Rother District Council

Infrastructure Funding Gap Analysis





February 2015

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Update to Infrastructure Funding Gap Analysis

1.1 This update should be read in conjunction with the Infrastructure Funding Gap Analysis (August 2014) and updates the supporting evidence and reasoned justification for the introduction of the Community Infrastructure Levy (CIL). The proposed CIL rates are set out in the Draft Charging Schedule (DCS).

Update from August 2014

1.2 Since the Preliminary Draft Charging Schedule (PDCS) consultation (August 2014) the Core Strategy was formally adopted in September 2014 which sets out the overall vision for Rother District together with the quantum of development required to meet needs to 2028. The adopted Core Strategy will deliver at least 5,700 dwellings and 103,000sq.m of employment land in the plan period distributed across Rother in accordance with the strategy. In addition the recent adoption of the ESCC's Education Commissioning Plan 2014-18 and SE LEP Growth Deal and Strategic Economic Plan has presented an opportunity to update costs in relation to critical / important transport and education schemes respectively in the Infrastructure Delivery Plan (IDP).

1.3 To support the growth outlined in the adopted Core Strategy, a range of infrastructure is required, as set out in the Council's IDP. The IDP forms an important part of the Council's evidence base and contributed to the Inspector's conclusions in finding the Core Strategy compliant with the National Planning Policy Framework (NPPF). The IDP was later updated in August 2014 to inform the PDCS. It has been updated again in January 2015 following responses to the PDCS consultation and informs the current Draft Charging Schedule (DCS). CIL Guidance makes clear that charging authorities should use this evidence to strike an appropriate balance between the desirability of funding infrastructure from CIL and the potential impact upon the economic viability of development across their area.

The Relationship between Infrastructure and CIL

1.4 The IDP is produced to help support the delivery of the Core Strategy's vision for Rother through the identification of infrastructure to support growth. To be able to adopt a CIL, a charging authority is required to demonstrate that a funding shortfall exists between the known and expected costs of infrastructure to support development in its area, having taken into consideration other sources of possible funding available to meet those costs. This is called the 'funding gap'.

1.5 The Council has held further discussions with infrastructure providers and will continue to update the IDP periodically when new information is made available. However, it is clear that continued uncertainty in public finances has continued to impact on funding streams and investment plans in the public sector and it is anticipated to continue until the latter half of the decade.

1.6 With funding streams unclear it is appropriate the IDP is regarded as a 'live' document and continues to evolve from discussions with infrastructure providers. As well as the identification of critical infrastructure from key providers (ESCC/Highways/Utilities) to deliver development proposed in the Core Strategy, the IDP also records the infrastructure aspirations of local communities (including Neighbourhood Plans) and organisations as a basis for future dialogue on infrastructure priorities. The document is focused on the provision of new infrastructure that is required in whole, or in part, to meet the needs generated by new development growth planned for over the plan period to 2028.

1.7 In order to adhere to the principles of Government guidance on developer contributions, it is important that developments focus on paying to mitigate infrastructure needs arising as a result of new development. They should not be liable for any existing un-met need, and any projected spare capacity within existing infrastructure should be taken into account. In establishing if Rother has a funding gap this analysis paper has only taken account of those pieces of infrastructure which are considered 'critical' and 'important' as identified in the IDP. The updates in relation to Education, Transport and Communities are as follows:

Education

1.8 The role of East Sussex County Council (ESCC) in provision of education is paramount. ESCC has a statutory duty to ensure there are sufficient school places in the county to meet present and future demand for school places. Following further consultation with ESCC in January 2015 and the adoption of the Education Commissioning Plan 2014 -18 it is possible to report no significant change to identified infrastructure needs to support growth from August 2014. Table 1. below indicates the education requirements for the district up to 2028 and their associated costs (estimate):

Table 1: Education

Education			
	Estimated cost	Funding	Aggregate Funding Gap
Early Years & Primary	9.5m	20,000 (s106)	9.48m
Secondary	5m	40,000 (s106)	4.96m
Further Education	0.667m	-	0.667m
TOTAL	15,167,000m	60,000	£15,107,000m

1.9 There is a funding shortfall in delivering education in Rother up to 2028 equating to over £15m (see Table 1). ESCC has identified possible funding sources that could contribute towards education provision including its Capital Programme. This will be reviewed regularly as the County Council will bid for funding for infrastructure investment.

Transport

1.10 The provision of key transport infrastructure is considered critical to the spatial vision of the district. Where cross boundary infrastructure is required, the Council will work with its strategic partners to deliver infrastructure in a timely manner to support growth and development. Table 2. Identifies the costs associated with the provision of critical and important transport infrastructure highlighted in the IDP.

Table 2: Transport

Transport			
	Estimated cost	Funding	Aggregate Funding Gap
Transport schemes	£119,250,000	£114,250,000	£5,000,000

1.11 Various funding streams for critical transport infrastructure and have been identified in the IDP and include ESCC Capital Programme, Local Sustainable Transport Fund, Highways Agency Investment Programme and The South East Local Enterprise Partnership (SE LEP) Growth Deal and Strategic Economic Plan (SEP). Officers will work with the relevant agencies to apply for funding however it is acknowledged that in this difficult climate funding is scare and competition for money is fierce. The recent adoption of the SE LEP Growth Deal and SEP has allowed local authorities access to another funding stream to bid for additional monies to support growth subject to a business plan. This source of capital has allowed Rother to refine its transport infrastructure costings and update on its aggregate funding gap.

Community Facilities, Open Space and Green Infrastructure

1.12 The IDP has identified other items of infrastructure considered important to secure development in the district, facilitate growth or meet a recognised shortfall in provision. Table 3 below highlights the costs attributed to particular key projects: the Bexhill Leisure Centre, the eastern tidal flood defence wall at Rye and Combe Valley Countryside Park.

Table 3: Key Community Facilities, Open Space and Green Infrastructure

Key Community Facilities, Open Space Environment and Green Infrastructure			
	Estimated cost	Funding	Aggregate Funding Gap
Eastern Tidal Wall Rye	11m	0	11m
Bexhill Leisure Centre	15m	800,000	14.7m
Countryside Park[1]	4m	293,000	3.83m
TOTAL (approx.)	30m	1,093,000	28,907,000m

1.13 In addition, there will be a requirement for additional service provision, community, green infrastructure provision, and sports provision which are non-strategic and identified in the IDP as being desirable to ensure mixed and balanced sustainable communities, which cannot be assessed in detail at this stage.

1.14 The IDP will continue to be updated on such matters as more information and clarity become available.

1.15 It should be noted the Development and Site Allocations Plan (DaSA) will be expected to identify further infrastructure requirements to make new development acceptable in planning terms. Further refinements of need and costs will be developed through the Development and Site Allocations Plan as individual sites are identified. It is expected these items will contribute towards the widening of infrastructure funding gap in the future.

Total Funding Aggregate

1.16 As far as it has been possible, the infrastructure funding gap has been identified, by each type of critical/important infrastructure. This demonstrates that there is a total aggregated potential infrastructure gap of approximately **£49m.**

1.17 Work will continue with infrastructure providers on progressing with the information in the IDP in order to clarify and confirm overall costs and funding arrangements. However, it is clear that the infrastructure funding gap is substantial and that, taking account of the viability assessment undertaken by PBA, justifies the introduction of a CIL Charging Schedule on development within the district.

Projected CIL Revenue

1.18 It has been possible to indicatively calculate CIL revenue by applying the CIL rates proposed in the Draft Charging Schedule and the further work

[1] The management of the Countryside Park has been transferred over to Groundworks and is undergoing transitional arrangements. Overall final costs to develop the whole of the park are estimated to be 6.9m but for the purposes of this paper only phase one development of the activity is considered estimated to be in the cost of 4m to implement. There remains 293,000 from the initial 407,000 s106 contributions from Southern Water / Biffa.

undertaken by Peter Brett Associates to fine tune the viability assessment. This can only be an approximation as the actual CIL levied will depend on a number of factors such as the amount of existing floorspace to be offset and the size of buildings to be constructed.

1.19 Net CIL income is estimated to be in the region of approximately **£32.4m** during the plan period, which is approx. **£16.6m** short of the infrastructure funding required. This will still leave a significant funding gap and the need to raise further funds from other sources.

1.20 The infrastructure gap analysis does not directly relate to determining the rates at which CIL should be set locally. It purely provides the evidence that there is overall an infrastructure funding gap that could be filled through CIL. The rate setting of CIL is purely determined by financial viability analysis; in essence the rates at which development would remain viable and would not impact on the development.

1.21 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;
- does not conflict with the Regulation 123 pooling restriction, that limits the pooling of s106 payments to no more than five planning obligations; and
- fulfils the planning obligation tests set out in Regulation 122.

Other funding sources

1.22 This section considers some of the other funding sources that may contribute towards meeting the infrastructure funding gap. It is often the case that infrastructure is financed from a blend of several funding sources, including borrowing. Consequently, a lesson from around the country is that CIL is most often used to part fund infrastructure, leveraging in additional funding. This is particularly the case in the early years of CIL charging as there is a lag between planning permission and the receipt of CIL income.

1.23 The principal sources of funding to meet the gap remaining even after CIL receipts are secured are expected to be the main capital programmes of the relevant agencies, as noted above.

1.24 In addition, funding may draw on monies received under the New Homes Bonus (NHB). With the payment received directly from the Government, NHB does not directly impact on a developer.

1.25 Similarly, the Business Rate Retention or National Non-Domestic Rates (NNDR) allows councils to retain a proportion of the business rate growth in their area. As with NHB, this does not directly impact on a developer.

1.26 The Growing Places Infrastructure Fund (GPIF) is a revolving capital infrastructure fund managed through the SE Local Enterprise Partnership (LEP) to bring forward projects that can deliver growth, jobs and new business opportunities. The GPIF invests repayable grants in schemes that meet the specified criteria. The intention being that the funds can be recycled to drive economic growth in a sustained way over the medium / long term. Working with our strategic partners, the South East LEP has applied for additional monies to facilitate economic growth through the development of several key infrastructure projects locally especially in the area of transport.

Conclusion

1.27 The infrastructure funding gap of approximately **£49m** is considered significant enough to justify charging CIL on development within the district. With anticipated CIL revenue of approximately **£32.4m**, there will remain a shortfall in funding that will need to be found from other sources whose <u>funding has yet to be determined</u>.