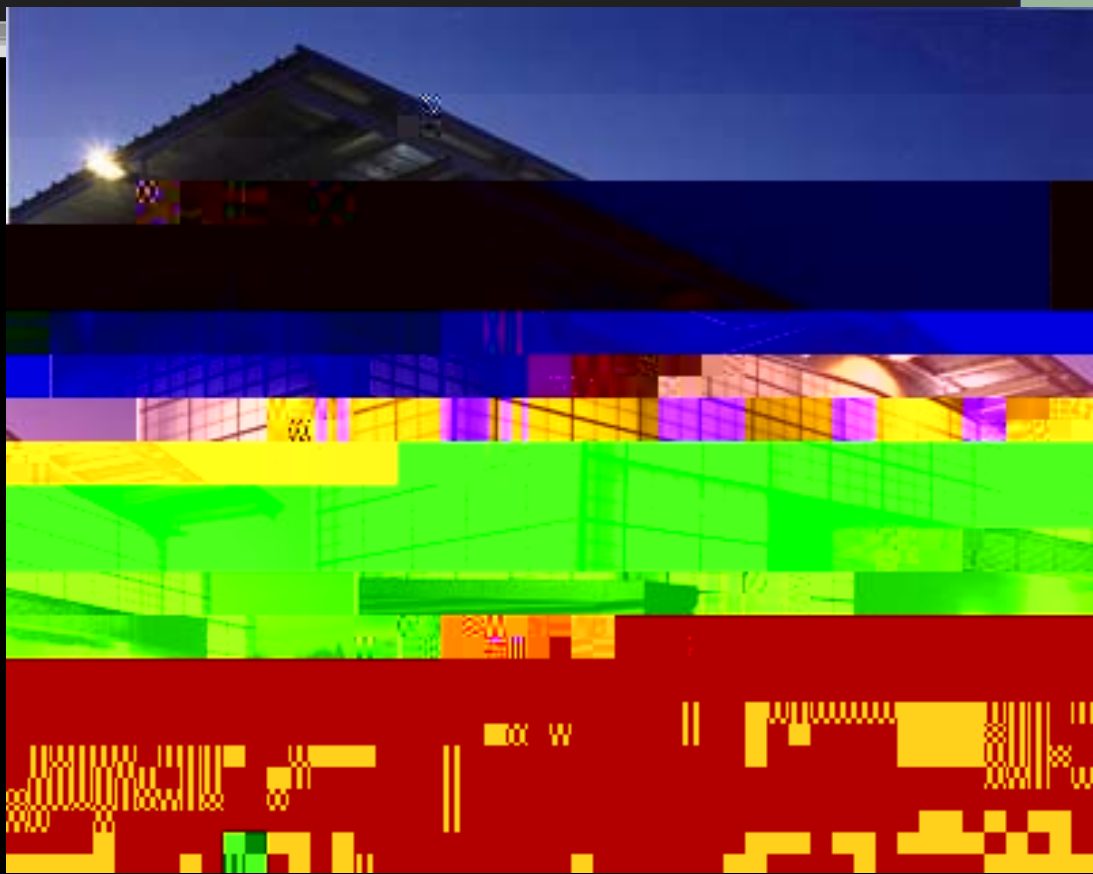


Urban Design

Report to the City Council

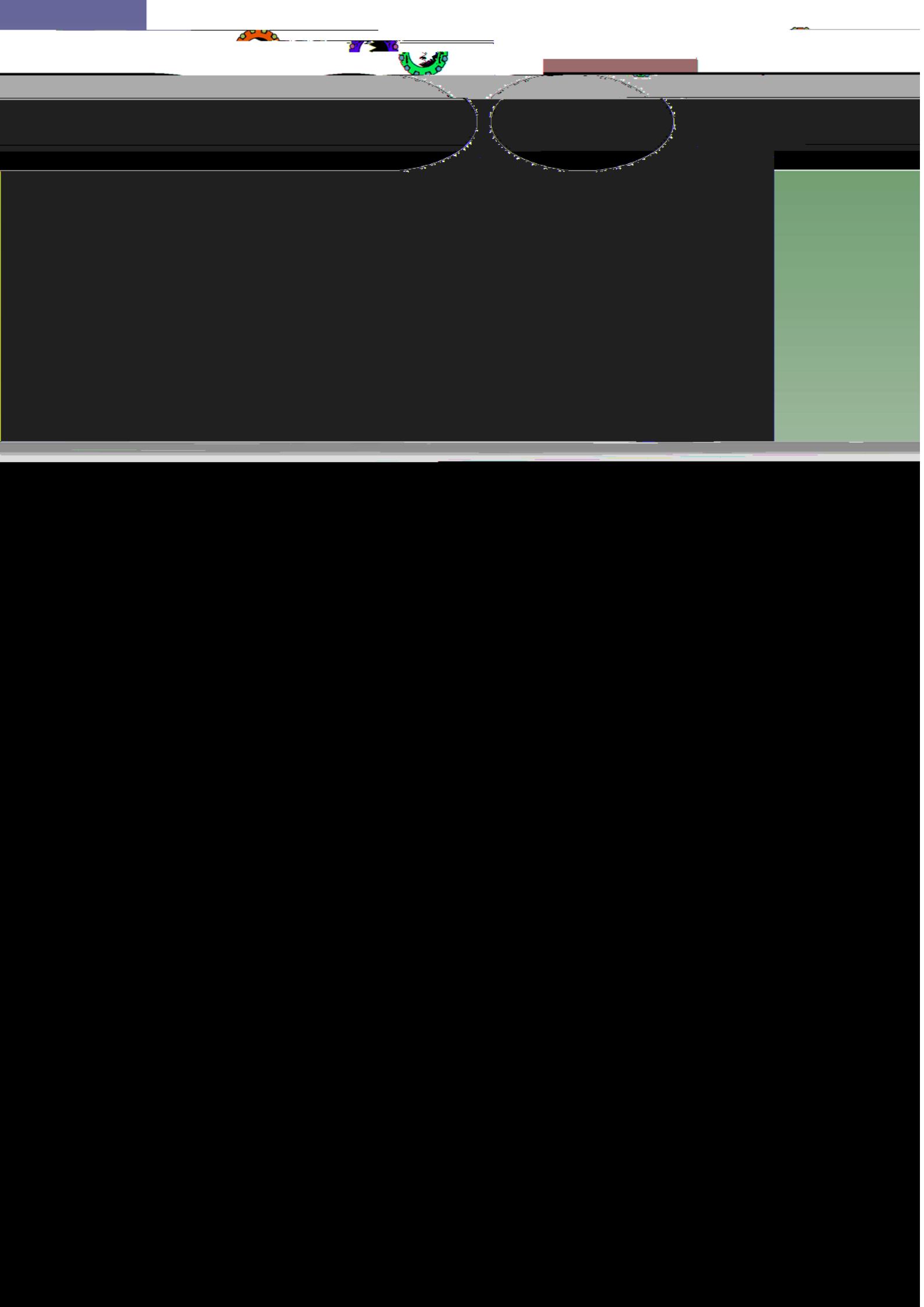
04 April 2006

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www.birmingham.gov.uk/scrutiny



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Preface

By Councillor Fergus Robinson

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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

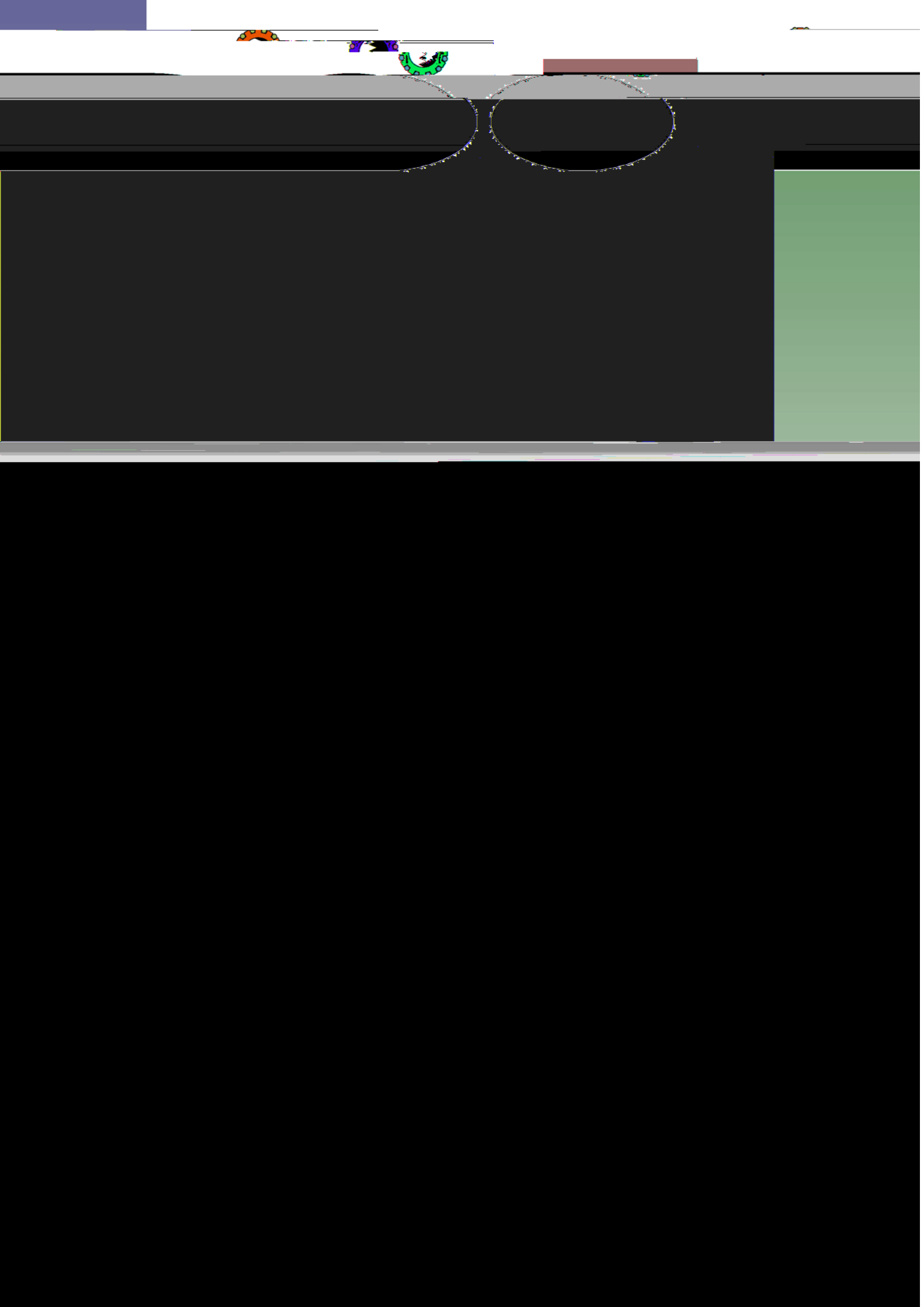
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Summary of Recommendations

	<u>Recommendation</u>	<u>Responsibility</u>	<u>Completion Date</u>
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:	Cabinet Member for Regeneration	31 March 2007

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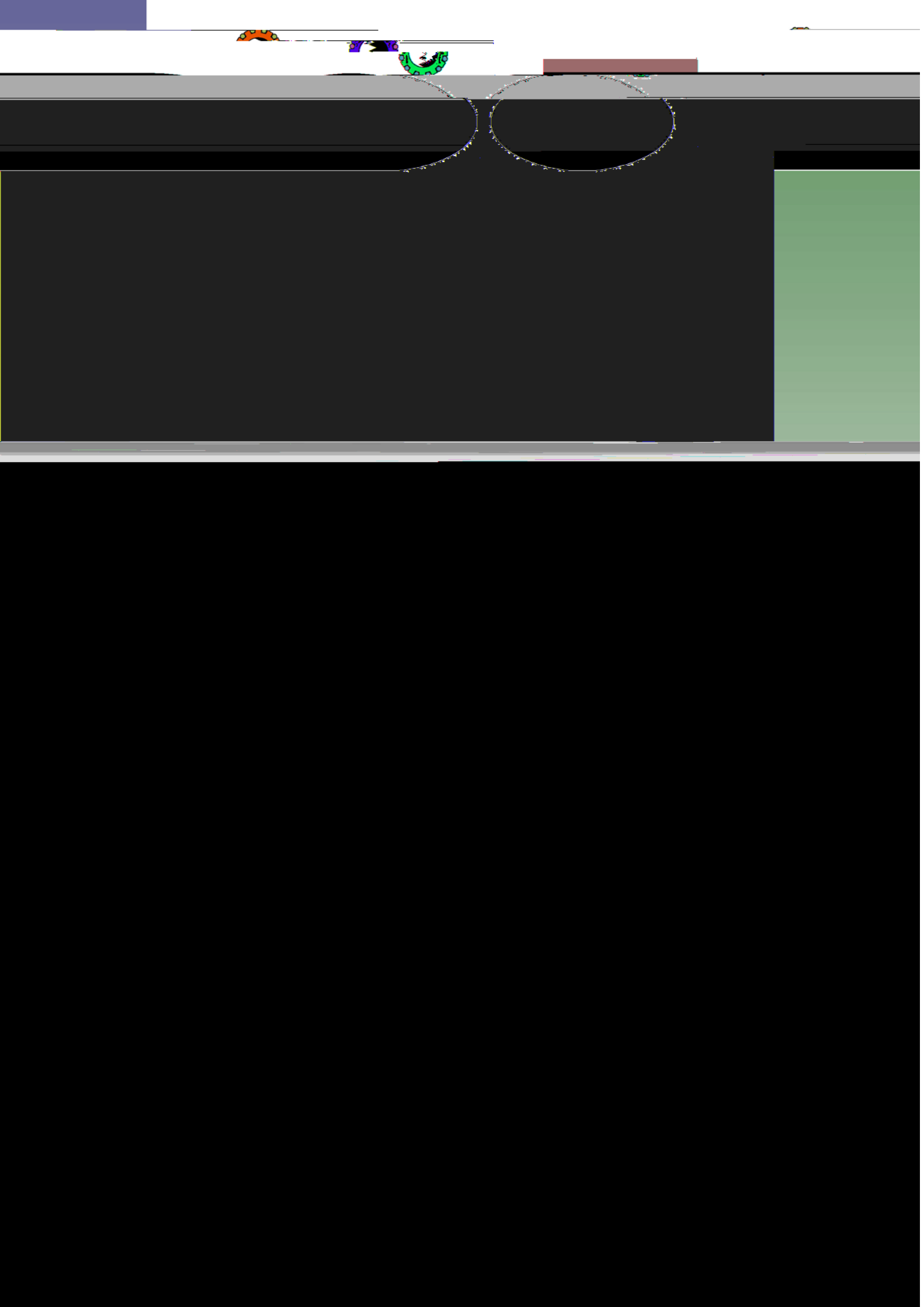
	Recommendation	Responsibility	Completion Date
R7	<p>Proposals should be brought forward to provide flexibility for Urban Design in reward mechanisms to staff.</p> <p>These should provide demonstrable improvements in its ability to recruit and retain</p>		

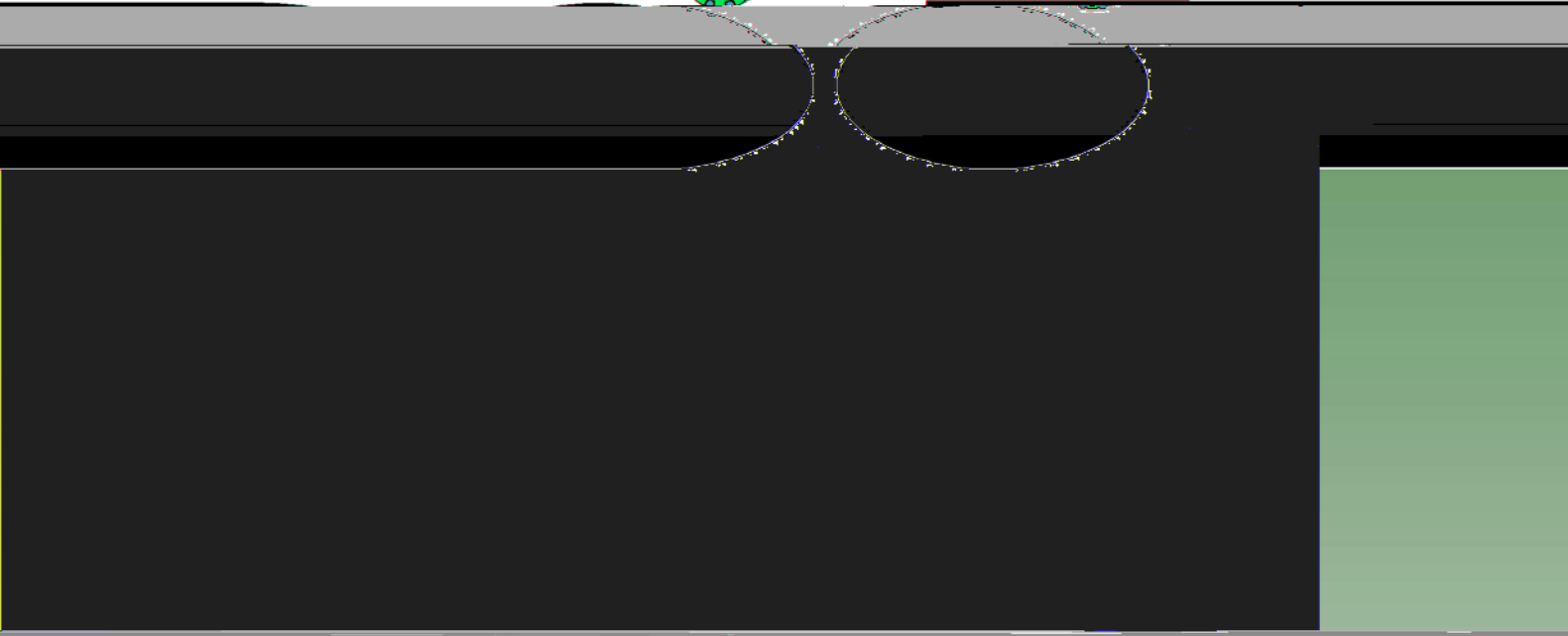


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1.2.3 Our report is structured as follows:

- **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**
-
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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 £200k, with a total budget of £6.677m in 2004/5. Most of the projects are

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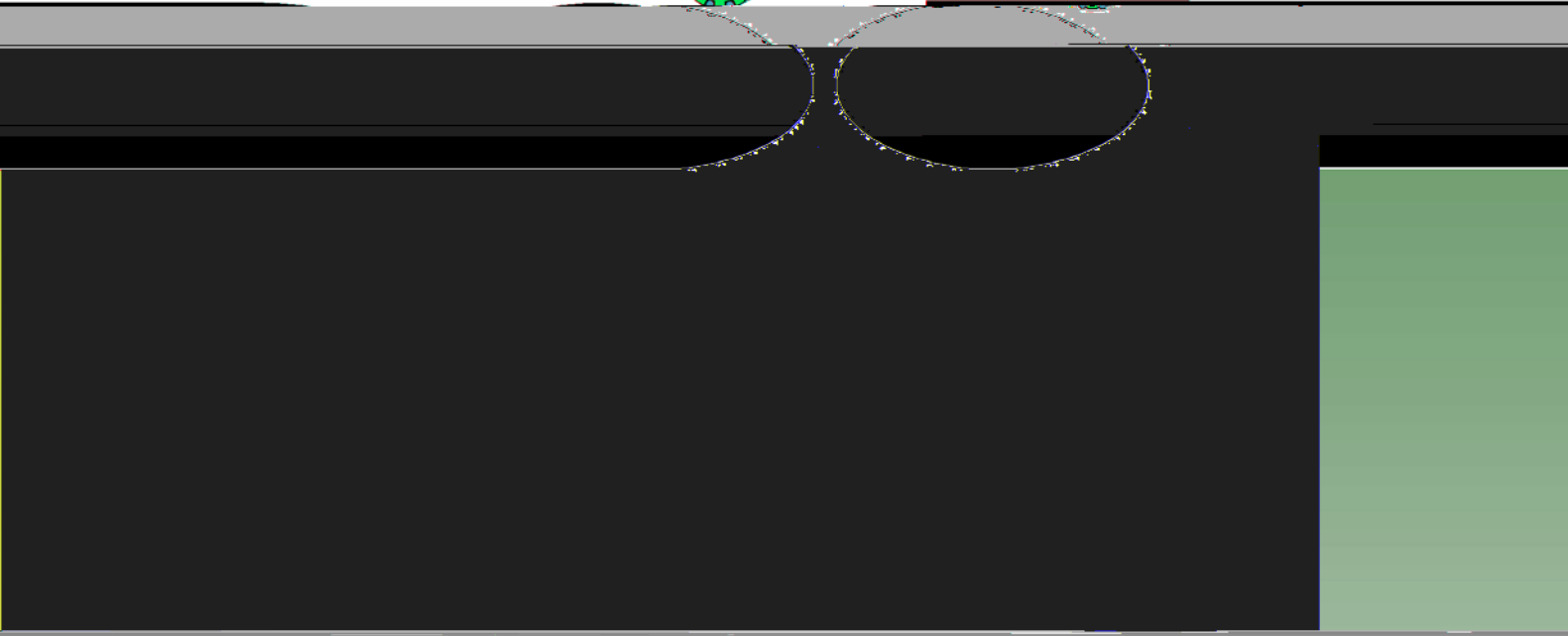
- 2.4.5 This service is similar to an 'insurance' scheme as while the Local Education Authority requires schools to pay the first £5-10k for repairs depending on the size of the school, the SEPRS bridges this gap in funding as well as undertaking statutory maintenance and emergency repairs.
- 2.4.6 Urban 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

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3 Costs and Fees

3.1 Introduction

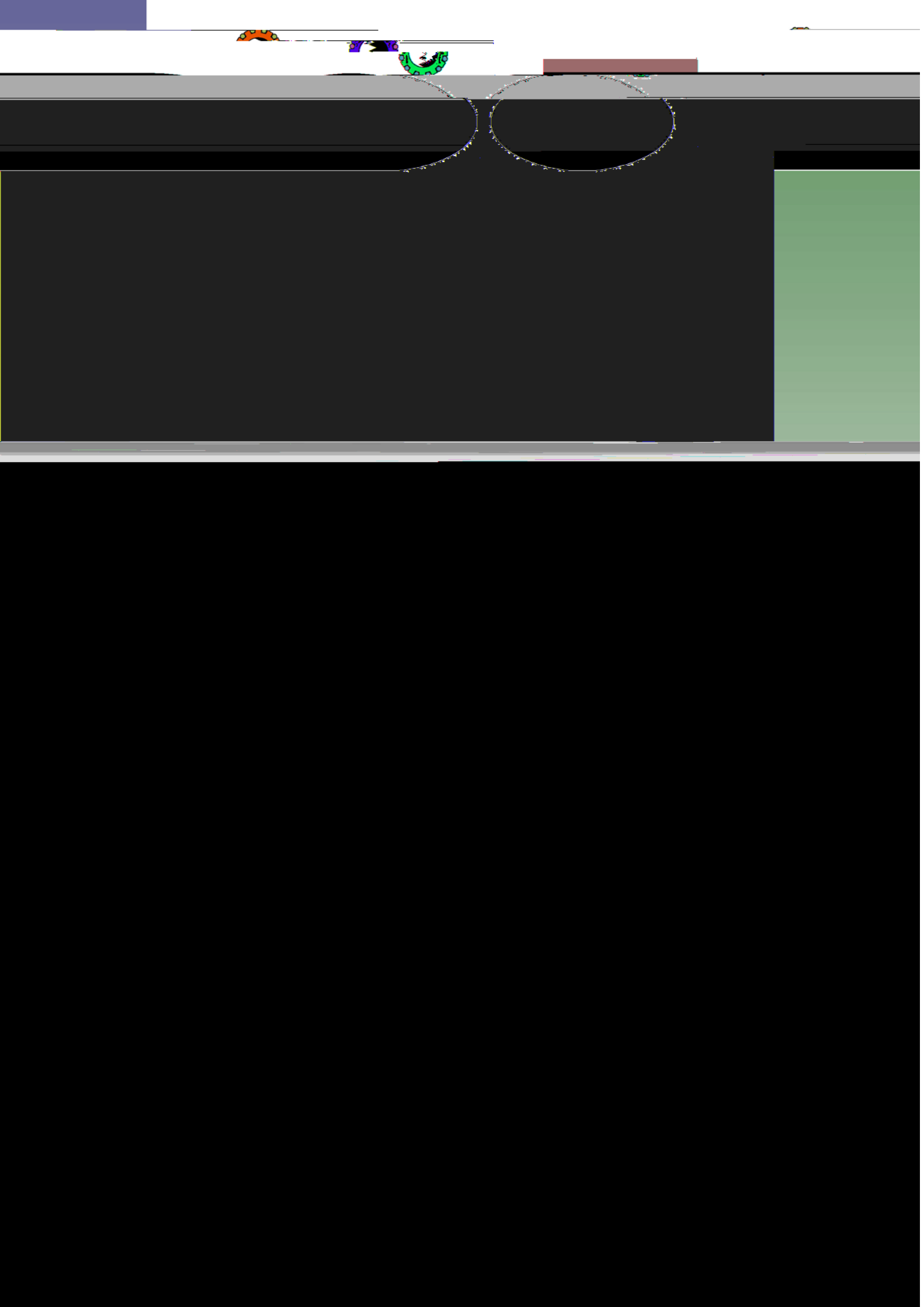
3.1.1 The finance structure behind Urban Design is particularly different to other areas of the City Council. Uniquely, it is the only Council service

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).

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- 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



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- 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

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3.3.9 Recharges are allocated to departme

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- **Maintenance** (10% - £1.284m): Day to day repair and maintenance and inspection; and
- **Specialist Services**

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Working Arrangement/Project Type	Fee Level	Notes
Term Contract Any value – those above £50k with prior approval from the Divisional Manager.	10%	Assumed that most will be single trade and/or discipline. Input or advice from other disciplines

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Category/ Indicative Fee Adjustment	New Build/Extensions to Existing	Work to/Within Existing
A (-15%)	Mobile/temporary accommodation Grass pitches Surface car parks	Removal and/or provision of equipment/fittings/furniture Redecoration and/or renewal of finishings and or minor repair work (but no alteration work)
B (-5%)	Multi-storey car parks Depots Warehouses Outdoor markets	Redecoration/renewal of finishings and/or minor repair work (with moderate amount of alteration work)

C (+0%)	Community centres Low/medium rise housing Sheltered housing Neighbourhood Offices Public conveniences
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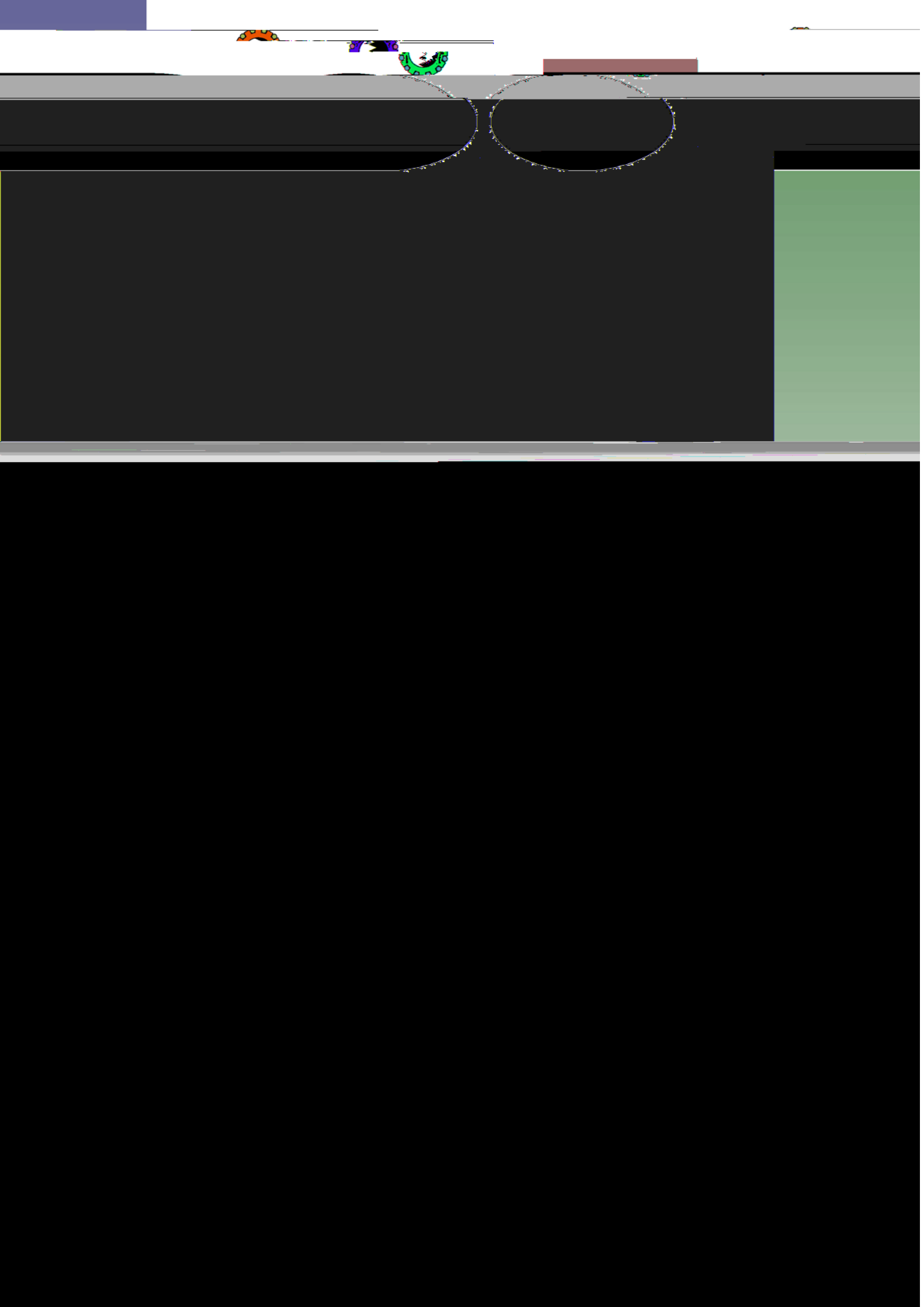
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- Corporate-wide roles and leading initiatives (such as Emergency Planning and advising on Legionella and asbestos).

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.



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4 Human Resource Issues

4.1 Introduction

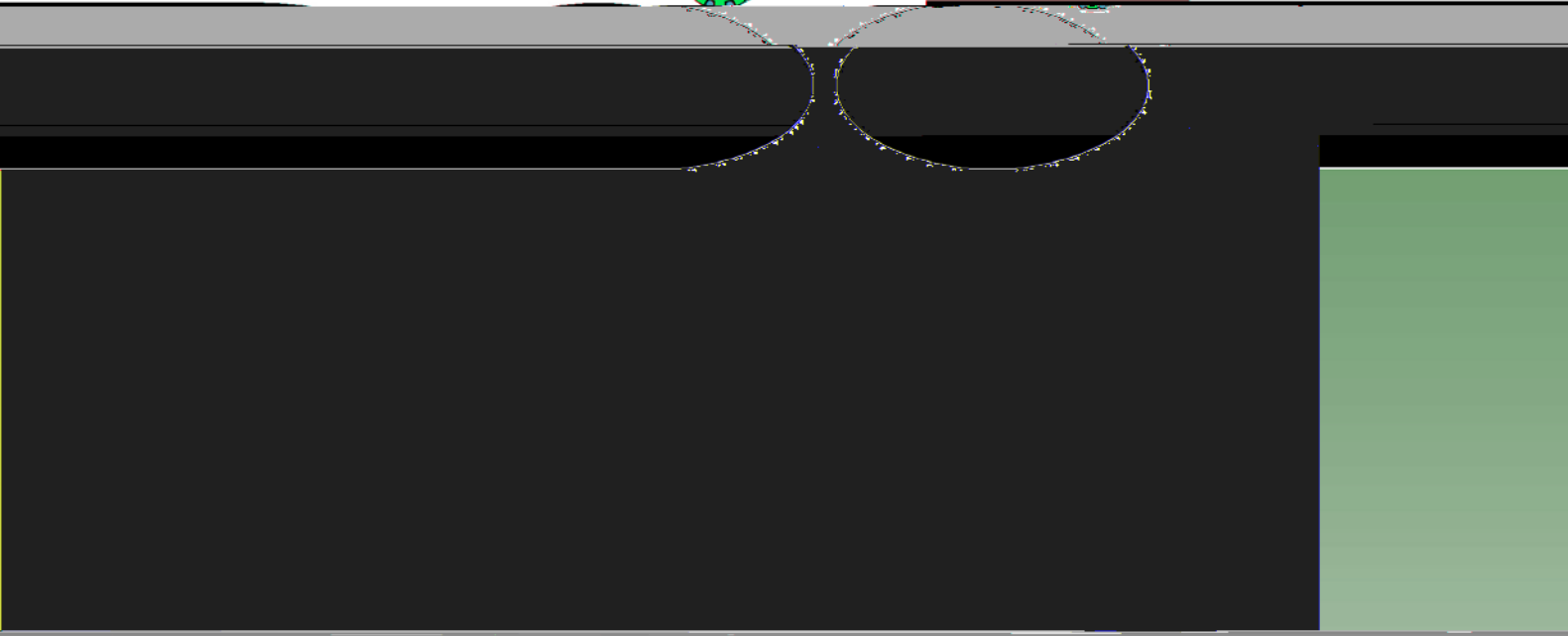
4.1.1 Given that the main cost that Urban Design has is its staff, it is logical that a key line of enquiry for this review was to examine the issues

Key points in this section

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

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Department/Service Area	Average Staff 2004/5	Technical Staff Leavers 2004/5	%
City Centre Management	8.30	0	0.00%
Development Management Service	122.56	4	3.26%
Development Strategy	161.12	9	5.59%
Eastside	7.15	1	13.99%
Highways	519.06	28	5.39%
Planning and Regeneration	687.35	12	1.75%
Urban Design	214.11	19	8.87%
Total	1,719.65	73	4.25%



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- 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

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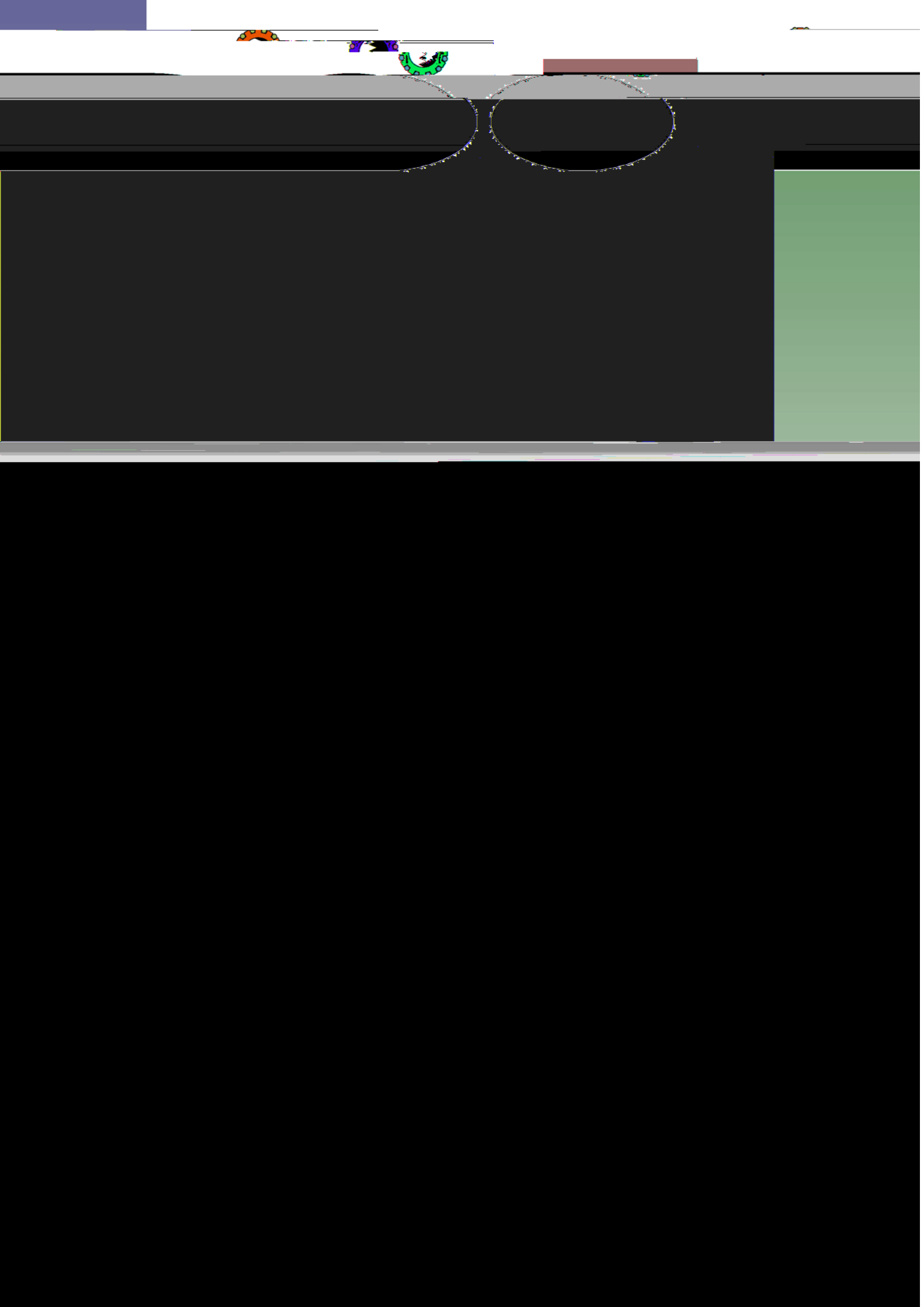
5 Comparisons

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

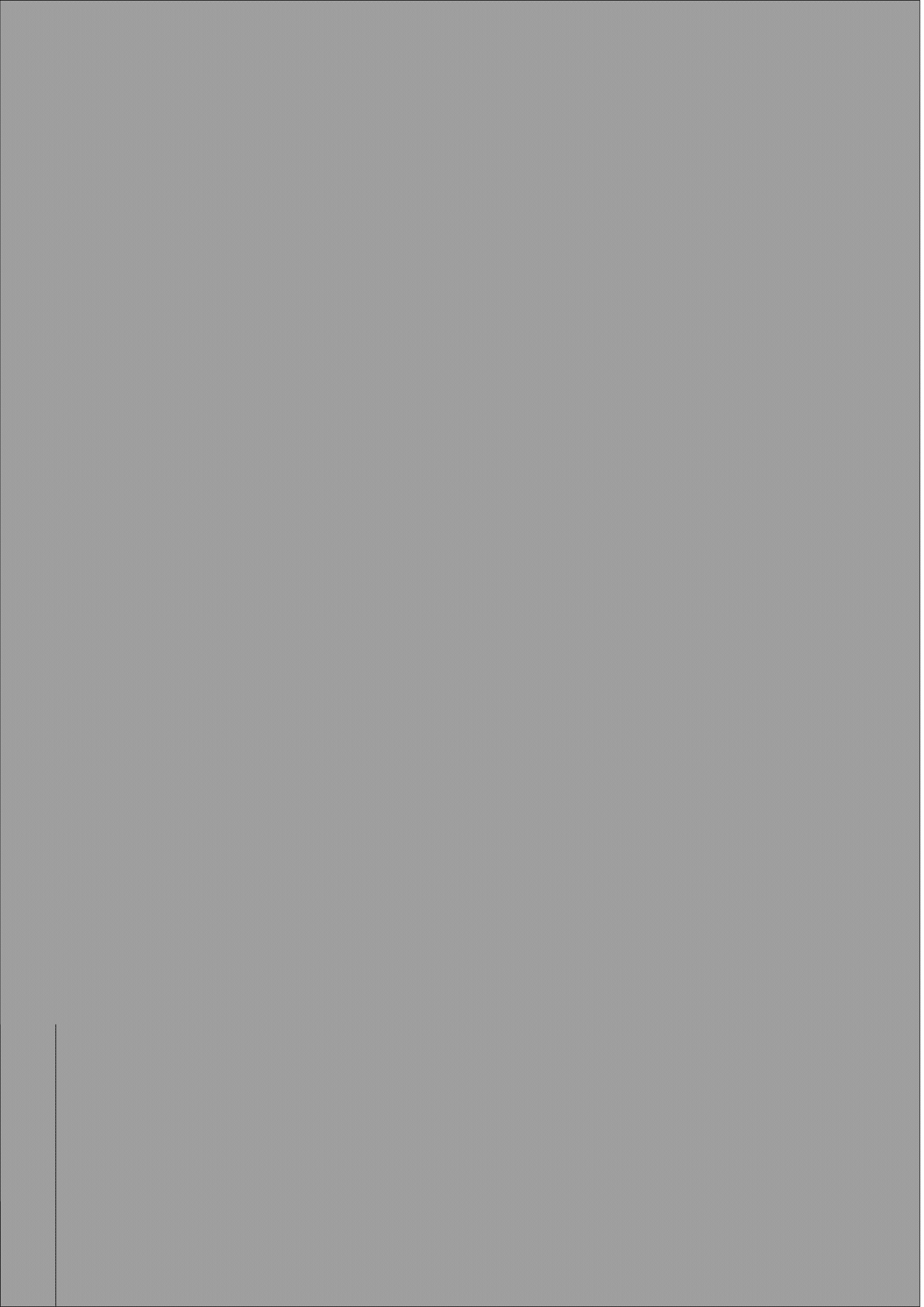
Key points in this section

- Fee levels overall are lower than others – around 11.5%;
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- 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.



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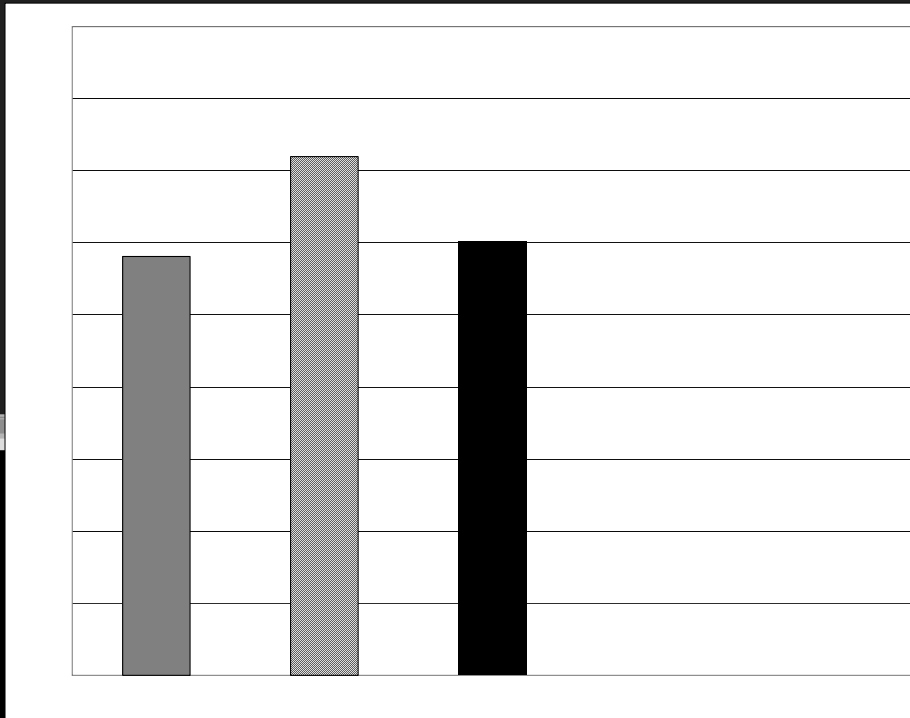
5.3.7 The difference with other authorities may be due to varying methodologies/strategies used to calculate time-charge rates as well as other factors, such as:

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

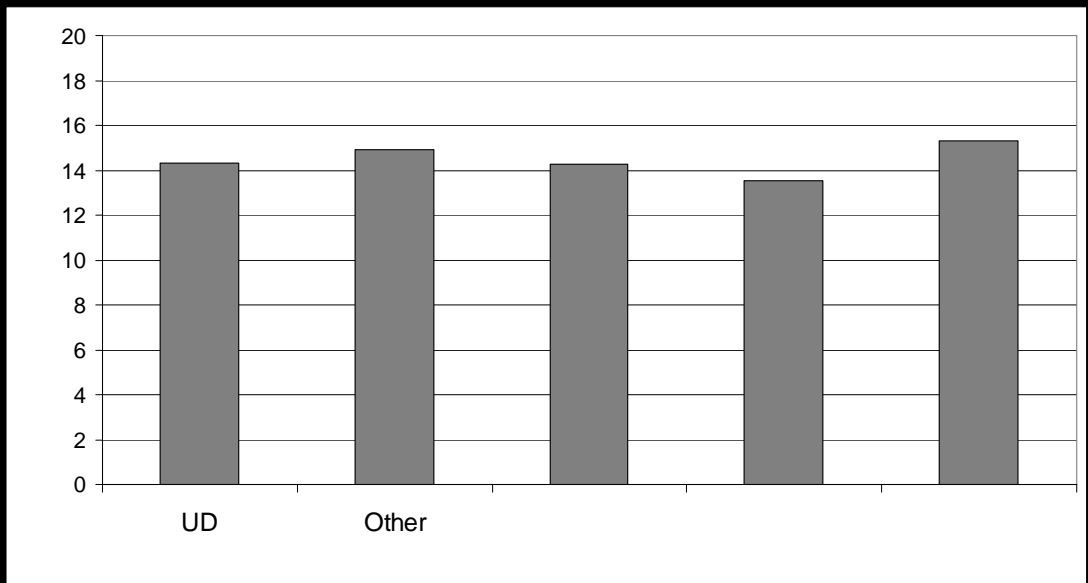
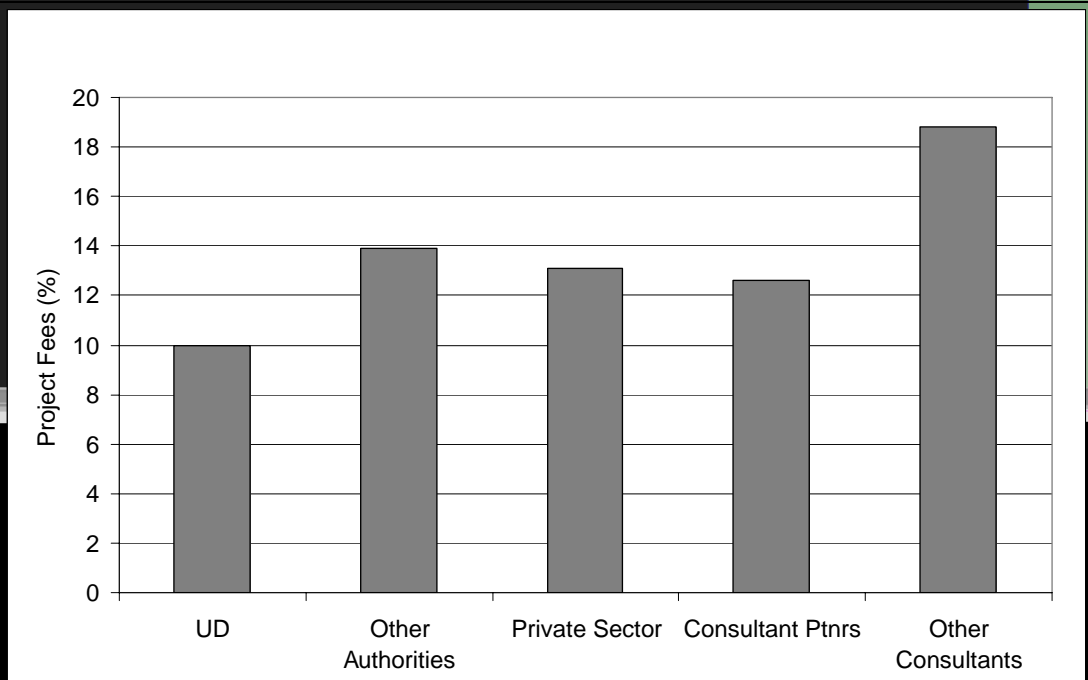
5.3.8 Differences in expenditure, profitability and productivity have been highlighted in section 5.2 and earlier in section 5.3, all of which contribute to the variation in time-charge rates.

5.3.9 The Council has not had the opportunity to visit other Councils to compare their time-charge rates and methodologies.

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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 co
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- 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

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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

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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;

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6.3 Client Satisfaction

Overall Performance

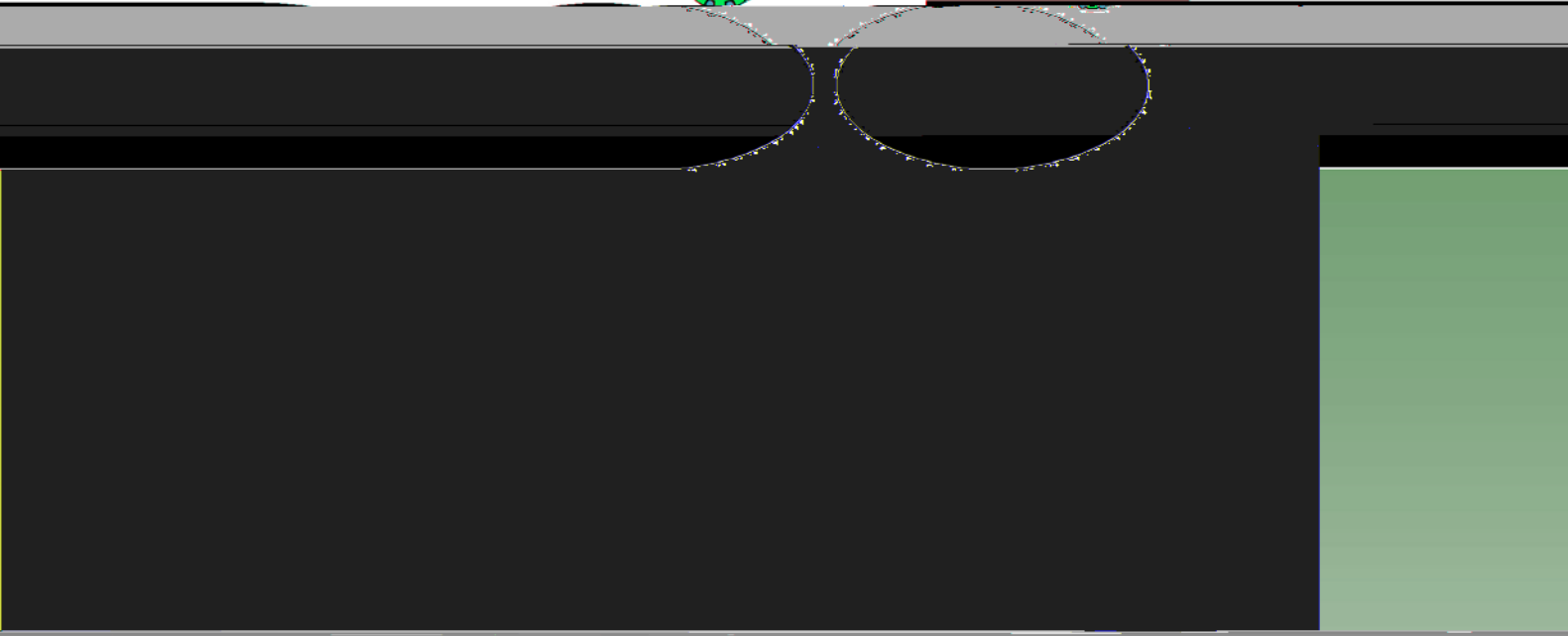
6.3.1 Urban Design has very high levels of client satisfaction across the board and consistently performs higher than the industry average as shown in the statistics below. Overall satisfacti

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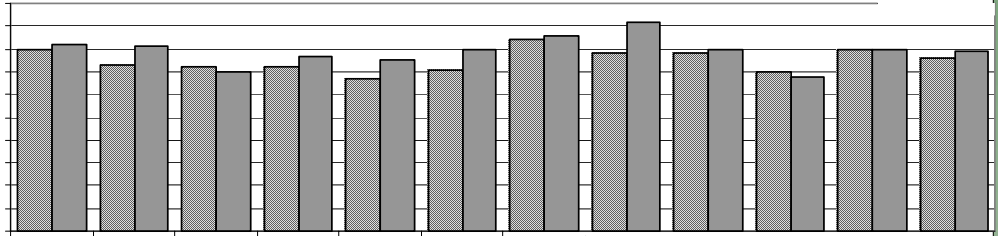
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Category 2 Projects

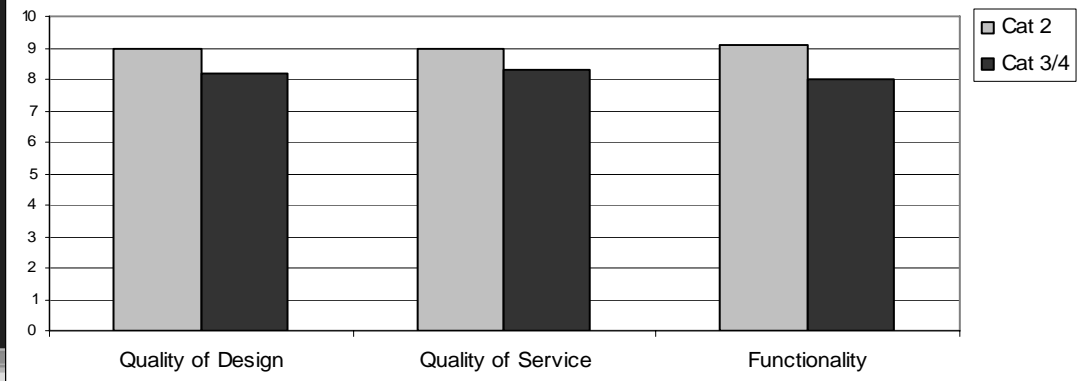
- 6.3.4 In terms of Category 2 projects, all the clients that responded in 2005/6 were very satisfied with the service they received. The average satisfaction level was 9 out of 10, an improvement from 2004/5 when the level was 8.2 out of 10.
- 6.3.5 The 2005/6 information is based on 45 clients who 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



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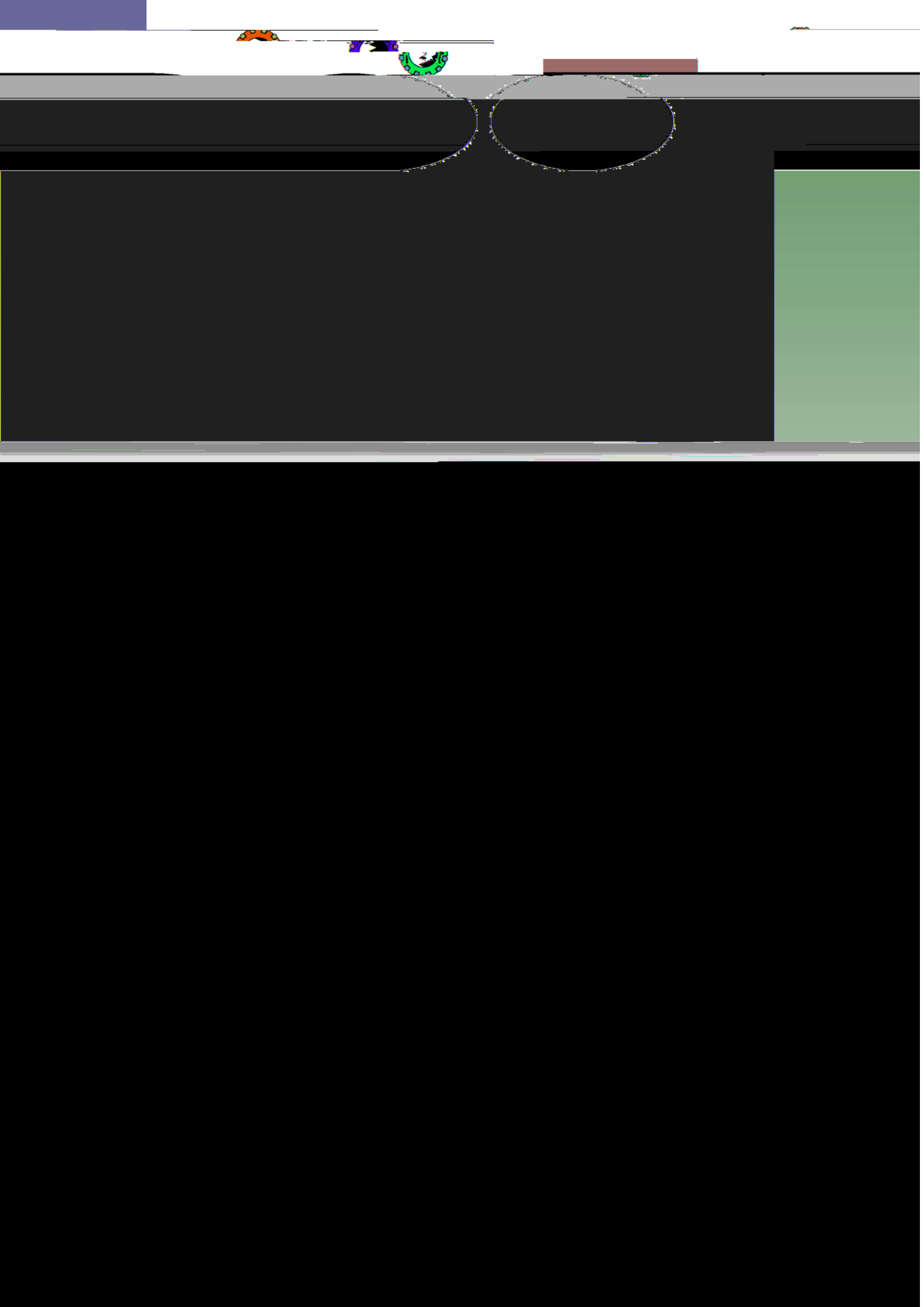


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6.4.3 Where clients had issues with the quality of design and the service provided, these concerned:

- 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

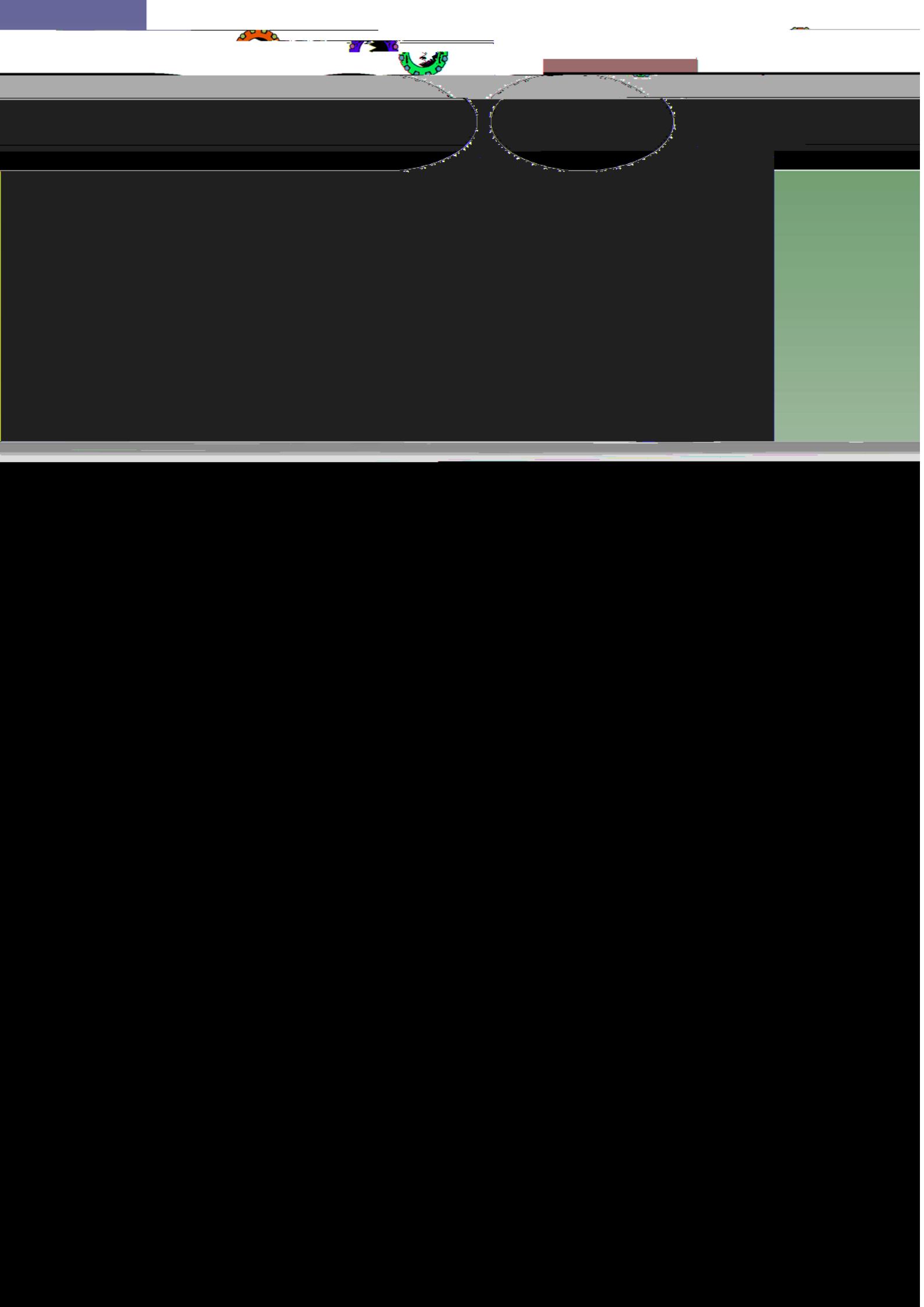


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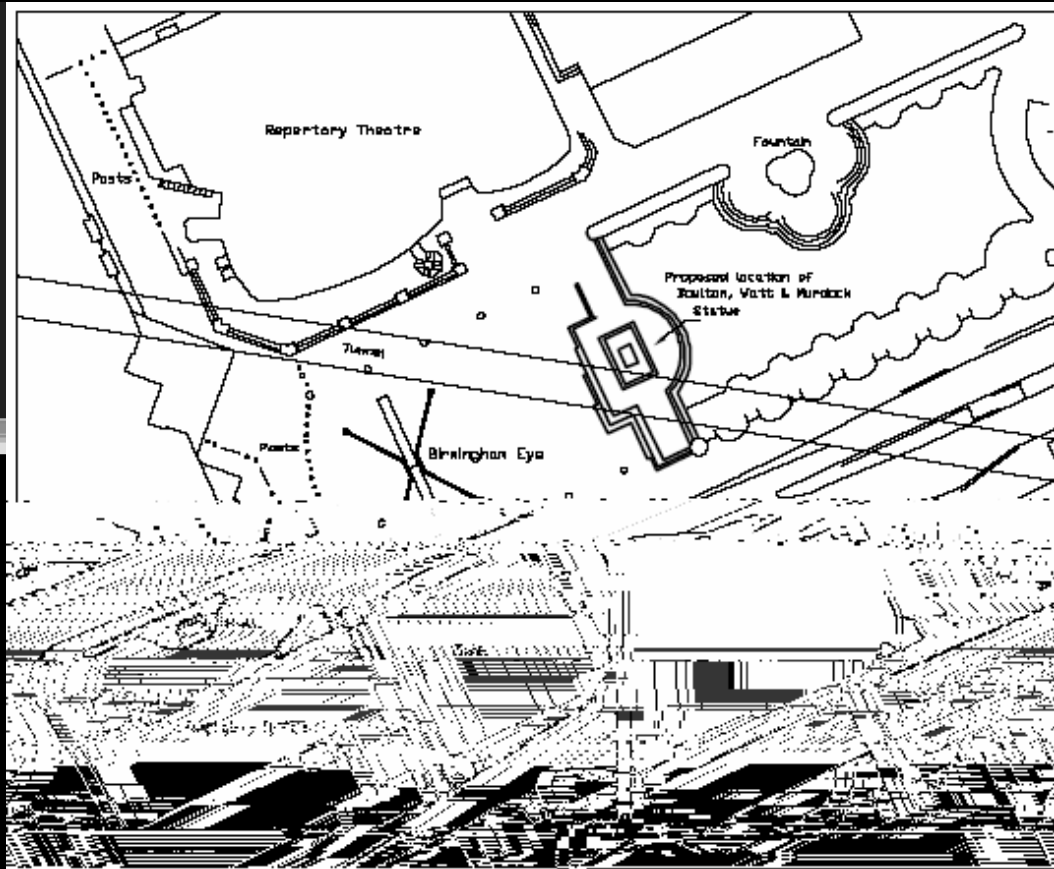
- The inability to tackle intermittent or seasonal faults (such as a leaking roof);
- Knowing who will attend from the contractor – a key issue for schools;
- Ensuring that there is adequate communication between Urban Design/the contractor and the Head Teacher/Caretaker when work is done out of hours;
- Following up on jobs done by contractors.

6.5 Anecdotal Perceptions

6.5.1 The following table lists the anecdotal perceptions of the committee members.



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- 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.

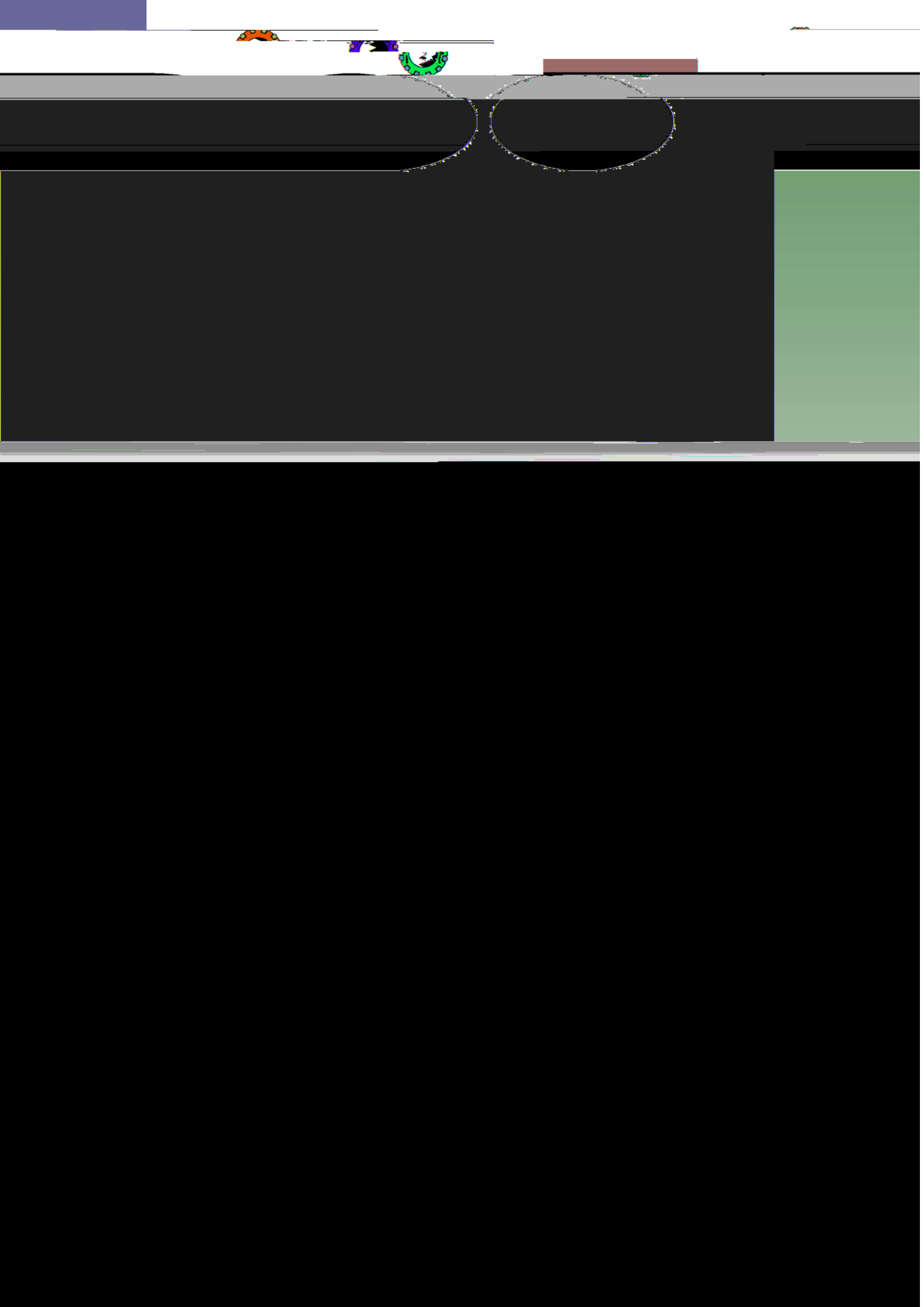
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3. *There may be alternative ways of providing this service that would provide opportunities to overcome these constraints. Whilst it was not the role of this review to specifically examine these, we do feel that to do so is a key strategic consideration.*
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.*

	Recommendation	Responsibility	Completion Date
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).		

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- 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



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- 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

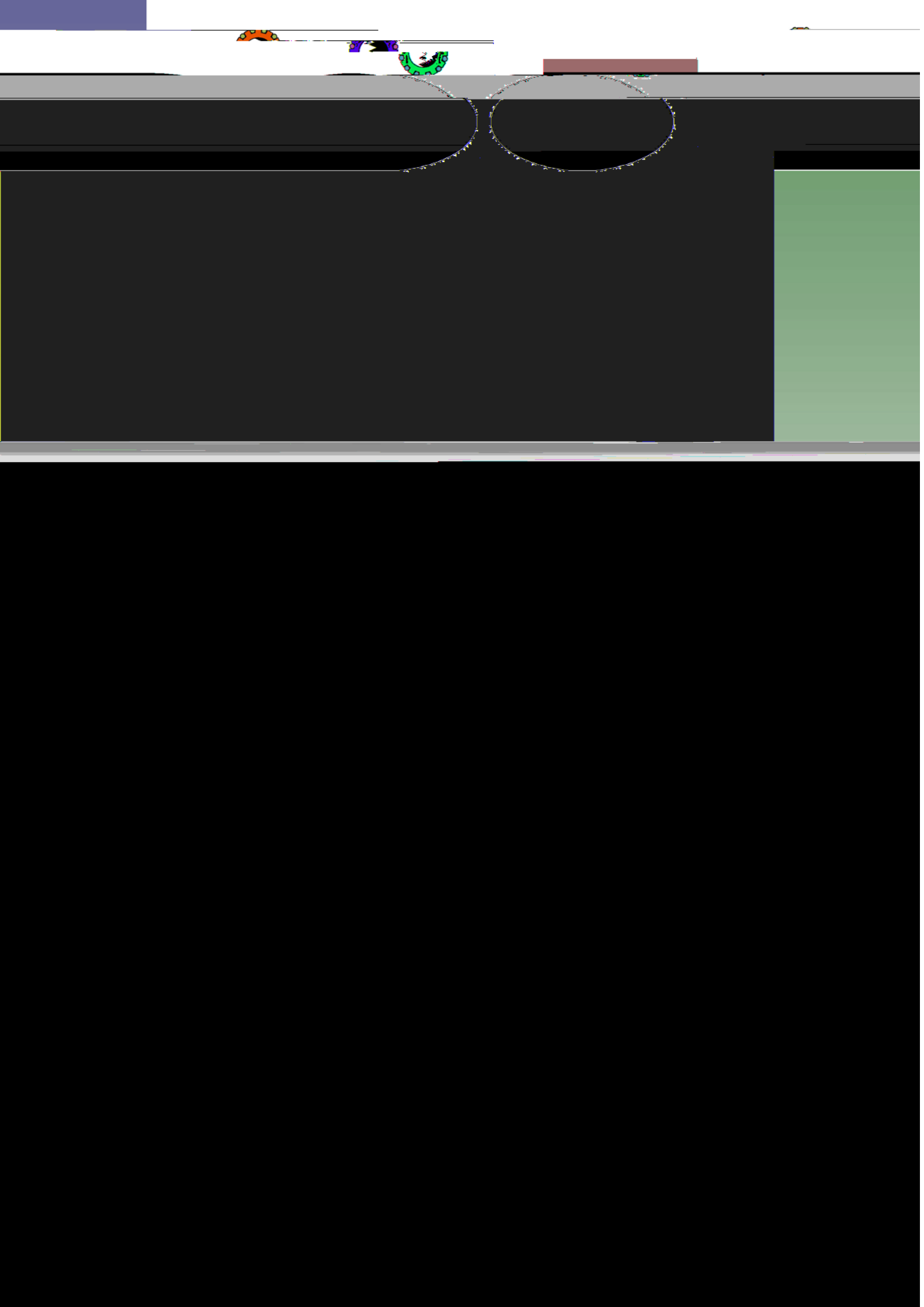
15. *There are particular issues with the degree of flexibility to tackle recruitment, turnover and staff retention in a buoyant marketplace. Other aspects also have an impact on staffing, including uncertainty over the outcome of Single Status and the age profile of Urban Design.*
16. *The Council's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

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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.

	Recommendation	Responsibility	Completion Date
R9	Progress towards achievement of these recommendations should be reported to the		



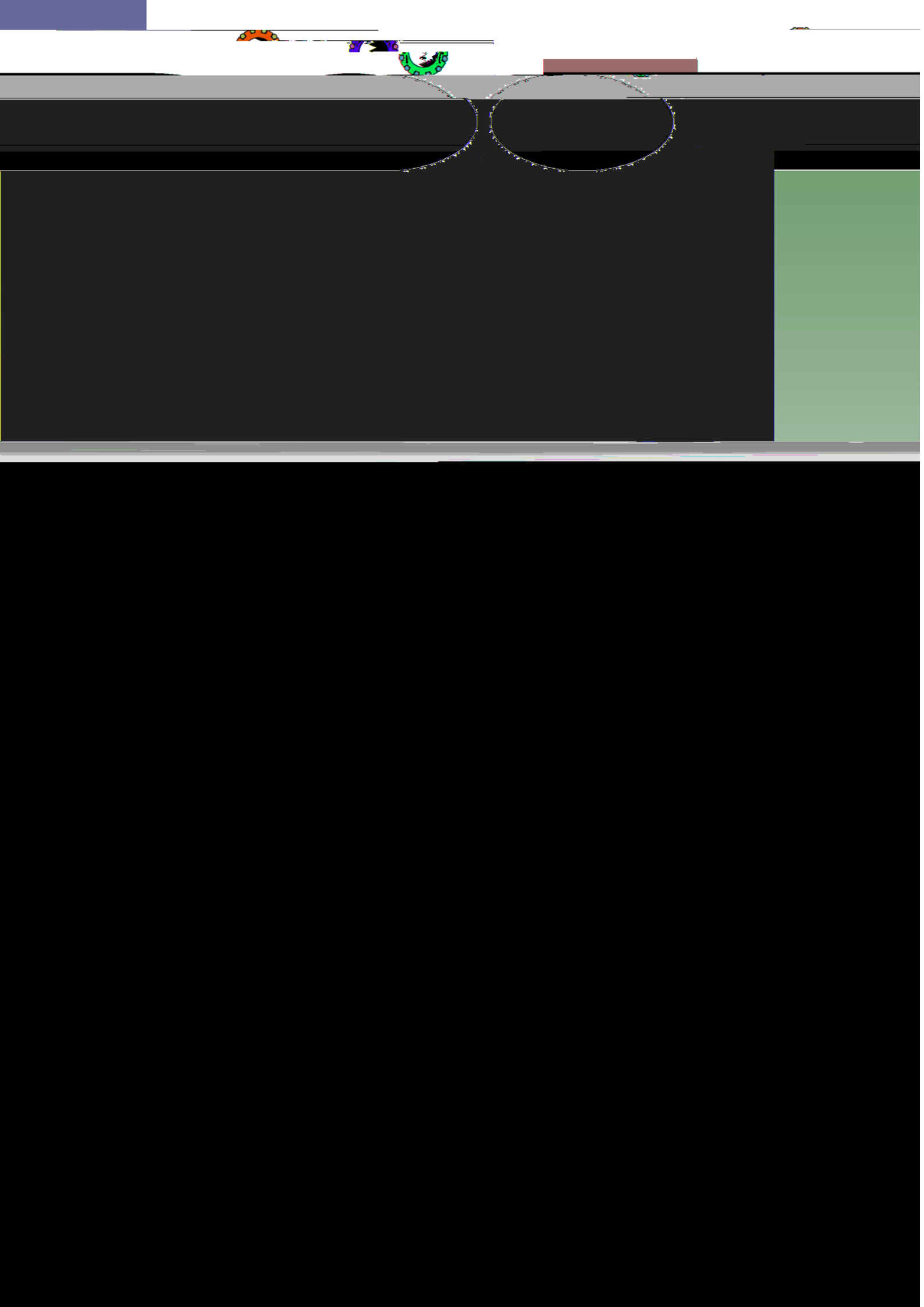
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Appendix 2 Methodology for Comparisons

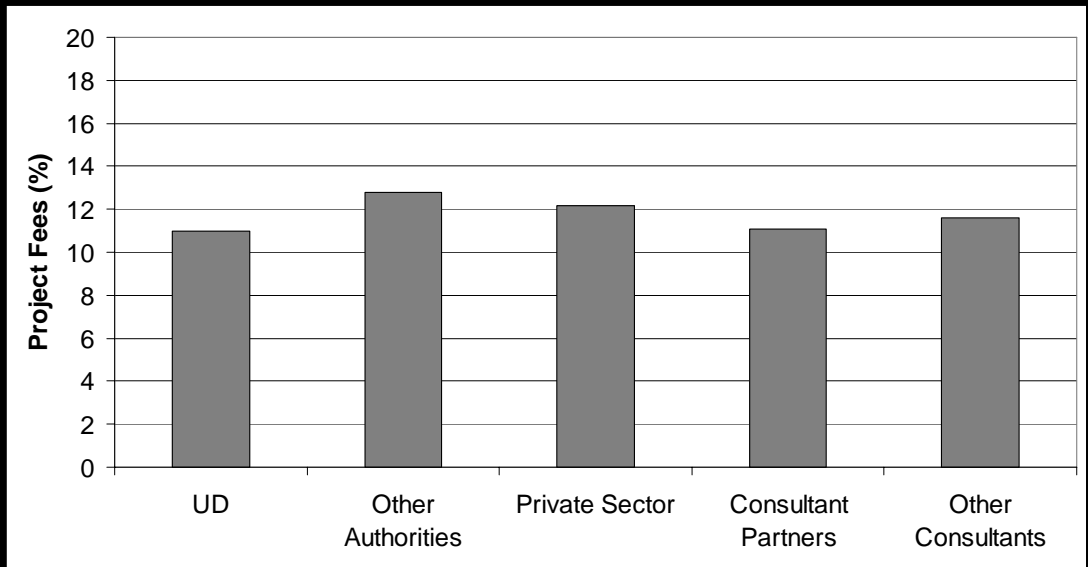
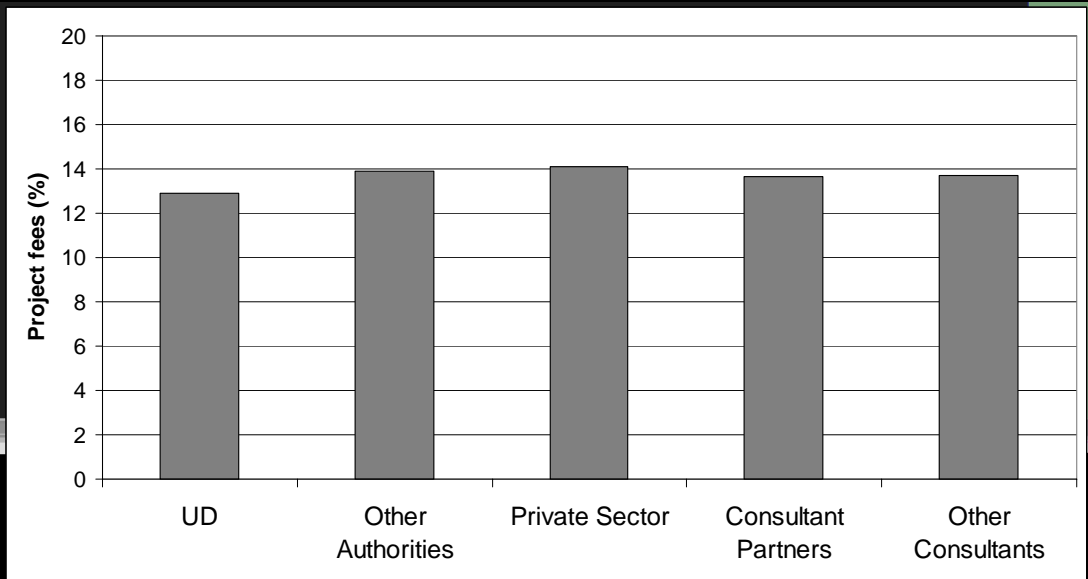
A2.1 Methodology

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



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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);