

## GREATER LONDON AUTHORITY CONSULTATION PROPOSALS FOR THE MAYORAL COMMUNITY INFRASTRUCTURE LEVY (CIL)

<b>Cabinet Member</b>	Councillor Keith Burrows
<b>Cabinet Portfolio</b>	Planning, Transportation and Recycling
<b>Officer Contact</b>	James Gleave – Planning, Environment and Community Services
<b>Papers with report</b>	Appendix 1: Hillingdon's response to the 'Proposals for a Mayoral Community Infrastructure Levy - Preliminary Draft Charging Schedule'

### HEADLINE INFORMATION

<b>Purpose of report</b>	This report provides information to the Cabinet Member on the implications of the proposals for a Mayoral Community Infrastructure Levy and seeks approval for a proposed response to the Preliminary Draft Charging Schedule, issued on 17 <sup>th</sup> January 2011.
<b>Contribution to our plans and strategies</b>	None
<b>Financial Cost</b>	Under the provisions of the charging schedule, most new development in Hillingdon would be charged the levy at a rate of £35 per sq metre. As the Collection Authority, Hillingdon would charge a 5% administration fee on all CIL contributions, 1% of which would have to be given to the Mayor for their administration costs.
<b>Relevant Policy Overview Committee</b>	Residents' and Environmental Services Policy Overview Committee
<b>Ward(s) affected</b>	All

### RECOMMENDATION

That the Cabinet:

1. **Notes the contents of this report regarding the provisions of the Preliminary Draft Charging Schedule; and**
2. **Endorses the response to the consultation as set out in Appendix 1 for submission to the GLA.**

## **SUPPORTING INFORMATION**

### **Reasons for Recommendation**

On 17<sup>th</sup> January 2011 the Greater London Authority (GLA) issued a Preliminary Draft Charging Schedule (hereafter referred to as the draft charging schedule) for the proposed Mayoral Community Infrastructure Levy (CIL). The consultation document explains that the purpose of the levy is to raise £300 million towards the Crossrail project, which is highlighted as being a strategic priority to support growth and development in Greater London.

The Mayor intends to charge the proposed CIL in pounds per square metre (£/sqm) and has allocated boroughs into charging bands of £20, £35 and £50. This allocation has been based on an assessment of development viability; boroughs with higher land values would be subject to higher CIL charges. Development in Hillingdon would be subject to the middle charging band of £35 per sqm of gross internal area of development.

Officers consider that the proposed CIL would impact on the viability of new development in Hillingdon. The evidence for the borough's inclusion in the 'middle' charging band is marginal and there is a case that development should be subject to the lower rate of £20 per sqm.

The consultation period for these proposals runs from 17<sup>th</sup> January to 1<sup>st</sup> March 2011. A proposed response is included in Appendix 1 of this report.

### **Alternative Options Considered**

The Cabinet may influence the proposals by:

1. Agreeing the proposed response in full or in part; or
2. Making any amendments to the response that are considered appropriate.

Alternatively the Cabinet may make no response to the draft charging schedule.

### **Comments of Policy Overview Committee(s)**

None at this stage.

### **Supporting information**

#### Background

1. The background to this work relates to:
  - the Government's wider proposals for the introduction of CIL;
  - the construction of Crossrail; and
  - the relationship between the proposed CIL and the Crossrail S106 proposals.

## What is CIL?

2. The CIL proposals came into force in April 2010 through the Community Infrastructure Levy Regulations 2010 and allow local authorities in England and Wales to raise funds from developers undertaking new building projects in their area. The money can be used to fund a wide range of infrastructure, including transport schemes, flood defences, schools, hospitals and other health and social care facilities, parks, green spaces and leisure centres.
3. CIL will be set by “charging authorities”. A local planning authority is the charging authority for its area. In the case of London, the Mayor of London is a charging authority for Greater London in addition to the local planning authorities, which may leave open the possibility of development in London being subject to a two tier system. Authorities wishing to charge the levy must produce a Charging Schedule setting out proposed rates. The schedule constitutes a legal document and rates should strike an appropriate balance between the desirability of funding infrastructure and the potential effects on the economic viability of development. As part of the production of the schedule, authorities will be required to provide evidence to an independent examiner that this balance has been struck.
4. The responsibility to pay the levy runs with the ownership of land on which the liable development will be situated. The levy’s charges will become due from the date that a chargeable development is commenced. When planning permission is granted, the collecting authority will issue a liability notice setting out the amount of the levy that will be due for payment when the development is commenced.
5. Government guidance contained in ‘The Community Infrastructure Levy: an Overview’ (November 2010) states that the introduction of the levy has the potential to raise an estimated additional £700 million pounds a year for local infrastructure by 2016 (the Impact Assessment on the Community Infrastructure Levy published on 10 February 2010 sets out further details).
6. The levy is intended to provide infrastructure to support the development of an area rather than to make individual planning applications acceptable in planning terms. There may still be some site specific impact mitigation requirements without which a development should not be granted planning permission. These would continue to be dealt with through Section 106 Agreements and planning obligations.

## The Mayor’s proposals for CIL

7. The draft charging schedule represents the Mayor’s first step in setting a London-wide CIL and consists of four key parts:
  - **Crossrail and the CIL:** A description of the importance of Crossrail to London’s development;
  - **The draft charging schedule:** An explanation of the charging rates for each borough;
  - **Evidence base report:** includes evidence of economic viability in London, which forms the basis of the schedule; and
  - **Conclusions:** Information on how to respond and a Strategic Environmental Assessment of the proposals

8. The Mayor intends to use the CIL to raise £300 million towards the cost of the Crossrail project, over a 6/7 year period. The end of this period would coincide with the opening of the central section of Crossrail in 2018/19. Whilst the proposals relate directly to Crossrail, it should be noted that the Mayor may, in the future, bring forward further CIL proposals for other strategic infrastructure projects.

9. It is proposed that the CIL should be paid on new development in Greater London which:

- Consists of buildings that are usually used by people (excludes structures such as plant rooms, infrastructure equipment)
- Has 100 sqm. or more of gross internal floorspace or involves creating one dwelling, even where it is below 100 sqm.

10. The proposals include only a few exemptions. The guidance indicates that the charge will not apply to educational or healthcare related developments, development by charities on their own land for charitable purposes, social housing, or developments resulting in less than an additional 100 sq metres of floor space which do not create additional dwellings.

11. The Government's CIL regulations also allow exemptions from payments in the following circumstances:

- Where development is undertaken by a charity and held for investment purposes.
- In circumstances where a development is also subject to a S106 agreement and where sums payable under that agreement are higher than the CIL.
- Where exceptional circumstances mean that the scheme cannot afford to pay the levy

The Mayor has considered the exemptions but does not intend to provide relief in these circumstances.

12. The CIL charges would apply to the 'gross internal area of the net increase in development'.

13. The Mayor intends to charge the CIL at the following rates:

<b>Zone</b>	<b>London Boroughs</b>	<b>Rate (£)</b>
1	Camden, City of London, City of Westminster, Hammersmith and Fulham, Islington, Kensington and Chelsea, Richmond Upon Thames, Wandsworth	50
2.	Barnet, Brent, Bromley, Ealing, Greenwich, Hackney, Haringey, Harrow, Hillingdon, Hounslow, Kingston upon Thames, Lambeth, Lewisham, Merton, Redbridge, Southwark, Tower Hamlets	35
3.	Barking and Dagenham, Bexley, Croydon, Enfield, Havering, Newham, Sutton, Waltham Forest	20

14. The legislation provides that local authorities will be responsible for collecting the CIL on behalf of the Mayor and local authorities will also need to notify owners of their liability in respect of development taking place within its area. As a 'collection authority' this local authority would be able to charge an administration fee of 4% on all collections made. As the 'charging authority' the Mayor also proposes to charge 1% of CIL payments for administration purposes.

15. The draft charging schedule notes that the CIL target of £300 million represents a relatively small proportion of the overall £15 billion cost of Crossrail. However, without this contribution, it is argued there would be a funding gap, which would involve one or all of the following:

- The renegotiation of the Crossrail funding agreement;
- A delay in the project, exacerbating the capacity problems and inhibiting London's development; and/or
- Pressure on other parts of the TfL budget, reducing the scope either temporarily or permanently for other essential strategic transport investment such as upgrading the London Underground network.

#### Setting the Charge

16. The guidance is clear that charging authorities, including the Mayor of London, should propose a rate which does not put at serious risk the overall development of their area and it details the matters that need to be taken into consideration when deciding a levy's rate. These include the matters detailed by the Mayor of London in the consultation document.

17. In particular, the draft charging schedule lists the factors that have been taken into account when setting the levies for the 3 key charging zones. Key considerations were the target timescale of 6/7 years to raise the required sum of £300 million and the total 5 % administration allowance for collecting and charging authorities (i.e. individual boroughs and the Mayor). The total amount to be recovered, including administration costs, is £315 million and collections would continue until this target sum is reached.

18. The CIL rates have been determined geographically by borough on the basis of economic viability, primarily through an assessment of house price and residual land value – the difference between existing and proposed use value. Boroughs with high residual land values for residential uses are considered to have the potential to absorb higher CIL rates. House prices have been selected as the main indicator for CIL rates on the basis that there is generally a strong correlation with land charges for commercial and other uses.

19. The evidence base report attached to the draft charging schedule lists average house prices across all boroughs and notes an average house price for Hillingdon of £259,175. This figure is just above prices for authorities in the lower charging tier of £20 per sqm. In its discussion of how charging rates were set, the evidence base report refers specifically to the wide variation in house prices in Hillingdon. The implication here is that house prices are not the best indicator of development viability in our borough.

20. When comparing the schedule of commercial market information, Hillingdon is significantly below lower tier authorities, including outer London Boroughs such as Croydon, on indicators such as retail rents and disposable income.

21. If in the future Hillingdon decides to set its own levy, it would need to take into account any levy rates that have been set by the Mayor of London.

CIL and the use of planning obligations in the funding of Crossrail

22. In July 2010 the Mayor published Supplementary Planning Guidance on the use of planning obligations in the funding of Crossrail. Hillingdon gave evidence at the Examination in Public in December 2009 associated with the production of this document. It was argued that:

- The collection of contributions around stations in outer London should not be based on the central London approach; and
- There should be special provisions to deal with the relationship of Crossrail policies to Opportunity Areas. In particular, the Heathrow Opportunity Area should be excluded from payments in the same way as other Opportunity Areas in central London.

23. The SPG contains the following charging schedule for development around Crossrail stations. The payments relevant to areas in Hillingdon are shown in bold type:

Use	Charge by area (£/per sqm)		
	Central London	Isle of Dogs	Rest of London
	Including apprx. 1 km radii around Paddington and Liverpool Street Stations	Including 1 km radii around the proposed Canary Wharf station	<b>1 km radii around all other Crossrail stations</b>
<b>Office</b>	137	186	<b>30</b>
<b>Retail</b>	88	119	<b>16</b>
<b>Hotels</b>	60	82	

24. The CIL regulations make provision for restricting the use of S106 Agreements after the introduction of CIL. The guidance acknowledges that there may still be site specific impact mitigation requirements without which a development should not be granted planning permission. Some of these needs may be provided for through the levy but others may not if they are very local in their impact.

25. The draft charging schedule provided by the Mayor of London notes that this position is different with respect to funding of scheduled works within the meaning of the Crossrail Act. It is therefore proposed that both charges (S106 and CIL) should continue to operate alongside each other until the £300 million target has been raised.

26. The draft charging schedule notes that in instances where CIL is calculated as being lower it would count as a credit towards Crossrail S106 payments. Conversely, CIL payments would not be requested in instances where S106 payments are higher. Further clarification is required on this issue; it is noted that the Mayor intends to bring

forward an amendment to the Crossrail S106 SPG alongside the draft charging schedule.

27. The following points highlight the key differences between the provision of S106 and proposed CIL funding for Crossrail:

**Geographic Link:**

In order to meet the tests contained in Circular 5/05 there should be a clear geographic link between S106 payments and Crossrail development. The S106 SPG states that boroughs should identify appropriate locations in DPD's where contributions are likely to be appropriate, however an area within a 1 km radius of Crossrail stations is suggested. CIL payments would be sought across all boroughs and the level of payment takes account of economic viability rather than the geographic link to Crossrail stations.

**The scale of contribution fairly relates to the proposed development:**

In outer London, the S106 SPG states that payments would be collected from new commercial and retail development, on the basis that this generates the most congestion on the rail network to justify the need for Crossrail. Paragraph 4.14 specifically states that it would be unreasonable and uneconomic to seek contributions from residential development. However subject to the exceptions highlighted in this report CIL payments relate to 'most' new development, including residential uses.

**The amount of contributions relates to the scale of the impact:**

S106 contributions in outer London are significantly less than those in inner London and the Isle of Dogs, on the basis that development in this area generates the most need for Crossrail.

Financial benefits of Crossrail

28. The draft charging schedule outlines the annual financial benefits that Crossrail is expected to bring to each borough. The estimated annual transport and earnings benefits for Hillingdon are expected to be £47 million. This is relatively low in comparison with other boroughs. For example, Newham is expected to receive the second highest annual earnings from Crossrail of £99 million, but is in the lowest CIL charging band of £20 per sqm.

Expected contributions from development in Hillingdon

29. The following table provides an estimate of contributions that could be raised from residential development in Hillingdon through the CIL tariff in the coming 5 year period, based on the current housing trajectory. It assumes an average floor area for residential units of 81 sqm and that 35% of all units would be provided to meet the definition of affordable housing, which would not be subject to contributions:

Trajectory (Units)	Less Affordable Housing (%)	Average Floor Area (sqm)	CIL contribution (£/sqm)	Estimated CIL contribution (£)
391	35	80	35	711,620
527	35	80	35	959,140
497	35	80	35	904,540
533	35	80	35	970,060
523	35	80	35	951,860
<b>TOTAL</b>				<b>4,497,220</b>

### Implications on development viability in Hillingdon

30. Government guidance contained in The Community Infrastructure Levy; An Overview states that charging authorities wishing to introduce a levy should not propose a rate which threatens the overall viability of development in their area. As noted above, 3 charging bands are proposed and Hillingdon is located in the middle charging band, where most forms of development would be expected to contribute £35 per square metre.

31. The draft charging schedule contains a section on testing the impact of the CIL. It states that the suggested rates generally represent less than 1% of the average house price and contributions would be significantly lower than other property taxes such as stamp duty. However, the proposed CIL is a flat rate and its percentage of house price varies significantly across Hillingdon and London as a whole.

32. The Council has commissioned consultants to prepare a viability assessment as part of the evidence base for affordable housing policies in the LDF. This assessment looks at the level of affordable housing that can realistically be delivered in Hillingdon, taking account of current market conditions and other factors that are likely to affect delivery. The report notes that:

*'While S106 contributions have an impact on scheme viability, the impact is more modest than that of affordable housing....it is not until the S106 contribution increases to £12,500 that there is a more noticeable impact on viability...'*

33. Assuming an average floor area of 80 sqm and a proposed contribution of £35 per square metre, new residential units would be subject to an average additional contribution of £2,800 under the provisions of the scheme. This constitutes a substantial increase in development costs for each residential unit and is likely to push more schemes to a level where overall unit costs are approaching £12,500. There is a concern that at this level the CIL would have an impact on the viability of residential development schemes, restricting the delivery of affordable housing in the south of the borough where residual land values are lower.

### Next Steps

34. The public consultation period for the Mayor's CIL runs from Monday 17th January to Tuesday 1st March 2011.

35. Having considered the comments made on the preliminary draft charging schedule, the Mayor must then issue a revised draft charging schedule for further



consultation for a period of at least four weeks. This second round of consultation is expected to take place in May 2011. Any person or organisation that makes comments on the revised draft charging schedule will have the right to be heard at the CIL public examination.

36. The Mayor then has a further opportunity to make changes to the draft charging schedule and, if he does so, he has to allow a further four weeks for public consultation on these changes. Following this consultation, the Mayor has to appoint an independent “examiner” to conduct a public Charging Schedule Examination. This public hearing is expected to take place in September, to ensure that:

- The Mayor has complied with the procedures for setting the CIL as set out in legislation; and
- The Schedule is supported by background documents containing appropriate available evidence

37. The examiner will then report to the Mayor, who will take his final decision on the rate to be charged in the light of any recommendations the examiner may make. The Mayor is currently aiming to approve and publish the Charging Schedule in April/May 2012. Once formally approved, the Charging Schedule will sit alongside the Mayor’s Spatial Development Strategy (the London Plan), but it will not form part of it.

#### Financial Implications

38. Under the provisions of the charging schedule most new developments would be charged at a rate of £35 per sq metre. As the collection authority Hillingdon could charge a 5% fee for all CIL contributions, 1% of which would have to be passed onto the Mayor.

39. The administration of the CIL would incur officer resources, the level of which would have to be assessed after the consultation processes are completed. The proposed CIL charge would be supported by statutory regulations, which would require the collecting authority to serve a ‘liability notice’; register the CIL as a land charge; issue a ‘commencement notice’; serve a demand notice; to collect the CIL charge; and to enforce against late or non-payment where necessary. The Council would need to ensure that the correct processes and procedures are in place to undertake this work.

40. There are possible indirect financial implications for Hillingdon, based on the officer view of the proposed scheme, and in particular the application of the middle charging band. These implications would stem from any dampening down of development proposals for land within the Borough, leading to a potential reduction in development control fee income and pre application fees. The current assessed risk for development control income is a pressure in 2010/11 circa £350k and is assessed as being potentially similar or marginally worse for 2011/12. There could also be a potential adverse impact on the opportunity for the Authority to obtain planning contributions, which are currently achieved from S106 agreements, and which will in due course be replaced by a Local Authority CIL.

41. The New Homes Bonus is further income stream which could be affected by any reduction in residential development. This scheme will be introduced for 2011/12. For

every new home built and occupied the Authority would receive a grant equivalent to the national average band D council tax, which would be £1,439 per year or £8,634 over the 6 year period of the grant.

42. The CIL charging scheme also applies to local authority buildings so there would be an increase to the cost of the Hillingdon's own development schemes, which may in turn impact on the resource requirements of the Council's capital programme.

### **Hillingdon's response**

43 Hillingdon's response to the draft charging schedule is attached to this report in the form of a draft letter at Appendix 1.

## **EFFECT ON RESIDENTS, SERVICE USERS & COMMUNITIES**

### **Consultation Carried Out or Required**

As part of the preparation of this paper, internal discussions have been held with the Council's Housing Supply Team, Corporate Finance and Corporate Policy.

## **CORPORATE IMPLICATIONS**

### **Corporate Finance**

Corporate Finance has reviewed this report and is in agreement with the financial implications as stated.

Hillingdon sits within the middle charging band and therefore under the proposed charging schedule, most new development in the borough would be charged a levy of £35 per sq metre. The allocation of boroughs into different charging bands is based on residual land values and house prices. Given the significant variation in these variables across the borough, it is considered that Hillingdon should be placed in the lower charging band of £20 per sq metre.

The proposed rate of £35 per sq metre is likely to have an adverse impact on the viability of development in the borough. This in turn will have financial implications in terms of potential reductions in development control fees, pre-application fee income and planning contributions from S106 agreements. In addition, the New Homes Bonus income stream could be affected by a reduction in residential development.

The proposed CIL would also have an impact on the Council's own development schemes within the capital programme.

### **Legal**

On Monday 17 January 2011 the Mayor of London launched a six week public consultation on a preliminary draft charging schedule - the first step in setting a Mayoral Community Infrastructure Levy pursuant to the Community Infrastructure Levy Regulations 2010.

The consultation is a public consultation and it is open to anyone to respond. Local planning authorities are particularly invited to express their views. In considering any consultation responses, the Mayor must ensure there is a full consideration of all representations received including those which do not accord with his preferred approach.

When considering a response the council should ensure that it is made by the deadline, which in this case is 1<sup>st</sup> March 2011, so that its views are conscientiously taken into account and if possible in the format and layout suggested in the consultation paper.

### **Corporate Landlord**

The Council is under pressure to realise millions of pounds each year from the sale of its property and land assets. In order to maximise the value of a site, the Property Department usually applies for planning permission first, then sells the site with the benefit of planning consent. The way to add the most value to a site is usually to get planning consent for the maximum number of residential units allowable in planning terms.

The proposed CIL represents an additional cost to developers and would be paid at the time development commences. Whilst it does not have a direct impact on land & property values, the CIL would affect residual land values and the viability of residential development schemes. In the current economic climate, developers may seek to pass on this cost to landowners in the form of a reduced purchase price for the development sites. In these circumstances, the Council could achieve comparatively lower receipts for the sale of its land and property assets

### **BACKGROUND PAPERS**

Proposals for a Mayoral Community Infrastructure Levy - Preliminary Draft Charging Schedule. Mayor of London January 2011

## ***DRAFT***

### **APPENDIX 1: HILLINGDON'S RESPONSE TO THE PROPOSALS FOR A MAYORAL COMMUNITY INFRASTRUCTURE LEVY - PRELIMINARY DRAFT CHARGING SCHEDULE.**

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

Ref: JG/CIL

*DATE TO BE ADDED*

Dear Mr Johnson

### **RESPONSE FROM THE LONDON BOROUGH OF HILLINGDON TO THE MAYORAL COMMUNITY INFRASTRUCTURE LEVY – PRELIMINARY DRAFT CHARGING SCHEDULE**

Thank you for the opportunity to comment on the proposals for the Mayoral Community Infrastructure Levy (CIL) and the Preliminary Draft Charging Schedule, which was issued for consultation on 17<sup>th</sup> January 2011. Hillingdon welcomes the opportunity to comment at this early stage in the consultation process.

The following response to the consultation was approved at the Council's Cabinet on 17<sup>th</sup> February 2011.

#### Hillingdon is of the view that the CIL proposals would prejudice growth and regeneration

1. Following on from the above point, the CIL proposals are likely to prejudice regeneration in Hillingdon on the following grounds:

- Impact on housing delivery:

2. The Council's Affordable Housing Economic Viability Assessment demonstrates that residual land values for residential development have fallen significantly in recent years. The extent of this reduction is different throughout the borough and is most severe in areas where property values are lower. Further charges on development are likely to exacerbate the current difficulties in the residential market, slow down housing growth, encourage land banking practices until the end of the charging period, and thereby reduce access to new homes.

- Deliverability of affordable housing:

3. The majority of major planning applications for residential development in Hillingdon are now submitted with financial viability appraisals to justify a level of affordable housing that is significantly below GLA and emerging borough-wide targets. On average, major planning applications for residential development are currently

delivering only 15-20% of all units as affordable housing. With a subsidy cut of 50% for housing already, further charges on market housing may result in almost no social housing development.

- Town Centre Development:

4. Many of Hillingdon's town centres have been affected by the economic downturn. Whilst the Council recognises the capacity of the borough, particularly in Hayes and West Drayton for long-term above average employment growth, the town centres have also been hit by the recent economic downturn. Requiring developers to contribute the proposed CIL could hamper economic recovery in these areas.

The CIL proposals would reduce the opportunity for much needed local infrastructure

5. As noted above, the Council's evidence on residual land values for residential development indicates that the proposed CIL would influence the delivery of new homes and in particular affordable housing. This would have an impact on the level of income the Council is expected to receive through the Government's New Homes Bonus scheme, which is designed to allow authorities to raise funds for local infrastructure projects.

6. In recent years, there has been an increased emphasis on ensuring sufficient infrastructure is delivered to support planned housing and economic growth. The introduction of the CIL charge will reduce the opportunity for the Council to obtain planning contributions for other much needed social and community infrastructure provision, such as education, recreational facilities, environmental improvements, public realm enhancements, community safety measures and local transport improvements. As stated above, the majority of major planning applications in Hillingdon have included Financial Viability Appraisals which have resulted in a low level of affordable housing being provided. The proposed blanket CIL charge will be onerous and could choke-off developer contributions for essential local facilities and services to the detriment of local communities.

7. There is a concern that developers would use financial viability appraisals to demonstrate that residual land values were not sufficiently high to pay both the Mayoral and borough wide CIL.

The proposed CIL charge would adversely impact on the Council's ability as a landowner to improve services and facilities for its residents

8. The Council has an extensive asset management programme in place to improve public services, facilities and assets. This includes the sale of land and property for redevelopment to improve educational, housing and other facilities for its residents. The implications of the CIL charge is likely to affect the Council's aspirations in carrying out its capital programme.

The exemptions should include other public facilities

9. The proposals include very few exemptions from the CIL charge. Whilst the Council would agree that health/medical and educational facilities should be exempt, there should also be an exemption for a range of other public facilities, such as libraries, public swimming pools and other public sports facilities, museums and theatres. Exemption should also be considered for Council buildings.

Hillingdon is of the view that it has been placed in the incorrect charging band

10. The draft charging schedule notes an average house price in Hillingdon of £259,175. Home Tack data obtained by the Council indicates that house prices in the south of the borough and therefore the residual land value for residential development, are significantly lower than this.

11. The Mayor has selected house price as the main indicator for CIL banding on the basis that there is a strong correlation with other indicators such as office and retail rents. This does not appear to be the case in Hillingdon, which has the lowest house price of all Group 2 and commercial rents and levels of disposable income that are significantly lower than some Group 3 authorities. The justification for Hillingdon's allocation as a Group 2 authority is marginal and the borough should be reallocated to Group 3 with a lower CIL charge of £20 per sqm of development.

Further work is required to assess the impact of CIL

12. Hillingdon is of the view that average house prices are not a good indicator to assess the impact of CIL at a borough wide level. London's housing market is unique in that very high property values in certain areas have a significant impact on average house prices at a borough wide level. In Hillingdon's case, high values in the north are not reflective of those elsewhere and distort the borough-wide average.

13. Whilst the proposed levy represents 1% of average house prices across London, further work is required to assess; the impact of the levy in areas at the lower end of the market, how this would impact on residual land value in these areas and the ability of schemes in these areas to deliver affordable housing.

14. Paragraph 4.98 of the CIL Evidence Base Report states that the proposed levy is relatively modest when compared with other taxes such as Stamp Duty. This is a false comparison as Stamp Duty is paid by the purchaser and would not, therefore, affect the delivery of new homes.

Hillingdon is generally supportive of the principle of Crossrail

15. It is accepted that Crossrail will have a beneficial effect on Hillingdon and the wider London area. Government guidance notes that CIL is expected to raise a nationwide figure of £700 million per annum. In comparison, the expected Crossrail target of £300 million appears disproportionate and unrealistically high.

There is general inconsistency between Crossrail S106 and CIL proposals

16. Hillingdon notes that Crossrail S106 procedures seek contributions from commercial and retail development, as these are the uses that create the majority of demand on the rail network. Notwithstanding the difference between CIL and S106 legislation, more account should be taken of office and retail rents as these uses that will generate a need for Crossrail.

17. Further clarification should be provided on why CIL contributions are being sought from residential development, given the provisions of paragraph 4.11 of the Crossrail S106 SPG, which states that:

*'It would be likely to be unreasonable as well as uneconomic to try to seek contributions from residential development in outer London, and many centres of employment have*

*jobs substantially filled by people living nearby who cause very little congestion on rail links.'*

The proposals do not take into account the relative gains from Crossrail

18. In determining how much to seek from CIL, authorities must have regard to how much would be available from other sources, such as funding from other infrastructure providers and from Central Government. The estimated earnings and benefits from Crossrail will have a positive impact on viability of development and should therefore be taken into account when setting CIL rates.

CIL exemptions

19. Hillingdon disagrees with the Mayor's decision not to allow relief from payments where such relief is allowed in the CIL Regulations (particularly in relation to the exceptional circumstance relief).

In conclusion, the use of average house price to assess the impact of CIL is misleading. Further analysis is required to determine the effect of the proposals in areas of low residual land value for residential development and the Mayor should work with boroughs to obtain this information, rather than acting unilaterally. A similar, albeit site specific approach, was undertaken as part of the viability assessment for the London-wide SHLAA and could be adapted for this purpose. This 'worst case scenario' approach would help to determine the true impact of the CIL proposals on development viability.

Hillingdon is of the view that the proposals would have an adverse effect on the economic viability of development in certain parts of the borough, preventing growth, the delivery of infrastructure and affordable housing. The case for the inclusion of the borough in the Group 2 charging band is marginal and it is considered that Hillingdon should be reallocated to Group 3 with a lower CIL charge of £20 per sqm of development.

Yours sincerely,

Councillor Keith Burrows  
Cabinet Member  
Planning, Transportation and Recycling