

By: Nigel Smith – Head of Development

To: Economic Development Cabinet Committee
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Subject: CIL and Levers for Growth Update

Classification: Unrestricted

Summary: This paper updates the Cabinet Committee on progress and is for information only.

1. Introduction

- 1.1 Over the next 2 years the *Community Infrastructure Levy* (CIL) will become an important, alternative source of funding towards the cost of the infrastructure necessary to support new development. Key features are that it is a comprehensive tariff which, whilst taking viability into account, is designed to support a wider range of infrastructure, including transport. This will be subject to and tested for soundness at examination.
- 1.2 Districts as Local Planning Authorities are ‘charging authorities’ and, as such, have statutory access to CIL funds and the power to determine their use in line with District *Infrastructure Delivery Plans* and *Charging Schedules*. However, other partners including KCC continue to be responsible for providing essential statutory services and will, therefore, rely heavily on this funding. Whilst the actual amount of CIL received will depend on priorities, viability and consequent tariff levels there is a strong indication is that CIL will fall significantly short of the total cost (see below under ‘Growth Levers’). This both threatens future service delivery and has the potential to impede development. It is clear, therefore, that hard choices will need to be made and that charging authorities and statutory service providers need to work together if we are to minimise these risks and maximise development opportunities.

2. Progress to Date

a) Evidence Base

- 2.1 Authorities must prepare for the introduction of CIL by compiling evidence of the need for CIL receipts to fund services, deciding investment priorities, and negotiating agreements on the use of CIL receipts. The work already undertaken in this respect includes: KCC completing the financial modelling for community infrastructure (education, communities and adult social services) in the form of the ‘*Integrated Infrastructure and Finance Model*’ (IIFM). This work was

commissioned by KCC in 2010 in preparation for CIL and undertaken by URS Scott Wilson to provide an illustration of how services may be commissioned from KCC through CIL. In this respect, whilst it currently sets out the evidence base for KCC services in terms of supporting the process, other services are able to be added, as required. The IIFM provides a costed set of specific proposals to cater for needs that can be fed into the infrastructure plans produced by Districts. Whilst it has been promoted broadly across the county (through Kent Planning Officers Group etc) some authorities have also been using the IIFM to directly inform their own CIL processes - and we continue to work closely with each of them individually in this respect. Alongside the IIFM we have produced a revised Developers' Guide (***'Development and Infrastructure – Creating Quality Places'***) which sets out KCC's approach to development contributions and, in particular, CIL. This has been subject to extensive consultation and was finally approved by Cabinet Members on 15th October.

b) CIL Pilot

- 2.2 Ashford Borough Council (ABC), Dover District Council (DDC) and KCC jointly submitted a successful bid for Growth Area Transition Funding for a 'CIL Programme Manager' to oversee and coordinate progress on CIL. The pilot project is considering development of Infrastructure Delivery Plans, Charging Schedules etc for the implementation of CIL and is developing a tool to test scenarios (the ***'Viability and Infrastructure Funding Tool'***). The CIL Programme Manager is also helping to build capacity around the County through training events; regular reports to the Kent Planning Officers Group; and presentations to the Kent Forum as required.
- 2.3 A major consideration in defining the level of CIL, and therefore striking the balance between contributions and delivery of development, will be financial viability - the chief requirement of CIL regulations is that the imposition of CIL will not significantly restrict development opportunities. Deliverability of local plans and the infrastructure needed to support them is also a key test of soundness in the examination of Local Plans. The ***'Viability and Infrastructure Funding Tool'*** will allow the balance between individual planning policy requirements and contributions to infrastructure (such as the level of CIL) to be discussed and negotiated at individual district level. Subject to testing with initial authorities, the model will be available for general use. If funding permits, the CIL pilot Programme Manager will also be available to assist individual Districts.

c) Growth Levers

- 2.4 There is likely to be fierce and growing competition for funding from partner authorities including the NHS, Police, and Emergency Services - along with consideration of any planning policy requirements that the District may want to exercise, as mentioned above. There is, in addition

to all this, the commitment to provide a 'meaningful' contribution to neighbourhood's where development takes place. Therefore, the sum of money from CIL will be under great pressure from competing priorities.

- 2.5 The Government consistently asserts that local authorities now have all the growth levers necessary to stimulate growth / unlock sites. In this respect funding options, along with CIL, include TIF, BRR, Prudential borrowing, NHB, GPF etc. However, given the expectation that CIL will be sought to cover a wide range of district and strategic infrastructure, needs to take account of viability and, based on existing and previous cost planning work, it is clear that CIL will not fund everything.
- 2.6 North Kent and East Kent are currently considering CIL levels for their areas. Part of this work includes '**financial modelling in respect of growth levers**' undertaken by KCC in order to provide a forecast of the likely return from 'growth lever' funding, including CIL and New Homes Bonus (NHB) over time as set against infrastructure requirements (see Appendix A - which shows a selection of graphs along with the basic modelling assumptions). It is anticipated that this work can help identify a) the size of the gap and b) whether in time the combined funding package will fund the gap. Dartford, Maidstone and Sevenoaks are also the front runners in terms of taking their own CIL proposals forward and KCC has responded to their consultation and is in on going discussion with them in respect of priorities, the level of CIL etc accordingly.
- 2.7 It is proposed to continue the '**financial modelling in respect of growth levers**' and use the outcomes potentially as the basis for lobbying Central Government in respect of gap funding or forward funding against future CIL receipts (see 3. Moving Forward). In this respect, even if in the worst case scenario alternative forms of the necessary funding are not forthcoming, it is important to convey the significance of the potential consequences including: more congestion, less affordable housing and increasing competition for local school places.

3. Moving Forward

- 3.1 In terms of KCC's role in taking this agenda forward, we will continue to raise awareness of the issues relating to CIL and, specifically, the significant funding gaps and associated risks. In particular, we will continue to roll out the IIFM and Creating Quality Places as the basis for seeking development contributions and the evidence base for CIL in relation to KCC services and have dialogue with individual Districts in this respect in order to assist and influence their processes.
- 3.2 Also, in accordance with the conclusions of the Kent Forum meeting on 20th July, KCC will 1) work together with Ashford Borough to seek agreement on local priorities and develop an infrastructure plan using the '**Viability and Infrastructure Funding Tool**' along with other evidence, 2) Similarly work with individual Districts in this respect to

develop infrastructure plans on a consistent basis, and 3) having established a Leader Sub Group to oversee this work, lobby Government on the funding gap and possible solutions using the ***‘financial modelling in respect of growth levers’*** and other evidence.

4. Recommendations

4.1 The Cabinet Committee is asked to note the contents of this report.

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Background Documents:

None