

# **SUTTON TOWN CENTRES & RETAIL NEEDS ASSESSMENT**

**FINAL REPORT**

Prepared on behalf of:

**LONDON BOROUGH OF  
SUTTON COUNCIL**

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For and on behalf of Lambert Smith Hampton

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## 1. INTRODUCTION

- 1.1 London Borough of Sutton Council (hereafter referred to as 'the Council') commissioned Lambert Smith Hampton (LSH) in August 2022 to prepare the Sutton Town Centres and Retail Needs Assessment ('the Study').
- 1.2 This study will provide the updated robust and sound evidence base that is needed to help inform strategic and development control policies on town centre uses, centre hierarchy, and site allocations within the emerging Local Plan. The study will also supersede the quantitative and qualitative findings of the Town Centre and Economic Development Assessment 2015 ('2015 Study'), Local and Town Centres Policy Recommendations (January 2015), and Health Check assessments carried out on Sutton Town Centre (November 2018), and for the District Centres (July 2018), and Local Centres (May 2014).
- 1.3 Other key objectives of the Study are to:
- provide an analysis of current and future trends, and specify quantitative and qualitative needs;
  - identify potential barriers to be able to meet identified forecast need for new retail and leisure floorspace over the study period, focusing on the first ten years;
  - provide an assessment of the capacity of centres to accommodate projected demand for town centres uses;
  - identify if any centres are considered to be in decline and where changes need to be managed;
  - provide the evidence and data to support the drafting of new town centre and retail policies that can create a positive future and support the vitality of town centres in Sutton;
  - provide specific conclusions and recommendations about the policy approaches for Sutton Town Centre - with reference to the Council's recent submission to the Future High Street Fund and Sutton Economic Strategy; and
  - provide the evidence and data to support decision-making on planning applications and the application of the sequential and impact tests.
- 1.4 The study has been prepared in the context of current and emerging local, regional and national development plan policy guidance, as well as other key material considerations; principally the National Planning Policy Framework (NPPF). Where relevant the study also draws on advice set out in the National Planning Practice Guidance (PPG). Both the NPPF and PPG place significant weight on the development of positive plan-led visions and strategies to help ensure the vitality and viability of town centres<sup>1</sup>.
- 1.5 During the course of preparing the study the UK's economy was still recovering from the impact of the COVID-19 pandemic. Many town centre businesses were lost as a result of period of 'lockdown' on social activity and Government mandates requiring the closure of non-essential town centre businesses during peak infection periods. As the preparation of this study commenced town centre economies were in recovery and patterns of trade returned to more normal conditions. However, at the time of finalising the study the UK has been facing further economic challenges due to a number of external elements. The first being the invasion of Ukraine which has contributed to a significant rise in energy prices and other commodities. A sharp rise in inflation on other goods and services has led to the Bank of England raising the base interest rate. As a consequence, the UK is now

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<sup>1</sup> Town centres or centres are defined by the NPPF (Annex 2) as city centres, town centres, district centres and local centres but exclude small parades of shops of purely neighbourhood significance. Unless they are identified as centres in the development plan, existing out-of-centre developments, comprising or including main town centre uses, do not constitute town centres.

- experiencing a “*cost of living crisis*” resulting in a fall in household expenditure on retail goods, particularly for households with debt that are affected by interest rate rises (e.g. mortgages and credit cards).
- 1.6 Notwithstanding, the economic certainties highlighted above this study does provide the robust evidence base and key findings to help inform and guide both plan-making and decision-taking across the Borough and its main centres up to the new Local Plan period. Whilst the study will assess outputs up to 2042, any findings beyond 2032 should be treated with caution on the basis that forecasts become less reliable after a 10-year period.
- 1.7 The study is presented in a series of inter-related Volumes.
- Volume B: comprises the quantitative appendices that inform the economic capacity tables for retail and leisure needs;
  - Volume C sets out the findings of the 2022 town centre health check assessments of Sutton Town Centre and the seven District Centres - Carshalton (Village), Cheam (Village), Hackbridge, North Cheam, Rosehill, Wallington, and Worcester Park;
  - Volume D provides recommendations on Primary Shopping Areas for the Sutton and the seven District Centres; and
  - Volume E presents the weighted results of the household telephone interview survey conducted by NEMS Market Research (NEMS) for this study. Interviews conducted with 1,000 households across the defined Study Area in September and October 2022.
- 1.8 This Volume A study draws on the evidence and research in Volumes B-D. It provides robust policy recommendations to help the Council prepare positive strategies, plans and policies for the growth, management and adaptation of the Borough’s main town centres over the short, medium and long term to help ensure their future vitality and viability.
- 1.9 Aligned with the NPPF (paragraph 86), PPG, and other material considerations, this study specifically provides advice and recommendations on:
- The quantitative and qualitative need (‘capacity’) for new retail floorspace and leisure uses, “*looking at least ten years ahead*” (NPPF, paragraph 86d). Longer term capacity forecasts are provided but are less reliable beyond ten years.
  - Identifying where need, if identified, can be met through an assessment of current and proposed site allocations and in accordance with the town centres “first” (sequential) approach.
  - The definition and extent of town centre boundaries and Primary Shopping Areas (PSAs).
  - Recommendations on whether the current floorspace thresholds for triggering an impact assessment for proposals for town centre uses that are not within a defined centre are still appropriate.
- 1.10 It is also important to state at the outset that medium to long term forecasts should be treated with caution. They are influenced by the dynamic changes in economic, demographic, lifestyle and market trends; including the rise of online shopping over the last decade, and the impacts of the COVID-19 pandemic, and the unfolding impact of the cost of living crisis. Further to the advice in the NPPF (paragraph 86d), the PPG also recognises the uncertainty in forecasting long-term retail trends and consumer behaviour, and states that assessments “*....may need to focus on a limited period (such as the next five years)*”, but will also need to take the lifetime of the plan into account and be regularly reviewed<sup>2</sup>. We therefore advise that the local planning authority should place greater weight on forecasts over the next five to ten-year period, up to 2032.

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<sup>2</sup> PPG. Paragraph 004. Reference ID: 2b-004020190722

## 2. PLANNING POLICY CONTEXT

- 2.1 To help inform the preparation of this study, this section provides a summary of the key national, regional and local planning policies pertaining to retail, leisure and other main town centre uses.

### NATIONAL PLANNING POLICY & GUIDANCE

#### *National Planning Policy Framework (NPPF)*

- 2.2 The NPPF was updated in July 2021 and sets out the Government's planning policies for England. Planning law requires that applications for planning permission be determined in accordance with the development plan<sup>3</sup>, unless material considerations indicate otherwise<sup>4</sup>. The NPPF must therefore be considered in plan-making and is a material consideration in planning decisions.
- 2.3 The NPPF states that the purpose of the planning system is to contribute to the achievement of sustainable development, which is defined as meeting the needs of the present without compromising the ability of future generations to meet their own needs<sup>5</sup>. The Framework (paragraph 11) sets out the Government's view of what the presumption in favour of sustainable development means in practice. For **plan-making**: "...plans should positively seek opportunities to meet the development needs of their area, and be sufficiently flexible to adapt to rapid change" (paragraph 11a).
- 2.4 **Chapter 3 ('Plan-Making')** of the Framework provides guidance to local authorities on preparing local plans. Paragraph 20 states that policies should set out an overall strategy for the location, scale and quality of development, and make sufficient provision for new sustainable development. It requires that strategic policies should look ahead over a minimum 15 year period from adoption, **except in relation to town centre development** (see below). In preparing development plans, "*policies should be underpinned by relevant and up-to-date evidence*" (paragraph 31). To ensure the local plans and spatial strategies are relevant they should be reviewed at least once every five years and updated as necessary (paragraph 33).
- 2.5 **Chapter 7 ('Ensuring the vitality of town centres')** provides guidance on plan-making and decision-taking for retail and other town centre uses. Paragraph 86 states that "*planning policies and decisions should support the role that town centres play at the heart of local communities*", and sets out criteria that local authorities should consider when preparing planning policies. These include: (a) defining a network and hierarchy of centres; (b) defining the extent of town centres and Primary Shopping Areas (PSAs); (c) retaining and enhancing existing markets; and (d) allocating a range of suitable sites in town centres to meet the sales and type of development likely to be needed, "***looking at least ten years ahead***".
- 2.6 Paragraphs 87-91 specifically set out the requirement to apply the sequential and impact tests to determine applications for new retail, leisure and main town centres that are neither in an existing centre, nor in accordance with an up-to-date development plan.
- 2.7 Other Chapters in the NPPF are also relevant to the preparation of this study, and to the Council's plan-making and decision-taking policies for its network and hierarchy of centres. For example, **Chapter 8 ('Promoting healthy and safe communities')** sets out the need to achieve healthy,

<sup>3</sup> This includes local and neighbourhood plans that have been brought into force and any spatial development strategies produced by combined authorities or elected Mayors.

<sup>4</sup> Section 38(6) of the Planning and Compulsory Purchase Act 2004 and section 70(2) of the Town and Country Planning Act 1990.

<sup>5</sup> Resolution 42/187 of the United Nations General Assembly

inclusive and safe places; including the need to plan positively for the provision and use of shared spaces, community facilities (such as local shops) and other local services to enhance the sustainability of communities and residential environments (paragraph 93a).

### ***Planning Practice Guidance (PPG)***

- 2.8 The **Planning Practice Guidance** (PPG) provides specific guidance on plan-making and decision taking for retail, leisure and town centre uses, including guidance on Permitted Development Rights (PDR), Article 4 Directions, and the new Use Classes Order ('UCO') that came into effect on 1<sup>st</sup> September 2020<sup>6</sup> (discussed later in this section). The Guidance supports the policies and provisions of the NPPF; placing significant weight on the development of positive plan-led visions and strategies for town centres.
- 2.9 In terms of planning for town centres, the PPG states that a wide range of complementary uses can, if suitably located, help to support the vitality and viability of town centres. These include residential, employment, office, commercial, leisure/entertainment, healthcare and educational development. Evening and night-time activities also have the potential to increase economic activity within town centres and provide additional employment opportunities.
- 2.10 The PPG (paragraph 004) sets out the importance of evidence-based strategies and visions for town centres to help establish their role and function over the plan period, the need for new retail, leisure and town centre uses, and other interventions. However, given the uncertainty in forecasting long-term retail trends and consumer behaviour, the PPG states that forecasts "**...may need to focus on a limited period (such as the next five years) but will also need to take the lifetime of the plan into account and be regularly reviewed**"<sup>7</sup>. In those cases where development cannot be accommodated in town centres, the PPG requires planning authorities to plan positively to identify the most appropriate alternative strategy for meeting the identified need, having regard to the sequential and impact tests<sup>8</sup>. The PPG also sets out several Key Performance Indicators (KPIs) that "***may be relevant in assessing the health of town centres, and planning for their future***"<sup>9</sup>.

### ***Reform of Use Classes Order and Permitted Development Rights***

- 2.11 The Government has issued a series of reforms to the planning system at the time of preparing this study. The reforms principally relate to Permitted Development Rights (PDR) and the Use Classes Order (The Town and Country Planning (Use Classes) (Amendment) (England) Regulations 2020/757 was laid before Parliament on 21st July 2020 and amended the Town and Country Planning (Use Classes) Order 1987), alongside the Government's White Paper "Planning for the Future" (published in August 2020) and the 2021 Planning Reform Bill.
- 2.12 The new Use Classes Order (UCO) came into effect from 1 September 2020 and is relevant to the preparation of this study and the Council's plan-making and decision-taking on new retail, leisure and town centre uses. The new UCO amended and revoked a number of use classes under the 1987 Order, and has replaced them with much broader use classes. In summary, the main reforms introduced by the new UCO include:

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<sup>6</sup> Paragraph: 007 Reference ID: 2b-007-20190722. Also refer to: Town and Country Planning (General Permitted Development) (England) Order 2015, as amended.

<sup>7</sup> Paragraph: 004 Reference ID: 2b-004-20190722

<sup>8</sup> Refer to Paragraph: 005 Reference ID: 2b-005-20190722. Paragraph 010A ID: 2b-010-20190722 also provides a checklist for local planning authorities to consider when applying the sequential test.

<sup>9</sup> Paragraph: 006 Reference ID: 2b-006-20190722

- a new Class E (commercial, business and service uses): which subsumes the former Use Classes A1 (shops), A2 (financial and professional services) and A3 (restaurants and cafés). It also incorporates: the former Class B1 (commercial, business and service uses), comprising office, research and development and light industry; Class D1(non-residential institutions) in part, comprising medical or health services, clinics, crèches, day nurseries and day centres; and Class D2 (assembly and leisure) in part, comprising gyms or areas for indoor recreation.
  - a new Class F1 (learning and non-residential institutions): which includes some of the former uses under Class D1 (non-residential institutions), including museums, public libraries, art galleries, schools, and places of worship.
  - a new Class F2 (local community uses): which comprises (former Class A1) shops defined as being “...not more than 280 sqm mostly selling essential goods, including food, and at least 1km from another similar shop”. This Use Class also includes former Class D2 (assembly and leisure), such as meeting places/halls, indoor/outdoor swimming baths, skating rinks, and outdoor sport and recreation.
  - an extension to the Sui Generis uses (which fall outside the specified use classes) to include the former Use Classes A4 (pubs and drinking establishments) and A5 (hot food takeaways). It also incorporates some uses previously classified under D2 (assembly and leisure), including cinemas, concert halls, live music venues, bingo and dance halls.
- 2.13 The Government also consulted on a variety of changes to PDR in December 2020, including the Class E to Class C3 (residential) PDR. This PDR replaces the two existing commercial to residential PDRs under Class O (office to residential) and Class M (conversion of shops, financial services, betting offices and pay day loan or mixed uses to residential). The Town and Country Planning (General Permitted Development etc.) (England) (Amendment) Order 2021 introduced the new PDR under new Class MA on 1 August 2021, and will be subject to prior approval applications. It contains some conditions and limitations informed by the consultation responses. For example, it only applies to buildings that have been vacant for a least three continuous months, to help protect existing businesses. It does not apply to buildings with a cumulative floorspace of more than 1,500 sqm or to listed buildings, but will apply in Conservation Areas.
- 2.14 In launching the reforms the Government announced that the regulations will give “...greater freedom for buildings and land in our town centres to change use without planning permission and create new homes from the regeneration of vacant and redundant buildings” (<https://www.gov.uk/government/news/pm-build-build-build>). These changes are relevant to this study. It should be noted that reference is still made throughout the study to classifications defined by the previous 1987 UCO.

### ***Article 4 Directions***

- 2.15 Article 4 Directions are a tool used by local authorities to remove national permitted development rights, if warranted and supported by robust evidence.
- 2.16 The Government supports the use of Article 4 Directions in a “*highly targeted way*” to protect core high street areas whilst not restricting the ability for much needed housing to be delivered.
- 2.17 The July 2021 update to the NPPF provides more detail on Article 4 Directions in paragraph 53. Of relevance, the NPPF states that Article 4 Directions should only be used to “avoid wholly unacceptable adverse impacts” such as “the loss of the essential core of a primary shopping area which would seriously undermine its vitality and viability”, but discourages against the use of Article 4 Directions across the entirety of a town centre. The NPPF also advocates the use of Article 4

Directions to protect the local amenity or well-being of an area, particularly where there could be a potential loss of local facilities.

- 2.18 A proviso is stated in paragraph 53 that any case made for Article 4 Directions must be based on robust evidence and should apply to the smallest area possible. This means Local Planning Authorities will need to be very careful in where Article 4 Directions are used, that they are necessary and there is a strong evidence base to underpin them. The Sutton Town Centre Article 4 Direction (2014) withdraws the permitted development rights for offices (B1a) to convert to residential uses (C3).
- 2.19 We consider the potential application of Article 4 Directions in Section 8 (Key Findings and Recommendations).

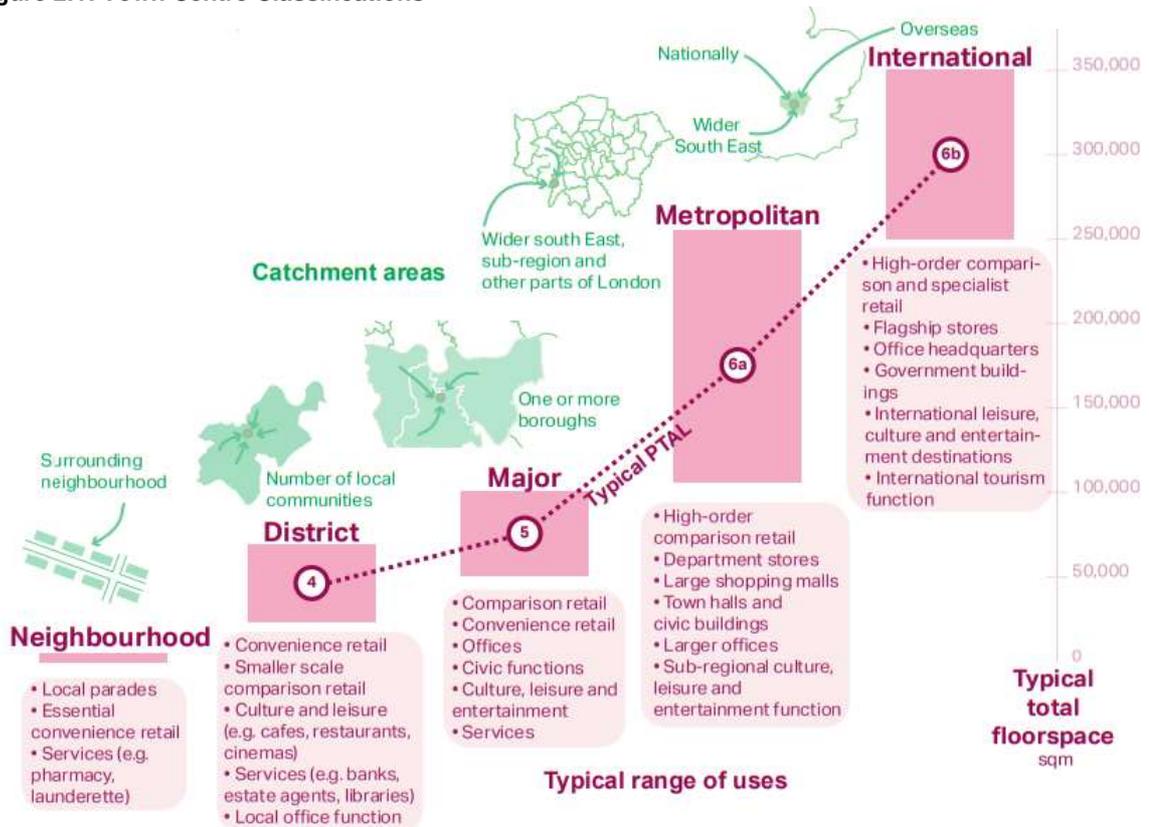
### **THE LONDON PLAN (2021)**

- 2.20 The London Plan 2021 is the Spatial Development Strategy for Greater London which sets out an integrated economic, environmental, transport and social framework for London over the next 20-25 years. Chapter One sets out the Mayor's vision for "Good Growth", which is defined as "growth that is socially and economically inclusive and environmentally sustainable". The London Plan Key Diagram presents the spatial vision, covering London's growth corridors, Opportunity Areas, town centres, Green Belt and Metropolitan Open Land. Chapter Two sets out the overall spatial development pattern for London, focusing on the growth strategies for specific places in London and how they connect with the wider South East region. Chapters 3-12 provide the topic-specific policies that are required to deliver the "Good Growth" objectives.
- 2.21 The plan includes a number of policies, which relate to retail and town centres. The London Plan (Annex 1 and Table A1.1) defines Sutton as a Metropolitan centre, which typically contains at least 100,000 sqm of retail, leisure and service floorspace with a significant proportion of high-order comparison goods relative to convenience goods. Sutton is also identified as NT2 night-time economy classification; medium commercial growth potential and a strategic area for regeneration; and a key part of the Trams Triangle / London-Gatwick-Brighton mainline. The relevant policies are set out below:
- 2.22 **Policy GG5 Growing a Good Economy** states that those in planning and development must promote the strength and potential of the wider city region and ensure that London's economy diversifies.
- 2.23 The London Plan "**Opportunity Areas**" (OAs) (Policy SD1) are identified as having the greatest potential to accommodate substantial new housing, commercial development and infrastructure (of all types), linked to existing or potential improvements in public transport connectivity and capacity. Each OA (listed in Table 2.1 of the plan) typically has capacity for at least 5,000 net additional jobs or 2,500 net additional homes, or a combination of the two. In addition, paragraph 2.1.72 states that the Trams Triangle is proposed to be extended to Sutton Town Centre, and potentially beyond to the proposed Cancer Hub, would improve public transport accessibility to the town centre and St. Helier Hospital.
- 2.24 **Policy SD6 Town Centres and High Streets** supports the vitality and viability of London's town centres. The key themes in Policy SD6 include the need for "adaption and diversification", the management of vibrant daytime, evening and night-time economies, the potential for new housing through mixed use developments and the provision of social infrastructure.
- 2.25 **Policy SD7 Town Centre: Development Principles and Development Plan Documents** takes a town centres first approach and discourages out-of-centre development of main town centres uses through the application of the sequential and impact tests. It also includes that Development Plans

should allocate sites to accommodate identified need within town centres and should allocate appropriate edge-of-centres sites if suitable and viable town centres sites are not available.

- 2.26 **Policy SD8 Town Centre Network** (Figure 2.17, 2.18 and Annex 1 of the London Plan) states that Metropolitan town centres should be the focus for the majority of higher order comparison goods, higher density employment, leisure and residential development. District centres should focus on the consolidation of a viable range of functions, particularly convenience retailing, leisure, social infrastructure, local employment and workspace. They also provide opportunities for higher density mixed-use residential development and improvements to their environment. The figure below summarises the typical scale and types of uses provided under the different classifications.

**Figure 2.1: Town Centre Classifications**



- 2.27 **Policy SD9 Town Centres: Local Partnerships and Implementation** states that strategic and local partnerships should be supported and encouraged to develop strong, resilient and adaptable town centres. Part B encourages the development of Town Centre Strategies with particular emphasis placed on centres undergoing transformative change, have projected declining demand, have significant infrastructure planned or are identified as future potential centres in Table A1.1. Part C states that regular town centre health checks should be undertaken to inform policy; and Part D covers the introduction of Article 4 Directions where appropriate and justified to remove PDR to sustain town centre vitality and viability.
- 2.28 **Policy SD10 Strategic and Local Regeneration** (and illustrated in Figure 2.19) identified strategic areas for regeneration in Local Plans (1) identify Local Areas of Regeneration (2) and engage and collaborate with communities.
- 2.29 **Policy E9 Retail, markets and hot food takeaways** states that in preparing or reviewing Development Plans, Boroughs should: (i) identify future requirements and locations for new retail development; (ii) identify areas for consolidation of retail space where this is surplus to requirements;

and (iii) set out policies and site allocations to secure an appropriate mix of shops and other commercial uses, informed by local evidence and town centre strategies.

- 2.30 Part C sets out further requirements for Development Plans and proposals including: (1) bringing forward capacity for additional comparison good in Metropolitan town centres; (2) support convenience retail in all town centres and particularly District, Local and neighbourhood; (6) and the management of existing edge-of-centre and out-of-centre retail (and leisure) by encouraging comprehensive redevelopment for a diverse mix of uses in line with Policies SD6-SD9 (Part C6). Parts D and E state that where development proposals contain hot food takeaway uses, these should not be permitted within at least 400 metres of entrances/exits to schools, and where hot food takeaway uses are permitted, Finally Part F states that development proposals involving the redevelopment of surplus retail space should support other planning objectives and include alternative town centre uses on the ground floor where viable (in accordance with Policy SD7).
- 2.31 **Policy HC1 Heritage and Conservation Growth** emphasises that Boroughs, Development Plans and strategies should demonstrate a clear understanding of the London's historic environment. Heritage assets should be conserved and this includes cumulative impacts and development proposals should avoid harm and identify enhancement opportunities.
- 2.32 **Policy HC6 Supporting the night-time economy** states that Boroughs should develop a vision for the night-time economy, supporting its growth and diversification and building on the Mayor's vision for London as a 24-hour city. Part B states that town centre strategies and planning decisions should:
- promote the night time economy,
  - improve access, inclusion and safety,
  - diversify the range of night-time economies,
  - address issues for residents including anti-social behaviour;
- 2.33 **Policy SI1 Improving Air Quality** states that development plans should not reduce air quality benefits, and sets out specific criteria in Part B to tackle poor air quality

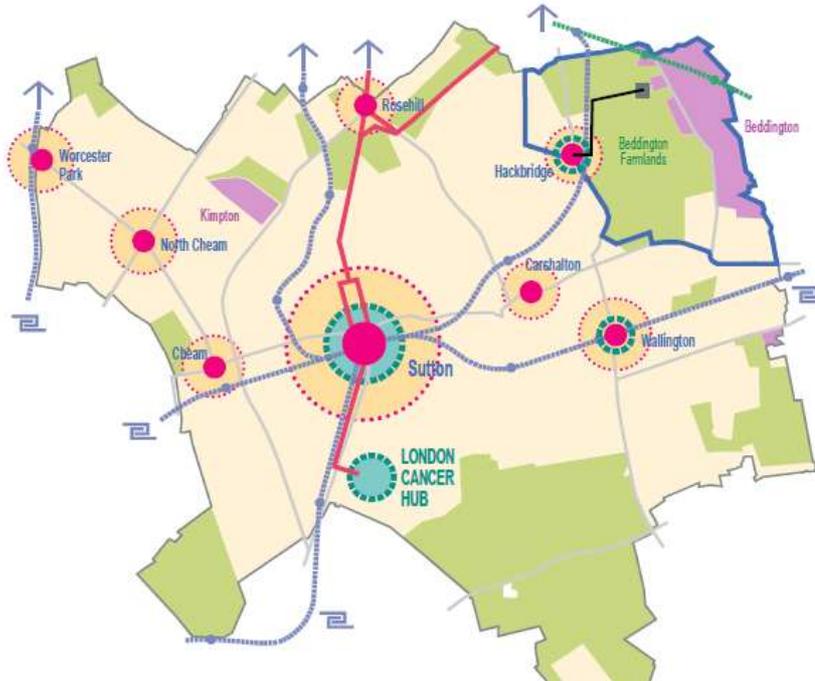
## LOCAL PLAN CONTEXT

- 2.34 The following provides an overview of the more relevant local Development Plan Documents ('DPD') that guide both plan-making and decision-taking for new development in the London Borough of Sutton.

### *Sutton Local Plan (2018)*

- 2.35 The London Borough of Sutton's Local Plan comprises the following documents:
- Sutton Local Plan (2018);
  - Sutton Local Plan Appendix (2018); and
  - Local Plan Policies Map
- 2.36 The main provisions and policies relevant to this study are summarised below.
- 2.37 **Local Plan Policy 1 (Sustainable Growth)** states that the Council will promote the redevelopment of Sutton Town Centre and encourage the intensification of areas around Sutton Town Centre and the borough's District Centres where suitable. The figure below illustrates the Sutton Borough boundary, Sutton centre and the district centres:

Figure 2.2: Diagram on sustainable growth (Sutton Local Plan)



- 2.38 Additionally, the policy sets out that to meet modern retail requirements, the Council will apply a flexible approach to town centre uses to enable town centre uses other than shops to locate in town centres.
- 2.39 **Local Plan Policy 3 (Sutton Town Centre)** outlines that development in Sutton Town Centre should have regard to the Sutton Town Centre Masterplan (which is discussed later in this section), the Heritage Action Zone designated by Historic England and other material considerations.
- 2.40 The policy sets out that the Council will enable the delivery of at least 3,500 new homes in the plan period 2016-2031 within Sutton Town Centre. Housing developments should provide a range of tenures and dwelling sizes.
- 2.41 Within Sutton Town Centre, the policy states that the Council will enable the delivery of:
- At least 3,000 sqm gross convenience retail floorspace;
  - At least 23,200 sqm gross comparison retail floorspace; and
  - 5,000 sqm gross food and beverage floorspace.
- 2.42 The Council will expect much of this new floorspace to be delivered by reconfiguring shopping centres, providing retail floorspace on the ground floor of mixed-use developments and through providing solely retail floorspace subject to site allocations. A significant proportion of the food and beverage floorspace will be delivered in the area south of Hill Road to promote the area as a restaurant and café and cultural centre.
- 2.43 The policy also states that the Council will enable the delivery of a least 23,000 sqm gross office floorspace within Sutton Town Centre which will mostly be delivered around Sutton station.
- 2.44 The policy outlines that all new developments within Sutton Town Centre should be of a high quality, contribute positively to the environment and conserve heritage assets particularly within the Crossroads Conservation Area.
- 2.45 Furthermore, Policy 3 sets out improvements that will be made to Sutton Town Centre. In particular, the Council will encourage the creation of active frontages along St Nicholas Way and Throwley Way

and introduce soft landscaping measures to create a more pedestrian friendly environment. Additionally, the Council will continue to work with Transport for London to deliver a Tramlink service to Sutton Town Centre.

- 2.46 As set out within policy, all new development should incorporate the requirements of site allocations STC1-STC45 (set out within the Appendix of the Local Plan) where applicable.
- 2.47 **Policy 4 (Tramlink and Major Transport Proposals)** states that the Council will work with Transport for London and other stakeholders to deliver strategic transport network improvements including: the extension to the existing Tramlink; enhancement of rail service frequencies; and the construction of Crossrail 2 which will improve linages to Sutton Town Centre.
- 2.48 **Policy 5 (Wandle Valley Renewal)** states that the Council will continue to promote Hackbridge as a District Centre and deliver additional retail floorspace on part of the Felnex site and some of the industrial estate north of Hackbridge Station.
- 2.49 **Policy 6 (Distinctive District Centres)**, sets out the following plan projects and long term aspirations for District Centres within the London Borough of Sutton:

District Centres	Plan Projects	Long Term Aspirations
Carshalton	<p>The Council will work with Transport for London to relieve traffic flow and improve the pedestrian experience around Carshalton Ponds and in the High Street;</p> <p>Support proposals for the redevelopment of the Charles Cryer Theatre provided they retain or replace the existing arts and cultural facilities and conserve and enhance the Conservation Area (Site Allocation S27);</p> <p>Support proposals for a new local health facility, provided they conserve and enhance the Conservation Area;</p> <p>Support proposals for additional retail (A1 Use Class), office (A2 / B1a Use Class) and food and beverage (A3 / A4 Use Class) floorspace.</p>	<p>The Council would like to see the redevelopment of the pharmacy and Beacon Grove to improve the appearance of the northern side of the High Street in order that it respects the key elements of the Conservation Area.</p>
Cheam	<p>The Council will work with Transport for London to resolve the traffic congestion at the crossroads so that any junction improvements conserve and enhance the Conservation Area;</p> <p>Support proposals for the redevelopment of 40 The Broadway (Waitrose) provided they conserve and enhance the Conservation Area (Site Allocation S31); Support proposals for additional retail (A1 Use Class), office (A2 / B1a Use Class) and food and beverage (A3 / A4 Use Class) floorspace.</p>	<p>The Council would like to see the redevelopment of those buildings, which have a negative impact on the Conservation Area so that they respect the key elements of the area.</p>
North Cheam	<p>The Council will Support proposals for the redevelopment of Victoria House (Site Allocation 35) provided they are of a high quality and sensitive design, enhance the vitality of the centre,</p>	<p>The Council would like to see better linkages with Sainsbury's and the rest of the centre and improvements to the public realm, the shopping</p>

	<p>provide good quality homes and improve the public realm;</p> <p>The council will support proposals for additional retail (A1 Use Class), office (A2 / B1a Use Class) and food and beverage (A3 / A4 Use Class) floorspace.</p>	<p>frontages and shopfronts to provide a more unified sense to the centre.</p>
Rosehill	<p>The Council will work with Transport for London to deliver a tram service to serve Rosehill as part of a Wimbledon to London Cancer Hub line;</p> <p>Support proposals for the redevelopment of the supermarket and servicing roads to the rear so that the retail and post office uses are retained but it results in a higher quality building, most notably involving the removal of the blank frontage to Wrythe Lane (Site Allocation S41);</p> <p>Support proposals for additional retail (A1 Use Class), office (A2 / B1a Use Class) and food and beverage (A3 / A4 Use Class) floorspace.</p>	<p>The Council would like to see the conservation and enhancement of The Market shopping parade on Wrythe Lane and Rose Hill, particularly the upper floors of the parade;</p> <p>The Council would like to see measures, which improve traffic flow around Rosehill roundabout, pedestrian movement around the roundabout and across Wrythe Lane and improve the public realm generally.</p>
Wallington	<p>The Council will work with partners to deliver flood alleviation schemes at Wallington station and Beddington Gardens;</p> <p>Support proposals for the redevelopment of the area around the station and the Lidl supermarket. These redevelopments should provide a mixture of residential and town centre uses and should improve the access and legibility to and from Wallington station (Site Allocations S6 and S8);</p> <p>Support proposals for the redevelopment of the north side of Ross Parade. These redevelopments should provide a mixture of residential and town centre uses and the public house and building supplies premises should be retained (Site Allocations S13 and S22);</p> <p>Support proposals for the redevelopment of Wallington Square. The redevelopment should include a significant proportion of town centre uses and some residential uses (Site Allocation S7);</p> <p>Support proposals for the redevelopment of Wallington Hall. The redevelopment should include residential uses, town centre uses on the Stafford Road frontage and retain an element of public car parking (Site Allocation S12);</p> <p>Support proposals for the redevelopment of Shotfield Car Park. The redevelopment should include residential uses or town centre uses and retain an element of public car parking (Site</p>	<p>The Council would like to see the refurbishment and re-design of the Sainsbury's supermarket to interact better with the rest of the centre. In particular, the council would like to see an active frontage on Woodcote Road and a more active frontage on Stafford Road;</p> <p>The Council would like to see a reduction in the vacancy level and an improvement in the retail offer on Stafford Road as a result of its inclusion in the district centre.</p>

	<p>Allocation S23);</p> <p>Support the proposals for the redevelopment of 31 to 35 Stafford Road. The redevelopment should include residential and town centre uses (Site Allocation S14);</p> <p>Support additional retail (A1 Use Class), office (A2 / B1a Use Class) and food and beverage (A3 / A4 Use Class) floorspace.</p>	
Worcester Park	<p>The Council will work with the Royal Borough of Kingston upon Thames, the Mayor of London, Transport for London and Network Rail to deliver Crossrail 2 services to Worcester Park station;</p> <p>Work with the Royal Borough of Kingston upon Thames and Transport for London to identify and resolve constraints to traffic flow on the road corridor North Cheam-Worcester Park - Old Malden - A3 roundabout, which will improve traffic flow and air quality levels at Worcester Park;</p> <p>Work with partners to deliver a flood alleviation scheme in the area;</p> <p>Support proposals to redevelop 1 to 9 Windsor Road for town centre uses on the ground floor and additional residential units (Site Allocation S47);</p> <p>Support proposals for additional retail (A1 Use Class), office (A2 / B1a Use Class) and food and beverage (A3 / A4 Use Class) floorspace.</p>	<p>The Council would like to see an improvement to the retail units on the approach to the station. For the District Centres see Appendix 3, Maps 3.3 to 3.9 and Policies Map. For Carshalton and Cheam Village Conservation Areas see Appendix 8, Maps 8.13 and 8.14 and Policies Map. Local Plan Policy 17 (District and Local Centre Development).</p>

2.50 Under **Policy 6 (Distinctive District Centres)**, the Council will:

- Permit windfall office floorspace in District Centres;
- Enable the delivery of approximately 7,200 sqm convenience retail floorspace (including about 75% in the Wallington and Hackbridge District centres, 15% in Cheam, 5% in North Cheam and 5% in Carshalton);
- Enable the delivery of approximately 5,000 sqm of gross comparison retail floorspace (including about 90% in Wallington and Hackbridge District centres and 10% in Carshalton);
- Enable the delivery of approximately 5,000 sqm of gross food and beverage floorspace (including 50% in the District Centres and 50% in the Local Centres); and
- Grant planning permission for other town Centre uses in District and Local Centres subject to the use being suitable to the function of the centre and other policies within the Local Plan.

2.51 **Policy 18 (Shopping Frontages and Town Centre Uses)** states that the Council will grant planning permission for development within Sutton Town centre, District Centres and Local Centres that is suitable to the function and character of the centre, makes optimum use of the site, is appropriate in scale and provides active frontages at ground level.

2.52 The policy sets out that within the primary shopping frontages of Sutton Town Centre, the proportion of A1 (retail) ground floor units should not fall below 75% and within the primary shopping frontages of District Centres, the proportion should not fall below 55%. In all shopping frontages, including secondary, development should not result in more than three adjoining non-A1 uses.

- 2.53 Furthermore, policy states within shopping frontages and Local Centres, the Council will not grant planning permission for changes of use, which would result in C2/C3/C4 (residential) ground floor uses unless the unit is vacant.
- 2.54 We note that Primary Shopping Areas are not identified for Sutton Town Centre and the District Centres. However, paragraph 86 (b) of the National Planning Policy Framework states that planning policies should define the extent of town centres and primary shopping areas. Recommendations on appropriate PSAs are discussed in Section 9.

***Sutton Town Centre Masterplan (2016)***

- 2.55 The Sutton Town Centre Masterplan was adopted in June 2016 and sets out a direction for investment and development in the Town centre up to 2031.
- 2.56 The Masterplan includes a wide array of recommendations and projects including new developments, public realm improvements and transport proposals. These are set within the context of the following strategic projects which establish a clear direction for Sutton Town Centre:
- A range of immediate High Street projects to strengthen the High Street;
  - Transforming the St Nicholas Centre to create new activity;
  - Creating a new south London destination with culture, leisure and restaurant activity south of St Nicholas Road;
  - Redeveloping the Civic Centre with a mixed use scheme that generates new activity;
  - Creating an enhanced residential neighbourhood at the north of the town centre;
  - A new employment development at or above Sutton rail station to strengthen the existing focus for employment in Sutton; and
  - Transforming the gyratory into an urban boulevard to provide a high quality environment.

***Sutton Town Centre Public Realm Design Guide (2020)***

- 2.57 The Sutton Town Centre Public Realm Design Guide SPD was adopted in January 2020 and provides a guide to public realm and materials that should be used for developments in Sutton Town Centre to create a high quality environment.
- 2.58 The Council has identified 12 guiding principles to take into account beyond the general urban design principles that should underpin any public realm project. As detailed within the SPD, these principles comprise the following:
- Celebrating Successful Schemes;
  - Promoting the Heritage of Sutton;
  - Highlighting the Characteristics of Sutton;
  - Learning the Lessons of the Street Audit;
  - Incorporating TfL's Healthy Street Indicators;
  - Implementing Sutton's Local Plan Transport Policies;
  - Introducing Culture and Street Activity;
  - Ensuring Climate Change Resilience;
  - Creating a Safe Environment;
  - Making Sutton a Dementia Friendly Town Centre; and
  - Making Sutton an Age Friendly Town Centre

- 2.59 The SPD details that placed based projects within Sutton Town Centre should have a consistent public realm approach to parks and play space, street furniture zones, landscaping, signage, Sustainable Urban Drainage Systems (SuDs), Cycling, Street Activity and Tactical urbanism, meanwhile projects, active frontages, lighting, public art, safety, smart technology and disabled parking.
- 2.60 Additionally, the SPD sets out clear guidance on the palette which should be used for materials and public realm within Sutton Town Centre.

## **SUMMARY**

- 2.61 In summary, national and local plan policy and guidance seeks to maintain and grow the vitality and viability of centres over time by, amongst other measures, directing new investment and development to town centres first and promoting a diverse mix of sustainable uses that meet the needs of all those who live, work, shop and visit centres for a wide range of activities.
- 2.62 The focus for new development and investment within Sutton Borough Council includes the ‘Metropolitan’ Sutton Town Centre and the District Centres which are Carshalton, Cheam, Hackbridge, North Cheam, Rosehill, Wallington and Worcester Park, with sufficient investment to ensure the District’s Key Service Centres and smaller centres continue to meet the day to day needs of local residents. The Local Plan indicates that a lot of investment is happening within Sutton in relation to development growth and infrastructure improvements.
- 2.63 Given the pace of change on Britain’s high streets and the shifting nature of retail and leisure, combined with the impacts of the Pandemic, it will be important for the Council’s Local Plan review ensures that the relevant policies are based on an up to date evidence base, whilst allowing sufficient flexibility to allow town centres to adjust to market changes.
- 2.64 Section 9 considers whether the current centre hierarchy for Sutton Borough is still appropriate and whether changes should be made in line with the key outputs of this study. Consideration is also given to the boundaries currently identified in the Local Plan Policy Map for Sutton Town Centre and the District Centres and whether any changes should be made. In addition, Section 9 will explore whether the locally set threshold for retail impact assessments in Policy 3 for Sutton is still appropriate and whether thresholds should be set for other centres.

### 3. RETAIL AND TOWN CENTRE TRENDS

- 3.1 This section summarises some of the key economic, consumer and property market trends that have driven the changes in the retail and leisure sectors over the last decade, and which will continue to shape change in the future. This trends overview was written at the time when the UK economy was in recession and in the midst of an energy and cost of living crisis. The Bank of England's response to rising inflation led to a rise in interest rates which will impact on households that are carrying debt, particularly those who are not on fixed rate mortgage deals or those with credit card debt. Up to this point, the economy was beginning to recover from the impact of the COVID-19 pandemic, with full recovery expected to stall as these new economic shocks take effect. As a result, forecasts used to inform the study are likely to change in the short term, particularly in relation to expenditure growth on retail goods and on leisure activities as households curtail spending on non-essential items.

#### ECONOMIC OUTLOOK

- 3.2 In the 18-24 months prior to the pandemic the UK economy had been characterised by low growth; GDP increased by +0.3% in the third quarter (Q3) of 2019, which was the weakest growth recorded since 2010 (Q1)<sup>10</sup>. The impact of the pandemic has resulted in the UK economy experiencing the biggest annual decline in GDP (-9.9%) for over 300 years. The latest ONS figures show the economy narrowly avoided a double-dip recession in 2020 following positive growth of +1% in the final quarter due to the loosening of the COVID-19 restrictions in the run-up to Christmas. The country was subsequently placed into a third lockdown from January 2021.
- 3.3 The impact of the pandemic, has also resulted in Britain's budget deficit (i.e. the gap between public spending and income from taxes) reaching the highest levels recorded since World War II. Government borrowing climbed to a record £240.9 billion in the first eight months of 2020, and the Office for Budget Responsibility (OBR) forecast that this could be around £400 billion by summer 2021.
- 3.4 Against this background, Experian Business Strategies (Experian) predicted that the biggest risk to economic recovery from COVID-19 is rising inflation, particularly if it is not matched by wage inflation, which will impact on household incomes. This scenario is currently taking place and at the time of preparing this study inflation was sitting at 9% with concern that the rate may reach double figures by the end of 2022. Experian has predicted that GDP growth will dip in 2022 and will be 3% below the pre pandemic trend in the long term<sup>11</sup>; an outlook that is most likely to occur given that Experian's forecast pre-dated the current cost of living crisis. Energy costs are significantly rising from October 2022, and along with rising costs of goods in line with rising inflation and rising interest rates that will affect those with debt, a further squeeze on household spending is expected in the third quarter of 2022. This will inevitably impact on consumer spending and in turn will inevitably impact town centre businesses across the UK. As such, all forecasts are subject to greater than usual uncertainty and volatility.

#### RETAIL SPENDING

- 3.5 The pandemic has inevitably had a dramatic impact on consumer spending and retail sales in 2020. Although consumer spending has been a key driver of economic growth since the BREXIT referendum in June 2016, there had been increasing signs pre pandemic that growth was starting to "soften". For example, household spending slowed to an eight year low (+1.2%) in 2019 due principally to the impact of BREXIT on consumer confidence. The latest figures show that household

<sup>10</sup> Sourced from the Office for National Statistics (ONS)

<sup>11</sup> Experian Retail Planner Briefing Note 19 (February 2022).

spending fell by over 20% quarter-on-quarter in the second quarter of 2020. This was the largest quarterly contraction on record and is attributed to the impact of the COVID-19 pandemic, particularly the effect of containment measures that limited spending potential and the impact on employment (i.e. job losses and furlough scheme). Spending on hospitality, travel and leisure was dramatically impacted during this period. Retail also suffered as businesses were forced to close; although this was partly cushioned by an increase in food and online purchases.

3.6 The following provides a summary of the latest national retail and leisure spend per head forecasts identified by Experian<sup>12</sup>:

- **Convenience goods:** after a significant +8.2% growth in spend in 2020 from household spend on “essential” food and convenience goods during the pandemic, spend is forecast to drop by -3.7% in 2021 and by -2% in 2022 as convenience spend patterns return to “normal” conditions. Experian predict that annual (per capita) growth in convenience spend will “flatline” at around +0.1% from 2023 into the foreseeable future (up to 2040). This rate is still an improvement on the historic long term trend (1997-2020) of -0.6% per annum.
- **Comparison goods:** experienced less fluctuation in per capita growth than compared to convenience per capita growth. Growth rates dropped from 2.2% per annum in 2019 to 1.6% in 2020, with Experian forecasting a steady improvement on growth rates in 2021 (1.9%) and 2022 (2.1%) before settling at 2.8% up to 2028 and 2.9% in future years. Although, this growth forecast is significantly below the historic long-term trend (1997-2020) of +5.1% per annum.
- **Leisure spend:** Following a dramatic -37.2% fall in leisure spend per head in 2020, Experian forecast a “bounce” back to growth in 2021 (+21.9%) and 2022 (+24.1%). Average yearly growth is then forecast to settle at approximately +1.1% over the period 2024-28 and +0.9% over the long term (between 2029 and 2040). This growth in leisure spend is consistent with the historic long-term trend (1997-2020) of 1.1% per annum.

3.7 Clearly any further dampening of growth rates over the short to medium term due to the current cost of living crisis which will impact on the economic capacity forecasts identified by the study, as well as on the business models of investors and operators (including the demand for new space).

## THE RISE OF ONLINE SHOPPING

3.8 The growth in non-store retail sales has undoubtedly had the most significant impact on consumer spend and behaviour over the last decade, and on our High Streets and traditional shops<sup>13</sup>. ONS figures show that the value of non-store retail sales (including the internet) stood at £84.2bn in 2019 (in 2016 prices). This represented more than a four-fold growth from £17.1bn in 2006.

3.9 As the figure below shows, Special Forms of Trading (SFT's) overall market share (as a proportion of total UK retail sales) increased from 5.5% in 2006 to 25.2% in 2021. In other words, online sales accounted for approximately one-quarter of every pound spent on retail goods in 2021. Of this total non-store retail sales, Experian estimate that comparison and convenience goods retailing achieved market shares of 29.1% and 18.1% respectively.

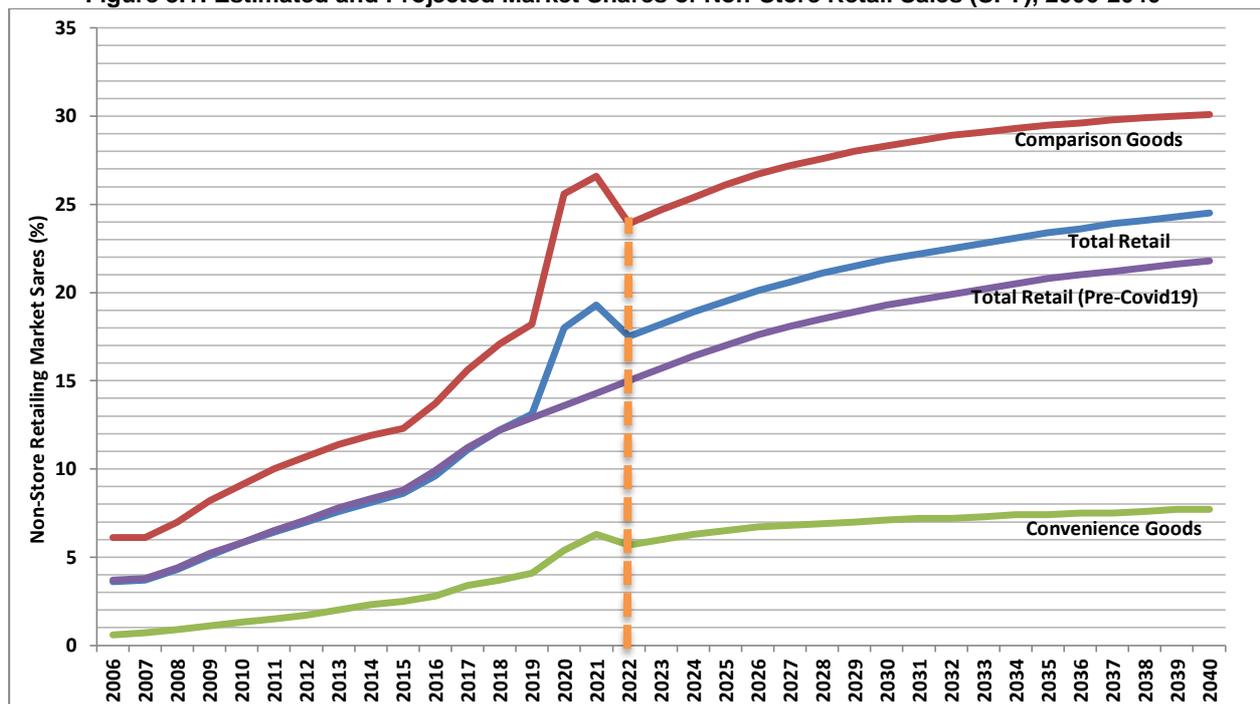
3.10 The latest Experian forecasts indicate that total SFT market shares will increase to 36.5% by 2040 (i.e. over one in every three pounds spent on retail in 17 years' time will be online). Comparison and convenience goods non-store retail sales are forecast to reach 40.2% and 25.7% respectively.

<sup>12</sup> Experian Retail Planner Briefing Note 19 (February 2022). Figures 1a and 1b. The average expenditure per capita figures are a key input to the retail capacity and leisure needs assessments.

<sup>13</sup> Non-store retailing is commonly referred to as **Special Forms of Trading** (SFT). This comprises all non-store retail sales made via the internet, mail order, stalls and markets, door-to-door and telephone sales. On-line sales by supermarkets, department stores and catalogue companies are also included in the data collected by the Office for National Statistics (ONS).

3.11 Experian predict that the pace of e-commerce growth will slow over the long term as research suggests that internet use is now almost at capacity. However, other research (published before the impact of the pandemic) has predicted that the growth in online sales could be even higher over the next decade; accounting for approximately 53% of total retail sales by 2028<sup>14</sup>. This faster growth it is argued will be driven by the significant improvements in the convenience and choice of online purchasing through further advances in technology (including mobile/wearable technology and Artificial Intelligence), alongside improved web-based platforms and social media. The expansion of 5G and fibre networks, cheaper and faster deliveries (including the potential for drone deliveries, autonomous delivery vehicles, etc.), more ‘click-and-collect’ options, and easier return processes will also provide the platform for higher growth in online purchases.

**Figure 3.1: Estimated and Projected Market Shares of Non-Store Retail Sales (SFT), 2006-2040**



Source: Experian Retail Planner Briefing Note 19 (February 2022). Appendix 3

3.12 In terms of forecasting the potential capacity for new physical retail floorspace, Experian estimate that currently approximately 25% of all SFT sales for comparison goods and 70% for convenience goods are sourced through traditional (*‘bricks-and-mortar’*) retail space, rather than through *‘virtual’* stores and/or *‘dot com’* distribution warehouses. On this basis, Experian adjust their SFT market shares downwards, to 12.2% in 2018, rising to 19.3% in 2021 (boosted by online sales during the pandemic) before dropping back to 18.2% in 2022. SFT picks up again and is forecast to increase based on the adjusted rate to 22.5% by 2032 and 24.5% by 2040. In line with standard approaches, these adjusted/recalibrated market share figures are preferred for retail capacity assessments.

3.13 It is clear that the *“digital revolution”* and growth of online retailing has, and will continue to have a significant impact on Britain’s retailers, sales and high streets. The early impact of Internet shopping was mainly concentrated on certain retail products and services (such as, for example, electrical goods, books, music and travel). This has resulted in a reduction in the number of retailers selling these types of products and services on the high street (for example, HMV, Currys and GAME). However this does not mean that other comparison goods categories are immune to the impact of the internet. A clear illustration of this was the acquisition of the Arcadia brands (including TopShop,

<sup>14</sup> ‘The Digital Tipping Point – 2019 Retail Report’ (Retail Economics and Womble Bond Dickinson)

TopMan and Miss Selfridge) by online fashion retailer ASOS in February 2020 for £330m after Arcadia collapsed into administration. ASOS has purchased the stock, which it will sell online, but has no interest in the (“bricks-and-mortar”) store portfolio.

- 3.14 The “*digital revolution*” is also impacting on how and where people choose to spend their leisure time. For example, instead of visiting the cinema or theatre, consumers can digitally stream to their televisions a vast library of filmed entertainment on demand through streaming networks such as Netflix, Amazon Prime, Apple and Disney. Social media, Skype, Zoom, etc. are also displacing face-to-face interactions. The innovation and development of these alternative digital customer experiences has accelerated during the pandemic and is exacerbating a ‘*digital divide*’ between, on the one hand, those well-resourced companies investing and competing in the digital arena, and on the other hand the small independent businesses that serve the day-to-day needs of their local (high street) communities. Yet the success of businesses at both ends of the ‘divide’ is mutually dependent, and is essential to a successful high street. However, the digital evolution will not replace the growing demand from customers for experience led activities, such as boutique cinemas that offer extras (considered in more detail in Section 7) and independent retail and services that cannot be replicated online.
- 3.15 In summary, whatever the forecast growth in online sales and market shares, it is clear that high streets, town centres and physical retailers will need to work even harder to retain their existing customer base and attract new customers over the short (post-pandemic), medium and long term. Both retailers and high streets will need to compete for shoppers and expenditure through a variety of means including creating experiences that will attract the interest and attention of potential consumers across all age and socio-economic groupings.

### **RETAILER BUSINESS MODELS AND REQUIREMENTS**

- 3.16 The challenging economic conditions and growth in online sales have had a significant and permanent impact on consumer shopping and spending behaviour. As a result, retailers need to constantly review and rapidly adapt their business strategies, requirements and store formats to keep pace with the rapid changes in the sector.
- 3.17 These dynamic trends are best illustrated by the changes in the grocery sector over the last decade. In the circa 25 years up to 2010 the sector enjoyed a period of strong growth, principally driven by new larger format store openings in predominantly edge and out-of-centre locations. Since 2010 the top-5 main grocery operators (i.e. Tesco, Sainsbury’s, Asda, Waitrose and Morrisons) have dramatically changed their business models; with a focus now on growing market share through online sales, and opening new smaller convenience store formats (including Tesco Express, Sainsbury’s Local and Little Waitrose). Consequently, applications for large store formats have slowed to a virtual standstill over the last decade and extant permissions have not been implemented. Outside of the so-called top-5 grocers, the ‘deep discount’<sup>15</sup> food operators (namely Aldi and Lidl) have significantly increased their respective market shares through new store openings. Notwithstanding this the grocery and convenience sector has been one of the biggest “*winner*s” during the pandemic, as the majority of households have been forced to work from home and only the foodstores and essential stores have been open during the series of lockdowns, including local independents.
- 3.18 The non-food retail sector has also experienced a significant impact from the rise of online shopping over the last decade, which has impacted on business models and store viability. Many well-known

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<sup>15</sup> Also referred to as ‘Limited Assortment Discounter’ (‘LADs’) by the Competition Commission Report.

retailers have either closed or have significantly reduced their store portfolios, with the trend for store closures and associated job losses.

- 3.19 The peak pandemic years of 2019 to 2021 are regarded as one of the hardest for the retail sector for over 25 years. For example, the *Centre for Retail Research* (CRR) identified that in 2019 some 16,073 retail units closed across the UK with the loss of over 143,000 jobs; an increase from 14,583 shop closures and over 117,400 job losses recorded in 2018. A similar trend occurred in 2020 as the full effect of the pandemic took hold on the retail market with 11,459 shops closing and the loss of over 105,700 jobs. The pandemic has accelerated the demise of a number of high profile retailers that were already struggling due to falling sales and increasing costs/debt (including Debenhams, Oasis, Warehouse, Laura Ashley, the Arcadia Group and Kath Kidston).
- 3.20 National retailers with extensive high street store portfolios are struggling to maintain market shares and remain profitable in the increasingly competitive environment. The higher costs of trading from high streets compared with online and out-of-centre retailing, also means that it is not a “*level playing field*” and many high street businesses are burdened with rising debts. This is a further contributing factor to the significant number of store closures that have occurred over recent years. Although some retailers are better positioned to cope with the growth in online shopping, and the shifts in consumer behaviour and preferences, many are struggling to position themselves quickly enough to absorb rising costs/debt, and engineer the vital transition to a more technology-focussed business model. These trends and challenges have been further exacerbated and accelerated by the pandemic.

### RISING OCCUPANCY COSTS

- 3.21 As described above, ‘*bricks and mortar*’ retailers are having to absorb higher than inflation increases in year-on-year occupancy costs (for example, rents, business rates, service charges, staff costs, etc.). Research shows that, on average, retailers’ operating costs (including rent, business rates, staff wages, utilities, etc) increased by +3.5% in 2018. This outpaced sales growth for many retailers, eroding profitability and resulting in more store closures. As described above it is not a “*level playing field*” between high street and online retailing, or between high street and out-of-centre retailing. In response to the budgetary challenges from rising costs and tight margins, retailers will need to drive up efficiencies and productivity from existing floorspace to remain viable.
- 3.22 In this context, it is standard practice for retail planning assessments to make a reasonable and robust allowance for the year-on-year growth in the average sales densities of existing and new (comparison and convenience) retail floorspace for it to remain vital and viable. However, there is limited evidence detailing actual changes in the turnover and profitability of retailers over time. The latest *Retail Planner Briefing Note* (RPBN) prepared by Experian provides forecasts of annual floorspace productivity growth rates based on two different scenarios:
- the ‘**constant floorspace scenario**’, based on limited potential for new retail development, resulting in greater efficiency of existing floorspace; and
  - the ‘**changing floorspace scenario**’, which takes account of the impact of new retail development on average retailer sales performance.
- 3.23 The table overleaf sets out the differences between the two scenarios.

**Table 3.1: Floorspace Productivity Growth Rates (year-on-year growth %)**

	2020	2021	2022	2023	2024-28	2029-40
<b>CONSTANT FLOORSPACE</b>						
Convenience Goods	6.6%	-9.4%	-0.9%	0.2%	0.3%	0.3%
Comparison Goods	6.6%	-9.4%	2.7%	1.6%	0.1%	0.0%
<b>CHANGING FLOORSPACE</b>						
Convenience Goods	-7.2%	-0.2%	6.4%	2.2%	2.4%	2.9%
Comparison Goods	-7.2%	-0.2%	7.2%	2.3%	2.2%	2.6%

Source: Experian Retail Planner Briefing Note 19 (February 2022). Figures 3b/3c and 4a/4b.

3.24 As Experian explain, budgetary pressures mean that retailers will have to increase efficiencies from current floorspace, including through: redevelopment/repurposing of existing floorspace; adoption of new technology and innovations; more effective marketing strategies; and using internet sales to increase the sales performance of physical shops. This is against a backdrop of weak demand for retail property, high vacancy levels and a significant fall in new retail-led development in centres across the UK. Experian conclude that these trends confirm the limited prospects for new retail floorspace development in the future. For these reasons we prefer to test lower 'productivity' growth rates (i.e. the 'constant floorspace' rates in the table above) for retail planning assessments, as we believe they are more robust as they better reflect trends at the national and local level. The testing of lower 'productivity' growth rates also supports the "town centre first" policy approach, as it allows existing retailers to increase their sales potential and profit margins to remain viable.

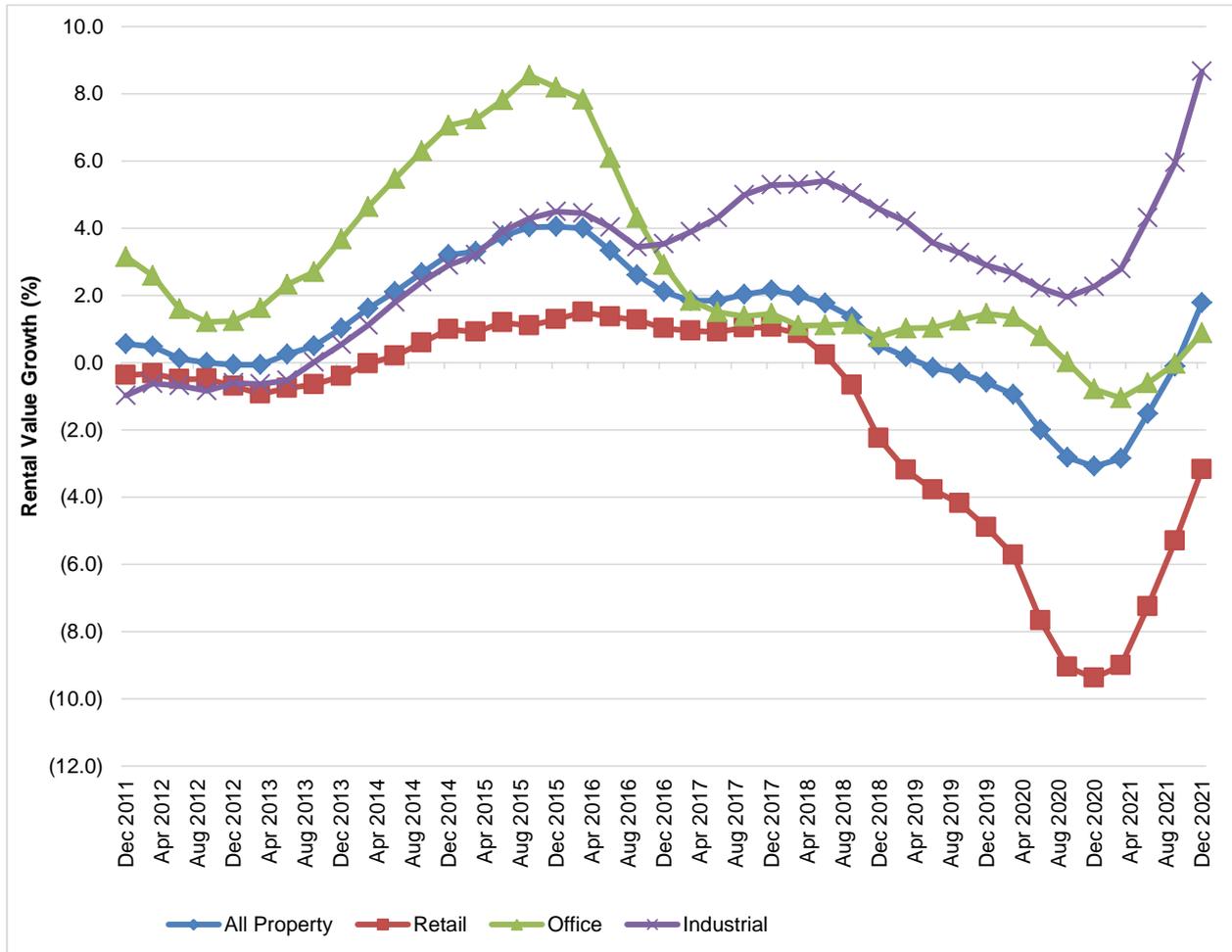
### **RETAIL & SHOPPING CENTRE INVESTMENT**

3.25 The rise in the number of retailer "casualties" and vacancy levels has created a challenging environment for existing retailers and investments in towns and shopping centres across the UK. The current investment climate is becoming increasingly polarised. The strongest regional shopping locations generally have the best prospects for attracting new investment, as they generally benefit from strong catchments and have the necessary critical mass of shops, leisure facilities and other town uses to remain commercially viable and attractive investment propositions. Outside of the regional shopping locations it is the more secondary towns and shopping locations that potentially remain vulnerable to further reductions in their existing retail and commercial offer. This is against the backdrop of limited and falling demand for new shops and commercial space.

3.26 Demand for retail space in centres across the UK has fallen dramatically since 2007 and is currently at an all-time low. This fall is impacting on property values and rents. For example, LSH research conducted before the pandemic showed that the retail sector recorded a 4.9% fall in rents over the year to May 2019<sup>16</sup>. As the figure below shows, retail has also performed poorly compared with the other property sectors since the economic crisis in 2007/08. This trend has been further exacerbated by the pandemic as evident by average growth in retail rents falling by -9.4% over the year to December 2020. However, as the graph below shows there has been improvement in rental growth as the retail sector starts to recover.

<sup>16</sup> LSH research using MSCI data

Figure 3.2: Average Rental Growth (% Change Year-on-Year)



Source: MSCI

3.27 In simple terms, many centres and shopping locations across the UK simply have too much retail floorspace stock, or they have the “*wrong type*” of retail floorspace that does not meet the needs of modern national retailers for larger format shop units. Recent research from LSH and REVO indicate that that town centres have 20% to 40% too much physical retail space that needs to be repurposed<sup>17</sup>. This over-supply of retail floorspace and limited market demand is placing further pressures on the viability of existing stores and shopping centres. In turn, this makes it difficult for landlords, investors and retailers to justify additional capital expenditure.

3.28 The shopping centre sector also has faced significant challenges over the past decade. In recent years, the response to diminishing demand from traditional retailers has been to turn to the casual dining and commercial leisure (for example, cinemas) to take up surplus space. However, this is now becoming increasingly difficult due to the pressure on disposable income, and a fall in demand from food and beverage operators in an increasingly “saturated” market. A trend that has been further accelerated by the pandemic. As a result, shopping centre owners and landlords are struggling to retain existing tenants, let alone attract new retailers into vacant shops. The demise of Intu Properties is an example of the impact of these trends on the shopping centre sector. With total debts of £4.5 billion it was forced into administration in June 2020; notwithstanding that it owns some of the highest profile shopping centres in the UK (including Glasgow’s Braehead Centre, Manchester’s Trafford Centre, Nottingham’s Victoria Centre and Norwich’s Chapelfield). Intu’s business model, like most shopping centre owners, relied on ever-rising rental income from its

<sup>17</sup> <https://www.theguardian.com/business/2023/mar/22/shops-uk-local-leaders-retail-space>

tenants, along with a year-on-year increase in the value of its property portfolio; but these traditional models are “broken”. The pandemic has effectively accelerated the structural changes that were already impacting on the retail and shopping centre sectors.

- 3.29 Research shows that over the last 5-6 years, as many of the traditional investors in retail and shopping centres have looked to “exit” the sector, local authorities have been more acquisitive. For example, the joint research by LSH and Revo<sup>18</sup> shows that Councils invested a record £775m purchasing shopping centres between 2016 and 2019. The investment and business rationale for many of these purchases was to provide local authorities with more control of the planning, regeneration and management of their town centres. The funding of these purchases was also generally supported by low-cost loans from the Public Works Loan Board (‘PWLB’). For example, a number of local authorities have used the funding to acquire high street units, which has allowed them to manage and curate the optimum mix of retail, leisure, services and other uses at affordable rents. Other local authorities have taken similar approaches, involving the acquisition of multiple town centre units including whole assets (e.g. shopping centres) to help “take back control” and drive forward regeneration opportunities. However, the impact of the pandemic on the retail and shopping centre sectors, along with tighter restrictions on PWLB lending and higher risks generally, has inevitably impacted on Council purchases of shopping centre and retail property assets.

### COMPETITION FROM OUT-OF-CENTRE RETAILING

- 3.30 The development and take-up of food and non-food out-of-centre space has also slowed over recent years, in line with the trends impacting on high streets and town centres. As described above, the main grocery retailers have pulled back from new larger format superstore openings in edge and out-of-centre locations to focus on maintaining and increasing market shares through online sales and opening smaller convenience outlets. The exception to this is the deep discounters, Aldi and Lidl, who continue to seek new sites in mainly edge and out-of-centre locations.
- 3.31 Vacancy levels in out-of-centre retail warehouses and parks have also increased over the last decade following the closure of major operators (such as, for example, Toys R Us, Poundworld, Office Outlet, etc.), and a reduction in the store portfolios of other major out-of-centre retailers (B&Q and Homebase, for example). There are likely to be further increases in closures, particularly in the poorly performing “*first generation*” and secondary shopping locations, as leases come up for renewal and more retailers go into administration. As a result a number of out-of-centre foodstore and retail warehouse sites are being repurposed and/or redeveloped for alternative uses, including logistics, employment, and residential uses. An example in Sutton is a current planning application to redevelop the B&Q site in Sutton Town Centre for a housing led scheme, which will result in a smaller retail unit.
- 3.32 Notwithstanding this, most out-of-centre shopping locations retain their significant competitive advantages over town centres and high streets in terms of their supply of larger format modern outlets, their lower occupancy costs, extensive free parking and convenient access to the road network. This is still an attractive proposition for those retailers that are still seeking space in the current market. For example, as part of its revised business model Marks & Spencer has closed a number of its traditional high street stores and “*replaced*” these with ‘Simply Food/Food Hall’ branded stores in out-of-centre locations (for example in Dover, Maidstone, Great Yarmouth, Harlow, Wakefield and Rugby). As a result, retailers who previously anchored the vitality and viability of town centres, are now competing directly with high streets for shoppers, spend and sales.

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<sup>18</sup> LSH and Revo research paper published in 2019 entitled: ‘*Fixing Our Broken Town Centres*’

## RETAIL TRENDS & OUTER LONDON CENTRES

- 3.33 All the trends that are impacting on the retail and leisure sectors, and on towns and high streets at the national level, are impacting on centres across the regions. Sutton's centres will be no exception. The changes to the retail sector, particularly the rise of online shopping and new online habits formed during the pandemic, and other pressures faced by physical store retailers has led to a polarisation of how centres are performing.
- 3.34 As anchor retail and high street brands continue to rationalise store portfolio, better performing regional centres are in a better position to retain brands compared to mid-size town centres. This is usually due to larger centres benefiting from contained and/or growing catchments, and as a consequence is more likely to attract more significant investment and operator demand.
- 3.35 The Borough benefits from a moderately affluent catchment and based on the Affluence Indicator rankings published by PMA. Sutton Town Centre is positioned at 56 out of the top 200 UK towns and cities assessed by PMA. The centre's ranking is influenced by falling unemployment and rising average house prices in the Borough, while the catchment has an average proportion of adults of working age that are categorised within the most affluent AB social group (which includes those in managerial and professional occupations). Despite this, the profile of retail and food and beverage offer falls within affordable to mid-market categories. This suggests that the town centre is not meeting its full potential in terms of catchment appeal.
- 3.36 Town centre investment is focused on Sutton Town Centre due to the presence of key retailers including Marks & Spencer, Boots, TK Maxx, H&M, WH Smith, Metro Bank, Poundland and Wilko. In addition, the town centre benefits from two major shopping centres: the St Nicholas Shopping Centre and Sutton Place Shopping Centre. The former was acquired by the Council in September 2021. We are aware that the Council intend to repurpose the centre by moving away from a focus on retail and instead delivering a scheme that supports a mix of civic, commercial and residential accommodation.
- 3.37 Another key investment project in the town centre is the Sutton Place Shopping Centre/Times Square, which was acquired by Frasers Group in 2018. The centre has undergone significant redevelopment and reconfiguration over the past ten years, with new tenancies in place including TK Maxx, Pure Gym, and Frasers upmarket fashion brand, Flannels.
- 3.38 The consolidation of retail and diversification of uses will be one of the solutions to ensure that Sutton Town Centre continues to maintain its relevance as the Borough's principal shopping and leisure centre. Investment is critical in order for the centre to keep up with investment that is taking place in competing centres, such as Kingston-upon-Thames and centres in Croydon, and mitigate against further loss of expenditure to out-of-centre destinations (e.g. Valley Retail Park) and online.
- 3.39 Along with the importance of strengthening the role and attraction of larger centres such as Sutton, research indicates that smaller centres can survive by serving the basic "essential" local convenience needs and essential services of their local resident ("walkable") catchment populations. The rise of "essential" shopping in local shops and centres has been further illustrated by the impact of the pandemic, as more people had to work from home and shop locally. These trends should help to maintain and enhance the future vitality and viability of the Borough's smaller centres (e.g. district centres), with a strong mix of food and convenience uses, along with essential services and other town centre uses.
- 3.40 It is therefore essential for local authorities to prepare and implement evidence-based strategies for their network of centres. These strategies will have different objectives and outputs for different centres, but essentially they should identify: how the centres are currently serving their local catchments or communities, and whether they are performing against their designated role/function

in the hierarchy; and where a centre is failing, assess the need to reposition and repurpose the role and function of the centre for alternative and more flexible uses.

## SUMMARY

- 3.41 In summary, our towns, traditional high streets and shopping centres have been challenged for more than a decade by falling market demand, rising occupancy costs and increasing competition from online and out-of-centre shopping. These trends have been further accelerated and compounded by the COVID-19 pandemic; and are resulting in an increase in vacant shop units, often in primary shopping areas, as retailers and occupiers either choose to downsize and/or close stores in some locations (e.g. Marks & Spencer), or they are forced out of business altogether due to failing business models and unmanageable debts. This has a knock on effect on sub-regional and smaller town centres where high street brands help to generate footfall.
- 3.42 Today, many of our traditional towns and shopping centres simply have too much retail space. The critical challenge for Sutton over the short, medium and long term will be how to retain existing businesses, fill/replace the voids and attract new investment as all of the Borough's centres will be vulnerable to decline in their retail and leisure offer, without suitable investment. The danger is that an increase in vacancies in centres will lead to a 'spiral of decline', which will further engender feelings of neglect and lack of investment confidence in town centres, and "push" more people to shop online. In those cases where retail vacancies are long-term and more often than not concentrated in secondary shopping streets/pitches, it will be necessary to plan for alternative uses and/or consider options for redevelopment.
- 3.43 Ultimately, policy needs to consider how town centres can diversify their offer by looking beyond retail and leisure as a way to secure the future of these centres. We consider the potential implications of retail and leisure trends and the options for Sutton Town Centre and the district centres in more detail throughout the rest of this study and how emerging Local Plan policies can help to positively manage structural changes to the retail market.

## 4. HEALTH CHECK ASSESSMENT

4.1 This section sets out the findings of the town centre audit for Sutton Town Centre and the seven District Centres of Carshalton, Cheam (Village), Hackbridge, North Cheam, Rosehill, Wallington, and Worcester Park. The detailed health checks and audits are set out in Volume C.

### TOWN CENTRE HEALTH CHECKS - SUMMARY

4.2 As described in Volume C, the health checks were based on the *Key Performance Indicators* (KPIs) set out in the PPG<sup>19</sup>. The assessments are informed by different data sources and market intelligence, including published research, site visits, the Council’s monitoring data, and market research surveys. Taken together these KPIs enable a robust assessment of each centre’s SWOTs (Strengths, Weaknesses, Opportunities and Threats), and help to identify any significant “gaps” in provision.

4.3 We recommend that the Council undertakes regular health checks at least every year to monitor the impact of the critical trends and policy reforms on the vitality and viability of the Sutton Town Centre and the seven district centres.

4.4 By way of overview the table below shows the scale of the retail, leisure and service provision in the Borough’s designated town and district centres based on surveys of commercial outlets and floorspace for each centre identified by the Council’s centre audits<sup>20</sup>.

4.5 Based on total commercial floorspace<sup>21</sup>, Sutton Town Centre (121,063 sqm) accounts for the majority of commercial town centre floorspace in the Borough, which is expected given the town’s shopping, service and administrative role. Wallington District Centre (29,254 sqm) follows Sutton as the largest of the seven district centre. Carshalton (8,194 sqm) and Hackbridge (7,112 sqm) are the smallest of the district centres.

**Table 4.1: London Borough of Sutton – Total Commercial Outlets and Floorspace (2022)**

	Commercial Outlets		Commercial Floorspace		Average Unit Size
	No.	% Total	Gross Sqm	% Total	Gross Sqm
Sutton Town Centre	378	35%	121,063	52%	320
Carshalton District Centre	67	6%	8,194	4%	122
Cheam District Centre	140	13%	16,834	7%	120
Hackbridge District Centre	29	3%	7,112	3%	245
North Cheam District Centre	96	9%	19,060	8%	199
Rosehill District Centre	81	7%	12,187	5%	150
Wallington District Centre	146	13%	29,254	13%	200
Worcester Park District Centre	145	13%	19,253	8%	133
<b>Total for All Centres</b>	<b>1,082</b>	<b>100%</b>	<b>232,957</b>	<b>100%</b>	<b>215</b>

<sup>19</sup> Paragraph 006. Reference ID: 2b-006-20190722

<sup>20</sup> Based on surveys undertaken by the Council in 2022.

<sup>21</sup> Commercial includes retail, leisure, service and related vacant units

4.6 Sutton Town Centre and the seven District Centres are distinct from each other with their own physical characteristics, catchments, and market position in terms of commercial offer, which is described in the health check assessments in Volume C. The following tables and commentary summarise the main SWOTs (Strengths, Weaknesses, Opportunities and Threats) for each town and district centre. The findings help to identify the relative performance of the main centres in the District’s network and hierarchy of centres, and any significant “gaps” in provision.

### SUTTON TOWN CENTRE

4.7 The table below summarises Sutton Town Centre’s main SWOTs based on the key health check indicators:

Strengths
<ul style="list-style-type: none"> <li>• Located in South London and relatively well connected by both road and rail to Central London and the surrounding area.</li> <li>• The town centre has Metropolitan centre status, which places a focus good retail, high density employment and residential development.</li> <li>• The largest centre in the borough and a popular shopping destination for Borough residents.</li> <li>• The indoor St Nicholas Shopping Centre and Times Square Shipping Centre is are a key locations for retail brands such as Next, Primark and Sports Direct.</li> <li>• The centre has a notably strong convenience retail offer including three large foodstores and a number of smaller branded supermarkets.</li> <li>• The centre is focus for investment in recent years and regeneration plans coming forward will help to rejuvenate the centre, such as the Council's plans for the St Nicholas Shopping Centre, the conversion of the former BHS department store and forthcoming projects from the Future High Street Funds.</li> <li>• The High Street is mostly pedestrianised which creates a safe and attractive environment for pedestrians.</li> <li>• The town centre offers a good range of public car parking and good connectivity to the cycle network.</li> <li>• The town centre benefits from a lower than average vacancy rate.</li> <li>• The town has benefited from successful Business Improvement District initiatives, which have enhanced the town centre.</li> <li>• As well as supporting a reasonably good mix the retail brands, the centre also offer a good range of independent retail.</li> <li>• There has been a recent uptake of vacant space to create new retail and leisure offer.</li> <li>• Growing residential community due to new residential development that has taken place both in the north and the south of the town centre.</li> </ul>
Opportunities
<ul style="list-style-type: none"> <li>• Potential to improve wayfinding to parks, car parks, and other key areas of the town.</li> <li>• Improve the evening and night-time economy, potentially through more quality restaurant options.</li> <li>• A number of retailers have registered requirements for space in the town centre including Savers (likely seeking a better premises and greater floorspace) and Matalan.</li> </ul>

- The town is identified as an Area of Potential Intensification, which presents opportunities to deliver more residential living in the town centre, which would support new expenditure for local businesses.
- Tramlink and major transport proposals would greatly improve connections to the wider catchment and encourage residents and visitors to visit the town centre more often.
- The town centre offers more affordable retail rents than competing locations which could encourage the opening of new independent businesses.
- Greening throughout the town centre could soften the urban landscape.
- General cleaning and tidying of the town centre to remove graffiti and dirt.
- Decline in retail floorspace opens up opportunity for other town centre uses.

### Weaknesses

- The surrounding gyratory is very busy and will impact on pedestrian connectivity.
- Pockets of urban decline on the edges of the town centre boundary.
- While the town has a low vacancy rate there are a number of vacant units in prominent locations such as Argos, (although a planning application<sup>22</sup> has been submitted and is currently in determination).
- The household survey indicates that residents are not satisfied with the town centre and have a poor perception safety regarding the town at night.
- Limited night-time economy due to a limited range of quality restaurants and other leisure activities that encourage town centre users to visit in the evening.
- Traffic around the gyratory which impacts on air quality and will contribute to noise pollution.
- The Office to Residential Article 4 has now expired and the Council don't have one that covers Class E at the present time.
- The town centre (and Borough) does not have a London Overground or Underground.

### Threats

- Growth of online shopping impacts on brick and mortar shopping.
- High levels of traffic impact of health.
- Perception of a lack of safety, potentially prohibiting people from wanting to visit the town centre in evening and nights.
- The householder surveys identified a split decision on retail offer, many happy with the current offer and many wanting more.
- Longer term impacts from the pandemic are still to be determined.
- Competition from other centres, such as Croydon and Kingston.

4.8 In summary, Sutton is the largest town centre in the Borough, has the most retail offer and is the only centre with a pedestrianised high street. Parts of the town centre are suffering from urban decline, although there are also recent large scale residential developments which will likely benefit the town centre economy. Sutton Borough does not have an Underground or an Overground and therefore proposals relating to the Tramlink and Major Transport links would greatly improve connections.

<sup>22</sup> Planning application reference: DM2022/02131

## CARSHALTON DISTRICT CENTRE

4.9 The table below summarises Carshalton District Centre's main SWOTs based on the key health check indicators:

Strengths
<ul style="list-style-type: none"> <li>• The town centre is located within a Conservation Area and has a historic Setting with many listed buildings and structures, which contributes to overall town character.</li> <li>• Strong independent representation in respect to retail and leisure offer.</li> <li>• Compact / walkable town centre.</li> <li>• Strong localised catchment, particularly as a top up food shopping destination.</li> <li>• Benefits from nearby blue and green infrastructure.</li> <li>• Trees and planting throughout the centre create an attractive and pleasant town user environment.</li> </ul>
Opportunities
<ul style="list-style-type: none"> <li>• Potential development opportunity with the vacant pub</li> <li>• Area of Potential Intensification and therefore an increase in housing will result in more people using the town centre.</li> <li>• Potential rail improvements that will boost connections with other residential communities and draw in more expenditure.</li> <li>• The area of Beacon Grove leading to Grove Park could be enhanced it appears more neglected than other parts, especially as this leads to the Post Office and is likely well used.</li> </ul>
Weaknesses
<ul style="list-style-type: none"> <li>• Constrained by road network. The arterial road running through the town centre disconnects businesses on either side of High Street and detracts from the town centre's environment.</li> <li>• Limited room for growth due to the historic nature of the town centre and no obvious sites to support town centre growth.</li> <li>• Beacon Grove appears tired and is not very inviting for town centre users.</li> <li>• Large vacant pub at a prominent location is an eyesore.</li> <li>• The historic buildings in commercial use will have limited potential for modernisation due to their size and conservation value.</li> </ul>
Threats
<ul style="list-style-type: none"> <li>• High levels of traffic and congestion/ pollution.</li> <li>• Longer term impacts from the pandemic have yet to be realised and recovery will be held back due to the cost of living crisis.</li> <li>• As one of the smallest district centres Carshalton will be susceptible to competition from neighbouring district centres, such as Wallington where investment has taken place, and from online shopping.</li> <li>• The introduction of Class E could result in a loss of retail units and a broken tooth effect on commercial activity where residential conversions take place at street level.</li> </ul>

4.10 In summary, Carshalton District Centre is compact with a strong historic setting which benefits from nearby green and blue infrastructure. The town centre is constrained by the historic nature of the town and also as a result of the surrounding road network. The most notable development potential could be the vacant pub, which is starting to detract from the town setting.

## CHEAM DISTRICT CENTRE

4.11 The table below summarises Cheam District Centre’s main SWOTs based on the key health check indicators:

<b>Strengths</b>
<ul style="list-style-type: none"> <li>• High environmental quality with a mix of architecture styles.</li> <li>• The town centre benefits from being located within a Conservation Area, with a historic environment with many listed buildings throughout that create a unique character.</li> <li>• Strong independent representation for retail and leisure.</li> <li>• Well connected by road, rail and bus services</li> <li>• Strong food and beverage (F&amp;B) offer, particularly in respect to restaurants and cafes.</li> <li>• Near to Nonsuch Park, an attractive public park</li> <li>• It benefits from having well-known brands such as Sainsbury’s Local and a Little Waitrose</li> <li>• The centre operates a street market.</li> <li>• Consistent levels of footfall throughout the day, which indicates that the centre is popular, vital and viable.</li> </ul>
<b>Opportunities</b>
<ul style="list-style-type: none"> <li>• Marketing the existing offer, particular the independent retail offer and the local produce / markets and F&amp;B businesses,</li> <li>• Identified as an area of potential intensification in the Local Plan, which promotes opportunities to increase housing, which in turn will support new expenditure for the centre’s businesses.</li> <li>• Potential rail improvements will result in the town centre being better connected and will promote the centre as a place to live and visit.</li> <li>• Potential for better way finding, especially to orientate visitors to and from nearby Nonsuch Park.</li> <li>• Potential opportunities in relation to the vacant units, which are sizeable and in good locations within the centre.</li> <li>• Further enhancements to urban greening and public realm, which would strengthen the attractiveness of the town centre to customers and investors.</li> </ul>
<b>Weaknesses</b>
<ul style="list-style-type: none"> <li>• Historic nature restricts development growth, which may impact on the Council’s aspirations to promote Cheam as an area of intensification.</li> <li>• Prominent vacant units on key shopping streets are an eyesore.</li> <li>• The road network forms a major traffic junction which impacts on accessibility, air and noise pollution.</li> <li>• The crossroad layout also effects accessibility.</li> <li>• The centre lacks a meeting / focal point which makes the town more functional as opposed to social.</li> </ul>
<b>Threats</b>
<ul style="list-style-type: none"> <li>• The crossroad intersection experiences high levels of traffic and congestion and as a result could impact on the on the air quality and the levels of noise pollution within the town centre.</li> <li>• The longer term impacts from the pandemic have yet to be realised and shopping habits and</li> </ul>

behaviours could change over time, such as travelling to other areas or shopping online.

- The town will always be in competition from other towns within the borough and Sutton town centre is only located a mile to east, and could draw people away from the town.
- The historic setting of the town centre should be maintained and enhanced and redevelopment opportunities could potentially take away from the character of the area.

4.12 Despite the pandemic Cheam District Centre appears to be recovering, with good levels of footfall through and some alteration works happening within the town which indicates a good mix of retail offer. However, development opportunities are likely to be fairly limited given the historic nature of the town centre.

### HACKBRIDGE DISTRICT CENTRE

4.13 The table below summarises Hackbridge District Centre's main SWOTs based on the key health check indicators:

Strengths
<ul style="list-style-type: none"> <li>• The town centre benefits from a Lidl store that serves as the main anchor retailer for the centre.</li> <li>• Evidence of significant investment in the centre through new residential development, which have included the provision of retail anchors, such as Lidl.</li> <li>• The position of the rail station within the town centre will promote the centre as a place to live, particularly for commuters.</li> <li>• Low vacancy rate.</li> <li>• The centre benefits from greenspace and walking routes along the River Wandle.</li> <li>• There has been recent investment in public realm.</li> </ul>
Opportunities
<ul style="list-style-type: none"> <li>• Housing intensification through recent development other opportunities to promote further housing through the centre's Area of Potential Intensification designation will support new expenditure for town centre business growth.</li> <li>• The presence of Lidl will appeal to town centre investors in retail and service that will seek to draw on linked footfall.</li> <li>• Potential rail improvements will make the centre a more attractive place to live, particularly for commuters.</li> </ul>
Weaknesses
<ul style="list-style-type: none"> <li>• The town centre is very small and retail turnover is largely dependent on Lidl.</li> <li>• Similarly, retail offer is limited particularly for a district centre, which in turn will limit the potential for Hackbridge to attract town centre customers.</li> <li>• New developments are larger in scale to older buildings. Opportunities to soften and blend new and old developments together will help address this.</li> </ul>
Threats
<ul style="list-style-type: none"> <li>• Limited town centre uses available in the centre will hold back investment and the potential to attract and retain expenditure from the local catchment.</li> <li>• There has been a lot of investment in Hackbridge and in the public realm and this should be maintained.</li> </ul>

- Longer term impacts from the pandemic and the changes in shopping behaviours has yet to be fully explored and could impact on town centres.
- Further redevelopment opportunities should ensure that they have a positive impact on the existing character of the area, particularly along London Road.
- The town centre currently has several new developments along London Road, but there appears to be limited active frontages which contribute to the vibrancy of a town centre.

4.14 Hackbridge District Centre is the only town centre that does not have identified shopping frontages, which is likely due to the centre's smaller size (it is the smallest of the borough's district centres). There have been recent developments around Spinning Wheel Way including the mixed-use New Mill Quarter Development, which have increased the centre's population through new housing provision and introduced an anchor foodstore. If further housing development comes forward in the future there is likely to be demand for additional services within the centre, which are otherwise relatively limited.

### **NORTH CHEAM DISTRICT CENTRE**

4.15 The table below summarises North Cheam District Centre's main SWOTs based on the key health check indicators:

<b>Strengths</b>
<ul style="list-style-type: none"> <li>• Very low vacant floorspace at 4%.</li> <li>• Strong independent retailing representation and the town is anchored by well-established retail multiples.</li> <li>• The town benefits from a large Sainsbury's store and an Aldi that will drive footfall to the town centre.</li> <li>• Whilst parking is limited in the town there is 3 hours of free customer parking available at the Sainsbury's store.</li> </ul>
<b>Opportunities</b>
<ul style="list-style-type: none"> <li>• The town centre is included as an Area of Potential Intensification, which promotes opportunities to increase the town's resident population and support local businesses through retained expenditure.</li> <li>• Prominent vacant plot of land, which has remained vacant for a long period of time and impacts on the attractiveness of the centre. A planning application has been submitted for a mixed use development and this could greatly improve this part of the town once finished.</li> <li>• There are opportunities to enhance the public realm to create a more inviting environment for town centre users.</li> <li>• Make use of the wide pavements, with urban greening, public furniture, public art, interactive features.</li> <li>• Linked to the above, cafes and restaurants could provide more outside dining / café culture, this would contribute to active frontages and add to the vibrancy of the high street.</li> </ul>
<b>Weaknesses</b>
<ul style="list-style-type: none"> <li>• The main high street is located along a busy road, which impacts on the perception of safety for pedestrians and acts as a barrier to businesses on either side of the road.</li> <li>• Congestion on both sides of the road due to the significant amount of traffic associated with the McDonalds and the Sainsbury's store.</li> </ul>

- The centre lacks a core / gathering spot that would otherwise potentially support a street market and street events.
- A lot of the town centre and its urban environment appears dated and tired and would benefit from refurbishment or redevelopment. Alternatively, low intervention measures could include adding colour, lighting, greenery etc.
- The main road is very wide and makes the town centre feel bare at parts. The introduction planting, such as trees could address this.

#### Threats

- High levels of traffic congestion in the town centre and associated pollution could discourage town centre users.
- A poor perception of safety was identified in the household survey by town centre users.
- The town's economy is likely to be reliant on footfall linked to Sainsbury's and would be vulnerable where the store was subject to new competition.
- Impediments to the centre's recovery from the pandemic economic due to new impacts from the cost of living crisis on household expenditure.

4.16 North Cheam District Centre has a major road that runs through the centre which impacts on air quality, noise pollution and pedestrian safety. The allocated Victoria House site is the most obvious opportunity for development. Although being vacant for some time, it is understood that a planning application for 74 residential units and 256sqm of commercial floorspace is being considered. The town centre has a large Sainsbury's and a McDonalds opposite which attract many shoppers, which benefits the local economy however impacts further on traffic and congestion.

### ROSEHILL DISTRICT CENTRE

4.17 The table below summarises Rosehill District Centre's main SWOTs based on the key health check indicators:

#### Strengths

- Low vacancy rate suggests that commercial outlets are in demand.
- The town centre benefits from access to nearby green space.
- Many of the town centre's buildings and architecture add character and contribute to an attractive town centre.
- The town has a strong anchor foodstore with Lidl and would bring customers and footfall into the town centre.

#### Opportunities

- The town has been identified as an Area of Potential Intensification, which presents opportunities to support new residential development and associated benefits to town centre businesses from new resident expenditure.
- Enhancement to the streetscape could be achieved by improving Lidl's façade.
- Potential Tram extension from Wimbledon would greatly improve connectivity with nearby residential settlements and encourage more visits to the centre.

#### Weaknesses

- Rosehill Roundabout presents an obstacle for pedestrians and impacts on the centre's connectivity and accessibility.
- The blank façade on the Lidl store prevents the continuity of active frontage and detracts from

the environmental quality.

- While the centre benefits from a rail station, pedestrian connectivity is constrained by the roundabout layout and requires improvement to encourage better links with the town.

### Threats

- The main town centre uses during the evening time are limited to convenience foodstores and fast food takeaways.
- The customer perception survey found that survey participants believed the town needed a revamp and better policing which could suggest a fear of crime.
- The town has a small town feel and future development could threaten this
- The Rosehill Roundabout also experiences high levels of congestion and traffic and this would impact on air quality and noise pollution
- Longer term impacts from the pandemic are still to be explored and this includes how future shopping behaviours could impact on town centres

- 4.18 Rosehill District Centre has a very diverse urban environment with a large busy roundabout to the west, a large green space to the east and high street with Georgian style influences and residential terrace housing amongst town centre uses. The Lidl is the retail anchor of the town however the frontage detracts from the town centre and could be improved.

## WALLINGTON DISTRICT CENTRE

- 4.19 The table below summarises Wallington District Centre's main SWOTs based on the key health check indicators:

### Strengths

- The centre has a low vacancy rate, which indicates there is demand for commercial outlets.
- The Sainsbury's anchor store will support linked trips with other centre businesses.
- Recent investment has taken place within Wallington Square that will have improved the town's profile.
- The town hall serves as an attractive focal point for the local community.
- The centre is well connected by road, but particularly so by public transport, with the town centre benefiting from a centrally located rail station.

### Opportunities

- The town has been identified as an Area of Potential Intensification, which could mean that it can support future residential and employment development. This could increase investment and footfall and benefit the local economy.
- The town centre has below average floorspace for comparison retail and this could be a potential market to focus on and provide more comparison retail offer.
- There are some prominent vacancies (including the former post office, Wallington Arms and within Wallington Square), which could be occupied and diversify the town centre uses, particularly for evening times where a lot of the town centre is currently limited to convenience foodstores.

### Weaknesses

- The centre has a number of prominent vacant units.
- There are examples of architecture that appears incongruous with the town's character.

- The town centre boundary extends out to the east and feels disconnected from the main shopping area
- Very busy traffic junction where the roads meet, and heavy traffic throughout the town
- The back end of the Sainsbury's faces the beginning of the high street, giving the town centre a poor sense of arrival.

#### Threats

- Similar to the other District Centre, the town centre has a busy road which experiences high levels of congestion and traffic which directly relate to air and noise pollution
- The town centre has a good mix of commercial outlets however there appears to be limited evening and night time uses which would increase dwell time and improve the evening economy
- Wallington is the largest District Centre and is unlikely to be greatly impacted by nearby competing however future shopping behaviours as a result of the pandemic are still to be fully explored and could have an impact.

4.20 Wallington District Centre has a focal point in the town hall and has some nice architecture. The town also has a busy road junction, which impacts on congestion and pollution and the secondary shopping frontages are stretched out away from the centre core. The town also suffers from some prominent vacancies in Wallington Square and the flats above the arcade are out of character with the town centre.

### WORCESTER PARK DISTRICT CENTRE

4.21 The table below summarises Worcester Park District Centre's main SWOTs based on the key health check indicators:

#### Strengths

- Worcester Park has a very low vacancy rate with only 2% of the overall commercial floorspace being identified as vacant
- There is a good range of retail throughout, with the only use lower than the UK average being comparison retail
- The town benefits from having a train station, which makes it well connected to the surrounding areas and Central London.
- The town benefits from a good town centre layout with smaller units being located along the road and the supermarket set back off the high street which allows for more active frontages along the Primary Shopping Frontages.
- The town centre is walkable and compact and has a good quality public realm in good condition.
- The town also benefits from having a Waitrose anchor store which supports footfall.

#### Opportunities

- Worcester Station may be connected with Crossrail 2 in the future, which would greatly improve connectivity and would increase the attractiveness of the centre as a place to live, particularly with commuters.
- The Beverley Brook runs through Worcester Park, which could be an opportunity direct visitors or improve wayfinding to it.
- There could be more commercial offer to improve the evening economy and keep people in

the town for longer.

### Weaknesses

- The road which runs through the town is a main artery link to the A3 (Kingston Bypass) and experiences high volumes of congestion and traffic which are related to high levels of air and noise pollution.
- The town centre lacks a focal point for the community and the built environment is hard due to limited landscaping, along with the road and on-street parking.

### Threats

- High levels of congestion and traffic could impact on people wanting to visit the town centre
- Competition from other towns could draw customers and visitors away
- Longer term impacts from the pandemic have yet to be explored, particularly in relation to shopping habits and behaviours which could impact on town centres.
- The town centre has a fairly consistent architectural style throughout and future development could take away from this.

4.22 Worcester District Centre has a very low vacancy rate and appears to be performing very well and benefits from a good range of retail and services. A negative of the town centre is that the A2043 runs through the centre, which detracts from the town centre's environment and have a negative impact on the pedestrian environment. There are opportunities to improve the town centre's built environment by providing a focal point for town centre users that could serve as an events space.

## SUMMARY

4.23 The findings of the health check assessment reveal varying levels of performance across the different KPIs. However, it can be concluded that Sutton Town Centre and the District Centres are all of the Borough's town centres are performing well and are considered to be vital and viable.

## 5. STUDY AREA AND MARKET SHARE ANALYSIS

- 5.1 This section sets out the headline results of the household telephone interview survey, which helps to identify shopping patterns and market shares for different types of convenience ('food') and comparison ('non-food') goods purchases.

### STUDY AREA DEFINITION

- 5.2 The definition of an appropriate Study Area is an important starting point for retail and town centre assessments. In this case, the Study Area is based on electoral ward boundaries. The Study Area has been sub-divided into ten zones (see plan in Appendix B1; Volume B), which help to identify variations in shopping and leisure patterns, and broadly correlate to a likely local catchment for the Borough's town and district centres. The Study Area principally covers the administrative boundary for Sutton (Zones 1 to 6), but also covers parts of neighbouring local authorities<sup>23</sup> (Zones 7 to 10).
- 5.3 The table below sets out the study zones and the aggregated electoral ward boundaries for each zone. It should be noted that the ward boundaries applied to the Study Area were superseded by amended ward boundaries adopted by the Council in 2020. Expenditure and population data on the new ward boundaries could not be obtained for the revised ward boundaries. Hence, the pre-2020 ward boundaries are adopted to inform the economic analysis.

**Table 5.1: Study Area, Zones, Electoral Wards**

Zone	Study Area	Electoral Wards
1	Sutton	Sutton North, Sutton Central, Sutton West, Sutton South
2	Cheam/ Belmont	Cheam, Belmont (Sutton)
3	St Helier/ Wandle Valley	St Helier (Sutton), Wandle Valley, Beddington North
4	Worcester Park	Worcester Park, Nonsuch, Stonecot
5	Carshalton Central	The Wrythe, Carshalton Central, Wallington North
6	Wallington South	Carshalton South and Clockhouse, Wallington South, Beddington South
7	Banstead	Banstead Village, Nork, Chipstead, Kingswood & Woodmansterne, Coulsdon Town
8	Purley/ West Thornton	Waddon, Purley Oaks, Purley and Woodcote, West Thornton, Broad Green
9	Old Malden/ Stoneleigh	Old Malden, Cuddington, Auriol, Stoneleigh, Nonsuch (Epsom & Ewell)
10	Lower Morden	West Barnes, Cannon Hill, Lower Morden, St Helier (Merton), Ravensbury, Cricket Green, Pollards Hill

- 5.4 The Study Area and zones provide the sampling framework for the household telephone interview survey (HTIS), and enables finer analysis of shopping patterns for convenience and comparison goods purchases, market shares and expenditure flows, and leisure preference both within and outside the defined Study Area

<sup>23</sup> Kingston-upon-Thames, Banstead & Reigate, Epsom & Ewell, Croydon, and Merton.

- 5.5 NEMS Market Research (NEMS) was commissioned to carry out some 1,002 household telephone interviews between Friday 16<sup>th</sup> September and Thursday 13<sup>th</sup> October 2022. The methodology and full ‘weighted’ survey results are set out in Volume E<sup>24</sup>.

### MARKET SHARE ANALYSIS

- 5.6 The survey-derived market share analysis is detailed in Volume B (see Appendix B2 for convenience goods and Appendix B3 for comparison goods). As described above, the market share analysis at this stage of the assessment includes expenditure on ‘Special Forms of Trading’ (SFT), including online shopping.
- 5.7 Table 5.2 sets out the convenience and comparison goods market shares levels achieved by centres and stores in the Study Area. Note that the figures quoted for convenience and comparison are aggregate totals for the different forms of shopping within these two retail categories. Further analysis is provided on the different types of convenience and comparison retail market shares are set out in Appendix B2 and Appendix B3 (Volume B) and discussed for key centres in paragraph 5.10 and paragraph 5.13.

**Table 5.2: Convenience and comparison goods markets shares for key centres in London Borough of Sutton – Study Area and Borough Area Market Shares**

	CONVENIENCE		COMPARISON	
	Study Area	Borough Area	Study Area	Borough Area
Sutton Town Centre	15.3%	27.4%	15.1%	24.2%
Carshalton District Centre	0.8%	1.6%	0.6%	1.1%
Cheam District Centre	1.4%	2.5%	0.8%	1.4%
Hackbridge District Centre	1.2%	2.4%	0.1%	0.1%
North Cheam District Centre	5.5%	6.9%	1.7%	1.8%
Rosehill District Centre	2.0%	3.4%	0.1%	0.0%
Wallington District Centre	7.7%	13.4%	4.1%	7.2%
Worcester Park District Centre	1.6%	1.9%	0.9%	1.1%
Local Centres	7.0%	10.0%	0.8%	1.0%
Out-of-Centre incl Ravenside RP	7.4%	10.3%	4.4%	6.4%
<b>Total Expenditure Retention (LB Sutton)</b>	<b>50.0%</b>	<b>79.9%</b>	<b>28.5%</b>	<b>44.3%</b>
All Centres/ Stores Outside LB Sutton	43.8%	14.4%	38.2%	21.3%
Internet/ Special Forms of Trading	6.3%	5.7%	33.3%	34.4%
<b>Total Expenditure Leakage</b>	<b>50.0%</b>	<b>20.1%</b>	<b>71.5%</b>	<b>55.7%</b>
<b>Total Market Share</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

Source: Household Survey (September to October 2022). See Volume B (Appendix B2 and B3).

Note: Figures may not add up to 100% due to rounding.

### *Convenience Goods – Market Share Analysis*

- 5.8 The survey-derived market shares (%) for all convenience goods<sup>25</sup> shopping and purchases have been derived from the assessment of the (‘primary’) responses as to where people normally shop for their main (‘bulk’) and ‘top up’ grocery purchases. Furthermore, to prevent food shopping patterns being ‘skewed’ by larger superstores and food stores in the Study Area, the survey also asked

<sup>24</sup> Responses were weighted by the population in each zone to ensure that the results in more sparsely or heavily populated zones were not under or over represented in terms of the market share assessment.

<sup>25</sup> Convenience goods retailing is generally defined as comprising everyday essential items (including food, drinks, newspapers/magazines and confectionery), as well as an element of non-durable housing goods (such as washing up liquid, kitchen roll, bin bags, etc.).

respondents where else they normally shop (if anywhere) in addition to the first store identified (i.e. the 'secondary' responses).

5.9 The responses for 'primary' and 'secondary' food shopping purchase have then been merged through the application of a weighting based on judgements as to the proportion of household expenditure normally accounted for by each type of convenience goods shopping. In this case we have applied a reasonable and robust weighting of 60% for main 'bulk' shopping; 20% for secondary main 'bulk' shopping; 15% for primary 'top-up' shopping; and 5% for secondary 'top-up' shopping.

5.10 The main headlines are summarised below.

- **Special Forms of Trading (SFT)** - accounted for a market share of 6.3% of Study Area expenditure (5.7% of Borough area expenditure), which is significantly below the national average of 19.1% in 2022. This may be influenced by the availability of foodstores in the Borough and as a result residents are less reliant on online food deliveries.
- **Sutton Town Centre** – has the highest Study Area market share of the Borough's centres that are located within the Study Area (12.5%), of which the highest proportion is captured by Morrisons (5.5%) and Asda (2.2%), and to a lesser extent other key foodstores in the town centre (M&S Foodhall, Sainsbury's and Lidl). The market share for Sutton Town Centre's foodstores is mainly supported by expenditure generated from Zone 1 Sutton and Zone 2 Cheam/ Belmont with zonal retention levels reaching 61% and 38.5%, respectively.
- **Carshalton District Centre** – achieves the lowest convenience goods market share rates out of Sutton's seven district centres, with a total Study Area and Borough area market share of 0.8% and 1.6%, respectively. Market share increases to 7.9% for the centre's 'home zone' (Zone 5 Carshalton Central), which is mainly supported by Co-op (High Street) and Sainsbury's Local (High Street).
- **Cheam District Centre** – attracts a Study Area market share of 1.4% and 2.5% for the Borough area. The centre attracts a reasonable market share from Zone 2 Cheam/ Belmont (9%) and Zone 5 (5.1%). The Little Waitrose on Broadway accounts for the majority of the centre's market share. To a lesser extent, market share is supported by a Sainsbury's Local (High Street).
- **Hackbridge District Centre** – achieves a Study Area market share 1.2%, increasing to 2.4% for the Borough area, and to 7.7% against total expenditure for Zone 5 Carshalton Central. Market shares are overwhelmingly supported by the Lidl store (Spinning Wheel Way).
- **North Cheam District Centre** – attracts the second highest rate of market share of the Borough's seven district centres, where it achieves a Study Area market share of 5.5% and 6.9% for the Borough area. The higher rate of market share is due to the presence of a Sainsbury's Store, which accounts for almost all of the centre's convenience goods turnover. The centre retains approximately 30% of Zone 4 Worcester Park expenditure and has attracts a reasonably good market share from neighbouring zones, such as Zone 2 Cheam/ Belmont (10.5%) and Zone 9 Old Malden / Stoneleigh (12.7%).The centre attracts notable market share from Zone 2 Cheam/ Belmont (9%), Zone 5 Carshalton Central (5.1%), and Zone 10 Lower Morden (7.3%).
- **Rosehill District Centre** – achieves a Study Area market share 2%, increasing to 3.4% for the Borough area. The centre includes a Lidl store (Wrythe Lane) which mainly supports the town's convenience goods turnover. However, despite the presence of Lidl, the centre's market share is mainly supported by expenditure retained from the centre's home zone (Zone 3 St Helier/ Wandle Valley / 14.4%). Market share penetration is limited from neighbouring zones.
- **Wallington District Centre** – attracts the highest rate of market share of the Borough's seven district centres. The centre is very well served by foodstore including a Sainsbury's Superstore (Stafford Road), Lidl (Beddington Gardens) and smaller supermarkets (Iceland and Tesco Express), where it achieves a Study Area market share of 5.5% and 6.9% for the Borough area. As such, the centre retains 7.7% of total Study Area expenditure, increasing to 13.4% for

the Borough area. The centre retains 45% of local expenditure from Zone 6 Wallington South, 22% from neighbouring Zone 5 Carshalton Central, and 14.5% from Zone 3 St Helier/ Wandle Valley.

- **Worcester Park District Centre** – achieves a Study Area market share 1.6%, increasing slightly to 1.9% for the Borough area. Market share is mainly supported by a Waitrose store on Stone Place, followed by Iceland (Central Road). Market shares are highest for the centre's home zone (Zone 4 Worcester Park / 10.6%) and from neighbouring Zone 9 Old Malden / Stoneleigh (7.3%).
- **Local centres and local shops** – the Borough's network of local centres and local shops combined retain 7% of total Study Area convenience expenditure and 10.3% of Borough area expenditure, which is mainly supported by expenditure on top-up shopping (13.7% and 21.1% of total Study Area and Borough area expenditure, respectively). Market share is mainly supported by 'local' format foodstores (e.g. Sainsbury's Local, Tesco Express, etc.).
- **Out-of-centre foodstores** – the Borough has two out-of-centre foodstores. An Asda store is located on Marlow Way, which attracts Study Area market share of 3.2% (and slightly lower at 3.1% for the Borough area). The Asda draws most of its market share turnover from Zone 3 St Helier/ Wandle Valley, Zone 5 Carshalton Central, and Zone 6 Wallington South. Tesco Extra on Oldfields Road is the second out-of-centre foodstore retaining 4.2% of Study Area expenditure and 5.6% of Borough area expenditure. The store draws most of its market share turnover from Zone 1 Sutton, Zone 2 Cheam/ Belmont, and Zone 4 Worcester Park.

5.11 The market shares indicate that the Borough's convenience store and foodstores are achieving a 50% "**retention level**" of all convenience goods expenditure from the Study Area, increasing to approximately 80% at Borough level. Whilst there is no set measure to identify what is a healthy retention level, we would expect a District or Borough to retain at least 75% of its convenience expenditure where there is good foodstore offer. As such, the market share analysis indicates that the Borough is retaining a healthy level of convenience goods expenditure.

### ***Comparison Goods – Market Share Analysis***

5.12 The household survey identified where households normally shop for different types of comparison goods purchases and an analysis of the results are set out in Appendix B3 of Volume B (Tables 2-12). Table 1 (Appendix B3) sets out the total combined market shares for all comparison goods expenditure allocated to the main centres and stores, weighted by the different expenditure categories.

5.13 The main headlines are:

- **Special Forms of Trading (SFT)** - accounts for a third all comparison goods expenditure in the Study Area, which is slightly higher than the national average for 2022 (31.9%). SFT market share is higher at Borough level (34.4%) and at zonal level is highest in Zone 4 Worcester Park (37.5%) and Zone 6 Wallington South (37.5%). Of particular note, SFT market share in Zone 7 Banstead stands at 41.5%, the highest rate of all ten study zones. An analysis of SFT market share by comparison goods category reveals high SFT rates for most categories with SFT ranging from approximately 40% to 76.4% of Study Area expenditure by category. The only exception relates to medical and personal goods, furniture and flooring, and DIY and garden product purchases where SFT market share is lower and ranges from 4.8% to 27.6%.
- **Sutton Town Centre** – commands the highest market share for comparison goods Study Area expenditure at 17.5%, increasing to 27.6% for the Borough area. Market share is higher for Sutton's home zone (Zone 1 Sutton) where the town centre retains almost half of zonal expenditure (49.6%). The town centre also attracts a reasonable market share from other Borough zones with market share ranging from 13.2% to 28.9%. The market share results for Borough area expenditure reveal that Sutton Town Centre is a popular destination for DIY and gardening purchases (64% of Borough area expenditure) due to the presence of B&Q on Sutton Court Road, although this store is now subject to a planning application to redevelop the site. As such, if B&Q is not relocating within Sutton Town Centre then we can expect the town's market

share to reduce for this goods category. The town centre is also popular for clothing and footwear (35.6%), books and stationary (35.9%), personal goods (40.3%), and medical goods (39.7%).

- **District Centres** – generally, the Borough’s district centres retain very limited comparison goods expenditure. This reflects the limited comparison goods retail offer across most the district centres, which mainly support convenience retail and service uses. With the exception of Wallington, Study Area and Borough area market share ranges from 0.1% to 1.8% and mainly relates to medical goods sales. Wallington retains 4.2% and 7.4% of total Study Area expenditure and total Borough area expenditure, respectively. Wallington’s market share is mainly supported by books and stationery purchases, carpets and flooring purchases, personal and medical goods purchases. It is noted that Sainsbury’s in Wallington is a popular destination for comparison goods purchases. At the time the survey was conducted a small B&Q store was trading in Wallington and supported 14% of Zone 6 (Wallington South) expenditure. The store has since closed. Therefore, expenditure retention for Wallington is likely to be slightly lower overall for comparison goods expenditure.
- **Local Centres and local shops** – the Borough’s network of local centres and local shops attract a combined Study Area market share of just 0.8% and 1.1% for the Borough area. Market share is mainly supported by day to day comparison goods purchases such as for medical goods, which reflects an expected limited comparison retail offer for smaller centres.
- **Out-of-centre retail** – Out-of-centre retail accounts for 1.9% of total Study Area expenditure and 2.8% of Borough area expenditure. The Borough’s out-of-centre comparison retail provision mainly relates to general comparison goods offer at the Borough’s two out-of-centre foodstores (Asda and Tesco Extra) and a number of standalone DIY/ garden stores (e.g. Wickes and Dobbies).

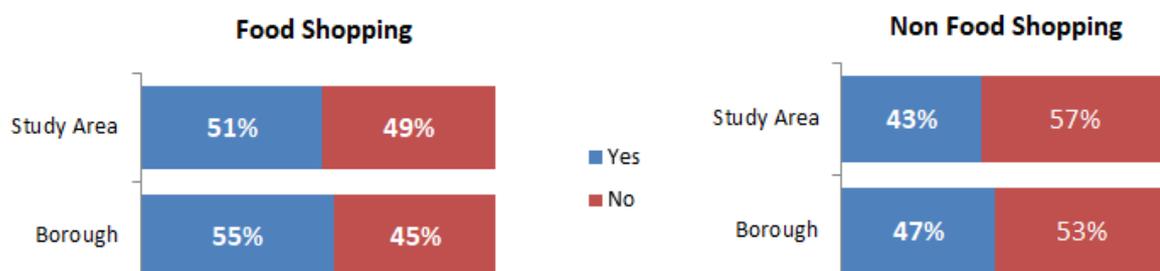
5.14 In terms of “**retention levels**”, the survey-derived market shares indicate that Borough’s centres and stores are retaining 28.45% of all comparison goods expenditure in the Study Area. Retention levels improve when assessed against Borough expenditure (44.3%), with retention highest for zones and around close to Sutton Town Centre, such as Zone 1 Sutton where over half of zonal expenditure is retained in the Borough. However, for all other Borough zones (i.e. Zone 2 Cheam/ Belmont to Zone 6 Wallington South) the majority of comparison goods expenditure lost to competing centres outside the Borough and most notably Croydon and its surrounding retail parks (11.1% of Borough expenditure).

### IMPACT OF THE COST OF LIVING CRISIS

5.15 The household survey asked respondents how the current cost of living crisis has to date influenced shopping habits for convenience and comparison goods purchases.

5.16 The survey revealed that just over half (51%) of respondents from the Study Area have changed their convenience shopping habits to account for rising grocery costs, while 43% have changed non-food shopping habits. Respondents from the Borough area zones are more likely to have changed their shopping habits (41% and 34% stated they have changed food and non-food shopping habits respectively).

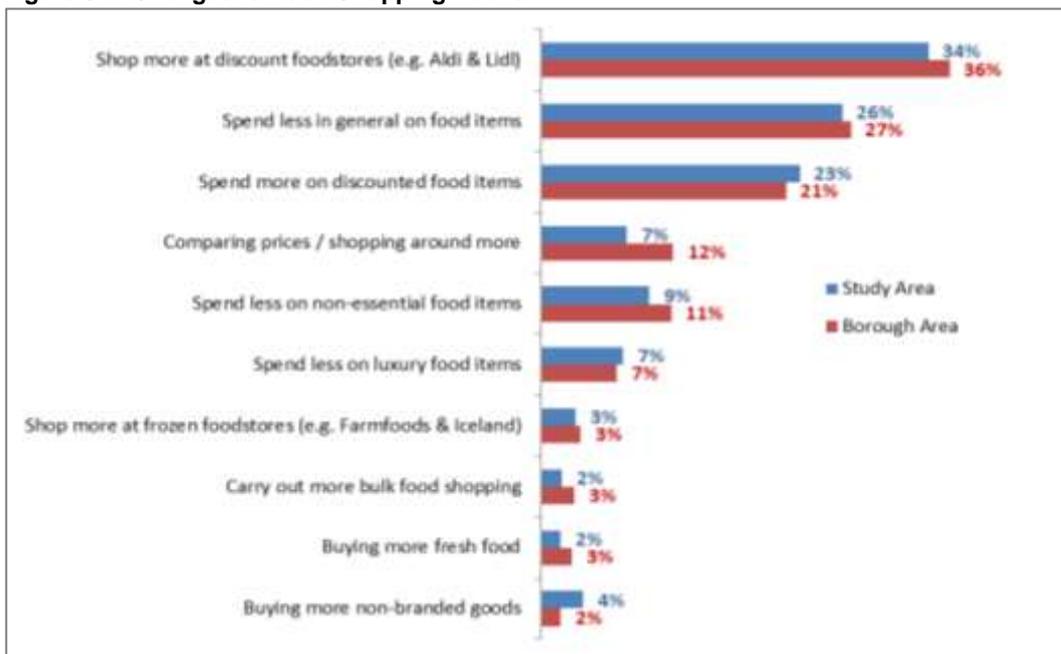
Figure 5.1: How shopping habits have changed based on household survey responses



Source: Q8 and Q21, HTIS, Volume E.

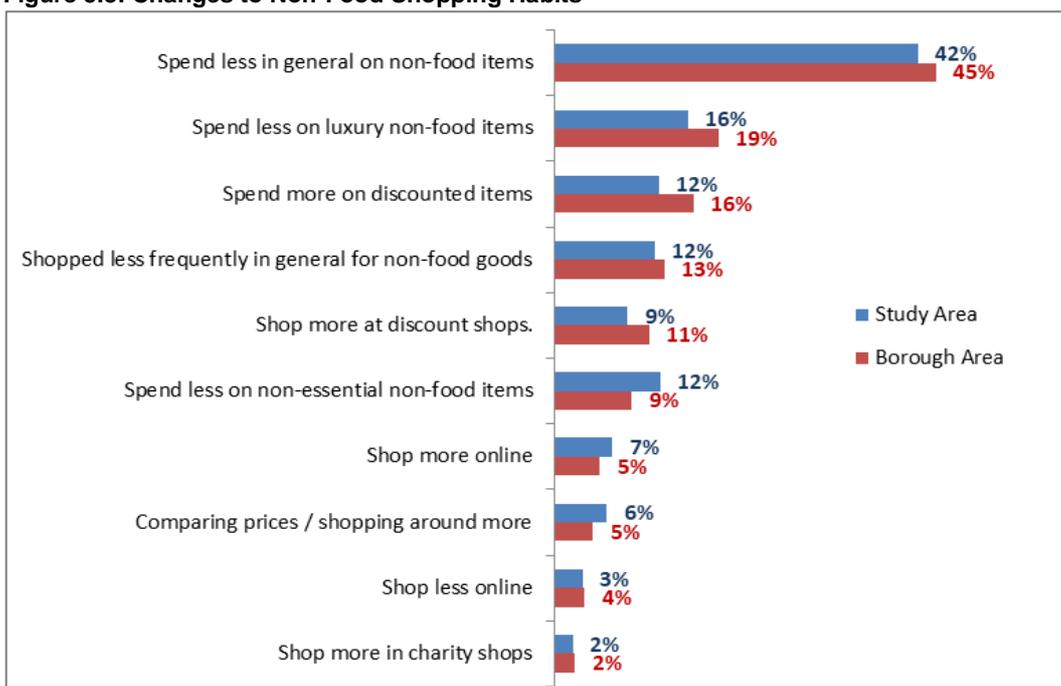
- 5.17 When asked how their shopping habits changed, respondents were more likely to cited that they have reduced spend generally. There were some variances between food and non-food shopping. In respect to food shopping, the most frequently highlighted changes and expected changes to shopping habits related to shopping more at discount stores, with Aldi highlighted in particular. For non-food shopping, the most frequently highlighted changes and expected changes to shopping habits related to cutting back on luxury items and non-essential items, and shopping more at discount stores.
- 5.18 The figures below set out the top ten most frequently cited changes or expected changes to food and non-food shopping.

**Figure 5.2: Changes to Food Shopping Habits**



Response to Q9, HTIS, Volume E.

**Figure 5.3: Changes to Non-Food Shopping Habits**



Response to Q22, HTIS, Volume E.

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5.19 While there are some variances between current and intended changes to shopping patterns, the results point to a common theme, which is that a significant proportion of shoppers intend to cut back on shopping expenditure and where spend does occur it will be on essential items and a preference for discount products. This is likely to generate demand for discount retail provision. For food/convenience sector, there will be increased demand for discount foodstore provision and opportunities to support another discount foodstore in the Borough. For the non-food sector, customer demand is likely to manifest in demand for discount multi-goods variety stores (e.g. Home Bargains, B&M, Poundland, etc.), but could also drive more sales online to ultra-low price retailers (e.g. eBay, Amazon, online fast fashion brands, etc.).

## 6. RETAIL CAPACITY ASSESSMENT

6.1 This section sets out the results of the economic retail capacity ('need') assessment for new retail (comparison and convenience goods) floorspace in LB Sutton and its main centres. Aligned with the NPPF and PPG the capacity forecasts take account of the lifetime of the plan starting from 2022<sup>26</sup> (base year) up to 2042. The detailed economic capacity tabulations are set out in Volume B (Appendix B8). These forecasts update and supersede the findings of the Council's previous evidence-based studies, including the Town Centre and Economic Development Assessment 2015 ('2015 Retail Study') and town centre and district centre health check monitoring reports produced by the Council.

### THE CREAT<sup>e</sup> MODEL

6.2 The **CREAT<sup>e</sup>** economic model has been specifically designed, developed and tested by the LSH team over more than 25 years to assess the capacity for and impact of new retail (convenience and comparison goods) floorspace development. The evidence-based model has helped to inform and guide plan-making and decision-taking at the local, sub-regional and regional level. In brief, the CREAT<sup>e</sup> (Excel-based) model adopts a transparent 'step-by-step' approach in which all the key assumptions and forecasts can be easily tested. The model is underpinned by the findings of the household survey, which provides a robust understanding of shopping patterns, market shares and the trading/turnover performance of existing centres, shops and stores.

6.3 At the outset it has been assumed for the purpose of the capacity assessment that the local retail market in LB Sutton is in 'equilibrium' at the base year. In other words all existing centres/stores are broadly assumed to be trading in line with expected average ('benchmark') turnover levels. This is a reasonable approach in this case as it reflects the impact of the economic downturn and the significant growth in online sales on the trading levels and performance of retailers and stores across the UK. It also reflects the outputs of the health checks and surveys covering the Borough's town and district centres. In this case, there is no evidence to suggest a strong latent demand or capacity for new retail floorspace across the Borough as a whole. In fact, the main challenge and focus for the Borough's centres over the short/medium term in response to market trends and the impact of the COVID-19 pandemic and expected impacts from the energy and cost of living crisis and the Government's evolving fiscal policies will be to retain existing occupiers and to redevelop/repurpose vacant retail floorspace to attract new businesses and uses.

6.4 In simple terms, any residual expenditure available to support new retail floorspace over the forecast period will be generated by the difference between the forecast growth in 'current' (survey-derived) turnover levels and the growth in 'benchmark' turnovers based on applying robust year-on-year 'productivity' ('turnover efficiency') growth rates to all existing and new retail floorspace .

6.5 It is important to restate that medium to long term forecasts should be treated with caution, as they will be influenced by the dynamic changes in economic, demographic and market trends. As described previously (see Section 2), the NPPF (paragraph 86) states that local planning authorities should meet the need for retail and town centre uses "looking at least ten years ahead". The Planning Practice Guidance also states that given the uncertainty in forecasting long-term retail trends and consumer behaviour, assessments "may need to focus on a limited period (such as the next five years) but will also need to take the lifetime of the plan into account and be regularly reviewed". Therefore, whilst this study assesses retail capacity up to 2042, greater weight should be

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<sup>26</sup> 2022 is the assumed base year for this assessment as it corresponds with the year when the household survey was conducted.

placed by the local planning authority on forecasts over the next five (to 2027) to ten-year period (to 2032).

- 6.6 The updated capacity forecasts set out in this section provide the Council with a broad indication of the (quantitative) need for new retail (comparison and convenience goods) floorspace in the Borough and its main centres. In turn, this will inform whether there is a need to identify and allocate sites to meet any forecast need, in accordance with the advice set out in the NPPF (paragraph 86).
- 6.7 The key steps in the retail capacity assessment, and the main assumptions and forecasts underpinning the CREAT<sup>e</sup> Model are described below.

### **BASE YEAR POPULATION AND PROJECTIONS**

- 6.8 The 2022 ('base year') study zone population estimates and projections over the study period (to 2042) have been informed by two different datasets.
- (i) Population Projections for Zones 1 to 6 (London Borough of Sutton) - we have utilised the Office of National Statistics' (ONS) 2014-based Sub-National Population Projections (SNPP) identified for the Borough. The 2014-based SNPP informed the Council's standard method for housing need and account for a higher rate of population growth identified from housing supply projections for the Borough. A breakdown of the population projections by zone is based on the distribution of population by wards in the Borough using 2014-based population estimates for the year 2017.
  - (ii) Population Projections for Zones 7 to 10 – based on 2018-based Sub-National Population Projections (released in June 2020).
- 6.9 Table 1a (Appendix B4, Volume B) to this study sets out the total estimated growth in the Study Area population using housing supply led projections for LB Sutton (applied to Zones 1 to 6). Table 1b sets out the unadjusted population projections based on ONS projections only.
- 6.10 The adjusted population projections in Table 1a have been used to inform the capacity assessment. Key headlines on population include:
- The total Study Area population is expected to increase by 15,052 (+3.3%) between 2022 and 2032, from 445,766 to 460,818. Over the full assessment period (2022 to 2042) the Study Area population is forecast to increase by 32,001 (+7.2%) to 477,767.
  - The increase in population for the Study Area is mainly driven by higher rates of population growth projected in Zones 3/ St Helier & Wandle Valley (12.1% by 2042) and Zones 5/ Carshalton Central (+11%).
  - The Borough's population is projected to increase by 11,545 (+5.2%), from 212,237 in 2022 to 223,782 in 2032; and to 234,677 by 2042.

### **EXPENDITURE PER CAPITA LEVELS AND FORECASTS**

- 6.11 The baseline expenditure per capita figures and forecasts are set out in Table 2 (Appendix B4, Volume B) for convenience goods and Table 4 (Appendix B4, Volume B) for comparison goods<sup>27</sup>. The growth in the expenditure per capita figures by zone are informed by the annual forecasts published in the latest *Experian Retail Planner Briefing Note 19* (RPBN)<sup>28</sup>. As described in Section 3, Experian forecast more limited year-on-year growth in retail expenditure than previous forecasts

<sup>27</sup> The baseline (2022) average expenditure per capita figures have been derived from our in-house Experian MMG3 GIS (please note all expenditure and turnover figures are expressed in 2020 prices).

<sup>28</sup> Published in February 2022

due to the impact of long-term economic and market trends, which have been further accelerated by the impact of the pandemic.

### SPECIAL FORMS OF TRADING

- 6.12 Special Forms of Trading (SFT) is deducted from the forecast retail (convenience and comparison) expenditure levels over the forecast period. For the purpose of this assessment we have discounted SFT using the 2022 SFT market share rate identified from the household survey for the Study Area for convenience (6.3%) and comparison goods (33.3%) shopping purchases. This includes online shopping, purchases at temporary markets, and other forms of SFT.
- 6.13 As described in Section 3, the SFT market shares have been adjusted to reflect the fact that a proportion of online convenience and comparison retail sales are sourced from traditional ('physical') stores rather than from dedicated ('dot com') warehouses<sup>29</sup>. The adjusted baseline SFT market shares are 1.9% for convenience goods and 25% for comparison goods, and are forecast to increase to 2.5% and 31.7% respectively by 2042<sup>30</sup>. It should be noted that Experian do not identify SFT market shares beyond 2040. Therefore, for the purpose of this assessment we not assumed SFT market share growth beyond 2040<sup>31</sup>.

### TOTAL AVAILABLE EXPENDITURE

- 6.14 Tables 3 and 4 (Appendix B4, Volume B) forecast the growth in total available convenience goods and comparison goods retail expenditure across the Study Area and zones up to 2042 (excluding SFT).
- 6.15 The tables show for the ten-year period from 2022-32 total **convenience goods expenditure** is forecast to increase by +3.9% (+£44.6) in the Study Area from £1,132.5m in 2022 to £1,177m in 2032, and by +6% (+£32.5) at Borough level. Over the 20 years to 2042, convenience goods expenditure for the Study Area will increase by 8.7% (+£98m), and by +12% (+£65.6 m) for the Borough.
- 6.16 For **comparison goods**, total Study Area expenditure is forecast to increase by +23.4% (+£316.4m) for the Study Area between 2022 and 2032 from £1,354.1m in 2022 to £1,670.5m; and by 25.7% (+£165.6m) for the Borough. Over the 20 years to 2042, comparison goods expenditure for the Study Area will increase by 65% (+£880m), and by 70.1% (+£451.2m) for the Borough.

### MARKET SHARE ANALYSIS

- 6.17 The next key stage in the capacity assessment involves allocating the baseline convenience and comparison expenditure (£ million) within the Study Area and zones to the identified centres, stores and floorspace based on the survey-derived market shares. This helps to establish the current trading performance of the main centres and stores within the Borough based on expenditure allocated from the Study Area only. It should be noted that no allowance is made at this stage for any potential 'inflow' (trade draw) of expenditure to centres and stores from outside the defined Study Area.
- 6.18 For the purpose of the retail capacity assessment, and in line with accepted approaches, the market share analysis has been adjusted for both convenience goods (Table 1, Appendix B5, Volume B)

<sup>29</sup> Experian assume 25% of SFT's market share for comparison goods and 70% for convenience goods are sales sourced from "physical" stores. See Appendix 3 for a more detailed commentary.

<sup>30</sup> It should be noted that if the growth in SFT (online shopping) is higher in the Study Area than the national projections, then this would effectively reduce the total available expenditure to support existing and new floorspace over the forecast period.

<sup>31</sup> Experian do not identify SFT market share growth for convenience goods over the period 2040 to 2042.

and comparison goods (Table 1, Appendix B6, Volume B) to exclude SFT. The 'baseline' (2022) turnovers are projected forward to 2027 (Table 3), 2032 (Table 4), 2037 (Table 5) and 2042 (Table 6) assuming no changes in market shares<sup>32</sup>.

### 'INFLOW' FROM OUTSIDE THE STUDY AREA

6.19 In order to provide a complete picture of the current and likely future trading (turnover) performance of the main centres and stores in the Borough we have necessarily made informed judgements with regard to the likely 'inflow' (trade draw) from outside the widely defined Study Area. In this case our assumptions take account of:

- the scale, quality and mix of each centre's retail (convenience and comparison) offer based on the results of the health checks;
- the scale, offer and location of all other centres and stores in the Borough, including out-of-centre shopping locations;
- the likely competition from centres, stores and shopping facilities outside the Study Area, informed by the results of the survey-derived market share analysis;
- the likely retail expenditure derived from people visiting the Borough's shops and stores and those working or studying in the Borough, but who live outside the Study Area (including commuters, students, visitors and those on business); and
- the assumptions set out in previous studies and retail assessments.

6.20 Although the assessment of inflow is not an "exact science" due to the complex nature of overlapping catchments and shopping patterns, it is reasonable to assume additional expenditure is generated by shoppers and visitors to popular retail destinations in the Borough. As such, we have applied inflow to the retail goods turnover for Sutton Town Centre and the District Centres for different reasons and at different levels of uplift:

- **Sutton (15% uplift for convenience and comparison market share turnover)** - Sutton serves as the administrative centre and is the largest centre in the Borough, and supports a good range of retail, leisure and service offer. Therefore, it is reasonable to expect that town centre retail businesses will attract expenditure from various customer groups who live outside of the Study Area.
- **Carshalton, Cheam, Hackbridge, and Rosehill, Wallington, and Worchester Park (2.5% for convenience and comparison)** – a lower rate of inflow uplift has been applied to these centres on the basis that some (e.g. Rosehill, Hackbridge) have limited retail offer and while both centres are relatively peripheral (closer to the Study Area boundary) are likely to attract many visitors/commuters. Carshalton, Cheam and Wallington are larger centres but are more central within the Study Area, so accordingly there will be less opportunity for expenditure inflow.
- **North Cheam (5% for convenience and comparison)** – a higher rate of inflow has been applied to North Cheam on the basis that the market share assessment identify stronger rates of catchment penetration from peripheral study zones. In addition, due to North Cheam's proximity to the Study Area boundary (north western and western boundary) it is reasonable to assume greater potential for turnover uplift from expenditure inflow.
- **Local Centres (0%)** – while it may be possible that local centre attract passing trade originating from beyond the Study Area this is likely to be limited given the nature of centres of this size. Therefore, we have assumed no uplift in the aggregated market share turnover.

<sup>32</sup> The 'constant market share approach' is standard practice for strategic retail capacity assessments. This approach does not take account of the potential impact that new retail investment and development (both within and outside the District) can have on existing shopping patterns, market shares and turnover performance over time.

- **Out-of-Centre (5% for convenience and comparison)** – a number of out-of-centre retail facilities sit close to Croydon’s retail parks (e.g. Valley Retail Park) and are likely to benefit from spin off trade from customers living beyond the Study Area.

6.21 The assessment on market share turnover uplift is set out in Table 2, Appendix B8.1 for convenience goods and in Table 2, Appendix 8.2 for comparison goods.

### RETAIL FLOORSPACE COMMITMENTS

6.22 The next stage in the retail capacity assessment takes account of all the new committed and planned retail (convenience and comparison) developments in the Borough<sup>33</sup>. Based on information provided by the Council, Appendix B7 (Volume B) sets out the new floorspace and the forecast (convenience and comparison) turnovers. It is assumed that all the reported committed retail floorspace will be open and trading by 2027, and will achieve a total retail turnover of £5.74m (split £4.38m for convenience goods and £1.36m for comparison goods).

### FLOORSPACE PRODUCTIVITY

6.23 A key input to the retail capacity assessment is the application of a year-on-year floorspace ‘productivity’ growth rate to all existing and new retail floorspace. As described in Section 3, existing retailers will need to achieve higher annual ‘productivity’ growth rates to cover their increasing costs (including, for example, rising rents, business rates and wages) and to remain profitable and viable over the short, medium and long term. This is particularly the case as the competition from online retailing increases; a trend that has been significantly accelerated by the impact of the pandemic. For these reasons we have tested Experian’s higher year-on-year “productivity” growth rates.

### RETAIL CAPACITY ASSESSMENT

6.24 The capacity assessments for convenience and comparison goods identify up to 63 sqm net sales for new convenience floorspace at Borough level over the ten-year period, up to 2032. By 2042 capacity increases to 1,307 sqm net sales of convenience floorspace, which could support a medium sized foodstore. However, it is recommended that the Council focus only on forecast need over the 10 year period to 2032 given that forecasts beyond a ten year period are not reliable and will inevitably be subject to changes from economic variables and consumer habits.

6.25 Retail capacity figures are based on the assumption that retail market shares for the Borough (retained Study Area expenditure) and at centre level remain constant. In other words, capacity forecasts do not allow for potential changes to shopping patterns identified by the household survey.

6.26 However, changes to shopping patterns are likely to occur to some extent as retail offer across the Borough alters, with market share increasing or decreasing. This could come about through new investment Sutton Town Centre, such as, for example the future redevelopment of the St Nicholas Shopping Centre. In this case, a reduction in retail offer within the centre could lead to a reduction in the town’s retail market share if retailers do not relocate somewhere else in the town centre. Or alternatively, the regeneration of the shopping centre could attract more customers to the town centre which could increase market share. This shows that it is difficult to predict changes in market share, which is why a constant market share is adopted and a reason why evidence should be updated in the near future to account for any changes to market share. A similar question arises with the current proposals to redevelop the B&Q site in Sutton Town Centre. The B&Q store contributes to Sutton retaining a high market share of DIY and garden centre product expenditure. If this expenditure is not redistributed to other stores in the town, which would most likely be the case

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<sup>33</sup> I.e. all new floorspace (over 100sqm) that was not open and trading when the household survey was conducted in Sept/Oct 2022.

due to the lack of alternative comparable stores, it will reduce need. However, the impact on overall comparison goods expenditure will be less noticeable given the lower values associated with DIY and garden centre product expenditure. At Borough level, retained expenditure at B&Q Sutton is likely to be redistributed to other DIY retailers in the Borough, so there is likely to be less impact on retained expenditure figures at Borough level.

6.27 Turning to the capacity assessment results, the assessment reveals contrasting forecast between the two retail categories. Some capacity is identified to support new convenience floorspace at Borough level, albeit mainly in the medium to long term. In contrast, no capacity is identified to support new comparison goods floorspace over the entire assessment period. The table below provides a breakdown of capacity figures for convenience and comparison floorspace need at centre level based.

**Table 6.3: Forecast Capacity for New Retail Floorspace in LB Sutton and Centres**

	Convenience Goods Capacity (net sales sqm)				Comparison Goods Capacity (net sales sqm)			
	2027	2032	2037	2042	2027	2032	2037	2042
Sutton Town Centre	-966	-817	-631	-460	-226	-2,618	-2,348	-1,802
Carshalton District Centre	43	82	124	157	-2	-70	-58	-39
Cheam District Centre	71	130	194	244	1	-92	-81	-59
Hackbridge District Centre	40	76	115	146	0	-5	-4	-2
North Cheam District Centre	26	56	97	133	-56	-297	-301	-273
Rosehill District Centre	35	67	101	128	-7	-22	-23	-22
Wallington District Centre	126	237	367	476	-20	-513	-433	-297
Worcester District Centre	27	42	55	66	-9	-123	-124	-110
Local Centres and Local Shops	73	155	263	360	-28	-129	-125	-108
Edge and Out-of-Centre	24	45	69	90	-32	-275	-252	-198
<b>Total LB Sutton Borough</b>	<b>-500</b>	<b>74</b>	<b>754</b>	<b>1,340</b>	<b>-380</b>	<b>-4,143</b>	<b>-3,749</b>	<b>-2,911</b>

Source: Table 15, Appendix 8.1 and Table 11, Appendix 8.2, Volume B

6.28 Capacity at centre level is identified based on the distribution of market shares and committed comparison retail floorspace. **Forecasts at centre level should be treated as indicative**, but suggest that there is capacity to support new convenience goods floorspace in all of the town centres at varying levels of need. However, individually, capacity is limited for all assessed centres over the ten-year period to 2032. Over this period, capacity is greatest for Wallington where 237 sqm net sales floorspace is identified. No capacity is identified for Sutton Town Centre on account of assumptions made on pipeline retail development that has been identified, which for the purpose of this assessment has assumed will support convenience goods retail.

6.29 Turning to comparison goods capacity by centre, the table shows no potential to support new floorspace. The future closure of B&Q in Sutton Town Centre as part of the site's redevelopment. While expenditure retained by B&Q may be captured by other DIY retailers in the Borough (e.g. Wickes and Dobbies), the likelihood is that the majority of B&Q's retained expenditure will be diverted to B&Q stores outside of the Borough. This will result in a reduction in total retained comparison expenditure for the Sutton Town Centre and the Borough as a whole. It will further reduce need for comparison goods floorspace.

6.30 Similarly, if comparison good floorspace at the Nicholas Centre is reduced this will in turn reduce the need for floorspace, particularly if future redevelopment proposals result in the loss of a key retail brands which could push expenditure to competing centres.

6.31 The assessment findings are in contrast to the Council's previous 2015 Retail Study, which identified higher levels of forecast need for convenience and comparison goods floorspace for most of the

Borough's centres. For Sutton Town Centre, the 2015 Retail Study identified a need for up to 25,429 sqm net sales of new retail floorspace by 2031 and 8,585 sqm net sales for Wallington. The change in position from 2015 is due to changes to economic variables over the intervening seven-year period. This has ultimately impacted on the level of surplus residential expenditure to support new retail floorspace. The changes include:

- The development of pipeline retail schemes identified in the 2015 Retail Study (e.g. Sainsbury's Superstore, Crown Road, Sutton; Lidl, Hackbridge)
- Higher rates of forecast growth in SFT market share, particularly online shopping, impacts on expenditure retained by existing stores in the Borough.
- Increased market share of online shopping reduces retained expenditure and turnover of physical stores in the Borough.
- Forecast productivity growth on the turnover of existing retail floorspace outstripping forecast growth in per capita expenditure, which leads to negative residual expenditure to support new retail floorspace.

6.32 However, it should be noted that although the capacity forecasts take account of all known planned and committed retail (comparison and convenience) floorspace in the Borough at the time of preparing this study, they do **not** take account of **vacant retail floorspace**.

6.33 It is reasonable to assume for the purpose of this assessment that a proportion of the more modern vacant floorspace could be reoccupied in the short to medium term, particularly in prime and sustainable shopping locations. This would reduce need for new floorspace and further justifies the position that there is no need at this time to identify specific sites to support new retail floorspace.

## SUMMARY

6.34 The NPPF (paragraph 86d) is clear that local planning authorities should plan to meet the need for new retail and town centre uses by "*looking at least ten years ahead*". The PPG also states that given the uncertainty in forecasting long-term retail trends and consumer behaviour, assessments "*...may need to focus on a limited period (such as the next five years) but will also need to take the lifetime of the plan into account and be regularly reviewed*"<sup>34</sup>. Therefore, whilst greater weight should be placed on forecasts over the next five to ten-year period, we have also assessed the potential capacity for new retail floorspace over the lifetime of the plan, up to 2042, to help inform the Council's longer term plan-making and strategies.

6.35 The assessment shows there is limited need at Borough level for new retail floorspace over the next ten years. Where capacity is identified at centre level, this remains limited in scale and can be accommodated by the reoccupation of existing vacant units. However, where market demand presents an opportunity to improve retail offer in the Borough's centres then this should not be discounted on the basis that there is no or limited identified quantitative need. This is considered further in Section 8. Where demand for new retail floorspace should arise over the plan period, then this should be directed to the Borough's existing centres in accordance with the "*town centre first*" (sequential) approach detailed in national and local plan policy and guidance.

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<sup>34</sup> PPG. Paragraph 004. Reference ID: 2b-004020190722

## 7. COMMERCIAL LEISURE NEEDS ASSESSMENT

7.1 Having assessed the capacity for new retail floorspace, this section focuses on the potential need for new leisure uses and facilities in LB Sutton over the plan period. This assessment necessarily focuses on the main leisure, entertainment and cultural uses identified as town centre uses in the NPPF (Annex 2):

*“...leisure, entertainment and more intensive sport and recreation uses (including cinemas, restaurants, drive-through restaurants, bars and pubs, nightclubs, casinos, health and fitness centres, indoor bowling centres and bingo halls);...and arts, culture and tourism development (including theatres, museums, galleries and concert halls, hotels and conference facilities).” (NPPF, Annex 2)*

7.2 These uses are widely accepted as making a significant contribution to the overall vitality and viability of town centres, and should be located in town centres first in accordance with national and local plan policy objectives.

7.3 It is important to understand at the outset that forecasting the need for new leisure uses is more problematic than for retailing, as the sector is highly complex and dynamic. For example, the demand for existing and new leisure uses and facilities is particularly sensitive to changes in economic, demographic, lifestyle and fashion trends. Consequently, the methods developed to forecast the need for new leisure uses are necessarily more flexible and high level. In this context LSH has developed robust and transparent approaches to assess the needs for new leisure uses based on the following key inter-related workstreams:

- A review of the key trends driving expenditure growth and market demand in the leisure sector over the last decade;
- An audit of existing leisure provision in the Borough to help identify whether there are any significant ‘gaps’ in provision;
- A review of current leisure participation rates and preferences across the Study Area based on the results of the household survey; and
- For some leisure uses we have applied a robust economic need assessment based on accepted approaches.

7.4 Appendix B9 (Volume B) sets out the economic tables detailing the forecast growth in leisure expenditure. This section provides a summary of the key leisure trends, current provision and participation in the Borough to help identify the potential (quantitative and qualitative) need for new uses and facilities over the plan period. As for the retail capacity assessment all leisure need forecasts should be treated with caution as they are subject to dynamic market and lifestyle trends and changes in the market demand and investment preferences of leisure operators.

### LEISURE EXPENDITURE GROWTH & PARTICIPATION LEVELS

7.5 The leisure sector has experienced significant growth in consumer and market demand since the mid-1990s; fuelled by a buoyant economy, growing disposable income and low unemployment levels. Although the sector will not be immune to the impact of the recent economic impacts of the COVID-19 pandemic and the recovery could lead to the loss of a number of established leisure operators (see below), the fact is that leisure and entertainment activities remain an important lifestyle and entertainment choice for many consumers over other areas of spending.

7.6 Against this background Tables 1-5 (Appendix B9, Volume B) set out the forecasts of leisure expenditure growth across the Study Area and Zones based on the latest Experian-based expenditure figures and growth forecasts.

7.7 As Figure 7.1 shows, the ‘food and beverage’ (‘F&B’) sector (includes spend at restaurants, cafes, bars, etc.) accounts for the majority (56.9%) of total average leisure spend per head for the Study Area and the Borough, followed in order of proportion spend by ‘cultural services’ (cinema, theatre concerts, etc.), ‘games of chance’ (bingo, casino, betting), accommodation services (hotels, guesthouses, B&Bs etc.), ‘recreation services and sporting events’ (gym, fitness, etc.), and ‘personal grooming’ (hairdressers, barbers, etc.).

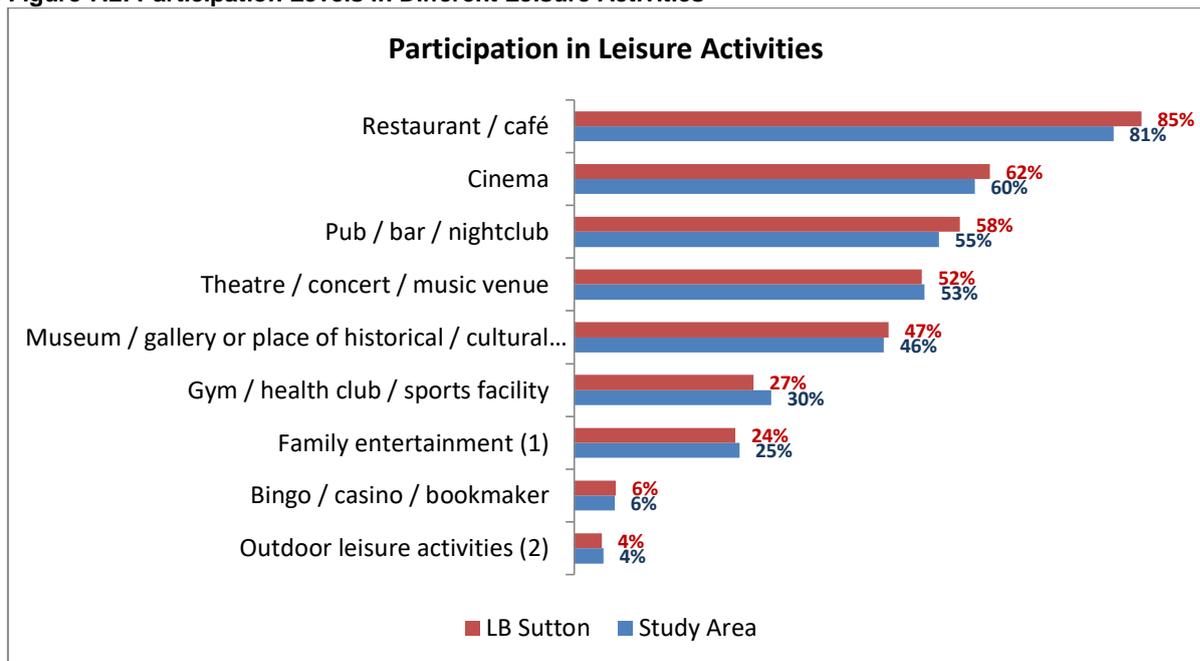
**Figure 7.1: Distribution of Study Area and LB Sutton average per head expenditure by commercial leisure category**

		Hotels, B&Bs, etc	Culture	Games of chance	Personal Grooming	Recreation & sport	Restaurants, cafes etc	Total
Zone 1	Sutton	£167	£230	£170	£72	£148	£1,179	£1,967
Zone 2	Cheam/ Belmont	£193	£292	£168	£103	£211	£1,324	£2,291
Zone 3	St Helier/ Wandle Valley	£107	£203	£200	£58	£111	£904	£1,583
Zone 4	Worcester Park	£165	£243	£173	£87	£171	£1,076	£1,916
Zone 5	Carshalton Central	£157	£230	£178	£77	£155	£1,073	£1,871
Zone 6	Wallington South	£153	£245	£181	£86	£164	£1,089	£1,918
Zone 7	Banstead	£209	£306	£205	£114	£245	£1,238	£2,318
Zone 8	Purley / West Thornton	£120	£205	£153	£60	£132	£1,025	£1,695
Zone 9	Old Malden / Stoneleigh	£210	£291	£199	£110	£250	£1,197	£2,257
Zone 10	Lower Morden	£123	£204	£164	£58	£129	£956	£1,634
Study Area Average:		£161	£245	£179	£83	£172	£1,106	£1,945
LB Sutton Average:		£157	£241	£178	£80	£160	£1,108	£1,924

Source: Derived from Table 2, Appendix B11, Volume B.

7.8 This expenditure profile is broadly reflected by the participation levels of the Study Area population in different types of leisure activity. The household survey results show that the most popular leisure activities in the Study Area are eating out in cafés and restaurants, visiting the cinema, visiting pubs/bars/nightclubs, and going to concerts and/or the theatre. In contrast, gambling activities are the least popular commercial leisure activity amongst the respondents to the household survey. However, despite only 6% of Study Area and Borough respondents stating that they visit casinos, bingo halls, and betting shops, the proportion of leisure spend on gambling is third highest of the seven categories (Figure 7.1). This may reflect spend on online gambling platforms, which is not identified from the household survey.

**Figure 7.2: Participation Levels in Different Leisure Activities <sup>(1)</sup>**



Source: Answer to Q37, HTIS, Volume E.

Note (1): e.g. tenpin bowling, skating rink, etc.

Note (2): e.g. golf, fishing, water sports, swimming, running, cycling, etc.

- 7.9 Based on Experian’s forecasts - and after taking account of the likely impacts of the pandemic on leisure spend at the time of preparing this study – the table below shows that total available expenditure in the Study Area is forecast to increase by +£183m (+14.4%) between 2022 and 2032 and by +£377.7m (+29.7%) between 2022 and 2042. Leisure expenditure for LB Sutton is forecast to increase by +£102.5m (+16.6%) and +£208.3m (+33.7%) over the same periods.

**Table 7.1: Study Area - Total Forecast Growth in Available Leisure Expenditure by Category**

	2027	2032	2037	2042	Growth (£m):	
					2022-32	2022-42
Accommodation services (hotels, guesthouses, B&Bs)	£112.8	£120.1	£127.9	£136.2	£15.1	£31.2
Cultural services (cinema, theatre, concerts, etc.)	£172.0	£183.1	£195.0	£207.6	£23.0	£47.6
Games of chance (bingo, casino, betting)	£125.6	£133.8	£142.5	£151.7	£16.8	£34.8
Personal grooming (hairdressers, barbers, etc.)	£58.0	£61.7	£65.7	£70.0	£7.8	£16.0
Recreational and sporting services (gym, fitness, etc.)	£120.6	£128.4	£136.8	£145.6	£16.2	£33.4
Restaurants, cafes, bars, etc.	£776.6	£827.1	£880.9	£937.79	£104.1	£214.8
<b>Total Study Area Leisure Expenditure:</b>	<b>£1,365.5</b>	<b>£1,454.2</b>	<b>£1,548.9</b>	<b>£1,648.9</b>	<b>£183.0</b>	<b>£377.7</b>
<b>Total LB Sutton Leisure Expenditure</b>	<b>£617.8</b>	<b>£670.5</b>	<b>£720.3</b>	<b>£772.7</b>	<b>£102.5</b>	<b>£208.3</b>

Source: Tables 1-4, Appendix B11, Volume B.

- 7.10 Expenditure and participation rates for each leisure category are considered in further detail along with market trends and opportunities for the different leisure categories.

## CINEMAS

- 7.11 The UK cinema sector has evolved dramatically since the 1990s when it was largely dominated by a handful of national multiples. Today the sector offer ranges from larger multiplexes, to smaller independent operators and ‘pop up’ venues. Table 7.3 sets out some of the main cinema operators in the UK.

7.12 Notwithstanding the greater variety and choice in the cinema sector, the three largest cinema operators still account for around 70% of total UK screens. The six largest operators are collectively responsible for about 85% of the sector.

**Table 7.2: Main cinema operators in the UK**

Operator/ Brand:	No. of Cinemas	Position	Description:
Cineworld	116	Multiplex	Established in 1995. Cineworld is the leading cinema operator in the UK by box office market share (based on revenue). However, the business announced in August 2022 its intention to file for bankruptcy. There are currently no plans to close any of its outlets.
Odeon/UCI	120	Multiplex	Established in 1930s. In July 2016, Terra Firma sold Odeon/UCI to the Chinese-owned AMC Entertainment group for £921m.
Vue	93	Multiplex	Established in 2003, following the acquisition of Warner Village for £250m. It has since grown through new development and acquisitions
Showcase	19	Multiplex	Established in 1986. Owned by National Amusements Inc
Empire	14	Multiplex	Established in 2005, but has its origins in the Empire on Leicester Square, which opened in 1884.
Picturehouse (Cineworld)	25	Independent	Established in Oxford in 1989. Differentiated by its unique locations, homely atmosphere, and art-house film choices. Cineworld acquired the entire chain for £47.3m in December 2012.
Reel	10+	Independent	Established in 2001, following the purchase of Curzon in Loughborough. Independently owned and branded as Reel Cinemas Ltd in 2005. Vue sold four cinemas to Reel (Fareham, Port Talbot, Burnley and Morecombe).
Everyman	35	Independent	Established in 2000. Acquired the Screen Cinemas chain in 2008 and 4 cinemas from Odeon in 2015. Increased its revenue by 27% in 2018 and opened 7 cinemas in 2019.
The Light	9	Independent	Established in 2007. Have multiplexes in Wisbech, Cambridge, Walsall, Bolton, Sheffield, Stockport, Bradford and Addlestone. Has trialed its first non-multiplex, 3-screen cinema in Thetford, Norfolk, which opened in 2016.
Merlin	17	Independent	Established in 1990. Operates 12 cinemas in Devon and Cornwall, and 5 others in Gloucestershire (Coleford), Norfolk (Cromer), Somerset (Wellington), Scotland (Thurso) and Wales (Prestatyn).
Movie House	3	Multiplex	Established in 1990. Based in Northern Ireland and acquired the UGC (ex MGM/Virgin) multiplex in Belfast City Centre. Also owns two other multiplexes in Northern Ireland.
Curzon	13	Independent	Established in 1934. Operates 7 luxury 'art house' cinemas in London: Aldgate, Bloomsbury, Mayfair, Richmond, Soho, Victoria and, most recently, Wimbledon. Other cinemas in Canterbury, Colchester, Knutsford, Oxford, Ripon and Sheffield.
Savoy	5	Independent	Based in Nottingham and operates cinemas in the East Midlands: Nottingham, Boston, Worksop, Corby and Grantham.

Source: Various

7.13 The following provides a snapshot of the growth in the cinema market over the last 10-15 years and the impact of the COVID-19 pandemic based on current research:

- Total admissions in 2019 stood at 176.1 million. This was slightly down on 2018 (177m), but was still the second highest recorded admissions since 1970 (193m). Admissions in 2020 fell to 44m due to the impact of the COVID-19 pandemic; the lowest level since records began (dating back to 1935).
- UK box office receipts consistently reached their highest recorded levels in 2017 (£1.278bn), 2018 (£1.277bn) and 2019 (£1.251bn), but fell to £297m in 2020.
- The total number of cinema admissions in the UK fell by 75% from 176.1 million in 2019 to 44 million in 2020.
- The number of cinemas has increased from 697 in 2006, to 801 in 2017 and 840 in 2019.
- The number of cinema screens has increased from 3,741 in 2010, to 4,564 in 2019.

- Approximately three-quarters (78.2%) of the screens are in multiplexes.
  - The average population per screen in 2019 was estimated to be 14,529.
  - Average annual spending per head on cinema trips has increased steadily from £12.93 per capita in 2005 to £18.72 per capita in 2019, before falling to £4.37 per capita in 2020.
- 7.14 Although year-on-year admissions and box-office takings are notoriously volatile — driven by the appeal of individual films and Hollywood ‘blockbusters’ — the long-term trend since the mid-1980s has been upward, and has principally been driven by the development of new cinemas. The growth in the cinema sector over the last 10-20 years is even more impressive when one considers that this has occurred against the increase in new and sophisticated in-home entertainment, driven by new technology, choice and flexibility (including, for example, Sky, Netflix and Amazon, and in 2020 the launch of Apple and Disney platforms).
- 7.15 As the competition in the sector has increased, cinema operators have responded by introducing changes to the cinema experience, including new innovations in technology, improvements to the auditoriums and the introduction of higher quality refreshments, alcohol and food. For example Odeon has introduced their luxury ‘Luxe’ branding into a number of converted and new cinemas since 2017, and this evolved into the opening in 2019 of its premium ‘Luxe & Dine’ concept in London, which is specifically aimed at adults. Showcase also introduced their ‘Cinema De Lux’ branded multiplexes in 2014, with emphasis on customer service, lush décor, high quality food and other high-end amenities. However, demand for luxury end cinema venues are at present largely confined to London.
- 7.16 There has also been a growth in smaller (Digital) cinemas serving smaller catchment areas. These Digital cinemas are more flexible and less “space-hungry”, as they do not require the large auditoriums needed to accommodate traditional projectors. There are therefore opportunities to provide a modern cinema offer in existing (repurposed) buildings and shopping centres, or as part of a mixed use offering. Other trends in the sector include the growth of ‘pop-up’ cinemas.
- 7.17 While the COVID-19 pandemic has had a significant impact on cinema attendances and sales in 2020, which led to a period of restructuring and consolidation across the industry. There is evidence that the cinema market is recovering with the UK Cinema Association recording 7 million admissions in June 2021 alone. For example, Cineworld US is on the brink of filing for bankruptcy due to mounting debt and shows that sector is still vulnerable. However, we understand that their PictureHouse brand remains solvent in the UK. From a UK perspective, cinema trips will remain a significant and popular leisure activity for all age groups. Notwithstanding this, the competition from home entertainment and alternative at-home film channels will intensify and cinema operators will have to keep updating and adapting their offer to respond to consumer needs.
- 7.18 The HTIS identified that on average 60% of Study Area respondents visit the cinema, while less than half (62%) of respondents from LB Sutton visit the cinema. This level of participation is considered to be low, particularly compared to participation rates identified from household survey data in other local authorities that LSH analysed. The reason for low participation rates and cinema visits will correlate to availability and proximity of cinema venues to Borough residents. LB Sutton has one cinema venue, the multiplex Empire Cinema in the St Nicholas Shopping Centre, which offers 12 screens.
- 7.19 The table below shows the top ten most popular cinemas based on the household survey market shares for the Study Area. The market share for the Study Area has been compared to correlating market shares for zones that broadly represent the Borough area (Zones 1 to 6).

**Table 7.3: Cinema Provision in the Study Area**

	Study Area	Zones 1 to 6
Empire Cinema, St Nicholas Shopping Centre, Sutton	41%	60%
Vue Cinema, Valley Park, Hesterman Way, Croydon	24%	16%
Odeon, Upper High Street, Epsom	17%	10%
Odeon, The Broadway, Wimbledon	6%	5%
Vue Cinema, High Street, Croydon	4%	3%
Central London / West End	1%	2%
Odeon, Clarence Street, Kingston upon Thames	2%	2%
Everyman Cinema, Station Road West, Oxted	2%	1%
Cineworld, Friars Walk Shopping Centre, Newport	0%	1%
Cineworld, Southside Shopping Centre, Wandsworth	0%	1%

Source: Answer to Q34, HTIS, Volume E

- 7.20 The Empire Cinema in Sutton is a very popular venue and attracts 60% of trips generated from the Borough and 41% from the wider Study Area. At zonal level the cinema retains 89% of visits from Zone 1, Sutton's 'home' zone. The main competing cinema to Empire is the Vue Cinema in Valley Park which attracts 16% of visits from the Borough, albeit mainly from eastern zones that are closest to Valley Park (e.g. Zone 5/22% and Zone 6/28%).
- 7.21 Sutton's cinema offer is set to improve following planning consent in January 2023 for a new independent cinema within the former Chicago's nightclub between High Street and Manor Park. The scheme, to be known as Throwley Yard, will include a four screen screens used for cinema or live performance, a café/bar, foodhall, workspace, and a facility offering performing arts classes.
- 7.22 A high-level assessment of the potential need for new cinema provision in the Borough area has been undertaken and is based on standard approaches that draw on published national and regional 'screen density' averages (i.e. the number of screens per 100,000 population). According to the latest available research<sup>35</sup>, the UK average is 6.8 screens per 100,000 people in 2019, which represents an increase from 6.1 screens in 2014. The equivalent 2019 figure for the South East region is 6.4 screens per 100,000 people<sup>36</sup>.
- 7.23 On this basis, the table below shows the potential quantitative need for additional cinema screens for the Borough up to 2032 and 2042, based on LB Sutton's population projections.

**Table 7.4: Potential Capacity for New Cinema Screens in LB Sutton, 2022-42**

	2027	2032	2037	2042
Population – LB Sutton	212,237	218,291	223,782	229,565
Screen density per 100,000 people*	7.8	7.8	7.8	7.8
Screen potential	17	17	17	18
Existing screens – Empire Cinema -12 screens	12	12	12	12
Pipeline screens – Throwley Yard – 4 screens	4	4	4	4
Indicative screen capacity	-1	-1	-1	0

\* Average screen density for London. Source: BFI Statistical Yearbook, 2020.

<sup>35</sup> Dodona Research, Office for National Statistics (ONS) and BFI

<sup>36</sup> The average screen density for the South East region is 6.4. Source: BFI

- 7.24 In simple terms, we first apply the average screen density of 7.8 to the 10 and 15-year population growth estimates, which produces a screen potential of 17. After allowing for existing screens (Empire Cinema, Sutton Town Centre) and pipeline development (Throwley Yard) this results in no residual capacity to support additional cinema screens over the entire study period.
- 7.25 However, in reality, cinema operators seeking new opportunities are not necessarily led by screen capacity estimates. Instead, operators will be interested in locations where there is market demand and a critical mass of customers to support new facilities and where suitable sites are available. The proximity of competition will be a key factor and operators will be drawn to locations that are easily accessible in order to maximise catchment reach.
- 7.26 Given that there is planned investment for a new cinema in Sutton there is unlikely to be market interest in the short term at least to support a third cinema operator. Further consideration of potential market demand from the cinema sector is discussed in Section 8.

## EATING AND DRINKING OUT

- 7.27 The food and beverage (F&B) sector includes restaurants, cafés, bars and pubs (former use Classes A3-A5). These uses are an integral part of a town centre's wider offer and economy. A good choice and quality of F&B uses can help to complement other town centre uses, by generating trips, stretching 'dwell times' (i.e. the time people spend in centres), increasing 'linked' expenditure to other shops and businesses as part of the same trip, and strengthening both daytime and evening economies.
- 7.28 As identified above, the F&B sector dominates average household expenditure and participation in leisure across the Study Area and the Borough. Spend on F&B is also forecast to experience the greatest volume growth up to 2042. In theory, this expenditure growth should support the potential to enhance the scale, quality and choice of F&B uses across the Borough, particularly for Sutton Town Centre. In reality though, this growth will be determined by current and future trends in the sector and market demand. The table below summarises some of the current trends that are driving changes in the food and beverage sector.

**Table 7.5: Key trends in the food and beverage sector**

Use:	Headline Market Trends:
Restaurants	Notwithstanding the impacts of the pandemic, this sector had experienced mixed fortunes up to 2020 before the pandemic. Over investment in some casual dining brands has led to their collapse as sales dropped during the pandemic while those carrying debt are vulnerable. The pandemic accelerated the popularity of 'eating at home', with restaurants entering the home delivery market using online third-party delivery companies (such as Just Eat, Deliveroo and Uber Eats). Post Covid, restaurants are now facing further challenges associated with rising operating costs, rising supply costs, staff shortages, and cost of living factors (e.g. potential that customers will cut back on dining out).
Pubs and Wine Bars	Pub operators have widened their food and non-alcoholic beverage offer the last decade, resulting in the growth of so-called "gastro-pubs" and, most recently, the rise in 'micro' and 'craft' pubs. Notwithstanding this trend, the sector has also been characterised by increasing consolidation and closures. This is mainly explained by high occupancy costs (e.g. business rates) and beer duty, and changes in consumer demand and drinking habits. As a consequence, there has been a significant increase in the conversion and/or redevelopment of pubs to alternative uses over the last decade; including for residential uses and/or convenience retailing. Research by CAMRA indicates that some 854 pubs closed in 2018. On a positive note the number of closures slowed from 980 in 2017, which most likely reflected the impact of new planning policies and the recognition of pubs as 'Assets of Community Value' (ACV). However, the number of pubs continue to close annually with 400 pubs closing in England and Wales in 2022. Similar pressures to the restaurant sector will apply, particularly regarding rising operating and supply costs, and more customers drinking at home due to the cost of living crisis. Many pubs are focusing dining offer to widen their customer base but still face issues around cost and labour supply.
Cafés and Coffee Shops	This sector has experienced strong growth over the last decade. Latest figures show that the UK coffee shop market comprises some 25,500 outlets and is valued at £10.1bn. Costa Coffee, Starbucks and Caffè Nero are the three largest chains in the UK, with 2,655 outlets and a total market share of 53%. The UK branded coffee shop market is estimated to exceed 10,000 outlets by 2023, equivalent to a 5-year compound annual growth rate of 5%. Notwithstanding the rise of the multiples, this sector has also been characterised by growth in independent and specialist cafés and coffee houses; particularly those

	<p>serving a more luxury or specialist offer (e.g. organic, in-house roasted beans, and Fairtrade). In the specialty segment, artisan concepts continue to grow (such as 'Department of Coffee' and 'Social Affairs'). Others include London-based 'Grind' and 'Caravan', which have the potential to expand to regional centres, particularly centres within the London commuter belt. The strong independent coffee sector has also fuelled many new start-up businesses in local centres. The continued growth of this sector has been one of the most successful in the UK economy.</p>
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- 7.29 Research shows that the multiple chains mainly dominated the expansion of the F&B sector up to 2017 when they accounted for almost half of all net new business openings. However, since 2017 a number of multiples in the casual dining sector have struggled against a backdrop of increased competition, rising costs and a tightening of consumer spending due to wider Brexit and economic concerns.
- 7.30 The reality is that too many F&B operators expanded too quickly into increasingly marginal locations, funded by private equity, and the market became saturated and unsustainable. The growth in the availability, convenience and speed of home deliveries driven by new technology and apps represents a further significant challenge to more traditional F&B operators. These challenges have been further accelerated by the impact of the COVID-19 pandemic while sharp rises in energy prices and more difficulties in recruiting service workers (i.e. particularly from EU countries) is now impacting on the viability of many F&B businesses.
- 7.31 These new challenges and pressures have resulted in a radical restructuring of businesses across the sector, resulting in the closure of many loss-making branches. Pre-pandemic the biggest impact to the market was experienced in the 12 months to June 2019 when an estimated that some 1,412 UK restaurants closed. This represented a +25% increase in restaurant closures compared to the previous year and the highest number of insolvencies recorded since 2014, when approximately 750 restaurants closed. Causalities were primarily felt in the casual dining market which saw many brand exit the market either completely or saw their portfolio shrink considerably (e.g. Strada, Jamie's Italian, Byron Burger, Carluccio's and Prezzo).
- 7.32 However, the impact of COVID-19 has created even more difficult trading conditions that have continued beyond the pandemic. In April 2021 there were 9.7% fewer restaurants trading in the UK compared to the year before, of which the biggest decline was in the casual dining market where the number of restaurants fell by almost 20%. By the end of 2022, there was a 1,611 net reduction in licensed premises from the year before<sup>37</sup>. A "shakeout" in the sector will leave the proactively managed multiple and independent businesses that have strong brand loyalty and/or a clear differentiated offer as the main "winners". Brands such as Nando's, Greggs, Domino's Pizza, Five Guys, and Honest Burgers are performing well revenue-wise and are continuing to expand, which provides hope for the sector.
- 7.33 Key trends predicted for the hospitality sector 2023 by industry experts, particularly the dining market include:
- A greater move towards a more cost-effective restaurant models and brands.
  - Collapse or sale of brands that are overleveraged and carrying debt, which are likely to be purchased by stronger performing brands.
  - Opportunities for new businesses where landlords offer concessions on rent and premiums.
  - Continued growth in customer demand for 'quick service restaurants' (QSR), brand franchising and drive-through formats.

<sup>37</sup> <https://www.bighospitality.co.uk/Article/2023/01/20/independent-restaurants-battered-as-cost-pressures-drive-hospitality-closures-above-covid-hit-years>

- Increase in demand for sustainable dining, such as vegan or vegan friendly restaurants, and others that promote sustainable credentials (e.g. slow food, low carbon footprint, etc).

7.34 There is also the potential for restaurants and pubs to tap more into the growth in home deliveries following the impact of the pandemic, with the potential to reach new audiences and increase turnover at quieter times. The growth in use of delivery apps such as Deliveroo, Uber Eats, and Just Eat has helped many restaurant businesses reach more customers. Although the affordability of these services can be prohibitive, particularly for independent businesses, and it remains to be seen whether the cost of living crisis will dampen demand given the associated price premium for this form of take out service.

7.35 The popularity of popularity of street food, market halls and markets, and “meanwhile”/”pop-up” restaurants and bars has opened more opportunities for start-up hospitality brands and have served as a launch pad for many successful F&B brands (e.g. Honest Burger and Franco Manca). These more informal drinking and eating venues fulfil their desire to experiment and explore different styles of drink, food and new cuisines in exciting new and more informal environments. Trialling a “pop-up” site also represents an opportunity to test a new concept, gain a following, fine-tune details and secure investment before making a long-term commitment. The pop-up concept is also attractive to landlords and property companies who are increasingly nervous about signing long leases following numerous high profile restaurant closures.

7.36 Turning to the food and beverage provision in LB Sutton’s main centres, the table below summarises the current provision identified from the Council’s centre audit data benchmarked against the Goad national average for all circa 2,500 shopping locations audited by Experian.

**Table 7.6: Food & Beverage Provision – LB Sutton Centres**

		Cafes & Coffee Shops	Pubs/Bars/ Nightclub	Fast Food & Takeaways	Restaurants	Total
Sutton Town	Total Outlets	28	13	24	31	96
	% of Total Outlets	7.4%	3.4%	6.3%	8.2%	25.4%
Carshalton	Total Outlets	7	3	4	4	18
	% of Total Outlets	10.4%	4.5%	6.0%	6.0%	26.9%
Cheam	Total Outlets	7	3	2	14	26
	% of Total Outlets	5.0%	2.1%	1.4%	10.0%	18.6%
Hackbridge	Total Outlets	2	0	4	1	7
	% of Total Outlets	6.9%	0.0%	13.8%	3.4%	24.1%
North Cheam	Total Outlets	4	1	9	13	27
	% of Total Outlets	4.2%	1.0%	9.4%	13.5%	28.1%
Rosehill	Total Outlets	3	0	10	2	15
	% of Total Outlets	3.7%	0.0%	12.3%	2.5%	18.5%
Wallington	Total Outlets	7	3	5	8	23
	% of Total Outlets	4.8%	2.1%	3.4%	5.5%	15.8%
Worcester Park	Total Outlets	7	1	13	9	30
	% of Total Outlets	4.8%	0.7%	9.0%	6.2%	20.7%
Experian Average		4.9%	4.8%	6.0%	4.8%	20.5%

Source: LB Sutton Audit Data; UK Average from Experian

7.37 The figures show that Sutton Town has the largest number of F&B units with 96 businesses trading in the town centre, which accounts for over a quarter of all commercial town centre outlets. This is below the national average figure (20.54%). There is also an above average representation of F&B offer in Carshalton, Cheam, Hackbridge and North Cheam, while Worcester Park is broadly on par

with the UK average. However, against the different categories of F&B, differences emerge against the UK average.

- 7.38 Sutton has a generally good mix of different F&B uses when solely based on the proportion of outlets in a town centre compared against the UK average. For example, the Borough's centres broadly have an above average representation in all F&B categories except for drinking venues, such as bars/public houses/ nightclubs. Generally, representation in this category tends to fall below the UK average particularly where pubs/ bars have been converted into other uses. Only Carshalton has an above average representation in drinking venues.
- 7.39 Café and restaurant offer is notably strong for most of the Borough's centres. Only Rosehill and Hackbridge have a notably below average representation in either or both categories, which is to be expected given these centres are comparatively smaller. Of note, North Cheam's restaurant offer is four times the UK average.
- 7.40 However, if offer is based on quality and choice then variances emerge across the centres.
- 7.41 The headline results of the HTIS survey provide a further layer of analysis to inform the assessment of current provision, potential 'gaps' in provision and future potential F&B needs.
- 7.42 The HTIS reveals that the vast majority of respondents across the overall Study Area 81% eat out (increasing to 85% for Borough respondents) and this is the most popular leisure activity. At Borough zonal level, respondents living in the Wallington and Carshalton South zone (Zone 6) are most likely to dine with a participation rate of 89% while those living Wandle Valley and St Helier (Zone 3) and Worcester Park and N Cheam (Zone 4) are less likely to dine out.
- 7.43 In terms of frequency, over a third (34%) of respondents from the Borough area eat out at least weekly (i.e. once a week or more), followed by 19% that dine out monthly and 17% that dine out once a fortnight. The results point to the significant value that the F&B provides and in capturing expenditure from Borough residents.
- 7.44 The table below shows the most popular locations for dining and drinking out based on responses given by all respondents in the Study Area and collective responses from those living in LB Sutton (Zones 1 to 6).

**Table 7.7: Food and Beverage Market Share – Study Area and LB Sutton**

	Cafes & Restaurants		Bars, pubs and clubs	
	Study Area	LB Sutton	Study Area	LB Sutton
Sutton Town Centre	21.5%	36.1%	18.9%	32.0%
Carshalton District Centre	5.5%	7.6%	8.5%	14.5%
Wallington District Centre	8.6%	15.3%	6.0%	11.2%
Cheam District Centre	7.8%	9.7%	8.3%	12.2%
North Cheam District Centre	1.7%	2.6%	2.7%	3.8%
Worcester Park District Centre	2.4%	2.5%	2.0%	1.7%
Other LB Sutton	1.7%	1.9%	1.2%	0.7%
<b>LB Sutton Market Share</b>	<b>49.2%</b>	<b>75.7%</b>	<b>47.7%</b>	<b>76.2%</b>
Banstead Town Centre	9.6%	5.4%	5.9%	1.9%
Central London / West End	5.1%	4.6%	7.5%	7.6%
Other	36.0%	14.3%	38.8%	14.3%
<b>Leakage from Borough</b>		<b>24.3%</b>		<b>23.8%</b>

Source: Q38 and Q39, HTIS, Volume E.

- 7.45 Focusing on the responses for LB Sutton, the table shows that a high majority of respondents (75.7%) choose to dine out at cafes and restaurants in the Borough with Sutton being the most

popular location. Over a third of respondents from the Borough chose venues in the town centre followed by Wallington (15.3%), Cheam (9.7%) and Carshalton (7.6%). Retention rates increase in the home zones for these centres. For example, 71% of respondents living in Zone 1/ Sutton Central visit cafes and restaurants in the town, 46.2% of respondents living in Zone 6 choose venues in Wallington, 42.7% of respondents living in Zone 2 choose venues in Cheam, and 24% of respondents living in Zone 5 visit venues in Carshalton. Leakage of café and restaurant trips from the Borough area is greatest in Zone 6 where almost a third respondents choose venues outside the Borough, with Central London/ West End the most popular destination.

- 7.46 The Borough's market share of trips for drinking out is equally as strong, retaining over three quarters of trips to pubs/ bars and nightclubs. Again, Sutton is the most popular destination for visiting pubs, bars and clubs with a Borough market share of 32%, followed by Carshalton (14.5%), Cheam (12.2%), and Wallington (11.2%). As for the analysis on dining out, the market share achieved by the aforementioned centres is higher for their 'home' zones.
- 7.47 The survey results confirm that eating and drinking out are popular leisure activities for most households in the Study Area and LB Sutton.
- 7.48 To help inform the high-level assessment of the potential need for new F&B uses over the forecast period we have first applied the average Borough-wide retention level of 71%<sup>38</sup> to the available spend on dining and drinking out of £355.6m in 2022 (see table below). This results in retained F&B expenditure (or turnover) of £254.1m in 2022, which is forecast to increase to £296.3m by 2032 and to £339.8m by 2042.

**Table 7.8: Food & Beverage: Total available spend and forecast growth**

	2022	2027	2032	2037	2042
Total Borough Area Available Expenditure for restaurant, cafes, bars, etc (£m)	£355.6	£385.9	£414.6	£444.8	£475.5
Borough Retention rate for restaurants, cafes, bars, etc.	71%	71%	71%	71%	71%
Current retained turnover for cafes, restaurants, bars, etc (£m)	£254.1	£275.8	£296.3	£317.9	£339.8
Benchmark turnover* (£m)	£254.1	£269.8	£283.5	£298.0	£313.2
Net Residual Expenditure (£m)		£6.0	£12.8	£19.9	£26.6
Assumed sales density* (£/gross sqm)		£1,839	£1,933	£2,032	£2,135
<b>Forecast capacity for new café/ restaurant/ bar floorspace (sqm gross):</b>		<b>3,282</b>	<b>6,598</b>	<b>9,782</b>	<b>12,475</b>

Source: Table 6 (Appendix A9)

- 7.49 Applying a robust year-on-year 'productivity' ('efficiency') growth rate of 1% to retained-wide base year (2022) turnover of £254.1m to allow for existing businesses to cover their reasonable costs over time, produces a net residual expenditure capacity of £12.8m in 2032. The residual expenditure is converted into a floorspace using an assumed sales density of £1,750/sqm in 2022 and forecast to £1,933/sqm by 2032. This results in forecast need for up to 6,598 sqm gross of new F&B floorspace in the Borough by 2032. In reality, the turnover of an F&B operator will vary considerably based on whether it is a café, restaurant, hot food takeaway or public house. Cafes in prime locations can generate a turnover of at least £0.6 million while branded hot food takeaways can generate a turnover of £2m.

<sup>38</sup> Combined average for dining out (85%) and drinking out (58%).

- 7.50 Ultimately, opportunities for F&B will be guided by market demand and the attractiveness in terms of a given location. F&B operators typically seek out opportunities in busy locations that support good footfall and in areas where existing F&B offer is performing. Currently, there is limited demand from the market for F&B openings as the sector recovers from the impact of COVID-19 and investors will be nervous about expanding portfolios until there is a more certain outlook on the cost of living crisis. When market interest picks up, it is likely to be focused on Sutton Town Centre and the Borough's larger district centres where customer demand will be driven by resident, visitor and commuter markets, respectively.
- 7.51 Generally, where opportunities arise and in compliance with the objectives of the NPPF, any forecast need should be directed to the Borough's town and district centres first to help increase competition and consumer choice, and to underpin both daytime/evening economies. Demand in the Borough's smaller centres will be muted and will mainly relate to meeting local resident needs for takeaways and café offer. Further consideration of market demand opportunities is discussed in Section 8.

### HEALTH AND FITNESS FACILITIES

- 7.52 Pre-pandemic the health and fitness market was growing from strength to strength with the number of facilities in the UK increasing to 7,239 over the year to March 2019 (compared with 6,435 in 2016), and total membership grew by 4.7% to 10.4 million<sup>39</sup>. However, the pandemic had a significant impact on the health and fitness market when establishments were required to close during lockdown periods or operated at low capacity to meet social distancing requirements. This resulted in the number of UK gyms declining from a 10-year peak of 3,674 in 2020 to an estimated 3,060 in 2021<sup>40</sup>. The impact is even more pronounced on the sector's market value. Pre-pandemic the sector market value was steadily increasing annually; peaking at £2.25 billion compared to £1.49 billion in 2012. The impact of the pandemic led to market value dropping to £1.32 billion in 2021. However, early figures for 2022 indicate that market value has risen to £1.8 billion while the number of gyms has risen to 3,720, which is higher than pre-pandemic levels. This is a positive sign that the market is recovering<sup>40</sup>. Although, there are now uncertainties on how much the sector will grow in light of the current cost of living crisis.
- 7.53 Nonetheless, gyms and health/fitness facilities make an important contribution to the health and well-being of the population across all age levels. The table below shows the top 10 operators in the health and fitness sector in 2020, ranked by number of facilities.

**Table 7.9: Main gym operators in the UK**

Operator/Brand:	UK Facilities	Position	
Pure Gym	250+	Budget	Established in 2009. Acquired all gyms from LA Fitness in 2015. Most locations are open 24 hours and offer cardio equipment, fixed/free weights and exercise classes.
Anytime Fitness	166	Budget	24-hour health and fitness club. Membership rates vary by club. Operates on a franchise system.
The Gym Group	159	Budget	Established in 2007. 24-hour access. No fixed contract; membership starts from £10.99/month.
Snap Fitness	123	Mid-Market	Established in 2003. A privately owned and operated club. Operates on a franchise system.
David Lloyd Leisure	112	Premium	Established in 1982. Provide a family-orientated, high-quality fitness and leisure facility. Whitbread PLC acquired the company in 1995 for £182m. It is now

<sup>39</sup> *State of the UK Fitness Industry Report (2019)*. Leisure DB (formerly the Leisure Database Company). The research is compiled by independent leisure market analysts,

<sup>40</sup> [www.statista.com](http://www.statista.com)

Operator/Brand:	UK Facilities	Position	
			owned by TDR Capital.
Nuffield Health	111	Mid-Market	Acquired 35 Virgin Active clubs in 2016 at a reported cost of £80m. Membership rates vary by club and locations, but start from circa £60/month.
Energie Group	100+	Mid-Market	Established in 2003. Clubs are typically between 5,000-25,000 sqft and comprise a café/ lounge area, fitness area, studio, locker rooms and showers. Many include spa areas, swimming pool, treatment rooms and spinning studios. Operates on a franchise system.
Bannatyne's	70	Premium	Established in 1997. Growth driven by new openings and acquisitions; including the purchase of the LivingWell Premier Health club chain from the Hilton Hotel UK Group in 2006. Also operates 37 spas and five hotels across the UK
Exercise4Less	50+	Budget	Gyms are mainly located in the Midlands and North. Gyms in South are in Hounslow, Harlow, Southend, Milton Keynes, Bath and Bristol. Offer a full boxing ring and combat classes. Membership starts from £9.99/month off-peak.

Source: Various

- 7.54 Other major operators just outside the top 10 include Virgin Active, JD Gyms, Sports Direct and Total Fitness.
- 7.55 The structure of the UK health and fitness industry has evolved significantly over the last decade to reflect changes in consumer choice and trends, with value and budget gym operators have experienced the most significant growth in the sector in recent years.
- 7.56 According to figures by *Leisure DB* budget gyms now account for over one-third of gym memberships in the UK. The budget business model is normally based on 24-hour opening, discounted monthly subscriptions (ranging from £9.99 up to £20), 'pay-as-you-go' rather than 'upfront' annual memberships, and gym-goers providing their own towels, toiletries and locker padlocks for the lockers. The popularity of the budget gyms is best reflected by the rapid expansion and success of Pure Gym since it was founded in 2007, along with relatively new entrants to this sector (such as Fitness4Less, Fitspace, TruGym, and SimplyGym). As a result the budget gym sector is becoming increasingly "crowded" and competitive, and operators are constantly striving for differentiation. Notwithstanding this, we anticipate that there will be some restructuring and consolidations within the budget gym sector as the market evolves, particularly post COVID-19.
- 7.57 The growth of the budget gym operators has resulted in the increasing polarisation of the gym sector between the budget operators at the value end of the spectrum, and the more exclusive health and fitness centres at the higher, more expensive end. As a result, analysts predict that those mid-market gym operators that are neither very cheap nor particularly exclusive will struggle to maintain market share in the competitive market place unless they revise their business models. Furthermore, as operators compete against the "at-home fitness" revolution (e.g. Peloton), boutique studios and tech-enabled fitness, they will need to evolve to be more than "just gyms". As with trends in the retail sector, experiences and entertainment will be important to attracting and retaining customers. For example, there has been continued investment into 'fitness-tainment' over the last few years and analysts predict that there is plenty of opportunity for future growth.
- 7.58 In this context, the table overleaf shows some of the main public and private gyms and leisure facilities in the Borough at the time of preparing this study based on the results of the household survey.

**Table 7.10: Health and Fitness - Market Shares**

	Study Area	LB Sutton
Sutton Town Centre (incl PureGym, Welcome Gym, Anytime Fitness)	14.6%	21.7%
Carshalton District Centre (Westcroft Leisure Centre, Pulse Fitness, etc)	5.7%	7.9%
Cheam District Centre( incl. David Lloyd, Nuffield Health, Cheam Leisure Centre, etc)	4.0%	7.5%
Wallington District Centre	6.9%	6.4%
Other LB Sutton	12.2%	17.1%
<b>LB Sutton Market Share</b>	<b>45.5%</b>	<b>64.8%</b>
Croydon/ Purley Way	10.5%	10.6%
Epsom	3.3%	4.7%
Other	19.8%	9.1%
<b>Leakage from Borough</b>		<b>35.2%</b>

Source: Answer to Q35, HTIS, Volume E

- 7.59 The survey-derived market shares show that the Borough is retaining approximately 65% of all trips made for health and fitness activities, which is considered a reasonably strong level of retention. Generally, trips to health and fitness venues are mainly retained by facilities in Sutton Town Centre, such as PureGym, Welcome Gym and Anytime Fitness. In terms of competition, the Borough mainly competes with venues in Croydon and Purley Way, which capture 36.2% of trips from Zone 3, which borders the boundary with LB Croydon.
- 7.60 In terms of supporting new facilities, demand for new health and fitness provision will be dependent on how the market recovers from the impact of the pandemic and how the current cost of living crisis impacts on gym membership retention and take up.
- 7.61 However, the participation rates in health and fitness activities identified from the household survey indicate that on average 27% of Borough area respondents (or 30% of Study Area respondents) visit gym and fitness venues. If it is assumed that future residents follow a similar level of participation in this activity, it can be predicted that the Borough's projected population could generate some 3,099 potential new gym members up to 2032 increasing to 6,024 by 2042. This is above the average membership levels for gyms of 1,426 per venue<sup>41</sup>. As such, based on current participation rates and forecast population growth there could be capacity to support 2 new gym facilities in the Borough by 2032, increasing to 4 by 2042. Furthermore, there is potential scope to improve participation rates gym and fitness activity, which could be encouraged if there is greater choice in gym offer.
- 7.62 In terms of potential market demand, it is reasonable to expect that there will be interest from the budget gym market in opening a venue in the Borough, which forecast growth in population could support. However, as for the other commercial leisure sectors, the take-up of any need will be driven by the market and level to which new gyms will seek to compete for members of existing gyms.

## **GAMBLING VENUES**

- 7.63 Gambling represents a significant component of the leisure industry. The main sectors comprise 'games of chance' (namely bingo clubs, casinos, betting shops and amusement arcades). The latest research<sup>42</sup> figures show that the gambling industry in Great Britain generated a Gross Gambling

<sup>41</sup> Gym membership levels range from an average of 726 per club for independent venues, up to 2,198 members per club for the national operators. Average membership levels increase to 2,897 per club for the larger fitness chains (such as, for example, David Lloyd, Virgin Active, LA Fitness, etc.) and levels for the budget chains can be even higher at 3,452 members per club.

<sup>42</sup> The Gambling Commission – Industry Statistics (November 2019)

Yield (GGY) for the year end to March 2019 of £14.4bn. This represented a +4.2% growth from the 2017 GGY of £13.8bn. Remote (online) gambling accounted for £5.3bn of total GGY, equivalent to a growing market share of 37.1%, and the national lottery accounted for a further £3.1bn. The growth of remote and online gambling, alongside changes in regulations reducing maximum stakes for slot machines, has resulted in the fifth consecutive year of decline in betting premises and a -10% fall in the GGY of casinos to March 2019. The following assesses the main trends in this sector, current provision in LB Sutton and the potential need/demand for new facilities.

- 7.64 In terms of **Bingo Halls**, in response to falling admissions over a number of years bingo operators are increasingly taking advantage of the online market and embracing smart-phone technology through new 'app' development. This forms part of a wider trend and growth in 'remote/online' gambling, which includes gambling activities through the internet, telephone, radio, etc. Bingo operators are also increasingly looking to diversify their customer profile, and are marketing their clubs at a younger, predominantly female audience. As a result there has been an increase in the number of younger and more affluent bingo players over recent years, particularly as deregulation has enabled clubs to offer bigger (national) prizes. At the opposite end of the scale, research<sup>43</sup> shows that the 55-64 age group has generated the biggest growth in online gambling as more mature bingo players switch to online bingo sites, as they grow in confidence with the new technology. These trends have resulted in the closure of many bingo halls in centres across the UK over the last decade.
- 7.65 For **Casinos** the latest figures published by the Gambling Commission show that casinos achieved a GYY of £1.059bn in the year end to March 2019. Although this was 10% down on GGY for 2018, there has been a circa 85% increase over the last decade from £751.1m in 2009. There were some 154 casinos in 2019 and the number of venues has increased steadily from 143 in 2009. The casino sector is dominated by two companies: the Rank Group with 67 venues has a 44% market share and Genting UK has 44 venues and a 29% market share. There has been some consolidation of the sector in the past few years, such as Rank Group's purchase of Gala Coral Casinos. The nearest major commercial casinos<sup>44</sup> to Sutton are located in Central London.
- 7.66 There were some 8,320 **Betting Shops** in the UK in March 2019. William Hill accounts for 27% (2,264) of all premises, Ladbrokes has a 22% share (1,828 premises), Tote's market share is 19% (1,620) following its purchase of Betfred, and Gala Coral Group's share is 18% (1,529). Regulatory changes in 2015 led to a fall in revenue and profit resulting in a fall in the number of active premises from 9,111 in 2014. As gambling activities continue their shift to online channels, so the demand for physical outlets will inevitably dampen in the future and betting shops will inevitably close. Notwithstanding this, the presence of betting shops in high streets is a contentious issue in any case due to the perceived social and economic impacts on households. The Government has recognised that betting shops have specific impacts and in 2016 reclassified their use from Class A2 to 'Sui Generis', and remain so under the new Use Class Order. This reclassification means local authorities have greater planning powers to manage the number of outlets and therefore greater potential to limit impacts.
- 7.67 The survey-derived market shares for visits to bingo halls, casinos and bookmaker facilities show that 7% of Study Area respondents and 6% of Borough area respondents participate in this type of leisure activity. It is noted that participation levels in gambling activities are higher in the Zone 2

<sup>43</sup> Gambling Commission (February 2019). Gambling Participation in 2018: behaviour, awareness and attitudes – Annual Report.

<sup>44</sup> Major casinos are considered venues comparable to those operated by Genting, Grosvenor, and Aspers. Excludes venues self-termed as casinos that are limited to slot machines.

(Wandle Valley and St Helier) where the participation rate is 11% compared to 2% for Zone 2 (Cheam and Belmont).

- 7.68 In respect to preferred locations for gambling activities, the HTIS results show that Morden is the most popular destination for respondents. The town, which has a Mecca Bingo is cited as their preferred location for gambling activities by 30% of Borough respondents, followed by Mecca Bingo in Croydon (27.1%). Wallington District Centre was cited by 11.1% of Borough respondents as their preferred location. Given that there are no casinos or bingo halls in the centre it is assumed that respondents are referring to trips to betting shops and amusement arcades.

**Table 7.11: Market Share for bingo halls, casinos and bookmaker facilities**

	Study Area	LB Sutton
Sutton Town Centre	6.4%	7.5%
Wallington District Centre	5.3%	11.1%
Rosehill District Centre	2.9%	3.0%
North Cheam District Centre	1.2%	2.6%
Other, LB Sutton	1.7%	3.6%
<b>LB Sutton Market Share</b>	<b>17.5%</b>	<b>27.7%</b>
Morden (Mecca Bingo)	24.3%	30.2%
Croydon (Mecca Bingo)	23.5%	27.1%
Tooting (Buzz Bingo)	12.4%	8.4%
Crawley (Buzz Bingo)	1.5%	3.2%
Central London	0.9%	1.9%
Other	19.9%	1.4%
<b>Leakage from Borough</b>		<b>72.3%</b>

Source: Answer to Q33, HTIS, Volume E

- 7.69 Based on the evidence, there is no demonstrable need to enhance existing provision to improve competition and choice at the local level, although this will largely be driven by market interest and demand from bingo and casino operators. Given that current trends for bingos and casinos show activity moving online instead of physical venues, future demand for new venues is expected to be very limited. If demand does arise in the future, we advise that this should be directed to the town centres first in accordance with national and local plan policy.

## **THEATRE AND CULTURAL ACTIVITIES**

- 7.70 Cultural activities include a broad range of activities that are focused on the arts and historic attractions. This assessment is concerned with the provision and potential need for theatres and museums in the Borough.
- 7.71 Visits to performing arts venues are the fourth most popular leisure activity for respondents living in the Study Area and Borough. Over half of all households in the Study Area and LB Sutton visit theatres, concerts and music venues. Of the Borough's six zones, the participation rate for this leisure activity is noticeably higher in the Zone 3 (Cheam and Belmont) where participation rate is 62% and is lowest for Zone 1 (Sutton) at 40%.
- 7.72 Carshalton attracts the biggest market share of trips to performance venues in the Borough with Borough market share of 5%, as shown in the table overleaf. However, overwhelmingly, Borough and Study Area respondents are choosing performance arts venues in Central London/ West End, which is unsurprising given the wealth of offer in London and easy connections from LB Sutton.

**Table 7.12: Performing Arts Venues in the Study Area**

	Study Area	LB Sutton
Sutton Town Centre	1.5%	3.2%
Carshalton District Centre (incl. The Cryer Arts Centre)	2.4%	5.0%
Other, LB Sutton	0.6%	1.2%
<b>LB Sutton Market Share</b>	<b>4.5%</b>	<b>9.4%</b>
Central London / West End	73.8%	72.9%
Wimbledon (incl. New Wimbledon Theatre)	8.1%	9.8%
Croydon	3.9%	2.0%
Epsom	2.7%	1.0%
Other	7.0%	4.9%
<b>Leakage from Borough</b>		<b>90.6%</b>

Source: Answer to Q36, HTIS, Volume E

- 7.73 Similar to the results for performing arts trips, the majority of trips to historical and cultural attractions are undertaken in locations outside of the Borough. This is not an unsurprising outcome given that such visits tend to be very infrequent and associated with the day trips and holidays. However, it is noted that the Honeywood Museum in Carshalton is a preferred venue for 5.6% of respondents, which is most popular with respondents living in Zone 2 (6.4%) and Zone 5 (3.45%).
- 7.74 The market share assessment for trips to performance venues in the Borough clearly shows there is high levels of leakage and presents an opportunity to claw back trips by investing in new or improved venues. Given Sutton's proximity to London, there will always be significant competition with Central London/ West End, which will dominate market share for all outer and most inner London Borough. Investment in new performing arts venues needs to come in tandem with general improvements to Sutton's town centre to create a more attractive location for customers to visit, particularly in the evening time. Investment is also need in the town's food and drink offer where there is a linked trade with performance venues. The delivery of Throwley Yard, which will provide facilities for live performances is a start and future regeneration proposals for the town centre, such the redevelopment of the St Nicholas Centre could be a catalyst in promoting new investment in facilities for the arts and improving restaurant offer.

**Table 7.13: Historical and Cultural Attractions – Market Shares**

	Study Area	LB Sutton
Honeywood Museum, Carshalton	3.5%	5.6%
Other, Carshalton	0.3%	0.7%
Sutton Town Centre	0.1%	0.2%
Other, LB Sutton	0.0%	0.0%
<b>LB Sutton Market Share</b>	<b>3.9%</b>	<b>6.4%</b>
Central London / West End	94.4%	93.1%
Other	1.7%	0.4%
<b>Leakage from Borough</b>	<b>96.1%</b>	<b>93.6%</b>

Source: Answer to Q37, HTIS, Volume E

## OTHER COMMERCIAL LEISURE

- 7.75 Other commercial leisure facilities can be grouped together under 'family entertainment venues' (FEVs), which include paid activities that appeal to adults and children (such as, for example, tenpin bowling, roller skating, ice skating, and similar uses).
- 7.76 **Tenpin bowling** is possibly the most popular activity in the 'family entertainment' sector. After a period of decline in the 1970s, there are now 316 venues in the UK according to Mintel figures. The

UK tenpin bowling market was valued at £285m in 2017. This represented a +9.7% year-on-year growth, and represented the fifth consecutive year of growth. A number of the successful bowling facilities opened over the last 15-20 years (e.g. Hollywood Bowl and Ten Entertainment)<sup>45</sup> tend to form part of larger leisure complexes that include multi-screen cinemas, restaurants and nightclubs. The critical mass of leisure uses “*under one roof*” help to underpin the viability of tenpin bowling centres, as they tend to struggle as standalone destinations. The sector is evolving from old-style bowling alleys, to modern, multi-generational entertainment centres where bowling is blended with other forms of activity alongside an enhanced dining offer, along with smaller independent specialist bowling facilities (such as, for example, All Star Lanes and Bloomsbury Bowl)<sup>46</sup>.

7.77 Over recent years there has also been growth in other more specialist commercial leisure attractions, such as **trampoline parks**. Trampolining has become one of the UK’s fastest growing sport and leisure trends. It is estimated that there were some 150 parks in the UK in 2017/18, with the potential capacity for between 250-300 parks before saturation is potentially reached. The main operators in this sector include Oxygen Freejumping<sup>47</sup>, Ryze<sup>48</sup>, and Gravity Active Entertainment<sup>49</sup>. There is also an emerging market in **multi-activity leisure venues** promoted by niche operators that offer a range of activity leisure uses under one roof. Examples include venues that include skateboard, snowboarding, BMX, free Ski, parkour, and climbing activities, alongside other activities. Active leisure venues such as those described above typically attract wider families and groups, who are generating ‘spin-off’ expenditure to other uses and facilities both within and outside the venues.

7.78 The table below summarises the findings of the survey-derived market shares for trips to FEVs in the Borough.

**Table 7.14: Family Entertainment Venues – Market Shares**

	Study Area	LB Sutton
Sutton Town Centre	4%	8%
Other, LB Sutton	3%	6%
LB Sutton Market Share	7%	13%
Tenpin Valley Retail Park, Croydon	42%	35%
Hollywood Bowl, Tolworth	23%	26%
Croydon	4%	8%
Purley	2%	5%
Central London/ West End	4%	0%
Other	21.6%	13.3%
Leakage from Borough		86.6%

Source: Answer to Q40, HTIS, Volume E

<sup>45</sup> Hollywood Bowl is the market leader in the tenpin bowling sector. It operates 59 venues under the Hollywood Bowl, AMF and Bowlplex brands. Its expansion has been driven by opening new sites, including recently in Dagenham and Yeovil. Ten Entertainment operates 44 venues and its growth strategy is focussed more on acquisitions of distressed assets than opening new venues, and then modernising the facilities to drive growth and value.

<sup>46</sup> All Star Lanes operates five bowling venues, including four are in London (Brick Lane, Holborn, Stratford City and White City) and is largely targeted at the corporate/private hire market. Bloomsbury Bowl also operates from smaller venues with sites in Bloomsbury (8 lanes) and Bristol (5 lanes).

<sup>47</sup> Oxygen Freejumping has parks in Acton (West London), the O2 in Greenwich, Croydon, Derby and Southampton. It also acquired Air Space in 2017, a subsidiary of the high wire adventure company Go Ape. However pre-pandemic Oxygen closed parks in East Kilbride (June 2018) and Wolverhampton park (December 2018) due to reported “trading difficulties”.

<sup>48</sup> Ryze is a Scotland-based operator with three parks in Edinburgh, Glasgow and Dundee. These parks range in size from 929 sqm (10,000 sqft) to 1,208sqm (13,000 sqft).

<sup>49</sup> Gravity Active Entertainment is a Castleford-based operator with 11 parks, mainly as part of existing shopping or adventure centres. Its venues include the Xscape in Castleford and Milton Keynes, Bluewater Shopping Centre and Riverside Entertainment Centre (Norwich).

- 7.79 As the table shows, the Borough attracts limited visits for FEV activities, which will reflect the lack of offer for traditional attractions. A review of FEVs in the Borough has identified a limited choice in venues. The only FEVs of note are Craggy Island Indoor Bouldering & Caving Centre in Carshalton, a trampoline park in Sutton Sports Village, family activities that are available within the Borough's leisure centres (e.g. soft play centres), and pottery cafes (e.g. Village Ceramics in Cheam).
- 7.80 The most popular named venue identified from Study Area and Borough area respondents is the Tenpin bowling venue in Valley Retail Park (Croydon), followed by Hollywood Bowl in Tolworth. Overall, 86.6% of respondents from the Borough area are travelling out of LB Sutton to access FEVs. This highlights an opportunity to capture lost expenditure by investing in new FEVs for the Borough, particularly those in the active leisure market such as ten pin bowling. Attracting a tenpin bowling operator to the Borough such as, Hollywood Bowl and Ten Entertainment, will require sites in shopping locations that support high footfall levels or out-of-centre locations that are anchored by a cinema. The potential to support a bowling venue and/or other active leisure venues could come forward as part of investment plans for the St Nicholas Shopping Centre in Sutton or as part of a new cinema scheme development, subject to securing market interest.
- 7.81 In respect to other FEV opportunities, we would expect Sutton to be a target location for active leisure operators such as trampoline parks and other multi-activity attractions. Whilst there are many FEV attractions in Croydon, Sutton has a large enough catchment to support FEV attractions, particularly where they are located close to existing venues. Site requirements for FEVs are generally preferred in locations that are close to leisure anchors, or on retail parks and trade parks, and require large units that have adequate floor to ceiling heights. Therefore, opportunities to support FEV uses in the Borough will be limited to out-of-centre locations where operational requirements can be met within larger units.

### **LEISURE NEEDS – VIEWS AND PERCEPTIONS OF RESIDENTS IN THE STUDY AREA**

- 7.82 To further help inform the assessment of leisure needs in LB Sutton, we have also drawn on the responses to the HTIS (question 47), which specifically asked respondents what improvements to the Borough's leisure provision/venues would make them take part and/or visit more often than they currently do.
- 7.83 Some 44% of respondents from the Study Area stated that no improvements would encourage them to visit or partake more often in leisure activities in the Borough. Of the six zones that comprise LB Sutton (Zones 1 to 6) the HTIS found that those living in Zone 6 (Wallington South) and Zone 1 (Sutton) were more likely to highlight the need for improvement to leisure offer compared to those living in Zone 2 (Cheam/ Belmont) where respondents were more likely to state no improvements were needed.
- 7.84 The top five most frequently highlighted suggestions given by respondents to the HTIS to improve leisure offer in Borough are set out in the table overleaf and are identified for the six study zones that comprise LB Sutton.

**Table 7.15: Top 5 suggested leisure improvements – LB Sutton Zones**

Zone 1 Sutton	Zone 2 Cheam/ Belmont	Zone 3 St Helier/ Wandle Valley	Zone 4 Worcester Park	Zone 5 Carshalton Central	Zone 6 Wallington South
Outdoor festivals / events	Swimming pool (indoor)	More leisure facilities / activities for children	More leisure facilities / activities for children	Cheaper prices	Cheaper prices
More leisure facilities / activities for children	Cheaper prices	Outdoor festivals / events	More leisure facilities / activities for families	More leisure facilities / activities for families	More leisure facilities / activities for children
Swimming pool (indoor)	Live music venues	Ten-pin bowling	Better shopping facilities	Live music venues	More leisure facilities / activities for families
Food / farmers markets	Ten-pin bowling	Cheaper prices	More quality restaurants	More leisure facilities / activities for children	Live music venues
Live music venues	More leisure facilities / activities for children	Improved security / CCTV	More leisure facilities / activities for the elderly	More local sports & recreation facilities	Food / farmers markets

Source: Q42, HTIS, Volume E

- 7.85 The responses for each zone and the suggested priority of improvements (based on the frequency of which they are highlighted) vary between zones but generally relate to a lack of access to certain facilities and cost. As the table above shows, the need for “more leisure facilities / activities for children” was the most frequently highlighted suggestion for respondents living in Zone 3 (St Helier/Wandle Valley) and Zone 4 (Worcester Park), while being the second most frequently raised suggestion by respondents from Zone 1 (Sutton), Zone 5 (Carshalton Central) and Zone 6 (Wallington South). Respondents from Zone 2 (Cheam/ Belmont) were more likely to raise the need for an indoor swimming pool and cheaper prices. The latter was also a key suggestion from respondents living in Zones 5 and 6. For Zones 1 and 3, the suggestion for an outdoor festival was also a popular response.
- 7.86 Clearly, the priority for improvements based on the survey responses is to improve leisure facilities and activities for children. This could be achieved by improving access to FEVs, but also non-commercial leisure uses such as play parks that cater to all child age groups. These suggested improvements to leisure offer reflect a potential opportunity to invest in a broader range of leisure uses that could help to retain leisure expenditure in the Borough and encourage more residents to partake in leisure activities.

## SUMMARY

- 7.87 This section has shown that the commercial leisure industry faces considerable challenges and pressures. It is clear that consumers are becoming increasingly selective in terms of where and how they spend their discretionary leisure spending. There will also be a continued increase in at-home activities due to the advances in computers, tablets, television, gaming, and audio technology. The

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challenge for town centres and leisure operators in the future will be how to attract customers away from their homes.

- 7.88 Our review of the Borough's commercial leisure sector and offer, and the results of the household survey, indicate that residents are more likely to visit the cinema and dine and drink out at locations in the Borough, but travel out for cultural activities and family entertainment. The latter trend correlates with an absence or limited choice in those leisure facilities in the Borough or influenced by the proximity of major leisure destinations, notably Central London/ West End.

## 8. MARKET DEMAND ASSESSMENT

- 8.1 The section considers the findings of the retail and leisure needs assessments in Section 6 and 7 and considers whether there is interest from the market. We then consider how identified quantitative and qualitative need and market demand can be accommodated within Sutton Town Centre and the seven district centre, with particular focus on undeveloped adopted Local Plan allocations.

### RETAIL NEEDS AND MARKET DEMAND ASSESSMENT

- 8.2 This assessment has been prepared in the context of the many issues and challenges facing the UK's retail sector and high streets. These challenges have been driven by a combination of economic pressures, technological change (which has driven the growth in online activity and sales) and shifts in consumer behaviour. This has resulted in a significant year-on-year rise in business failures, with the resultant closure of stores and the significant loss of jobs. The pandemic has further accelerated and compounded these trends, while the current cost of living crisis is expected to slow down retail sales and spend on leisure.
- 8.3 As highlighted in Section 3 the retail market is particularly volatile as brands that were at one time considered to be immune to retail shock waves have collapsed. Even online brands are failing such as the recent demise of Made.com (which has now been acquired by Next). Notably the rapid success of online fast fashion brands which created major online giants (ASOS and BooHoo) are now facing challenges as a result of supply chain issues and scrutiny on working practices, which has seen previous market leaders facing collapse (e.g. Misguided). The key message is that there is continuous and significant downward pressure on retail values, at a time when retailers and landlords are facing rising costs and debts. In turn, this has led to many more retail operators being forced into administration and a rise in vacancies (see Section 3). Research indicates that Britain is over-shopped; meaning there is too much retail floorspace in our towns and shopping centres. In turn, these trends are all impacting on the capacity and market demand for new retail floorspace.
- 8.4 Sutton's town centres are not immune from these national and regional trends. While the health check assessments undertaken show that the towns are all generally performing well there has been a loss of retail brands, particularly for Sutton Town Centre where many retail brands that entered into administration were previously trading (e.g. Debenhams, TopShop, Peacocks, and Laura Ashley). The Council's own health check assessments for the district and local centres also shows that retail is reducing in these centres while service uses increase and in some cases vacancies have arisen. This highlights the need for town centres to diversify their offer by not relying solely on retail to support town centre vitality and viability. This trend is already being led by market forces with service and leisure uses becoming more prevalent in town centres, but there are also opportunities to draw new town centre users through civic and community uses. Examples of diversification are discussed in Section 9).
- 8.5 The forecast retail capacity assessment in Section 6 considered the need for new retail (convenience and comparison) floorspace in Sutton Borough and its main centres over the ten-year period up to 2032, and over the lifetime of the plan (up to 2042). The capacity forecasts were informed by the latest forecasts published by Experian Business Strategies<sup>50</sup>. Experian's forecasts take account of the potential impacts of the pandemic on retail expenditure levels over the short, medium and long term, and the growing market share of non-store retail sales (specifically online purchases).

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<sup>50</sup> Experian Business Strategies (January 2022) Retail Planner Briefing Note 19

- 8.6 The headline figures show limited capacity for new convenience retail floorspace over the ten-year forecast period to 2032 **for the Borough as a whole.** No forecast capacity is identified for comparison retail at Borough or centre level over the ten-year period or beyond.
- 8.7 In terms of market demand for new retail operators, the health check assessment identified retailers that have registered interest in locating within Sutton Town Centre, and Carshalton and Cheam District Centres. The table below summarises national retailers that have registered interested within the 12 months to November 2022.

**Table 8.1: Retail & Leisure Requirements – 12 months to November 2022**

Sutton Town Centre	Carshalton	Cheam	North Cheam	Worcester Park
Grape Tree	Lidl	Lidl	Lidl	Lidl
Lidl	Savers	Savers		The Range
Matalan	Toolstation	The Range		
Savers				
The Range				

Source: Appendix C.1

Notes: No requirements were identified for Hackbridge, North Cheam, Rosehill, Wallington and Worcester Park.

- 8.8 In addition to those identified in the above table we are aware that a number of retail and leisure operators are interested in the Sutton area without explicitly identifying which centre in the Borough. These operators include: Premier Inn, Amber Tavern (public house chain), Calendar Club, Kennelpak (pet store), Poundstretcher, Sainsbury's Local, Travelodge, and Feel Electric (fitness venue). It is assumed that these operators will be focused on opportunities in and close to Sutton Town Centre and on retail park locations.
- 8.9 The following considers market demand for the different retail and leisure sectors.

### ***Convenience Retail***

- 8.10 As the table above shows, opportunities for new retail investment are led by the discount foodstore, with Lidl seeking sites in five out of eight centres. While Lidl is not currently trading in Carshalton and Cheam the retailer is currently trading in Sutton Town Centre, Rosehill, Wallington and Hackbridge. This infers that either Lidl is seeking a replacement store or is seeking a second store in Sutton Town, which is more likely to be in an edge or out-of-centre site.
- 8.11 Meeting foodstore operator site requirements can be challenging in town centres, particularly for operators such as Lidl (and Aldi) who are generally unwilling to compromise on standard site requirements for new stores. Current minimum requirements for Lidl include a minimum site area of 0.6 hectares to support a minimum store size of 2,300 sqm gross and at least 100 dedicated parking spaces.
- 8.12 There may also be potential interest from other formats that fall under the discount foodstore umbrella, particularly frozen food retailers, such as Iceland and Farmfoods. LB Sutton has two frozen food operators, an Iceland in Wallington, and a Farmfoods in Sutton Town Centre. We are aware that Iceland is seeking opportunities to expand their Food Warehouse format portfolio and the nearest outlet is in Southwark. However, opportunities to support a new Iceland Food Warehouse would be limited to out-of-centre sites and retail parks rather than Sutton's town centres. However, there may be interest in locating to sites on the edge of Sutton Town Centre where big box retailing is present. Similarly, Farmfoods is seeking new sites nationwide and there may be opportunity to support additional stores in the Borough. However, like Iceland Food Warehouse, Farmfoods are

only considering sites that are edge or out-of-centre on busy road networks that provide dedicated customer parking.

### ***Comparison Retail***

- 8.13 In respect to identified comparison retailer requirements, there is interest from Savers for an additional site in Sutton Town Centre and new sites in Carshalton and Cheam. Savers typically occupies town centre sites and opportunities to secure the retailer will be driven by the availability of suitable town centre units.
- 8.14 Matalan has a requirement for a site in Sutton Town Centre. We understand that the retailer has a preference for retail park sites but will consider town centre sites including high street and shopping centre locations. Matalan's current minimum store requirement is for a 1,390 sqm unit with full cover sales mezzanine. There should be an opportunity to support Matalan in Sutton Town Centre, particularly where new retail accommodation comes forward within the St Nicholas Shopping Centre.
- 8.15 In summary, market demand for new retail is principally led by the discount food sector and will be for the foreseeable future. Opportunities within the comparison retail sector is limited and based on trends nationwide will be driven by customer demand for discounted goods and multi-good retailers that are growing in popularity, such as The Range and Matalan have registered interest in locating within the Borough. The future closure of B&Q as part of the site's redevelopment may result in a requirement by B&Q for an alternative site in the Borough, albeit requirements are likely to focus on out of centre sites. However, the challenge is directing new investment in the Borough's larger centres, particularly Sutton Town Centre as the majority of identified retailer requirements require larger sites that offer dedicated customer parking. However, consideration needs to be given to the opportunities to improve choice for Borough's residents, but ensuring new development coming forward at edge or out-of-centre sites are appropriately assessed against the sequential and impact tests.
- 8.16 It should be noted that not all national operators allow their requirements to be published so there may be other operators seeking space in Sutton's centres, including independents.

### **LEISURE NEEDS AND MARKET DEMAND ASSESSMENT**

- 8.17 Section 7 sets out the high level assessment of the potential need for new leisure uses and facilities up to 2032, and over the lifetime of the plan to 2042. Even under normal circumstances, it is difficult to predict the need for new leisure uses, as the sector is very diverse and highly influenced by market, lifestyle and consumer trends. Predictions as to likely future need, even over the short term (i.e. the next 2 years), have been further complicated by the impact of the pandemic and current cost of living crisis on leisure expenditure trends and growth, consumer preferences and business viability.
- 8.18 Notwithstanding these caveats, commercial leisure uses are a critical part of the overall offer and attraction of centres. They make a significant contribution to their overall diversity, vitality and viability, and to their daytime, evening and night-time economies<sup>51</sup>. The findings of the market research surveys and health check assessments have confirmed the importance of leisure uses and venues to the overall mix and attraction of the Borough's centres, particularly Sutton Town Centre. As part of their future adaptation and growth, it is therefore important that the local planning authority maintains and promotes diverse and flexible leisure uses, venues and events in the Borough's main centres over the plan period.

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<sup>51</sup> Competitive socialising venues typically include adult game activities, such as darts, ping pong, crazy golf, etc, that sit within a bar and restaurant.

- 8.19 However, aspirations to improve leisure offer and the results of the needs assessment for leisure uses in Section 7 need to be tempered with what can be achieved in the market.
- 8.20 The following provides an overview of the results of the leisure needs assessment in Section 7 for the different commercial leisure uses considered and the market reality of delivering investment, which takes account of identified operator requirements.

### ***Cinema***

- 8.21 The screen capacity assessment identified no further capacity to support new screens in the Borough over the plan period due to existing and planned cinema provision. Once the independent cinema is developed out at Throwley Yard the Borough will benefit from two boutique format cinemas. The most obvious gap in provision is a multiplex cinema that offers enhance cinema screen experience. However, demand from the market is likely to be weak given the proximity of existing multiplex offer in nearby competing centres such as Croydon (Valley park Leisure Complex), and Wimbledon, and Kingston-upon-Thames.

### ***Food and Beverage (F&B)***

- 8.22 Eating out in cafés and restaurants is the most popular activity in the Borough with 85% of respondents to the household survey dining out. Spending on F&B also accounts for the majority of total available leisure expenditure in the Borough and wider Study Area, and is forecast by Experian to experience the strongest growth up to 2032. A quantitative assessment on potential capacity to support new F&B offering suggests that there is potential to support up to 6,598 sqm gross of new F&B floorspace over the ten-year period to 2032.
- 8.23 There has been recent investment in the F&B market in Sutton Town Centre with the opening of Wendy's fast food restaurant and Burger King on High Street earlier in 2022.
- 8.24 There is registered interest from F&B brands, but this is limited to one fast food operator and one restaurant brand that are seeking space in Sutton Town Centre. They included interest for sites from Chicktopia, a fast food operator and Ground Kitchen, a restaurant brand.
- 8.25 Both operators are relatively new to the F&B market. Chicktopia has one outlet (Lakeside Shopping Centre, Thurrock) and Ground Kitchen also has one outlet (Fosse Park, Leicester), but is seeking new sites nationally. Based on the location of their current sites we can assume that both operators will be seeking either shopping centre units, which highlights the potential to secure both operators within the St Nicholas Shopping Centre.
- 8.26 There are likely to be unpublished requirements from other branded operators and the independent sector who are likely to seek opportunities in locations where there is sufficient footfall, such as secondary pitches in Sutton Town Centre and high street pitches in the Borough's larger district centres. However, feedback from LSH commercial agents suggest that demand from higher quality brands seeking opportunities in Sutton, particularly Sutton Town Centre will be limited as the town lacks existing quality F&B brands (beyond Pizza Express, Zizzi, etc) which encourage investment. For example, F&B operators will locate within the vicinity of cinemas. However, there is limited opportunity to support F&B alongside or in close proximity to the Empire Cinema in Sutton Town Centre. Creating an F&B quarter close to the cinema as part of future generation proposals for Sutton could help to address this. The development of Throwley Yard may help to stimulate investment from brands seeking to trade off increased footfall generated from the new cinema, foodhall and workspace.

- 8.27 Where there are opportunities to target new brands by accommodating requirement at the design stage of projects then the following general site requirements<sup>52</sup> should be considered:
- Majority of smaller casual dining brands seeking units supporting 93 sqm and 232 sqm but increasing to 465 sqm and 1,115 sqm for major chains (e.g. The Breakfast Club, Vapiano, Côte, etc).
  - Fast food and QSD brands generally seeking units of 115 sqm to 325 sqm.
  - Use Class E but flexibility for Sui Generis (Hot food takeaway) where needed.
  - Typically require leasehold tenure over freehold.
  - Busy, vibrant locations that offer all-day trading (for casual dining brands in particular).
  - Accessible to main retail pitch, theatres/cinemas, and commercial areas.
  - Many casual dining brands seek external seating area.
- 8.28 In the meantime, the flexibility of Class E will create F&B opportunities to arise where demand is identified by independent and branded operators, where previously planning policy constrained the ability for F&B to come forward.
- 8.29 At this stage, we do not consider that there is a requirement to identify specific sites to accommodate future need for F&B provision.

### ***Health and fitness***

- 8.30 Health and fitness facilities (principally gyms) are currently achieving a 30% participation rate across the Study Area and 27% for the Borough. Capacity for two new gym/ fitness facilities has been identified based on Borough-wide population growth up to 2032, increasing to 2042 when measured against an average membership level for a branded gym operator.
- 8.31 A review of published property requirements for major gym operators did not identify requirements for any of Sutton's centres, which may be due to operators being cautious about expansion plans during a cost of living crisis and when the sector is still in recovery post-Covid.
- 8.32 LSH approached a number of gym brands to identify whether they had requirements in Sutton. The Gym Group who operate PureGym and operate a gym in Sutton Town Centre confirmed that they would be interested in sites in Carshalton and Wallington. Their requirements include a unit size ranging between 836sqm and 1,022sqm gross with a minimum floor to ceiling height of 3 metres.
- 8.33 Further demand is likely to arise from the gym market when a more settled economic outlook emerges (post-recession), which may encourage investment by gym brands in the Borough and particularly in Sutton Town Centre, but also within the larger district centres particularly Wallington.

### ***Other Commercial Leisure Uses***

- 8.34 With regard to other commercial leisure uses, there is currently no identified market demand for gambling venues (e.g. bingo halls and casinos), tenpin bowling, trampoline parks, or other facilities. This is mainly due to the limited catchment potential of the Borough's town centres and the proximity of leisure facilities in larger centres in neighbouring authorities.
- 8.35 There is growth in the family entertainment and active leisure market, with emerging brands seeking sites nationally. This includes operators seeking sites nationally for trampoline parks, obstacle

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<sup>52</sup> Informed by requirements listed by brands on The Requirements List database.

course themed activities, social competitive activities, and niche active leisure (e.g. rock climbing and bouldering).

- 8.36 Whilst there no identified requirements from this sector for Sutton, we note that a number of operators are seeking sites across London, such as Ghetto Golf and Golf Fang, a crazy golf operators that sits within the competitive socialising market. The operator is seeking units that provide accommodation of 1,400 sqm to 2,800 sqm with a 5m+ clear floor to ceiling height and at edge of city locations. Flip Out, a trampoline park operator have identified Croydon as a target location, but there could be opportunity to attract this operator, albeit this would likely be focused on industrial or standalone units within Sutton that are close to Valley Retail Park.
- 8.37 However, opportunities to support new active leisure brands will be constrained by a lack of available sites. Industrial property values are high due which will discourage asset owners from considering lower value uses such as leisure. Where industrial sites are redeveloped they are supporting residential uses.
- 8.38 As highlighted in respect to retail market demand, not all national leisure operators allow their requirements to be published so there may be others seeking space in the Borough's towns.

### **ACCOMMODATING RETAIL AND LEISURE NEEDS AND MARKET DEMAND**

- 8.39 The NPPF (paragraph 85d) states that planning policies should “...allocate a range of suitable sites in town centres to meet the scale and type of development likely to be needed, looking at least ten years ahead”.
- 8.40 Aligned with the NPPF, the PPG identifies that town centre strategies should establish the potential for “...development or the redevelopment of under-utilised space” to accommodate the scale of assessed need, and the more effective and efficient use of land (for example, the scope to group particular uses such as retail, restaurant and leisure activities into hubs, or for converting airspace above shops). In turn, this will help to establish the need for centre “expansion”, “consolidation” and/or “restructuring”.
- 8.41 In this context, the retail capacity assessment has identified a very limited need for new convenience goods floorspace over the ten-year period, up to 2032; and no need for new comparison goods floorspace. However, the market demand assessment has identified interest from the discount foodstore market Lidl with the retailer identifying Sutton, Carshalton, Cheam, North Cheam, and Worcester Park as locations of interest for a new store. This may not mean that Lidl is seeking representation in all five centres due to potential catchment conflicts, but it does show that there is investment potential for new convenience offer in these towns. Some caution should be applied to Lidl's requirement for Sutton given that the town already has a Lidl store and there is concern that Lidl would consider relocating out of the centre to an edge of centre site. As such, opportunities to support new discount foodstore offer should be encouraged, but only where they will support or at the very least do not impact on existing town centre economies.
- 8.42 Given the lack of need to support new retail and leisure opportunities we have carried out a brief overview to establish whether current allocations that support town centre uses should be retained or amended.
- 8.43 The table overleaf provides high level advice on sites allocated in the Local Plan that support town centre use:

Sutton Town Centre	Comments
STC1: Gas Works Site	Developed and can be removed.
STC2: Morrison Site -	Site owners' interest in redevelopment site. Allocation should be retained to support housing on upper floors but policy should include the requirement to retain a large foodstore on site and customer parking.
STC3: Former Burger King Site	Developed
STC6: South of Lodge Way	Allocation supports housing and 2,525 sqm of retail. The site currently accommodates Farmfoods and Carpetright.
STC7: Kwik Fit site	Allocation supports 456 sqm of retail. The site remains undeveloped and is still in use by a viable commercial business (Kwik Fit). Allocation for commercial uses should be broadened to cover all Use Class E.
STC8: North of Greenford Road	Part developed.
STC9: Civic Office site	711 sqm retail and 13,896 sqm office –includes the Council's offices, Sutton Central Library, Sutton College, Gibson Road Car Park and the disused Secombe Theatre. Potential to support large format retail. However, we understand it is now the Council's intention to sell the site with aspirations to support affordable housing development.
STC11: Beech Tree Place/ West Street	Supports 312 sqm retail alongside housing. Planning approved in July 2022 for an affordable housing led development
STC13: Sutton Court Road	Developed
STC14: Sutton Station	Supports residential, office and 925 sqm of retail – potentially for convenience retail if there is market interest.
STC15: Shops opposite station	Retail and service uses already in place. Supports 363 sqm retail alongside housing development. Assume no net increase in retail floorspace beyond what is existing.
STC16: Sutherland House	Supports redevelopment for housing and the retention of existing retail uses.
STC17: Petrol station north of SUBSEA 7	Supports housing with 1,438 sqm of retail. May appeal to a discount foodstore as a single use site but not as a mixed use scheme. Would require ancillary parking, which may not be viable.
STC18: Sutton Superbowl site	Developed
STC19: Helena House	Planning permission granted at appeal to redevelop the site for housing and will provide two commercial units totalling 317 sqm.
STC20: Herald House	Supports redevelopment for housing and 330 sqm of retail of a former office building Currently in residential use via prior approval with permission to develop two additional storeys for residential use, but has yet to be implemented
STC21: Sutton Park House	Developed
STC22: Old Inn House	Developed
STC24: Halfords Site	Supports housing and 1,256 sqm retail. Site is in use by Halfords, which is an anchor brand. Questionable whether a mixed use development could support a similar retailer.
STC25: Matalan Block	Developed

STC28: St Nicholas Centre Car Park	Developed
STC32: City House	Supports housing and 680 sqm retail.
STC33: Land North of Grove Road	Redevelopment of the Morrisons store and supports housing and 3,036 sqm of retail, which should include a foodstore. It will be important that any proposal retains Morrisons.
STC35: Land South of Grove Road	Supports housing and 2,493 sqm retail. Likely to be too much retail. A foodstore could be supported but would require parking on site and this would limit the potential for housing.
STC36: B&Q site	Allocation supports housing and 13,519 sqm of retail. B&Q occupy the site. A planning application has been submitted for a residential-led development. Approximately 1,000 sqm of commercial space is proposed, but is aimed at supporting food and beverage offer rather than retail.
STC37: Wilko site	Supports housing and 636 sqm retail. The site is occupied by Wilko who trade from a unit size of 940 sqm. Development based on the allocation parameters may compromise the potential to retain Wilko.
STC39: Land to the Rear of Times Square	Land to the Rear of Times Square – supports housing and 455 sqm of retail. Vacant and undeveloped site. Ground floor commercial uses should be extended to broad Class E rather than just retail.
STC40: Times House	Supports housing and 1,000 sqm for town centre uses. Remains undeveloped.
STC41: Times Square Car Park	Supports residential development and 441 sqm for town centre uses.
STC45: Elm Grove Estate	Supports residential development and 281 sqm for town centre uses. This could support a small convenience store to serve the wider estate.
<b>District Centres</b>	<b>Comments</b>
S1: Fenlix Trading Estate, Hackbridge	Developed
S7: Wallington Square, Wallington	Developed
S8: Lidl Site, Wallington	Supports housing and retained retail. Any redevelopment should not undermine the viability of the existing foodstore.
S14: 31-35 Stafford Road, Wallington	Supports additional housing and 468 sqm of town centre uses. Site now redeveloped for residential and retail at ground floor, which is currently occupied by a local retailer (formerly occupied by B&Q).
S35: Victoria House, North Cheam	Supports housing and retail. Planning application currently pending decision for 74 residential units and 272 sqm of flexible Class E uses.
S41, Rosehill	Supports housing and 1,600 sqm retail. The former Co-op is now trading as Lidl. Unlikely to come forward for redevelopment in the short and medium term.

8.44 Generally, it is considered that the allocations that identify retail as a single site allocation use or within a mix of uses should be broadened to include opportunities for all Use Class E activities given the lack of identified need and limited market demand for retail in Sutton's centres. It is noted that the retail floorspace allocations for Sutton Town Centre that are highlighted in the table have been informed by development assessments within the Sutton Town Centre Masterplan, which in turn

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would have been informed by higher levels of retail capacity identified in the 2015 Retail Study. As such, this evidence is out of date and the need to meet 2015 Retail Study forecasts is superseded by the findings of this study.

- 8.45 For many of the above allocations, retail is unlikely to come forward as it is disconnected from the primary shopping area or is too small to support the critical mass of retail offer to draw trade. There may be opportunities to support local convenience retail where it is ancillary to primary residential development use. However, this will mainly relate to larger housing development sites that can sustain sufficient expenditure to support retail or those that are located within existing commercial areas that can benefit from an established customer base.
- 8.46 The Council may wish to also expand the commercial use allocation for mixed use schemes to include suitable employment uses that can co-locate with residential uses. This specifically relates to employment uses beyond office (which is supported under Use Class E) that do not impact on residential amenity.

## 9. TOWN CENTRE POLICY & STRATEGY RECOMMENDATIONS

- 9.1 This final section provides high-level advice and recommendations to help London Borough of Sutton Council effectively plan and manage the vitality and viability of network of its centres over the lifetime of the plan through appropriate town centre policies. The advice focuses on the next five to ten year period (up to 2032) in accordance with the advice set out in the National Planning Policy Framework (NPPF) and the Planning Practice Guidance (PPG). The NPPF states that planning policies and decisions should support the role that town centres play “...at the heart of local communities” and should promote the long term vitality and viability of centres, “...by allowing them to grow and diversify in a way that can respond to rapid changes in the retail and leisure industries, allows a suitable mix of uses (including housing) and reflects their distinctive characters” (paragraph 85a).
- 9.2 Our policy and strategy advice is based on assessments of the quantitative and qualitative need for new retail (comparison and convenience goods) floorspace and commercial leisure uses over the forecast period. These assessments have been informed by a comprehensive review and update of the dynamic economic and market trends that are impacting on the retail and leisure sectors. This includes the impact of the COVID-19 pandemic and the current cost of living crisis, which has effectively accelerated many of the long-term trends and structural changes that are placing significant pressures on the current and future performance and health of our towns and high streets.
- 9.3 It is against this background that we provide the Council with our robust recommendations on town centre policies to help inform plan-making and decision-making over the next 5-10 years, and over the lifetime of the plan up to 2042. The advice will focus on whether existing policies need to be amended to take account of the findings from the study and whether new policies need to be supported. In addition to the advice on site allocations to support new retail and leisure in Section 8 our policy advice covers the following:
- Assess the role and function of Sutton’s hierarchy of the borough’s town centres including Sutton Town Centre and the seven District Centres.
  - Recommend whether there is a need to update and change the definition of town centre boundaries, Primary Shopping Areas and shopping frontages within in light of the key findings and evidence, and recent planning reforms.
  - Recommendations for Sutton Town Centre taking account of the Council’s recent submission to the Future High Street Fund and the Sutton Economic Strategy.
  - Recommendations on appropriate local plan interventions / policies to allow the borough to meet needs and accommodate growth.
  - Identify measures to ensure new Local Plan policies can respond positively to recent changes to planning legislation.

### RETAIL HIERARCHY RECOMMENDATIONS

- 9.4 We have necessarily reviewed the Council’s existing network and hierarchy of main centres in accordance with the advice set out in the NPPF (paragraph 86a) and NPPG<sup>53</sup>.
- 9.5 Sutton’s retail hierarchy consists of Sutton Town Centre, followed by the seven designated district centres, in turn followed in the hierarchy by local centres.

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<sup>53</sup> Planning Practice Guidance (PPG). Refer to Paragraph 004, Reference ID:2b-004-20190722.

- 9.6 Consideration is given to the London Plan’s definition of town centre classifications, which his set out in Annex.
- 9.7 This assessment takes account of the current Local Plan centre designations, and these have been “*reviewed and tested*” based on the key evidence and updated research findings identified by this study, and against the London Plan town centre classifications outlined above.
- 9.8 To help inform this classification, the table below summarises the relative scale of the commercial town centre uses (including retail, leisure and service offer) in the main centres, as well as the distribution of Borough retail expenditure across Sutton and the district centres.

**Table 9.1: LB Sutton Centres –Commercial Outlets and Floorspace and Retail Market Share**

	Outlets		Floorspace		Borough Retail Market Share	
	No.	% Total	Gross Sqm	% Total	Convenience	Comparison
Sutton Town Centre	378	35%	121,063	52%	27.4%	24.2%
Carshalton District Centre	67	6%	8,194	4%	1.6%	1.1%
Cheam District Centre	140	13%	16,834	7%	2.5%	1.4%
Hackbridge District Centre	29	3%	7,112	3%	2.4%	0.1%
North Cheam District Centre	96	9%	19,060	8%	6.9%	1.8%
Rosehill District Centre	81	7%	12,187	5%	3.4%	0%
Wallington District Centre	146	13%	29,254	13%	13.4%	7.2%
Worcester Park District Centre	145	13%	19,253	8%	1.9%	1.1%
Total	1,082	100%	232,957	100%		

Source: Experian Goad Category Reports (2021/2022)

- 9.9 Based on the study findings, we advise that the Council’s main centres largely function in line with their current roles in the hierarchy:
- 9.10 **Sutton Town Centre**, a defined Metropolitan Centre within the London Plan is identified in the development plan as the focus for growth and investment and is correctly positioned at the top the centre hierarchy. The centre stands apart from other centres in the Borough on account of the significant range of retail, leisure and other commercial floorspace. It also provides more than 100,000 sqm of commercial floorspace, which meets the London Plan’s threshold for Metropolitan Centre designation. No changes are recommended to Sutton’s designation.
- 9.11 **Carshalton District Centre** has the second lowest quantum of commercial town centre floorspace and second lowest retail market share of the Borough’s seven district centres. The centre supports a good mix of town centre uses and the health check assessment concludes that the centre is vital and viable. The quantum of commercial town centre floorspace sits below the London Plan’s expectation for District Centre designation. However, the centre is not suited to a neighbourhood or local centre designation and its district centre status should be retained.
- 9.12 **Cheam District Centre** has a relatively high number of commercial outlets and floorspace and based on the market share assessment attracts a good level of retail expenditure retention from its surrounding catchment area (e.g. Zone 2). The centre offers a good mix of commercial uses, particularly for convenience retail. The centre is considered to be fulfilling its district centre role.

- 9.13 **Hackbridge District Centre** is the smallest of the seven district centres based on the number of commercial outlets and floorspace. The centre's economy is bolstered by the development of Lidl as part of major housing development on Spinning Wheel Way. Other commercial town centre uses are limited. While this raises the question as to whether the centre is meeting its role as a district centre, the market share analysis confirms that the centre is attracting a strong retail market share of the surrounding population, albeit to Lidl, there is potential for the centre to improve its offer given the recent housing development. As such, the centre should maintain its district centre status.
- 9.14 **North Cheam District Centre** is a popular district centre with a relatively high number of commercial town centre outlets and floorspace. The centre is particularly popular with its local population as a food shopping destination on account of the Sainsbury's Superstore on London Road. The centre has a reasonably good mix of other town centre units and is considered to be a vital and viable centre that is fulfilling its role as a district centre.
- 9.15 **Rosehill District Centre** is one of the smaller district centres in terms of the number of commercial outlets and the quantum of floorspace. The centre has a Lidl store which is particularly popular with the local catchment and as a result will support footfall to other businesses. Generally, the mix of town centre uses is limited but the centre is still considered to be performing well and is vital and viable. It is considered that the centre sufficiently functions as a district centre.
- 9.16 **Wallington District Centre** is the largest of the district centres both in terms of number of outlets and quantum of floorspace. The centre has been subject to investment in recent years through improvements to Wallington Square. Foodstore offer is notably strong in the centre, which includes Lidl, Waitrose, Iceland and a Sainsbury's Local. Wallington also supports a relatively strong market share of comparison retail expenditure (4.9% of Borough expenditure) compared to most of the other district centres where market share ranges from nil to less than 2%. Of the seven district centres there could be potential to designate Wallington as a town centre given the scale of retail and other town centre uses that are available. However, commercial floorspace is still below what the London Plan expects for a Major Town Centre. Furthermore, the proportion of comparison retail floorspace accounts for approximately 18% of all commercial floorspace, which is lower than some of the Borough's district centres (e.g. Carshalton, Rosehill, and Worcester Park. Therefore, at this stage the centre's district centre status remains appropriate.
- 9.17 **Worcester Park District Centre** has a similar number of commercial outlets as Wallington and a comparable quantum of floorspace to North Cheam. Unlike Worcester Park, retail market share is much lower and is mainly supported by the Waitrose store, which is popular with the centre's local catchment but also neighbouring areas. Worcester Park has a reasonable mix of commercial units and appears to fulfil its role as a district centre.

### **TOWN CENTRE BOUNDARIES, SHOPPING FRONTAGES, AND PRIMARY SHOPPING AREAS**

- 9.18 The NPPF states that planning policies should "*...define the extent of town centres and primary shopping areas, and make clear the range of uses permitted in such locations, as part of a positive strategy for the future of each centre*" (paragraph 85b). Annex 2 to the NPPF:
- defines the Primary Shopping Area (PSA) as an "*...area where retail development is concentrated*";
  - defines Edge of centre (for retail purposes) as a location that is "*...well connected to, and up to 300 metres from, the primary shopping area*" (our emphasis underlined); and
  - for all other main town centre uses edge of centre is a location "*... within 300 metres of a town centre boundary*" (our emphasis underlined).

- 9.19 The NPPF explains that the town centre is an area defined on the local authority's policies map, and includes the PSA and areas predominantly occupied by main town centre uses within or adjacent to the PSA.
- 9.20 The current Local Plan Policy Map defines town centre boundaries for the Borough's town and district centres, but does not identify PSAs. Whilst the Local Plan identifies Primary and Secondary Shopping Frontages, there is no longer a requirement in the NPPF to identify frontages and due to the introduction of Use Class E related policies that seek to manage retail uses can no longer be enforced.
- 9.21 However, the NPPF's policies pertaining to plan-making and decision taking for retail, leisure and town centre uses refer to the need to define a PSA. The definition of a PSA is key, for example, to the application of both the sequential and impact tests (paragraphs 86-91). To cover the fact that the NPPF appears to be "lagging" behind the Government's series of planning reforms over the last three years, it is important to review, and if justified, redefine and redraw the centre boundaries to reflect changes in retail activity and position of opportunity sites that support town centre use. In the Council's case there is a need to establish PSAs in the first place, which are need to ascertain whether sites are edge or out of centre in respect to the sequential test for proposed retail development that is not located within a defined centre.
- 9.22 We have therefore reviewed the town centre and shopping frontage boundaries currently identified for Sutton Town Centre and the District Centres in the Local Plan to help inform recommended PSAs for each centre. Our advice also draws on the evidence and key findings of this study. In particular, recommendations have been informed by the distribution of occupied retail units in the town centres to identify cluster areas of retail. The recommendations should be read alongside the plans set out in Volume D, which illustrate the defined town centre boundaries and primary shopping frontages identified in the Local Plan with recommended PSAs.

### ***Sutton Town Centre***

- 9.23 For the PSA, the current frontages identified for the Primary Shopping Frontage provide a first step in forming a PSA. Consideration has been given to the current occupation of town centre outlets by retailers given that the PSA is expected to reflect cluster retail areas. Figure D.1 in Volume D compares the defined Primary Shopping Frontage area against areas of the town centre that are occupied by retailers. From this, we have drawn a recommended PSA for Sutton Town Centre.
- 9.24 The recommended boundary largely follows the frontages identified as Primary Shopping Frontage to the south of High Street. However, to the north of High Street we propose the PSA extends north of Greenford Road and Benhill Avenue to include retail units that link up to and include the Asda store.
- 9.25 No changes are required to the defined town centre boundary.

### ***Carshalton District Centre***

- 9.26 The defined Primary Shopping Frontages for Carshalton as shown in Figure D.2 Volume D cover much of the town centre and this forms the basis of the recommended PSA.
- 9.27 Retail occupancy is mainly concentrated on frontages towards the western end of the town centre as shown in Figure D.2 Volume D. However, there is a strong relationship between these more retail dominated frontages and other areas that are defined in the adopted Local Plan as Primary Shopping Frontage. Furthermore, it would not be appropriate to consider these secondary retail pitches as edge of centre should proposals come forward for new retail uses.

9.28 No changes are recommended to the defined town centre boundary.

***Cheam District Centre***

9.29 The defined Primary Shopping Frontages for Cheam as shown in Figure D.3 Volume D extend along The Broadway and include High Street and commercial frontages on Ewell Road. As Figure D.3 Volume D shows, retail occupancy is mainly focused on frontages on Broadway, the most northerly frontages on Station Approach and north side frontages on High Street up to and including Sainsbury's Local. However, for the same reasons highlighted in respect to Carshalton it is recommended that the PSA includes frontages/ sites where Primary Shopping Frontages are currently defined.

9.30 No changes are required to the town centre boundary.

***Hackbridge District Centre***

9.31 The Local Plan Policy Map does not identify shopping frontages for Hackbridge given that current commercial development was not built at the time the Local Plan was prepared.

9.32 A review of current retail and commercial activity in the centre runs from frontages off the roundabout on London Road (including Hackbridge Road, Elm Road, and London Road) and extends southwards along London Road as far as the rail station and Spinning Wheel Lane. This includes anchor retailers such as Sainsbury's Local on London Road and Lidl on Spinning Wheel Lane. Therefore, the recommended PSA should focus on these frontages and their associated buildings as shown in Figure D.4 Volume D.

9.33 No changes required to the town centre boundary.

***North Cheam District Centre***

9.34 The defined Primary Shopping Frontages for North Cheam as shown in Figure D.5 Volume D mainly relate to commercial areas on the southern side of London Road including the Sainsbury's store and the frontage on the northern side of London Road between the junctions with Courtenay Road and Lavender Avenue.

9.35 A review of occupied retail outlets in the centre (see Figure D.5 Volume D) shows that retail activity is more limited and is focused on the section of London Road north side frontage referenced above with retail activity dispersed across other commercial frontages on other sections of London Road. However, it is recommended that the PSA include frontages and associated buildings that are currently defined as Primary Shopping Frontages. In addition, we recommend that frontages and buildings on London Road between Lavender Road and Cheam Common Road are also included.

9.36 No changes are required to the town centre boundary.

***Rosehill District Centre***

9.37 The defined Primary Shopping Frontages for Rosehill include commercial frontages along the southern side of Wrythe Lane and the Lidl store opposite as shown in the figure below. A review of commercial activity within these frontages shows that retail uses is focused on the northern end of Wrythe Lane.

9.38 For the same reasons highlighted for the earlier assessed district centres, it is recommended that the PSA includes frontages/ sites where Primary Shopping Frontages are currently defined.

9.39 No changes are required to the defined town centre boundary.

### **Wallington District Centre**

- 9.40 The defined Primary Shopping Frontages for Wallington include frontages on either side of Woodcote Road and northwards until the railway line, but excluding the Old Town Hall building, which is in educational use. Wallington Square and associated frontages to the scheme on Stafford Road are defined as Primary Shopping Frontage, as is the frontage on Stanley Park Road that joins with southern end of Woodcote Road. Commercial frontages on Beddington Gardens, including Lidl, and commercial outlets fronting Napier Court on Ross Parade are also covered.
- 9.41 A review of current units in retail occupations in Figure D.7 Volume D shows that Primary Shopping Frontage broadly reflects current areas of retail activity and forms the basis for a recommended PSA.
- 9.42 No changes are required to the defined town centre boundary.

### **Worcester Park District Centre**

- 9.43 The defined Primary Shopping Frontages for Worcester Park cover commercial buildings on the south of Central Road that run between the junctions with Lynwood Drive and Windsor Road, and on the northern side between the junctions with Washington Drive and Longfellow Road. Waitrose is also covered by a Primary Shopping Frontage.
- 9.44 As Figure D.8 Volume D shows these frontages are still broadly dominated by retail uses. Therefore, the recommended PSA comprises sites that are designated as Primary Shopping Frontage.
- 9.45 No changes are required to the defined town centre boundary.

## **LOCAL FLOORSPACE IMPACT THRESHOLD**

- 9.46 As described in Section 2, the National Planning Policy Framework (NPPF) requires an impact assessment to be undertaken for “*retail, leisure and office development outside of town centres, which are not in accordance with an up-to-date Local Plan*” (paragraph 89). Local planning authorities should require an impact assessment if the development is over a proportionate, locally set floorspace threshold, but if there is no local threshold, then the NPPF default threshold (2,500 sqm gross) should be applied. To help inform the setting of an appropriate impact threshold we have also referred to the Planning Practice Guidance (PPG) , which states that it will be important to consider the following:
- scale of proposals relative to town centres;
  - the existing viability and vitality of town centres;
  - cumulative effects of recent developments;
  - whether local town centres are vulnerable;
  - likely effects of development on any town centre strategy; and
  - impact on any other planned investment.
- 9.47 The adopted Local Plan does not identify a local floorspace threshold.
- 9.48 In considering an appropriate threshold for retail proposals that are not located within a defined town or district centre the following considerations apply:
- 9.49 With the exception of Limited Assortment Discounters (e.g. Aldi and Lidl), the main grocery operators (i.e. Tesco, Sainsbury's, Asda, Waitrose and Morrisons) have effectively scrapped their superstore expansion programmes to focus on growing their market shares via online sales, improving existing supermarket performance, and opening smaller convenience stores (i.e. Sainsbury's Local, Tesco Express, Little Waitrose, etc.). Although sizes vary from location-to-location, the main grocers are

promoting smaller convenience stores with a minimum gross floorspace of between 280 sqm and 372 sqm (circa 3,000 - 4,000 sqft).

- 9.50 The Government's overarching aim to protect the role, function and integrity of local shops selling essential goods and comprising essential services (e.g. post-office counters) is further demonstrated by the reforms to the Use Class Order and the introduction of the new Class F2, which covers local community uses. Within this category, Class F2(a) specifically pertains to a shop (previously classified as A1) selling mostly "essential goods", including food, to visiting members of the public where the shop's premises cover an area of no more than 280 sqm and there is "*no such facility within 1,000 metre radius of the shop's location*". This new use class is intended to ensure that uses, which are important to local communities, have some protection through the planning system, because the scope to change use without planning permission is more limited.
- 9.51 The challenge for smaller town centres, such as the Borough's district centres is that the opening of a convenience store at an edge or out of centre location could potentially draw trade from the centre. Impact will be more pronounced for district centres that are not anchored by a medium or large foodstore and where food shopping is supported by convenience store offer.
- 9.52 Furthermore, market demand from operators seeking representation and space in town centres is falling significantly as the space available in centres is often of the wrong size and configuration, and in the wrong location to meet today's retailer requirements. For example, modern multiple retailers selling a range of comparison goods (including, for example, fashion, home store and 'bulky' goods) generally have requirements for larger format modern premises with a minimum size of circa 465 sqm gross (5,000 sqft), and usually 929 sqm (10,000 sqft) and above. This minimum floorspace provides operators with the necessary 'critical mass' of sales needed to display their full range of goods in-store and attract customers from a wider Study Area, particularly where they are co-located alongside similar stores in town centre and out-of-centre locations. These minimum floorspace requirements also fall significantly below the NPPF-default threshold of 2,500 sqm gross.
- 9.53 It is reasonable in our view for the Council to apply a local floorspace threshold in order to provide the Council with greater flexibility to robustly assess the individual ('solus') and cumulative impacts of any smaller commercial floorspace proposed outside of existing centres that could compete 'like-against-like' with the planned and proposed schemes in its main centres.
- 9.54 It is recommended that a different floorspace threshold is applied for retail and other town centre uses proposals that are edge or out of centre to Sutton Town Centre and the district centres:
- Sutton Town Centre: 500 sqm gross
  - District Centres: 280 sqm gross
- 9.55 The scope of the sequential test and impact assessment submitted is proportionate to the scale of the development proposed.
- 9.56 It should be noted that for retail proposals, edge and out of centre is measured from the boundary of the Primary Shopping Area, while for other town centre uses, it is measured from the town centre boundary.

## **RECOMMENDATIONS TO STRENGTHEN SUTTON TOWN CENTRE**

- 9.57 The previous stages of the study, in particular the health check and SWOT analysis of Sutton Town Centre and the market demand analysis for retail and leisure identify some opportunities to improve and enhance the town centre as a place to visit. These are highlighted below and would merit further assessment:

### ***Supporting town centre residential living***

- 9.58 The Council's aspirations for residential growth in Sutton Town Centre through a significant number of housing allocations in the adopted Local Plan will generate new expenditure from residents, which can help to support existing and new town centre businesses. Opportunities to capture expenditure will require investment in the town's commercial offer, but also investment in public realm to entice residents and visitors, but also encourage investment from commercial operators. This will in turn help to claw back expenditure from existing residents that is currently lost to competing centres. While there will be limitation on how much expenditure can be recaptured due to strength of comparison retail in higher order centres such as Kingston and Wimbledon, there remains potential to improve the town's expenditure retention particularly in respect to leisure uses.

### ***Sustaining established retail anchors and supporting alternative retail opportunities***

- 9.59 A number of sites identified in the current Local Plan support the redevelopment of sites that are current accommodate major retail anchors. Whilst opportunities to promote higher densities on brownfield sites to allow new residential development to come forward should be supported this should not be to the detriment of retaining key retail anchors. Typically, there is better opportunity to bring forward upper floor residential development on foodstore sites, particularly where the subject foodstore retailers support it. Careful consideration needs to be given to ensuring that service access, existing car parking and operational requirements can still be achieved.
- 9.60 We understand that emerging redevelopment proposals for the St Nicholas Shopping Centre could involve reducing the existing quantum of retail floorspace by approximately 50%. The centre has a number of popular budget to mid-market fashion brands, for example, Primark, New Look, and Next. Primark is a particularly strong brand and is well-known for drawing footfall to town centres, which mainly due to its lack of online presence and its popularity with younger customers. Similarly, Next is also a key retailer and whilst it supports a strong online presence it has recently been reported that the retailer has strengthened its physical store sales.
- 9.61 In terms of promoting new retail opportunities, the market demand assessment identifies limited interest from the comparison retail market for sites in Sutton and feedback from agents indicate that Sutton's prospects to attract major new anchors is very limited given that retailer are consolidating growth in better performing centres where comparison retail offer remains strong. However, there may be opportunities to encourage investment within the independent retail sector, which would allow Sutton to offer something different to its competitors, which in turn would help to recapture some catchment expenditure. The town centre has lower retail rents compared to competing locations meaning that retail accommodation is more affordable for independents. Opportunities to nurture an independent retail sector for Sutton Town Centre could be led by investment from the Council by supporting independent retail within the St Nicholas Shopping Centre redevelopment and within existing Council owned properties.

### ***Investment in affordable Employment Accommodation/ Workspaces***

- 9.62 COVID-19 increased demand for satellite office hubs and the decentralisation of office space to promote flexible working. This in turn has increased demand for share workspace locations. Furthermore, there is an increase in demand for affordable office space brought on by the loss of office accommodate to residential uses under PDR.
- 9.63 Operators such as IWG are increasingly working in partnership with local authorities to provide flexible workspace within existing office space and through the repurposing of commercial space, including within town centre locations.

9.64 Town centre sites are ideal locations to support affordable office space and could be supported on upper floors where modern office requirements can be met and where the Council can lead on investment. There may also be opportunities to incorporate affordable office space as part of future development proposals for the St Nicholas Centre, or ideally on sites that come forward for development around the train station, such as the Civic Offices site.

### ***Supporting Non-Commercial Uses***

9.65 Many local authorities are realising the benefit of encouraging civic and community uses in town centres, which help to draw in new town centre uses, which increases the opportunity for linked trips and expenditure with commercial businesses.

9.66 The Council's acquisition of the St Nicholas Shopping Centre will be the first step in driving forward regeneration in the town centre. We understand that future redevelopment proposals for the St Nicholas Shopping Centre could support the relocation of the Council's offices from their Civic Offices on St Nicholas Way. This would help to boost and encourage day time trade on High Street.

9.67 The introduction of healthcare, community and education uses helps to drive footfall in town centres, bringing in new town centre uses, which have the benefit of stimulating linked trips with other businesses.

9.68 For example, a number of hospitals have transferred their blood testing clinics to town centre locations. Southend Hospital is one of those hospitals and moved its blood testing unit into the Victoria Shopping Centre in Southend. Similarly, Basildon Hospital moved its blood testing facility into the Eastgate Shopping Centre in Basildon Town Centre. There are also many examples of developers including health hubs and GP surgeries within mixed use schemes in urban locations.

9.69 Promoting more multi-functioning community and civic venues also helps drive new footfall in town centres and can contribute to diversifying town centre offer. A recent example includes the repurposing of former Blockbuster store on Sidcup High Street (London Borough of Bexley) into a community hub. Known as the Storyhouse, the complex includes a cafe, boutique cinema and library.

9.70 Education uses also help to support the vitality of town centres by supporting day time footfall in town centre. Traditionally, education uses are pushed to the fringes of centres but many local authorities are now investing in bringing educational facilities back into town centres, which help support local businesses and shops. For example, the University of Wales relocated to Newport (Wales) in 2011. The new campus has brought 2,700 new students to the town centre and has served as a key driver for the town's regeneration.

### ***Improvements to the evening and night-time economy***

9.71 Investment in the town's food and beverage (F&B) offer, specifically more restaurants would help to encourage people to visit the town centre in the evening. The town centre lacks an obvious restaurant quarter. While the Local Plan highlights the station area as a target area for more F&B, there would be greater benefit in creating a restaurant quarter close to the Empire Cinema where there is greater potential for these activities to support each other. This would also allow better integration with the shopping area on High Street and encourage lunch and early evening dining with shoppers.

9.72 The future development of Throwley Yard should help to attract more evening time visitors to this area of the town centre and support cultural offer by way of a new boutique cinema and performance venue.

9.73 In addition, measures to improve the perception of safety in the Borough's centres, particularly Sutton Town Centre, will help to encourage more people to use the centres in the evening time. Measures could include better street lighting, marshalling and encouraging drinking venues to provide better marshalling at closing times.

#### **ARTICLE 4 DIRECTIONS**

9.74 Finally, as highlighted in Section 2, paragraph 53 of the updated NPPF allows for the use of Article 4 Directions where appropriate and justified to remove PDR (relating to change from commercial use to residential) where to protect the vitality and viability of the core PSA. As such, Article 4 directions can be sought where there is a concern that the loss of viable town centre shops and businesses (including offices) to residential use could have a significant and adverse impact on the health, attraction, offer and integrity of these centres over the next 5 years, and beyond.

9.75 The Government's policy on Article 4 Directions is set out in para. 53 of the NPPF, which is discussed in Section 2. Here policy accepts to some extent that Directions may be justified where they are focused on areas of town centres where PDR that leads to the loss of Class E uses would impact on town centre vitality and viability. However, the Government is taking a tougher stance with local authorities with regard to Article 4 Directions and are resisting blanket coverage of Article 4 Directions, such as on PSAs and frontages. Instead, the Government are requiring applications for Article 4 Directions to be scaled back and on a site-by-site basis.

9.76 Maintaining accommodation for Class E businesses within key commercial areas of the Borough's town and district centres is needed to protect their vitality and viability, and to aid the recovery from the economic and social impacts of COVID-19 and now the challenges arising from the cost of living crisis and economic recession. Equally, PDR can help to support the provision of new homes, but should not come at the cost of the loss of viable commercial units.

9.77 Demand for PDR conversions to residential are likely to be focused on opportunities in Sutton Town Centre. PDRs are less likely to come forward for key shopping streets such as High Street and where demand for ground floor commercial units is likely to be maintained. There may interest in PDR conversions beyond the recommended PSA area, such as secondary commercial streets. However, given the Government is limiting the scope of coverage for Article 4 Directions it is difficult to pin point specific buildings within the town centre that could come forward for residential use under PDR. Unless the Council is aware of specific building in the town centre that could come forward for PDR then at this time we do not recommend any applications for Article 4 Direction in Sutton in respect to supporting ground floor commercial uses.

9.78 However, there may be sites that currently support office and employment uses that the Council may wish to protect against PDR and in order to maintain a healthy supply of town centre employment space.

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