SOUTH LAKELAND RETAIL STUDY

QUANTITATIVE ASSESSMENT

South Lakeland District Council

October 2007

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CONTENTS

APPENDICES

1.0 Introduction

1.1 In June 2007 South Lakeland District Council appointed Martin Tonks of MT Town Planning to prepare a districtwide retail assessment to inform the emerging Local Development Framework for the area of the authority outside the Lake District and Yorkshire Dales National Parks. This report and appendices form the main output of this study.

1.2 This study utilises survey data from a 1,700 sample telephone household survey undertaken by North East Market Surveys (NEMS) in 2005 in the South Lakeland, Barrow and Lancaster areas. The report builds upon work already carried out by White Young Green in South Lakeland and Lancaster in 2005.

1.3 The brief for the study was to look at the five key shopping centres in South Lakeland and their catchment areas to determine the quantitative need for new floorspace in both broad goods categories, (e.g. convenience and comparison) in those centres. It became apparent from the initial analysis of the NEMS survey data at postcode sector level that Grange and Milnthorpe do not have sufficient market share even within their immediate catchment areas and also fall within Kendal's SCA so the study concentrated on Kendal, including Grange and Milnthorpe in the SCA, Ulverston and Kirkby Lonsdale.

1.4 It is intended that this study will principally provide an evidence base for the emerging LDF by identifying and establishing the future need for and options for the possible distribution of new convenience and comparison retail floorspace across South Lakeland District Council administrative area. It will also provide the Council with an objective and detailed assessment of expenditure flows and need in order to evaluate submissions in support of planning applications. The study will also provide guidance for considering planning applications and proposals for retail development.

1.5 This report is structured to present the quantitative assessment methodology in the following section and then subsequent sections present first the convenience goods assessment and then the comparison goods assessment for the three main centres – Kendal, Ulverston and Kirkby Lonsdale. The two smaller centres of Grange-over-Sands and Milnthorpe fall within Kendal secondary catchment area (SCA) and are considered as part of the recommendations for that centre. The final section 9 presents overall conclusions and recommendations.

1.6 The Planning White Paper published for consultation on 21 May 2007 is considered in section 2 as this has implications for South Lakeland if certain recommendations are carried through to future planning guidance. In particular, the White Paper indicates that government may be considering replacing the PPS6 ‘needs test’ for a new test that supports town centres and promotes competition and improves consumer choice avoiding the “unintended effects of the current need test”.

2.0 Methodology for Quantitative Assessment

2.1 The methodology for both comparison and convenience goods follows a standard approach that is based on PPS6 guidance (para 2.34) and subsequent Secretary of State decisions that indicate there are three sources of quantitative need although the extent to which they are drawn upon varies for the two broad goods categories:

1. growth in expenditure over and above inflation. This is calculated by multiplying population figures by expenditure per head figures from Experian Business Strategies (EBS) for the study area and projecting this forward to a design year. Allowances for existing and planned floorspace to increase their turnover are then deducted from this growth to arrive at a potential surplus to support new floorspace;
2. overtrading in existing stores. This is gauged by comparing market share derived turnovers with expected or benchmark turnovers extracted from published company averages, however, it is only undertaken for out-of-centre stores; and,
3. increased market share within the catchment area arising from an improved offer and clawback of leakage.

2.2 The methodology adopted to identify market share and quantitative need for new comparison / and convenience goods development is a Retail Capacity Study. This is based upon a market share analysis at postcode sector level of a household survey undertaken by NEMS in 2005. This is supplemented with 2005 expenditure and population data / projections from EBS, and store turnovers from 2006 / 7 Retail Rankings and 2007 Verdict Grocery Report. The approach to retail capacity studies is a logical step-by-step progression of sequences outlined in the appended tables (Appendix 1).

Source One: Identify Expenditure Growth

Study Area and Catchment Area

2.3 The first stage is to identify a study area and this is based on the actual catchment of the three main town centres of Kendal, Ulverston and Kirkby Lonsdale as recorded in the NEMS household survey. It became apparent during the analysis that the smaller centres of Grange-over-Sands and Milnthorpe did not have sufficient market share[1] in any of the postcode sectors for either main goods category to justify a separate assessment. Conversely, for convenience goods Kirkby Lonsdale retained sufficient expenditure in the immediate area to justify its own assessment. The study area is shown in Map 1 in Appendix 2.

2.4 The same study area was utilised for the comparison goods assessment although in the case of Kirkby Lonsdale there was not really sufficient expenditure retained locally to justify this and the area forms part of the Lancaster and Kendal secondary catchment areas.

Population and Expenditure Information and Projections

2.5 Population information for the study area based on the 2001 Census and 2004 ONS mid year estimates is projected forward to 2015[2] by EBS for each postcode sector as shown in Tables 1 and 14. The expenditure information is also extracted by EBS from the ONS Blue Book (Annual National Survey of Household Expenditure) and calculated for each household / resident at postcode sector level in the study area. The expenditure per head figures shown in Tables 2 and 15 forward to 2015 using growth rates recommended by EBS in their Retail Planner Brief 4.0.

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[1] A market share of 50% or more in one or more postcode sectors would be required either main goods category to justify a separate assessment.

[2] EBS do not provide projections beyond 2015

Calculate Current and Future Available Expenditure

2.6 This is done by multiplying the population figures and projections (Tables 1 and 14) by the expenditure levels (Tables 2 and 15). This identifies the first source of retail expenditure capacity i.e. expenditure growth. However, not all of this expenditure is available to support new floorspace in the town centres as there are other claims on the expenditure growth such as turnover growth in current (efficiency improvements) and planned floorspace (commitments) and re-occupied vacant units. In addition allowances have to be made for some expenditure to continue leaking from the study area to higher order competing centres and (at the periphery) nearer centres. This leakage is identified in the following market share analysis stage.

Source Two: Leakage

Calculate Market Share

2.7 The market shares of the main centres, supermarkets and retail parks, for both goods categories are derived from a household survey divided into postcode sector based subzones that reflect the responses to the town centre shopper / visitor questionnaire survey.

2.8 The questionnaire asks detailed shopping destination questions for around a dozen sub-categories of expenditure. The survey result for each sub-category is then weighted according to the percentage of expenditure spent upon it locally as contained in the MapInfo TargetPro Report. The broad goods category market shares can then be calculated. For convenience goods this is broken down into mainfood and top-up expenditure as the latter forms an important source for local and / or smaller convenience stores. For comparison goods this is broken down into bulky and non-bulky goods, again to assist the qualitative understanding.

2.9 Current and future market shares can then be calculated and turnover levels estimated for each broad goods category, taking into account committed floorspace in the future scenarios. In some cases assumptions are built into the assessment about increasing market share through an improved offer i.e. quantitative need based on clawing back current leakage. However, this can only be done on the basis of lost market share in comparison to historic surveys and also with reference to the current and future retail offer in competing centres such as Lancaster, Barrow and Penrith.

2.10 An assessment also has to be made for inflow expenditure and tourist spending in addition to inflow expenditure from other zones identified from the household survey. In earlier work in the district undertaken by WYG an allowance of 5% of convenience goods turnover from inflow / tourist spending was made and 10% for comparison. This has been replicated for most centres in the study area except in the Lake District National Park area of the district where allowances of up to 50% for both goods categories were made in some centres such as Ambleside and Grasmere.

Source Three: Overtrading

2.11 Overall current and future (2007, 2011, and 2015) turnover levels are estimated for comparison and convenience goods floorspace from national company averages published in Mintel 2006 / 7 Retail Rankings and also by Verdict. This is then compared to the expected turnover of existing stores based on the market share analysis (Source Two Stage) to identify areas of overtrading. However, as stated before, only overtrading from out-of-centre foodstores will be regarded as a source of quantitative need as overtrading in town centre stores is considered to be contributing to the vitality and viability of that centre and should not be used to support sequentially less favourable sites.

2.12 The turnovers are calculated by multiplying the net floorspace (or sales area) by the national company average sales density (£'s per square foot). The turnover figures are adjusted to take account of VAT (and petrol sales in the case of larger supermarkets). The turnovers of shops in the various centres are amalgamated to identify the likely level of turnover of the centres. Likewise the overall comparison goods turnovers of retail parks are also amalgamated to arrive at expected turnover levels for retail warehousing. For convenience goods the major supermarkets are treated individually and the smaller convenience businesses in the shopping centres and local / village centres are amalgamated.

2.13 Once the overall expected or benchmark turnovers have been calculated for the current and planned floorspace these can be compared to expenditure levels retained locally as derived from the survey based market share analysis to identify the second source of retail capacity - overtrading.

Claims on Expenditure Growth & Future Quantitative Need

2.14 The expenditure growth stage has identified the extent of expenditure growth in the study period up to 2011 and 2015. The market share stage has established how much expenditure is retained in the study area and where it is being spent. Overall future quantitative need from the three sources is calculated by identifying expenditure growth for each goods category in the design year(s) by:

1. deducting an allowance for existing centres to improve their turnover efficiency over and above the rate of inflation that is held constant by a 2005 price base (usually between 0% and 2.5% pa depending upon goods type and the strength of the centre);

2. deducting an allowance for any centres trading overall below expected (equilibrium) levels to improve their performance to equilibrium level at least and possibly for vacancies to be reoccupied / converted to alternative non-retail use;
3. deducting the turnovers of identified commitments based on national company averages;
4. adding any identified overtrading in out-of-centre stores;
5. adding an allowance for increased market share in the form of clawed back leakage with reference to improvements in the local offer and also that of competing centre; and,
6. adding an allowance for increased / decreased inflows from beyond the study area due to improved retail offer and taking into account seasonal spending.

2.15 The assessment is undertaken for both convenience and comparison goods and the former is broken down into mainfood and top-up expenditure and the latter is broken down into bulky goods and town centre goods. The possibility of increasing future market share is considered where it is a realistic possibility.

2.16 The amount of floorspace that can be supported by the identified capacity is calculated using company average sales densities of the leading retailers and also those derived from the market share analysis for the town and district centres. This is then used to inform the conclusions and recommendations (retail strategy) along with the qualitative assessment and health checks on the amount and type of floorspace / development land that should be planned for the local retail hierarchy in the LDF.

The Planning White Paper

2.17 The Planning White Paper published for consultation on 21 May 2007 indicates that government may be considering replacing the PPS6 ‘needs test’ for a new test that supports town centres and promotes competition and improves consumer choice avoiding the “unintended effects of the current need test”.

2.18 According to para 7.53 of the White Paper the ‘need test’ can have the unintended effect of restricting competition and limiting consumer choice:

“it is possible under current policy for a new retail development on the edge of the town centre to be refused because there is an existing or proposed out-of-town development which meets the identified ‘need’ even though the new retail development would bring wider benefits and help support the town centre.”

2.19 In the Kendal context this could manifest itself in expenditure currently spent at the out-of-centre Asda and Morrison stores being used to support new town or edge-of-centre development in the town centre. Presumably there will be a reality check of how much expenditure can realistically be redirected to a sequentially preferable development, for example, if very little trade can realistically be diverted then new edge-of-centre proposals could simply divert trade from the town centre thereby undermining the centre rather than supporting it. In addition, other PPS6 policy tests such as appropriate scale and the impact on vitality and viability of the town centre would remain.

2.20 Consultation on the White Paper proposals closed in Summer 2007 and the government is to develop new guidance working with the industry and other important stakeholders. The Government will also consider how best to address competition considerations in town centre policies, taking into account the conclusions of the Competition Commission inquiry into the groceries market. Any changes to the current PPS6 need test will be finalised by Spring 2008.

2.21 It is possible that this guidance could change if the White Paper recommendations become the revised national planning policy guidance.

However, there is bound to be some kind of reality check to protect existing town centre stores (which is also an objective in the White Paper) and if trade could not be diverted from these out-of-centre facilities and any new supermarket in the town mainly drew upon diverted trade from the town centre it is considered they could not be justified under any new / revised national planning policy guidance. For example, the 2005 NEMS survey recorded some people combining trips to the supermarkets with trips to the town centres but most didn't and in reality how many carborne shoppers are going to regularly pass the peripheral supermarkets (with free parking) to enter the congested town centre one-way system to visit a more central store?

3.0 Kendal Convenience Goods Assessment

3.1 The Kendal study area can be broken down into a primary and secondary catchment as shown on map 1. The primary catchment is the main urban area of Kendal that has a population of c. 30,000 where around 99% of convenience goods expenditure and 84% of comparison goods expenditure is retained. The secondary catchment is the surrounding rural areas including Grange, Milnthorpe, Windermere, Ambleside, Sedbergh and Tebay where 61% of convenience goods expenditure is spent in the Kendal PCA area and 63% of the comparison goods expenditure.

3.2 For the purposes of this study Kirkby Lonsdale is treated as a separate study area but is really a subset of the Kendal secondary catchment, particularly for comparison goods. A tertiary catchment area is also shown on map 1 which is an area where Kendal supermarkets draw some trade from, although these postcode sectors are really part of the catchment of competing centres / stores, and the town centre also draws some comparison goods expenditure from these areas.

3.3 The broad shopping patterns for convenience goods are shown in maps 2 to 10 in Appendix 2. In the PCA the Asda store has the greatest market share (44%) of overall convenience goods expenditure followed by the Morrisons store (29%) and the town centre Booths store (15%). Other town centre stores (inc. M&S and Iceland) account for 9% whilst 4% is spent in other stores in the Kendal area including the two suburban Spar stores. Only 1% of convenience goods expenditure leaks outside the PCA.

3.4 In the SCA the Asda store has a lower market share (35%) of overall convenience goods expenditure followed by the Morrisons store (21%) and the town centre Booths store (4%). Other town centre stores (inc. M&S and Iceland) account for only 1%. Overall Kendal stores have a much lower market share in the SCA and there is much higher leakage

(15%) to centres and stores beyond the SCA. In the Tertiary Catchment Area (TCA) Asda has a market share of 9% and Morrisons 5%.

Expenditure Growth

3.5 Table 2 in Appendix 1 indicates that each resident of Kendal PCA will generate £1,702 of convenience goods expenditure in 2007. Multiplied by the population of c. 30,000 this generates c. £52m expenditure as shown in table 3. Kendal SCA generates a further £81m and combined with the PCA the Kendal catchment generates £133m convenience goods expenditure.

3.6 Expenditure per head projections are also shown in Table 2. These indicate that for convenience goods where there is low growth of 0.5% per annum (pa) above the rate of inflation (held constant by 2005 prices) there is very little overall growth to 2011 (£1.5m) as shown in Tables 4 & 5. (Expenditure per head forecasts are taken from the EBS Retail Planner Brief 4.0.) For the period 2005 to 2015 EBS forecast the low annual growth rate of growth of 0.5% pa to continue. This results in a total growth in the Kendal catchment area (inc. the SCA) of £6m to 2015 as shown in Tables 4 and 6.

3.7 PPS6 para 2.34 indicates that expenditure growth is the main source of quantitative need and it can be seen from Table 5 that due to low growth rates for convenience goods there is not significant overall expenditure to support new floorspace. However, subsequent Secretary of State decisions (Birmingham, Swindon and Burnham on Sea) indicate that leakage and overtrading can also be taken into account as shown in Tables 5 and 6.

Leakage

3.8 The NEMS household survey recorded very high levels of convenience goods expenditure (90%) retained within the Kendal catchment area (PCA & SCA combined) as shown in the penultimate column / row of Table 7 and in maps 2 to 4 in Appendix 2. There is therefore very little leaking expenditure that can be realistically 'clawed back' to support new floorspace in the catchment area and this source of quantitative need is not drawn upon.

Overtrading

3.9 Overtrading is calculated by comparing the expected or benchmark turnovers based on national company average sales densities (£s turnover per sq m sales area per annum), as recorded and published by Verdict and Mintel, with turnovers derived from the NEMS household survey. Where the survey indicates shops / centres are trading above these expected / benchmark levels that is regarded as overtrading as shown in the final column of Table 7.

Quantitative Need for New Convenience Goods Floorspace in Kendal

3.10 If the projected overtrading at the Asda and Morrison stores in 2011 (c. £38m) is added to the expenditure growth this results in c. £11m capacity to support new floorspace in Kendal. However, there are other claims on this capacity and in particular PPS6 (2.34) advises account should be taken of turnover efficiency improvements in existing floorspace.

3.11 The 2005 NEMS household survey suggested that all of the town centre convenience stores except the Booths store are undertrading. To bring the town centre stores up to expected benchmark or equilibrium levels would require an efficiency improvement of c. £13m. Efficiency improvements then have to be made for other floorspace in the study area. EBS Retail Planner Briefing Note 4.0 recommends a rate of 0.75%. However, this would take up all of the already limited expenditure growth rate. Conversely, it is the practice of many retail planners not to allow for any turnover efficiency improvements in convenience goods floorspace but this approach does not reflect the record turnover growth of some operators such as Tesco. A midway point of 0.4% has therefore been used in this study.

3.12 When a turnover efficiency improvement rate of 0.4% is applied to existing convenience goods floorspace shown in Table 7 in Appendix 1 then there is a claim of £1.4m on the identified capacity. Other claims on the potential capacity include leakage that cannot be realistically clawed back therefore a deduction of 10% is made on the basis that the same proportion of growth will be spent outside the study area as with current expenditure.

3.13 When these deductions for leakage of growth and also turnover efficiency improvements there is c. £26m to support new convenience goods floorspace in 2011. In 2015 this is projected to increase to £28m. In 2011 this capacity would support c. 2,300 sq m (net) of floospace at a 'big five' supermarket (Asda, Morrisons, Sainsburys, Tesco & Waitrose) company average sales density or c. 4,100 sq m (net) of floospace at a small supermarket (Booths, Co-op, Somerfield & Spar) company average sales density. In 2015 this capacity would support c. 2,400 sq m (net) of floospace at a 'big four' supermarket company average sales density or c. 4,300 sq m (net) of floospace at a small supermarket / convenience operator company average sales density.

3.14 This capacity is for the whole study area including the PCA and SCA although excluding the TCA. The capacity could be taken up by a third medium sized supermarket in Kendal of a similar size to the existing Asda and Morrisons. However, there is a qualitative need for small supermarkets in two of the district centres in the SCA, namely Grange-over-Sands and Milnthorpe and PPS6 Annex A advises that even local centres, which both these centres are bigger than, can be anchored by small supermarkets so there is no question of appropriate scale. The small Booths stores in Kirkby Lonsdale and Windermere take a significant market share of the convenience goods expenditure in the surrounding postcode sector for both mainfood and top-up shopping trips and this could also be replicated at Grange-over-Sands and Milnthorpe.

3.15 In Kirkby Lonsdale (LA6 2) Booths has a market share of 38%, Kendal Asda 20% and Kendal Morrisons 13%. In Windermere (LA23 2) Booths has a market share of 25%, Kendal Asda 23% and Kendal Morrisons 23%. In contrast in Grange-over-Sands the combined town centre stores have a market share of 12%, Kendal Asda 50% and Kendal Morrisons 9%. In Milnthorpe (LA7 7) the combined town centre stores have a market share of 10%, Kendal Asda 60% and Kendal Morrisons 9%.

3.16 Clearly the small supermarkets in Kirkby Lonsdale and Windermere are capable of competing in those parts of the SCA with the larger supermarkets in Kendal and enable more expenditure to be retained locally. If similar sized supermarkets were promoted in Grange-over-Sands and Milnthorpe they would account for between £6m and £8m expenditure each depending upon size and operator. This would leave between £10m and £14m to support new floorspace in Kendal which would be insufficient to support a third supermarket in the town the size of the existing Asda and Morrisons although it would it support a small local store(s) in association with new residential development.

3.17 The two postcode sectors in the vicinity of Grange-over-Sands (LA11 6 and LA11 7) generate c. £17m convenience goods expenditure of which around 79% leaks mainly to Kendal (60%). A small supermarket slightly smaller (c. 1,200 sq m gross) than those in Kirkby Lonsdale or Windermere would have a convenience goods turnover of c. £6m (depending upon operator) drawn from the surrounding area and would account for around a third (35%) of the local expenditure as the Kirkby Lonsdale store does in the three immediate postcode sectors (LA2 8, LA6 2 and LA6 3). This would mean that, combined with existing stores in the Grange-over-Sands area that currently retain 21% of expenditure, c. 55%

of expenditure would be retained locally assuming local stores maintain their market share. This is a similar level of trade to that currently retained in the Kirkby Lonsdale area and is considered to be realistic.

3.18 Similarly the two postcode sectors in the vicinity of Milnthorpe (LA7 7 and LA5 0) zone generate c. £15m convenience goods expenditure of which around 86% leaks mainly to Kendal (52%) but also to Carnforth (27%). Again a small supermarket slightly smaller (c. 1,200 sq m gross) than those in Kirkby Lonsdale or Windermere would have a convenience goods turnover of c. £6m (depending upon operator) drawn from the surrounding area and would account for around a third (40%) of the local expenditure as the Kirkby Lonsdale store does in the three immediate postcode sectors (LA2 8, LA6 2 and LA6 3). This would mean that, combined with existing stores in the Milnthorpe area that currently retain 14% of expenditure, c. 54% of expenditure would be retained locally (assuming local stores maintain their market share) – a similar level of trade to that currently retained in the Kirkby Lonsdale area and this is also considered to be realistic.

Conclusions of Kendal Convenience Goods Assessment

3.19 Under the present national planning guidance the greatest qualitative need in the SCA is in the two district centres of Grange-over-Sands and Milnthorpe and this is where the quantitative need should be directed. The remaining quantitative need could be directed in and around Kendal town centre and / or used to support small local convenience store(s) in association with new residential development but it would not justify a third superstore in Kendal. This position may change following the publication of any new / revised planning guidance in 2008 but the priority in the study area would remain satisfying the quantitative and qualitative need in Grange-over-Sands and Milnthorpe.

4.0 Kendal Comparison Goods Assessment

4.1 The comparison goods assessment uses the same study area and methodology as the convenience goods assessment. The broad shopping patterns for comparison goods are shown in maps 11 to 15 in Appendix 2. In the PCA 81% of expenditure is retained within the Kendal area. This can be further broken down into 71% spent in the town centre and 10% at the retail parks and supermarkets. 4% of comparison goods expenditure leaks to Lancaster, 3% leaks to Preston, 3% to Carlisle and 2% to Manchester.

4.2 Around 3% of comparison goods expenditure is spent via non-retail outlets (special forms of trading) mainly the internet (2%) and mail order (1%). For comparison goods this is assumed to be sourced in shops and businesses outside the Kendal area and so added to 16% leakage means that 19% of PCA expenditure is spent outside the PCA.

4.3 In the SCA Kendal has a slightly lower market share (63%) of overall comparison goods than in the PCA and there is slightly more leakage (28%) mainly to Barrow (6%), Lancaster (4%), Manchester (3%), Carlisle (2%) and Preston (1%). Kendal also has quite a significant market share in the Kirkby Lonsdale area (31%) that is considered in Section 8 although this area also form part of the Lancaster (40%) catchment area. In the TCA Kendal also has a reasonable market share (23%) although this area also forms part of the Lancaster (47%) catchment area in the south and Carlisle (8%) and Penrith (6%) in the north.

Expenditure Growth

4.4 Table 15 in Appendix 1 indicates that each resident of Kendal PCA will generate £2,818 of comparison goods expenditure in 2007. Multiplied by the population of c. 30,300 this generates c. £86m expenditure as shown in table 16. Kendal SCA generates a further £140m and combined with the PCA the Kendal catchment generates £226m comparison goods expenditure.

4.5 Expenditure per head projections are also shown in Table 15. These indicate that for comparison goods where there is much higher growth (4.3% pa to 2010 and 3.8% to 2015) than for convenience goods according to EBS (Retail Planner Brief 4.0). Consequently there is significant overall growth to 2011 (£43m) as shown in Tables 17 & 18. For the period 2005 to 2015 EBS forecast a slightly lower rate of growth of 3.8% pa resulting in a total growth in the Kendal catchment area of £94m to 2015 as shown in Tables 17 and 19.

4.6 Expenditure growth is the main source of quantitative need and Tables 17 and 18 indicate that this is fairly significant, however, these high growth rates are offset by high increases in turnover efficiency in existing floorspace and EBS recommend a rate of between 2% and 2.5% for comparison goods and in this study a 2% turnover efficiency rate is utilised. When 18% leakage (£9m) and turnover efficiency improvements in existing floorspace (£15m) are taken into account the expenditure growth is reduced to £19m in 2011 and £42m in 2015.

Leakage

4.7 The NEMS household survey recorded around 22% of comparison goods expenditure leaking from the Kendal catchment area as shown in the penultimate column / row of Table 20. There is more leakage from the SCA than the PCA regardless of improvements to the town centre a significant percentage of trade will continue to leak to higher order centres such as Barrow, Lancaster, Manchester, Carlisle and Preston particularly from the SCA. All of these centres and surround retail parks / outlets are reasonably accessible by road and rail and in particular to those residents who live on the periphery of the Kendal SCA. Many of these centres as well as Penrith are also expanding and improving their current offer.

Therefore for the purposes of this assessment no claim is made on leaking expenditure towards quantitative need in Kendal.

Overtrading

4.8 Overtrading is calculated by comparing the expected or benchmark turnovers based on national company average sales densities with turnovers derived from the NEMS household survey as shown in the final column of Table 20. However, this indicates that only the town centre is overtrading to any extent. The main out-of-centre facilities at South Lakeland Retail Park and Burton Road Retail Park are both undertrading significantly. As a result this source of quantitative need is not drawn upon in the assessment.

Quantitative Need for New Comparison Goods Floorspace in Kendal

4.9 There is c. £19m capacity to support new floorspace in Kendal in 2011 after other claims such as turnover efficiency improvements are taken into account. At a town centre average sales density this would support c. 3,900 sq m net of new floorspace in 2011 and 8,000 sq m net in 2015. (No distinction is made for bulky goods as PPS6 3.16 indicates that these can be retailed from town centre locations.) However, there are a number of major commitments in the town including the Woolpack Yard (2,167 sq m net), Beezon Road (900 sq m net) and the K Village reconfiguration (1,021 sq m net) totalling over 4,000 sq m new floorspace.

4.10 There is therefore no need to identify new sites in the LDF for comparison goods floorspace before 2011. By 2015 this potential floorspace has grown to 8,000 sq m, however, quantitative need or capacity identified beyond 2011 is not justification for new retail floorspace outside of existing centres as indicated in PPS6 (2.46). This is because identifying edge and out-of-centre sites now could prejudice more central sites coming forward that, although not available for retail development at present, may become available between now and 2011 or after 2011. It is therefore recommended that criteria based policies reflecting the guidance of PPS6 (2.46) are included in the LDF. It is important that Kendal Town Centre improves its offer to retain its market share due to improvements in surrounding centres including Lancaster and Penrith.

5.0 Ulverston Convenience Goods Assessment

5.1 The Ulverston study area is also broken down into a PCA and SCA as shown on map 1, however, unlike Kendal in its SCA Ulverston does not have a significant market share in the SCA and even the PCA is really part of the catchment area of Barrow. The PCA is the main urban area of Ulverston plus the rural areas extending north to the bottom of Coniston Water and Windermere (Newby Bridge) and to Gleaston in the south. The SCA is formed by the area to the west around Dalton-in-Furness and Grizebeck and Coniston to the north. The SCA is shared with Barrow that even in the PCA has a far greater market share than Ulverston. This is not only because Barrow is a higher order centre than Ulverston within the regional hierarchy but also because the SCA / PCA forms a commuter hinterland for Barrow.

5.2 The Ulverston PCA has a population of c. 20,000 and the SCA c. 20,000 creating a catchment population of 40,000. The broad shopping patterns for convenience goods in the PCA are shown in maps 5 and 6 in Appendix 2. In the PCA Barrow has the greatest market share (58%) of overall convenience goods expenditure and only 35% is retained locally – 18% in the out-of-centre Booths store, 11% in the town centre and 6% elsewhere in the Ulverston area. There is even less trade retention in Ulverston from the SCA (3%) and Barrow has an even greater market share (76%). This indicates that for convenience goods the SCA isn't really part of the Ulverston catchment and here as well as in the PCA Barrow has a greater influence due to its proximity, accessibility and superior offer in terms of 'big four' representation.

Expenditure Growth

5.3 Table 4 in Appendix 1 indicates that there will be £0.4m expenditure growth in the Ulverston study area due to population loss in the SCA[3] and also low growth rates for convenience goods. By 2015 this has grown to £1m so there is not significant expenditure growth to support new floorspace. However, when leakage is taken into account as shown in Tables 8 and 9 this capacity is increased as outlined below.

Leakage

5.4 The 2005 NEMS household survey recorded fairly high levels of convenience goods expenditure leaking from the Ulverston catchment area including the PCA as shown in the penultimate column / row of Table 10. However, it is considered that very little of the leaking expenditure from the SCA can be realistically 'clawed back' to support new floorspace in Ulverston as this area is really part of the catchment area of the higher order shopping centre of Barrow.

5.5 Therefore only half the leakage from the PCA is drawn upon although even here not all expenditure that is spent in Barrow in particular can be drawn upon as some of this will be linked with commuting trips and / or comparison goods shopping trips to this higher order centre. In addition, due to the postcode geography utilised in the study the Ulverston PCA extends some way south as far as Gleaston from where Barrow is very accessible. Therefore only 50% of the expenditure leaking from the PCA is claimed towards supporting new floorspace in Ulverston.

Overtrading

5.6 Overtrading is calculated by comparing the expected or benchmark turnovers based on national company average sales densities with turnovers derived from the NEMS household survey. Where the survey

[3] The population loss is occurring in the postcode sectors that make up the SCA but fall within the administrative area of Barrow-in Furness according to EBS

indicates shops / centres are trading above these expected / benchmark levels that is regarded as overtrading as shown in the final column of Table 10. It can be seen from the final column of Table 10 that most stores in the Ulverston urban area are undertrading therefore no capacity is claimed from this source to support new floorspace in here.

Quantitative Need for New Convenience Goods Floorspace in Ulverston

5.7 If the leakage from the PCA that can be realistically ‘clawed back’ (c. £10.5m) is added to expenditure growth (£0.4m) this results in c. £11m capacity to support new floorspace in Ulverston. However, there are other claims on this capacity such as turnover efficiency improvements in existing floorspace and an allowance of £0.3m also has to be made in the period to 2011 of 81% (£0.3m) of expenditure growth that might be expected to ‘leak’ as with existing expenditure so there is a claim of £0.6m on the identified capacity resulting in a revised potential capacity of £10.3m in 2011. (This is not projected to increase by 2015.)

5.8 In 2011 this capacity would support c. 850 sq m (net) of floospace at a ‘big four’ supermarket company average sales density or c. 1,550 sq m (net) of floospace at a small supermarket / convenience operator company average sales density. In 2015 this capacity would not support any additional floorspace. There is also a qualitative need for a supermarket in Ulverston town centre to generate greater footfall and help retain expenditure locally. It is therefore recommended that there are further site investigations for a small supermarket / town centre expansion in and around the town centre as part of the LDF process. If sites cannot be identified it is not recommended that this capacity is directed to an edge-of-centre site unless it can be demonstrated the proposal would generate significant levels of combined trips with the town centre.

6.0 Ulverston Comparison Goods Assessment

6.1 The comparison goods assessment uses the same study area and methodology as the convenience goods assessment. In the PCA 19% of expenditure is retained within the Ulverston area with 66% leaking to Barrow, mainly to the town centre area, and 4% leaking to Kendal.

6.2 In the SCA Ulverston has an even lower market share (2%) of overall comparison goods than in the PCA and there is greater leakage (91%) mainly to Barrow (77%) and Kendal (4%) with internet / mail order accounting for 6%.

Expenditure Growth

6.3 Table 15 in Appendix 1 indicates that each resident of Ulverston PCA will generate £3,042 of comparison goods expenditure in 2007. Multiplied by the population of c. 20,300 this generates c. £62m expenditure as shown in table 16. Ulverston SCA generates a further £58m and combined with the PCA the Ulverston catchment generates £120m comparison goods expenditure.

6.4 Expenditure per head projections are also shown in Table 15. These indicate that for comparison goods where there is high annual growth (4.3% pa) there is significant overall growth to 2011 (£21m) as shown in Tables 17 & 21. For the period 2005 to 2015 EBS forecast slightly lower rate of growth of 3.8% pa resulting in a total growth in the Ulverston catchment area of c. £45m to 2015 as shown in Tables 17 and 22.

6.5 Expenditure growth is the main source of quantitative need and Tables 17 and 21 indicate that this is fairly significant, however, these high growth rates are offset by high increases in turnover efficiency (2% pa). When 84% leakage (£18m) and turnover efficiency improvements in existing floorspace (£2m) are deducted from the expenditure growth it is reduced to c. £1m in 2011 although when other sources of quantitative need are taken into account this is increased slightly to c. £6m.

Leakage

6.6 As indicated above the NEMS household survey recorded very high levels of comparison goods expenditure leaking from the Ulverston catchment area particularly from the SCA as shown in the penultimate column / row of Table 23. However, it is considered that very little of the leaking expenditure from the SCA can be realistically ‘clawed back’ to support new floorspace in Ulverston as this area is really part of the catchment area of the higher order shopping centre of Barrow.

6.7 Therefore only leakage from the PCA is drawn upon although even here not all expenditure that is spent in Barrow in particular can be drawn upon as some of this will be linked with commuting trips and / or shopping trips to the large supermarkets in and around Barrow. In addition, people are prepared to travel much further for certain comparison goods such as clothes and fashion items to higher order centres such as Preston and Manchester to shops that are unlikely to ever locate in Ulverston.

6.8 For the purposes of this study it is assumed that a quarter of expenditure in the PCA could be retained in the Ulverston area with an improvement in the qualitative offer in the town centre (currently 19% of expenditure is retained). This would increase the retention level of the Ulverston area within the catchment from 11% to 14% and is considered to be a realistic market share as a significant percentage of trade will continue to leak to higher order centres and especially Barrow.

Overtrading

6.9 Overtrading is calculated by comparing the expected or benchmark turnovers based on national company average sales densities with turnovers derived from the NEMS household survey as shown in the final column of Table 23. However, this indicates that no comparison stores in

Ulverston are overtrading therefore this source of quantitative need is not drawn upon in the assessment.

Quantitative Need for New Comparison Goods Floorspace in Ulverston

6.10 If the leakage that can be realistically ‘clawed back’ is added to the expenditure growth this results in c. £6m capacity to support new floorspace in Ulverston in 2011 after other claims such as turnover efficiency improvements are taken into account. There are no major commitments in the town to offset against this capacity and at a town centre sales density average this capacity would support c. 1,800 sq m (net) of floospace in 2011.

6.11 By 2015 this potential floorspace has grown to 2,350 sq m, however, need or capacity identified beyond 2011 is not necessarily justification for new retail floorspace outside of the town centre. As part of the LDF process a search for sites for town centre development / expansion including a small to medium sized supermarket needs to be undertaken. However, any potential sites could have an element of comparison goods floorspace in addition to a small supermarket.

7.0 Kirkby Lonsdale Convenience Goods Assessment

7.1 The Kirkby Lonsdale study area comprises the postcode sectors LA6 2, LA6 3 (Ingleton area), LA2 7 (High Bentham area) and LA2 8 (part of the Forest of Bowland). The Kirkby Lonsdale area has a population of c. 14,500 and the broad shopping patterns for convenience goods here are shown in map 7 in Appendix 2. As outlined earlier this is really a subset of the Kendal and Lancaster catchment areas particularly for comparison goods. However, 50% of convenience goods expenditure is spent within the Kirkby Lonsdale area, mainly at the Booths store (31%), town centre stores (3%) and other centres in the study area such as Ingleton (9%) and Bentham (5%).

7.2 There is some leakage from the Kirkby Lonsdale area of convenience goods expenditure to stores in Kendal (21%), Lancaster / Morecambe (19%) and Settle (5%). There is far less leakage from the Kirkby Lonsdale area than any of the other South Lakeland towns except for Kendal.

Expenditure Growth

7.3 Table 2 in Appendix 1 indicates that each resident of the Kirkby Lonsdale area will generate £1,658 of convenience goods expenditure in 2007. Multiplied by the population of c. 14,500 this generates c. £24m expenditure as shown in table 3. Expenditure growth is the main source of quantitative need and it can be seen from Table 11 that due to the small population in the area and low growth rates for convenience goods there is very little expenditure growth to support new floorspace. In addition, there is no leakage or overtrading that can be taken into account as shown in Tables 11 and 12 due to the relatively high retention level and absence of out-of-centre stores in the area.

Leakage

7.4 As indicated above the NEMS household survey recorded fairly high levels of convenience goods expenditure retention within the Kirkby

Lonsdale area (50%). In such an extensive rural area with only limited supermarket provisions there is bound to be some leakage particularly in peripheral areas and it is not considered realistic to claim any capacity from this source of quantitative need.

Overtrading

7.5 Overtrading is calculated by comparing the expected or benchmark turnovers based on national company average sales densities with turnovers derived from the NEMS household survey. It can be seen from the final column of Table 13 that stores in the Kirkby Lonsdale area are both under and overtrading, however, there are no out-of-centre stores from which trade might be redirected therefore this source of quantitative need is not claimed to support additional floorspace.

Quantitative Need for New Convenience Goods Floorspace in Kirkby Lonsdale

7.6 As a result of relying upon expenditure growth alone there is no capacity to support new convenience goods floorspace in the Kirkby Lonsdale area in 2011 or 2015 particularly when turnover efficiency improvements in existing floorspace are taken into account. However, there may be a qualitative need in some rural areas which are deficient in retail provision and basic convenience provision should be encouraged in all villages above a population threshold to be determined in the LDF as advised in PPS6 2.62.

8.0 Kirkby Lonsdale Comparison Goods Assessment

8.1 The comparison goods assessment uses the same study area and methodology as the convenience goods assessment. The broad shopping patterns for comparison goods are shown in map 13 in Appendix 2. In Kirkby Lonsdale only 7% of expenditure is retained within the Kirkby Lonsdale area, mainly within the three district centres of Kirkby Lonsdale (2%), Bentham (2%) and Ingleton (3%). Unlike shopping patterns for convenience goods where 50% of expenditure is retained locally, for comparison goods this area really forms part of the catchment area of Lancaster (40%) and Kendal (31%).

Expenditure Growth

8.2 Table 15 in Appendix 1 indicates that each resident of Kirkby Lonsdale will generate £2,898 of comparison goods expenditure in 2007. Multiplied by the population of c. 14,500 this generates c. £42m expenditure as shown in table 16. Expenditure per head projections are also shown in Table 15. These indicate that for comparison goods where there is high annual growth (4.3% pa) there is overall growth to 2011 (£7.8m) as shown in Tables 17 & 24. For the period 2005 to 2015 EBS forecast a slightly lower rate of growth of 3.8% pa resulting in a total growth in the Kirkby Lonsdale area of £17m to 2015 as shown in Tables 17 and 25.

8.3 Expenditure growth is the main source of quantitative need and Tables 17 and 25 indicate that this is fairly significant in the local context, however, these high growth rates are offset by high increases in turnover efficiency (2% pa). When 93% leakage (£7.3m) and turnover efficiency improvements in existing floorspace (£0.6m) are deducted from the expenditure growth it is reduced to zero in 2011 although when other sources of quantitative need are taken into account this is increased to £1m.

Leakage

8.4 As indicated above the NEMS household survey recorded very high levels of comparison goods expenditure leaking from the Kirkby Lonsdale area as shown in the penultimate column / row of Table 26 and in map 13 in Appendix 2. However, it is considered that very little of the leaking expenditure from Kirkby Lonsdale can be realistically ‘clawed back’ to support new floorspace in Kirkby Lonsdale as this area is really part of the catchment area of the higher order shopping centres of Lancaster and Kendal.

8.5 Therefore only 6% of leakage from the immediate area (LA6 2) is drawn upon although even here not all expenditure that is spent in Lancaster and Kendal can be drawn upon as some of this will be linked with commuting trips and / or shopping trips to the large supermarkets in and around Lancaster and Kendal. In addition, people are prepared to travel much further for certain comparison goods such as clothes and fashion items to higher order centres such as Lancaster and Kendal and beyond (Preston and Manchester) and to shops that are unlikely to ever locate in Kirkby Lonsdale.

8.6 For the purposes of this study it is assumed that 10% of expenditure in LA6 2 could be retained in the Kirkby Lonsdale area with an improvement in the qualitative offer in the district centre. This would increase the retention level of the Kirkby Lonsdale area within LA6 2 from 4% to 10% and is considered to be a realistic market share as a significant percentage of trade will continue to leak to higher order centres.

Overtrading

8.7 Overtrading is calculated by comparing the expected or benchmark turnovers based on national company average sales densities with turnovers derived from the NEMS household survey as shown in the final column of Table 23. However, this indicates that not even the district centre stores are overtrading relative to expected levels therefore this source of quantitative need is not drawn upon in the assessment.

Quantitative Need for New Comparison Goods Floorspace in Kirkby Lonsdale

8.8 If the leakage that can be realistically 'clawed back' is added to the expenditure growth this results in c. £1m capacity to support new floorspace in Kirkby Lonsdale in 2011 after other claims such as turnover efficiency improvements are taken into account. There are no major commitments in the district centre to offset against this capacity and at a district centre sales density average this capacity would support c. 350 sq m (net) of floospace in 2011.

8.9 By 2015 this potential floorspace has grown to 400 sq m which is around the size of eight small shop units. However, there are no obvious sites in or around the district centre for retail development and it is recommended that none are identified in the LDF. Instead criteria based policies could direct development to the centre and this capacity figure could be used as a maximum for the appropriate scale of development in and around the district centre as advised in PPS6 2.42.

9.0 Overall Conclusions and Recommendations

9.1 The study has identified a quantitative need for additional convenience goods floorspace in the Kendal catchment area arising mainly from overtrading in out-of-centre stores. The study has also identified a need for additional convenience goods floorspace in the Ulverston catchment area but here this is a result of excessive leakage to Barrow in particular from the PCA. The study has not identified any significant need in the Kirkby Lonsdale area although there will be a qualitative deficiency in some rural villages here and elsewhere in the South Lakeland area that has to be addressed.

9.2 Grange-over-Sands and Milnthorpe retain so little convenience goods expenditure and really lie within the Kendal SCA so that they do not justify a separate study. However, the high level of leakage from these smaller centres particularly to out-of-centre stores in Kendal indicates a qualitative deficiency and these are the first centres that quantitative need identified in the SCA should be directed to. Analysis of the performance of the small supermarkets at Kirkby Lonsdale and Windermere indicates that they can compete with the larger stores in Kendal and this could be replicated in both Grange-over-Sands and Milnthorpe.

9.3 The remaining quantitative need for convenience goods will not support a third superstore in Kendal and should be directed to qualitative improvements in and around the town centre. Alternatively, or in addition, it could be used to support a small convenience store(s) in association with new residential development. This position may change following the publication of any new / revised planning guidance in 2008 but the priority in the study area would remain satisfying the quantitative and qualitative need in Grange-over-Sands and Milnthorpe for sustainability reasons.

9.4 There is no capacity to support new comparison goods floorspace in Kendal in 2011 arising from expenditure growth after other claims such as turnover efficiency improvements and commitments are taken into account. Commitments in the town include the Woolpack Yard, Beezon Road and the K Village reconfiguration totalling over 4,000 sq m new floorspace therefore there is no need to identify new sites in the LDF.

9.5 By 2015 this potential floorspace has grown to 8,000 sq m in Kendal, however, quantitative need identified beyond 2011 is not justification for new retail floorspace outside of existing centres as indicated in PPS6 (2.46). This is because identifying edge and out-of-centre sites now could prejudice more central sites coming forward that, although not available for retail development at present, may become available between now and 2011 or after 2011. It is therefore recommended that no new sites are identified in the LDF for comparison goods floorspace and instead criteria based policies reflecting the guidance of PPS6 (2.46) are drafted.

9.6 Ulverston retains even less comparison goods expenditure than for convenience goods but if some of the leakage from the PCA that can be realistically ‘clawed back’ is added to the expenditure growth there is c. £6m capacity to support new floorspace in 2011 after other claims are taken into account. There are no major commitments in the town to offset against this capacity and at a town centre sales density average this would capacity would support c. 1,800 sq m (net) of floospace in 2011. As part of the LDF process a search for sites for town centre development / expansion including a small to medium sized supermarket needs to be undertaken and it is possible that part of any identified site could also be developed for comparison goods floorspace.

9.7 Kirkby Lonsdale retains considerably less comparison goods expenditure than for convenience goods but again if some of the leakage can be ‘clawed back’ then there is c. £1m capacity to support new floorspace in 2011 after other claims are taken into account. There are no major commitments in the district centre to offset against this capacity and at a district centre sales density average this capacity would support c. 350 sq m (net) of floospace in 2011. However, there are no obvious sites in or around the district centre for retail development and it is recommended that none are identified in the LDF. Instead criteria based policies could direct development to the centre and this capacity figure could be used as a maximum for the appropriate scale of development in and around Kirkby Lonsdale as advised in PPS6 2.42.

9.8 No comparison goods analysis has been undertaken in Grange-over-Sands or Milnthorpe as these centres retain so little comparison goods expenditure. However, it is recommended that sites are sought for convenience goods development in and around these centres and it is possible that there may be opportunities for comparison goods development. As the next tier in the local retail hierarchy after the two larger town centres these district centres are suitable locations for appropriate scales of retail development.