



Rutland
County Council

Rutland County Council
Preliminary Draft Charging Schedule
Supplementary Paper
in support of the introduction of a
COMMUNITY INFRASTRUCTURE LEVY

March 2013

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1 INTRODUCTION

The purpose of this document is to set out the Preliminary Draft Charging Schedule (PDCS) for Rutland County 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).

According to the latest Government guidance on the community infrastructure levy published in December 2012 two key pieces of evidence are required to justify the CIL:

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

The infrastructure funding gap shown in this report has been identified by the Council (with URS Infrastructure and Environment UK Ltd acting as a 'critical friend') based on an appropriate process of infrastructure planning and costing. This funding gap could at least partly be met through CIL.

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 County. The detailed viability evidence is contained within a 'Leicestershire and Rutland CIL Viability Study' report (undertaken by HDH Planning and Development) that supports this document.

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. 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 following¹:

*'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.'*

Also, 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;

¹ *Ibid*, paragraph 46.

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- (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

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. The money 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.

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 experience². The Charging Schedule sets out the CIL rates that will be applicable to new development in Rutland. This document is the County 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 County Council's specific circumstances.

2.2 CIL Legislation

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 PCDS 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

² *ibid*, paragraph 56

- 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 the CIL

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

- CIL will help fund the infrastructure needed to achieve the objectives of the County Council's adopted Core Strategy (July 2011)
- 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 Spring 2013.

2.4 Deciding the CIL Rate

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 Who will pay CIL?

The CIL rate will be expressed as a £ per m² charge. CIL will be applied to:

- most buildings that people normally use
- where more than 100 m² of floorspace (net) or a new dwelling is created (even if it is less than 100 m²)³
- residential and non residential uses

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 (see Section 4 below).

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
- all affordable housing
- redevelopments that do not result in a net increase in floorspace (subject to caveats); and
- development for charitable purposes.

The Council can also choose to adopt a zero rate if viability testing shows that a particular use or area cannot withstand the charge.

2.6 How will CIL be collected?

In most cases, Rutland County 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.

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.

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.

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 Council⁴.

2.7 What will CIL be spent on?

The definition of infrastructure is set out in the adopted Core Strategy and includes 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 Department for Communities and Local Government, Community Infrastructure Levy Guidance: An Overview (May 2011), para 40 page 11.

⁴ UK Government, CIL Regulations 2010 No. 948 – paragraph 73.

2.8 Relief for Exceptional Circumstances

Rutland County Council will consider making relief available for exceptional circumstances in its area. The power to do this will be activated following the adoption of the Charging Schedule. The regulations on this matter make clear that relief should only be granted in truly 'exceptional circumstances'.

3 THE EVIDENCE BASE

3.1 Introduction

The starting point for the PDCS is the County Council's adopted Core Strategy. The Core Strategy proposes the following development to 2026:

- Approximately 3,000 new homes of mixed type and tenure 2006-2026 (of which there is a remaining requirement of 741 dwellings over the period 2012-2026)
- Approximately 5 hectares of employment land for office, warehousing and industrial purposes 2006-2026 to deliver a significant number of new jobs (of which there is a remaining requirement of 2.24 hectares over the period 2012-2026)
- Approximately 900 to 1,300 sq metres of net additional convenience (food) retailing floor space and between 2,300 and 3,500 sq. metres of net comparison retailing over the period 2012 to 2026
- An affordable housing target of 35% including a commuted sum policy on small sites of 5 or less dwellings.

These homes and employment opportunities will help to meet the future needs of Rutland County Council's population and will also help to boost local economic development. To support this growth certain infrastructure is anticipated to be required. The current infrastructure requirements are summarised at Table 3.1 below. This infrastructure requirement is currently being reviewed by the County Council in preparing an Infrastructure Project List (IPL) which will be a key piece of supporting evidence to support the CS.

In the meantime, this PDCS for Rutland County Council provides the following:

- **Evidence of an infrastructure funding gap** - Evidence of the total infrastructure funding gap that the CIL is intended to support, having taken account of the other sources of available funding.
- **Viability assessment** - Evidence regarding the effect the CIL will have on the economic viability of development in Rutland County Council. This will demonstrate to an independent examiner that the proposed CIL rate strikes an appropriate balance between helping to meet the infrastructure funding gap identified and the potential effects on the economic viability of development in the local area.

These two essential pieces of evidence are summarised below.

3.2 Assessment of Rutland County Council's Infrastructure Needs

The primary evidence and starting point to establish whether there is a funding gap that could be partly met by CIL is the IPL referred to above. The infrastructure requirements summarised at Table 3.1 below illustrate Rutland County Council's anticipated infrastructure needs to 2026. It is focused only on the provision of new infrastructure

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that is required in whole, or in part to meet the needs generated by the development growth being planned for over the remaining plan period to 2026.

Account is then taken of whether there is likely to be sufficient funding to meet that need. Where a funding gap is established CIL can potentially be charged to help address the gap.

TABLE 3.1: RUTLAND ESTIMATED INFRASTRUCTURE REQUIREMENTS TO 2026

| Infrastructure Element | Required Infrastructure Schemes | Infrastructure Cost (£) | Committed⁵ + Projected Funding (£)⁶ | Funding gap (£) |
|--|---|--------------------------------|--|------------------------|
| Highways | Oakham Town Centre & other town centre improvements, car parking | 1,271,500 | 622,500 | 649,000 |
| Transport | Various public & community initiatives | 7,522,000 | 3,284,900 | 4,237,100 |
| Waste | New recycling facility | 960,500 | 338,342 | 622,158 |
| Social & Community | Disabled, residential care and youth facilities | 677,668 | 385,769 | 291,899 |
| Lifelong Learning | Additional placements for, early year/childcare, primary, secondary and post 16/further education provision | 4,648,733 | 694,768 | 3,953,965 |
| Local health services | New and expanded GP facilities | 293,179 | 0 | 293,179 |
| Emergency Services | New or expansion of police infrastructure | 1,383,955 | 1,213,855 | 170,100 |
| Libraries | Improvements to library provision in Uppingham | 106,560 | 0 | 106,560 |
| Museums | Development of Museum facilities for Rutland | 142,120 | 62,200 | 79,920 |
| Economic Development | Oakham and Uppingham public realm improvements | 660,000 | 410,000 | 250,000 |
| Outdoor Sports, Playing Fields and Kickabout Areas | County sports provision | 1,349,760 | 0 | 1,349,760 |
| Indoor Sports | County indoor sports provision | 3,710,000 | 2,644,440 | 1,065,600 |
| Total | | 22,725,975 | 9,656,734 | 13,069,241 |

Funding Gap

The total cost of identified infrastructure need based on consultation with infrastructure providers and modelling is approximately £22.7m. We have taken into account some

⁵ Covers committed capital funding, any agreed planning obligations or other private sector contributions.

⁶ Includes projected capital funding that is not currently committed but that is anticipated (where appropriate).

anticipated existing funding before establishing the total infrastructure funding gap that CIL could at least partly help to meet. Currently there is approximately £9.7m of funding identified to meet Rutland's future infrastructure needs for the plan period. If this identified and projected funding is taken away from the total infrastructure costs it leaves a funding gap of approximately £13.1m. This means that the CIL is justified and will be an important funding source to help ensure that there is sufficient infrastructure to meet the needs generated by future housing and development growth.

3.3 Economic Viability

A key element of the evidence base is an assessment of the effect of CIL on the viability of development. The Council has drawn on a range of existing available evidence. This includes existing studies such as the Affordable Housing Viability Study (Fordham Research, August 2010), development appraisals submitted by developers and the Council's track record in collecting contributions from developers under the existing s106 system (see Appendices 1 and 2 attached). Additionally the Council commissioned, with Leicestershire County Council, Leicester City Council and the 7 Leicestershire local planning authorities a Leicester, Leicestershire and Rutland wide CIL Viability Study. A key focus of the viability study was to assess the level of CIL that can be supported without making schemes economically unviable across a range of uses and locations in the study area. This document will be published shortly and made available on the Council's Website

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 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.

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'. The methodology can be summarised in the formula below:

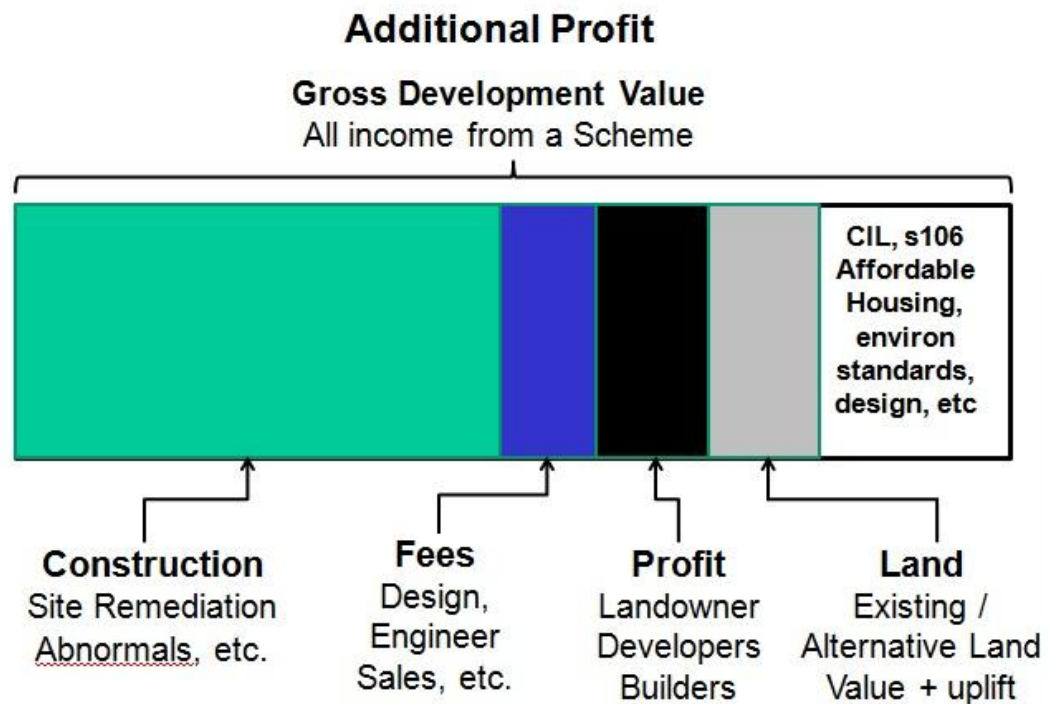
$$\begin{aligned} & \textbf{Gross Development Value} \\ & \text{(The combined value of the complete development including X\% affordable housing)} \\ & \qquad \qquad \qquad \text{LESS} \\ & \textbf{Cost of creating the asset, including a profit margin} \\ & \text{(land* + construction + fees + finance charges + developers' profit)} \\ & \qquad \qquad \qquad = \\ & \textbf{Additional Profit} \end{aligned}$$

* Where 'land' is the Alternative Use Value and uplift'

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 3.1 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 3.1 Additional Profit



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.

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.

Maximum Potential for CIL

Based on the financial appraisals for a range of development sites that are representative of the types of development that are likely to come forward in the future, the following additional profit was calculated. In the case of Table 3.2 below this is also based on the current affordable housing targets. Both tables correspond to the information and analysis set out in Tables 10.2 and 12.2 of the 'Leicester, Leicestershire and Rutland CIL Viability Report'. Where sites are blank in the below table it means they are either not viable (NV) or not relevant (NR) site types to the authority area (e.g. For Rutland, Sites 1 and 2 are large scale urban extensions). Further information summarising these modelled sites can be found at Table 9.4 and, for the non-residential sites, text at paras 9.20 to 9.36 of the 'Leicester, Leicestershire and Rutland CIL Viability Report'.

| TABLE 3.2 RESIDENTIAL MAXIMUM POTENTIAL RATES £/M2 | | | | | | | | | | | | | | | | |
|--|--------|--------|--------------|--------------|--------------|---------------------|-------------|---------------------|-------------------|-------------------|------------|-------------------|----------------|---------------------|----------------------|---------------|
| | Site 1 | Site 2 | Site 3 | Site 4 | Site 5 | Site 6 | Site 7 | Site 8 | Site 9 | Site 10 | Site 11 | Site 12 | Site 13 | Site 14 | Site 15 | Site 16 |
| | SUE 1 | SUE 2 | Greenfield 1 | Greenfield 2 | Greenfield 3 | Brownfield redev. L | Urban Flats | Brownfield redev. M | Medium Brownfield | Medium greenfield | Urban edge | Town centre flats | Ex garage site | Town Village Infill | Small Village Scheme | Village House |
| Rutland | NR | NR | 109 | 269 | 319 | 123 | NR | 365 | 84 | 395 | 271 | NV | NV | 10 | 181 | 117 |

Source: HDH 2012

TABLE 3.3 COMMERCIAL MAXIMUM POTENTIAL RATES £.M2

| | Large Industrial | Small Industrial | Distribution | Large Office | Small Office | Large retail - Convenience | Large retail - Other | Smaller Retail | Leicester Shops | Other Shops | Leisure | Budget Hotel | Student Accommodation |
|------------|------------------|------------------|--------------|--------------|--------------|----------------------------|----------------------|----------------|-----------------|-------------|---------|--------------|-----------------------|
| Greenfield | | | | | | | | | | | | | |
| Rutland | NV | NV | 169 | NV | NV | 628 | 609 | NV | NR | 161 | NV | 489 | NV |
| Brownfield | | | | | | | | | | | | | |
| Rutland | NV | NV | 78 | NV | NV | 330 | 423 | NV | NR | NV | NV | 456 | 172 |

Source: HDH 2012

4 PROPOSED CIL RATES

4.1 Striking an 'Appropriate Balance' – Factors to Consider

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.

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.*

4.2 Proposed CIL Rates for Consultation

The Council's vision that "Rutland is a great place to live, learn, work, play and visit" is underpinned by 6 strategic aims. Within each are strategic objectives that relate to the quality of infrastructure in Rutland to meet the vision. Building our infrastructure is one of the strategic aims but delivery of the vision requires meeting all of the objectives relating to a wider view on infrastructure provision as follows;

1. Creating a safer community for all requires improved road safety;
2. Creating an active and enriched community requires sustainable employment, linking our towns and Rutland Water, providing adequate and affordable fitness opportunities and improved access to the countryside;
3. Creating a sustained environment requires investment to reduce waste going to landfill, and improved design linked to affordability and sustainability;
4. Building our infrastructure requires support for small and medium enterprises, more affordable housing and a greater choice of tenure, regeneration in Oakham and improved transport to support employment;
5. Meeting the health & wellbeing needs of the community requires supporting accessible, local healthcare and supporting our growing older population and those with complex or specific needs and;
6. Creating a brighter future for all requires ensuring adequate school places.

The spatial strategy associated with the vision is set out within Rutland's adopted Core Strategy. A key part of this is the delivery of new housing and the required infrastructure to support this.

CIL will be an important mechanism for helping fund infrastructure needed to support the Council's vision and associated growth plans in the County and a number of factors and considerations have been taken into account in determining the proposed CIL rates. It is not envisaged or expected that CIL should be the only funding mechanism – but that it is one of a number of potential funding streams that will be used to help fund infrastructure.

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CIL rate setting is not an exact science but a qualitative judgement based on appropriate and available evidence. The specific considerations and processes that the Council has gone through to determine the proposed rates are described below. Rates are set in the context of CIL Regulations 13 and 14 (of the CIL Regulations 2010 as amended) plus the specific evidence as summarised in Sections 3 of this report.

In setting the proposed rates the Council has taken a cautious approach having regard to the results of the viability testing as summarised in Section 3 of this report as well as other factors described below. Caution is also taken due to the continuing uncertainty in the development industry and economy more widely.

Residential rate setting

In setting residential rates, which will form the majority of development within Rutland over the plan period, three principle steps were taken. Firstly consideration was taken of the viability results as summarised in Section 3.2 of this report (which are taken from Table 10.2 of the Leicester, Leicestershire and Rutland Viability Report). The Council, with advice from the consultants, looked to see what the viable sites could afford in terms of additional profit. The intention in setting CIL rates is to ensure that the majority of developments being planned for in the council's local plan still remain viable.

The council has made significant progress in delivering the policies and proposals of the adopted Core Strategy evidenced by its annual monitoring work. The Council is also progressing delivery of its Site Allocations & Policies DPD (Preferred Options stage published October 2012, Submission stage anticipated Spring 2013). The Site Allocations & Policies DPD provides further policy guidance on where and when the council proposes to manage the remaining development growth required to deliver the Core Strategy. Taking account of the guidance set out in the Local Plan, the Council identifies the smaller Sites 15 and 16 in Table 3.2 as representative of the majority of development expected. There is also the potential for a very small number of developments characterised by Site Types 5 and 10 on greenfield sites on the edge of the two main towns but these have a higher level of additional profit (allowing greater 'headroom' for S106 agreements where on-site infrastructure provision may be required) such that the key to overall viability of the local plan is in the smaller site types. These smaller site types were therefore taken as a base scenario in setting residential CIL rates across Rutland.

In setting CIL further work has also been undertaken on the council's policy on affordable housing and its approach to negotiating commuted sums.

In setting CIL rates consideration was also taken of the average current and recent rates of s106 contributions that are collected for each dwelling. The intention is that CIL will collect, as a minimum, the amount that is currently being achieved on average through S106. The Council's current adopted developer contributions policy aims to secure £140 per metre square or £12,000 on an average 85 square metre dwelling (where robust evidence is available to support). The Council has recently only been seeking in the region of £8,500 to £9,350 per dwelling on the basis of current evidence of need. An assessment of successfully negotiated S106 Agreements for the different site types in the Leicester, Leicestershire and Rutland Viability Study has been undertaken by the Council. This covers the period since the Council's SPD on Planning Obligations and Developer Contributions was adopted in June 2010 up to the end of December 2012. Many of the sites proposed for development in this period are small sites where no Affordable Housing (AH) was secured. This is because, prior to June 2012, AH contributions were not sought by the Council on sites of 5 or less dwellings. On average the level of S106 contributions, exclusive of affordable housing, has been £85 per square metre over the period June 2010 to December 2012. Clearly this reflects the continuing relatively difficult market conditions. A summary of this evidence is set out at Appendix 1 attached.

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Further work has also been undertaken to better understand the sensitivity of applying CIL alongside the Council's requirements for a commuted sum to be paid in lieu of Affordable Housing on sites of 5 or less dwellings. Work commissioned in December 2012 from HDH Planning and Development Services (who also undertook the 2012 Leicester, Leicestershire and Rutland CIL Viability Study) provides evidence to support different levels of residential CIL being balanced with different levels of commuted sums for Affordable Housing on sites of 5 or less dwellings whilst still maintaining overall development viability. The Council has also reviewed its own assessment of the costs, and impact on viability, of providing off site Affordable Housing contributions since the adoption of the Council's "Developer Contributions to Off-site Affordable Housing" SPD in June 2012.

The evidence suggests that to support the proposed level of CIL for residential development, the Affordable Housing contribution should be lower than the rate set on initial adoption of the Council's policy on commuted sums in June 2012. This is in order to enable CIL to be set at a rate that is affordable to the developers of these sites, whilst still maintaining a commuted sum to enable affordable housing to be delivered.

Finally, the Council considered what other authorities are charging, particularly those close by and/or within similar property market areas. The intention in setting CIL is not to go too far out of line in terms of what others are charging (while taking account of viability and different strategies for using s106 in the context of CIL). So the Council considered what other comparable authorities that have adopted CIL were charging e.g. Newark and Sherwood, Shropshire and Huntingdonshire, which for residential rates are £0-75, £40-80 and £85 respectively.

Taking account of these key factors the Council proposes to set for residential CIL a rate of £100 per square metre across the entire County.

Commercial rate setting

For commercial rates the Leicester, Leicestershire and Rutland Viability Report finds that viability does not change geographically across the Rutland. Therefore one rate can be set for the County for each development type. Again a cautious approach has been taken and proposed rates set out in Table 4.1 are below the maximum viable amounts shown in Table 3.3. In setting the specific rates account was taken of adopted commercial rates for similar uses in comparable areas such as Newark and Sherwood District as well as recent comments from Planning Minister Nick Bowles who has advised that councils should start with modest rates given current conditions in the development sector

In light of the above striking of an appropriate balance and the evidence presented in Section 3, the council proposes the following CIL rate(s) for consultation:

| TABLE 4.1: SCHEDULE OF PROPOSED CIL RATES | |
|---|------------------------------|
| Use Type | Proposed CIL Rate (per sq m) |
| Residential | £100 |
| Distribution | £10 |
| Convenience (Supermarkets) | £150 |
| Retail Warehouses | £150 |
| Hotel | £150 |

The definitions of uses set out by Geoff Salter in his report following his examination of the Wycombe DC CIL Charging Schedule (September 2012) are considered appropriate and are therefore applied to the uses in Table 4.1. These are:

Retail – Convenience (Supermarkets) are shopping destinations in their own right where weekly food shopping needs are met and which can also include non-food floorspace as part of the overall mix of the unit.

Retail warehouses are large stores specialising in the sale of household goods (such as carpets, furniture and electrical goods) DIY items and other ranges of goods catering for mainly car-borne customers.

Distribution relates to B8 use as per the Use Classes Order.

Residential relates to C3 use as per the Use Classes Order.

Hotels relate to C1 use as per the Use Classes Order.

Uses not included in Table 4.1 are not proposed for a CIL levy charge.

4.3 Formula for Calculating the Chargeable Amount

The formula for calculating the chargeable amount is set out in full in Part 5 of the Community Infrastructure Regulations 2010 (as amended) (The Regulations). The following is from the regulations:

- 1 The collecting authority must calculate the amount of CIL payable (“chargeable amount”) in respect of a chargeable development in accordance with this regulation
- 2 The chargeable amount is an amount equal to the aggregate of the amounts of CIL chargeable at each of the relevant rates.
- 3 But where that amount is less than £50 the chargeable amount is deemed to be zero.
- 4 The relevant rates are the rates at which CIL is chargeable in respect of the chargeable development taken from the charging schedules which are in effect:
 - (a) at the time planning permission first permits the chargeable development; and
 - (b) in the area in which the chargeable development will be situated.
- 5 The amount of CIL chargeable at a given relevant rate (R) must be calculated by applying the following formula—

$$\frac{R \times A \times IP}{Ic}$$

Where -

A = the deemed net area chargeable at rate R;

IP = the index figure for the year in which planning permission was granted; and

Ic = the index figure for the year in which the charging schedule containing rate R took effect.

- 6 The value of A in paragraph (5) must be calculated by applying the following formula—

$$\frac{CR \times (C - E)}{C}$$

where—

Cr = the gross internal area of the part of the chargeable development chargeable at rate R, less an amount equal to the aggregate of the gross internal area of all buildings (excluding any new build) on completion of the chargeable development which _

- (a) on the day planning permission first permits the chargeable development, are situated on the relevant land and in lawful use;
- (b) will be part of the chargeable development on completion ;and
- (c) will be chargeable at rate R

- 7 The index referred to in paragraph (5) is the national All-in Tender Price

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Index published from time to time by the Building Cost Information Service of the Royal Institution of Chartered Surveyors; and the figure for a given year is the figure for 1st November of the preceding year.

8 But in the event that the All-in Tender Price Index ceases to be published, the index referred to above is the retail prices index; and the figure for a given year is the figure for November of the preceding year.

9 Where the collecting authority does not have sufficient information, or information of sufficient quality, to enable it to establish –

(a) the gross internal area of a building situated on the relevant land; or

(b) whether a building is situated on the relevant land is in lawful use, the collecting authority may deem the gross internal area of the building to be zero

10 For the purposes of this regulation a building is in use if a part of that building has been in use for a continuous period of at least six months within the period of 12 months ending on the day planning permission first permits the chargeable development.

11 In this regulation “building” does not include—

(a) a building into which people do not normally go;

(b) a building into which people go only intermittently for the purpose of maintaining or inspecting machinery; or

(c) a building for which planning permission was granted for a limited period.

12 In this regulation “new build” means that part of the chargeable development which will comprise new buildings and enlargements to existing buildings.

A worked example would be as follows:

The Scheme:

Planning consent for a mixed use development with a gross floor area of 1,500 m² made up of 1,000 m² of residential and 500m² of retail floorspace. The site currently has a 400m² residential building on it.

The CIL rates:

Residential £100/m²

Retail (shop) £0/m².

The amount of CIL chargeable is:

$$\frac{(R (\text{£}100/\text{m}^2) \times A \times IP (220))}{Ic(230)}$$

Calculate A using the following formula:

Residential:

$$\frac{CR (1,500\text{m}^2) \times (C (1,500\text{m}^2) - E (400\text{m}^2))}{C (1,500\text{m}^2)}$$

$$A = (1,100\text{m}^2)$$

$$\text{CIL} = (\text{£}100/\text{m}^2 \times 1,100\text{m}^2 \times 220)/230 = \text{£}105,217$$

Retail

£0

$$\underline{\underline{\text{TOTAL PAYABLE} = \text{£ } 105,217 + \text{£} 0 = \text{£ } 105,217}}$$

4.4 Chargeable Development, Exemptions and Relief

The Regulations exempt all development under 100 sq m (unless it is a new dwelling house, in other words a house or flat) as well as development for charitable purposes.

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The Regulations allow relief for parts of a development to be used for social housing (in proportion to the amount of social housing provided). The formula for calculating relief is set out in full in Part 6 of the Regulations.

The Council is not proposing to offer exemptions or relief beyond that which is set out as a statutory requirement in the Regulations 2010.

5 CIL PROJECTIONS

To provide an indication of the potential receipt the County Council could receive from CIL a high level financial assessment is performed below. Using residential growth figures only (which account for the majority of the County's growth) and proposed CIL rate/s per sq m, the approximate total potential CIL receipt has been calculated as follows:

- Proposed residential CIL rate - £100 per m²

The potential CIL rates are then applied to the Council's un-consented housing targets, which are as follows:

- Un-consented Core Strategy Housing Target (units) - 741

The average floorspace for new build residential in the County is assumed to be 90 m². This is applied to the above un-consented housing target to give an indicative figure of 66,690m² of new residential development floorspace that could be liable to pay CIL (please note that at this stage this calculation is an illustration and for future financial forecasting a further discount should be applied to take account of those affordable housing units that will not pay CIL).

Finally a set of scenarios are produced to provide an indication of potential financial receipts under different economic growth scenarios. The high and low economic growth scenarios relate to +20% or -20% applied to the un-consented housing target figure as at 1st April 2012. The CIL projection assessment is shown in the table below:

| TABLE 5.1 INDICATIVE CIL RESIDENTIAL RECEIPTS | | | |
|---|------------------------------|-----------------|------------------|
| | CIL Receipt by Scenario (£m) | | |
| Indicative CIL rate per m2 | Low (53,352 m2) | Med (66,690 m2) | High (83,362 m2) |
| £100 | £5.3 | £6.7 | £8.3 |

Source: URS (2012)

Conclusion

Table 5.1 provides a range of potential CIL receipts ranging from £5.3 to £8.3m based on the un-consented housing target (assuming at this stage there is no deduction for affordable housing). Some additional future CIL income will also be derived from other commercial uses.

If this is compared to the total estimated infrastructure funding gap of approximately £13.1m as shown in Section 3 it demonstrates that there is likely to remain a funding gap of approximately £7.8 to £4.8m. It is expected however that there will be other sources of capital funding that have yet to be identified that will come forward to help reduce this gap.

To help meet the funding gap and deliver the infrastructure required as a result of growth, the Council may decide to seek a combination of S106 contributions for some site specific infrastructure as well as CIL payments. Councils that have adopted CIL will still be able to raise additional S106 funds for infrastructure, provided this is not for infrastructure specifically identified to be funded by CIL (through the 'Regulation 123 List') and does not contravene other relevant requirements. The Regulation 123 list

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evolves from the PDIPL and it identifies specific items from that list that the Council plans to fund through CIL.

6 NEXT STEPS

6.1 Next Steps

In accordance with the Government's CIL Regulations the council will undertake two rounds of consultation on the proposed charging schedule. The first stage of consultation is on this document, the Preliminary Draft Charging Schedule. Secondly, once the public comments on the Preliminary Draft Charging Schedule are considered the Council will update the document as necessary and consult again on a Draft Charging Schedule. The Council has a further opportunity to modify the Draft Schedule (which would lead to a further four weeks of consultation) if necessary before then having it considered by the CIL examiner at Public Examination.

The full proposed programme, including target consultation dates is shown in **Table 5.1** below:

| TABLE 6.1: NEXT STEPS | | |
|------------------------------|-----------------------|---|
| Step | Date | Action |
| Step 1 | Jan - Feb 2013: | Member engagement and approval of PDCS and PDIPL |
| Step 2 | Mar - April 2013 | Community and stakeholder consultation on PDCS |
| Step 3 | May 2013 | Updating and resubmitting DCS and DIPL |
| Step 4 | June 2013 - July 2013 | Member engagement and approval of DCS and DIPL |
| Step 5 | Aug 2013 - Sep 2013 | Formal consultation on DCS and DIPL |
| Step 6 | Oct 2013 | Consideration of responses |
| Step 7 | Dec/Jan 2014 | Public Examination |
| Step 8 | March 2014 | Inspectors Report |
| Step 9 | April - May 2014 | Internal Council political procedures on final CS and IPL |
| Step 10 | June 2014 | Adoption of CIL |

6.2 Responding to the Consultation

The consultation period runs from 28th March until 4:45pm on 9th May 2013

To comment on this Preliminary Draft Charging Schedule, please do so by either:

- **Online** – www.rutlandcouncil.gov.uk\CIL
- **By Post** – Writing to the Planning Policy Manager, Rutland County Council
- **By e mail** – localplan@rutland.gov.uk

Relevant documents can be viewed at the following locations:

- The County Council offices in Oakham
- Public Libraries in Rutland

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- The documents can also be viewed on the Council's website at www.rutland.gov.uk/cil.

APPENDIX 1 - Evidence of S106 Agreements to Support Proposed CIL

| Development Description | Site Type | Value of Developer Contributions | Size of Development Charged (m2) | Rate per m2 |
|--|------------------|---|---|--------------------|
| 2 dwellings | 15 | 7,640 | 507 | 15 |
| 18 dwellings | 10 | 50,083 | 1361 | 37 |
| 2 Bungalows | 15 | 10,441 | 222 | 47 |
| 1 dwelling | 16 | 7171 | 120 | 56 |
| 2 dwellings | 15 | 22320 | 281 | 79 |
| 96 Dwellings | 4 | 750055 | 8160 | 92 |
| 1 dwelling | 16 | 15,333 | 175 | 88 |
| 1 dwelling | 16 | 5,800 | 95 | 61 |
| 1 dwelling plus 1 extension | 15 | 8,187 | 70 | 117 |
| 1 dwelling | 16 | 6,469 | 96 | 68 |
| Extension to form new dw. | 14 | 6,375 | 94 | 68 |
| Replacement dwelling | 16 | 5,360 | 127 | 42 |
| 1 dw barn conversion | 16 | 8,064 | 142 | 57 |
| 1 dw barn conversion | 16 | 7,782 | 69 | 113 |
| Village Brownfield 25 dws* | 8 | 252,007 | 2125 | 119 |
| | | | | |
| Total Value of S106 Agreements | | 1,163,087 | | |
| Total size of development charged | | | 13644 | |
| | | | | |
| Average Rate per m2 (ex AH) | | | | 85.2 |
| | | | | |
| Hawksmead Development* | 1 | 7,677,688 | 93,160 | 82.4 |
| | | | | |
| *assuming average dw size of 85m2 | | | | |

Appendix 2 – Annual Delivery of Affordable Housing Compared to RCC Core Strategy Target

| Affordable housing delivery (gross) | | |
|-------------------------------------|------------|-----------------------------------|
| Year | No. | Source |
| 2006-07 | 13 | HSSA 2008 Line n9a 2006-07 column |
| 2007-08 | 23 | HSSA 2008 Line n9a 2007-08 column |
| 2008-09 | 62 | NI155/Housing Strategy |
| 2009-10 | 9 | NI155/Housing Strategy |
| 2010-11 | 29 | NI155/Housing Strategy |
| 2011-12 | 26 | AMR para. 7.20 |
| 2012-13 Q1 to Q3 | 22 | TENS PI155 |
| Total | 182 | |

Policy CS11 of the Council's Core Strategy sets a minimum target of 40 affordable homes per year in the period 2009-2026. Over the period 2006-2012 (6 complete years) 160 AH have been built against a target of 240.