Appendix 1 – Retail Methodology

On Behalf of:
Derwent Holdings Ltd.

In Respect of:
Edge Lane Retail Park, Liverpool

Reference:
JB/MA/1003708/R003m APX 001

Date:
September 2010

1.0 Introduction

1.1 This appendix sets out the approach taken for this assessment and methodology adopted by DPP for assessing available expenditure capacity in support of the retail and leisure proposals at Edge Lane, outlining the key stages and assumptions used. In addition, this appendix sets out the envisaged impact of the proposed development on identified existing centres and key stores within and beyond the proposal's catchment area. Its findings are drawn upon in the main Retail & Leisure Assessment (R003m). Economic tables are included at Appendix 5.

2.0 Retail Impact Methodology

2.1 In carrying out the assessment in this case, the following base assumptions have been used. These have been agreed with Liverpool City Council and their agents, GL Hearn:

Base Year:	2010
Design Year Phase 1:	2016
Design Year Phase 2:	2019
Price Base:	2007
Expenditure and Floorspace:	Goods Basis
Population Data:	MapInfo Housing Forecasts

2.2 The base year is 2010 design year for phase 1 is taken as 2016, the design year for phase 2 is 2019, these have been based on 'best case' implementation years for phase 1 of 2011 and phase 2 of 2014. The design years have been agreed with Liverpool City Council having regard to advice contained within PPS4 (Policy EC14.7) which requires impact assessments to focus on at least the first five years after the implementation of the proposals. These design years are also consistent with previous work carried out by DPP.

2.3 Much of the existing retail floorspace is entirely unrestricted, and therefore able to be lawfully occupied for food and non-food retailing. It has been agreed that none of the proposed retail floorspace will be used by food retailers (i.e. those retailers that use the majority of their retail area to sell and display convenience goods). For robustness, and allowing for prospect of occupation by a retailer such as Marks &

Spencer, we model that one of the larger retail units (Unit no. 13) will include a proportion of convenience goods floorspace (25% of total net floorspace for this largest unit), this convenience floorspace however will remain genuinely ancillary to the use of the unit as a comparison goods store.

2.4 In any event the convenience goods floorspace modelled and any other ancillary floorspace this would still be significantly less than that which could lawfully be traded at this time.

2.5 In respect of Unit 13 there is potential that this could be occupied by a retailer selling predominantly comparison goods but some convenience goods as an ancillary element of their retail offer. Given that the alternative is the occupation of a pure comparison retailer, this assessment tests the worst case impact that would follow from it being occupied by a pure comparison retailer or indeed a mixed retailer.

2.6 Dealing firstly with the pure comparison retailer, the impact assessment models that 100% of the net sales area would be used for the sale and display of comparison goods. In addition, (dealing with the prospect of the mixed retailer) we also model that 25% of Unit 13 would be used for the sale of convenience goods. Given that we effectively model for 100% of the floorspace to be used for the sale of comparison goods and 25% of the floorspace of Unit 13 this over estimates the extent of aggregate retail impact that would occur, and this therefore represents a cautious approach.

2.7 A price base of 2007 reflects the most up to date price base with which we can estimate benchmark trading levels of the existing (and proposed) floorspace through interrogation of Retail Rankings and Verdict Grocers Reports (both from 2010), in conjunction with the bespoke AnySite report published in September 2009. Expenditure growth rates and assumptions for special forms of trading rely upon the guidance of MapInfo Retail Expenditure Guide 2010/2011 which was published in September 2010.

2.8 The methodology adopts a step-by-step approach to the assessment of comparison and convenience goods retail capacity and the impact of the proposed development on existing centres and stores identified within the Primary Catchment Area (PCA), key out-of-centre facilities, and other centres further afield. There are a number of common stages to both assessments and these are summarised below:

- Definition of a Primary Catchment Area (PCA) for the proposed development. This is consistent with the core catchment highlighted in the 2006 CWHB assessment. In practice, this equates to Zones 3, 6, 7 and 8;
- Study period (base and design years) and price base;
- Population and MapInfo estimates of population growth in the PCA;
- Per capita spending on comparison and convenience 'goods' in the identified PCA with projections forward to the design years assuming ultra long-term trends as proposed by GL Hearn on behalf of LCC;
- Calculation of total available expenditure in the PCA and then split by zone for all comparison goods;
- Calculation of total available expenditure in the PCA and then split by zone, further split into key types of comparison goods (consistent with approach used within CWHB assessment);
- Establish the net floorspace and 'benchmark' or company average turnover of existing stores and other floorspace in the PCA (as agreed with GL Hearn);
- Identify relevant commitments (as agreed with GL Hearn) i.e. those schemes with the benefit of planning permission which should also be accounted for in the assessment of impact and need; and
- Estimate existing trading levels for existing floorspace outside the PCA through interrogation of the zone-based household survey within the CWHB assessment. Estimate existing trading levels within the PCA through interrogation of the commissioned household survey update.
- Assess trade diversion and impact arising from the proposal on existing floorspace in and outside the PCA using the actual trading levels. The relative performance of this floorspace (prior to and post-impact) to be reviewed in the context of a typical benchmark performance.

2.9 In broad terms an 'Impact Assessment' provides an indication of the likely trade diversion from defined centres, stand alone stores, and retail parks within and outside the PCA, which are likely to compete with the proposed development due to similar retail offers. It is considered that the proposed development and uplift in floorspace will divert the largest amount of its trade from the other strategic Retail Parks and other out-of-centre provision inside and outside the study area.

2.10 To provide further reassurance, a series of sensitivity assessments have been undertaken which demonstrate that the implementation of the scheme is unlikely to have material adverse impact upon the city centre and other smaller centres. We provide detail on these sensitivity scenarios at paragraph 1.83.

Definition of a Primary Catchment Area (PCA) for the Proposal

2.11 The catchment area adopted uses an area already defined by the Council's retail consultants in the May 2006 Quantitative Retail Assessment. Cushman & Wakefield defined 14 zones for the Assessment, which are based on an amalgamation of postal sectors. The zones adopted for this study (3, 6, 7 and 8), lie within the city boundaries. By using these four zones, the assumptions made in this Study can be consistent with work that had already been undertaken and accepted by the Council, and will assist comparison and understanding.

2.12 PPS4 indicates that the catchment area that is used to assess future impact should be realistic and well related to the size and function of the proposed development and take account of competing stores and centres within it.

2.13 These four zones were identified in the household survey undertaken by Cushman & Wakefield (Quantitative Assessment, 2006) to be where the majority (67%) of trade to Edge Lane Retail Park comes from. Thus, it is a logical catchment area to use for this study. This is backed up further by DPP's own household survey (2007) used for a major application in Kirkby which showed that 77% of trade to Edge Lane Retail Park is drawn from survey zones broadly consistent with the defined PCA.

2.14 At the request of the LPA DPP commissioned an updated household survey to clarify that the existing shopping patterns were broadly consistent with those modelled by Cushman & Wakefield in 2006. The updated household survey showed that 79% of its trade was drawn from the PCA. The results of the three household surveys reinforce our view that this is the area from which the majority of trade is drawn, and is therefore the correct catchment. These multiple datasets both inform the delineation of our primary catchment, and the extent of realistic inflow expenditure for the proposal (20%). Therefore the defined PCA is considered to be a realistic catchment given the quantum of competing stores and facilities in the Liverpool area, taking particular account of the offer of the City Centre.

2.15 The catchment area for this assessment is made up for four discrete but adjoining zones. We will retain the numbers given to the original zones and these can be defined as follows:

Zone 3 (Edge Lane) – Containing the application site, this zone is the closest to the Liverpool city centre, lying on the western side of the study area. It contains the application site, Edge Lane Retail Park, as well as four designated centre in the Liverpool UDP: Tuebrook Local Centre; Old Swan District Centre; Kensington Fairfield Local Centre; and Edge Hill District Centre and part of the London Road Shopping Area and Smithdown Road South District Centre.

Zone 6 (West Derby) – the northern zone stretching from West Derby to Croxteth. It takes in West Derby Village Local Centre; Muirhead Avenue East Local Centre; and Broadway District Centre.

Zone 7 (Knotty Ash) – the smallest of the four zones, towards the east. This zone contains Knotty Ash Local Centre and extends towards Dovecot in Knowsley.

Zone 8 (Wavertree) – the southernmost zone takes in Wavertree High Street District Centre at the northwest corner, and extends down towards Calderstones and Mossley Hill, and east towards Childwall.

2.16 There are some areas that are geographically close to the Retail Park that are not included; this is because they form part of the catchment area for other existing major retail destinations such as Liverpool City Centre to the East, New Mersey Retail Park to the south, and Aintree Racecourse Retail Park to the north. The city centre is considered a discrete area; albeit it has a wide-ranging catchment it was not felt necessary to include it in the catchment area. In practice, those residents who live in Zone 1 would tend to shop in the city centre rather than at Edge Lane so it would not form part of a functional catchment. Other provision in the local and district centres outwith the catchment area is provided by centres in Everton, Walton and Fazakerley to the north; Huyton and Woolton to the east; and Garston and Toxteth to the west.

2.17 The other centres mentioned above are largely separated from the catchment area by major road, including the A508 to the north; the M57 to the east; and the A561 to the south. Huyton which lies directly to the east is a town in its own right, in the borough of Knowsley, and had a good level of provision close by therefore it was not felt appropriate to extend the catchment this far. Similarly, Kirkby to the north benefits from close proximity to other destinations such that Edge Lane would not have a major impact on it.

2.18 The there are a number of district and local centres located within the catchment area of the retail park, these have been indentified on the spatial retail hierarchy and survey zones plan contained within **Appendix 2**. As such, this assessment considers the impact of the proposed development on these centres, Liverpool City Centre and other key retail parks, centres and stores beyond the catchment.

Population and Spending Data

2.19 This assessment considers the total available expenditure within the catchment area. **Table 1** of **Appendix 5** shows that population in the PCA area as a whole will increase from 217,891 at the base year of 2010 to 220,643 by 2019. This shows an overall increase of 1.2% over the study period.

2.20 In considering projections for comparison per capita spend in the PCA, there are two possible approaches; trends or forecast rates. Both approaches are provided by the 2010/2011 MapInfo Retail Expenditure Guide. Trend based projections look at historical changes in per capita spend over time, excluding the effects of inflation. Whilst DPP as a company have recently tended to use OEF forecast rates, we have decided to apply ultra-long term trends in this instance given the extended study period and the recognition that a trend-based approach tends to iron out the ups and downs of the economic cycle and thereby provides a more stable platform for projections (as agreed with GL Hearn). This shows a growth rate during the period 2010 to 2019 for comparison goods of 4.5% per annum and 0.6% for convenience goods.

2.21 The extent of global expenditure which is available for traditional in-store retailing needs to take account of other retail channels. As is recommended by the 2010/2011 Retail Expenditure Guide, we deduct a static 7.4% of available comparison expenditure and 1.3% of available convenience expenditure to account for those monies which will typically be diverted to other shopping channels (known as special forms of trading abbreviated to SFT) including:

- internet-based retail,
- mail order,
- temporary market stalls,
- TV-based shopping channels, and
- the black market economy.

2.22 DPP accept that MapInfo is one of a number of information providers, and that recommended growth rates and deductions for special forms of trading do vary. All of these information providers generate their base assumptions following advice from respected statistical organisations such as Oxford Economic Forecasting, Verdict and also Forrester. Given that MapInfo based assessments have been provided for several years and accepted at numerous inquires and accepted by the Secretary of State, it is DPP's view that a MapInfo based assessment is entirely robust.

2.23 In terms of SFT, Experian has in recent years assumed higher deductions at the base year and modelled significant future growth. These estimations of future growth were founded principally upon the analysis of Forrester survey-based research which concluded that respondents found internet based shopping particularly convenient. Assuming that retailers would invest more heavily in the online channel to tap into this opportunity, Forrester concluded that SFT levels for comparison goods would show continued strong growth.

2.24 However, DPP suggests that this Forrester research failed to recognise that the substantial majority of high street retailers have established and refined online channels that have typically become highly accessible and convenient. In addition, the essence of comparison shopping is to browse and inspect, and (whilst not exclusively) actual view and "trying" of products is an important part of the shopping experience which cannot be wholly replicated online.

2.25 It is the DPP view that there may be future modest growth in SFT, but that it will be much lesser in scale than is suggested now by Experian, which is itself considerably reduced as compared to what was suggested by Experian in early 2009. Closer interrogation of this Experian forecasting makes clear that they have revised down both their actual level of SFT and their forecast rises to a considerable degree. It is our firm view that this changing advice makes the Experian assumptions in this regard much less reliable, and therefore gives no credence to a view that its assumptions should be favoured.

2.26 The extent of SFT is likely to vary by locality subject to the nature of the localised offer and factors of accessibility, but it is noteworthy that interrogation of the updated household survey update for comparison goods does demonstrate a survey-based SFT level of 5.6%. This gives reassurance that the figure recommended by the Retail Expenditure Guide at a national level is highly cautious and appropriate.

2.27 In any event, if one were to assume overly high levels of SFT that are effectively stripped out at source, in practice this would equate to artificially suppressing the extent of shopping power that is available to spend in-store. This approach would sit entirely at odds with a policy direction which seeks to promote vital and vibrant centres and the gainful use of commercial buildings and sites, which would otherwise provide no positive contribution to economic development.

2.28 Turning to per capita expenditure growth, whilst it is agreed that typically Experian based assessments would assume lower rates of forecast growth than would be the case for MapInfo, it does not necessarily follow that they are more accurate. It is instructive to recognise that the extent of negative growth suggested by Experian for 2009/2010 appears to be much worse than has occurred in practice, the MapInfo forecasts have similarly been unable to model entirely accurately, but are considerably closer to reality. In any event, this Edge Lane assessment has modelled future growth using ultra long term trends to give a more reliable basis upon which to move forward, and the extent of disparity in respect of trend-based data between MapInfo and Experian is understandably negligible.

2.29 **Table 2a** of **Appendix 5** shows changes in per capita spend on comparison goods in the PCA. Multiplying **Table 2a** with **Table 1** provides an estimate of total spend in each postcode sector in the PCA on comparison goods. This is shown in **Table 3a** with total comparison goods expenditure in the PCA of £546.30m at 2010. Accounting for the population and expenditure growth described above, this rises to £822.11m by the second phase design year of 2019, an increase of £265.81m.

2.30 For the per capita spend on convenience goods this is shown in **table 2b**. The total spend on convenience goods in the PCA is shown in **Table 3b** as £388.20m at 2010, this has been calculated by the same method as described above. Accounting for the population and expenditure growth this rises to £414.85m by the second phase design year of 2019, an increase of £26.65m.

Available Comparison Goods Expenditure by Type

2.31 Comparison goods shopping is inclusive of several distinct types of goods, and whilst a detailed listing is provided through the COICOP categories as illustrated within the Retail Expenditure Guide, in broad terms the following points to their scope:

- Clothing and footwear;
- Household electrical items;
- Audio-visual, optical and IT equipment;
- White goods;
- Books and stationery;
- Music CD, video/DVD and computer games;
- Furniture;
- DIY products and building materials;
- Chemist Goods; and
- Jewellery and Fancy Goods.

2.32 The extent of per capita spend (and therefore the extent of zonal expenditure by type) on the various types of comparison good is informed by the breakdown included within the commissioned AnySite report. For example, this shows that circa 17% of all comparison goods expenditure is typically attributed to electricals sales, as compared to 23% for furniture sales on the same basis.

Available Convenience Goods Expenditure by Type

2.33 Convenience goods shopping is inclusive of several distinct types of good, and whilst a detailed listing is provided through the COICOP categories as illustrated within the Retail Expenditure Guide, in broad terms the following points to their scope:

- Food and non-alcoholic beverages
- Alcoholic drive (off-licence sales)
- Tobacco
- Non-durable household goods (e.g. washing powder)
- Newspapers and magazines

Actual Trading Levels

2.34 Actual trading levels of given stores and centres can be ascertained through systematic interrogation of dedicated household surveys, subject to clarifying the extent of zonal catchment spend by type and as to how this cross-refers to the responses to pro-forma questionnaires.

2.35 The 2006 CWHB assessment defined 14 zones covering an extremely wide area, and sought to assess shopping patterns in respect of convenience and comparison goods.

A household survey was undertaken by NEMS in 2004 on behalf of CWHB, relying upon an agreed questionnaire and seeking responses from 3000 interviewees distributed pro rata relative to the population resident within each zone.

2.36 The questionnaire sought to investigate comparison shopping patterns by type through questionnaire responses aligned to the MapInfo spend categories on a systematic basis. This approach allows estimation of actual spend directed to given centres and stores by type, and through a process of aggregation, for all comparison and convenience goods expenditure. The proportion of total comparison and convenience goods spend attributed to a given centre/store within a zone (or zones) can be referred to as its market share.

2.37 The CWHB survey was undertaken in 2004, prior to the implementation of Liverpool One. Given the importance of this development to the Liverpool retail economy, it is unsurprising that CWHB sought to model what its effects might be in terms of market share. The CWHB assessment therefore provided a revised market share assessment which sought to model these post Liverpool One market share levels to a design year of 2015.

2.38 DPP originally sought to estimate actual trading levels by applying the "post Liverpool One" market share levels to the zonal catchment expenditure informed by the AnySite report commissioned in late 2009. Whilst it is accepted that Liverpool One has commenced trading, there is some conjecture as to whether or not trading patterns are fully established. In that vein, the utility of commissioning and analysing further household survey data was subject of debate.

2.39 It was agreed that a household survey update would be undertaken for the PCA (Zones 3, 6, 7 and 8) to ascertain the extent to which current shopping patterns would be consistent with the CWHB estimations from 2006. DPP commissioned NEMS to undertake a household survey update in February 2010 with a sample of 600 over these 4 zones. To provide consistency with the previous results, the structured questions were entirely consistent with those relied upon in 2004.

2.40 The aggregate market share analysis by zone is provided at **Table 5a**. It should be noted that these are overall figures for comparison market share, and that there are distinct variations by sub-category. The aggregate market share is derived by ascertaining the monetary flows to each destination built up by sub-category, as a proportion of the overall available expenditure for that zone in that year. The monetary flows table is provided at **Table 6a**.

2.41 The same approach is undertaken in respect of convenience goods, with market share assessment provided at **Table 5b** and base year money flows provided at **Table 6b**.

Market Share Considerations

2.42 We confirm that, as was the case in the CWHB Assessment, some re-distribution of the survey results has had to be undertaken. This is specifically in the context comparison goods responses to Speke and New Mersey Retail Park. Substantially more responses were received in respect of Speke District Centre than would have been expected, and similarly less for New Mersey Retail Park. It is concluded that respondents have selected Speke when the correct response was New Mersey. We have therefore attributed 50% of all comparison goods Speke responses to New Mersey, which provides more realistic trading outcomes.

2.43 The key change between 2004 and 2010 is the implementation of Liverpool One, and therefore the key indicator is the extent of comparison goods outflow to the city centre. The reported levels of outflow to the city centre from the PCA in 2010 (46.1%) were similar to those estimated in 2006 (43.4%) and well within the stipulated confidence intervals. Whilst the purpose of this updated survey was to help calculate the impact of the proposals on Liverpool City Centre we have also tested the level of retained expenditure from the PCA for Edge Lane Retail Park which in 2010 was (7.0% similar to those estimated in 2006 (6.1%).

2.44 This provides reassurance that the market share levels (beyond the PCA) estimated by CWHB remain robust, and DPP continue to rely upon them.

2.45 Base turnover levels at 2010 are estimated on a market share basis, and these are rolled forward to the design years of 2016 (for phase 1) and 2019 (for phase 2) using annualised increments of +1.5% for comparison goods and +0.2% for convenience goods, these known as turnover efficiencies. This allowance for turnover efficiencies provides a buffer within which existing businesses can secure economic return for their ongoing investment to improve their retail offer.

2.46 Headroom for additional retail development is created by the gap between annualised expenditure growth (as a result of population change and per capita expenditure growth) and turnover levels of businesses (base year market share plus annualised turnover efficiencies) located within the PCA.

2.47 The actual trading performance of the centres and stores forms the start point of the impact assessment, and key to this is the extent to which these stores trade against what would ordinarily be expected. The benchmark method provides an approach by which these typical turnovers can be calculated, from which comparisons with actual turnovers can be drawn.

Benchmarked trading levels

2.48 **Table 4a** and **Table 4b** sets out existing comparison and convenience floorspace within the PCA respectively. The next stage is to estimate the average turnover levels achieved by existing floorspace in the PCA. In the absence of detailed turnover figures on identified stores and centres this is based on the application of benchmark averages on store/centre turnovers in the PCA.

2.49 Column 5 of **Tables 4a** and **4b** sets out benchmark comparison goods sales densities for larger shops and centres. Where available, company average figures are sourced from Retail Rankings and Verdict reports. Within centres which frequently include independents or those retailers which do not report within Retail Rankings, the benchmark density is instead estimated using professional judgment and experience of similar centres. This methodology has been accepted by the Secretary of State (SoS) when granting permission for a number of proposals promoted by DPP.

2.50 In order to calculate the average sales density for the defined centres we have scored each unit of their offer and vitality which influences the sales density applied to the centre. To do this we have used the data and analysis contained within the Liverpool City Council District & Local Centres Study (November 2009). The following average sales densities in 2010 for District Centres and Local Centres are as follows:

Rank	District Centre Sales Density £ per sqm	Local Centre Sales Density £ per sqm
1 – Good	£3,000	£2,000
2 – Average	£2,500	£1,500
3 - Poor	£2,000	£1,000

2.51 This approach has been taken due to the differences between the centres in terms of their size, vitality and retail offer. Applying an average sales density for each centre would not give an accurate benchmark figure for each centre due to their differing function within the retail hierarchy.

2.52 Account is then taken of the proportion of a store or centres turnover that would be derived from the PCA. For example, it is assumed that 80% of Edge Lane Retail Park's turnover would be derived from the PCA. This therefore assumes a degree of inflow, which has been informed in part by an extensive household survey which DPP commissioned in respect of the Kirkby inquiry in 2008. This survey clarified that 79% of Edge Lane's turnover was sourced from the PCA. This 80% level has been agreed in advance of submission with GL Hearn.

2.53 The turnover of existing stores/floorspace in the PCA at 2010 is taken forward to the two design years (2016 and 2019) to allow for some claim on spending growth by existing floorspace due to increased operational efficiencies. As previously explained this is calculated by applying a factor of +1.5% per annum for comparison goods and +0.2% for convenience goods. Column 15 of **Table 4a** shows that by 2019, claims on comparison goods expenditure in the PCA by existing stores and centres amounts to £201.04m. Column 15 of **table 4b** shows that by 2019, claims on convenience goods expenditure in the PCA by existing centres and stores amounts to £181.90m.

2.54 The above figures on available expenditure and turnover in the PCA illustrate the degree to which either expenditure is being lost to other stores outside of the area ('leakage'), and/or that particular dominant stores are claiming more of the available money and achieving turnovers in excess of benchmark turnovers ('over trading').

2.55 In this instance, the extent of existing turnover within Edge Lane Retail Park is considerably lower (circa £56m at 2016) than that which could be achieved if all approved floorspace was occupied to a fuller extent of their lawful use. In terms of floorspace, some units remain vacant whilst lawful mezzanine development has not been fully implemented (although sufficient to confirm that lawful implementation has been completed). In addition, whilst the consented position does place end use restrictions upon certain units these are not fully utilised. In practice, bulkier end uses tend to produce lower sales densities than would be associated with non-bulky town centre type uses. Given that several units which have relatively loose consents are occupied by bulkier retailers, it is unsurprising that turnover levels are somewhat lower. In addition, it is instructive to note that the mezzanine floors which have been approved by Certificate (but not all occupied) are entirely unrestricted.

2.56 In numeric terms, assuming that all of the consented unused floorspace was trading in accord with the extent of the lawful position, the 2016 turnover (assuming no implementation of the proposed scheme) would be in the order of £119m. This represents a theoretical uplift in the order of £63m. In addition, it should be recognised that much of the existing trading floorspace is occupied at a sub-optimal level, and therefore the potential lawful turnover could be yet higher.

2.57 The turnover that could be associated with this consented position, to some extent representing a fallback position, should be afforded material weight in respect of matters of quantitative need.

The Proposed Development

2.58 The proposed development provides a larger retail and leisure park which is better able to meet the needs of occupiers and customers. It is laid out along the Edge Lane gateway, and is comprised of 47 retail units, 4 A3 restaurants and three leisure units (all of which are located within a landmark leisure building).

2.59 The retail elements of this development will be provided over two distinct phases as has been requested by LCC. This phasing approach has been sought to provide further reassurance that any adverse impacts would be unlikely to be such that they would materially prejudice the ongoing vitality and viability of defined centres.

2.60 The proposed units 1 – 10, 33-39 all of which are located to the east of the spine road will form part of the phase 2 development. In addition, the existing leisure units (on the site of units 14 to 17) and proposed adjacent units 18-20 will not pass into retail use until phase 2, as would units 45-46. The units on the site of proposed Units 14-17 will remain in leisure use until they can be relocated into the new landmark leisure building. All other units will be available for occupation at phase 1.

2.61 DPP have prepared an indicative phasing and end use plan which is enclosed at **Appendix 7**. This illustrates the phasing described above, and gives an indicative arrangement of the types of retailer which would occupy the units by category.

Retailers by type

2.62 DPP have recognised that there is an aspiration from LCC to control the end uses that come forward, in order to mitigate the extent of adverse impact upon identified centres. Key to this is to control upper limits of floorspace that would be suitable and attractive to town centre type operators.

2.63 Planning restrictions will typically be provided in the form of range of goods to be sold, rather than the type or quality of operators to be facilitated. Strategic retail parks typically support operators in larger formats than would normally be found within centres, alongside other uses which benefit from the footfall and interest generated by such operators. In practice, whilst these would include operators that sell typical town centre goods (i.e. clothing and footwear) these would frequently be comprised of slightly lower order occupiers focused on price (such as Matalan, TK Maxx and Brantano) interspersed by typical high street multiples.

2.64 It is imperative for scheme viability that a reasonable element of unrestricted non-food floorspace is allowed, including an anchor non-food retailer, and the quantum which is promoted is broadly consistent with that which is in place and trading at New Mersey Retail Park, as agreed by LCC and GL Hearn in advance of submission.

2.65 Following discussions between DPP, LCC and GL Hearn it has been agreed that the retail development will be categorised into three themes:

- Open A1 non-food;
- Part bulky retailers;
- Bulky; and

2.66 In respect of the open A1 non-food category, this would be typically comprised of traditional town centre uses and mirror the most onerous restrictions within the existing consented position. In practice, these would support clothing and footwear retailers, and larger format units with a predominant clothing/footwear function.

2.67 In respect of the part bulky non-food category, this would be typically comprised of uses that are of larger format and frequently found in such retail park locations.

Again, the phrasing of existing restrictions is a material consideration. It has been agreed following discussions between DPP, LCC and GL Hearn that this category would have 4 sub categories which are as follows;

Sub Category – part bulky	**Examples of Category**
TC non bulky	Books, Music, Stationers, Health & Beauty, e.g. Waterstones, HMV, Boots
TC mostly non bulky	Catalogue Stores, Mixed Retailers/Variety Stores, Sports, e.g. Argos, Matalan, JJB Sports
RP balanced mix	Homewares, Soft Furnishings, Electrical, e.g. The Range, Paul Simon Curtains, Dunelm Mill, Comet, PC World, Best Buy
Specialist RP	Toys, Hobbies, Motoring Accessories/Cycles, e.g. Toys R Us, Hobby Craft, Halfords, Pets at Home

2.68 In practice, these would support big-ticket electricals retailers, homeware retailers, large format toy retailers, mixed goods retailers and outlet malls. Mixed goods retailers could include the likes of Argos and Matalan, which tend to sell a broad range of goods in large format units and principally in retail park locations. Outlet mall retailers tend to be associated with higher order operators, but using these larger format outlets as a vehicle to sell surplus stock from historic and unpopular ranges.

2.69 In respect of the bulky non-food category, this is relatively straightforward and would be typically comprised of traditional bulky goods retailing which is large in format and almost always found in such retail park locations. In practice, these would support furniture retailers, floor covering retailers and DIY retailers.

2.70 The following represents a summary of the quantum of net retail floorspace to be provided by phase and by type [this has been agreed with GL Hearn and LCC].

DESCRIPTION	PHASE 1	PHASE 2	TOTAL
Open A1 Non-Food	5,898	1,303	**7,200**
Part Bulky Non Food	6,516	8,805	**15,321**
Bulky Non Food	2,626	8,631	**11,257**
TOTAL	**15,793**	**17,359**	**33,778**

2.71 In terms of the breakdown by sub-category of the part bulky category [this has been agreed with GL Hearn and LCC] as follows:

Sub Category – part bulky	Floorspace (m²) Revised
TC non bulky	2,420
TC mostly non bulky	3,883
RP balanced mix	4,943
Specialist RP	4,074
Total	**15,321**

2.72 It is envisaged that this will be controlled by planning condition, and a suggested phrasing is provided below. There is no suggestion to control the extent of bulky goods other than the overall quantum of net retail floorspace, given that its allocation supports such uses.

Proposed Trading Levels

2.73 The turnover of the proposed development assumes an operator mix which is consistent with the submitted phasing and end use plan enclosed at **Appendix 7**, and consistent with the suggested floorspace mix as described above. Net retail floorspace figures are derived by applying a 70% net to gross factor for the majority of the proposed units, with the exception of Unit 46 which applies an 80% factor given that it is likely to support a DIY retailer. For the purposes of providing a robust approach this assessment has modelled a catalogue store occupying Unit 11 which would is estimated to have a 50% net to gross factor.

2.74 Units 26-37 are comprised of two floors as a result of site levels and the planning benefits associated with relocation of their servicing to undercroft. This provides a less efficient operating footprint where none of the ground floor provides usable net retail floorspace, and (by virtue of accommodating additional means of vertical circulation of goods, staff and customers, and providing customer entrances on different levels) is unlikely to provide more than 70% of the upper floor for the purposes of net retail floorspace.

2.75 Once these net retail floorspace figures have been derived, turnover levels are derived through applying likely sales densities to assumed end uses which fall within the four categories. These densities are derived from Retail Rankings 2010, and have been provided by GL Hearn acting on behalf of LCC. The estimated turnover is described in tabular form at Table 6.

2.76 In terms of calculating the turnover of the proposed Marks & Spencer unit (Unit 13) as the unit is proposed to use up to 25% of its floorspace for the sale of convenience goods, rather than this being a fixed split, the level of comparison floorspace has been calculated at 100% for robustness. This is a robust approach as the turnover of the proposed unit is therefore calculated for the highest expected levels for both convenience and comparison goods, although in practice the total turnover of the unit will not reach this figure based on benchmark turnover.

2.77 Phase 1 development is assumed to be in a trading position in late 2011, and comparison goods turnover growth through efficiencies is applied by an annualised increment of +1.5% from 2012 up until 2019 inclusive. On that basis, comparison turnover of phase 1 development is estimated to grow from £70.3m in 2011, to £79.2m in 2019. Phase 1 will also contain an element of convenience floorspace within Unit 13, therefore turnover growth efficiencies are applied on an annualised increment of +0.2% from 2012 up until 2019 inclusive. The convenience turnover is therefore estimated to grow from £14.05m in 2011, to £14.28m in 2019.

2.78 Phase 2 development is assumed to be in a trading position by mid 2014, and turnover growth through efficiencies is applied by an annualised increment of +1.5% from 2015 up until 2019 inclusive. On that basis, turnover of phase 2 development is estimated to grow from £64.12m in 2014, to £69.07m in 2019.

2.79 We confirm that a small quantum of existing retail development will be retained by Derwent, beyond the application sites. These established uses (Blockbuster Video and American Golf) have an aggregate turnover of £2.94m in the 2019 design year.

2.80 In aggregate terms, the comparison goods turnover of the proposed development (including a modest element of retained floorspace) at 2019 is estimated at £148.27m and convenience goods turnover estimated at £14.28m.

2.81 As compared to the turnover of the existing trading development at the same design year, there is uplift in 2019 in the order of £117.23m, accounting for the entirety of phases 1 and 2, including convenience goods floorspace, being fully operational and trading by that point. This takes into account the cumulative impacts, step by step, of the various commitment schemes which have been accounted for.

2.82 More generally, this approach takes no account of the approved vacant floorspace which could be occupied at any point without recourse to retail impact assessment, and as such represents a strong material consideration.

Impact

2.83 In line with PPS4, the impact assessment considers the impact (trade diversion) of the proposed development from stores and centres both within the identified PCA and outside the PCA. The impact assessment outlines the impact of the proposed redevelopment by itself; but also outlines cumulative impact of the proposed development and known key schemes within and beyond the PCA. The results of which are shown in **Table 11** of **Appendix 5**.

2.84 The initial step is to assess the impact implications of extant consents as well as other potential schemes (i.e. Kirkby) in order to provide a cumulative impact assessment position. Given that it is uncertain that all of these developments will be built out (or even approved in the case of Kirkby) then this provides a robust approach.

2.85 Dealing firstly with the city centre, we introduce an additional impact scenario which assumes a greater proportion of the trade will be drawn from the city centre (10.3% to 25%). Even in this scenario, we demonstrate that the implementation of the scheme will not create material adverse impact upon the city centre. As a separate exercise, and well beyond what is properly required of an applicant, we demonstrate that there is more than sufficient available expenditure within the PCA (subsequent to implementation) to accommodate existing levels of outflow to the city centre.

2.86 Whilst PPS4 makes clear that the design year should be 5 years post implementation i.e. 2019 in this case the LPA has requested that we undertake a sensitivity which would provide an assessment of impact at the point of opening (i.e. 2014) for a very much 'worst case' scenario.

2.87 To go further than has been requested by the LPA we then move on to build all these sensitivity judgements together to ensure that the impact assessment is particularly robust, much more than is required by PPS4 or requested by the LPA. These are presented in tabular form at **Table 12** of **Appendix 5**.

2.88 Further analysis on the results of this data are presented within **Appendix 3** of the main body of the Retail & Leisure Statement. Therefore, this methodology simply outlines key findings from the assessment.