

To: City Executive Board

Date: 14 November 2018

Report of: Regeneration and Economy Programme
Director/Head of Planning Services

Title of Report: Allocation of Housing Infrastructure Funding (HIF) and Community Infrastructure Levy (CIL) receipts to Northern Gateway

Summary and recommendations	
Purpose of report:	To request an in-principle decision to use Homes England Housing Infrastructure (Marginal Viability) Funding (HIF) and CIL funds for infrastructure support at Northern Gateway/Oxford North.
Key decision:	Yes
Executive Board Members:	Cllr Susan Brown/Cllr Alex Hollingsworth
Corporate Priority:	Meeting Housing Needs, Cleaner and Greener Oxford, Vibrant and Sustainable Economy.
Policy Framework:	Corporate Plan, Oxford Economic Growth Strategy, Housing Strategy, Northern Gateway Area Action Plan
Recommendations: That the City Executive Board resolves to:	
<p>1. Identify the Northern Gateway/Oxford North Housing Infrastructure Funding HIF and Community Infrastructure Levy (CIL) schemes as potential future Medium Term Financial Plan (MTFP) capital schemes with a provisional budget allocation (subject to receipt of external HIF and CIL receipts) of up to £18.85m;</p> <p>2. Delegate authority to the Regeneration and Economy Programme Director to agree a contract with Homes England to draw down funds and secure their use/implementation in agreed infrastructure projects (subject to the £10m HIF funding to Oxford North being secured);</p> <p>3. Recommend to Council to apply Community Infrastructure Levy receipts to the value of £ 8.85m (as generated from future strategic scale development at Northern Gateway/Oxford North) in order to fund investment in highways/transport infrastructure provision to support the delivery of the Northern Gateway strategic site allocation; and</p> <p>4. Delegate to the Head of Planning Services secure the completion of an appropriate legal agreement for this funding investment, prepared in conjunction with the Council’s Monitoring and Section 151 Officers. The legal agreement to cover the specific infrastructure projects to be funded and arrangements for their</p>	

procurement, delivery and adoption by the local authorities, and to be subject to the outcome of due consideration of necessary and contingent planning application(s) and associated processes.

Introduction and background

1. In 2015, Oxford City Council adopted an Area Action Plan (AAP) for an employment led, mixed use development at Northern Gateway/Oxford North. Officers have been engaged in extensive pre-application discussions with the promoters Thomas White Oxford since late 2015. Thomas White Oxford have now submitted the formal planning application for the proposed Oxford North development, registered in August 2018 (reference number 18/02065/OUTFUL).
2. At 44 hectares the Northern Gateway is one of the largest allocated sites in the city and the planning application is of strategic scale and complexity. The Northern Gateway area containing Oxford North is a strategic site identified in the local plan for the development of employment space and housing, including affordable housing.
3. Infrastructure requirements both on-site and in the vicinity are considerable covering vehicle, pedestrian and cycle access points; parking; open space; landscaping; environmental mitigation; drainage and associated works; and highway works including new access to the site from the A40 and A44, together with upgrades to the A40, A44 and Pear Tree roundabout. The likely infrastructure challenges associated with bringing forward a site of this scale were identified in the AAP and an extensive examination of the infrastructure needs and the impact of these upon scheme viability and deliverability has been a key part of the pre-application work over the last three years.
4. The AAP at para 8.10 notes that 'new infrastructure on the scale required in the Northern Gateway comes at a cost and funding will be pursued from a variety of sources including developer contributions to this'. At the current time the infrastructure costs at Northern Gateway have been assessed as being in the region of £105,000,000. The AAP states that both public and private sector investment will be needed to deliver the development and members will be aware that there have been previous allocations of Local Growth funding to local infrastructure to assist in bringing forward this site.
5. The £2.3 billion Housing Infrastructure Fund (HIF) announced in 2017 offers funding to local authorities on a competitive basis, for infrastructure to support delivery of new homes. The HIF marginal viability fund provides funding to help strategic site delivery through funding infrastructure to help sites be delivered. Lower tier (District and City in two tier areas) local authorities can bid for funding through this programme.
6. As the eligible accountable body for HIF marginal viability bids, Oxford City Council has submitted a successful bid, to the Housing Infrastructure Fund along with the site developer Thomas White Oxford. £10 million of funding has been provisionally secured for Northern Gateway/Oxford North to pay for specific infrastructure to enable the homes to come forward and improve scheme viability. This is subject to a clarification process with Homes England and ultimately the granting of planning permission. HIF Funds under this programme need to be secured and contracted by the end of December 2018 and must be used by 31st March 2021.

7. Because of the timescales involved in the HIF bidding process, which are running ahead of consideration of the planning application, establishment of an in-principle position by the council in relation to potential infrastructure contributions to this strategic site is necessary now. This approach is without prejudice to the due consideration of the merits of the current planning application by the council in its capacity as local planning authority which will take place in 2019. Officers appreciate that this adds complexity to the decision members are being asked to make at this stage but is necessary because of the Homes England timescales involved. The council is enabled to take these 'without prejudice' decisions providing due regard to the differing corporate and regulatory roles and responsibilities has been maintained.
8. A commitment of £5.9 million from central government's Local Growth Fund was previously secured by Oxfordshire Local Enterprise Partnership (OxLEP), Oxfordshire County Council and Oxford City Council. Allocated to infrastructure improvements for northern gateway, this element of funding has now been earmarked for A40 corridor improvements that will support bus lane improvements and additional network capacity serving this site.
9. £7.3m City Deal funds were also previously provided towards the £17.8M County Council improvement schemes on the A40 at Cutteslowe and Wolvercote roundabouts. These funds were linked to the Oxford North scheme and the pre-existing need to improve both A40 approaches to Oxford to relieve congestion.

The Housing Infrastructure Fund - Marginal Viability Bid

10. All of the public funding is to help ensure the development meets requirements in terms of sufficient transport infrastructure and housing, including affordable housing, and is subject to due consideration of the planning application. Funding from HIF and CIL will be directed at specific identifiable infrastructure projects.
11. It is proposed the £10m funding contribution from Homes England will be utilised for the following key pieces of infrastructure that will support delivery of new homes. The precise breakdown and contractual arrangements will be resolved in negotiations with Homes England, but the figures are unlikely to change significantly, and will not be more than £10m;

a) On-site roads	£4.3m
b) Utilities reinforcement	£0.6m
c) Utilities distribution	£3.3m
d) Surface water	£1.8m

As the funding will be an investment of public money it will be important to ensure that the use and benefits arising from these infrastructure assets are publically available and adopted where this is appropriate.

Community Infrastructure Levy approach at Northern Gateway/Oxford North

12. The infrastructure to deliver the strategic site development at Northern Gateway is of a scale that also requires re-investment of the CIL receipts generated from the site. The adopted AAP acknowledged the infrastructure challenges that site delivery would bring and these have been confirmed by the extensive viability investigations that have taken place in discussion with the council and are as yet to be finally

concluded. In the normal course of events the City and County Councils are required to consider what infrastructure is needed to mitigate the impact of developments across the City. The process is then for the City Council, as the sole recipient of CIL payments, to confirm in its capital programmes what infrastructure is to be paid for from CIL.

13. The adopted AAP clearly highlighted the complex infrastructure support the strategic site allocation would need. The infrastructure costs at Northern Gateway have been assessed as being in the region of £105,000,000. Officers have been working with the County Council, Homes England, OxLEP and the site promoter over an extended period to identify how the infrastructure challenges at Northern Gateway can be addressed. It is clear that CIL receipts generated will need to be used for highways and transport infrastructure to facilitate the delivery of the strategic development set out in the AAP. This will need to be in addition to the direct infrastructure provision by the developer and the other public funding sources mentioned in this paper.
14. The detailed calculation of actual CIL liabilities takes place at a later stage and is associated with the grant of and implementation of any planning permission. However, as a working estimate the global CIL liability is anticipated to be of the order of £8.85m with these payments anticipated on a staged basis over a number of years.
15. The approach that is being recommended is that a commitment is given in principle now to fund specific, identified infrastructure projects at Northern Gateway from the CIL receipts generated by the development if planning permission is granted. This approach to the use of CIL receipts is not unprecedented in Oxford and a similar approach to investment in public realm works around the Westgate Centre has been used previously.
16. The plan attached to this paper identifies more specifically the infrastructure projects that the CIL funds are being suggested for. These works would be related to provision of the link road between the A44 and A40, junction improvements and internal site roads. These works would need to be undertaken to full adoptable standards with ultimate public adoption of the infrastructure as a precondition of this public funding approach. The individual infrastructure components, their detailed specification, timing and arrangements for their delivery will need to be the subject of further discussion and the precise mechanics of the approach incorporated within a binding legal agreement. The legal agreement would be associated with any future grant of planning permission.
17. This report seeks City Executive Board approval for this approach in principle and to recommend to Council that this commitment is recognised in the Capital Programme in 2019/20 and 2020/2021 and beyond as a potential future earmarked CIL receipt (for investment in strategic infrastructure at Northern Gateway) but again subject to planning.

Other implications - Financial implications

HIF Funding

18. Oxford City Council will be the legally identified accountable body, managing the funds on behalf of Homes England. It will then contract with Thomas White Oxford and Oxfordshire County Council (as necessary) to deliver the infrastructure programme and projects outlined. No further direct financial contribution is required, however as part of the contractual arrangements Oxford City Council will ensure that there is no financial risk from contracting awarded funds to partners. This is to avoid the unlikely scenario of clawback by Homes England for non-delivery by a partner, for example.

Northern Gateway CIL investment

19. If planning permission is subsequently granted for the Oxford North scheme at Northern Gateway, a binding and comprehensive legal agreement would be prepared to address the use of the CIL funds as set out above. This will ensure appropriate financial assurance and risk management, ensuring that the council's interests (insofar as managing the proper use of public funds is concerned) are protected.
20. The CIL funds are not yet profiled in the council's medium term financial plan but this potential commitment will need to be identified, with future use subject to the outcome of planning

Legal issues

21. A funding contract will be prepared between Homes England and Oxford City Council, once the funding clarification process is complete. It will be important to ensure that any conditions attached to the funding contract are complied with and tracked. Oxford City Council will then need to enter into contracts with Thomas White Oxford and Oxfordshire County Council (as appropriate) to commit HIF funds to ensure delivery of the funded infrastructure. It will be essential that Oxford City Council is protected against the unlikely event of clawback for non-delivery or any other contractual breach that presents a financial risk to the city council. A high level state aid assessment is due to be undertaken and specialist advice obtained if necessary, to ensure compliance.
22. The proposed approach to addressing the CIL issue is lawful and an appropriate route for the council to use in this case. As mentioned above a legal agreement will be necessary to ensure effective management of the process.

Level of risk

23. The risk of not securing and investing these funds may have consequences for the implementation of the councils adopted development plan strategies for Oxford. Although the situation is complicated because of the overlapping and contingent processes involved, the council has recognised the infrastructure challenges incumbent in delivering the strategic allocation at Northern Gateway.

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Background Papers: None

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