

Milton Keynes Council

**The Milton Keynes Urban Development Area Tariff
Supplementary Planning Document**

**Consultation Draft
July 2007**

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Summary

Milton Keynes has been identified as one of four major growth areas in the South East of England. Other areas are London-Stansted-Cambridge, Ashford and Thames Gateway.

As a result of this, Milton Keynes will see significant levels of new development over the next few years. We need to make sure that the new development is both sustainable and successful, and also that it does not adversely impact on the quality of life or the level of services provided to existing occupants and visitors to Milton Keynes. New roads, schools and health facilities will be needed alongside new housing and employment development and it will be important to establish effective methods of funding these infrastructure requirements particularly to make sure that they are in place at the very early stages of the development so that new residents can benefit from them.

The 'Tariff' is an amount of money per dwelling, or per square metre of employment floorspace, that is payable by owners of land in the Urban Development Area (UDA). The UDA covers land to the north, east and west of the City where future expansion will, or is likely to take place (although the Tariff will not apply to the Northern Expansion Area as a legal agreement for this site has already been completed). The Tariff money will go towards funding infrastructure and services that are required to support the growth of the City to 2016.

For every residential property built, the landowner will pay a Tariff of £18,500. Commercial developments will pay approximately £260,795 per hectare or £67 for every square metre of floorspace. In this way developers in the UDA will provide over £310 million towards community facilities and infrastructure.

The Tariff approach has been developed by Milton Keynes Partnership (MKP) a body established by the Urban Regeneration Agency (the Agency) (carrying on business as English Partnerships) in partnership with Milton Keynes Council (MKC), and Milton Keynes Forward (MKF) a body comprising the main landowners in the Eastern and Western Expansion Areas within the UDA. It has been developed in line with the relevant Government advice on Planning Obligations, Local Plan policies and existing Supplementary Planning Guidance/ Documents. The Tariff approach in Milton Keynes has received formal approval from the Treasury.

The Agency (acting through MKP) is the local delivery vehicle appointed by Central Government with the responsibility for co-ordinating and implementing the growth of Milton Keynes and is also the Development Control Authority for prescribed major development within the UDA (refer to section 'To which types of development will the Tariff apply').

This Supplementary Planning Document (SPD) sets out the planning policy basis for the Tariff in Milton Keynes and the general principles for planning obligations in the UDA. The SPD applies to new development in the Eastern

and Western Expansion Areas, the Strategic Reserve areas and the new development areas of Tattenhoe Park and Kingsmead South.

Status of this Document

Officers of the Council have prepared this draft SPD. It is a Local Development Document prepared in accordance with the Town and Country Planning (Local Development) (England) Regulations 2004 and Government guidance contained in Planning Policy Statement 12. It amplifies policies of the Milton Keynes Local Plan adopted in December 2005, and reflects guidance in the Eastern and Western Expansion Area Development Frameworks and the Council's adopted Supplementary Planning Guidance/ Documents on planning obligations.

Consultation responses on this draft document will be reported to Cabinet, together with any recommended changes before being adopted. A separate Sustainability Appraisal of the impact of the document has been produced and any consultation responses on the Appraisal also needs to be looked at when considering changes to the document.

Whilst it is the Council's responsibility to produce and adopt this document, it will be used by Milton Keynes Partnership in their role as the Development Control Authority in the area where the SPD will apply.

Once adopted the SPD will be monitored against the targets in the Sustainability Appraisal. The SPD will also be reviewed as and when necessary to reflect changes to the Tariff and planning obligations in the UDA which might arise from new detailed studies on infrastructure requirements. It might also be reviewed if there are relevant amendments to national policy advice, including the possible introduction of the Planning Gain Supplement.

For new development outside the area covered by the Tariff, developers should refer to the Council's other documents that provide guidance on the type of infrastructure for which the Council will be seeking contributions. These include SPD on Social and Community Infrastructure, Supplementary Planning Guidance (SPG) covering Affordable Housing; Development and Flood Risk; Education Contributions; Leisure, Recreation and Sports Facilities; Parking Standards and forthcoming SPDs on Transport Infrastructure and Sustainable Construction.

Consultation

Consultation on this draft document is guided by Regulation 17 of the Town and Country Planning (Local Development) (England) Regulations 2004, and the Council's Submission draft Statement of Community Involvement. The Regulations require relevant 'specific' consultation bodies to be consulted as well as other 'general' consultation bodies. The Council will also consult with those parties who have entered into (or are interested in) the Framework Section 106 Agreement and the Tariff negotiations.

Structure and Content

Part 1 of the SPD outlines the background to the Tariff approach in Milton Keynes and Part 2 shows how it relates to the relevant planning policy guidance in Planning Policy Guidance notes, Planning Policy Statements, Planning Circulars, the Adopted Milton Keynes Local Plan, December 2005 and the Development Frameworks for the Eastern and Western Expansion Areas.

Part 3 provides guidance on the requirements that must be included in planning obligations in the UDA required for residential, employment and mixed development on sites covered by this SPD.

Part 1: The Milton Keynes Urban Development Area Tariff

The Milton Keynes – South Midlands Growth Area

Following the launch of the Sustainable Communities Plan in February 2003, the Government designated four Growth Areas in the South East. Milton Keynes and the South Midlands (MKSM) was identified as one of the key Growth Areas that would generate economic growth, build sustainable communities and enhance the international competitiveness of the region.

The MKSM Sub-Regional Strategy sets out the following policy objectives:

- to achieve a major increase in the number of new homes in the area, meeting needs for affordable housing and a range of types and sizes of market housing;
- to provide for a commensurate level of economic growth and developing skills in the workforce, particularly in the high value, knowledge-based sectors;
- to locate development in the main urban areas to support urban renaissance, regeneration of deprived areas, recycling of land and sustainable patterns of travel;
- to ensure development contributes to an improved environment, by requiring high standards of design and sustainable construction, protecting and enhancing environmental assets and providing green space and related infrastructure;
- to meet existing infrastructure needs and provide for requirements generated by new development, by investing in new and improved infrastructure, by planning to reduce the need to travel and by creating a shift to more sustainable modes of travel; and
- to create sustainable communities by ensuring that economic, environmental, social and cultural infrastructure needs are met in step with growth.

To manage the future growth of Milton Keynes, the Agency was established in June 2004 under the Milton Keynes (Urban Area and Planning Functions) Order 2004. In order to carry out its functions, the Agency established the Milton Keynes Partnership. The Milton Keynes Partnership Committee (MKPC) is a legally constituted committee of English Partnerships (EP). Its role is to facilitate the planned growth of Milton Keynes under delegation from the main English Partnerships Board. MKPC deals with planning applications within the Urban Development Area (UDA) of Milton Keynes.

Supporting the Growth

Milton Keynes' population is growing by 4,000 people each year. Further growth will see the city double in size to 340,000 people by 2031. Milton Keynes requires sustained investment year on year in order to provide both the new residents with the required infrastructure and to upgrade existing infrastructure to meet the needs of an ever-increasing population.

The Tariff has been formulated as a means of maximising infrastructure provision, whilst providing certainty for developers and landowners over the contributions that they will be expected to make. The Tariff will remove the need for protracted Section 106 negotiations on every development site. The money raised by the Tariff will be retained locally and used to plan for and fund strategic and local infrastructure so that the key infrastructure can be provided at an early stage in the development process.

Why do we need a Tariff?

Government spending programmes rarely include commitments beyond a 3-year period and there are some elements of essential infrastructure that will need to be in place, but for which Government funds have not yet been made available.

The underlying principle therefore is that a fixed tariff will provide developers with the certainty they require regarding development costs whilst allowing MKP, as the local delivery vehicle, to pool the contributions and use them to provide necessary strategic and local infrastructure at an early stage in the development process.

The proposed mechanism is for English Partnerships to 'gap fund' the cashflow shortfall at the front end of the development programme to enable the planned developments to proceed.

Which geographical areas does the Tariff cover?

The Tariff will apply to all major new planning permissions in the Eastern and Western Expansion Areas, the Strategic Reserve areas south of the A421 on the eastern flank of the city, together with the new development areas of Tattenhoe Park and Kingsmead South. It does not apply to the Northern Expansion Area as a Section 106 agreement for this site was already in place when the Tariff was being developed.

To which types of development will the Tariff apply?

The Tariff and the SPD will apply to all planning applications for major new housing and employment developments within the UDA. The planning powers available to MKPC in the UDA are set out in the Milton Keynes (Urban Area and Planning Functions) Order, 2004 and apply to:

- developments of 10 or more dwellings
- office, industrial and retail developments of 1000 sq metres or more of floor space;
- any development on a site of 1 hectare or more.

How much will the Tariff cost and how is it calculated?

The Tariff contributions have been set at £18,500 per new residential unit and £260,795 per hectare of developable land for employment uses. The sums

are index linked to account for inflation over time. It is anticipated that up to 2016 the Tariff will raise £310 million.

In addition, land is to be provided at nil value for education, community uses, public open space, recreation (including sports halls, swimming pools and allotments), burial sites and crematoria. Land is also to be provided at reduced cost for health facilities. Affordable housing is to be provided in accordance with the Council's normal policy requirements.

The Tariff has been calculated by identifying both the strategic requirements of development (which, if not provided, could constrain the development) and the local infrastructure requirements (which have a local context and which are the responsibility of bodies such as Milton Keynes Council, the Milton Keynes Primary Care Trust (PCT), the Internal Drainage Board and the voluntary sector). The local infrastructure items are drawn from requirements set out in Local Plan policies, the Council's adopted Planning Obligations Supplementary Planning Guidance and Documents, and the Development Frameworks for the Eastern and Western Expansion Areas.

What will the Tariff pay for?

For the majority of projects, the Tariff will pay for the initial capital expenditure of projects, with the exception of landscape management. Some elements such as inward investment and voluntary sector may also receive revenue funding. Operational and ongoing maintenance will have to be paid for by normal capital and revenue budgets.

The Tariff will not pay for all of the infrastructure investment required to support growth. The contributions set out above are considered, by Milton Keynes Partnership, to be the maximum amount that can be required if the commercial viability of the developments is to be maintained. The funding gap between what the Tariff can provide and the total infrastructure costs is estimated to be 25% of total project costs based on 2004/05 calculations and standards drawn from the Planning Obligations SPGs/ SPD at that time. In addition some facilities rely on contributions from other sources, e.g. Section 106 contributions from other sites towards new library facilities.

Who is involved in the Tariff?

The principles behind the Tariff have been agreed with MKP; Milton Keynes Partnership Committee, Milton Keynes Council, the Highways Agency and other key stakeholders such as MK Primary Care Trust, Milton Keynes General Hospital Trust, the Internal Drainage Board, the voluntary sector and the Further and Higher Education sector.

Commitments to pay the Tariff are made by the principal landowners in the Eastern and Western Expansion Areas, the Strategic Reserve and the areas of Tattenhoe Park and Kingsmead South. This commitment is set out in the same legal form as a normal Section 106 agreement and is binding on the land. There are two forms of agreement:

- the Framework Agreement, which is the overarching document where the principles of the Tariff are incorporated and the general requirements of Site Specific Agreements are set; and
- Site Specific Section 106 Agreements that relate to the more detailed provisions on the grant of outline planning permission on a site by site basis.

A copy of the completed Framework Agreement is at Annex A.

How will the Tariff be managed?

When the Department for Communities and Local Government (DCLG) and the Treasury supported the approach of the Tariff in December 2005 it was on the basis of putting robust mechanisms in place for managing and monitoring programme delivery, finance and risk.

The money raised by the Tariff will be paid to English Partnerships as the body responsible for co-ordinating the infrastructure associated with future growth in Milton Keynes. The Agency has produced a Business Plan and a set of Delivery Plans which set out a detailed programme of work to be delivered by Milton Keynes Partnership and its partners over the next five years, together with financial implications of delivery, outline management processes and a high level risk register. Both the Business Plans and Delivery Plans are subject to approval by MKC and will be periodically reviewed by the Agency.

A management structure has been established to manage and implement the Delivery Plan. This comprises:

- A Programme Management Board which oversees the MKP Delivery Plan, including the tariff funding arrangements;
- Joint Delivery Teams to manage various elements of the Delivery Plan including Housing, Transport, Utilities, Community Infrastructure; CMK Joint Venture and Inward Investment.

Source: Programme Management Board, Draft Terms of Reference, 28/04/06

Each Joint Delivery Team is made up of established delivery agencies that have statutory responsibilities for delivery of infrastructure in Milton Keynes.

How is Milton Keynes Council involved in the Tariff?

Milton Keynes Council is acting in its role as the authority responsible for the provision of a large number of the items of infrastructure to support growth and also as a landowner within the Western Expansion Area, and will therefore be bound by the obligation to pay the tariff in respect of the area of land it owns.

The Business Plan and the Delivery Plan set out when agreed infrastructure items should be provided and by whom. Infrastructure items that are the responsibility of the Council to deliver will not be included in the Delivery Plan

until they have been included in the Council's Capital Programme. To be included in the Capital Programme items will be subject to the usual Council requirements including Cabinet approval, appraisal and normal Capital Programme monitoring regulations.

In addition to the Framework Agreement, Milton Keynes Council has also entered into a separate legal agreement with the Agency. This agreement mainly sets out a commitment from MKPC to provide funding for the items of infrastructure that are to be provided by the Council. The Council will only include infrastructure in its Capital Programme that is fully funded (either a commitment of full funding from MKPC or a commitment of joint funding by MKPC and third party sources). The Council is not obliged to provide infrastructure for schemes in respect of which it has not received full funding. A copy of the agreement is at Annex B.

Part 2: Planning Policy

National Policy

National policy with regard to new residential development in the growth areas (including the MKSM Growth Area) has its roots in the Government's Sustainable Communities Plan dating back to February 2003. Central Government recognises that a significant level of strategic and local infrastructure will need to be delivered upfront to support the anticipated development in the Growth Areas. The intention in the Sustainable Communities Plan is that this infrastructure will be funded in part by the private sector and in part by public funds.

The Sustainable Communities Plan recognises that different delivery mechanisms (such as the Tariff) will be appropriate in order to deliver the necessary strategic and local infrastructure to support the additional growth proposed for the Growth Areas.

A planning obligation is a legal agreement made under Section 106 of the Town and Country Planning Act 1990 (as amended by Section 12(1) of the Planning and Compensation Act 1991) usually in association with planning permissions for new development. It usually relates to an aspect of a development that cannot be secured by imposing a planning condition or by other statutory controls. Planning obligations are a proper and recognised part of the planning system – they can both improve a development and help it to go ahead. They can serve numerous purposes including:

- Restricting the use of land;
- Requiring specific operations to be carried out in, on, under or over the land;
- Requiring land to be used in a specified way; and
- Requiring a sum or sums to be paid to the local planning authority on a specified date or dates, or periodically

The current key source of government guidance on the use of planning obligations is **Circular 05/2005**. It sets out a number of tests that planning obligations should meet. They should be:

- Necessary to make the proposed development acceptable in planning terms;
- Relevant to planning
- Directly related to the proposed development
- Fairly and reasonably related in scale and kind to the proposed development;
- Reasonable in all other aspects.

The Circular reiterates the principle that developers may reasonably be expected to pay for or contribute to the cost of all, or that part of, additional infrastructure provision that would not have been necessary but for their development. It is not legitimate for unacceptable development to be

permitted because of benefits or inducements offered by a developer which are not necessary to make the development acceptable in planning terms. Similarly, contributions should not be used purely as a means for securing the local community a share in the developer's profits. Obligations must be directly related to the proposed development or use of the land so that the development ought not to be permitted without it. Developers should not be expected to pay for facilities that are needed solely to resolve existing deficiencies or to secure contributions to the achievement of wider planning objectives that are not necessary to allow consent to be given for a particular development.

Planning obligations are normally negotiated and agreed between a developer/landowner and the local planning authority. The Tariff approach has been developed as a more efficient and less time consuming way of making such commitments and payments, providing both certainty to developers/landowners and the opportunity for MKPC to provide infrastructure to support new development at an early stage in the development process.

Planning Circular 05/2005 on planning obligations supports a tariff approach – paragraph B21 states that where ‘the combined impact of a number of developments creates the need for infrastructure it may be reasonable for the associated developers’ contributions to be pooled in order to allow the infrastructure to be secured in a fair and equitable way...’.

Local Policy

The Replacement Milton Keynes Local Plan was adopted in December 2005. The Plan sets out the role of planning obligations in providing resources to achieve the Plan's objectives and in meeting as far as possible the infrastructure costs arising from development. Policies:

- PO1- sets out when Section 106 contributions will be sought
- PO2- lists the main types of development where a s106 contribution will be sought
- PO4- provides policy related to public art.

In addition to these overarching planning obligations policies there are other policies such as those for the expansion areas where specific pieces of infrastructure are sought in association with the development of the site. Further details are set down in the Planning Obligations SPGs and SPD.

Paragraph 15.9 of the Planning Obligations chapter explains that the Council is working with Milton Keynes Partnership to agree with landowners and developers a standardised tariff approach to Section 106 contributions and that the tariff approach will apply to major housing and employment developments within the Milton Keynes Partnership Committee Urban Development Area. The Local Plan states that details of this approach will be set out in a Supplementary Planning Document - this commitment is met in the preparation of this document.

The Development Frameworks for the Western and Eastern Expansion Areas provide more detail to guide the development of these expansion areas than can be provided in the Local Plan. Both Development Frameworks require each part of the Expansion Areas to make contributions to some or all of the following requirement, in proportion to the scale and impact of the development:

- Affordable housing
- Highway infrastructure, both on and off site
- Public transport services, walking and cycling
- Education, including combined, secondary and post-16 schooling and encompassing capital, fitting out and setting up costs
- Recreation and open space, including play spaces, playing fields and sports centres and nature conservation
- Community facilities, including healthcare, library (in the Western Expansion Area - WEA), community centres, childcare facilities, emergency services, remembrance and burial ground (in the WEA)
- Public art
- Management and maintenance of facilities and infrastructure (as commuted sums)

Part 3: Framework Agreements and Site Specific Section 106 Agreements

As mentioned above, a Framework Agreement has been entered into by the Agency, MKC and various landowners in the UDA. The Framework Agreement requires Site Specific Agreements for specific parcels of land within a larger site, when planning consent for individual sites are sought. The Framework Agreement sets out the broad requirements that must be included in Site Specific Agreements.

The Framework Agreement makes general and specific provisions in respect of the following:

- Affordable housing
- Construction standards
- Open Space
- Reserve sites
- Design Codes
- Tariff payments
- Adoption of roads

Glossary of Terms (not covered in the Framework Agreement)

Carbon Rebate/ Carbon Offset fund Policy D4 in the Adopted Milton Keynes Local Plan aims to achieve development in Milton Keynes with zero carbon growth, preferably by reducing emissions from development through the use of renewable energy or, as an interim measure, to make payments into a carbon offset fund.

Development Framework A document prepared to provide additional guidance to that in the Local Plan for the development of an expansion area that must be considered when assessing planning applications for the development of the expansion area. Two development frameworks are referred to in this SPD covering the Eastern and the Western Expansion Areas.

Equalisation An agreement through which the overall cost of providing the necessary infrastructure to support a development can be shared proportionately between all landowners.

Framework Agreement The Section 106 agreement which sets out the arrangements for the Tariff between English Partnership, Milton Keynes Council and the landowners for the sites included in the Tariff.

General Consultation Bodies Groups and organisations that should be considered by local planning authorities when preparing local development documents and consulted on relevant matters. They are defined in the Town and Country Planning (Local Development) (England) Regulations 2004 and Planning Policy Statement 12.

Local Delivery Vehicle The organisation responsible for co-ordinating and implementing proposals for growth – in Milton Keynes this role is taken by Milton Keynes Partnership.

Local Development Documents These replace the old local plans, structure plans and supplementary planning guidance documents under the new planning system (defined in the Town and Country Planning (Local Development) (England) Regulations 2004 and Planning Policy Statement 12.) The timescale for preparing Local Development Documents is set out in the Council's Local Development Scheme – a 3 year rolling work programme. The term is used to describe any new planning document, whether it is a Development Plan Document or a Supplementary Planning Document.

Milton Keynes & South Midlands Sub Regional Strategy The Strategy, produced jointly by the 3 regional assemblies in the MK&SM region (East of England, East Midlands and South East of England), provides strategic guidance on the scale, location and timing of development and the associated infrastructure required to sustain development.

MK Forward This is an organisation comprising the major landowners in Milton Keynes.

Planning Obligations A planning obligation is a legal agreement made under Section 196 of the Town and Country Planning Act 1990 (as amended by Section 12(1) of the Planning and Compensation Act 1991) usually in association with planning permissions for new development. It usually relates to an aspect of a development that cannot be secured by imposing a planning condition.

Section 106/ s106 A legal agreement under Section 106 of the Town and Country Planning Act (as amended).

Specific Consultation Bodies These are organisations who must be consulted by the Council when preparing local development documents. They include for example, adjoining local authorities, the regional planning body and national organisations such as English Nature, the Highways Agency and the Environment Agency. The specific consultation bodies are defined in the Town and Country Planning (Local Development) (England) Regulations 2004 and Planning Policy Statement 12.

Strategic Reserve Area These areas are defined in the Adopted Milton Keynes Local Plan and are considered to have potential for development after 2011. They will be brought forward for development in a review of the plan. The Strategic Reserve Areas included in the Tariff comprise three sites lying to the south of the A421 on the eastern side of Milton Keynes.

Supplementary Planning Documents These provide more detail and guidance on planning policies in Development Plan Documents.

Sustainable Communities Plan was published by the Government in February 2003. The Plan sets out the Government's proposals for growth areas in the south-east of England.

Sustainability Appraisal This is an integral part of the process for preparing local development documents used to assess the environmental, social and economic sustainability of plans and policies against a range of indicators and targets.

Annex A – Copy of the Framework Agreement

Annex B – Copy of Milton Keynes Council Agreement with English Partnerships