



Melton Local Plan Partial Review

Advice on Retail Needs

On behalf of **Melton Borough Council**



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1 Introduction

1.1 Purpose of the Advice Note

- 1.1.1 Stantec UK Ltd¹ is commissioned by Melton Borough Council ('MBC') to identify whether there is likely to be any further retail need arising beyond that identified within the Melton Borough Retail Study 2015. MBC intends to include our advice within the Local Plan Update's submitted evidence. Our advice is informed by a review of recent market and economic trends, as well as a high-level analysis of population and retail expenditure data.

1.2 Background

- 1.2.1 MBC is undertaking a partial update of its Local Plan, focusing on the development management policies but not the plan strategy or housing need/allocations. MBC envisages the partial update including a revision of the Plan's current retail policies but not the identification of any new retail/town centre development sites. The Council sought advice from the Planning Advisory Service on the evidence base for the partial update and their list of evidence needed included updated retail evidence. The current retail evidence dates from 2015 and the study was prepared by Peter Brett Associates (now Stantec).
- 1.2.2 Due to limited resources, the Council seeks to ensure that the Local Plan evidence is proportionate, as set out within the NPPF. MBC acknowledges the need for updated evidence relating to retail/town centres but is concerned that carrying out a full retail needs assessment may not be warranted, given the substantial increase in the market share of special forms of trading ('SFT'), recent retail development in Melton Mowbray town centre and retail assessments in other areas broadly showing a reduction in forecast need. Those factors suggest that further retail needs may not arise beyond those identified within the Melton Borough Retail Study 2015.
- 1.2.3 MBC approached Stantec as author of the most recent retail study² to assess, without carrying out a full, detailed retail needs assessment, whether there are likely to be any further retail needs arising beyond those identified within the 2015 study. If the conclusion from our work is that a full retail needs assessment is not required, our report, as well as a separate town centre policy review, will be sent to the Planning Inspectorate as part of the evidence base for the partial update of the Local Plan in lieu of an updated Retail Study containing a full retail needs assessment.

1.3 Structure of the Report

- 1.3.1 The remainder of our report is structured as follows:
- Section 2 summarises of the headline findings within the most recent retail study;
 - Section 3 reviews recent market and economic trends, particularly the substantial increase in SFT's market share;
 - Section 4 contains a high-level analysis of population and retail expenditure data to establish whether there are likely to be any further needs arising beyond those identified within the 2015 study; and
 - Section 5 summarises our findings and provides our conclusion.

¹ Hereafter referred to as Stantec.

² We completed the Melton Borough Retail Study in July 2015 when we were trading as Peter Brett Associates, before we became part of Stantec in October 2018.

2 Melton Borough Retail Study 2015 – Retail Needs

- 2.1.1 The 2015 study calculated the quantitative need for additional retail floorspace arising across the defined study area over the period 2015 to 2036.
- 2.1.2 The study identified that there was no need for additional comparison retail floorspace in the period to 2021, but that there was a quantitative need for 8,870 sq.m of additional comparison retail sales area floorspace in the period to 2036 and a qualitative need for larger floorplate units which meet the needs of national multiple retailers. The study also noted that there is limited provision within the bulky goods comparison retail sector and that the comparison retail offer within Melton Mowbray town centre is focused on the lower end of the market and could be enhanced.
- 2.1.3 The study did not identify a quantitative need for additional convenience retail floorspace given that the analysis indicated an overprovision for the duration of the study period.
- 2.1.4 As such, the most recent retail study identified only a modest requirement for additional retail floorspace across the study area over the 21-year period to 2036. Unless there has been an upsurge in population in the intervening period, or future population growth is predicted to be substantial, it is unlikely that future retail requirements across the study area will be materially greater, particularly against the background of various market trends and macro-economic pressures which are affecting the retail market and subduing retail expenditure growth forecasts. We consider such factors later in our report.

3 Market and Economic Trends

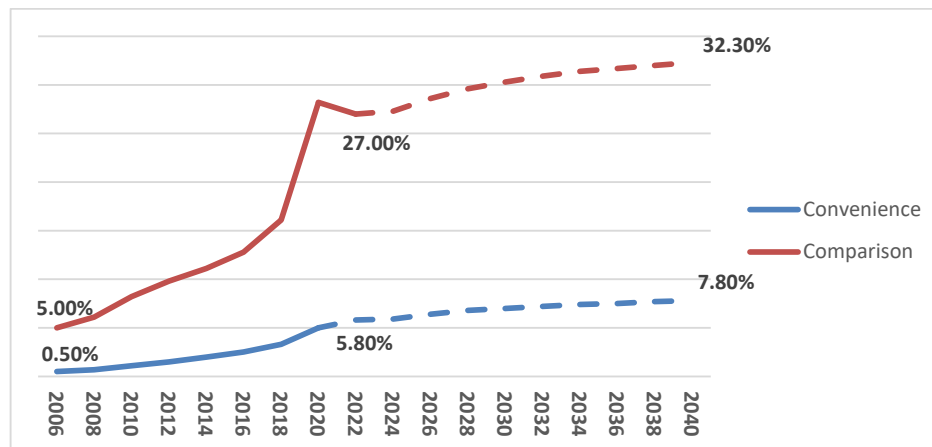
3.1 Introduction

- 3.1.1 In this section we review recent market and economic trends to help determine whether there are likely to be any further retail needs arising in Melton beyond those identified within the 2015 study.
- 3.1.2 At the outset, we note that there has been ongoing restructuring in the retail market for many years, accelerated by events such as the recent COVID-19 pandemic and the continuing rise in online sales. Consequently, most developers are building less retail floorspace in line with reducing operator demand, and existing floorspace is being converted into alternative uses.

3.2 Special Forms of Trading ('SFT')

- 3.2.1 Figure 3.1 shows the market share of SFT in both the comparison and convenience retail sectors up to 2021 and projected forward to 2040. Experian defines SFT as any non-store retailing including internet sales, mail order sales, market stalls, vending machines and door-to-door selling. Internet sales account for a large proportion of SFT.
- 3.2.2 The market share of SFT in both the comparison and convenience retail sectors has been increasing year on year and this trend accelerated in 2020 and 2021 as lockdowns and COVID-19 related fears made in-person shopping off limits or less desirable. The market share of SFT in the comparison retail sector peaked at an average of 28.2 per cent in 2021; however, as COVID-19 restrictions eased this dropped back to an average of 27 per cent in 2022. A further small decline is expected in 2023, with certain online users (particularly older, less digitally literate cohorts) reverting back to traditional shopping habits (albeit most of the increase in the market share of SFT seen during the pandemic remains).
- 3.2.3 Unsurprisingly, as Figure 3.1 shows, the market share of SFT in both the comparison and convenience retail sectors is forecast to continue rising. SFT's market share is increasing more significantly within the comparison retail sector than in the convenience retail sector. One of the reasons is because foodstore operators find it difficult to make online shopping profitable. Experian predicts that, by 2040, SFT will account for nearly a third of the comparison goods retail sector. The obvious implication of this is that less comparison retail floorspace will be required.

Figure 3.1 Estimated and projected market share of non-store retail sales (adjusted for SFT sales from stores)³



Source: Experian Retail Planner Briefing Note 20 (February 2023). Figure 5, Appendix 3.

3.2.4 The substantial recent increase in SFT’s market share – which presents a challenge for physical store formats – is no surprise given the ease of online shopping resulting from technological advances, particularly around smartphones. Faster delivery times, including same day delivery, and streamlined returns processes have also encouraged people to shop online. Experian expects that the expansion of 5G and fibre networks should ensure this momentum is maintained over the medium term. The proliferation of ‘shop now pay later’ payment options (such as Klarna) and price tracker sites have also supported the rise in SFT’s market share.

3.3 Retail Sales Volumes

3.3.1 Experian notes that the outlook for future retail floorspace requirements has weakened. High inflation contributed to a decline in retail sales volumes during the second half of 2022 and it is likely that this has persisted for both comparison and convenience retail⁴. Whilst the growth in non-store retail sales volumes has been revised down in line with the weaker outlook for disposable income, the SFT market share has been adjusted upwards, with obvious implications for the need for additional physical retail floorspace.

3.4 Store Closures

3.4.1 Table 3.1 below shows the net changes in Great Britain’s retail units per year over the 2013 to 2022 period (as well as the latest data for H1 2023). The gap between store openings and closures in 2022 was the narrowest since 2016. In 2022 there was a net loss of 3,365 retail units across Great Britain⁵. Whilst the net loss experienced in 2022 represents a 57 per cent year-on-year decrease from the 2021 figure of minus 7,902, it was the eighth consecutive year that the trend of a net loss of retail units had persisted. Data for H1 2023⁶ show a greater net loss in retail units (4,000) than for 2022 as a whole (3,365) and this figure will undoubtedly increase when the full dataset for 2023 is published.

³ No official breakdown is available between comparison and convenience goods; the market shares are Experian’s own estimates. Forecasts to 2040 reflect Experian’s assumptions of traditional retail spending growth and the future expansion of SFT.

⁴ Experian’s next Retail Planner Briefing Note (expected early in 2024) and publications from other commentators will confirm the position for 2023.

⁵ Local Data Company, FY 2022 Retail and Leisure Trends Analysis, March 2023.

⁶ Local Data Company, H1 2023 Retail and Leisure Trends Analysis, September 2023

3.4.2 The data below show 48,694 store closures in 2022, which is an increase of 2.6 per cent when compared with the number of store closures in 2013. Between 2013 and 2022, the net change in Great Britain's retail units was minus 44,856, which is clearly a substantial loss of retail units and reflective of the general trend of decline in demand for physical floorspace as the market share of online shopping continues to rise. The data for H1 2023 shows a continuation of this trend.

Table 3.1 Net change in GB retail units by year 2013-2022 plus data for H1 2023

Year	Store Openings	Store Closures	Net Change in GB Retail Units
2013	49,496	47,456	2,040
2014	47,624	47,514	110
2015	47,042	47,380	-338
2016	45,986	47,636	-1,650
2017	45,274	50,767	-5,493
2018	43,278	50,828	-7,550
2019	44,883	54,052	-9,169
2020	39,060	50,379	-11,319
2021	43,167	51,069	-7,902
2022	45,329	48,694	-3,365
2013-2022	451,139	495,775	-44,856
H1 2023	23,504	27,504	-4,000

Source: Local Data Company, FY 2022 Retail and Leisure Trends Analysis, March 2023 and Local Data Company, H1 2023 Retail and Leisure Trends Analysis, September 2023. The Local Data Company's reports do not specify the total number of stores across GB.

3.4.3 The Local Data Company anticipates that the net change in retail units will slow down over 2024 and 2025 (as shown by Figure 3.2, below), against the background of so many units having already been lost over recent years, albeit there is still predicted to be a further net reduction in store numbers over that period.

Figure 3.2 Historic and forecast net change in retail units (2013-2025) with low, medium and high forecasts



Source: Local Data Company, H1 2023 Retail and Leisure Trends Analysis, September 2023

3.5 Retail Vacancies

3.5.1 The average retail vacancy rate for town centres across the UK during the first half of 2023 was 15.3 per cent according to Experian, which is substantially higher than the average vacancy rate of 12.7 per cent⁷ reported at the time of the Melton Borough Retail Study in 2015. The second half of 2023 has seen the collapse of Wilko, however, with the last of its 400+ stores closing in October. The vacancy rate will be affected in centres where former Wilko units remain unoccupied. In other centres, including Melton, retailers such as Poundland have already occupied vacated Wilko units, with Poundland's former unit now occupied by another retailer.

3.6 Health of Centres

3.6.1 Generally speaking, the health of most defined centres is declining (albeit there are still some successful centres). In the case of Melton Mowbray, the town centre had a vacancy rate of 7.5 per cent in 2021/22, a slight increase from that recorded in the 2015 Retail Study (7 per cent). The 2021/22 vacancy rate⁸ is significantly below the vacancy rate for the Goad UK average for all centres as of April 2023 (15.3 per cent⁹).

3.6.2 Whilst Melton Mowbray's vacancy rate is relatively low, a centre's health is not dependent solely on its vacancy rate. Table 3.2 lists key indicators of vitality and viability that are set out within the Planning Practice Guidance.

Table 3.2 PPG Town Centre Vitality and Viability Indicators

Vitality and viability of town centres: key indicators
<ul style="list-style-type: none">▪ Diversity of uses▪ Proportion of vacant street level property▪ Commercial yields on non-domestic property▪ Customers' experience and behaviour▪ Retailer representation and intentions to change representation▪ Commercial rents▪ Pedestrian flows▪ Accessibility – covering transport accessibility and accessibility for people with impairments or health conditions, as well as older people with mobility requirements▪ Perception of safety and occurrence of crime▪ State of town centre environmental quality▪ Balance between independent and multiple stores▪ Extent to which there is evidence of barriers to new businesses opening and existing businesses expanding▪ Opening hours / availability / extent to which there is an evening and night-time economy offer

3.6.3 We have not been instructed to assess the performance of the town centre, but the 2015 Retail Study concluded that Melton Mowbray was a relatively healthy centre, and the fact that there has only been a slight increase in the vacancy rate in the period to 2021/22 indicates that the centre is still relatively healthy.

⁷ This is Great Britain's vacancy rate in H2 2015 (around the time at which the Melton Borough Retail Study 2015 was published). Source: Local Data Company, H1 2023 Retail and Leisure Trends Analysis, September 2023.

⁸ The 2021/22 vacancy rate includes all vacant retail and service units. The Experian Goad vacancy rate for the UK average for all centres includes all vacant retail / service units plus those under alteration. The Goad UK average is based on all of the c.1,950 defined centres and other shopping destinations covered by Experian.

⁹ Experian (October 2023).

4 High-level Assessment of Retail Needs

4.1 Introduction

- 4.1.1 In this section, we undertake a high-level review of population and retail expenditure forecast data to help determine whether there are likely to be any further retail needs arising beyond those identified within the 2015 Retail Study.
- 4.1.2 At the outset we emphasise that the 2015 study was informed by a household telephone survey of shopping patterns across the defined study area¹⁰, and involved zone-by-zone analysis of the survey findings, as well as detailed analysis of planning commitments, sales density growth, and so on. The current exercise is more high-level and is intended to provide an indication of whether retail needs are likely to rise over the coming years. If the conclusion from our review is that retail needs are likely to increase materially, based on our high-level analysis, then a more in-depth assessment of retail needs would be justified, whereas the converse would apply if the indicators suggest that retail needs are unlikely to increase significantly.

4.2 Population Forecasts

- 4.2.1 The predicted resident population figures for the study area are presented in Table 4.1 below, which shows that the study area is predicted to experience a growth in population over the 2023 to 2041 period of just over 4,200 persons, or 6 per cent.

Table 4.1 Population Projections, Study Area used for the Melton Retail Study 2015

Year	Resident Population
2023	69,968
2028	71,312
2033	72,434
2038	73,536
2041	74,192
Change in population	
Numeric change	4,224
Percentage change	6.0

Source: Experian App Library Micromarketer (2022)¹¹

¹⁰ The study area defined for the 2015 study is shown on the plan within Appendix B of the Appendices Volume, and the main report explains that it was defined with reference to the administrative boundary of Melton Borough as well as the study area used for an earlier (2011) study. The plan shows that the defined study area does not coincide exactly with the Melton Borough boundary, the reason being that it is based on postcode zones. The study area therefore includes small parts adjacent local authority areas. For comparability with the 2015 study, we provide population and retail expenditure data for the same study area.

¹¹ The latest data from Experian, which provide 2021 population estimates, were supplied to us in March 2023. Experian's next release will be in early 2024 and will provide 2022 population estimates.

4.2.2 Experian’s latest population forecasts suggest a lower level of population growth across the study area than was predicted at the time of the 2015 study. The table on page 34 of the 2015 report shows a resident population of 67,099 persons in 2015, rising to 79,321 persons by 2036 (a growth of 12,222 persons, or 18.2 per cent).

4.3 Comparison Retail Expenditure Forecasts

4.3.1 Table 4.2 shows that the average per capita spend on comparison retail goods in 2023 for residents within the study area is £4,382, which is predicted to rise to £6,342 by 2041.

Table 4.2 Average Comparison Goods Expenditure Per Capita Across the 2015 Study Area

Year	Per capita comparison retail expenditure (£)
2023	4,382
2028	4,668
2033	5,286
2038	6,040
2041	6,542

Notes: 2021-based per capita comparison retail expenditure data were sourced from Experian’s App Library Micromarketer, and were rolled forward to the base year (2023) and forecast years using the forecasts contained within Experian’s Retail Planner Briefing Note 20 (February 2023).

Total comparison retail expenditure pot

4.3.2 Multiplying the population data within Table 4.1 by the expenditure data within Table 4.2 produces a total comparison retail expenditure ‘pot’ in 2023 across the study area of £306.6m, rising to £485.4m in 2041. The predicted growth in the overall amount of comparison retail expenditure over the 2023 to 2041 period is therefore £178.8m.

4.3.3 Not all of the growth in comparison retail expenditure will be available to support retail facilities within the study area. The reason is because a proportion of the expenditure available to study area residents is spent at retail facilities that are located outside of the study area. The most recent evidence on spending patterns is the household survey undertaken to inform the 2015 Retail Study. Table CM1 within the Appendices volume of the 2015 study outputs (summarised within Table 5.1 of the main report) showed that approximately 34 per cent of available comparison retail expenditure was spent at retail facilities within the study area (known as the ‘retention rate’).

4.3.4 Based on the retention rate of 34 per cent established by the 2015 study, approximately £104.2m of total comparison retail expenditure available to study area residents in 2023 would be retained within the study area, rising to approximately £165.0m by 2041. The growth in retained comparison retail expenditure over that 18-year period would therefore be approximately £60.8m.

4.3.5 The predicted growth in retained comparison retail expenditure between 2023 and 2041 is lower than the corresponding growth of £73.4m identified for the 2015 to 2036 period, which we have derived from the tables within Appendix H of the 2015 study outputs.

Summary

- 4.3.6 The high-level analysis outlined above suggests that growth in retained comparison retail expenditure between 2023 and 2041 is likely to be lower than the corresponding level of growth that was predicted by the 2015 study. Whilst the 2015 study covered a 21-year period compared to the 18-year period considered within the current exercise, it is clear that there will not be an upsurge in comparison retail floorspace requirements vis-à-vis those identified within the 2015 study.
- 4.3.7 If anything, the level of comparison retail need arising across the study area is realistically likely to be lower than that identified by the 2015 study (which was itself relatively modest in scale). The primary reasons are (i) lower predicted population growth; and (ii) a significantly greater (and rising) claim from SFT.

4.4 Convenience Retail Expenditure Forecasts

- 4.4.1 Table 4.3 shows the average per capita spend on convenience retail goods in 2023 for residents within the study area, which is predicted be the same in 2041 as in the 2023 base year (£2,754).

Table 4.3 Comparison Goods Expenditure Per Capita (£), Study Area used for the Melton Retail Study 2015

Year	Per capita comparison retail expenditure (£)
2023	2,754
2028	2,723
2033	2,731
2038	2,745
2041	2,754

Notes: 2021-based per capita comparison retail expenditure data were sourced from Experian's App Library Micromarketer, and were rolled forward to the base year (2023) and forecast years using the forecasts contained within Experian's Retail Planner Briefing Note 20 (February 2023).

Total convenience retail expenditure pot

- 4.4.2 Multiplying the population data within Table 4.1 by the expenditure data within Table 4.3 produces a total convenience retail expenditure 'pot' in 2023 across the study area of £192.69m, rising to £204.32m in 2041. The predicted growth in the overall amount of convenience retail expenditure over the 2023 to 2041 period is therefore £11.63m.
- 4.4.3 Table CN9 within the Appendices volume of the 2015 study outputs (summarised within Table 5.1 of the main report) showed that approximately 69 per cent of available convenience retail expenditure was 'retained' within the study area. Based on the retention rate of 69 per cent established by the 2015 study, approximately £133.0m of total expenditure available in 2023 would be retained within the study area, rising to approximately £141.0m by 2041. The growth in retained convenience retail expenditure over that 18-year period is therefore predicted to be approximately £8.0m.
- 4.4.4 The predicted growth in retained convenience retail expenditure between 2023 and 2041 is significantly lower than the corresponding growth of £23.6m for the 2015 to 2036 period, which we have derived from the tables within the Appendices volume of the 2015 study outputs. The

primary reasons are (i) the lower level of population growth which Experian now predicts; and (ii) low/static forecasts of convenience per capita expenditure growth over the period to 2041.

Summary

- 4.4.5 As with the comparison retail sector, our high-level analysis outlined above suggests that growth in retained convenience retail expenditure between 2023 and 2041 is likely to be lower than the corresponding level of growth that was predicted by the 2015 study.
- 4.4.6 The 2015 study calculated that claims on expenditure capacity (sales efficiency growth by existing retailers, and planning commitments for additional convenience retail floorspace) would amount to £18.4m in 2036. It is beyond the remit of our current instruction to undertake similarly detailed analysis but we note that the £18.4m 'claims' figure substantially exceeds our predicted growth in retained convenience retail expenditure, of £8.0m. Even if the claim from planning commitments today is lower than the claim from committed schemes in 2015, there would still be a significant claim from sales efficiency growth by existing retailers – identified at £5.2m in 2036 by the previous study, and likely to be higher today – which would need to be accounted for in parallel with the claim from any commitments.

5 Summary of Findings, and Conclusion

5.1 Summary of Findings

- 5.1.1 Our high-level analysis suggests that growth in retained comparison retail expenditure arising across the study area between 2023 and 2041 is likely to be lower than the corresponding level of growth that was predicted by the Melton Borough Retail Study 2015. It is clear that there will not be an upsurge in comparison retail floorspace requirements vis-à-vis those identified within the 2015 study.
- 5.1.2 The level of comparison retail need arising across the study area is realistically likely to be lower than that identified by the 2015 study (which was itself relatively modest in scale). The primary reasons for the reduced comparison retail floorspace requirements are (i) the lower level of population growth which Experian now predicts; and (ii) a significantly greater (and rising) claim from SFT.
- 5.1.3 Similarly, our high-level analysis suggests that growth in retained convenience retail expenditure between 2023 and 2041 is likely to be lower than the corresponding level of growth predicted by the 2015 study. The primary reasons are (i) Experian's lower predicted population growth; and (ii) convenience per capita expenditure growth is forecast to be low or static over the period to 2041.
- 5.1.4 When an allowance was made for various claims on expenditure growth, the 2015 study did not identify a quantitative need for additional convenience retail floorspace. Given that the pot of surplus expenditure is now lower than was identified in 2015, it follows that there is unlikely to be any further convenience retail need arising beyond that identified within the 2015 study.
- 5.1.5 As well as our high-level analysis suggesting that floorspace requirements are likely to be lower now, there is a general trend of developers building less retail floorspace in line with reducing operator demand, and existing floorspace being converted into alternative uses.

5.2 Conclusion

- 5.2.1 For the reasons summarised above, we conclude that it would not be proportionate to undertake a more detailed assessment of retail needs at the current time. Our conclusion reflects prevailing economic conditions and therefore any future acceleration in economic growth is likely to increase floorspace requirements as a result of increased expenditure growth rates, whereas any future economic downturn is likely to reduce floorspace requirements as a result of lower or negative expenditure growth rates. The Council should therefore regularly monitor prevailing economic conditions.