London Borough of Barnet Consultation on the Community Infrastructure Levy Rate Consultation March 2021

Representations by Community Health Partnerships ("CHP")

Site: Finchley Memorial Hospital

These representations have been prepared by Montagu Evans LLP on behalf of Community Health Partnerships in relation to the London Borough of Barnet's consultation on the proposed Community Infrastructure Level Rate increase.

Background

Community Health Partnerships (CHP) is wholly owned by the Secretary of State for Health and Social Care and a key member of the NHS Family.

Incorporated in 2001, CHP set out to improve community-based health and social care services, by working to improve the NHS estate through Public Private Partnerships established by the NHS LIFT programme.

In 2013, CHP were given the major challenge of taking on the role of Head Tenant from the former Primary Care Trusts (PCT) and building on the capability needed to manage this unique portfolio of over 300 properties from scratch. CHP's properties comprise 5% of the NHS property portfolio.

CHP exists to provide high quality health and social care facilities which meet identified local need. CHP works with a range of partners to provide innovative and sustainable spaces for the benefit of patients, service users, and those who care for them. CHP maximises the benefits of its existing assets and respond to needs for new developments to support additional clinical activity. In addition CHP has taken the opportunity at Finchley Memorial Hospital site to release surplus land to help with the delivery of Affordable Key Worker Housing for NHS staff in North Central London in the London Borough of Barnet. This initiative is linked to a London wide initiative to address the challenges of recruitment and retention within our London hospitals. Affordable housing is a key factor effecting retention in particular with staff having to leave London as they cannot find affordable homes.

Comments on the Draft Revised CIL Charging Schedule

The CIL Regulations 2010 (regulation 14) require that in setting rates the council must strike an 'appropriate balance' between:

- the desirability of funding from CIL (in whole or in part) and the actual and expected estimated total cost of infrastructure required to support the development of its area, taking into account other actual and expected sources of funding; and
- the potential effects (taken as a whole) of the imposition of CIL on the economic viability of development across its area.

The London Borough of Barnet is proposing to increase their CIL rate to £300 per square metre chargeable to residential development across the Borough. This is an increase of £98 per square metre or 48% increase, based on the current indexed sum of £202 per square metre.

This is a considerable jump to take into account and whilst the viability assessment that has accompanied this consultation discusses increases in residential values in the Borough, there is little recognition of the increase in build costs over the same period. Build cost increases are linked to not only market forces and the availability of labour that was previously reliant on EU workers but also the increase in house prices equally lead purchasers wanting value for money which often leads to a developer having to provide an enhanced specification for the properties they sell to secure their asking prices. Enhanced specification means increased build cost therefore limiting the uplift in value generated by house price inflation.

Furthermore, BNP Paribas Real Estate has relied on a third party's view on the outlook of the housing market and stated in their December 2019 report that the trajectory of house prices is uncertain. We agree with this statement but we do not see that this has necessarily been analysed as part of the overall assessment of increasing the CIL rate to £300 per square metre. BNP Paribas Real Estate goes on to state that based on a third party's market view, house prices are expected to increase over the next 5 years.

We would have concerns around the assumption especially when the current economic impact of COVID 19 continues to be unknown. The increase in unemployment is well documented and a direct result of the pandemic. There is also a direct correlation between increases in unemployment and a decrease in market sentiment in the housing market. Put simply the purchase of a new home is generally the most expensive purchase an individual will make and with uncertainty linked to one's employment prospects an individual facing uncertainty will therefore postpone decisions to purchase a property.

The current drop in employment is estimated to be circa 6.0%. We acknowledge that the extension of the furlough scheme is a means of defending against a further increase in unemployment, however analysis is indicating that results from the end of the furlough scheme could lead to further unemployment and consequential mortgage arrears linked to potential future job losses.

There is therefore a strong expectation that house prices will 'cool' in the short term, not increase as proposed by the evidence submitted. This goes to the heart of the financial viability of bringing forward new build housing schemes. In addition to the macro economic impact, plus the 48% increase in CIL in Barnet, we believe that these two elements will combine and inevitably result in the reduction of affordable housing that could be delivered in the Borough. Affordable housing which could help house NHS Key Workers.

We would also like to highlight that the proposed increase in Barnet CIL rate will need to be paid in tandem with MCIL2. Whilst it is stated in the viability evidence has taken into account MCIL2, the reality is that landowners and developers are being asked to absorb two separate rates, both of which have increased. The CIL impact as stated in the evidence is therefore greater as it only focusses on the proposed increase in the Borough CIL rate.

The current proposal is to apply a single rate across the whole Borough. Whilst this may be the simplest approach, we would like to see the Council consider setting a variable rate to account for the varying viability of residential development across the Borough. The key driver for development is local values. If evidence shows that an area includes a zone which could be a strategic site which has a low, very low or zero viability, the charging authority should consider setting a lower or zero levy rate in that area. BNP Paribas Real Estate's evidence acknowledges that residential sales rates are variable across the borough. Coupled with build costs which are not as variable to house prices, there is an impact and the LB Barnet should consider zones across the borough.

In conclusion, whilst CHP supports the review of the CIL charging rates, CHP believes that the proposed increase will be detrimental to the financial viability of housing sites coming forward which in turn will result in the decrease in affordable housing proposed to accommodate NHS Key Workers. The reason for this conclusion is based on the current uncertainty and vagaries of the housing market linked to the economic shock of COVID 19.

CHP is therefore of the view that the proposed CIL rate for housing development could be tempered and updated in accordance with the indexed sum of £202 per square metre and therefore not increased to £300 per square metre.

Montagu Evans LLP

19 March 2021