

- REFERENCE:** 10/00252/FUL
- SITE:** Former Woodward International, Hatherley Lane
- PROPOSAL:** Proposed mixed use development comprising 7,608 sq m of class B1 office space and 6,919 sq m of class A1 food store, petrol filling station, ancillary uses and associated works
- RECOMMENDATION:** Recommendation at Committee

- 1.1 Members will be aware that this application was deferred from the May committee due to the objections provided on behalf of B2 Retail regarding the impact the proposed development would have on Coronation Square. Members may also recall that there were other factors which had not been resolved in the lead up to committee.
- 1.2 This report will concentrate on those unresolved issues and also the representations provided on behalf of B2 Retail. In addition, this report will also consider further representations made on behalf of Morrisons and the Co-Operative Group Ltd.
- 1.3 Members should refer to the original officer report to the May planning committee and subsequent update to assess the other material considerations.

2.0 Flexibility

- 2.1 The first unresolved issue from the May update report relates to the level of flexibility shown by the occupier of the proposed food store. In the previous update, the following comments from the addendum to the Economic Assessment (EDA) provided by the applicant's planning consultant, CgMs, were set out;

Firstly it should be noted that following careful assessment, the applicant has shown flexibility by reducing the proposed Asda format to considerably lower than the largest store and much lower than the average size of the Asda superstores (85,000 sq.ft GEA) [Officer note: 85000 sq.ft is 7896 sq.m; the proposed store has a gross external area of 6919 sq.m (74476 sq.ft)].

Disaggregation of the store into two locations was considered in detail but was judged to be problematic for a number of reasons, including sustainability. This approach would be less sustainable as customers would need to make additional journeys to travel to two disparate locations. It is likely that many shoppers would continue to go to ASDA in Gloucester to get access of the full Asda product range under one roof. This would continue to create unsustainable shopping trips in Cheltenham and Gloucester.

Coronation Square, as it stands, does not have any vacant units (even if combined) which would be sufficient to accommodate the whole comparison element. The net sales area of the comparison element of the proposed store as

it stands is circa 1,550 sqm. It should be noted that the net to gross ratio of a smaller retail unit would make the gross area considerably less efficient and accordingly bigger pro rata. Taking into consideration the "doubling up" of service/storage areas, checkout area and staff facilities, it would require a store size in excess of 2,585 sqm GIA. This store size would be significantly bigger than any of the existing units in Coronation Square. Even combining a number of the adjoining vacant units, there is not sufficient space to accommodate the comparison elements of the Asda store.

When considered in conjunction with the redevelopment proposal for Coronation Square which formed part of the scoping study, this unit would become the biggest store in the centre. Together with the anchor foodstore at 25,000 sq.ft, it would significantly reduce the available floorspace for other smaller units and thus reduce the viable retail mix of the centre and undermine its functioning as a district centre. The centre would be disproportionately skewed towards Asda comparison goods offer. Coronation Square is a district centre providing top-up facilities. This scale of comparison store would normally be expected in a higher order town centre or retail warehouse park but not a district centre that caters for top-up purposes.

The primary infrastructure required for an aggregated store (which assists the B1 Office element of the mixed use proposal) would not come forward in a disaggregated scheme.

Disaggregation of comparison and convenience elements in two locations would double up overheads and staff, undermine Asda's business format and seriously affecting viability of the format.

Based on the above evidence, we consider that the applicant has demonstrated flexibility. In this case, it is not viable to disaggregate the proposal into two stores. Thus, the parameter of search selected was based on a store for 7,000 sqm GIA.

2.2 The Council's retail consultant, DPDS, have now responded to this point, stating that;

*In para 2.11[**of the addendum to the EDA**] it is noted that the chosen size is, at about 7,000 sq m gross, smaller than the average Asda store of 7897 sq m. The source is not given, but broadly accords with figures I have been able to calculate. The proposal is thus about 11% below average, and although we suspect that is larger than many existing stores, we consider that the majority of new Asda stores are probably larger than average. CgMs also points out that in net sales floorspace terms it is smaller than either the Sainsbury or Tesco stores. We consider in that in the context of the aim to meet weekly shopping needs, the applicant has shown sufficient flexibility to comply with the sequential approach. If the store were reduced significantly more in size it would fail to compete with the existing provision.*

CgMs does, to our mind, successfully demonstrate that Coronation Sq redevelopment could not accommodate a store of the size proposed by Asda.

Disaggregation – CgMs claim that splitting the store would make customers take additional trips to separate locations. We do not think they necessarily would, and would instead buy non-food goods, and particularly clothing on other trips they would make anyway – although not necessarily at Asda. However, that just underlines how reluctant the Company would be to split its offer in normal

circumstances and we accept that some people intending to make food and non-food purchases might well go to the Asda store in Gloucester to do so, rather than make two trips. We also accept that disaggregation would impose higher costs and we consider that in the context of Cheltenham, it would be unrealistic to expect Asda to disaggregate its food and non-food offers.

CgMs go on to examine if there could be a site in Coronation Square to accommodate the non-food offer, before concluding that there would not be such a site. On the information available at that time we would have agreed, but it appears that the B2 Retail proposal is not as formerly envisaged and this will need to be re-examined in the context of these late submissions. If the applicant is going to consider disaggregation of its non-food offer, it should also consider vacant units in the town centre as part of that exercise. However, if the Council does conclude that splitting the food and non-food offers is unrealistic, there would appear little value in doing so, unless to demonstrate that there would not be any suitable sites even if it did.

Conclusion - The judgement on whether the applicant has shown sufficient flexibility is, in the first instance, for the LPA and our advice is that the applicant has, in adopting a size some 10% below the average size of its units, shown sufficient flexibility if the aim is to provide a new main food shopping facility in south-west Cheltenham.

- 2.3 In light of this advice, officers are satisfied that the applicant has demonstrated the required flexibility when considering other sites within the borough. It is apparent that the proposed food store is smaller than average for a new Asda store, and it is accepted that in the context of Cheltenham, where the Retail and Leisure Study 2006 confirms that rent levels are higher than average, disaggregation which double-up on costs, is considered to be unrealistic.

3.0 Capacity and Expenditure Figures

- 3.1 The second previously unresolved issue relates to the capacity and expenditure figures used by the applicant's retail consultant, CgMs. These figures were queried by the Council's retail consultant and they have also been queried by Roger Tym and Partners (consultants working on behalf of the Co-Operative Group) in letters dated 28 May 2010 and 4 June 2010 and subsequently by Peacock and Smith (consultants working on behalf of Morrisons) in a letter dated 10 June 2010.
- 3.2 The applicant has responded to the queries raised by the Council's retail consultant and it is apparent that many of the issues relate to technical considerations of need. Members will be aware from the update report provided for last months meeting the needs test no longer forms part of the national planning context set out within PPS4. The applicant is no longer required to demonstrate a need for the proposed development, and in their most recent response, the Council's retail consultant, DPDS, provide the following comments which are of relevance;

In summary, as we discussed in relation to the Roger Tym and Partners letters, I agree with many of the criticisms of CgMs made by Roger Tym and Partners, but these tend to relate to the need for the proposed store which I do not think is now capable of forming an objection to an application.

3.3 It is apparent that there are queries relating to the figures provided by the applicant within their EDA. This seems to stem primarily from criticisms of the methodology that has been used by the applicant to establish the levels of available expenditure and therefore capacity within the borough for additional food stores. Whilst the data that has been formulated by the applicant helps to paint the economic picture in Cheltenham, the important factor for members to be mindful of is that whatever the figures suggest, applicants are no longer required to demonstrate 'need' when making a planning application of this nature. Indeed, DPDS, in their response to the EDA addendum state that whilst changes to the applicant's methodology '*would have some effect on CgMs estimate of need, the applicant is not required to demonstrate need and we have not given significant weight to it*'.

3.4 As a replacement for the needs assessment, PPS4 instead sets out a series of impact assessments which have already been referred to in detail in the previous update report. By way of update, the two key policies within PPS4 are policy EC15 which relates to the sequential assessment, and EC16 which sets out a series of impacts which need to be considered when determining an application for economic development.

4.0 Policy EC15 – Sequential Assessment

4.1 The update report circulated to members for last month's committee meeting considered this policy in detail and the conclusion was that, subject to the unresolved issue of flexibility, which officers are now satisfied with, the application was considered to satisfactorily comply with requirements of the sequential assessment. Notwithstanding this conclusion, a letter submitted by Peacock and Smith on behalf of Morrisons, dated 10 June 2010, raised concern with the sequential assessment undertaken by the applicant.

4.2 Peacock and Smith suggest that the main deficiencies in food provision are within the town centre and existing district centres and therefore it is important that these locations are robustly addressed by the applicant with due regard to the flexibility required by PPS4. The letter goes on to contend that the sequential assessment does not properly discount the sites that have been identified within the town centre, specifically, land to the north of Beechwood Shopping Centre (including the Baylis Haines and Strange site) and North Place and Portland Street.

4.3 Within the submitted EDA, the applicant has dismissed the Land to the north of Beechwood Shopping Centre for the following reasons;

Given its proximity to the Primary Shopping Frontage on High Street and Primary Shopping Area, through redevelopment, it has the potential to provide a significant amount of additional comparison goods floorspace and to provide the large scale units which are lacking in the town centre. The suggested form is a major, multi-level, mixed use building to provide a significant amount of retail floorspace to enhance the vitality and viability of the town centre. The Cheltenham Borough Council Retail and Leisure Study suggested that this area should be pedestrian-friendly and ideally create a car-free environment.

We understand that the site falls into different ownerships, therefore the Council may have to exercise its CPO powers to ensure that land assembly problems do not prejudice the redevelopment.

4.4 The EDA goes on to state that;

In terms of other vacant land within this area, the Baylis Haines and Strange Garage at Albion Street and Gloucester Place has recently been granted planning permission for the construction of 161 dwellings, 296 sq.m. of B1 office floorspace and 736 sq.m. A1 and/or A2 and/or A3 uses (ref: 08/00372/FUL). Therefore the site is unavailable for a proposed foodstore.

4.5 Peacock and Smith suggest that whilst the site benefits from a planning permission, this is no indication that the site is unavailable. It is suggested that the permission was granted several years ago, but this is not accurate; the consent was issued in March 2009. Furthermore, the letter states that;

In the current economic climate many such schemes are unlikely to proceed due to viability issues, and therefore the landowner(s) may be open to proposals for alternative forms of development. There is no indication within the applicant's EDA that such discussions have been carried out.

4.5 The applicant is reviewing this aspect of the sequential assessment and further comments are anticipated shortly. Officers consider that the extant planning permission is a material consideration in this instance and certainly the 161 approved dwellings make an important contribution to the housing supply within the borough. The Council has also been recently approached regarding pre-application discussions for a residential lead scheme. This draws officers to the conclusion that the site is not available for a new food store of the scale proposed in this application. It is also questionable whether, at only 0.61ha in area, the vacant land at Baylis Haines and Strange is large enough for a food store of the size proposed in this application.

4.6 With regard to North Place and Portland Street, again, Peacock and Smith query whether or not the applicant has approached the Council as land owner to discuss whether or not a food store would be contemplated on the land. This site was dismissed within the applicant's EDA due to the aspirations for the site outlined within the Civic Pride Urban Design Framework SPD and associated Development Brief adopted in July 2008. The mix of uses outlined within the development brief are;

- a) *Relocation site for Municipal Offices and a focus for other civic uses – totalling about 7,000m²*
- b) *Commercial development (Use Class B1)*
- c) *Small retail or café units to add local vitality to the streets and public spaces – these will be not be at a scale to impact on the vitality and viability of town centre shopping*
- d) *A range of residential units –both types and tenures. A minimum of 10% of units to be town houses to encourage town centre family living. Affordable housing to be provided to the level required by the Local Plan requirements.*
- e) *300 public car parking spaces*
- f) *New civic square*

4.7 It is quite clear from this mix of uses that a large food store is precluded and therefore such a proposal would not comply with the objectives of the adopted SPD. Under the current policy framework therefore, this site is not suitable or available for a large food store; to consider otherwise would be contrary to adopted policy.

4.8 For the site to be considered suitable and available for a large food store, the SPD would have to be amended and this is likely to be a time-consuming process with a requirement for a full public consultation process. It is therefore reasonable and appropriate that, at the time of submission, the applicant discounted the North Place and Portland Street site within their sequential assessment. The Council's independent retail consultant, DPDS, has supported this view.

4.9 Subject to further clarification regarding land to the north of the Beechwood Shopping Centre, officers are satisfied that the application complies with the requirements of the sequential assessment and is therefore in accordance with the objectives of policy EC15 of PPS4.

5.0 Policy EC16 – Impact Assessment

5.1 As outlined within the previous update report, the key impact assessments outlined within the PPS4 are the following;

- Impact on existing, committed and planned public and private investment in a centre in the catchment area of the proposal;
- Impact on town centre vitality and viability;
- Impact on in-centre trade/turnover

5.2 Members will note from the previous report that the Council's independent retail consultant, DPDS, are satisfied that the impact on Morrisons and the associated Caernarvon Road district centre will not be significantly adverse. Whilst there is likely to be an impact, none of the evidence presented by Peacock and Smith on behalf of Morrisons suggest that they will not proceed with their planned extension (ref: 10/00319/FUL) should planning permission be granted at Hatherley Lane, and furthermore, much of the latest objection relates to issues of need, and as already addressed within this report, and the previous update, need is no longer relevant to the assessment of a planning application of this nature. Officers are satisfied, following the advice from the Council's retail consultant, that there will be no significant adverse impact on the Caernarvon Road district centre.

5.3 The key consideration therefore, and the primary reason why the application was deferred from last month's meeting, relates to the impact on Coronation Square. This has to be assessed against the impact tests set out above and therefore the relevant assessment is the impact on Coronation Square in its current format, and also the impact on the regenerations proposals for the district centre.

6.0 Impact on Coronation Square as existing

6.1 Members will be well aware of the current situation at Coronation Square. The centre is in severe need of redevelopment and the Council, as landowner, has held aspirations for a number of years now to progress such redevelopment proposals. Whilst the planned investment into the centre is a significant material consideration, this report will first consider the impact on the centre in its current form as this is also an important consideration outlined within PPS4.

6.2 A recent inspection of Coronation Square has confirmed that of the 35 units within the centre, 15 are currently vacant. There is also a vacant public house and a vacant dentist. The applicant has suggested that whilst the centre as a whole may not be trading well, the two main food stores, Somerfield and Farmfoods, are performing better than company averages. Given these trading figures, the applicant's retail consultant, CgMs, goes on to suggest that the proposed Asda would 'create little or no impact on the existing district centre'.

6.3 The Council's consultant, DPDS, do not agree with this assessment and this is supported by Roger Tym and Partners, consultants working on behalf of the Co-operative Group Limited (of which Somerfield now forms part). Roger Tym and Partners criticise the methodology adopted by the applicant and this has already been addressed above, however, they go on to state that;

In our view the CgMs trade impact analysis is presented in an overly optimistic manner for convenience goods and is flawed for comparison goods. The failure to consider the trade impact on the existing centre is the first flaw and we expect even a small level of trade impact will cause a further serious impact on its vitality and viability and will risk some of the existing stores to close.

6.4 This view is supported by the Council's retail consultant who provided the following comments on the addendum to the submitted EDA;

CgMs para 3.45 [of the EDA addendum] notes the rundown appearance of Coronation Square and attributes this to the redevelopment proposals. In our view this has been a much longer term problem. This is well documented in the results of household surveys which show large market shares for all the main foodstores and the centre has suffered significantly from the impacts of the other main foodstores. This has been a common problem for many district centres and we accept that the impact of the proposal would now fall mostly on the existing stores. However, we do not agree that Coronation Square is trading successfully alongside these bigger stores. It is now trading largely as centre for top-up shopping and smaller, more frequent main food shopping often carried out on foot. The proposal would be significantly nearer Coronation Square than the existing stores and it is likely that some of this existing trade will divert. While this might be a small proportion of the proposed stores turnover, even a small percentage of the proposed store's turnover would be sizeable compared with the existing Coronation Square turnover estimated by CgMs at some £1.12m. We therefore do not think that it is adequate to conclude that there would be no impact at all on the existing Coronation Square as indicated in CgMs Appendix 9 table 16.

6.5 In response to these comments, the applicant has made reference to the successful trading of Somerfield and Farmfood and suggests that the continued success of these stores is 'a reflection of its dependency on providing top-up shopping and smaller more frequent main food shopping which is often carried out on foot for the immediate catchment area'.

6.6 The applicant goes on to state that;

The local shoppers who use the stores at Coronation Square already have the choice of visiting the larger foodstores such as Tesco and Sainsbury. Therefore the advent of an Asda, at Hatherley Lane is unlikely to significantly change the shopping habits of those people currently shopping at Coronation Square, particularly as this would not provide an alternative shopping destination for those shoppers choosing to shop

on foot. We maintain our view therefore that an Asda at Hatherley Lane is unlikely to impact upon Coronation Square which already co-exists alongside larger foodstores.

6.7 In response to this, the Council's retail consultant offers the following important comments;

Our comments on the vitality and viability of Coronation Square, and indeed the CgMs addendum, referred to the centre as a whole and not just to the two largest food shops. The CBRLS [Cheltenham Borough Retail and Leisure Study 2006] (para 4.92) noted that Somerfield and Farmfoods were both trading "reasonably well in comparison to their company average performances". However, it concluded (para 7.59) that the centre is struggling in terms of vitality and viability and is need of modernisation. We still consider this to be the case and note that the number of vacant units has increased from 9 in 2006 to 13 now and some of these are clearly long term. It is in our view clear that the centre as a whole is not trading well and we see no reason to change our views. As Roger Tym point out, CgMs also accept that Coronation Square is currently in decline (para 8.2 of the EDA).

It is encouraging that the leading food shops there appear to be trading reasonably well, and this suggests that there may be commercial interest in other foodstores trading from this location. We do not find this surprising because there is a substantial population in the local area, with we believe relatively low car ownership and elderly population, and the accessibility of the existing large foodstores is not easy for these people. However, its role has been reduced over the years from the main shopping location for the majority of local residents to one of top up and basket shopping trips.

We agree that the majority of the impact of the proposed Asda store would be felt by the existing Morrisons, Tesco and Sainsbury stores. However, the Asda would be more conveniently accessible to the current users of the shops in Coronation Square than these outlets, and indeed in walking distance (but not easy walking distance). We therefore do not agree that the Asda would "create little or no impact on the existing district centre". Even a small proportion of Asda's turnover could be a substantial proportion of the turnover of shops in Coronation Square. Having said that, I do not think that the Somerfield or Farmfoods outlets would close in the short to medium term as a result of trade diversion. The comparison goods offer in Coronation Square is currently weak, and any impact would be on the foodstores to the limited extent that they sell such goods and in discouraging the possible re-occupation of unit shops. The main impact is likely to be on investment in the centre.

6.8 It is quite clear from these comments that whilst the Coronation Square district centre will experience an impact as a result of the proposed development at Hatherley Lane, this will not be a significant adverse impact as required by PPS4 if planning permission is to be withheld. The centre as a whole is performing badly, but the main food shops are trading particularly well, and it is considered that no evidence has been provided to suggest that the proposed development at Hatherley Lane would change these trading patterns. As suggested by the Council's retail consultant, therefore, the turning issue when considering the impact assessments within PPS4, is the impact on the proposed investment in the centre.

7.0 Impact on the proposed regeneration of Coronation Square

7.1 Members will recall that the initial objection submitted on behalf of B2 Retail suggested that it could be demonstrated beyond doubt that the proposed development at Hatherley Lane would have a detrimental impact on the Council's

stated regeneration objectives for Coronation Square. Notwithstanding this claim, the objection was not substantiated and therefore it was considered reasonable for the objector to provide additional information to support their objections. A response on behalf of B2 Retail was provided on 28 May 2010.

7.2 This response has subsequently been sent to the Council's retail consultant for analysis and the applicant has also commented on the objection. The objections on behalf of B2 Retail, the response from the applicant and thoughts of the Council's retail consultant constitute a significant amount of written material to digest and unfortunately, therefore, at the time of publication a final recommendation had not been formulated. Officers are now in receipt of the vast majority of information required to formulate a recommendation, although certain aspects have been queried with B2 Retail. Officers expect to be in a position to make a recommendation by the end of the week and members will be fully updated on Friday.