in Paragraph 3.4 of PPS6 and then takes account of other local issues and material considerations identified in Paragraph 3.28 of PPS6.
- 2.10 Taking account of the wider benefits of a proposal is likely to contribute to the growth of local economies, through for example regeneration and the creation of additional employment, and therefore contribute to promoting social inclusion and community cohesion.
- 2.11 The revision will also better promote competition, which should exert downward pressure on prices. While in some cases town centres will be subject to increased competition, in some cases the strengthened impact test will offer greater choice to consumers by affording better protection to high streets and small shops whilst enabling the development of a broader range of shopping, leisure and local facilities.
- 2.12 By drawing in design quality considerations of new development proposals in making judgments about the impact of development, and testing how they relate to mitigating against, and adapting to, the impacts to climate change, the application of the new test will help better promote design quality and lead to better designed places.

### **Environmental Effects**

- 2.13 By removing a barrier to market entry, the application of the new test may lead to some overall increase in development, which could have environmental implications. However, these will be mitigated by the scope of the new test given that it will more thoroughly examine the wider environmental and sustainability implications of a proposal.

### **Competition and consumer choice**

- 2.14 The replacement of the need test with a strengthened impact test which takes account of local markets, consumer choice and retail diversity considerations and whether a town centre would be adversely affected by loss of trade/turnover will help protect struggling town centres whilst successful centres are subjected to normal competitive pressures, both of which will benefit consumers and business.

### **3. Option B**

- 3.1 This would retain the current five key considerations for planning applications in PPS6, including the need test. All planning applications for edge and out-of-centre development, not in accordance with an up to date development plan, would continue to be required to demonstrate quantitative need.
- 3.2 Proposals would also continue to be subject to the current impact test.

### **Costs**

- 3.3 The unintended effects of the need test and issues around the operation of the impact test would not be addressed. This is likely to continue to restrict consumer choice and may lead to higher prices of goods in stores because it could restrict the expansion of stores or prevent new stores being developed where this could take place without harming town centre vitality and viability.
- 3.4 Although 'need' is only one of the key policy considerations in PPS6, and other material considerations need to be weighed in a planning decision, it is possible for development proposals that would be beneficial overall being rejected solely on grounds of there being inadequate need.
- 3.5 There also appears to be some anecdotal evidence that the current need test may be encouraging low sales densities in some circumstances.

### **Benefits**

- 3.6 This option is likely to maintain a degree of certainty for all stakeholders, including investor confidence for decision making, as it is a known policy and established decision making framework. Town centres would broadly continue to be protected.
- 3.7 As with Option A, the emphasis on town centres is also likely to promote other benefits. These benefits are difficult to quantify, but arise through the concentration of economic activity. Businesses benefit from higher levels of consumer activity, have greater access to labour markets, specialised services and infrastructure. However, the sum of these benefits is likely to be less than those secured with the preferred Option A.



### **Environmental Effects**

- 3.8 There is a risk that more fragile smaller centres may deteriorate because of the current impact test not working well in practice and inappropriate proposals being permitted, despite their impacts.

### **Competition issues**

- 3.9 Competition issues are relevant to the implementation of policy in PPS6 but they are not currently a key policy consideration, particularly in the context of making judgements about the impact of development. Unlike consumer choice which is identified as a consideration for a local planning authority to take into account in planning for new development, and qualitative need which is also a consideration, there is no specific competition test in the policy.
- 3.10 The existing policy is clear that the support for efficient, competitive and innovative retail, leisure, tourism and other sectors, with improving productivity, is relevant to the implementation of PPS6. However, the policy is also clear that it is not the role of the planning system to restrict competition. Competition between competing businesses is therefore not normally addressed in a planning decision under current policy.

## **4. Option C**

- 4.1 This broadly reflects the Barker Report's recommendation to remove the need test. Planning applications would no longer be required to demonstrate a need for the proposal to gain planning permission, but would still have to carry out an impact assessment. Local planning authorities could no longer refuse to grant planning permission on grounds of insufficient need being shown. The current impact test would be retained. There would be no specific consideration of competition issues.

### **Costs**

- 4.2 This option would not address some of the key issues raised with the current policy. The existing impact test is inadequate and even if the need test is removed an assessment of expenditure capacity would still be needed to make informed judgements about the impact of a proposed development. Town centre protection would be reduced as there would be no enhanced test to improve assessment of impact on centres. It is likely that this would lead to increased out-of-town development which would damage town centre vitality and viability.
- 4.3 This option would also undermine the preparation of development plans. The consideration of need would still be a feature of development plans, but this would be seriously weakened if at the development control stage, decisions on applications were then made without any consideration of consumer expenditure capacity in

assessing the impact of development. The absence of the need test and an improved impact test might encourage developer's to make speculative planning applications which are inconsistent with the development plan which would damage the plan making process and undermine the operation of the sequential approach.

- 4.4 This option is likely to undermine public and private investor confidence in town centre development and regeneration, town centre partnerships and regeneration companies. Investor confidence is particularly critical for smaller town and city centres.<sup>13</sup>
- 4.5 There may also be a downwards pressure on rents which is likely to reduce capital values of new development and lessen the incentive for better quality design and public realm improvements.

### **Benefits**

- 4.6 This would leave assessment of financial risk to those best qualified, would simplify decision-making and could reduce rents.

### **Environmental effects**

- 4.7 There is a greater risk (when compared with options A and B) that more out-of-centre development may be permitted in the absence of a need test without a more robust impact test to replace it. That may result in an increased need to travel, due to more dispersed patterns of development, with less scope for linked trips. This is likely to increase the carbon footprint due to greater emissions.
- 4.8 There is also a risk that increased development outside town centres might harm the viability and vitality of town centres (if there is no strengthened impact test to protect them), which could also lead to a deterioration in the environment of town centres.

### **Competition Issues**

- 4.9 Competition and consumer choice would be given additional weight under this option, but at the expense of the town centre first policy.
- 4.10 Removing the need test and leaving the existing policy unchanged without an enhanced impact test to support it may make it easier for developers to get planning permission either for new development or extensions in out-of-centre locations. If retailers are able to develop larger stores more cheaply out of town, town centre investors, smaller businesses in town centres, especially district centres, may no longer be able to compete. It is likely that competition and consumer choice would thus be reduced in town centres, and consumers would more likely to exercise choice by travelling to out-of-centre locations.

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<sup>13</sup> See Annex A for examples of the retail pipeline

## 5. Other impact considerations (Option A)

### Small Firms Impact Test

- 5.1 The revised policy on the impact test would continue to apply only to businesses where a planning application is needed and then only if not in accord with the development plan and the proposal is on a site outside a town centre. Detailed assessments are only generally needed if a proposal is over 2,500 square metres. Smaller firms are more likely to find suitable sites in town centres and therefore are unlikely to be affected by a need to undertake an impact assessment. A robust testing of any proposals outside town centre will help to protect smaller firms. The policy has also been strengthened to enable local authorities to better plan for the diversity of shops and services in their town centres and, where justified protect them. **Evidence will be welcomed from consultees whether the revisions adequately promote small business growth.**

### Competition assessment

- 5.2 The new enhanced impact test will promote competition by testing the impact of new development on consumer choice and retail diversity which will benefit consumers and business.
- 5.3 The Barker Report noted that planning authorities refusing planning permission on the basis of absence of need was likely to result in more limited choice and higher prices of goods in stores. The report also noted the current policy requiring the demonstration of need can have unintended effects, including adverse impacts on competition. The Competition Commission's investigation of the grocery market also identified evidence that the current need test may be, or may become, a barrier to entry in many local areas when the available capacity has been absorbed by new development.<sup>14</sup>
- 5.4 The proposed new impact test will enable a more thorough assessment of the impact on consumer choice and retail diversity of each proposal. It will remove identified barriers and, in principle, facilitate a greater likelihood of entry by operators who may not otherwise have been able to enter a local market where identified local need is taken up by existing incumbents and/or unimplemented planning permissions. Where development is permitted this would be likely to increase competition, resulting in greater consumer choice, and potentially reduce prices. Taking account of these considerations the proposal is expected to enhance competition, with no significant redistributive effects, and will improve entry to local markets. Any limit on the number and range of existing businesses will be due to increased competition, rather than increased costs or a regulatory barrier.

<sup>14</sup> Working Paper on the Local Planning Authority Survey Results (Competition Commission, 2007) and 'The Supply of Groceries in the UK' market investigation summary and report (Competition Commission, April 2008). See also Annex C.

### **Legal Aid**

- 5.5 There will be no Legal Aid impact.

### **Sustainable Development, Carbon assessment, Other Environmental**

- 5.6 The new impact test will take account of a broader set of considerations. Specific consideration as to whether a proposal is of high quality design, how it helps mitigate against, and adapt to, climate change impacts, and the extent to which a proposal will affect traffic and congestion, promote linked or multi-purpose trips is likely to lead to more sustainable outcomes in the medium and long term.

### **Health Impact Assessment**

- 5.7 There will be a benefit to people on lower incomes through improved access to good quality fresh food and other local goods and services at affordable prices. This is because the new impact test will better promote consumer choice and retail diversity helping to control price inflation, improving accessibility and reducing the need to travel. Improved town centres environments brought about by stronger consideration of town centre environmental quality when judging impacts will benefit all town centre users.

### **Race, Disability, Gender and Other Equality**

- 5.8 There will not be any significant impact of any on the equality strands.
- 5.9 The main way in which the proposed change might affect Black and Minority Ethnic (BME) communities would be through its impact on the retail sector. It is estimated that there are 68,000 BME retailers in UK, and 4,000 wholesalers, employing 373,000 people and having a turnover of around £33bn (nearly 12% of UK retail sales), whilst serving a key role in meeting the needs of different BME<sup>15</sup>.
- 5.10 Convenience stores are the most likely types of BME enterprises to experience some effect from the removal of the need test from planning policy. The Centre for Retail Research's 2006 survey estimated that around 50% of BME owned retail enterprises were in the convenience and specialist food shops or supermarket sectors. The nature of competition in the grocery sector is covered elsewhere in the evidence base annex of this assessment.
- 5.11 Given that BME communities tend to be clustered in urban areas, it is likely that a high proportion of BME retailers will tend to be located in these areas as well. However, we do not know their precise spatial distribution, and how many are operating in town centres (particularly those centres who may have fragile health). It therefore not possible to quantify the potential numbers of such businesses who may be affected by any policy refinements.

<sup>15</sup> Centre for Retail Research

- 5.12 We do not however consider that the policy proposals set out in our consultation will have a negative effect on BME businesses. The Competition Commission investigation found no significant link between large and small grocery retailers and the strengthened impact test which is proposed should protect BME retailers in the same way that it protects other retailers in circumstances where edge of centre and out of town development would damage existing businesses.

### **Human Rights**

- 5.13 There will be no Human Rights impact.

### **Rural proofing**

- 5.14 There is no change to the thrust of the policy in PPS6 with regard to rural areas. The policy applies to market towns and to the impact on the rural economy, so there should be no adverse effect of the change on rural areas. In so far as planning authorities will need to consider impacts on the local economy this may lead to local positive benefits, for example, for farmers and local suppliers. In finalising these policy revisions, the Government will have regard to the findings of the Matthew Taylor Review of the Rural Economy and Affordable Housing (forthcoming).

### **Enforcement, sanctions and monitoring**

- 5.15 The policy will not have any direct statutory effect on business. As with all planning policy statements, local planning authorities and developers will be required by law to have regard to any revised policy, once finalised. Planning authorities will be required to take the policy into account in formulating development plan policies and it may be material to deciding planning applications.
- 5.16 Under the provisions of the Planning and Compulsory Purchase Act 2004, regional planning bodies and local planning authorities are required to submit annual monitoring reports to the Secretary of State. Among the matters which these reports should cover are performance against defined core output indicators and, where policies are not being implemented, the reasons why and the measures proposed to secure implementation, including through review of the regional spatial strategy and/or local development documents. Guidance on monitoring is set out in *Monitoring Regional Spatial Strategies: A good practice guide*, ODPM, March 2005. The core output indicators of direct relevance to measuring the implication of PPS6 will be the overall amount of completed retail, office and leisure floorspace and how much of this takes place in town centres.
- 5.17 The Government will continue to monitor and evaluate the impact and effectiveness of this policy.

### Implementation and delivery plan

- 5.18 We shall take into account the responses to this consultation in implementing our proposals and these will inform any final policy revisions in 2009.
- 5.19 We anticipate there will be a widespread ‘roll-out’ of any revised policy with a wide range of stakeholders, including business and local planning authorities, to build capacity and promote the robust implementation of the policy and its accompanying guidance.

### Post-implementation review

- 5.20 Although the Government will continue to monitor the implementation of the policy, it has no current plans for a further review once the proposed policy changes have been finalised.

### Specific Impact Tests: Checklist

Use the table below to demonstrate how broadly you have considered the potential impacts of your policy options.

**Ensure that the results of any tests that impact on the cost-benefit analysis are contained within the main evidence base; other results may be annexed.**

Type of testing undertaken	Results in Evidence Base?	Results annexed?
Competition Assessment	Yes	No
Small Firms Impact Test	Yes	No
Legal Aid	Yes	No
Sustainable Development	Yes	No
Carbon Assessment	Yes	No
Other Environment	Yes	No
Health Impact Assessment	Yes	No
Race Equality	Yes	No
Disability Equality	Yes	No
Gender Equality	Yes	No
Human Rights	Yes	No
Rural Proofing	Yes	No

# Annexes

## ANNEX A: IMPACT ANALYSIS

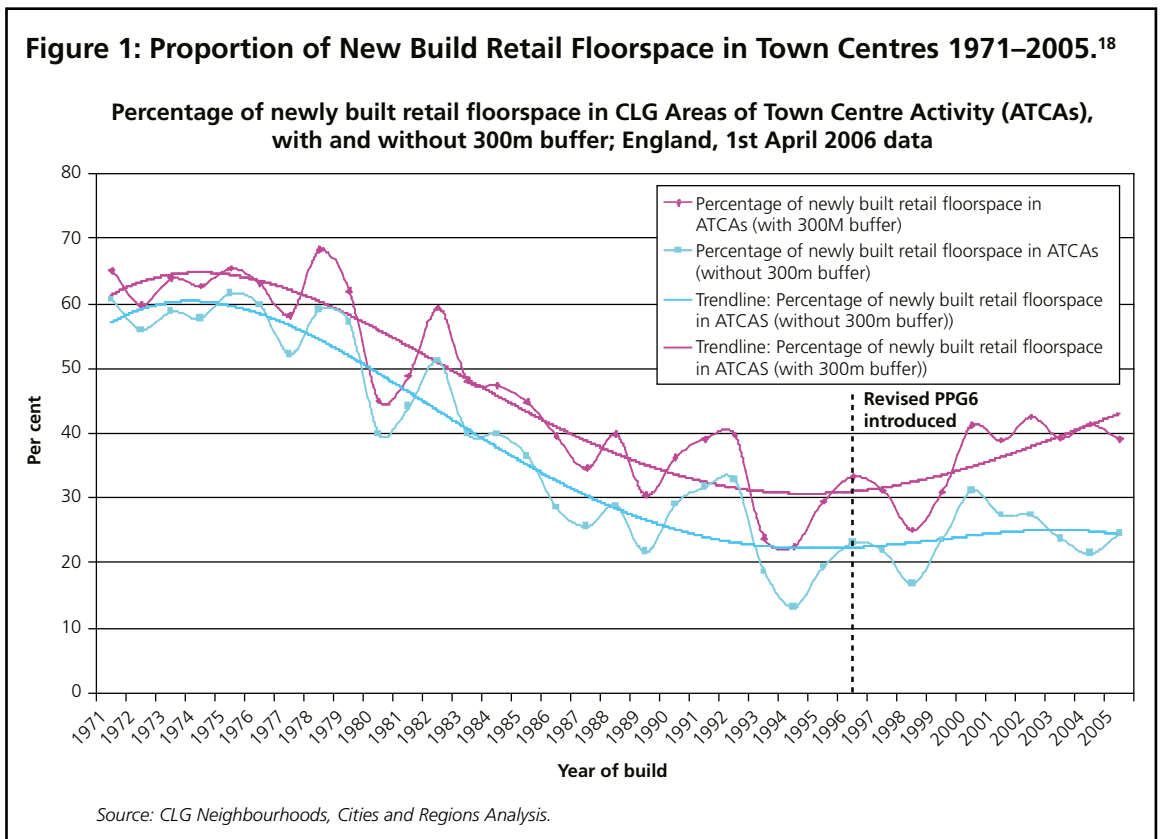
### Section A: Success of the Existing Policy

- A.1 Published in March 2005, PPS6 has taken forward the Government's longstanding overarching policy objective of promoting vital and viable town centres (previously set out in the superseded *PLANNING POLICY GUIDANCE NOTE 6: TOWN CENTRES AND RETAIL DEVELOPMENTS*<sup>16</sup>) through a town centre-first policy. The policy has enjoyed widespread support and it has also shown considerable success given the increasing amount of development going into town centre and edge of centre locations in recent years.
- A.2 The headline indicator of success has been the proportion of new retail floorspace being developed within and on the edge of town centres (see Figure 1). The proportion has increased from a low of under 25% (1994) to around 40% (2005). It is evident from this that town centre policy has halted and partially reversed a long term trend toward retail development outside town centres (updated analysis using revised town centre boundaries and data on developments in 2006 will be available later in the summer). This is also supported by analysis undertaken by the British Council of Shopping Centres (BCSC) which showed that by 2005, the proportion of new retail space in UK town centres had risen to 35%, although this varies from region to region and is higher in England when compared with Scotland, Wales and Northern Ireland. The BCSC note that "it is commonly believed that 50% or more of new retail floorspace is now being sited in town centres"<sup>17</sup>.

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<sup>16</sup> DoE, June 1996

<sup>17</sup> Future of Retail Property Report 6: In Town or Out of Town? (BCSC, 2006), pp8.



Note: The above trend is an aggregate figure and there are regional variations (see Annex B). The indicator also does not fully reflect the range of factors that determine town centre vitality and viability.

- A.3 The Government expects this trend to continue, with town centre and edge of centre sites accounting for an increasing proportion of development. Our analysis shows that there may be significant capacity to accommodate new development in and on the edge of town centres. We estimate that there could be some 900 hectares of land potentially available for development in town centres, including vacant and derelict sites. There could also be a further 4,300 hectares of such land on the edge of town centres<sup>19</sup>.
- A.4 These sites are in addition to any other land identified as a result of town centre expansion by local planning authorities or by the market, although in some cases there may be physical rather than planning barriers to implementing such opportunities.

<sup>18</sup> Communities and Local Government analysis of VOA Commercial and Industrial property data.

<sup>19</sup> Statistics from the National Land Use Database of Previously-Developed Land (NLUD-PDL) based on information collected in 2005



- A.5 We also need to recognise that in some instances, such as historic centres and smaller centres, there will be limited capacity for the implementation of new development within existing centres. However, in such cases we would expect local authorities to proactively expand town centre boundaries to accommodate the need for identified growth, consistent with current policy in PPS6.
- A.6 These conclusions are broadly supported by the British Council of Shopping Centres which indicates that forthcoming town centre developments were likely to increase the percentage of retail development in town centres beyond 40% in the immediate future<sup>20</sup>. Verdict's 2006 report on UK Town Centre Retailing, for example, identifies a number of large in-town centre retail developments which are scheduled for completion between now and 2011, although more recent reports indicate an expected slowdown in the completion of schemes due to the current economic climate. Schemes scheduled for completion include development at White City, Elephant and Castle and Stratford City in London, Eden in High Wycombe and Bridgefield in Stockport<sup>21</sup>. Indeed, most of the top fifty retail centres have received a major town centre retail scheme or have one in the pipeline to maintain their offer and competitiveness<sup>22</sup>.
- A.7 It is noticeable that the forthcoming developments also include significant investment in some of the smaller, medium sized centres. The British Council of Shopping Centres for example noted that over the next ten years new development is likely to refocus in medium-sized and smaller centres which, if realised, will meet the Government's economic, social and environmental objectives<sup>23</sup>.
- A.8 This investment is consistent with the picture emerging from town centre shopping sales which, between 1995 and 2005, experienced a rise of 43% (averaging 3.7% growth year on year). However, it must be recognised that whilst overall consumer spending patterns have not experienced any sharp falls, the future is considerably more uncertain given the credit squeeze and current economic climate.
- A.9 It should also be recognised that there is likely to be further consolidation in the retail market, with traditional town centre stores and floorspace declining whilst floorspace has increased in town centre shopping centres/malls.
- A.10 Between 1995 and 2005, town centres recorded a net loss of almost 13,700 shops and about 700,000 square metres of floor space. This reflects significant efficiency gains, as the newer, shopping centre-based stores helped town centres to increase sales densities.
- A.11 Despite the apparent loss of the smaller shops it is however also evident that, between 2000-2005, the loss of such shops and floorspace in traditional locations appears to

<sup>20</sup> Future of Retail Property Report 6: In Town or Out of Town? (BCSC, 2006), pp8

<sup>21</sup> UK Town Centre Retailing (Verdict, 2006), pp178

<sup>22</sup> Future of Retail Property Report 6: In Town or Out of Town? (BCSC, 2006), pp25, pp41

<sup>23</sup> Future of Retail Property Report 6: In Town or Out of Town? (BCSC, 2006), pp51

have slowed. The British Council of Shopping Centres' report suggests that this may be because town centre policy takes up to a decade to take effect (as some pre-PPG6 schemes from the early 1990s were still being completed in 2000) and the full effect is only now becoming evident. The extent to which short to medium term trading conditions will affect smaller shops remains to be seen, although it is clear that vacancy rates appear to be accelerating (see also paragraph A16).

## Section B: Future Challenges

- A.12 It is generally accepted that the town centre-first policy in PPS6 to date been successful in promoting the vitality and viability of town centres. However, our analysis has shown that some of the elements of the policy in PPS6 are not working effectively to promote improved consumer choice and competition (see Section C). This has also been suggested by other analyses and stakeholders.
- A.13 In terms of protecting the vitality and viability of town centres, the Government's town centre policy faces a number of challenges as a result of a combination of related factors, including the future state of the economy, changing consumer and retailer behaviours, the changing nature of town centre shopping and evolving business models arising from a number of wider economic changes such as:
- higher levels of car ownership;
  - competition from internet retailers;
  - technological development and global markets leading to increased choice in terms of products and services<sup>24</sup>;
  - behavioural change such as combined leisure/shopping trips, one-stop and top-up convenience shopping.
- A.14 These factors, amongst others, have led to both opportunities and risks for retailers. The top retailers and large format grocers have become increasingly dominant in the market, and shopping centres have benefited from being able to allow consumers to combine the retail and leisure experiences in single trips, providing comfort, efficiency and ability to measure pedestrian footfall and maximise customer spending. However, a number of retail formats have been identified as being at risk, including some generalist retailers who do not have a market niche, and those who cannot compete with their larger competitors.
- A.15 At the smaller end of the retail market, for example, some formats appear to have been affected by increasing competition from the large format grocers and their increasing expansion into non-food retail goods<sup>25</sup>. However, we note the conclusion

<sup>24</sup> For example, the Competition Commission noted that since 2000, the average number of lines stocked by the top four grocery retailers had gone up by an average of 2,000 new products each year (Competition Commission, April 2008), pp46

<sup>25</sup> Future of Retail Property Report 6: In Town or Out of Town? (BCSC, 2006), pp25, 41

from the Competition Commission that while sympathetic, their evidence does not show that independent retailers are in terminal decline, or that it is impossible for them to compete with large retailers.

- A.16 Whilst the rapid expansion of out of town development and shopping centres has slowed, large numbers of independent retailers are facing difficult trading conditions, primarily in town centre locations. Indeed it is evident that as the character of shopping space in town centres shifts from traditional high streets to more in centre shopping centres, many smaller retailers are finding it more difficult to survive the combination of increased competition and challenging trading conditions. We note in this context that the New Economics Foundation's "Clone Town Britain" report, for example, flags the dangers of a failure to achieve a balance between multiple retailers and independent retailers, and the consequences that this can have for vitality and viability.
- A.17 The Competition Commission working paper report on small shops substantiates this conclusion. It noted that whilst certain types of niche retailers such as health food shops and delicatessens were growing in numbers, the numbers of independent bakers, fishmongers, off-licences, butchers, greengrocers and booksellers were declining<sup>26</sup>.
- A.18 This trend is also reflected in the analysis undertaken by the Parliamentary All Party Small Shops Group which found that the UK lost nearly 30,000 independent food, beverage and tobacco retailers between 1996-2006, and that there were doubts as to whether independent traders would be able to survive in certain sub-sectors of the market, such as convenience stores (due to the pressure from multiples), news agents, and petrol retailing<sup>27</sup>.
- A.19 In this context it is essential that any policy refinements to PPS6 carefully balance increased competition and consumer choice considerations with strong protection for town centres and in particular, smaller retailers, whose positive contribution to a town centre's economic and social cohesion through product innovation, provision of diversity of goods and services, and their role in local communities needs to be better recognised in the planning process.
- A.20 It is vitally important also that any planned investment and investor confidence in small and large proposals, particularly in medium-sized and smaller centres, continues into the future and is not undermined by any weakening of the Government's town centre planning policy, particularly in light of the current economic climate.

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<sup>26</sup> Working paper on entry and exit of small and specialist stores (Competition Commission, July 2007)

<sup>27</sup> "High Street Britain": 2015 (All-Party Parliamentary Small Shops Group, February 2007)

## **Section C: How effective are the current 'need' and 'impact' tests in practice?**

A.21 Our analysis has shown that the so called 'need test' in PPS6, which was introduced as a broad proxy for judging the impact of unplanned development proposals, has proved a blunt instrument in practice, particularly in the context of retail development. The Barker Report noted several unintended effects of this test and recommended its removal from the PPS6 policy framework for the consideration of planning applications<sup>28</sup>. The Competition Commission has examined whether the planning system and the need test present a barrier for the groceries market, in the context of the issues raised by the OFT<sup>29</sup>. The Commission found that the planning system and its application by Local Planning Authorities in accordance with the policy objectives of the planning regime necessarily act as a barrier to entry or expansion in a significant number of local markets (1) by limiting construction of new larger grocery stores; and (2) by imposing costs and risks on smaller retailers and potential new entrants that are not borne to the same extent by existing large grocery retailers. The Commission observed that the relative ease of gaining planning permission for store extensions, as evidenced by the number of store extensions, combined with the need test, is likely to provide incumbent retailers with an advantage over new entrants in providing new grocery retailing floorspace in a local market.

Although the Commission was unclear whether the need test, on its own, acts as a barrier to entry or expansion over and above the other components of the planning regime that apply to grocery retailing it noted that, in practice, a number of retailers see the need test, rather than any of the other tests, as the key barrier to the development of new larger grocery stores in many local areas. It did not however recommend any specific changes to the planning system (beyond the competition test). However, the Commission emphasised that in choosing and designing its planning remedies, it had taken account of the reforms proposed in Planning White Paper and it made clear that its proposed remedies are additional to the Government's reforms and that they should not be seen to preclude any of the reforms proposed in the Planning White paper.<sup>30</sup>

A.22 Concerns about the need test has also been raised by some stakeholders<sup>31</sup>. However, others have expressed considerable concern about the removal of the test and said that it could lead to a potential weakening of PPS6 and the town centre-first policy<sup>32</sup>.

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<sup>28</sup> See Annex C

<sup>29</sup> Market Investigation into the Supply of Groceries in the UK, Final Report (Competition Commission, April 2008)

<sup>30</sup> Market Investigation into the Supply of Groceries in the UK, Final Report (Competition Commission, April 2008)

<sup>31</sup> Some of these include IKEA, Tesco, Asda and Confederation of British Industry

<sup>32</sup> Some of these include Friends of the Earth, John Lewis Partnership, British Council for Shopping Centres, Royal Town Planning Institute. Many responses to the Planning White Paper also indicated considerable concern at the proposal.

A.23 The unintended effects associated with the need test which have been identified can be broadly described as follows. Whilst many of the issues that are identified relate mainly to retail development, the need test also applies to other town centre uses and therefore some of the above issues are also relevant to other forms of development. Annex C sets out a fuller description of the unintended effects which have been identified, together with some of the issues arising from the operation of the impact test in its current form.

### **The need test forms a potential barrier to entry (Issue 1)<sup>33</sup>**

- A.24 The need test can be anti-competitive, and can unintentionally limit choice and in turn lead to higher prices because it can restrict the development of new stores beyond the town centre that could enter the market without harming the town centre itself. It also protects existing retailers from competition and can be misused to restrict market entry by competitors.
- A.25 We have not found that there is any conclusive evidence that the need test alone reduces retail competition between businesses, because there are often a wide variety of factors which may influence particular outcomes. However, we are clear that there is evidence to suggest that the need test may have, in some instances, constrained the market spatially and prevented new entries to the retail market that could have had positive impacts on competition and consumer choice.
- A.26 For example, the following have identified evidence which suggests that there are specific competition issues in the retail grocery market in some areas across the country:
- the Supermarkets Inquiry of 2000, for example, found 175 local monopoly and duopoly situations of concern;
  - the 2003 Safeway Inquiry found that almost two-thirds of Safeway one-stop shops were located in areas of restricted choice;
  - the Office of Fair Trading (OFT) has cited evidence suggesting that out of 1,452 postal areas in Great Britain there are 104 where one retailer has more than a 50 per cent share by the number of stores<sup>34</sup>.
  - The Competition Commission groceries inquiry report 2008 has found 495 large grocery stores in highly concentrated local markets.
- A.27 We have also noted that evidence submitted to the Competition Commission has suggested that 60 to 65 per cent of the urban population in Great Britain have fewer than four one-stop shop fascias, and hence restricted choice. The assertion being that the planning regime potentially prevents entry in about 70 per cent of these areas<sup>35</sup>. According to estimates from ASDA for example, the need test may be

<sup>33</sup> Competition Commission Working Paper: Barriers to entry (June, 2007).

<sup>34</sup> Grocery market: Proposed decision to make a market investigation reference, Office of Fair Trading (March, 2006)

<sup>35</sup> see [www.competition-commission.org.uk/inquiries/ref2006/grocery/pdf/main\\_party\\_submissions\\_asda.pdf](http://www.competition-commission.org.uk/inquiries/ref2006/grocery/pdf/main_party_submissions_asda.pdf)

restricting entry in 384 out of 501 urban areas in Great Britain. We have not been in a position to verify whether these claims are accurate.

- A.28 At the same time, we also note that independent retailers in town centres are facing fierce competition from multiple retailers, indicating that a more sophisticated assessment of impact which takes account of capacity may be required.

**The need test can give preference to existing operators by enabling incremental expansion of existing stores where new stores would not be permitted (Issue 2)<sup>36</sup>**

- A.29 In areas where there is a lack of need to justify more floorspace, the scope for new development is reduced. Where the need is marginal, particularly in the grocery sector, incumbents may find it easier to incrementally expand existing stores. This can lead to the expansion of out of centre retail destinations limiting development opportunities on more central sites.

**The need test can encourage proposals for stores with lower sales densities (Issue 3)<sup>37</sup>**

- A.30 By giving more weight to quantitative need considerations for more floorspace it has been suggested that it may encourage proposals for stores which operate at lower sales densities, because it is easier for them to demonstrate need if they operate at low sales density, with a greater quantity of floorspace possibly in a non-town centre location<sup>38</sup>.

**The technical nature of assessments can lead to distorted results and pose additional costs to both developers and decision makers (Issue 4)**

- A.31 The requirement to demonstrate quantitative need is a key factor in the determination of planning applications for town centre uses. Assessments have become increasingly technical exercises and there are varying approaches to assessing capacity. Assessments supporting larger proposals typically comprise several volumes of supporting information to planning proposals. Assumptions underpinning such assessments can have significant effects on whether 'need' is successfully demonstrated or not and decision-makers often find it challenging to reconcile different approaches and assumptions. It has also been suggested that such assessments can be costly to undertake and time consuming for decision makers to examine<sup>39</sup>.

<sup>36</sup> Barker 2006, Paragraph 1.32

<sup>37</sup> Barker 2006, Paragraph 1.33

<sup>38</sup> See Annex C

<sup>39</sup> Paragraph 1.31 (Barker, 2006)

- A.32 Our analysis also indicates that the current impact test in PPS6 has not worked well in practice and it is often a secondary consideration after testing the ‘need’ for a proposal. Although the quality of impact assessments is improving, we know that there is often limited supporting analysis of how impact on town centres had been considered, and in many cases the assessment of impact focuses narrowly on trade diversion effects and on specific businesses in town centres without proper consideration of the wider impacts on their vitality and viability.
- A.33 Given their focus on economic impacts we also know that impact assessments are open to widespread misinterpretation and assumptions (which are often technical in nature) and are often challenging for decision-makers to follow. Further detail on both need and impact assessments is set out in Annex C.

### **The need test is often seen as a pass or fail test, with impact being a secondary consideration (Issue 5)**

A.34 The demonstration of quantitative need is currently one of five considerations which need to be applied to proposals outside town centres which are not in accordance with an up-to-date development plan. However, we know from our own experience that some stakeholders see it as a pass or fail test in practice, with limited consideration often being given to testing the impact of a proposal. This is not the intention of the policy in PPS6.

### **Section D: Policy proposal– refining PPS6**

A.35 The Planning White Paper announced that the need and impact tests in PPS6 should be replaced with a new test which has a strong focus on the town centre first policy and which promotes competition and improves consumer choice. The proposed policy refinements which are set out in the consultation draft revisions of PPS6 reflect this commitment.

A.36 The proposed scope of the new test is wide ranging. It broadens the range of impact considerations which need to be considered by:

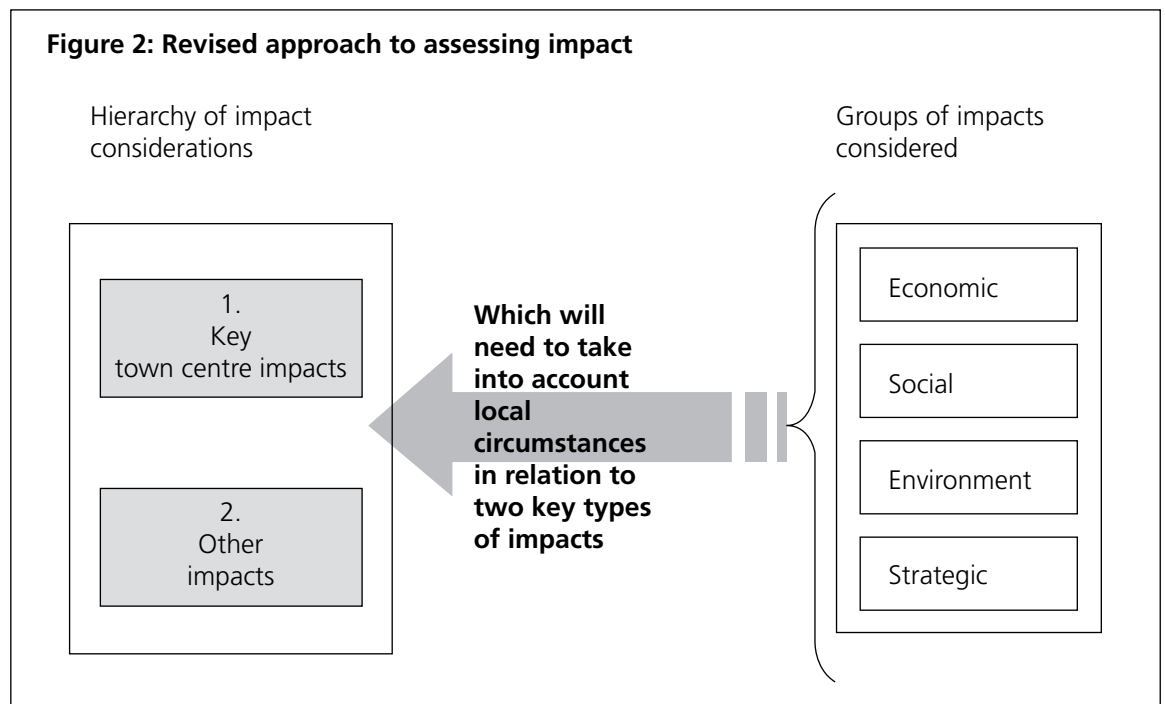
- focusing on economic, social and environmental as well as strategic planning town centre impacts;
- taking more account of consumer choice and retail diversity;
- including the need to assess the impacts arising from the scale of a proposal as well as transport and accessibility considerations;
- taking account of wider costs and benefits of a proposal.

A.37 The new test sets out a hierarchy of impact considerations focussing on:

- Key town centre impacts (economic, social, environmental and plan-making);
- Wider impacts which need to be tested in the context of local circumstances.



A.38 Figure 2 illustrates the hierarchy of considerations which underpin the proposed new test.



- A.39 It is intended that the revised policy will be supported by more detailed practice guidance which will, when published alongside the revised policy, set out how each impact consideration should be applied in practice.
- A.40 The impact of a proposal on in-centre trade/turnover features as a key consideration which will need to be informed by consumer expenditure capacity availability in the catchment area of a proposal.
- A.41 The revisions retain the requirement for applicants to look for the most central sites (the sequential approach). Considerations of scale and accessibility now form part of impact test as these relate to judgments about impact.
- A.42 Applicants will therefore continue to have to demonstrate that there are no more central sites which can accommodate the proposed development and that there are no unacceptable impacts arising from the development, in particular on existing centres. Applicants and decision-makers will also be able to fully take into account the positive benefits of a proposal.

A.43 The application of the impact test to development proposals remains unchanged. The test will continue to apply to retail and leisure development or proposals for other main town centre uses over 2,500 square metres in an edge-of-centre or out-of-centre location and which is not in accordance with an up-to-date development plan. It will also continue to be relevant where significant development is proposed in a town centre where this would not be in accordance with a development plan, would substantially increase the attraction of the centre and could have an impact on other centres. It may occasionally also be necessary to test smaller developments, such as those likely to have a significant impact on smaller centres, depending on the relative size and nature of the development in relation to the centre.

### **Section E: Potential implications of the policy proposal**

A.44 As outlined in Section C, the application of current policy in PPS6 is capable of restricting development, on the basis of lack of expenditure capacity, even where development may not adversely affect town centre vitality and viability. By contrast, the policy proposal for a new impact test, which is based on a more comprehensive analysis of a range of key town centre impacts that takes into account local circumstances, will reduce the likelihood of this happening in practice and address the unintended effects which have prompted criticisms of the existing policy.

#### **Will it lead to more development outside town centres?**

- A.45 It is difficult to anticipate the effect on the market and scale of development resulting from the proposed policy refinements. For example, whether it will lead to more or less development in specific locations. However we expect the amount of development going into town and edge of centre locations to continue to show an upward trend because local planning authorities are asked to plan proactively for the expansion of their centres and allocate sufficient sites for future needs and to rigorously test the impact of unplanned proposals.
- A.46 We do not expect town centre investor confidence to be adversely affected by these proposals, due to the fact that there will be a strengthened impact test supported by practice guidance, and there will continue to be a clear requirement for developers to look for the most central sites. As such, we expect planned town centre development, especially in smaller to medium sized centres, to continue.
- A.47 However, it is reasonable to expect that the absence of the need test may well result in more development proposals coming forward through the planning process. It will be for investors to establish whether they think a development is needed or not, and then for a proposal (in certain circumstances) to be subjected to a rigorous examination of its impacts. We expect therefore that developers will look to pursue more site development opportunities instead of not bringing forward a proposal on the grounds of not being able to show a quantitative need for more floorspace and

then looking to other markets/locations. This is because, under the current policy, the consideration of need is often, wrongly, considered to be a pass or fail test.

- A.48 Where a need cannot be demonstrated, the likelihood of approval is significantly reduced and planning proposals may not come forward.
- A.49 A more balanced approach (which reflects the considerations in Figure 2 as they relate to local circumstances) may increase the likelihood of approval of proposals which may not lead to an adverse impact on a town centre, particularly in cases where ‘need’ may otherwise be a key reason for refusal of permission.
- A.50 In cases where proposals outside town centres are not reflected in up to date development plans, planning permission would depend on how the proposals perform against the new approach to assessing impact, taking account of local circumstances, in particular the strength of local policies and the evidence base.
- A.51 It may be the case however that there could be some additional unplanned proposals outside town centres which would be granted planning permission in the absence of an identified/proven ‘need’, particularly in edge of centre locations where town centre capacity is limited.
- A.52 But the precise effect of any policy changes will depend on local circumstances such as the health of town centres and the robustness of local policies. For example, in some areas where there are no more central sites and there is no identified scope for town centre expansion and town centres are healthy, there may be more development outside town centres where there are no adverse impacts .
- A.53 However, we do not think this will be widespread because the town centre first policy remains unchanged, supported by a robust and broader impact test and a sequential approach/test. Where out of centre development is allowed this is unlikely to be harmful to town centres, because its impacts would have been fully tested. Development with harmful impacts are likely to be refused permission. Indeed a broader impact test is also likely to improve the protection for weaker town centres against damaging out of town development. This, we expect, will help to preserve the vitality and viability of such centres and improve their chances of success.

### **Competition and Choice**

- A.54 The new test would facilitate increased competition and consumer choice by enabling more account to be taken of the extent to which a proposal promotes or undermines consumer choice and retail diversity, particularly in areas where there is a lack of diversity in the retail sector.

### **Encouraging Lower Sales Densities**

- A.55 The removal of the need test may help disincentivise low sales densities, within the context of demonstrating a need for more floorspace. The policy refinements may help encourage higher sales densities leading to greater efficiency of land use.

## ANNEX B: GEOGRAPHICAL VARIATION IN THE PROPORTION OF RETAIL DEVELOPMENT IN TOWN CENTRES

- B.1 According to analysis done by the British Council of Shopping Centres, some regions achieve a higher proportion of development in town centres than others. London, for example, achieves the highest proportion of all regions. The South East also has a higher proportion than other regions. Development in all regions fluctuates considerably from year to year, but some regions clearly have a lower proportion of development than others. The South West has only had around 10-15% of development in the centre for the past 10 years and this has dipped below 10% in the past two years. The East of England proportionally also has less development in town centres than other regions.
- B.2 The proportion of development taking place in edge of centre locations also varies across the regions. For example, in the North East very little development takes place in edge of centre locations. This could be due to more refusals for proposed development in this area. Whereas, the North West has a much higher proportion of development going into edge of centre locations. Also, in the East Midlands, in recent years considerably more development has taken place in edge of centre locations.

Region	Proportion of retail development occurring in town centres (average 1999-2005)
Great Britain	32
Wales	19
Scotland	22
England	35
North East	40
North West	25
Yorkshire & Humberside	25
East Midlands	31
West Midlands	46
East	31
London	59
South East	38
South West	16

Source: Future of Retail Property Report 6: In Town or Out of Town (BCSC, 2006).

## ANNEX C: UNINTENDED EFFECTS OF THE NEED AND IMPACT TESTS

- C.1 This Annex describes in more detail the extent to which the current need test in PPS6 has led to unintended outcomes, and the extent to which the current impact test has not worked well in practice.

### Unintended effects of the need test

- C.2 PPS6 requires significant weight to be put on ‘quantitative’ need, often expressed as retail expenditure capacity, in the decision-making process. The need test is therefore a key mechanism which affects the outcome of planning decisions. In recent Secretary of State decisions (call-ins and recovered appeals), for example, the consideration of need has often been a key factor affecting the outcome of a planning application. Between March 2005 and June 2007, of the 40 retail-related planning cases considered by the Secretary of State, some seven out of the ten cases which were refused planning permission involved the inability of an applicant to demonstrate the need for a proposal.
- C.3 This is not surprising. The Competition Commission’s own survey of local authorities found that many planning authorities consider it a key factor in deciding planning applications<sup>40</sup>. But what effects does it have in individual planning proposals?
- C.4 The Barker Report, after extensive consultation, concluded that the need test is not promoting competition and that it can have, what Kate Barker called, ‘perverse effects’ such as protecting existing businesses or incumbents who may already be operating from out of centre locations and giving preference to operators that have lower sales densities. The Barker Report also concluded that incumbents may find it easier to expand incrementally while prospective local entrants could fail to demonstrate sufficient need for a one-off increase of space.
- C.5 In terms of competition, the Barker Report concluded that the planning system in its current form potentially prevents entry to local markets. This assertion was supported by The Office of Fair Trading<sup>41</sup>. In referring the groceries market to the Competition Commission, the OFT asserted that just over half of postal areas in Great Britain have access to three or less grocery fascia which showed limited consumer choice which suggested a barrier to entry. After testing this assertion, the Commission found that there were some 495 larger grocery stores in the UK (27 per cent of all larger grocery stores) which faced two or fewer competing fascias and where the share of local grocery floorspace was more than 60 per cent within a 10 minute drive-time. The Commission also found that of those local planning authorities which had responded

<sup>40</sup> Working Paper on the Local Planning Authority Survey Results (Competition Commission, 2007)

<sup>41</sup> The grocery market: The OFT’s reasons for making a reference to the Competition Commission (OFT, May 2006), OFT845

to its survey, only 62% had an up-to-date assessment of need for convenience retail floorspace. The average area of identified need was 4,600 sqm<sup>42</sup>.

- C.6 Taking account of the above considerations, we have concluded that the need test can, or in some situations has the potential to, have several unintended outcomes or effects in practice. These are:
- **It can form a potential barrier to entry (Issue 1).**
  - **It can give preference to existing operators by enabling incremental expansion of existing stores where new stores would not be permitted (Issue 2).**
  - **It can encourage proposals for stores with lower sales densities (Issue 3).**
  - **The technical nature of assessments can lead to distorted results and pose additional costs to both developers and decision makers (Issue 4).**
  - **The need test is often seen as a pass or fail test, with impact being a secondary consideration (Issue 5).**

### **Issue 1**

- C.7 The need test can be anti-competitive, and can unintentionally limit choice and has the potential to lead to higher prices because it can restrict the development of new stores beyond the town centre that could enter the market without harming the town centre itself. Similarly it can unintentionally restrict the provision for more floorspace where there may be a market demand, even where there is unlikely to be a significant impact on town centres.
- C.8 Also, although not directly related to the need test, where town centres lack physical capacity and local authorities fail to expand their town centre shopping areas, smaller, in some cases independent, stores may be crowded out of town centres as a result of a lack of suitable floorspace and the consequent increase in rents. This has also been confirmed by what some of our stakeholders have said to us and what the Competition Commission have said.
- C.9 Stakeholders tell us, for example, that:
- The operation of the need test with the town centres-first policy and tightly drawn town centres leads to a shortage of town centre sites.
  - The need test provides an element of certainty, and protection for town centres, but should be revised due to unintended anti-competitive consequences.

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<sup>42</sup> The supply of groceries in the UK: market investigation summary and report (Competition Commission April 2008)

- Need is a difficult and highly subjective issue to assess as it is based on a whole series of variables. It can also involve ‘double counting’ - an issue further addressed below.
- Need is over-emphasised and the current impact test is not doing the job.

C.10 The application of the need test may unintentionally interfere with the market and prevent more central sites being developed, which may inhibit the development of competition of local markets and may therefore act against consumer interests by keeping prices at artificially higher levels. There are several ways in which this might occur:

1. Edge of centre development may be prevented by existing operators taking up available need/floorspace capacity even if the impact on a town centre is limited.
2. Edge of centre development may be prevented by unimplemented planning permissions taking up available ‘need’.
3. Building extensions could be used as a tactic by an existing business to absorb available need and prevent market entry of new operators – see issue 2.

**1. Edge of centre development may be prevented by existing operators taking up available need/floorspace capacity even if the impact on a town centre is limited**

C.11 Existing floorspace provision has to be taken into account in considering what additional floorspace may be required in the catchment area of a proposal. Incumbent operators, therefore, have the ability to reinforce their position in the market as any new proposal outside a town centre which cannot find a suitable in-centre site would find it difficult to justify why permission should be granted, on the basis that the consideration of need is a key planning consideration, even if the impact on a centre were to be limited. Thus existing retailers can have an advantage and their presence can act as a barrier to entry for new businesses seeking to enter an area where there may be limited capacity in policy terms. This can have the effect of restricting consumer choice and reduce competition.

How would this apply in practice?

C.12 The following illustrative example describes how it could apply in practice. A market town has two large DIY stores operating on different sites around, but some distance away from, the town centre. A developer proposes a large new DIY warehouse store on a site on the edge of the town centre because a better site in the town centre cannot be found even when allowing for flexibility in a proposed business model (Proposal A).

- C.13 The applicant undertakes a need and impact assessment which initially shows there is excess consumer expenditure capacity for comparison DIY goods in the catchment. The applicant is required under PPS6 to take into account the floorspace provision and potential turnover of the operating stores in the catchment. So the assessment concludes that in the local circumstances there is actually a shortfall of consumer expenditure capacity in the catchment. However the impact assessment shows that there only is a small impact on the otherwise healthy town centre.
- C.14 Stores 1 and 2 object to the proposal on grounds of lack of need.
- C.15 The outcome is that the local authority applies its planning policies and PPS6 and decides that whilst there are some benefits arising from the proposal, permission should be refused on ground of lack of 'need'. Stores 1 and 2 are likely to benefit from a refusal as it reduces competition enabling them to reinforce or maintain their position in the market.

Are there any examples of where this has occurred in practice?

- C.16 A clear example to help illustrate this is in the case for a foodstore in Harlow. This involved the dismissal of a recent appeal against the local planning authority's refusal to grant planning permission for an edge of centre proposal on the grounds that the applicant had not clearly demonstrated a quantitative need, despite there being qualitative benefits arising from the proposal and that it would not harm the vitality and viability of the town centre.
- C.17 Another case involved an appeal against refusal of a foodstore at Green Bank Road, Plymouth in 2004. In that case the Inspector rejected the claims of the appellant's assessment of need for a supermarket on the edge of a district centre because, among other failings, no allowance had been for certain existing convenience stores, including stores in less sequentially preferable out of centre locations.

## **2. Edge of centre development may be prevented by unimplemented planning permissions taking up available need**

- C.18 Some stakeholders have said that, since the application of the need test involves consideration of existing commitments, even if unlikely to be built, the need test restricts opportunities for new entrants.
- C.19 When making a case for need under current policy, account has to be taken of unimplemented planning permissions within the catchment of a proposal, which may lead to planning permission being refused for a proposal on an edge-of-centre site if permission has already been granted for out-of-centre proposals that absorb most of the expenditure capacity but which may not be built.



### How would this apply in practice?

- C.20 The following illustrative example describes how it could apply in practice. A new foodstore is planned on the edge of a market town (Proposal A). No other more central sites are available, suitable and viable.
- C.21 The catchment area for Proposal A includes two sites where other foodstores are planned outside the town centre. Both have planning permission but they are not built (Proposals B and C). Both landowners for these proposals object to Proposal A going ahead on grounds of lack of 'need'.
- C.22 The applicant assesses the need for the proposal which initially shows there is excess consumer expenditure capacity in the catchment. But the applicant needs to take into account the potential turnover of committed floorspace in the catchment. So the assessment concludes that there is actually a shortfall of consumer expenditure capacity in the catchment. However the impact assessment shows that there is likely to only be a small negative impact on the town centre which is otherwise healthy. The local authority applies its policies and PPS6 and decides that whilst there may be some benefits of Proposal A, it should be refused because of lack of 'need'. This decision is taken even though the local authority has no evidence that Proposals B and C will ever be implemented.
- C.23 The outcome is that potential new floorspace which may benefit consumers and has limited town centre impacts is restricted on a sequentially preferable site even though the retailer for proposal A wants to invest in the market.

### Are there any examples of where this has occurred in practice?

- C.24 In Barnstaple (2006) an appeal for a retail warehouse proposal was refused by an Inspector on grounds of lack of proven need. In that case the Inspector argued that it was critical to the decision that by the time the proposed development could expect to be trading, quantitative need for both it and the committed/allocated developments in the Local Plan would not exist. Accordingly, if permission were granted on the application site, it could delay development on one or more of the allocated sites. The application, in the Inspector's view – had it been allowed – would have 'used up' a significant amount of 'need' which the Inspector argued may jeopardise future proposals on more central sites.
- C.25 In Melton Road, Syston in 2001 an appeal for a discount foodstore on an edge of a town centre site was dismissed on grounds of lack of quantitative need, when there were held to be no sequentially preferable sites in the town centre. The catchment area included out of town floorspace, and an unimplemented planning permission, which needed to be taken into account.

## Issue 2

- C.26 Incumbent retailers may find it easier to expand their businesses incrementally, by means of extensions, while prospective local entrants can fail at any one time to demonstrate sufficient need for a new development.
- C.27 Some stakeholders have told us the need test enables incumbents to reinforce their local market power by extending their existing stores. The Barker Report also concluded that the current test may favour incumbent operators. It has also been claimed that extensions are more likely to satisfy the impact test as their effects on trade patterns are more predictable than those of a new store.
- C.28 There appears to be some evidence to support this. Local authorities often favour the extension of existing developments rather than the development of a new store. We note that some 23% of local authorities surveyed by the Competition Commission, for example, expressed a preference for store extensions over new build and only 8% favoured new build<sup>43</sup>.
- C.29 We also note that the Competition Commission has found that many local authorities don't have an up to date assessment of need for groceries floorspace. Where need has been identified, capacity was found to be limited<sup>44</sup>. In such areas a new entrant wishing to build a new store would be unlikely to demonstrate a need, but incumbent grocery retailers would be more likely to be able to make a case for smaller store expansions, as it would be easier to show that capacity is available to support a smaller amount of new floorspace.
- C.30 The point has also been made that building extensions could also be used by existing businesses as a tactic to absorb available need and prevent market entry of new operators, thus restricting competition and consumer choice. We note the Competition Commission's conclusion that the relative ease of gaining planning permission for store extensions, combined with the need test, is likely to provide incumbent retailers with an advantage over new entrants in providing new groceries retail floorspace, in a local market<sup>45</sup>. The Commission cites evidence from one operator who say that they have submitted planning applications for the expansion of their stores in response to a competitor's proposal, although they say this is for commercial reasons only. The Commission also cites feedback from some local authorities who say that they are aware, or have reason to believe, that competitors have submitted planning applications in response to competing proposals and some authorities even encourage retailers to extend their stores when there is the prospect of applications coming forward in less favoured locations.

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<sup>43</sup> Working Paper on the Local Planning Authority Survey Results (Competition Commission, 2007)

<sup>44</sup> Groceries market investigation report (Competition Commission, April 2008)

<sup>45</sup> Groceries market investigation report (Competition Commission, April 2008)

- C.31 One stakeholder has referred us to several examples of where operators have made planning applications to extend stores (or for larger stores) shortly after a grant of planning permission for a smaller store, or to change planning conditions, altering the types of goods sold<sup>46</sup>.
- C.32 While we have no firm evidence to conclude that this practice is a deliberate tactic to absorb need and prevent the entry of rivals, the policy is capable of being used in this way and it could be a misuse of the intention of the need test if this practice exists.

#### How would this apply in practice?

- C.33 The following illustrative example describes how it could apply in practice. A market town has no one-stop-shop food stores except a large superstore on the ring road outside the town centre (Store 1). Store 1 has learnt that another competitor is buying a site close to the town centre but no planning application has yet been submitted (Proposal A).
- C.34 Store 1 applies, in part for commercial reasons to improve the store, for permission to expand the store by 50%. A need and impact assessment is undertaken which shows there is a consumer expenditure capacity for convenience goods of £5m. But because there are no other stores in the catchment with permission or that are operational, the applicant satisfies the need test. The impact assessment concludes that there is very limited impact on the town centre. The local authority grants permission as need has been demonstrated, there is no adverse town centre impact and no sequentially preferable sites, and they favour an expansion of an existing store over the development of a new one and because the applicant has satisfied the policy considerations.
- C.35 Proposal A cannot demonstrate 'need' because Store 1 has absorbed all the available expenditure capacity for the foreseeable future and the proposal is not pursued through the planning process. Had an application been made Proposal A would most likely have been refused by the local authority on grounds of lack of need.
- C.36 The outcome is that Store 1 succeeds either intentionally or unintentionally in preventing a rival from entering the market and reinforces its position, potentially reducing consumer choice and competition.

### Issue 3

- C.37 A further unintended effect of the need test that has been suggested is that it can make it easier to demonstrate the need for a proposal with less efficient floorspace, because floorspace with a lower sales density consumes less 'need'. This effect may unintentionally encourage proposals for less efficient floorspace with lower sales

<sup>46</sup> Shopping the Bullies (Friends of the Earth, April, 2007)

density. This is because the ‘need’ for additional floorspace is typically calculated by dividing estimated growth in consumer expenditure by an appropriate average sales density. The lower the estimated ‘sales density’ (ie. estimated store turnover in £ per square metre per annum), the more floorspace capacity (‘need’) can be demonstrated.

#### How would this apply in practice?

- C.38 The following illustrative example describes how it could apply in practice. Two competing stores are proposed outside a town centre (Proposal A and B). The estimated expenditure capacity (‘need’) of the catchment area is £10m.
- C.39 Proposal A seeks a new store of 2000 square metres and estimates an average sales density for the new store of £3000 per square metre. Proposal A would therefore argue that there is a need for about 3400 square metres of new floorspace which the proposal seeks to meet.
- C.40 Proposal B seeks a new store of 4000 square metres and it estimates an average sales density of the new store of £2500 per square metre. Proposal B on the other hand would argue that there is a need for 4000 square metres of floorspace which it can meet.
- C.41 If Proposal B cannot find a suitably large site close to the town centre even when flexibility has been fully considered, the applicant will look for a large site outside the town centre.
- C.42 In such a case it is clear that the ‘need test’ makes it easier to show need for a larger quantity of less efficient floorspace. This has the effect of promoting less efficient use of space and the need for more land. This would be contrary to Government objectives to promote the efficient use of land, to maximise the use of town centre opportunities and to promote floorspace efficiency.

#### Are there any examples of where this has occurred in practice?

- C.43 We have not found clear evidence of this in practice. However, we note evidence put to the Competition Commission which has highlighted this issue within the context of proposed extensions to existing stores. This argued that in applying the test to extensions it is generally assumed that sales density in the extension is only about 40% that in the original store (thus less “need” is required to justify it).<sup>47</sup> However, once the extension exists, it is assumed to generate the full average sales density.

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<sup>47</sup> Asda submission to Competition Commission (Slaughter & May 10 August 2006) [www.competition-commission.org.uk/inquiries/ref2006/grocery/pdf/main\\_party\\_submissions\\_asda.pdf](http://www.competition-commission.org.uk/inquiries/ref2006/grocery/pdf/main_party_submissions_asda.pdf)

C.44 A similar point was also highlighted in a recent assessment undertaken for a local authority which argued that as Government policy is curtailing opportunities out of centre, major operators are increasingly looking to extend their existing stores.<sup>48</sup> It argued that extensions are used to accommodate non-food ranges which have lower sales densities (than food) but generate better margins. Larger stores also enable food store operators to diversify into services or to accommodate in-store service use concessions (e.g. coffee shops, dry cleaners, shoe repairers and photographic processing).

#### Issue 4

C.45 Assessments have become complex technical exercises and there are varying approaches to assessing need. Although the broad approach to assessing need and impact is now well established in practice, those undertaking assessments often make different assumptions about key variables in an assessment. It is not uncommon in our experience for competing proposals and local authority assessments to reach vastly different conclusions on the amount of need which may exist in an area. Assessments can also be difficult to interpret and understand if they are not transparent. This can be costly and time consuming for decision-makers.

C.46 Some of the areas where assessments are open to misinterpretation are:

- **Catchment areas** – these can be drawn too widely to capture surrounding expenditure or are influenced by local authority boundaries, and assessments often don't make allowance for inflow (and outflow) of expenditure from beyond the catchment area.
- **Turnover** – Judgements about anticipated turnover can be unrealistic or distorted, eg where development occupiers are not known, or when compared against company averages.
- **Growth estimates** – these can sometimes place reliance on short-term trends, assuming unrealistically high levels of expenditure and/or population growth, and, can fail to take account of retail growth trends over the plan period, or do not consider the implications should anticipated growth fail to occur. Over or under-estimates of rates of growth in sales density assumptions and non-consideration of out-of-centre floorspace when making calculations can significantly distort calculations of need.
- **Expenditure analysis** – this can be affected by incorrect price base assumptions. Some assessments do not provide a robust estimate of existing population and goods-based expenditure per head in the assessment area, broken down by classes of goods where appropriate. No allowance may be made of special

<sup>48</sup> Colliers CRE Retail and Leisure Study of Reading (Reading Borough Council, 2005)

forms of trading such as internet shopping or mail order, etc, which affect expenditure estimates.

- **Overtrading** – There can be an over-reliance on overtrading of stores to make a case for need and a lack of up-to-date evidence to substantiate a case.
- **Market share judgements** – some assessments assume that existing market shares remain static or equally benefit from growth or limit themselves to examining the effects of a planned development on the current market position - this is unrealistic as the market position changes.
- **Surveys** – Assessments can place an over-reliance on market telephone surveys to determine the market shares of centres. Inappropriately worded household surveys can distort assessment outputs.

C.47 Some of the above points apply equally to impact assessments – see below.

How would this apply in practice?

- C.48 The following illustrative example describes how the need test could result in a distorted result in practice. A new retail development is planned on the edge of a large village. The applicants assess the ‘need’ and ‘impact’ of their proposal on the village centre. This concludes that ‘need’ exists and there is no adverse impact on the village centre.
- C.49 The applicant’s selected catchment area used to calculate need is far wider than that of the village and includes consumers living on the edge of a large market town some miles away. The applicants also assume that the population growth rate used to inform judgments about future expenditure is much higher than the growth rate estimated by the local authority or the regional spatial strategy. It is also assumed that floorspace efficiency for stores in the area are lower than expected. The applicants have not taken account of impact of internet shopping on growth in consumer expenditure and have not made clear to the local authority what assumptions form the basis of the assessment’s conclusions.
- C.50 The local authority questions the assessment and commissions its own assessment from a planning consultant to challenge the proposal which it is concerned about.<sup>49</sup>

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<sup>49</sup> The Competition Commission’s emerging findings suggested that over a third of local authorities often commission their own assessments to verify an applicant’s assessment, and about two thirds employ consultants to review applicants’ assessments. We also note in The Commission’s final report that local authorities are sometimes lacking sufficient expertise to deal with grocery retailing applications.

- C.51 The local authority's assessment uses a far smaller catchment area to calculate 'need' - one that is more representative of the village and the location of its community. It also assumes that the population growth rate is more conservative - consistent with its housing projections and the regional spatial strategy. It also assumes that floorspace efficiency for stores in the area are higher than the applicant's assessment and it takes account of impact of internet shopping on growth in consumer expenditure.
- C.52 In such a case it is clear that the local authority's assessment differs significantly from the applicant's assessment. The applicant concludes there is capacity but the local authority concludes there is a large shortfall of expected 'need' in the area and that 'need' has not been demonstrated. Permission is refused and the local authority has achieved the right outcome but at a cost. Although other authorities may choose not to challenge an assessment, results are often open to widespread misinterpretation and challenge.

Are there any examples of where this has occurred in practice?

- C.53 An appeal against non-determination of a foodstore at Bolsover Road, Worthing in 2006 gives an example of complexity and conflicting assumptions. The applicant, the council and an objector all produced retail assessments each coming to different conclusions, due to different assumptions made – treatment of overtrading, growth factors, population, expenditure growth, existing retail floorspace and in/out flow. Sizeable discrepancies lead to much time being spent at the inquiry to establish how they were accounted for. There were conflicting arguments over catchment area, no consistent approach to assumptions for expenditure assessment, existing, committed and proposed floorspace and turnovers.
- C.54 The Inspector noted that the fact that the parties could not agree on matters that might be thought purely factual contributed to a degree of opaqueness to the assessment which was unhelpful and undermined its credibility.
- C.55 The Inspector also said that throughout the exercise to assess whether there was a quantitative need, the appellants sought to use those figures that benefit their case. The inspector found that there were either inaccuracies or poorly substantiated assumptions which undermined the inspector's confidence in the figures presented. The Inspector therefore concluded that the appellants' conclusions were flawed.
- C.56 In an appeal at Bradford Street, Keighley in 2007, the applicants for a retail store and the Council used different approaches to assessing quantitative need. The Council arrived at a figure of £12m convenience expenditure capacity for the catchment, and the applicants' one of £48m. The Inspector preferred the applicant's approach and accepted need was demonstrated. But this illustrates the difficulties posed by using different assumptions and methodology to assess need, and the wide variations in the conclusions that result from the different assessments.



- C.57 At Westgate in Rotherham (2006), an appeal against refusal of a development including a foodstore was dismissed on grounds of lack of need. Despite different approaches used, and wide variance of ensuing comparison goods figures, both parties accepted 'ample headroom', for comparison element of proposals. But the Inspector noted that both retail assessments were in part right but that the true figure for quantitative need lay somewhere between their respective conclusions. The clawback argued by the appellant was reasoned to lack credibility, while the study which underpinned the Council's approach seemed to give only a partial answer to the Inspector.
- C.58 At Kidlington in Oxfordshire in 2003, an application to extend a foodstore was refused by the Secretary of State due to failure to demonstrate need. The Secretary of State determined that the applicant's approach to the assessment of need was flawed and therefore that there was no available capacity to justify a need for the additional retail floorspace proposed.

### **The Impact test**

- C.59 We are also aware that the current impact test has not worked well in practice and that it tends to be limited to trade diversion effects of proposals rather than covering the range of issues which should be considered in Paragraph 3.22 of PPS6. We also know that, like the need test, data and evidence can be misinterpreted and manipulated leading to poor decisions.
- C.60 To assess the scale of the issue we have looked at 40 Secretary of State decision letters and Inspector reports in respect of planning applications for retail proposals issued after PPS6 was published in March 2005. This shows that although impact was considered in almost all of these cases about half of these cases had no analysis of how impact had been assessed and in more than 10% of cases there was a clear view expressed by the Secretary of State and/or the Inspector that the assessment was deficient and did not have full regard to PPS6. In about a quarter of these cases, trade diversion was the central impact consideration, with no (or little) mention of the other impacts.



C.61 Table 1 below shows how often each impact consideration was considered in determining whether a proposal had an adverse impact on a town centre.

Table 1: How impact was dealt with in Secretary of State retail cases 2005-2007

<b>PPS6 (Paragraph 3.22 considerations)</b>	<b>How many cases?</b>	<b>% cases</b>
Likely impact on trade/turnover	35	88
Likely effect on future investment needed to safeguard vitality and viability	12	30
Extent to which proposal would put at risk the spatial planning policy for area, a centre or alter role in hierarchy	9	23
Likely impact on vacant properties in primary shopping area	8	20
Potential changes to quality, attractiveness, condition and character of centre + social economic role	9	23
Changes to range of services	4	10
Implication of proposed leisure/entertainment uses for evening/night time economy	3	8

Source: CLG (unpublished)

### **Areas where impact assessments are open to misinterpretation**

C.62 Some of the areas where impact assessments are open to data manipulation or misinterpretation are, in addition to those listed at paragraph C.46:

- **The ‘base year’** – it is important to compare like-with-like, but on occasion, the base year for an impact assessment can be inconsistent with that used for the need assessment.
- **The ‘design year’** – may be identified for when a proposal opens - it should normally be taken as 1-2 years after the likely completion of a development as this is when the proposal is likely to be trading normally.
- **Unrealistic judgements** – where development occupiers are not known judgements about anticipated turnover can be unrealistic or distorted. Also, some larger developments like regional shopping centres with a range of occupiers, or development within a dense urban network of centres may have

very wide impacts which can be difficult to determine. In some cases impact judgements are restricted to similar types of stores in a centre to what is being proposed, not on town centres as a whole. There is often an absence of up to date town centre health check information which makes it difficult to judge the effect on future in-centre investment and/or risk to the spatial planning strategy for the area and individual centres, including the implications for regeneration proposals and neighbourhood renewal objectives. Judgements are difficult to make and subjective if no robust evidence is available.

- **Trade diversion** - Impacts on loss of in-centre trade/turnover are sometimes deemed to be low if they are below 10% even whether the health of a centre may be weak and the trade diversion of significant impact. Assessments can lack sensitivity testing about the implications of the assumptions made – different assumptions about trade draw patterns from a number of centres and assumptions about turnover can have significant effects on the outcome of an assessment and need to be tested.

Are there any examples of where this has occurred in practice?

- C.63 At Haden Way in Birmingham in 2006, a proposal for over 22,000sqm of retail floorspace was refused by the Secretary of State. The decision letter noted that the applicant's approach to assessing the impact of the proposal on the vitality and viability of the centres within the catchment area of the proposal did not take into account the full range of factors set out in paragraph 3.22 of PPS6 and that the Secretary of State would normally expect to see a fuller examination of these factors.
- C.64 However, the Secretary of State concluded that, despite reservations about the application of the PPS6 tests and other matters, the balance was in favour of granting planning permission. Although permission was granted, it is clear that both the Council and the Inspector had limited their consideration of impact to trade diversion considerations and had not applied the current impact test as PPS6 intends.
- C.65 A proposal for a non-food retail store at Marlborough Way, Tamworth in 2003 which was refused by the Secretary of State provides a further example. The decision letter commented on impact issues and the Secretary of State agreed with the Inspector's conclusion that in terms of sales diversion, the proposed development would not have a detrimental impact on Tamworth Town Centre. However, the Secretary of State noted that the Inspector has only looked at one aspect of vitality and viability. The Secretary of State noted the proposal would perpetuate a lack of diversity and pose a risk to the planning authority's strategy. Overall, the Secretary of State disagreed with the Inspector and considered that the vitality and viability of the centre would be harmed by the proposed development.

## Part 4: Consultation Questions

### Questions on which we would particularly like your views

Questions on which we would particularly like your views:

Name: .....

Organisation: .....

Address: .....

E-mail address:.....

1a Will the proposed changes support current and prospective town centre investment?

Yes  No  or Yes with reservations (please specify)?

.....  
.....

1b If No, please state why:

.....  
.....

2 Does the scope of the new impact test achieve the right balance and is it robust enough to thoroughly test the positive and negative impacts of development outside town centres?

Comment:

.....  
.....

3a Is there scope to simplify and streamline the various impact considerations further?

Yes  No  or Yes with reservations (please specify)?

.....  
.....

3b comment:

.....  
.....

4a Is the consideration of consumer choice and retail diversity as part of assessing the impact of a proposal appropriate and will it be sufficient to help promote competition?

Yes  No  or Yes with reservations (please specify)?

.....  
.....

4b comment:

.....  
.....

5a It has been suggested by some stakeholders that we should consider limiting impact assessments to larger development proposals and that it should be confined to retail developments. PPS6 and our proposed revisions maintain a flexible approach to the preparation of impact assessments for all main town centre uses and do not limit assessments to larger developments or retail proposals. Do you think our flexible approach should be retained?

Yes  No  or Yes with reservations (please specify)?

.....  
.....

5b comment:

.....  
.....

6a Are the existing health check indicators in Chapter 4 sufficient to enable informed judgments to be made about the various impact considerations which have been identified?

Yes  No  or Yes with reservations (please specify)?

.....  
.....

6b If No, please state why:

.....  
.....

7a Do you agree with the proposed approach to the practice guidance which will support PPS6?

Yes  No  or Yes with reservations (please specify)?

.....  
.....

7b comment:

.....  
.....

8. Other comments on the scope of the proposed changes:

.....  
.....

9. We are committed to producing policy that promotes equality of opportunity and good relations between people of different racial groups and eradicates unlawful discrimination. We would welcome views on whether the changes we are proposing to PPS6 will impact differently on people from different ethnic groups, on people with disabilities and on men and women? We particularly welcome the views of organisations and individuals with specific expertise in these areas.

Comment:

.....  
.....

## Part 5: The Consultation Criteria

The Government has adopted a code of practice on consultations. The criteria below apply to all UK national public consultations on the basis of a document in electronic or printed form. They will often be relevant to other sorts of consultation. Though they have no legal force, and cannot prevail over statutory or other mandatory external requirements (eg under European Community law), they should otherwise generally be regarded as binding on UK departments and their agencies, unless ministers conclude that exceptional circumstances require a departure.

1. Consult widely throughout the process, allowing a minimum of 12 weeks for written consultation at least once during the development of the policy.
2. Be clear about what your proposals are, who may be affected, what questions are being asked and the timescale for responses.
3. Ensure that your consultation is clear, concise and widely accessible.
4. Give feedback regarding the responses received and how the consultation process influenced the policy.
5. Monitor your department's effectiveness at consultation, including through the use of a designated consultation co-ordinator.
6. Ensure your consultation follows better regulation best practice, including carrying out an Impact Assessment if appropriate.

The full consultation code may be viewed at:

[www.berr.gov.uk/files/file44364.pdf](http://www.berr.gov.uk/files/file44364.pdf)

Are you satisfied that this consultation has followed these criteria? If not, or you have any other observations about ways of improving the consultation process please contact:

Albert Joyce  
Communities and Local Government Consultation Co-ordinator  
Zone 6/H10  
Eland House  
London SW1E 5DU  
or by e-mail to [consultationcoordinator@communities.gsi.gov.uk](mailto:consultationcoordinator@communities.gsi.gov.uk).

# Part 6: Approach to proposed practice guidance

## Introduction

The Government has committed to publishing practice guidance to support the implementation of the policy.

Guidance on undertaking assessments of need and impact for retail and leisure uses, and guidance on applying the sequential approach will be published separately, as indicated in PPS6.

## Proposed approach

We consider that the advice should be concise and that it could be supported by a series of supplementary technical advice notes on various issues which are capable of being updated from time to time, as required.

It is anticipated that the guidance will advise on how:

- assessments of the need for more floorspace and impacts arising from policy proposals in development plans should be undertaken at both regional and local level (focussing on a common methodology for assessing need);
- the impacts arising from planning applications should be tested; and
- the sequential approach should be applied in the preparation of development plans and in the consideration of planning applications. We envisage that there will be a specific focus on how policy regarding disaggregation and flexibility in the use of business models should be interpreted, together with some good practice examples, and how site suitability, availability and viability should be considered.

It is envisaged that the guidance will focus on the following town centre uses:

- Retail
- Leisure
- Offices
- Arts, culture and tourism

## Timing

The Planning White Paper made clear that we will look to publish the guidance alongside any revisions to PPS6, when finalised.

Guidance will provide advice on the implementation of the changes we are now proposing.

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