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To: Regeneration and Economic Development Policy Overview
and Scrutiny Committee 18 January 2011

Subject: Supporting Community Infrastructure

Classification: Unrestricted

Summary: In June 2003, KCC published *Kent – What Price Growth?*, which set out the approximate costs of community infrastructure to support the housing targets set by the former Government. In the Regeneration Framework, we made a commitment to revise *What Price Growth?* using a more robust and transparent approach to investment requirements and costings and considering more innovative approaches to funding.

This report sets out the progress we have made to date in taking this work forward, particularly through the joint development of an Integrated Infrastructure and Finance Model, by Corporate Finance and Regeneration & Economy. It explains the Model and the timescales for completion; presents the issues relating to future community infrastructure provision and financing in the context of changing Government policy and reductions in public spending; and sets out measures that KCC is taking to address these.

1. Introduction

- 1.1** The original *Kent – What Price Growth?* (WPG) was produced several years ago in the context of a major expansion of Government expenditure accompanied by a heightened pressure to deliver new housing as part of the former Government's Sustainable Communities Plan. The intention was to set out what the costs to Kent would be of delivering the community infrastructure to support that growth agenda, while at the same time safeguarding quality of life.
- 1.2** The original WPG only sought to make ballpark estimates of strategic requirements and costs. However, it did serve as an important basis in attracting significant public investment under the Sustainable Communities Plan. It also provided a starting point for a more robust and credible assessment of the county's needs and the implications for KCC services. Since the production of WPG, we have in particular:
- Strengthened our joint working with Districts, particularly in the preparation of their Infrastructure Delivery Plans, associated with the Local Development Frameworks;

- Worked closely with groups of districts in taking forward Local Investment Plans, highlighting priorities for investment from the Homes and Communities Agency and other bodies;
- Sought to maximise development contributions to KCC services (securing some £3.4 million in 2009/10 from sites under 500 units);
- Progressed innovative approaches to new community infrastructure provision to reduce overall capital and running costs and provide a better service to the public (for example, the integrated community and education provision at The Bridge in Dartford).

1.3 Following this progress and in the context of a sharp reduction in future public sector funding, the 2009 Regeneration Framework committed KCC to a comprehensive revision of *What Price Growth?* There are three main elements in taking this forward:

- Firstly, developing an infrastructure planning framework for KCC services (CFE, CMY and KASS) for the purposes outlined in this paper;
- Secondly, addressing the 'gap' in community infrastructure funding by taking advantage of emerging funding mechanisms and new approaches to service delivery; and
- Thirdly, considering how this approach is integrated with wider infrastructure priorities and requirements.

2. Developing an infrastructure planning framework

2.1 In December 2009, we commissioned URS (now URS Scott Wilson) to develop an Integrated Infrastructure and Finance Model (IIFM). This will provide the evidence base for a planning framework for KCC's community infrastructure provision.

2.2 The development of the IIFM has drawn together key assumptions for assessing demand for and supply of KCC services, ensuring that these are based on a consistent and shared data set and approach. The KCC services covered by the model are Education (Primary and Secondary), Adult Social Services and Communities (Libraries, Community Learning and Youth). The model is however designed to add other types of infrastructure, including those provided by agencies other than KCC.

2.3 In overview, the model provides a framework for provision on a district-by-district basis, based on:

- An estimate of the needs arising from population living in the existing housing stock allocating any existing surplus capacity (such as surplus school places) to this category first.
- Assessments of the net need arising from the likely population make up arising from new housing.

- An estimated overall capital and revenue cost of new infrastructure, in five-year period phases.

2.4 Where there is a net demand arising from new housing development(s), service providers identify the specific projects needed to meet this demand. Capital and revenue cost assumptions are incorporated into the model so that once projects are identified their associated project costs are automatically calculated. Alongside project costings, service providers can list any actual or potential funding streams to identify potential funding gaps.

2.5 The model then yields results for each district giving details of:

- Each KCC community infrastructure project
- When it is needed to be delivered (within 5-year phases)
- Total capital cost and potential capital funding
- Total capital funding gap
- Total revenue cost and potential revenue funding
- Total revenue funding gap

2.6 Service directorates are continuing to provide information to support the model, which will ultimately yield 'total cost' and 'total anticipated gap' figures on a scheme, district and service basis. At present, information is still being collated, but the Model will provide initial output in February.

3. Filling the gap: Future community infrastructure provision & funding

3.1 Until the recent recession, the funding environment for new community infrastructure was relatively positive. Local authorities gained from the contributions of developers in a buoyant housing market, Government funding schemes designed to facilitate growth (such as that available in Ashford and the Thames Gateway), and national comprehensive service redevelopment programmes (such as Building Schools for the Future). The original WPG was formed in the context of this environment.

3.2 However, the current situation is very different, given sharp reductions in public expenditure and the reduced viability of many major developments. This will mean increased pressure to build greater efficiency into community infrastructure provision. By revisiting and providing greater consistency to the assumptions used to inform community infrastructure planning, the IIFM is helping service directorates to reduce overall infrastructure costs.

3.3 This is consistent with KCC's existing approach. For some time, we have been striving with partners to find more innovative, cost effective solutions, including models such as 'The Bridge', Dartford. However, the recession and current economic climate have clearly served to increase the importance of this work in protecting future service delivery and addressing the issue of reduced viability. Along with solutions combining the use of space / integrating services and the use of more flexible innovative financial models, greater efficiency in community infrastructure provision could be delivered

through new revenue and/or technology based solutions. For example by building into new developments the ability to access services via new technology (such as providing high-speed broadband connections rather than fixed facilities).

- 3.4** It is therefore envisaged that alongside the IIFM as the basis for securing funding (and identifying any funding gaps), KCC's current Guide to Development Contributions and Community Infrastructure will be revised accordingly and, act as the commentary for the County Council's approach as we move forward.
- 3.5** In filling the remaining gap, we know that the Government is seeking to introduce measures to incentivise housing delivery. In particular, within the recent Local Growth White Paper, Government announced the creation of a New Homes Bonus, intended to incentivise local authorities to support housing growth by matching the additional council tax gained from each new home for six years from completion. Given the Government's wider reduction of ringfencing, we assume that local authorities will have flexibility in the use of New Homes Bonus monies (although it is unclear what arrangements will exist in two-tier areas), offering the potential for investment in community infrastructure to support housing growth. A range of additional incentive measures to promote economic development (such as tax increment financing and business rate retention) are also proposed in the White Paper and are discussed further elsewhere on the agenda.
- 3.6** Government policy is also increasingly focused on the development of greater diversity and choice in service provision, with an emphasis on the ability of voluntary and community organisations (as well as the private sector) to provide services in addition to – and potentially in place of – those provided by the public sector. This is encompassed by the Government's 'Big Society' agenda, and reflects the increased responsiveness that greater diversity of provision can deliver and the potential for overall cost savings.
- 3.7** KCC has always recognised the need to integrate our own service provision with that of other organisations based around community need. Following the completion of the IIFM, and through revisions to the Developer's Guide to Contributions, we will consider further opportunities to provide services through different mechanisms, according to local demand.

4. Towards an understanding of community infrastructure requirements and funding

- 4.1** The infrastructure planning framework relates only to community infrastructure provided by KCC. However, it will provide a robust basis on which we can plan for future requirements and consider how anticipated gaps in funding can be bridged (whether through alternative funding mechanisms or by flexing service provision). It will be possible to build additional forms of community infrastructure into the model over time, including for example district community provision or emergency services, meeting much of the original intention behind the revision of *What Price Growth?* The proposed revision of the County Council's Guide to Development Contributions and Community Infrastructure as referred to at 3.4 will further set out our approach and, in this respect, reflect development of the Big Society agenda.
- 4.2** Nevertheless, there are strategic infrastructure requirements that are essential to the county's future wellbeing, but which will not be possible to integrate into the IIFM (for example, the strategic transport priorities highlighted in *Growth Without Gridlock*, or schemes associated with unlocking employment sites). The Local Growth White Paper recognises this, highlighting the potential for local authorities may work together to prepare strategic infrastructure plans taking these wider priorities into account. While there is a need for greater clarity, the development of such a strategic infrastructure plan could provide a useful link between the requirements emerging from the infrastructure planning framework and the evidence base contained in the county's strategic delivery plans.

5. Recommendations:

5.1 Members are asked to:

Endorse the approach to infrastructure planning being undertaken in the development of the IIFM.

Consider the implications of changes in the national funding framework to the planning and provision of community infrastructure; and

Consider the potential value of a strategic infrastructure plan in linking community infrastructure and wider strategic requirements.

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