

Community Infrastructure Levy (CIL) Review

Draft Infrastructure Funding Gap

January 2018

Introduction

1. This paper has been produced to support the review of the Community Infrastructure Levy (CIL) Charging Schedule for developments within Oxford City.
2. Oxford City Council adopted its CIL Charging Schedule in October 2013 and is currently undertaking a review of this in support of the emerging Local Plan 2016-2036.
3. The purpose of this paper is to collate information to demonstrate that a funding gap exists between the total cost of infrastructure necessary to support growth over the plan period and the amount of likely funding that could be secured from CIL during the plan period. In doing so, this paper confirms the requirement set out in the CIL regulations, that charging authorities must demonstrate a gap between infrastructure requirements and available funding in order to provide evidence for the need to charge CIL.
4. CIL funding is never expected to be able to fund all infrastructure projects. Other sources of funding will be available which are detailed in this paper.

Infrastructure Costs

5. To establish the estimated cost of infrastructure, the indicative list of infrastructure projects that are considered critical or important to the delivery of the growth set out in the Local Plan 2016-2036 have been used. These infrastructure requirements are drawn from the Oxfordshire Infrastructure Strategy for high level infrastructure and initial indications from Oxford's Infrastructure Delivery Plan (draft IDP 2018) for additional local level infrastructure.

Oxfordshire Infrastructure Strategy (OxIS) – Stage One (April 2017); Stage Two (Sept 2017)

6. The Oxfordshire Growth Board commissioned OxIS to better understand the scale of the infrastructure challenges in Oxfordshire, the infrastructure required, and the likely costs and funding gaps, to support new homes and jobs.
7. The strategy considers growth forecasts and associated infrastructure requirements from 2016 through to 2040. Oxfordshire is planning for 100,000 new homes and 85,000 new jobs in the period 2011-31, based on the scale of housing need identified in the Strategic Housing Market Assessment (SHMA) and forecast jobs growth in the Oxfordshire Strategic Economic Plan.

8. Oxford’s Local Plan covers the period 2016-2036 so the strategy projects four years further than the Local Plan. The strategy explains that the period post 2031 to 2040 has less clarity and weight attached to it as it forecasts beyond the planning horizon of local authorities and infrastructure planning partners. The vast majority of housing and economic development and associated infrastructure is planned up to 2031 so the additional four years is considered to have a negligible impact on the funding assessment.
9. The Oxfordshire Infrastructure Strategy looks long term and has a high level focus, which brings together all the strategic infrastructure that supports local plans. It looks at the county as a whole, as opposed to local plans which cover a district/city area. The strategy provides a ‘snap shot’ of infrastructure requirements reflecting development proposals at that time, and is based on common assumptions about funding, costs, and modelling. As such it should be read alongside local studies which have been carried out to support individual local plans, which may include more detailed analysis, such as District wide Infrastructure Delivery Plans.
10. OxIS is primarily designed to assess strategic infrastructure needs. Things that meet the local needs of communities such as community centres and leisure facilities are outlined in Oxford’s Infrastructure Delivery Plan.
11. The strategy draws evidence from a range of sources, including talking to utility and other infrastructure providers, local authority evidence, modelling of jobs and homes growth to roll forward the numbers to 2040, and the consultants’ independent expert experience of delivering major infrastructure schemes.
12. The identified infrastructure projects are listed in Appendix 1. The summary of costs to deliver infrastructure projects within the Oxford Corridor to supporting strategic growth is set out in Table 1. This does not include the Regional/Countywide projects.

Table 1 – Infrastructure identified for the “Oxford Corridor”

Costs:	£237,170,000
Known Funding:	£59,010,000
Aggregate Funding Gap:	£178,160,000

Source: Table 1.36, OxIS Stage 2 Study (2017), Oxfordshire Growth Board

Infrastructure Delivery Plan (IDP) – Draft due February 2018

13. The nature of infrastructure planning in Oxford is that infrastructure projects can support a wide number of new developments due to Oxford being a tight knit urban area. For this reason, OxIS has comprehensively assessed the vast majority of the infrastructure needed to support Oxford’s planned growth to 2040. Appendix 1 of the IDP refers to these projects in detail.
14. In addition, the IDP will set out some local infrastructure projects to support growing communities and the improvement of facilities that are part of the City Council’s Capital Programme and Community Centres Strategy. The identified local

infrastructure projects are at Appendix 2. The IDP is being drafted and therefore the projects list and funding gap may be further refined.

Table 2 – Local infrastructure projects

Costs:	£14,548,400
Known Funding:	£10,020,000
Aggregate Funding Gap:	£4,528,400

Source: Infrastructure Delivery Plan (Draft due February 2018)

Planned Growth

15. The most up to date Housing and Employment Land Availability Assessment (HELAA) is the Oxford City Council HELAA 2016. This provides background evidence on the potential availability of land in Oxford for housing and economic uses and the choices available for delivering sites.
16. The HELAA identifies that there is potential capacity in Oxford to accommodate around 7,511 additional homes.
This is made up of:
 - 6,356 homes from identified sites;
 - 135 homes from small site commitments
 - 1020 homes from windfalls.
17. The HELAA also identifies capacity for additional economic uses for approximately 300,000sqm of B1 (offices); around 92,000sqm of B2/B8 (industrial) and 200,000sqm of leisure and community uses.

Projected CIL Income

18. Based on the information contained within the HELAA it is possible to estimate the likely CIL income from anticipated new developments over the plan period.
19. It is important to note that this estimate is a ‘best-case’ scenario as not all sites identified in the HELAA will come forward for development or for the scale and type of development estimated. There will be some sites that do not come forward as planned, or at all.
20. Whether sites come forward for development will depend on a number of factors including whether the proposal is acceptable in planning terms, the will of the landowner/developer, the economy and availability of funding.
21. A number of assumptions have been used when estimating the anticipated CIL income from residential developments liable to pay CIL. These assumptions are as follows:
 - Discount of 50% affordable housing for major sites (>10 dwellings) as affordable housing does not pay CIL

- The floorspaces for different types of dwellings has been determined using the typical floorspaces for different types of dwellings (gross internal area) contained within Appendix 2 of the Affordable Housing and Planning Obligations SPD.
 - The development mix has been determined using the development mix required for sites located in the City centre, in District centres, Strategic sites and Neighbourhood areas contained within the Balance of Dwellings SPD (Tables 4 – 9).
 - Discount of 35% on brownfield identified sites to account for the netting off of existing floorspace
 - Assuming all windfall dwellings would be an average 2 bed flat for the purposes of the CIL income estimate only and applying a 35% discount to account for the netting off of existing floorspace.
22. The estimate of CIL income can only ever be an estimate based on the most up to date data available and using the knowledge available to the City Council on likely development sites. There are a number of exemptions within the Regulations available to landowners or developers holding CIL liability which are near impossible to factor into the estimated CIL income as these do not emerge until applications are submitted right up to commencement of development. These exceptions currently include self- build and charitable relief.
23. Calculations have been undertaken based on a proposed levy of £200 per m² for housing, Houses in Multiple Occupation (HMO's) and student accommodation and £50 per m² for retail uses, employment, hotels, institutions, assembly and leisure and other uses. Development from other uses do not come forward on a consistent basis and reliable estimates cannot not be calculated.
24. This level has been tested in the *Economic Viability Study* and is a critical piece of evidence to assist in determining the most appropriate level for the CIL tariff. It considers burdens placed upon new development through the Local Plan 2036, such as affordable housing requirements. The Study will be published alongside the Preliminary Draft Charging Schedule consultation.
25. On the basis of the evidence in the HELAA and the assumptions made, it is estimated that CIL will deliver approximately **£47.8 million** over the plan period.

Infrastructure Funding Gap

26. Charging authorities must demonstrate a funding gap between infrastructure requirements and available funding in order to provide evidence for the need to charge CIL.
27. Table 3 sets out the difference between the total estimated cost of infrastructure to support growth over the plan period (The aggregate funding gaps from Table 1 and 2 combined) and the amount of likely CIL income from anticipated new developments (based on sites identified in the HELAA 2016).

Table 3 – Residual Funding Gap

Aggregate funding gap of infrastructure	£182,688,400	A
Projected CIL income	£47,855,924	B
Residual Funding Gap	£134,832,476	A-B

28. This identifies the existence of a funding gap, and confirms that CIL funding will not generate sufficient funds to pay for all of the major infrastructure needs identified in OxIS and the Infrastructure Delivery Plan. It will however make an important contribution towards infrastructure.

Other Funding Sources

29. Clearly other sources of funding will be required in order to progress infrastructure projects identified to support growth set out in the Local Plan. Some of the higher cost, more strategic infrastructure schemes will need to be supported through government funding bids and significant funding pots or funded direct by the service or utility providers. For example the Flood Alleviation scheme has all but £4million of its funding secured. Table 1.44 of OxIS includes an assessment of other funding sources. Some specific potential sources are detailed below.

Projected S.106 Income

30. A potential source of income is developer contributions secured via S.106 Agreements for infrastructure related to on- site mitigation. Planning obligations assist in mitigating the impact of unacceptable development to make it acceptable in planning terms. Planning obligations may only constitute a reason for granting planning permission if they meet the tests that they are necessary to make the development acceptable in planning terms, directly related to the development, and fairly and reasonably related in scale and kind.
31. Whilst this potential income must be used to fund the specific works related to the planning permission, the works might have a secondary effect of improving strategic infrastructure identified in OxIS. For example, a S106 contribution taken to create a cycle path into and through a development site might have a knock on improvement to the strategic cycle network and thus contributing to wider infrastructure projects.
32. It is anticipated that a threshold will be used to determine which strategic sites would fall outside the CIL regime and whose infrastructure would be entirely funded through S.106. Northern Gateway is anticipated to fall outside the CIL regime and could secure a significant S.106 contribution.

Housing Growth Deal and the Industrial Strategy

- 2.3 The Government has announced a housing deal with Oxfordshire to deliver 100,000 homes by 2031 and a joint statutory spatial plan, supported by government investment of up to £215m for infrastructure, affordable housing and local capacity.

2.4 £150m of this investment is for infrastructure across Oxfordshire, including road and rail. OxIS will be used to inform where funding will be spent to unlock growth in the county of Oxfordshire so it is likely that a proportion will be spend on projects improving Oxford's infrastructure.

National Infrastructure Commission (NIC)

2.5 The National Infrastructure Commission was been asked to provide Government with proposals and options to maximise the potential of the Cambridge-Milton Keynes-Oxford arc as a connected, knowledge-intensive cluster that competes on a global stage, protecting the area's high quality environment, and securing the homes and jobs that the area needs.

2.6 The Commission's central finding is that rates of house building will need to double if the arc is to achieve its economic potential requiring a new deal between central and local government. Infrastructure will be a vital part of this investment package particularly transport infrastructure.

2.7 Specific recommendations by the Commission are:

- Government should work with the private sector and the relevant local authorities to agree funding packages and progress schemes to support housing and employment growth now. These should include essential works required to enable passenger services between Oxford and Cowley no later than 2019;
- Government and local authorities should implement measures to increase certainty on the delivery of growth enabling infrastructure specifically transport plans. These plans should provide a firm basis for long-term growth and investment, and include plans for significantly upgrading public transport, integrating transport hubs and providing safe cycling infrastructure.

2.8 Referred to are the Cowley branch line and improvements to transport hubs and cycling infrastructure. All of which are identified in OxIS. Therefore if funding were received through the NIC, then this would support the delivery of these projects.

Business Rates

2.9 Local authorities can retain a proportion of business rates revenue as well as growth on the revenue that is generated. The scheme could be used to meet the cost of infrastructure as and when the revenue is received, or it could be used to raise finance to meet upfront infrastructure costs. In Oxfordshire, proposals for pooling Business Rates income to deliver infrastructure is being considered.

Conclusion

33. This report summarises that a funding gap exists between the total estimated cost of infrastructure necessary to support growth over the plan period and known funding (Tables 1 and 2). It also estimates the contribution that CIL income can make to narrowing that funding gap.

34. As explained in the introduction, CIL funding is never expected to be able to fund all infrastructure projects but will make a contribution towards the costs of meeting these alongside other funding sources.

Appendix 1

Infrastructure identified for the Oxford Corridor *(Table 1.37, OxIS Stage 2 Study, 2017)*

Strategic Rapid Transit / Bus

- Bus stand extension on Becket Street
- City centre traffic access restrictions
- Gloucester Green bus terminal phase 1
- Gloucester Green bus terminal phase 2, including cycle hub
- Peartree Park & Ride expansion
- Redbridge Park & Ride expansion
- Seacourt Park & Ride expansion
- Speedwell Street bus terminal phase 2 (Telephone Exchange)

Road Network

- Botley interchange and approaches
- Cowley Interchange 18 Cowley Road
- Headington roundabout - phase 2 (including Collingwood Crossing)
- Heyford Hill roundabout
- Hinksey interchange
- Horspath Road Junction Improvements
- Kidlington roundabout
- Littlemore roundabout
- Marsh Lane interchange
- Northern Gateway site link road
- Peartree interchange

Active Modes

- City Wide Connector Routes
- Connections to Oxford Station
- Cycle hire stations
- District Centre Improvements (Cowley Centre / Blackbird Leys / Headington / St Clements / Summertown)
- Gloucester Green cycle hub
- Osney Mead Knowledge Park Enabling Works
- Oxford City Centre Improvements
- Opens to Osney Mead bridge over rail line & river
- Premium Cycle Route - Oxford Riverside Routes / Morrell Avenue / Banbury Road / Cowley Road / London Road 17 Public realm works (Broad street, George Street, Magdalen St, St Giles, Queen St)
- Super Cycle Routes - B4495 / Iffley Road / Marston Road / Woodstock Road / Botley Road / Abbingdon Road
- Woodstock Road Radcliffe Observatory Quarter (ROQ)
- Zero emission zone - central core
- Zero emission zone – citywide

Freight

- Freight restrictions

Education

- Extensions to primary schools, equivalent to 1FE, to cater for Northern Gateway and cumulative sites
- New 1.5FE Primary School to Serve Barton Park
- New 1,200 Pupil Secondary School (Swan School) to Serve Oxford Growth

Health & Social care

- Enhanced community-based care for Headington/Barton, including GP
- New City Centre GP provision (to replace/enhance Beaumont Street)
- New Health Centre in Summertown

Green Infrastructure

- Green Infrastructure for Healthier Lives in Oxford

Energy

- A section of the 132kV cable at Osney Bulk Supply Point (BSP) will need to be updated by 2023
- Primary transformers at the Kennington substation will require replacement by 2026
- The North Hinksey primary transformers will require replacement by 2026

Waste Water

- Upgrade to Oxford Waste Water Treatment Works (WwTW)

Waste

- Potential Household Waste Recycling Centre (HWRC) to serve the centre of the county

Flood defences

- Boundary Brook Catchment (Florence Park) Flood Alleviation
- Northway and Marston Flood Alleviation Scheme

Appendix 2

Local Infrastructure Projects *(Draft Infrastructure Delivery Plan, due Jan 2018, Oxford City Council)*

Oxford City Capital Programme

- Horspath Sports Park
- Quarry Pavilion
- East Oxford Community Centre
- Waste Transfer Station (Redbridge)
- Marsh Lane Recreation Ground Car Park Extension
- Oxford Flood Alleviation Scheme (referred to in OxIS but under the countywide infrastructure improvements and therefore its costing was excluded from Table 1 above)

Oxford City Community Centres Strategy

- Blackbird Leys Regeneration (New Community Hub)
- Barton Community Centre

Biodiversity Improvements