Urban Design

The High Performance Centre at Alexander Stadium
– designed and project managed by Urban Design

Further information on this report can be obtained from:

Lead Review Officer:  Domenic de Bechi
☎:  0121 464 6871
E-mail:  domenic.de.bechi@birmingham.gov.uk

Documents that have been submitted to Council can be downloaded from
www.birmingham.gov.uk/scrutiny.
Contents

Preface 3
Summary 4
Summary of Recommendations 5

1 Background 7
   1.1 Why Examine this Area? 7
   1.2 How We Did the Review 7

2 About Urban Design 9
   2.1 The Role of Urban Design 9
   2.2 Origins 10
   2.3 Organisation 10
   2.4 Types of Work Carried Out 11
   2.5 The Birmingham Construction Partnership 13
   2.6 Other Partners and Contractors 14

3 Costs and Fees 15
   3.1 Introduction 15
   3.2 Trading Accounts 15
   3.3 Expenditure 17
   3.4 Income 19
   3.5 Fee Structure 21
   3.6 Time Utilisation 21
   3.7 Whole Life Costing 24
   3.8 Conclusions 25

4 Human Resource Issues 26
   4.1 Introduction 26
   4.2 Competition with the Private Sector 26
   4.3 Single Status 28
   4.4 Conclusions 29

5 Comparisons 30
   5.1 Introduction 30
   5.2 Expenditure, Income and Profitability 31
   5.3 Productivity, Hourly Rates and Staffing 32
   5.4 Time/Cost Predictability 37
   5.5 NPS Property Consultants Ltd 37
   5.6 Summary 39

6 Client Views 40
   6.1 Introduction 40
   6.2 Client Feedback Process 41
   6.3 Client Satisfaction 42
   6.4 Views of Clients 46
   6.5 Anecdotal Perceptions 49
   6.6 Summary and Conclusions 51

7 Conclusions and Recommendations 53
   7.1 Overcoming Barriers in the Public Sector 53
   7.2 Fees, Costing and Client Views 54
   7.3 Human Resource Constraints 56
   7.4 Monitoring Progress 58
   A2.1 Methodology 60
   A2.2 Additional Graphs 61
Preface

By Councillor Fergus Robinson
Lead Review Member
Regeneration Overview and Scrutiny Committee

Urban Design is the Council’s in-house provider of professional services relating to construction, design and maintenance. This year, they will generate nearly £13m of income, the majority of which will come from fees and charges. As most of this income is generated from work undertaken on behalf of other Council departments, it is right that the structure of fees and costs comes under scrutiny.

We found that overall, Urban Design performs reasonably well. Its fee levels appear comparable with others and internal client satisfaction is generally high. However, it cannot afford to stand still if it is to remain competitive and continue to meet clients’ expectations. Our recommendations therefore relate to how Urban Design can develop to make it more efficient and able to respond to the needs of its customers in the future.

The clarity of fees was identified as an issue. It is important that clients are given a better understanding of the costs involved and what the fees comprise. Day-to-day project management of some projects could also be improved. A greater emphasis needs to be placed on developing this skill as a distinct professional discipline within Urban Design.

As a Council service, Urban Design has a number of constraints placed upon it. Options for allowing Urban Design greater flexibility to deliver and manage the service need to be explored to enable them to compete with the same effectiveness as private companies.

Recruitment and retention would particularly benefit from such an approach. At present, Urban Design is restricted in the way that it can reward professional staff by the local Government pay structures. This means that it cannot compete with the financial incentives offered by the private sector. Even though it has not yet been implemented, the air of uncertainty over Single Status is felt to have already had an impact on staff turnover. Urban Design needs to be allowed greater flexibilities to tackle these issues.

The constraints that apply to Urban Design will be equally relevant to other trading and potential trading services within the Council. It is therefore important that the findings of this review and the outcomes of the ensuing work are not just confined to Urban Design but are viewed on a wider scale.

Finally, I would like to thank my fellow Councillors in the review group for their involvement and participation in the review. I would also like to extend our thanks to all those who provided evidence as part of the review.
Summary

This review was initiated by the Regeneration Overview and Scrutiny Committee to examine whether Urban Design provides a value for money, quality service that supports the Council’s agenda and provides strategic advice. As such, it comprised an extensive look at the fees, costs and trading operation of the service.

One of the most controversial issues concerning Urban Design within the Council is its fees. Because the service operates on a trading basis, its costs are more apparent than they are for other services. There is also the question of the extent to which fees are driven by corporate and directorate overheads.

Corporate and directorate overhead costs must however be paid for and it is recognised that some elements of these overhead costs are similarly incurred by comparable private companies. The degree to which such costs are controllable by Urban Design and whether it could obtain them at lower cost is a matter for debate.

It was our view that ultimately it is the client who decides whether Urban Design represents value for money. What we found was that overall fee levels in comparison to similar service providers in both the public and private sectors are relatively lower and competitive – around 11.5% on average. The service has generally positive feedback from its clients and feedback compares well against others providing a similar service.

There are differences in what its clients consider most important. Clients indicated high levels of satisfaction with the professional advice given, the management of health and safety and the ease of contact with Urban Design. The need for greater understanding of fees was highlighted.

One of the key areas that we would like to see developed is the ability of Urban Design to operate flexibly and to compete against private competitors (particularly in a buoyant employment market). This is all the more important given that Urban Design is expected to operate on a fully trading basis. We feel that consideration of how the service could operate as a company wholly-owned by the City Council should be explored.

There is a desire within the Council to see a progression towards a greater trading basis of many of its services. It is important that as an organisation it supports this by examining the financial and employment flexibilities that can be offered to trading services.

We did find that Urban Design performs generally well overall. Like any service, it occasionally has problems. Our recommendations are put forward with the aim of building upon the foundation that Urban Design currently has and considering the challenges that they will need to meet as a service in the future. That it continues to not only meet its clients’ expectations but also develops to meet emerging needs is critical to its future success.
## Summary of Recommendations

<table>
<thead>
<tr>
<th>Recommendation</th>
<th>Responsibility</th>
<th>Completion Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>R1</td>
<td>Cabinet Member for Regeneration</td>
<td>31 March 2007</td>
</tr>
<tr>
<td></td>
<td>Options for increasing the flexibility of Urban Design to deliver its services should be explored by a joint working group of Elected Members and officers (including Urban Design).</td>
<td></td>
</tr>
<tr>
<td></td>
<td>This should enable the Cabinet to appraise options including:</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Urban Design operating as a limited company, wholly-owned by the Council;</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Alternative means of increasing flexibility with Urban Design as part of the Council; and</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Methods of developing greater long-term stability in the business plan for Urban Design.</td>
<td></td>
</tr>
<tr>
<td>R2</td>
<td>Deputy Leader</td>
<td>31 March 2007</td>
</tr>
<tr>
<td></td>
<td>The effective transition of services to a greater trading basis should be supported by wider consideration of necessary financial and operational flexibilities.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Options should be brought forward for providing such flexibilities to services that perform well on a trading basis.</td>
<td></td>
</tr>
<tr>
<td>R3</td>
<td>Cabinet Member for Regeneration</td>
<td>31 October 2006</td>
</tr>
<tr>
<td></td>
<td>The clarity of Urban Design fees for internal clients should be improved through simplifying and making clear:</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• What the element of corporate costs is; and</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• What the fees for Urban Design comprise.</td>
<td></td>
</tr>
<tr>
<td>R4</td>
<td>Cabinet Member for Regeneration</td>
<td>31 December 2006</td>
</tr>
<tr>
<td></td>
<td>As part of increasingly targeting client-focused outcomes, there should be a greater emphasis on ‘project management’ as a distinct professional discipline within Urban Design.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Proposals should be brought forward that clearly demonstrate an increased emphasis on project management skills, over and above the individual professional disciplines required for projects.</td>
<td></td>
</tr>
<tr>
<td>R5</td>
<td>Deputy Leader</td>
<td>31 December 2006</td>
</tr>
<tr>
<td></td>
<td>Introduce a policy to ensure that Whole Life Costing is used as a tool for comparing purchase/investment options on significant capital assets (i.e. those that go through the Gateway Process) across the Council.</td>
<td></td>
</tr>
<tr>
<td>R6</td>
<td>Deputy Leader</td>
<td>31 October 2006</td>
</tr>
<tr>
<td></td>
<td>An appraisal of options for creating a pot for advance design fees should be conducted. This should:</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Provide options for how such fees can be funded;</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Result in greater predictability of overall project cost.</td>
<td></td>
</tr>
</tbody>
</table>
## Urban Design

<table>
<thead>
<tr>
<th>Recommendation</th>
<th>Responsibility</th>
<th>Completion Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>R7</td>
<td>Proposals should be brought forward to provide flexibility for Urban Design in reward mechanisms to staff. These should provide demonstrable improvements in its ability to recruit and retain professional/technical staff.</td>
<td>Cabinet Member for Equalities and Human Resources</td>
</tr>
<tr>
<td>R8</td>
<td>On a similar basis to R2, the effective transition of services to a greater trading basis should be supported by wider consideration of the options for human resource changes Options should be brought forward for providing such flexibilities to services performing on a trading basis.</td>
<td>Cabinet Member for Equalities and Human Resources</td>
</tr>
<tr>
<td>R9</td>
<td>Progress towards achievement of these recommendations should be reported to the Regeneration Overview and Scrutiny Committee in January 2007. Subsequent progress reports will be scheduled by the Committee thereafter, until all recommendations are implemented.</td>
<td>Cabinet Member for Regeneration</td>
</tr>
</tbody>
</table>
1 Background

1.1 Why Examine this Area?

1.1.1 Urban Design is the Council’s in-house provider of professional services relating to construction, design and maintenance. There have been a small number of high-profile instances questioning the costs of Urban Design.

1.1.2 Members of the Regeneration Overview and Scrutiny Committee initiated this review to examine whether Urban Design provides:

- Value-for-money;
- A quality service, supporting the Council’s agenda; and
- Strategic advice.

1.2 How We did the Review

1.2.1 The review was conducted by a member group from the Committee, led by Councillor Fergus Robinson and comprising Councillors Gurdial Singh Atwal, Randal Brew, John Cotton and Jerry Evans.

1.2.2 We considered:

- The range of construction and property services provided by Urban Design;
- The costs, staffing, fees and charging mechanisms of Urban Design, in comparison to those of other local authorities and private companies;
- How Urban Design adds value through its role;
- Issues around and the implications of Urban Design’s status as a trading organisation within the City Council, as well as the likely corporate direction of travel on such matters as departmental trading;
- The views of its clients;
- Case studies where Urban Design’s costs have been criticised; and
- Future plans for the service.
1.2.3 Our report is structured as follows:

- **About Urban Design** describes the activities and organisational structure of Urban Design;
- The financial elements of Urban Design’s operation are covered in **Costs and Fees**;
- **Human Resource Issues** looks at recruitment and retention in Urban Design;
- An examination of Urban Design’s fees and performance compared to other organisations is contained in the **Comparisons** section;
- **Client Views** explains how customer feedback is gathered and how Urban Design performs; and
- An evaluation of what we found and our **Conclusions and Recommendations** is presented in section 7.
2 About Urban Design

2.1 The Role of Urban Design

2.1.1 Urban Design is part of the City Council’s Development Directorate. It operates across a range of professional disciplines, including:

- Architecture;
- Electrical, Mechanical and Structural Engineering;
- Building Surveying;
- Quantity Surveying; and
- Geotechnical Engineering (i.e. the investigation of soil and bedrock below a site to determine the design and type of foundations needed).

2.1.2 Urban Design provides a range of advisory and professional services to its customers, including:

- Design;
- Procurement;
- Site Supervision;
- Maintenance;
- An emergency response service for repairs and maintenance;
- Strategic Advice;
- Asset Management;
- Energy Management;
- Sustainability; and
- Site Investigation.

2.1.3 This role is distinct from that of delivering the construction work itself. Urban Design provides a professional service for the Council, enabling informed decisions to be made on construction projects and property services. It does not deliver the construction work; this is done by contractors. It can however procure contractors, or this can be organised by the client.

2.1.4 The requirements of the Local Authorities (Goods and Services) Act (1970) mean that (with the exception of site investigations) Urban Design can only carry out work for public sector clients. Urban Design does conduct site investigations for the private sector.
2.2 Origins

2.2.1 The origins of Urban Design as it currently exists are important to note. There have been a number of moves progressively integrating traditional professional disciplines such as building design, maintenance and architectural services within the City Council organisation. These moves were partly in response to changes in legislation (for example, Compulsory Competitive Tendering (CCT)) and partly as a result of efforts to improve quality, efficiency and cost within the services offered.

2.2.2 Most of the services from which Urban Design was formed underwent CCT and became Birmingham Design Services in 1996. Up until this point, project fees had been essentially charged at cost. Individual project fees were in the region of 18% to 26% of the total value of the project.

2.2.3 During the period of CCT, fees were calculated from the tendered fee schedule. Fees ranged between 15% and 22% of the project value.

2.2.4 In 1999, the service was subject to a Best Value Review. This identified efficiencies in the design and procurement process. Typical fee levels were between 12% and 18%.

2.2.5 Reviews of working practices and the introduction of integrated project teams have contributed to a further reduction in fee levels. Since 2002, fees have typically been between 9% and 15%.

2.3 Organisation

2.3.1 Prior to 2000, staff were organised by professional discipline. They now work in multi-disciplinary teams to facilitate better cross-boundary working.

2.3.2 Urban Design employs over 200 staff, split into five divisions:

- Three geographical Area Design and Maintenance Divisions, delivering architectural design, quantity surveying and building surveying services for projects and maintenance within defined geographical areas;

- A Development and Specialist Services Division, providing services across Urban Design, such as sustainability and energy management, mechanical and electrical engineering, structural engineering and property management and surveying; and

- A Support Services Division, which provides services across Urban Design, including business management and information, emergency response, administrative support and records maintenance (to both the area teams and the service management team).
2.3.3 As at February 2006, Urban Design:

- Employed 220.34 full time equivalent (FTE) staff;
- Against a budget for 250.34 FTE posts; and
- An unfunded maximum of 278 posts in total.

2.4 Types of Work Carried Out

Project Work

2.4.1 The cost of projects undertaken ranges considerably, between £10k and £30m, with a total value of £77m in 2004/5\(^1\). More detail regarding the mix of project costs is contained in Section 3, but examples of projects undertaken include:

- £30m renovation of the Town Hall;
- £500k library and extra classrooms at Harborne Junior and Infant School;
- £26m over 3 years as part of a regeneration programme for Optima Housing Association.

Maintenance

2.4.2 Urban Design also provides a property maintenance and emergency repairs service to clients. This covers emergencies, building repairs, electrical and mechanical repairs, statutory testing of appliances and lift maintenance for all lifts owned by the City Council and housing associations. Lift maintenance is especially important for ensuring access for mobility-impaired residents and lifts are continually monitored. Housing repairs are not undertaken by Urban Design.

2.4.3 In 2004/5, 30,000 emergency repairs were undertaken to a cost of £7m and 10,000 repairs/maintenance jobs were completed costing a total of £18m.

Management Services for Property

2.4.4 Amongst other management services for property, Urban Design manages the Schools Emergency Property Repair Service (SEPRS). Schools have a devolved budget for repairs and maintenance but may choose to put this into a central pot. Around 80% of schools buy into this service - high compared to other local authority schemes where the take-up is typically between 50% and 60%.

---

\(^1\) This compares to a total value of £69 million in 2003/04 and £66 million in 2002/03.
2.4.5 This service is similar to an ‘insurance’ scheme as while the Local Education Authority requires schools to pay the first £5-10k for repairs depending on the size of the school, the SEPRS bridges this gap in funding as well as undertaking statutory maintenance and emergency repairs.

2.4.6 Urban Design is also involved in asset management and undertakes condition surveys and structural surveys on Council-owned buildings.

**Sustainability and Energy Management**

2.4.7 Due to its key placing in the design and construction procurement process, Urban Design is ideally placed to advise on incorporating sustainable technologies into building design. This is a key aspect of the City Council being the only Local Authority to have won Energy Accreditation on three consecutive occasions.

2.4.8 In projects like these, Urban Design creates the opportunities by putting in bids, negotiating with funders and procuring companies to deliver them. Examples of projects here include:

- A five-year, £5m investment in building Energy Management Systems and equipment in City Council properties in 1986. This is estimated to have saved over £38m in energy costs, 420,000 tonnes of CO₂ and over 20m cubic metres of water;
- Installation of photo-voltaics in the roof of the Alexander Stadium. These generate electricity in the largest scheme of its kind in Europe, which not only paid back the cost of the installation in four years, but also now makes the Council a profit as additional electricity is sold to the National Grid;
- Combined Heat and Power (CHP) schemes for the City Centre and Eastside. The City Centre scheme will see the ICC, NIA, Council House, and Town Hall, amongst other buildings, being supplied by CHP by March 2007.

**Health and Safety**

2.4.9 Legislation requires that any project which involves more than five people and lasts over 30 days must have a Health and Safety Plan and a Contractor Plan and produce a Health and Safety file at the end of the project. Urban Design provides this service as standard to clients and it is included in its fees.

**Strategic Advice**

2.4.10 Part of Urban Design’s role is to provide strategic advice to its clients. This can occur at various stages of a project, for example:

- Concept/feasibility;
- Design; and
• Procurement, including overseeing the tendering process.

2.4.11 Advice is also given on a wide range of other issues from Legionella and asbestos to emergency planning and school Private Finance Initiatives.

Corporate Role

2.4.12 As a part of the City Council, Urban Design is expected to carry out its share of ‘corporate’ work, including servicing council-wide activities and responding to Elected Members/Committees. Although such activities are not directly fee-earning, they must be absorbed within the overhead/management structure and management team. This aspect of Urban Design’s work is discussed in more detail in 3.6.

2.5 The Birmingham Construction Partnership

2.5.1 ‘Lowest cost tendering’ has been the traditional procurement route adopted by most local authorities. However, a government report in 1998\(^2\) drew attention to the inefficiencies of this approach. It found that:

- 73% of projects overran in terms of cost and programme;
- Lowest cost tendering was not necessarily the cheapest because of this;
- Lowest cost tendering didn’t necessarily produce the highest end quality; and
- Councils could not learn from their mistakes or build relationships with partners as they had to go with the lowest tender, regardless of past experiences.

As result, the Government started to promote the partnership approach as a way of improving the cost and time predictability of projects.\(^3\)

2.5.2 This prompted a change in approach by the City Council, led by Urban Design. Following a competitive tendering process (based on cost and quality criteria), three construction partners were appointed in April 2004: Tomlinson, Thomas Vale and Wates under the Birmingham Construction Partnership.

2.5.3 The BCP is a five year partnership, which can be extended to seven years if successful. Its purpose is to deliver the Council’s £350m Capital Programme, undertaking all projects valued over £100k. Partners are encouraged to employ local contractors, purchase products locally and train local people.


\(^3\) Local authorities are encouraged to measure the percentage of their building programme that is carried out using Partnership Arrangements, as advocated by Egan.
2.5.4 The BCP uses common systems for programming and buying and uses its size in the market to generate savings. It operates an ‘open book’ accounting system, which means that the City Council has full access to the accounts and the costs of the projects.

2.5.5 Its key saving is that, prior to the BCP, contractors spent between £6m and £8m in the costs of repeated tenders for projects. These were passed on to the City Council in their quotes. These costs are in addition to the time spent by the Council in processing tenders.

2.5.6 Work is allocated between partners on a performance basis. The vast majority of projects are delivered on-time and on-cost and the Office of Government Commerce has made it a national example of best practice.

2.6 Other Partners and Contractors

2.6.1 In addition to the BCP, Urban Design also manages Term Contractors and the Consultancy Partnership. Term contractors are currently used to undertake all repair and maintenance work up to a value of £50k. There is a pre-priced schedule of rates and the contractors are asked for a percentage adjustment off these prices.

2.6.2 The amount of reduction depends on the required reaction time (e.g. within 2 hours, 1 day and so forth). The contractor offering the best terms wins the contract. This arrangement is being re-negotiated and in the future will cover all works up to £100k.

2.6.3 A Consultancy Partnership was set up in 2004 to enable Urban Design to improve skills and create additional resource capacity. Prior to this arrangement, 30-40 agency staff were employed at any one time as a response to fluctuations in workload. This was not a satisfactory solution for a number of reasons:

- It was costly;
- There was no guarantee that those recruited had the right skills base to undertake the work; and
- There was nothing to stop the agency staff from leaving without giving adequate notice.

2.6.4 These problems have been alleviated since Hickton Madeley and Turner and Townsend entered into this five year partnership. Consultants with the necessary skills are now employed as and when required.
3 Costs and Fees

3.1 Introduction

3.1.1 The finance structure behind Urban Design is particularly different to other areas of the City Council. Uniquely, it is the only Council service area to operate a ‘trading account’ on a fully trading basis. This means that it is self-funded through trading activity, which requires that it not only covers its costs but also returns an operational surplus to the Council. This section examines the basis of the cost structure of Urban Design and how this relates to the fees that it charges to its clients.

Key points in this section

○ Trading account surplus of £721k returned in 2004/05;
○ Fees range from 9% to 15% of project value;
○ Salary and on-costs are typically around 70% of all costs (2002-6).

3.2 Trading Accounts

3.2.1 Internal trading is a method of increasing the transparency of use of support resources in an organisation. It has benefits, which include:

• Service units need to be more responsive to client needs;
• Service users have control over the volume and quality of services that they use, enabling them to control their costs better;
• Greater transparency encourages more emphasis on efficiency;
• Clear service specifications allow for clearer performance management arrangements;
• Trading units are more accountable for budget variances and can control risks;
• Service users can compare price and quality with other providers.

3.2.2 Under trading arrangements, charges for services are:

• Broadly reflective of use;
• On the basis of an agreed charging policy;
• Approved by directorates, with any dispute going through an independent procedure.
3.2.3 Trading accounts differ to recharges. Recharges are used for central support costs and charges are fixed on the basis of budget allocations. Recharges are discussed further below.

3.2.4 Urban Design’s circumstances are unique because other service areas operating with trading accounts (such as Legal Services, Birmingham Property Services, Occupational Health, Leisure Point, Building Regulations and Grounds Maintenance), receive a budget from the Council and subsidise their operation through trading.

3.2.5 The surplus target (effectively the ‘profit’) for Urban Design has increased each year since 2002/3, from £358k to £721k in 2004/5. They have not only exceeded this target each year but also their own ‘budgeted surplus’ which includes planned reinvestment in Urban Design, over and above the corporate target. This is shown in Fig. 1 below.

![Fig. 1 Trading Account Performance, 2002-5](source: Urban Design)

3.2.6 Trading accounts do offer a degree of flexibility. Over-achievement of target surpluses enables Urban Design to retain some of the surplus for reinvestment. As an IT-intensive function, Urban Design requires constant reinvestment in technology.
3.2.7 There is an expectation that Urban Design is used by the Council for construction and property related services. The exception to this is for schools, which have devolved budgetary control. The fact that departments have to ‘buy-in’ these services can create dissatisfaction. This is because the cost is immediately visible. Where the service is bought externally there is an expectation of having to pay for the service and clients are perhaps more accepting when the bill arrives.

3.2.8 Appropriate services are being encouraged to move to a trading basis within the Council. However, this is within a controlled process. It is important to validate that units wishing to trade internally have robust financial and performance frameworks in place, so as not to put the Council at risk.

3.3 Expenditure

3.3.1 Urban Design is self-funded through trading activity but has an expenditure plan each year – effectively, its ‘budget’. Fig. 2 compares budgeted expenditure with outturn results.

Fig. 2 Urban Design’s Budgeted Expenditure vs. Outturn, 2002/3 to 2005/6

Source: Urban Design

3.3.2 Key points relating to Urban Design’s budgeted expenditure for 2005/6 are as follows:

- The budget for 2005/6 is £12.235m;
- Salaries and associated on-costs are the major component of expenditure (typically around 70%): £8.861m in 2005/6 – 72%;
• Corporate and directorate recharge expenditure is the next most significant category - £2.026m (17%).

The key elements of expenditure are discussed below.

Salaries and On-Costs

3.3.3 Salaries and on-costs, including national insurance and superannuation contributions, are by far Urban Design’s largest single expenditure. In 2004/5, £8.045m was spent in this area, an increase of £336k on the previous year.

Urban Design Overheads

3.3.4 Overheads account for around 8% of Urban Design’s total expenditure. This amounted to £876k in 2004/5. These overheads include:

- Staff advertising;
- Insurance;
- Training;
- Car Parking and car allowances;
- Equipment;
- Printing and stationery;
- Computer-related expenditure.

Corporate and Directorate Recharges

3.3.5 In addition to the trading surplus that it must return, Urban Design has to contribute to corporate and directorate overhead costs.

3.3.6 Corporate Recharges (also called Central Support Costs) are those that are made to departments from the central overheads of the Council. The key difference to corporate charges (such as those made in a trading account) is that departments cannot control the amount of recharged services that they use.

3.3.7 This lack of control can be a source of contention where departments feel that they are paying for services that they aren’t using or they feel that they are not getting value for money. Additionally, it can create a feeling that whilst ‘front line’ and fee-earning services have to either make efficiency savings in their operations or generate more business, overhead and support services are insulated from this.

3.3.8 There are three types of corporate recharge:

- Centrally-provided services (such as payroll);
- Organisational overhead charges (such as bank charges and the costs of external audit); and
- Corporate activities (such as Internal Audit).
3.3.9 Recharges are allocated to departments on an agreed proportional basis, which varies according to what is being charged. For example, payroll charges, Personnel Services, and Equal Opportunities are charged on the basis of headcount. Payments and cashiers are charged on the basis of the number of payments or transactions.

3.3.10 Urban Design was charged £245k for Corporate Recharges for 2005/6, as a proportion of the total corporate costs of £36.1m.

3.3.11 Additionally, some overhead services are provided on a directorate basis. These are recharged separately. The level of service is specified and agreed between Directorate Management Services and Urban Design and the recharge is on a similar basis to that for corporate recharges. Services recharged include accountancy, human resources, safety and corporate services.

3.3.12 Urban Design was charged £726k for Directorate Service Charges for 2005/6, as a proportion of the directorate cost of £5.37m.

3.4 Income

3.4.1 Key points relating to its budgeted income for 2005/6 are as follows:

- £12.930m required to be generated; of this, the majority is expected to be generated through fees and charges - £12.201m (94%);
- Most of the remaining income is expected to come from recharges from within the Council, back to Urban Design - £722k;
- An operating surplus of £695k is expected to be returned.

3.4.2 Income by fee-charging is fairly typical for the construction industry. In 2004/5, Urban Design’s fee income was £12.682m, which came from:

- **Percentage Fees** (58% - £7.356m): Calculated as a percentage of the building works value. These are typically used on project work;
- **Fixed Fees** (17% - £2.167m): Fixed-rate fees/lump sums for work, typically short duration/repeat commissions;
- **Time Charged Fees** (13% - £1.637m): The client is billed on the basis of the time that Urban Design carried out work on their behalf – usually where there is an unclear initial brief;
- **Other Recharges** (12% - £1.522m): Fees recovered from other service areas, such as staff secondments, Building Energy Management systems and Pension Increase Act costs.

3.4.3 These fees are derived from three main sources:

- **Projects** (60% - £7.546m): Construction works of value greater than £10k, excluding repairs, maintenance or emergency work;
• **Maintenance** (10% - £1.284m): Day to day repair and maintenance and inspection; and

• **Specialist Services** (10% - £1.260m): Services not directly related to construction, such as Condition Surveys and Structural Appraisals.

3.4.4 The remaining 20% of income is from a range of sources, including emergency repairs, chargeable functions (such as audit) and other recharges.

3.4.5 Fee levels for projects have typically been between 9% and 15% for the last four financial years. Lower value projects (under £100k) are generally charged at 10%. Higher value projects have fees charged on a project specific basis, according to their complexity and the professional disciplines needing to be involved on the project.

3.4.6 Project income for 2004/5 was £7.546m, which is divided into the five phases of projects as follows:

- **Inception/Feasibility** (24% - £1.803m): Preparatory planning work. Depending on the project, this can include site investigation, option appraisal and initial design;

- **Pre-Construction** (26% - £1.976m): Developing outline proposals through to placing of the order with the contractor;

- **Construction Phase** (41% - £3.107m): On-site operations, administration and supervising contractors;

- **Post-Completion** (7% - £0.556m): Handover and certification of the project;

- **Additional/Abortive Work** (1% - £0.104m): Work not envisaged in the project brief, beyond the control of Urban Design, only charged with the prior approval of the client.

**Income from Recharges**

3.4.7 As well as paying for corporate and directorate recharges, Urban Design also has certain functions that it recharges corporately, returning an income:

- Audit;

- Core contracts/payments process;

- Client liaison;

- General and specialist advice (such as on asbestos removal and Legionella); and

- Maintenance of core contracts/specification documents.

3.4.8 Recharged functions amount to around £235k per annum. They are paid for by a core charge, levied on the client generally in proportion to the work delivered by Urban Design.
3.5 Fee Structure

3.5.1 Fees are calculated on a project-specific basis and agreed with the client before commencing the project. Typically, fees range from 9 to 15%, based on a number of factors, including:

- The estimated value of the project;
- Whether Urban Design does all, part or none of the design;
- Client/stakeholder involvement (i.e. whether there are multiple clients, external funding body requirements or stakeholder consultation);
- Phasing and programming (i.e. whether the site is occupied/in use, sequential completion or the duration on site);
- Client/funder fee constraints (i.e. whether the service needs to be adjusted to meet the funding available);
- The need to involve specialist consultants (such as conservation or acoustics);
- The degree to which the design is a repeat of previous projects; and
- Project complexity.

3.5.2 The range of fee levels and the factors that can influence them are shown in Fig. 3 and Fig. 4 on the following pages.

3.6 Time Utilisation

3.6.1 Because Urban Design works on a trading basis, staff working time is allocated to the projects that they work on and charged back to clients. For technical staff, chargeable time (productivity) averaged 71% for 2002 to 2005.

3.6.2 Additionally, there is non-chargeable time, which is comprised as follows:

- Annual Leave, Public Holidays and leave for special purposes (maternity/paternity, public duties, etc.);
- Communication, management of staff, finance and performance;
- Training;
- Other reasons, including health and safety matters, working groups and client liaison.

3.6.3 Urban Design is also expected to take its share of ‘corporate’ work. Such work is not fee-earning and whilst there is a benefit to the wider organisation, this is essentially unproductive time for Urban Design.
### Urban Design

#### Working Arrangement/Project Type

<table>
<thead>
<tr>
<th>Fee Level</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Term Contract</strong></td>
<td>Any value – those above £50k with prior approval from the Divisional Manager. 10%</td>
</tr>
<tr>
<td><strong>Non-Term Contract (&lt;£100k)</strong></td>
<td>No Quantity Surveyor involvement. Structural Engineering input. 10%</td>
</tr>
<tr>
<td><strong>Partnered Key-Discipline Projects (&gt;£100k)</strong></td>
<td>Projects that are predominantly single trade and/or single design discipline, generally comprising: Lead discipline (as Project Manager/designer/specifier/administrator); Quantity Surveyor; Planning Supervisor.</td>
</tr>
<tr>
<td><strong>Partnered Multi-Discipline Projects (&gt;£100k)</strong></td>
<td>Projects requiring the involvement of: Two or more design disciplines (Architect/Building Surveyor, Mechanical and Electrical, Structural or Landscape), With other core services: Project Management, Contract Administration, Quantity Surveying, Planning Supervision, Clerk of Works.</td>
</tr>
</tbody>
</table>

---

**Fig. 3 Indicative Fee Levels**

Source: Urban Design
### Project Complexity and Indicative Fee Adjustments

3.6.4 This work is largely carried out by the senior management team, rather than technical staff. Activities here include:

- Dealing with elected members, either through political processes or as the advocates of citizens;
- Representing the City Council with external bodies, either within local government or professional circles (for example, the Royal Institute of British Architects (RIBA), Office of the Deputy Prime Minister (ODPM) and the Chartered Institute of Public Finance and Accountancy (CIPFA));
Urban Design

- Corporate-wide roles and leading initiatives (such as Emergency Planning and advising on Legionella and asbestos).

3.6.5 In 2004/5, the average cost of time spent by officers (where staff were involved on corporate issues) and the equivalent costs were as follows:

- Senior Management – average 676 hours = £236,754;
- Group Leaders – average 294 hours = £300,564;
- Technical and support staff – average 140 hours = £169,665;
- A total of £706,983.

This is in addition to Urban Design’s financial contribution to the Council through its surplus target.

3.7 Whole Life Costing

3.7.1 Whole life costing is a concept that can affect the initial cost of a project and therefore the fees earned by Urban Design, but also the running costs of a building in the longer-term. It is a calculation of the actual cost of a building, component or element, over the period of its life, rather than just its capital cost. It therefore includes:

- Capital costs: 10 – 20% of overall cost e.g. feasibility, design and planning and construction;
- Occupation costs: 80 – 90% of overall cost e.g. operating costs, maintenance; energy; furnishings.

3.7.2 There are a number of advantages to whole life costing:

- It represents better value in the long term;
- It allows a more objective view when making decisions on design and selections of materials etc;
- It considers sustainability, reliability, impact etc.

3.7.3 There are, however, some disadvantages:

- Savings are achieved in the longer term rather than the short term;
- It relies on a host of assumptions that could change, such as how the asset is used and developments in technology;
- Capital budgets are separate to revenue budgets and are often managed by different people;
- The process itself costs money.

3.7.4 Despite these issues, the Government is actively promoting the use of whole life costing through the new Comprehensive Performance Assessment (CPA) framework. Revisions to the Building Regulations will also help to encourage it.
3.7.5 Although Urban Design does consider whole life costing when undertaking a project, whether the findings inform the design depends on the client. Using whole life costing depends on the weighting that the client places on issues such as reliability and sustainability. Many projects are financially driven, with sustainability less of a priority. Although officers are encouraged to use whole life costing, the Council currently has no policy requiring it to be taken into account.

3.8 Conclusions

3.8.1 Urban Design’s fees can be a cause of controversy. Part of this is inherent to the issue of trading accounts: the fees are more apparent than other costs, which can be less visible. There is also the question of the extent to which they are driven by corporate overheads.

3.8.2 Corporate and directorate recharges are a constant source of tension between those charging and front line services. There are a few key points here:

- Recharges are not costs that services could entirely avoid if they were not in the Council. There would still be overhead costs for accommodation, accountancy expertise, processing payments, IT/HR expertise and so forth;
- Overheads always need to be paid for in some way;
- The debate is around such costs being inflexible and Urban Design being unable to choose how much of these services it will consume; and
- Urban Design might be able to obtain these services at lower cost.

3.8.3 Similarly, all organisations have a degree of ‘corporate activity’ that must be resourced in being part of a larger organisation. The point here is that (due to the importance of political processes) the extent and volume of these within the public sector is probably greater than that for private companies. This is the so-called ‘cost of democracy’. The question is therefore about being satisfied that this cost is robustly challenged in the way that more visible costs should be.
4 Human Resource Issues

4.1 Introduction

4.1.1 Given that the main cost that Urban Design has is its staff, it is logical that a key line of enquiry for this review was to examine the issues relating to its staffing.

4.1.2 In examining the issues relating to human resources, two particular issues came to the fore:

- Urban Design’s ability to compete with the private sector in the labour market and
- The potential impact of Single Status.

Key points in this section

- There are recruitment and retention problems for technical staff;
- These are likely to be compounded by Single Status.

4.2 Competition with the Private Sector

4.2.1 A number of departments within the Development Directorate employ technical staff and potentially suffer the same problems as Urban Design. Turnover of technical staff in the Directorate is shown in Fig. 5 on the following page, which shows that turnover rates in Urban Design were higher than the average for the Development Directorate.

4.2.2 There are a number of problems that Urban Design faces in competing with private companies in the labour marketplace:

- Competition is keenest for professionally qualified and technical staff, who take a long time to train and develop;
- Salaries can be higher in private companies;
- Private companies are in a more flexible position to be able to vary terms and conditions to attract the staff they need;
- Staff that leave are invariably relatively newly-qualified, which has a corresponding impact on the age profile.
4.2.3 This position is not likely to improve without taking action. Almost half of Urban Design’s staff (39%) will reach 65 years of age in the next 15 years and 18 (8%) are expected to retire in the next five years.

4.2.4 Nearly three-quarters of staff in Urban Design have experience of working in the private sector. Of staff graded PO (Principal Officer) 5 and below, 73% had worked in the private sector. Among managers (graded PO6 and above) there was a similar figure – 74%.

4.2.5 This flow depends upon the relative strength of the construction industry employment market. When it is buoyant and expanding, public sector salaries and conditions are less attractive and people tend to leave local authorities. When the market is not as strong, the stability and relative security of public sector posts is attractive.

4.2.6 Placing restrictive clauses in employment contracts is one way to reduce the likelihood of losing staff. An example is a clause that requires the individual to repay the cost of training received if they leave the Council within a certain time. However, due to the savings that can be made on training staff, private companies are often prepared to buy out such clauses that Urban Design staff may have in their contracts.

4.2.7 The focus for tackling retention difficulties has been upon emphasising the Council’s strengths as ‘an employer of choice’. These include opportunities for flexible working, the wide range of work undertaken and opportunities for development. A recruitment pack outlining these benefits has been produced to help deal with recruitment issues around Planning staff, but not as yet for Urban Design.
4.2.8 Efforts to tackle recruitment difficulties include:

- Work experience/placement programmes;
- The Council’s ‘Bridges into the Future’ programme to specifically develop female managers from ethnic minorities;
- Graduate trainee programmes; and
- Career fairs.

4.2.9 Another strategy to tackle these recruitment problems has been to establish competence-based salary bands. This involved developing bands within which staff could progress according to achieving various competences. However, concerns over the potential impact of Single Status (see below) have meant that trade unions are unwilling to consider this at this time.

4.2.10 Market supplements have been used elsewhere in the Development Directorate as a means of recruiting or retaining staff. Although fairly successful, they only provide a short term solution to the problem and need to be constantly reviewed to check that they are still necessary and feasible.

4.2.11 It is clear that there remain difficulties with the degree of flexibility that Urban Design has in retaining staff. This leads us to ask a simple question: in asking Urban Design to behave on a more commercial footing, should it not have congruent flexibilities to compete in the employment market?

4.3 Single Status

4.3.1 Another issue that has compounded the existing problem of recruitment and retention is that of Single Status.

4.3.2 In 1997, national representatives of local government employers and recognised public sector trade unions (Unison, TGWU and GMB) jointly developed the ‘Single Status Agreement’. This aims to harmonise many of the working conditions of white and blue collar Local Government workers.

4.3.3 The agreement provides a framework for reviewing terms and conditions of employment and introducing new pay, grading and remuneration arrangements. At the heart of this is the introduction of a job evaluation system. This will benchmark all roles across the authority by the end of 2007, determining relativity between posts. This will then be attached to a remuneration structure.

4.3.4 Irrespective of how they are approached, initiatives such as Single Status inevitably create uncertainty among staff. Other Local Authorities have gone through this process ahead of Birmingham and as a consequence there are many rumours of adverse outcomes.
4.3.5 The fact is that it is not known what impact the Single Status scheme will have overall or on specific services and professional disciplines such as those within Urban Design. Comparisons with other authorities are difficult: different evaluation systems have been used and there is not necessarily comparability between roles.

4.3.6 However, this does not remove the uncertainty. This insecurity is felt to be one factor underpinning the reasons that some staff choose to leave Urban Design for the private sector.

4.4 Conclusions

4.4.1 There is a whole subset of issues with the Human Resource context in which Urban Design operates. Many of these issues arise out of the conflicts that are implicit in the duality of Urban Design operating on a trading basis, but being part of a public sector organisation. In this respect, it is clear that exploring a means of delivering greater flexibility is needed.
5 Comparisons

5.1 Introduction

5.1.1 Comparison with other Local Authorities and private companies provides a valuable way of testing the efficiency and cost effectiveness of Urban Design. We therefore used a range of sources from both the public and private sector to inform our comparison:

- Performance information from other comparable Core Cities for 2004/5;
- Figures from the National Best Value Benchmarking Scheme (NBVBS);
- Mirza and Nacey Research Ltd - data relating to private sector consultants;
- *Constructing Excellence* (2005);
- Data submitted by companies tendering for the consultancy partnership.

These are described in detail in Appendix 2.

5.1.2 The following areas were examined for comparison purposes:

- Expenditure, income and profitability;
- Productivity, hourly rates and staffing;
- Fee levels;
- Cost and time predictability.

5.1.3 These factors include key performance indicators for the construction industry and information regularly asked for in benchmarking exercises. They are therefore a very useful way of assessing how well Urban Design is performing compared with other organisations.

**Key points in this section**

- Fee levels overall are lower than others – around 11.5%;
- Hourly rates are relatively high compared to other authorities, but generally lower than private sector equivalents;
- A greater level of profit is returned than other authorities;
A technical full-time equivalent in Urban Design generates less income than its equivalent in the private sector but more than other authorities;
The percentage of Urban Design’s projects completed on time and to budget is better than the industry average.

5.2 Expenditure, Income and Profitability

5.2.1 An analysis of the expenditure per technical full-time equivalent (FTE) shows that staff costs, namely salaries and Employers’ National Insurance and Pension contributions, are fairly consistent across the public and private sector. Whilst salaries are generally higher in the private sector, the amount that the Council pays in pension contributions and historic pension liabilities reduces any difference as far as net staff costs are concerned.

5.2.2 In contrast, expenditure relating to ‘non-staff’ costs (e.g. accommodation and vehicles), varies considerably. The private sector spends the largest amount, whilst Urban Design pays more than the other Local Authorities. This is due to a combination of costs for accommodation, training and recharges.

5.2.3 In terms of income generated per technical FTE, the average is:
- c.£78k in the private sector;
- c.£64k in Urban Design;
- c.£55k in the Core City comparators.
5.2.4 In general, employees within private companies work longer hours and undertake less training than their equivalents in the public sector. Data from *Consulting Excellence* (2005) shows that, whilst the industry average is 2.1 training days per annum per FTE, the average number for Urban Design is 7.1.

5.2.5 This difference will have a significant impact on the amount of productive time available to Urban Design and consequently the amount of income it can generate. Increasing the amount of time available is however likely to have an adverse impact on the terms and conditions of employees in Urban Design.

5.2.6 This is further emphasised by a comparison of profitability (percentage of turnover):

- Industry average – 12%;
- Urban Design – 7.8%;
- Average for the Core City comparators – 3.8%;
- Average for local authorities – 1.2%.

This data suggests that the private sector is significantly more profitable than the public sector. However, in comparison with other Local Authorities, Urban Design makes a greater profit. This is because the Council has decided that it has to generate an operating surplus (rather than breaking even).

### 5.3 Productivity, Hourly Rates and Staffing

#### Productivity

5.3.1 A good indicator of productivity is the proportion of fee-earning hours per annum. Whilst very few jobs, public or private, have 100% of their time as fee-earning, a high proportion is a positive indicator.

5.3.2 On average, a technical FTE in Urban Design will earn fees for 67.5% of the hours they work. In comparison, technical officers in the Core City comparators undertook fee earning work 72.6% of the time. Two factors which help to explain this difference are that:

- Officers in Birmingham work a 36.5 hour week as opposed to 37 hours in the Core City comparators;
- More time is spent upon training and staff care/communication in Birmingham.

No published data was available on fee-earning time in the private sector.

---

4 *Constructing Excellence* (2005)
5 NBVBS (2005) for 2003/4
**Staffing Ratios**

5.3.3 The graph below shows the difference in staffing ratios between different local authorities and the private sector. There does not seem to be a consistent model for how staffing is split between experience/skills/grades and so forth. No information was available for the number of trainees in the private sector.

![Graph showing staffing ratios](image)

**Fig. 7 Comparative Staffing Ratios**  
*Source: Urban Design*

**Hourly Rates**

5.3.4 The hourly rates that Urban Design uses for undertaking time-charge work have been examined and compared with the hourly rates of other authorities and private sector consultants.

5.3.5 Comparisons were made across five staff bands: Senior Managers; Senior Professionals/Associates; Qualified Professionals/Technical; Assistant Professional/Technical; Trainees. A fundamental difference occurs with the “Senior Managers” banding in that Urban Design do not separately charge out senior managers time - this is recovered as an overhead across the main body of technical (fee earning staff) – whereas other authorities and private sector consultants have significant charge-out rates for their equivalent level of staff.

5.3.6 The comparison shows that for three of the other four staff bands Urban Design’s hourly rates are generally higher than other authorities but lower than private sector consultants.
5.3.7 The difference with other authorities may be due to varying methodologies/strategies used to calculate time-charge rates as well as other factors, such as:

- Required rate of return;
- Number of staff at each level;
- Amount of fee-earning time available;
- Level of non-staff costs.

5.3.8 Differences in expenditure, profitability and productivity have been highlighted in section 5.2 and earlier in section 5.3, all of which contribute to the variation in time-charge rates.

5.3.9 It should be noted that less than 13% of Urban Design’s income is generated from time-charge work. This is a lower proportion than other authorities and significantly lower than private sector comparators.

Fee Levels

5.3.10 The graph below shows the average fee level for projects >£100k in construction value. Fee percentages are based on the core professional/technical services needed to deliver a project from outline proposals through to completion. The data represented is not strictly comparative but does provide an indication of how Urban Design fares against its competitors. A detailed methodology for comparisons is shown in Appendix 2.

5.3.11 Fig. 8 and Fig. 9 (below) show that:

- Urban Design has the lowest average fee level amongst all the local authorities and private companies examined;
- ‘Consultants’ appear to charge significantly higher fees than Urban Design, Core Cities and the Consultant Partners, when compared against a similar level of service.

5.3.12 Fig. 10 and Fig. 11 (and additional ones in Appendix 2) highlight comparative average fees for a cross-section of typical project types/values. Typical fee percentages are shown for the services needed to deliver the project from Outline Proposals through to Completion.
Fig. 8  Comparative Average Fee Levels

Source: Urban Design

Fig. 9  Comparative Fee Range

Source: Urban Design
**Urban Design**

**Fig. 10** Comparative Example Project Fees – Small Extension (£75k)

*Source: Urban Design*

**Fig. 11** Comparative Example Project Fees – Large Extension (£500k)

*Source: Urban Design*
5.3.13 Fee levels compared for the five sample projects show that:

- Urban Design has a significantly lower fee level than other authorities and private sector consultants on lower value schemes;
- Urban Design have consistently lower fees than other authorities across all the sample schemes;
- Urban Design fee level is broadly comparable with its partner consultants on higher value schemes – relatively minor differentials according to the specific project value;
- Urban Design fee level compares favourably against other consultants when compared on a like-for-like service basis.

5.4 Time/Cost Predictability

5.4.1 An analysis of time predictability shows that 62.3% of Urban Design’s construction projects over £100k in value were completed within +5% of their programmed completion date. This compares favourably with the industry average (60%) but is slightly lower than the Core City comparators (63.6%).

5.4.2 In terms of cost predictability, 61.8% of Urban Design’s construction projects over £100k in value are completed within +/- 5% of estimated costs. This is much higher than the industry average of 38% and the Core City comparators’ score of 31%.

5.4.3 The creation of the BCP has had a significant impact on these figures. Since it was formed in 2004, it has delivered:

- 52% improvement on projects delivered on time;
- 29% improvement on projects delivered to budget.

5.5 NPS Property Consultants Ltd

5.5.1 Any comparison with other Local Authorities should consider the unique example of NPS Property Consultants Limited (NPS). From starting life as the in-house provider of construction services for Norfolk County Council (NCC), NPS has now become a limited company wholly owned by NCC with a £35 million turnover. Valuable lessons can be learnt from their experience and there is undoubtedly scope to adopt, or adapt, some of their practices.

5.5.2 NPS was formed in 1992/3 in response to the Compulsory Competitive Tendering (CCT) legislation. As an in-house trading organisation, NPS was allowed some operational freedom combined with the ability to seek work from external public sector clients.

---

6 Variations in time and cost on smaller projects can be more significant because of the proportion of costs involved.
7 OGC Case Study
5.5.3 In the late 1990s, NPS formed strategic partnerships with a number of neighbouring District Councils, which involved the transfer of staff to NPS and the company delivering a more cost-effective property service with continuous improvement targets included in the agreement.

5.5.4 At this time also, NPS won a number of significant contracts in competition. This enabled it to increase its geographical coverage and expand the range of services NPS was able to offer.

5.5.5 The subsequent development of the organisation led to the decision to respond to the Government's trading requirements under the 2002 Act by becoming a limited company wholly owned by Norfolk County Council.

5.5.6 NPS had a turnover of just under £10m prior to becoming a limited company in 2002, and over the last four years this has grown to £35M by securing work variously by competition, partnership and negotiation.

5.5.7 In the last twelve months, NPS has created two new subsidiary companies via partnerships with Wigan and Wakefield Metropolitan Councils. Both Authorities have two Directors appointed to the Subsidiary Boards but, importantly, the Councils do not carry any financial liability because the subsidiaries are wholly owned by the parent company (NPS).

5.5.8 The subsidiary companies are working with the host authorities to deliver efficiency savings, expand the number of public sector clients involved in the partnerships, and share the financial success of the business on a 50-50 basis. This has given the host authorities strategic influence over the direction and quality of services provided and allows full disclosure of all performance and financial information.

5.5.9 There are a number of factors identified by NPS that have contributed to their success:

- Commercial experience in trading to develop the expertise to market and secure work;
- Capital investment and start-up cash flow, ensuring that salaries are paid whilst initial fees are being earned;
- Establishing the necessary infrastructure such as IT, financial systems and HR systems to support the business;
- Acceptance of the change to a commercial culture;
- Competing and matching the competition; and
- Members being willing to accept the risk as well as the rewards of trading.

5.5.10 There are a number of benefits for this method of operating, for both NPS and Norfolk County Council:

- NPS can provide economies of scale to its local authority clients and must compete with other private businesses;
As shareholder, Norfolk County Council is entitled to a dividend and gets a volume discount on fees (which are given prior to Corporation Tax being paid);

The success from trading creates capital that can be invested in further expansion;

NPS has more options for creating a more flexible employment environment and can (for example) share profits with its staff.

5.5.11 Norfolk County Council has benefited by around £1.4m this year and Wigan and Wakefield (host authorities for the two subsidiary companies) have benefited from £500k+.

5.5.12 NPS currently employs over 750 staff on competitive pay and conditions and shares the success of the company with all staff via a profit share scheme. They are also able to offer career development and employ significant numbers of school leavers and graduates. NPS is not affected by Single Status.

5.5.13 From the perspective of NPS, there are disadvantages to being a limited company, including:

- Paying Corporation Tax on profit;
- (Albeit minimal) overhead costs to ensure compliance with Companies Act;
- Not being able to do things at no cost to authorities, which in-house departments have traditionally done;
- Risks of trading losses;
- Higher insurance costs.

In perspective, NPS must make a profit in the first place in order to be taxed and some of the additional overheads will be offset by savings elsewhere.

5.6 Summary

5.6.1 The costs that drive Urban Design’s hourly rates are relatively high compared to other Local Authorities, but are lower than the private sector. Comparative fee levels for Urban Design overall are less than others – around 11.5%. This is because their fees are significantly lower on small projects.

5.6.2 Urban Design does make a greater profit than other Local Authorities, but its profit is still less than the private sector. Its performance in delivering predictable costs is significantly higher than other authorities.

5.6.3 The case of NPS Property Consultants Limited does provide an interesting example of what is possible. It is also very much in tune with Government thinking on ‘private efficiency levels for the public good’.
6 Client Views

6.1 Introduction

6.1.1 Urban Design aims to provide a high quality service and be responsive to all its clients needs. Capturing, listening to and acting on the views of its customers are all integral to these objectives being successfully met.

6.1.2 Urban Design operates in a competitive environment. There is an expectation that Council departments will use Urban Design for construction and property related services. Schools as well as clients in other authorities have even greater choice. They must choose Urban Design on its merits. High satisfaction amongst clients is therefore imperative if Urban Design is to retain its client base and generate a profit.

6.1.3 One of the difficulties inherent in gathering client satisfaction information is that it only tells you what people are prepared to share with you. Some clients may choose not to share feedback that they feel is too critical.

6.1.4 Projects are categorised into three areas for performance purposes:

- **Category 2**: Projects £100k requiring key discipline input only (e.g. building surveyor);
- **Category 3**: Projects >£100k requiring key discipline input (partnered or non-partnered);
- **Category 4**: Projects >£100k requiring multi-disciplinary input (partnered or non-partnered).

No projects are categorised as ‘1’.

Key points in this section

- There are generally high levels of client satisfaction;
- There can be difficulty for clients in distinguishing between the service offered by Urban Design and that by contractors;
- There are mixed views on value for money. Those satisfied value the all-inclusive and professional service. Those dissatisfied feel that they could get the job done cheaper elsewhere.
6.2 Client Feedback Process

6.2.1 Client feedback is routinely gathered from a number of sources. At a strategic level there are client liaison and programme meetings. Regular client review meetings take place annually or six-monthly, depending on need. These provide major clients with an opportunity to discuss any issues and any improvements that could be made.

6.2.2 At a project level there are project and design team meetings. In addition, a series of questionnaires are issued at the following stages of a project:

- End of Pre-Construction for projects over £500k;
- At Project Completion for all projects;
- Six months after completion for projects over £100k.

6.2.3 The satisfaction questionnaire used by Urban Design and other Core Cities is based on the Constructing Excellence model. This means that results can be compared across the public and private sectors.

6.2.4 Clients are asked for their views on a variety of issues including:

- Quality of design;
- Satisfaction with Urban Design and/or Contractor Services;
- Cost/programme management;
- Team working; and
- Health and safety.

6.2.5 Satisfaction is rated on a scale of 1 to 10 (1 being low and 10 being high). Performance statistics are reported to senior managers at monthly Customer Focus Meetings, with actions arising from the feedback included in a ‘Schedule of Improvements’. Each action is allocated to the relevant officer and a target date for completion is given.

6.2.6 Divisional Managers or Group Leaders deal with any minor issues or complaints. Moreover, if any client scores Urban Design at 5 out of 10 or less, a Divisional Manager will liaise with the client directly. More serious matters are taken up by the General Manager.

6.2.7 Identifying trends that arise from this feedback is important as might highlight a need for training or process change. The emphasis is upon identifying the problem, resolving it and preventing recurrence.

6.2.8 Client satisfaction results are also fed back to the partners in the BCP. High satisfaction is deemed to be very important by partners, not least because their allocation of work is dependent upon it.
6.3 Client Satisfaction

Overall Performance

6.3.1 Urban Design has very high levels of client satisfaction across the board and consistently performs higher than the industry average as shown in the statistics below. Overall satisfaction across all areas of construction for 2004/05 shows that:

- The Core City comparators scored 7.3 out of 10;
- The industry average is 7.9;
- Urban Design scored 8.16.

6.3.2 The graph below compares Urban Design’s performance in terms of client satisfaction with the published industry averages of certain aspects of consultant performance. Urban Design’s data is based on client questionnaires returned in 2004/5 and shows that they are above the national average in each of the areas.

![Graph showing client satisfaction comparison](image)

**Fig. 12 Constructing Excellence Key Performance Indicators - Satisfaction with Consultants**

*Source: ‘Constructing Excellence’ (2005) and Urban Design*

Satisfaction by Project Type

6.3.3 Satisfaction results for 2005/6 are based on questionnaires returned between April and December 2005. Data for 2004/5 is compiled from returns for the whole year. Due to this, any comparison needs to be made with some caution, as like is not being compared with like.
Category 2 Projects

6.3.4 In terms of Category 2 projects, all the clients that responded in 2005/6 were very satisfied with the service they received. The average satisfaction level was 9 out of 10, an improvement from 2004/5 when the level was 8.2 out of 10.

6.3.5 The 2005/6 information is based on 45 clients who returned questionnaires from April to December 2005. This is more than twice the number who returned questionnaires the previous year but still no conclusive judgement can be formed as the same time span is not being compared.

6.3.6 Satisfaction in terms of the quality of design, quality of service and functionality has marginally improved from 2004/5 figures. For both years, each result was still however above 8 out of 10.

Partnered Projects (Categories 3 and 4)

6.3.7 In terms of projects costing over £100k and undertaken by the BCP, the average satisfaction level was 8.2 out of 10 in 2004/5. Feedback gathered so far for 2005/6 indicates that it has dropped slightly to 7.9. It should be remembered, however, that above 7 out of 10 is classed as ‘very satisfied’.

6.3.8 7% of respondents in 2005/6 were dissatisfied with the work undertaken by the BCP and stated that they would not use them again. This equates to two projects, both of which involved schools. The issues here were:

- The client having insufficient budget to do what they wanted and so there were problems from the outset with the project brief;
- An assumption that the client knew more about the process than was the case;
- Communication and engagement were not as effective or appropriate as they could have been;
- One of these clients actually used Urban Design again and was satisfied with the work.

6.3.9 The graph below provides a more detailed breakdown of customer satisfaction for Partnered Projects and compares data from 2004/5 with that from April to December 2005.
6.3.10 Key points from this are that:

- Each of the average satisfaction ratings is above 7 out of 10 - clients are ‘very satisfied’ with all aspects of the project;
- The results are marginally higher in some categories for 2004/5 but no substantive conclusions should be drawn from this;
- The areas with the lowest satisfaction in 2005/6 are Contractor Performance, Resourcing and Cost Management. However, these are still above 7 out of 10.

**Non-Partnered Projects (Categories 3 and 4)**

6.3.11 With regard to projects undertaken by Urban Design that cost over £100k, the average satisfaction level has dropped very slightly from 8.0 out of 10 in 2004/5 to 7.6 in 2005/6. However, only nine questionnaires were returned between April and December 2005, as opposed to 22 for the previous year and so an equal comparison is not possible.

6.3.12 A detailed breakdown of results (Fig. 14) shows that, apart from two cases, clients are very satisfied with the service they have received. The two areas where performance slipped slightly below 7 out of 10 were ‘Defects’ (2004/5) and ‘Cost Management’ (2005/6). The results for 2005/6 are slightly lower than the previous year’s but the fact that far fewer surveys have been returned should be borne in mind.
Comparison Between Different Project Types

6.3.13 A comparison of the average customer satisfaction scores for Partnered and Non-Partnered projects (excluding Category 2 projects) in 2005/6 shows that Partnered projects have slightly higher results. This finding does have to be viewed with some caution, however, as more surveys from Partnered projects have been returned (27 compared with 9 for Non-Partnered projects). All the clients questioned were highly satisfied with the service provided, except ‘Cost Management’ in Non-Partnered projects where they were satisfied.

6.3.14 If the quality of design, quality of service and functionality of projects under £100k are compared with those over £100k, the results show that satisfaction is slightly higher in each of the three areas for the smaller projects. This is a common trend, as Clients tend to be more satisfied with smaller projects, as they are simpler, shorter in duration and there are fewer opportunities for things not to go according to plan. Results for both types of projects are all, however, 8 out of 10 or above as shown in Fig 15.
6.4 Views of Clients

6.4.1 This section summarises views expressed by clients from client review meetings under the following headings:

- Quality of Design/Service;
- Communication;
- Team Working;
- Fees/Value for Money;
- Health and Safety;
- Other Specific Issues.

Full details of the clients and methodology used are given in Appendix 1.

Quality of Design/Service

6.4.2 Many aspects of the service provided by Urban Design were praised by clients, including:

- Their professional expertise and experience;
- Sensitivity to the needs and circumstances of different clients;
- Communication and the development of long-term, productive working relationships with regular clients;
- Listening to and adapting to changed needs of clients;
- Production of high quality designs that fit the project brief;
- Their experience in procuring services.
6.4.3 Where clients had issues with the quality of design and the service provided, these concerned:

- High turnover of staff which affects the consistency of delivery and results in discontinuity;
- Poor, or non-existent, handover between Urban Design staff;
- Work not completed on time, which can cause funding opportunities to be lost;
- A lack of consistency in the quality of draft plans and the priority given to speculative projects and in developing bids.

**Communication**

6.4.4 In terms of communication with Urban Design, clients were generally satisfied. The following positive points were made:

- Urban Design staff are accessible and easy to get hold of;
- The responsiveness of contractors to the needs of schools and pupils and their willingness to get them involved in the project;

6.4.5 Issues were raised about:

- Tailoring the information given to the needs of the client;
- The timeliness of information provided about project costs;
- Clients not informed about staff leaving or going on holiday.

**Team Working**

6.4.6 A key aspect of the Urban Design service is that it has to balance the competing priorities of different professional disciplines with the client’s needs. Effective teamwork is therefore critical and, in general, client views were that this has improved since the introduction of the multi-disciplinary approach.

6.4.7 Efforts are also being made to improve team working between departments, for example, joint training sessions and visits to examine examples of best practice.

**Fees/Value for Money**

6.4.8 The perceptions of clients relating to fees and value for money were obviously key areas for this review. Satisfaction in this area was mixed and the differing needs of clients and the balance that is struck between cost and quality need to be taken into consideration here.

6.4.9 Where clients were satisfied with fees and value for money, this was because of:
Reassurance that the job is done properly;

• Fees that are inclusive of all aspects of the process, which don’t require the client to be an expert in managing construction projects;

• Work carried out by the BCP was cheaper than going out to tender due to the number of ‘unknowns’ on a listed building.

6.4.10 Criticism of fees and value for money focused upon:

• Client understanding of fees and what they get for the fee;

• The timeliness of information on fees and emerging costs;

• The accuracy of fee estimations;

• A belief that they could get the job done cheaper elsewhere.

6.4.11 There is currently no consistent means of funding detailed feasibility studies. Creating an ‘Advanced Design Fee Pot’, contributed to by Urban Design, the client and the contractor could solve this and result in more accurate project cost estimations. Contractor partners already contribute a degree of time ‘at risk’ in this way.

Health and Safety

6.4.12 The satisfaction of clients with the management of health and safety is very high. Particular aspects that clients raised included:

• Expertise in minimising disruption in dealing with needs in operational buildings (e.g. schools or public offices);

• Scheduling the times that work is conducted to minimise the impacts of noise, dust and so forth.

Other Specific Issues

6.4.13 Other specific points raised included:

• Project management has improved, but more work still needs to be done. It was suggested that it would be useful to have full-time, properly trained project managers to lead projects. The current practice is to have quantity surveyors or architects doing the job and they are not necessarily the best suited or qualified;

• Risk management is effective and has improved since the BCP was launched. Risks are identified and each party is aware of which ones it is responsible for and which ones it is sharing which leads to a reduction in costs;

• Good developing relationships with the Birmingham Construction Partnership (BCP).

6.4.14 A number of specific issues with the Schools Emergency Property Repair Service (SEPRS) were raised:
• The inability to tackle intermittent or seasonal faults (such as a leaking roof);
• Knowing who will attend from the contractor – a key issue for schools;
• Ensuring that there is adequate communication between Urban Design/the contractor and the Head Teacher/Caretaker when work is done out of hours;
• Following up on jobs done by contractors.

6.5 Anecdotal Perceptions

6.5.1 Understandably, the local press regard issues of efficiency in the spending of public money as a touchstone issue to the public. Urban Design has been the subject of comment in the local press and exploring some of the more prominent stories was something that members therefore considered important.

6.5.2 Evidence in such cases can often be more anecdotal than quantified. This does not compare readily when placed next to information gathered by more objective means, particularly since anecdotes may be related from others’ experience. Such methods do not always make for objective evidence gathering and analysis.

6.5.3 Some of the issues examined turned out to be more complex than they were initially presented, with a number of complicating factors. For example, in the case of the carpeting of the Labour Group Offices, one such complication was the irregular shape of the rooms to be carpeted. In this case, any carpet fitting plan would have resulted in a high level of waste.

6.5.4 It was apparent in some cases that that Urban Design had also been the subject of ‘mistaken identity’. For example, whilst assumptions had been made that scheme design and quotations were solely attributable to Urban Design, looking deeper, some of these turned out to be:

• For different work than was stated;
• Quotations from other sources, brought together by Urban Design;
• Estimates provided from other services within the Council; or
• Brief, scheme design and specification developed by other services within the Council.

6.5.5 Nonetheless, there can be merits to examining anecdotal information. The cases examined were not simply refuted; indeed it was clear that lessons had been learnt from each of them.
6.5.6 The need for transparency of costs to clients was clear. The extent to which clients are made clearly aware of the cost of their specification was an issue. In the case of the carpet in the Labour Group offices, it was questioned why Members were offered one of the most expensive carpets on the market without being made fully aware of the cost. Members were unaware of the costs of the operation until after the event; informing them of the costs at an earlier point may have produced a different outcome.

6.5.7 Questioning the specifications of a project is important. In some cases (for example, safety standards in Social Care facilities), specifications are set down in clear national standards that demand compliance. However, where they are determined by the client, without reference to professional advice, the service required may not be specified adequately. This is likely to affect the overall cost of the project.

6.5.8 In some cases, alternatives were more apparent than others. For example, it was questioned whether the redecoration of the Labour Group Offices needed to be done out of hours. An alternative would have been to move into temporary accommodation (if available) and undertake the work during the day. This would have reduced the cost of the refurbishment.

6.5.9 In other cases, alternatives are not so straightforward. An example is the proposed location of the statue of Boulton, Watt and Murdoch (and new stonework surround) in Centenary Square shown in Fig. 16 below. Due to its proposed location being over the railway line, a strengthened plinth would be needed to protect the tunnel underneath. This greatly increased the cost of the project. Alternative options for the location of the statue were not suitable to the client.
6.6 Summary and Conclusions

6.6.1 Urban Design (rightly) has a high emphasis on client satisfaction. Although there is an expectation that Council departments will use the service, the emphasis on satisfaction is critical to its ability to retain clients among schools and in other authorities. There are robust processes to formally measure satisfaction in a way that is readily comparable and is designed to address any problems.

6.6.2 Levels of client satisfaction are generally high across the board and are above industry average levels and other authorities. Certain aspects stand out as important to clients and are managed well by Urban Design, including health and safety, professional expertise and ease of contact.

6.6.3 In other areas, managers in Urban Design have acknowledged the need to look at some of the issues raised. One such example is the issue of having dedicated project managers.
6.6.4 How the work of Urban Design is portrayed in the media and anecdotally is more complex. The Council is a public body and as such must expect interest in what it does from the media. Questions of the value for money offered to the public purse are traditionally part of the staple diet of the media. The need to be seen to be accountable to the public through the media is an obligation incumbent upon public sector organisations.

6.6.5 Additionally, the reality of the situation is that Urban Design, as a service area of the Council, operates within a political environment. As such, it can expect that it will on occasion fall into the media spotlight. Also, there will always be an element of this publicity related to personal or party political reasons.

6.6.6 Equally, it is important to recognise that damage to the reputation of Urban Design, within the Council, with other authorities and within the construction sector, can result from poor publicity. This is equally true of private companies.

6.6.7 What is important is that where ‘public interest’ stories of the kind mentioned above do contain embellishment and/or factual inaccuracies, the accurate situation is promptly advised. Too many of these issues have been allowed to fester.

6.6.8 The other key issue is that Urban Design is invariably acting on behalf of a principal client. It is essential that if costs start to escalate on original estimates or unforeseen problems with a proposed solution occur, the client is contacted immediately to see if an alternative is acceptable.
7 Conclusions and Recommendations

7.1 Overcoming Barriers in the Public Sector

7.1.1 For many years, governments have sought to crack the conundrum of how to improve public sector efficiency. Introducing greater competition with the private sector was one approach to driving public sector services towards efficiency. Encouraging services to operate in a similar way to private businesses is another approach, including the operation of internal trading arrangements.

7.1.2 However, there are certain areas where public sector services are constrained in competing on the same basis as private businesses. There are centrally-provided services within the Council which do not generate income or revenue specifically – the so-called ‘Cost of Democracy’. There are also corporate overheads concurrent with the Council’s aspirant roles as a community leader and model employer. If a private business had such overheads at all, it would not necessarily place the same emphasis on them.

7.1.3 There is a balance to be struck here in setting our expectations of how public sector services should operate. Aspiring to efficiency is always ‘a good thing’. However, to allow fair competition and a level playing field means that we must relax some of the constraints that are placed on such services by virtue of their being in the public sector.

7.1.4 Considering the best means to relax such constraints and create flexibility is an important part of determining the future direction of services such as Urban Design.

Conclusions

1. Operating as a part of the City Council can be a constraint on the extent to which Urban Design can operate with the same effectiveness as private companies.

2. There are costs associated with corporate overheads, accommodation and facilities that Urban Design would not necessarily face in a private environment.
3. **There may be alternative ways of providing this service that would provide opportunities to overcome these constraints.** Whilst it was not the role of this review to specifically examine these, we do feel that to do so is a key strategic consideration.

4. **The constraints that apply to Urban Design will apply equally to any other service that the Council wishes to operate on a trading basis.** The successful transition of other services to a trading basis will therefore be reliant upon providing greater flexibility to overcome these constraints.

<table>
<thead>
<tr>
<th>Recommendation</th>
<th>Responsibility</th>
<th>Completion Date</th>
</tr>
</thead>
</table>
| **R1** | Options for increasing the flexibility of Urban Design to deliver its services should be explored by a joint working group of Elected Members and officers (including Urban Design). This should enable the Cabinet to appraise options including:  
- Urban Design operating as a limited company, wholly-owned by the Council;  
- Alternative means of increasing flexibility with Urban Design as part of the Council; and  
- Methods of developing greater long-term stability in the business plan for Urban Design. | Cabinet Member for Regeneration | 31 March 2007 |
| **R2** | The effective transition of services to a greater trading basis should be supported by wider consideration of necessary financial and operational flexibilities. Options should be brought forward for providing such flexibilities to services that perform well on a trading basis. | Deputy Leader | 31 March 2007 |

### 7.2 Fees, Costing and Client Views

7.2.1 **The structure of fees and costs borne by Urban Design was one of the central reasons for initiating this review.** The initial hypotheses that we set out to test were around:

- How Urban Design’s fees compare to others;  
- Whether such fees are necessary; and  
- Whether they represent value for money.

7.2.2 **Urban Design’s schools and external clients do have a clear choice as to whether they use their services.** Within the City Council there is an expectation that Urban Design is used. Whilst Urban Design must logically be accountable for the value that its own service offers, ultimately it is the client who decides whether that represents value for money.

7.2.3 In this respect, one of the real measures is the extent to which City Council clients who have a choice, choose to use Urban Design. Were they not to do so, this would raise the issue of whether Urban Design is providing value for money.
Urban Design

7.2.4 One of the identified shortcomings of internal trading arrangements is that internal clients in the Council are less accepting of fee costs than they would be from an external service provider.

7.2.5 There is also the matter of Urban Design being required to return a surplus to the Council from its operation. This does beg the question of whether Urban Design could lower its costs by being required to break even, rather than generate a surplus. This is not done because the surplus contributes to the wider corporate budget process. A significant proportion of this is money coming into the Council, rather than moving within it. Part of the surplus also covers the costs of reinvestment in equipment, rather than adding this cost to fees.

7.2.6 Whole Life Costing is an approach generally used by Urban Design, but one which is not commonplace across the Council. It is also a more appropriate tool for some purchasing decisions than for others.

7.2.7 In the course of undertaking this review, we were made aware that there was also a proposal to ask Price Waterhouse Coopers to undertake some work on the cost base, role and work of Urban Design. Should this further work be commissioned we believe our review will provide a firm foundation for it.

Conclusions

5. Urban Design has an obligation to the City Council to deliver its service at the lowest possible cost for the right quality.

6. Ultimately, it is the client that decides whether it represents value for money. We have seen cases that indicate that the degree to which this happens is variable.

7. Decisions to use Urban Design will naturally be affected by the fact that there is an expectation that it will be used, it is accessible and is a ‘known quantity’ in the Council.

8. Internal clients do not all have a clear understanding of the basis upon which Urban Design fees are set.

9. There is a question over whether Urban Design should deliver a profit to the corporate centre. Reducing this may be one way to reduce its fees. However, this must be accompanied by retaining cost control.

10. Using the recharging mechanism is one way to pay for central and directorate overheads. Whether it is the best way to do so, in terms of ensuring that such overheads continually deliver value for money, is a matter for debate. This was beyond the scope of this review, but may provide a useful exercise to conduct.

11. Whole Life Costing provides a longer term perspective for making investment decisions. Taking this view on capital assets is a positive approach to spending money wisely.
12. *Urban Design* has clear measures for customer satisfaction and client feedback. Performance against these measures overall is strong.

13. Long term relationships and the ability to understand their needs are important to *Urban Design*’s clients. A lack of continuity in who they are dealing with is one problem raised by clients.

14. *Urban Design* should focus more upon project management skills as a specific discipline. This would be an approach to dealing with these client issues.

<table>
<thead>
<tr>
<th>Recommendation</th>
<th>Responsibility</th>
<th>Completion Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>R3</td>
<td>Cabinet Member for Regeneration</td>
<td>31 October 2006</td>
</tr>
<tr>
<td></td>
<td>The clarity of <em>Urban Design</em> fees for internal clients should be improved through simplifying and making clear:</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• What the element of corporate costs is; and</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• What the fees for <em>Urban Design</em> comprise.</td>
<td></td>
</tr>
<tr>
<td>R4</td>
<td>Cabinet Member for Regeneration</td>
<td>31 December 2006</td>
</tr>
<tr>
<td></td>
<td>As part of increasingly targeting client-focused outcomes, there should be a greater emphasis on ‘project management’ as a distinct professional discipline within <em>Urban Design</em>.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Proposals should be brought forward that clearly demonstrate an increased emphasis on project management skills, over and above the individual professional disciplines required for projects.</td>
<td></td>
</tr>
<tr>
<td>R5</td>
<td>Deputy Leader</td>
<td>31 December 2006</td>
</tr>
<tr>
<td></td>
<td>Introduce a policy to ensure that Whole Life Costing is used as a tool for comparing purchase/investment options on significant capital assets (i.e. those that go through the Gateway Process) across the Council.</td>
<td></td>
</tr>
<tr>
<td>R6</td>
<td>Deputy Leader</td>
<td>31 October 2006</td>
</tr>
<tr>
<td></td>
<td>An appraisal of options for creating a pot for advance design fees should be conducted. This should:</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Provide options for how such fees can be funded;</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Result in greater predictability of overall project cost.</td>
<td></td>
</tr>
</tbody>
</table>

7.3 Human Resource Constraints

7.3.1 A particular aspect of flexibility that we explored related to the Human Resource context in which *Urban Design* operates. This in itself is a whole subset of issues.

7.3.2 At their core, these issues arise out of the conflicts that derive from expectations that *Urban Design* can operate on a similar footing to a private business. The reality is that the terms, conditions and pay structures of the City Council have not kept pace with changes in the way that services are expected to work. Staff in *Urban Design* are employed on conditions and remuneration scales that are used across the City Council.
7.3.3 Local Authority pay structures and conditions are relatively inflexible compared to the private companies with whom they must compete in the labour market. Urban Design’s experience in this respect is typical of other areas of the Council that employ staff where there are ready comparators in the private sector.

**Conclusions**

15. There are particular issues with the degree of flexibility to tackle recruitment, turnover and staff retention in a buoyant marketplace. Other aspects also have an impact on staffing, including uncertainty over the outcome of Single Status and the age profile of Urban Design.

16. The Council’s existing employment structures do not appear to be able to deliver the flexibility that is necessary for Urban Design to attract and retain professional staff.

17. The human resource problems that Urban Design faces are acknowledged. However, there is a question of what is being done about these and whether it is a matter wholly for Urban Design to manage or other support is offered to develop reward systems.

18. Options to increase Urban Design’s flexibility to operate should logically extend to more control over pay, conditions of employment and other reward mechanisms.

<table>
<thead>
<tr>
<th>Recommendation</th>
<th>Responsibility</th>
<th>Completion Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>R7</td>
<td>Cabinet Member for Equalities and Human Resources</td>
<td>31 March 2007</td>
</tr>
<tr>
<td></td>
<td>Proposals should be brought forward to provide flexibility for Urban Design in reward mechanisms to staff. These should provide demonstrable improvements in its ability to recruit and retain professional/technical staff.</td>
<td></td>
</tr>
<tr>
<td>R8</td>
<td>Cabinet Member for Equalities and Human Resources</td>
<td>31 March 2007</td>
</tr>
<tr>
<td></td>
<td>On a similar basis to R2, the effective transition of services to a greater trading basis should be supported by wider consideration of the options for human resource changes. Options should be brought forward for providing such flexibilities to services performing on a trading basis.</td>
<td></td>
</tr>
</tbody>
</table>
7.4 Monitoring Progress

7.4.1 To keep the Committee informed of progress in implementing the recommendations within this report, it is recommended that the Cabinet Member for Regeneration report back on progress periodically.

<table>
<thead>
<tr>
<th>Recommendation</th>
<th>Responsibility</th>
<th>Completion Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>R9</td>
<td>Progress towards achievement of these recommendations should be reported to the Regeneration Overview and Scrutiny Committee in January 2007.</td>
<td>Cabinet Member for Regeneration</td>
</tr>
</tbody>
</table>

Subsequent progress reports will be scheduled by the Committee thereafter, until all recommendations are implemented.
Appendix 1  Acknowledgements

A1.1.1  We would like to thank the following people for their contributions to this review:

- David Bentley, Head of Asset Management, CIPFA/IPF;
- Mike Britch, Managing Director, NPS Property Consultants Ltd;
- Ian Peck, Sheffield City Council;
- Steve Kilburn, Leeds City Council;
- Officers in Urban Design and Development Directorate Management Services, including:
  - Steve Vickers, General Manager;
  - Adrian Rowlands, Divisional Manager;
  - Martin Merrix, Business Manager;
  - Tim Follis, Accountancy Services Manager;
  - Chris Welton, Principal Accountant;
  - Herminder Sagoo, HR Account Manager;
- Steve Morey, Head of Central Services Finance;
- Jan Willis, Corporate Finance and Asset Management;
- Dave Fletcher, Property Resource Manager (Development Directorate);
- Julie Leah, Head of Property and Projects (Local Services);
- Varinder Raulia, Projects Manager, Transportation Projects (Development Directorate);
- Adrian Rourke, Head of Landscape Development, The Landscape Practice Group, Parks, Sports and Events Service (Local Services);
- Peter Courts, Headteacher of Conway Junior and Infant School, Sparkbrook;
- John Crofts, Headteacher of Turves Green Junior and Infant School, Northfield;
- Steve Holloway, Headteacher of Chivenor Junior and Infant School, Castle Vale.
Appendix 2  Methodology for Comparisons

A2.1  Methodology

Performance Information for Core Cities

A2.1.1  Sheffield and Leeds were selected from the Core Cities group because of their similarity to Urban Design in terms of service provision and mix of work. Of the Core Cities, the method of delivering these services was most similar to Birmingham in these authorities.

National Best Value Benchmarking Scheme

A2.1.2  The benchmarking scheme was developed by CIPFA in conjunction with the Federation of Property Societies and other professional bodies. The data received in 2005 was compiled from 18 returning Local Authorities, including only one other Core City.

A2.1.3  Latest figures relate to 2003/04. For comparative purposes with Urban Design’s 2004/5 data, a 3% uplift has been added for both expenditure and income.

Fee Levels

A2.1.4  The following data sources were used:

- The Urban Design average fee level is based on the 75 projects most recently completed to obtain a representative sample across a range of construction values and project types;
- Sheffield’s average fee level has been calculated from the data submitted for 17 recently completed projects;
- ‘Other Authorities’ represents the average fee level calculated from a recent fee benchmarking exercise co-ordinated by Telford and Wrekin Borough Council. The project types are predominately schools based across a range of values and covering new build and refurbishment schemes. Ten authorities submitted data for this exercise;
- Data for ‘Consultant Partners’ is taken from the average fee levels calculated from the tendered rates of the two consortia appointed as Urban Design’s partner consultants;
‘Other Consultants’ represents the average fee levels taken from tenders received from the eight practices/consortia shortlisted for the final stages of the consultancy partnering arrangements. Tenders were based on a service specification equivalent to the services provided by Urban Design. The companies include major multi-disciplinary service providers e.g. Capita, Babtie, Mott MacDonald, WS Atkins and White Young Green.

Comparative Example Project Fees

A2.1.5 All sources are the same as those outlined above apart from the fees for the ‘Private sector’ which have been compiled from typical individual discipline fee levels published by Mirza and Nacey. Specific publications used were *Architects Fees* (2006), *Quantity Surveyors Fees* (2006) and *Engineers Fees* (2006).

A2.2 Additional Graphs

Comparative Example Project Fees

<table>
<thead>
<tr>
<th>Project Fees (%)</th>
<th>UD</th>
<th>Other Authorities</th>
<th>Private Sector</th>
<th>Consultant Partners</th>
<th>Other Consultants</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>10</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>12</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>14</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>16</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>18</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>20</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Fig. 17 Comparative Example Project Fees – Alterations/Refurbishment (£200k)

Source: Urban Design
Fig. 18  Comparative Example Project Fees – Major Alterations/Refurbishments (£1m)

Source: Urban Design

Fig. 19  Comparative Example Project Fees – New Build (£3m)

Source: Urban Design
Appendix 3  Methodology for Client Views

A3.1.1 Views are a summary of those of the following internal clients:

- Dave Fletcher, Property Resource Manager (Development Directorate);
- Julie Leah, Head of Property and Projects (Local Services Directorate);
- Varinder Raulia, Projects Manager, Transportation (Development Directorate);
- Adrian Rourke, Head of Landscape Development, the Landscape Practice Group, Parks Sports and Events Service (Local Services).

A3.1.2 Views of Head Teachers were from:

- Conway Junior and Infant School, Sparkbrook – new Sports Hall, £690k
- Chivenor Junior and Infant School, Castle Vale – extension to house a computer room, facilities for children with disabilities and storage space, £71k;
- Turves Green Junior and Infant School, Northfield – rewiring, £518k. The BCP was used.

A3.1.3 These were gathered from a combination of client interviews conducted by Urban Design, views heard by members directly from clients and client interviews led by the Scrutiny Office.