London Borough of Barking and Dagenham

Examination of Community Infrastructure Levy
Draft Charging Schedule

Tuesday 15 April 2014

Response to Examiner’s Issues and Questions

Issue 2: Whether a funding gap, which the CIL might help to fill, has been demonstrated taking account of the Borough’s infrastructure needs and the likely availability of funding from other sources.

Questions:

1. The Borough’s Community Infrastructure Plan 2012-2025 [EV5] states that its purpose is to establish the community infrastructure requirements to support the growth planned in Barking and Dagenham. Is EV5 sufficiently reflective of the “relevant Plan” for the area, having regard for paragraph 2.2.1 of the DCLG Guidance 2014\(^1\)

1.1 Paragraph 2.2.1 of the DCLG Community Infrastructure Levy Guidance clarifies that the ‘relevant plan’ is the London Plan and the Local Plan. The Community Infrastructure Plan (CIP) 2012-2025 (EV5) was written after the Core Strategy was adopted in July 2010. The infrastructure included in the CIP is required for the growth outlined in the Local Plan and many of the key infrastructure items such as transport projects and schools are taken straight from it. However the CIP uses the later London Plan (2011) annual target of 1,065 homes in identifying the infrastructure necessary to support this growth. The Draft Further alterations to the London Plan (January 2014), which is currently being consulted on, increases the annual housing target to 1,236. This is beyond the original Core Strategy target of 1190 new homes per year and therefore will increase the cost of the infrastructure necessary to support growth.

2. Does the table at 8.6 of the Draft Charging Schedule [EV3] fairly reflect the likely costs of providing the community infrastructure which will be required to implement the relevant Plan? What adjustments are needed to reflect Transport for London’s comments on extensions to Docklands Light Rail and the Renwick Road junction improvements?

2.1 The table at 8.6 of the Draft Charging Schedule (EV3) reflected the costs of providing the community infrastructure required to implement the relevant Plan at the time it was written. There have, however, been some changes since then. In the Budget on 19 March 2014 the Government announced that it would

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\(^1\) The Council’s Preliminary Draft Charging Schedule [EV2] sets out, in section 6, the Local Development Framework (Local Plan) documents which, make up the relevant Plan for the Borough.
work with the London Mayor to extend the Gospel Oak to Barking Line to Barking Riverside, unlocking the potential to build 11,000 new homes. The Gospel Oak Line Extension (£125m) is a cheaper alternative to the previously proposed DLR extension (£500M). There has not been any announcement yet in relation to any funding commitments and it should be noted that Table 6.1 in the Further Alterations to the London Plan refer to the potential for the extension of the DLR east of Gallions Reach as well as the London Overground extension from Barking to Barking Riverside.

2.2 In addition, Transport for London (TfL) have indicated that a cheaper (£25m) solution to the Renwick Road/A13 junction improvement is likely to take place in the shorter term which would support the build out of 6 to 7,000 new homes on Barking Riverside. However, plans have not yet been drawn up for this. However, the full separated grade junction improvement, costed at £70m would still be required for the full build out of Barking Riverside.

2.3 The CIP (EV6) was written before data from the 2011 census was published. The Census data which is now available has revealed significant differences. The CIP (EV6) estimates that there where 184,186 people living in the Borough in 2011 and forecasts an additional 36,082 people generated from the 14,910 (14 x 1065) homes by 2025. However, population projections in the CIP are based on 2.42 people per household which was the figure taken from the 2001 census. The 2011 census indicates the number of people per household in the borough has increased to 2.65. Based on 14,910 new homes, the population projection for new homes built has increased to 39,512, rather than 36,082, which will increase the demand on infrastructure and therefore the funding required to provide it. Moreover the Further Alterations to the London Plan propose a net housing supply target of 1236 new homes a year from 2015-2025. This represents an additional 171 new homes each year from 2015-2025 which when the household size of 2.65 is applied results in an additional 4531.5 persons giving a grand total population from 2011-2025 of 44044, an increase of 22% on the original forecast in the CIP(EV6).

2.4 Taking into account the alterations to the cost of the DLR extension and the Renwick Road Junction improvements do not alter the fact that the funding gap is considerably greater (greater than £500m) than the receipts that can be generated by CIL on the basis of the rates set out in the borough’s Draft Charging Schedule (EV3).

3. How much funding is known to be available or can be expected to come forward from other sources to help meet requirements and fill the funding gap? ie. can more detail be provided to indicate how the costs in the table at 8.6 of EV3 might be met if not from CIL?

3.1 The costs in table 8.6 of EV3 represent the funding gap once all other known sources of funding have been taken into account. For example Table 14 of the CIP (EV5) shows that the £147 million shortfall for education takes into account £63,000,000 from New Homes Bonus from 2011-2025. However it has recently been announced that 30 % of this will be top sliced to the Local Enterprise Partnership therefore increasing the shortfall for Education by a further £18.9m.
It is also important to stress table 8.6 of EV3 shows the infrastructure costs to support growth in population from new house building. However data from the ONS forecasts there will be an additional 1471 new households per year from 2011 – 2021. Therefore Central Government Basic Need grant is not only necessary to meet the demands from new development but must also be directed to meeting pressures caused by indigenous growth and to improving and modernising the Council’s existing schools estate. Given the constraints on public finances it is important that developers contribute towards the cost of meeting demand from their development.

3.2 Table 15 of the CIP (EV5) lists the transport projects in the borough and which are funded and which require additional support. Treasury funding is being sought by the Mayor of London for the London Overground extension to Barking Riverside but at this moment this remains an unfunded scheme and for this reason the London Plan also retains reference to DLR extension east of Gallions Reach which is similarly unfunded. As previously explained the Renwick Road Junction Improvements are also unfunded whether the revised £30m scheme or the full blown £70m scheme. Transport for London may fund this through their business plan but currently this is not clear.

4. How much funding can be expected from CIL (approximately and I note that the GVA Economic Viability Report anticipates a review of the CIL schedule in 2016/7)?

4.1 The Council’s housing trajectory shows anticipated housing supply for the next 15 years. Overall 16090 new homes are planned in this period equivalent to 1072 new homes per year. Of these 7073 do not currently have planning permission. 1604 of these are in LBBD Residential Charging Zone 1 and 6369 in LBBD Residential Charging Zone 3. 40% of these are likely to be affordable (this is the London Plan target) and therefore qualify for CIL relief. Appendix 2 of the CIP (EV5) estimates that the average floorspace of new homes is 75 square metres. Applying this unit size, exempting the affordable units and applying the respective CIL charges gives a total of £5,050,000 in CIL receipts for Barking Town Centre over the next fifteen years and £2,866,050 for rest of the borough.

4.2 GLA data presented in Table 7 of the Mayors Preliminary Draft Charging Schedule establishes, on past trends, that private residential development equates to approximately 55% of all development. Therefore non-residential development would equal 260,415 square metres over the next fifteen years. Most of this is likely to be taken up by warehousing development which will attract a fee of £5 per square metre generating funding of £1,302,075.

4.3 The Council’s emerging Economic Development Study forecasts that if the current application for Sainsbury’s Supermarket on the Abbey Retail Park is approved across the borough there will only be a need for 1916 square metres

\[ \frac{7073 \times 0.6 \times 75}{55} \times 45 = 260,415 \text{ square metres} \]
of convenience floorspace to 2032 which would generate a CIL receipt of £335,300 if this was accommodated in new build.

4.4 Therefore in total CIL receipts for next fifteen years would be:

- £5,050,000 Barking Town Centre residential
- £2,866,050 Rest of borough residential
- £1,302,075 Non-residential
- £335,300 Convenience
- Total £9,553,425 or £636,895/year

4.5 In addition it is necessary to calculate Mayoral CIL. 7073 new homes currently without planning permission are forecast to be built over next 15 years. If 40% of these are affordable this leaves 4244 liable for CIL. If each new home is 75 square metres this is equivalent in total to 318,285 square metres. Using the same 45:55 non-residential to residential floorspace ratio this gives 260,415 square metres of non-residential floorspace. Therefore in total 578,700 square metres of floorspace are anticipated over the next 15 years which will generate a Mayoral CIL of £11,574,000 or £771,600 a year. Therefore the combined CIL generated by the Council and Mayoral CIL is forecast to be £1,408,495 a year (£636,895 + £771,600). The S106 analysis provided in EV15 shows that in the six years from 2008/09 to 2013/14 a total of £8,285,000 of S106 was received or £1,380,000 per year. Therefore CIL is calculated to generate 2% more funding than S106. This analysis also demonstrates that the Mayoral CIL will generate more funding than the Council’s CIL which is probably unique in London and evidences the modesty of the Council’s rates.

5. Is there any substantive evidence that a sizeable funding gap does not exist, or that CIL will not be needed to help fill it?

5.1 As evidenced in the responses to questions 2 and 3 there remains a sizeable funding gap.