

**REPORT TO :** Best Value Sub-Committee - 26 January 2006

**REPORT ON :** Best Value Review of Architectural Services Fees

**REPORT BY :** Depute Chief Executive (Support Services)

**REPORT NO:** 52-2006

**1.0 PURPOSE OF REPORT**

- 1.1. To review the level of service provided by the Architectural Services Division and to determine whether efficiency savings could be identified resulting in a fee reduction.
- 1.2 To confirm that the level of service provided by the Architectural Services Division is best value when benchmarked with other Local Authorities and the private sector.

**2.0 RECOMMENDATIONS**

- 2.1 That Architectural Services fees be reduced by 5% across all disciplines and for all clients.
- 2.2 That Architectural Services hourly rates for time charges remain at the level set for 2004/05.
- 2.3 That the service provided by Architectural Services be accepted as Best Value as demonstrated by the benchmarking evaluation carried out with other Local Authorities and the private sector.
- 2.4 That a Best Value Review on Property Management be carried out after completion of the Asset Management Plan.

**3.0 FINANCIAL IMPLICATIONS**

- 3.1 The reduction in fees, affected by efficiency saving, will result in a collective saving of 280K to all other departments of the Council.
- 3.2 The Architectural Services Division's Revenue budget would reduce by £280K.

**4.0 LOCAL AGENDA 21 IMPLICATIONS**

The following Key Themes of Local Agenda 21 have been addressed:-

- 4.1 Resources are used efficiently and waste is minimized.
- 4.2 Local needs are met locally.
- 4.3 Diversity and Local distinctiveness are valued and protected.

**5.0 EQUAL OPPORTUNITIES IMPLICATIONS**

- 5.1 It is noted that the Architectural Services Division recognizes the Council's Equal Opportunities Policy in all their considerations and addresses this by carrying out sustainability and access audits at the design stage on all projects. Specific consideration in design is given to people with disabilities to ensure barrier-free access to facilities.

## 6.0 BACKGROUND

6.1 This review was undertaken by a working group consisting of Depute Chief Executive (Support Services) who chaired the group, Director of Dundee Contract Services, Director of Economic Development, City Engineer, City Architectural Services Officer and Head of Finance.

6.2 The Group's remit was to evaluate whether the Architectural Services Division could demonstrate Best Value when benchmarked with other Local Authorities and the private sector and to determine whether a saving in fees could be effected by efficiency savings.

The Group decided its remit did not include other issues concerning the management of property maintenance and projects within the Council. However, it decided to recommend that they should be the subject of a best value review on completion of the Council's Asset Management Plan. These issues are set out in section 7 of the report.

6.3 Benchmarking of fees with the Public Sector for a range of services was carried out through the Society of Construction and Quantity Surveyor (SCQS) Best Value Benchmarking Group. It was demonstrated that Architectural Services fees were most favourable on 58% of the fees compared and either second or third most favourable on the remaining 42%.

Benchmarking of fees with the private sector was carried out and fee tenders and submissions were evaluated. It was demonstrated that the level of fee charged by Architectural Services was lower than the private sector on average by 26-30% and that the hourly rate was, on average, lower by 26%.

This information is provided at Appendix 'A'.

6.4 A breakdown of Architectural Services fee scales for various types of project was reviewed and compared with published fee scales. It was noted that fees for Architectural Services, based on percentage of contract value, had not changed since 1999. Published fee scales for professional services indicated a 50% increase in fees from 1999-2005.

6.5 A Quality Assessment was carried out on Value for Money and Continuous Improvement. It was demonstrated that Architectural Services provide a value for money service.

This information is provided at Appendix 'B'.

6.6 Efficiency Savings have been identified by Architectural Services through structure reviews and consultation with staff. This concluded that savings of £273K can be implemented in a full year.

This information is provided at Appendix 'C'.

6.7 Efficiency Savings have also been considered for implementation of the Scottish Housing Quality Standards together with the Housing Department and appropriate Contractors and through process analysis and review significant savings have been identified..

6.8 The Review Group concluded that the Architectural Services Division had demonstrated Best Value through benchmarking and that a 5% saving in fees could be effected through efficiency savings. This will be partly implemented in 2005/06 and fully implemented in 2006/07.

## **7.0 FUTURE ACTION**

7.1 As part of the review the Group considered all aspects in the provision of Architectural Services. It was agreed that further savings could be identified through Corporate reviews of related matters. The group, however, did not consider this was part of the current review but wished to identify these areas for future consideration. These include:-

7.1.1 Review of Corporate Overhead and whether this should be re-charged separately from fees.

7.1.2 Accommodation costs. High level of recharge for Tayside House. Further options should be considered at a more cost effective rate.

7.1.3 Corporate rationalization of construction/technical/professional staff and property management. Option appraisal should be carried out to determine efficiency savings.

## **8.0 CONSULTATION**

The Depute Chief Executive (Finance) has been consulted on this report.

## **9.0 BACKGROUND PAPERS**

9.1 Best Value reviews carried out in 1998/99 and 1999/2000 and reports to Best Value Sub-Committee on 1 April 1999 and 11 September 2000.

9.2 Performance Management and Planning Audit (PMP) carried out in 2001 and report by Audit Scotland dated 15 March 2001 and Progress Update dated 13 May 2002.

9.3 Detailed papers and background reports relating to the Review are held in the audit file and are available for inspection.

**Patricia McIlquham**  
**Depute Chief Executive (Support Services)**  
**(Chair Best Value Review Group)**

January 2006

**BENCHMARKING FEES AND HOURLY RATES**

**RANKING OF ARCHITECTURAL SERVICES DIVISION FEES THROUGH SOCIETY OF CONSTRUCTION AND QUANTITY SURVEYORS BEST VALUE BENCHMARKING GROUP**

	Private/LA	Code	Division	Work Category	Value Range	Architect	Quantity Surveyor	Services Engineer	Clerk of Works	Planning Supervisor	Project Manager	Total	Notes	Rank 1 = Lowest fee
					£	%	%	%	%	%	%	%		
ASD	LA	2.1.01 c	Housing	Window Replacement	£100-500K	1.49	0.70		1.10	0.07		3.36		1
ASD	LA	2.1.01 d	Housing	Window Replacement	£500K +	1.19	0.56		1.69	n/a		3.44		1
ASD	LA	2.1.03 d	Housing	Rewire	£500K +		0.65	1.71	0.76	0.02		3.14		1
ASD	LA	2.1.04 d	Housing	Heating Replacement	£500K +		1.01	4.54				5.55		1
ASD	LA	2.1.05 c	Housing	Fabric Repairs	£100-500K	2.64	1.89		1.47	0.03		6.03		1
ASD	LA	2.1.09 c	Housing	Repairs Notices	£100-500K	1.15	1.78		0.95	n/a		3.88		1
ASD	P	3.1.10 b	Housing	Mods/Comfort & Security	£050-100K			2.28				2.28		1
ASD	LA	2.1.10 d	Housing	Mods/Comfort & Security	£500K +	2.94	1.81		1.96	n/a		6.71		1
ASD	LA	2.2.04 e	Non-Housing	New Build	£500K-1M	3.88	3.11		0.76			7.75		1
ASD	LA	2.2.04 f	Non-Housing	New Build	over £1M	3.18			0.92			4.10		1
ASD	LA	2.2.04 f	Non-Housing	New Build	over £1M	3.55	1.62	1.68	1.68	0.20	0.40	9.13	£3.170.m (P)	1
ASD	LA	2.2.04 f	Non-Housing	New Build	over £1M	3.50	1.50	2.00	1.50	0.25	0.50	9.25	£3.850.m (P)	1
ASD	LA	2.3.01 b	Economic Development	Factories/Workshop Units	£050-100K	4.55	1.89		1.45			7.89		1
ASD	LA	2.3.01 e	Economic Development	Factories	£500K-1M	4.53	3.11		1.06			8.70		1
ASD	LA	2.3.01 f	Economic Development	Factories	over £1M	3.69	2.11		0.64			6.44		1
ASD	LA	2.1.02 c	Housing	Roof Replacement	£100-500K	2.31	1.56		2.31	0.05		6.23		2
ASD	P	3.1.03 d	Housing	Rewire	£500K +	*	*	*	*	*		* 3.52	* multi-discipline consultancy	2
ASD	LA	2.1.09 a	Housing	Repairs Notices	£000-050K	0.28	2.64		7.93	n/a		10.85		2
ASD	LA	2.1.10 c	Housing	Mods/Comfort & Security	£100-500K	3.95	3.04		1.21	n/a		8.20		2
ASD	LA	2.3.02 c	Economic Development	Office Alterations	£100-500K	7.02	3.14					10.16		2
ASD	LA	2.5.02 c	External Clients	Police/Fire	£100-500K	5.51	6.99	4.33				16.83		2
ASD	LA	2.1.05 b	Housing	Fabric Repairs	£050-100K	4.12	3.04		2.05	n/a		9.21		3
ASD	LA	2.1.07	Housing	Cyclical Maintenance		4.80	2.40		6.80	n/a		14.00		3
ASD	LA	2.1.09 b	Housing	Repairs Notices	£050-100K	9.00	incl	incl	incl	incl		9.00		3
ASD	P	3.1.10 a	Housing	Mods/Comfort & Security	£000-050K	6.77	4.76					11.53		3
ASD	P	3.1.10 c	Housing	Mods/Comfort & Security	£100-500K	7.14	1.75					8.89		3

**N.B.** Job selected from dataset as 25 most typical Local Authority job types

## BEST VALUE FEE REVIEW 2005

### Special Projects Architectural Services Fees

Excludes Structural and Civil Engineers fees.

Mizra and Nacey are a recognised market research company who produce data on professional fees charged in the building industry.

Project	Arch/QS Only	Mizra/Nacey Survey Arch/QS
Forthill PS	5.00	8.10
St Johns HS	6.75	7.00
Menzieshill HE	6.18	7.80
Barrack St Alterations	7.20	10.40
Wellgate Offices	5.13	9.50
Social Work Offices Claverhouse	5.17	7.40
Charleston NC Alts	8.25	10.40
Baldragon HS - Alts	7.25	9.00
Greenmarket Car Park	7.00	n/a
Housing Area Office-Happyhillock	6.40	7.95

# Hourly Rate Analysis

## Comparison Between Private Sector and Architectural Services Division Charge-Out Rates

(Based on rates contained within tenders for Marketgait fee submissions)

Private Sector				ASD 05/06	Difference Average Private to ASD 05/06
No. in sample	Max	Min	Average		

### Architect

Director	23	£135	£55	£86.35	£44.00	-49.04%
Associate Director	19	£100	£45	£67.21	£44.00	-34.53%
Principal	4	£90	£60	£71.75	£44.00	-38.68%
Senior	15	£75	£45	£56.27	£44.00	-21.81%
Main Grade	22	£65	£35	£47.89	£44.00	-8.12%
Assistant / Technician	21	£55	£25	£38.74	£31.00	-19.98%

### Quantity Surveyor

Director	11	£120	£55	£81.91	£44.00	-46.28%
Associate Director	10	£85	£45	£65.00	£44.00	-32.31%
Principal	1	£70	£70	£70.00	£44.00	-37.14%
Senior	8	£65	£35	£53.13	£44.00	-17.18%
Main Grade	9	£55	£30	£44.33	£44.00	-0.74%
Assistant / Technician	5	£40	£22	£34.40	£31.00	-9.88%

### Mechanical & Electrical

Director	10	£120	£50	£79.40	£44.00	-44.58%
Associate Director	7	£85	£45	£66.00	£44.00	-33.33%
Principal	2	£65	£55	£60.00	£44.00	-26.67%
Senior	8	£65	£50	£55.75	£44.00	-21.08%
Main Grade	10	£55	£35	£47.10	£44.00	-6.58%
Assistant / Technician	7	£50	£33	£39.14	£31.00	-20.80%

### Structural/Civil Engineering

Director	9	£120	£50	£86.00	n/a	n/a
Associate Director	6	£100	£45	£72.50	n/a	n/a
Principal	4	£80	£55	£61.25	n/a	n/a
Senior	6	£60	£40	£54.17	n/a	n/a
Main Grade	9	£55	£35	£45.56	n/a	n/a
Assistant / Technician	8	£45	£33	£38.63	n/a	n/a
Graduate	3	£35	£35	£35.00	n/a	n/a
Clerical / CAD Operator	3	£42	£20	£30.67	n/a	n/a

**REVIEW OF THE LEVEL AND QUALITY OF SERVICE**



## **BEST VALUE REVIEW OF ARCHITECTURAL SERVICES FEES**

### **BEST VALUE / VALUE FOR MONEY**

#### **1. BEST VALUE REVIEW**

- Carried out in 1998/2000
- Council approved option that Architectural Services delivered Best Value and that the in-house services should be retained
- Benchmarking and competitive tendering were integral to this review

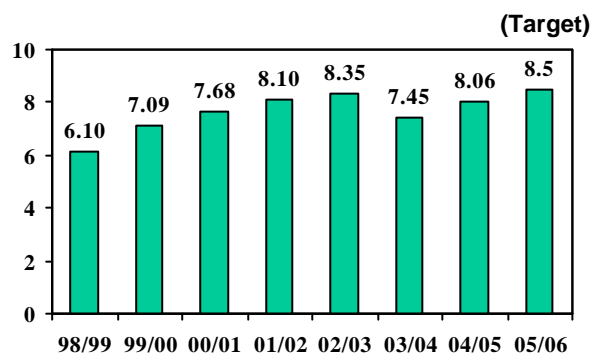
#### **2. PERFORMANCE MANAGEMENT AND PLANNING AUDIT (PMP)**

- Carried out in 2001 by Audit Scotland
- 6 criteria classified 'A'; 4 criteria classified 'B'
- 7th rated out of 81 Audits in Scotland
- Submission used as Best Practice in Scotland by Audit Scotland

#### **3. CUSTOMER SATISFACTION : ANNUAL SURVEY CARRIED OUT**

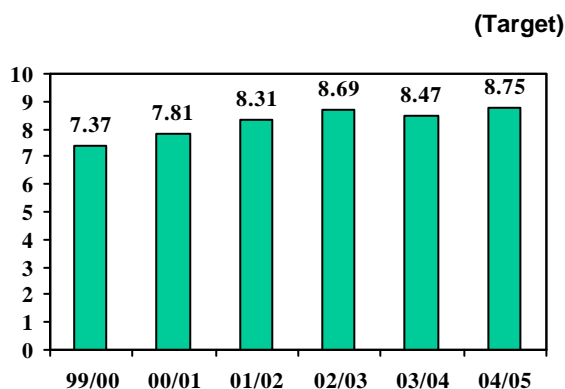
- Scoring since 1998

#### **4. CONTRACTOR SATISFACTION : ANNUAL SURVEY CARRIED OUT**



It is considered that the drop in rating for 2003/04 was due to major restructuring of the Division. This has now been addressed and rating for 2004/05 has improved.

- Scoring since 1999



## **5. QUALITY MANAGEMENT PROCEDURES : ISO:9001:2000**

- ISO:9001 Accreditation held for 10 years
- Monthly internal audits
- Bi-annual external assessment

This is an external accreditation of the quality management procedures implemented by the Architectural Services Division.

## **6. SUSTAINABILITY ENVIRONMENTAL PROCEDURES: ISO:14001**

### **Sustainability**

Sustainability and protection of the environment is now high on the agenda for Local Authorities and National Governments and is a worldwide initiative. The Architectural Services Division have promoted these ideals and implemented initiatives into Council projects to support these.

They formed the Scottish Sustainable Construction Forum in 1999 and this body is now funded by the Scottish Executive and has 162 members representing 73 organisations.

They were also one of the founder members of Dundee Sun City, a partnership between Dundee City Council, SCARF, SET, Dundee University, University of Abertay, Dundee College and Housing Associations. The aims of this body is to increase awareness of renewable energy, energy efficiency and environmental perception to Dundee and Tayside citizens and to promote this to all pupils in this area.

- ISO:14001 Accreditation held since 2003.
- Monthly internal audits
- Bi-annual external assessment

This is an external accreditation of the environmental procedures implemented by the Architectural Services Division.

## **7. INVESTORS IN PEOPLE (IIP)**

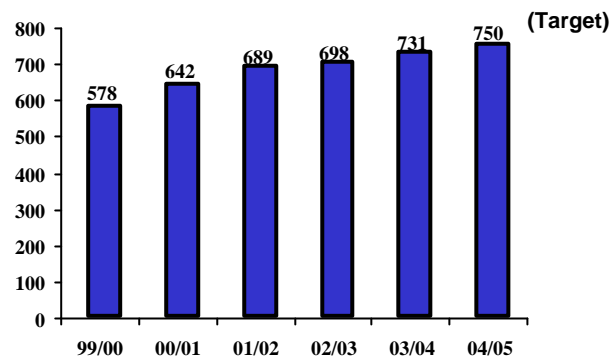
- Accreditation held since 2001
- 2 yearly external assessment

This is an external accreditation and certification that people are recognised as the most valuable asset of the Architectural Services Division and are treated accordingly.

## **8. CONTINUOUS IMPROVEMENT**

The Architectural Services Division is very conscious that Continuous Improvement is an integral part of Best Value and adopted the EFQM process in 1999. A self assessment is carried out annually and an Annual Action Plan, with targets, is prepared and monitored by the EFQM/Continuous Improvement Working Group.

Year on year improvements are evident from the scoring indicated below.



## 9. PARTNERING

The Architectural Services Division was at the forefront of introducing the partnering process to Local Authority Councils in Scotland and this is now common practice in Dundee City Council since 1999. This process has developed good working relationships between Contractor, Client and Consultants and has improved communication. This has led to improved contract outcomes, including contracts finishing on time, within budget and increased customer and end user satisfaction.

## 10. AWARDS

A range of Awards has been won by the Architectural Services Division over the past 5 years and as these are judged against similar service providers, and by external assessors, it is considered a high profile benchmark with the public and private sector organisations which provide a professional consultancy.

These include:-

- Demonstration Project – Movement for Innovation.  
Based on Partnering – Demonstration Project 190  
See Appendix 'D', Pages 33-34 for details  
2000
- COSLA (Convention of Scottish Local Authorities)  
Gold Award (Best Team) 2000
- COSLA Bronze Award  
Customer Satisfaction 2000
- Quality in Construction National Award  
Partnering – Best Small Project of Year 2001
- Scottish Housing and Environmental Innovation Award  
(Short Listed) 2002
- COSLA Silver Award  
Delivering Excellence 2002
- COSLA Gold Award  
Sustainability – Conserving Resources 2003
- CIWM (Chartered Institute of Waste Management)  
National Green Apple Gold Winner –  
Waste Minimisation 2003

- VIBES (Vision in Business for the Environment in Scotland) Certificate of Commendation 2003
- APSE (Association of Public Service Excellence) – National Award, Best Service Team – Construction and Building Maintenance 2003
- APSE National Awards  
Finalist for Best Sustainability/Environmental Initiative 2003
- GO (Government Opportunities Excellence in Procurement) Award, Shortlisted 2004
- APSE National Award – Finalist  
Construction and Building Maintenance 2004
- Green Apple Gold Award 2005 for the Built Environment 2005
- Green Apple National Champion Award 2005
- RICS Scotland Conservation Award 2005
- National RICS Awards 2005  
Commended for Community Benefit 2005
- The British Building Maintenance Awards 2005 2005
- The Dundee Civil Trust Award for Morgan Academy 2005

## CONCLUSION

It is concluded that the Architectural Services Division of Dundee City Council provides Best Value across all areas of its service and can demonstrate, through external assessment and benchmarking, that this is maintained through continuous improvement

JP/YM  
27.05.05

## EFFICIENCY SAVINGS

**ARCHITECTURAL SERVICES DIVISION**  
**BEST VALUE REVIEW**

**EFFICIENCY SAVINGS**

**1.0 STAFFING**

1.1	Review of Structure - 14 March 2005		£ 95,580
1.2	Staff Reductions		
	(2) Architectural Technicians (T1-5)	£ 64,125	
	(1) Services Engineer (AP5-PO8)	£ <u>39,506</u>	£103,631

**2.0 ARCHIVING**

Rationalise Archiving (Implemented)	£ 10,000
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**3.0 SCOTTISH HOUSING QUALITY STANDARDS**

Efficiency Savings identified 5% saving on £17M x 7.5% (Implemented by January '06)	£ 63,750
<b>TOTAL EFFICIENCY SAVINGS</b>	<u><u>£272,961</u></u>

The Efficiency Savings identified above will be effected by implementing the following initiatives:-

- a) Hourly Rate
  - No increase from 2004/05
- b) Sickness
  - Reduce sickness levels from 3.25% to 2.75%
- c) Productive Time
  - Reduce non-productive time by 5%
- d) Overheads
  - Reduce by 5%
- e) Efficiency Savings/Staff Consultation
  - Fully implement by 2006

**SAVINGS TO EFFECT A 5% REDUCTION IN FEES**

Total Budget 2005/06	£5,535,000
Deduct External Income	£ 221,000
	<u>£5,314,000</u>
Savings Required - 5% x £5,314,000	= <u><u>£ 265,700</u></u>