



West Oxfordshire District Council Infrastructure Funding Gap Analysis

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I. Introduction

- 1.1 The District Council is seeking to introduce the Community Infrastructure Levy (CIL) into West Oxfordshire. CIL is a tariff that may be levied on most forms of new development to help fund new infrastructure.
- 1.2 CIL is charged on a pound (£) per m² basis and is intended to complement the system of Section 106 planning obligations which has been scaled back to focus on affordable housing and site-specific infrastructure only.
- 1.3 In order to justify the introduction of CIL it is necessary to consider the following issues:
 - What infrastructure is needed to support the development proposals set out in the emerging Local Plan;
 - How much that infrastructure is likely to cost;
 - What existing or known sources of funding are available (local, regional and national);
 - How much revenue CIL is expected to generate; and
 - The size of the infrastructure funding gap that exists (i.e. the difference between the expected infrastructure costs and known available funding).
- 1.4 For example if the total infrastructure cost is estimated to be £150m and there is £50m of existing funding available through Section 106 planning agreements or other sources, the size of the aggregate infrastructure funding gap (also known as the CIL funding target) is £100m.
- 1.5 If CIL were to generate £3m per annum, over a period of 15 years it would generate £45m - a significant contribution towards the aggregate funding gap of £100m.
- 1.6 The purpose of this paper is to present an analysis of the potential CIL funding target for West Oxfordshire. It draws on information set out in the West Oxfordshire Infrastructure Delivery Plan (IDP) and other supporting information. It updates the Council's original funding gap analysis which was prepared in July 2015 and submitted with the CIL draft charging schedule in September 2015.

2. Background

- 2.1 The Council is currently preparing a new Local Plan that will help to guide future development within the District in the period up to 2031. Following examination in November 2015 the overall housing requirement has been increased to 15,950 homes (previously 10,500) and the amount of business land has been increased to 89 hectares (previously 60 hectares). These changes formed the basis of proposed modifications to the Local Plan which were the subject of consultation from 11 November – 23 December 2016.
- 2.2 In support of the emerging Local Plan, the Council has prepared an Infrastructure Delivery Plan (IDP) which identifies the infrastructure needed to support future growth. This includes cost information where known. The IDP is a ‘living’ document and the most recent update was prepared in November 2016.
- 2.3 This paper utilises the IDP update and the Council’s revised CIL draft charging schedule to present an up to date assessment of the likely infrastructure funding gap that CIL will help to meet.

3. Total Infrastructure Funding Gap

- 3.1 In this section of the report we seek to identify the extent of the total infrastructure funding gap that exists in West Oxfordshire.
- 3.2 To do this we consider two issues: 1) the likely cost of the infrastructure that is needed and 2) existing sources of funding such as money that has already been secured through a planning agreement.

Likely Infrastructure Costs

- 3.3 The Council’s Infrastructure Delivery Plan (IDP) seeks to identify the infrastructure that is needed to support future growth identified in the Draft Local Plan.
- 3.4 The IDP includes three main categories: physical, social and green infrastructure. Some examples of the specific infrastructure items within each category are listed below.

Physical Infrastructure

- Roads
- Public transport
- Walking and cycling
- Parking
- Water (supply, disposal and drainage)
- Waste collection and disposal
- Telecommunications

Social Infrastructure

- Healthcare
- Emergency services
- Cultural and community facilities
- Leisure and sport
- Social care

- Armed forces
- Education
- Libraries
- Criminal justice

Green Infrastructure

- Green Belt
- National trails
- Green corridors
- Public rights of way
- Areas of Outstanding Natural Beauty (AONB)
- Sites of Special Scientific Interest (SSSI)
- Greenspace (formal and informal)

3.5 Where possible the IDP includes information on the likely costs associated with each infrastructure item. Inevitably however there are a number of gaps where costs are either unknown or uncertain.

3.6 The Government's CIL guidance (NPPG – Community Infrastructure Levy¹) recognises that there will be some uncertainty in pinpointing infrastructure funding sources, particularly beyond the short-term. It therefore recommends that charging authorities focus on providing evidence of an aggregate funding gap that demonstrates the need to put in place the levy.

3.7 In light of this, the IDP provides cost information for a variety of potential infrastructure projects (where known) alongside sources of existing and potential funding (where known). This information has been used to calculate a 'funding gap'. This is presented at Appendix I.

Existing Funding for Infrastructure

3.8 It is the case that some of the infrastructure projects identified in the IDP have already secured some funding, either from previous development schemes through planning agreements under Section 106 of the Town and Country Planning Act 1990 or through other sources.

3.9 We have therefore sought to identify all existing and potential sources of funding in the IDP in order to identify the extent of the infrastructure funding gap that exists. We have also sought to breakdown how much of this funding gap is expected to be met through Section 106 planning agreements and how much will be met through CIL. A summary of the funding gap relating to each infrastructure type is set out at Appendix I.

Extent of the Infrastructure Funding Gap

3.10 Having regard to the information presented at Appendix I the Council estimates that the total known infrastructure funding gap is between **£146.5m - £153.1m**. This is however a very conservative estimate as it is based only on a selection of infrastructure projects

¹ <http://planningguidance.planningportal.gov.uk/blog/guidance/community-infrastructure-levy/>

where the costs are known. As there are a number of other projects where the costs are not yet known or fully understood, **the actual funding gap is likely to be considerably more.**

4. Potential CIL Revenue

4.1 As well as identifying the extent of the infrastructure funding gap, we need to consider how much revenue CIL could potentially raise if it were to be introduced. This is because the regulations do not allow more CIL to be collected than is necessary to fund the identified infrastructure requirements.

4.2 Our potential CIL revenue calculations are set out below for both residential and non-residential development.

Residential Development

4.3 In terms of residential development, there are a number of variables that will influence future CIL revenue including:

- The number of new homes built
- The proportion of 'affordable' and 'open market' housing (because affordable housing is exempt from CIL)
- The proportion of self-build homes (because registered self-build housing is exempt from CIL)
- The size of new homes built (because CIL is based on a £per m² charge)
- Whether the site is located within an Area of Outstanding Natural Beauty (because schemes within the AONB can attract an affordable housing commuted sum in addition to CIL and thus affect the CIL rate)
- The size of the scheme (as the CIL regulations allow for differential charging by scale)
- When CIL is formally brought into effect (because you cannot retro-fit CIL to existing planning permissions, it only applies to those permitted after it has been formally introduced); and
- Where development takes place (variable CIL rates can be proposed on a geographic basis)

4.4 It is therefore difficult to be precise about the amount of revenue that CIL is likely to generate. However, an estimate needs to be provided so that a comparison can be made between likely income from CIL and the expected funding gap.

4.5 Using the new overall housing target of 15,950 homes it is possible to estimate how many of these dwellings are likely to pay CIL. Excluding dwellings already built between 2011 and 2016 (1,464) and existing commitments as at September 2016 (4,751), this totals 9,735 dwellings.

4.6 However, given that CIL is unlikely to be formally brought in until autumn 2017, a number of schemes permitted in late 2016 and early to mid-2017 will not be required to make a

contribution through CIL either. Assuming 800 homes were to be permitted between these dates this would reduce the number of eligible dwellings to around 8,935.

- 4.7 Of these, it is proposed that 6,450 new homes are delivered through five Strategic Development Areas (SDAs) as follows:
- East Witney (450 homes)
 - North Witney (1,400 homes)
 - East Chipping Norton (1,400 homes)
 - West Eynsham (1,000 homes)
 - West Oxfordshire Garden Village (2,200 homes)
- 4.8 The revised draft CIL charging schedule proposes a CIL rate of £100 per m² for these strategic sites. Taking into account anticipated affordable housing provision (which is exempt from CIL) and 5% self-build (which is also exempt) around 3,200 homes on the SDAs are likely to pay CIL. Assuming an average house size of 100m² for simplicity, the SDAs therefore have the potential to generate around **£32.3m** through CIL.
- 4.9 In addition to the five SDAs, a further 1,719 new homes are proposed through a number of 'non-strategic' housing allocations. The revised draft CIL charging schedule proposes a higher CIL rate of £200 per m² for these sites. Taking account of affordable housing which will be required on all of these allocations and self-build where applicable (i.e. the larger sites of 100 or more dwellings) it is estimated that the non-strategic allocations could generate around **£18m** through CIL.
- 4.10 The remaining housing requirement (around 766 houses) is likely to generate a further **£10.9m** of CIL revenue. This estimate assumes 60% of development takes place on larger sites of 11 or more dwellings, 20% on sites of 1 – 5 dwellings, 5% on sites of 6 – 10 dwellings within the AONB and 15% on sites of 6 – 10 dwellings outside the AONB.
- 4.11 Supported living residential schemes such as extra-care housing and sheltered housing will also affect the amount of CIL revenue generated but it is difficult to estimate this with any certainty as it is not known how many of these schemes will come forward. The impact on the amount of CIL revenue available is however likely to be relatively modest in the context of the identified infrastructure funding gap.
- 4.12 Table I overleaf summarises the Council's estimate of CIL revenue and explains the assumptions that underpin this estimate.

Table 1 – Anticipated CIL Revenue (Residential Development)

		Anticipated CIL revenue	Comment/note
Total housing requirement	15,950 homes	n/a	
Completed 2011 - 2016	1,464 homes	n/a	
Existing commitments as of September 16	4,751 homes	n/a	
Estimated commitments (Sept 16 to implementation of CIL)	800 homes	n/a	
Anticipated delivery SDAs	6,450 homes	£32.3m	Based on the anticipated number of open market homes (excluding affordable housing and self-build) a proposed CIL rate of £100psm and an average house size of 100m ²
Anticipated delivery non-strategic site allocations	1,719 homes	£18m	Based on the anticipated number of open market homes (excluding affordable housing and self-build) a proposed CIL rate of £200psm and an average house size of 100m ²
Remaining requirement	766 homes	£10.9m	Assumes 60% of delivery takes place on large sites of 11 or more dwellings, an average of 40% affordable housing delivery on those sites and a proposed CIL rate of £200psm. Assumes 20% of sites are 1 – 5 dwellings with a proposed CIL rate of £200psm. Assumes 5% of sites are 6 – 10 dwellings within the AONB with a

			proposed CIL rate of £100psm. Assumes 15% of sites are 6 – 10 dwellings outside the AONB with a proposed CIL rate of £200psm.
		Total £61.2m	

Non-residential development

- 4.13 The Council's CIL revised draft charging schedule proposes a zero CIL charge for B-class development (offices, industrial etc.). As such, no revenue would be generated from this type of development.
- 4.14 In relation to development for A-class uses including A1 (shops), A2 (financial and professional services), A3 (restaurants and cafés), A4 (drinking establishments) and A5 (hot food takeaway), the revised DCS proposes two CIL rates depending on whether the scheme is within or outside a designated town centre.
- 4.15 Without any certainty about the type of retail uses likely to come forward, it is difficult to be precise about the amount of CIL revenue that will be generated. An estimate can however be made using the Council's Retail Study Update (2012) which identifies retail capacity (food and non-food) to 2029.
- 4.16 In terms of convenience (food) retailing, the study identifies capacity for around 8,500 m² of additional floorspace in the period up to 2029. Excluding the Morrison's store in Carterton (2,182 m² net), the Aldi Store in Chipping Norton (1,464 m² net) and the Co-op extension in Chipping Norton (722 m² net), around 4,100m² of convenience retail floorspace could be eligible for CIL.
- 4.17 Assuming the majority of this capacity was delivered through new or expanded retail development within a designated town centre in accordance with national policy and the Local Plan, the potential CIL revenue would be £205,000 (based on the proposed CIL rate of £50 per m²).
- 4.18 For comparison goods retailing (non-food) the study identifies capacity for around 13,685 m² additional floorspace by 2029. Assuming that the majority of this is Town Centre development (CIL rate of £50 per m²) the potential CIL revenue is around £684,000.
- 4.19 In total therefore, retail development can reasonably be expected to generate at least **£889,000**. This could be higher if retail development were to come forward outside of the designated Local Plan Town Centres but not significantly so given the proposed CIL rate and likely quantum of floorspace.

5. Aggregate CIL Funding Gap

- 5.1 Having regard to the assessment above, total CIL revenue in West Oxfordshire under the draft charging proposals is likely to be approximately **£62m**
- 5.2 The total CIL funding gap identified at Section 3 is **£146.5m - 153.1m**. This means that taking account of potential CIL revenue, the aggregate funding gap for CIL is between **£84.5 – 91.1m**. As noted previously, this is an extremely conservative estimate based only on a selection of infrastructure projects where the likely costs are known. **In reality the funding gap is likely to be much larger.**
- 5.3 Although the amount of CIL revenue is therefore likely to be short of the aggregate funding gap, it is clear that the introduction of CIL into West Oxfordshire would make a significant contribution and is fully justified.

6. Next Steps

- 6.1 This funding gap analysis has been published as part of the consultation on the Council's CIL revised Draft Charging Schedule (DCS). Unless there are any materially significant issues raised during consultation on the revised Draft Charging Schedule, it is anticipated that it will be submitted to the CIL examiner in March 2017 together with copies of any representations received and supporting background evidence. A date for the recommencement of any CIL hearings will then be agreed. It is hoped that the Council will be in a position to bring CIL into force in West Oxfordshire in autumn 2017.

APPENDIX I

Infrastructure category	Infrastructure Type	Total Funding Gap Identified <small>(all figures are estimates and rounded to the nearest thousand)</small>	Funding Gap for 'Critical' Projects	Funding Gap for 'Necessary' projects
Physical	*Highway improvements	Approx. £9.7m	n/a	£9.7m
	Public transport improvements	Approx. £55.8m	£55m	£660,108
	Walking, cycling and riding improvements	Approx. £5.7m	n/a	£1.4m
	Parking	Approx. £2.9m	n/a	£2.9m
	Water supply	Funding gap has not been identified.	n/a	n/a
	Waste water, disposal and treatment	Funding gap has not been identified.	n/a	n/a

* Strategic highway schemes including Downs Road/ A40 junction improvements, Shores Green Slip Roads, the West End Link Road and East Chipping Norton Link Road will be funded through S106 Agreements relating to strategic development areas and therefore these have not been included in the funding gap calculations.

Infrastructure category	Infrastructure Type	Total Funding Gap Identified <small>(all figures are estimates and rounded to the nearest thousand)</small>	Funding Gap for 'Critical' Projects	Funding Gap for 'Necessary' projects
	Surface water, drainage, flood alleviation and defence	Approx. £7m	n/a	£4.75m
	Energy	Funding gap has not been identified.	n/a	n/a
	Waste and recycling	Approx. £1.5m	n/a	n/a
	Telecommunications – including superfast broadband	Funding gap has not been identified.	n/a	n/a
Social	*** Education	Approx. £1m	n/a	£1m
	Leisure and sport	Approx. £40.7-£43.7m	n/a	£18.7m
	Health	Approx. £4.5m	n/a	£4.5m

*** New primary school provision will be provided on strategic development sites and funded via Section 106 Agreements. Therefore they have not been included in the funding gap calculations. Other planned improvements and extensions to existing schools have been listed in the Infrastructure Delivery Plan but estimated costs remain unknown in the majority of cases.

Infrastructure category	Infrastructure Type	Total Funding Gap Identified <small>(all figures are estimates and rounded to the nearest thousand)</small>	Funding Gap for 'Critical' Projects	Funding Gap for 'Necessary' projects
	Public safety	Approx. £1.5m-£2.3m	n/a	£520,000 - £780,000
	Communication and culture	Approx. £6.4m-8.4m	n/a	n/a
	Social care	Funding gap has not been identified.	n/a	n/a
Green	Biodiversity and green infrastructure	Approx. £1.5m-£2.3m	n/a	n/a
	Informal and formal open space	Approx. £8.3m	n/a	£7m
Grand total of <u>known</u> costs		Between £146.5m - 153.1m	£55m	£51.1m - £51.4m