



Executive Summary

THE PURPOSE OF THE GIF - GROWTH AND INFRASTRUCTURE FRAMEWORK FOR KENT AND MEDWAY

The link between infrastructure and growth is well-known – robust infrastructure can enable development and ultimately raise land values; alternatively, a lack of infrastructure can fundamentally limit development and restrict land values. Whilst some infrastructure can be clearly linked to particular development, much of it transcends individual developments and often individual local planning authorities.

Since the removal of Structure Plans and Regional Spatial Strategies five years ago, there has been limited ability to plan at the strategic level for housing and jobs growth and the infrastructure needed to facilitate this growth. Instead, it has been left to local planning authorities to fill in the gap left at this strategic level, relying on the duty to cooperate.

In recognition of this, Kent's Leaders agreed it would be important to produce a pan-Kent and Medway Growth and Infrastructure Framework to bring together a clear picture over the Local Plan period to 2031 on:

- housing and economic growth planned to 2031 across Kent and Medway;

- the fundamental infrastructure needed to support this growth;
- the cost of this infrastructure;
- the potential funding sources across the public and private sector funding during this period: and,
- the likely public sector funding gap and work towards solutions.

This Growth and Infrastructure Framework (GIF) has therefore been developed working in close collaboration with Medway Council and Kent's twelve district authorities, as well as the health and utilities sectors. It provides a framework not only for identifying and prioritising investment in infrastructure, but also for testing the impact of innovation in the way in which we provide public services. The Kent and Medway Economic Partnership (KMEP) has been, and will continue to shape and be appraised of the GIF work and its findings. The GIF will help support KMEP in setting its priorities and in attracting investment to the infrastructure that will be needed to support the growth to which the Partnership aspires.

The document is very much a “live” document and it is intended it will be updated regularly.

THE APPROACH TAKEN

Our approach to developing the GIF has very much relied on the principle that the infrastructure identified is essential to delivering the county's potential growth to 2031 (i.e. "must do" projects only). The picture currently presented is the "best case" scenario and provides an evidence base across the county, both on a district-by-district basis as well as by infrastructure type.

The development of the GIF involved establishing an in depth understanding of:

- Planned housing and employment growth 2011 to 2031;
- Population growth and drivers as well as demographic change;
- Economic growth and drivers;
- Infrastructure requirements and financial cost to deliver; and,
- Future funding levels across all sources i.e. Community Infrastructure Levy (CIL)/S106/ Government Grant etc.

The broad headings for the identified infrastructure requirement is covered by 3 main sections:

- a) Statutory infrastructure provided by local government – education, transport, adult social services and community facilities.
- b) Utilities – Water/sewage/ electricity/ broadband.
- c) Health and social care considered on two basis:
 - i) Continuing the existing model of provision
 - ii) A modern fit-for-purpose 21st century model.

The GIF presents its findings by:

- Local authority area
- Infrastructure type
- Kent and Medway strategic objectives.

HOW WE ESTIMATED THE COSTS

Statutory Local Government Infrastructure

Funding – The amount of funding anticipated as being available to 2031 has presumed continuation of existing Government funding in line with the rates and quantum of Government funding provided over the last five years as well as estimates of what would be likely to come through developer contributions via s106 and Community Infrastructure Levy (where that is in place). For developer contributions, this again extrapolates the levels collected over recent years.

Education – Population growth and distribution of planned development was used to assess the number of additional primary and secondary school places that would be needed to 2031. Costs of these additional places were based on an assessment of the current cost to KCC of provision, as well as benchmarking of similar infrastructure projects across the country.

Transport – Infrastructure requirements were established by extracting key information from Kent's Local Transport Plan; KCC's 20 year transport delivery plan Growth without Gridlock;; the transport strategies supporting the district authorities' Local Plans; the Local Enterprise Partnership's priority projects; as well as the National Infrastructure Plan and Highways England Route Based Strategies. Costs of the identified infrastructure were again based

on KCC project cost estimation work as well as national benchmarking of similar capital projects.

Adult Social Services – KCC's Social Care Accommodation Strategy sets out the forecast change in demand for the full range of care services. This demonstrates the need for considerable investment in older persons nursing and extra care accommodation as well as supported accommodation for clients with learning disabilities. All of this provision has assumed funding will be provided by the private sector and voluntary organisations as service providers.

Community – A number of key new library facilities and youth service space requirements have been identified through Local Plans in order to serve growth at various strategic development sites. For other district and borough community and sports facilities, this requirement was devised from projects identified in Local Plans as well as an analysis using Sport England and best practice standards applied across the forecast population growth for each district.

Public Sector Partnership Infrastructure

Existing Health and Social Care Model – The GIF primarily considers Continuation of the existing healthcare model (i.e. steady state) using the population growth forecasts to establish level of demand for healthcare services. Future requirements and associated costs and funding assumptions for primary, acute and mental healthcare are based on benchmark modelling and has not yet, due to time constraints, been validated or agreed by the NHS. This will form part of the ongoing development and refinement of the GIF as a live document. For acute hospital and mental health beds needed, the current UK bed to person ratios (i.e. steady state) was used and has been applied according to the forecast population growth.

Integrated Health and Social Care Model – An alternative scenario was also applied acknowledging that the continuation of the existing health and social care model is outdated and will require a significant redesign and modernisation to move towards an integrated care model for the 21st century. This integrated model has already been trialled at the ground-breaking initiative of the “Vanguard” project of Estuary View Medical Centre in Whitstable. Costs for this model have been extrapolated and applied to the Kent and Medway population including growth forecasts. For the majority of healthcare capital asset provision, it has been assumed that private sector and government grant will provide investment (and potentially delivering capital savings for acute providers).

Private Sector Infrastructure

Utilities – Utilities such as water, sewerage and electricity are necessary pre-requisites for robust growth; however, the models used by water and electricity companies makes it difficult to make accurate estimates.

Scarcity around water and sewerage provision can severely impact the capacity to deliver growth. The water companies’ statutory 5 year capital plans should be closely aligned to planned development; therefore, discussion with local authorities during their development is vital to ensure the necessary capital investment is being made that will deliver the growth sought.

Electricity companies similarly plan for the short to medium term only. UK Power Networks’ Long Term Development Statement for the South East sets out existing infrastructure provision and considers electricity requirements plans to 2023 only. This work models demand annually based on “natural growth” in energy demand. The distributor companies require the developer to pay for the necessary new or upgraded infrastructure;

however, where a development triggers a significant piece of new infrastructure, this can cause potential viability issues. Similarly for gas provision, this is determined on an application by application basis.

Generally given the lack of long term planning by the utility sector which takes into account planned local growth, forecasting the utility cost to support this employment and housing growth, is extremely difficult. Where there is no forward planning of infrastructure requirements or this

planning has not been disclosed by the utility companies, the GIF has used a per dwelling and commercial floorspace benchmark energy connection cost for the growth forecasts. The same approach was used for broadband provision.

WHAT WE FOUND

The GIF provides a snapshot of planned development and required infrastructure at May 2015. The following key findings are highlighted:

The Scale of Growth

Fact (2011-31)	Growth	Context
158,500 new homes* =7,925 pa	21%	Equivalent to providing twice the amount of housing currently in Dartford District. The average number of houses delivered per annum in Kent and Medway between 2003/04 and 2013/14 is 6,076 . For 2013/14 this figure was 4,208 .
293,300 new people = 14,665 pa	17%	Equivalent to 1 new person for every 6 currently in Kent and Medway or double the population of Swale Borough.
135,800 new jobs = 6,790 pa	19%	Equivalent to providing twice the number of jobs Canterbury District currently has.

* Note – these figures are in line with Office of National Statistics figures

The Cost of Growth

Total for Kent and Medway	Total Amount	Amount per Annum
Infrastructure Cost from 2014 to 2031	£6.74 billion	£397 million
Secured Funding *	£0.70 billion	£42 million
Expected Funding**	£4.03 billion	£237 million
Funding Gap	£2.01 billion	£118 million

* Funding that is in the bank or committed via formal agreement ** Funding that is anticipated to come in via government, developer contributions or private sector.

THE WAY FORWARD

What the GIF makes abundantly clear is that current mechanisms for delivering growth do not provide the infrastructure needed for that development. The conclusions of this work and proposed actions are summarised below.

Conclusion 1

The evidence base provided through the GIF clearly demonstrates there is and will be a growing and significant funding gap in delivering the fundamental infrastructure to ensure we achieve sustainable, high quality communities (place shaping).. If not addressed, this funding gap will severely hamper the growth planned across Kent and Medway; further, any suggestion that we may be able to accommodate even greater growth, primarily additional pressure coming from London, will be severely limited.

Action 1:

We will open discussions with Government on the shortfall in capital funding growth and work collaboratively to find 'new innovative ways' of closing the funding gap. (Tax Increment Funding (TIF), Institutional Investment, better application of CIL etc) - recognising that this is a problem that is not unique to Kent, but for which Kent could provide an opportunity and willing partner for innovation.

Action 2:

We will work with Medway Council and the Kent district authorities to explore the feasibility of producing a single Infrastructure Delivery Plan for Kent and Medway reflecting the robust partnership working with the district authorities and Medway. This will complement the evidence that the GIF has brought together and be used

to help resist inappropriate growth in the county where infrastructure funding has not been secured or otherwise planned.

Action 3:

We will open a conversation with South East Strategic Leaders and the County Councils in the South East on strategic issues and priorities, in particular transport, including linkages to London and radial routes to better connect the wider South East. Similarly, common issues such as the cost of commuting to London linked to surrounding counties' ability to bring prosperity out of the capital should be considered.

Conclusion 2

The GIF work also points to the fact that the Community Infrastructure Levy (CIL) has not yet been widely adopted across the country. Even where it is adopted, the effects of linking a CIL schedule to a district's own immediate infrastructure needs is causing neglect of more strategic, cross-local planning authority boundary infrastructure. Further, there is varying viability between local planning areas, caused by the massive variability in retail price of new homes, while infrastructure unit costs remain relatively fixed. As such, as currently designed, CIL carries the risk of significantly under-performing in its ability to capture substantial capital contribution. This highlights the urgent need for a conversation with Government on the need for reform of the CIL and the wider developer contributions system to address these challenges and to ensure that new development pays fairly for the infrastructure it requires.

Action 4:

We will engage Government, using existing networks such as the County Councils Network where appropriate, to explore means of refining the current CIL and developer contribution mechanisms to better take account of varying viability in different areas of the country, to maximise the potential of CIL.

Conclusion 3

The identified funding gap also suggests the need to work with the private sector to establish a significant 'Institutional Investment' pot that could be drawn down by private providers at preferential interest rates to help delivery of the required infrastructure. This could be particularly helpful in terms of modernising the healthcare system. It also highlights the need to work with and support the utilities companies in their medium to long term planning and ensure this is aligned to Kent and Medway's growth agenda.

Action 5:

We will open discussions with the private sector including the development, pension and insurance sectors, and other investment sectors to explore the feasibility of establishing an 'Institutional Investment' pot for infrastructure. We will also explore the potential for other mechanisms that may help fund infrastructure, (accepting that the public sector borrowing requirement will need to reduce). Such mechanisms would include TIF and bonds.

Action 6:

We will collaborate with the utilities sector to seek improved medium to long term planning aligned to the County's growth plans. A key role for the public sector will be to hold utilities companies to account to make the necessary capital investment. Through establishing County Council scrutiny arrangements for utility provision (which have the opportunity to feed into OFWAT, OFGEN, etc) matching utility companies' capital investment plans to the growth plan.

Conclusion 4

The GIF also highlights the need to ensure wider linkage across public sector asset management to best utilise not only the KCC estate but also more broadly the public estate via Government's One Public Estate initiative.

Action 7:

We will use the One Public Estate pilot commencing across Kent to seek to ensure we are maximising opportunities to lever in investment opportunities to fund and support growth.

Conclusion 5

The GIF sets out a snapshot picture across Kent and Medway of planned growth and its' required supporting infrastructure. It provides valuable evidence to help us focus on the scale of the challenge we have in delivering and funding this growth. It also provides a starting point for further action to help us address this significant challenge. For the GIF to continue to be a valuable tool in helping us understand the countywide growth agenda and associated delivery challenges, we will undertake a number of actions.

Action 8 :

The GIF will be regularly refreshed to reflect the ongoing development of the Kent and Medway Local Plans and to enable refinement of many of the areas of evidence within the framework including costs and future funding assumptions.

Action 9:

We will monitor annually on a district-by-district basis:

- Progress of Local Plans;
- Delivery of housing and employment space;
- Receipts from developer contributions and CIL;
- Public and private sector investment in the county including into the health and social care sectors, and;
- Utility company capital investment.

Action 10:

We will also consider how we can build on and refine current activity in the county aimed at ensuring high quality design, including working with Kent Planning Officers Group and Design South East and updating the Kent Design Guide where required.

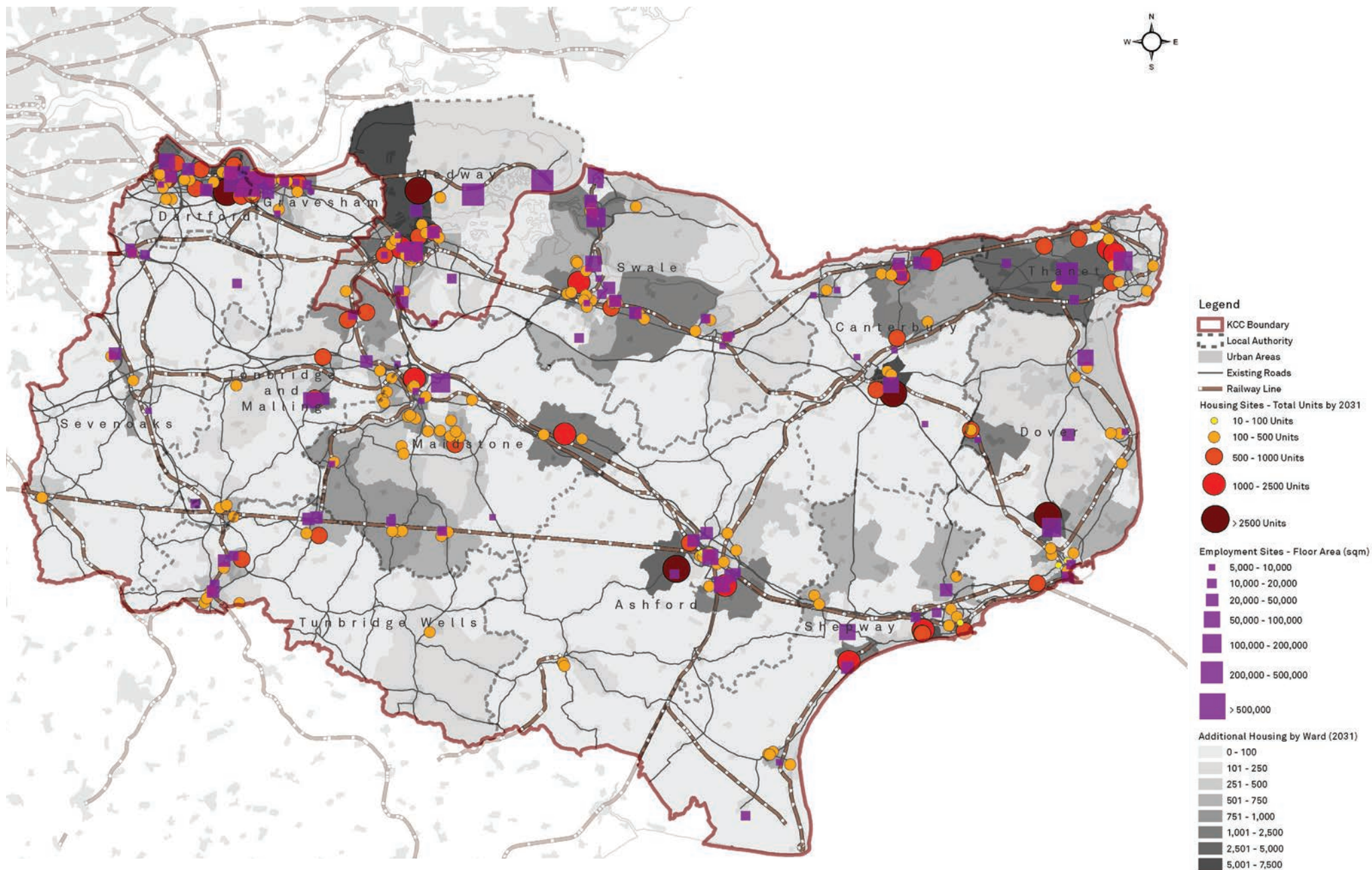


FIGURE - HOUSING AND EMPLOYMENT GROWTH

KENT & MEDWAY

The Growth and Infrastructure Framework identifies the following headlines for Kent and Medway to 2031:

158,500

new homes 2011-2031 (21% Growth)

293,300

new people 2011-2031 (17% Growth)

135,800

new jobs 2011-2031 (19% Growth)

Total Infrastructure Costs: **£6,740,580,000**
(£7,240,580,000**)

Total Secured Funding: **£704,140,000**

Total Expected Funding: **£4,028,910,000**
(£4,528,910,000***)

Total Funding Gap: **£2,007,520,000**

% of Infrastructure Funded: **70%**

TRANSPORT



Motorways **

£611,600,000



Highways **

£812,390,000



Public transport

£93,010,000



Rail

£584,720,000



Other transport

£77,090,000



Primary education

£426,160,000



Secondary education

£296,240,000



AE / FE / HE

£113,710,000



Early Year facilities

£38,250,000



Primary healthcare ***

£71,680,000 (£571,680,000***)



Acute healthcare *

£263,630,000



Mental healthcare *

£25,670,000



Adult social services *

£1,081,490,000



Libraries

£33,900,000



Youth services

£9,390,000



Community centres

£43,320,000



Sports facilities

£117,780,000



Open Space & Rec

£161,670,000



Green infrastructure

£84,100,000



Electricity & Gas

£433,010,000



Water & Sewage

£410,710,000



Waste

£330,110,000



Broadband

£214,360,000



Flood defences

£406,590,000

■ Secured Funding
■ Expected Funding
■ Funding Gap

EDUCATION



HEALTH



COMMUNITY



GREEN INFRASTRUCTURE



UTILITIES



FLOOD DEFENCES



FIGURE B - SUMMARY OF INFRASTRUCTURE PROJECT COSTS AND FUNDING GAPS (2014-2031)

* Costs /funding based on traditional delivery of provision and does not include potential efficiencies from joined up services

** Excludes Lower Thames Crossing Costs (identified separately under strategic projects in Chapter 5)

*** Includes £500 million for the modernisation of Kent and Medway healthcare to an Integrated Health Model - see page 50

Framework Analysis Note: Assumptions and limitations associated with the housing, population and employment growth figures and cost and funding estimates are set out in more detail within the 'Parameters of the Framework' section (Page 14).

Figure B illustrates the range of infrastructure required to support the delivery of 158,500 new homes from social infrastructure to transport and utility networks, open space and flood protection.

The GIF has identified the potential costs of delivery alongside the currently identified secured funding, potential funding from public, private and developer contributions and the remaining funding gap.

Having considered the range of potential funding options the analysis **highlights more than £2billion in funding gap between 2014 and 2031**. The largest investment in infrastructure is set to take place in the period 2016-21 with the greatest cost associated with Medway and Dartford, Ashford and Canterbury.

Table 1 summarises the funding gap according to County Services and Non County Services.

£ millions	Total Cost	Secured Funding	Expected Funding	Funding Gap
County Services				
Transport (Highways, PT and Other)	982.5	10.7	605.3	366.6
Education (Primary, Secondary, SEN)	722.4	181.6	350.6	190.2
Adult Social Care	1,081.5	3.4	973.5	104.5
Youth and Libraries	43.3	8.6	5.2	29.5
Waste	330.1	0	249.4	80.7
County Services Total	3,159.8	204.3	2,184.0	771.5
Non County Services				
Transport (Motorways, Rail)	1,196.3	46.1	562.2	588.0
Healthcare	361.0	4	277.1	79.9
Education (Early Years, FE / HE)	152.0	30.4	58.6	62.9
Community and Sports	161.1	3.5	33.9	123.6
Open Space, Rec, Green Infrastructure	245.8	6	147.2	92.5
Utilities	1,058.1	192.3	765.8	100
Flood Defences	406.6	217.5	0	189.1
Non County Services Total	3,580.8	499.8	1,844.9	1,236.1
All Services Total	6,740.6	704.1	4,028.9	2,007.5

TABLE 1 - COST AND FUNDING SUMMARY BY SERVICE GROUPS

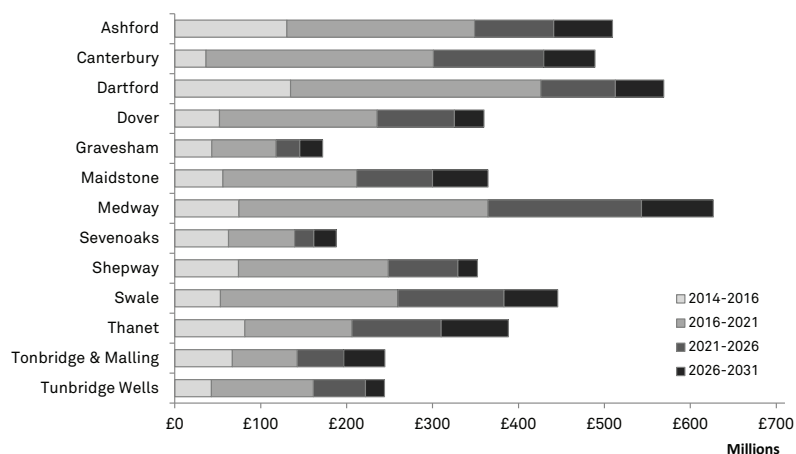


FIGURE C - ESTIMATED PROJECT COSTS BY PHASE

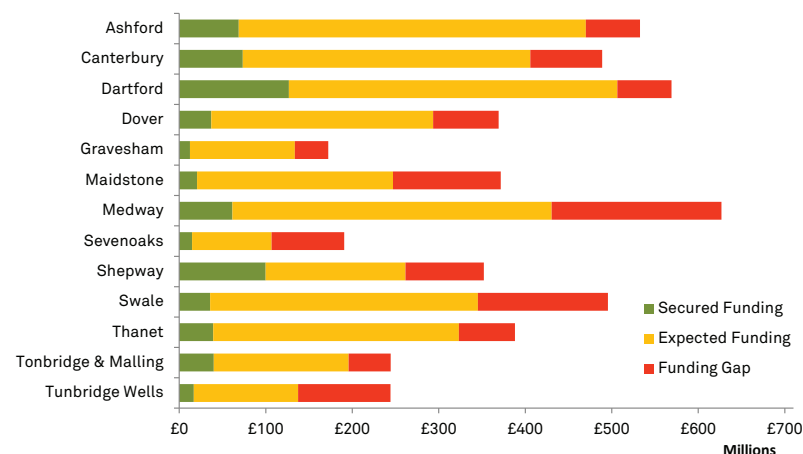


FIGURE D - TOTAL COST OF INFRASTRUCTURE AND ESTIMATED FUNDING