Planning Policy Team
London Borough of Barking & Dagenham

By email only

26th April 2013

Our Ref: AC/0413

Dear Sir or Madam,

Community Infrastructure Levy (CIL) Draft Charging Schedule - Consultation Response

On behalf of our client, Aldi Stores Ltd, please find below representations on the Community Infrastructure Levy (CIL) Draft Charging Schedule. The Council’s Draft Charging Schedule sets out a general context for potential infrastructure growth. This identifies potential infrastructure requirements in the following areas:

- Education
- Transport
- Public Realm
- Open Space
- Allotments
- Leisure (indoor and outdoor)
- Play
- Children’s centres
- Cemeteries
- Libraries
- Flood defences
- Employment & Local Labour
- Emergency Services
- Health
- Further Education

We agree with the Council’s approach in setting variable rates for CIL – which is in line with the ‘The Community Infrastructure Levy Regulations (As Amended). However, we consider the proposed rate for retail development too high, in
particular for all convenience retail £175 per/sqm – this will be discussed further within the following paragraphs.

It is important to note that much of infrastructure highlighted is intrinsically linked to residential development. Although it is acknowledged that for retail development, in particular the development of a foodstore in some circumstances may require some highway improvements.

In comparison to residential (maximum £70 per / sqm) the CIL rate set for retail development is substantially higher. As such, it is confusing on the reasoning as to why a lower CIL rate has been applied for residential development, given the majority of infrastructure predominantly relates to residential use.

There has been a perception that national food operators can afford to pay such high prices such as that proposed and, indeed, it is noted that the Council are only anticipating delivery the majority of CIL payments through just two areas – residential and retail.

However, discount operators, such as ALDI, have a business model that is designed to deliver discount food produce for a localised catchment. Aldi in particular operate on low profit margins; their model is based on high levels of efficiency and lower overheads to enable cost savings to be passed onto their customers. Discount operators are important to provide realistic choice for those suffering from social exclusion issues in line with National Planning Policy Guidance. As such, we consider that a high rate such as that proposed could impact on the viability of a scheme – a key consideration in paragraph 14 (1b) in the Amended CIL Regulations 2010, which states that 'the potential effects (taken as a whole) of the imposition of the CIL on the economic viability of development across its area'.

In this context it is of concern that viability does not appear to have been based on a discount operator, but rather tests scenarios based on common formats of 'Big 4' type operators. These are markedly different to ALDI’s forma: and a like for like comparison is simply not possible. It is therefore unreasonable to expect an ALDI store to be liable for CIL that is based on the business model of materially and markedly different retail operators.

Given the noted activity of retail development in recent years, there has perhaps been an obvious temptation to target such development through CIL, as the preparation of many chargeable rates coincided with this. However, even growth in this area has slowed and now many of previous assumptions made are simply outdated. This period has also coincided with ever increasing growth in internet sales, which is, of course, not subject of CIL rates.
The creation of a physical retail destination includes numerous benefits, including choice, jobs and spin-off trade as customers combine trips to other destinations. Retail activity can also help to stimulate development elsewhere, such as other service uses seeking to benefit from footfall. However, the imposition of inflated CIL charges will simply frustrate potential development opportunities and in some instances simply dissuade investors entirely, the knock-on consequences of which are potentially very severe in terms of securing the long term vitality and viability of not just retail centres, but urban areas as a whole. This has been recognised by the Council’s own consultants, GVA Grimley, who in September 2012, clearly advised the Council that, “...to impose very high CIL/S.106 charge on these food stores would in effect lessen the financial support they could provide to other uses within a scheme as a whole”.

ALDI have an active interest in investing in Dagenham; however, if the current approach to CIL is pursued, we are extremely concerned that such a high CIL rate will significantly prejudice investment in the future, resulting in a declining community and, ultimately, reduce the Council’s ability to deliver the above infrastructure. We therefore fully endorse the advice of GVA and remind the Council that in setting differential rates, a charging authority may set supplementary charges, nil rates, increased rates or reductions’ (paragraph 13(2) of the CIL Regulations 2010).

I trust the above will be taken into account and the Draft CIL charge amended accordingly. I would be most grateful to be kept informed of progress and, in the meantime, please do not hesitate to contact me directly should there be any queries regarding the above.

Yours faithfully,

[Signature]

Alastair Close
PLANNING POTENTIAL