



Date: 17 June 2015

Item: Update on Planning Obligations

This paper will be considered in public

1 Summary

- 1.1 TfL is responsible for advising the Mayor on the transport issues associated with planning applications referred to him, progressing section 106 (s106) contributions where TfL is delivering transport mitigation to enable developments to function effectively, and overseeing the collection of £600m towards Crossrail from developments across the capital.
- 1.2 This report provides an overview of the contributions received from developers by TfL during the year 2014/15. This reached a new high of £130m in this year and this income is from a variety of sources, including the Mayoral Community Infrastructure Levy (CIL), which generated receipts of £73m for the year, £14m collected via s106 to support Crossrail, and £43m collected through site specific s106 agreements.

2 Recommendation

- 2.1 **The Committee is asked to note the report.**

3 Background

- 3.1 TfL is responsible for advising the Mayor on the transport issues associated with planning applications referred to him under the Greater London Authority Act 1999 (GLA Act). TfL attends the weekly Mayoral Planning meetings and are responsible for negotiating appropriate transport mitigation with developers and boroughs.
- 3.2 As part of the funding arrangement with government, TfL is to raise £600m towards Crossrail through a combination of the Mayoral CIL and s106 contributions as defined in the Funding of Crossrail Supplementary Planning Guidance (SPG).
- 3.3 This annual report provides information on:
 - (a) s106 funding (secured through the Crossrail SPG) that will contribute to the funding of Crossrail;
 - (b) s106 funding for other transport measures, delivered by TfL, as mitigation for development impacts; and
 - (c) the Mayor's and boroughs' CILs.

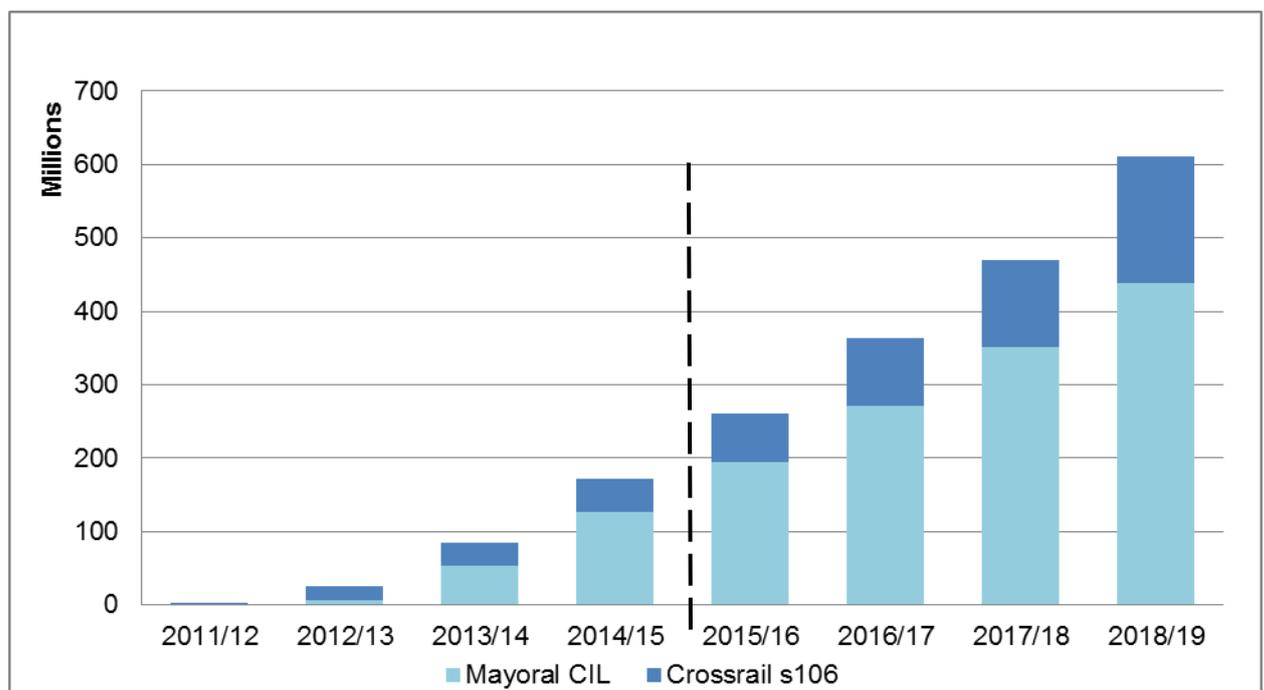
4 Development Activity

- 4.1 Securing contributions through planning obligations is related to the level of development activity and, in particular, the implementation of relevant planning permissions. There are a number of sources that indicate that development activity is increasing in London, particularly in respect of the residential sector. Annex 1 provides data from analysts who monitor development activity. This indicates that we may be at a high point in the economic cycle with residential starts in 2014 being at the highest annual level in twenty years, whilst office starts in the six months to March 2015 being the second highest half-year figure over the same twenty year period.
- 4.2 TfL actively considers the transport implications of about 300 of the major applications referred to the Mayor each year. Following detailed appraisal it may be necessary to negotiate a package of transport measures when this is required to mitigate the impact of the proposed development. The introduction of CIL has increased the rigour applied to negotiating s106 contributions and their requirement to be necessary, directly related and reasonably related in scale.

5 Developer Contributions towards Crossrail

- 5.1 Figure 1 shows the good progress towards the target of £600m for Crossrail from developer contributions. The graph shows contributions from both the Mayoral CIL and s106 Crossrail funding streams, with actual receipts of £172m to the end of 2014/15, and showing TfL Business Plan projections for future years. The position at the end of 2014/15 is a little ahead of the TfL Business Plan forecast of £160m, which itself had upgraded the figure from the business plan a year earlier of £136m.

Figure 1: Cumulative Total of Crossrail funding – Actual & Forecast



5.2 The balance of contributions has moved towards Mayoral providing the larger share of the £600m when compared to the equal split of 'London Planning Charge' and 's106 developer contributions' receipts as initially anticipated in the 2007 Crossrail funding agreement, prior to the development of the CIL. The last year has provided greater clarity on potential future funding as:

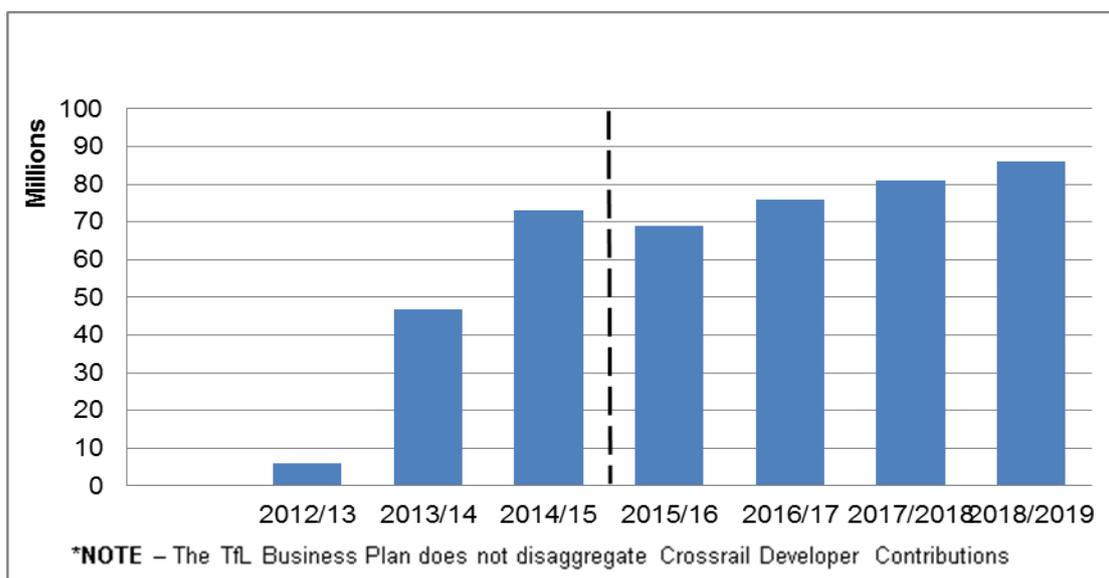
- (a) Mayoral CIL receipts have worked through the development pipeline to provide a level of annual receipts that could continue to be reflected in future years;
- (b) the relationship between Mayoral CIL and s106 payments is becoming clearer in respect of its impact in the respective overlapping funds drawn from particular developments; and
- (c) planning permission has been granted for the development of Wood Wharf which modifies the potential future funding flows in respect of this specific key development.

6 Mayoral Community Infrastructure Levy

6.1 The Mayoral CIL came into effect on 1 April 2012 and covers all development throughout London with a few exceptions (e.g. health and education facilities). Boroughs act as collecting authorities and are responsible for gathering the appropriate Mayoral CIL payments and transferring them to TfL, who administer the CIL on the Mayor's behalf. TfL manages the borough collection of Mayoral CIL via a system of quarterly reporting and transfer of funds to a defined programme. This structure is established and is working well with TfL receiving all funds within a month of the quarter end in which they were due.

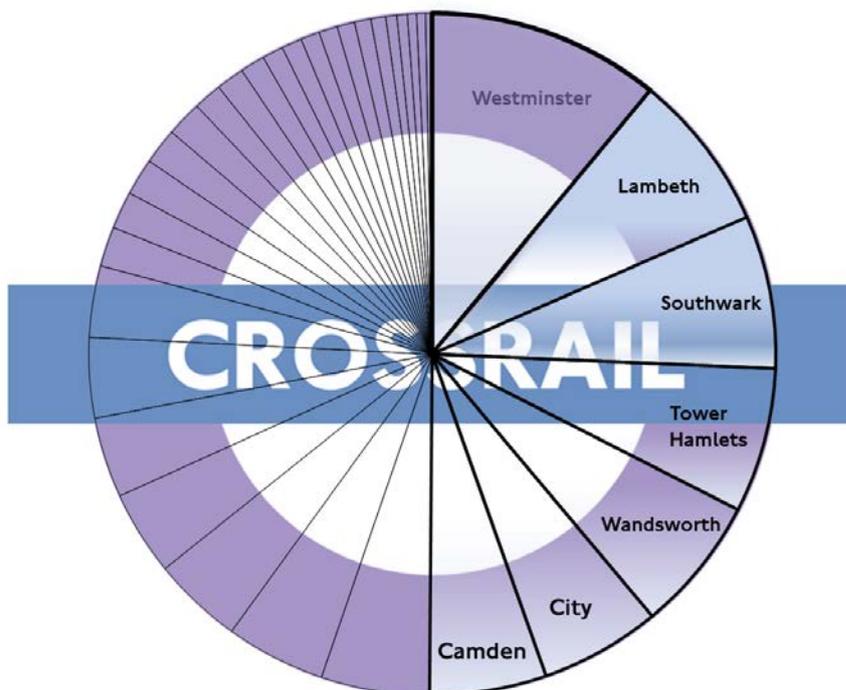
6.2 At the time of the last annual report, the total Mayoral CIL receipts after two years of Mayoral CIL operation was £53m. Figure 2 highlights that the upward trend in Mayoral CIL receipts has continued with £73m being collected during the last year, bringing the total after three years to £126m on a cash basis.

Figure 2: Mayoral CIL Receipts Actual (Cash) and Forecast



6.3 Of the £126m of Mayoral CIL collected for Crossrail, Figure 3 shows that half has been generated by only seven of the 33 boroughs, with a bias towards Central London and Westminster leading the way with £13.8m. On the other hand, all but one of the 34 collecting authorities have now contributed receipts in excess of half a million pounds.

Figure 3: Comparison of Mayoral CIL collected by boroughs



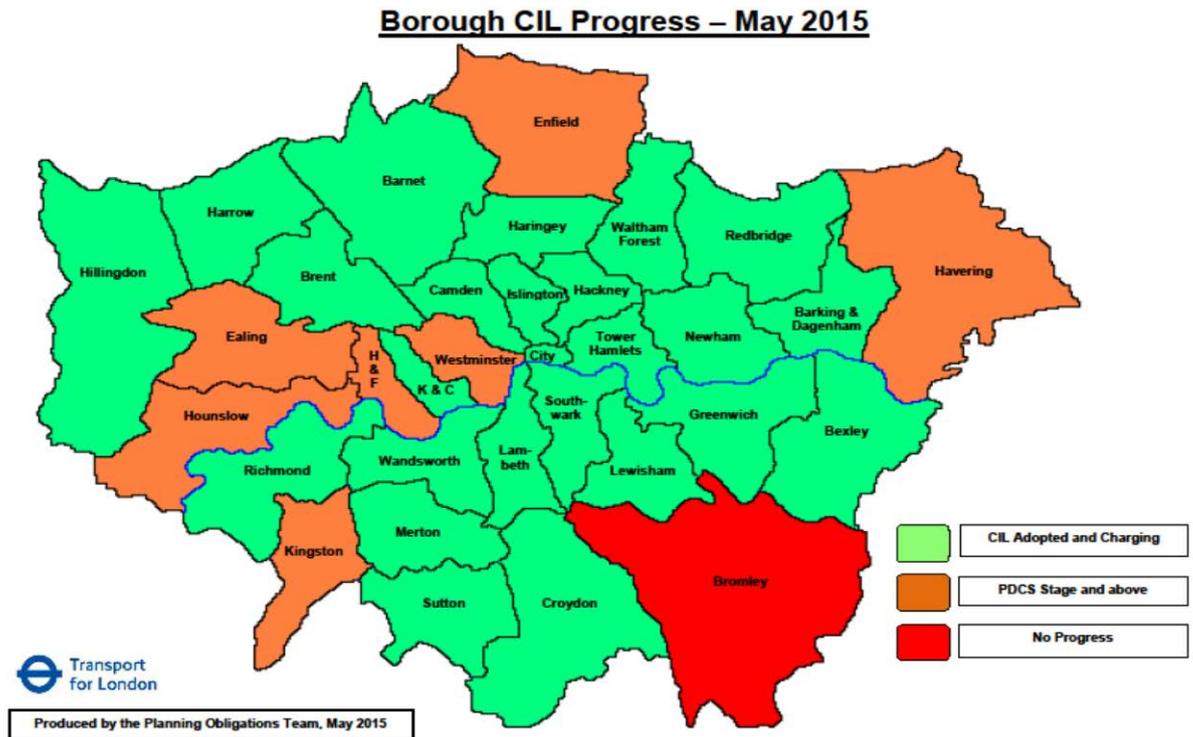
6.4 CILs are required to be reviewed on a regular basis and the Mayor agreed to undertake a review after two years of operation. The Biennial Review 2014 was approved by the Mayor and published in December last year. The Mayor considered that there should be no revision to the current Mayoral CIL rates and instructed officers to undertake the next review after a further two years in 2016.

7 Borough CILs

7.1 Borough CIL progress in London has been far ahead of the picture nationally. Across the rest of the country less than 20 per cent of authorities have their CILs in place whereas in London there are 27 CILs that have been approved and are currently charging. Figure 4 illustrates the current position with only Bromley yet to publish any CIL proposals.

7.2 TfL established and hosts the CIL Collection Group, which meets about six times a year and is very well attended by boroughs across London as well as by the Department for Communities and Local Government. It provides an opportunity to discuss practical issues, share knowledge and experience, provide mutual support and ensure a consistent approach to meeting the demands of collecting the Mayoral and borough CILs.

Figure 4; Current Status of Borough CILs



- 7.3 As part of developing their CILs boroughs have identified extensive infrastructure needs with funding gaps, typically of £150m - £300m per borough. Education is the area which dominates the boroughs' need for additional funding and any contributions for transport projects will need to compete with these other calls on this funding.
- 7.4 There is a substantial variation across London in the level of annual CIL receipts anticipated. For example, there are a number of boroughs expecting around £1m per annum compared to more than ten times that amount anticipated in boroughs such as Islington. As most authorities have only started charging within the last year it is likely that significant receipts will still take a couple of years to work their way through the development pipeline.
- 7.5 While the potential availability of borough CIL funds will be constrained by the substantial local infrastructure needs identified by boroughs, TfL will continue to seek to maximise securing contributions towards appropriate strategic transport projects. Separate borough agreements have been negotiated in some cases to ensure the borough CIL contributions help fund transport projects (e.g. London Borough of Croydon and the Fiveways project, or London Borough of Southwark and the Elephant & Castle transport projects).

8 Funding of Crossrail Supplementary Planning Guidance

- 8.1 The Crossrail SPG requires s106 funding to be secured for Crossrail from certain commercial developments. The initial Crossrail Funding SPG was published in April 2010, and this was updated in April 2013. The SPG is land use (office, retail and hotel) and spatially specific (Central London, the Isle of Dogs and the areas immediately around Crossrail stations). S106 funds collected in accordance with

the Crossrail SPG during 2014/15 totalled £14m, which is less than initially forecast but brings the total collected since its inception to £46m.

- 8.2 The policy was developed in advance of the Mayoral CIL. As previously reported, the interaction between the Mayoral CIL and Crossrail s106 contributions is such that a significant part of what would have been s106 is now collected as CIL. Figure 5 sets out the current forecast with the funding profile also influenced by the timing of receipts from the Wood Wharf development which are not anticipated to start flowing before 2018/19.
- 8.3 The distribution of s106 contributions is much narrower than for Mayoral CIL receipts as might be expected given the specific spatial and land use focus. Figure 6 illustrates this, with more than three-quarters of funding to date having been secured from just two authorities (City of London Corporation & Westminster).

Figure 5: Crossrail SPG Receipts

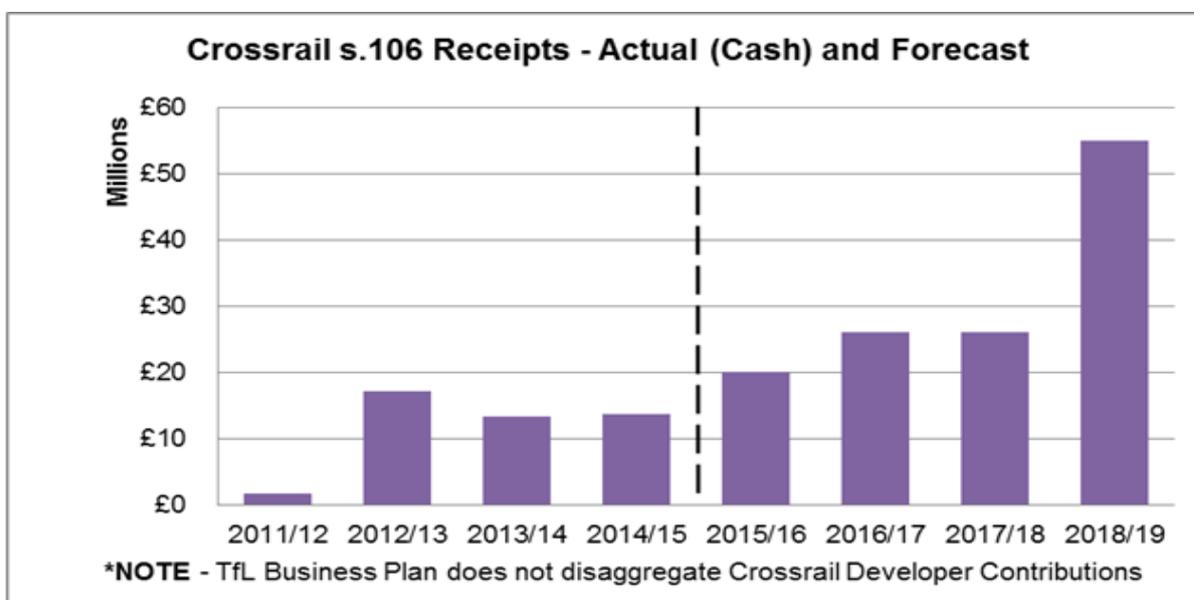
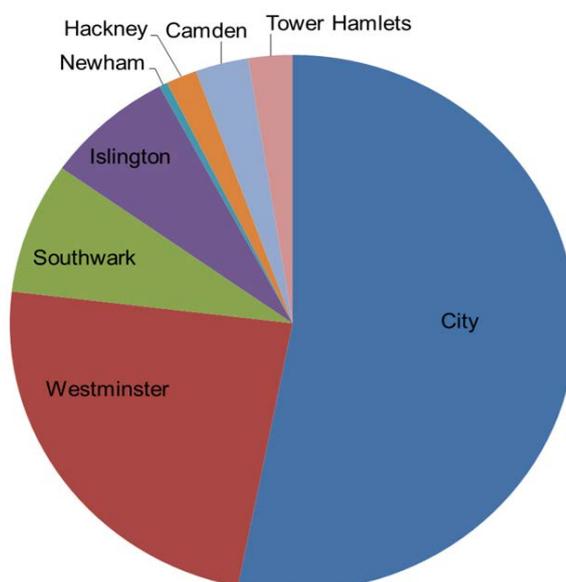


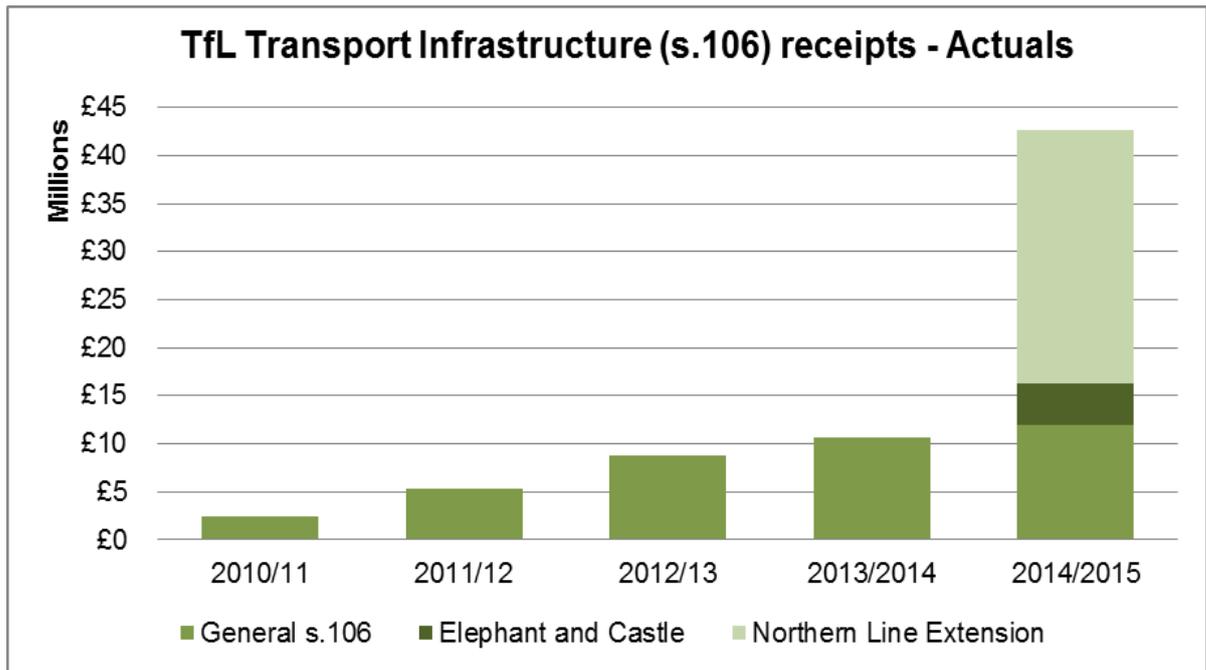
Figure 6: Crossrail s106 contributions collected by boroughs



9 Non-Crossrail Transport Mitigation

- 9.1 Planning applications that are referred to the Mayor are often approved subject to a package of mitigation measures, some of which may relate to transport in addition to Crossrail funding. The measures that are negotiated by TfL in respect of non-Crossrail transport obligations vary enormously in type and scale. They can include very large projects such as Brent Cross and Earls Court which require a transport package of £100's of millions through to schemes involving minor works (for example bus stop improvements) which may cost as little as £5,000. As well as transport infrastructure obligations defined in a s106 agreement, TfL often benefits from schemes which are delivered directly and do not involve funds being transferred to TfL. The most notable of these are benefits in kind, which could include bus stations as at Stratford and London Bridge.
- 9.2 The advent of CIL and the more defined relationship with s106 agreements will have an impact on the long-term trajectory of s106 funding. It is expected that there will be a reduced scale and number of s106 agreements that TfL (and boroughs) are likely to be able to agree with developers in future. S106 requirements must now be scaled back to matters directly related to a specific site.
- 9.3 Currently, there are more than 500 s106 agreements being actively monitored on a quarterly basis as they potentially may come forward for implementation by TfL. S106 delivery is complicated by issues of detail (TfL is only a signatory to less than a dozen of these agreements and is rarely involved in the wording or detailed provisions of the s106 between boroughs and developers), and timing (significant time-lag from the consideration of the planning application to the signing of the s106 and particularly to the trigger for delivery of defined mitigation measures).
- 9.4 The development of Vauxhall Nine Elms and Elephant & Castle are both subject to arrangements where significant contributions are to be raised towards strategic transport infrastructure. They are each subject to distinct monitoring arrangements to ensure the money is received related to the delivery of agreed transport infrastructure in these areas.
- 9.5 Figure 7 illustrates the increasing level of transport contributions secured over recent years as a result of improved reporting both by boroughs and within TfL, and a greater focus on identifying key payments and schemes to be delivered. Good progress was made in ensuring general transport funding, secured via s106 agreements, was transferred to TfL for implementation of schemes. The value of these contributions received directly by TfL was a little under £12m, again showing an increase on previous years. Substantial receipts were also secured during 2014/15 in respect of specific major strategic transport infrastructure both for the Northern Line Extension and at Elephant & Castle. The income for these projects is managed by the GLA through separate funding agreements with the boroughs. Last year (2014/15) saw the first receipts from development being generated with respective sums of £26.4m for the Northern Line Extension and £4.4m for Elephant & Castle.

Figure 7: Transport mitigation receipts (non Crossrail) received by TfL



List of Appendices:

Appendix 1; Economic Data

List of Background Papers:

Supplementary Planning Guidance: Use of planning obligations in the funding of Crossrail and the Mayoral Community Infrastructure Levy (April 2013).

CIL Regulations 2010, as amended 2011, 2012, 2013, 2014, 2015.

Community Infrastructure Levy Guidance (February 2014)

Mayoral CIL Biennial Review (December 2014)

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Economic Data

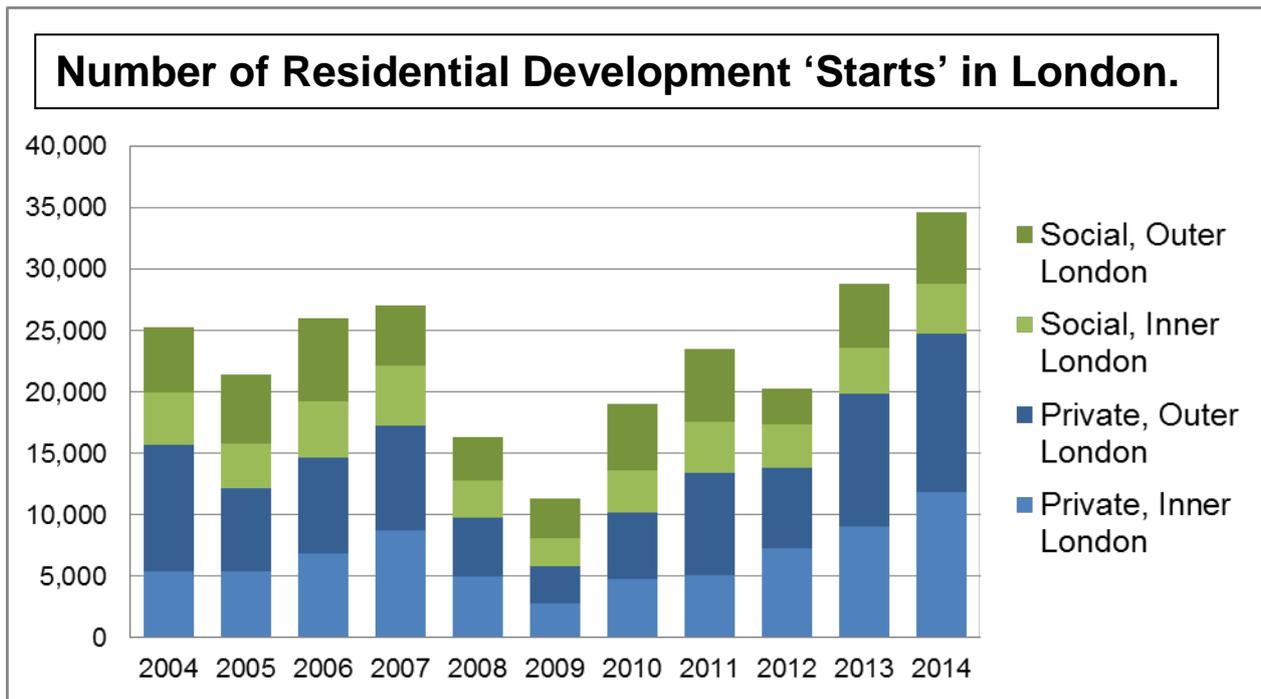
Office

According to Deloitte¹ the volume of office floorspace under construction in London has been fairly steady at around 9m sq ft for the last two and a half years. This is significantly higher than the volumes of 2010, but below the peaks reached during 2002/03 and 2007/08. Office new starts in the 6 months to March 2015 are the second highest level over the past twenty years, with 31 new schemes underway.

Residential

In terms of the residential market, Estates Gazette data² indicates a boom in house building in London. The number of residential starts at the end of 2014 was the highest it has been over at least the last two decades. The following graph (Figure 8) shows the recent variation in residential construction activity with 2014 data swollen by this increase in starts. Whether the upturn in construction activity continues to grow will be subject to a range of economic influences.

Figure 8: Residential Construction in London



Source: London Residential Market Analysis (Estates Gazette)

¹ London Office Crane Survey – Summer 2015.

² Estates Gazette LOREMA 2015