



Boris Johnson, Mayor of London
Preliminary Draft CIL Charging Schedule
FREEPOST LON15799
GLA City Hall post point 18
The Queen's Walk
London SE1 2BR

Contact: Dominic Curran
Head of Infrastructure Policy
London Councils
020 7934 9508
Dominic.Curran@londoncouncils.gov.uk

8 March 2011

Dear Boris

London Councils' response to the Mayoral Preliminary Draft CIL Charging Schedule

London Councils represents all 32 London boroughs, the City of London, the Metropolitan Police Authority and the London Fire and Emergency Planning Authority. We are committed to fighting for fair resources for London and getting the best possible deal for London's 33 Councils. We lobby on our members' behalf, develop policy and do all we can to help boroughs improve the services they offer. We also run a range of services ourselves which are designed to make life better for Londoners.

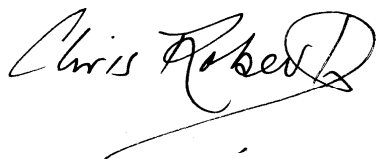
London Councils has long been a supporter of Crossrail, recognising that it is a key piece of strategic infrastructure. We wish to see it fully funded and built for the benefit of London. However, we have reviewed the proposals in the Preliminary Draft CIL Charging Schedule and have a number of concerns about these which we believe must be addressed if the delivery of Crossrail is not to be at the expense of other key priorities for London, such as the delivery of affordable housing and the development of sustainable communities. We are keen to work with the Mayor and the GLA to ensure that whatever is finally proposed fully addresses these concerns.

Our concerns are set out in more detail below, but can be summarised as follows:

- The impact of the Mayoral CIL on boroughs' ability to secure funding for other local and sub-regional priorities.
- The need to fully consider all possible alternatives before going ahead with the proposals for raising CIL.
- The disincentive that the proposed charge could pose to development in London.
- Disappointment at the length of the consultation period.

London Councils would be happy to discuss any issues raised in this response. We would also urge the GLA to listen carefully to the concerns raised by individual boroughs in response to this consultation. If you would like to discuss any aspects of our submission in further detail, please contact Dominic Curran (dominic.curran@londoncouncils.gov.uk or 020 7934 9508).

Yours sincerely

A handwritten signature in black ink, appearing to read "Chris Roberts". The signature is fluid and cursive, with a long horizontal stroke extending from the bottom of the name.

Cllr Chris Roberts
London Councils' Portfolio Holder for Infrastructure, Economic Development and Culture,
Tourism & 2012

London Councils' response to the Mayoral Preliminary Draft CIL Charging Schedule

Impact of Mayoral CIL on other priorities

London Councils is very concerned about the impact the Mayoral CIL would have on boroughs' ability to secure funding for other local and sub-regional priorities that are currently funded through developer contributions, including the delivery of affordable housing. We recognise that the CIL regulations allow for the Mayoral CIL to take precedence over borough requirements for developer contributions as the Mayor is not required to take account of these when assessing the viability of a proposed rate of CIL. This is something we argued against when the regulations were drawn up and which we believe is not in the best interests of the future development of London. The proposed Mayoral CIL will have a significant impact on the boroughs' ability to fund local improvements or the provision of onsite measures necessary to allow development to go ahead through developer contributions. A lack of investment in other infrastructure could actually undermine some of the benefits to be generated from Crossrail and it is essential that the different priorities are carefully balanced.

Boroughs are particularly concerned that it will be local infrastructure improvements and affordable housing which will lose out if the Mayor's CIL is set too high and is imposed on schemes without proper regard to financial viability and other infrastructure needs. In the absence of adequate developer contributions for local improvements or any additional funding from Central Government, there is a danger of development occurring across London without satisfactory infrastructure in place to support it and mitigate its impact on local communities. This could have extremely negative impacts in the medium and longer-term and would be detrimental to achieving the sustainable communities that the Mayor, boroughs and Central Government all want to see in London.

If you are to introduce CIL, the GLA must work alongside boroughs to take account of the full range of costs associated with development including existing borough S106 requirements and locally set CIL rates (where applicable). Even though this is not required by the CIL regulations, this still needs to happen in order to achieve many of the other objectives in the London Plan.

In addition, London Councils would like a written commitment that the GLA will not seek to use CIL to raise funds for other strategic transport infrastructure in the future. Neither the relevant London Plan policy (new policy 6A.5A) nor the current consultation document include such a commitment. In both cases the implication is that the Mayoral CIL could be used for other transport infrastructure in future, for example, paragraph 13 in the Explanatory note in Annex 1 of the consultation document says that 'At the appropriate time he [the Mayor] will make announcements about future uses of Mayoral CIL powers'.

Full consideration of alternative approaches to securing the funding

As previously stated, London Councils wishes to see Crossrail fully funded. However, we believe that there may be more effective, and less damaging, ways of doing this which avoid the need to introduce a Mayoral CIL, especially given that the amount to be raised from CIL represents a very small proportion of the total budget for Crossrail. We recognise that the Crossrail funding package is made up of a number of different elements and support the principle of ensuring that developments which generate demand for Crossrail and which will benefit from its introduction also contribute towards its cost. We did not oppose the Mayor's use of S106 agreements to seek developer contributions towards Crossrail, although we did seek some specific changes to the proposals for this and are pleased that the Mayor addressed most of our concerns as we believe that the resulting policy will be fairer and more effective as a result.

However, very careful consideration needs to be given as to whether it is necessary, or even appropriate, to seek further developer contributions through CIL, particularly given the very different economic climate compared with when the Crossrail funding agreement was originally signed in 2007. It should also be remembered that London businesses are contributing significantly to Crossrail funding through the Business Rate Supplement in addition to developer contributions.

We believe that, before going ahead with the proposals for raising CIL, TfL and the GLA should consider fully all possible alternatives, including the potential for generating this funding in other ways, such as increased borrowing or from other parts of TfL's budget. As CIL is only payable on commencement of development, the majority of the funding would be raised from 2015/16 onwards as the planning permissions that have been granted since 2012 are implemented. This means that in the early years of the proposed charging period the amount of funding that would need to be found from other sources would be very low. For example, the target to be raised in 2012/13 is only £14.6 million, which represents approximately 0.8% of the total GLA general transport grant for this period and only around 3.3% of TfL's borrowing limit that year. (These calculations are based on figures in para 4.8.8 of the consultation document which sets out a target for the amount of CIL to be raised each year and the Secretary of State for Transport's final settlement letter to the Mayor in October 2010 which sets out the GLA Transport Grant and the TfL borrowing limit for the years up to 2014/15 (see Annex) – all figures are approximate due to rounding).

Similarly, the total amount that TfL expect to raise from CIL up to 2014/15 represents less than 1% of the total GLA general transport grant for this period and only around 3.7% of TfL's overall borrowing limits.

However, the amounts expected to be raised through CIL are very significant when compared to the other funding that boroughs have available for the types of initiatives that are likely to lose out as a result of the introduction of the Mayoral CIL, such as local transport improvements. For example, the target Crossrail CIL contribution for 2013/14 is equivalent to 17% of the funding that boroughs will receive that year from TfL for Local Implementation Plans (LIPs). (The total LIPs budget for 2013/14 is £132 million, CIL target for that year is £22.5 million).

Given that £300 million represents approximately 2% of the total budget for Crossrail, consideration could also be given as to whether this element of the funding needs to be raised at all or whether it could instead be met from within the contingency allowed for in the budget.

Impact on development in London

We believe that the Mayoral CIL could act as a disincentive to development in London and we are very concerned about the impacts of this in the current economic circumstances when the focus should be on ensuring that everything is being done to deliver regeneration and employment in order to secure the future economic prosperity of the capital. This is particularly true for Outer London boroughs who will be competing with places outside London where the Mayoral CIL charge does not apply. There is a real risk that developers will choose surrounding areas of the South East in preference to the capital particularly in places where they can benefit from the improved accessibility of Crossrail without being charged CIL.

Such development would also be contributing to the funding of Crossrail through the BRS once occupied. We would urge the GLA to consider carefully whether the funding to be raised through the implementation of CIL is worth the risk to future BRS revenues. This issue needs to be considered as part of the viability assessment for the introduction of CIL. Prior to levying CIL, the GLA and London Councils should conduct a risk assessment regarding the potential impediment

to development the CIL might cause measured against the possible business rate levy which could be imposed if the development proceeded.

Consultation with London boroughs

We are extremely disappointed at the length of the consultation period. There is no statutory length but the GLA has chosen to adopt the minimum six weeks set out in CLG guidance which we believe is unacceptable given the significance of the issue. A longer consultation period would have been more appropriate. We also believe there should have been a much greater level of pre-consultation engagement with the boroughs given that they are such key players in this process, not only because of the impact on the proposals on the funding they receive from developer contributions but also because they will be responsible for collecting the Mayoral CIL.

However, we acknowledge and welcome the GLA's willingness to engage with boroughs on this issue since the launch of the consultation, at both Member and officer level. We would urge you to continue and expand on this level of engagement and to listen carefully to the views expressed by boroughs in response to this consultation in order to ensure that whatever is finally proposed addresses their very legitimate concerns and is in the best interests of the long-term development of London. In particular, if you intend to press ahead with the introduction of CIL, we would urge you to allow for much longer than the statutory four weeks required for the second stage consultation, to ensure that all stakeholders have an opportunity to contribute effectively at this stage.

Reviewing the impacts

Finally, if after having considered all possible alternatives, the Mayor still feels that it is necessary to introduce a CIL, then the period over which the charge is applied should be extended in order to reduce the amount that needs to be raised each year, and thus limit the impacts on other developer contributions. The impact of the charge should also be carefully monitored and revisions made to it if it proves to be having unacceptable impacts on either the level of developer contributions secured by boroughs or the amount of development that is coming forward in London.

Annex: Figures from the final settlement letter from the Secretary of State for Transport to the Mayor in October 2010

TfL prudential borrowing

£m (cash)	11/12	12/13	13/14	14/15
TfL Borrowing	425	445	345	650

GLA borrowing supported by the BRS

£m (cash)	11/12	12/13	13/14	14/15
GLA Borrowing	700	700	800	500

DfT Crossrail Capital Grant

£m (cash)	11/12	12/13	13/14	14/15
Crossrail Capital Grant	517	1205	1123	1082
