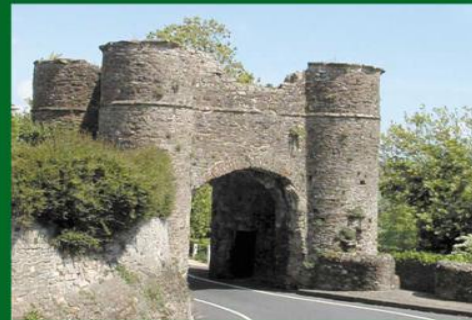


Rother District Council

Infrastructure Funding Gap Analysis



Infrastructure Funding Gap Analysis

- 1.1 Rother District Council produced an Infrastructure Delivery Plan (IDP) to support the delivery of the Core Strategy's vision in 2011 (updated in 2012 and 2014). To be able to adopt a Community Infrastructure Levy (CIL) to support infrastructure delivery, 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'.
- 1.2 CIL is not intended to replace mainstream funding for services. It is intended to reduce the gap between the cost of providing, operating and maintaining the infrastructure needed to support planned development and the amount of money available from other sources.
- 1.3 Officers will continue with informal consultation 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.
- 1.4 In establishing the funding gap, an estimate has been made of the likely contribution from existing funding streams and programmes. The evidence used in this assessment comes from many sources and includes long term strategic delivery plans, such as:
 - ESCC Local Transport Plan;
 - ESCC School Organisation Plan
 - Economic Growth Plan produced by SELEP
 - Financial forward plans of delivery agencies where possible; and,
 - Specific evidence provided by delivery agencies on spending plans.
- 1.5 The IDP sets out various types of infrastructure required to support development. This list, whilst extensive, is not exhaustive. However, the focus of identifying the funding gap is on key infrastructure required to deliver the Core Strategy spatial vision and meet the demands of a growing population, most notably in relation to:
 - Education
 - Transport infrastructure and mitigation

- Community Facilities, Open Space and Green Infrastructure

Education

- 1.6 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 consultation with ESCC, 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 Stream	Aggregate Funding Gap
Early Years & Primary	9.5m	20K (S106)	9.48m
Secondary	5m	40K (S106)	4.96m
Further Education	0.667m	-	0.667m
TOTAL	15,167,000	60,000	£15,107,000

- 1.7 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 toward education provision including its Capital Programme. This will be reviewed regularly as the County Council will bid for funding for infrastructure investment.

Transport

- 1.8 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 transport infrastructure and includes the following schemes highlighted in the IDP: the Link Road, North Bexhill Access Road, Improved linkage to the A21 from The Ridge/Queensway, improvements to non-strategic road network and the development of walking and cycling infrastructure through Rother.

Table 2: Transport

Transport			
	Estimated cost	Funding Stream	Aggregate Funding Gap
Transport Schemes	222.5M	90M	132.5m

- 1.9 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, SELEP Growth fund and Network Rail's Investment Programme. Officers

will work with the relevant agencies to apply for funding however it is acknowledged that in this difficult climate funding is scarce and competition for money is fierce. For example the County Council’s Capital Programme has only secured, committed funding for one year and the following three years indicative only.

Community Facilities, Open Space and Green Infrastructure

- 1.10 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 and Green Infrastructure			
	Estimated cost	Funding Stream	Aggregate Funding Gap
Eastern Tidal Wall Rye	11M	0	11M
Bexhill Leisure Centre	15M	800K	14.2M
Countryside Park ¹	TBC	407K	TBC
TOTAL (approx.)	26M	1.2M	25.2M

- 1.11 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. 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. Further details will be outlined in the Development and Site Allocations Plan.
- 1.12 The IDP will continue to be updated on such matters as more information and clarity become available.

Total Funding Aggregate

- 1.13 As far as it has been possible, the infrastructure funding gap has been identified, by each type of critical infrastructure. This demonstrates that there is a total potential infrastructure gap of approximately £172 million.
- 1.14 Work will continue with infrastructure providers on progressing with the information in the IDP in order to clarify and confirm overall costs and

¹ The management of the Countryside Park has been transferred over to Groundworks and is undergoing transitional arrangements. Overall final costs have yet to be confirmed future editions of the IDP will update costs attributed to the Countryside Park.

funding arrangements during the plan period. However, it is clear that the infrastructure funding gap is so 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

- 1.15 It has been possible to indicatively calculate CIL revenue by applying the CIL rates proposed in the Preliminary Draft Charging Schedule. 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.
- 1.16 Net CIL income is estimated to be in the region of £33-39m during the plan period, which is approx. £133m short of the infrastructure funding required. This will still leave a significant funding gap and the need to raise further funds from other sources.
- 1.17 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 the development.
- 1.18 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

- 1.19 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.

- 1.20 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.
- 1.21 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.
- 1.22 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.
- 1.23 The Growing Places Infrastructure Fund (GPIF) is a revolving capital infrastructure fund managed through the Local Enterprise Partnership (LEP) to bring forward projects that can deliver growth, jobs and new business opportunities. The fund 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.

Conclusion

- 1.24 The infrastructure funding gap of approximately £133m is considered significant enough to justify charging CIL on development within the district. With anticipated CIL revenue of approximately £33-39m, there will remain a significant shortfall in funding that will need to be found from other sources whose funding has yet to be determined.