MAYORAL COMMUNITY INFRASTRUCTURE LEVY

2016 BIENNIAL REVIEW

FEBRUARY 2017

Transport for London

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CHAPTER ONE
INTRODUCTION

1.1 The Mayoral Community Infrastructure Levy (MCIL) took effect on 1 April 2012 and as part of the implementation there was an intention to review its operation on a regular basis.

1.2 This review has been undertaken by Transport for London (TfL) and the Greater London Authority (GLA) with assistance from Jones Lang LaSalle (JLL), and follows four full years of the MCIL. The timing of the review has allowed data on the sums of MCIL collected in the fifth year, to the end of Quarter 3 2016/17, to be considered.

1.3 The MCIL was designed to work with the Crossrail Section 106 (s106) scheme in Central London and Docklands and consequently this review looks at both mechanisms and the interaction between them.

1.4 Under the funding agreement with the Government, the Mayor expects to raise £600m from developer contributions towards the funding of the Crossrail project. This is via a combination of Crossrail s106 payments together with Mayoral CIL. TfL has underwritten the payment of this money to Crossrail; any shortfall or delay will therefore affect TfL's overall finances. The last construction year for Crossrail is 2018/19. To coincide with this, the overall target is for £600 million to be collected by 31 March 2019. As at February 2017 £342 million in MCIL and £96 million in Crossrail s106 had been received (more than two-thirds of the way to the target figure).

1.5 The results of this review will be made available as soon as possible via the GLA website. As there are no recommendations for change in the rates or the policies applied, a formal consultation is not required.

CHAPTER TWO

SCOPE / PURPOSE OF THIS REPORT

2.1 This report will consider:

- The first four and a half years of receipts from the MCIL and six years from the Crossrail s106;
- The likely trend of future receipts and performance against the funding targets, and the interaction between MCIL and Crossrail s106;
- The evidence of the effect of MCIL on development activity across London;
- The evidence of the effect of MCIL on affordable housing delivery across London;
- The evidence of any effect on other strategically important facilities;
- The progress that boroughs have made with their own CILs, and the rates set, and whether the MCIL has affected unduly the boroughs' ability to fund infrastructure;
- The Mayor's policies for both instalments and discretionary relief.

There is no requirement in the regulations for a review of CIL. The Department for Communities and Local Government (DCLG) guidance does, however, recommend that authorities keep charging schedules under review, taking account of changes in market conditions and the funding gap for infrastructure needed to support the development of the area. The Mayor was the first CIL charging authority in London to undertake a CIL review, in 2014.

2.2 The intention to undertake biennial reviews of the MCIL was identified within both the 2016, and earlier 2013, Supplementary Planning Guidance on the 'Use of Planning Obligations in the funding of Crossrail, and the Mayoral Community Infrastructure Levy' (see Annex A for text).

2.3 It is not proposed, at this stage, that a further biennial review of the MCIL will be undertaken at the end of 2018. Any changes of approach to the Mayoral CIL are likely to be considered during the development of a revised MCIL which will follow the prescribed consultation process. Any revisions to a charging schedule, in whole or in part, must follow the same processes as the preparation, examination, approval and publication of a charging schedule. Any changes to the Mayor's CIL policies or discretionary relief could also be the subject of consultation.

2.4 This review does not duplicate the matters covered by the Annual Reporting process, which are defined by CIL Regulation 62, and also detailed in Annex A.

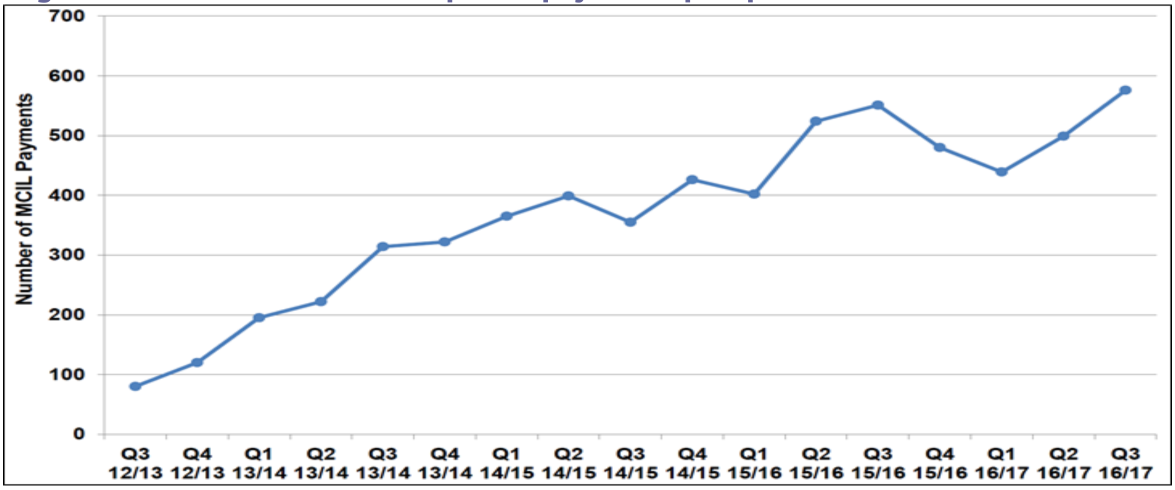
CHAPTER THREE

MCIL & S.106 RECEIPTS AND PERFORMANCE AGAINST TARGET

MAYORAL CIL

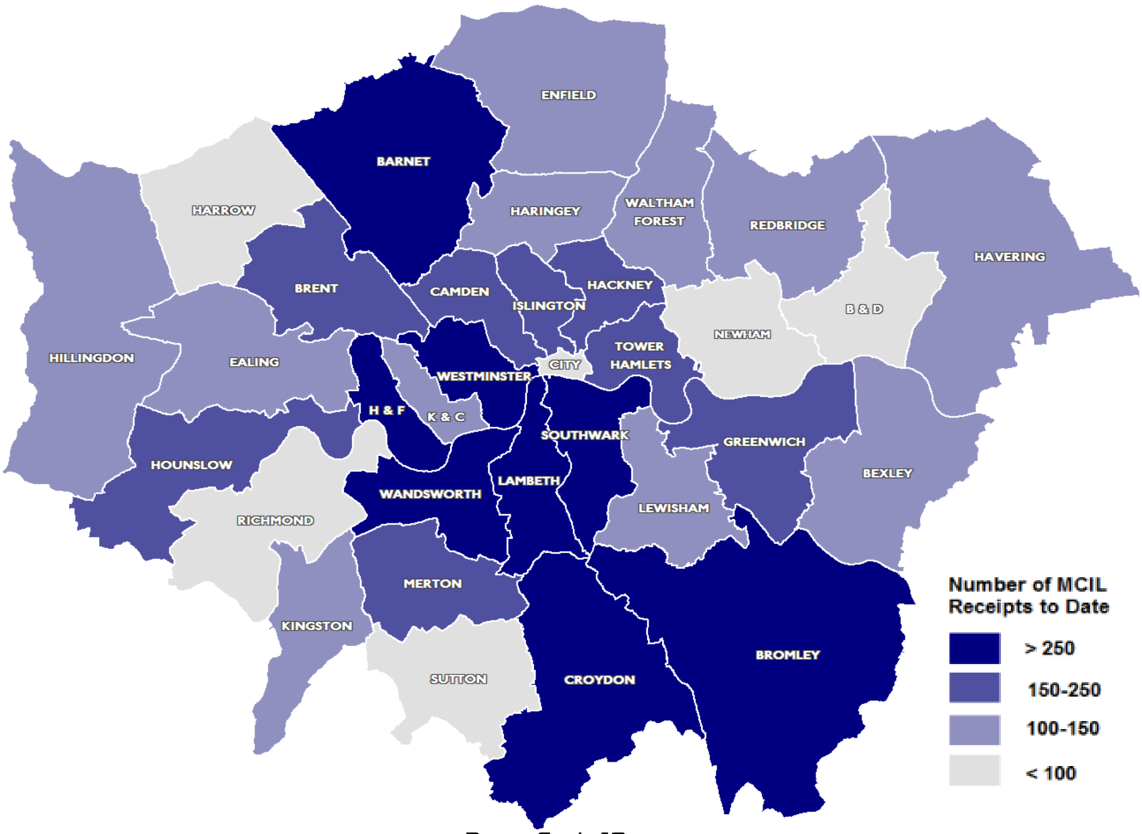
3.1 Since April 2012 almost 6,000 development payments across London have been made in respect of MCIL. The quarterly results are shown in Figure 1 below:

Figure 1 Number of MCIL development payments per quarter



3.2 The number of MCIL receipts followed the expected trend by showing a ramping up over time as only the implementation of planning permissions since April 2012 are liable to pay MCIL, with a time lag between the grant of planning permission and the commencement of works on site (the trigger for the first payment).

Figure 2 MCIL development activity across London



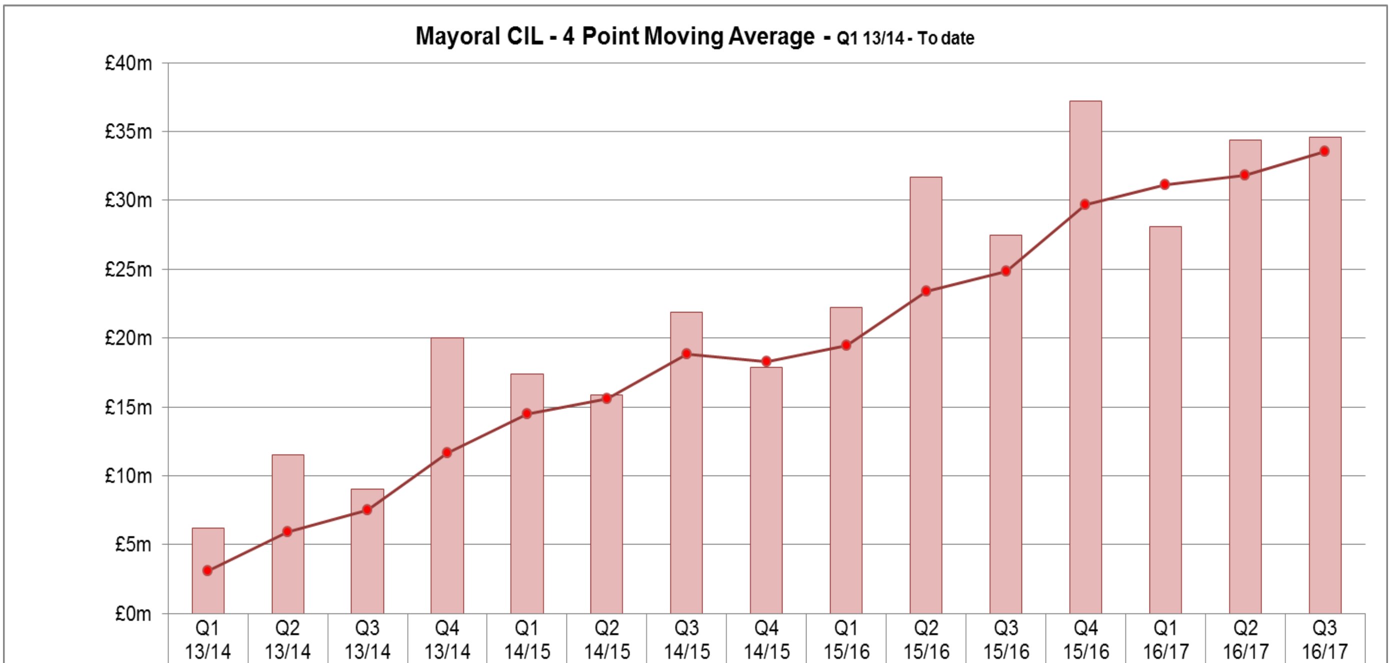
3.3 Figure 2 demonstrates the distribution of development activity across London, by numbers of developments rather than financial value. It shows a wide distribution of development across London, but considerable differences by borough. At the lower end of the spectrum most of the boroughs which have had fewest MCIL receipts are at the edge of outer London, although the City is the noticeable exception. The authorities which have seen the highest number of receipts have a central London focus, although Bromley, Croydon and Barnet are noticeable exceptions.

3.4 Figures 3 and 4 present the results by the amount of MCIL receipts, over time and by borough. Figure 3 demonstrates a ramp up in receipts in the first four years of MCIL's operation with a potential levelling-off during next financial year (2017/18). The four point moving average indicates that there has been a steady upward trend over time. The quarterly fluctuations over the last eighteen months highlight the potential for considerable volatility. This is largely explained by the variation in number and value of large MCIL payments in particular quarters.

3.5 The evidence presented by JLL, and discussed later in the report, suggests that the underlying amount of new development coming forward grew over the last four and a half years. Annex E & F provides a more detailed analysis of the property development market.

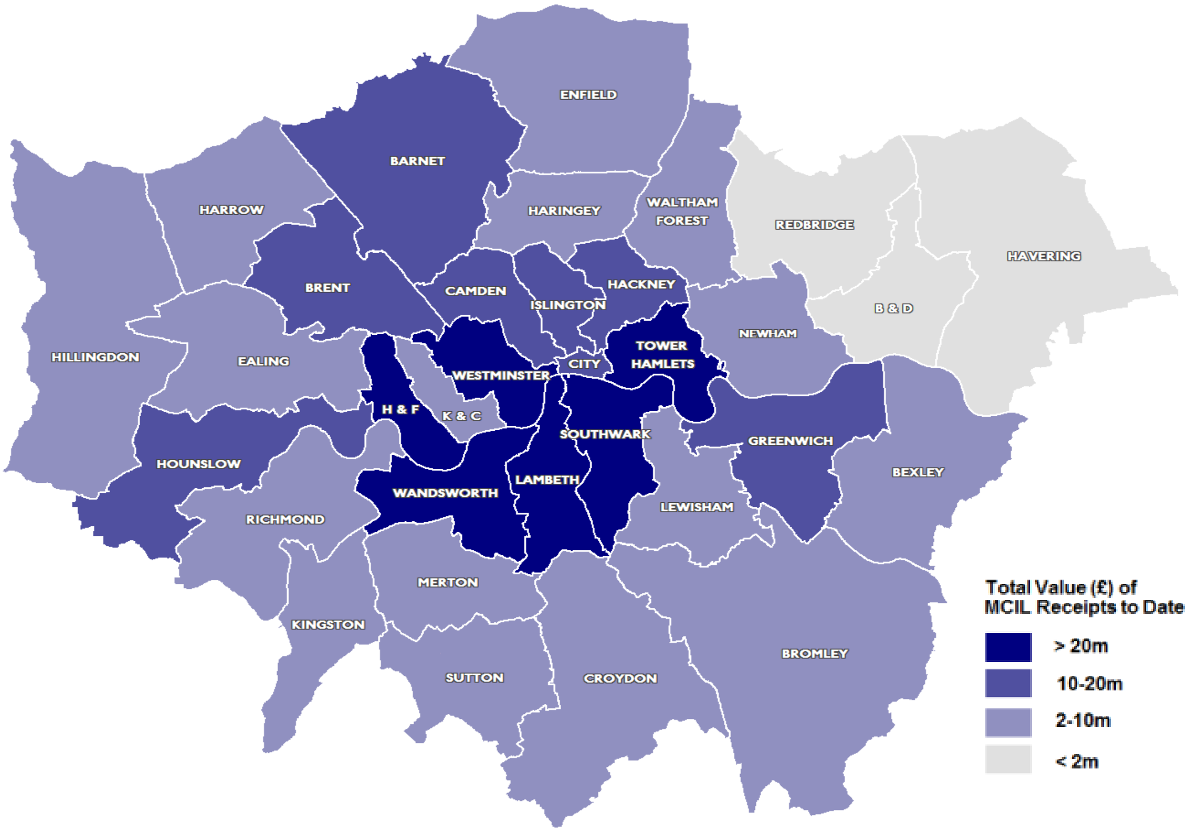
3.6 Under the CIL Regulations the Mayor is a charging authority and the 35 boroughs / authorities across London act as collecting authorities to secure MCIL on behalf of the Mayor. There are good MCIL administrative arrangements in place, working well, for the collection of the Mayoral CIL. These involve quarterly reporting, followed by financial transfer, and are supported by regular and active meetings of the CIL Collection Group, at which all boroughs, TfL, the GLA and DCLG are represented.

Figure 3 MCIL receipts by Quarter



	Q1 13/14	Q2 13/14	Q3 13/14	Q4 13/14	Q1 14/15	Q2 14/15	Q3 14/15	Q4 14/15	Q1 15/16	Q2 15/16	Q3 15/16	Q4 15/16	Q1 16/17	Q2 16/17	Q3 16/17
Qrtly receipts	£6.2m	£11.5m	£9.0m	£20.0m	£17.4m	£15.9m	£21.9m	£17.9m	£22.2m	£31.7m	£27.5m	£37.2m	£28.1m	£34.4m	£34.6m
4 Pt moving ave	£3.1m	£5.9m	£7.5m	£11.7m	£14.5m	£15.6m	£18.8m	£18.3m	£19.5m	£23.4m	£24.8m	£29.7m	£31.1m	£31.8m	£33.6m

Figure 4 Value of MCIL collected to date by borough



3.7 Figure 4 reveals the significant variation in the value of MCIL collected across London. Annex B provides this information, tabulated borough by borough, and detailing the annual receipts to date. As might be expected, the volume and scale of development activity in combination with applicable charging rates, result in highest receipts focussed in central London with the lowest levels of MCIL collection tending to be the boroughs at the edge of the capital. An important aspect of MCIL contributions is that around half of all receipts are of a value of £10,000 or less. In the past these small to medium sized developments would have been extremely unlikely to contribute towards supporting infrastructure via section 106.

S.106 RECEIPTS

3.8 Over the six years of the Crossrail s106, total contributions have reached £96m. This is a little over a quarter of the receipts generated by MCIL during four and a half years. Annex C illustrates the financial position in respect of the two Crossrail funding streams from developer contributions in more detail and compares actual receipts with the latest forecasts. Current financial year (16/17) receipts to date suggest that both streams are well on the way to achieving the annual receipts target.

3.9 Section 106 receipts come from limited zones in London (principally Central London and the

Isle of Dogs) and from limited uses (offices, retail and hotels). The number of chargeable developments is therefore lower although the typical payments are higher, due to higher s106 charges per square metre of new development than for MCIL. There is also some evidence (Annex F) that commercial markets were slower to recover from the recession than the residential market.

3.10 The two revenue streams interact. From 2012, MCIL payments have been taken as a credit against s106. This depresses the s106 receipt, as part of the forecast revenues is now received as MCIL. For an office in Central London, the reduction in s106 payment can be a third of the total. Section 106 receipts have also been affected by the changed form and timing of the Wood Wharf development, which is resulting in a delayed and reduced contribution.

LOOKING FORWARD

3.11 The MCIL Review in 2014 indicated that with £126m collected towards Crossrail, it was too early to draw definitive conclusions of performance against the £600m Crossrail funding target. Two years on and with combined MCIL and Crossrail s106 contributions of £438m it is possible to be more confident about reaching the £600m before April 2019, when Crossrail s106 contributions will no longer be sought.

3.12 The results for the first half of 2016/17 suggest that strong MCIL revenue of around £30m per quarter will continue in the short-term and in combination with Crossrail s106 receipts could see the total Crossrail contribution reaching the £600m target by the end of next financial year. While receipts are directly related to the development pipeline and a number of other factors (such as the CIL regulations, location of development, inflation rates), Annex C provides a clear indication that the £600m target should be achieved by the end of March 2019 target date.

3.13 The intention is to bring the s106 Crossrail contributions scheme to an end in March 2019, to coincide with the proposed transition from MCIL1 to a possible MCIL2. Crossrail s106 payments would continue to be received, for a period of time after this as planning permissions granted before April 2019 comes forward for implementation.

3.14 At a point when the £600m is achieved: any contributions via MCIL1 will go towards other transport infrastructure & any contributions via S.106 will be balanced by taking an equivalent sum from the MCIL1 contribution to Crossrail and transferring it to other transport infrastructure. The likely effect of this rebalancing over time will take us closer to the balance of contributions initially envisaged.

CONCLUSION

Mayoral CIL receipts (in combination with Crossrail s106 payments) are considered to be on track to make the target contribution towards the funding of Crossrail

CHAPTER FOUR
THE EFFECT OF MCIL ON DEVELOPMENT ACTIVITY

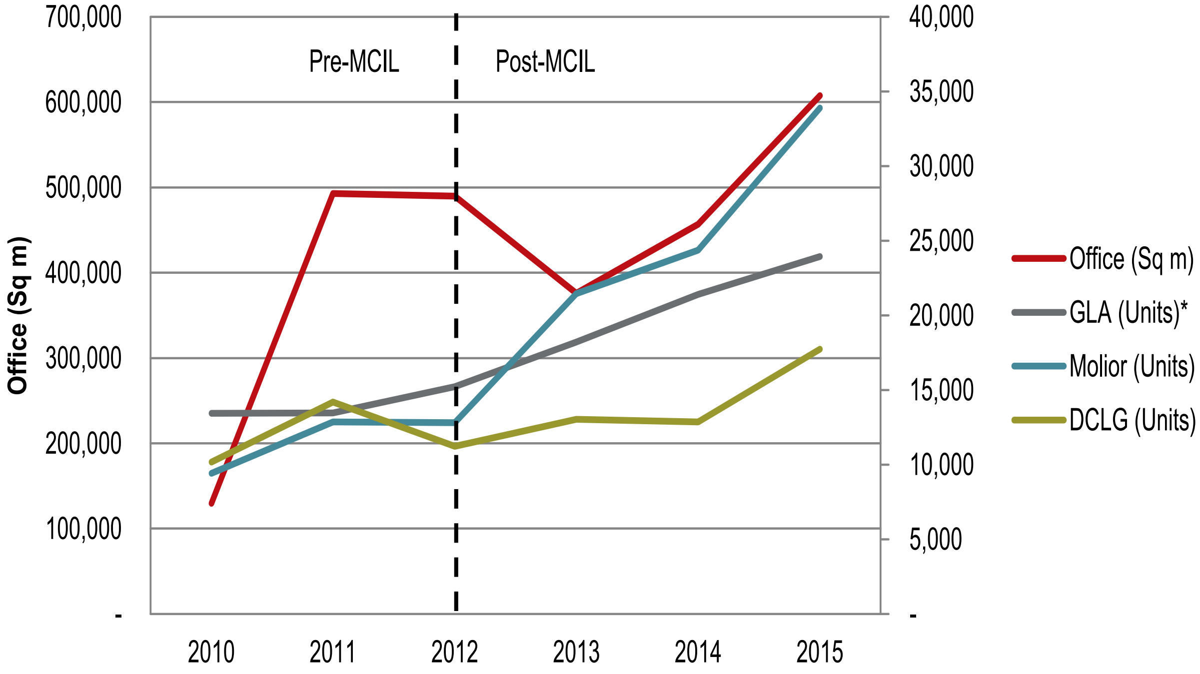
4.1 DCLG data allows comparison of the number of planning applications submitted in the two years before and after the MCIL was introduced on 1st April 2012. There are 26 London Boroughs with a full data set available over the four year period and this is shown in Annex D. These have been analysed, and highlighted by applying a threshold of +/- 5%. Over the post MCIL four year period, and even allowing for the pre-MCIL introduction blip, there has been a significant increase in planning applications at 12 authorities and a decrease in only 3.

4.2 JLL has provided a market overview which is presented in Annex E. This offers a commentary on Development and market activity for four key land and market activity for four key land uses across the capital, with the following headlines:

Office & Residential

Figure 5 sets out both office and residential starts over recent years. The data (from a variety of sources for residential) shows a significant increase in starts post 2012. It is likely that the data for residential starts will reflect a down turn during 2016 as the Central London market has cooled.

Figure 5 Office and private residential starts on site



Source: JLL/GLA/Molior/DCLG * GLA completion data used to avoid double counting in start on site data when multiple and duplicate consents are implemented

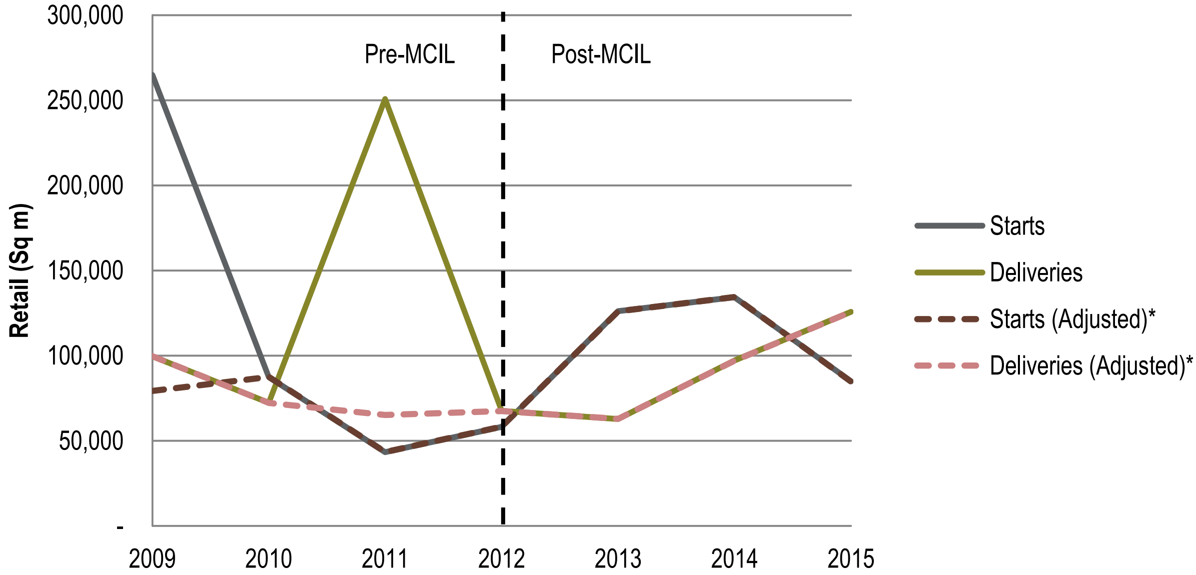
Early consideration indicates that there has been no significant change in the ranking of boroughs by house price. Work by JLL on average house price growth by borough between 2010 and 2016 is provided in Annex F. This will be analysed in further detail as part of MCIL2 development.

Source: AM:PM Hotels

Retail

Retail starts / delivery has been fairly consistent over the last six years as shown in Figure 6. The exception is the spike that reflects the 185,000 m^2 Westfield Shopping Centre ahead of the Olympic Games in 2012.

Figure 6 London retail development starts and deliveries



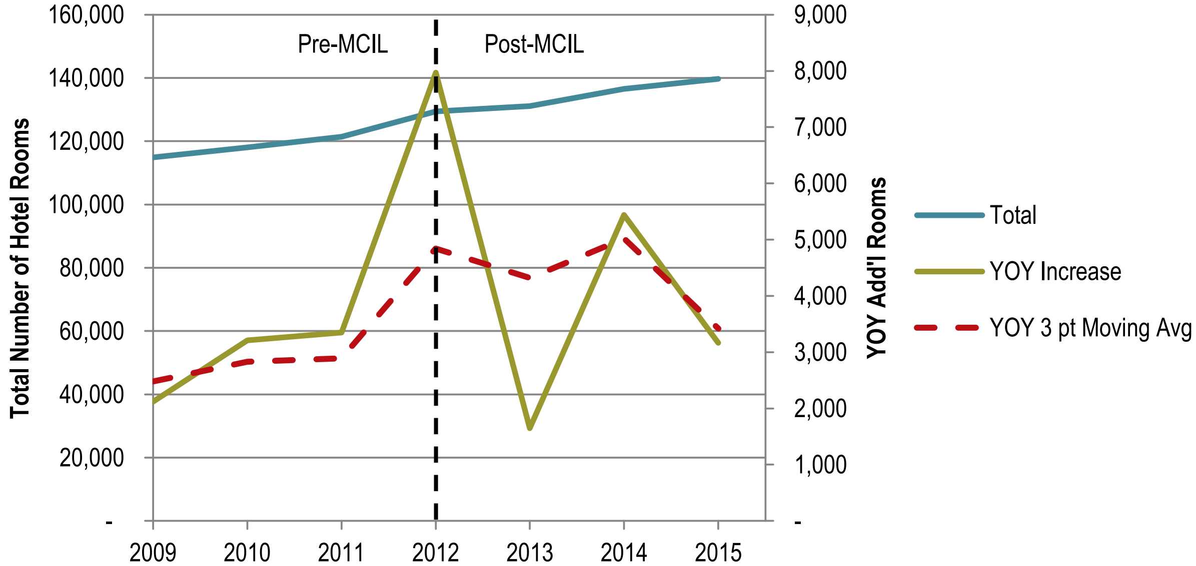
*Adjusted data excludes the Westfield Stratford Shopping Centre. Source: CoStar.

Annexes E and F provide more detailed information on development starts for Central London office and Greater London residential, the two key sectors.

Hotel

Hotel development (Figure 7) has shown a similar trend to retail, with a spike in additional rooms being delivered in 2012. This reflects anticipated demand as a result of the Olympics, according to AM:PM research. Data on delivery shows significant fluctuation, although the use of a 3 point moving average helps to highlight a generally upward trend.

Figure 7 Additional hotel rooms delivered - London



Source: AM:PM Hotels

4.3 The MCIL rates across London are relatively modest when compared to some of the Borough CIL (BCIL) rates that have subsequently been brought forward by boroughs. Early consideration of MCIL and BCIL rates in tandem do not indicate any appreciable impact on development activity.

4.4 Based on the evidence above it is reasonable to conclude that the introduction of Mayoral CIL, whilst potentially adding to development costs, has not been a major consideration in and of itself. Development activity for the four land uses above has seen the quantum of space started on site growing significantly overall since Mayoral CIL was introduced.

4.5 Development activity is cyclical and MCIL is only one of a number of factors, and a relatively minor one, influencing movement in the property market. The analysis provided above suggests that with planning application numbers up and development starts stable or increasing since MCIL introduction, development activity across London is not being adversely affected by the scale of charges required by MCIL. Clearly it is not possible to show what would have happened in the absence of the MCIL, or to separate the MCIL from borough CILs effect.

RECOMMENDATION

There is no evidence that Mayoral CIL rates are having an adverse effect on development activity across London that requires a reduction in MCIL rates.

CHAPTER FIVE
AFFORDABLE HOUSING

5.1 The Mayor intends to boost the overall supply of new homes and to increase the amount of affordable housing coming through the planning system. In consulting on his draft SPG on Affordable Housing & Viability (Homes for Londoners, November 2016); the Mayor has set out guidance which aims to raise the amount of affordable housing coming through the planning system.

5.2 Affordable housing floorspace, whether brought forward by a housing association, local authority or by a developer under a section 106 agreement, is eligible for relief from Mayoral and borough CIL payments. The level of affordable housing provision delivered under section 106 agreements may nevertheless be affected by the MCIL rate as provision of this floorspace could rely on cross- subsidy from the value generated by chargeable floorspace in a development. Mayoral and borough CIL are applied as defined costs on a development ahead of any site specific planning obligations, including affordable housing, which will remain subject to negotiation on the basis of viability testing. The Mayoral and borough CIL rates therefore have a direct impact on the viability of a scheme and the availability of funds for site specific planning obligations. Accordingly, the level of affordable housing, which is a principal obligation, is likely to be reduced where rigorous viability testing supports the reduction of site specific planning obligations to ensure development viability. This should be considered against the context where CIL is typically a very small percentage of development costs.

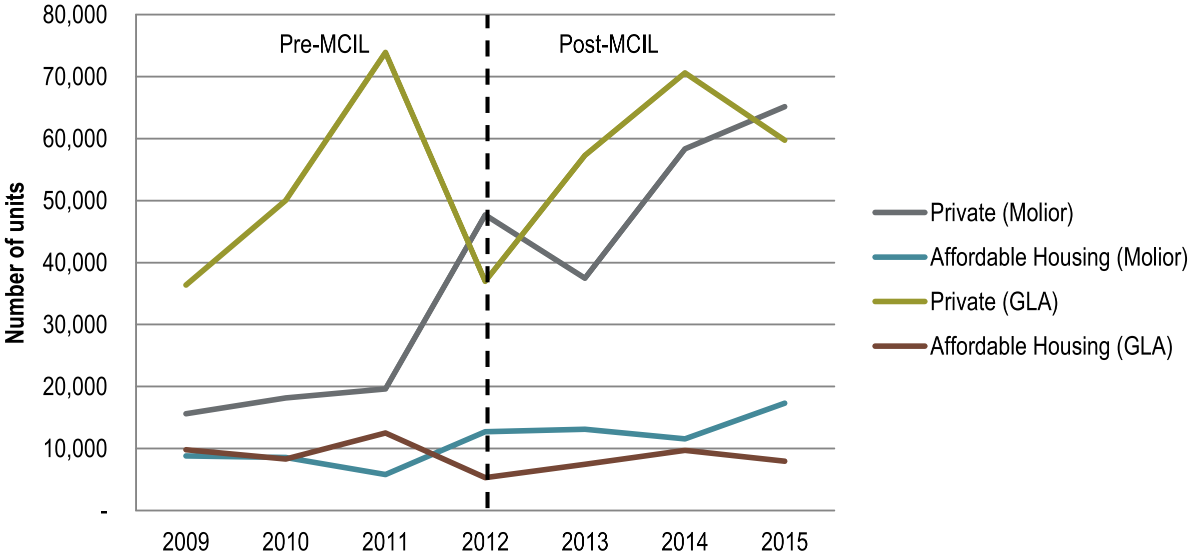
5.3 The MCIL represents a small proportion of development cost and although both MCIL and affordable housing delivery draw from the same viability pot, we consider that across London as a whole, the extra MCIL charge will not be the element that turns a viable development into an unviable one. However, on some specific sites there may be some viability impact when the cumulative effect of MCIL, BCIL, affordable housing and any other Section 106 costs is considered. The CIL relief offered to social housing, the scaling back of s106 requirements, and the reduction in the price paid for development land are amongst mitigating factors, whilst the level of BCILs is likely to be of much greater impact in the majority of cases. There is little evidence to date of any meaningful impact of CIL on affordable housing levels. A range of other factors such as the availability and level of affordable housing investment, stamp duty charges, construction costs, fluctuations in demand and Brexit uncertainty are likely to be more influential. As CIL charges cannot be negotiated, there may be individual circumstances where policy levels of affordable housing might be challenged on the basis of viability

5.4 The graph below (Figure 8) shows data sourced from both Molior and the GLA on both housing consents and the number of affordable units. The GLA data used is based on approvals for schemes of twenty units or more with 40% affordable housing or less. The 40% figure has been employed as a proxy for identifying affordable units delivered via Section 106 rather than through grant or other subsidy. Schemes delivering more than 40% affordable housing are likely to have received direct GLA subsidy and the study is seeking to understand the impact of MCIL on affordable housing via Section 106 agreements.

5.5 For this reason GLA data on affordable housing delivered under section 106 agreements prior to and during the first two years of the operation of Mayoral CIL has been examined in the context of overall affordable housing delivery to determine the extent of any impact. On the graph below the number of units consented, including the affordable content, are shown using data from GLA &

Molior. The Molior data is for consented schemes of 20 units and above, the sort of scheme that often incorporates a S106 Agreement as part of the planning permission.

Figure 8 Number of Private & Affordable units consented across London (schemes of 20 or more units in total)



Source: GLA & Molior

Table 1: Affordable Housing consented as a percentage of total number of units consented (schemes of 20 or more units in total)

Year	% Affordable (Molior)	% Affordable (GLA)
FY2009	36%	21%
FY2010	29%	14%
FY2011	20%	14%
FY2012	27%	13%
FY2013	23%	12%
FY2014	18%	12%
FY2015	21%	12%

Source: Molior & GLA

5.6 In the table above the affordable housing (including intermediate tenures) is shown as a proportion of the total consented number of units. It can be seen using the Molior data that when housing delivery was relatively low in years 2009 and 2010 the percentage of affordable expressed as a proportion of all housing was relatively high (36%). Since then the figures have hovered around 21%. The GLA data also shows a pattern where affordable as a percentage of the total has fallen since 2009 albeit with a fairly flat profile since 2010.

5.7 CIL receipts only reached £15m per quarter or more in the financial year 2014/2015 and the drop in the percentage of affordable takes place earlier, therefore, it seems unlikely that CIL, particularly the Mayor's CIL, had any meaningful impact on the affordable levels contributed by S106.Other factors such as the availability and level of social housing investment and legislative changes particularly as it relates to the level of social rents seem more likely contributory factors. It should also be noted that one or two particularly large schemes may well skew the statistics in particular quarters.

5.8 Notwithstanding the lack of correlation there could still be a dampening effect on affordable housing as a result of MCIL adding to development costs of schemes. These might then be subject to viability tests as a result of them being at less than policy levels of affordable housing. This is likely to be more relevant in the early years where land had been bought before the Mayoral CIL regime existed and was subsequently consented and implemented. This seems less likely now when Mayoral CIL should have been factored in to any purchase price and, as can be seen in Annex E & F, values have outpaced development costs. In 2016 starts on site for Central London residential schemes have declined reacting to stamp duty charges, reduced demand, and higher construction costs and Brexit uncertainty. Lower numbers of units are expected to be built as a consequence. It is too early to know with any certainty what the consequences will be for affordable housing providers.

5.9 The data shows considerable variation in the number of section 106 and overall affordable homes started and completed each year over the period, together with a significant variation in section 106 homes as a proportion of overall homes delivered. This is shown in Figures 2 & 4 as well as Table 5 of Annex F.

5.10 It is probable, given typical development timescales that a significant proportion of units, particularly in 2012 & 2013, would be have been developed under planning permissions predating the commencement of MCIL. Identifying the impact attributable to Mayoral CIL in isolation on section 106 affordable housing and affordable housing delivery in general is challenging, given the prevalence of the dynamic factors listed above, especially if this impact is slight.

5.11 In summary, the MCIL rates at present do not appear to have had any discernible impact on the delivery of affordable housing in London. There is still, however, limited data for developments commenced under planning permissions subsequent to the introduction of MCIL (and wider prevalence of BCILs) and impacts may be masked by other prevailing and dynamic factors. The potential impact on affordable housing delivery should continue to be monitored as further data is available.

RECOMMENDATION

The potential effect of Mayoral CIL rates on affordable housing delivery is not discernible at this stage and therefore there is no reason to change MCIL rates on this account.

CHAPTER SIX
STRATEGICALLY IMPORTANT FACILITIES

6.1 The rationale in developing the charging rates for the Mayoral CIL was that they would be set at a modest level that the MCIL would not have a detrimental impact on the viability of development in London. The Examiner's report on the proposed Mayoral CIL charge commented that the MCIL 'would represent a very small part of the overall cost of development and hence would not seriously threaten the economic viability of development across London'. The data in Annex K shows that the subsequent Borough CIL (BCIL) charges have in all cases brought forward rates at a higher level than the applicable MCIL rates.

6.2 The GLA and TfL have reviewed the Borough Preliminary Draft Charging Schedules (PDCS) and Draft Charging Schedules (DCS) as they have come forward. No viability evidence has suggested that the MCIL alone or in combination with any agreed BCIL would have an adverse viability impact resulting in less development. In a number of cases the GLA and TfL have commented on borough CIL proposals which may have a viability effect.

6.3 Of the 32 BCILs that have been through the Examination process, the majority have been approved without any changes to the rates proposed. Of those where changes to charging rates have been suggested, these were predominantly minor downward revisions and affecting only a few of the range of uses typically identifies within BCIL charging schedules.

6.4 In preparing BCILs councils are required to identify infrastructure needs, funding gaps and develop CIL rates while considering the potential effects on the economic viability of development across their areas. There has been no indication that the Mayoral CIL is likely to have a damaging effect on boroughs' ability to secure required s.106 contributions or will adversely affect development viability across London. The impact of CIL introduction on infrastructure provision in London will not be known until the implementation of CIL is more widespread. The relative funding from CIL is expected to increase at the expense of funding from s106. In future, CIL in combination with reducing s106 will potentially increase the overall funding generated for infrastructure.

RECOMMENDATION

In view of the analysis set out in the sections above, the MCIL rates set initially have not impacted adversely on strategically important facilities and there appears to be potential headroom for future change, particularly in respect of residential rates.

CHAPTER SEVEN
BOROUGH CILS ANALYSIS

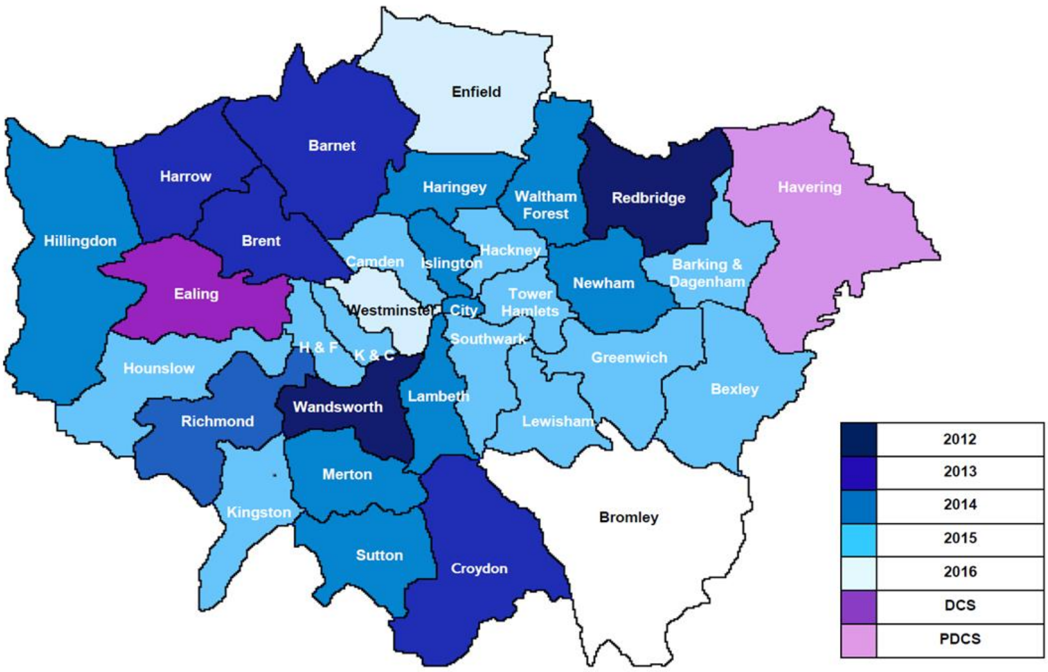
7.1 At the time of writing (February 2017), 31 London authorities have implemented BCILs following an independent Examination in Public of their proposed Charging Schedules. Of the remaining four, Ealing are set to implement their approved BCIL in spring 2017, whilst Havering and OPDC have both published Preliminary Draft Charging Schedules, and are moving towards Draft Charging Schedules. London has embraced and implemented the CIL regime substantially faster than the rest of England, where about two thirds of all councils nationally have yet to start charging CIL. The map below (Figure 9) illustrates current CIL progress across London, and Annex G provides more detail in respect of timescales.

7.2 The analysis of borough CIL development set out in Annex G & H indicates councils across London have been able to bring forward and get approval for BCILs taking full account of the Mayoral CIL. Boroughs have typically developed finer grained BCIL rates based on the varying viability both spatially and by land use.

7.3 It is worth highlighting that, whilst there is variation from borough to borough:

- Residential rates across the great majority of London are at least double the applicable MCIL rates. There are areas within 17 boroughs where proposed / approved residential rates are at least a factor of five times greater than the MCIL rate.
- 19 boroughs charging schedules include a retail rate of £100 per sq.m or more.
- Office rates tend to be the most modest with most BCILs having either borough-wide or area specific zero rates. Most office development takes place within the Central Activities Zone where a range of charging rates is in place.
- Hotel rates are variable with some borough-wide zero rates, although the majority have rates in excess of £100 per m^2.
- Student Housing attracts some of the highest BCIL rates, including Tower Hamlets (£425 per m^2), Islington (£400), Haringey (£265), Kingston (£220), Lambeth (£215).

Figure 9 Status of Borough CIL development across London (Year of Charging)



CHAPTER EIGHT
INSTALMENTS POLICY

8.1 Under the CIL Regulations, charging authorities can provide for payment by instalment. If no instalment policy is in place then payment in full is due within 60 days after development is commenced. The MCIL Instalment Policy took effect on 1 April 2013, allowing for payments over £500,000 to be paid within an extended period of 240 days.

8.2 The regulations stipulate that should a borough introduce a different instalment policy when implementing their own borough CIL, then this local instalment policy will have precedence.

8.3 Of the 31 authorities with their BCILs in place, half have chosen to continue using the MCIL instalments approach or a slightly modified version involving higher value payments (see Annex I). The remaining fifteen boroughs have chosen to introduce their own BCIL instalment arrangements, with two thirds of them allowing instalment payments to be triggered at a lower threshold.

8.4 The application of the CIL regulations requires instalments policies to be triggered when the aggregate CIL payment (MCIL & BCIL) exceeds the instalments threshold. The substantial number of Borough CILs adopted during 2014 and 2015 means that these aggregate payments are just starting to come through the system and could apply to relatively modest developments. For example, a small hotel development in Greenwich (850 m2) might be liable for £85k BCIL and a little less than £30k MCIL. These two contributions would each be available to be paid via two instalment payments.

8.5 At the time of the 2014 Review, around half of the MCIL-paying developments eligible to pay by instalments had chosen to do so. This situation has changed as developers have become more accustomed to the workings of CIL, and the majority (around 85%) of recent MCIL payments in excess of £500k are now utilising the opportunity to pay by instalments.

8.6 The experience in terms of instalments payments to date suggests that the MCIL approach is reasonable, and is working well. Should change be appropriate, boroughs have the ability to modify and impose their chosen approach to instalments if local circumstances require.

RECOMMENDATION
On both phasing and payments by instalments, the current arrangements remain appropriate.

CHAPTER NINE
DISCRETIONARY RELIEF

9.1 Mandatory relief applies in respect of charities and social housing as defined within regulations 43 and 49 respectively. There are also three types of discretionary relief that can be offered under the CIL Regulations: Charitable, Exceptional Circumstances, and Social Housing should a charging authority decide to introduce such a policy.

9.2 The Mayor chose not to offer any discretionary relief in bringing forward the MCIL in April 2012, as he did not wish to make the administration of CIL across London unduly complex and burdensome. He did, however, apply zero charging rates in respect of both education provision and medical or health services.

9.3 Boroughs bringing forward their own BCILs have taken differing approaches to the three forms of discretionary relief that can be offered and these are tabulated in Annex J. This shows that most authorities have, so far, taken a cautious approach to potential discretionary reliefs with less than a sixth of those that could be offered, actually being made available. The majority of these relate to Exceptional Circumstances, although there is little evidence to date of much use of any of the three potential discretionary reliefs.

RECOMMENDATION
In respect of the three forms of discretionary relief that are available, there is no evidence to indicate that the Mayor should change his current approach.

CHAPTER TEN
CONCLUSIONS

FINDINGS

10.1 The findings of this review are that:

- The administrative arrangements for MCIL are generally working well.
- The total MCIL collected in the first four and a half years is £342m, of which £134m has been generated over the last twelve months.
- Together with the Crossrail s106, revenues may hit a cumulative £600 million during early 2018, but this depends on a stable property market.
- The good progress against targets means there is no necessity to raise MCIL rates to ensure the £600m is secured for Crossrail.
- No issues have been identified to suggest there is a need to change the Mayoral approach to exceptional relief or his instalment policy.
- There is no evidence that indicates an adverse impact on development across London, including affordable housing, as a result of the Mayoral CIL.
- Borough CILs adoption has advanced at a good rate and boroughs have been able to develop local CIL charging schedules consistent with the Mayoral CIL charge.

RECOMMENDATIONS / DECISIONS

1) **Having considered this report, the Mayor believes there should be no revision at this point to the current MCIL rates (prior to indexation).**

2) **The Mayor does not propose any change in respect of offering any of the forms of discretionary relief or to his approach to Instalments.**

3) **Instruct officers to publish this report & his decisions on the GLA website.**

ANNEX A
SPG EXTRACT / SCOPE OF MCIL REVIEW

Extract from London Plan Supplementary Planning Guidance on the 'use of planning obligations in the funding of Crossrail, and the Mayoral Community Infrastructure Levy' (March 2016)

3.18 The Mayor will keep the operation of the CIL and the position regarding the funding and implementation of Crossrail under continual review. He intends to conduct biennial formal reviews of the working of his CIL. These reviews will consider in particular whether the CIL rates set continue to be appropriate, and whether there is evidence that would justify the Mayor in allowing either or both of the forms of discretionary relief. He will publish the results of these and any changes will be subject to public consultation in accordance with the CIL Regulations or the Mayor's usual practice, as appropriate. The first of these reviews took place in 2014. At the appropriate time, the Mayor will make announcements about future uses of his CIL powers.

3.19 The development of any successor CIL to the current Mayoral CIL would need to go through the formal process as defined in the CIL Regulations, as well as clarifying transition arrangements. The CIL Regulations constrain the Mayor to spending MCIL on strategic transport infrastructure including Crossrail.

Annual CIL Reporting requirement (as defined by CIL Regulation 62)

Which covers:

- how much has been collected in CIL by the boroughs on the Mayor's behalf;
- how much of that money has been spent;
- the items of infrastructure on which it has been spent (currently Crossrail);
- any amount used to repay money borrowed;
- the amount of CIL used to cover administrative expenses; and
- the amount of CIL retained at the end of the reported year.

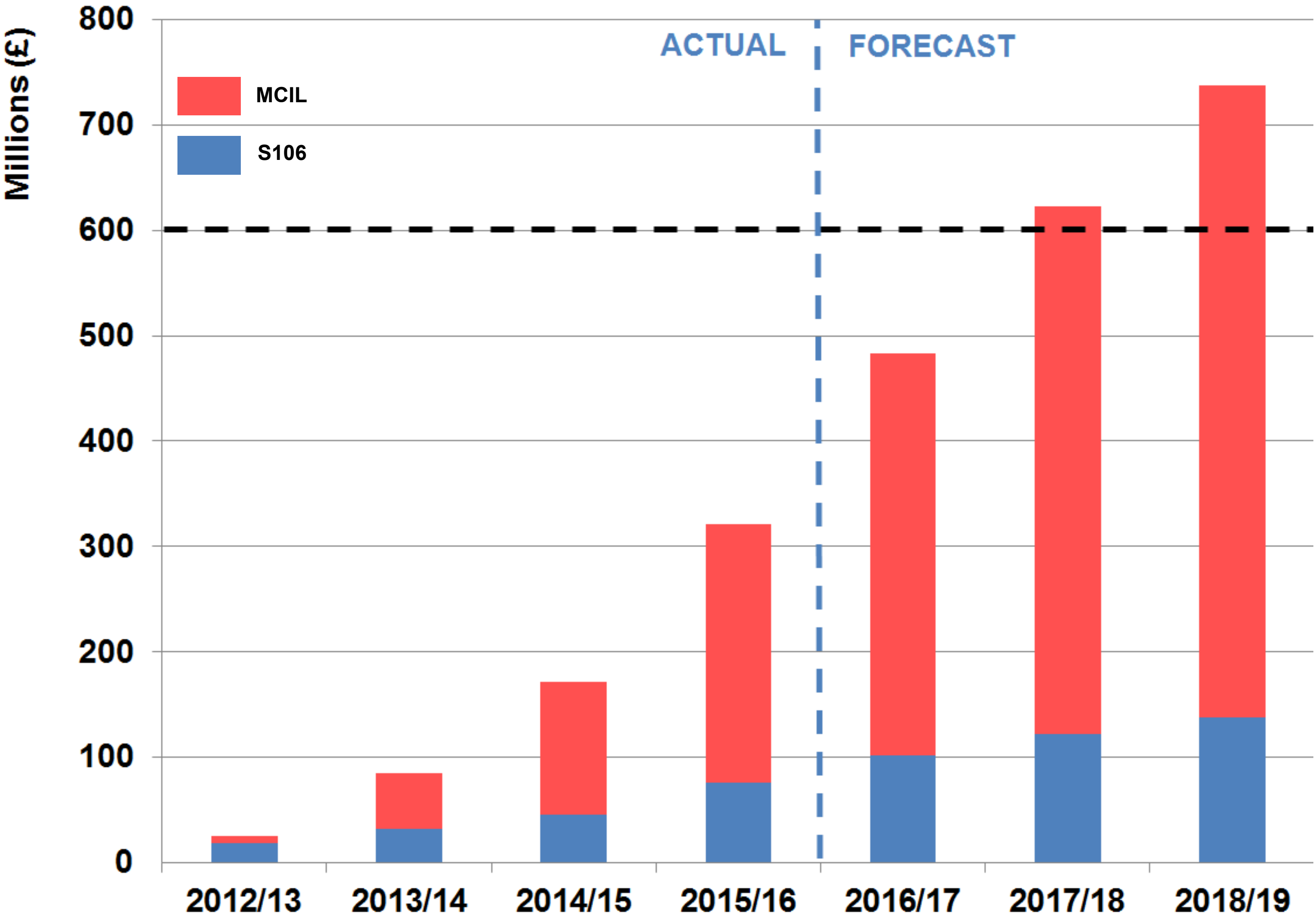
ANNEX B
MAYORAL CIL RECEIPTS TO DATE

CIL Quarterly Return Overview								
CIL Receipt in Value order 2016-17								
Borough	Total 12-13	Total 13-14	Total 14-15	Total 15-16	Q1 2016-17	Q2 2016-17	Q3 2016-17	CumulativeTotal
Tower Hamlets	225,372	3,675,034	4,756,495	14,706,088	2,182,344	7,778,285	4,917,482	*38,241,100*
Westminster	2,066,374	4,391,886	7,329,079	6,976,939	4,194,395	2,224,939	3,994,319	*31,177,930*
H & F	142,820	2,087,838	4,303,835	8,713,249	773,976	2,526,580	4,936,023	*23,484,321*
Southwark	78,107	2,175,645	6,886,455	6,356,703	2,333,842	2,689,970	2,257,271	*22,777,993*
Wandsworth	333,888	2,001,862	5,732,401	7,659,201	1,494,016	1,151,405	2,262,841	*20,635,614*
Lambeth	801,201	4,218,376	4,395,274	4,501,947	1,917,690	3,250,896	1,497,581	*20,582,965*
City	1,012,252	4,511,614	1,627,033	4,821,314	3,584,381	289,463	177,496	*16,023,554*
Hackney	19,690	1,239,002	3,691,268	6,188,610	1,521,937	472,963	1,434,506	*14,567,975*
Camden	191,431	3,335,287	3,385,225	3,928,139	378,785	1,754,421	812,606	*13,785,895*
Greenwich	295,653	2,704,875	1,273,114	6,795,687	228,118	388,465	1,799,334	*13,485,246*
Islington	134,031	1,375,481	3,856,864	6,065,137	323,776	103,993	1,279,875	*13,139,156*
Barnet	45,248	2,422,709	3,447,330	4,034,220	1,048,650	1,214,560	464,463	*12,677,179*
Hounslow	17,338	1,870,532	2,916,428	4,316,286	833,556	760,591	507,987	*11,222,719*
Brent	35,213	1,620,246	3,129,950	4,073,861	619,809	377,477	790,234	*10,646,789*
Hillingdon	0	836,061	856,121	3,972,431	889,461	1,766,345	538,875	*8,859,294*
LLDC	0	362,207	1,872,888	3,989,226	1,294,170	645,983	607,321	*8,771,795*
K & C	0	543,994	1,605,110	3,238,948	510,698	231,056	182,608	*6,312,413*
Haringey	90,856	454,387	329,074	2,602,304	145,222	1,785,302	131,189	*5,538,333*
Bromley	130,848	713,649	1,273,726	2,025,760	108,355	134,744	935,539	*5,322,620*
Lewisham	24,693	679,182	400,547	2,158,139	682,724	458,818	868,857	*5,272,960*
Ealing	6,471	954,183	1,402,864	1,375,113	143,218	435,062	85,954	*4,402,867*
Newham	0	172,929	2,034,709	1,459,060	127,524	37,765	385,648	*4,217,633*
Harrow	14,844	438,788	664,686	299,529	556,639	38,819	1,600,555	*3,613,860*
Merton	146,379	523,841	796,637	1,354,814	344,704	177,318	214,799	*3,558,492*
Enfield	11,816	445,264	1,208,924	1,033,043	13,983	322,414	350,217	*3,385,660*
Kingston	71,450	445,484	102,255	1,693,976	151,282	172,784	637,163	*3,274,393*
Bexley	56,732	652,540	497,906	1,146,317	106,871	249,183	204,780	*2,914,328*
Richmond	42,778	213,796	715,930	367,162	182,943	1,014,423	363,284	*2,900,316*
Croydon	26,112	340,654	675,187	881,858	535,649	339,874	71,170	*2,870,503*
Waltham Forest	10,280	465,845	772,910	303,468	715,553	59,733	59,359	*2,387,147*
Sutton	3,906	329,923	319,142	597,705	23,234	962,534	47,259	*2,283,702*
B & D	3,648	221,257	314,546	307,834	35,200	319,656	4,391	*1,206,532*
Redbridge	29,370	189,257	300,904	450,266	12,204	26,827	67,651	*1,076,479*
Havering	21,773	79,379	312,081	192,765	101,786	97,105	135,218	*940,107*
OPDC	0	0	0	49,182	0	130,185	0	*179,367*
Total	**6,090,573**	**46,693,006**	**73,186,895**	**118,636,281**	**28,116,693**	**34,389,936**	**34,623,854**	**341,737,237**

(green)		<£3.0m
(purple)	£3.0m	£6m
(orange)	£6m	£15m
(blue)	£15m+	

ANNEX C

PROGRESS TOWARDS THE £600m CROSSRAIL FUNDING TARGET FROM DEVELOPER CONTRIBUTIONS (via S.106 [SPG] & MCIL)



ANNEX D

PLANNING APPLICATION NUMBERS FOR LONDON

2010 – 2016 DATA

		PLANNING APPLICATIONS RECEIVED									
		Pre-MCIL		Post-MCIL				Annual Averages			
		2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	Pre-MCIL	Post-MCIL	Increase	Decrease
1	Barking & Dagenham	678	739	758	652	701	992	709	776	9%	
2	Bexley	1732	1718	1623	1699	1759	1873	1725	1739	1%	
3	Brent	2740	2809	2755	3076	3492	2729	2775	3013	9%	
4	Bromley	3393	3201	3182	3262	3049	3288	3297	3195		3%
5	Camden	3986	4422	4151	4530	3629	3287	4204	3899		8%
6	Croydon	2881	2840	2834	3203	3113	3401	2861	3138	9%	
7	Ealing	4461	4672	4407	3763	3776	2858	4567	3701		23%
8	Enfield	2279	2213	2046	2263	2080	2290	2246	2170		4%
9	Greenwich	1775	1778	1754	1846	1674	2858	1777	2033	11%	
10	Hackney	1975	2124	2077	2327	2371	2390	2050	2291	12%	
11	Haringey	2027	2134	1968	2253	2081	2327	2081	2157	4%	
12	Harrow	2358	2762	2444	2366	2545	3170	2560	2631	3%	
13	Havering	2042	1972	1643	1823	1742	1898	2007	1777		13%
14	Hounslow	2638	2777	2621	3084	2416	2513	2708	2659		2%
15	Islington	2421	2481	2600	2606	2553	2523	2451	2571	5%	
16	Kensington & Chelsea	3618	4038	4574	5305	4879	5161	3828	4980	30%	
17	Kingston	1870	1902	1789	1977	2271	2387	1886	2106	12%	
18	Lambeth	2419	2302	2497	3185	3550	3650	2361	3221	36%	
19	Merton	2244	2142	2095	2190	2069	2084	2193	2110		4%
20	Newham	1385	1360	1563	1525	1578	1405	1373	1518	11%	
21	Redbridge	2711	2613	2451	2559	2915	2333	2662	2565		4%
22	Richmond	3939	4057	3966	4369	4824	4427	3998	4397	10%	
23	Southwark	2118	2405	2051	2707	2206	2457	2262	2355	4%	
24	Sutton	1435	1407	1332	1514	1496	1494	1421	1459	3%	
25	Wandsworth	3750	4141	3661	4424	4479	4474	3946	4260	8%	
26	Westminster	7925	8433	8699	8873	8575	7800	8179	8487	4%	
		141,600	146,884	143,082	154,762	151,646	152,138				

Boroughs with Incomplete Data Set:

Barnet, City of London, H & F, Hillingdon, Lewisham, Tower Hamlets, Waltham Forest, LLDC, OPDC.

ANNEX E

JLL MARKET UPDATE FOR MCIL BIENNIAL REVIEW (Q3 2016)

OFFICES

In the year to date, Central London office take-up totals 6.6 million sq ft, 14% below the long term average level. Take-up has been stronger in the West End market, headlined in Q3 2016 by Apple's acquisition of 500,000 sq ft at Battersea Power Station, the largest deal of the year to date. West End take-up in the year to date is slightly ahead of the equivalent period last year.

City take-up also jumped in Q3, supported by Wells Fargo's purchase of 33 Central, EC4. However, City take-up in 2016 is 36% down on last year, having been impacted to a greater extent by the uncertainty surrounding Brexit.

After a prolonged period of low vacancy, Q3 saw a rise in the level of supply, with vacancy across Central London edging up to 4.2% from 3.7% in Q2. The rise was in line with expectations that vacancy would rise in the second half of the year, owing to a series of speculative development completions, with a further rise expected in Q4. Reflecting recent completions, the level of speculative space under construction dropped sharply in Q3, from 9.6 million sq ft back to 8.7 million sq ft.

Notwithstanding strong West End take-up in Q3, prime rents in the Mayfair and St James' market dropped to £115 per sq ft in Q3. This premium end of the market has been impacted by more subdued demand in the aftermath of the referendum. Rents in the wider West End have held firm, along with prime rents in the City which remain at £70 per sq ft, albeit there is pressure on incentives, which have risen to the equivalent of 21 months' rent free.

Central London investment market turnover totalled £2.3 billion in Q3, with year to date volumes of £8.6 billion, 26% down on the equivalent period last year. Institutional investors have been more cautious this year given the referendum, and there have been fewer large lot sizes on offer. Activity is expected to pick up in Q4, however, and there are signs that sentiment is improving. Reflecting this, prime yields were stable in Q3, remaining at 4.25% in the City and 3.5% in the West End.

Central London vacancy reached a 15 year low of 3.4% in 2015, driven by a sustained period of strong take-up, which saw development completions quickly absorbed. This trend was particularly prevalent in the City market where 86% of 2015 development completions were pre-leased, leaving the market starved of newly developed supply, and pushing the vacancy rate to a record low of 3.4%. The West End market has been starved of supply for longer with vacancy rates below 4% since late 2013. Supply has now started recovering in both the City and West End markets and vacancy rates are likely to see a strong uptick in Q4 due to higher levels of development completions. Vacancy rates are expected to continue to steadily rise in 2017 with above average levels of speculative supply under construction in both the City and West End.

However, beyond 2018 the supply outlook is far more uncertain. Of a total of 5.9 million sq ft which could be potentially delivered speculatively in 2019, only 1.2 million sq ft is under construction, less than half the 10 year average. Within this, the City market has only 200,000 sq ft under construction speculatively for completion in 2019.

The level of development starts over the coming months will therefore be crucial to ensuring adequate levels of supply being delivered in 2019 and beyond. Previous periods of uncertainty have led to sharp falls in speculative construction starts as developers become far more risk averse. This has been evident in 2009 and 2010, following the global financial crisis, when just 2.4 million sq ft started speculatively across London, compared to 6.2 million sq ft in a typical two year period. A similar picture was evident in 2004 when speculative construction starts totalled just 800,000 sq ft. On both of these occasions the low level of starts set the scene for rental growth in subsequent years.

While there is a high level of uncertainty surrounding the Brexit process, by 2019 there should be more clarity for occupiers who may have delayed decision making. This could potentially lead to an uptick in take-up, led by pent-up demand, placed on hold during the preceding years. Of course, should employment expectations be revised down, we could see lower demand, as well as a release of grey space, reducing the need for newly developed stock. One way or another, the level of speculative development starts over the next 6-12 months will be crucial in determining the level of supply delivered in 2019-20, and hence shaping market conditions over the medium term.

RETAIL

Consumer confidence has been hit hard in the wake of the EU referendum result, with shopper sentiment falling eight points between June 30 and July 5, according to a one-off GfK Consumer Confidence Index measuring the immediate impact of the vote. However, we expect this to be a temporary fall, and predominantly a result of the post-referendum shock and the current political uncertainty, rather than the economic situation. The expected reduction in interest rates and a fall in the cost of mortgage debt financing will provide some respite to UK shoppers in the short-term.

Retailer results released post-Brexit continue the theme of winners and losers within the Retail sector, which predated the Brexit vote. Primark saw total sales growth of 7% in the 40 weeks to 18 June, driven by 11 new store openings. In contrast, Marks & Spencer's UK like for like figures fell 4.3% in the quarter to July 2, with clothing sales down 8.9%. M&S blamed a 'weak market,' as consumer confidence was hit ahead of the EU referendum, as well as moves to cut promotions and shift its summer sale into July. The only indicator of post-Brexit consumer behaviour has been provided by John Lewis, which recorded sales growth slowing to 2.1% in the week to July 2, compared with 7.3% the previous week, and 4.8% in the same week last year. Sales at Waitrose fell 2.8%, compared with the prior week's 0.7% decrease. The extent to which Brexit is responsible for these and other retailer trading results is open to debate. In fact, one of the challenges faced by the industry post-Brexit will be to isolate the impact of the vote from existing, underlying trading patterns, resulting from the ongoing structural change within the Retail industry.

The vote to leave the EU brings a new dawn for retail and leisure in Britain and Europe, along with short-term uncertainty. The full implications will take time to manifest, but any medium to longer term negative impact on consumer spend is unlikely to be as severe as during the Global Financial Crisis in 2007/8.

The UK retail market will not be unaffected by the decision to leave the EU, either positively or negatively, and a period of reflection is guaranteed. Change leads to uncertainty, it also leads to opportunity hand new pockets of resilience will emerge across the retail spectrum. Winners and losers existed in retail before the EU Referendum and in that respect nothing has changed.

HOTELS

The London hotel market accounts for around 20% of total hotel rooms in the UK. As at June 2016, there are c. 1,550 hotels in London with c. 140,000 rooms. With tourism figures forecast to rise, the pipeline for London is expected to remain strong over the next three years, with c. 18,000 hotel rooms due to open in the capital by 2019. Around 44% of the new rooms will be in the budget segment, followed by 4-star (31%) and 5-star (14%). We have already seen a shift of new hotel supply to the East in the new developing areas.

London is served by five international airports: Gatwick, Heathrow, London City, Luton and Stansted which, in Q1 2016 reported 34 million arrivals, a 6.7% gain compared to same time last year. The recent weakening of the pound in comparison to other major currencies will make the UK a more affordable destination for international travellers. Post-Brexit, China's leading OTA, Ctrip saw the number of searches for UK holidays triple. Also, Kayak reported a 54% uplift from the US, searching for flights to the UK. In addition, we expect a rebirth of "staycation" as domestic travellers choose to remain in the UK as holidays abroad become more expensive.

London has one of the highest occupancies in Europe, averaging around 80% in 2015. For the first six months of 2016, hotels saw a 3.5% year-on-year drop in RevPAR to £105, this was due to 3.0% decline in occupancy.

Average rate fell marginally, down 0.6% or £0.76 to £136. However, the market showed positive signs for the month of July with RevPAR up 4.0% driven by a 3.8% growth in ADR. Overall, the ongoing security concern in Europe is likely to have affected international travel, driving down occupancy for the first half of the year.

The UK remains an attractive global destination, with London being one of the most visited cities in the world. The weaker pound will make the UK a more affordable destination for international travellers. Domestic demand might also increase as domestic travellers choose to remain in their home country given the rising costs of foreign travel. The underlying market fundamentals continue to be positive and the outlook for hotel performance in London is promising. Nevertheless, 18,000 rooms are expected to be added to the capital's hotel supply in the next 3 years, which may dampen performance expectations in some boroughs of London.

New infrastructure developments within the city such as Crossrail and Thameslink, are driving regeneration and unlocking interest into hidden corners of the capital. Not only is this likely to heighten visitor demand and trading performance in the future, it will aid the absorption of new supply. We have already seen a shift to the East in terms of both new hotel supply and investment, as a result of oversupply and lack of available product in the historic centre of the capital. We expect this trend to continue in the near future.

RESIDENTIAL

The new build sales market has begun to brighten during the latter part of Q3. The market, as well as slowing slightly following the post-crisis revival, has had to endure a number of other knocks, predominantly from stamp duty changes, but more recently from the Brexit vote.

Unfortunately the Brexit vote coincided with the usual summer slowdown making it difficult to gauge the true impact of the vote. However, since late-August we have noticed a good deal more interest when launches have been made with enquiry levels also up on existing live developments. This bodes well for the remainder of 2016 although demand levels are still down compared with a year ago when investors were more active.

The market is undoubtedly quieter and more subdued. The number of sales across Central London during H1 2016 was 4,650 units, down 12% on the 5,270 sales in H2 2015 while the number of sales in Q2 2016 alone was also well below the average of 2,490 per quarter from the preceding five years.

Owner-occupiers have become far more important during the course of 2016. Investors continue to make enquiries but have been less active due to the new 3% stamp duty surcharge, the loss of tax relief and the uncertainty from Brexit.

Surprisingly, it has been the number of launches and sales in Outer Core markets rather than Core locations where the greatest change has occurred. The number of sales in Outer Core areas has been on a steady decline since Q3 2014 when it peaked at 2,690 unit sales. There were just 880 sales in Q2 2016, a 67% fall. In Core markets the number of sales has been reasonably steady over the past year, see chart below, although this is within the context of a rise in scheme launches.

Gauging the market during the course of 2016 has been difficult, as it often can be when the market softens. There has been a good deal of negotiation and a fair degree of flexibility. But applying a broad brush assessment across London or even within local markets is tricky.

Some schemes have struggled to attract meaningful interest, while others have still sold well. Some developers have adopted a flexible approach to pricing which has frequently paid dividends in terms of demand and sales rates. However, this uneven and unpredictable marketplace is making the analysis of pricing difficult.

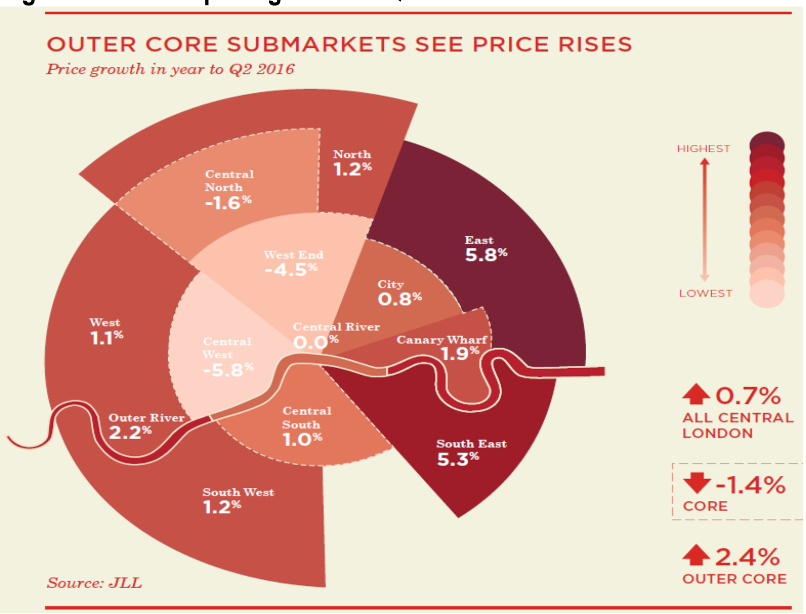
Overall, however, new build prices across Central London have fallen slightly during Q2 2016 but remain up on a year ago.

Within this average figure there is quite a bit of difference between higher value markets and more affordable locations with even greater variation between schemes (See Figure 1). Outer Core and better value markets have seen prices rise by 2.8% in the year to Q2 2016 while in Core markets the average price fall has been 1.4%.

The Central London sales market is already showing some signs of improvement during Q3 and it is encouraging that the early Brexit economic fears are looking more benign than many initially feared. However, this needs to be placed in context.

It is probably good news that we are no longer in a high turnover, high price growth environment, but given some of the new headwinds it is also unlikely that we will return to the competitive demand conditions from the past few years any time soon. Developers will need to adapt yet further in order to thrive in such conditions but, through no fault of their own, they do seem to be becoming amongst the most flexible business sector in the country.

Figure 1: London price growth to Q2 2016



Looking outside of the new build market across London as a whole, the residential market has seen pricing cool, even before the EU referendum, particularly in the prime centre. In light of the Brexit result we expect prices will be broadly flat during 2017 as the number of buyers diminishes slightly and their urgency to buy and to pay high prices subsides. However, we still expect demand to be robust with some buyers taking advantage of more subdued market conditions.

The Prime Central London sales market has softened considerably over the past couple of years. The stamp duty reforms from December 2014 have been the main cause as the tax burden has increased significantly for higher value properties. This has led to price falls across the board but especially above £5m where the stamp duty differential has been most marked. That being said, we estimate that most of the price declines have now washed through and that prices will be broadly flat next year.

In terms of looking forward JLL are anticipating annual price growth in the order of 0% in 2017, +1% in 2018 and +3% in 2019 before stronger growth and greater normality returns to the country, London and the Prime Central London housing market from 2020 (see Figure 2).

Figure 2: JLL house price growth forecasts

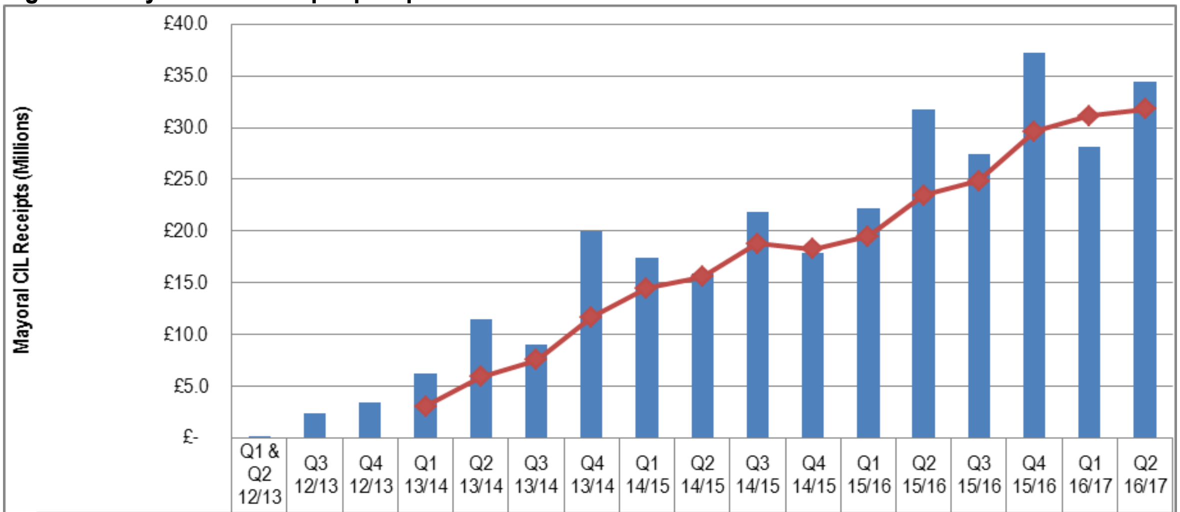
Forecast House Price Growth (% pa)	2017	2018	2019	2020	2021
Prime Central London	0.0	1.0	3.0	5.5	5.0
Central London Developments	0.0	1.0	2.5	6.5	5.0
Greater London	1.0	2.0	3.0	5.0	7.0

ANNEX F

JLL REVIEW OF MCIL IMPACT ON DEVELOPMENT ACTIVITY

CIL receipts have grown almost every quarter since inception. Initially this can be explained by property consented since the Mayor's CIL charging schedule was introduced gradually being implemented. However in the last two years or so, with CIL well established, the more likely reason for the continuous growth in receipts was the strength of the market for development land and schemes on this land being implemented.

Figure 1: Mayoral CIL receipts per quarter

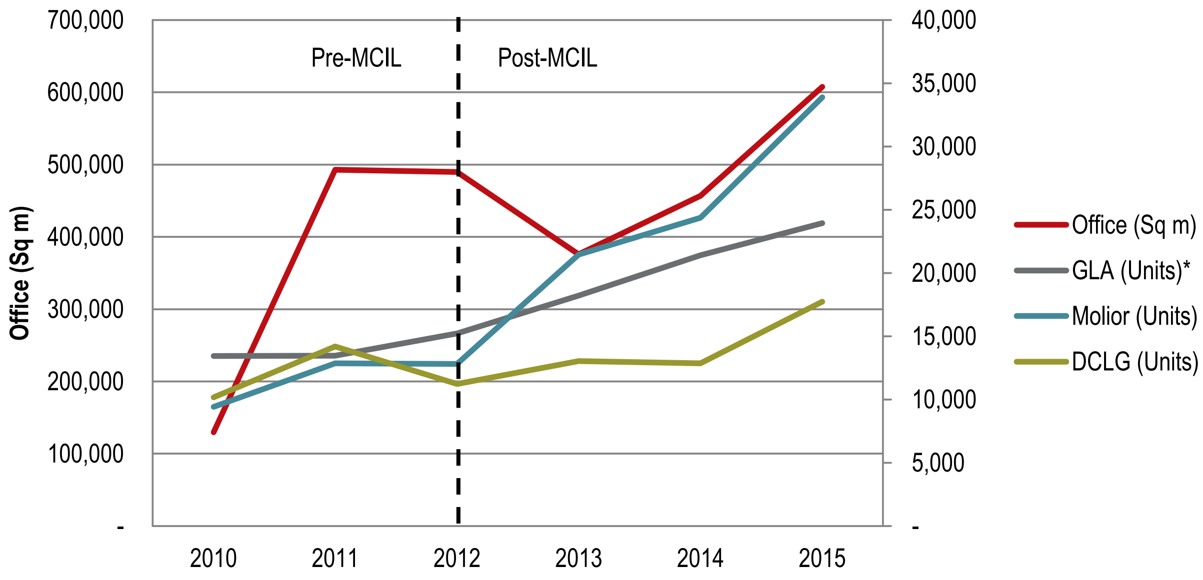


	Q1 & Q2 12/13	Q3 12/13	Q4 12/13	Q1 13/14	Q2 13/14	Q3 13/14	Q4 13/14	Q1 14/15	Q2 14/15	Q3 14/15	Q4 14/15	Q1 15/16	Q2 15/16	Q3 15/16	Q4 15/16	Q1 16/17	Q2 16/17
Qtly Receipts	£0.2	£2.4	£3.4	£6.2	£11.5	£9.0	£20.0	£17.4	£15.9	£21.9	£17.9	£22.2	£31.7	£27.5	£37.2	£28.1	£34.4
4 pt moving ave				£3.1	£5.9	£7.5	£11.7	£14.5	£15.6	£18.8	£18.3	£19.5	£23.4	£24.8	£29.7	£31.1	£31.8

Source: TfL Planning Obligations Team.

This is confirmed by looking at the data for office and residential schemes which shows significant increases in starts on site post 2012. There has been a turn down in residential starts in the last three quarters as the Central London market has cooled.

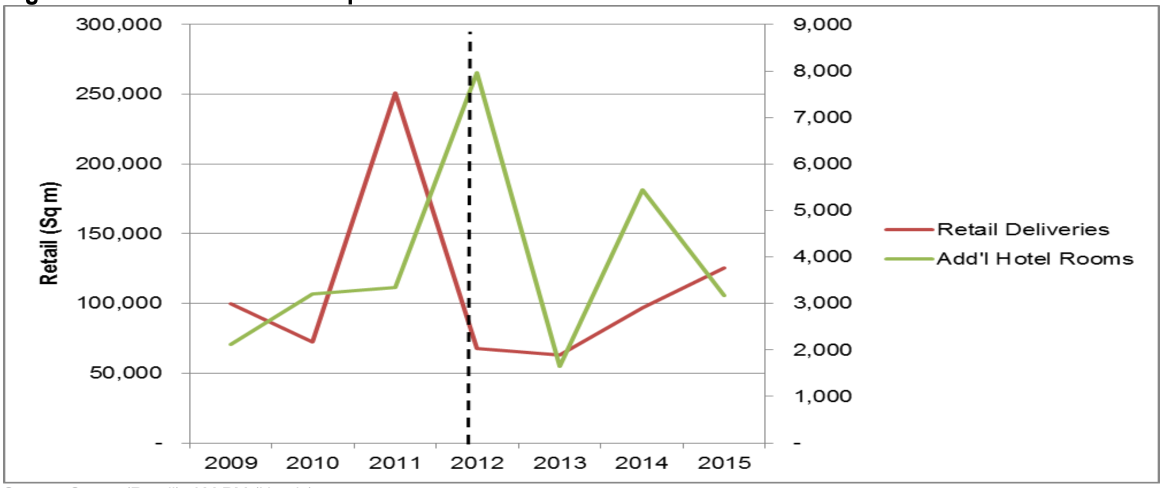
Figure 2: Office and private residential starts on site



Source: JLL/GLA/Molior/DCLG *GLA completion data used to avoid double counting in start on site data when multiple and duplicate consents are implemented.

There is a positive correlation between office and housing starts which is what we would expect because both depend on economic confidence and availability of finance. However the correlation is weak and we believe this is because office demand tends to lag upswings in the economy. Also residential and office developers often compete for the same land so the success of one can impact on the success of the other.

Figure 3: London retail development starts and additional hotel rooms delivered



Source: Costar (Retail), AM:PM (Hotels)

Retail development has seen an upward trend since the 2012 with circa 67,350m delivered in 2012 and circa 120,300 sq m in 2015 according to CoStar data. The significant spike in 2011 reflects the opening of the Westfield Stratford shopping centre ahead of the 2012 Olympics, delivering in the order of 185,000 sq m. The adjusted lines in Figure 3 excludes the Westfield Stratford scheme shows that when this this spike in development is removed, overall retail development activity across London continues to show an upward trend since the introduction of MCIL in 2012.

Based on this evidence it is reasonable to conclude that the introduction of Mayoral CIL, whilst adding to development costs, has not been a major consideration and development for residential and office as evidenced by the quantum of space started on site has grown considerably since Mayoral CIL was introduced.

Discussion with developers suggest that major issues since 2012 include rises in construction costs, changes to stamp duty (residential) and to the grant regime for affordable housing. These are likely to be of greater concern than Mayoral CIL when considering viability matters. To confirm this we have looked at statements by developers across the residential, commercial and Registered Provider spectrum. In Appendix 2 we set out our findings in more detail but from the table below it can be seen that building cost inflation, the planning regime and uncertainty around Brexit are the most widely remarked upon issues. For the Affordable Housing sector legislative change was widely remarked upon particularly the provisions announced in the 2015 Budget to reduce social rent levels.

Table 1: Key issues highlighted by 15 major developers in 2016

Firm	Document Title	CIL	MCIL	BCIL	Affordable Housing	Stamp Duty	Land Cost / Availability	Building Costs	Planning System	Brexit	Macro Factors	Legislation	Cyclical Market Risk
Berkeley Group	*Annual Report 2016*	Yes	No	No	Yes	Yes	No	No	Yes	Yes	Yes	No	Yes
Barratt	*Annual Report and Accounts 2016*	No	No	No	No	Yes	No	Yes	Yes	Yes	Yes	No	No
Taylor Wimpey	*Annual Report and Accounts 2015*	No	No	No	No	No	No	No	Yes	Yes	Yes	No	Yes
Bellway	*Annual Report and Accounts 2016*	No	No	No	No	No	No	Yes	Yes	Yes	No	No	No
U+I	*Preliminary Results For The Year Ended 29th February 2016*	No	No	No	No	No	No	Yes	Yes	Yes	Yes	No	No
L&Q	*Financial Statements 2016*	No	No	No	No	No	Yes	No	Yes	Yes	Yes	Yes	No
Genesis	*Financial Statements 2015/16*	No	No	No	No	No	No	No	No	No	No	Yes	No
A2Dominion	*Annual Report & Accounts 2016*	No	No	No	No	No	Yes	Yes	Yes	No	No	Yes	No
Notting Hill	*Report and Financial Statements 2015 - 2016*	No	No	No	No	No	No	Yes	No	Yes	No	Yes	No
Circle	*Annual Report and Accounts 2016*	No	No	No	No	No	No	No	No	Yes	No	Yes	No
Land Securities	*Annual Report 2016*	No	No	No	No	Yes	No	No	No	Yes	No	Yes	Yes
British Land	*Annual Report and Accounts 2016*	No	No	No	No	Yes	No	Yes	No	Yes	Yes	No	No
Hammerson	*Unaudited Results For The Six Months Ended 30 June 2016*	No	No	No	No	No	No	No	No	Yes	No	No	No
Quintain	*Annual Report 2016*	No	No	No	No	No	No	No	Yes	No	Yes	No	No
Portland	*Annual Report 2016*	No	No	No	No	No	No	Yes	No	Yes	No	No	No

Turning to the fundamental factors that influence viability we find that the average borough residential sale price has grown by 69% since the evidence base for the MCIL was compiled in 2010.

Table 2: Average house price growth April 2010 to July 2016

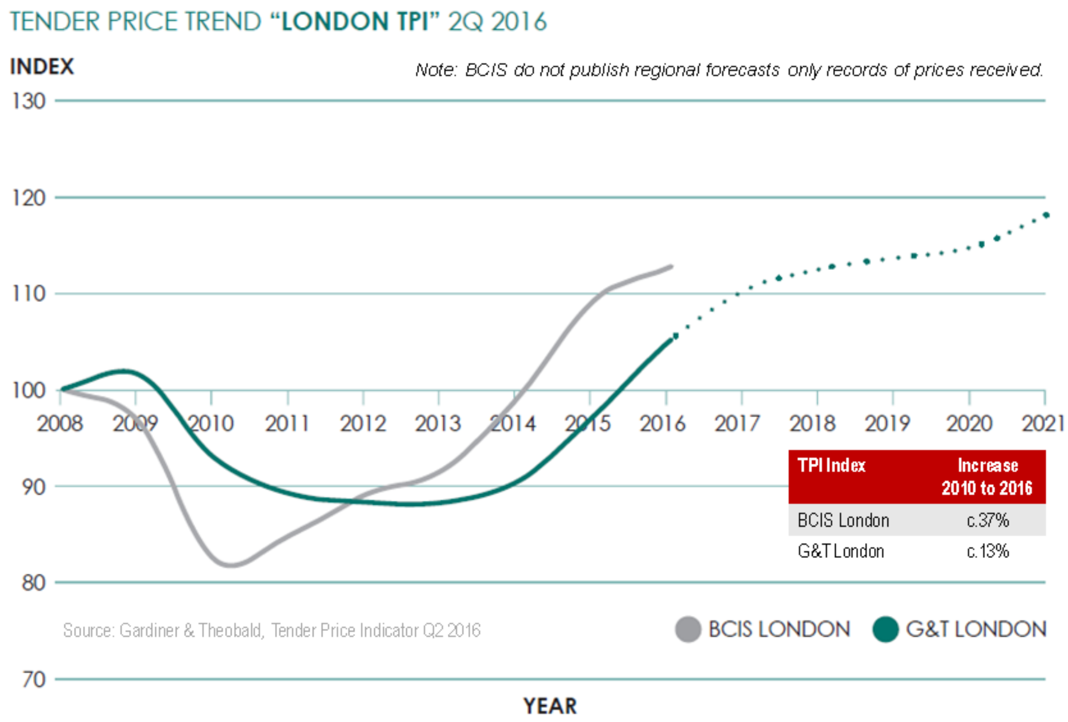
Borough	Average Price - April 2010 (rebased)	Average Price - July 2016	% increase
Barking and Dagenham	£162,756	£276,145	70%
Barnet	£327,955	£542,389	65%
Bexley	£202,739	£328,107	62%
Brent	£287,902	£499,514	74%
Bromley	£266,897	£440,373	65%
Camden	£499,767	£788,065	58%
City of London	£458,246	£886,713	94%
City of Westminster	£590,583	£1,029,884	74%
Croydon	£222,847	£365,479	64%
Ealing	£285,639	£497,044	74%
Enfield	£239,051	£388,151	62%
Greenwich	£222,902	£387,336	74%
Hackney	£298,084	£541,914	82%
Hammersmith and Fulham	£488,087	£760,245	56%
Haringey	£304,766	£569,376	87%
Harrow	£288,144	£451,643	57%
Havering	£217,821	£348,973	60%
Hillingdon	£244,122	£417,684	71%
Hounslow	£252,274	£401,957	59%
Islington	£393,892	£683,349	73%
Kensington and Chelsea	£818,816	£1,287,850	57%
Kingston upon Thames	£295,162	£500,730	70%
Lambeth	£294,294	£527,419	79%
Lewisham	£226,054	£421,155	86%
Merton	£294,295	£526,216	79%
Newham	£202,170	£359,231	78%
Redbridge	£244,146	£409,025	68%
Richmond upon Thames	£417,128	£685,448	64%
Southwark	£292,880	£519,781	77%
Sutton	£234,859	£376,410	60%
Tower Hamlets	£288,964	£468,484	62%
Waltham Forest	£225,011	£424,824	89%
Wandsworth	£379,075	£621,220	64%
London Average Borough	£317,192	£537,337	69%

Source: Land Registry HPI

A prime City office building we assessed as having a value of c.£10,658 psm (£990 psf) in March 2010. Today, after changes to reflect a recent yield adjustment upwards post the Brexit vote, a similar grade A property would be valued at c.£16,757 psm (£1,557 psf). This represents capital growth since CIL was introduced of c.57%.

Over the same period building costs measured by the BCIS London TPI have grown by 32%. Gardiner & Theobald report a lower price increase (see Figure 4 below).

Figure 4: Build cost increases (tender prices)



So values at the top of developers' appraisals have been grown considerably since the evidence base for the MCIL introduced in 2012 was compiled. However the costs for developers have also been increasing by up to 32% in terms of construction costs according to the BCIS London TPI index and of course developers have increasingly had to make allowance for Borough CIL as well albeit netted off to some degree by the removal of tariff style S106.

We have undertaken an analysis using the examples in paragraph 4.4.9 of ***Proposals for a Mayoral Community Infrastructure Levy Draft Charging Schedule June 2011.*** We have updated these by increasing the values in line with the rise in average Borough house prices and the costs in line with BCIS London TPI. This suggests that the land values have increased at a level that more than compensates for the introduction of MCIL at rates (before indexation) of between £20 per sq m and £50 per sq m.

Table 3: 2010 illustrative residual calculation

End Value per sq m	£5,081
Developer's profit on cost at 20%	-£847
Total Development Costs per sq m	£4,234
Less build cost per sq m	-£1,830
Plus fees and finance on construction cost 23% say	-£2,251
Amount for land, finance on land and purchaser's costs	£1,983
Finance and purchaser's costs	20%
LAND VALUE SAY per sq m (before allowance for CIL/S106)	**£1,653**

Table 4: 2016 illustrative residual calculation

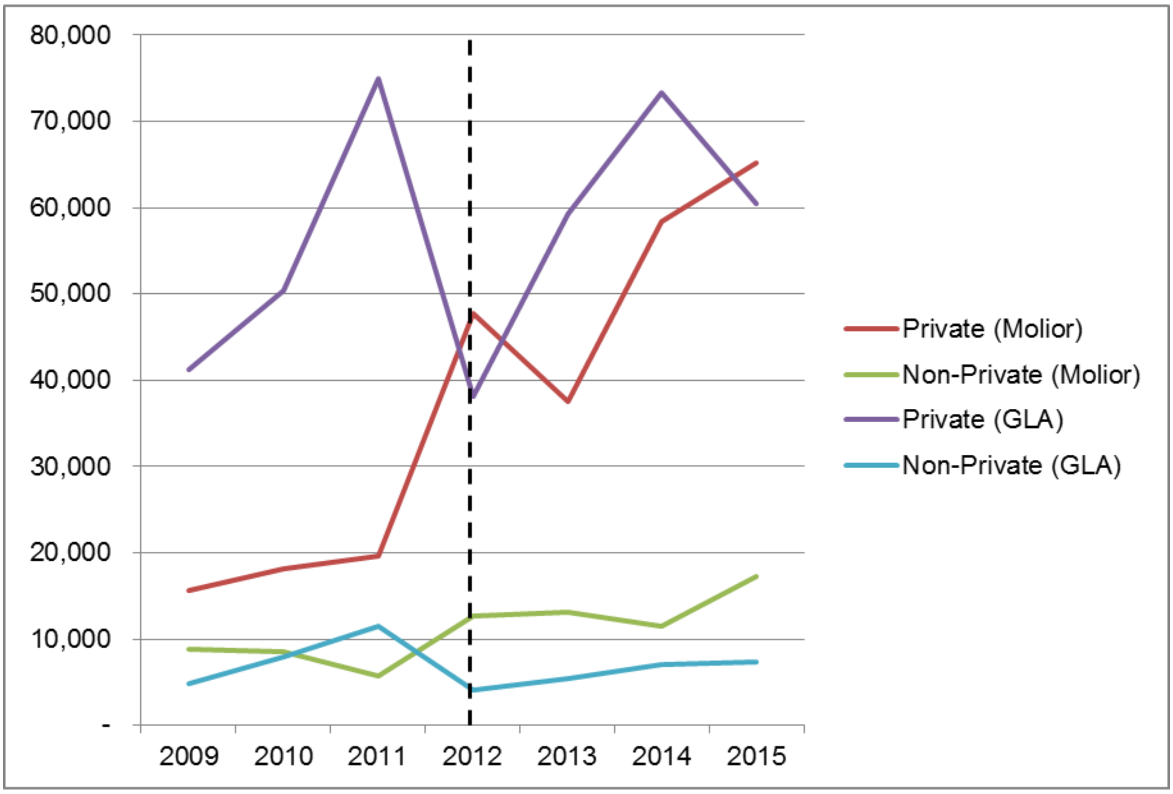
End Value per sq m	£8,607
Developer's profit on cost at 20%	-£1,435
Total Development Costs per sq m	£7,173
Less build cost per sq m	£2,379
Plus fees and finance on construction cost at 23% say	-£2,926
Amount for land, finance on land and purchaser's costs	£4,247
Finance and purchaser's costs	20%
LAND VALUE SAY per sq m (before allowance for CIL/S106)	**£3,539**

Taking CIL receipts, development starts and development fundamentals into account we judge that the current rates for MCIL are not having a material adverse impact on development activity.

Affordable Housing

On the graph below schemes consented with an affordable content using data from GLA & Molior.

Figure 4: Numbers of private and affordable units consented across London (schemes of 20 or more units in total)



The Molior data is for consented schemes of 20 units and above, the sort of scheme that is often incorporates a S106 Agreement as part of the planning permission. The GLA data used is based on approvals for schemes of twenty units or more with 40% affordable housing or less. The 40% figure has been used as a proxy for identifying affordable units delivered via Section 106 rather than through grant or other subsidy. Schemes delivering more than 40% affordable housing are likely to have received direct GLA subsidy and the study is seeking to understand the impact of MCIL on affordable housing via Section 106 agreements .

Table 5: Affordable Housing consented as a percentage of total number of units consented (schemes of 20 or more units in total)

Year	% Affordable (Molior)	% Affordable (GLA)
FY2009	36%	21%
FY2010	29%	14%
FY2011	20%	14%
FY2012	27%	13%
FY2013	23%	12%
FY2014	18%	12%
FY2015	21%	12%

Source: Molior

In the table above we show the affordable housing (including intermediate tenures) as a proportion of the total consented number of units. It can be seen using the Molior data that when housing delivery was relatively low in years 2009 and 2010 the percentage of affordable expressed as a proportion of all housing was relatively high (36%). Since then the figures have hovered around 21%. The GLA data also shows a pattern where affordable housing as a percentage of the total has fallen since FY2009 albeit with most of this fall between the 2009 and 2010 financial years and levels remaining relatively flat since 2012.

CIL receipts only reached £15m per quarter or more in the financial year 2014/2015 and the drop in the percentage of affordable takes place earlier, therefore, it seems unlikely that CIL, particularly the Mayor's CIL, had any meaningful impact on the affordable levels contributed by S106.

Other factors such as the availability and level of social housing investment and legislative change particularly as it relates to the level of social rents seem more likely contributory factors. We also note that one or two particularly large schemes that may well skew the statistics in particular quarters.

Notwithstanding the lack of correlation there could still be a dampening effect on affordable housing as a result of MCIL adding to development costs of schemes which are then subject to viability tests as a result of them being at less than policy levels of affordable housing. Whilst we believe that this is likely in the early years where land had been bought before the Mayoral CIL regime existed and was consented and implemented after this seems less likely now when Mayoral CIL will have been factored in to any purchase price and as has been referred in the preceding chapter values have outpaced development costs.

In 2016 in Central London starts on site for Central London residential schemes have declined reacting to stamp duty charges, reduced demand, and higher construction costs and Brexit uncertainty. (Source: JLL, Molior) We expect lower number of units to be built as a consequence. It is too early to know with any certainty what the consequences will be for affordable housing providers.

ANNEX G

BOROUGH CIL STATUS INCLUDING CHARGING DATES

	Borough	DCS Consultation Period	Date of Examiner's Report	Date BCIL Charged from
CIL Operational	Redbridge	10 May - 10 June 2011	9th Sept 2011	**1st Jan 2012**
	Wandsworth	24 Jun - 22 July 2012	23rd May 2012	**1st Nov 2012**
	Croydon	16 Jan -13 Feb 2012	17th Dec 2012	**1st April 2013**
	Barnet	27 Jul -7 Sept 2012	12th Feb 2013	**1st May 2013**
	Brent	2 Jul - 3 Aug 2012	15th Jan 2013	**1st July 2013**
	Harrow	15 Nov - 20 Dec 2012	10th June 2013	**1st Oct 2013**
	Newham	17 Dec - 25 Jan 2013	19th July 2013	**1st Jan 2014**
	Merton	25 Mar - 10 May 2013	16th Oct 2013	**1st April 2014**
	Sutton	12 Nov - 10 Dec 2012	29th Nov 2013	**1st April 2014**
	Waltham Forest	29 Jul - 9 Sept 2013	10th Jan 2014	**15th May 2014**
	City	24 Jul- 4 Oct 2013	23rd Jan 2014	**1st July 2014**
	Hillingdon	15 Nov - 14 Dec 2012	10th Feb 2014	**1st Aug 2014**
	Islington	28 Jun - 9 Aug 2013	13th Mar 2014	**1st Sept 2014**
	Lambeth	1 July - 12 Aug 2013	19th May 2014	**1st Oct 2014**
	Richmond	8 July - 19 Aug 2013	17th Mar 2014	**1st Nov 2014**
	Haringey	26 April - 14 Jun 2013	4th Feb 2014	**1st Nov 2014**
	Lewisham	3 Dec - 31 Jan 2013	23rd Jan 2014	**1st April 2015**
	Hackney	15 Jan - 26 Feb 2014	24th Dec 2014	**1st April 2015**
	Tower Hamlets	22 April - 5 Jun 2013	14th Nov 2014	**1st April 2015**
	Camden	19 June - 31 July 2014	16th Dec 2014	**1st April 2015**
	Southwark	14 Jan - 25 Feb 2014	27th Feb 2015	**1st April 2015**
	Barking & Dagenham	14 Mar - 26 Apr 2013	28th May 2014	**3rd April 2015**
	LLDC	27 May - 8 July 2014	27th Nov 2014	**6th April 2015**
	Kensington & Chelsea	21 Jan - 23 Feb 2014	22nd Dec 2014	**6th April 2015**
	Greenwich	30 July - 10 Sept 2014	6th Mar 2015	**6th April 2015**
	Bexley	19 Aug - 30 Sept 2013	30th Dec 2014	**30th April 2015**
	Hounslow	19 Sept - 19 Oct 2014	4th June 2015	**14th July 2015**
	Hammersmith & Fulham	22 Aug - 3 Oct 2014	20th March 2015	**1st Sept 2015**
	Kingston	10 Jan - 7 Mar 2014	5th Oct 2015	**13th Oct 2015**
	Enfield	3 Dec - 21 Jan 2015	18th Dec 2015	**1st April 2016**
	Westminster	12 June - 25 July 2015	23rd Dec 2015	**1st May 2016**
DCS	Ealing	27 Mar - 8 May 2015	22nd Aug 2016	
PDCS	Havering	23 Feb - 10 Apr 2015		
	OPDC	3 Oct - 25th Nov 2016		
No Proposal	Bromley			

ANNEX H

BOROUGH CIL CHARGING RATES FOR KEY LAND USES

Borough CIL: Key Rates

BOROUGH	MCIL	RESIDENTIAL	OFFICE	RETAIL	HOTEL	
Rebridge	35	70	70	70	70	CIL Adopted/Being Charged
Wandsworth	50	575 265/250 0	100 0	100 0	0	CIL Adopted/Being Charged
Croydon	20	120/0	120 0	120	120 0	CIL Adopted/Being Charged
Barnet	35	135	0	135	135	CIL Adopted/Being Charged
Brent	35	200	40	40	100	CIL Adopted/Being Charged
Harrow	35	110	0	100	55	CIL Adopted/Being Charged
Newham	20	80/40	0	30	120	CIL Adopted/Being Charged
Merton	35	220 115	0	100*	0	CIL Adopted/Being Charged
Sutton	20	100	0	120 0	0	CIL Adopted/Being Charged
Waltham Forest	35	65/70	0	150*	20	CIL Adopted/Being Charged
City	50	150/95	75	75	75	CIL Adopted/Being Charged
Hillingdon	35	95	35	215*	40	CIL Adopted/Being Charged
Islington	50	300/250	80 0	175/125	350/250	CIL Adopted/Being Charged
Lambeth	35	265 150/50	125 0	115*	100	CIL Adopted/Being Charged
Richmond	50	250 190	25**	150	25	CIL Adopted/Being Charged
Haringey	35	265 165/15	0	95* 25	0	CIL Adopted/Being Charged
Lewisham	35	100/70	0	80	80	CIL Adopted/Being Charged
Hackney	35	190/55/22/0	50 0	150 65 0	80/55	CIL Adopted/Being Charged
Tower Hamlets	35	200 65/35	90 0	120* 70 0	180 0	CIL Adopted/Being Charged
Camden	50	500 250 150/0	45/25	25	40/30	CIL Adopted/Being Charged
Southwark	35	400/200 50	70 0	125	250/125	CIL Adopted/Being Charged
Barking & Dagenham	20	70/25/10	0	175*	10	CIL Adopted/Being Charged
LLDC	20/35	60	0	100 0	100	CIL Adopted/Being Charged
Kensington & Chelsea	50	750/590/430 270 190/110	0	0	160	CIL Adopted/Being Charged
Greenwich	35	70/40	0	100* 0	100	CIL Adopted/Being Charged
Bexley	20	40/60	10	100* 10	60 40	CIL Adopted/Being Charged
Hounslow	35	200 110/70	20	155 20	20	CIL Adopted/Being Charged
Hammersmith & Fulham	50	400 200 100/0	80 0	80	0	CIL Adopted/Being Charged
Kingston	35	210 130/85/50	20	200*/** 20	20	CIL Adopted/Being Charged
Enfield	20	120/60/40	0	60	0	CIL Adopted/Being Charged
Westminster	50	550/400 200	200/150 50	200/150 50	200/150 50	CIL Adopted/Being Charged
Ealing	35	100/50	0	100* 30	100 50	DCS
Havering	20	70/50		175 50	20	PDCS
OPDC	35/20	175	70	125* 50	80	PDCS
Bromley	35					No Proposal

* Superstore
** Town Centre

ANNEX I
BCIL INSTALMENT POLICIES

Borough	MCIL/BCIL Instalments Policy	Threshold Triggers (£,000)									
Barking & Dagenham	MCIL				500						
Barnet	MCIL				500						
Bexley	MCIL				500						
Brent	BCIL				500			3m			
Bromley	MCIL-Not yet charging										
Camden	BCIL				500	1m	2m		4m		
City of London	MCIL				500						
Croydon	BCIL			250			2m				
Ealing	MCIL-Not yet charging										
Enfield	MCIL				500						
Greenwich	BCIL		100		500	1m			4m		
Hackney	BCIL				500		2m				8m
Hammersmith & Fulham	MCIL				500						
Haringey	MCIL				500						
Harrow	BCIL		100	250	500						
Havering	MCIL-Not yet charging										
Hillingdon	BCIL			250	500					5m	
Hounslow	MCIL				500						
Islington	BCIL				500		2m				8m
Kensington & Chelsea	MCIL				500						
Kingston	BCIL		100	250	500						
Lambeth	MCIL				500						
Lewisham	MCIL				500						
LLDC	MCIL				500						
Merton	BCIL		100	250	500						
Newham	MCIL				500						
OPDC	MCIL-Not yet charging										
Redbridge	BCIL		100	250	500						
Richmond	BCIL			250	500						
Southwark	MCIL				500						
Sutton	BCIL		100	250	500						
Tower Hamlets	MCIL				500						
Waltham Forest	MCIL				500						
Wandsworth	BCIL	20			500		2m				8m
Westminster	BCIL					1m		3m			

ANNEX J

BCIL DISCRETIONARY RELIEF

Borough (By date of BCIL adoption)	Reg. 44/45 Discretionary Charitable Relief	Reg. 55 Exceptional Circumstances	Reg. 49 Discretionary Social Housing Relief
Redbridge			
Wandsworth	1st November 2012		1st August 2014
Croydon			
Barnet		1st May 2013	
Brent		1st July 2013	
Harrow			
Newham			
Merton			
Sutton			
Waltham Forest		15th May 2014	
City			
Hillingdon			
Islington			
Lambeth	1st December 2014	1st October 2014	1st December 2014
Richmond			
Haringey			
Lewisham			
Hackney			
Tower Hamlets		1st April 2015	
Camden			
Southwark			
Barking & Dagenham		3rd April 2015	
LLDC			
Kensington & Chelsea			
Greenwich		6th April 2015	
Bexley			
Hounslow			
Hammersmith & Fulham			
Kingston		1st November 2015	
Enfield			
Westminster	1st May 2016	1st May 2016	1st May 2016

OTHER FORMATS AND LANGUAGES

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Chinese

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Hindi

यदि आप इस दस्तावेज की प्रति अपनी भाषा में चाहते हैं, तो कृपया निम्नलिखित नंबर पर फोन करें अथवा नीचे दिये गये पते पर संपर्क करें

Vietnamese

Nếu bạn muốn có văn bản tài liệu này bằng ngôn ngữ của mình, hãy liên hệ theo số điện thoại hoặc địa chỉ dưới đây.

Bengali

আপনি যদি আপনার ভাষায় এই দলিলের প্রতিলিপি (কপি) চান, তা হলে নীচের ফোন্ নম্বরে বা ঠিকানায় অনুগ্রহ করে যোগাযোগ করুন।

Greek

Αν θέλετε να αποκτήσετε αντίγραφο του παρόντος εγγράφου στη δική σας γλώσσα, παρακαλείστε να επικοινωνήσετε τηλεφωνικά στον αριθμό αυτό ή ταχυδρομικά στην παρακάτω διεύθυνση.

Urdu

اگر آپ اِس دستاویز کی نقل اپنی زبان میں چاھتے ھیں، تو براہ کرم نیچے دئے گئے نمبر پر فون کریں یا دیئے گئے پتے پر رابطہ کریں

Turkish

Bu belgenin kendi dilinizde hazırlanmış bir nüshasını edinmek için, lütfen aşağıdaki telefon numarasını arayınız veya adrese başvurunuz.

Arabic

إذا أردت نسخة من هذه الوثيقة بلغتك، يرجى الاتصال برقم الهاتف أو مراسلة العنوان أدناه

Punjabi

ਜੇ ਤੁਹਾਨੂੰ ਇਸ ਦਸਤਾਵੇਜ਼ ਦੀ ਕਾਪੀ ਤੁਹਾਡੀ ਆਪਣੀ ਭਾਸ਼ਾ ਵਿਚ ਚਾਹੀਦੀ ਹੈ, ਤਾਂ ਹੇਠ ਲਿਖੇ ਨੰਬਰ 'ਤੇ ਫ਼ੋਨ ਕਰੋ ਜਾਂ ਹੇਠ ਲਿਖੇ ਪਤੇ 'ਤੇ ਰਾਬਤਾ ਕਰੋ:

Gujarati

જો તમને આ દસ્તાવેજની નકલ તમારી ભાષામાં જોઈતી હોય તો, કૃપા કરી આપેલ નંબર ઉપર ફોન કરો અથવા નીચેના સરનામે સંપર્ક સાધો.

Transport for London

MAYOR OF LONDON

DECEMBER 2016