

Hearing Statement

Reading Local Plan Examination: Matters and Issues for Examination

September 2018

Introduction

1. This Hearing Statement ('statement') has been prepared by Turley on behalf of Hermes Property Unit Trust ('Hermes'). It is submitted in connection with the Reading Local Plan Examination, which is scheduled to commence on 25 September 2018.

Scope of Evidence

2. The statement responds to Issue 9, Question 3 as set out by the Inspector in the 'Matters and Issues for Examination', as follows:
 - Issue 9: Are the policies for Retail, Leisure and Culture justified, deliverable and consistent with national policy?
 - Q3. Are the percentages for Key Frontages as set out in Policy RL3 justified and consistent with national policy?
3. The evidence submitted relates to criterion a) only of Policy RL3. No submission is made in respect of the other elements of this policy.
4. The statement concludes that criterion 2 of Policy RL3 a) ('Key Frontages') is not justified; is inconsistent with national policy; and should be either modified or deleted. If the Inspector concludes that revisions to the policy are required, the modifications sought by Hermes are set out below.

Context

5. This statement considers the application of Policy RL3 with specific reference to the Caversham district centre. Hermes owns the St. Martin's Centre in Caversham and is a key investor and stakeholder in the centre.
6. St. Martin's Centre currently benefits from an extant planning permission for the erection of new and extended retail floorspace (Class A1), a new restaurant (Class A3), leisure floorspace (Class D2), residential apartments (Class C3) and associated car parking and public realm works (LPA ref: 140997). Hermes is currently implementing this permission on a phase basis, which forms the basis of the regeneration of the district centre.
7. Caversham district centre is identified as a location to which the criteria in Policy RL3 apply. Hermes is concerned that Policy RL3 as currently worded and submitted for examination is

inconsistent with national policy guidance; is unduly restrictive; and has the potential to undermine the vitality and viability of the centre if adopted in this form. The policy is significantly out-of-step with the dynamics of the retail market, which is witnessing unparalleled structural change; in particular, the loss of A1 and A2 retailers from smaller and middle-ranking centres.

8. This statement demonstrates that Hermes' concerns are fully justified. Policy RL3 is inconsistent with the NPPF. The structure and intended operation of the policy is ambiguous and confusing. Against the current background of seismic retail change, the policy has the potential to lead to increasing vacancy levels, loss of investment and a decline in overall vitality and viability.
9. Our statement is supported by an analysis of the changing composition of Caversham district centre based on historic Goad plans. This analysis is included as **Appendix 1**.

Structure of Submission

10. This statement is structured as follows:
 - Policy Wording and Intention
 - Consistency with National Policy
 - Policy Operation
 - Impact of Changing Market Conditions
 - Conclusion and Modifications Sought

Policy Intention and Wording

11. Policy RL3 is concerned with the vitality and viability of 'smaller centres'. These are identified in the policy and include Caversham.
12. Criterion a) relates to changes of use within so-called 'Key Frontages'. For Caversham district centre and other locations, Key Frontages are defined on the Proposals Map.
13. The policy is worded as follows:

a) Within the Key Frontages (identified on the Proposals Map), development involving a net loss of A1 retail or A2 financial and professional to other 'centre uses' will only be permitted where:

- ***There would be no more than 3 consecutive units which are not in A1 or A2 retail use; and***
- ***The proportion of the total length of the Key Frontage within the centre that is in A1 or A2 use would exceed the relevant proportion below:***

<i>Caversham, Cemetery Junction, Tilehurst Triangle and Whitley District Centres; Christchurch Road, Coronation Square, Wensley Road and Whitley Wood Local Centres</i>	<i>60%</i>
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Emmer Green, The Meadway, Oxford Road West and Shinfield Road District Centres; Wokingham Road Major Local Centre; Basingstoke Road North, Dee Park, Erleigh Road and Northumberland Avenue North Local Centres	50%
Whitley Street Major Local Centre	40%

14. The intention of the policy is to maintain a high proportion of A1 and A2 uses within centres to underpin vitality and viability. This is notwithstanding the significant contribution to the role and performance of smaller centres made by other uses, as explained below.
15. Any proposed change of use involving non-A1 or A2 uses is subject to testing against two criteria: impacts on the consecutive numbers of units; and on the proportion of the Key Frontage that is occupied by such uses. This varies by location, although we note that Caversham falls within a grouping of centres where the policy is at its most onerous. This requires 60% of the proportion of the Key Frontage of Caversham district centre to fall within A1 or A2 use.
16. The Key Frontage in Caversham as defined on the Proposals Map is not a continuous area (it is non-contiguous). The operation of the policy in relation to non-contiguous frontage is explained in the reasoned justification to RL3 at paragraph 4.6.17. This states:

“Criterion (a) of the policy sets out to retain a strong element of retail in the core of each centre, since retail is the primary contributor to vitality and viability... although the ‘key frontage’ may not be contiguous on the Proposals Map, it counts as a single key frontage for each centre. Vacant units will count towards the proportion in A1/A2 use in terms of this policy if A1 or A2 is the permitted use.”

Consistency with NPPF

17. The superseded version of the NPPF (March 2012) required Local Plans to “define the extent of town centres and primary shopping areas, based on a clear definition of primary and secondary frontages (our emphasis) in designated centres” (para 23, bullet 3). ‘Key Frontages’, which are central to the operation of Policy RL3, are not referenced (and therefore not formally defined) in the March 2012 version of the NPPF.
18. The current version of the NPPF (July 2018) makes no reference to shopping frontages and there is no longer any requirement for these to be defined in Local Plans. The NPPF now requires Local Plans to “define the extent of town centres and primary shopping areas, and make clear the range of uses permitted in such locations, as part of a positive strategy for the future of each centre” (para 85, point b). Primary shopping areas are defined in the glossary at Annex 2 as areas “where retail development is concentrated”. The former reference to frontages in the NPPF (2012) has been deleted.
19. The requirement to define frontages is therefore no longer part of national policy. Even in the context of the superseded version of the NPPF, the term ‘Key Frontage’ has no meaning or any formal definition.
20. We conclude that Policy RL3 is inconsistent with the NPPF (both current and superseded versions) in that it continues to impose restrictions on shopping frontages, rather than defined areas. The Policy should be either deleted or modified (see below).

Policy Operation

21. The operation of Policy RL3 lacks clarity. The policy applies to circumstances in which there is a net loss of A1 and A2 uses, but does not explicitly link any loss to the percentage change in frontage length. As currently worded, any proposed change of use would be in conflict with the policy if the existing proportion of the Key Frontage (in non-A1/A2 uses) were less than the relevant percentage i.e. less than 60% in the case of Caversham. The policy does not explicitly address the impact of any change.
22. The lower case policy (set out at paragraph 4.6.17 – reproduced above) is also ambiguous. It is unclear whether the policy text in the reasoned justification (the expression ‘counts as a single frontage’) is a reference to Key Frontages as defined, or intervening and Key Frontages combined (where these are non-contiguous). Neither the basis for measurement nor baseline position for each centre are explained in the policy or associated reasoned justification. Greater clarity and certainty is required for applicants seeking changes to non-A1/A2 uses.

Impact of Changing Market Conditions

23. The policy is based on the premise that the vitality and viability of ‘smaller centres’ is sustained by A1 and A2 uses alone. Although such uses continue to be important, other uses (in particular A3-A5 and D2) contribute significantly and increasingly to the commercial and social fabric of smaller centres. The market is evolving rapidly. Policy RL3 as worded currently is out-of-step with these developments.
24. On-line shopping and wider structural change in the retail market are impacting significantly on the way we source retail goods and services. An average of 11 new shops opened on the High Street every day in 2017, compared with 12 per day in 2016 and 15 per day in 2015. Shop closures in 2017 outstripped shop openings, with an average of 16 high street shops closing every day. In 2017 there was a net loss of 1,772 shops from Britain’s high streets (source: PWC). Internet-based shopping is a major contributory factor.
25. The value of the ‘eating out market’ in the UK has grown from £73.5 billion in 2008 to £87.9 billion in 2017. By 2016 there were more than 22,000 coffee shops. The number of branded coffee shops has more than doubled over a 10 year period.
26. The growth in non-A1/A2 uses has enhanced the vitality and viability of town centres. These developments have (to an extent) mitigated the loss of A1 retailing and the well-documented closure of bank branches and other A2 uses that were formerly commonplace in local and district centres. The process of bank rationalisation is continuing as evidenced by a recent survey by consumer group Which? (June 2018). This concluded that 2,868 bank branches have closed since 2015, or will do so by the end of 2018. This includes RBS which is closing 1,023 branches (RBS, NatWest and Ulster Bank); Lloyds which is closing 508 branches (Lloyds, Bank of Scotland and Halifax); and HSBC which is closing 440 branches.
27. Policy RL3 is based on the premise that centres will continue to be sustained by uses that are in decline. The policy is accordingly based on an historic rather than a contemporary perspective. The percentages in Policy RL3 a) will place unrealistic expectations on the ability of smaller centres to continue to be supported by A1 and A2 uses. A more flexible approach is needed that reflects the dynamics of the market, in particular the growth of A3-A5 and leisure sectors.

28. If adopted in this form, Policy RL3 has the potential to lead to the refusal of applications that propose uses that will enhance the vitality and viability of Caversham and other centres. In a declining A1/A2 market, this may result in increasing vacancy levels. In the longer term, investment will be deterred if applications that conflict with frontage restrictions are refused.
29. We conclude that the percentages applied to Key Frontages in Policy RL3 a) are unduly and unnecessarily restrictive; and that the adoption of the policy as currently worded may undermine the vitality and viability of smaller centres. This is in direct conflict with the aims and objectives of the policy.

Composition of the District Centre

30. The current and historic profile of Caversham district centre (by retail unit) is examined at **Appendix 1**. Units located with the 'Key Frontage' areas (as proposed under RL3) have been examined in Goad land use plans dating from January 2008, June 2013 and June 2017.
31. Whilst the construction of the latest phase of the regeneration of St Martin's Centre is not reflected in the latest available Goad plan (June 2017), the comparative analysis provides an indication of how the composition of the centre has changed over the last decade.
32. The analysis shows that:
- The number of A1/A2 units within the proposed 'Key Frontage' of Caversham district centre decreased from 72% in 2008 to 70% in 2013, rising to 71% in June 2018.
 - The total length of A1/A2 shop frontages within the 'Key Frontage' (i.e. the proposed policy set out in RL3), increased from 66% in 2008 and 2013, to 68% in June 2017.
 - The proportion of vacancies within the Key Frontage has decreased from 5% in 2008 to 4% in 2013, rising to 9% in 2017. With regard to vacant units within A1/A2 use, these have steadily risen from 3% in 2008 to 5% in 2017.
33. Overall, there has been little change in the composition of units within the proposed 'Key Frontage' area of Caversham district centre over the past ten years. However, it is notable that the proportion of vacant units within the Key Frontage has increased from 5% in 2008 to 9% in 2017. This is likely to be reflective of a more challenging retail market to attract new A1/A2 uses to the centre.
34. The relatively high percentage of A1/A2 uses may be an effect of the Council's restrictive retail policy in its adopted Core Strategy (2008) (subsequently altered in 2015). Core Strategy Policy CS27 aims to limit 50% of the total A1, A2, A3, A4, A5 and Sui Generis uses to A1 use. However, as the calculation of the proportion of units in Policy CS27 is different to that proposed within Policy RL3 (which measures the length of A1/A2 shopfronts against the proposed 'Key Frontage' only), it is difficult to confirm how effective this policy has been.
35. As the level of A1/A2 uses within the proposed Key Frontage is currently 68%, Policy RL3 as currently proposed would appear to be needlessly restrictive and onerous. Even if the proportion of A1/A2 uses within the Key Frontage was to fall below 60% to allow for the expansion of further restaurants (Class A3), bars (Class A4) or leisure (Class D2) uses (i.e. other main town centre uses as defined by the NPPF), this would not be likely to have a detrimental

impact upon the vitality and viability of Caversham district centre. Against the current background of seismic change in the retail market, this analysis confirms that Policy RL3, by restricting other uses which contribute to the health of district centre, has the potential to lead to increasing vacancy levels and a loss of investment in Caversham district centre.

Conclusions and Modifications Sought

36. The policies in the Plan relating to smaller centres are unjustified and inconsistent with national policy. In conclusion, Policy RL3 a):
- incorporates frontage-based policy that is inconsistent with the area-based approach now required by the NPPF (July 2018);
 - is based on a policy area – ‘Key Frontage’ – that has no formal definition in either the current or superseded version of the NPPF;
 - is out-of-step with wider structural change in the retail market, which is witnessing an unparalleled contraction in A1 and A2 occupiers within town and district centres. The policy is placing an unrealistic expectation on the market to deliver uses that are in decline;
 - is placing too little emphasis on the ability of ‘main town centre uses’ as defined in the NPPF (in particular A3-A5 and D2) to contribute to the viability and viability of town centres; and
 - is applying high percentage restrictions that have little prospect of being sustained in the longer term, with negative consequences (increasing vacancies and deterred investment) an inevitable outcome. Goad analysis confirms that vacancy levels in the Caversham Key Frontage have more than doubled since 2013 (rising from 4% to 9%), evidence that this risk is real.
37. Against this background, the modifications required to ensure consistency with the NPPF and a justified and sound policy for smaller centres are either:
- (i) The deletion of Criterion a) entirely or
 - (ii) The deletion of ‘Key Frontages’ and their replacement with defined ‘Primary Shopping Areas’ (PSAs) for smaller centres (those areas where retail development is concentrated); a list of permitted uses within PSAs identified (including main town centre uses in addition to A1 and A2); and any restriction on A1/A2 uses based on the proportion of shop units (rather than frontage length) set at an appropriate and realistic initial level (to be reviewed on a regular basis and adjusted if vacancy levels increase). 50% is suggested as an appropriate initial metric.

Appendix 1: Goad Plans



Experian Goad Plan Created: 07/09/2018
Created By: Turley Associates Ltd

Appendix 2: Key Frontage - Tables

CAVERSHAM DISTRICT CENTRE

TABLE 1: PROPORTION OF 'KEY FRONTAGE' IN A1/A2 USES

Use Class	Jan-08		Jun-13		Jun-17	
	Number of Units	Length in Metres	Number of Units	Length in Metres	Number of Units	Length in Metres
A1 - Retail	50	535	49	528	51	537
A2 - Financial and Professional Services	20		18		16	
A3 - Restaurants and cafés	10	-	10	-	6	-
A4 - Bars	1	-	3	-	2	-
A5 - Takeaways	4	-	4	-	5	-
B1a - Offices	1	-	1	-	1	-
B8 - Warehouses	1	-	1	-	1	-
D1 - Clinics	3	-	3	-	3	-
Sui Generis	6	-	8	-	7	-
Vacant A1/A2	3	19	4	22	5	28
Vacant (other)	2	-	0	-	4	-
Total	101	837	101	837	101	837
Proportion of 'Key Frontage' in A1/A2 use	72%	66%	70%	66%	71%	68%
A1/A2 vacancies within Key Frontage	3%	-	4%	-	5%	-
Total Vacancies within Key Frontage	5%	-	4%	-	9%	-

Notes:

- 1. Derived from land use plans provided by Experian Goad
- 2. Proportion of 'Key Frontage' in A1/A2 use includes vacant A1/A2 units