



**ADDENDUM TO ECONOMIC
DEVELOPMENT NEEDS
ASSESSMENT**

January 2020

ADDENDUM TO EDNA No. 2 January 2020

Introduction

The Mole Valley Economic Development Needs Assessment (EDNA) was produced by the Council in 2017 with a base date of March 2016. It forms part of the evidence base underpinning the spatial land allocation policies in the emerging Local Plan which will guide development in the District to 2033.

It concluded that the identified economic development needs of the District to 2033 could largely be met in the currently available and planned floorspace.

A first addendum, published in July 2018, reassessed the soundness of conclusions reached in the EDNA with particular regard to the need for additional land allocations for Class B (employment) use. The addendum considered the effect of updated evidence on vacancy rates, ongoing floorspace losses through permitted development rights and a recently permitted application involving the loss of the Leatherhead Food Manufacturing site at Leatherhead to residential use.

It concluded that the District benefited from a broadly balanced employment land market whereby the continued safeguarding of well-located employment land was to be encouraged in line with the Council's Interim Policy Statement on Employment Land.

This second addendum reassesses the conclusions reached in the EDNA as they relate to the need for any additional land allocations for retail and leisure uses in the District.

Conclusions of the March 2017 EDNA

The EDNA found that expenditure estimates available to support new **convenience goods** floorspace were forecast to contract in the short to medium term (to 2026), rising again towards the end of the plan period. By 2033 the EDNA identified capacity for an additional 805m² of net convenience floorspace across the catchment study area which itself extended beyond the boundaries of the district to include Oxshott and Cobham to the north, Cranleigh and Ewhurst to the west, Warnham and Faygate to the south plus parts of Reigate to the east. Given this, no additional site allocations were considered necessary to support the District's centres there being no gaps in convenience goods provision identified.

The EDNA nonetheless acknowledged that the affluence of the catchment population could render it more resilient to challenging economic conditions than the UK at large, adding that any proposals for additional convenience goods floorspace would be considered on a case by case basis.

Likewise **comparison goods** floorspace requirements were also projected to contract in the short term leading to a surplus of floorspace in 2021. By 2026 a potential requirement for 784m² net sales was identified, growing to 5,190m² by 2033 (assuming constant market share).

Amendments to the NPPF

Whilst paragraph 23 of the 2012 NPPF required identified floorspace needs to be met in full over the plan period, paragraph 89 of the NPPF as revised in 2019 requires local authorities to plan to meet identified retail, leisure, office and other main town centre needs for 'at least ten years ahead', i.e. to 2031 assuming adoption of the local plan in 2021. This reinforces the view that caution needs to be attached to any forecasts beyond five years and more particularly beyond ten.

The Rise in Online Sales (Special Forms of Trading (SFT)³)

The rapid rise in online sales has been a significant 'game-changer' for the High Street. Stores slow to adapt to the rapidly evolving multi-channel shopping experience have been hit hard. 2018 saw a net loss of 2481 stores from the UK's top 500 high streets, 40% more than in 2017¹. Financial distress and administrations have continued throughout 2019 and floorspace availability is expected to continue rising as CVA's (Company Voluntary Arrangements) and store closures continue².

The EDNA detailed Experian forecasts for SFT as a share of total retail sales. At the time of its writing SFT as a share of total retail sales was forecast to reach 18.6% by 2022 rising to 20.4% by the mid-2030s. Online sales have however been surpassing these forecasts and growing at approximately 10% year on year accounting for 19.5% of all retailing sales in August 2019 (source: ONS). Property consultants Cushman and Wakefield who have been advising MVDC on its Transform Leatherhead projects are of the view that there will be a levelling off of online retail sales at between 30-40% of the total in the next 5-10 years, acknowledging that other sources put this figure higher at 50%.

Table 3 in Appendix 4 of the EDNA details the Comparison Goods Capacity Assessment. At 2033 some £34m of 'residual' expenditure over and above that necessary to maintain average turnovers for existing floorspace led to the identification of a potential net sales floorspace requirement in the region of some 5,000m² by 2033. Survey results indicated that SFT (including though not exclusively confined to online sales⁴) absorbed some 11.7% of comparison goods expenditure within the study area. It should be noted that this was substantially (30%+) above the UK average at the time (8.6%) explained as being partly influenced by the affluent nature of the study area. The national forecasts highlighted above could therefore be considered conservative when applied to the Mole Valley catchment population.

Whilst Table 3 included an uplift of 4% for future gains in SFT, in the context of recent market data identifying online sales growing at approximately 10% year on year², this could now be considered inadequate.

Table 1 below, applies sensitivity testing to the capacity assessment undertaken, assessing the different outcomes associated with varying the % of comparison goods sales diverted online. Whilst the 'pot' of consumer expenditure available to support comparison goods floorspace thus varies, with one exception all other parameters are kept constant. The one exception concerns the estimated attraction of expenditure from outside the study area which has been reduced from 5% to 4%, again to reflect the likely diversion of available expenditure to SFT / online sales.

TABLE 1 : SENSITIVITY TESTING OF COMPARISON GOODS FLOORSPACE CAPACITY AT 2033 WITH VARIATION IN % EXPENDITURE DIVERSION TO SFT

% SFT (including online sales)	Available Comparison Goods expenditure from Study Area after SFT deducted (£m)	16% market share to MV + 4% inflow from beyond study area (£m)	Residual expenditure to support new floorspace (£m)	Net sales floorspace capacity M ²
20%	1245.72	207.29	19.64	2988
25%	1167.86	194.33	6.68	1016
30%	1090.00	181.38	-6.27	-955

Estimated Total Comparison Goods expenditure from Study Area 2033 = £1,557,146,000
 Benchmark Turnover for Comparison Goods floorspace within Mole Valley at 2033 = £187.65m (EDNA App. 4 Table 3 refers)

Whilst the level at which online sales of comparison goods may plateau out is at present somewhat speculative the above table demonstrates the difficulties in forecasting floorspace capacity in a sector recognised as undergoing significant structural change. Given the above evidence and in order to protect the longevity of emerging local plan policy it is considered prudent to shape future policy in a way that enables ongoing reappraisal of floorspace needs as the sector evolves and development opportunities present.

Market Intelligence

In early 2019 the Local Data Company was commissioned to produce two market positioning reports for both Leatherhead and Dorking town centres. The Leatherhead report noted that the town’s service and convenience offer had improved over the past six years as the town repositioned itself ‘*as the capacity for comparison and leisure units is reduced due to growth in online shopping and competition in the market*’. It further noted that ‘*net falls across a lot of categories shows that the capacity in the town exceeds the demand for space*’. Notwithstanding this whilst vacancy rates in Leatherhead have been subject to much fluctuation they have remained below the UK average for the past 3 years.

In response to the changing retail landscape a recent trend among national retailers is the rationalisation of property portfolios to concentrate on a smaller number of stores in core locations. Given the proximity of higher order centres such as Kingston and Guildford where new comparison retail entrants are likely to focus, such stores are now likely to consider the Mole Valley catchment adequately served by these two locations. This reinforces the repositioning of Leatherhead as a convenience/service/leisure destination with improved customer experience and public realm improvements all contributing to the future vitality of the centre.

The opening of the Church Street Waitrose store in 2017 reinforced one of the key roles of Leatherhead as a convenience shopping destination. The anchor of the Swan Centre, which makes up the majority of the prime shopping area, is a Sainsburys foodstore. Its presence, alongside other national multiples, is an important generator of footfall.

Turning to Dorking the market positioning report provided by LDC in early 2019 identifies the high comparison unit retail mix, some 43.1% in 2019 compared with the GB average of 31.5% (and just 26.4% in Leatherhead). The sector has experienced a marginal decline in the 4 year period since 2015 whilst the % of units in the convenience and service sector have seen an improvement. The fall in comparison sales units has been driven by closures of national chains, not least The Body Shop, Sharps and Steamer Trading. Edinburgh Woollen Mill has also recently closed its outlet. The report highlights a possible oversupply of units in comparison retail and leisure units notwithstanding that Dorking's vacancy rate has been consistently lower than the GB and South East average over the past six years.

Undoubtedly the high percentage of comparison units could render Dorking more susceptible to future shop closures as a result of competition from increasing online sales, despite the market town being underpinned by a strong convenience and service offer. To address such concerns a number of local initiatives have been instigated including a local Business Improvement District (BID) which came into operation in July 2017 and more recently, *Opportunity Dorking*, an economic development and regeneration programme to realise the town's commercial and cultural potential.

Conclusions

The EDNA forms part of the evidence base informing policies of the emerging Mole Valley Local Plan 2018-33. Whilst initial conclusions suggested a floorspace requirement for some 5,000m² of additional comparison sales floorspace by the end of the plan period more recent forecasts and intelligence gathering suggests adopting a more cautious approach.

Market repositioning of both Leatherhead and Dorking town centres is underway, focusing not only on retail activity but people, public realm, shopper experience, business, leisure, cultural and community attractions. Proactive public and private investment via the Transform Leatherhead and Opportunity Dorking projects as well as the Business Improvement District (BID) for Dorking will assist in seizing the opportunities that the changing, albeit challenging, retail landscape presents.

Given the above evidence there appears no necessity for the emerging local plan to include site allocations for additional retail and leisure floorspace, particularly outside of existing centres. Applications for such development which satisfy the sequential test will, in line with national planning policy, need to be accompanied by an impact assessment. Given the market town nature of both Leatherhead and Dorking town centres, 800m² (gross) is considered an appropriate floorspace threshold above which an impact assessment will be required. This is also the threshold above which the Highway Authority requires applications to be accompanied by a Transport Assessment and Travel Plan.

Footnotes:

1. **Source: Chase and Partners Retail Report Spring 2019**
2. **Source: Cushman & Wakefield Retail Market Snapshot Third Quarter 2019**
3. **SFT, comprising sales via the internet, mail order, stalls and markets, door-to-door and telephone sales. On-line sales by supermarkets, department stores and catalogue companies are all included.**
4. **Travel Plans – a good practice guide for developers SCC July 2018**