



**WEST OXFORDSHIRE
DISTRICT COUNCIL**

West Oxfordshire District Council Infrastructure Funding Gap Analysis

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I. Introduction

- I.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.
- I.2 CIL is charged on a pound (£) per m² basis and is intended to complement the current system of Section 106 planning obligations which is being scaled back to focus on affordable housing and site-specific issues only.
- I.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).
- I.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.
- I.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.
- I.6 The purpose of this paper is therefore to present an initial 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.
- I.7 The Infrastructure Funding Gap Analysis was made available as part of the Council's consultation on its CIL Draft Charging Schedule (DCS).

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. The pre-submission Local Plan which was formally published in March 2015 covers the period 2011 – 2031 and makes provision for 10,500 new homes (525 per annum), around 60 hectares of business land and a variety of new transport schemes.
- 2.2 Alongside the pre-submission Draft Local Plan, the Council has published an updated Infrastructure Delivery Plan (IDP) which identifies the infrastructure that will be needed to support the future growth identified in the pre-submission Draft Local Plan. It includes information on the likely cost of necessary infrastructure (where known).
- 2.3 This paper presents an up to date assessment of those costs in order to identify the likely extent of the infrastructure funding gap that CIL will help the Council meet.

3. Total Infrastructure Funding Gap

- 3.1 In this section of the report we seek to identify the extent of the 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 needed to support future growth identified in the pre-submission 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
- Armed forces
- Education
- Cultural and community facilities
- Leisure and sport
- Social care
- Criminal justice

- Libraries

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) and this information has been used to enable the funding gap to be calculated which 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 from previous development schemes through planning agreements under Section 106 of the Town and Country Planning Act 1990.
- 3.9 We have therefore sought to identify all existing and potential sources of funding in the IDP in order to clearly 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 **£112,844,000 - £121,744,000**. This is a very conservative estimate as it is based only on a selection of infrastructure projects the

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

costs of which are known. **The actual funding gap is likely to be considerably in excess of the amount that has been identified.**

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 the introduction of CIL in West Oxfordshire 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 extent of the CIL funding gap identified in Section 3 and Appendix 1.
- 4.5 Using the pre-submission draft Local Plan housing target of 10,500 homes it is possible to estimate how many of these dwellings may be required to contribute towards CIL. Excluding dwellings already built between 2011 and 2014 (823) and existing commitments as at February 2015 (4,333), this totals 5,344 dwellings.
- 4.6 Excluding affordable housing (around 30% which totals 1,603), it is reasonable to assume that around **3,741** dwellings could be eligible for CIL. However, given that CIL is unlikely to be formally brought in until spring 2016, a number of schemes permitted in the course of

2015 and early 2016 will not be required to make a contribution. Assuming 500 homes were to be permitted between now and when CIL is introduced, this would reduce the number of eligible dwellings to around **3,241**.

4.7 Table I below demonstrates the revenue that could potentially be generated through CIL from a residential development comprising of 1,000 market houses.

Dwelling type	Potential number of dwellings liable for CIL	Average Gross Internal Area (GIA) m ²	Total CIL per unit (assuming £100 per m ²)	Total Potential CIL revenue
1 bed house (10%)	100	65	£6,500	£650,000
2 bed house (25%)	250	70	£7,000	£1,750,000
3 bed house (35%)	350	100	£10,000	£3,500,000
4 bed house (20%)	200	115	£11,500	£2,300,000
5 bed house (10%)	100	160	£16,000	£1,600,000
Total	1,000	n/a	n/a	£9,800,000

Table I - Potential residential CIL revenue on a development site comprising of 1,000 market houses.

4.8 The Council's CIL Draft Charging Schedule proposes a differential rate for residential uses depending on size and location. Smaller schemes of 1-5 units (except self-build which is exempt) will be required to pay a CIL charge of £200 per m². This will apply on a district-wide basis.

4.9 Medium-size schemes of 6-10 units will pay a CIL rate of either £100 per m² or £200 per m² depending on whether they are located within the Cotswolds Area of Outstanding Natural Beauty (AONB). Schemes within the AONB will be required to pay a commuted sum of £100 per m² towards affordable housing and as such they will pay a reduced CIL rate of £100 per m². Schemes outside the AONB will pay a CIL rate of £200 per m² because they will not attract an affordable housing contribution.

4.10 Larger schemes of 11 or dwellings will attract a requirement for on-site affordable housing provision which has a significant effect on scheme viability. They will therefore pay a reduced CIL charge of £100 per m².

- 4.11 It is therefore important to consider how many residential schemes that come forward in the future will comprise 10 or fewer dwellings and where they will be located (i.e. within or outside the AONB).
- 4.12 Past delivery trends suggest that around 45% of new homes in West Oxfordshire come forward on smaller sites of less than 11 dwellings. Making a reasonable adjustment for homes likely to come forward in the AONB (where policies are more restrictive) it would seem reasonable to assume that 40% of houses will come forward on sites of 10 dwellings or less (where a charge of £200 per m² applies). This would generate a CIL revenue of approximately **£25.9m** (based on the average sized home of 100 m²).
- 4.13 Assuming that 60% of houses come forward on sites of 11 dwellings or more (where a charge of £100 per m² applies), this would generate CIL revenue of approximately **£19.5m** (also based on the average sized home of 100 m²). In total, future residential development in the District is therefore likely to generate approximately **£45.4m** in the period up to 2031.
- 4.14 An adjustment would also need to be made in the Council's draft charging schedule for any supported housing schemes that come forward (e.g. sheltered and extra-care housing) given the different CIL rates proposed for those types of development as well as an adjustment for self-build which is exempt from CIL. However, this is not likely to have a significant effect on overall CIL revenue given the quantum of such development.

Non-residential development

- 4.15 The Council's CIL draft charging schedule proposes no charge for B-class development (offices, industrial etc.). As such, no revenue would be generated from this type of development.
- 4.16 In relation to development for A-uses including A1 (shops), A2 (financial and professional services), A3 (restaurants and cafés), A4 (drinking establishments) and A5 (hot food takeaway), the DCS proposes a range of CIL rates depending on whether the scheme is on greenfield land, previously developed sites outside designated town centres and previously developed sites within designated town centres.
- 4.17 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 which covers the vast majority of the plan period.
- 4.18 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 proposed Aldi Store in Chipping Norton (1,464 m² net) and the proposed Co-op extension in Chipping Norton (722 m² net), around 4,100m² of convenience retail floorspace could be eligible for CIL.
- 4.19 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 **£123,000** (based on the proposed CIL rate of £30 per m²).

- 4.20 For comparison goods retailing (non-food) the study identifies capacity for around 13,685 m² additional floorspace by 2029. Assuming again that the majority of this is Town Centre development (CIL rate of £30 per m²) the potential CIL revenue is around **£411,000**.
- 4.21 In total therefore, retail development can reasonably be expected to generate at least **£534,000**. 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 **£46m**
- 5.2 The total CIL funding gap identified at Section 3 is £112,844,000 -£121,744,000. This means that taking account of potential CIL revenue, the aggregate funding gap for CIL is between **£66.8 - £75.7m** (i.e. £112,844,000 - £46,000,000 and £121,744,000 - £46,000,000). As noted previously, this is a 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 well 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 Draft Charging Schedule (DCS). All responses will be carefully considered before the Council submits the DCS, supporting evidence and comments received for independent examination.

APPENDIX I

Infrastructure category	Infrastructure type (CIL funded projects only)	Funding gap identified (all figures are estimates and rounded to the nearest thousand)
Physical	*Highway improvements	£9.7m
	**Public transport improvements	£24.6m-£26m
	Walking, cycling and riding improvements	£4.88m
	Parking	£2.9m
	Water supply	Funding gap has not been identified.
	Waste water, disposal and treatment	Funding gap has not been identified.

* Strategic highway schemes including Downs Road/ A40 junction improvements, Shores Green Slip Roads and the West End 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.

** The calculations include the estimated costs of funding a dedicated A40 bus lane from Eynsham to Oxford and a Park & Ride at Eynsham. Although the County Council has recently been awarded funding to investigate the options of providing capacity improvements on the A40, it has not committed to funding a dedicated A40 bus lane at the time of writing.

	Surface water, drainage, flood alleviation and defence	£7m
	Energy	Funding gap has not been identified.
	Waste and recycling	£1.5m
	Telecommunications – including superfast broadband	£6.4m
Social	***Education	£864,000
	Leisure and sport	£38.45m-£42.2m
	Health	Funding gap has not been identified.
	Public safety	£1.65m-£2.3m
	Communication and culture	£6.2m-£8.2m

*** 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.

	Social care	Funding gap has not been identified.
Green	Biodiversity and green infrastructure	£1.5m-£2.6m
	Informal and formal open space	£7.2m
Grand total of known costs		Between £112,844,000 - £121,744,000