

Folkestone & Hythe District Council
Community Infrastructure Levy (CIL)
INFRASTRUCTURE FUNDING GAP STATEMENT

July 2022

Contents

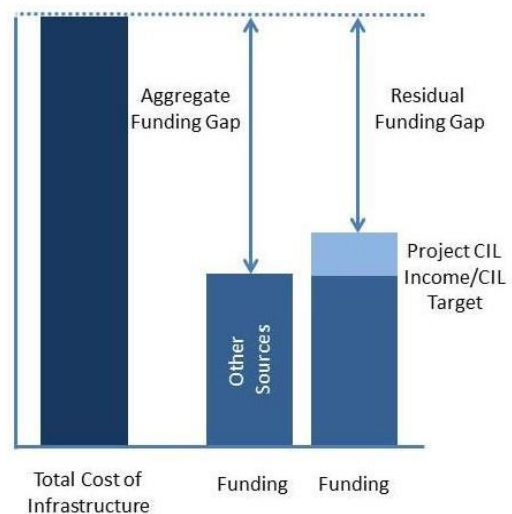
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1. Introduction

1.1 This Statement has been produced to provide evidence in support of the Council's review of its Community Infrastructure Levy (CIL) Charging Schedule. CIL is a tariff that may be levied by local authorities to help to fund the provision of infrastructure to support development, alongside the use of S106 planning obligations. CIL will contribute towards funding the infrastructure as identified in the adopted Places and Policies Local Plan to 2031 and the adopted Core Strategy Review to 2037 as set out in the Infrastructure Delivery Plans (August 2018 and January 2019).

1.2 The Council's current CIL Charging Schedule came into effect in August 2016. The Council adopted the Core Strategy Review (CSR) in March 2022, and so it is timely that the Council now seeks to amend the adopted CIL Charging Schedule to bring it 'in step' with the adopted Core Strategy Review.

1.3 To be able to put in place CIL, the Regulations require charging authorities (local authorities) to demonstrate that there is an aggregate funding gap in the provision of infrastructure required to support new development in their administrative area. To do this, they must consider what infrastructure is needed in the area to support development and what other funding sources are available.



1.4 In determining the size of the aggregate infrastructure funding gap, charging authorities should consider known and expected infrastructure costs and the other sources of possible funding available to meet those costs. The government recognises there will be uncertainty in pinpointing other funding sources, particularly beyond the short term. However, a charging authority must provide evidence of an aggregate funding gap in order to charge CIL, or in order to review its adopted CIL charging rates.

1.5 This Statement demonstrates that the Council has an aggregate and residual funding gap and thus there is justification for CIL to be levied across the District. The following issues have been considered in identifying its aggregate and residual infrastructure funding gap:

- What infrastructure is needed to support development in the District as identified in the adopted PPLP to 2031 and CSR to 2037 and as set out in the Infrastructure Delivery Plans
- The likely cost of this infrastructure
- Existing and known funding sources (including from S106 contributions)
- The income projected from CIL

- 1.6 As the Planning Practice Guidance¹ states, the CIL examination should not re-open infrastructure planning issues that have already been considered in putting in place a sound relevant plan.
- 1.7 The now adopted Places and Policies Local Plan and the Core Strategy Review were both subject to an independent Examination in Public and have been found sound by the respective Inspectors. Specifically, issues of the viability and deliverability of the new Garden Settlement were examined during the hearings for the Core Strategy Review at length and in considerable detail. The Inspectors examining the Core Strategy Review endorsed the council's approach and their report found that the plan was 'sound'.
- 1.8 Infrastructure Delivery Plans (IDPs) were produced to support both Local Plans and, therefore, remain both current and relevant. Alongside the IDPs the Council has an extensive body of evidence that will form the evidence base to the CIL examination. This includes, but is not limited to:
- Infrastructure Funding Gap report (2022)
 - Infrastructure Schedule (2022 update)
 - District wide Viability Assessment and associated appendices (August 2022)

2. Background

- 2.1 The Places and Policies Local Plan to 2031 complements the Core Strategy that was adopted in 2013 (which is superseded by the Core Strategy Review) and sets out policies and locations for housing for the District's unmet housing need up to 2031.
- 2.2 The Core Strategy Review sets out the spatial strategy and strategic policies for the District to deliver sustainable development. It identifies the number of new homes and jobs to be provided in the area for the Plan period up to 2037. It makes provision for retail, leisure and commercial development and for the infrastructure needed to support them. The Core Strategy Review was adopted in March 2022.
- 2.3 The Council produced respective Infrastructure Delivery Plans (IDP) to support the Places and Policies Local Plan and the Core Strategy Review.
- 2.4 Amendments to the Community Infrastructure Levy Regulations 2010 were introduced in September 2019. Significant changes included: removal of pooling restrictions for S106 obligations (i.e. the requirement that no more than five S106 obligations can fund a single infrastructure project); removal of the requirement for a Regulation 123 list (i.e. a list of infrastructure projects that CIL might be spent on); introduction of a new requirement to produce an annual Infrastructure Funding

¹ 017 Reference ID: 25-017-20190901

Statement. This Infrastructure Schedule therefore covers specific infrastructure projects which may be funded by CIL or s106 or both and the general (not project specific) types of infrastructure which may be funded through CIL or s106 or both.

- 2.5 The evidence within this Statement is therefore based on the infrastructure needs and costs as identified in the IDPs and the Infrastructure Funding Statements. The adopted Core Strategy Review sets out the District’s housing requirement of 13,284 new homes to be delivered during the Plan period 2019/20 to 2036/37 (as set out in policy SS2) and provides the contributions of all sources of housing supply expected to meet this need.
- 2.6 The Council’s position on housing supply is set out in Table 1 below.

Table 1: Housing Requirement and Supply – insert from adopted CSR (Table 4.2)

Development Types	Target amount of additional development 2019/20 - 2036/37	Delivery of plan period
Housing (Classes C2/C3)	Minimum of 13,284 dwellings delivered in four phases as set out in the right hand column.	<p>A requirement is set to deliver land for an average of 738 dwellings a year over the plan period (18 years). This is to be delivered in four phases as follows:</p> <ul style="list-style-type: none"> ● 2019/20 to 2023/24 – 622 dwellings a year ● 2024/25 to 2028/29 – 885 dwellings a year ● 2029/30 to 2033/34 – 730 dwellings a year ● 2034/35 to 2036/37 – 700 dwellings a year

3. Infrastructure Funding Gap

- 3.1 The starting point for identifying whether a funding gap exists is to establish the total cost of infrastructure required across the District to support planned growth up to 2037. The next step is to eliminate from the funding gap analysis any infrastructure item that the Council is not expected to contribute towards. This includes, for example, utilities infrastructure which is funded via revenue from consumer bills. The final stage is to deduct known funding from other sources which is earmarked for or likely to contribute towards the costs of some of the required infrastructure items.
- 3.2 Information has been gathered on likely infrastructure costs and funding sources from both IDPs for infrastructure that has not yet been delivered in the District. Inevitably, there are a number of gaps where costs are either unknown or uncertain. The CIL guidance recognises that there will be uncertainty in confirming funding sources for the provision of infrastructure, particularly beyond the short-term. The focus should be on utilising appropriate available evidence.
- 3.3 The IDPs provide details for a number of potential infrastructure projects (where known), alongside sources of existing and potential funding (where known) and this

information has been used to enable the funding gap to be calculated. Within the IDPs, infrastructure needs are split on a site-by-site basis to demonstrate the infrastructure that is needed to support the development of that particular site. In addition, strategic infrastructure is identified separately, all of which has been included within the identification of a funding gap.

3.4 Funding for some items has already been secured from other sources and, in other items, a reasonable alternative to CIL has been identified. S106 has been considered appropriate in certain cases where a link can clearly be drawn between a new development and the need for an infrastructure item.

3.5 Table 2 below sets out the estimated funding gap taking into account infrastructure requirements identified for housing allocations and strategic projects. The difference between the total identified cost of the assessed infrastructure and the identified other sources of funding provides the estimated funding gap. Following national guidance, only infrastructure requirements which meet the following criteria have been taken into account:

- The total cost of the project is known or can be reasonably estimated
- The project is required to support future development of the district rather than addressing existing capacity issues
- The project is something tangible (i.e. not a review or feasibility study)

Table 2: Identified Funding Gap

	Cost of assessed infrastructure²	Other Sources of funding³	Estimated Funding Gap
Strategic highways	£82,700,000	£38,783,000	£43,917,000
Local highways (including pedestrian and cycle connections)	£23,159,539	£17,982,970	£5,176,569
Folkestone Place Plan Priority Projects	£49,457,945	£0	£49,457,945
Education	£41,800,000	£19,528,000	£22,272,000 *
Higher and Further Education	£8,000,000	£8,000,000	£0
Green Infrastructure	£68,560	£0	£68,560

² this estimate is based only on a selection of infrastructure projects where the likely costs are known. In reality the estimated funding gaps are likely to be much larger.

³ Including Section 106 (S106), grant funding, Levelling-Up Funding

Open space and play space	£4,244,117	£2,434,117	£1,810,000
Water supply and flood defences	£32,245,500	£30,162,500	£2,083,000
Health and social care	£26,558,600	£26,558,600	£0
Waste and recycling	£7,135,000	£1,800,000	£5,335,000
Community	£1,508,153	£573,098	£935,055
Leisure and cultural facilities	£23,100,000	£20,500,000	£2,600,000
Public realm (FHDC Operations Team)	£410,000	£125,500	£284,500
Total	£258,587,414	£146,919,785	£111,667,629

Notes:

*the education infrastructure figures are not carried forward into the total values

*there might be a funding gap for healthcare provision, but this has not been presented in the infrastructure schedule based on currently known information

3.6 Representatives of KCC Education have advised that:

“Section 106 is the appropriate mechanism for securing developer contributions towards the delivery of necessary education infrastructure and this is reflected in the FHDC CIL Infrastructure Funding Statement schedule. Accordingly, KCC will not use any component of its proportionate share of CIL receipts to fund education infrastructure.”

3.7 The corresponding figures for education infrastructure are presented in Table 2 for completeness should KCC, as local education authority, decide to reverse their decision to not utilise any component of its proportionate share of CIL receipts to fund education infrastructure in future. The values for education infrastructure are not, therefore, reflected in the total figures in Table 2.

3.8 Where the estimated funding gap is noted as £0 with regards to Healthcare and Higher and Further Education, this does not mean that there will not be a funding gap for these items. The Infrastructure Schedule does not provide costs for infrastructure items where they could not be accurately estimated. As such there are infrastructure items identified where costs have not been determined yet (and consequently have not been included in the costs of infrastructure calculated) that will come forward and require funding from CIL and/or other funding sources and further increase the funding gap.

- 3.9 The total cost of infrastructure identified in the IDPs equates to circa £258.6 million (with rounding). When other sources of funding are discounted, an aggregate funding gap of circa £111.6 million remains. It should be noted, there are some infrastructure projects identified in the IDPs (and also infrastructure associated with windfall development) where the cost is unknown or uncertain and, therefore, it is likely that this funding gap could be higher.

Estimated CIL receipts

- 3.10 It is important for charging authorities to understand the likely income projections arising from proposed CIL rates as the charging authority cannot collect CIL receipts in excess of what is needed to fund the aggregate funding gap.
- 3.11 Accurately assessing what revenue will be generated from CIL is difficult as each development scheme differs. For example, when considering housing development, it is often unclear what size new homes will be built to and where a development site is located will dictate the proposed CIL rates to be applied. It is also often difficult to determine the proportion of affordable and market homes that will be provided on each site. An estimate of CIL income will, therefore, need to be based on a series of assumptions and should only be taken as a guide. The assumptions are as follows:
- The strategic site allocations as set out in the adopted Core Strategy Review are exempt (or proposed to be made exempt) from CIL and so will not contribute towards the revenue income.
 - Expected housing growth has been determined by looking at expecting sources of housing, with allocated sites that are not exempt from CIL and windfall development projections being used to determine the number of CIL liable units coming forward;
 - Only sites without planning permission have been included.
 - Discount of 22% affordable housing for sites over 10 dwellings as affordable housing does not pay CIL;
 - The floorspace for different types of dwellings has been determined using the typical floorspaces for different types of dwellings (gross internal area) that has been adopted within the viability assessment;
 - A floorspace figure of 102 sq m per dwelling has been applied to profile the expected residential CIL income, which is the minimum gross internal floor areas and storage (m²) for a 3-bedroom dwelling based on Government Technical Housing Standards. Table 3 sets out the detail of this calculation.
- 3.12 An assessment of expected CIL income from supermarket retail developments is also required based on the amount of convenience retail floorspace estimated to be required in the District up to 2037, as set out in the Folkestone & Hythe Retail and Leisure Need Assessment 2018 Update (June 2019 further update). The figures can be extracted from Table 4.1 of the Core Strategy Review, which is presented below.

Table 4.1 Folkestone & Hythe District Retail Floorspace Capacity (sqm gross)

Floorspace (district-wide)	Cumulative totals			
	2022	2027	2032	2037
Convenience goods	1,100	2,700	4,600	6,500
Comparison goods	1,500	6,900	14,700	23,300
Food/beverage	900	2,500	4,100	5,900
Totals	3,500	12,100	23,400	35,700

- 3.13 The analysis of floorspace capacity requirements to 2037 in the context of CIL income only needs to account for convenience and comparison retail floorspace requirements, as CIL is not collected in respect of food/beverage uses. The corresponding floorspace for convenience and comparison retail equating to 6,500 sq m and 23,300 sq m respectively, with a total requirement of 29,800 sq m.
- 3.14 CSR Policy SS7 2(b) states that Otterpool can support 4,284 sq m of convenience floorspace and 9,108 sq m of comparison floorspace to 2037, generating a total 13,392 sq m.
- 3.15 On the basis that the North Downs Garden Settlement (Otterpool Park) is to be made exempt from CIL the corresponding retail floorspace will not generate a CIL receipt. As such the qualifying balance is 16,408 sq m for the District. This figure is likely to slightly over-estimate the qualifying CIL liable floorspace as the Folkestone Town Centre Retail & Commercial Area is exempt from CIL.
- 3.16 The 2019 Retail Study update projects a net increase in comparison and convenience retail floorspace of 8,000 sq m by 2037 for the Cheriton/Folkestone zone. Based on professional judgment, the area of Folkestone that is CIL exempt represents approximately one third of the total area across the Folkestone/Cheriton zone, and so a deduction has been made of 2,640 sq m (i.e. 8,000 sq m x 0.33). This calculation generates a gross floorspace figure of 13,768 sq m.
- 3.17 As set out in the Employment Densities Guide 2nd Edition (2010) 15-20% is applied as a general benchmark for converting gross to net areas in retail properties. Accordingly, the figure of 13,768 sq m (gross) translates into a figure of 11,014.4 sq m (net). This floorspace figure is presented in Table 3.
- 3.18 Using these assumptions, it is estimated that CIL will deliver approximately £21.7m over the remaining plan period to 2037.

Table 3: CIL income projection

Development	No of dwellings	Affordable housing	CIL Liable housing	Floor area (m ²)	CIL charging rate (sq m)	Projected CIL income
Residential windfall (1-9 dwellings)	1,235	N/A	1,235	127,019	£80.93	£10,279,647
Residential allocations (without planning consent)	1,579	347	1,232	125,664	£80.93	£10,169,987
Supermarket retail	N/A	N/A	N/A	11,014.4	£117.73	£1,296,725
Total	2,814	347	2,467	263,697	N/A	£21,746,359

Notes:

- A typical floor area of 102 sq m per dwelling has been applied.
- In respect of the windfall allowance only development proposing (or land capable of accommodating) 6 to 10 dwellings (net gain) within the Kent Downs Area of Outstanding Natural Beauty should provide financial contributions towards the provision of affordable housing equivalent to one affordable dwelling on-site. Historically the North Downs area has provided very little in the way of windfall development
- In the area of the District outside the North Downs AONB there is no corresponding requirement for affordable housing provision for schemes of 10 dwellings or fewer
- For windfall development an average across the 4 zones equivalent to £80.93 per sq m has been used to calculate income. This is because whilst sites may come forward in the higher charge area of Zone D or in association with the lowest zone (Zone A), it is reasonable to use the average rate to estimate CIL income.

3.19 By estimating the likely CIL receipts, it is possible to calculate a residual funding gap by subtracting the projected CIL income from the aggregate funding gap, as set out in Table 4 below.

Table 4: CIL income in the context of total infrastructure

Total assessed infrastructure	£258,587,414
Other sources	£146,919,785
Aggregate funding gap	£111,667,629
CIL collected to date	£2,440,542.83
Estimated total CIL income	£21,746,359
Residual funding gap (Aggregate funding gap – CIL income)	£87,480,727.17

3.20 The residual funding gap demonstrates that the proposed CIL charge makes a

modest contribution to the aggregate funding gap. The scale of the residual funding gap clearly demonstrates the justification for the CIL charge.

4. Conclusion

- 4.1 CIL will play an important role in the delivery of infrastructure within the District and towards mitigating the cumulative impacts of new development. This Statement clearly demonstrates that the District has a funding gap in terms of necessary infrastructure provision, which justifies the implementation of CIL across its administrative area.
- 4.2 There will still remain a shortfall in funding that will need to be found from other sources e.g. the Council's Capital Programme or government grants, whose funding has yet to be determined. The Council will proactively seek additional funding opportunities where they become available with the aim of reducing the funding gap.
- 4.3 This Statement has been published alongside the Draft CIL Charging Schedule, as part of the supporting evidence.