Barnet Community Infrastructure Levy Rate Review Background Note

This note sets out some background information on CIL in Barnet and the approach to the review of the CIL rate and modified draft charging schedule as submitted to the Planning Inspectorate for examination in August 2021. It is intended that this note assists the examiner in understanding Barnet's approach, and is read alongside the documents submitted for examination in accordance with the Service Level Agreement signed between the Planning Inspectorate and London Borough of Barnet.

LB Barnet was one of the first London authorities to adopt and implement CIL in May 2013. The rate was set at £135 per square metre for residential and retail uses. When the rates were set in 2013, from the analysis undertaken for their report, BNP Paribas arrived at levels of CIL that could be justified for housing ranging from £210 to £350 depending on location in the Borough. The final level set was below the bottom of that range, in order to focus on the short-term objective of promoting growth through a difficult economic climate. At the time it was anticipated that the rate would be reviewed after 3 years. As a result of indexation, the CIL rates are now circa 50% higher than they were adopted. The £135 per square metre CIL rate is now £202 per square metre. The Mayoral CIL also increased from £35 per square metre to £60 per square metre on 1 April 2019.

The Council undertook a CIL viability study in Autumn 2019. This reported in late 2019. The study recommended an increase in the rate of CIL charged and it was intended to seek committee authority to consult on a Draft Charging Schedule in Spring 2020. However, the Covid 19 pandemic meant that reporting the charging schedule to committee was delayed, as there wasn't enough evidence available to confirm property values and viability because of the property market shutdown associated with the first lockdown.

By Autumn 2020 the property market had reopened and the Council commissioned BNP to carry out an update to their viability study. The updated report proposed the same rates as in 2019, apart from keeping the rate for hotels and retail at current rates rather than increasing in line with the residential rate.

The policy and resources committee agreed to consult on a Draft Charging Schedule at their meeting in February 2021. Consultation was carried out in accordance with the regulations. Responses to the consultation were reported back to the committee in May 2021 and the committee authorised officers to submit the Modified Draft Charging Schedule for examination.

Proposed rates

The rates proposed in the Modified Draft Charging Schedule are set out below. In effect, the rates for Hotels (C1) and Retail are remaining as currently set in the adopted charging schedule.

Table 1: CIL Rates

Development	Proposed Amount
Residential including C2, C3 and C4 use classes and sui generis HMOs and other sui generis residential uses	£300
Hotels (C1)	£202
Retail (including former A1-A5 uses)	£202
Leisure (including former D2 uses and sui generis leisure uses)	£20
Employment (including former B use classes and / or B2 and B8 uses)	£20
All other uses	£0

NB in accordance with government guidance, the rates have been set on the basis of the intended use of development. The definition of "use" for this purpose is not tied to the classes of development in the Town and Country Planning Act (Use Classes) Order 1987 (as amended) although reference has been made in the table above to use classes in that Order in order to provide a useful reference point. Therefore, in the table above, the reference made to the use classes are not limited to those use classes.

The viability evidence showed that the Council could set differential rates for residential, with the majority of the borough in a zone A area with a charge of £300 a square metre and Zone B area covering Golders Green and Hampstead with a charge of £350 a square metre. The Council has approved the application of a flat rate of £300 a square metre was applied as this would be simpler to administer. It should be noted that having differential rates would not necessarily result in substantially higher receipts because many developments in Golders Green and Hampstead are likely to benefit from self build relief and therefore not liable to pay CIL.

Since the introduction of CIL, the borough has not seen a demonstrable adverse impact on the supply of housing land, housing delivery or upon the viability of developments coming forward across the borough. Since the evidence base for the adopted CIL was prepared, there have been increases to sales values and build costs. Viability testing of alternative CIL rates indicates that relatively significant

changes could be accommodated without adversely impacting on viability to a sufficient degree to impact on land supply.

Barnet is projected to grow significantly over the next 15 years and this has consequential impact on the level of infrastructure required to support our residents. It is important that, and the regulatory regime allows for development to address its infrastructure needs through the s106 and CIL regimes. An increase to the CIL rate for residential would bring Barnet's rate in line with other adjacent boroughs, for example Brent's adopted rate for residential of £200 with indexation is now circa £300 a square m which, is the headline rate recommended to be adopted in Barnet by the Council's viability consultants.

Infrastructure needs, the CIL charging schedule and the emerging local plan

An Infrastructure Delivery Plan (IDP) has been prepared and is submitted as evidence to support the Modified Draft Charging Schedule and support the ongoing review of the Barnet Local Plan. The draft IDP identifies the infrastructure needed to meet the growth arising from development over the 15 year life of the new Local Plan, as well as existing need. The draft IDP also considers whether other sources of funding are available to deliver that infrastructure and establishes the significant funding gap which in turn justifies the proposed new CIL rates. The draft IDP estimates the funding gap to be at least £1,134,766,922 or 84 per cent of the estimated cost of infrastructure for the period 2020/21 to 2035/36 which totals £1,346,694,922.

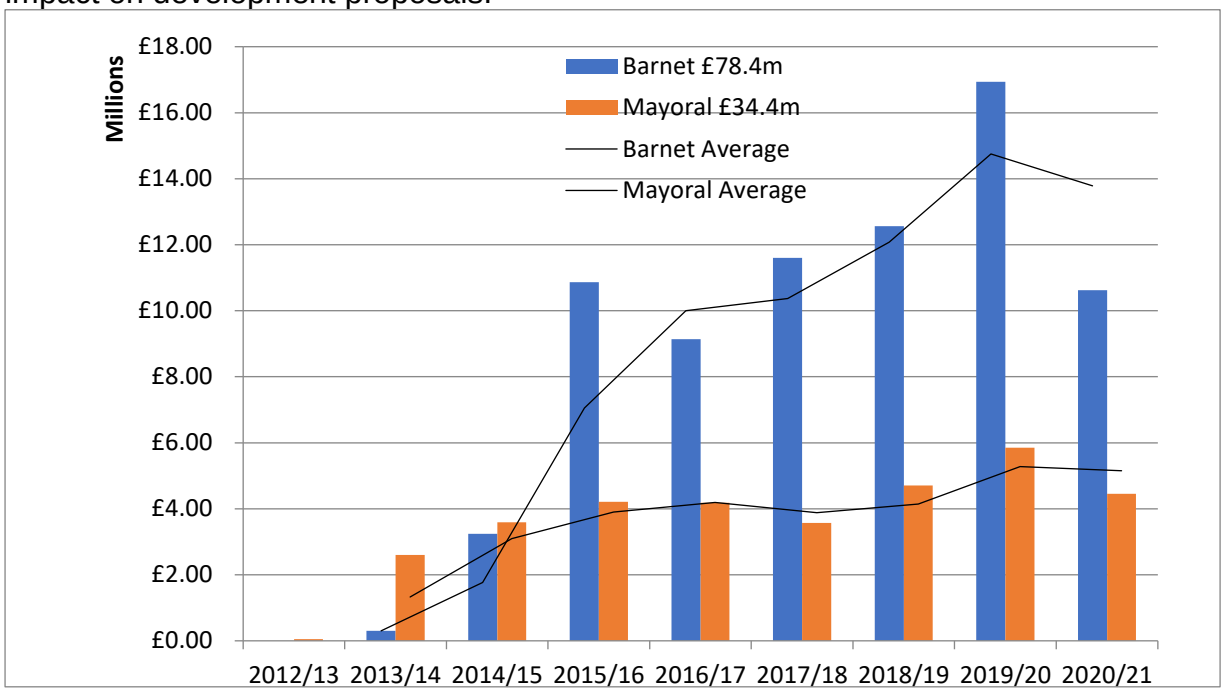
The IDP is a living document which will be updated over time as infrastructure is funded or new infrastructure projects are identified and project costs confirmed. Therefore, the draft IDP may be updated again prior to submission of the Local Plan.

Officers have discussed the timing of the Charging Schedule and the Local Plan with the planning inspectorate and concluded that it is appropriate to submit the Charging Schedule for examination in advance of the Local Plan so that the new CIL rate can come into effect sooner. In turn, this will help delivery of the policies in the new Local

Plan by increasing the funding available towards critical infrastructure from CIL to support current and future growth.

Anticipated receipts

Any new rate will take some time to introduce and flow through into receipts or impact on development proposals.



The graph above shows the Barnet and Mayoral CIL received per financial year since 2012/13. Officer's working assumption is that CIL income per annum, at current rates, is around £10 million a year. If the rate increases from £200 to £300 a metre, it is reasonable to increase this assumption from £10 million to £15 million. Over time, it is likely that income would increase by more than that conservative assumption.

An analysis of the planned growth in the local plan indicates that circa £509 million of CIL could become liable if all sites for 46,000 homes in the plan come forward and were charged CIL at the new rate. This allows for each new unit to be 82 square metres, provide 35% affordable housing and a 20% deduction for existing in use floorspace being demolished being offset from the calculation. [1]

If development came forward at a uniform rate, this would amount to £33.9 million a year in CIL income. However, this analysis assumes that none of the development set out in the Local Plan already has planning permission. Actual CIL receipts are therefore likely to be lower than £33.9 million a year, as they will pay CIL at the lower rate that applies at present, or may not be paying CIL as development is still being

[1] Homes set out in plan (46,000) x 82 m2 x £300 deduct 35% affordable housing and 20% deduction for in use floorspace (55% deduction overall) 46,000 x 82 x 300 x 0.45 = £509 million

build out under large phased schemes such as at Brent Cross south which was granted permission prior to CIL, but is included in the projections in the Local Plan.

Nevertheless, it is clear that CIL already is and will continue to be an important source of infrastructure funding going forward. The Council's Infrastructure Funding Statement was published in December 2020 and included the Infrastructure List required by regulation 121A(a) of the CIL regulations to set out the infrastructure projects that would be or may be funded by CIL, as set out below.

It is anticipated* that CIL in 2020/21 will be used to fund:

- Sports and physical activities
- Strategic open space projects (i.e. those which cannot be mitigated by s106 from adjacent developments)
- Community equipment and assistive technology
- Early years child place sufficiency
- Highways Asset Management Network Recovery Plan
- Colindale Parks and Open Spaces
- Colindale Highways and Transport
- Town Centre Improvements

*See also the Council's Financial Forward Plan for additional information on anticipated expenditure.

Expenditure of CIL and the funding breakdown for each project is agreed as part of the Council's end of year capital financing process. In addition, the Council's Policy and Resources committee agreed at their July 2021 meeting to provisionally allocate CIL to a number of projects on the Council's capital programme. These allocations will be incorporated into the next Infrastructure Funding Statement which will be published at the end of 2021.

It is considered that the proposed rates set out in the Modified Draft Charging Schedule strike an appropriate balance between the desirability of funding from CIL the infrastructure required to support development in the Barnet area and the potential effects (taken as a whole) of the imposition of CIL on the economic viability of development across its area.