

Comprehensive Spending Review 2010

ACE submission to the Department for Communities and Local Government

1. Introduction

- 1.1. ACE welcomes the opportunity to contribute to the Department for Communities and Local Government's submission as part of the Comprehensive Spending Review.
- 1.2. ACE represents the UK's consultancy and engineering industry. Its 650 member companies collectively employ more than 100,000 people and contribute approximately £10 billion to the UK economy annually.

2. Summary

- 2.1. The system of planning consents is a major factor in determining the economic viability of many construction-related projects. Reform of the planning consents system is therefore key to stimulating economic development and creating jobs in construction and its related industries.
- 2.2. Local government has an important role to play in achieving best value in procurement. There is a potential for achieving financial savings relatively quickly through the consistent application of recognised best practice across the local government arena.

3. The role of planning consents in economic performance

- 3.1. The system of planning consents plays a significant role in the viability of all kinds of construction-related projects, including vital transport, energy and housing developments.
- 3.2. Reform of the planning system is central to encouraging investment and best value delivery. Unnecessary delays and duplications in the planning system simply increases project costs and timescales, making energy projects less attractive to deliver and increasing costs for energy

customers.

- 3.3. The existing planning consents system can represent a sizeable part of a project's cost. The Barker Review quoted the example of a proposed new port at Dibden Bay, where Associated British Ports estimated that the application for a Harbour Revision Order, planning permission and other associated consents and subsequent inquiry cost in the region of £45million¹.
- 3.4. Long planning processes run the risk of economic returns being lost. For example, *The Independent* noted that Shanghai's new airport was constructed in the time taken for the UK to assess and grant planning consent for Heathrow Terminal 5². Such a long process delays the potential returns for the developer, potentially resulting in business growth opportunities being missed.
- 3.5. Facilitating growth in construction has in itself potential to boost the UK economy. The UK Contractors Group estimates that every £1 invested in construction can generate up to £2.84 in direct and indirect returns, most of which is retained in the UK³.
- 3.6. Uncertainties in the planning system can also generate tensions within communities and can generate mistrust. A transparent planning system that cuts down unnecessary burdens and ensures that all can have their say will help to increase public confidence.
- 3.7. A reformed planning system will therefore help to achieve structural efficiencies and economic performance that will exceed one-off cost reductions well into the future.

¹ <http://www.communities.gov.uk/documents/planningandbuilding/pdf/154265.pdf>

² *The Independent*, 23 May 2007

³ UK Contractors Group (2009). *Construction in the UK Economy*. www.ukcg.org.uk

- 3.8. ACE recognises the need for local communities to be at the heart of project development. Earlier in 2010 ACE published a collection of case studies demonstrating how ACE member companies successfully engage communities as part of the projects they deliver.
- 3.9. However, ACE also notes that some strategically important developments – such as high speed rail, nuclear power and enhancements to the electricity grid – impact on multiple local areas. With some exceptions, local authorities have historically not collaborated effectively on issues of strategy and planning. A national planning regime will therefore need to be robust enough to resolve local disputes effectively.
- 3.10. ACE welcomes the Government's commitment to the National Policy Statements and the Major Infrastructure Unit of the Planning Inspectorate as part of a reformed planning consents regime.

4. Efficiency in local government procurement

- 4.1. While local authorities should, in line with the localism agenda, be empowered to manage and procure services as they see fit, it will improve economy, efficiency and effectiveness of service delivery if central government continues to give selective support and guidance.
- 4.2. There is considerable scope for simplifying and/or standardising procurement, including adopting a more rational approach to risk sharing, to the advantage of service users, clients and providers alike.
- 4.3. The Gershon Review⁴ made clear the size of the possible savings. Some £21.5 billion was expected to be saveable across the public sector, with the implementation of best practice in procurement expected to yield significant economies. The report quoted the example of the NHS, which had achieved value for money savings of £1.6 billion over

⁴ Releasing resources to the front line: independent review of public sector efficiency, July 2004.

three years.

- 4.4. Uncertainty of funding, rather than the scale of funding itself, is the biggest risk to economic, efficient and effective resource management.
- 4.5. Genuine partnering, integration and collaboration between clients, and between clients and service providers, offers considerable prospective benefits for service users.
- 4.6. The responsibility of local authorities to manage their budgets in a transparent and accountable way, and for central government departments to provide “light touch” monitoring of funding streams can be met if local authorities adopt a “business excellence” approach to the management of services. This approach offers a wholly “fit-for-purpose” and far less prescriptive replacement for Comprehensive Area Assessments.
- 4.7. ACE has developed specific proposals for reforming local authority procurement, which are enclosed with this submission.

5. Further information

- 5.1. To discuss any points raised in this document in more detail, please contact:

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