

From: Matthew Balfour, Cabinet Member for Environment and Transport  
Barbara Cooper, Corporate Director for Growth, Environment and Transport

To: Environment and Transport Cabinet Committee – 17 November 2016

Subject: **Kent and Medway Growth and Infrastructure Framework**

Classification: Unrestricted

Past Pathway of Paper: Scrutiny Committee - 9 November 2016

Future Pathway of Paper: Environment & Transport Cabinet Committee Summer 2017

Electoral Division: All

**Summary:**

The Kent and Medway Growth and Infrastructure Framework (GIF) was published in 2015; a first of its kind –a strategic framework that assesses housing and economic growth and the associated infrastructure funding needs for the county up to 2031. This paper provides the Cabinet Committee with an update on the progress and achievements of the GIF to date, together with a summary of the findings of the 2016 interim update that has recently been completed (in draft). The paper also sets out the proposed programme of work for the 2017 GIF update and potential actions that will help to unlock key barriers to growth.

**Recommendations:**

The Environment and Transport Cabinet Committee is asked to:

- note and comment on the work undertaken in relation to the 2015 GIF and the 2016 draft update;
- comment on and endorse the proposed next steps in progressing the full 2017 GIF update; and
- comment on and agree to a further GIF update being reported back to the Committee in Summer 2017.

**1. Introduction**

1.1. In 2015, KCC published the Kent and Medway Growth and Infrastructure Framework (GIF), a first of its kind in assessing the predicted levels of housing and economic growth for the county and the infrastructure needed to support this. The analysis showed a significant gap between the funding required and that anticipated/secured from central government, development contributions and other investment. Of the £6.74 billion investment needed, a third (£2.01

billion or £118 million pa) was still required to support the predicted 158,500 new homes, 293,300 new people and 135,800 new jobs within the county between 2011 and 2031.

- 1.2. The GIF gives us a tool and a platform from which to engage with Government and other partners, in how we meet that funding gap. An action plan was developed, which centred on working with partners and Government to find ways of making the most of the resources we have; finding innovative ways to secure funding and investment; and unlocking the value we can create from development, present and future, to invest in the infrastructure that is so critical to making growth happen.
- 1.3. This report sets out progress against this action plan, introduces the draft interim refresh data and summarises the onward work programme.

## **2. Achievements of the last year**

- 2.1. The GIF action plan (see background document ) provides the starting point to measure progress over the past year. A summary of progress is set out below:

- 1) *Using the GIF to attract investment*

- a) Use of the GIF to prioritise and provide robust evidence to support the £69.8m bid to the Local Growth Fund (LGF) Round 3 that has been put forward to Government as part of the overall South East Local Enterprise Partnership submission in July; and
- b) Use of the GIF to underpin the emerging Local Transport Plan 4, which sets out the county's strategic transport priorities and the progress of several key transport projects for Kent and Medway that were identified in the GIF.

- 2) *Using the GIF to engage with London and the Southeast*

- a) Working with South East Strategic Leaders, South East Planning Officers' Society, the Wider South East Officer Working Group and South East England Councils to raise awareness and join up efforts on the infrastructure challenges across the South East region;
- b) Working with Greater London Authority (GLA) to consider London demographics and the population forecasts. A model has been developed by the GLA, which looks at migration in and out of London. This modelling work has been produced in-house by the GLA and has not yet been officially released or externally validated. However, we will examine the model and evaluate the results in due course, and use it to provide a starting point to assess some of the impacts of London's growth to inform future iterations of the GIF; and
- c) Progress on the development of a shared programme of work for KCC that is delivering the GIF, a Single Forecasting System (SFS), Single Monitoring System (SMS) and Single Communications Channel (SCC). These systems will enable KCC to forecast, monitor

and communicate Kent's infrastructure needs more clearly and effectively to developers and districts, and ultimately, enable KCC to robustly and effectively monitor the securing and deployment of developer contributions to deliver infrastructure to support growth.

3) *Engaging with key infrastructure providers*

- a) Establishment of the Kent Utilities Engagement Sub-Committee (covering water, gas, power and telecommunications) to engage with the relevant bodies to ensure that in the delivery of new development, utility companies understand the growth ambitions across the county and plan accordingly;
- b) Regular liaison (officer and member attended) with Kent's three largest water companies continues and the development of similar engagement with both UK Power Networks and OFGEM; and
- c) Work with Health and Wellbeing Boards to identify how the GIF can assist with better joint working and ultimately with Kent's Sustainable Transformation Plan.

4) *Using GIF as a platform for engagement*

- a) Engagement with Kent districts around the GIF refresh, LTP4 and LGF;
- b) Regular liaison with Kent Developers Group, with GIF a standing item on the group's agenda as a platform for identifying shared issues in delivery of growth and infrastructure; and
- c) Development of a Growth and Infrastructure Communications Strategy, which closely aligns communication work to that also being undertaken for the LGF so that efforts are coordinated and messages are consistent.

5) *Winner of RTPI award*

In addition, the GIF was chosen as the Winner of the 'Excellence in the Planning to Deliver Infrastructure' category of the Royal Town Planning Institute (RTPI) Southeast Planning Awards 2016, where it was recognised for the innovative approach being taken by Kent in not only creating the evidence base but in how it is now being used to shape the infrastructure agenda.

### **3. GIF interim refresh: 2016**

3.1. Following revised housing figures from a number of the districts, it was agreed that an interim refresh would be commissioned to reflect new housing and population forecasts. This refresh would also address:

- a) Revised education needs;
- b) Further district input to ensuring that the GIF accurately reflects district priorities;
- c) A more accurate picture of utilities, broadband and waste;
- d) A perspective on ongoing maintenance costs, as well as capital costs;

- e) A fuller understanding of the “impact” of London – migration and housing; and
  - f) General amendments to address some concerns raised by stakeholders.
- 3.2. A period of informal consultation with districts was undertaken to ensure that they concurred with the revised housing and population figures. Likewise, KCC service providers were given the opportunity to review and revise the infrastructure chapters. This was a useful precursor to the work that will be required for a full update to follow in 2017.
- 3.3. The revised figures have shown a marked increase in population forecasts, owing to changes in the assumptions used to predict growth. Unsurprisingly, this increase in population has an associated rise in predicted housing and infrastructure requirements and costs.

Calculation	2015	2016
<b>New homes</b>	<b>158,500</b>	<b>188,200</b>
<b>New people</b>	<b>293,300</b>	<b>413,900</b>
<b>New jobs</b>	<b>135,800</b>	<b>135,800</b>
<b>Total infrastructure costs</b>	<b>£6,740,580,000</b>	<b>£7,113,740,000</b>
<b>Total secured funding</b>	<b>£704,140,000</b>	<b>£723,820,000</b>
<b>Total expected funding</b>	<b>£4,028,910,000</b>	<b>£4,142,280,000</b>
<b>Total funding gap</b>	<b>£2,007,520,000</b>	<b>£2,247,650,000</b>
<b>% of infrastructure funded</b>	<b>70%</b>	<b>68%</b>

3.4 Implications of the new findings include:

- a) An annual population growth of c.17,300 per year;
- b) An annual target for housing delivery in Kent and Medway of 9,410 per annum (almost twice the average rate of completions when looking at the period 2011-2015). Although there are district variations across the county there are notable differences between actual housing delivery rates and the aggregated housing requirement over the next twenty years;
- c) Delivering the expected increased rate of housing will rely on more than just planning and will require other levers, such as infrastructure, to enable growth to be accelerated;
- d) There has been an increase in the estimated cost of infrastructure needed, without a subsequent increase in either secured or expected funding to match that increased need. The gap has gone from just over £2bn to £2.25bn. As such, the infrastructure challenge, if anything, has grown in significance;
- e) There will be continued pressure from internal migration on Kent's population figures, with particular focus of pressure from London; and
- f) Maintenance of infrastructure is a growing issue that needs consideration alongside the delivery of new infrastructure. For the first time, the GIF starts to refer to the maintenance costs for highways and Public Rights of Way and the theme identified is relevant to all types of infrastructure identified in the GIF. The delivery of such infrastructure must be made with

a full understanding of the long-term maintenance obligations it will place on KCC.

#### **4. Proposed next steps**

4.1 With the draft refresh work now complete in draft, further work will be undertaken to ensure that KCC is proactively positioned to use the GIF to unlock some of the key barriers standing in the way of progress in this agenda:

a) **Pro-active engagement with the new Government**, including the Department for Communities and Local Government and Department for Transport to introduce the GIF, our key messages and infrastructure priorities. This will also include developing and then taking to Government the following policy priorities:

- Forward-funding for complex but critical infrastructure;
- Review of the five-year land supply policy and its application;
- Review of the “Redbridge issue<sup>1</sup>” and the impact this has on infrastructure provision. This is a high-level issue that will need to be taken up with the Local Government Association, London councils and Government. It is proposed that KCC undertake to engage with London Councils to try to establish a MoU or concordat between Kent and London, which sets out some basic principles for how we expect to be engaged when such moves are taking place;
- Kent’s strategic infrastructure priorities and the importance of this infrastructure to support an increasingly significant international gateway;
- Issues arising from the implementation of CIL and the impact on funding necessary strategic infrastructure.

b) **Engagement with the new London Mayor’s office** to explore a more robust collaboration in the development of the London Plan;

c) **Continued engagement of the utilities** through the Utilities Engagement Sub-Committee and development of recommendations for improvements to the way in which utilities are delivered in line with growth;

d) **A fuller picture of the county’s commercial forecast in the GIF**, developing a strategic understanding of both existing and forecast development, together with an assessment of the quality of that accommodation against growth sectors and their needs;

e) **Collaboration with the Housing Finance Institute (HFI)** on utilities dependency mapping, to identify infrastructure constraints geographically

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<sup>1</sup> The purchase of a lease of ex-military housing at Howe Barracks in Canterbury by Redbridge Council highlighted a potential growing issue for Kent, as well as other counties surrounding London. The move, which placed Redbridge families into Canterbury, came with little notice or subsequent communication with KCC or the City Council and without any compensation for the additional burden on infrastructure that would be incurred as a result.

in order to target further the county's efforts to overcome barriers to sustainable growth;

- f) **Prepare a prospectus on Accelerating Housing Solutions**, with Kent Developers Group, Kent Housing Group and the Homes and Communities Agency, to put forward several game-changer solutions to unlock potential for accelerated housing growth; and
- g) **Strengthen emphasis on place-making:** championing high quality design through the development and support of robust policies in Local Plans and exploring the levers KCC has to promote high quality design in the delivery of both housing and resilient infrastructure.

#### Full GIF update for 2017

- 4.2 Moving forward, a full 2017 update of the GIF will be undertaken in-house.
- 4.3 The full refresh will incorporate a re-examination of the methodological approach, which will look to refine the process to give the most accurate picture throughout. With such a refinement, there could potentially be some variations in the data, compared to 2015 and 2016 outputs.
- 4.4 The revised set of housing and population figures will be available from late November/early December 2016, for KCC service providers to begin updating their infrastructure requirements, which will then be used to inform the 2017 GIF update. An Engagement Plan is being prepared which, together with a Communication Strategy, will set out how we engage with stakeholders including districts, local partners (such as Kent and Medway Economic Partnership (KMEP), Kent Developers Group (KDG) and Kent Housing Group (KHG)), central Government and business, to refine the brief for the full GIF update.
- 4.5 Work has commenced to develop an online platform for the Framework that will enable the user to navigate and interrogate the data. This will be developed throughout 2017, with the aim of having some GIF data available on the online platform by the start of the 2017 financial year.
- 4.6 In the context of the proposed timetable, it is recommended that a further GIF update is reported back to the Committee in Summer 2017.

#### **5. Financial Implications**

- 5.1 The GIF 2016 interim refresh was delivered via a commission with Aecom for £22,000.
- 5.2 The work set out in Proposed next steps (section 4) will be delivered using existing staff resource. The full 2017 update will be undertaken in-house, although some work may need to be commissioned in respect of the design for 2017 report, the online platform for the GIF and supporting data; this will be covered by existing budgets.

## 6. Legal Implications

6.1 There are no legal implications.

## 7. Equalities implications

7.1 An EQIA is being prepared.

## 8. Conclusions

8.1 The GIF has a crucial part to play in delivering KCC's strategic vision to ensure that expenditure in Kent is delivering better outcomes for residents, communities and businesses. It will have wide-ranging influence and support in the delivery of all three of the KCC strategic outcomes; playing a key role in supporting the economy and the health and wellbeing of Kent's residents.

8.2 The recognition that the GIF has already received from the RTPI as the winner of the 'Excellence in the Planning to Deliver Infrastructure' category emphasises its potential as an innovative mechanism that can deliver infrastructure to meet the projected growth in Kent.

## 9. Recommendation

The Environment and Transport Cabinet Committee is asked to:

- Note and comment on the work undertaken in relation to the 2015 GIF and the 2016 draft update;
- Comment on and endorse the proposed next steps in progressing the full 2017 GIF update
- Comment on and agree to a further GIF update being reported back to the Committee in Summer 2017.

## 10. Appendices and Background Documents

- Appendix 1: GIF Action Plan
- Draft GIF interim refresh 2016 -

<https://democracy.kent.gov.uk/ecSDDisplay.aspx?NAME=SD4862&ID=4862&R PID=11510920>

## 11. Contact details

<b>Report Author</b> Sarah Platts, Strategic Planning and Infrastructure Manager Tel: 03000 419225	<b>Relevant Director</b> Katie Stewart, Director of Environment, Planning and Enforcement Tel: 03000 418827
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## **APPENDIX 1: GIF Action Plan**

### Action 1: Innovation in financing

Discussions with Government on the shortfall in capital funding growth and work collaboratively to find 'new innovative ways' of closing the funding gap (e.g. Tax Increment Funding (TI F), Institutional Investment, better application of CIL etc).

### Action 2: A single Infrastructure Delivery Plan for Kent

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.

### Action 3: A stronger relationship with London and the Southeast

Engage 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.

### Action 4: Reform of CIL and developer contributions

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 .

### Action 5: The potential for private sector investment

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 and other mechanisms that may help fund infrastructure.

### Action 6: A stronger relationship with the utilities

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.

### Action 7: Maximise the public estate

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.

### Action 8: Ensuring the GIF is a "go-to" reference for infrastructure priorities

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: An integrated approach to planning and delivering growth



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: A robust design agenda for Kent and Medway

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.