

South Oxfordshire District Council

**CIL Draft Charging Schedule  
Infrastructure planning and funding gap**

February 2015

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## 1. Introduction

- 1.1 This document provides background information to the Community Infrastructure Levy (CIL) Draft Charging Schedule. It outlines the CIL Regulations and processes that the Council followed to produce the Draft Charging Schedule as well as identifying the information considered in reaching a decision to apply the CIL charges proposed.
- 1.2 The ability to implement a CIL is set out in the Planning Act 2008 as amended by the Localism Act 2011. This is supported by the Community Infrastructure Levy Regulations 2010 (as amended), in addition to associated statutory guidance.
- 1.3 The three key pieces of evidence required to support the development of a charging schedule are:
- A viability study to ensure that appropriate CIL rates are charged that will not put the majority of development in the local authority area at risk;
  - A gap showing the funding necessary for the required infrastructure, minus the anticipated funding;
  - An up to date development plan needs to be in place.

## 2. Infrastructure Planning

- 2.1 The starting point for preparing a CIL Charging Schedule is for local authorities to demonstrate that there is a funding gap in the provision of infrastructure required to support new development. Government Guidance recognises that there will be uncertainty in pinpointing other infrastructure sources, particularly beyond the short-term. The focus should be on providing evidence of an aggregate funding gap that demonstrates the need to levy CIL.
- 2.2 Government guidance states<sup>1</sup> that information on the charging authority area's infrastructure needs should be drawn from the infrastructure assessment that was undertaken as part of preparing the relevant Plan<sup>2</sup>. This is because the plan identifies the scale and type of infrastructure needed to deliver the area's local development and growth needs.
- 2.3 The 'relevant Plan' for the council is the South Oxfordshire Core Strategy, which was adopted in December 2012 and sets out the spatial plan for development in the district. For the plan period 2006-2027 South Oxfordshire District Council is overall housing target is set out below:  
Overall housing requirement: 6,300 (Didcot) and 5,181 (Rest of district)  
Homes completed (01/04/2006-31/03/2014): 770 (Didcot) and 2,063 (Rest of district)

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<sup>1</sup> NPPF paragraphs 162 and 177

<sup>2</sup> The adopted Core Strategy for South Oxfordshire (2012)

Remaining housing requirement: 5,530 (Didcot) and 3,124 (Rest of district).

- 2.4 The Core Strategy concludes that infrastructure improvements and development works will be needed to all aspects of the district's transport network to alleviate traffic congestion on the road network. There is a need to ensure that new development is accompanied by all necessary infrastructure to support communities.
- 2.5 Significant investment will be required to improve social and community infrastructure. The Core Strategy identifies a need for new and improved education provision, sport and leisure, community facilities, open space, green infrastructure and play space in order to accommodate new development. Infrastructure improvements will also be needed to healthcare, community safety and to utilities such as gas, electricity, water supply, sewerage.
- 2.6 To help address this, the Core Strategy states that the council will require contributions from new development to ensure that the infrastructure needs associated with development will be provided for (Policy CS11).
- 2.7 The Infrastructure Delivery Plan for Didcot (2011) and the Rest of the District (February 2012) formed part of the evidence base for the Core Strategy and the Infrastructure Delivery Plan has been updated in 2014 to take into account further information provided by service providers and estimated infrastructure costs and other funding sources.
- 2.8 Since the adoption of the South Oxfordshire Core Strategy, an Oxfordshire Strategic Housing Market Assessment (SHMA) has been prepared jointly by all the local authorities in Oxfordshire. The SHMA identifies a higher overall need for housing development in all the authorities in Oxfordshire (over the plan period of 2011-31). The council is currently in the process of preparing a new South Oxfordshire Local Plan 2031, which will look ahead to 2031 and consider the additional requirement for housing and other forms of development arising from the SHMA. The new plan is expected to be adopted by 2017. Following adoption of the new Local Plan the council will review the CIL charging schedule.
- 2.9 In order to ensure delivery of essential infrastructure, especially in light of the pooling restrictions from April 2015 it is important to progress with a charging schedule under the adopted Core Strategy.

### **3. Viability assessment/rate setting**

#### Viability assessment

- 3.1 Consultants BNP Paribas Real Estate were commissioned to undertake an assessment on the viability of CIL for development types in the district.

3.2 Levels of CIL have been tested in combination with the council's planning requirements as set out in the adopted Core Strategy, including affordable housing (40%) for development sites of three and more, and other development costs.

3.3 With regard to residential development the study found that:

- The ability of residential schemes to make a CIL contribution varies across the district and areas can be grouped together in three viability areas. These areas comprise 1) Henley/Goring and surrounding area being a higher land value area, 2) other settlements and rural areas being a medium land value area and 3) Didcot and Berinsfield being a lower land value area. The following CIL rates for residential development have been recommended: zone 1 £245/sqm, zone 2 £150/sqm, zone 3 £85/sqm
- Strategic sites that have to provide significant on site infrastructure would not be able to absorb a CIL rate in addition to the affordable housing requirement and planning obligations, unless they are situated within the Henley/Goring area.

3.4 CIL has also been considered for non-residential forms of development, with testing undertaken by the consultants into the various costs associated with such uses. The findings of the work are set out below:

- Office development (including research and development) could absorb a modest CIL contribution of £35 per square metre.
- Viability of retail developments vary significantly between high street retail and retail warehousing and supermarkets. A CIL rate of £70 per square metre for supermarkets, superstores and retail warehouses has been recommended.
- Older persons accommodation can only sustain a CIL when they are not required to provide 40% affordable housing.
- Other uses are not viable to sustain a levy.

#### Rate setting

3.5 Regulation 14, as amended by the 2014 regulations, requires that a charging authority, in setting levy rates, 'must strike an appropriate balance between the desirability of funding infrastructure from the levy and 'the potential effects (taken as a whole) of the imposition of CIL on the economic viability of development across its area'.

3.6 The council held two rate setting workshops in July and September 2014.

3.7 As set out above the viability study found that viability varies across the district and areas can be grouped in three zones. However it was considered that the benefits and simplicity of administering two charging zones outweighed the possibility of a slightly higher income if three zones were introduced. Therefore the council decided to merge zone 1 and zone 2 into one zone.

3.8 With regard to the recommendation to set a nil CIL on strategic sites (that have significant on site infrastructure to provide and are located outside the Henley/Goring area) the council has excluded the following sites from CIL as these sites will have to deliver significant on-site infrastructure, including 40% affordable housing:

- Didcot North East – 2,030 dwellings
- Ladygrove East, Diccot – 642 dwellings
- Site B, Wallingford – 555 dwellings

#### **4. Preliminary Draft Charging Schedule (PDCS)**

4.1 Consultation on the PDCS was carried out between 20 October and 17 November 2014. A total of 34 representations from a variety of different interests including town and parish councils, landowners and commercial agents, the development industry, government agencies and Oxfordshire County Council were received. The full list of representations and comments received, along with the Council's response, can be found in the "Summary of representations and responses to the PDCS consultation". The key issues are summarised below:

- Concern that CIL will stifle development
- Objection to proposed CIL rate for office and retail development
- Older person accommodation (extra care) should not be CIL liable
- All strategic sites should be exempt from CIL
- Rural exemption sites should be exempt from CIL
- Concern has been raised that CIL is being brought forward at a time when the council is considering new strategic allocations
- Viability study: A variety of queries in relation to assumptions have been raised ranging from the housing mix and densities to Benchmark Land Values. These comments have been addressed by BNP Paribas who carried out the viability study.
- Comments were received in relation to the council's approach to introduce two charging zones
- Comments about governance, collection, allocation and monitoring of CIL were raised
- Questions were raised about the infrastructure list, funding gap and the Regulation 123 list
- Support for an instalment policy

4.2 The council's response is set out below:

##### **4.3 Proposed CIL for office development**

The viability study found that office developments are marginally viable and the maximum CIL rate for office is £50 per square metre. A viability buffer of 30% was applied as this will allow for variations in viability between sites across the district yet maximise possible income for infrastructure. A rate of £35 per square metre has been proposed which

equates to less than 1% of GDV<sup>2</sup> (CIL as a percentage of scheme value). This is considered to be viable and reasonable.

4.4 Proposed CIL for retail development

The viability study shows that the development of large retail stores is viable with the proposed CIL charge (which equates to 1.7% of GDV). It should also be noted that existing floorspace will be deducted from the proposed floorspace for the purpose of calculating the CIL liability. It is considered that the proposed CIL rate for office and retail development will not have a material impact on the viability.

4.5 Older person's accommodation

Extra care development incorporates independent living and is the same use as residential (C3). The council seeks 40% affordable housing on residential development (Policy CSH3). Such development also includes communal areas which increase build costs and generally they have a longer selling period making retirement housing less viable than new homes in general. The viability study concludes that extra care housing is unlikely to be able to absorb CIL contributions alongside 40% affordable housing in all areas except in the Henley area. For the majority of the district therefore, CIL is not viable for extra care development incorporating affordable housing. The benefits of administering a simple charging zones outweighed the possibility of a slightly higher income of extra care development in the Henley area. Therefore it is proposed to set a nil CIL rate for extra care development.

Notwithstanding that care homes (C2) do not provide affordable housing, and could be viable to seek CIL up to 5% of development costs, due to the small numbers of units and the high administration costs, a nil rate is proposed.

4.6 All strategic sites should be exempt from CIL

Large strategic development sites will normally have to deliver some on site infrastructure (e.g. open space, schools, highways, community facilities) and affordable housing (40%). Experience shows that sites in excess of 500 units may need to provide a primary school. In such cases the on-site provision would not be able to sustain CIL in addition to infrastructure and affordable housing requirements, unless they are situated within the Henley/ Goring area. Therefore it is recommended that the Core Strategy strategic sites in Didcot and Wallingford, which will incorporate such on site infrastructure, be excluded from CIL. Sites of approximately 200 dwellings do not normally have significant on site infrastructure requirements and can accommodate both CIL and S106. Under the Core Strategy only three sites (North East site in Didcot, Ladygrove East site in Didcot, Site B in Wallingford) will be delivering significant on site infrastructure.

4.7 Rural Exception Sites should be exempt from CIL

Local Plan saved policy H10 (Rural Exception Sites) identifies the circumstances in which affordable housing can be provided on 'exception

sites' in the rural areas, where residential development would not normally be permitted. In certain cases, where robust evidence establishes that viability issues would prevent the delivery of an exception site, the minimum level of market housing required to make the development viable would be permitted. As this element of market housing is only required to enable the delivery of the affordable housing, viability evidence has shown that these schemes cannot sustain a CIL and it is proposed that within the Draft Charging Schedule that all homes on exception sites are exempted from CIL.

- 4.8 Queries in relation to the funding gap are being dealt within this report. A draft instalment policy has been prepared for information. The draft Regulation 123 list has been updated and the council is working on a draft S106 Supplementary Planning Document which will be published for public consultation later this year.

## **5. CIL Draft Charging Schedule**

- 5.1 We have considered the representations received and investigated further the viability of older people accommodation and propose the following changes to the Charging Schedule:
- set a Nil CIL rate for extra care development across the district
  - all homes on rural exception sites are exempt from CIL
- 5.2 The proposed charging schedule and supporting text is set out in the CIL Draft Charging Schedule for South Oxfordshire.

## **6. Infrastructure Funding Gap**

- 6.1 The Infrastructure Delivery Plan (IDP) sets out necessary infrastructure projects/types to support development growth based on the Core Strategy and include transport, schools, other educational facilities, sport and recreation, play areas, community facilities, green infrastructure and so forth. The need for infrastructure has been demonstrated, examined and found 'sound' through the Examination of the council's adopted Core Strategy. In some instances the costing has been revised to take into account latest information on the schemes.



Table 1: Summary of infrastructure costs

Infrastructure type	Cost	Other sources of funding	Funding gap
Education	£ 63,745.000	£ 2,711.000	£ 61,034.000
Special Education Needs	£ 9,900.000	£ 7,425.000	£ 2,475.000
Adult learning	£ 80.000		£ 80.000
Public Rights of Way	£ 358.000	£ 17.000	£ 341.000
Fire service	£ 6,500.000		£ 6,500.000
Library facilities	£ 4,776.000	£ 2,071.000	£ 2,705.000
Health & Wellbeing	£ 1,790.000	£ 566.000	£ 1,224.000
Museum storage	£ 150.000	£ 32.000	£ 118.000
Recycling facilities	£ 667.000		£ 667.000
Leisure centre	£ 22,600.000	£ 2,000.000	£ 20,600.000
Police	£ 1,017.000		£ 1,017.000
Public transport/bus	£ 3,700.000		£ 3,700.000
Shop mobility	£ 140.000		£ 140.000
Science Vale transport	£ 213,770.000	£ 80,047.000	£ 133,723.000
<b>Total</b>	<b>£ 329,193.000</b>	<b>£ 94,869.000</b>	<b>£ 234,324.000</b>

6.2 The majority of infrastructure requirements relate to transport and education provision/improvements. The IDP includes all the transport requirements in Science Vale. However, a large proportion will be met by Vale of White Horse District Council. Based on the proposed development growth in the Vale and assumed contribution per dwelling these could be in the region of £80 million.

6.3 Infrastructure requirements associated with the three strategic sites will be secured through S106. The three strategic sites will require the provision of primary and secondary education and collectively are likely to contribute in the region of £37.7 million.

6.4 As set out in the IDP the total estimated cost for infrastructure is c. £329 million. Taking into account other sources of funding £94.8 million have been deducted, leaving a funding gap of approximately £234.2 million, which can further be reduced by £80 million (transport contributions from development sites in the Vale) and £37.7 million (education contributions from three strategic sites) leaving a funding gap of c.£116.5 million.

6.5 The current identified funding gap, based on the best available information as of December 2014, is only a snapshot of the current situation. Other sources of funding consist of money that has been secured through S106 legal agreements, grant funding, business retention rate etc.

6.6 CIL is not intended to replace mainstream funding for services. It is intended to reduce the gap between the costs of providing, operating and

maintaining the infrastructure needed to support planned development and the amount of money available from other sources. Section 106 obligations can still be used for site specific on-site provision and for securing affordable housing.

## 7. Projected CIL income

7.1 Table 2 below projects the anticipated CIL income based on the housing trajectory for the adopted Core Strategy. Sites with planning permission and the three strategic sites have been excluded, as infrastructure is secured or will be secured through S106.

Table 2 – Projected CIL income for Core Strategy plan period

Site	No	CIL rate /sqm	Projected CIL income
Small windfall sites in Didcot	86	£ 85	£ 657,900
Small windfall sites across the District	649	£150	£ 8,761,500
Vauxhall Barracks	300	£ 85	£ 1,377,000
Didcot Gateway site	72	£ 85	£ 328,950
Didcot Orchard Centre II	200	£ 85	£ 918,000
Thame, Neighbourhood Plan, site C	187	£150	£ 1,512,000
Thame, Neighbourhood Plan, site F	203	£150	£ 1,647,000
Thame, Neighbourhood Plan, The Elms	45	£150	£ 364,500
Thame, Neighbourhood Plan, rest	115	£150	£ 931,500
Henley, Neighbourhood Plan	400	£150	£ 3,240,000
Woodcote, Neighbourhood Plan	76	£150	£ 621,000
Larger villages, allocations	1078	£150	£ 8,734,500
Ladygrove site Didcot	647	0	
Wallingford, site B	555	0	
North East site, Didcot	2030	0	
Fairmile Hospital, under construction	354	0	
Chinnor Cement Works, under construction	111	0	
Mongewell Park, planning permission granted	166	0	
Thame, Neighbourhood Plan, site D planning permission granted	225	0	
Various sites granted planning permission			
			<b>£ 29,093,850</b>

\* Based on average dwelling size of 90 square metre

7.2 Table 1 includes the proportion of CIL receipts that will be passed to Town and Parish Councils within those areas where development will occur.

## 8. Residual funding gap

8.1 The residual funding gap is calculated by subtracting the projected CIL income from the aggregate funding gap and is required for a charging authority to be able to charge CIL.

$$\text{Aggregate funding gap} - \text{Projected CIL income} = \text{Residual funding gap}$$

$$£116,500,000 - £29,093,850 = £87,406,150$$

8.2 The residual funding gap of c. £87 million demonstrates that there is a sufficient funding shortfall that must be filled in order to deliver the essential and necessary infrastructure to support growth in the district.

## 9. Historic Section 106 Delivery

9.1 The CIL guidance published in 2014 suggests that as background evidence, the charging authority should provide information about the amounts raised in recent years through Section 106 agreements and the extent to which affordable housing targets have been met<sup>3</sup>.

9.2 The table 3 below shows the amounts of money secured in the last 5 years via Section 106 obligations.

Table 3 – S106 obligations secured by the council and county council

Fiscal year	2010	2011	2012	2013	2014
County Council	£3,935,428	£4,341,729	£18,388,455	£593,372	£610,562
District Council	£2,693,844	£843,266	£1,515,952	£157,573	£1,831,898
Total	£6,629,272	£5,184,995	£19,904,407	£750,945	£2,442,460

Note: The totals above include additional agreements and variations entered into on existing sites.

9.3 The average amount of S106 secured per dwelling for the past five years is £10,879.

9.4 With regard to affordable housing the council has achieved on average its 40% affordable housing target (see table 4 below). However, on the grounds of viability a lower affordable housing target of 30% has been accepted on two strategic sites (Great Western Park to the west of Didcot and the Fairmile Hospital site).

<sup>3</sup> Community Infrastructure Levy Guidance, paragraph 2:2:2:3 (DCLG, February 2014)

Table 4 – Affordable housing completions

Financial year	Notes	S106 sites	Other sites
2009/10	All S106 units delivered were negotiated as 40% of total site	42	36
2010/11	2 units delivered as AH where 40% was delivered overall, 3 units were on a site delivering just under 30% AH	5	33
2011/12	32 units on Great Western Park (GWP) – a site achieving 30% AH 34 units on Fairmile – also achieving 30% Remaining 96 units are on sites achieving full 40% AH 105 AH units on sites delivering 40% AH overall	162	32
2012/13	71 AH units on GWP and 24 AH on Fairmile are part of the 30% AH provision. 10 units on St Stephen's Place (Lister Wilder Yard, Crowmarsh Gifford) equate to just under 25% AH provision overall on that site.	113	30
2013/14	90 units on GWP and 41 on Fairmile - sites both with 30% AH 7 units on Memec, Thame equate to just under 40% at 37.1% 13 units on a site where 40% AH achieved	151	36

## 10. Future use of Planning Obligations

10.1 In addition to CIL, Section 106 planning obligations will continue to be secured (although this will be scaled back). Site-specific planning obligations will be sought:

- Where infrastructure does not appear on the Regulation 123 list (infrastructure list)
- On strategic sites (Didcot: North East and Ladygrove East; Wallingford: site B)
- Where infrastructure fulfils the planning obligation tests set out in Regulation 122

## 11. Conclusion

11.1 The aggregate infrastructure funding gap of approximately £116,5m is considered significant enough to justify charging CIL on development within the district. With anticipated CIL revenue of approximately £29m (over the period of the Core Strategy), there will remain a shortfall in funding (c.£87,5m) that will need to be found from other sources, e.g. the council's capital programme or Government grants, whose funding has yet to be determined. The council will proactively seek additional funding opportunities where they become available with the aim of reducing the funding gap.