

Committee: Cabinet

Date: 7th March 2016

Wards: All

Subject: Planning shared service outline business case

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Lead member: Councillor Andrew Judge/Councillor Mark Allison

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Recommendations

The following recommendations are made in the Proposed Way Forward section of this report:

- i. Two options for a shared approach are followed up in detail:
 - a. a traditional shared service where one of the Councils is the employing authority
 - b. a shared service provided through a shared delivery company
- ii. A full business case recommending the best delivery model is agreed through a Joint Member Board with Sutton and Kingston and presented to members by September 2016.

Details of the financial figures will emerge as the result of developing options (a) and (b) in more detail. The benefits of adopting a shared approach include: delivery of more resilient services; the ability to compete with the private sector as the market opens up; improvement in the quality of services; financial savings and income growth.

1. PURPOSE OF REPORT AND EXECUTIVE SUMMARY

- 1.1. This paper proposes to explore in more depth options for a shared service between the London Boroughs of Merton and Sutton and the Royal Borough of Kingston for elements of planning services.
- 1.2. The services included for the London Borough of Merton are Building Control, Development Management (minors/householder applications), major applications, land charges Trees, Enforcement, & Business Support. Kingston are not including majors or land charges at this point in time.
- 1.3. The shared approach's core objective is to explore options that will enable Merton to achieve the £612,000 saving target for DC/BC that is required in 2017/18.

2. DETAILS

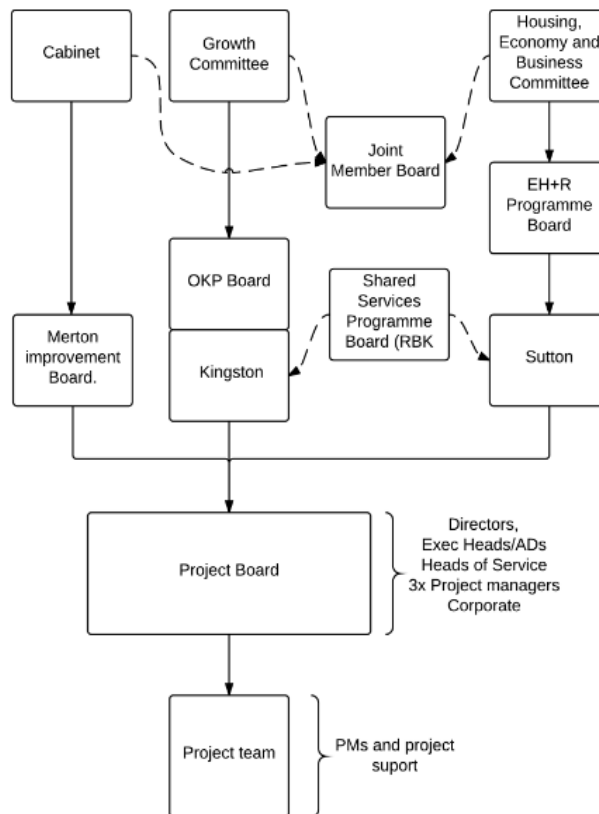
2.1. Objectives

- To retain sovereignty for each partner.
- To ensure that planning applications are processed in a timely and proportionate manner.
- To enhance each partner's reputation with residents and local business and the planning sector.
- To meet the savings targets of the three councils.

2.2. Decision points

Merton	Kingston	Sutton
Cabinet 7 th March Cabinet Oct 2016	Growth Committee - 17th March 2016	Housing, Economy and Business Committee - 22nd March 2016
Further development of potential models - March-August 2016		
Potential go live - April 2017		

2.3. Project Governance



**To clarify the London Borough of Merton will be a member of the Sutton and Kingston Shared services programme board. A Special Joint Member Board will be set up specifically for this project.*

2.4. Project Approach

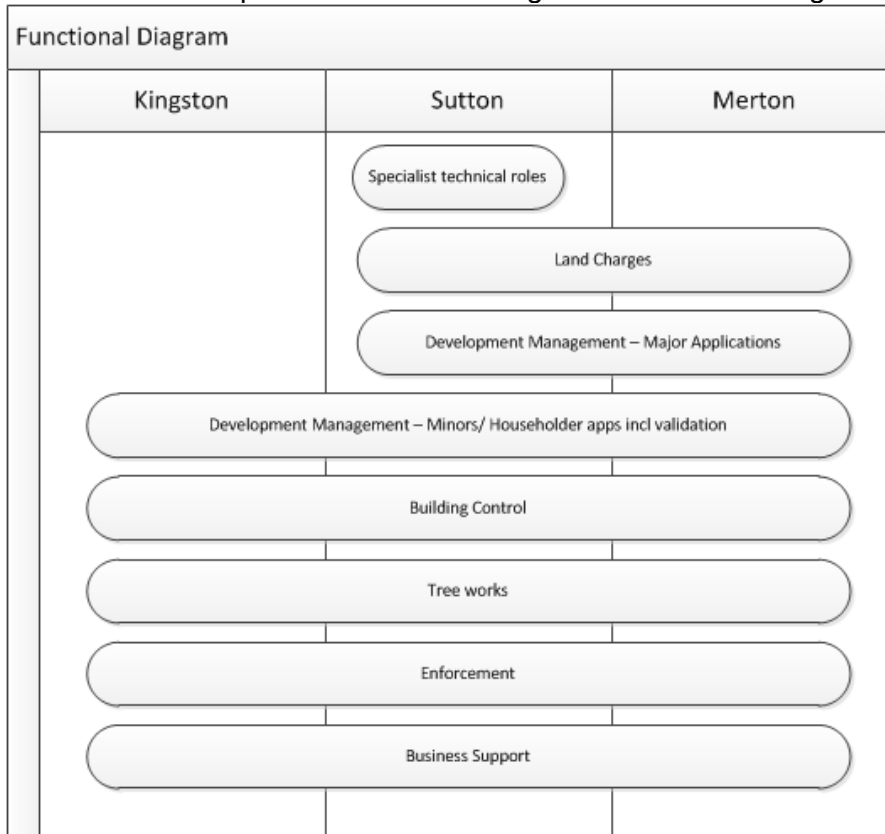
This project is being run following the project management approach adopted by each partner and is currently being led by Sutton who have commissioned an industry expert to help support the scoping and analysis phase.

3. Strategic Context

- 3.1. The planning services in scope face the same challenges as the public sector generally with reducing budgets, a struggle to maintain standards of service within the lower financial envelope and delivering a sustainable service through periods of fluctuating demand and increasing customer expectation. The growth in the economy over recent years has seen an increase in demand for planning services both in general householder applications and for major schemes. Each of the Councils has a healthy regeneration portfolio to drive through changes which will form the foundation for the future development of the boroughs. There are, however, some fundamental changes being proposed by the government which will have a significant impact on planning services and how they are shaped for the future.
- 3.2. The government wants to see a million homes built over the next five years. It intends to give house builders and decision makers the tools and confidence to deliver more homes in appropriate places and further streamline the planning system to assist them. The intended impact of this is to make it easier for builders to identify land which is agreed as suitable for housing. It is also intended to make it easier and faster for planning permission for housing to be granted and make interventions in the Local Plan process smarter, so homes can be completed quicker and decisions can be more informed.
- 3.3. As part of the Planning & Housing Bill 2015, the government is 'testing' the benefits of allowing planning applicants to choose who processes their planning application; Councils or the private sector. The pilots will take place in specific areas for a limited period and will be restricted to 'competition for the processing of applications, not their determination'. The approach is likely to be similar to building control which was opened up to competition back in the 1980s. Like building control, where statutory authority is retained by local authorities for the enforcement function, the decision on planning applications would remain with Councils and only the process of handling applications be opened to the market.
- 3.4. If, after testing, processing planning applications is fully opened to the market, then Councils could see a significant challenge in the extent of work undertaken in-house with a threat to the scale of fee income. This could follow a similar trend to building control where the three Councils currently have a range of 55%-65% of the market share. In parallel with this, it is likely that the fee structure will be opened up and Councils will have some freedom to set fee rates and not be constrained by a cost recovery only regime.
- 3.5. Opening up to the private sector would also make the job market even more competitive. The Councils are already losing staff to the private sector who pay staff more, which also makes it increasingly difficult to recruit. Even covering vacant posts with agency staff is difficult and expensive. There is also a risk that the private sector will pick and choose the 'plum' jobs leaving Councils with routine work. This in itself will not be helpful in attracting new recruits.
- 3.6. Councils will need to determine how best to front these challenges for planning services and organise themselves in ways which are best suited to securing services and meeting customer requirements.

4. Background

4.1. Services in scope are shown in the high level functional diagram below:



4.2. None of the Councils want to share the strategic planning and policy functions and planning decisions will remain with individual Council committees.

5. Data Comparison

Staffing levels

Building Control

	Merton	Kingston	Sutton
Total staff (current)	6	7	6
Current FTE	6.7	7	5.3
Vacancies	2	3	2
Total staff (when full)	8.7	10	8

Development Control

	Merton	Kingston	Sutton
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Total staff (current)	26	18	21
FTE	19	10	17.8
Vacancies (Currently backfilled with agency)	7	4	0
Total (when full)	26	22	21

*Currently the service is filling the establishment through temporary measures to deal with high volumes of applications.

Support Staff

	Merton	Kingston	Sutton
Total staff (current) - BC	Merton's support staff are built in the main service		
Total staff (current) - DC	Merton's support staff are built in the main service		4
Split roles covering BC and DC			6
FTE		12.4	
Total (when full)		12.4	10

Pre applications

	Merton	Kingston	Sutton	Commentary
No. of Pre-apps (2014)	64* (from June to Dec 2014)	Data not collected	163	
Break down of pre-apps (2014)	Major (CAT A + CAT B): 16%; Minor (CAT C): 78%; Subsequent meeting: 6%	Data not collected	Major: 20%; Minor: 34%; Householder: 20%; Trees: 1%; Other types of pre app: 12%; Blank:	Merton: CAT A - Large-scale, Complex Major Development CAT B - Major Development CAT C - Minor Development Sutton: In some cases 'Blank' may refer to an application being withdrawn or refunded

			12%	
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5.1. Differences across the councils planning services

Kingston and Sutton are jointly procuring a shared replacement IT system. Merton are currently preparing for the re-procurement of its IT planning system and will explore joining Sutton and Kingston as their procurement allows for other partners to join and would save Merton procurement costs. .

5.2. Budget overview to be added

Direct Expenditure Budget

	Merton	Kingston	Sutton
Building Control	£613,290	£750,000.00	£585,800.00
Development Control	£1,194,860	Figure not available	£710,000.00
Total BC + DC	£1,808,150.00	£750,000.00	£1,295,800.00

Income generation (2014/15)

	Merton	Kingston	Sutton
Building Control	£695,570.00	£559,000.00	£585,800.00
Development Control:	£1,158,940.00	£1,096,000.00	£788,410.40
<i>Major</i>		<i>£688,810.00</i>	<i>£207,608.00</i>
<i>Smallscale</i>			<i>£154,853.00</i>
<i>Minor</i>			<i>£215,962.40</i>
<i>Other</i>			<i>£145,931.00</i>
<i>Prior Approval</i>			<i>£5,304.00</i>
<i>PD & CLC</i>			<i>£58,752.00</i>

Pre application	£156,520.00	Figure not available	£69,900.00
Overall Total	£2,011,030.00	£1,655,000.00	£1,444,110.40

6. Key findings that will shape the way forward

6.1. There are a number of findings from the preliminary work undertaken that will need to be taken into account when shaping the way forward. The following comments are based on observations by the programme team, feedback from workshops and best practice research.

The move to allow planning applicants to choose who they wish to process their application

6.2. This will open up the market and challenge Councils to maintain a high percentage of the market share. As previously mentioned, many Councils experienced a significant drop in market share when building control was opened to competition with customers being free to use accredited agents rather than Council teams.

Difficulties in recruiting staff

6.3. All the Councils have found it difficult to recruit and retain quality planning staff. This is largely due to the private sector paying higher salaries and offering better career opportunities. This is compounded by the financial restraint in local government and the uncertainties this brings for the future.

Council teams will need to become more commercial and competitive

6.4. As the challenge from the private sector increases, current council teams will need to become more commercially focused and 'sell' their services to retain and/or grow their customer base. This will require a much better understanding of the true transaction and activity costs associated with planning functions. This will enable competitive assessments to be undertaken and pricing models to be determined. Teams will need to be proactive in chasing additional income.

Organisational culture and staff skills base

6.5. In order to be more commercially successful a significant change in organisational culture and behaviour would be required. It would also be vital to ensure that the right mix of staff skills are available.

In Sutton and Kingston business support is managed outside of the planning services

6.6. This model of operation will need to be reviewed if any form of shared operation is to be considered moving forward. An integrated approach is most likely to bring productivity to business support where resources are allocated according to workload across the Councils.

The introduction of an IT system with integrated workflow will bring service improvements

- 6.7. The implementation of a new IT system late in 2016 will bring old paper-based processes up to date with the introduction of integrated workflow across planning and business support functions. The sharing of the system across Sutton and Kingston, and potentially, Merton will facilitate the implementation of common processes to give maximum productivity gains.

Career progression across planning functions is a current feature in each Council

- 6.8. This opportunity for career progression needs to be retained across any delivery model that is considered in order to give staff the professional experience and career progression they required personally and to retain a flexible and high quality planning service. Any delivery model which separates functions will need to have paths in place that facilitate this integrated approach.

There are a lot of interdependencies for planning with other Council services

- 6.9. The close link of planning functions with other Council services is fundamental to the quality of service provision. Ways will need to be found to ensure that any future delivery model has inbuilt processes to retain these links and benefit all the services involved.

What other authorities have done

- 6.10. There are numerous councils that currently share their Planning Services The research shows that the far majority of these partnerships share only their building control service; only Waveney and Suffolk Coastal District Councils appear to have shared both their building control and development management services. All the partnerships from the research appear to have kept their additional Planning services in-house (land charges, protected trees etc).
- 6.11. There are also two partnerships that appear to be pending, these are Westminster, Kensington & Chelsea and Hammersmith & Fulham Councils (tri-borough) and South Cambridgeshire and Huntingdonshire District Councils.
- 6.12. The mid Kent planning partnership was a conspicuous failure and once consisted of Maidstone, Swale and Tunbridge Wells. The merger was supposed to make the administrative functions more efficient, but just over a year after formation Tunbridge Wells pulled out - allegedly after the partnership "failed to deliver savings". The cost of this u-turn has cost the council £150,000.
- 6.13. The failure of the partnership was largely no clear project management approach was followed, the manager appointed lacked planning experience and adequate resources were not allocated to meet demand put down to significant changes to planning legislation since the shared service went live and a large rise in applications which could not have been foreseen. However, the partnership also failed

- 6.14. A proposal has been put forward outlining the potential structure of a pan London building control entity. This would take the form of a central unit consisting predominantly of management roles, with a number of regional units of mainly surveyors.
- 6.15. Other Options - A smaller number of councils have implemented, or are investigating other models of service delivery, as opposed to the traditional shared service, Barnet have implemented an arrangement with Capita Symonds. (See Appendix A for more details).

7. Proposed Way Forward - Target Operating & Delivery Models

- 7.1. The London Boroughs of Kingston and Sutton have adopted a commissioning approach as their overall target operating model. In the future this will leave both authorities with small strategy and commissioning teams with commissioners specifying the outcomes the provider is to achieve and managing the contractual relationship with the supplier. .
- 7.2. The London Borough of Merton however has not adopted the same target operating model and is quite open to different approaches to service delivery. The different strategic approaches however do not affect the common approach to addressing the savings targets set by each of the respective councils. The strategic policy function will be retained by all councils.
- 7.3. The London Boroughs of Kingston and Sutton have already commissioned a shared IT service platform on the basis that the new system delivers a more effective and efficient work style through automation and the introduction of mobile working. The London Borough of Merton is likely to join this system to reap the same benefits in September 2016. Sharing the same IT system and streamlining of processes will remove a significant barrier to sharing services.

8. Delivery Models - Options Appraisals

- 8.1. In the initial stage of options appraisal a variety of options were considered, based on what has been done elsewhere, market conditions and the likely direction of travel for the service given policy changes. Based on this it was agreed that the option to do nothing actually contains significant future risk and that a three borough collaboration could provide solutions to some of these issues.
- 8.2. An initial options appraisal has been undertaken of a long list of potential delivery models:
- Retain in-house
 - Shared service with one Council as the employing authority
 - A shared service through a jointly owned council company
 - Joint Venture with a private company
 - Outsourced (all/part)
 - Employee led Mutual

8.3. The options were initially appraised by the project team and the results shared, and confirmed, with Heads of Service and Directors. The following criteria were used to appraise the options with the weightings shown:

Corporate (Weighting 35%)	Customers (Weighting 25%)	Staff (Weighting 20%)	Members (Weighting 20%)
<ul style="list-style-type: none"> · Strategic Fit · Savings/Income growth · Transitions Costs · Risks · Deliverability · Future Proofing · Timescales 	<ul style="list-style-type: none"> · Service Quality · Ease of Access · Performance 	<ul style="list-style-type: none"> · High Quality Development · Job Interest · Retention · Personal Development 	<ul style="list-style-type: none"> · Democratic Mandate · Local Economy · Planning Policy

8.4. The following table shows the scored options for Merton:

Criteria	In-house/As is	Shared Service	LG Company	Joint venture	Outsourced
Corporate (35)	22	24	26	21.5	24
Customers (25)	15	17.5	18.3	16.7	15.8
Staff (20)	11	15	15	13.5	13
Members (20)	14	14	14	14	14
Total	62	70.5	73.3	65.7	66.8

As the table shows, the two shared service options came out on top.

8.5. Key issues that influenced the scoring were:

- i. Moving from three council teams to a private sector option in one move was not considered feasible. A better approach would be to bring the three teams together in an environment controlled by the Councils and realise the savings and income growth that could bring through integrating the teams, adopting a commercial approach and implementing common business processes. Once the shared approach is settled then other delivery options could be explored
- ii. It was also assumed that the Councils will want to sort themselves out to be more competitive in order to retain the new income opportunities that will come once the market is opened up
- iii. The Mutual company approach was ruled out because there is currently no staff interest in exploring this route

- iv. The in-house option scored poorly because this did not meet the strategic fit criterion and was not considered a viable option to meet the challenges ahead with the opening up of the market and need to reduce costs and grow income. This option would also not provide the resilience needed to maintain current levels of service quality.

Recommendation: further work is undertaken to determine which of the following is the best option to carry forward to implementation;

- (a) a shared service with one Council as the employing authority**
- (b) a shared Council owned delivery company**

9. Next Steps

- 9.1. The next phase will develop the full business case for the way forward with a shared approach. The full business case will be presented to the Joint Member Board by September 2016 and to cabinet in October 2016 for agreement to implement the selected shared delivery model.

10. ALTERNATIVE OPTIONS

- 11. The boroughs will continue to review savings internally and options for delivering these as part of the Target operating Model (TOM) process.

12. CONSULTATION UNDERTAKEN OR PROPOSED

- 13. On-going consultation with staff, directors and members will become part of the core project plan. Monthly updates will be provided between now and September 2017, leading up to the decision.

14. FINANCIAL, RESOURCE, AND PROPERTY IMPLICATIONS

- 14.1. At this stage there are no financial implications to report. If agreement is given, financial details regarding savings and income growth along with transition costs and the financial model for apportioning costs and savings will be detailed in the business case. Finance staffs from the three Councils are already working together on baseline costs and the early consideration of principles for the financial model.

15. LEGAL AND STATUTORY IMPLICATIONS

- 16. There are no legal implications affecting exploring the planning shared service at this stage. As detailed proposal are developed the legal implications will be captured.

17. HUMAN RIGHTS, EQUALITIES AND COMMUNITY COHESION IMPLICATIONS

- 18. NONE

19. CRIME AND DISORDER IMPLICATIONS

- 20. NONE

21. RISK MANAGEMENT AND HEALTH AND SAFETY IMPLICATIONS

The following table gives an indication of some of the key risks identified to date:

Risk	Probability	Impact	Mitigation
May not be political support across the three councils	Medium	High	Discuss in detail at the Joint Member Board
Different cultures & processes across the Councils slow down decision making	Medium	High	Build contingency allowance into time plans
Scale of organisational change programmes running in parallel may slow implementation	Medium	High	Dovetail timescales with other major project plans to avoid clashes of resource demands particularly HR
Geographic spread of the Councils makes a shared resource approach inoperable	Medium	High	Explore flexible working arrangements supported by mobile technology
Failure to agree a single delivery model	Medium	High	Identify at an early stage if either of the options are not acceptable. Work to resolve the issues
Lack of commercial acumen in current teams	High	High	Ensure these skills are recruited as part of the structuring of the agreed delivery vehicle

Appendix A

Example 1: Cheshire East Council

Cheshire East Council has created a planning support consultancy company called Civicance, a one-stop-shop for people seeking to make investments through land and property.

If the Council did nothing, it was estimated that the service would lose income to competitors, which could cost the authority £892,000 over the next five years. By setting up the new company and tapping into new income streams the potential loss could be converted into a saving of £269,000 – a net benefit of £1.161m. Services provided by the new company include building control, structural appraisal, local land charges and property searches, street naming and numbering, fire risk assessments and planning support and liaison.

Example 2: London Borough of Barnet

The London Borough of Barnet and Capita have come together to create a joint venture called Re (Regional Enterprise). The contract to provide Development and Regulatory Services (including highways, planning and development - building control; land charges; development management; strategic planning and regeneration, trading standards and environment health) is a ten year partnership, which Re believe will allow them to compete in markets that are not available to the public sector and give them freedom to draw in extra funds unavailable to the public sector.

Three major benefits of this new private/public sector hybrid company have been stated:

- Capita have guaranteed LB Barnet a cost saving of £39 million (over all services, not just Planning) over the next 10 years.
- Capita are investing £8.2 million in new technology to deliver the council's services.
- Capita are improving facilities and training staff.

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