

Total Capital: Initial Project Plan

Summary

This paper sets out an initial project to develop the concept and evidence base for a Total Capital approach to investment in places through a study in five case study places, proposes the structure and scope of the concept, and suggests how Total Capital can be developed alongside other policy and delivery developments.

1. Background

The concept of Total Place is that government agencies should consider the cumulative impact of all spending on a particular place (in practice usually defined as a local authority area). By considering all spending, it becomes possible to improve service delivery, avoid duplication and inefficiency, alter programmes so that they support one another more effectively and enable trade-offs between different programmes that can tackle the same objective. A series of local pilots of Total Place is currently underway looking at different families of local services.

These pilots are largely focused on revenue expenditure rather than capital investment. The idea of Total Capital is that public investment could benefit from a similar holistic local perspective. Major investments should be aligned in design, timescale and location so as to maximise the overall benefit to the local place. Total Capital could refer to only public investment (e.g. ensuring investment in the transport infrastructure needed to make best use of a new hospital). However it will be more powerful if it also considered private investment over which the public sector has a degree of control through the planning system, such as major housing developments.

2. Objectives

The aims of this project are to:

- Establish the potential for developing a Total Capital approach to investing in places;
- Examine the benefits of effective alignment of sources of investment;
- Show how synergies to deliver good outcomes can be achieved in different local contexts;
- Demonstrate how the approach will support local places to realise their ambitions;
- Look at how it could work in areas with different needs and different local governance arrangements;
- Suggest changes that would make the approach effective;
- Explore the potential to further test the Total Capital approach through a number of pilots, which could draw on the wider roll out of the Single Conversation and the Local Authority Agreements refresh exercise during 2010/11.

3. Why the Homes and Communities Agency (HCA)

The HCA is best placed to carry out the initial research on the potential benefits of the Total Capital concept because we can draw on the early lessons coming out of the Single Conversation approach, including the emerging findings from the interim evaluation of the Single Conversation that is running in parallel with this project. In some areas the HCA is already working with local authorities to align capital investment streams from a range of sources, so we have ready access to experience that can inform the further development of the Total Capital concept. This research can then feed into wider discussions within Government and other public agencies about the development of the Total Capital approach.

4. Scope of the Total Capital approach

We envisage that the scope will vary according to the needs and priorities of local areas. In each area, it will include some but not all of:

- Capital investment from CLG delivered by the HCA;
- Funding through RDAs;
- Use of other resources, particularly land, as part of leverage and equity investment;
- Funding from other government departments in particular education, transport, energy and health;
- Other public agencies, including the Highways Agency, Environment Agency, English Heritage and Natural England;
- Local authorities' resources;
- EU funding;
- Utilities investment;
- Other institutions such as universities, faith groups and cultural organisations;
- Private sector including, industry, commerce, retail, leisure, sport, finance institutions;
- Lottery Funding;
- Any specific projects such as airport expansion or major power stations.

Clearly there are important interactions between revenue and capital spending. We intend to draw on the work already done under Total Place to understand these interactions, avoiding duplication with that existing process.

5. Methodology

5.1 Stages

The key stages of the project will be:

- Defining the desired outcomes of the Total Capital approach
- Proposing success factors
- Building the policy and business case for the approach
- Examining the implications for stakeholders
- Exploring the implementation challenges
- Undertaking risk analysis and developing programme management options for the approach
- Proposing changes to policy and delivery that would facilitate future development

Throughout all these stages, the project's development will be informed by:

- Consultation with stakeholders;
 - The progress of the Total Place pilots; and
 - Other relevant policy initiatives such as City Regions, MAAs, Growth Areas and Points.
-
- The project will focus on a number of case studies (see below).

5.2 Define the desired outcomes of the Total Capital approach

This will draw on existing local experience of aligning capital investment through the Single Conversation and those Total Place pilots that are looking at capital investment. Potential outcomes include:

- Present, proposed and potential investment and resources are aligned to achieve the agreed vision and direction of each place;

- The effective alignment of resources and investment maximises the overall impact;
- The maximised synergies increasingly deliver better outcomes for places and people;
- The approach is refined to work in different geographies and at local levels; and
- Policies, programmes and practices are flexible enough to ensure the approach is effective in different circumstances.

5.3 Success factors

Through the case studies, we need to establish success factors for a Total Capital approach to deliver the outcomes identified above. These could include

- Partners agree to align investment and use of resources to achieve the agreed vision and direction of each place;
- Alternatives and opportunities are examined and agreed to achieve maximum impacts;
- Priorities are agreed with potential timeframes set, with options and flexibilities agreed to match changing circumstances;
- The approach works in different geographies and policy objectives;
- The investment and use of resources are coherently implemented by all partners;
- The specified outputs are achieved or exceeded; and
- The outcomes are monitored, measured and achieved.

5.4 Building the policy and business case for the approach

The case studies will provide the opportunity to test the Total Capital concept and see whether it can be borne out in practice. This process will provide evidence that can be used to develop the policy and business case for Total Capital. This is likely to include the following:

- Efficiency and effectiveness that can be gained through improved co-ordination and sequencing of public and private investment;
- More effective integration of local strategies, particularly Local Economic Assessments, Sustainable Communities Strategies and Local Development Frameworks;
- Costs savings through synergy and efficiency gains from this approach;
- Increased benefits, outcomes and impacts; and
- Significant projects in areas being supported by a range of stakeholders from an early stage.

5.5 The implications for stakeholders

In order to ensure the effective development of the approach, it will be essential that the implications for all stakeholders are examined. The stakeholders will vary in local areas, but the approach requires support at from:

- HM Treasury
- Communities and Local Government Department
- Other Government Departments most importantly Transport, Health and Education
- Regional Development Agencies
- Local authorities, singly and jointly according to circumstances such as City Regions, Multi Area Agreements
- Health Trusts and health bodies
- Other agencies such as Environment Agency, Highways Agency, Natural England
- Private investment, including corporate investors such as developers, financial institutions who will need to know what the vision, strategies and priorities for

places are and be able to assess and manage their investment and risk more effectively, and individuals who invest in their housing and businesses

The range of issues that will be explored include:

- Governance, accountability, transparency;
- The potential for mainstreaming investment and the inter-relationships with targeting;
- The prioritisation of investment locally in line with national policies and balances of strategic approaches with places with the most needs;
- The balances of dealing with short term needs, outputs and priorities with longer term strategies for economic development, growth and regeneration; and
- Interactions with revenue, both public and private with lessons being learned from the Total Place pilots.

5.6 Implementation

It will be important to consider how the approach could be implemented practically, including how it could interact with other initiatives including:

- Total Place
- Growth Areas and Points
- Housing Market Renewal
- City Regions
- Multi Area Agreements
- Tax Increment Financing

In developing implementation options the project will draw on the experience of the Single Conversation process and the interim evaluation currently under way. This will include looking at the application of the Total Capital approach to different local circumstances, geographies and priorities. It will explore how the use of different local delivery vehicles and joint ventures can maximise resource benefits and the practicalities of ensuring the potential to leverage funding, particularly from the private sector in the current financial circumstances. It will also look at the development of clear and systematic accounts of its benefits and the costs of alternatives and the challenges inherent in aligning decision making process at local levels with the variety of stakeholders involved.

5.7 Risks in the Total Capital approach

The case studies will also look at potential risks, including:

- The time that it will take to bring about the necessary changes may make the approach unworkable, particularly as current programmes and the required outputs must be delivered;
- In times of scarce resources, local priorities may take precedence over wider area strategies, particularly where there is cross boundary working, leading to failure to reach agreement on investment and use of resources;
- The private sector may not see the approach as certain enough to reduce their risk and invest strategically; and
- Existing systems and processes are too embedded to permit meaningful change.

The project will examine the risks and set out programme management options to manage and mitigate them.

5.8 Policy and delivery changes needed to achieve the outcomes

The project will identify areas where policy and delivery reforms maybe necessary to make the approach effective, and will aim to provide recommendations for consideration by local partners, the HCA and other national bodies, and ministers.

6. Case Studies

In order to develop a clear evidence base, we will use five case studies to ensure that proposals are rooted in tangible examples and draws out the way in which it will need to be applied in different local circumstances.

The case studies will look at both the past costs of not aligning capital investment, and how benefits have been or will be realised by better alignment. The basic approach should be:

- Identify the major capital investments in the area concerned (type, value and objectives)
- Identify the potential interactions between those investments
- Set out which of those interactions were or were not taken into account in investment planning
- Identify the costs and benefits associated with those interactions. These could be direct costs and benefits (changes to the costs of schemes) or more indirect ones (e.g. sub-optimal use of assets, costs or savings to other programmes, better or worse performance on indicators within local strategies). It will probably only be possible initially to assess indirect benefits qualitatively.

We have consulted HCA regional teams and local stakeholders on where the Case Studies should be, and propose the following areas as the case studies for the project:

- Swindon
- Birmingham (Total Place pilot)
- Leicestershire
- Greater Manchester City Region
- Durham (Total Place pilot)

The project will also draw on the emerging evidence of the alignment of capital investment through the Single Conversation from other areas.

The case studies have been selected to cover:

- A range of regions;
- A mix of areas facing different types of economic challenge;
- A mix of city, other urban and rural areas;
- A mix of types of local authorities eg unitary, two tier, MAA/City Region;
- Areas which between them cover the full range of programmes;
- Areas where there is progress and information is available to inform the development of the approach.

8. Delivering the project

The Policy and Strategy Team of the HCA will lead on delivering this project working with the HCA regional teams and local partners and stakeholders. Within the HCA, the project will be overseen by the Single Conversation Working Group. Regular progress updates will be made to CLG through the existing HCA sponsorship arrangements and the Total Place project team.

9. Timing

We aim to provide an update on progress with the case studies at Christmas, with a full initial report by mid February 2010.

10. Report

The output of this project will be a report that:

- Sets out an assessment of the potential benefits and efficiencies that the Total Capital approach could bring. The case studies will give estimates of benefits.

- Highlights how the approach can be made to work in different types of places facing different challenges and opportunities.
- Highlights the national and local barriers to adopting the Total Capital approach.
- Sets out the changes and steps that would be required by all the stakeholders to implement and roll out a Total Capital approach and make recommendations for how this approach could be piloted.

11. Risks to the project

Risk	Management
Resources within HCA are not sufficient to carry out the project along with all the other workload	A prioritisation exercise will be carried out
The overlaps with other initiatives cause confusion and impair the development of the approach, eg Total Place, LDFs, the Single Conversation, CAA	A briefing note will be drafted to inform all stakeholders, internally and externally
There is a lack of support from stakeholders	The briefing note will explain the potential benefits
The approach is seen as too difficult in the current economic climate and the political uncertainty	The briefing note and other publicity will explain the benefits for local places and for the different stakeholders as a long term strategic approach that will meet different economic and political circumstances as they change
The project is too ambitious in the timescale proposed to get meaningful results	Stakeholders will be informed of the limited ambition of the project and that it can only be an initial stage in the development of the approach.

Policy and Strategy Team
HCA
November 2009