



**urban shape**  
PLANNING CONSULTANTS

## **APPENDIX 6**

**LONDON BOROUGH OF NEWHAM**

**RETAIL & LEISURE STUDY 2022**

# **TOPIC PAPER: SUPPORTING PROVISION OF AFFORDABLE SMALL BUSINESS PREMISES**

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# INTRODUCTION

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## Policy aims

Supporting small businesses access/retain floorspace in centres, and ensuring a diversity of unit sizes are delivered.

## Relevant RLS recommendations

LBN16: The importance of affordable retail and shopping has been observed as part of the analysis throughout this assessment. A number of Lidl and Iceland foodstores are performing particularly strongly compared to other retail operators, and affordability choices were cited in the household telephone survey, with respondents stating why they liked a particular town centre, and what they would like to see improved in the town. The Local Plan should incorporate a policy supporting the inclusion of affordable retail space within new developments, including a floorspace threshold and percentage level, for example. This policy requirement should be considered as part of planning application, and controlled through the most appropriate mechanism, including, for example, a Section 106 and freehold ownerships/leaseholders.

**Reg. 18 policy draft:** HS2.6: Within Town and Local Centres (existing or new), developments proposing 1000 sqm GIA or more in Class E (Commercial, Business and Service), including re-provision, should deliver at least 20 per cent of floorspace as small units that will be marketed at discounted or turnover-based rent, which will be secured through conditions and/or planning obligations.

## Summary of challenge comments received

Consultees expressed concern for the 20% requirement in that this would impact on the vitality of the scheme, create vacancies and give commercial advantage to some occupiers. This was suggested to impact the likelihood of development and redevelopment coming forward.

# POLICY CONTEXT

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There is London level policy support in Policy E9 Part B in the new London Plan (2021) for ensuring a mix of retail uses and that “*where justified by evidence of local need, policies should secure affordable commercial and shop units.*” This applies to retail, markets and hot food takeaways and that this should be informed by local evidence and town centre strategies.

# CASE STUDIES

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## CASE STUDY 1: LB SOUTHWARK

### Elephant & Castle Opportunity Area Planning Framework / Area Action Plan.

As part of the redevelopment of the Elephant & Castle Shopping Centre, the Elephant & Castle Opportunity Area Planning Framework (OAPF) published in 2012 ensures that at least 10% of new retail floorspace is made available as affordable space:

*“Large retail developments will have to play a role in the provision of affordable units which can be made available to independent, small and medium-sized enterprises (SME). Planning conditions or section 106 planning obligations will be used to ensure that at least 10% of new floorspace (GIA) is made available as affordable space.”*

The OAPF states that preference for affordable retail occupiers is for existing businesses who have been displaced as a result of redevelopment, then new business start-ups and finally independent retailers. Suitable businesses should have 3 units or less. Rents should be discounted by not less than a total reduction of 40% below market rate averaged over a 5 year period.

## Evidence justification

- The strength of the centre being the particular concentration of Latin-American businesses which reflects the growth of the Latin American community in Southwark.
- The proportion of independent businesses (around 38% of the retail space in the shopping centre is occupied by independent businesses).
- The ambition to integrate the offer of Walworth Road and Elephant and Castle more effectively
- The relatively small catchment area indicating existing offer was not meeting the needs of the borough’s residents (only around 16% of available expenditure in the borough for comparison goods is spent in the borough)

## Mechanism

LB Southwark secured through S106 agreement a commitment to delivery of 10% affordable retail at the redevelopment of Elephant and Castle Shopping Centre, with priority given to local independent operators and then to other local businesses within the OA. This secured affordable retail for a lease term of 15 years at the following rents.

Lease term	Rents
0-12 months	Rent free
13-24 months	15% of market rent
25-36 months	25% of market rent
37-48 months	50% of market rent
49-60 months	75% of market rent
61+ months until the end of 15 years from first letting	<p>Either:</p> <ol style="list-style-type: none"> <li>1. 75% of market rent; or</li> <li>2. X% of turnover (where x is an amount agreed with the landlord at the time of taking a lease up to a maximum 15%).</li> </ol> <p>Whichever is higher but in the event that turnover applies then it will be capped at 100% market rent.</p>

The Council also secured via S106 a business relocation strategy including financial contribution from the developer of £634,700 as a relocation fund. The relocation strategy involves supporting traders through:

1. Future business planning, health checks and business clinics

2. Support for relocation to sites within the Elephant & Castle OA and any sites which may come forward with the provision of affordable retail through the relocation fund and the database of opportunities
3. Support for relocation to other sites in the borough, through the relocation fund and the database of opportunities
4. Support for relocation to any other site, through the relocation fund

## Outcome

According to a Freedom of Information request to Southwark Council in October 2021<sup>1</sup> regarding the Elephant Park development as part of the E&C OA, the Council has a legal agreement with developer Lendlease that small businesses displaced are given first priority for affordable retail units on Elephant Park. As of November 2021, 42 retail units have been built to date, with 36 retail units let (including 2 for Southwark Library). 10 affordable retail units have been let, with 7 of these to businesses displaced (and a further 2 in agreement stage for lets). The affordable retail space has been secured for an extended 15-year period to support local businesses and communities<sup>2</sup>.

The relocation strategy included temporary relocation space immediately next to the site to be provided before the shopping centre closes, and the provision of business advice, financial support and a database of relocation opportunities within the surrounding area<sup>3</sup>.

## CASE STUDY 2: RB KENSINGTON & LB CHELSEA AND HAMMERSMITH & FULHAM

Earl's Court and West Kensington OA Joint Supplementary Planning Document (SPD) Key Principal RS7 states that *"a number of small units will be secured as affordable shops to provide accommodation for retailers deemed essential for a good retail offer, but that are not able to afford full rents."*

This refers to the London Plan's (2011) policy 4.9 for affordable retail and policies in RBKC and LBHF Core Strategy documents that set out the expectation that affordable retail units should be secured as part of any large scale retail proposals.

Based on an application review there does not seem to be any reference to affordable retail being secured in developments across this OA.

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<sup>1</sup> [https://www.whatdotheyknow.com/request/how\\_many\\_affordable\\_retail\\_units](https://www.whatdotheyknow.com/request/how_many_affordable_retail_units)

<sup>2</sup> <https://www.london.gov.uk/who-we-are/what-london-assembly-does/questions-mayor/find-an-answer/elephant-and-castle-shopping-centre-development>

<sup>3</sup> <https://www.london.gov.uk/who-we-are/what-london-assembly-does/questions-mayor/find-an-answer/elephant-and-castle-shopping-centre-development>

# POLICY RECOMMENDATIONS

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Affordable retail space is a challenge locally, particularly in new town/local centres and existing centres subject to transformative redevelopment. Provision of affordable retail space also allows a wider variety of businesses to locate on local high streets, increasing the diversity of offer for local residents and ensuring that Newham's existing retail businesses have the option to stay on in redevelopments.

Building on the implementation of affordable workspace policies across London, Newham should reduce the proportion of affordable retail space to 10%. This is also in line with the Elephant and Castle Shopping Centre redevelopment requirement.

Affordable rents should be set on a case-by-case basis, and factor in the cost of service charges for the end-user.

Allocation of affordable retail space should replicate the Elephant and Castle redevelopment approach – that is, prioritising existing businesses who have been displaced as a result of redevelopment, then new business start-ups and finally independent retailers.