

Examination Hearing Statement

RBKC Local Plan Partial Review – Issue 3b

On behalf of: Metro Bank PLC (ID: 16624033)

Date: 9 January 2018

Background

1. This Statement supplements the written representations made on behalf of Metro Bank PLC, to the Examination in Public of the Royal Borough of Kensington and Chelsea ('RBKC') Local Plan Partial Review. It responds to comments made by RBKC and the Matters, Issues and Questions [IED005] raised by the Inspector. Specifically, Issue 3b: Fostering Vitality, Matter 4:

"4. Is Policy CF3 positively prepared, justified and consistent with national policy in respect of its approach to non-A1 uses within existing town centres? In particular:

a. Is the resistance to changes of use from Class A1 to Class A2 uses in paragraph 31.3.30 consistent with the GDPO?"

Consistency with national policy

2. As currently drafted, Policy CF3 – Diversity of Uses within Town Centres is not consistent with national policy. It is both contrary to Class D of the Town and Country Planning (General Permitted Development) Order 2015 (as amended) ('GDPO') and the National Planning Policy Framework ('NPPF') which requires that planning policies should be positive and promote competitive town centre environments (Section 2).
3. Paragraph 23 of the National Planning Policy Framework (NPPF) states that Local Planning Authorities should promote competitive centres, provide customer choice and a diverse retail offer which reflects the individuality of town centres. Customers expect more from their shopping experiences and there is pressure on retailers and town centres to reinvent and respond to this expectation. The NPPF also attaches significant weight to supporting economic growth through the planning system.
4. Policy CF3 would impact new entrants to the retail bank market, including challenger banks such as Metro Bank. The proposed policy will not recognise the benefits that banks can have in contributing to the vitality of the high street, and it will restrict the creation of competitive town centres, as it will fetter the ability of new banks to open stores.
5. The impact on new A2 entrants will be exacerbated, as A1 retailers have the ability to offer financial products via their A1 retail properties – including department stores (John Lewis and Marks & Spencer), food stores (Tesco and Sainsbury's banks) and the Post Office (operating via Bank of Ireland and other banking partners).

Permitted Development Rights

6. An existing unit in an A1 (shop) use can change to an A2 (financial and professional services) use under the GDPO, however there could be circumstances in which this permitted development right cannot be

utilised, for example in the redevelopment of a unit. It is for this reason that it is important for the Local Plan to reflect this national legislation.

7. The Council's response to Metro Bank's representations (March 2017), and the suggestion that "*an Article 4 direction may be appropriate to remove permitted development rights to ensure that the Council can maintain control over such changes of use*", is of further concern to Metro Bank.
8. It is of concern as the evidence provided by the Council in the Local Plan Review does not demonstrate that there is a proliferation of banks. The Retail and Leisure Needs Study prepared by NLP [SUB33], in relation to changes to the GDPO states that "*it is unlikely these changes will have a significant impact on Kensington & Chelsea, because the centres already have a broad mix of retail and non-retail uses, and a relatively low vacancy rate*" (para 2.29).
9. The same Study sets out the mix of Class A units within the Borough (Tables 1 and 2, Appendix 2). Just 7.4% of units within the Borough are in Use Class A2, equating to 4.4% of the total gross floorspace. These figures reflect the breadth of A2 uses, within which banks form just one section, and demonstrate that banks are not disproportionately represented within the Borough. Indeed, as a whole within the banking sector, the trend is one of consolidation and closure, rather than opening new stores¹.
10. It is evident that the Council's concern regarding A2 uses stems from concentrations of estate agents, which it considers has harmed the retail character of parts of the Borough [SUB5, para 31.3.30]. This approach, which seeks to resist changes of use to estate agents, could collaterally affect other Class A2 uses and cannot be considered to be positively prepared.
11. Given the Council's statements regarding the potential use of an Article 4 direction, it is even more important to incorporate positive statements in relation to the contribution which banks can make to the high street. A blanket restriction on changes of use from A1 to A2 – even if aimed at controlling a subset of Use Class A2 – would have a detrimental effect on new banks unless the policy wording reflected a presumption in favour of bank uses.
12. The Council's evidence does not provide the justification for bank uses to be disadvantaged, where national legislation affords them flexibility to operate within A1 units.

Contribution to vitality of a centre

13. High street banks are now driven by their public interface and provision of a valuable service to visiting members of the public. The very nature of a customer facing use and essential service is what continues to drive footfall to these units. Shops provide a service to customers and so do banks. The appeal of a bank in driving footfall is that it is destination and transaction led and can often be the reason for the customer to visit the high street in the first place, with linked trips providing knock-on benefits for other retailers.
14. As an essential high street service, and in response to changes to the banking sector, the look and feel of banks on the high street has changed. The role of an austere, impenetrable and inward facing building has diminished, replaced by fully glazed, well lit, modern shopfronts such as Barclays, Metro Bank and TSB in a spin off from Lloyds as the high street retail bank². Changes in the banking sector have resulted in the consolidation and closure of branches, with those that remain transforming to respond to become increasingly customer-facing.

¹ British banks set to close record 762 branches this year, Reuters, (<https://uk.reuters.com/article/uk-britain-banks-branches/british-banks-set-to-close-record-762-branches-this-year-idUKKCN1B31AY>) (23 August 2017)

² TSB continues to deliver £250 million investment programme (<https://www.tsb.co.uk/news-releases/tsb-continues-to-deliver-250-million-investment-programme/>)

15. Today's banking model is also operating in a similar manner to modern retail, lifestyle and leisure uses in town centres; in that longer hours, customer engagement and experience via store and multi-platforms are core to the operation of a retail bank. Appendix A of this Statement provides a summary of how Metro Bank operates as a retail bank.
16. Banks also contribute to the vitality of a centre in the function which it provides for the local business population. Metro Bank's approach to providing a service with long opening hours and services is designed to suit the needs of local businesses.
17. It is positive that the Council recognises the value that a bank can have in contributing to the vitality of a town centre.
18. Maintaining the vitality of a town centre is ever more important as the retail sector and the high street evolve. In recent years, with the introduction of amendments to the GDPO, the planning system has sought to be more responsive to market forces and put in place measures to support the viability of centres.
19. Metro Bank now has 55 stores open in 47 local planning authorities. In Metro Bank's experience across these authorities, there is a growing recognition of the contribution which retail banks can make to the vitality of a centre, and the need to introduce flexibility to town centre uses. The contribution which Metro Bank makes comes from both the customer-facing store, and also the back office function, which creates additional employment opportunities. The combination of front and back of house jobs which banks create, adds variety to the range of jobs within the high street.
20. Metro Bank specifically employs staff from the local community. Approximately a third of staff has previous bank experience, whilst the remainder are trained on the job but with a customer facing attitude. Employment opportunities at Metro Bank create genuine long term career prospects through progressive jobs, whereby new store opportunities are firstly sought to be promoted internally, rather than advertised externally. Indeed, bringing employees through the company from shop floor to management is a fundamental part of the business growth strategy.
21. Metro Bank recognise the comment made by the Council, that a bank will not always be acceptable, for example where it does not contribute to the vitality of a centre. However, the approach of a given threshold is an inflexible approach which does not take into account the other benefits which a bank can provide to a high street. In recognition of this point, Metro Bank's previous representations proposed that a further paragraph is incorporated into Policy CF3, or is incorporated into the existing introductory wording, as follows:

"Changes to Bank and Building Society branches will normally be permitted where they make a demonstrable contribution to the vitality of a centre."
22. This would not give 'carte blanche' to banks where planning permission is required, but it would give banks the opportunity to demonstrate their contribution to the vitality of a centre – regardless of the given A1 frontage threshold.
23. Whilst a bank may not always contribute to the vitality of a centre, the same can be said of Class A1 uses. The designation of an A1 use does not automatically create vitality and viability on the high street. Uses such as funeral parlours, travel agents and mobile phone shops operate under A1 but do not necessarily attract high footfall. Similarly, an A1 use does not, by rule, equate to the quality of a retail use, resulting in a frontage which may not necessarily contribute to the objectives of the Council.
24. The Council also notes the practicality of such an approach, and the potential onward change of use from a bank – with the associated benefits – to an A2 use which may not share the same benefits. Again, this is a matter which Metro Bank has engaged with numerous local planning authorities on. Where permitted

development rights do not apply and a change of use application is required, the Council would be able to grant a planning permission for an A2 (Bank), and restrict its onward change within the A2 use class unless to another bank.

25. In terms of practicality, the costs associated with opening a new bank are generally higher than those for a shop. Costs include additional security measures, vaults, technology associated with bank functions, and a modern customer-facing design. In the case of Metro Bank, this can be in the region of £3million per new store and a long-term interest with a lease of 25 years. With this level of investment, the closure of a new store is not a decision to be taken lightly, and is unlikely to then quickly transfer to an alternative A2 use.

Conclusion

26. Policy CF3 requires amendment before it can be found sound on the following basis:

- i. The policy has not been positively prepared – the collateral effect of this policy and the objective of the Council to restrict estate agents will have a collateral impact on A2 banks;
- ii. The Council’s evidence does not justify the policy, as it does not demonstrate a proliferation of A2 uses, much less banks, which require the proposed level of control;
- iii. As currently drafted, the policy neither accords with the GDPO nor the NPPF; and
- iv. Positive wording could be incorporated to support banks which contribute to the vitality of the high street, without creating a ‘carte blanche’ as is suggested by the Council.

Appendix A

METRO BANK

Retail model

How Metro Bank operates as a retail bank.



Longer opening hours & personal service

- No need to book an appointment
- 8am - 8 pm Monday to Friday
- 8am - 6pm Saturday
- 11am - 5pm Sunday
- 362 days a year

Full transactional service everyday



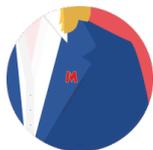
Point of Sale - simple & straight-forward

- Open accounts in 15 minutes, with online, card, cheque books printed in store
- In store approval of loans
- A record quarterly growth of 79,000 customer accounts to 1,124,000, up 33% year-on-year
- Deposits from customers up 10% quarter-on-quarter
- Lending up 11% quarter-on-quarter¹



Opening new stores

- First high street bank to open in the UK in over 100 years
- 55 stores opened since 2010
- Ambition of 110 stores by 2020
- One of the only banks opening stores
- Creating active and glazed frontages



Community store²

- Employing 25-30 staff from the local community in each store
- Doors open for non-customers by:
 - Works with charities, Business Improvement Districts, local Chambers of Commerce, MPs
 - Works with local schools as part of its Metro Money Zone Programme
 - Free use of Magic Money Machine, no commission, popular with charities and children
 - Public toilet and baby changing facilities
 - Holds networking events for local businesses



Multi-channel sales

- A multi-channel sales model, closely mirrored to modern retailers:
 - Safety Deposit Boxes
 - Online
 - Telephone banking with 'real people'
 - Mobile app
 - In store growing network
 - Drive-thru for the elderly, disabled and consumer choice



Award winning customer service³

- Moneynet Personal Finance Awards 2018, Best All Round Personal Finance Provider
- British Small Business Awards 2017, Best Business Account
- London Evening Standard Business Awards 2017, Financial Services Company of the Year
- Moneywise Customer Service Awards 2017, Best Current Account Provider for Branch Service
- Moneywise Customer Service Awards 2017, Most Trusted Financial Provider
- Including many others

1. Metro Bank Reports Record Customer Growth (<https://www.metrobankonline.co.uk/about-us/press-releases/news/metro-bank-reports-record-customer-growth-and-77-increase-in-quarter-on-quarter-profit/>)

2. Metro Bank Community Involvement (<https://www.metrobankonline.co.uk/about-us/community-involvement/>)

3. Metro Bank Awards (<https://www.metrobankonline.co.uk/about-us/awards/>)

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