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Planning Design Economics

Powys County Council

Food Store Proposals

Machynlleth

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1.0 Introduction

Background

1.1 Powys County Council has received two planning applications for food store development in Machynlleth.

1.2 Tesco Stores Limited have submitted a planning application for a foodstore, associated car parking, servicing, landscaping, improved access and ancillary works at Heol y Doll, Machynlleth (ref. P20090746). The proposed Tesco store is 2,668 sq m gross, with a net sales area of 1,711 sq m net. A Retail Assessment (RA) has been prepared by DPP to accompany the planning application. A further letter was sent by DPP to the council dated 28th September 2009.

1.3 The Co-operative Group has submitted a planning application to extend their store at Heol Maengwyn in Machynlleth (ref. P20090807). The extension is expected to increase the sales area of the store from 661 sq m net to 1,244 sq m net. A Planning Statement has been prepared by CDN Planning to accompany the application.

1.4 Nathaniel Lichfield and Partners (NLP) has been commissioned by Powys County Council to undertake an independent review of the two applications. NLP has previously advised the Council on various retail issues in the County, including a number of critiques of applications for retail development.

Objectives

1.5 This report sets out NLP's assessment of the soundness of DPP's retail assessment and CDN's planning statement, including a review of:

- the data sources used;
- the methodology and key assumptions; and
- the validity of their interpretation of the impact/capacity results.

1.6 This report relates to the retail policy issues only, and does not address other considerations, such as the acceptability of the loss of employment land (Tesco site), transport/highways implications or physical impact resulting from the proposed development.

Report Structure

1.7 Section 2.0 provides an appraisal of the data and methodology used by DPP and CDN. Sections 3.0, 4.0 and 5.0 set out our critique of the need, impact and the sequential approach. Section 6.0 summarises our conclusions.

2.0 Base Data and Methodology

2.1 The Co-operative Group's application is not accompanied by a Retail Assessment on the basis that the site is wholly located within Machynlleth town centre's retail core. CDN has therefore not produced an assessment of the principle of retail development in this location, compliance with the sequential approach or retail impact. They have however sought to demonstrate a need for the additional floorspace. We consider that given the store's town centre location that this is an acceptable approach. This section therefore relates to the Tesco proposals only.

Design Year and Price Base

2.2 The base year as defined by DPP is 2009, with a design year of 2014. This 5-year period allows for time to secure any necessary legal agreements, discharge of pre-commencement conditions, building the development and allowing trading patterns to settle. Five years is considered to be the maximum time period for considering need and impact.

2.3 DPP have used a 2005 price base.

Catchment/Study Area Definition

2.4 DPP have based their study area on the postcode zones. This defined area represents the area from which the store will draw the majority of its trade. DPP's letter dated 28th September indicates that this is not the primary catchment area of Machynlleth. DPP suggests it is a study area not a catchment area. We agree that a retail need assessment should assess the in and out flows of expenditure from the proposal's likely catchment area. Whether the defined area is called a catchment area or study area is irrelevant. The key issue is whether the trade draw of the proposal is realistic in view of the location and scale of competing provision, and whether the level of expenditure retention within the defined area is realistic.

2.5 We note that Zone 4 (SY24 5) and Zone 5 (LL35 0, LL36 9, LL37 2 and LL38 2) extend beyond the primary catchment area for Machynlleth and Llanidloes as defined in the Powys Retail Study. From the Study Area plan, it would appear that DPP's study area (Zone 5) also includes the postcode sector LL36 0 (Tywyn). However this is not listed within their table at 7.9 of the RA.

2.6 These two zones account for 60% of the total population within DPP's catchment area. The main settlements in Zone 4 (e.g. Borth, Bow Street and Tal-y-Bont) are much more accessible to large food stores in Aberystwyth.

- 2.7 Given the location of Zone 4, a significant level of convenience goods expenditure will be attracted from this zone to food stores outside the study area. Around 80% of respondents to the household survey identified stores in Aberystwyth (and outside Zone 4) as the store they normally visit for their main food and grocery shopping. If the “don’t know/varies” responses are removed, this figure equates to 93%. Less than 3% identified stores in Machynlleth for their usual main food and grocery shopping from this zone.
- 2.8 Any diversion of trade from this zone to Machynlleth would result in less sustainable and longer shopping trips. Expenditure within Zone 4 should be excluded from the capacity analysis. Any need for development related to expenditure in this area should be provided in Aberystwyth, rather than Machynlleth.
- 2.9 Zone 5 is served by facilities in Tywyn (accounting for about 60% of main food shopping trips), and some settlements in this zone are inaccessible to Machynlleth, e.g. Llwyngwrl and Fairbourne which have better access to Tywyn and Dolgellau (17% of main food shopping trips).
- 2.10 As indicated Zone 5 includes Tywyn, and around 60% of respondents within Zone 5 (once the “don’t know/varies” and “don’t do main food shopping” responses have been excluded) identified stores in Tywyn as the destination normally visited for their main food and grocery shopping. A further 32% identified stores within Aberystwyth/Dolgellau, ie. outside the catchment area. Less than 1% identified stores within Machynlleth. This zone should also be excluded from the Machynlleth primary catchment. Any need for development in this area should be provided in Tywyn or other settlements in the zone, rather than Machynlleth. If Machynlleth significantly increases its market share in this zone then it will lead to less sustainable and longer shopping trips. Furthermore the loss of trade could harm the vitality and viability of shopping facilities in Tywyn.
- 2.11 DPP’s impact figures suggest that only £1.12 million of convenience trade will be diverted from Tywyn, which represents only 10% of total expenditure in zone 5. DPP’s own impact figures do not suggest a significant uplift in Machynlleth’s market share in Zone 5.
- 2.12 For Zone 2, we note that just 10 survey responses were obtained, which we do not consider is a sufficient number to provide an accurate assessment of shopping patterns.
- 2.13 In our view DPP’s study area extends significantly beyond the primary catchment of Machynlleth, and the proposed Tesco store is likely to draw the majority of its trade from Zones 1, 2 and 3, and it is appropriate for these zones to be defined as the Primary Catchment Area (PCA) for Machynlleth.
- 2.14 The proposed Tesco store is likely to attract more shoppers to Machynlleth, but we consider that given the retail provision within Aberystwyth, particularly the

Morrisons store, there will continue to be a significant level of expenditure leakage from DPP's defined study area.

Population

- 2.15 DPP derive their population figures for their study area from a MapInfo Report (2008) and applied population projections from WAG for Powys County Council. However, we note that Zone 4 is wholly within Ceredigion and Zone 5 wholly within Gwynedd, and a significant proportion of Zone 1 is located within Gwynedd.
- 2.16 We have obtained 2001 population data for the postcode zones using Experian MMG3, and in line with DPP's Study have applied WAG's projections for Powys County Council for Zones 1, 2 and 3, and used WAG's projections for Ceredigion and Gwynedd for Zones 4 and 5 respectively.
- 2.17 If postcode sector LL36 0 is excluded, this gives an estimated population of 18,804 in 2009 and 19,426 in 2014. If LL36 0 is included then the estimated population for the catchment area is 20,121 in 2009 and 20,775 in 2014. This compares to DPP's figures of 19,867 in 2009 and 20,607 in 2014.
- 2.18 On the basis that postcode sector LL36 0 has been included, DPP has not over-estimated population within their catchment area.

Expenditure

- 2.19 DPP have used MapInfo expenditure data per capita at 2005, adjusted to exclude special forms of trading of 1.9% for convenience goods and 5.4% for comparison goods. Expenditure growth projections for 2006 and 2007 are based on actual growth rates, as set out in Mapinfo Brief 08/02. In line with Pitney Bowes Retail Spending Outlook (revised version March 2009), DPP has applied expenditure projections for convenience goods expenditure of 2.2% per annum between 2007 and 2008, -0.04% per annum between 2009 and 2012, and 0.57% per annum between 2013 and 2014. For comparison goods expenditure, DPP has applied expenditure projections of 4.91% per annum between 2007 and 2008, 0.30% per annum between 2009 and 2012, and 4.35% per annum between 2013 and 2014.
- 2.20 We consider that DPP may have under-estimated the level of reduction for special forms of trading (SFT), particularly for comparison goods. For the years used by DPP in their study of 2009 and 2014, based on Experian data, the level of SFT to be deducted for comparison goods are 8.1% and 8.9% respectively, compared with DPP's figure of 5.4%. For convenience goods, these figures are estimated at 2.0% and 2.6%, compared with DPP's figure of 1.9%.

- 2.21 We have also produced an assessment of the available expenditure within Zones 1-3, i.e. the area that we consider would more accurately reflect the PCA of the proposed store and Machynlleth.

Table 1: Available Expenditure within PCA (Zones 1-3)

	2009	2014
Population	7,925	8,221
Convenience Goods		
Expenditure per capita (£ at 2005 prices)	1,520	1,535
Total Available Expenditure (£m)	12.05	12.62
Comparison Goods		
Expenditure per capita (£ at 2005 prices)	2,720	2,989
Total Available Expenditure (£m)	21.56	24.57

- 2.22 DPP states (paragraph 7.16) that, based on the household survey results, there is a leakage of approximately 41% of convenience goods expenditure to facilities outside the catchment area, therefore 59% of convenience expenditure is retained in the catchment area. DPP has assumed that, with the provision of the new Tesco store, about 76% of convenience goods expenditure can be retained within the catchment area as a whole.
- 2.23 In their analysis of the household survey, it would appear that DPP have not removed the “don’t know/varies” and “other” responses from their calculations, which affects the market share calculations. We have re-examined the household survey results. If a main and top up spending split of 80:20 is used, NLP’s calculations indicate that 50.4% of convenience goods expenditure is currently leaking outside of the catchment area, rather than 41%. Using a 70:30 split, there is a leakage of 46.6% of convenience goods expenditure. We therefore consider that DPP has over-estimated the current level of convenience goods expenditure that is retained within their catchment area. However, DPP’s letter dated 28 September suggests the proposed store will extend the catchment area of Machynlleth and increase the level of expenditure retention. We agree with this assumption to a certain extent but the key issue is whether DPP has over-estimated the effects of the proposed store.
- 2.24 Given our concerns regarding the size of the study area adopted by DPP, and the draw of Aberystwyth in particular, this will limit the extent to which retention can be increased within the study area. For example within Zone 4, currently just 4% of respondents to the household survey undertake their main food and grocery shopping within the study area. Of those respondents in Zone 4 who undertook top up shopping (26), 42% did so in stores within the study area, but

only 4% did so in Machynlleth. On the basis of an 80:20 main and top up split, this equates to a retention rate of just 11.6%, and a leakage of 88.4%. Using a 70:30 split, the retention rate increases to 15.4%, but Machynlleth's market share is only 4%. However in DPP's Table 3C, it is assumed that the "structural outflow" from Zone 4 will be only 49%, rather than around 85%. Increasing expenditure retention in this zone by this significant proportion is unlikely to be achieved, particularly given that the stores in Aberystwyth will remain more accessible and attractive to local residents.

- 2.25 For Zone 1, DPP's Table 3C assumes that there will be a "structural outflow" of 12% of convenience goods expenditure, ie. a retention level of 88%. From the household survey results, the current retention rate for this Zone is 53.8% using an 80:20 split, and 58.7% using a 70:30 split.
- 2.26 For Zone 2, DPP's Table 3C assumes that there will be a "structural outflow" of 27% of convenience goods expenditure, ie. a retention level of 73%. From the household survey results, the current retention rate for this Zone is 25.8% using an 80:20 split, and 33.7% using a 70:30 split. However, as previously stated given the very small sample size within this Zone, we do not consider that the survey can be used to provide an accurate assessment of shopping patterns.
- 2.27 For Zone 3, DPP's Table 3C assumes that there will be a "structural outflow" of 11% of convenience goods expenditure, i.e. a retention level of 89%. From the household survey results, the current retention rate for this Zone is 59.4% using an 80:20 split, and 63.6% using a 70:30 split.
- 2.28 For Zone 5, DPP's Table 3C assumes that there will be a "structural outflow" of 16% of convenience goods expenditure, ie. a retention level of 84%. From the household survey results, the current retention rate for this Zone is 66.0% using an 80:20 split, and 68.0% using a 70:30 split. It should also be noted that nearly all of this expenditure retained in Zone 5 goes to facilities within the zone (e.g. Tywyn) rather than Machynlleth.
- 2.29 For comparison goods expenditure, DPP identify that the overwhelming majority (87%) of residents' expenditure is attracted to centres and stores beyond the study area. DPP do not explain the weighting applied to the household survey results, however from our own calculations, only around 11% of comparison goods expenditure is retained within the catchment area. DPP assume that following the development of the Tesco store, 27% of comparison goods expenditure can be retained within the catchment area.
- 2.30 Table 4B suggests current comparison turnover derived from the catchment area is only £10.06 million in 2009, which suggests a retention rate of 18.6%. We consider that 27% may be an over-estimation of the potential retention as a result of the Tesco store.

2.31 DPP's letter dated 28th September reiterates that they believe the trade draw figures can be achieved based on local geography. The Council will need to consider whether the assumed increases in expenditure can be achieved.

Trade Draw and Benchmark Turnover

2.32 DPP has assumed that 76% of available convenience goods expenditure can be retained within their extensive catchment area, and 27% of comparison goods expenditure.

2.33 DPP have based their capacity assessment on assuming benchmark turnovers of stores in the study area, i.e. the turnover the stores would have, given their size, if they traded at their company average turnover density, although the Co-op stores in Machynlleth and Tywyn are the only national multiples within the catchment area. For the other stores within Machynlleth and Tywyn, an average turnover has been assumed, with the exception of Harry Tuffins, where the turnover is based on Kwik Save.

2.34 DPP suggests that the convenience benchmark turnover of stores/shops within the study area is £13.33m (2005 prices), of which £12.16m is derived from the catchment area. We note that the benchmark turnover applied to in-centre businesses in Machynlleth is £3,750 per sq m, for Tywyn is £3,500 per sq m and for other stores within the catchment area is £3,000 per sq m (2009 in 2005 prices). These figures seem reasonable.

2.35 DPP does not appear to have under-estimated the benchmark turnover of existing convenience facilities.

Proposed Tesco store

2.36 Tesco proposes a store of 2,668 sq m gross with a net area of 1,711 sq m, representing a net to gross ratio of 64%. This net to gross ratio is within the range we would expect for modern food superstores of this size 60%-65%. The net floorspace is broken down as follows (page 6):

- 1,306 sq m convenience goods;
- 222 sq m comparison goods;
- 183 sq m net checkouts.

2.37 On this basis, 85% of the sales space will be used for convenience goods and 15% for comparison goods. DPP has confirmed this is the actual floorspace split proposed by Tesco and these figures should be adopted in the retail capacity and impact analysis.

2.38 However, the retail capacity Table 5 adopts different floorspace net sales area split based on the Tesco company average, which gives alternative figures of 1,095 sq m net for convenience goods and 616 sq m for comparison goods, will the same total net sales area of 1,711 sq m. We have assumed that these

theoretical floorspace figures used within Table 5 are incorrect, because it is appropriate to test what is actually proposed in terms of floorspace split, not what Tesco's average split is for all stores. DPP claims NLP has accepted this approach elsewhere, but if we have done so we have only done this inadvertently and DPP's approach is incorrect and misleading.

- 2.39 In Table 5, DPP have derived the expected turnover by applying a turnover density figure to the net convenience and comparison goods floorspace. DPP's benchmark sales densities are £11,552 per sq m net and £8,965 per sq m net for convenience and comparison goods respectively. This suggests a total store turnover of £18.17 million, of which £15.44 million (85%) is expected to be drawn from the catchment area. The convenience and comparison turnover split is £12.65 million and £5.52 million respectively.
- 2.40 If the actual proposed floorspace figures are adopted, with DPP's turnover densities then the total store turnover would be £19.12 million, of which £16.89 million would be convenience goods and £2.23 million would be comparison goods.
- 2.41 The worst case (highest turnover) for the convenience element of the proposal is £16.89 million and the best case is £12.65 million, which is a significant difference. The worst case (highest turnover) for the comparison element of the proposal is £5.52 million and the best case is £2.23 million. DPP suggests the worst case scenario for convenience goods and the best case scenario for comparison goods is actually what is proposed by Tesco.
- 2.42 DPP's Table 5 also assumes that 15% of the trade of the new store will come from outside the study area. This is considered to be a robust assumption, given that DPP's approach recognises there will be cross flows of expenditure into and out of the catchment area.
- 2.43 However, we note that DPP assume (para. 7.26) that the proposed Tesco store will actually be under-trading (even below the best case low turnover of £12.65 million).
- 2.44 DPP's predicted actual convenience turnover for the store based on Table 8A is only £9.78 million, 23% below the best case benchmark turnover or 42% below the worst case benchmark turnover. DPP's own figures suggest there is insufficient convenience expenditure capacity to support the store, because the store is expected to trade significantly below the company average. Furthermore, DPP has not tested the impact of the store if it does achieve the company average (best or worst case turnover). There is a risk the store will trade at a higher level than suggested, and the level of impact may have been under-estimated.
- 2.45 DPP's predicted actual comparison turnover for the store based on Table 8B is only £2.29 million, slightly higher than the best case (low) comparison

benchmark turnover (£2.23 million), but 58% below the worst case (high) benchmark comparison turnover (£5.52 million).

- 2.46 In our view, the fact that DPP suggest that the store would be under-trading demonstrates that Tesco is proposing a greater level of convenience sales floorspace than is required to address any identified quantitative need.

Existing Facilities

- 2.47 In their Tables 4A and 4B, DPP set out estimates of the benchmark turnovers and net sales areas of the other existing operators in the study area. They also estimate the percentage of trade derived from the study area for each operator, which varies between 90% to 95%. This is a robust approach, as existing provision is relatively small scale, and these facilities are unlikely to attract significant expenditure inflow from beyond the catchment area.
- 2.48 DPP have not identified any retail commitments or proposals to be taken into consideration. The proposed Co-op extension is not considered because it is not a commitment despite being in a sequentially preferable location.
- 2.49 DPP's assessment suggests that the existing Co-op store is trading at £5.85 million in 2009, 52% above the benchmark turnover (£3.84 million). Other convenience facilities in Machynlleth are trading at £3.64 million compared with the benchmark turnover of £3.07 million. DPP's combined turnover of convenience facilities in Machynlleth is £9.49 million, compared with the benchmark of £6.91 million.
- 2.50 NLP's analysis of the household survey results suggests that the actual turnover of convenience facilities in Machynlleth is lower (less than £8 million). DPP may have over-estimated current levels of trading by at least £1.5 million (19%).

Proposed Co-op Extension

- 2.51 The application to extend the Co-op store is expected to increase the sales area of the store from 661 sq m net to 1,244 sq m net. CDN has not provided details of the convenience/comparison floorspace split, or the anticipated turnover of the extension. As such, we have assumed that 85% (496 sq m) of the increase in floorspace will be for the sale of convenience goods, and 15% (87 sq m) for comparison goods. Applying average turnover figures based on Verdict Report on Grocery Retailers 2009, this would give the proposed extension a convenience goods turnover of £3.15 million and a comparison goods turnover of £0.23 million. In line with DPP's Tables 4A and 4B, we assume that 90% of this turnover would be derived from the catchment area.

3.0 Retail Need

Introduction

- 3.1 MIPPS 02/2005 sets out the relevant considerations to be taken into account when determining planning applications for retail development. Ten factors are listed at paragraph 10.3.1. The need for development which is outside a defined centre is the second factor listed. The proposed development is not within a defined centre and is not allocated for the proposed food store use in an up to date development plan, and the consideration of need is relevant. Paragraph 10.3.3 indicates that, where need is a consideration, establishing quantitative need should be given precedence.
- 3.2 DPP's letter dated 28th September 2009 correctly points out that failure of any of these factors does not automatically mean a planning application should be refused. However failure to comply with any of these ten factors would constitute a clear disbenefit of the proposals that needs to be weighed in the balance. We do not agree with DPP's suggestion that the failure to demonstrate need is not a valid ground for refusal. The weight to be given to this factor will depend on local circumstances and the implications of non-compliance.

Convenience Goods Capacity

- 3.3 The NLP Powys County Council Retail Study assessed whether there was quantitative capacity for convenience floorspace in the study area. In relation to the strategy for district centres, the study refers to the north western part of the County which contains Llanidloes and Machynlleth, and notes that there is scope to improve the qualitative and quantitative provision through a new supermarket in either town. However, the report concludes that:
- "The provision in Machynlleth has an average turnover density which is close to company average, whereas the provision in Llanidloes trades significantly (140%) above company average. Provision of new convenience floorspace may therefore best be located in Llanidloes as opposed to Machynlleth."*
- 3.4 Given our concerns regarding DPP's forecast level of expenditure retention within the study area and the actual extent of the catchment area of Machynlleth, we have undertaken a sensitivity test below.
- 3.5 We believe DPP estimated uplift in market share within the true primary catchment area of Machynlleth could be achieved (86% overall), as shown in Table 2. Table 3 below provides an assessment of convenience goods capacity if the smaller PCA of Zones 1-3 is adopted. In flow from beyond this catchment area (including Zones 4 and 5) will be included in the 10% inflow figures for existing facilities and 15% inflow for the proposed Tesco store.

Table 2: Existing and Expected Expenditure Retention rates

Zone	NLP existing % Retention*	DPP assumed % retention
1	59%	88%
2	34%	73%
3	64%	89%
Total	58%	86%

* based on a 70:30 split main and top up shopping.

Table 3: Convenience Goods Capacity Sensitivity Analysis

	2009	2014
Available Expenditure (£m)		
DPP	30.19	31.64
NLP (reduced catchment)	12.05	12.62
Retained Expenditure (£m)		
DPP (76%)	22.94	24.05
NLP (86%)	10.36	10.85
NLP (90%)	10.85	11.36
NLP (100%)	12.05	12.62
Existing Provision (£m)		
DPP (entire study area)	12.16	12.16
NLP (reduced catchment)	6.29	6.33
Capacity (£m)		
DPP	10.78	11.89
NLP (86% retention)	4.07	4.52
NLP (90% retention)	4.56	5.03
NLP (100% retention)	5.76	6.29
Tesco Turnover from Catchment Area (£m)		
Tesco (DPP)	n/a	10.75
Tesco (NLP)	n/a	10.75 to 14.35
Co-op Extension Turnover from within Catchment Area (£m)		
Co-op	n/a	2.84

- 3.6 In addition in looking forward, no allowance has been made by DPP for growth in turnover efficiency of convenience goods floorspace. Benchmark turnovers of existing and committed retail floorspace should be projected forward in the future, reflecting the ability of retailers to improve their turnover efficiency. However given the current economic climate, we consider that it is only appropriate to make an allowance for this from 2012 onwards. DPP's 28th September letter suggests that no growth should be assumed between 2012 to 2014 because "it falsely reserves expenditure". However, we believe where an out of centre food store is proposed it is necessary to consider the degree to which existing floorspace, especially within the town centre, can absorb expenditure growth through increased turnover efficiency. This is a widely accepted approach. An increase of 0.3% allowance for growth in turnover efficiency has therefore also been included from 2012 in the sensitivity test below.
- 3.7 The proposed Co-op extension should be taken into consideration in calculating residual capacity.
- 3.8 NLP's assessment in the true primary catchment of Machynlleth suggests that convenience capacity could range from £4.52 million to £6.29 million at 2014, depending on the uplift in market shares that could be achieved. Even assuming DPP's best case (lower) convenience turnover for the Tesco store (£10.75 million) a 100% retention rate in the primary catchment would not provide sufficient capacity (£6.29 million) to support a store of the size proposed. We believe 100% retention is unlikely and the figures are provided for comparative purposes only. In our view the proposed Tesco store is likely to create an expenditure deficit in the primary catchment area of -£9.83 million, based on the amount of convenience sales floorspace actually proposed (1,462 sq m net).
- 3.9 The figures suggest there is capacity to support the proposed Co-op extension. The Co-op extension would reduce surplus capacity (based on DPP's uplifted market shares) from £4.52 million to £1.68 million, or from £6.29 million to £3.45 million assuming 100% retention. These figures suggest the Co-op extension should be sufficient to absorb most of the surplus expenditure capacity in the primary catchment area.

Comparison Goods Capacity

- 3.10 DPP assume (Table 4B) that the comparison benchmark turnover of stores derived from the study area is £10.06 million in 2009 (2005 prices), which implies an expenditure retention rate of 18.6%. However, DPP suggests that the current retention rate is 13%, i.e. leakage of around 87%.
- 3.11 DPP have not applied an increase in turnover efficiency to existing floorspace. Given the current economic climate, we consider that it is only appropriate to make an allowance for this from 2012 onwards. An increase of 2.0% allowance

for growth in turnover efficiency has therefore also been included from 2012 in the sensitivity test below.

- 3.12 In Table 3D, DPP have assumed that around 27% of available comparison expenditure be retained within the wider catchment, or 33% in Zone 1 to 3. As DPP suggest that the existing retention level is 13%, an increase in retention of 14 percentage points generates an additional £7.57 million in 2014. DPP's benchmark comparison turnover of the proposed Tesco derived from the catchment area is £4.69 million (Table 5), therefore the proposed store will not increase expenditure retention to 27%.
- 3.13 We consider it likely that expenditure leakage will be higher than this, given the attraction of nearby higher order centres. DPP identify the current level of leakage of comparison goods at 87%. DPP do not explain the weighting applied to the household survey results, however from our own assessment, only around 11% of comparison goods expenditure is retained within the catchment area. We therefore consider that an increase to 27% across the entire catchment area is an over-estimation of the potential retention as a result of the Tesco store. We have tested an uplift in market share to 33% in the smaller primary catchment area and 40% and 50% below.
- 3.14 The NLP Powys County Council Retail Study adopts a generic figure for comparison retail within the Machynlleth zone of £3,500 per sq m, which is higher than the figure of £3,000 per sq m adopted by DPP. Further, we consider that DPP have underestimated the comparison turnover of the Co-op, which we estimate at £2,588 per sq m in 2009 (2005 prices), based on Verdict 2009.
- 3.15 Accordingly, we have applied a sensitivity assessment to DPP's Table 7B, incorporating our assessments of available expenditure, and our estimates for the turnover of the existing facilities and a smaller primary catchment area (see Table 4 below).
- 3.16 The figures suggest that in order to support existing facilities and the proposed new Tesco store (worst case highest comparison turnover), a retention rate of about 56% is required in the smaller primary catchment area. Using the best case (lower) comparison turnover indicates a retention rate of about 44% is required.
- 3.17 We do not believe the Tesco proposal would achieve a 56% retention rate, and this is endorsed by DPP's own impact figures which suggest the actual comparison turnover of the store will be only £2.26 million compared with the expected benchmark turnover of £5.52 million. The sensitivity analysis suggests there is insufficient capacity to support 616 sq m net of comparison sales floorspace in the propose store. However, DPP suggests that the store will only provide 249 sq m net of comparison sales floorspace, which is a more realistic figure in terms of expenditure capacity.

Table 4: Comparison Goods Capacity

	2009	2014
Available Expenditure (£m)		
DPP	54.04	61.59
NLP (reduced catchment)	21.56	24.57
Retained Expenditure (£m)		
DPP (27% larger study area)	14.37	16.37
NLP (33%)	7.11	8.11
NLP (40%)	8.62	9.83
NLP (50%)	10.78	12.29
Existing Provision (£m)		
DPP	10.06	10.06
NLP	8.81	9.17
Capacity (£m)		
DPP	4.31	6.31
NLP (33%)	-1.70	-1.06
NLP (40%)	-0.19	0.66
NLP (50%)	1.97	3.12
Tesco Turnover from within PCA (£m)		
Tesco (DPP)	n/a	4.69
Tesco (NLP)	n/a	1.90 to 4.69
Co-op Extension Turnover from within Catchment Area (£m)		
Co-op	n/a	0.23

Qualitative Need

- 3.18 DPP provides a brief assessment of qualitative need. Qualitative indicators of need could include congested store environments, queues at checkouts, a limited range of goods and a lack of choice for consumers. A significant leakage of shopping trips from the primary catchment area can also be an indication of qualitative need.
- 3.19 DPP suggest that the Tesco proposal is a unique opportunity to develop a store of the size and quality required to remedy existing deficiencies and meet customer expectations.

- 3.20 DPP's figures suggest the turnover of convenience facilities in Machynlleth will be £9.94 million in 2014, compared with the benchmark turnover of £6.91 million. These figures suggest existing facilities would be trading about 44% above expected levels. In particular the Co-op store is estimated to be trading about 60% above expected levels and there may be congestion at peak times in this store. However, this congestion could be addressed by the proposed store extension, which will increase the store's sales area by 88%.
- 3.21 The household survey results suggest a relatively high proportion of main food shopping trips leak from the primary catchment area (zone 1 to 3) particularly to large food stores in Aberystwyth. There is a qualitative need to improve food store provision within Machynlleth.
- 3.22 The proposed extension to the Co-op store in Machynlleth town centre would create a store with a net sales area similar to that proposed by Tesco (1,244 sq m net compared with 1,711 sq m net). This store extension could address the qualitative deficiencies in food store provision identified above.

Conclusions

- 3.23 Our consideration of DPP's assessment leads us to conclude that DPP has:
- created a study area that is too large for the proposed development and Machynlleth;
 - over-estimated the proportion of convenience and comparison expenditure that could be attracted to Machynlleth from the extended study area;
 - made no allowance for increases in turnover efficiency of existing convenience and comparison floorspace;
 - failed to establish a quantitative need for the scale of convenience and comparison goods floorspace at the store.
- 3.24 DPP's need assessment is reliant on the proposed store being able to achieve a significant uplift in the level of expenditure retained within the large study area adopted. We do not consider that the increases in markets share in all the study area zones are achievable, particularly given the reliance on a substantial increase in Zones 4 and 5 where only limited trade is currently attracted to Machynlleth. This implies that the proposed store is too large to meet the level of expenditure capacity at 2014. In these circumstances the Council will need to consider the implications of the applicant's failure to comply with the second factor for consideration as set out in MIPPS 02/2005.

4.0 Retail Impact

Introduction

- 4.1 The impact of the proposal on existing centres is the fourth relevant consideration listed in MIPPS 02/2005. Related to the issue of impact on existing centres is the impact on overall travel patterns.

Predicted Turnover

- 4.2 CDN has not assessed the potential impact of the Co-op extension, as policy guidance does not require such assessment for small scale proposals within a town centre. This approach is acceptable. Furthermore, household survey results suggest this store is trading significantly above expected levels and there is more than sufficient expenditure capacity to support the scale of extension proposed. The proposed extension is unlikely to have an adverse impact on other convenience shopping facilities in Machynlleth or other town centres.
- 4.3 DPP consider the issue of impact in their Tables 8A, 8B and 9. DPP set out their assessment of actual turnovers of existing convenience provision in the study area and the impacts of the proposed Tesco. DPP's impact assessment is based on the assumption that the proposed Tesco will be trading below company average (£12.07 million rather than £18.17 million). The assessment assumes convenience floorspace will trade at 77% of company average (£9.78 million). The DPP assessment is based on the best wrong amount of convenience sales floorspace – 1,095 sq m net not 1,462 sq m net). DPP has not tested the implications of the store achieving a higher benchmark convenience turnover of £16.89 million.
- 4.4 DPP's impact assessment assumes the comparison floorspace will trade at 41% of the company average (£2.29 million rather than £5.52 million). DPP's assessment is based on the actual amount of comparison sales floorspace proposed (249 sq m net). If the council is minded to approve the application then the store should be conditioned to provide not more than 249 sq m net of comparison sales floorspace, including a pro-rata allowance for checkouts.
- 4.5 Overall, the estimated turnover of the store (£12.07 million in Tables 8A and 8B) is just 66% of the benchmark turnover of £18.17 million (Table 5). This implies there is insufficient expenditure capacity to support the scale of store proposed (1,711 sq m net), based on DPP's theoretical rather than actual floorspace split.
- 4.6 The turnover of convenience facilities in the catchment area is estimated to be £19.32 million in 2009 (DPP's Table 8A), and this is expected to increase to £20.23 million in 2014. The benchmark turnover of these facilities is £13.33 million (Table 4A), therefore DPP's figures suggest that facilities are currently

trading 45% above expected levels. The Co-op store in Machynlleth is estimated to be trading 52% above expected levels in 2009 and 60% above in 2014. However as indicated earlier in this report, we believe DPP may have over-estimated the turnover of existing convenience shops in Machynlleth by about 19%.

Trade Diversion

- 4.7 DPP predicts that the greatest level of trade diversion will be experienced by stores beyond the catchment area (£7.57 million out of a total turnover of £12.07 million). DPP has not disaggregated the impact on stores/centres beyond the catchment, but presumably the majority comes from Aberystwyth and Dolgellau.
- 4.8 In terms of convenience trade, the household survey results suggest that most of this impact will fall on the following stores (i.e. stores which currently attract most of the main food shopping trips from the catchment):
- Morrisons at Aberystwyth;
 - Lidl at Aberystwyth;
 - Somerfield at Dolgellau;
 - Co-op at Dolgellau;
 - Morrisons at Newtown; and
 - Somerfield at Aberystwyth.
- 4.9 In terms of convenience trade diversion, DPP assume that 57% of the store's turnover will be diverted from other stores beyond the catchment area, and 43% of the trade diversion will come from facilities within the catchment area. This distribution of trade diversion appears reasonable, because the Tesco store will primarily serve main food shopping trips, and facilities within the catchment area currently attract about 42% of main food shopping trips within the catchment area.
- 4.10 Nevertheless the impact on the Co-op store in Machynlleth is estimated by DPP to be significant (33%, -£2.01 million). However, DPP suggest that the Co-op is significantly overtrading (+60%). DPP's figures suggest the Co-op store will still be trading around 7% above the company average in 2014, with the Tesco store. If correct these figures suggest the Co-op store is unlikely to close, but it seems unlikely Co-op would implement the proposed extension to their store is the Tesco store is permitted.
- 4.11 Impact on other convenience shops within Machynlleth town centre is estimated to be around 22%, which is a relatively high level of impact and could cause some shops to close. However, it should be noted that a small proportion of outlets in the town centre are convenience business (four units, based on DPP's land use plan), therefore convenience shop closures would not represent a significant impact on the town centre. The average impact on all

shops (comparison and convenience) in the town centre (excluding Co-op) is estimated to be 9%.

- 4.12 Impact on convenience shops in Tywyn is estimated to be 15%, but Tywyn is still expected to be trading 16% above DPP's benchmark convenience goods turnover (£6.42 million compared with £5.53 million).
- 4.13 However, we consider that DPP has under-estimated the level of impact because the assessment assumes the store will trade significantly below the company average for convenience goods floorspace. DPP may also have over-estimated the turnover of existing convenience facilities in Machynlleth by about 19%.
- 4.14 Tables 5 below recalculate the convenience goods trade diversion and total trade diversion, adopting the full benchmark turnover for the Tesco store and the same proportion of diversion from other facilities as used by DPP and a lower convenience turnover in Machynlleth. These tables are based on a store with 1,462 sq m net of convenience sales floorspace.

Table 5: Convenience Goods Trade Diversion (2014)

	2014 Turnover (£m)	Diversion to Tesco (£m)	2014 Turnover with Tesco (£m)	Impact (%)
Co-op, Machynlleth	5.15	3.47	1.68	-67%
Machynlleth town centre	1.84	0.84	1.00	-46%
Harry Tuffins	1.36	0.67	0.69	-49%
Co-op, Tywyn	4.19	1.52	2.67	-36%
Tywyn town centre	3.36	0.41	2.95	-12%
Others in catchment	2.74	0.35	2.39	-13%
Outside catchment	-	9.61	-	-
Total	-	16.89	-	

- 4.15 This sensitivity analysis suggests the Co-op store in Machynlleth would be trading over 56% below DPP's benchmark turnover, and it is possible the store would close. Notwithstanding the possibility the store would close, the analysis confirms the Co-op extension is unlikely to be implemented along with the Tesco store. Impact on convenience shops (46%) is likely to cause shops to close in the town centre, but this may not represent a significant impact on the town centre, given the limited representation of convenience shops. The cumulative impact of both Tesco and the Co-op extension, assuming both are implemented, is unlikely to result in a significant level of impact on convenience shops in the town centre or Tywyn because the two stores will predominantly compete against each other.

- 4.16 Impact on comparison shops is estimated to be by DPP to 4%, only £0.02 million trade diversion. In our view this level of trade diversion is an under-estimate. If the store has 249 sq m net of comparison floorspace this is likely to be predominantly health and beauty items, stationery and household/hardware goods they can also be bought locally in Machynlleth. As a minimum, we believe about 25% of the proposed store comparison turnover (£0.57 million) will be diverted from Machynlleth town centre, which would suggest an impact of about 9%. This level of impact should be offset by expected comparison expenditure growth in the catchment area (+14% between 2009 and 2014).
- 4.17 In addition to direct impact on shops in the town centre, it is necessary to assess the implication of linked shopping trips. The proposed Tesco store is expected to divert as a minimum £2.77 million (based on DPP's figures) from town centre shops, primarily from the Co-op store. The diversion of trade from the Co-op store or the closure of this store, may result in less linked shopping trips to the town centre, i.e. food shopping trips linked with the use of other shops and services within the centre.
- 4.18 However, the proposed Tesco store will generate at least £8.92 million of new trade in the town and will increase the number of shopping trips made to Machynlleth. Given the store's edge-of-centre location, we believe on balance the Tesco store will generate enough new linked shopping trips to offset the loss of current linked shopping trips.

Conclusions

- 4.19 We believe DPP has under-estimated the level of impact. The proposed Tesco store will have a significant impact on existing convenience shopping facilities within Machynlleth town centre, in particular the Co-op store, which could close. It is unlikely the Co-op store would implement their proposed extension if the Tesco store is implemented. Impact on other convenience shops in the town centre (46%) may cause shops to close, but this may not represent a significant impact on the town centre because of the limited representation of convenience shops (four units, according to DPP land use map).
- 4.20 Impact on comparison shops in the town centre could be 9%, but this level of impact should be offset by expected comparison expenditure growth in the catchment area (+14% between 2009 and 2014).
- 4.21 Given the Tesco store's edge-of-centre location, the store will generate enough new linked shopping trips to offset the loss of current linked shopping trips.
- 4.22 The main impact of the Tesco store is the potential closure of the Co-op store (within a sequentially preferable location), or failing that it would jeopardise the implementation of Co-op's proposed extension.

5.0 **The Sequential Approach**

The Application Sites

- 5.1 The Co-op site is located within the retail core, and there is therefore not a requirement to demonstrate compliance with the sequential approach to site selection.
- 5.2 The Tesco site is in an edge-of-centre location. Whilst part of the Tesco application site boundary is within the retail core boundary, the proposed store itself is located furthest away from the town centre within the site. The Council must be satisfied there are no available, suitable and viable sites within the retail core.

Policy Considerations

- 5.3 TAN4 indicates that proposals for retail development on sites outside existing centres will only be permitted if the sequential approach to site selection has been undertaken, and a failure to demonstrate a sequential approach has been applied would normally justify the refusal of planning permission.
- 5.4 Regardless of the need for an edge-of-centre proposal and the absence of harm to the vitality and viability of existing centres, proposals may still be refused planning permission if it can be accommodated within existing centres. The sequential approach to site selection is the third relevant consideration listed in MIPPS 02/2005.
- 5.5 If the Council is satisfied that DPP have demonstrated that the proposals are needed and will not have an adverse effect on existing centres, then the availability of sites within Machynlleth town centre must be considered in accordance with the sequential approach.

Analysis of Alternative Sites

- 5.6 DPP has considered one alternative site within the town centre, at Heol Maengwyn car park. This site has been dismissed on the basis that it is not available for the proposed development. DPP has not assessed the Co-op extension site, which is sequentially preferable to the Tesco site.
- 5.7 It is unlikely the Co-op site can be considered to be available for Tesco to provide a new store. However the Co-op store's potential to provide an extended store within a sequentially preferable location is a relevant issue. If the Council is satisfied that the Co-op store can be extended and that this enlarged store can meet the identified need and address the deficiency in food store provision in Machynlleth, then it would be inappropriate to permit a further food store within a sequentially inferior site. This is a retail need issue linked to the sequential approach.

6.0 Conclusions and Summary

Retail Need and Capacity

- 6.1 The Co-op proposal is within the retail core, and the applicant is not required to demonstrate a need for the proposal. The Tesco proposal is edge of centre and the need test is relevant.
- 6.2 In our view there is a qualitative need to improve food store provision in Machynlleth. Both application proposals would represent a significant improvement to main and bulk food shopping in the town, and should help to claw back expenditure leakage from the town's primary catchment area. The Tesco proposal would have the added benefit of increasing choice and competition and is likely to claw back more expenditure leakage than the Co-op extension. However, the benefit of choice would be lost if the Co-op store is forced to close. The Tesco store will have a more significant impact on convenience shops in the town centre, and other centres, in particular Tywyn.
- 6.3 In terms of quantitative expenditure capacity, in order to support the proposed Co-op extension only a modest increase in expenditure retention levels in the primary catchment area is required.
- 6.4 In our view DPP has not provided conclusive evidence there is quantitative capacity for the scale of food store proposed (1,711 sq m net). Based on a more realistic primary catchment area for Machynlleth and 86% expenditure retention, our sensitivity analysis suggests the proposed Tesco store could create an expenditure deficit of between £6.23 to £9.83 million, if the store trades at the company average. Implementation of the proposed Co-op extension would increase this deficit to between £9.07 million to £12.67 million.
- 6.5 There is insufficient expenditure capacity to support both application proposals. The implications of granting planning permission for both stores are likely to be:
- Co-op will not implement their extension, within a sequentially superior location, but the store will remain open trading significantly below the company average;
 - the Tesco and extended Co-op store would both trade significantly below their respective company average turnover levels; or
 - the Co-op store will not be extended and will close following the opening of the Tesco store.

Retail Impact

- 6.6 In our view the proposed Co-op extension is unlikely to harm the vitality and viability of Machynlleth town centre or any other centre. The extension will generate additional food shopping trade to the town and spin-off linked trips from this additional trade should help to off-set any impact on the town centre.
- 6.7 DPP estimates the impact of the Tesco store on the Co-op store in Machynlleth will be 33% (-£2.01 million), but the store can withstand this impact because the store is trading 60% over the company average. Impact on other convenience shops within Machynlleth town centre is estimated to be around 22%, which is a relatively high level of impact and could cause some shops to close. The impact on all shops (comparison and convenience) in the town centre (excluding Co-op) is estimated to be 9%.
- 6.8 Impact on convenience shops in Tywyn is estimated to be 15%, but Tywyn is still expected to be trading 16% above DPP's benchmark convenience goods turnover.
- 6.9 However, DPP has under-estimated the level of impact on convenience shops because the assessment assumes the store will trade significantly below the company average. DPP may also have over-estimated the turnover of existing convenience facilities in Machynlleth by about 19%.
- 6.10 Our impact sensitivity analysis suggests the Co-op store would be trading over 56% below the benchmark turnover, and it is possible the store could close, and the proposed extension is unlikely to be implemented. The Tesco store's impact on convenience shops may cause some small shops to close in the town centre but this on its own may not represent a significant impact on the town centre, given the limited representation of convenience shops. Nevertheless this is a disbenefit of the Tesco proposal that should be weighed in the balance. Impact on comparison shops is estimated to be about 9%. This level of impact should be offset by expected comparison expenditure growth in the catchment area up to 2014, but again is a disbenefit of the proposal, if not a ground for refusal on its own.
- 6.11 The main impact of the Tesco store is the potential closure of the Co-op store (within a sequentially preferable location), or failing that it would jeopardise the implementation of Co-op's proposed extension, which represents impact on future investment within a defined centre.
- 6.12 The cumulative impact of both Tesco and the Co-op extension, assuming both are implemented, is unlikely to result in a significant level of impact on convenience shops in the town centre or Tywyn because the two stores will predominantly compete against each other.

The Sequential Approach

- 6.13 The Co-op site is located within the retail core, and there is therefore not a requirement to demonstrate compliance with the sequential approach to site selection. The Tesco site is in an edge-of-centre location. The Council must be satisfied there are no available, suitable and viable sites within the retail core to accommodate the Tesco store.
- 6.14 DPP has dismissed the Heol Maengwyn car park because it is not available. It is unlikely the Co-op site can be considered to be available for Tesco, but the Co-op store's development potential within a sequentially preferable location is a relevant issue. If the Council is satisfied that the Co-op store can be extended and that this enlarged store can meet the identified need in Machynlleth, then it would be inappropriate to permit a further food store within a sequentially inferior site. This is a retail need and impact issue, which is linked to the sequential approach.

Overall Conclusion

- 6.15 The proposed Co-op extension, as a town centre proposal, complies with the relevant factors set out in MIPPS, and in our view there are no retail planning related grounds for refusal. If there are no other grounds for refusals that would prevent the implementation of the Co-op extension then the Tesco application must be considered in the context of the Co-op extension, which is in a sequentially superior location.
- 6.16 The proposed Tesco store raises a number of retail planning issues that must be considered and weighed in the balance by the Council, particularly if the Co-op extension is permitted.
- 6.17 Our analysis of DPP's figures suggests there is scope to improve food store provision in Machynlleth. However, there is insufficient expenditure capacity to support the scale of Tesco store proposed, particularly if the Co-op extension is permitted and implemented. The Council must decide whether this conclusion warrants refusal.
- 6.18 It is necessary to consider the implications of the Tesco development. In our view the Tesco store will prevent the implementation of the Co-op extension and may result in the closure of the Co-op store. These risks to the future of the Co-op store need to be considered in the context of the absence of sufficient expenditure capacity. In this respect the benefits of the Tesco store improving choice and competition may be lost, because Machynlleth would still only have one large store. The closure of an existing store within the retail core, and effectively its replacement with an edge of centre store may be considered undesirable. The Council needs to decide whether the potential to improve choice, i.e. two stores in Machynlleth, is worth the risk of Co-op closing.

- 6.19 The advantage the Tesco store may have in comparison with the extended Co-op store is that it may be more effective in retaining expenditure within the primary catchment area (zones 1 to 3), reducing leakage and the length of shopping trips. However, DPP claims the Tesco store will extend the catchment area of Machynlleth and significantly increase the attraction of the town in zones 4 and 5. In our view the alleged benefits of trade draw from zones 4 and 5 can be discounted because, on balance, it is likely to lead to longer and less sustainable, rather than shorter, shopping trips. Expenditure capacity within these zones should ideally be provided elsewhere e.g. Aberystwyth and Tywyn. This is a disbenefit of the Tesco proposal particularly if there are opportunities to improve shopping provision in zones 4 and 5.

Suggested Conditions

- 6.20 If the Council is minded to approve the Tesco proposal then it is appropriate to impose planning conditions to restrict the amount of net sales floorspace, i.e. 1,711 sq m net including checkouts, of which not more than 249 sq m net of comparison sales floorspace. The provision of in-store franchises such as post office, dispensing chemist and hairdressers etc should also be restricted. These conditions would help to minimise the impact of the proposal on the town centre.