Appendix 7: Approach to the funding challenge

Overview

This paper sets out the challenges and financial impact of new communities for CCC people centred support services and provides funding options to meet these challenges.

The recommendation is that CCC focus on forward investment in preventative services across new communities in the initial years of the development to avoid high demand on high cost services and help bring about a successful new community from the very beginning of the development.

1.0 Introduction

Growth brings huge benefits to the county and is a core element of our vision for Cambridgeshire. The scale of development planned is considerable, within the next three years construction will be underway on five major sites and a number of smaller but significant developments. In the long run growth pays for itself: more people and more businesses mean higher tax revenue and higher grant funding.

However, there have been some challenges in the initial years of developments where the needs of the residents of the new community are higher compared to their established neighbours. Although these needs reduce to expected levels as the community develops, the challenges of the early years place considerable pressure of CCC services.

For the purpose of this paper a new community is defined as development of more than 1,000 homes.The paper also focusses on the demand placed on children and family services, as it is felt that this is the largest impact area created by new communities. It is however acknowledged that new communities incur costs on other people related support services provided by CCC.

2.0 The Potential Cost of New Communities

2.1 Income Generated by New Communities

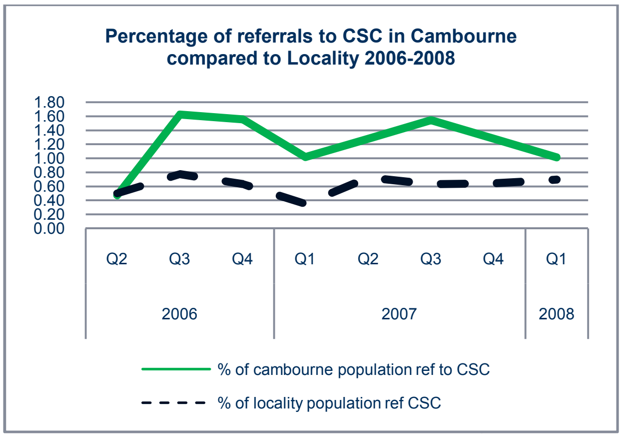
In the initial years of a development, revenue provided by taxes does not provide enough income to meet the needs of the new community. Council tax alone from the new community does not meet the cost of the community - nor does Revenue Support Grants from Central Government as these are frozen at 2012-13 levels. Therefore any increases in population do not bring additional income. Furthermore, as businesses are very unlikely to move into the new communities until there is a viable market, additional income gleaned from business rates is likely to be minimal.

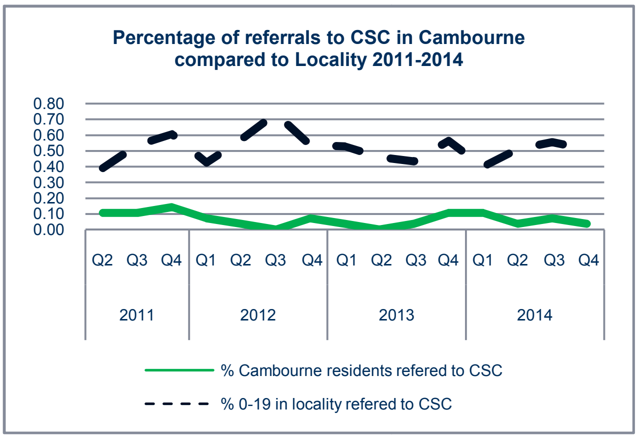
Some additional funding is provided by Central Government in the form of the New Homes Bonus to incentives and support the growth agenda, however this funding is predominately directed to the lower tier authority whom receive 80% of the total contribution leaving the upper tier authority with 20%. This provides very little additional income to the County Council who still have a significant amount of responsibilities for growth including the delivery of many high cost services such as adult and children's social care, infrastructure and strategic planning. Furthermore, with funding from S106 and CIL becoming increasingly difficult to acquire, the County Council has to meet the costs of growth in the initial years of the development alongside a reduction in the overall CCC budget of 40%.

2.2 Predicting the scale of the demand on services

In the initial years of the development of Cambourne many professionals reported a high rate of social needs; this is reflected in the higher level of children's social care referrals compared to the rest of the locality. However, this did not last, by 2011 social care referrals were actually lower than the surrounding locality indicating that these high needs will reduce as the community become more established.

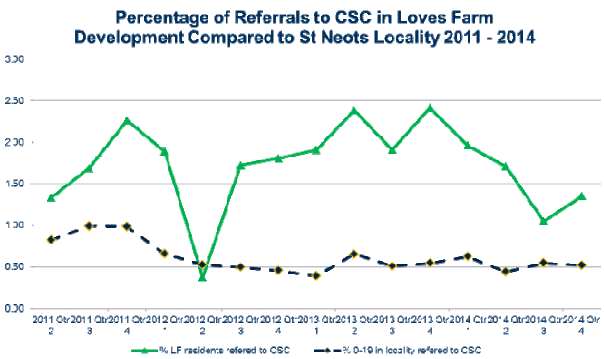
Figure 1: Percentage of referrals to Children's Social Care in Cambourne compared to locality they are part of.

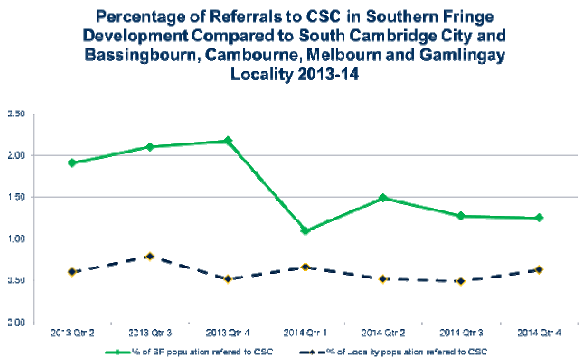


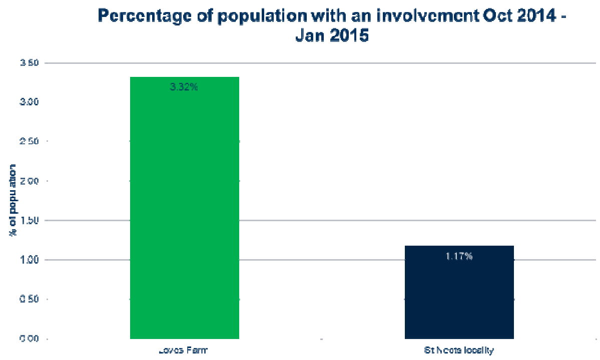


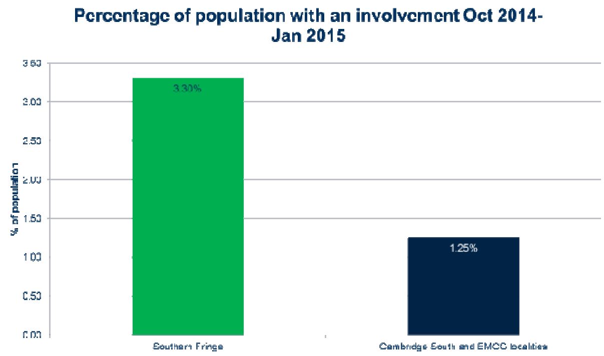
Many lessons learnt from the experience of Cambourne have been applied to new communities; however, frontline practitioners have again been reporting social issues within the new communities of Southern Fringe and Loves Farm. To model the demand we can anticipate from new communities we have analysed patterns of referral from these recent growth sites. Research has found that both Loves Farm and Southern Fringe developments had over double the expected numbers of children's social care referrals and locality involvements compared to the locality in which they were based. However, this is not the same for adults and older people services which have a lower number of service users within the new developments compared to the county average.

Figure 2: Percentage of referrals to Children's Social Care and Involvements with Locality Teams in Loves Farm and Southern Fringe compared to the locality they are part of.









These data sets show a pattern of significantly higher referral rates from new communities compared to more established ones. Unless new approaches are taken to support the new communities in the initial years of the development it can be expected that this trend will continue and therefore CCC will have to meet the demands of around double the social care referral rates in the initial years of all the new communities proposed for development over the next 30 years. This will lead to significant costs to CCC until the new communities become more established and need organically decreases. Early estimates suggest the increased need across the growth sites could cost £5.4 million per year between now and 2020. As more sites come on line post 2020 we can expect to see this number only increase.

2.3 The origin of need

Further research was undertaken to better understand whether the need seen inLoves Farm and Southern Fringe is due to already high-need families moving into the area or whether the demand is from families who were previously not know to Cambridgeshire services. To do this we looked at whether the families living in Southern Fringe and Loves Farm whom were referred to children's social care between 2011 until end of 2014 were known to any CCC children's services prior to moving to the new community.

The research discovered that 56% of children in Loves Farm and 80% of children in Southern Fringe were unknown to CCC children's services prior to moving to the new community. This research concludes that although families already known to children's services are moving to new communities, these families do not account for most of the increased number of referrals in the new communities.

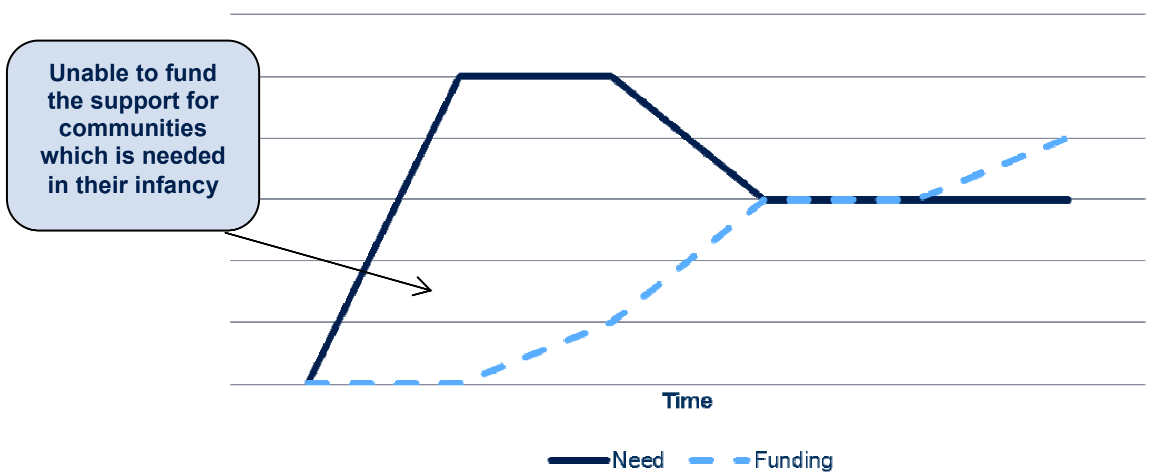
2.4Preventing demand in the initial years

Targeted early intervention in new communities, focused on the strengths of the communities, from early in the developments can save CCC money and support the new community to form into a sustainable new community more quickly than we have seen in the past. If referral rates and involvements can be brought in line with the average for the wider locality CCC will be saved from the increased pressure. However, more focused work with the community that can respond to changes in need as the new community develops will reduce levels to below the locality, as we can now see in Cambourne. New communities are at an advantage because optimal solutions can be designed and implemented in the new communities as they are not constrained by the existing, and sometimes restrictive, mechanisms present in established communities. In a sense they represent a blank canvas for service design.

As part of the Supporting New Communities Strategy a framework of requirements (appendix 6) has been devised to help identify and cost the level of support dependant on the scale and location of a particular site. Although the framework is not able to conclude exactly what each new community will require, it provides an outline that can help guide the type and level required.Applying this model based on current build out rates it is estimated to cost an average of £2.7 million per year between now and 2020, with further savings expected post 2020 as the communities develops without high needs.

Implementing support early in the development will provide the people centred support required to assist the creation of a socially sustainable new community from the beginning of the development rather than having to wait a number of years for it to organically emerge, therefore avoiding the period of high need. Additional funding will be required to clog the current funding gap and bring about this necessary support to the new communities.

Figure 3 Illustration of funding gap in new communities



3.0 Funding Options

Communities that are more connected and resilient need fewer public services, create good places to live and improve outcomes. Focused preventative intervention working closely with the voluntary and community sector and networks of support, so that community work is embedded within all services, will save money as needs are addressed early and prevented from escalating. However, with ever reducing budgets securing funds is an increasing challenge. It is important to note that as Cambridgeshire is one of the fastest growing counties in the country - if we do not invest early CCC will still have to pay for these new developments just later and at a higher cost. This section investigates thefunding options available to deploy resources for new communities.

3.1 Growth Funding

Demography funding is an internal mechanism used by CCC to set aside funding for the mitigation of specific pressures. Thiscould provide an opportunity to ring-fence funding to new communities and intensive growth sites. Historically, demography bids have focused on providing additional resource to services experiencing an upward trend in spend either due to population growth or unrelated increased demands on services. Resources are allocated across a service rather than a geographical area. A similar but alternative approach to demography bids could be explored where additional resources are targeted to locations where pressures are anticipated and distributed across services.

For this approach to provide a significant impact, it would need to be accompanied with a form of protection to avoid the additional resource being absorbed by services as part of savings or being used to fund demand-led, high cost services rather than preventative activity.

If this approach is chosen, additional work will be required to develop a dedicated model of the specific demographic cost of new communities (rather than just a simple population calculation) and further identify which services have the greatest impact on reducing long term spend in growth in order to prioritise spend appropriately and maximise savings.

3.2 Developer funding

3.2.1 Section 106 (S106) funding

In the past a reliance was placed on developer funding to support the local authority to facilitate and mitigate the impact of a development by providing land and/or funding for new facilities andservices via a section 106 agreement. Only recently, as clearer evidence regarding the impact of new communities on supportive services has emerged, has CCC begun to explore the ability to use developer funding to support service delivery as traditionally this funding has been limited to large capital infrastructure requests. This approach has had mixed reaction from developers and planning authorities; as the evidence base develops and understanding within planning authorities grows, a precedent may be set for a contribution to be made to the relatively small amounts required to support the residents of a new community in the first years of the development.

However this approach should be taken with caution as changes to the planning legislation and the ongoing compromise between delivery of housingand site viability, developer contributions through S106 is unlikely to provide sufficient funding to fullymitigate the impact to meet the full cost of supporting a new community. CCC will continue to negotiate a contribution from developers in order to mitigate the impact,but it is very unlikely this will be able the complete solution to addressing the funding gap.

3.2.2 Community Infrastructure levy (CIL)

CIL is a per square metre charge on new development administered by lower tier or unitary planning authorities, it partially replaces the S106 system. A local council must use CIL receipts passed to it to support the development of the local council's area by providing funding to help mitigate the impact on the new development. CCC can seek CIL funding by successfully including it on the on the 123 infrastructure list. The Planning Authority decides, in consultation with the CCC, what infrastructure is included on the 123 list.

Items on the 123 list tend to be large infrastructure schemes such as road improvements or public buildings and there is currently no way for people related support to be included in this list. However, the charging authority must pass 15-25% of the CIL receipts to the Parish /Town Council. This presents an opportunity for CCC to work with parish and town councils in order to influence how this funding is allocated. At a local level the wellbeing of residents will receive greater priority and can be responsive to the needs of the community as it forms.

3.3New Homes Bonus

CCC receives fundingfrom Central Government to mitigate the impact on services from growth sites in the form of New Homes Bonus (NHB). Central government matches the additional council tax raised by each new house built for six years after that house is built. In addition the building of an Affordable Home receives a flat rate enhancement of £350 per annum. However, the NHB is distributed between the lower and higher tier authorities with only 20% of the funds going to the County Council. To place this in context CCC is expecting to receive £4.2m in NHB in 2015-16, the district councils will receive £16.8m.

Currently, NHB funding received by CCC is not ringfenced, so is added to overall corporate funding that is distributed to services rather than being specially steered towards new communities or growth areas. An alternative approach could be to ringfence the funding to create a specific budget for supporting new communities, with a view that this funding could lead to savings in the long-term by investing it into preventing needs escalating as the new community develops.

3.4 External funding sources

Through effective partnership working CCC could look to attracting external investment for supporting new communities, this could include:

- Private investment (local philanthropy)
- Grants for project work (Big lottery, European funding via LEP)

There are limitations in this approach namely that there is no way to guarantee that CCC will gain sufficient grants to pay for necessary support to the new communities. In addition, CCC is limited in the number of applications it can make for external funding as some of the opportunities are not open to local authorities. To achieve this funding CCC will sometimes have to rely on partners to acquire funds which will result in greater co-ordinated work but may also mean that CCC have little to no control over the distribution of funding.

3.5Co-ordinating resources

Partnership working is key to effectively supporting new communities. Working together with other statutory and non-statutory partners in a co-ordinated way presents the opportunity not only to pool financial resources but to combine all assets including facilities and expertise.

This approach will ensure a co-ordinated response from all agencies and avoid any duplication of provision. However, this is very difficult to achieve, particularly as many budgets are limited and the understanding of the pressures created by new communities is still not fully understood across partner organisations.

3.6 Social Impact Bonds (SIB)

Social Impact Bonds provide an opportunity to attract investors to fund early and preventative action to achieve the outcomes detailed in the Strategy for Supporting New Communities. SIB are designed to help reform service delivery and improve social outcomes by making funding conditional on achieving results. Payment is based on what the project or service has achieve, not the processes or work that has been done.

With payment based on results rather than process there is more room for innovation and greater freedom to demonstrate solutions that work. Finding an investor to support the social development of new communities has many benefits for the Council, namely that CCC will not have to pay upfront but pays when outcomes are achieved; it also provides the opportunity for local charities and social enterprises to take more of a leading role in the community rather than the public sector. However, it is impossibleto guarantee that a suitable investor would be found.

3.7Place based Budgets

Placed based budgets allocate funding to specific geographical locations rather than specific services. This would allow each new community to have its own budget which can be tailored to the specific needs of the new community rather than just replicating existing services.

The principle of devolving budgets to allow for local area to have greater control and the ability to flex spend according to need has many benefits. However, the nature of new communities could emphasis the risks of this approach. With high densities of affordable housing the risk of one or more high need families moving into the area could effectively wipe the new communities' budget removing the ability to focus on early intervention and prevention exacerbating the financial pressure new communities create.

4.0 Recommendation and Next Steps

The recommendation is that CCC focus on forward investment in preventative services across new communities in the initial years of the development to avoid high demand on high cost services and help bring about a successful new community from the very beginning of the development.

If the committee agree, we will further develop proposals, worked up corporately and based on a combination of the funding options detailed in this paper, to provide a model of support that will support delivery of the principles with the Supporting New Communities Strategy to achieve a sustainable system which does not result in an over reliance on public services but expedites the development of the new community to be self-reliant and make best use of resource. This will be developed alongside Business Planning proposals for the Council over the next five years.