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CIL Infrastructure Planning
and Funding Gap Report

CIL KNOWLEDGE



Purpose of the Report

This report has been prepared by the CIL Knowledge Partnership on behalf of London Borough of Tower Hamlets ('The Council') as part of the infrastructure planning evidence base in support of the Community Infrastructure Levy (CIL).

This document constitutes an update of the report prepared for publication alongside the Preliminary Draft Charging Schedule; this report incorporates the requirements imposed by the new DLCG CIL Guidance published in December 2012 and updates that the Council has made to reflect its latest infrastructure priorities.

Structure of Document

We have structured this document in the following way:

- Section 1: Our Approach to Testing the Sufficiency of the Infrastructure Evidence Base
- Section 2: Outcomes from Stage 1 Commission and Actions for Stage 2
- Section 3: Our Approach to Completing Stage 2
- Section 4: Our Findings from the Stage 2 Work
- Section 5: Summary of Sufficiency Assessment

Appendices

- Appendix A: CIL Projects Schedule
- Appendix B: Summary Tables
- Appendix C: Extract of CIL Income Projection Model

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1 Our Approach to Testing the Sufficiency of the Infrastructure Evidence Base

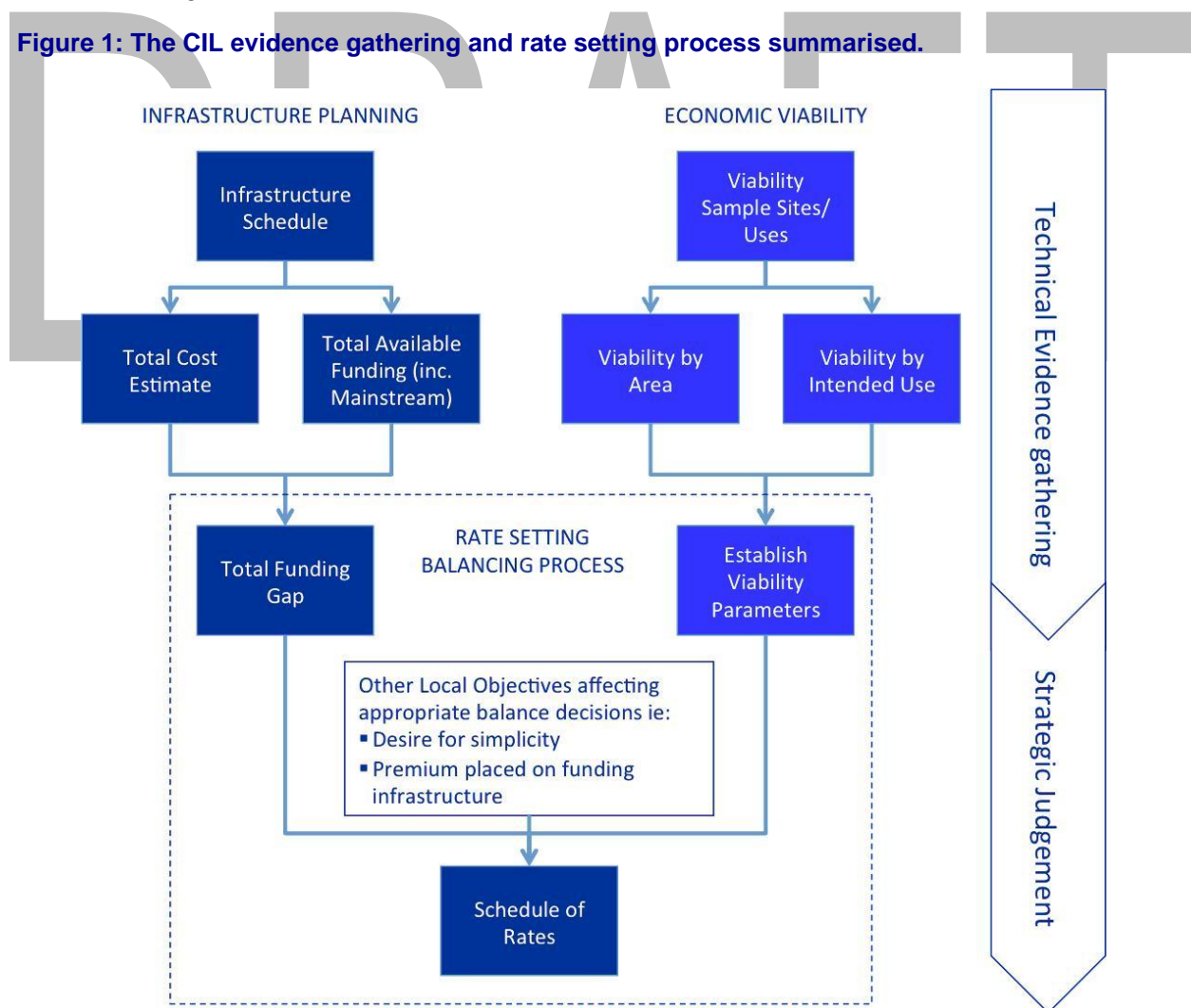
This section explains our approach to demonstrating how the Council's infrastructure evidence base meets CIL Independent Examination standards.

1.1 The Regulations

The CIL rate setting process is guided by several different regulations. Following the 2008 Planning Act, CIL came into force with the publication of the Community Infrastructure Levy Regulations 2010. The Community Infrastructure Levy (Amending) Regulations 2011, 2012 and 2013 (draft) further refined the legal framework as did the Localism Act 2011.

As well the Regulations, the Secretary of State's Community Infrastructure Levy Guidance (December 2012) also forms part of the legal framework. The guidance emphasises the importance of striking an appropriate balance when setting rates. The balance needs to specifically weigh up using CIL to fund infrastructure and ensuring that the rates do not threaten delivery of the relevant Plan as a whole. That balance can also take account of other factors as summarised in figure 1 below.

1.1.1 Figure 1: The CIL evidence gathering and rate setting process summarised.



Infrastructure is defined in the Planning Act Item 216 (and refined in the 2010 Regulations) as follows:

- a roads and other transport facilities
- b flood defences
- c schools and other educational facilities
- d medical facilities
- e sporting and recreational facilities
- f open spaces

The majority of the guidance on infrastructure planning evidence base can be found in the CIL Guidance 2012. It requires that each charging authority identifies the total cost of infrastructure informed by a selection of infrastructure projects which are identified as candidates to be funded by the levy.

In practice this means each charging authority needs to consider what infrastructure is needed in its area to support development. This is the same exercise as required to produce an Infrastructure Delivery Plan as evidence for a Core Strategy Development Plan Document or Local Plan. Consequently, there is no need to duplicate this process if an up to date IDP exists. The Charging Authority is also required to assess what other known or expected funding sources are likely to be available to establish whether there is a funding gap. The new CIL Guidance (2012) requires that this evidence is directly related to the Draft Regulation 123 list that the Authority is now required to publish for examination.

In this case the Council's infrastructure evidence base is formed of three progressive layers. Firstly the Infrastructure Delivery Plan (IDP) 2009 adopted as part of the Core Strategy in 2010. Secondly an IDP 2012 (Draft) was tested as part of the Managing Development – Development Plan Document (MD DPD) EiP on September 2012 and found sound. Thirdly the Council has updated, the IDP in 2013 to reflect the latest priorities as catered for within items 16 and 17 of the CIL Guidance published in December 2012, set out below:

16. If an authority considers that the infrastructure planning underpinning its relevant Plan is weak or does not reflect its latest priorities, it may undertake additional bespoke infrastructure planning to identify its infrastructure funding gap. This work may be limited to those projects requiring funding from the levy, rather than covering all the potential infrastructure projects for the area.

*17. Where infrastructure planning has been undertaken specifically for CIL and was not tested as part of another examination, the CIL examiner will only need to test that the evidence is **sufficient** in order to confirm the aggregate infrastructure funding gap and total target amount that the authority proposes to raise through CIL.*

The *CIL Projects Schedule*, attached at Appendix A accounts for how the infrastructure evidence has been formed, as listed above.

Our approach to testing sufficiency is set out in [Section 1.3](#).

1.2 CIL Examinations to Date

To date, there are thirteen published CIL examination reports (Shropshire, Newark and Sherwood, Redbridge, Portsmouth, London Mayor, Huntingdonshire, Croydon, Wandsworth, Wycombe, Poole, East Cambridgeshire, Mid-Devon and Barnet) and infrastructure planning has not featured strongly; generally limited to two to three paragraphs (Poole contains six paragraphs). Each of the Councils had a recently adopted Core Strategy and each of the Councils undertook additional infrastructure planning in support of CIL.

The message from the Examiners appears to be that infrastructure planning should focus on ascertaining the residual funding gap (aggregate gap minus projected CIL income). Where the projected CIL income does not exceed the projected aggregate funding gap the rates are justifiable, subject to tests on the impact of CIL rates on development viability (the matter of viability is the subject of a separate report as previously stated).

1.3 Sufficiency of the Infrastructure Evidence

Our approach to testing the sufficiency of an infrastructure planning evidence base is methodical and robust, and has been used in the PAS Front Runner Programme. It consists of four steps:

- Step 1 – Assessment of the appropriate available evidence
- Step 2 – Data import, cleansing and analysis (into our bespoke infrastructure planning model)
- Step 3 – Targeted interrogation of supporting project information
- Step 4 – Finalising the infrastructure planning evidence base.

An initial assessment using this approach was conducted for the Stage 1 commission. A further assessment was conducted prior to the publication of the Preliminary Draft Charging Schedule (see Infrastructure Planning and Funding Gap report October 2012 that accompanied the PDCS). This updated report contains a further refinement for the purposes of the Draft Charging Schedule and to bring the information up-to-date with the CIL Guidance published in December 2012.

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2 Updated CIL Infrastructure Evidence

2.1 Background Information

The findings in this section are based upon the following Council background information:

- Core Strategy Adopted Version September 2010
- Infrastructure Delivery Plan 2010 - Core Strategy Evidence Base
- Infrastructure Delivery Plan 2012 (Draft) - tested as part of the Managing Development – Development Plan Document (MD DPD) EiP September 2012
- Infrastructure Delivery Schedule 2013
- Capital Investment Programme 2011-2014
- Tower Hamlets Council's Transport Planning Strategy 2011-2031, August 2011
- Local Implementation Plan 2 – Corridors and Neighbourhoods, May 2011
- Local Investment Plan 2 – Major Schemes 2012
- School Site Allocation Evidence produced for EIP by Tower Hamlets Education Department as approved by Cabinet 5th September 2012

2.2 Update of CIL Funding Gap

During 2012 the Council updated its Population Growth and Change Model. The new projections have been compared against the projections used at the time of the Core Strategy to determine whether the projects captured within the 2011 Infrastructure Delivery Plan (IDP) update were still relevant. The outcome of that exercise was an updated IDP (Draft) that was tested at EiP on its Managing Development DPD in September 2012 and accompanied the Preliminary Draft Charging Schedule. This report is based upon a schedule of projects that constitutes bespoke infrastructure evidence that has been updated from the tested 2012 version to reflect the latest Council priorities. (A copy of the schedule can be found in [Appendix A](#)).

2.2.1 Total Cost of Infrastructure

We have completed the analysis of the bespoke infrastructure evidence and established:

- There a total of 227 projects from 18 infrastructure categories on the IDP list.
- 203 of the projects are CIL eligible and candidates for CIL funding.
- 114 of the CIL eligible projects are costed.
- The total cost of these 114 costed projects (Total Cost of Infrastructure) is circa **£439m**.
- Over one quarter of the cost (28%, £123m) is attributed to one category – Transport and Connectivity
- The other significant contributors are Education – Primary and Education – Secondary with 21% and 18% respectively.

The 2013 IDP, Summary Tables and CIL projected income estimates are contained in [Appendices A, B and C](#) respectively.

2.3 Targeted Interrogation into Projects

We have focused targeted interrogation on the infrastructure categories of transport and education as the most significant contributors, which are supported by detailed project costs and findings.

2.3.1 Transport

The transport projects within the CIL project schedule arise from the following documents:

- Transport Planning Strategy 2011-2031

- Local Implementation Plan 2 – Corridors and Neighbourhoods, Major Schemes
- Bromley-By-Bow Masterplan 2012
- Fish Island AAP 2012
- Millennium Quarter Master plan 2000
- Managing Development – Development Plan Document Post EiP version 2012

These documents are all adopted or in the case of the Transport Planning Strategy based on partnership working with delivery agents Transport for London. We believe an Examiner will be satisfied that this constitutes appropriate available evidence.

2.3.2 Education

A report that was approved by Cabinet in September 2012 outlines the projected need for primary school places in the borough and contains projection data provided by the GLA. The indicative costing of these facilities are based on previously completed schemes and advice from the relevant Council departments.

The costs included within the *CIL Projects Schedule* attached at Appendix A are also commensurate with other benchmarks we have observed within London and we believe an Examiner will be satisfied that this constitutes appropriate available evidence.

2.4 Funding from Other Sources

In order to establish a funding gap a Charging Authority is required to calculate the funding from other sources. We have extracted information from the Capital Investment Programme (CIP) 2011-2015 and the project specific funding identified within the 2013 IDP. Our findings can be articulated as follows:

- The total available known funding over the period 2012-2026 is **£245.5m**
- The majority of the funding (33%) is associated with specific projects for Building Schools for the Future.
- The remaining contributors to the funding are:
 - DfE – 23%
 - TfL – 6%
 - Supported capital borrowing – 2%
 - Capital receipts – 2%
 - Borrowing – 4%

Figure 3: Summary of funding available from other sources

Funding	Total	% of total
DfE	£57,000,000	23%
TfL	£15,750,000	6%
Supported capital borrowing	£6,000,000	2%
Major repairs allowance	£-	0%
Capital receipts	£4,500,000	2%
Borrowing	£10,000,000	4%
s106	£71,270,000	29%
BSF	£81,000,000	33%

2.5 Aggregate Funding Gap

The aggregate funding gap is the Total Cost of Infrastructure ([Section 2.2.1](#)) minus funding from other sources ([Section 2.4](#))

$$£439 - £245.5 = £193.4m$$

Consequently, the aggregate funding gap is £193.4m

2.6 Calculating the Projected CIL Income

2.6.1 Development Trajectory

We used the development trajectory contain within the Council’s Planning for Population Change and Growth Model, to build a CIL income projection model. The model applies the proposed CIL rates to the development trajectory and other variables set out below.

2.6.2 CIL Charging Rates

The following CIL rates have been used in the CIL income projection model.

Development type	Zone 1 Docklands	Zone 2 City Fringe	Zone 3 Rest of Borough
Residential	£200	£65	£35
Office	£100	£215	Nil
Convenience Retail		£195	
Other Retail	£70		Nil
Hotel		£210	
Student Housing		£425	
All other uses		Nil	

2.6.3 Model Variables

The table below sets out the assumed variables that have been applied to the development trajectory figures to generate the projected CIL income figures in [Section 2.6.4](#) below.

Variable	Value
% affordable housing	35%
Net additional floor space	70%
Average unit size	70 sq. m

2.6.4 Projected CIL Income

The projected CIL income is as follows:

Period	Total Income	Annual Income
2014/15-2016/17	£14,879,594	£4,959,865
2017/18-2021/22	£57,658,813	£14,862,319
2022/23-2026/27	£45,230,369	£9,046,074
Total	£134,421,556	

An extract from the CIL Income Projection Model can be found in **Appendix C**.

2.7 Residual Funding Gap

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.

Aggregate funding gap – Project CIL income = Residual funding gap

$$£193.4m - £134.4m = c £59m$$

The residual funding gap is **£59m** and therefore Tower Hamlets are able to charge CIL.

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3 Summary of the Sufficiency Assessment

Tower Hamlets are able to demonstrate a significant residual funding gap without including those operations or maintenance costs that would be significant. That gap has been estimated based on appropriate available evidence, which complies with the regulations and the CIL Guidance 2012. This makes for a strong infrastructure planning evidence base in accordance with the CIL Regulations and therefore we would expect the CIL Examiner to find the evidence base sufficient.

The Council is advised to proceed with the publication of its Draft Charging Schedule (DCS), within which it should make clear, the estimated aggregate infrastructure funding gap and how much of that gap it expects to fill with CIL. To ensure transparency of process, the DCS should refer to the evidence-based documents upon which it has relied upon to calculate the gap.

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Appendix A – Schedule of Infrastructure Projects

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INFRASTRUCTURE DELIVERY PLAN 2013

PROJECTS ELIGIBLE TO RECEIVE CIL FUNDING

Project Reference	Project Description (Theme)	Source Material - Need	Estimated Total Cost
Education - Primary			
New Primary Schools	Provision of 15 Forms of Entry (FE) by 2021. Includes delivery on 3 Managing Development: Development Plan Document sites	Managing Development: Development Plan Document 2012; LBTH Cabinet report 5 September 2012 – projection data provided by GLA	£90,000,000
Education - Secondary			
Secondary Education Facilities - Borough Wide	Provision of 27 FE required by 2021/2022 by 2021. Includes delivery on 3 Managing Development: Development Plan Document sites	Managing Development: Development Plan Document 2012; LBTH Cabinet report 5 September 2012 – projection data provided by GLA	£81,000,000
Youth Facilities			
Delivery of new and refurbishment of existing youth facilities	Provision of additional 17 facilities	Youth Provision Need Report 2012/13 (working document)	TBC
Community and Faith Facilities			
Delivery of new and refurbishment of community facilities	Provision of new facilities and refurbishment of existing facilities to provide higher quality community buildings	Community Buildings Risk Assessment Condition Survey	TBC
Transport and Connectivity			
Borough wide transport and connectivity works	Works to improve existing and deliver new transport and connections schemes/projects.	Managing Development: Development Plan Document 2012; Millennium Quarter Masterplan 2000; Local Implementation Plan; Asset Management Inventory	£123,228,931

Project Reference	Project Description (Theme)	Source Material - Need	Estimated Total Cost
Leisure and Culture Infrastructure			
Provision of new and refurbishment of existing leisure facilities	Refurbishment and provision of new: Idea Stores; libraries, swimming pools and sports halls	Sporting Places – A Leisure Facilities Strategy for LBTH 2009; Idea Store Strategy 2009	£25,800,000
Energy and Sustainability			
Provision of district heat/energy facilities	District heating/energy facilities to 16 sites throughout the borough, to help meet sustainability objectives	Managing Development: Development Plan Document 2012	TBC
Open Space			
Creation of new and improvements to existing open spaces	Provide new open space and ensure the uplift of existing spaces	Managing Development: Development Plan Document 2012; Green Grid Strategy 2010; Open Space Strategy 2006; Bromley by Bow Masterplan 2009; Bishopsgate Goodsynd Masterplan 2010; Wood Wharf Masterplan 2003	£16,400,000
Health			
Provision of new and improvements to existing facilities	Borough wide work to infrastructure required by health services	Managing Development: Development Plan Document 2012; Health and Wellbeing Strategy 2006 (draft 2012); NHS Programme of Estates Development	£11,200,000
Emergency Services			
Provision of new and refurbishment of existing facilities	Borough wide refurbishment and renewal to emergency services facilities including fire and police facilities.	Identified by emergency services	TBC
Economic Development			
Provision of new and improvements to existing facilities	Provision of employment and outreach sites across the borough and the delivery of a construction training centre	LBTH Employment Strategy 2011	£46,000,000

Project Reference	Project Description (Theme)	Source Material - Need	Estimated Total Cost
Markets			
Markets - Installation of electricity supplies	Electricity supplies to all Council managed markets. Funding can be dedicated to individual markets.	Street Market Strategy 2009	£1,750,000
Air Quality			
Greenhouse gas emissions monitoring stations	Provision of monitoring stations in Mile End and the Isle of Dogs	Air Quality Action Plan 2003	£100,000
Flooding			
Provision of flood mitigation measures	Flood mitigation works and installation of sustainable urban draining systems	Surface Water Management Plan 2011	TBC
Public Safety			
Provision of systems to deliver more CCTV coverage	Installation of cabling to increase CCTV coverage	Draft CCTV Strategy 2006	£1,100,000
Public Realm Works			
Borough-wide public realm works	Improvements to the public realm across the borough	Green Grid Strategy 2011	£2,500,000
Area Based Enhancements			
Improvements and enhancements to areas of specific need	Area based improvements, identified by specific Council documents	Blackwall and Poplar Connections Study 2011, Aldgate Masterplan 2007, Watney Market and Limehouse Renewal Plan Working Document 2013, Managing Development: Development Plan Document 2012	£39,816,565
Total			£438,895,496

Appendix B – Summary Tables

Infrastructure Category	Total no of projects	% of total	No of eligible projects as a min	No of costed eligible projects	Total Cost of Infrastructure	% of total
Education - Primary	8	3.52	4	4	£90,000,000	20.51
Education - Secondary	10	4.41	3	3	£81,000,000	18.46
Education - Special	1	0.44	0	0	£-	
Youth Facilities	4	1.76	2	0	£-	
Community Facilities and Faith Buildings	8	3.52	6	0	£-	
Transport and Connectivity	16	7.05	11	10	£123,228,931	28.08
Leisure and Culture Infrastructure	6	2.64	4	2	£25,800,000	5.88
Energy and Sustainability	16	7.05	16	0	£-	
Open Space	18	7.93	17	6	£16,400,000	3.74
Health	10	4.41	10	4	£11,200,000	2.55
Emergency Services	1	0.44	1	0	£-	
Economic Development	2	0.88	2	1	£46,000,000	10.48
Markets	1	0.44	1	1	£1,750,000	0.40
Air Quality	1	0.44	1	1	£100,000	0.02
Flooding	2	0.88	2	0	£-	
Public Safety	2	0.88	2	2	£1,100,000	0.25
Other Public Realm	2	0.88	2	2	£2,500,000	0.57
Area Based Enhancements	119	52.42	119	78	£39,816,565	9.07
Totals	227	100.00	203	114	£438,895,496	100.00
Number of categories	18					

Funding	Total	% of total	Comments
DfE	£57,000,000	23%	Taken from DfE Capital Allocations July 2011
TfL	£15,750,000	6%	Taken from LIPpage 2011-2031 page 67
Supported capital borrowing	£6,000,000	2%	Projected figure for the period 2014/2015-2016/2017
Major repairs allowance	£-	0%	
Capital receipts	£4,500,000	2%	Projected figure for the period 2014/2015-2016/2017
Borrowing	£10,000,000	4%	Projected figure for the period 2014/2015-2016/2017
s106	£71,270,000	29%	Calculated from annual average for period 2009/2009-2011/2012
BSF	£81,000,000	33%	Remaining allocation of BSF funding for period of 2013/2014-2016/2017

Total Cost of Infrastructure	£438,895,496		
Total Funding	£245,520,000		
Aggregate Funding Gap	£193,375,496		
Projected CIL Income	£134,421,556		Projected CIL Income for 2013/14 - 2021/22
Residual Funding Gap	£58,953,940		

Appendix C – Extract of CIL Income Projection Model

CIL CHARGING SCHEDULE

Docklands	1
City Fringe	2
Rest of Borough	3

Total CIL income (2014-2026)
£134,421,556

Development type	Area			Total (2014-2021)
	1	2	3	
Residential	£200	£65	£35	£75,276,659
Office	£100	£215		£17,459,705
Convenience Retail	£195	£195	£195	£38,885,768
Other Retail	£70	£70		£15,400
Hotel	£210	£210	£210	£2,784,023
Student Housing	£425	£425	£425	£-
All other uses	Nil			£-

PROJECTED CIL INCOME	2014-2016				
	Area			Totals	Annual Income
Development type	1	2	3		
Residential	£8,400,000	£494,325	£1,164,799	£10,059,124	£3,353,041
Office	£1,126,700	£2,105,710	£-	£3,232,410	£1,077,470
Convenience Retail	£1,081,665	£171,405	£334,990	£1,588,060	£529,353
Other Retail	£-	£-	£-	£-	£-
Hotel	£-	£-	£-	£-	£-
All other uses	£-	£-	£-	£-	£-
Totals	£10,608,365	£2,771,440	£1,499,789	£14,879,594	£4,959,865

PROJECTED CIL INCOME	2017-2021				
	Area			Totals	Annual Income
Development type	1	2	3		
Residential	£27,031,714	£4,281,364	£9,548,050	£40,861,129	£8,172,226
Office	£5,145,800	£8,653,895	£-	£13,799,695	£2,759,939
Convenience Retail	£4,107,602	£3,420,623	£9,572,351	£17,100,576	£3,420,115
Other Retail	£15,400	£-	£-	£15,400	£3,080
Hotel	£1,909,530	£418,530	£206,734	£2,534,794	£506,959
All other uses	£-	£-	£-	£-	£-
Totals	£38,210,046	£16,774,412		£57,658,813	£14,862,319

PROJECTED CIL INCOME	2022-2026				
	Area			Totals	Annual Income
Development type	1	2	3		
Residential	£11,629,143	£157,114	£12,570,150	£24,356,407	£4,871,281
Office	£427,600	£-	£-	£427,600	£85,520
Convenience Retail	£1,029,313	£-	£19,167,819	£20,197,133	£4,039,427
Other Retail	£-	£-	£-	£-	£-
Hotel	£249,229	£-	£-	£249,229	£49,846
All other uses	£-	£-	£-	£-	£-
Totals	£13,335,285	£157,114	£31,737,969	£45,230,369	£9,046,074