



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 current system of Section 106 planning obligations. Unlike S106 and S278 highway agreements which tend to deal with more site-specific infrastructure within and around a particular development site, CIL payments go into a more general funding pot and can be spent on any items of infrastructure across the District.
- 1.3 Notably, the CIL regulations now allow for the same item of infrastructure to be funded through both CIL and Section 106 planning obligations. There are also no longer any restrictions on the number of planning obligations that may be 'pooled' together to fund the same item of infrastructure (previously this was limited to no more than 5 agreements).
- 1.4 In order to justify the introduction of CIL in West Oxfordshire, it is necessary to consider the following issues:
 - What infrastructure is needed to support the development proposals set out in the adopted 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).
- 1.5 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.
- 1.6 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.
- 1.7 The purpose of this paper is therefore to present an analysis of the potential infrastructure funding gap for West Oxfordshire and in turn to identify the CIL funding target. It draws on information set out in the West Oxfordshire Infrastructure Delivery Plan (IDP) 2016 which was prepared in support of the Local Plan.
- 1.8 This analysis will be revised further to reflect any future update to the Council's IDP.

2. Background

- 2.1 The West Oxfordshire Local Plan 2031 was adopted in September 2018. This sets out a vision of the District in 2031 and provides an overarching framework to guide and deliver that vision. The Plan covers a 20 year period (2011-2031) but will be reviewed on a regular basis (typically every 5 years) to ensure it remains relevant.
- 2.2 The plan is based on an overall housing requirement of at least 15,950 homes (798 per year). This comprises 13,200 homes for West Oxfordshire's housing need and an additional 2,750 homes to assist neighbouring Oxford City.
- 2.3 As part of the preparation of the Local Plan, the Council prepared an Infrastructure Delivery Plan (IDP) in 2016. The IDP identifies the infrastructure needed to support the level and distribution of future growth identified in the Local Plan. It includes information on the likely cost of necessary infrastructure (where known).
- 2.4 This paper presents an up to date assessment of the likely infrastructure funding gap having regard to any known changes in circumstance since the IDP was published in 2016.

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. Information is drawn from the 2016 IDP as appropriate. This approach is consistent with the Government's CIL practice guidance which states at paragraph 17 that, *'Information on the charging authority area's infrastructure needs should be drawn from the infrastructure assessment that was undertaken when preparing the relevant plan (the Local Plan and the London Plan in London) and their CIL charging schedules'*.

Likely Infrastructure Costs

- 3.3 The Council's Infrastructure Delivery Plan (IDP) identifies the infrastructure needed to support future growth identified in the Local Plan 2031. The IDP includes three main categories: physical, social and green infrastructure.
- 3.4 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
- Libraries
- Cultural and community facilities
- Leisure and sport
- Social care
- 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 Levy Paragraph: 017) 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 Council's 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 an infrastructure 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 obligations under Section 106 of the Town and Country Planning Act 1990.
- 3.9 The IDP therefore seeks to identify all existing and potential sources of funding. 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 **£192.2m - 198m**. This is a very conservative estimate as it is based only on a selection of infrastructure projects the 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)
 - The size of the scheme (as the CIL regulations allow for differential charging by scale)
 - The date that the CIL charging schedule, once adopted, is formally brought into effect (because CIL only applies to those schemes which permitted after it has been formally introduced); and
 - Where development takes place (variable CIL rates can be proposed on a geographic basis)
 - The number of homes expected to come forward as part of the five strategic housing sites allocated in the Local Plan (as these are proposed to be exempted or 'zero-rated' for the purposes of CIL).
- 4.4 For these reasons it is difficult to be precise about the amount of revenue that the introduction of CIL in West Oxfordshire is likely to generate. However, a broad estimate is provided below so that a comparison can be made between potential income from CIL and the CIL funding gap identified in Section 3 and Appendix I.

4.5 In summary, anticipated CIL revenue from residential development over the remaining plan period to 2031 is estimated to be around **£24m**.

4.6 This is summarised in the table below and assumes CIL revenue from three main sources; Local Plan non-strategic site allocations which are yet to obtain planning permission, future speculative windfall development of larger schemes of 11 or more units and future speculative windfall development of smaller schemes of less than 11 units.

Non-Strategic Site Allocations

4.7 689 units are yet to be permitted on the Local Plan non-strategic site allocations and allowing for an average of 40% affordable housing, 413 market units would be eligible to pay CIL. If each of these paid an average of £12,500 per unit (based on an average floorspace of 100 sqm), total revenue from this source would be **£5,162,500**.

Windfall Development

4.8 In respect of speculative windfall development, it is reasonable to assume based on past trends, an average of around 125 units per year, which in the remaining plan period to 2031 equates to about 1,300 units assuming the CIL charging schedule is introduced in autumn 2020.

4.9 Assuming that 60% of these windfall units come forward on larger sites of 11 or more units this would be 780 units in total. Assuming 40% affordable housing on these larger schemes, the number of eligible market housing units would be around 468 units. Assuming an average CIL payment of £12,500 per market unit, this would generate a further **£5,850,000**.

4.10 The total windfall on schemes of less than 11 units can reasonably be assumed to be 520 units (i.e. 40% of 1,300) and as these would not be eligible for on-site affordable housing provision, they would all be eligible to pay CIL. Assuming £25,000 per unit, this would equate to **£13,000,000**.

4.11 There may be also be some additional CIL revenue from extra-care housing over the remaining plan period but this is unlikely to generate significant additional funds through CIL.

Source	No. of dwellings	Potential CIL revenue from residential development to 2031
Dwellings already built 2011 - 2019	3,351	£0
Existing permissions as of 1 st April 2019	5,174	£0
Strategic sites not yet permitted	5,840	£0
Non-strategic site allocations not yet permitted	413 ¹	£5,162,500
Windfall 2020/21 – 2030/31 (schemes of 11 or more units)	468 ²	£5,850,000
Windfall 2020/21 – 2030/31 (schemes of less than 11 units)	520	£13,000,000
Total	15,766³	£24,012,500

¹ Eligible market dwellings assuming 40% affordable housing provision

² Eligible market dwellings assuming 40% affordable housing provision

³ This is lower than the overall housing requirement of 15,950 as it excludes anticipated affordable housing for the non-strategic allocations and future anticipated windfall

Non-residential development

- 4.12 In relation to non-residential development, the Council's draft CIL charging schedule proposes to exempt all non-residential uses except A1 food retail which is proposed to incur a charge of £100 per m².
- 4.13 It is difficult to estimate with any certainty how much additional food retail will come forward over the remaining plan period to 2031.
- 4.14 As a broad estimate it is reasonable to assume perhaps one large supermarket or two to three medium format supermarkets. On this basis, total new floorspace could reasonably be assumed to be around 5,000 m². Based on the proposed CIL charge of £100 per m², this could generate further CIL revenue of **£500,000**.

5. Aggregate CIL Funding Gap

- 5.1 Having regard to the assessment above, total CIL revenue in West Oxfordshire under the draft charging proposals from residential and non-residential development is likely to be approximately **£24,512,500**.
- 5.2** The total CIL funding gap identified at Section 3 is between **£192.2m - 198m**. This means that taking account of potential CIL revenue, the aggregate funding gap for CIL is between **£167.7-173.5m**. 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 Draft Charging Schedule (DCS). Unless there are any materially significant issues raised during consultation on the Draft Charging Schedule, it is anticipated that it will be submitted for independent examination 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 winter 2020.

APPENDIX I

Infrastructure category	Infrastructure Type	Total Funding Gap Identified This includes 'critical projects', 'necessary projects' and 'preferred projects' <i>(All figures are estimates and rounded to the nearest thousand)</i>	Funding Gap for 'Critical' Projects	Funding Gap for 'Necessary' projects
Physical	*Highway improvements	Approx. £9.7m	n/a	£9.7m
	**Public transport improvements	Approx. £106.3m	£104m	£2.3m

* Strategic highway schemes including 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.

** Significant public sector investment has been secured to forward fund the delivery of A40 corridor infrastructure schemes including £102m from Homes England's Housing Infrastructure Fund (HIF). This is forward funding the delivery of an A40 westbound bus lane, improved cycling and walking connections, connectivity and capacity improvements at Duke's Cut bridges and the extension of the existing A40 dualling (between Witney and Eynsham). Financial contributions towards the recovery of the HIF forward funding secured for these A40 schemes will be required from all the developers at the SDAs proposed along the A40 corridor which will be used to fund other infrastructure schemes that support delivery of new homes in the future.

Infrastructure category	Infrastructure Type	Total Funding Gap Identified This includes 'critical projects', 'necessary projects' and 'preferred projects' <i>(All figures are estimates and rounded to the nearest thousand)</i>	Funding Gap for 'Critical' Projects	Funding Gap for 'Necessary' projects
	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
	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

Infrastructure category	Infrastructure Type	Total Funding Gap Identified This includes 'critical projects', 'necessary projects' and 'preferred projects' <i>(All figures are estimates and rounded to the nearest thousand)</i>	Funding Gap for 'Critical' Projects	Funding Gap for 'Necessary' projects
Social	***Education	Approx. £1m	n/a	£1m
	Leisure and sport	Approx. £36.2 - £39.2m	n/a	£14.2m
	Health	Approx. £4.5m	n/a	£4.5m
	Public safety	Approx. £1.5m - £2.3m m	n/a	£520,000 - £780,000
	Communication and culture	Approx. £6.3 - 8.3m	n/a	n/a
	Social care	Funding gap has not been identified.	n/a	n/a

*** 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 This includes 'critical projects', 'necessary projects' and 'preferred projects' <i>(All figures are estimates and rounded to the nearest thousand)</i>	Funding Gap for 'Critical' Projects	Funding Gap for 'Necessary' projects
Green	Biodiversity and green infrastructure	Approx. £2.4m	n/a	n/a
	Informal and formal open space	Approx. £7.2m	n/a	£7.2m
Grand total of <u>known</u> costs		Between £192.2m - 198m	£104m	£48.5m - £48.7m