

Delegated Decision report



30 May 2023

INFRASTRUCTURE LEVY AND SHORT TERM LETS: RESPONSES TO CURRENT GOVERNMENT CONSULTATIONS

Name of Cabinet Member	Councillor Peter Marland Leader of the Council
Report sponsor	Paul Thomas Director of Planning and Placemaking
Report author	Sarah Evans Planning Projects and Services Manager sarah.evans@milton-keynes.gov.uk 01908253326
	Paul Van Geete Tariff Programme Manager paul.vangeete@milton-keynes.gov.uk 01908254114
	James Williamson Monitoring and Implementation Team Leader (Development Plans) James.williamson@milton-keynes.gov.uk 01908254231

Exempt / confidential / not for publication	No
Council Plan reference	Not in Council Plan
Wards affected	All wards

Executive Summary

The Department for Levelling Up, Housing and Communities (DLUHC) is consulting on the design of an Infrastructure Levy (IL). The IL will replace the current system of developer contributions towards infrastructure and affordable housing with a mandatory levy (£/ per square metre) applied above a minimum threshold. A percentage of IL will be required to deliver affordable housing.

The IL builds on the existing (but discretionary) Community Infrastructure Levy (CIL) mechanism. IL will be rolled out on a ‘test and learn’ basis and fully implemented over ten years.

Our proposed response to DLUHC acknowledges the aims of IL. It also sets out our concerns, based on a proven track record of infrastructure and housing delivery in Milton Keynes under the current Section 106 system, including our unique Tariff mechanism, which will be prohibited under IL.

DLUHC are also consulting on proposals in respect of the introduction of a new planning use class and permitted development rights for short term lets. This aims to provide local communities greater control over such uses, whilst still maintaining flexibility for homeowners to let out their sole or main home for short periods.

Our proposed response to DLUHC acknowledges the overdue need to place controls on short term lets via the planning system, which are currently having an impact on the availability and affordability of homes within Milton Keynes. It welcomes the principle of the proposals in the consultation, but also sets out comments and recommendations on their proposed implementation.

1. Proposed Decisions

- 1.1 That the proposed responses from the City Council to the two consultations, as set out in **Annexes A and B** to the report, be submitted to Department for Levelling Up, Housing and Communities.
- 1.2 That delegated authority be given to the Director of Planning and Placemaking to finalise any minor amendments to the responses before submission.

2. Why is the Decision Needed?

Infrastructure Levy Consultation

- 2.1 The IL forms part of the Levelling Up and Regeneration Bill (LURB). This technical consultation will be followed by draft Regulations (for final consultation) after the LURB achieves Royal Assent.
- 2.2 We have previously chosen not to secure developer contributions through the Community Infrastructure Levy (the system on which the IL is based). Contributions have been secured through either site-specific negotiations or, for our largest sites with multiple landowners, through a Tariff mechanism under S106 legislation.
- 2.3 Tariff funding has been used successfully to deliver a programme of infrastructure across 18 ‘portfolio’ areas (such as education, health and green space) often in advance of need. As well as site-specific infrastructure, it has contributed to city-wide needs (such as the hospital). We often lead on delivering infrastructure through this programme but there are also other delivery partners we work with (such as the NHS, MK College, and the MK Parks Trust).

- 2.4 Section 106 funding from non-Tariff sites has largely been secured for similar infrastructure types as the Tariff. We often the lead for infrastructure delivery through S106, but also collect and release funding to other partners, such as town and parish councils.
- 2.5 One of the biggest changes proposed under IL is to affordable housing provision. Rather than secure a percentage of homes through S106, the IL would provide local authorities with a 'right to require' a percentage of IL funds to deliver affordable housing. The intention of this is to secure more affordable housing delivered as part of development proposals. In Milton Keynes we are usually successful at delivering on-site affordable units and have required higher percentages on sites under our control (e.g. through Milton Keynes Development Partnership). The IL will place the emphasis on balancing off affordable housing delivery with infrastructure delivery on local authorities.

Short-Term Lets Consultation

- 2.6 MKCC has recognised for some time that a high number of properties within the Borough are used for the sole purpose of short-term lettings, thus removing them from the market for purchase or rent by local people to live in and, that this is having an undue impact upon the availability and affordability of homes across the Borough, as well as potentially more localised impacts on communities.
- 2.7 There is currently no mechanism in place through the planning system to control the use of residential properties for the sole-purpose of short-term lets. Therefore, we have had no ability to mitigate the impacts of these uses on the availability of housing for local residents.
- 2.8 This consultation proposes the introduction of measures to allow Local Planning Authorities (LPAs) to control the number of short-term lets within their area where they wish to do so and where it is justified locally. It would still maintain an element of flexibility for homeowners to let out their sole or main home for short periods. The main proposal, which would be implemented through changes to legislation, include:
- the introduction of a new use class for short term lets;
 - the potential introduction of new permitted development rights for the change of use from a dwellinghouse to a short term let and vice versa;
 - the potential introduction of flexibilities for homeowners to let out their home for a set number of nights in a calendar year; and
 - the introduction of a planning application fee for the development of new build short term lets.

2.9 Responding to this consultation provides us an opportunity to repeat our concerns regarding the impact short-term lets are having within the city. In principle we support those changes to the planning system that enable LPAs to control short-term lets. The response also affords us the chance to comment on/influence the mechanisms being proposed and their means of implementation.

3. Implications of the Decision

Financial	Y	Human rights, equalities, diversity	N
Legal	Y	Policies or Council Plan	N
Communication	N	Procurement	N
Energy Efficiency	N	Workforce	N

(a) Financial Implications

The original Tariff is projected to secure £430m of infrastructure funding for the City once completed (£275m is estimated to have been received to date), as well as free land for schools and community uses. The Tariff for the MK East site will secure circa £200m and a similar arrangement is being worked up for the Southeast MK development.

Currently we also hold over £70m of Section 106 receipts from sites that have secured developer contributions through a site-by-site negotiation.

Future IL receipts cannot yet be estimated. The charging schedule and a Strategic Levy spending plan will be subject to Examination (see below).

Whilst there would be little effect regarding planning application income relating to short term lets, there may be notable costs associated with the potential for an increase in enforcement complaints regarding short term lets due to the need to investigate each of these individually and take proportionate action.

(b) Legal Implications

Introduction of an Infrastructure Levy would need to follow new Regulations (yet to be produced by DLUHC). A Levy Charging Schedule and a Strategic Levy Spending Plan would be subject to independent Examination. Currently we are progressing an Infrastructure Study and Investment Strategy in support of the New City Plan, under current local plan making regulations. Examination will be restricted to the New City Plan itself, although the robustness of the evidence supporting it will be tested through this process. If introduced, it is likely that any IL for MKCC will be developed towards the end of the 10-year roll out period anticipated by DLUHC.

There no legal implications associated with the content of the consultation on proposals relating to short term lets.

4. Alternatives

- 4.1 Do not respond to the DLUHC consultations. Failing to respond to the consultations will result on MKCC not being able to influence policy at a national level. This is not recommended.

5. Timetable for Implementation

- 5.1 The relevant timescales our set out below:

- The Technical consultation on the Infrastructure Levy closes 11:45pm 9 June 2023.
- The consultation on the introduction of a use class for short term lets and associated permitted development rights closes 11:45pm 7 June 2023

List of Annexes

- Annex A MKCC response to DLUHC Technical Consultation on the Infrastructure Levy
- Annex B MKCC response to DLUHC Consultation on Introduction of a use class for short term lets and associated permitted development rights

List of Background Papers

[Technical consultation on the Infrastructure Levy - GOV.UK \(www.gov.uk\)](https://www.gov.uk)

[Introduction of a use class for short term lets and associated permitted development rights - GOV.UK \(www.gov.uk\)](https://www.gov.uk)