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TO: Cabinet - 17 September 2007

Subject: Eastern Quarry (EQ2), Watling Street, Swanscombe, Kent.

Classification: Unrestricted

Summary: To report on the latest position with respect to the outline planning application for Eastern Quarry (EQ2) its Section 106 Agreement & Delivery Strategies, and the recommendation to approve given at Dartford Borough Council's Development Control Board on the 5 July 2007.

1.0 Introduction

1.1 The Eastern Quarry (EQ2) outline planning application is one of the largest planning applications in the UK, and is the culmination of several years of co-operation between the applicant (Land Securities) and the local authorities. It accords with Central Government guidance, the adopted Structure Plan, the emerging Local Development Framework, the adopted Dartford Borough Council (DBC) Planning Brief and the principles of Kent County Council's 'Guide to Development Contributions and the Provision of Community Infrastructure'. The EQ2 site comprises the majority of the land between Ebbsfleet and Bluewater. The adjacent land to the south east, which is in separate ownership and known as the North West Sub Station (NWSS) site, is the subject of a separate planning application, which is currently being considered and is outside the scope of this report. Considerable effort has gone into agreeing with the applicants the necessary planning requirements to meet the needs arising from the proposed development. Due to the scale of the proposed development, its inherent complexity and the long period of delivery (up to 20 years), an innovative approach to development contributions has been adopted and the mechanisms for control will be contained in a combination of the Section 106 Agreement, Delivery Strategies, Action Plans and planning conditions.

1.2 KCC negotiations to secure development contributions on major sites are day-to-day core business contained within Regeneration & Economy's Business Plan. This work is guided by cross-Directorate officer working groups and KCC's Developers Guide agreed by Cabinet in March 2007. Due to the large scale and significant impact of this development for Kent County Council, it is important to report and update members on this major planning application, to:

1. highlight the long term financial implications for Kent County Council's service providers and their provision planning requirements;
2. support DBC's Development Control Board's decision on the 5 July 2007; and
3. demonstrate the value of work carried out by representatives on the Cross-Directorate Working Group who advise as to requirements and enable Regeneration & Economy's Development Investment Team to negotiate and secure funding on their behalf and, following regular dialogue, provide genuine integrated community facilities for a sustainable community of this type.

2.0 Background

- 2.1** The outline planning application (EQ2), submitted in 2003, is for a mixed use development comprising of 6,250 dwellings and up to 231,000 square metres of built floorspace for business premises; education; community & social facilities; hotels; and supporting retail & leisure with associated works.
- 2.2** On the 5 July 2007, Dartford Borough Council's Development Control Board agreed to the following recommendation, that outline planning permission be granted subject to the following:
1. referral to the Secretary of State;
 2. the planning conditions as set out in the draft circulated on the 5 July 2007;
 3. the completion of the Section 106 Agreement and to deal with the outstanding issues as set out in the updated report of the 5 July 2007;
 4. the completion and approval of the remaining strategies (including the Education Delivery Strategy & the Community & Leisure Facilities Strategy) and to ensure the strategies address the issues raised in the updated report of the 5 July 2007.
- 2.3** Working in close partnership for the last 5 years with colleagues from Children, Families & Education (CFE), Communities (CMY), Kent Adult Social Services (KASS), and Dartford Borough Council (DBC), and subject to the detailed drafting of the Section 106 Agreement and associated Delivery Strategies, the Regeneration and Economy Division has secured, for Kent County Council, the following community and transport infrastructure at Eastern Quarry:
1. 3 two form entry primary schools (each of which will include a maintained nursery for 26 children of 102 sqm and a multi-agency space of 120 sqm) to an agreed specification (Building Bulletin 99 or its replacement);
 2. 1 six form entry secondary school, colocated with a Life Long Learning Centre (of a gross internal floorspace of 1475sqm to accommodate Adult Education, Youth Services, Library (for the community and school), and the non-clinical adult social care services) to an agreed specification (Building Bulletin 98 or its replacement);
 3. a ground-breaking commuted sum towards the rent for a space of 170sqm within the Health & Social Care Building, for Adult Social Services (clinical element);
 4. an on-site transport package for Fastrack and access junctions;
 5. a financial contribution for traffic management and public transport subsidy (including fastrack);
 6. a financial contribution to the Strategic Transport Fund for transport improvement made up of 11 schemes across the wider transport network. The Department of Communities Local Government, the Department of Transport, and other developments will also be contributing to this fund;
 7. a contribution towards heritage interpretation and for Kent County Council officer time costs for the first five years of the development; and
 8. in addition to the above, and in line with a sustainable community, an extensive range of other community facilities (village halls, places of worship for example),

and a comprehensive open space network including formal and informal recreation, and work relating to design and sustainability which will act as platform for many of Kent County Council's other priorities and activities.

3.0 Location & Phasing

3.1 The development will comprise of three distinct villages. The central village will consist of a market centre with the education campus comprising of a secondary school, primary school and dual use (community and school) sports pitches and sports hall. Adjacent to this will be the Life Long Learning Centre (hub). The two remaining villages will be based around smaller local centres each having a primary school (including nursery and multi-agency space). A Health and Social Care Centre is also masterplanned for the east village.

3.2 Subject to the approval of a Site Wide Master Plan, Area Wide Master Plan for each village and various reserved matters planning applications, work (anticipated to start late 2008/early 2009) will begin on the Eastern Village (including the first primary school to be delivered by the applicant), and will largely be completed before works start elsewhere on the site. The applicant will also deliver the third primary school. However, with respect to the Urban Learning Campus (consisting of the second primary school, secondary school and Life Long Learning Centre), the applicant will elect either to deliver this whole facility, or to make a contribution to KCC to deliver this overall facility. Depending on market forces, the rate of delivery and occupancy, the trigger for this whole facility will be delivered at approximately 1800 dwellings, which equates to 2013, the earliest possible start date on site.

3.3 Strategic Transport Programme

Both Dartford and Gravesham Borough Councils have approved interim policies to introduce a tariff on dwellings to contribute to a Strategic Transport Fund to deliver the 11 identified schemes for KTS at a total cost of £166m (2007 prices). The funding for this programme is to be made up of:

E Quarry contribution	£40m
Tariff	£52m
Regional Funding Allocation (2011 to 2016)	£25m
DCLG	£23m
DfT	£26m

This programme has been the subject of much discussion between KCC, DCLG, DfT, Dartford Borough Council and Gravesham Borough Council, co-ordinated by the Kent Thameside Delivery Board (KTDB). The programme and proposed funding arrangements have been agreed by the KTDB and has the support of its Chairman, Lord Bruce-Lockhart, and the Managing Director for Environment and Regeneration.

Governance arrangements for the Strategic Transport Fund and Programme are to be resolved and will be reported separately

4.0 Financial Implications

The Eastern Quarry delivery process is an innovative arrangement based on service delivery strategies which are subject to revision according to demographic change and need over time. Therefore, if it is demonstrated that, at a particular point in time, in the future, a particular facility is found not to be required it will not be provided.

Nevertheless, it is clear that while increasing demographics will have some impact upon KCC's government grant and council tax base, it is highly probable that this will partly need to be managed within the existing resource base. The appendices

attached set out the major risks, which differ by service.

Clearly, where there is no additional external resource to service the infrastructure then portfolios will be expected to align these new pressures alongside existing priorities within the overall financial limits. Put bluntly, there will be no “spare” corporate resource available to resolve this. As a result the service risk assessments and plans must be robust and formally agreed by the Managing Directors and portfolio holders for future reference.

4.1 Capital

The County Council has subject to the detailed drafting of the Section 106 Agreement secured development contributions to cover those requirements outlined in paragraph 2.3 (points 1 to 8) which, equates to approximately **£109 million** to meet the capital costs of the community and transportation infrastructure, and a commuted sum of **£500,000** for revenue costs towards Adult Social Services (point 3). These contributions are index linked. The Eastern Quarry Community Infrastructure Contributions that impact on KCC are set out in the attached appendix A.

- 4.2** In the event that the applicant elects not to build the Urban Learning Campus but to make funding available to KCC, the risks of any budget over-runs fall to the County Council. This scenario does however put KCC in control of the scheme’s development and delivery.

4.3 Revenue

Imminent sign off of the agreed Section 106 Agreement and the Delivery Strategies for Eastern Quarry (EQ2), will require Kent County Council’s Service Directorates, to prepare and obtain the necessary approvals to ensure that the implications of this development for KCC’s budget are taken into account and funded within the constraints of the appropriate Medium Term Financial Plan(s) and forward capital programme.

As noted above Managing Directors and Portfolio Holders must be aware that any implications not funded externally will become a “new pressure” on that service and must be funded from within existing resources.

4.4 Risk and Financial Management

It is, of course, important that Cabinet Members are fully aware of the revenue implications relating to service provision. Therefore, statements regarding risk and financial management for our Service Directorates: Children, Families and Education (CFE), Communities (CMY), Kent Adult Social Services (KASS) and Environment and Economy (E&R) are attached at Appendix B.

Recommendation

5.0

Cabinet is asked to :-

- (a) Endorse and agree to the Council’s continuing support and involvement in the development of Eastern Quarry, and in particular the continued development of the community and transport infrastructure proposals as detailed in paragraph 2.3 above.
- (b) Confirm the general authority granted by Cabinet on 21 October 2002

for the Managing Director for Environment and Regeneration (formerly Strategic Planning Director) to negotiate terms and the Director of Law & Governance (formerly County Secretary) to conclude any necessary legal agreements in respect of the development contribution function

- (c) Grant authority to enter into such agreements as are necessary in respect of Eastern Quarry, to give effect to the community and transport infrastructure schemes in consultation with the Managing Director for Children, Families and Education, the Managing Director for Communities, The Managing Director of Adult Social Services, the Head of Property and any other relevant Managing Directors and Cabinet Members, subject to the Director of Finance and Cabinet Member for Finance being satisfied with all the financial arrangements, both Revenue and Capital.
- (d) Support the principle of a tariff on dwellings to contribute to the Strategic Transport Programme.

Background Documents

- Copy of the Dartford Borough Council's Development Control Board main report and updated report circulated on the 7 July 2007.
- Kent Planning Officers Group (KPOG) Good Practice Guide on Development contributions 1999 and its Addendum 2001.
- Cabinet Report 21 October 2002 "The Development Contribution Function".
- Cabinet Report 18 September 2006 "Development Contribution function".
- Cabinet Report 12 March 2007 "Development Contribution Function".
- The Kent Partnership Community Strategy – "Vision for Kent".

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Appendix A

Facility	Trigger/Date	Capital Implications	Revenue Implications
2FE Primary School 1, inc 26 place nursery & 120 sqm multi-agency space	Commence statutory process at commencement of development. Earliest school opening approx 2011/12.	None. To be built by developer at his cost.	CFE will need to build into budget cost of running school
2FE Primary School 3, inc 26 place nursery & 120 sqm multi-agency space	Commence statutory process at occupation of 4,500 dwellings (approx). Possible school opening in approx 2023.	None. To be built by developer at his cost.	CFE will need to build into budget cost of running school
2FE Primary School 2 inc 26 place nursery & 120 sqm multi-agency space	Commence statutory process at occupation of 1,800 dwellings (approx). Possible schools opening in approx 2015/16. [Note: all school opening dates are approximate as subject to statutory process and rate of build/ occupation of development]	None. If developer elects to build then at his cost. If developer elects for KCC to build the contribution will be based on the latest DCG which has been consulted upon and indexed where appropriate (£28m based on current DCG).	CFE will need to build into budget cost of running school
6FE Secondary School + space for another 2FE from Sub Station site			CFE will need to build into budget cost of running school
Life Long Learning Centre for Adult Education, Youth Services, Library, non-clinical adult social care (1,475 sqm of space)			Developer to provide the KCC space at a peppercorn rent for long lease. Service Directorates will need to allow for other costs of delivering the service, management & maintenance of the facility.
Health centre for 4 to 8 GPs to include 170 sq m for ASD for clinical social care	Prior to occupation of 350 dwellings	None. To be built by developer at his cost	£0.5m commuted sum to be paid by developer to cover cost of renting this space. ASD will need to allow for other costs of delivering the service, management and maintenance of the facility
Heritage	From start of development	£70,000 contribution for heritage interpretation	
On site transport: fastrack track, junction improvements etc	Various from start of development	None. To be built by developer at his cost	Future maintenance once adopted
Support for bus services and traffic management measures	Various from start of development	£10m from developer to pay for support to Fastrack (if needed), support other bus services and local measures to manage traffic generation. Could be deemed capital or revenue. Potential revenue cost if £10m used up before services are self supporting.	
Off site transport infrastructure	Programme of 11 schemes defined for period from 2008 to 2018 approx	£40m contribution from developer. Other funding from tariff on other developments, DCLG & DfT to the total of £166m required.	Future maintenance of schemes constructed on KCC roads

In addition there are contributions to a wide range of other facilities that will be used by others eg village halls, open space, places of worship

1. CFE – potential revenue implications.

All figures quoted in the following paragraphs are at today's prices.

Schools

The main additional revenue costs for CFE arising from the EQ development will be the new schools needed. It is projected that up to three (2 form entry) primary schools may be needed along with one (6 form entry) secondary school. Schools' direct costs are currently funded through the Dedicated Schools Grant (DSG). The DSG is based on an annual pupil count and as such, funding will increase in line with any increase in pupils. If this method is to continue, the running costs of the new schools will be fully covered.

However there are three issues with this:

- Although pupil numbers are up to date, there will still be an initial seven months (September to March) for each new school where full running costs will be incurred before funding is received from the Department for Children Schools and Families (DCSF). The cost of this will depend on the phasing of the pupils into the school but if we assume the schools will not be more than half full in the first term, [this will equate to approximately £1.7m in total for the 3 primary schools and £1.1m for the secondary school](#). These will be one-off additional costs and could be less if there is a more gradual build up of pupils in the school. However, if the build up *is* more gradual, Kent will have to give transitional protection to the schools so that they can afford their fixed costs before their pupils are up to sustainable levels. We will explore with the DCSF the possibility of contingency to cover these circumstances.
- If the pupils that move to the new EQ site are currently being educated in KCC schools, this will mean that the same level of funding overall for Kent will need to cover the fixed costs of the extra 4 schools. [This will be an ongoing cost per annum to KCC of up to £654k](#). This is a maximum cost (based on current formula factors that may be subject to change) and it will be reduced for each pupil in EQ who comes from outside Kent.
- All new schools receive one-off reorganisation funding to cover start-up costs. [This will equate to £429k in total for the three primary schools and £542k for the secondary](#). Depending on the number of pupils attending the school when it opens (see bullet point 1 above), there may also be some transitional protection for the first three years of the new school. This will be the equivalent to the difference in age weighted pupil funding for the published number of places and actual admissions.

The additional fixed running costs of the new schools may be offset by reductions in other schools but this may incur redundancy costs and also assumes that the spread of the pupils moving to EQ is concentrated around specific existing schools and can therefore translate into the closure of those schools.

The build out of the new schools will be for the first time determined by an annual meeting of an Education Review Group. The new schools will only be built if required, to ensure the percentage of surplus places remains at or below the 5% determinant, to safeguard our current school provision.

Other CFE services

The same principle as above will hold true for centrally retained services funded within the DSG. If the total number of pupils increases, the funding available to the LA through the DSG will increase accordingly and therefore we should be able to meet the additional costs (legislation on the central expenditure limit permitting).

However, assuming there will be an overall population growth in Kent as a result of this development, there will be pressure on other services not funded from within the DSG. Revenue funding for these pressures may not reach the Local Authority because of the time lags on using census data etc in the national funding settlements. It is existing practice within the Authority for Directorates to meet most of their pressures from within existing resources and savings and the Directorate is already facing significant budget issues over the next three years. The EQ pressures are likely to be incurred beyond the next medium term financial plan, but it is impossible at present to guarantee to meet any additional costs from existing resources, although the Directorate has always been successful at redirecting resources where possible.

The most significant of these extra costs is likely to be on children's social services. It is very difficult to quantify precisely these additional costs without knowing more about the demographic make-up of the new residents, but assuming they are reflective of the average in Kent, [this may result in additional costs of up to £1.05m](#). It is unlikely that this level of redirection of resources can be achieved without affecting other front line services.

Other areas of pressure not funded from DSG may be within the Education Psychology service, SEN transport, the Education Welfare service and the early retirement and redundancy costs arising from any consequential school closures. The Directorate will attempt to meet these from existing resources, but as highlighted above, this may not be possible if current funding trends continue.

2. Communities – potential revenue implications.

The planning proposals include provision for a secondary school with 1,475 m² of internal floor space for co-located services for Adult Education, a Library and Youth Services. The revenue of costs of providing these services will be accommodated within the existing Communities budget.

In the case of the AE facility the service is 100% externally funded through LSC formula grants, other specific grants and tuition fee income. The development of new facilities at eastern Quarry would not change this policy and the service would have cover the costs of running the new facility within the overall income available.

In the case of libraries staff are managed on a district basis and the addition of a new library outlet would not add to staff costs. Dartford district already has more neighbourhood libraries than other districts and thus is used to managing staff flexibly. Similarly the book fund would not have to be increased as this is managed as a county resource. We are currently developing proposals that new book purchases would be funded from developer contributions to generate revenue savings and the Eastern Quarry would give more scope to fund book fund costs from these contributions. The service would manage the additional premises costs through efficiency savings. The library service has a good track record in this area and in 2006 extended library opening hours by over 11% without the need for any additional revenue funding to cover staff or premises running costs.

The scope for accommodating additional running costs for a youth facility (estimate at around £70k) within the existing Youth Service budget is more limited but opportunities exist to make compensatory efficiency savings within the overall budget for the service. Further work is needed to explore and identify these opportunities. Other new facilities have been developed without specific revenue funding.

The Communities SMT has started to consider its role in supporting new communities. Unlike other services most of Communities work is not demand led and is not directly influenced by demographic changes. Within Communities we are more concerned about the impact on services of changes in the demographic make-up (e.g. growth in single households) and the impact on our services rather than growth in the population numbers.

3. Kent Adult Social Services (KASS) – potential revenue implications.

KASS is involved in two major capital developments in Eastern Quarry - the joint Health and Social Care Centre due 10/11 and 318 sq m which is approximately 20% of the space in the Life Long Centre due 2013/14 with the Communities Directorate. The latter is outside the current timescales for MTP.

KASS Risk Management approach to the revenue consequences of these developments are based on the following measures:

* Negotiate commuted sum towards rent for space within the Health and Social Care building. This has been achieved and sum of £500k agreed which, using District Valuer estimates, would be equivalent to the cost of a 20-year lease. KASS will negotiate lease on that basis so that this is affordable with no impact on existing budgets.

* From 2009 onwards on the new Joint Health and Social Care Performance Framework, it is likely that the scope and requirement by Government for direct payments, individual budgets and personalised services will be significantly extended. This effectively transfers control to consumers facilitating much greater choice. Any capital developments therefore need to be relevant and focused on client need in order to attract purchasing/revenue streams from individual clients. KASS has well developed networks with existing users and is working with innovative design experts together with partner agencies and is confident that the service planning will result in high quality, flexible services utilising technology and targeted in a way that users and their carers want to purchase.

* KASS has a track record of recycling revenue and other resources from existing services into new and more flexible service models. This opportunity exists in Eastern Quarry through both of these capital developments and KASS is currently profiling the existing revenue streams that can be used in this way. The developments in Eastern Quarry are consistent with the overall policy of KASS - Kent's Active Lives which will see a shift from expenditure in institutional care to community settings as a broader programme of modernisation within KASS takes effect.

* KASS will build the implications into the appropriate MTP(s).

4. Highways (E&R) – potential revenue implications.

Construction of new transport infrastructure has revenue implications for KCC.

New roads, cycleways, pavements etc constructed within the development will be adopted over the coming years by KHS, at which time they will be added to the overall highways asset to be maintained from the KHS budgets. The size of the highway asset is a factor in government calculations of the amount of grant that KCC receives.

The EQ contribution of £10m towards bus services and traffic management measures carries the risk that it is insufficient to deal with those impacts from the development. It will cover support to bus services in the early years when there are comparatively few residents. Over time the patronage of these services will increase to the point where they will hopefully become self supporting. As development in KTS is centred on the principle of being public transport orientated there will be a strong emphasis on encouraging the use of public transport and so increased likelihood of the services becoming self supporting. If they do not then there is no obligation on KCC to take over support.

The £10m will also be used to support Fastrack in its early years, if support is needed. Thus far the first Fastrack route has operated from day one without any subsidy. The second Fastrack route commenced in June and does require subsidy, as it is running through a new development site that does not have many residents or employees. When Fastrack first operates into EQ it will be the diversion of an existing route, with an existing passenger base, so reduced likelihood of subsidy need. A new through route does not commence until there are some 2,500 homes, so a passenger base will be ready to use the service. Thus, it is reasonable to believe that Fastrack will not need significant, or indeed any subsidy.

The strategic transport infrastructure is a mix of Highways Agency responsibility and KCC. Maintenance of the Highways Agency schemes is their responsibility and cost. The KCC schemes will provide modifications to infrastructure that already exists (eg Hall Rd/Springhead Rd junction) or completely new infrastructure (eg second carriageway for STDR4). These will add to the asset to be maintained. This includes infrastructure such as UTMC, signs and traffic signals etc.

There is a risk on the capital cost of the strategic schemes that KCC would be delivering. Funding sources are identified to provide the full £166m needed for all 11 schemes (including the Highways Agency schemes). There is a risk though that actual construction costs will be higher if indexation does not keep pace with costs or if the current estimates are incorrect. The £166m estimate does include over £20m of contingencies and developers contributions will be indexed to construction costs.