Retail Planning Policy in the United Kingdom (UK)

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This paper reviews retail planning policy in the UK, focusing on why retail planning has developed in the way that it has, the key influences on retail planning and the intentions of current policies. First we consider the role of regulation in the UK context. Second we outline the plan making process. The third section reviews the ‘town centres first’ policy in the UK, which has been the mainstay of retail planning in recent years. A final section draws conclusions about retail planning in a UK context.

**Section 1 The case for retail regulation**

Retailing has always been the subject of regulations and interventions on operating practices. In the last sixty years however this activity has expanded in volume and breadth. When retailing was focused on essentially small units located in central areas and local high streets, the main concerns were at store level. As a hierarchy of urban and retail centres became identified and incorporated in planning thinking, so regulation became concerned with the allocation of shops to discernible locations in this urban and/or retail hierarchy of centres (Smailes 1944, Smith 1968, Hall et al. 2001). The UK is a small but densely populated set of islands, thus intervention was deemed necessary to ensure that the scarce resource of land was used properly. There was also a concern to preserve town centres as focal points to ensure that retailing was located ‘sensibly’. Land-use planning thus became the main regulatory tool, operated at the level of the local authority\(^2\) under the 1947 Town and Country Planning Act. However as new forms of retailing (e.g. out-of-town hypermarkets and new regional shopping centres) were proposed from the 1960s and the 1970s so new forms of locational regulation were introduced. Specialist national advice and guidance, on for example large scale out-of-town retail format development, has been introduced to assist local authorities in their planning task and in dealing with applications for ‘new’ retail formats.

Boddewyn and Hollander (1972) stated that intervention into retail markets had five main aims:

- To protect small retailers
- To ensure price stability

\(^1\) The United Kingdom is made up of Great Britain (England, Scotland, Wales) and Northern Ireland. Planning policy is a devolved matter to the four countries. Whilst there are differences in emphases between say England and Scotland, and variations in timing of legislation, the broad tendencies in retail planning policy are the same (currently). As such we refer here to the UK, recognising there are nuanced differences, but believing the overall approach is the same across the constituent components of the UK.

\(^2\) National government in planning terms operates at the level of the four countries in the UK. Each country has within it at least one tier of local government, at which the detail of retail planning policy is delivered. Businesses would deal with local authorities in terms of development.
• To ensure the efficiency of retailing
• For the protection of consumers
• For environmental reasons.

Of these, the first two have not been to the fore in the UK. Thorpe (1974) proposed explicitly for the UK that there were four reasons behind intervening in retailing through land-use planning:

• The retail case – in order not to have too many shops and to have an optimum mix of shops at various levels in the hierarchy
• The urban case – town centre vitality is necessary and there is a need to manage the morphology of urban areas
• For social planning – equity in shopping for disadvantaged groups is an aim
• The environmental case – to minimise the environmental (in a land use sense not in a 21st century sustainability sense) impact of new development and to separate land uses which are incompatible with each other.

These reasons became codified (Guy 1980) as intervention to ensure that the market functions effectively, to ensure that the population is served equitably and to correct any other harmful effects of the market. The current National Planning Policy Framework retains three planning goals – economic, social and environmental goals (Department of Communities and Local Government 2012). The belief is that if retailers are left to their own devices, and allowed to open shops of varying formats wherever they wish, then the outcomes will not be suitable for the population as a whole or for the currently existing hierarchy of centres. Such a view, based on an examination of trends in the United States (which have generally predated trends in the UK) saw restrictions imposed from the 1960s and 1970s on newer forms of retailing and retail locations such as out-of-town regional shopping centres, food hypermarkets and non-food retail warehouse parks.

The brief review above indicates that there are a number of tensions which exist in the process of making UK retail planning policy:

Efficiency and Equity: There is always potential tension between the social and economic goals in a country expressed as a tension between efficiency or productivity and equity. New forms of retailing may be more efficient or have higher levels of productivity. Denying their development holds back local, corporate and national levels of productivity. On the other hand concerns that allowing modern retailing to out-compete existing retailing in existing locations runs the risk of damaging
social cohesion and the ability of particular consumer groups to access suitable shopping facilities (e.g. Bennison and Davies 1980, Bromley and Thomas 1995, Guy 2004).

New and Existing Locations: Restrictions on new locations for retail development run the risk of fossilising the existing retail structure and/or the retail or urban hierarchy. With an inability to invest in new sites and in effect protection offered to existing locations and retailers, so inefficiencies may be preserved. In such a situation, with a changing consumer base with new demands and patterns of behaviours and particularly rapid increases in access, the hierarchy remains the focus, even if it is outmoded in terms of consumer behaviour patterns or the physical infrastructure itself (e.g. Dawson and Sparks 1986, Guy 2007).

Local and National Scales of Intervention: Regulation, such as land-use planning structures and processes, handed the decision making over retail locations and formats to national and local planners and away from those serving the customer (the retailer). This raises the question of who best judges the provision of such consumer facilities? At the same time tensions have arisen over the appropriate level of the decision making within government (national or local) and over whether there is a need for national consistency in policy or whether local flexibility best suits local situations (e.g. Davies 1984, 2004, Guy 2012).

Innovation and Tradition: Retailers would argue that intervention mitigates against the most successful retailers as it constrains innovative practices. Innovative and productive retailers are constrained and retailers who may not be as effective in economic terms are protected. There could be seen to be more penalties for success and more rewards for mediocrity and lack of change and investment than there are penalties for lack of improvement (e.g. Retail Strategy Group 2004, Wood et al. 2006, Guy and Bennison 2007).

Land-use Retail Planning and Business Regulation: Land-use planning has at its heart a concern with land use and not the user of the land. However as retailers become differentially successful, even dominant (Burt and Sparks 2003), so regulators become concerned over monopoly positions and power. Tension thus develops between land-use planning and business outcomes. This has seen the development of stronger competition and developmental (market store, fascia control) policy and its encroachment into land-use planning spheres (e.g. Hughes et al 2009).
These tensions emerged strongly in the 1970s as new forms of retailing began to be proposed and as market concentration and competition effects grew. They have continued to resonate since, and continue to permeate the debate over retail planning and retail regulation (Davies 1984, 2004, Dawson 1980, 1983, Guy 1980, 1994, 2007a, Marsden and Wrigley 1996).

Section 2 The making of retail planning policy

Land use planning is regulated under the 1990 Town and Country Planning Act as modified by the Planning and Compulsory Purchases Act 2004. This applies to England, with slightly different, but broadly similar approaches in the rest of the United Kingdom. The framework is based around planning and decision making at national guidance and local plan making. Prior to 2012 regional planning also operated. Local authorities have most of the responsibility for retail applications and developments unless they are of significant size, when they get ‘called in’ to national level decision making. Proposals which are turned down can be taken through an appeal process. Local decisions can be overturned at the appeals process. The basic building blocks are the local and regional plans, setting out land-use and development for their areas. These plans have to take account of national guidance.

Guidance on national dimensions of policy is issued periodically as planning policy guidance, statements or frameworks. Planning issues are the subject of parliamentary question, statements and debate (e.g. House of Commons, 2010a, 2010b, 2012a, 2012b), and on occasion targeted investigation by Parliamentary Select Committees. Ministerial statements are used to make minor amendments to retail planning policy. Usually the process to substantively change policy will begin with an evaluation of the previous policy which will take into consideration its effectiveness or otherwise (CB Hillier Parker 2004a, 2004b). Civil servants with planning experience will then work on redrafting policy so as to meet current government objectives and to ensure that it will be possible to implement the policy effectively. The draft of the new policy will then be made available for public consultation. At this point experts, members of the public, local authorities, interested parties such as retailers, trade bodies and lobbyists will be able to submit their comments. These will then be considered and a further draft drawn up for approval. Once it is approved it becomes part of official planning guidance and local authorities are expected to adhere to the guidelines in their plan making and decision making about applications for development. The policies are intended as guidance. Accompanying guidance on implementation will be published separately from the policy statements (e.g. DCLG 2004). The government department responsible for planning may also publish
additional material which offers best practice examples (DCLG 2009b). Local authorities have some scope to ensure that the needs of localities are considered.

Whilst most retailers may not like regulation, for the most part they recognise that some regulation is necessary. The role of regulation in retail planning is not to restrict competition, preserve existing commercial interests, or make decisions on any basis apart from the merits of the application in terms of required assessment and existing local plans.

Retail planning policy sits alongside a wider policy framework of regulatory controls. In respect of retailing there has been particular concern from other government departments about the increasing market dominance of some of the UK’s major retailers. These concerns have been largely couched in terms of competitive impacts of larger multiple retailers on smaller independent retailers operating from ‘small shops’ and on impacts on suppliers and producers of products, particularly in the food sector (e.g. Clarke 2000, Clarke et al. 2002). In the early 1980s the decline of the small shop/independent retailer and the relationships between larger retailers and suppliers was investigated by the Monopolies and Mergers Commission (MMC 1981) and later on several occasions by the Competition Commission (Competition Commission 2000, 2006, 2008). The latest inquiry began to encroach on retail planning in its recommendations (focusing on the user of land not land-use), but in practice these particular recommendations have never been implemented. At the same time as there is ‘social’ concern over impact, others view productivity as more important and see planning as a drag on productivity growth (e.g. Cheshire et al 2012, Griffith and Harmgart 2012).

**Section 3 Town Centres First**

Planning policy has changed over time, reflecting changing government priorities. In the 1970s successive policy statements stressed the need to locate new retail developments in existing retail centres. By the mid-1980s the policy was relaxed allowing more out of town and off centre developments. New guidance in 1988 reflected a government view that it is not the role of the planning system to inhibit commercial competition or to preserve existing interests. However by 1993 guidance was introduced aimed at sustaining and enhancing the vitality and viability of town centres by again focusing retail development in such centres. This was the start of the current ‘town centres first’ policy.
Guy (2007a) identifies four phases in retail land use planning and regulation in the UK:

- 1960s/1970s - early days of retail regulation with initial resistance to new retail forms
- 1980s - a loosening up of regulation to a more market led approach allowing an expansion of new retail forms
- 1990s - the gradual tightening up of policy as effects on town centres became more noticeable
- 2000s - the continuation of the town centres first policy which has redirected off-centre developments and focused attention back into town centres.

As can be noted from the brief policy descriptions of these phases, policy has tended to switch between restrictions on new forms of development to encouragement of such developments and then back to greater restriction. The story of retail planning in the UK is thus not one of a maturing system of retail planning, but rather a compromise between the tensions noted earlier and changing economic and social demands. Changes to land use policy have been driven essentially by the outcomes of debates at particular times over the social versus the economic requirements from retailing and the question of the degree of acceptable impact on existing retailers and existing centres (Guy 1998b, Guy and Bennison 2002).

Table 1 summarises retail policy guidance/statements and frameworks over the period 1993-2013. The context of policy has changed over time with different governments in power and differing economic situations. Recession tends to stimulate a pro-development stance and a cut in regulation to encourage development. Equally a Labour government tends to engage in greater controls over the private sector than a Conservative one. Over the last ten years retail planning has been incorporated increasingly into economic planning policy, although the link with regeneration and thus the social aspects of retailing were an important theme in the years of the Labour government of the early 2000s (Business in the Community 2007, Social Exclusion Unit 2001).

Key to the planning process has been a process known as the ‘Sequential Approach’. The ‘town centre first’ policy directs retail development to town centres by adopting a sequential approach or test (CB Hillier Parker 2002). Proposed developments have to show a lack of scope for them in town centres, then adjacent to town centres, then edge of town centres, before finally considering out of town sites as a last resort. This process was introduced in Planning Policy Guidance 6 and remains key to judging development proposals today. Initially it was combined with a ‘Need Test’. However demands to ensure that planning policy delivers economic growth and prosperity, linked planning and productivity (Barker 2006). The Barker Review concluded that land-use planning should not be assessed on the basis of need as this undermined competition and impaired growth. In 2009 a new

Since Planning Policy Statement 4 the country has been in a recession. This has had several impacts on retail planning policy. First it has encouraged a more pro-development approach reflected in the new 2012 National Planning Policy Framework (DCLG 2012). Secondly it has drawn greater attention to the requirements of town centres where the effects of recession and wider structural changes are visible in the numbers of empty shops and buildings. More importantly there is a growing recognition that towns are important as economic drivers and social places. There has seen increased interest in towns by the government department responsible for business and developing initiatives such as Business Improvement Districts (ATCM 2002). The idea that towns should be approached from a business perspective has gone some way towards bringing a new perspective on productivity issues although towns also fulfil sustainable and equity goals. The draft versions of the National Planning Policy Framework did not prioritise the town centres first policy in the way that it emerged in the final document (House of Commons, Communities and Local Government Committee 2011). It was only the attention drawn to the problems of high streets, in part through a government commissioned review of high streets (Portas 2011) that resulted in a decision that the town centres first policy needed to be strengthened. The National Planning Policy Framework strategically places town centres at the heart of economic development (Table 2). Arguably it repositions retail planning assigning it to place making and enhancing the economic prosperity of towns. It is also situated within a government proposal to increase localism, thus shifting some of the balance to a more local level. Localism requires local participation in plan making which define local development priorities.

How successful has the town centres first policy been? Figure 1 shows mixed success in directing new developments towards town centre locations. The decline in retail warehouse parks is part of that success (Guy 1998). Some grocery retailers have adapted new formats which fit into town centres (e.g. Express and Metro type stores) (Guy 2002, Guy and Bennison 2007, Wood et al. 2006, Sparks 2011). Large out of town grocery developments are still taking place as sequential sites are not always available. However in terms of shopping centres the significance of in town locations over out of town locations is clear. Of course high streets continue to be impacted by existing levels of out of town retailing. There still remain many cases where the sequential approach will not show potential town centre sites as being available. Thus, whilst retail planning and the town centres first policy is a necessary requirement for the well-being of town centres it is not in itself sufficient. Guy’s (2010) analysis of Cardiff over 20 years shows this clearly.
Retail planning policy and the town centres first approach have had to contend not only with the recession, but also with other major structural changes. The decentralisation of retailing is but one component of a massive decentralisation of many aspects of economic, social and civic life. Town centres are not the hubs for many people. Secondly this decentralisation has not been accompanied by a re-orientation or redevelopment of the vacated space. Thirdly, the rise of the internet and mobile shopping, plus other consumer behaviour changes have transformed our use of space. The irony of a land-use planning policy in a virtual world is inescapable.

The outcome of all these factors is a crisis in town centres and high streets as witnessed by various reports and investigations (e.g. Portas 2011, Grimsey 2013, Scottish Government 2013). All seek to re-invent the high street and town centre and are concerned with adjusting local and national policies to support these endeavours. To what extent the solution is retail based as opposed to broader-based remains the subject of debate. Retail planning however is not likely to remain unchanged as these waves sweep through the system, not least because many large-format retailers are now questioning the basis of these formats and cutting capital plans. The policy is in danger of being out-moded, despite its good intentions.

Section 4 Conclusions

Retailing does not operate in a vacuum and is not neutral in its effects. Retailers by their operational practices affect a range of organizations and individuals. As retailing has matured as a sector and developed new forms of operation (Dawson 2001) so there has been increasing interest from regulators about the actions and impacts on diverse groups. Regulation however is inevitably an intervention in performance and as such needs to be undertaken for particular reasons and with particular aims and outcomes in mind.

In the UK the aims for regulation and intervention have not always been clear, being more implicit than explicit. Tensions have developed between intervention for social or economic reasons and over the best judges of competition and competitive outcomes. These tensions continue to play out today, as debates over power, competition and access remain current. The question that is perhaps too infrequently asked is “what form of retailing do we want for whom?” Too often the answer is assumed, but consumers are rarely considered and often taken for granted by regulators, the rise of internet based behaviours being a prime example of this. Over privileging social concerns leads to an inefficient, under-invested retail structure, that is less retailer and more producer oriented. Focused on town centres and high streets it could make consumers undertake more frequent shopping trips to more congested or busy locations. It may however be more sustainable. Alternatively, focusing
only on economic aspects of retailing runs the risk of creating retail sprawl at, or in green belts, with a dominance of large retailers operating American-sized retail sheds and/or internet fulfillment centres. This is not a particularly attractive or inspiring proposition but might be (internally) efficient and productive, and seems to satisfy the needs of many consumers ‘driven’ by utilitarian and price-focused desires. Whilst these two propositions are extremes, intervention and regulation shape our choices between them, at least in part. In pursuing any middle or compromise ground, we should perhaps do it more clearly, identifying our aims and the degree of compromise acceptable in obtaining retailing fit for the needs and wants of the 21st century and places consumers and citizens can be proud of.
<table>
<thead>
<tr>
<th>Date</th>
<th>Title</th>
<th>Main aims</th>
<th>Influential publications</th>
<th>Tensions</th>
</tr>
</thead>
<tbody>
<tr>
<td>1993</td>
<td>Planning Policy Guidance 6; Town Centres and Retail Development</td>
<td>To sustain or enhance the vitality and viability of town centres which serve the whole community and in particular provide a focus for retail development where the proximity of competing businesses facilitates competition which benefits consumers. To ensure the availability of a wide range of shopping opportunities to which people have easy access and the maintenance of an efficient and innovative retail sector</td>
<td>House of Commons (1994), Department of the Environment (1998), Department of the Environment (1994), McKinsey Global Institute (1998)</td>
<td>Innovative locations v traditional locations. Equity or efficiency.</td>
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<td>2005</td>
<td>Planning Policy Statement 6; Planning for Town Centres</td>
<td>The government’s key objective for town centres is to promote their vitality and viability by: Planning for growth and development of existing centres, by focusing development in such centres and encouraging a wide range of services in a good environment, accessible to all.</td>
<td>Retail Strategy Group (2004)</td>
<td>Innovative locations and traditional locations</td>
</tr>
<tr>
<td>2009</td>
<td>Planning Policy Statement 4: Planning for Sustainable Economic Growth</td>
<td>To promote the vitality and viability of towns and other centres as important places for communities and ensure that they are economically successful recognising that they are important drivers for regional, sub-regional and local economies.</td>
<td>Barker (2006), Competition Commission (2008), AAPSG (2006)</td>
<td>Productivity v equity. Retail planning v business policy. Small shops v large shops.</td>
</tr>
</tbody>
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See also: Findlay and Sparks (2012a)
Table 2: National Planning Policy Framework: Section on Town Centres

**Ensuring the vitality of town centres**

Planning policies should be positive, promote competitive town centre environments and set out policies for the management and growth of centres over the plan period. In drawing up Local Plans, local planning authorities should:

- recognise town centres as the heart of their communities and pursue policies to support their viability and vitality;
- define a network and hierarchy of centres that is resilient to anticipated future economic changes;
- define the extent of town centres and primary shopping areas, based on a clear definition of primary and secondary frontages in designated centres, and set policies that make clear which uses will be permitted in such locations;
- promote competitive town centres that provide customer choice and a diverse retail offer and which reflect the individuality of town centres;
- retain and enhance existing markets and, where appropriate, re-introduce or create new ones, ensuring that markets remain attractive and competitive;
- allocate a range of suitable sites to meet the scale and type of retail, leisure, commercial, office, tourism, cultural, community and residential development needed in town centres. It is important that needs for retail, leisure, office and other main town centre uses are met in full and are not compromised by limited site availability. Local planning authorities should therefore undertake an assessment of the need to expand town centres to ensure a sufficient supply of suitable sites;
- allocate appropriate edge of centre sites for main town centre uses that are well connected to the town centre where suitable and viable town centre sites are not available. If sufficient edge of centre sites cannot be identified, set policies for meeting the identified needs in other accessible locations that are well connected to the town centre;
- set policies for the consideration of proposals for main town centre uses which cannot be accommodated in or adjacent to town centres;
- recognise that residential development can play an important role in ensuring the vitality of centres and set out policies to encourage residential development on appropriate sites; and
- where town centres are in decline, local planning authorities should plan positively for their future to encourage economic activity.
Local planning authorities should apply a sequential test to planning applications for main town centre uses that are not in an existing centre and are not in accordance with an up-to-date Local Plan. They should require applications for main town centre uses to be located in town centres, then in edge of centre locations and only if suitable sites are not available should out of centre sites be considered. When considering edge of centre and out of centre proposals, preference should be given to accessible sites that are well connected to the town centre. Applicants and local planning authorities should demonstrate flexibility on issues such as format and scale. When assessing applications for retail, leisure and office development outside of town centres, which are not in accordance with an up-to-date Local Plan, local planning authorities should require an impact assessment if the development is over a proportionate, locally set floorspace threshold (if there is no locally set threshold, the default threshold is 2,500 sq m). This should include assessment of:

- the impact of the proposal on existing, committed and planned public and private investment in a centre or centres in the catchment area of the proposal; and
- the impact of the proposal on town centre vitality and viability, including local consumer choice and trade in the town centre and wider area, up to five years from the time the application is made. For major schemes where the full impact will not be realised in five years, the impact should also be assessed up to ten years from the time the application is made. Where an application fails to satisfy the sequential test or is likely to have significant adverse impact on one or more of the above factors, it should be refused.

Source: Department of Communities and Local Government (2012)
Fig. 1 Retail Development under Town Centres First Policy

Retail Parks under Construction (million sq ft)

Shopping centres under construction (million sq ft)

Grocery Outlets under Construction (Million sq ft)

Source: CB Richard Ellis 2013a, 2013b, 2013c
References


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CB Richard Ellis (2013b) *UK Grocery Outlets in the Pipeline*, London: CBRE

CB Richard Ellis (2013c) *UK Retail Warehouse Parks in the Pipeline*, London: CBRE.


Department of Communities and Local Government (2009b) *Looking after our Town Centres*, London: Communities and Local Government.


