

# Melton Borough Council

## Preliminary Draft Charging Schedule Supplementary Paper

in support of the introduction of a

## COMMUNITY INFRASTRUCTURE LEVY

June, 2017

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# 1. Introduction

1.1 The purpose of this document is to set out the Preliminary Draft Charging Schedule (PDCS) for Melton Borough Council's Community Infrastructure Levy (CIL). The PDCS and the proposed rates are published for consultation under Regulation 15 of the CIL Regulations 2010 (as amended 2011).

1.2 According to the Government guidance produced to cover CIL, two key pieces of evidence are required to justify the CIL:

1. Evidence of an infrastructure funding gap, and;
2. Evidence that the proposed CIL rates will not affect the overall viability of development in the area in which they operate.

1.3 The infrastructure funding gap shown in this report has been identified by the Council based on an appropriate process of infrastructure planning and costing. This funding gap could at least partly be mitigated through CIL.

1.4 The proposed CIL schedule of rates set out in this report have been subject to a rigorous process of viability testing to ensure that the rates would not affect the viability of development in the Borough. The detailed viability evidence is contained within evidence produced for the Borough Council in support of both CIL and its progressing Local Plan. This work was completed by respected viability consultants Cushman and Wakefield.

1.5 The remainder of this paper includes an explanation of the basic principles and benefits of the CIL, a summary of the Council's key development and growth priorities and how CIL could help achieve them, a summary of the evidence used to justify the CIL, the proposed CIL rates, basic CIL forecasts and next steps.

1.6 It should be noted that there is limited specific guidance on the correct or ideal structure of the PDCS. The CIL guidance at paragraph 46 states the following

‘Charging authorities must consult on their proposed CIL rates in a preliminary draft charging schedule. This should go beyond broad proposals for CIL and the Government encourages authorities to prepare a draft charging schedule that is evidence based and that will reduce the need for subsequent modifications, so speeding up the process of introducing CIL.’

1.7 CIL regulation 12 states the following regarding the format and content of a charging schedule:

‘A draft charging schedule submitted for examination in accordance with section 212 of PA 2008 must contain—

(a) the name of the charging authority;

(b) the rates (set at pounds per square metre) at which CIL is to be chargeable in the authority's area;

(c) where a charging authority sets differential rates in accordance with regulation 13(1)(a), a map which—

- (i) identifies the location and boundaries of the zones,
- (ii) is reproduced from, or based on, an Ordnance Survey map,
- (iii) shows National Grid lines and reference numbers, and
- (iv) includes an explanation of any symbol or notation which it uses; and

(d) an explanation of how the chargeable amount will be calculated. This document builds on the above guidance and adds other useful information.'

## **2. What is the Community Infrastructure Levy**

### **2.1 Introduction**

2.1.1 The Community Infrastructure Levy (CIL) is a new levy that local authorities in England and Wales can choose to charge on new developments in their area CIL was introduced by the Planning Act 2008 and is governed by the Community Infrastructure Levy Regulations 2010 (as amended). The money received through CIL charging is intended to fund infrastructure that the Council, local community and neighbourhoods need. For example, this infrastructure could include new or safer road schemes, park improvements or a new health centre. The CIL is designed to be simple. It applies to most new buildings and charges are based on the size and type of the new development.

2.1.2 To charge CIL the Council must produce and adopt a Charging Schedule. This is subject to inspection by a CIL Examiner selected by the Council. According to the guidance the Examiner must be deemed by the Council to be independent and have appropriate qualifications and experience. The Charging Schedule sets out the CIL rates that will be applicable to new development in Melton Borough. This document is the Borough Council's Preliminary Draft Charging Schedule. It is issued for consultation so that the comments received will help the CIL charge to be tailored to the Borough Council's specific circumstances.

2.1.3 It should be noted that preparation of CIL it is not a mandatory requirement – Authorities are free to choose whether they implement it or not depending on their local circumstances

### **2.2 CIL Legislation**

2.2.1 This PCDS conforms to regulations set out by the Government in the following legislation:

- Part 11 of the Planning Act 2008 provided powers for local authorities to introduce the CIL in their areas. The CIL Regulations 2010 (—the Regulations )

came into force on the 6th May 2010 and set out how CIL is to be introduced. Amendment Regulations came into force in May 2011 and April 2012.

- The PDCS is published under Regulation 15 of the Community Infrastructure Levy Regulations 2010. It has been specifically prepared in accordance with Regulation 12.
- Regulation 14 of the Regulations (and Government guidance) states that “In setting rates (including differential rates) in a charging schedule, a charging authority must aim to strike what appears to the charging authority to be an appropriate balance between—
  - (a) the desirability of funding from CIL (in whole or in part) the actual and expected estimated total cost of infrastructure required to support the development of its area, taking into account other actual and expected sources of funding; and
  - (b) the potential effects (taken as a whole) of the imposition of CIL on the economic viability of development across its area.
- The guidance at paragraph 9 states that “the independent examiner should establish that;
  - The charging authority has complied with the requirements set out in Part 11 of the Planning Act 2008 and the Community Infrastructure Levy Regulations.
  - The charging authority’s draft charging schedule is supported by background documents containing appropriate available evidence.
  - The proposed rate or rates are informed by, and consistent with, the evidence on economic viability across the charging authority’s area; and
  - Evidence has been provided that shows that the proposed rate (or rates) would not threaten delivery of the relevant Plan as a whole.
  - Regulation 40 (as amended by Regulation 7 of the Community Infrastructure (Amendment) Regulations 2011) sets out the method for calculating the chargeable amount including detailed formula.
  - Regulations 55 states that the charging authority can offer discretionary relief in exceptional circumstances.

## 2.3 Key Features and benefits of CIL

2.3.1 CIL has the following key features that will benefit the implementation of infrastructure necessary to meet the needs of Melton Borough Council’s growing population over the planning period (2014-2026).

- CIL will help fund the infrastructure needed to achieve the objectives of the

Borough Council's Local Plan, which should be adopted prior to the implementation of CIL.

- CIL is justified because most development puts an additional strain on the community infrastructure. Infrastructure includes physical infrastructure such as roads, schools and hospitals but also local services and amenities. The CIL ensures that developments make some financial contribution towards the costs of the additional infrastructure that their development creates the need for.
- CIL is intended to be affordable. It is a simple fixed charge and the process used to set and administer the charge is transparent and guided by Government regulations. This means that developers have certainty regarding what their CIL contributions will be from the start of the development process and the public understand how the development will contribute to their local community.
- CIL gives the council a degree of flexibility to set priorities for what the money should be spent on. It is a reasonably predictable funding stream that allows the council (and infrastructure providers) to plan ahead more effectively to deliver the infrastructure that is required in the local community.
- A recent government announcement states that a significant proportion of the CIL will also be passed directly to local neighbourhoods to address local needs arising as a consequence of development. Neighbourhoods without a neighbourhood plan but where the CIL is still charged will receive a 15 per cent share of the revenue from development in their area, but this will be capped at £100 per council tax dwelling. Areas with adopted neighbourhood plans would not be subject to a cap on the potential value of the 25 per cent CIL share they would receive. It is expected that these measures will come into force in the spring of 2013.

## 2.4 Deciding the CIL Rate

- 2.4.1 The CIL will be set at a rate that does not put at serious risk the overall development of the area by making development unviable. To achieve this, an appropriate balance will be made between what CIL charge will best enable the necessary infrastructure for the local area and the potential effects the CIL charge will have on the viability of development.

## 2.5 On what developments will CIL be charged

- 2.5.1 The CIL rate will be expressed as a £ per m<sup>2</sup> charge. CIL will be applied to the development or change of use of 'buildings that people normally use' and that the Council can show are viable to pay CIL. Moreover, CIL eligible developments must be where more than 100 m<sup>2</sup> of floorspace (net) is created or a new dwelling is created (even if it is less than 100 m<sup>2</sup>) and can include both residential and non residential uses

2.5.2 There will be no charge for change of use applications unless additional floorspace is created, as well as no charge for the sub-division of existing dwellings. The CIL regulations also make other exemptions and CIL is not payable on the following:

- structures into which people do not go
- most forms of affordable housing
- redevelopments that do not result in a net increase in floorspace (subject to caveats)
- development exclusively for charitable purposes; and
- Self build projects

2.5.3 The Council can also choose to adopt a zero rate if viability testing shows that a particular use or area cannot withstand the charge. Moreover, the Council will consider making relief available for exception circumstance within the Borough. The power to do this will be activated following the adoption of the charging schedule. The regulations on the matter make it clear that this course of action should be wholly exceptional, and that for the vast majority of developments CIL is non-negotiable.

2.5.4 CIL will be payable on the commencement of development or for larger developments, over an agreed phased period. The tariff for each type of development will be set out in the CIL Charging Schedule. There will be no charge for change of use applications unless additional floorspace is created, as well as no charge for the sub-division of existing dwellings.

## 2.6 How will CIL be collected?

2.6.1 In most cases, Melton Borough Council will collect the levy as the Collecting Authority'. The levy's charges will become due from the date that a chargeable development is commenced in accordance with the terms of the relevant planning consent.

2.6.2 When planning permission is granted the Council will issue a liability notice setting out the amount of the levy that will be due for payment when the development is commenced, the payment procedure and the possible consequences of not following this procedure.

2.6.3 The responsibility to pay the levy runs with the ownership of land on which the liable development will be situated. That benefit is transferred when the land is sold with planning consent, which also runs with the land. Although ultimate liability rests with the landowner, the regulations recognise that others involved in a development may wish to pay. To allow this, anyone can come forward and assume liability for the development.

2.6.4 There may be circumstances where it will be more desirable for a charging authority to receive land instead of monies. The regulations provide for charging authorities to accept transfers of land as a payment in kind for the whole or part of the levy. This will be subject to negotiation with the Council

## 2.7 What will CIL be spent on

- 2.7.1 Infrastructure can include a number of items, from physical to amenity, including things such as transport, education, health, flood defences and green infrastructure. Following consultation on the PDCS, the Council will publish a 'Regulation 123' list, which lists infrastructure projects or types of infrastructure that it intends to fund through CIL. S106 contributions can still be sought for infrastructure directly related to a development, provided that the infrastructure is not part of the Regulation 123 list and does not contravene requirements of Regulation 122 and the rest of Regulation 123.

## 3. The Evidence Base

### 3.1 Introduction

- 3.1.1 The starting point for Melton Borough Councils PDCS is the emerging Melton Local Plan. This document prescribes the strategic distribution of housing throughout the Borough, as well as site allocations, up to 2036. This document is informed by the latest evidence on housing need, the Leicester and Leicestershire HEDNA (Housing & Economic Development Needs Assessment).
- 3.1.2 The Melton Local Plan is the vehicle to deliver;
- Approximately 6,125 new dwellings over a 25 year period, including two sizeable SUE's (Strategic Urban Extensions) to the main urban area of Melton Mowbray and allocations within Melton Mowbray and 18 villages across the borough
  - 37% affordable housing on viable schemes
  - Approximately 31ha of employment land for offices, storage and distribution and manufacturing.
  - Strategic highway infrastructure, a relief road for Melton Mowbray, which will enable the above levels of growth.
- 3.1.2 This growth is required to ensure in an aging population, the many businesses located in the Borough will have sufficient staff for growth, which will fuel economic development in the Borough. This will ensure Melton Mowbray remains a successful vibrant and viable market town, with a range of shops and services which local people current enjoy. However, to ensure this growth, infrastructure is required to safeguard services, amenity and transport.. Due to the funding gap between the required infrastructure and existent revenue schemes, CIL will be used to help ensure delivery. A list of infrastructure can be found at Figure 1 below.



3.1.3 The PDCS for Melton Borough Council is supported by two key pieces of evidence.

- The Infrastructure Delivery Plan and;
- Viability Assessment

Which are discussed in more depth below.

## 3.2 The Infrastructure Delivery Plan

3.2.1 Infrastructure Delivery Plan (IDP) – this identifies the infrastructure funding gap based on the infrastructure needed to support the development proposals within the Local Plan. Without an evidenced funding gap, the Authority has no justification to adopt a CIL Charging Schedule.

3.2.2 Melton Borough Councils IDP was prepared by ARUP, who are respected consultants in this field. The work commenced in 2017, and therefore should be seen as a thoroughly up to date document.

3.2.3 However, despite this, the IDP is intended to be a ‘live’ document which will be updated throughout the course of the Local Plan period to take into account any changes to location or scale of proposed development and/or any changes to infrastructure provision.

3.2.4 Below ( Figure 1) shows some of the elements where there is a confirmed funding gap, and excludes elements wherein the authority are still awaiting further information. As the IDP is a live document, there is prospect that grant or other funding may become available to reduce the funding gap or even pay of projects completely, and as such be removed from the Reg 123 list. However, likewise there is the prospect that avenues of funding can be cut, or new infrastructure which was previously unseen may be required, which would add to the Reg 123 list.

Figure 1 : Funding Gap

| Infrastructure item / project          | Description  | Estimated capital cost | Funding                      | Funding Gap |
|--|--|------------------------|------------------------------|-------------|
| <b>Transport</b>                       |  |                        |                              |             |
| <b>MMDR – Eastern Distributor Road</b> | A potential Eastern Distributor Road would link A606 Burton Road to the A607 Thorpe Road; Melton Spinney Road connecting the Southern and Northern Distributor Roads | £75.5m                 | Public funding, developer(s) | £75.5m      |

|   |   |     |                      |  |
|---|---|-----|----------------------|--|
| <b>Access improvements – Melton Mowbray railway station</b> | Accessibility improvements (step free access) | £2m | Public, developer(s) | <a href="#">£0.5m (assuming grant from DfT 'Access for All' fund[6])</a> |
|---|---|-----|----------------------|--|

*Social Infrastructure*

**Sports facilities**

|                                   |   |  |   |  |
|-----------------------------------|---|--|---|--|
| <b>Sports pavilion</b>            | New sports pavilion                               | To be confirmed  | Subject to further discussion                         | To be confirmed  |
| <b>Sports centre</b>              | Melton Leisure Vision / Sports Village            | £5.3m (excluding sports hall), £8.3m (including sports hall) | Local authority (capital programme and grant funding) | £5.3m (excluding sports hall), £8.3m (including sports hall) |
| <b>Cemeteries and churchyards</b> | Extension of 1 ha. Exact location to be confirmed | £2.5m  | Developer (s), local Authority                        | £2.5m  |

3.2.5 The above table shows a sizeable funding gap, with the likelihood further expenditure will be required as proposals develop. Therefore CIL could be an appropriate avenue to remedy or at the very least mitigate this problem. <sup>1</sup>

### 3.3 Viability Assessment

3.3.1 The second key piece of evidence is the viability assessment, which tests the viability of CIL. This test is essential, as CIL should not prevent development from coming forward by virtue of making it unviable. This work was completed by Cushman and Wakefield. There had been a Leicestershire and Rutland CIL viability study completed in 2013, but as the Melton Local Plan also required viability testing, it seemed prudent to test all aspects of viability in a bespoke report, specifically for Melton Borough which would be fully up to date. This study tested differing rates of CIL, to ensure an appropriate charge could be levied, whilst protecting developer profit and viability.

3.3.2 The principal approach to the viability study relies on comparing Residual Land Values (RLV) from a series of development scenarios, and benchmarking these against indicative Existing Use Values (EUV). This approach is commonly used by developers to

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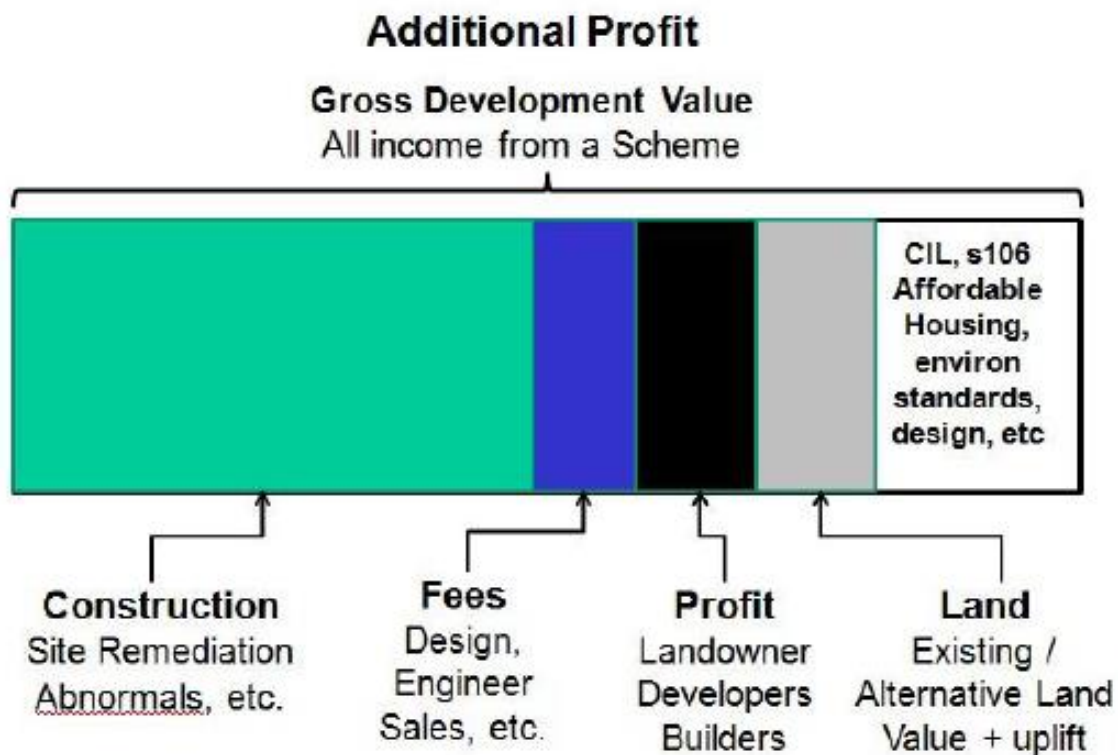
<sup>1</sup> Melton Borough Council are working with Leicestershire County Council to acquire funding for the Melton Mowbray Distributor Road. MBC and LCC were successful in their bid for the first phase of funding, to create a business case.

value the cost of developable land. The analysis is also supported by a broad property market review and research for the county. It includes a series of development appraisals of hypothetical sites within each charging area for both residential and commercial development. The residential development appraisals have been based on the layouts and house types of actual recent planning applications to ensure they were representative of the typical types of development that are likely to come forward in the future and thus provide confidence in the viability assessment.

- 3.3.3 Residual value is derived by removing the cost of development (construction, fees, finance, providing affordable housing, profit etc) from the value of completed houses. This provides a broad measure of the economics of development – before the purchase of the land. From this Residual Value, the land value (equal to existing use or alternative use value plus a reasonable return for the land owner) is deducted to give an additional (super) profit.
- 3.3.4 This additional profit is the maximum available from which any financial contribution can be paid. We call this value the 'Additional Profit' and is the total used in our tables to describe the maximum amount of CIL contribution that the modelled sites could bear and still return a profit to the developer and enable land to be purchased. It is this contribution against which both affordable housing and CIL viability have been assessed.

Figure 2 below shows all the separate elements that add up to the Gross Development Value of a scheme. To understand potential contributions for affordable housing or CIL we need to understand where 'Additional Profit' sits within Gross Development Value.

Figure 2 : Additional Profit



- 3.3.5 The viability analysis is based on assumptions of cost, such as professional fees and marketing costs, and draws on representative industry examples within Leicestershire, Rutland and the wider East Midlands area. It allows for 20% developers' profit and a competitive return for landowners. This approach meets the requirements of paragraph 173 of the National Planning Policy Framework (NPPF) that requires work, such as this project, to reflect 'competitive returns' for landowner and developer.
- 3.3.6 The approach to these appraisals is at a relatively high level, and not undertaken for specific actual sites but rather representative generic sites. The Leicestershire and Rutland CIL viability study sets out the assumptions and then the results of the development financial appraisals for a range of development sites that are representative of the type of development that is likely to come forward in the future and should therefore be assessed for their ability to pay CIL.

## 4.1 CIL testing and results

- 4.1.1 The key results of the CIL testing demonstrate the following:
- i) CIL is viable in the rural areas for residential development. Rural Value Areas 1-4 are set out in Figure 5.1 of the Local Plan and CIL Viability Study. The viability assessments found that the north-west rural area (covering Asfordby, Old Dalby and Ab Kettleby) is less viable than was concluded in the October Study and this now forms a new rural value area. Sales values were re-recorded over a 36 month period, as opposed to the 12 months in the October 2016 study, and lower sales values than in the Vale of Belvoir were identified.
  - ii) The additional modelling for small schemes under 11 dwellings demonstrated that more headroom is available for CIL because these typologies are not required to deliver affordable housing under NPPG restrictions.
  - iii) CIL is not viable for residential development in the Melton Urban Area or in the sustainable neighbourhoods.
  - iv) CIL is viable for convenience stores, superstores (not discount) and takeaways, but no other types of commercial development, except shopping centres, which are unlikely to come forward in Melton.
  - v) Overall, the study identifies that less CIL revenue is achievable than was the case in the October 2016 study. This is because the proportion of starter homes was reduced to 4.4% (from 20%) to reflect the evidence in HEDNA and the report Towards a Housing Requirement for Melton Borough. Transfer values for starter homes are 80%, compared to 65% for intermediate and 42% for rented affordable housing, and therefore this change represents a reduction in revenue for house builders.

- vi) Tables 1 and 2 below set out the CIL charging scenarios. It can be seen that higher rates of affordable housing are commensurate with either no CIL headroom or a lower rate being achievable:

4.1.2 CIL was also tested against the emerging policies in the Local Plan, with particular attention to policies which could effect viability due to requirements placed on developments. Wherein policies restrictions including CIL were to restrictive and could make development unviable, changes to the Local Plan have been suggested.

4.1.3 These changes are summarised below;

- i) **SS4 & SS5: Sustainable Neighbourhoods:** A requirement for 15% affordable housing is recommended, as opposed to the 37% in the Pre-Submission Draft. Provision for extra care housing and a local centre, not necessarily delivery of these. Contributions towards sports facilities should be subject to viability.
- ii) **Policy C2: Housing Mix:** The requirement for retirement homes, sheltered homes and care homes to meet the technical standard for access of Building Regulations M4(2) should be modified, such that the standard is now encouraged, not required.
- iii) **Policy C4: Affordable Housing:** The target of 37% should be replaced by differential rates reflecting the viability testing. For the rural value areas this would comprise maximum rates of 40%, 32% and 25% for value areas 1 (southern rural), 2 (north-east rural covering the Vale of Belvoir) and 3 (north-west rural covering Asfordby, Old Dalby and Ab Kettleby). A rate of 5-10% for the urban area of Melton Mowbray and a rate of 15% for the Sustainable Neighbourhoods is considered achievable. The impacts on this policy are addressed in greater depth in item 9 of this agenda.
- iv) **Policy C9: Healthy Communities:** Contributions towards healthcare facilities should be subject to viability.

Figure 3: Achievable CIL for residential development

| Value Area                | Small schemes 10 units or less |  | Schemes of 11 units or more  |  |                              |  |                              |  |                              |  |                              |  |                              |  |
|---------------------------|--------------------------------|--|------------------------------|--|------------------------------|--|------------------------------|--|------------------------------|--|------------------------------|--|------------------------------|--|
|                           | No affordable housing          |  | 40% Affordable housing       |  | 32.4% Affordable housing     |  | 25% Affordable housing       |  | 15% Affordable housing       |  | 10% Affordable housing       |  | 5% Affordable housing        |  |
|                           | Maximum Average CIL headroom   | Maximum Average CIL headroom with 30% buffer | Maximum Average CIL headroom | Maximum Average CIL headroom with 30% buffer | Maximum Average CIL headroom | Maximum Average CIL headroom with 30% buffer | Maximum Average CIL headroom | Maximum Average CIL headroom with 30% buffer | Maximum Average CIL headroom | Maximum Average CIL headroom with 30% buffer | Maximum Average CIL headroom | Maximum Average CIL headroom with 30% buffer | Maximum Average CIL headroom | Maximum Average CIL headroom with 30% buffer |
| Value Area 1              | 339                            | 238  | 122                          | 85   | 207                          | 145  | 264                          | 185  | 341                          | 239  |                              |  |                              |  |
| Value Area 2              | 231                            | 162  | -2                           | -2   | 85                           | 60   | 145                          | 101  | 224                          | 157  |                              |  |                              |  |
| Value Area 3              | 141                            | 99   | -64                          | -44  | -11                          | -8   | 34                           | 24   | 107                          | 75   |                              |  |                              |  |
| Value Area 4              | 69                             | 48   | -192                         | -134   | -98                          | -69  | -34                          | -24  | 47                           | 33   |                              |  |                              |  |
| Melton Mowbray Urban Area | 13                             | 9  | -285                         | -200   | -182                         | -127   | -109                         | -76  | -19                          | -13  | 4                            | 3  | 18                           | 13   |

Figure 4: Achievable CIL for commercial development

| Commercial Viability Analysis |                      |                           |                                      |   |                         |   |                               |   |  |
|-------------------------------|----------------------|---------------------------|--------------------------------------|---|-------------------------|---|-------------------------------|---|--|
| Scheme                        | Site Size (hectares) | GIA Floor coverage (Sq m) | Benchmark Land Value per hectare (£) | Actual Benchmark Land Value (scaled to site area - £) | Residual Land Value (£) | Residual Land Value minus actual benchmark Land Value (£) | Maximum Available for CIL (£) | Maximum Available for CIL Less 30% Viability Buffer (£) |  |
| <b>Retail</b>                 |                      |                           |                                      |   |                         |   |                               |   |  |
| <b>Town Centre</b>            |                      |                           |                                      |   |                         |   |                               |   |  |
| Shopping Centre               | 2.00                 | 15000                     | £370,650                             | £741,300  | £1,162,296              | £420,996  | £28                           | £20   |  |
| Retail Warehousing            | 0.75                 | 3000                      | £370,650                             | £277,988  | £92,018                 | -£185,970   | -£62                          | -£43  |  |
| Superstore                    | 2.00                 | 53820                     | £370,650                             | £741,300  | £2,331,665              | £1,590,365  | £30                           | £21   |  |
| Discount Supermarket          | 0.60                 | 1500                      | £370,650                             | £222,390  | -£530,580               | -£752,970   | -£502                         | -£351   |  |
| Convenience Store             | 0.16                 | 400                       | £370,650                             | £59,304   | £105,188                | £45,884   | £115                          | £80   |  |
| Takeaways                     | 0.01                 | 45                        | £370,650                             | £3,707  | £45,166                 | £41,460   | £921                          | £645  |  |
| Restaurants                   | 0.06                 | 400                       | £370,650                             | £22,239   | -£183,385               | -£205,624   | -£514                         | -£360   |  |
| <b>Office</b>                 |                      |                           |                                      |   |                         |   |                               |   |  |
| Town centre                   | 0.06                 | 500                       | £247,100                             | £14,826   | -£337,360               | -£352,186   | -£704                         | -£493   |  |
| Out of town                   | 0.25                 | 2,000                     | £247,100                             | £61,775   | -£1,665,658             | -£1,727,433   | -£864                         | -£605   |  |
| <b>Industrial</b>             |                      |                           |                                      |   |                         |   |                               |   |  |
| Small industrial / warehouse  | 0.12                 | 5,000                     | £864,885                             | £103,786  | £12,511                 | -£91,275  | -£18                          | -£13  |  |
| Medium industrial / warehouse | 0.46                 | 20,000                    | £864,885                             | £397,847  | £90,639                 | -£307,208   | -£15                          | -£11  |  |
| Large industrial / warehouse  | 1.16                 | 50,000                    | £864,885                             | £1,003,267  | £327,873                | -£675,394   | -£14                          | -£9   |  |
| <b>Other commercial</b>       |                      |                           |                                      |   |                         |   |                               |   |  |
| Hotel                         | 0.83                 | 3,305                     | £1,235,500                           | £1,025,465  | -£1,551,900             | -£2,577,365   | -£780                         | -£546   |  |
| Cinema                        | 0.63                 | 2,500                     | £1,235,500                           | £778,365  | -£1,441,046             | -£2,219,411   | -£888                         | -£621   |  |
| Carehome Rural Areas          | 0.65                 | 2,586                     | £18,500                              | £12,025   | -£1,674,327             | -£1,686,352   | -£652                         | -£456   |  |
| Carehome Melton Urban area    | 0.65                 | 2,586                     | £494,000                             | £321,100  | -£1,674,327             | -£1,995,427   | -£772                         | -£540   |  |

## 5.1 Proposed CIL Rates

- 5.1.1 In setting CIL the council has weighed up various policy priorities – particularly those that are paid for and delivered by the development industry. The payment of CIL, the delivery of affordable housing, the potential for additional s106 payments and the construction of development to improved environmental standards are all costs to a developer. If a council wishes to introduce a new charge such as CIL or increase an existing requirement on developers there will be a corresponding knock on effect on the other requirements. A council that puts different weight and importance on one requirement – say the delivery of affordable housing – is likely to set CIL at a different rate to one that puts less weight on affordable housing.
- 5.1.2 Regulation 14 sets out the context for setting the rates of CIL – the relevant parts say:
- “1) In setting rates (including differential rates) in a charging schedule, a charging authority must aim to strike what appears to the charging authority to be an appropriate balance between—
- (a) the desirability of funding from CIL (in whole or in part) the actual and expected estimated total cost of infrastructure required to support the development of its area, taking into account other actual and expected sources of funding; and
- (b) the potential effects (taken as a whole) of the imposition of CIL on the economic viability of development across its area”
- 5.1.3 In setting a CIL for Melton Borough, the Council must not only be aware of its planning policy obligations, but also its corporate policies and obligations to the people who live and work within the borough. The proposed CIL rates and regulation 123 list have been prepared with appropriate due regard for both. Moreover, in achieving such goals, the Borough Council must be aware of its neighbours, both within and outside the HMA. Therefore, any eventual IDP may change to reflect changes in neighbouring districts, especially through mechanisms such as the Leicester and Leicestershire Strategic Growth Plan.
- 5.1.4 CIL rate setting is not an exact science but a qualitative judgement based on appropriate and available evidence. In setting the proposed rates the Council has taken a cautious approach having regard to the results of the viability testing I as other factors. Caution is also taken due to the continuing uncertainty in the development industry and economy more widely.



5.1.5 Figure 5 below sets out what are considered to be the most appropriate charging rates for a Preliminary Draft Charging Schedule:

Figure 5: Proposed Preliminary Draft Charging Schedule

| <b>Residential – Schemes under 11</b>    | <b>CIL rate £/m<sup>2</sup></b> |
|--|---------------------------------|
| Rural Value Area 1 – Southern rural      | 235                             |
| Rural Value Area 2 – Vale of Belvoir     | 160                             |
| Rural Value Area 3 – North-western rural | 100                             |
| Rural Value Area 4 – Eastern rural       | 45                              |
| <b>Residential – Schemes 11+</b>         |                                 |
| Rural Value Area 1 - Southern rural      | 85                              |
| Rural Value Area 2 - Vale of Belvoir     | 60                              |
| Rural Value Area 3 - North-western rural | 25                              |
| <b>Commercial</b>                        |                                 |
| Superstore                               | 20                              |
| Convenience Store                        | 80                              |
| Takeaways                                | 640                             |

5.1.6 The Revised Local Plan and CIL Viability Study has concluded that the Borough’s need for affordable housing, as set in Policy C4 of the Pre-submission Local Plan, is not achievable. In determining which rate of CIL to charge for residential development, it is therefore recommended that rates which are commensurate with the maximum delivery of affordable housing should be adopted. Differential rates are set for each rural value area, and also for scheme size, reflecting the fact that schemes under 11 dwellings are more viable and can tolerate a higher charge





## 5.2 CIL Revenue 2018-20

5.2.1 The amount of CIL revenue which could be collected after adoption of a charging schedule is estimated to be in the region of £14 million. Net CIL revenue will be less once the admin charge of 5% has been deducted and the apportionment to the parishes (15% where there is no 'made' neighbourhood plan (with restrictions), 25% where there is) has been made. The Regulation 123 List identifies six items of infrastructure which could receive funding from CIL Revenue. These are set out below. It can be seen that CIL revenue will not be sufficient to provide the gap funding for all these items.

| Item  | Cost £million     | Gap Funding       |
|---|-------------------|-------------------|
| Melton Mowbray Eastern Distributer Rd (MMEDR)   | 75.5              | 75.5              |
| Cemetery extension  | 2.5               | 2.5               |
| Step-free access - Melton Mowbray railway station   | 2                 | 0.5               |
| Melton Sports and Leisure Village   | 8.3               | 8.3               |
| Melton Mowbray Recycling & Household Waste Site and /or Waste Transfer Station <sup>2</sup> | 6                 | 6                 |
| Melton Country Park Sports Pavilion <sup>3</sup>  | Currently unknown | Currently unknown |

## 6.1 Government CIL Review

6.1.1 The Government published an independent panel's review of CIL in February 2017 alongside the Housing White Paper. Key messages and conclusions of the review were:

- i) Only 130 CIL charging schedules have been adopted (as of October 2016). 50% of these are in London/South East.
- ii) CIL is contributing 5-20% of funding for new infrastructure; less than was originally envisaged.
- iii) Exemptions can form a significant proportion of development.
- iv) If you don't adopt CIL, many small viable developments are let off contributing towards infrastructure.
- v) CIL doesn't work well for larger sites with complex site-specific mitigation requirements.
- vi) Parishes and neighbourhoods do not have the expertise to spend the

<sup>2</sup> Capital cost estimate of £6million in the IDP (October 2016), however, the exact costing for a new site and/or Waste Transfer Station has not yet been confirmed by LCC Waste Disposal Authority.

<sup>3</sup> This is a capital item which could receive funding from CIL and it is therefore included here and in the Regulation 123 List.

money effectively.

- 6.1.2 The CIL Review recommends a new hybrid system of Local Infrastructure Tariff (LIT) alongside revised S106. A new set of regulations would be required to introduce LIT and a revised S106 system. The CIL Review recommends amendment to the CIL Regulations as an interim measure. It recommends that for those authorities who have already adopted a CIL Charging Schedule, transitional arrangements would allow CIL to continue to be collected up to 2020.

## 7.1 Conclusions and next steps

- 7.1.1 In light of the conclusions of the two key pieces of evidence, and after receiving legal advice, the Council intends to consult on the Preliminary Draft Charging Schedule. This consultation will not only seek to receive views from those in the development sector, but also the views of any other interested party, such as residents, infrastructure providers, stakeholders and other organisations such as Parish Councils, who could set to benefit from new development in their parish should CIL be implemented, especially in the Parishes preparing a Neighbourhood Plan.
- 7.1.2 The Council will run this consultation alongside the Local Plan, and consider the feedback received along with any updates arising from Central Government, before deciding whether to continue. Should the Council continue to develop CIL, the required steps and an estimated timetable to adoption is below.
- 7.2.3
- Stages 1 & 2: Consultation – two rounds of public and stakeholder consultation - Preliminary Draft Charging Schedule & Draft Charging Schedule.
  - Stage 3: Independent Examination – the Draft Charging Schedule and associated evidence base is examined by an inspector/examiner.
  - Stage 4: Receipt of Examiner’s Report & Adoption – the examiner’s recommendations are considered and Charging Schedule adopted.



Figure 6: Suggested timetable

|  |                          |
|--|--------------------------|
| <b>Full Council Meeting</b>  | 4 July 2017              |
| <b>Consultation on an Addendum of Focused Changes – 6 weeks</b>      | July - August 2017       |
| <b>Consultation on Preliminary Draft Charging Schedule – 6 weeks</b> | July - August 2017       |
| <b>Refresh of Infrastructure and CIL viability evidence</b>          | Aug-Sept 2017            |
| <b>Submission of Local Plan to the Secretary of State</b>            | October 2017             |
| <b>Consultation on Draft Charging Schedule – 6 weeks</b>             | Oct- Nov 2017            |
| <b>Refresh of Infrastructure and CIL evidence</b>                    | Nov-Dec 2017             |
| <b>Local Plan examination hearings</b>                               | December-January 2017/18 |
| <b>Submission of CIL Charging Schedule to the Secretary of State</b> | Jan/Feb 2018             |
| <b>Consultation on Main Modifications to the Local Plan– 6 weeks</b> | March-April 2018         |
| <b>Examination of CIL Charging Schedule</b>                          | March/April 2018         |
| <b>Local Plan Inspector’s Report</b>                                 | May 2018                 |
| <b>CIL Inspector’s Report</b>  | May 2018                 |
| <b>Adoption Local Plan</b>   | June 2018                |
| <b>Adoption of CIL Charging Schedule</b>                             | June 2018                |

#### Useful Links

|                                 |   |
|---------------------------------|---|
| Melton Local Plan Website       | <a href="http://www.MeltonPlan.co.uk">www.MeltonPlan.co.uk</a>  |
| Melton Local Plan Evidence Base | <a href="https://www.meltonplan.co.uk/project-4">https://www.meltonplan.co.uk/project-4</a>   |
| Viability Study                 | <a href="https://docs.wixstatic.com/ugd/d246bd_aa62f863ce4849c6809cc18b110d524a.pdf">https://docs.wixstatic.com/ugd/d246bd_aa62f863ce4849c6809cc18b110d524a.pdf</a> |
| IDP                             | <a href="https://docs.wixstatic.com/ugd/d246bd_aa62f863ce4849c6809cc18b110d524a.pdf">https://docs.wixstatic.com/ugd/d246bd_aa62f863ce4849c6809cc18b110d524a.pdf</a> |