BARNET CIL EXAMINATION
RESPONSE TO EXAMINER'S QUESTIONS

Preliminary Matter – Infrastructure Funding Gap

A. **What is the overall amount of Infrastructure Funding required to deliver the quantum of development identified within the various adopted and emerging planning policies for the London Borough of Barnet?**

1. The Barnet Community Infrastructure Levy Rate Review Background Note submitted alongside other documents sets out at paragraph 11 the funding required to deliver the development identified in the Draft Local Plan. The cost of the infrastructure is estimated at £1,346,694,922, and is drawn from the analysis carried out to prepare the Infrastructure Delivery Plan (IDP). The IDP was prepared by the Council in consultation with stakeholders to set out the Council's understanding of what infrastructure will be required to meet the levels of growth anticipated as outlined in the Draft Local Plan over the next 15 years up until 2036. The IDP is therefore a key evidence base document used to establish the necessary physical, social and green infrastructure needed in the Borough to support sustainable development over the Local Plan period.
2. The IDP identifies the infrastructure required, and a link to existing and emerging policies is included in the table within the IDP.
3. Policy BSS01 Spatial Strategy for Barnet in the Draft Local Plan sets out what growth the Local Plan expects to deliver up to 2036.

   In order to make the Council's vision for Barnet happen, the Local Plan seeks to deliver between 2021 and 2036:

   i. A minimum of 35,460 new homes, including the provision of affordable housing to meet Policy HOU01;

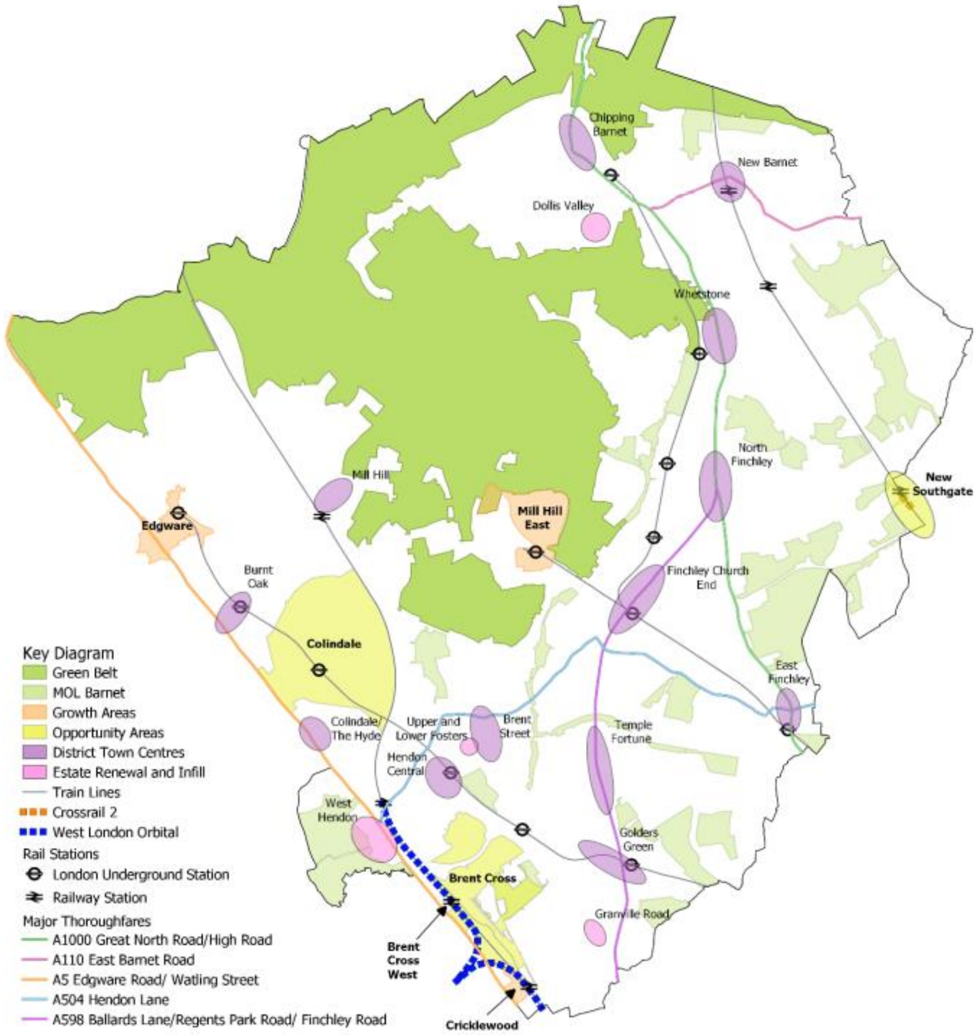
   ii. 395,000m2 of new office space at Brent Cross Town and 56,600 m2 of new retail space at Brent Cross North;

   iii. Up to 67,000 m2 of additional office space across Barnet's town centres, including the provision of affordable workspace to meet Policy ECY02;

   iv. a new Regional Park within designated Green Belt or Metropolitan Open Land as set out in Policy GSS13; and

   v. 3 new destination hubs for sport and recreation at: Barnet and King George V Playing Fields; Copthall Playing Fields and Sunny Hill Park; and West Hendon Playing Fields as set out in Policy GSS13.

4. On a conceptual level the Draft Local Plan Key Diagram illustrates the Council's overall spatial strategy. This shows the broad locations where the Council expects a concentration of development to be located.



5. Barnet's population is projected to increase by 13 per cent, growing from circa 400,000 to 452,000 people by 2036, representing the largest borough by population in London . To accommodate this growth at least 35,500 new homes will need to be built. The quantum of development is therefore significant, and requires significant infrastructure to support it.

B. What level of funding has been secured from s106 and the existing CIL regime in the London Borough of Barnet since it has been introduced?

1. Figure 1 on page 4 of the background note shows that £78.4million of Barnet CIL was received between May 2013 and March 2021. In 2021/22 (not shown on figure 1) circa £12 million has been received and a further £12 million is expected by June 2022.

2. Between May 2013 and November 2021 £75.5 million of s106 contributions have been received, as set out in table 1 below. As is evident from the table, many of the s106 contributions are for non-infrastructure items, such as affordable housing, employment and skills, monitoring and CPZ reviews. Also, some contributions were secured through s106 agreements signed before CIL came into effect and are therefore not reflective of what may be secured in future.

Table 1: s106 receipts May 2013 to November 2021

Covenant Type	Total
Affordable Housing - Financial Contribution	8,869,554.40
Affordable Housing - review mechanism Contribution	4,432,689.00
Air Quality Contribution	25,279.71
Biodiversity Contribution	363,005.12
Bus Improvement Contribution	1,500,748.89
Carbon Offset Fund	97,210.43
Carbon Offset Fund - Review Mechanism	37,110.70
CCTV Contribution	48,969.04
Colindale Station Contribution	11,918,696.70
Community Facilities Contribution	154,211.27
Education and Library Facilities	553,256.33
Education Contribution General	27,328,696.65
Employment and Skills - Review Mechanism	184,209.46
Employment and Skills Contribution	2,076,738.11
Employment and Skills monitoring contribution	287,334.73
Energy Contribution	20,747.08
Health Contribution	2,650,426.86
Highways Car Parking Contribution	250,502.63
Highways CPZ Contribution	264,264.06
Highways CPZ Review Feasibility Contribution	241,802.83
Highways CPZ Review Implementation Contribution	75,597.65

Highways Permit Exemptions Contribution	226,919.27
Highways Works Contribution	3,513,172.87
Interest	12,176.38
Libraries Contribution	571,195.73
Miscellaneous	67.86
Monitoring Contribution	812,340.02
Open Space Contribution	2,621,690.15
Public Art Contribution	43,380.97
Public Realm Contribution	2,199,021.22
Public Transport Contribution	1,274,759.07
Public Transport Contribution TFL (NEW)	61,209.90
Sports and Recreation Contribution	1,650,638.34
Town Centre Improvements Contributions	147,223.54
Travel Plan Monitoring Contribution	784,225.47
Trees Contribution	250,433.25
Youth Zone	25,459.58
Total	**75,574,965.28**

C. Can the Council provide a projection of the level of funding that will be secured from the CIL and taking this into account what would be the overall Infrastructure Funding Gap in Barnet?

1. As set out in paragraph 15 of the background note, officers working assumption is that CIL receipts are circa £10 million a year. However, receipts were £17 million in 2019/20 and nearly £11 million in 2020/21. The 2020/21 receipts were impacted by the Covid 19 pandemic therefore the previous assumption of £10 million a year could be considered conservative and a more realistic prediction would be closer to the £17million received in 2019/20 and anticipated in 21/22. In which case, an increase in the rate by 50% as proposed would increase the annual receipt to circa £25.5 million. Comparing this to the analysis set out in paragraph 16 and 17 of the background note, officer's view is that receipts from CIL would be between £25.5million and £33.9million a year when the new rate is fully embedded, i.e. 3 years after adoption of the rate (as the new rate will only apply to schemes granted planning permission after adoption and planning permissions can commence within 3 years).
2. As set out in paragraph 11 of the background note, the draft IDP estimates the funding gap to be at least £1,134,766,922. Assuming that CIL of between £382.5m and £509m is received over the plan period and is used on infrastructure projects set out in the IDP, a substantial funding gap of between £751m and £625m would still remain.

The Proposed CIL Rates

Part One

Residential including C2, C3 and C4 use classes and sui generis HMOs and other sui generis residential uses - £300sqm

a. **Is the local levy rate of £300sqm for Residential including C2, C3 and C4 use classes and sui generis HMOs and other sui generis residential uses justified by appropriate available evidence, having regard to national guidance, local economic context and infrastructure needs, including in relation to the various adopted and emerging planning policies for the London Borough of Barnet?**

1. The Economic Viability Study ('EVS') tested a range of developments ranging from 1 unit to 2,500 units. The appraisals incorporate other Local Plan policies including affordable housing, and Mayoral CIL, so that the cumulative effect is taken into account.
2. Since the Council's first Charging Schedule was adopted, sales values in Barnet have increased at a faster rate than build costs and as a consequence, developments are now able to make a higher contribution towards essential supporting infrastructure than was historically the case. In its first Charging Schedule, the Council had deliberately adopted a very cautious approach to rate setting, given that at the time, CIL was a relatively new charge and few other charges were in place.
3. It is now evident that Barnet's CIL rates for residential significantly lag behind those of its closest neighbouring boroughs, where sales values (and hence viability) are similar. For example, the current rate in Brent for residential is £299 per square metre. Brent is located immediately to the west of Barnet. The CIL rate in the west of Haringey (immediately to the east of Barnet) is currently £371 per square metre. The CIL rate in the north of Camden (immediately to Barnet's southern boundary) is £647 per square metre.
4. Given the extensive pressure on the Council to deliver essential supporting community infrastructure to support new development in the Borough, a recalibration of the rates to 'catch up' with other boroughs is essential. An increase from the current rate of £202 per square metre to £300 per square metre is fully justified by the evidence.

b. **Does the local levy rate of £300sqm ensure an adequate viability buffer (it is helpful to clarify this in percentage terms) when measured against the minimum and maximum viable CIL rates for Residential including C2, C3 and C4 use classes and sui generis HMOs and other sui generis residential uses?**

1. In most cases, increasing CIL from the current rate of £202 per square metre to £300 per square metre reduces residual land values by around 3% to 5%.
2. Even after the proposed increase from £202 to £300 per square metre, CIL charges will remain a very low proportion of overall development costs, typically around 2.5%. This is significantly lower than the standard 'yardstick' of 5% used by CIL examiners elsewhere as a broad test of reasonableness of CIL rates.
3. Minimum and maximum CIL rates will vary depending on the combination of scheme and benchmark land value and the outputs are too broad ranging to provide a simple range. However, typically, the maximum rates significantly exceed the proposed rates at up to over £5,000 per square metre.

4. The Council recognises that there will be schemes on the margins of viability at particular levels of affordable housing, especially where existing use values are high. In these situations, applicants have the option of either utilising the London Plan 'Fast Track' route to viability, or utilising the 'Viability Tested Route' under which they can submit financial viability information to demonstrate why their scheme should provide a reduced level of affordable housing. In circumstances where CIL cannot be offset through a reduction in land value, an adjustment to the affordable housing may be an option. However, it should be noted that the impact on affordable housing is marginal. To offset the increase from £202 per square metre to £300 per square metre, affordable housing would only need to reduce from 40% to 38.8%.

c. **Overall, does the rate of £300sqm for Residential including C2, C3 and C4 use classes and sui generis HMOs and other sui generis residential uses strike an appropriate balance between helping to fund new infrastructure and the potential effects on economic viability?**

1. Residential development is the main source of CIL income in Barnet. It is also the form of development that generates the greatest requirements for community infrastructure that CIL will help the Borough to address. The Council appreciates that developers prefer to externalise the issue of infrastructure funding, but this is unlikely to be sustainable in the longer term. In order to ensure continued community support for development, it is essential that development makes a more meaningful contribution towards essential supporting infrastructure. The proposed increase in CIL rates for residential development does no more than bring the rate into line with other boroughs with similar economic circumstances. After the increase from £202 to £300 per square metre, CIL will typically still only equate to circa 2.5% of development costs, which is demonstrably reasonable.

Part Two
Hotels (C1) - £202sqm

a. **Is the local levy rate of £202sqm for Hotels (C1) justified by appropriate available evidence, having regard to national guidance, local economic context and infrastructure needs, including in relation to the various adopted and emerging planning policies for Barnet?**

1. The Council is not proposing to change its rate for Hotels. The purpose of the Examination is to consider substantive revisions to the CIL charges and not changes due to indexation as provided for in the regulations.
2. Hotels are currently covered by the rate for "Residential (C1-C4, Sui Generis, HMOs)" for which a rate of £135 per square metre, or £201.29 per square metre after indexation is currently applied.
3. As an adopted rate, the Council is not proposing any change to the rate for Hotels and consequently it is not required to submit additional evidence to justify the rate in the revised Charging Schedule.
4. The CIL rate for hotels in the adopted Charging Schedule is £135 per square metre, but as a result of indexation, the current rate is £202 per square metre. Notwithstanding that the regulations do not require the Council to establish the viability of its adopted rate with indexation, the EVS tested hotels and established that maximum rates ranging from £353 to £690 per square metre could be absorbed.

b. **Does the local levy rate of £202sqm ensure an adequate viability buffer (it is helpful to clarify this in percentage terms) when measured against the minimum and maximum viable CIL rates for Hotels (C1)?**

1. Again, this is not a new rate and the Council is not required to justify the impact of indexation on an adopted rate. Nevertheless, the indexed rate equates to approximately 57% of the bottom end of the range of maximum rates in the EVS.

c. **Overall, does the rate of £202sqm for Hotels (C1) strike an appropriate balance between helping to fund new infrastructure and the potential effects on economic viability?**

1. This question was addressed in the examination on the Council's now adopted Charging Schedule. There is no change in the rate for hotels; this is the rate chargeable regardless of the outcome of the Examination. However, the indexed rate does strike an appropriate balance between the need to secure a contribution towards infrastructure and the potential effects on economic viability across the area as a whole.

Part Three
Retail (including former A1-A5 uses) - £202sqm

a. **Is the local levy rate of £202sqm for Retail (including former A1-A5 uses) justified by appropriate available evidence, having regard to national guidance, local economic context and infrastructure needs, including in relation to the various adopted and emerging planning policies for Barnet?**

1. The Council is not proposing to change its rate for former A1-A5 uses. The purpose of the Examination is to consider substantive revisions to the CIL charges and not changes due to indexation as provided for in the regulations.
2. Retail developments are currently covered by the rate for "Retail (A1-A uses class)" for which a rate of £135 per square metre, or £201.29 per square metre after indexation is currently applied.
3. As an adopted rate, the Council is not proposing any change to the rate for retail developments and consequently it is not required to submit additional evidence to justify the rate in the revised Charging Schedule.
4. The CIL rate for retail developments in the adopted Charging Schedule is £135 per square metre, but as a result of indexation, the current rate is £202 per square metre. Notwithstanding that the regulations do not require the Council to establish the viability of its adopted rate with indexation, the EVS tested retail developments and established that maximum rates ranging from £292 to £1,588 per square metre could be absorbed.

b. **Does the local levy rate of £202sqm ensure an adequate viability buffer (it is helpful to clarify this in percentage terms) when measured against the minimum and maximum viable CIL rates for Retail (including former A1-A5 uses)?**

1. Again, this is not a new rate and the Council is not required to justify the impact of indexation on an adopted rate. Nevertheless, the indexed rate equates to approximately 70% of the bottom end of the range of maximum rates in the EVS. However, the buffer is typically more generous than this would suggest. For example, the indexed rate equates to only 13% of the top end of the range of maximum potential rates.

c. **Overall, does the rate of £202sqm for Retail (including former A1-A5 uses) strike an appropriate balance between helping to fund new infrastructure and the potential effects on economic viability?**

1. This question was addressed in the examination on the Council's now adopted Charging Schedule. There is no change in the rate for retail developments; this is the rate chargeable regardless of the outcome of the Examination. However, the indexed rate does strike an appropriate balance between the need to secure a contribution towards infrastructure and the potential effects on economic viability across the area as a whole.

Part Four
Leisure (including former D2 uses and sui generis leisure uses) - £20sqm

a. Is the local levy rate of £20sqm for Leisure (including former D2 uses and sui generis leisure uses) justified by appropriate available evidence, having regard to national guidance, local economic context and infrastructure needs, including in relation to the various adopted and emerging planning policies for Barnet?

b. Does the local levy rate of £20sqm ensure an adequate viability buffer (it is helpful to clarify this in percentage terms) when measured against the minimum and maximum viable CIL rates for Leisure (including former D2 uses and sui generis leisure uses)?

c. Overall, does the rate of £20sqm for Leisure (including former D2 uses and sui generis leisure uses) strike an appropriate balance between helping to fund new infrastructure and the potential effects on economic viability?

1. Please see response to Part five.

Part Five
Employment (including former B use classes and/or B2 and B8 uses) - £20sqm

a. Is the local levy rate of £20sqm for Employment (including former B use classes and/or B2 and B8 uses) justified by appropriate available evidence, having regard to national guidance, local economic context and infrastructure needs, including in relation to the various adopted and emerging planning policies for Barnet?

b. Does the local levy rate of £20sqm ensure an adequate viability buffer (it is helpful to clarify this in percentage terms) when measured against the minimum and maximum viable CIL rates for Employment (including former B use classes and/or B2 and B8 uses)?

c. Overall, does the rate of £20sqm for Employment (including former B use classes and/or B2 and B8 uses) strike an appropriate balance between helping to fund new infrastructure and the potential effects on economic viability?

1. The Council deals with parts Four and Five together, as the response is the same for all. The £20 per square metre CIL rate proposed for leisure and employment uses is demonstrably a nominal rate. Similar nominal rates have been adopted by other London boroughs and by authorities elsewhere.
2. A CIL rate of £20 per square metre equates to 0.5% to 0.8% of development costs and is clearly not a significant factor in driving the viability or leisure and employment uses. Furthermore, the £20 per square metre charge equates to just one third of the CIL rate applied by the Mayor of London, for which no specific evidence was provided, other than its broad (limited) impact on viability.
3. In his report on Bexley's CIL, which incorporated a nominal rate of £10 per square metre in 2015, the Examiner noted that the proposed nominal rate would represent less than 1% of overall scheme costs. He accepted that the overall impact of the nominal rate on the general viability of schemes would be "in effect, neutral". He concluded that the proposed rates would make a modest but important contribution to infrastructure provision in the Borough.

Part Six
All other uses - £0sqm

a. Is the local levy rate of £0sqm for All other uses justified by appropriate available evidence, having regard to national guidance, local economic context and infrastructure needs, including in relation to the various adopted and emerging planning policies for Barnet?

b. Overall, does the local levy rate of £0sqm for All other uses strike an appropriate balance between helping to fund new infrastructure and the potential effects on economic viability (viability buffer)?

1. The rate for all other uses reflects the existing rate, which the Council is not intending to change. With the introduction of a nominal rate for leisure and employment uses, the 'all other uses' rate will apply to publicly funded infrastructure, such as education, as well as blue light emergency facilities and other developments that require public or charitable subsidy (e.g. community facilities). The Council intends to continue the approach in its adopted Charging Schedule that such uses should not attract a CIL charge.
2. If a CIL were to be charged on such uses, they would require additional subsidy to be delivered, which in many cases would need to be funded from CIL. This would be an unnecessary additional administrative burden to capture a tiny number of developments within these types of development that might come forward without public subsidy.