

Dartford Community Infrastructure Levy

Overview Report August 2013



DARTFORD
BOROUGH COUNCIL

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1. Introduction

- 1.1 This document, referred to as the Overview Report, has been prepared in support of Dartford Council's Community Infrastructure Levy (CIL). It sits alongside the Viability Assessment¹ and the Infrastructure Development Plan (IDP)² as part of the evidence base. It sets out the considerations the Council has taken into account in determining the appropriate rate at which to set CIL.
- 1.2 Most new development will have some impact on infrastructure³ in the area. In Dartford, many elements of community and physical infrastructure are operating at full or near full capacity. Therefore, to be sustainable, new development needs to be accompanied by the facilities that are needed to support it. CIL provides a means by which development can share the costs of this provision.
- 1.3 CIL is set at a fixed rate and charged per net additional square metre of floorspace. It will apply to most new development. Further details of the proposed CIL rates in Dartford, the types of development to which it will apply and how the charge will be calculated are provided in the [Dartford CIL Draft Charging Schedule](#).
- 1.4 In the past, development contributions towards infrastructure have been secured largely through Section 106 agreements (S106) as part of planning consents. Although limited use of S106 will continue alongside CIL, the Government has restricted how S106 can be used. The Council believes that introducing CIL as the main mechanism to raise funding for strategic infrastructure is essential in Dartford's circumstances. This has a number of benefits:
 - The cost of funding infrastructure will be shared across a wider range of development;
 - CIL receipts can be pooled to pay for strategic infrastructure - this will no longer be possible with S106;
 - It will provide certainty for developers - they will know from the outset how much they have to pay;
 - It is a simpler and quicker process for both the Council and developer – it will not delay development;
 - Part of the funds raised can be used by local communities to address the impacts of new development in their neighbourhood.

¹ CIL Economic Viability Assessment for Dartford Borough Council and addendums, GVA

² Dartford's Infrastructure Development Plan, Dartford Borough Council, Updated November 2012

³'Infrastructure' refers to community facilities and physical infrastructure, for example schools, doctors surgeries, roads and water supply and sewerage systems.

2 Consultation

- 2.1 The outcomes of earlier consultations have been taken into account in preparing the Draft Charging Schedule (DCS) submission document. Following public consultation of the DCS in January 2013, the Council has made a limited number of modifications to the schedule in response to representations received. These are set out in the Regulation 19 [Statement of Modifications](#).
- 2.2 The following consultations were taken into account in preparing the DCS submission document:
- Stakeholder workshop December 2011
 - Consultation on Preliminary Draft Charging Schedule April-May 2012
 - One to one meetings with key stakeholders
 - Consultation on a Draft Charging Schedule January to February 2013
- 2.3 Details of the consultation methods used and issues raised during consultation of the Draft Charging Schedule are available in the Regulation 19 1(b) [Statement of Representations](#). Details of consultation on the Preliminary Draft Charging Schedule are available in the [Summary of comments](#) submitted during consultation of the Dartford Preliminary Draft charging Schedule (April to May 2012) document.
- 2.4 This Overview Report addresses many of the issues raised through the consultations.

3. How the CIL Rate Has Been Set

- 3.1 In setting the rate of CIL, regard has been had to the Planning Act 2008; Community Infrastructure Regulations 2010 and (Amendment) Regulations 2011 2012 and 2013; Community Infrastructure Levy guidance: charge setting and charging schedules procedures March 2010; and subsequent replacement in December 2012. The CIL proposals have their basis in the Core Strategy (2011).
- 3.2 The proposed CIL rate has been determined by considering, on the one hand, the cost of required infrastructure and, on the other, the viability of development. The infrastructure requirements are based on the Core Strategy assessment of what is needed to support planned development. Development viability has tested the types of development that are likely to arise in Dartford and taken into account policy requirements set out in the Core Strategy.
- 3.3 The rate set should not put overall development across the Borough at serious risk. Regard has been had to ensuring that strategic objectives set

out in the Core Strategy are not undermined. This relates both to the development and the infrastructure that is needed to achieve Core Strategy objectives. The CIL Regulations 2010⁴ require that the charging authority determines an appropriate balance for its local area taking into account:

The desirability of CIL to contribute towards the infrastructure costs of planned development, taking into account other potential sources of funding

VS

The potential effects (taken as a whole) on the viability of development in the area

4. Infrastructure

- 4.1 To ensure that the CIL rate is reasonable in relation to infrastructure requirements, the cost of providing the necessary infrastructure to support development has been calculated. The calculation is based on the Infrastructure Delivery Plan (IDP) February 11 version 2 and the IDP - Update of proposed projects November 2012.
- 4.2 The IDP is a supporting document to [Dartford's Core Strategy](#). It sets out the social, physical and green infrastructure needed to support planned development for the period 2006 - 2026. Funds raised through CIL are not expected to fully fund all identified infrastructure but will be one element in a package of funding sources.
- 4.3 In response to consultation comments, cost assumptions, alternative funding sources, timing of projects and identification of projects that are likely to be CIL funded have been reviewed and updated. The [review](#) has taken into account the revised housing trajectory, particularly changes to the five year land supply. Table 1, below, is an indicative list of the schemes that are likely to be funded through CIL. The schemes identified are considered essential to support planned development.

Table 1: Indicative CIL- Funded Infrastructure

Infrastructure Type	Cost	Non-CIL funding	Funding Gap	Indicative CIL Schemes
Recreation and Sport	£20m	£10m	£10m	• Leisure complex, Dartford town centre
Transport				
Strategic Transport	£98.04m	£48.49m	£49.55m	• Dartford town centre improvements

⁴ CIL 2010 Regulations 14

Infrastructure Programme, Kent Thameside, (STIP) Dartford part				<ul style="list-style-type: none"> • Bean Junction • St Clements junction • Ebbsfleet junction • Urban traffic management systems
Green Grid and pedestrian/cycle routes	£4m	£2.74m	£1.26m	<ul style="list-style-type: none"> • Pedestrian bridge over the River Darent at Northern Gateway • Off site green grid links • New elements of strategic cycle network in north of the Borough
Community Infrastructure	£75.54m	£42.8m	£32.74m	<ul style="list-style-type: none"> • 3 primary schools • 1 secondary school • Health facility at Northern Gateway
TOTAL	£197.58m	£104.03m	£93.55m	

Table Notes

1. The table is not be taken as a definitive list of infrastructure to be funded by CIL.
2. Other funding sources include existing S106 obligations, estimates of future on-site delivery by a developer and other public funding sources. These estimates may change. The funding gap shown is the funding required after these sources have been taken into account.
3. Costs are “best” estimates at November 2012, using emerging data on scheme costs, cost ratios and based on past experience.

- 4.4 Schemes and costs are under continuous review with partners to ensure they are up-to-date, represent best value and draw on all potential funding sources.
- 4.5 After taking into account committed and potential sources of funding (see Table 1, note 2 above), Table 1 shows that there is an unmet funding requirement of approximately £93.55 million to finance the infrastructure needed to support planned development.

5. Viability

Viability Assessment

- 5.1 CIL regulations require that the viability of development is taken into account in setting the charge. GVA Grimley were appointed by the Council to give viability advice on potential CIL rates for different uses and locations in the Borough. Following consultation on the Preliminary Draft Charging Schedule, the Viability Assessment⁵ (referred to as the Study) has been updated to provide additional information on the viability assumptions and further sensitivity testing of the retail scenarios and has considered the viability of care homes. These additional assessments are

⁵ CIL Economic Viability Assessment (Dartford Borough Council) March 2012, GVA

set out in [two addendums](#)⁶. The further findings have enabled review of the proposed levy rates and potential impacts of CIL on development in the area.

- 5.2 The Study is strategic in nature and provides generalised results. It is not intended to determine viability of individual schemes as these may vary according to the specific circumstances of the site. There is not a requirement to assess the viability of individual developments in setting the charge.
- 5.3 The Study is based on planned development set out in the Core Strategy. It has assessed a range of future development scenarios appropriate to Dartford in order to test the margin available for CIL. The scenarios are set out at p.9 and 11 of the Study and P.5 of the retail addendum⁵. The scenarios take into account Core Strategy policies on affordable housing, housing mix, housing density, green space provision and energy and water efficiency.
- 5.4 The base case for the scenarios assumed 30% and 50% affordable housing provision on relevant schemes, in line with Core Strategy policy, and that there would no grant available towards affordable housing in mixed housing schemes. Further assessment showed that were grant to become available, viability would improve significantly. The Council is considering options for the use of Right to Buy receipts, which may be used to enable affordable housing on some schemes.
- 5.5 The scenarios tested have resulted in a range of CIL rates at which development would be viable at 2011. Further scenarios have been provided to gauge impact of CIL on viability of changes in sales values and build costs. Government guidance advises that CIL rates should be set in a way which avoids undue complexity. In recommending CIL rates, the consultants, therefore, amalgamated the scenarios into broader bands of intended uses and locations of development, where this was compatible with viability outcomes.
- 5.6 The consultant's recommendations are provided as 'up to' rates, that is, the maximum charge they recommend for each band. These amalgamated 'up to' rates are distinct from the maximum rate at which CIL is viable, since the bands include a number of development scenarios with a range of viability levels. The recommended CIL rate has been determined with consideration to the nature of future planned development in Dartford. The impact of the proposed rates on the overall viability of development in the Borough is considered below.

⁶ CIL Economic Viability Assessment (Dartford Borough Council): Addendum. November 2012, GVA
CIL Economic Viability Assessment (Dartford Borough Council): Addendum on Retail November 2012, GVA

Impact on Planned Housing Development

5.7 In order to understand the extent to which Dartford's planned housing development will be impacted by CIL, an analysis has been undertaken of Dartford's housing sites. Appendix 2 lists the housing sites, not yet completed, which underpin the Core Strategy planned development of 17,300 homes. Much of this capacity has either been completed, has planning consent, or is likely to have planning consent before CIL is implemented. It will not, therefore, be liable to a CIL charge. Of the remaining housing capacity, it is the five year land supply that will primarily be impacted by the current CIL proposals, as the CIL rate will be reviewed within five years. Table 2 below shows that only 18% of the 5 year land supply is likely to be liable to CIL. Consequently, even if CIL had an adverse impact on some of the liable development within the five year supply, it would be unlikely to put overall development at serious risk.

Table 2 : Proportion of housing supply likely to be CIL liable

	Housing supply 2006 to 2026		Housing supply 2012 to 2017	
	No. homes	% homes	No. homes	% of homes
A. Core Strategy planned housing	17,300	100	5,200	100
B. Completed 2006-2012	2,707	16	na	na
C. Sites with, or likely to have, planning consent before CIL implementation	9,824	57	4,570	88%
TOTAL CIL LIABLE : A – C	4769	27	630	12

Viability 'Buffer'

5.8 Some respondents to the Preliminary Draft consultation commented that the CIL rates proposed had an insufficient viability buffer. This could hinder development if market circumstances changed or if there were adverse site specific circumstances. Appendix 3 draws on data from the Viability Assessment (Appendix D of the GVA Study) to show the impact on development viability under changed circumstances. A 10% increase in build/capital costs and a 5% reduction in sales values were considered in combination in the Study as one of a number of possible scenarios⁷. Appendix 5 considers these changes individually, to help understand their relationship to CIL. The impact of each of these changes is considered with the proposed CIL rate as well as reductions to CIL of 10% and 50% and with a zero CIL rate.

⁷ The Viability study considered a range of scenarios relating to viability impact of incremental improvement or reduction of development costs and values. Appendix D.

- 5.9 Appendix 4 shows that a 10% increase in capital costs⁸ has a limited impact on the viability of development after applying the proposed CIL rate. Analysis shows that 75% of planned development has planning consent or would remain viable at the proposed CIL rates even with a 10% increase in capital costs.
- 5.10 A 5% reduction in sales values has a more significant effect on viability when combined with the proposed CIL rate. However, for both capital cost increases and sales value reductions, a 10% reduction in the CIL rate would improve the viability outcomes of only 8% of planned development. It is only where the proposed CIL rate is reduced by 50% that there is an overall improvement in development viability for these schemes. The potentially large loss of contributions towards infrastructure from this level of reduction has to be weighed against the limited amount of development affected.
- 5.11 The major factor in the viability of development appears to be sales values. A 5% reduction in sales values would render some types of development unviable or marginally viable, irrespective of whether a CIL charge was applied or not. This suggests that within the range of CIL values considered, a reduction in CIL from that proposed would provide limited relief in different market circumstances. As at July 2013, the risk of a reduction in sales values in the short term is diminishing. Current indications suggest an improvement in sales and market conditions in Dartford. House price data indicates that nationally, the average price of a property rose by 1.7% during 2012, the fastest rate for more than two years⁹. The rise was driven by property values in London, with significant regional differences between the north, where prices fell, and south of the country. Land Registry data shows that there has been a continued increase in sales values during 2013, with a 5.3% increase reported nationally and in the South-east. The average rise in Kent for the same quarter was 4.3%.¹⁰
- 5.12 All residential scenarios tested demonstrate that they have viability for a CIL level of at least £100 with a wide range of viability buffer above this threshold. The lowest notional buffer for any scenario is projected at £10 per sq metre. Even for this worst case scenario, taking into account an indicative floorspace of 95m² this would provide a buffer of approximately £1,000 per home.
- 5.13 Table 1C of Appendix D of the Study¹¹: Errata shows the recommended CIL rate as a proportion of Gross Development Value (GDV) for each of the housing scenarios tested. This shows that for 89% of planned development that is likely to be subject to CIL, the CIL rate as a proportion of GDV is 3% of overall value. This supports the findings of the study that

⁸ This could be build costs or abnormal site preparation costs

⁹ <http://www.bbc.co.uk/news/business-21245734>

¹⁰ http://news.bbc.co.uk/1/shared/spl/hi/in_depth/uk_house_prices/html/houses.stm

¹¹ CIL Economic Viability Study: Errata November 2012 GVA pp.10

viability of development has limited sensitivity to a change in the rate of CIL.

- 5.14 The effect of increasing the CIL recommended rate by 25% has been assessed by the consultant.¹² This demonstrates that increasing the recommended CIL rate would be likely to render some development scenarios unviable, specifically housing schemes of between 125 and 500 homes comprising houses and flats. The schemes affected are also those most vulnerable to any changes in circumstance such as an increase in development cost or reduction in sales value. Figure 1 below outlines the effect of different levels of CIL on the funding requirement for infrastructure to support development. The potential increase in contributions towards infrastructure of an increased CIL rate has to be weighed against the risks to the viability of planned development.
- 5.15 Statutory guidance¹³ requires that charging authorities provide information about the amounts raised in recent years through section 106 agreements. The proposed CIL rates have been compared with recent S106 agreements. This found that where comparisons could be made, the CIL contribution would be broadly comparable. The comparisons are for residential development in the urban area which are of a scale to require affordable housing be provided. All are required to meet these requirements (unless indicated otherwise). It should be noted that some agreements identified have arisen as a consequence of a revised planning application or variation of the legal agreement due to recent constrained market conditions. In these circumstances the Council has prioritised the requirement for planning obligations where the full requirement would render the development unviable in current market conditions. This approach is in accordance with local planning policy¹⁴ and national policy¹⁵. It ensures continued delivery in the Borough. For an average home of 95m² CIL liability would be £9,800.

Table 3 : Recent¹⁶ Residential S106 Agreements

Scheme (no of private homes)	S106 contribution per home	Notes
103	£9,749	
28	£9,600	
237	£10,675	Very high exceptional costs and reduced affordable housing requirement negotiated. Review of viability and deferred payment mechanism is incorporated into agreement
140	£7,290	Renewal of existing planning consent. Reduced affordable housing

¹² Economic Viability Assessment (Errata) Appendix D

¹³ Community Infrastructure Levy Guidance December 2012 para 22

¹⁴ Dartford Core Strategy Policy CS26

¹⁵ Section 106 affordable housing requirements. Review and appeal, DCLG April 2013

¹⁶ Jan 2011 to July 2013

		requirement negotiated. Review of viability and deferred payment mechanism is incorporated into agreement
807	£8,000	Additional direct provision of infrastructure not included in contribution, therefore not directly comparable. Exceptional site remediation costs. A reduced affordable housing element has been negotiated with review points at subsequent phases of development.
77	£9,060	Renewal of existing planning consent

Large/Strategic Sites

5.16 In responses to the Preliminary and Draft CIL consultation, concern was expressed that viability of large strategic sites (circa 1,000 units) would be affected by the proposed CIL rate, particularly if a new scheme came forward. The consultants have reviewed the modelling assumptions and carried out further assessment of the viability of this type of housing development. The updated assessment suggests that large sites will be viable at a CIL charge of over £100 per sqm even without grant funding for the affordable housing element of the scheme. Whilst a generous level of additional costs associated with bringing sites of this nature forward has been assumed, the Council recognises that in some cases there may be abnormal costs which affect viability. A number of actions could be considered in these situations:

- Targeting re-cycled provider grant or Council house sale receipts to assist in the provision of affordable housing. The viability assessment demonstrates that there would be a significant improvement in viability if grant were made available.
- Being flexible in negotiating affordable housing requirements. The Council already applies a flexible approach in S106 negotiations, with consideration of different affordable housing tenures or deferment of affordable housing to later phases of a scheme when there is improved viability. Sites of this nature are likely to take a number of years to be built out thus providing the potential for improved viability in later phases of a scheme. This more flexible approach is advocated by the government (see Section 106 affordable housing requirements, Review and appeal, DCLG, April 2013).
- Provision of an instalment policy to ease cash flow burdens. (This is proposed in Appendix 5)
- Appropriate phasing of development granted outline permission. The CIL Regulations state that “each phase of development is a separate chargeable development” where outline permission is granted. This will enable the CIL contributions to be spread over a wider period.

5.17 The updated evidence does not support a case, as suggested during consultation, that these sites be charged a different rate to other schemes in zone B. In addition, if the CIL rate was reduced for these developments,

this would significantly affect CIL funding and result in insufficient funding to provide the infrastructure necessary to support them.

- 5.18 Funding for infrastructure identified in table 1 is based on current legal agreements at a number of strategic sites. In the event that a revised planning application is submitted for a strategic committed scheme, clarity is needed on how infrastructure contributions are to be provided under a CIL regime. The draft 123 list set in Appendix 1 sets out future requirements and ensures that there will be no duplication of funding (CIL and S106) for any specific item of infrastructure. The list indicates those components that will continue to be subject to S106 at specific strategic sites and those that in future will be funded through CIL. It results in development funding contributions remaining broadly consistent with the current requirements, in circumstances where a revised scheme comes forward. Objections received on this matter have now been withdrawn. The Council considers the draft list provides a flexible basis in the event of changes to current committed strategic schemes. .

Retail Development

- 5.19 Issues were raised at both the Preliminary and Draft consultation stages about the proposed CIL rate for large retail developments outside the town centre. In response to initial concerns, the consultants have carried out further testing of retail development scenarios¹⁷ both within and outside the town centre. This has provided the Council with an understanding of the impact of CIL on a wide range of retail scenarios of a type which are likely to come forward as part of the retail provision identified in the Dartford Core Strategy.
- 5.20 After considering the additional assessments and the consultant's advice, the Council now proposes a CIL rate of £125 per sq m for retail development of over 500 sq m outside the town centre. Some respondents to the Draft Charging Schedule consultation have, whilst welcoming the reduction in the retail rates proposed, continued to express concern that the rates will negatively impact on the viability of large scale schemes. The proposed charge is at the lower end of the range of scenarios tested and has taken into account the impact of CIL as a proportion of gross development value and build costs. No alternative viability scenarios have been provided by respondents during consultation. It is considered that the proposed rate, supported by the consultants assessment provides sufficient viability buffer for the location and types of retail schemes planned for Dartford.
- 5.21 The Council has considered whether a differential charge between food and comparison shopping outside the town centre would be appropriate for Dartford. The Core Strategy identifies that future retail development outside the town centre is likely to be focused in and around Bluewater regional shopping centre and the Ebbsfleet Valley. The modelling has

¹⁷ DBC CIL Economic Viability Study: Addendum on Retail November 2012

taken into account rental values that can be expected in this area, given the proximity of the major attractor of Bluewater and the regenerative developments proposed around Ebbsfleet International Station. Testing of comparison retail scenarios shows that there is a wide range of potential CIL values for this type of development. Testing of a large food store demonstrates that the potential CIL charge for this type of development falls within the range of potential CIL charges identified for retail comparison development. It is, therefore, considered that a single charge at the lower end of this range of values can appropriately be applied to both comparison and food retail outside the town centre.

- 5.22 In the case of Dartford town centre, viability testing of comparison schemes demonstrates that such schemes cannot support a CIL charge. It is, therefore, proposed to retain the zero rate in accordance with the consultant's recommendations.
- 5.23 For food shopping in the town centre, the viability testing shows that there is potential for a CIL charge. On the basis of this further testing, the Council proposes that a rate of £65 per sq m be set for food retail in the town centre. This rate represents approximately 50% of the proposed retail rate outside of the town centre. It is considered that this reduction reflects an appropriate balance between the lower CIL potential identified for food store scenarios tested in the town centre, as compared to those outside the town centre.
- 5.24 Viability testing has considered the CIL potential for both smaller retail schemes of 300 sq m and 200 sq m.. The results show that there is no scope for a CIL charge either within or outside the town centre. In Dartford this size of scheme is generally of a convenience¹⁸ nature, providing for day to day top-up shopping or a small unit providing comparison¹⁹ retail by an independent retailer.
- 5.25 In terms of planned provision, in addition to the larger scale shopping development proposed, the Core Strategy identifies small local shops providing convenience shopping within the larger housing developments. A number of consented large-scale housing developments include such small scale retail schemes, supporting day to day shopping needs for the planned communities. The size of the retail element is mostly below 500 sq m. This typically provides 2 or 3 small convenience shops. Future provision at the lower scale is likely to be of a similar size and performing the same kind of function.
- 5.26 Taking into account the planning history and pipeline in the Borough and the demonstrated inability of smaller scale schemes to support CIL, it is proposed that a zero rate is set for all retail schemes of 500 sq m and under. It is apparent that, based on Dartford's planned and past retail development, schemes of this size will, generally speaking, provide a

¹⁸ Convenience retailing is the provision of everyday essential items (PPS4 Annexe B)

¹⁹ Comparison retailing is the provision of items not obtained on a frequent basis. These include clothing, footwear, household and recreational goods.

different function to those above the threshold. They are unlikely to be shopping destinations where weekly food shopping needs are met but, rather, will meet day to day shopping needs. This differentiation is in line with the distinctions that have been accepted in other CIL charging areas.

Impact on other development types

5.27 Requests to apply a zero CIL rate to a number of specific development types were received during the Draft Charging Schedule consultation. The development types identified are expected to be delivered to a limited extent in Dartford. These include agricultural buildings, waste and waste water infrastructure (where deemed to be chargeable development) and mineral use related buildings. The Council has considered the viability evidence provided with some responses, demonstrating potential impact on viability of these development types. The Draft Charging Schedule has been modified to specifically identify those development types where a CIL rate will be applied, with other types incurring a zero CIL rate.

5.28 Two representations were received requesting that a zero charge be applied to specialist accommodation for the elderly. The Council’s viability report indicates that some types of accommodation for the elderly, particularly those with specialist care with a high proportion of communal area, may not be viable with a CIL charge. The Use Classes Order does not clearly distinguish between different types of accommodation for the elderly in terms of these characteristics that have been demonstrated to impact on the viability of a scheme. Therefore, the Council has,, proposed changes to the Draft Charging Schedule , in-line with other charging authorities, to provide a clearer distinction between types of specialist accommodation according to their viability-impacting characteristics. Those that are likely to share the same viability characteristics as general housing will be subject to the proposed residential rates, and those with characteristics which result in viability being constrained will be zero rated.

6. Balancing the Judgement

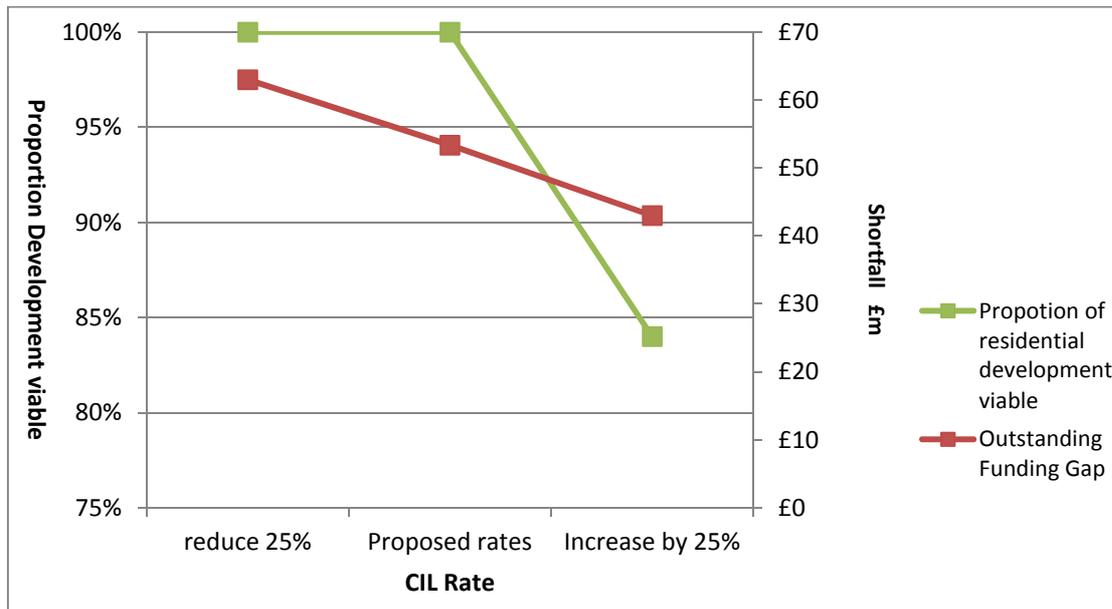
6.1 Section 4 of this report identified an estimated infrastructure funding gap of £93.55m. The potential CIL revenue based on proposed CIL rates has been estimated. This has taken into account planned floorspace in the Borough without planning consent and estimated net floorspace losses. Table 5 below shows the potential contribution of CIL in meeting the funding gap.

Table 5: CIL Contribution to Funding Gap

Infrastructure Funding Gap (see Table1)	£ 93.5m
Estimated CIL revenue	£ 40.2m
Outstanding Funding Gap	£ 53.3m
Outstanding Funding Gap after receipts are passed onto local neighbourhoods.	£59.4m to £63m

- 6.2 The Community Infrastructure Levy (Amendment) Regulations 2013 introduced a duty to pass CIL to local neighbourhoods. This requires the charging authority to pass on a proportion of CIL receipts (between 15 to 25%) arising from development within the area of a local Council or other local areas. Whilst neighbourhoods may choose to use their allocation to support infrastructure on the 123 List, this is not guaranteed and the projected funding shortfall of £53.3m may increase significantly. A number of respondents at Draft Charging Schedule consultation expressed concerns that CIL may divert future funding from more locally based infrastructure initiatives. The new duty will ensure that at least a proportion of funding will be retained locally. In addition, infrastructure funded by CIL receipts retained by the Borough Council will be focused on those areas where the greatest amount of development is planned. t
- 6.3 At the proposed rate, CIL will provide an important contribution towards closing the funding gap. A significant contribution is to be made by already committed funding, including agreed S106's contributions and public funding (see Table 1 and Dartford IDP Update of proposed projects November 2012). Substantial additional funding will, however, be required from a range of sources such as New Homes Bonus, Tax Increment Funding, Business Rate Retention and other public funding initiatives.
- 6.4 Maximising the potential contribution from CIL, whilst ensuring that development remains broadly viable in the area, will provide greater certainty that essential infrastructure to support development can be achieved. Uncertainty or failure to deliver the infrastructure could put the delivery of development at risk or result in impacts from developments which are unacceptable.
- 6.5 The analysis in Section 5 above demonstrates that CIL will be applicable to a limited amount of planned development in Dartford, particularly within the next five years. Where it is applicable, the proposed CIL rates will be a marginal factor in the viability of development. Therefore, at the rates proposed, it is unlikely to put development in the area as a whole at risk.
- 6.6 Figure 1, below, shows the relative impact of changes in the CIL rate on the viability of housing development and contribution to infrastructure. The graph shows that at the proposed rate, all development is viable. A 25% reduction in the proposed CIL rate does not change the proportion of viable development but it does result in a lower level of infrastructure funding. With a 25% increase in the proposed CIL rate, there would be an increase of funding towards infrastructure, assuming that the amount of development did not decrease. However, it would also result in a decline in the proportion of viable development. CIL, at the rate proposed, appears to establish an appropriate balance between supporting the delivery of planned development and achieving a level of CIL funding which can help secure the required infrastructure.

Figure 1: Effect of CIL on housing development, viability and infrastructure funding



6.7 Further factors in determining the balance include:

- An across the board CIL reduction of 10% would reduce funding by £5.3m: more than the cost of provision of a Primary School (one form entry) – a significant impact on essential infrastructure;
- Inability to raise sufficient funding through CIL may impact on delivery of schemes which already have planning consent, since they are reliant on pooling of funding from other schemes to provide necessary infrastructure;
- Setting CIL at the proposed, rather than a lower level, will provide for a timely adjustment of land prices – this will assist with the viability of development in the longer-term.

6.8 After taking all these considerations into account, the Council has considered the consultants findings and “up to” CIL charges. The proposed rates are considered to represent the most appropriate balance between CIL funding making a contribution towards infrastructure costs and the potential effects of the charge on the viability of development in the area. The proposed charges are set out in the Draft Charging Schedule with Modifications, August 2013.

7 CIL IN OPERATION

Spending CIL contributions

7.1 Receipts raised will be spent on infrastructure needed to support new development in Dartford. The receipts are unlikely to cover the full costs of all the essential infrastructure and other sources of funding will need to be secured. The Council, working with infrastructure providers such as Kent

County Council and will prioritise and allocate funds in a way which supports development and is most cost effective. Although the Council will retain overall control over the use and allocation of CIL funds, a co-ordinated approach to the assessment and timing of needs and the programming and funding of works will be implemented, involving KCC and other infrastructure providers, with appropriate planning horizons. Work is underway to develop an operational framework between the authority and Kent County Council. The Council will use a small proportion of the money raised to fund the administrative costs of CIL.

- 7.2 A list of infrastructure to be funded wholly or in part by CIL (commonly known as the 123 List) will be published once a Charging Schedule is adopted. A list of potential CIL funded projects has been identified in the updated IDP November 2012 and a draft 123 List of the projects or types of infrastructure to be funded by the levy set out in appendix 1. The 123 List may change over time in response to monitoring of development delivery and its demands on infrastructure work.
- 7.3 The Council will report annually on:
- How much CIL monies have been collected
 - How much CIL revenue has been spent and on which projects and other expenditure
 - The amount retained at the end of the reporting year
- 7.4 The effect of CIL will be monitored. Although it is likely that a review of rates would take place in 3 to 5 years from introduction this could be brought forward if monitoring indicates that CIL rates are impeding planned development or if existing development scenarios are likely to change significantly.

What happens to S106 Agreements?

- 7.5 Once a CIL charging schedule is adopted (or after April 2015), no more than five developments can make S106 contributions to one piece of infrastructure. In Dartford, development contributions will need to be pooled to provide new facilities such as schools, health facilities and off-site highways improvements. CIL will become the main source of development funding secured through the planning process other than for affordable housing and limited on site mitigation (see para 7.6). CIL and new S106 contributions cannot be used to fund the same piece of infrastructure. Publication of the 123 List (see para 7.2) will ensure that infrastructure cannot be funded by both S106 and CIL. The two funding sources have been differentiated when calculating the potential CIL funding gap.
- 7.6 On-site provision or improvement of facilities, such as open space, bicycle paths, Fastrack routes, utilities and habitat protection will be required as part of a scheme, as at present. These requirements may be secured through conditions or S106 Agreements and will be in addition to CIL.

Appendix 2 of the CIL Charging Schedule provides a list of the infrastructure likely to be required through S106 or condition after the introduction of CIL.

- 7.7 Dartford has a number of major development sites with S106 obligations requiring site specific infrastructure, such as schools, where the demand arises directly from the site. This infrastructure has been excluded from the CIL infrastructure list.

Exemptions and Discretionary Relief

- 7.8 The CIL Regulations²⁰ allow the following types of development to be exempt or to obtain relief from CIL:

- 1) Where the gross internal area of new build is less than 100m² unless the floorspace involves the creation of a new dwelling (Reg 42).
- 2) Development on land owned by a charity and where the development is to be used for charitable purposes, subject to conditions. (Reg 43)
- 3) Where the development includes affordable housing, subject to conditions (Social Housing Relief - Reg 49)

- 7.9 In addition charging authorities may permit **discretionary relief** from CIL. **Discretionary charity relief** may cover the following circumstances:

- 4) Development on land owned by charities where the chargeable development is held as an investment to support the charitable purposes, subject to conditions (Reg 44)
- 5) Development by charities which are exempt under Reg 43 but where the exemption would constitute State aid, subject to conditions (Regulation 45)
- 6) **Discretionary relief for exceptional circumstances** may be granted where a development is subject to both a S106 obligation and a CIL charge and where the S106 is of greater value than the charge. The charging authority should be satisfied that payment of the levy would have an unacceptable impact on the economic viability of the development. Relief cannot constitute State aid. (Reg 55)

- 7.10 It is proposed to offer discretionary charity and exceptional circumstances relief. In compliance with CIL Regulations, a statement confirming this will be issued in advance of discretionary relief being made available. It is likely that such relief will be rare and must be given within the Regulation procedure and in accordance with state aid rules.

²⁰ The Government has recently consulted on a number of proposed changes. This may widen the scope of exemption and discretionary relief set in current Regulations.

Payment in Kind

7.11 The CIL Regulations allow a charging authority to accept land to be used for infrastructure provision as payment in kind against the CIL charge. Valuation of this land and procedures for this are set out in the Regulations. The Council will consider this form of payment in the appropriate circumstances.

Phasing of Payments

7.12 Payment of the charge is due when the development commences and must be made within 60 days of commencement, unless the charging authority introduces alternative arrangements. Dartford Council intends to introduce payment by instalments to assist larger developments, in particular, with cash flow issues. The proposed draft instalment policy is shown at Appendix 4 and is being consulted on alongside the Draft Schedule.

7.13 In the case of outline permission which is to be developed in phases, each phase of development is charged separately. A charge does not apply to phases of development where the outline permission has been granted in advance of CIL adoption.

8. Timetable for introducing CIL

Stage	Estimated date
Informal consultation with landowners, developers and statutory agencies on viability assumptions	Completed
Consultation of Preliminary Draft Charging Schedule	Completed
Consultation of Draft Charging Schedule	Completed
CIL submission	August 2013
CIL Examination	October 2013
Adoption of Charging Schedule	March 2014

APPENDIX 1

Draft 123 List

Types of infrastructure to be funded in whole or part by CIL:

- Education facilities, including primary and secondary schools (with the exception of primary schools at Eastern Quarry and Northfleet West sub-station sites)
- Strategic junction and transport improvements as set out in Kent County Council Cabinet report 15 October 2012 - Kent Thameside Strategic Transport (Homes & Roads) Programme²¹
- New leisure centre/swimming pool facility or upgrading of existing facility
- Strategic cycle and pedestrian network (off – site enhancements/provision including completion of Darent Valley path and Thames River path)
- Provision and enhancement of pedestrian bridges over the River Darent at Northern Gateway strategic site
- Health care facilities (excluding facilities provided at Eastern Quarry and Northfleet West sub-station sites)

²¹ <https://democracy.kent.gov.uk/documents/g3900/Public%20reports%20pack%2015th-Oct-2012%2010.00%20Cabinet.pdf?T=10>

Appendix 2

Dartford CIL – types of infrastructure that will continue to be required through S106, S278 or condition

Infrastructure

- On- site roads and safety measures; site specific junction or other off-site improvements onto existing road network; parking provision and management; and travel plans
- Fastrack or other public transport provision (on-site provision of “hardware” and/or contribution to service expansion where related to demand directly arising from a site)
- Community facilities (where facility will primarily meet demand directly arising from a large site)
- Health and emergency facilities (where facility will primarily meet demand arising directly from a large site)
- Green Infrastructure – provision and management of on-site (or off- site if providing site mitigation) open space and natural green space, habitat protection (Green Grid)
- Local flood defence and mitigations required to ensure a development meets national requirements
- Site specific utility requirements including infrastructure provision to ensure water quality and supply is protected such as Sustainable Urban Drainage Systems where appropriate
- Other requirements related to sites such as local employment schemes
- Any other site specific measures (not identified above) to ensure that the site is acceptable in planning terms

Appendix 3: Status of planned development as at July 2013

SITE	PLANNING STATUS	Potential number of units to be delivered 2012 - 2017
Ebbsfleet	Consent	250
The Bridge	Consent	700
Ingress Park - Eastern Extension	Consent	371
298-300 Lowfield Street	Consent	11
Craylands Lane	Consent	110
Greenwood	Consent	14
Former Rolex Site	Consent	14
Colyers Arms, 1 Station Rd, Southfleet	Consent	8
Powder Mill Lane	Consent	52
Land adj to 63 – 79 Birchwood Road)	Consent	5
28 Spital Street	Consent	6
Land to the rear of 67 to 97 Station Rd, Longfield	Consent	9
The Coledart Centre, King Edward Ave	Outline Consent	69
Lowfield Street (North site)	Approved subject to S106	200
Northern Gateway East (GSK) and Millpond	Outline Consent	700
Station Approach	None	155
Swanscombe Peninsula	None	110
Fantaseas	Consent	150
Eastern Quarry (EQ2)	Outline Consent	795
Stone House Hospital	Consent	230
St James Lane Pit (Stone Pit 2)	Application	500
Tylers	Approved subject to S106	33
Darenth Mill, Darenth Road	Consent	23

Axton Chase	Consent	146
Leyton House, Wilmington	Consent	6
Former Arjo Wiggins Site - South site	None	95
St Clements Valley	Approved subject to S106	190
Former Papermill - north site	Partial consent	230
Northfleet West sub Station	Consent subject to S106	450
Milk Depot, Watling Street	Consent	24
Rear of Two Brewers	Consent	12
Darenth Road	Consent	147
Former GSK East site (remainder)	None	55
St Vincents Filling Station	Consent	0
Blue Anchor Pub	Consent	9
Rear of 101 - 113 Hawley Rd	Consent	12
Martin Drive Site adj to Stone House Hospital	Application	50
St Mary's Church Hall, Stone	Consent	6
Orchard House	Consent	5
Windfalls ⁺	None	200+
Total		6,152

Note

The table is based upon Dartford 5 Year Housing land supply (1 April 2012 to 31 March 2017)

+ Windfalls include sites under 5 units excluded from the SHLAA process, dwelling conversions and other unidentified sites, normally on brown-field land that unexpectedly become available.

Appendix 4: Effect on viability of development scenarios of changes in build cost and sales values

Development Scenario	Proposed CIL rates			CIL reduced by 10%			CIL reduced by 50%			No CIL		
	Base costs and sales values	10% increase in capital costs	5% decrease in sales values	Base costs and sales values	10% increase in capital costs	5% decrease in sales values	Base costs and sales values	10% increase in capital costs	5% decrease in sales values	Base costs and sales values	10% increase in capital costs	5% decrease in sales values
1												Green
2												Green
3		Green	Red		Green	Red						Green
4		Green	Red		Green	Red		Green	Amber			Green
5	Green	Amber	Red	Green	Amber	Red		Green	Red		Green	Amber
6	Green	Amber	Red	Green	Green	Red		Green	Red		Green	Amber
8												Green
9												Green
10												Green
11		Green	Amber		Green	Amber		Green	Amber			Green

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- Green Development likely to be viable (residual land value is above benchmark land value)
- Amber Development marginally viable and land may not be brought forward by land owner (residual land value is up to 20% less than the benchmark)
- Red Development is highly unlikely to be viable (residual land value is more than 20% below benchmark land value)

Description of Scenario Development Types

Scenario	Development Type
	Urban area
1	1 residential house
2	14 residential houses
3	50 residential dwellings (mixed)
4	125 residential flats
5	125 residential dwellings (mixed)
6	500 residential dwellings (mixed) – riverside location
7	1,000 residential dwellings (mixed) – strategic/large site
	Rural
8	1 residential house
9	4 residential houses: shared ownership affordable housing provision
10	10 residential dwellings (mixed): commuted sum affordable housing provision
11	10 residential dwellings (mixed): shared ownership affordable housing provision

Appendix 5: Draft CIL Instalment Policy (revised August 2013)

The Council has revised the Draft CIL Instalments Policy in response to representations made through earlier consultation. Whilst the Draft Instalments Policy will not itself be subject to Public Examination, the amended draft instalment policy is set out below to enable interested parties to consider its implication on development finance and delivery.

The CIL (amendment) Regulations 2011 set a default position that full payment of CIL must be made within 60 days of commencement of development. The Amendment Regulations 2011 also enable a Charging Authority to set an Instalment Policy that allows phased payments over longer periods. This Draft Instalments Policy sets out the Council's proposals for such a policy.

Draft Dartford CIL Instalment Policy

1.	CIL Liability less than £99,000
	Full payment within 60 days of the commencement of development
2.	CIL Liability between £100,000 and £999,999
	Instalment 1: 25% of payment within 60 days of commencement Instalment 2: 25% of payment within 120 days of commencement Instalment 3: 50% of payment within 360 days of commencement
3.	CIL Liability of £1,000,000 and over
	Instalment 1: 25% of payment within 60 days of commencement Instalment 2: 25% of payment within 120 days of commencement date Instalment 3: 25% within 360 days of commencement Instalment 4: 25% within 540 days of commencement