

BRIDGEND COUNTY BOROUGH COUNCIL

REPORT TO CORPORATE RESOURCES AND IMPROVEMENT OVERVIEW AND SCRUTINY COMMITTEE

26 FEBRUARY 2015

REPORT OF THE CORPORATE DIRECTOR REOURCES

BUILDING REFURBISHMENT AND CONSTRUCTION AND DESIGN MANAGEMENT

1. Purpose of Report

- 1.1. The purpose of this report is to provide members with an update on changes within the Built Environment Service.

2. Connection to Corporate Improvement Objectives / Other Corporate Priorities.

- 2.1 Making the best use of resources and providing a more efficient, effective and commercially viable service to the Authority

3. Background.

- 3.1 A full review of the service was undertaken in early 2014 to determine the viability and value for money of the service. The process of challenge and review of the service entailed reviewing productivity of all involved in the design and construction process, the existing rates and charges, the administrative and financial processes and the time-recording processes. The review sought an in-depth understanding of the functions to allow a fully informed decision on whether to retain the in-house service fully, in part or to seek alternative providers. The review led to a number of changes to the service including a reduction in fee levels, remodelling planning and service delivery. These changes have been implemented in 2014-15 and have improved the quality and competitiveness of the service.
- 3.2 The total 2014-15 budget for the built environment function is £4.8M, but only £970K (20%) is financed from the net revenue budget and this relates to the Health and Safety, building surveying, mechanical & electrical maintenance and the Energy Teams. The rest of the budget is financed through three trading accounts (i.e. architects, quantity surveyors, design engineers; and the direct services. The trading account income comes from charging directorates for the work which the above services deliver. Directorates pay for these charges from a mixture of their capital and net revenue budgets and/or external grants.

4. Current Situation / proposal.

- 4.1 The review identified scope for improvement in three key aspects of the service: fees, workload management and productivity. A combination of measures described below has been developed to improve value for money and deliver required Medium Term Financial Strategy (MTFS) budget reductions.

Fees

- 4.2 In 2013-14 the hourly rate charged for the Architectural Service¹ was challenged. Following the review and taking account of new Chartered the Chartered Institute of Public Finance and Accountancy (CIPFA) guidelines on capital charges the hourly rate has been reduced by over 30% per hour in 2014-15. The in-house team is now more competitive and better value for money than an external company on the Welsh Government framework of suppliers. The reduction in the hourly rate has freed up capital funding that can be used to support other costs within the capital programme.
- 4.3 In addition to this saving, in instances when the service contracts out work it retains the role of Principal Contractor, employing sub-contractors directly and avoiding additional costs for every contract let. Appendix A explains this pictorially. In 2014-15 if external Principal Contractor services had been procured externally for all the projects undertaken this year the Council would have had to spend an additional 10% on fees and charges.

Workload

- 4.4 To generate enough income to cover costs the Architectural Service needs to be able to service projects with a total annual cost of around £7 million. In 2014-15 all Directorates have been required to direct all capital and repair and maintenance works through the Built Environment Service so that the resources and skills within the service can be used to maximum effect (this is the same as the arrangement for legal services within the Council). In the current financial year the service is supporting projects totalling nearly £7.5 million. Assuming Directorates continue to adopt this approach the forecast workload associated with the schools' modernisation programme alone indicates that the service's workbook will be sufficient to make it viable for at least the next five years before considering other capital projects and feasibility works to be undertaken.
- 4.5 In contrast the workload of the direct services has dropped considerably in recent years resulting in opportunities to make significant productivity gains in this area.

¹ Architectural Service comprises architecture, M & E engineering and quantity surveying services involved in the design and construction of projects.

Staffing restructure

- 4.6 To deliver the MTFs budget reduction requirement in 2015-16 a staff restructure consultation is currently underway covering the whole Built Environment Service. Subject to the outcome of the consultation, there will be staff reductions across the service and in the direct services the proposed structure recognises that the workload has decreased over recent years and is designed to reflect troughs in workload with the peaks being delivered by external Small and Medium-sized Enterprises (SME) contractors managed by the in house service. This will allow a robust process for the management of contractors while ensuring that the in-house operatives remain fully productive at all times.

Impact of changes

- 4.7 As part of the MTFs the Built Environment Service is seeking to deliver staff budget reductions of £428,000 over the next four years - £148,000 in 2015-16 and a further £280,000 in the following three years.
- 4.8 The overall effect of the measures that have been taken in 2014-15 is a cost reduction for the whole service of £384,000. In 2015-16 the staff restructure is expected to deliver a £106,000 reduction to the net revenue budget through staff changes in the teams funded from the net revenue budget. The remaining £278,000 represents the expected reduction in charges to directorates as a consequence of the improved productivity of the service. However as explained above these charges are funded from a number of sources (capital, revenue and grants) which can vary from project to project and year to year. It will also vary depending on whether external SME contractors are required in the direct services to meet peaks in workload. An analysis of the trading accounts' income in 2013-14 shows that 70% was attributable to revenue and 30% attributable to capital recharges so it could be assumed that 70% of the trading account cost reduction (£195,000) could be top sliced from directorate revenue budgets for repair and maintenance. However, this is too simplistic as some of the income came from external grants and the recent publication of new CIPFA capital guidelines has led to the council having to charge to the net revenue budget certain expenditure items that were previously charged to the capital programme.
- 4.9 The next stage is therefore to develop a fair methodology to allow the full efficiency savings to be applied to future years' directorate budgets to enable the Built Environment MTFs staff budget reduction proposals to be achieved. In the meantime given the scale of the expected reduction in charges in 2015-16, it is reasonable to top slice the residual Built Environment budget reduction for 2015-16 (i.e. £42,000) from directorate revenue repairs and maintenance budgets, leaving the majority of the expected cost reduction benefit to be retained by directorates until 2016-17 when the methodology will be in place.

Conclusion and next steps

- 4.10 A combination of the staff restructures, changes to workload and planning processes and a significant reduction in fees is set to make the Built Environment Service a robust and competitive service that will serve the rest of the Council well over the coming years. The changes are also set to deliver big cost reductions which will support the MTFS.
- 4.11 The service is already delivering benefits in terms of fee reductions and there have been plaudits from the Childrens Directorate on the delivery of the Pen-y Fai school model. It is the intention to replicate that model on other schemes within the schools' modernisation programme which would allow the Council to avoid around £750,000 fees that would otherwise have been lost to the private sector. In addition the in-house service, which has the sole interest of the Council in any decisions made, is developing a Bridgend model for any new build schools and has a unique design service that allows us to provide the best value for money for the Council.
- 4.12 The future year MTFS budget reduction proposals are currently in development taking account of what is already being achieved and the limited scope for making further reductions to the part of the service funded by the net revenue budget. A separate exercise is also underway to consider how full cost recovery to schools could be introduced as currently a percentage of their repairs and maintenance costs are met corporately, the level of which is to be determined through this process. Future developments will also include consideration of bidding for work from other public sector organisations.

5. Effect upon Policy Framework and Procedure Rules.

- 5.1 None

6. Equality Impact Assessment

- 6.1 Not required.

7. Financial Implications

- 7.1 As outlined in the report

8. Recommendation

- 8.1 That the Corporate Resources and Improvement Overview and Scrutiny Committee accept the proposals and changes as set out in this report.

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Background Documents:
None