

Decision Maker: **DEVELOPMENT CONTROL COMMITTEE
EXECUTIVE**

Date: **Thursday 25th January 2018**

Decision Type: Non-Urgent Executive Non-Key

Title: **MAYORAL COMMUNITY INFRASTRUCTURE LEVY 2 (MCIL2)
DRAFT CHARGING SCHEDULE CONSULTATION.**

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Chief Officer: Chief Planner

Ward: N/A

1. Reason for report

The Mayoral Community Infrastructure Levy (MCIL2) Draft Charging Schedule (DSC) public consultation towards Crossrail runs 18th Dec - 4th Feb 2018. This report alerts Members to the publication of the document whilst containing background detail, with points and concerns from the LB Bromley perspective enabling a formal response suggested at Appendix 1.

It is suggested that the Council objects to the proposed Charging Schedule due to:

- The adverse impact on provision of local infrastructure such as education, health;
- The limited benefit to Bromley residents of Crossrail 2,
- The impact on other transport projects.

2. **RECOMMENDATIONS**

That Development Control

Endorses the approach to object and the suggested response at Appendix 1 for submission by 4th February.

That Executive

Authorises and ratifies the response suggested at Appendix 1.

Impact on Vulnerable Adults and Children

1. Summary of Impact:
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Corporate Policy

1. Policy Status: Mayoral Community Infrastructure Levy (MCIL)
 2. BBB Priority: Not Applicable:
-

Financial

1. Cost of proposal: N/A
 2. Ongoing costs: Potential additional income of between £40k - £50k (4% of the increased rate) to meet costs of the administration of the MCIL
 3. Budget head/performance centre: Community Infrastructure Levy
 4. Total current budget for this head: Net nil
 5. Source of funding: 4% of MCIL collected
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Personnel

1. Number of staff (current and additional): 1
 2. If from existing staff resources, number of staff hours:
-

Legal

1. Legal Requirement: Community Infrastructure Levy Regulation 2010 as
 2. Call-in: Not Applicable:
-

Procurement

1. Summary of Procurement Implications: None
-

Customer Impact

1. Estimated number of users/beneficiaries (current and projected): Not Applicable
-

Ward Councillor Views

1. Have Ward Councillors been asked for comments? Not Applicable
2. Summary of Ward Councillors comments: N/A

3. COMMENTARY

Background

- 3.1 The Mayoral Community Infrastructure Levy (MCIL2) Draft Charging Schedule (DSC) public consultation towards Crossrail runs 18th Dec - 4th Feb 2018. This report alerts Members to the publication of the document whilst containing background detail, with points and concerns from the LB Bromley perspective that will enable a formal response.
- 3.2 The Mayor is a charging authority for the purposes of Part 11 of the Planning Act 2008, and the Community Infrastructure Levy (CIL) Regulations 2010 (as amended). These powers enable the Mayor to set a CIL charge which is paid by most new development in Greater London.
- 3.3 The Mayor brought in his first CIL (MCIL1) in April 2012) in order to contribute to Crossrail's £600m developer contributions funding target. MCIL 1 applies across all of London and to most land uses, with the exception of education, health, and certain uses exempted by statute, such as affordable housing.
- 3.4 MCIL 1 compliments the specific Crossrail s106 contributions scheme, collected only on office, retail and hotel developments in Central London and the Isle of Dogs. All proceeds from MCIL1 are used for Crossrail funding and it is expected that the Crossrail target will be reached by March 2019.
- 3.15 In 2011, LB Bromley strongly objected to the first proposed Crossrail charge in conjunction with the south London boroughs of Croydon, Kingston, Merton, Richmond, Sutton and Wandsworth. In response to the MCIL1 2011 consultation, the South London Boroughs main objections to the Mayoral CIL were:-
- *the methodology used in devising the charging regime,*
 - *that along with other south London authorities there would be limited benefit whilst there would be as number of local authorities outside of London who will benefit substantially from Crossrail but are not subject to a charge,*
 - *that the proposals could have a significant adverse impact on economic prosperity in South London and may deter private sector investment through development and regeneration, in particular in south London's town centres (e.g. Bromley, Kingston, Sutton, Twickenham and Mortlake), which are the focus of development potential. Many new developments are already subject to viability studies, which indicate that existing requirements cannot be met in full,*
 - *that the focus of the Mayor on Crossrail is at the expense of transport improvements elsewhere in London. In the South London sub-region, there is an acknowledged shortfall in transport infrastructure, with poor connections between major trip generators and overriding need for improvements to orbital public transport.*

Current Consultation

- 3.6 The Mayor proposes that:-
- Mayoral CIL continues to be levied from April 2019 (as MCIL2)
 - MCIL2 supersedes the current Crossrail s106 charge, and that
 - The rates for MCIL2 largely reflect a combination of MCIL1 and Crossrail s106 charge adjusted for current viability.
- 3.7 *"The Mayor proposes to use his MCIL2 to help meet part of the cost of the Crossrail 2 project, which is a strategic priority to support the growth and development of Greater*

London. The Mayor may however choose to apply his MCIL2 to any other strategically important transport project that is listed in the London Plan, as may be altered from time to time” (DSC consultation 2017).

3.8 This is the second round of public consultation, following the Preliminary Draft Charging Schedule of last August. Having considered comments the Mayor is consulting again on the Draft Charging Schedule until 4th Feb 2018. After this stage the Mayor can make changes to the Draft Schedule and if he does, he must allow a further 4 weeks for public consultation on these changes. The Mayor intends to hold an examination in public (EIP) later in 2018.

3.9 The proposed draft rates are:-

Band 1: (currently £50 rising to **£80 per sqm**)

Camden, City of London, Westminster, Hammersmith and Fulham, Islington, Kensington and Chelsea, Richmond-upon-Thames, Wandsworth.

(No changes in this banding).

Band 2: (currently £35 rising to **£60 per sqm**)

Barnet, Brent, **Bromley**, Ealing, *Enfield, Hackney, Haringey, Harrow, Hillingdon, Hounslow, Kingston-upon-Thames, Lambeth, Lewisham, Merton, Redbridge, Southwark, Tower Hamlets, *Waltham Forest, *London Legacy Development Corporation (LLDC), *Old Oak and Park Royal Development Corporation (OPDC).

(Changes are that those marked * join the banding, whilst Greenwich leaves the group).

Band 3: (currently £20 rising to **£25 per sqm**)

Barking and Dagenham, Bexley, Croydon, Greenwich, Havering, Newham, Sutton

(Changes are that Greenwich joins the banding and Waltham Forest and Enfield leave the group).

3.10 CIL Regulation 59 (2) restricts CIL spending by the Mayor to funding roads or other transport facilities, including Crossrail. Unlike the previous consultation on Crossrail funding in 2011, there is no indication on how much exactly will be needed from collection of the MCIL2 towards the next stage of Crossrail, this is because the Government is still considering the project whereas for the previous consultation for MCIL1 it was stated that £300m was required. The supporting information states ‘*MCIL2 is expected to meet approximately 15 per cent of project costs*’. The Mayor also gives in the evidence base, a clear indication there will be a further MCIL3 from 2024.

3.11 Transport for London has estimated that Crossrail 2 will cost around £30 billion at 2014 prices, but this ‘*includes the cost of new trains and Network Rail works, and also includes some costs for national rail improvements which would be required regardless of Crossrail 2*’.

3.12 Negotiations on the Crossrail 2 scheme are still underway and there is still no agreed funding package. Should no funding be achievable, the Mayor will be able to apply the MCIL2 to fund other strategic transport projects for which there is a significant funding gap. Until these matters are confirmed the proposed London contribution to costs of Crossrail consists of four funding sources:

- Crossrail 2 net operating surplus – i.e. the net impact of Crossrail 2 on TfL’s rail revenues.
- Over station development – proceeds from development of land and property initially required for consideration (development related with Crossrail 2 will pay Mayoral CIL 2 on the same basis as other developments)
- A Business Rate Supplement (BRS) (once the current BRS repays Crossrail 1 related debt)
- A Mayoral Community Infrastructure Levy (MCIL2).

Local concerns

- 3.14 Under MCIL1 LB Bromley falls in Band 2 (of 3 bandings over Greater London) and therefore currently collects £35 per sqm plus the relevant Building Cost Information Service (BCIS) rate on buildings that are used by people (this excludes buildings for machinery, or structure like pylons), and for a development of 100 square metres or more gross internal floorspace or involves creating one dwelling even where this is below 100 sqm (although any net charge of less than £50 will not be collected).
- 3.15 The Mayor proposes that Borough remains in Band 2 and that from April 2019 LB Bromley would charge £60 per sqm. However by 2019, Bromley will (subject to procedure and adoption), have to collect the MCIL in addition to the local LB Bromley's CIL. The Mayor has, in accordance with CIL Guidance and the Regulations, taken into account when reviewing his rates the borough levies that are in force at the time of evidence gathering. The LB Bromley first consultation stage of Preliminary Draft Charging Schedule is being consulted on in January 2018 and will not be in force until later in 2018 early 2019.
- 3.16 The Mayors evidence does not consider any possible local CIL element for Bromley and that may put the viability of the Bromley CIL (BCIL) at risk. Viability work from our consultants Dixon Searle Partnership has shown a buffer when considering the Bromley local rate, and may accommodate the extra charge, given that local house prices have gone up considerably since 2014, some 28%, but under 4% in the last year. But if over the next few years' house prices fall and construction prices rise the consequence will be to erode any 'buffer' and subsequently LB Bromley may have to review the Local CIL sooner than expected as projects in the local plan will not be deliverable if they become unviable.
- 3.17 LB Greenwich has gone down a banding to band 3, but the reasoning is not clearly stated in the evidence documentation from Jones Lang LaSalle. It could be that Bromley remains at band 2 because Bromley has a significant retail town centre, and therefore attracts higher retail rents than boroughs with similar house prices, when boroughs in band 3 lack a focused retail provision (Viability Evidence Base para 3.4.6). However Greenwich has several significant historic tourist attractions, and leisure/arts facilities to bolster its economy which Bromley does not have. Also Greenwich appears in Table 3 'Comparison of house prices, office rents and disposable incomes (London Boroughs)' to have an average house price of £368k, whilst Bromley is listed as £435k, this may be because of more flatted development in Greenwich at the time of data collection.
- 3.18 The other boroughs in South London sub-regional grouping that objected alongside Bromley in 2011 will this time round benefit directly from Crossrail 2, including Sutton which is placed in Band 3, whilst Bromley still does not.
- 3.19 If the Mayor does not use MCIL2 for Crossrail then a major concern for LB Bromley is with regard to using these funds to invest in future transport projects and the way schemes are prioritised and whilst the criteria seems to be consistent across Greater London, Outer London Boroughs like Bromley will always be at a disadvantage. Whilst acknowledging Bromley has not got the same congestion and air quality issues as Central and Inner London, this part of London is light on Mayoral priority schemes (as listed in the London Plan).

Conclusion

3.20 Despite the earlier objection Bromley remains (in this new consultation) in Band 2. Appendix 1 shows a proposed response based on the last consultation response to the GLA in August. In summary the proposed objections to the Mayor's DSC consultation are:-

- the methodology used in devising the charging regime, has put Bromley in Band 2 despite the impact this could have on the viability and sound development of a Bromley CIL,
- that the proposals could have a significant adverse impact on economic prosperity and viability in Bromley especially the Bromley town centre – already new developments are already subject to viability studies, which indicate that existing requirements may not be met in full,
- there is limited benefit whilst there would be as number of local authorities outside of London who will benefit substantially from Crossrail 2 but are not subject to a charge,
- the focus of the Mayor on Crossrail is at the expense of transport improvements elsewhere in London. In the Bromley, there is an acknowledged shortfall in transport infrastructure from the Mayor, and an overriding need for improvements to orbital public transport in this locality.

3.21 When making a response to the document a request can be made for the right to be heard by the examiner appointed to conduct the public examination of the draft schedule. It must be stated in the response that LB Bromley would wish to be notified.

4. IMPACT ON VULNERABLE ADULTS AND CHILDREN

No specific impacts.

5. POLICY IMPLICATIONS

The Mayor has powers as a charging authority set out in Part 11 of the Planning Act 2008 to set a CIL charge to be paid by most new development in Greater London. The money raised by the Mayoral CIL is required by law to pay for strategic transport infrastructure needed to support London's development. LB Bromley acts as a collecting authority on behalf of the Mayor.

6. FINANCIAL IMPLICATIONS

- 6.1 LB Bromley retains 4% of any Mayoral CIL monies collected, to cover the cost of the collection administration on behalf of the Mayor.
- 6.2 Should the rate be increased to £60, it would generate additional income of between £40k and £50k from the 4% that is retained to meet administration costs of the collection.
- 6.3 It should be noted that if the Mayors evidence continues to exclude the impact of a local CIL for Bromley, it could put the viability of the Bromley CIL at risk. This would impact on the resources available to invest in the infrastructure in the borough.

7. LEGAL IMPLICATIONS

The Mayor has powers as a charging authority set out in Part 11 of the Planning Act 2008 to set a CIL charge to be paid by most new development in Greater London. The money raised by the Mayoral CIL is required by law to pay for strategic transport infrastructure needed to

support London's development. LB Bromley acts as a collecting authority on behalf of the Mayor. For the purposes of CIL Regulation 123(4)(a), the Mayor intends that the proceeds of MCIL2 will be put toward the funding of Crossrail 2.

Non-Applicable Sections:	Procurement, Personnel
Background Documents: (Access via Contact Officer)	MCIL2 draft Charging Schedule and supporting documents Dec 2017.

MCIL2 Preliminary Draft Charging Schedule
FREEPOST LON15799
GLA City Hall post point 18
The Queen's Walk
London SE1 2BR

MCIL2 Preliminary Draft Charging Schedule

In response to the latest consultation LB Bromley object to the new proposals in the consultation for the MCIL2 Preliminary Draft Charging Schedule. LB Bromley has three main concerns expressed originally last August and wishes to request for the right to be heard by the examiner appointed to conduct the public examination of the draft schedule.

Firstly, the method used in devising the charging regime as set out in the MCIL Viability Evidence base prepared by your consultants JLL. LB Bromley remains in Band 2 despite the impact this may have on development of a local Bromley CIL. This could have a significant adverse impact on the provision of local infrastructure such as education, health and transport and as a result impact on economic prosperity and viability in Bromley. This is especially so in the Bromley Town Centre – already new developments are subject to viability studies, which indicate that existing requirements may not be met in full. In short, resources are proposed to be diverted from local projects to London-wide programmes that may be of limited local benefit.

The Mayors evidence document takes no account of a potential Bromley CIL rate (Table 5, p.21). Further Bromley will be consulting on its own CIL from this January. We note with some surprise that LB Greenwich has gone down a banding, based on evidence of lower house prices, office rents and disposable income whilst Bromley seems penalised because it has a 'significant retail centre'. Similarly Sutton is placed in band 3 and will benefit directly with a station on the boundary. In the light of the above we request that the banding be reviewed.

Secondly, similar to our response to the MCIL1 in 2011, there is limited benefit for residents of LB Bromley for Crossrail 2, whilst there would be as number of local authorities outside of London who will benefit substantially from Crossrail 2 but are not subject to any charge.

Thirdly, it appears to LB Bromley that there is a focus on Crossrail, and this may be at the expense of transport improvements elsewhere in London. If the Mayor does not use MCIL2 for Crossrail then these funds may be used for other future transport projects but with a lack of any certainty that this will benefit Bromley.

Yours faithfully,