

MAIDSTONE BOROUGH COUNCIL

**JOINT MEETING OF THE LOCAL DEVELOPMENT DOCUMENT
ADVISORY GROUP AND THE LEISURE AND PROSPERITY
OVERVIEW AND SCRUTINY COMMITTEE**

21 FEBRUARY 2011

**REPORT OF DIRECTOR OF CHANGE, PLANNING AND
ENVIRONMENT**

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1. INFRASTRUCTURE DELIVERY PLAN

1.1 Issue for Decision

1.1.1 None

1.2 Recommendation of the Director of Change, Planning and the
Environment

To consider the progress made on the Infrastructure Delivery Plan.

1.3 Reasons for Recommendation

Introduction

1.3.1 There is a need to ensure infrastructure supports growth and for this reason an infrastructure delivery plan (IDP) will accompany the Core Strategy.

1.3.2 Infrastructure includes physical infrastructure (such as transport projects, Maidstone town centre public realm improvements and sports centres); social infrastructure (such as schools, libraries; youth facilities and adult social services) and green infrastructure (such as play spaces, parks and sports pitches).

1.3.3 In preparing the Infrastructure Delivery Plan it is important to be able to identify the infrastructure requirements which result from the level and distribution of development proposed in the Core Strategy – and their cost implications. In order to establish whether such infrastructure is likely to be deliverable, it is also necessary to examine potential sources of funding. The Infrastructure Delivery Plan is

consequently an important source of evidence in terms of meeting the Local Development Framework test of soundness related to delivery.

- 1.3.4 This report updates Members on the current outline cost estimates for infrastructure to support the Core Strategy and the potential sources of funding. The report also sets out the next steps in developing the Infrastructure Delivery Plan. This will include Member involvement in the opportunity for consultation about local infrastructure priorities and in prioritising the key infrastructure requirements to serve the Core Strategy. Members will therefore be involved at 'grass root' neighbourhood consultations; strategic decision making regarding prioritising local infrastructure and discussions with key partners such as Kent County Council.

The Cost of Infrastructure

- 1.3.5 The Government expects local authorities to undertake timely, effective and conclusive discussion with key infrastructure providers when preparing a Core Strategy.
- 1.3.6 During the development of the preferred Core Strategy housing and employment targets and distribution, the Borough Council has been liaising closely with key infrastructure providers to determine their specialist perspective on the consequent infrastructure demands. This has included Kent County Council (Education; Transport; Libraries, Adult Education and Youth and Adult Social Services); Borough Council Services (Parks and Leisure and Economic Development); Kent Police; Mid Kent College; University of Creative Arts; Primary Care Trust; emergency services (Fire, Police and Ambulance) and Utility companies.
- 1.3.7 Infrastructure providers currently estimate that the infrastructure required to support the Core Strategy proposed level and distribution of development at Maidstone urban area would cost approximately £150m. For all of the Rural Service Centres the total cost is estimated to be approximately £4m. The broad costs for each category of infrastructure are contained in the Appendix to this report. Further refinement and potential prioritisation of these projects will take place as the Core Strategy and the Infrastructure Delivery Plan evolve.

Potential Funding Sources

- 1.3.8 The funding of infrastructure will be made up of a number of components:
- Existing resources already available (Section 106 contributions);
 - The New Homes Bonus;

- Mainstream public funding; and
- The Community Infrastructure Levy.

Each of these items is addressed in the following sections.

Existing resources potentially available (Section 106 contributions)

- 1.3.9 Information has been collated on the existing resources potentially available through Section 106 contributions. Some contributions are linked to specific projects but others are less specific. The research indicates that some £7m would be available from schemes with planning permission. Almost all of this resource is attributable to the Maidstone urban area. If all these planned schemes are implemented, this funding would be available for infrastructure projects.

New Homes Bonus

- 1.3.10 The Government consultation on the New Homes Bonus was completed on 24 December and no outcomes have been published from this exercise.
- 1.3.11 The consultation document states that the first year of the New Homes Bonus would be paid for all dwellings completed (recorded on the Council Tax Base) in the period Oct 2009-2010, and would be paid in financial year 2011/12. In other words it is intended to count what was completed last year. The same process continues in subsequent years.
- 1.3.12 The Government proposes to link the level of grant for each additional dwelling to the national average of the council tax band for the following six years. There would also be an enhancement for each additional affordable home. However, the Government also proposes that as the bonus gets close to a ceiling figure (the details of which are not known) it may be top sliced from the money Local Planning Authorities receive from Central Government. In addition local authorities will have freedom to decide how to spend this resource.
- 1.3.13 For the purposes of the Infrastructure Delivery Plan, no account has been taken of the proposal to split the Bonus 80% to the districts and 20% to the County Council as it is felt that this is irrelevant in calculating the total sum of money available for infrastructure.
- 1.3.14 Local authorities will have the freedom to spend New Homes Bonus revenues according to local wishes - for example, improving play areas, transport improvements, town centre regeneration etc. However, the Government expects local councillors to work closely with their communities - and in particular the neighbourhoods most

affected by growth - to understand their priorities for investment and to communicate how the money will be spent and the benefits it will bring. Consequently, there is likely to be pressure to spend income from this source in the settlements accommodating growth.

- 1.3.15 As the New Homes Bonus proposals are still in draft form, it is not advisable to project the potential income for infrastructure from this source at this stage. Estimates will need to be made with the Council's finance team as the Government proposals are clarified.

Mainstream public funding

- 1.3.16 Existing plans, strategies and expenditure commitments of the key partners have been regularly reviewed – especially given the current financial climate, reprioritised and are uncertain, particularly to 2026. Budgets are normally only set for a period of 3 – 5 years, and may be subject to change on an annual basis.
- 1.3.17 The Government recognises that the budgeting processes of different agencies may mean that less information may be available when the Core Strategy and Infrastructure Delivery Plan are being prepared than would be ideal. There is a need to meet with providers to ensure that the most up to date assumptions of mainstream government capital funding for local infrastructure projects are used. For example, Kent County Council assume that the Local Transport Plan should deliver new transport projects in the Borough to the value of £200,000 per annum, generating a mainstream transport funding of £3m for the remainder of the plan period. Similar up to date assumptions are required from other partners in infrastructure delivery.

Community Infrastructure Levy

- 1.3.18 The Community Infrastructure Levy (CIL) came into force in April 2010 and it has been confirmed as continuing by the coalition Government. It allows local authorities to raise funds from developers undertaking new building projects in their area.
- 1.3.19 Under the system of planning obligations only six per cent of all planning permissions brought any contribution to the cost of supporting infrastructure, when even small developments can create a need for new services. The levy would ensure that all but the smallest building projects make a contribution towards additional infrastructure that is needed as a result of their development.
- 1.3.20 The levy is intended to fill the funding gaps that remain once existing sources (to the extent that they are known) have been taken into account.

- 1.3.21 The money can be used to fund a wide range of infrastructure that is needed as a result of development.
- 1.3.22 However, the levy will be reformed by the coalition Government to ensure neighbourhoods share the advantages of development by receiving a proportion of the funds councils raise from developers. Local charging authorities will be required to allocate a meaningful proportion of the levy revenues raised in a neighbourhood to be spent in the neighbourhood. These are intended to be passed directly to the local neighbourhood so community groups can spend the money locally on the facilities they want, either by contributing to larger projects funded by the council, or funding smaller local projects like park improvements, playgrounds and cycle paths. Local authorities will need to work closely with neighbourhoods to decide what infrastructure they require, and balance neighbourhood funding with wider infrastructure funding that supports growth. They will retain the ability to use the levy income to address the cumulative impact on infrastructure that may occur further away from the development.
- 1.3.23 Charging authorities wishing to charge the levy must produce a **charging schedule** setting out the levy's rates in their area. Charging schedules will be a new type of document within the folder of documents making up the local authority's Local Development Framework, sitting alongside the Local Development Plan. Charging schedules will not be part of the statutory development plan. It is intended to produce a Charging Schedule to accompany the Publication stage of the Core Strategy.
- 1.3.24 Government guidance on CIL charging procedures explains that charging authorities must express CIL rates in terms of cost per m² because CIL will be levied on the gross internal floorspace of the net additional liable development. The definition of liable development is not confined to residential development and can be applied to other forms of development such commercial buildings. If the economic viability of development is marginal, zero or negative then the Council can choose not to charge CIL. The Council can also elect not to charge CIL on development by charities and for charitable purposes. The Council will need to consider these factors as it prepares its charging schedule.
- 1.3.25 Charging authorities wishing to introduce the levy should propose a rate which does not put at serious risk the overall development of their area. They will need to draw on the infrastructure planning that underpins the development strategy for their area. Charging authorities will use that evidence to strike an appropriate balance between the desirability of funding infrastructure from the levy and the potential effects of the levy upon the economic viability of

development across their area. In practice, charging authorities may need to sample a limited number of sites in their areas.

- 1.3.26 Case Studies for the Appraisal of Development Contributions for Maidstone Borough Council (June 2006) shows how additional s106 contributions, over and above a 40% affordable housing requirement, impact on a range of site sizes and types on the basis of £5,000 increments up to £15,000 per dwelling. In the majority of cases, even if 40% affordable housing and a total infrastructure cost of £15,000 per dwelling is assumed, the redevelopment value of sites far exceeds the current use value and development would be likely to come forward.
- 1.3.27 In preparing the charging schedule it will be necessary to test the viability of different levels of CIL on different site sizes and on brownfield and greenfield developments. Nevertheless as a working assumption, if the Community Infrastructure Levy was set at £15,000, a total of some £30m would be raised at Maidstone urban area based on the number of dwellings still to be permitted. It should be born in mind that the more development that is permitted prior to the local CIL being adopted, the less funds will be available for local infrastructure.
- 1.3.28 It is more likely that infrastructure directly associated with development in the Rural Service Centres will be funded by Section 106 Agreements.
- 1.3.29 From April 2014 or the adoption of a CIL charging schedule, whichever is earlier, there will be some restrictions on the use of s106 obligations to provide pooled funding for infrastructure.

Phasing

- 1.3.30 Whichever the source of funding, there will always be a need to collect sufficient resources prior to expenditure taking place. This will result in expenditure being phased over the plan period. This is particularly the case in relation to the New Homes Bonus which takes 6 years from the completion of a house until full funding is received by the local authorities. There would be less of a delay with the CIL and 106 Agreements. This is likely to mean a time lag between development taking place and provision of the supporting infrastructure.

Next Steps

- 1.3.31 Local planning authorities should provide sufficient detail on the infrastructure requirements of the Core Strategy and identify the agencies responsible to deliver specific projects.

- 1.3.32 The Borough Council will prepare an outline Infrastructure Delivery Plan to accompany the Draft Core Strategy based on the responses supplied by the infrastructure providers.
- 1.3.33 Targeted consultation will take place through Parish and Town meetings to identify local infrastructure priorities as part of the consultation stage of the Draft Core Strategy. Members will also have the opportunity to participate in these meetings.
- 1.3.34 Further viability tests will be undertaken by specialists to take into account up to date land values and development costs for different sizes and types of site prior to the Publication Core Strategy.
- 1.3.35 Potential funding sources will be updated following post consultation amendments to the New Homes Bonus scheme; the clarification of the Community Infrastructure Levy and further dialogue with providers to ensure that the most up to date assumptions of mainstream government capital funding for local infrastructure projects are being used.
- 1.3.36 Taking into account local priorities and the resources likely to be available, local infrastructure projects to support the Core Strategy will need to be prioritised. This will involve an all-Member Workshop following the consultation period. This would be followed by discussions with the Core Strategy Members Working Group.
- 1.3.37 More sophisticated modelling will be undertaken of infrastructure delivery based on all of the updated information, and the Infrastructure Delivery Plan will be prepared to accompany the Core Strategy Publication document. It is also intended to produce a Charging Schedule at this stage as the basis for the local Community Infrastructure Levy.

Conclusions

- 1.3.38 The legislative and financial background for Infrastructure Delivery Planning is evolving rapidly. However, the conclusion from dialogue to date with infrastructure providers indicates that using current assumptions the total cost to deliver the key infrastructure projects to support the Core Strategy is likely to be achievable.
- 1.3.39 In Maidstone urban area and the Rural Service Centres, a combination of current 106 Agreements; mainstream funding; Community Infrastructure Levy and the New Homes Bonus should raise significant contributions towards infrastructure provision subject to the risks identified with each source of funding. This would contribute towards the total estimated unprioritised infrastructure

project costs of some £150m in Maidstone urban area and some £4m in the Rural Service Centres. Once local priorities are set it is likely that only the key infrastructure projects necessary to support the Core Strategy would be delivered through the funding sources identified.

1.4 Alternative Action and why not Recommended

1.4.1 Following the acceptance of 10,080 dwellings and the preferred distribution of development, there is a need to demonstrate that key infrastructure can be delivered to support growth (a test of soundness for the document). Consequently, there is no reasonable alternative course of action other than to prepare an Infrastructure Delivery Plan.

1.5 Impact on Corporate Objectives

1.5.1 The Infrastructure Delivery Plan will have a positive impact in making Maidstone a decent place to live and do business by delivering the necessary infrastructure to support change and growth.

1.5.2 By leveraging additional funding, the Infrastructure Delivery Plan should assist 'Corporate and Customer Excellence' with outcomes focusing on reducing deprivation and disadvantage and have value for money services that residents are satisfied with.

1.6 Risk Management

1.6.1 The report is for noting. However, the risks of not producing a credible and robust IDP are that the Core Strategy could be found unsound, and that there is inadequate infrastructure to support the development of the Borough.

1.6.2 Currently there is significant uncertainty over the future funding mechanisms, particularly the new homes bonus and what Government funding will be made available in the medium term. In particular whether the new homes bonus funding will be subsumed in the base budget calculations after year one and therefore will diminish very quickly as the Council's Revenue Support Grant is reduced. Therefore the capital contribution will be significantly less than that quoted in the report. The Council has asked the government and the Local Government Association to clarify the position but as yet has not received a response.

1.7 Other Implications

1.7.1

1.	Financial	X
2.	Staffing	
3.	Legal	
4.	Equality Impact Needs Assessment	
5.	Environmental/Sustainable Development	X
6.	Community Safety	
7.	Human Rights Act	
8.	Procurement	
9.	Asset Management	

1.7.2 Financial: There is significant uncertainty over future funding mechanisms that will be required to finance necessary infrastructure for new development, particularly relating to the New Homes Bonus. Based on the initial Government consultation document the maximum level of new home bonus funding that would be made available for Maidstone (provided the figure of 10,080 houses was delivered during the plan period could be in the region of £60m.

1.7.3 So far the Government has allocated £200m to cover the houses built in 2009/10. There were 128,680 homes built in England during the year so the average figure is £1,554 per property.

1.7.4 A figure of £250m per annum has been allocated for each of the other years set out in the Medium Term Financial Strategy. However, if funding was going to be made available as originally set out in the consultation document the overall figure should increase to £400m for year 2 to reflect funding for new houses built as well as those built in year 1 and providing house building remained constant would reach a steady state of around £1.2bn by year six.

1.7.5 The government has suggested that reward post year one would be paid through the formula grant (which is generally being reduced over the next four years) so unless this money is ring fenced (which is unlikely) the borough is unlikely to receive all the 'theoretical' new

homes bonus. Especially given the borough is viewed as being relatively prosperous compared to other authorities in England and designated a 'floor authority'

- 1.7.6 The Council has to take a pragmatic approach based on the government funding that has been indicated. Given the national funding of £200m for year 1 and £250m for subsequent years it has been assumed at this stage that the £800,000 provided in year one will increase by 25% to £1,000,000 per annum for the remainder of the plan period. This would provide an overall new homes bonus of around £15m. It may well be more than this but is unlikely to be up towards the theoretical figure of £60m.
- 1.7.7 As highlighted in the report the Council has written to both the Government and the Local Government Association to try and clarify the position but as yet has not received a response.
- 1.7.8 Therefore the three elements (aside from funding that partners may provide) of Section 106 contributions, the New Homes Bonus and the Community Infrastructure Levy would at present provide an overall pot of £52m. As a result the initial list of items in Appendix A will need to be revised significantly during the consultation period.
- 1.7.9 The clarity over the funding is highlighted throughout the report and officers will keep a watching brief on the matter and inform Members of any changes.
- 1.7.10 Environmental/Sustainable Development: In the development of its strategy for the distribution of development, together with the formulation of Core Strategy policies to achieve sustainable development and good design, the Council is seeking to minimise the impact of new development on the borough's high quality built and natural environment.

1.8 Relevant Documents

Case Studies for the Appraisal of Development Contributions for Maidstone Borough Council (June 2006)

1.8.1 Appendices: Indicative Infrastructure Costs

1.8.2 Background: None

IS THIS A KEY DECISION REPORT?

Yes

No

If yes, when did it first appear in the Forward Plan?

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This is a Key Decision because:

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Wards/Parishes affected:

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