



Watford Borough Council

**Infrastructure Funding Gap
Assessment**

Updated January 2014

1 Introduction

This Infrastructure Funding Gap Assessment (IFGA) report has been produced to support the Community Infrastructure Levy (CIL) Draft Charging Schedule. It sets out the council's approach to infrastructure planning in line with the CIL Regulations and relevant Government Guidance.

The IFGA uses existing evidence on the infrastructure requirements necessary to deliver the growth identified in the council's Core Strategy. It estimates the cost of infrastructure, predicts the funding sources that may be available and then demonstrates that a gap exists in the funding of the infrastructure required - and therefore the need for a CIL charge in Watford.

It is not the purpose of the IFGA to prioritise or identify infrastructure projects that will be funded, partly or wholly, by CIL in the future. As identified in the Draft Charging Schedule (DCS) the council will work with infrastructure providers and the local community to establish protocols for prioritising infrastructure projects for receipt of CIL monies, and reviewing these priorities.

2 Planning Policy Context

2.1 National Policy and Guidance

The National Planning Policy Framework (NPPF) came into effect in March 2012. The overarching emphasis of the NPPF is that Local Planning Authorities should plan to meet the identified development needs of their areas, in a way which represents an optimal level of sustainable development. The need to identify and plan for the provision of necessary infrastructure is therefore embedded in the NPPF.

The NPPF requires local plans to positively plan for the development and infrastructure required in the area, as such it expects Local Planning Authorities to:

- assess the quality and capacity of infrastructure, and its ability to meet forecast demands; and
- take account of the need for strategic infrastructure, including nationally significant infrastructure within their areas.

In order to support a CIL charge, the evidence on infrastructure planning that underpins the local plan should demonstrate a deficit in the funding of the infrastructure required to support development.

The guidance recognises that there will be a number of uncertainties, particularly in identifying funding streams beyond the short term. Therefore the focus should be on demonstrating an aggregate funding gap that supports the need to charge a CIL.

2.2 Local Planning Framework

Watford's Local Plan Part 1 – Core Strategy (adopted Jan, 2013) sets out the key elements of the council's planning vision and spatial strategy in the borough.

The Core Strategy covers the period 2006-2031 seeking to deliver a minimum of 6,500 additional homes and a minimum of 7,000 additional jobs as well as associated

services and facilities during the plan period. The majority of this additional development will occur in the Special Policy Areas (SPAs), in particular:

- SPA2 Watford Junction
- SPA3 Watford Health Campus
- SPA6 Western Gateway

The Local Plan is supported by the Infrastructure Delivery Plan (IDP), (first produced in 2010 and updated in February 2013). The IDP considers the infrastructure improvements that are needed to support the planned increase in new homes, business premises and other facilities arising from the population and job growth in the borough up to 2031. The key infrastructure requirements identified in the IDP are:

- schools;
- health care facilities;
- transportation;
- green infrastructure; and
- additional cemetery capacity.

Part 2 of the Local Plan for Watford includes development management policies – which will support the Core Strategy by setting out detailed policies that the council will use when making decisions on applications for planning permission, and site allocations providing more detail on site specific matters and allocating sites for different land uses. These documents were subject to an initial public consultation at the end of 2013. Further consultation will take place before they are adopted.

3 Existing Evidence Base

The infrastructure evidence used to support the local plan is also the most appropriate evidence to support the need for a CIL charge. This includes the IDP and the Hertfordshire Infrastructure and Investment Strategy (HIIS) (2009, refreshed Jan 2013). These documents were submitted as evidence to the examination of the Core Strategy, which was found sound and is adopted by the council.

The HIIS is a Hertfordshire wide study that was commissioned by the Hertfordshire Infrastructure and Planning Partnership (HIPP) and the Hertfordshire Local Enterprise Partnership (LEP) in response to the recent changes in relating to infrastructure planning.

4 Infrastructure Funding Gap

The 2013 HIIS review calculated that the cost of new infrastructure needed in Hertfordshire was £2.6 billion, and that a sum of £23,000 per dwelling would be required from CIL charges to address the funding of new infrastructure within Hertfordshire (once other known sources of funding had been taken into consideration).

Based on former RSS targets (East of England Plan) this equates to £110m raised in CIL per year across Herts. (This need does not take into account the historic infrastructure deficit identified in the HIIS which was estimated at £2.4bn in 2009).

In 2012, a Stage 1 viability study was undertaken along with 8 other Hertfordshire Authorities. This looked at general assumptions and provided initial estimated levels

of a viable CIL. These preliminary assumptions were developed in a Watford specific stage 2 viability study (also undertaken by consultants LSH).

The stage 2 study proposes a CIL rate of £120/m² for residential development. If an average sized property is taken as 80m², this means an average CIL charge per property of £9,600. However, no CIL is payable on affordable housing, and Watford policies require 35% affordable housing (on sites of 10 or more units) and so the figure needs to be further reduced by 35% = £6240.

Furthermore CIL is charged only on the net increase in floorspace. Percentage deductions for this will vary on a case-by-case basis, but for the purposes of an overall CIL calculation, an average 20% reduction is proposed. This would reduce the figure to around £5,000 per dwelling in Watford – considerably less than the required £23,000 per dwelling estimated by the HHS report.

4.1 Calculation of the Funding Gap

In order to consider the appropriate balance between funding infrastructure and maintaining the viability of development, the council must first identify the cost of the infrastructure it wishes to fund through CIL. This must be directly related to the infrastructure assessment that underpins the plan – the IDP. The CIL funding gap should be informed by a selection of projects which are identified as candidates to be funded by the levy.

The IFGA is based on a selection of infrastructure schemes which are indicative of those likely to be funded by CIL. In order to demonstrate a need for CIL we have had to make assumptions where an exact cost of the infrastructure required is unknown, particularly given the length of the local plan period.

To demonstrate a robust funding gap this document should:

- Directly relate to the local plan and supporting IDP
- Consist of projects that are candidates for CIL funding
- Consist of a number of different projects from a variety of categories
- Be supported by robust cost information.

It is not considered appropriate to base the infrastructure funding gap on all of the infrastructure requirements identified in the IDP. This is because some of the schemes identified in the IDP are required to correct existing shortages in provision and therefore would not be eligible for CIL money. There are also significant gaps in the information around some schemes, costs and funding sources. Therefore the funding gap assessment is based on infrastructure schemes where sufficient information is available.

Table 1 below shows the infrastructure funding gap by broad type of infrastructure. The difference between the total identified cost and the funding gap represents identified alternative sources of funding. In some cases the funding has already been secured and in other cases a reasonable alternative funding source has been identified. More detailed information of the projects included can be seen in Appendix A to this document.

Table 1 Infrastructure Funding Gap 2013-2031

Infrastructure Type	Total Identified Infrastructure Cost	Alternative Funding Identified	Funding Gap
Physical infrastructure	£181million	£142.2million	£38.8million
Green infrastructure	£8million	£0.95million	£7.05million
Social infrastructure	£56million	£15.7million	£40.3million
Total	£245million	£158.85 million	£86.15million

The purpose of the IFGA is to demonstrate the existence of a funding gap for the provision of infrastructure requirements, which justifies the council implementing a CIL.

A Regulation 123 list produced by the council (as charging authority) will identify infrastructure that will be funded in whole or in part by monies collected through CIL.

4.2 Estimated CIL receipts

Using the planned development in the Core Strategy period (2006-2031) it has been possible to estimate the CIL monies that we would receive.

CIL will only go a small way towards meeting the infrastructure funding gap of £86 million. The council will continue to work with infrastructure providers and locate alternative sources of funding to help deliver infrastructure projects.

Site	Dwellings	Market Dwellings ¹	Average Dwelling Size (sq m)	Existing Floorspace (to be deducted)	Additional Retail Floorspace (sq m)	CIL Liabile Floorspace	CIL Rate (per sq m)	Projected Income
SPA1 Town Centre	0	0	95	0%	10,000 ²	10,000	£0 residential £55 retail	£550,000
SPA2 Watford Junction	1,500	975	95	20%	0	0	£0 residential £0 retail	0
SPA3 Health Campus	500	325	95	20%	0	0	£0 residential £0 retail	0
SPA6 Western Gateway	300	195	95	0%	3,500	0	£0 residential £0 retail	0
Windfall sites	744	484	95	20%	0	36,784 residential	£120 residential £120 retail	£4,414,080
Total								£4,964,080

¹ CIL is not applied on affordable housing, Core Strategy policy HS3 requires 35% affordable housing.

² 10,000 sq m is a best case scenario for the medium to long term in the town centre.

5. Conclusion

This IFGA has established a deficit in the funding available to provide infrastructure to support development in Watford over the life of the local plan (2006-2031). Therefore, the council proposes to charge a CIL on new development. Further detail on the proposed CIL rates, as established through an assessment of economic viability, can be found in the Draft Charging Schedule.

Appendix A: Schemes included in the calculation of the Infrastructure Funding Gap

Infrastructure Project	Estimated Cost	Funding Identified ³	Net Funding Gap	Delivery Body
Physical Infrastructure				
Croxley Rail Link, extending the Metropolitan line.	£120mil	£76.2mil DfT £26mil HCC loan	£17.8mil	HCC, London Underground Ltd.
Watford Junction Major Redevelopment Project (including link road)	£20mil	£0	£20mil	WBC alongside HCC, Network Rail and a team of developers.
Intelligent Transport Systems	Each passenger information screen costs £10,000.	Costs covered by Local Sustainable Transport Fund.	£0	HCC, WBC.
Gypsy Pitches	£1mil	£0	£1mil	?
Western Gateway, Ascot Road & business park redevelopment	£1.5mil	£1.5mil Growing Places Fund bid submitted.	£0	WBC
Funding gap				£38.8mil
Green Infrastructure⁴				
Sports Hubs	?	?	?	?
Colne Valley Enhancement	£1mil	£300,000	£700,000	WBC/Herts Strategic GI Group.
Cassiobury Park Enhancement	£6.5mil	£615,000 received from HLF funding.	£5.8mil Stage 2 HLF bid to be submitted 2013.	WBC
Urban greening for Watford	£500,000	£0	£500,000	WBC/Herts Strategic GI Group.
'Green Hertfordshire' interactive map project	£50,000	£0	£50,000	Herts Strategic GI group.
Funding gap				£7.05mil
Social Infrastructure				

³ Funding in this column has been identified and is considered to be a reasonable alternative to CIL monies, with a reasonable prospect of it coming forward.

⁴ The council is currently updating the Sports Facilities Strategy, Allotment Strategy and Playing Pitches Strategy. These studies will provide more information on costs, and will be fed into the CIL evidence when available.

Health Campus site – new hospital & associated facilities.	£30mil	£6mil Growing Places Fund £9.9mil Dept of Health Grant	£14.1mil	Joint venture local asset based vehicle, key stakeholders: West Herts Hospitals Trust, Watford Football Club, WBC, HCC
GP facilities	£850,000			West Herts Hospitals Trust
Primary schools – two new 2f.e. schools	£15.28mil	£0	£15.28mil	HCC/free school/ academy programme
Secondary schools – contribution to provide secondary school beyond borough boundary.	£10mil (cost approx £20mil shared with Three Rivers)	£0	£7-£10mil	HCC/ free school/ academy programme
Police – new facilities at Watford Junction	£472,000 for 151sqm	£0	£472,000	Hertfordshire Constabulary
Cemetery provision	£100,000	£0	£100,000	WBC and faith groups
Funding gap				£40.3mil
Total funding gap identified				£86.15mil