Architects’ Fees
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Professional Practice Course

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1. Introduction

This lecture covers architects' fees. It asks:
- What are they for?
- How do you calculate them?
- How do you present them?
- How do you win jobs when your fees are higher than the competition?

In essence it is about value for money.

'When you go out into the world and when people discuss value for money, count the number of times people go on to discuss value.' [Dalibor Vesely 1934-2015]

Some context:

The idea of an architect as a profession, something you say you are, emerged in the Renaissance and Baroque periods. Vitruvius' 'De Architectura' was published in 1414. The word 'architect' first appeared in English in 1563.

Architecture was professionalised in the mid 19th century. In 1818 [after the Napoleonic wars] three young engineers met in a London coffee shop and founded the Institution of Civil Engineers (ICE). In 1834 architects formed an institute for 'the general advancement of Civil Architecture, and for promoting and facilitating the acquirement of the knowledge of the various arts and sciences connected therewith'. In 1837 it received a royal charter and became the Royal Institute of British Architects. Much of its early work was concerned with formulating rules for fees, practice and conduct. In the twentieth century the RIBA had fee scales which set the architects fee; the idea being that you choose an architect on the basis of aptitude and availability rather than price. Fees were calculated according to the size and complexity of the project, and calculated as a percentage of the construction cost. [Graphs at appendix B.]

The fee scales were:
- Mandatory until 1982
- Advisory until 1992
- Abolished in 2009.

Since then we are encouraged to calculate fees 'on a
- resource-based,
- time-charge or
- value-added basis
as appropriate'

2 Said to Marcus in 1987, when he completed Dalibor's diploma unit at Cambridge.
3 Up till then they had been doing war work: trenches, mines, bridges, fortifications.
4 https://www.architecture.com/about/history-charter-and-byelaws
2. Why pay an architect anything at all?

Before asking how much to charge, consider:
• What do we do that is useful to society?
• Why it is useful, what value does it generate?

The construction industry will always exist. It meets a genuine human need for bridges, roads, buildings, and so on. Architects do not have a ‘right to exist’. We take our place within the construction industry, and our role changes over time. We have to redefine our role as the industry changes, and it changes markedly when there is a recession. The tap is turned down; when it is turned up again, what comes out of it is different.  

Ray and Charles Eames made a beautiful Venn diagram describing the economic relationship between architect, client and society. Where the interests of the practice coincide with the needs of the client and the wider needs of society is the ‘sweet spot’ where fee earning work resides, the ‘area of overlapping interest and concern that the designer can work with conviction and enthusiasm’.

\[\text{5 For example project managers emerged after the 1991 recession, and quantity surveyors in the 1930s - although their origins date back much earlier. These new construction professions represent in general a fragmentation of the architect’s role.}\]
There are many ways an architect can be useful to society, ways that do not necessarily involve a traditional building contract. The Eames office designed furniture, fabrics, buildings and so on. Some architects design theatre, opera and film sets, teach, write, paint or sculpt. Architecture includes exhibitions, shopfronts, urban landscape, facade engineering, contract administration, technical performance specification, and so on. We may do a bit of each during the course of our careers, but some specialise in just one aspect and become highly expert at it. There are many niches within the profession.

What are fees for?

• To enable time and skill to be devoted to a project.
• To give sufficient reward for the work.

For what?
• Adding value to a site.
• Reducing risk in the construction process.

Adding Value:

Value in its deeper sense, not only cost, but also dignity, humanity, delight, cultural significance.

If you add 20% of the value of the site, no client will quibble paying 1% more in fees. If you reduce the value of a scheme, whatever you charge it is a waste of the client’s money.

Reducing risk.

Construction is the largest cost for the client. Construction is expensive and risky.

The old fashioned rule of thumb for development was: 1/3 site value, 1/3 construction cost, 1/3 profit.\(^6\)

Professional fees come on the back of construction costs. You pay a professional good fees to manage serious risks: mistakes, omissions, overspends, overruns in the construction process. Fees are spent to ensure the construction will work well.

As a proportion of construction cost, professional fees - all professionals, architect, engineer, QS, M&E, party wall and so on - will amount to about 20% of construction cost for small projects, 15% for large projects.

Professional fees are also spent relatively early.

\(^6\) As with architects’ fees, things have changed, profits are squeezed, but this is the order of magnitude.
3. The architect’s time

Clients employ architects to do something that they either:
• Don’t have time or
• Don’t have the skills to do themselves.
If they had both they would not need an architect, they would do it themselves.
Architects fees are there to pay for the architect’s skill and time.

Architectural practices employ architects to augment their resources of skill and time.

Salaries are the largest expenditure for the practice, also the greatest source of wealth.

The aim in setting fees is to pay for adequate resources, to give yourself enough time to do it properly, in a focused and efficient way. This means not working in a hurry. When we are stressed we are not thinking clearly or creatively, we miss things and make mistakes. Give yourself enough time to do the job well, and you will do it in less time.

Keep records of time and refer to them when costing the next job.

4. Scope of service

Architects provide a wide range of services.

What used to be called the normal, or full scope of architectural service, is to look after a client from concept to completion, and then to inspect the work, a year into use, and rectify latent defects. Thereafter to provide aftercare, in the form of being available to answer any questions, provide copies of information if required, and so on.

This concept of a full or normal service has become less universally applicable since deregulation, and with the operation of a complex free market. The reasons for diversity of service:
• Different forms of procurement
• Design and build
• Management contracting
• Construction management.

The minimum architect’s service might be to design a building, and get planning permission, which is then sold onto a developer.

Until about 1990 there was a fairly well defined notion of what an architect does, the so called ‘normal’ or ‘traditional’ service, from concept to completion:
• You tell the architect what you want, resulting in a brief from which the project is:
  • designed,
  • consents obtained,
the building:
  • detailed,
  • specified,
• tendered,
• constructed and snagged,
the architect acting as:
• contract administrator and
• team leader throughout.

Since then there has been a fragmentation of the role, so that the scope of service is now a pick and mix. Some practices design a building up to planning and never do working drawings, leaving the serious work to grown ups; others take the design to key details only for a design and build contractor to take over; some do the traditional service for most of the time.

The danger in fragmenting the role are that there are multiple responsibilities and many possibilities for things to be missed.

The advantages are in a perceived simplification of the responsibilities during construction (in design and build), and re-allocations of risk.

Any calculation of architects fees must take account of what kind of service the client needs, and this comes back to the amount of architects’ time required to do the job.

In recent years there has been a development of Building Information Modelling or BIM. Contrary to popular belief, computers increase the time it takes to draw, so with BIM we have seen an increased front loading of fees into the early stages of a project to take account of this extra drafting time. There are also problems with BIM in that it forces the designer down certain tram lines - for example it is difficult for BIM models to cope with complex building sections. It will be interesting to see how the technology evolves over the next few years and the effect it has on design, profitability and fees.

5. The cost price

In order to calculate a fee you must know what it costs you to provide the service: that is: the costs of salaries and overheads. To this you add a suitable profit margin.

Traditionally we were taught, fees are:
1/3 salary,
1/3 overheads,
1/3 profit.

The reality is somewhat different: in general salaries are more than this and profits are less.

Salary and overhead costs.

When you look at company management accounts you can split a company’s expenditure into two categories:
• Salaries of architects (and other fee earners)
• Everything else (salaries of support staff, National Insurance and pension contributions, office rent, maintenance and administration, equipment, IT …)
A worked example is at appendix A. The overhead factor will vary from practice to practice, in this case the overhead cost is about 0.7 times salary, which is quite good. So, in this example, to employ someone at a salary of x costs the company about 1.7x.

For example a newly qualified architect, on, say £40k p.a., must earn $1.7 \times £40k = £68k$ p.a. for the company to break even.

This can be expressed as a hourly rate by dividing the annual salary by the number of chargeable hours worked.

The amount of hours you spend at work in a year is about $37.5 \times 46 = 1,725$. But is it reasonable to expect every work hour to be chargeable? What about office meetings, CPD, non job-related admin, reviews, fee bids, competitions, practice management, marketing, etc?

It is hard to determine how many chargeable hours an average architect works, not least because some practices have a culture of long hours. So I have looked instead at lawyers for a comparison. The average billable hours in top 10 lawyers firms in London in 2017 were:

1,101 p.a. for equity partners,
1,437 for newly qualified lawyers, and
1,039 for trainees.\(^7\)

Using these figures, we can expect a fee earning junior architect to work say 1,400 chargeable hours per year.

The cost rate for a £40k p.a. architect is therefore

1. Salary: $40,000/1,400 = £28.57$ per chargeable hour
2. Including overheads $28.57 \times 1.7$ (overhead factor) so the cost price is £48.57 per hour.

Having found the cost rate, you must then ascertain the charge out rate, by adding a profit margin. It is normal to charge a third profit, making the charge out rate £48.57 $\times 1.5 = £72.85/hr$.

Put in general terms, this equates to £1.82 per £1,000 of annual salary.

This is actually very close to the old RIBA guidance that ‘the hourly rate for technical staff should not be less than 18 pence per £100 of gross annual income.’

NOTE the figures will vary from practice to practice.

You can work out the cost price for all the staff grades in a practice and get an idea of how much it costs the practice to deploy each person.

\(^7\) [https://www.legalcheek.com/2017/10/billable-hours-nqs-work-harder-than-mega-earning-partners/](https://www.legalcheek.com/2017/10/billable-hours-nqs-work-harder-than-mega-earning-partners/)
In the example below, option A is with an overhead factor of 1.7, example B with an overhead factor of 2:

<table>
<thead>
<tr>
<th>Grade</th>
<th>Salary</th>
<th>Chargeable hours p.a.</th>
<th>Example A Overhead factor</th>
<th>Cost price/hr</th>
<th>Example B overhead factor</th>
<th>B Cost price</th>
</tr>
</thead>
<tbody>
<tr>
<td>Director</td>
<td>£90,000</td>
<td>1100</td>
<td>1.7</td>
<td>£139.09</td>
<td>2.0</td>
<td>£163.64</td>
</tr>
<tr>
<td>Associate</td>
<td>£70,000</td>
<td>1200</td>
<td>1.7</td>
<td>£99.17</td>
<td>2.0</td>
<td>£116.67</td>
</tr>
<tr>
<td>Senior architect</td>
<td>£60,000</td>
<td>1400</td>
<td>1.7</td>
<td>£72.86</td>
<td>2.0</td>
<td>£85.71</td>
</tr>
<tr>
<td>Junior architect</td>
<td>£40,000</td>
<td>1400</td>
<td>1.7</td>
<td>£48.57</td>
<td>2.0</td>
<td>£57.14</td>
</tr>
<tr>
<td>Part 2</td>
<td>£30,000</td>
<td>1100</td>
<td>1.7</td>
<td>£46.36</td>
<td>2.0</td>
<td>£54.55</td>
</tr>
</tbody>
</table>

You can calculate time charge rates in different ways. You can ‘write off’ partners/directors, so their time is considered an overhead. I don’t favour this. As a director, I would like to be within the spreadsheet because I am, in reality, a fee earner.

6. Profit

What is a reasonable profit?

There is no wrong answer unless it is less than zero. So set your ambition: 10 - 15 - 20 - 30 - 50%? How much profit you make is up to you, in terms of how much fee you charge, how efficiently you do the work, and what value you can command in the marketplace.

Overall, for the practice as a whole, profit must be greater than zero or you go out of business.

It is different when we look at individual jobs. Not every job makes a profit. Some work is done deliberately for nothing (pro bono) as a community service, some fees are adjusted downwards to suit a client’s circumstances or the long term commercial interests of the practice. Some jobs go wrong and require a lot of time to put right. Sometimes you simply get the fee wrong and have to swallow it.

Actual profit as a company is lower than the target profit for an individual job. You might make 33% profit on your more profitable jobs. There will always be some jobs that make more profit than others. If you target 35%, you might get 15% overall.

7. Commercial aspects

Choice

Never take on work just to feed salaries.
You should always choose your work.
It is a choice in both directions.
How do architects chose which jobs to take?

A landscape contractor I respect once said we ask ourselves these three questions:
• Will we enjoy it?
• Is it good for our career/portfolio?
• Will it make money?
and we need 2 out of 3.

For example if you wish to move into new area, say into theatres, you might price this differently than a core project.

At MBA we ask ourselves two questions:

Q1. Do we like/respect you? This applies to:
• clients,
• contractors,
• consultants.
Why? It’s nearly always mutual, and constructing a building is difficult enough without having a soap opera going on in the background.

Q2. Can we make a difference - is this something suited to our skills as a practice? Is this a skill that everybody has or is the practice uniquely placed to provide success?

Other questions you might ask are:
How much profit are you making for the client?
What is the competition?
How much do you want it?

How do clients choose architects?

• They have to know you exist - obvious to you but not necessarily to others - what marketing is for.
• You have to be good at your job.
• They smile when they think of you. [Empathy/being on the same wavelength/ being fun to work with.]

Cost is a factor but it is rarely the overriding factor.

I always suggest to clients, choose your architect first, and if you choose to work with us, fees are not going to be a sticking point, we will be able to sort out an equitable fee.

In formal competitions, there are often published criteria saying how the fee bids will be assessed. It might be 50% cost, 25% technical experience, 15% methodology, 10% understanding of the brief.

8. Calculating fees

How are architects fees calculated? First I will look at how to estimate your fees, second at how to present them.
Top down.

Top down one looks at:
• the size and complexity of the job
• the scope of service
• the risks, the likelihood of unexpected events.

In this way you can get a rough estimate of approximately what the correct fee should be, as a percentage of the construction cost, or as a lump sum.

Is it like another job you have done already - if so what did that job cost to do? What is different about this one? How much repetition is there? What are the published guidelines on fees?

Bottom up

Bottom up one can assess the amount of resources needed for each stage of the project, and add up the time and add for risk and profit.

Often one does both calculations
• time and
• percentage,
compares them and then applies a commercial filter, ‘taking a view’.

Complexity of a job.

• Alterations to an existing building or
• New build?

Alterations to an existing building will inevitably be more expensive to design than a new build. More research is required into the existing structure, you will never know precisely what it is until you take it apart, so you might have to react quickly in the early stages of construction. Existing fabric and services need to be adapted. The building is never plumb or straight. It will require repair as well as alteration.

New build is easier, but the site itself may be complex, with changes of level, different soil conditions, archeology, aquifers, buried services, proximity to other structures and so on.

• Type of building
A simple project gets a lower fee than a complex project.
An operating theatre, a performance space, a museum or a private house will be more complex than a car park, an agricultural shed or a warehouse.

• Size of project
A large project might involve substantial repetition, or it may involve many different elements or building types.

• Type of client.
An expert client gets a cheaper percentage fee than a private client, because the architect has to spend more time consulting and communicating with an inexpert client, taking them through the process for the first time.

An expert client with whom one has worked before needs far less management, and this is reflected in the fee.

**Scope of service.**

We discussed above the variety of services provided by architects. The RIBA plan of work was based on actual analysis of the time spent on projects, but this is changing.

Nevertheless a typical breakdown of which proportion of the fee is spent on each stage might be as follows:

- **Stage 0-1 preparation and brief**: 5%
- **Stage 2 Concept design**: 10%
- **Stage 3 Developed proposals**: 15%
- **Stage 4 Technical design**: 40%
- **Stage 5-6 Tender and operations on site**: 30%
- **Stage 7 Post occupancy evaluation**: as required

**Risks.**

- Is the client an expert client or are you going to have to lead them through the process for the first time?
- Have you worked with them before?
- Are there special circumstances, for example a ‘not to exceed’ budget?
- Are there physical unknowns, for example a delicate old structure in poor repair?
- Is there a lot of community involvement or resistance?
- Are there political difficulties, complex ownership structures or multiple consents required?

**The principal methods of fee calculation.**

There are three basic methods of fee calculation. The overall objective is to get something that is fair and suits the forward planning for both client and architect. Each is good for different things.

**Percentage fees**

Percentage is good for most projects. If the size and complexity of the project increases, so does the time spent on it. Size and complexity correlate reasonably accurately to cost.

The great advantage of a percentage fee is that you don't have to keep renegotiating fees during the project if the scope changes.

This is good for example if you do not know whether you are going to build 10 or 20 houses on a site. The advantage of agreeing a fee structure and implementing it, rather than renegotiating it, is that you are not putting your own interests as a
practice against your client. Once appointed you simply do what is best for your client, as the agent [until the contract phase where if you are administering it you must act impartially and protect both parties’ interests].

Since fee scales have been abolished, we can now reverse engineer, comparing what we propose to the charge-out rates of other practices. This information is published from time to time by the RIBA or Architects Journal, an example below from the AJ. Another source of information is the Fees Bureau, where for an annual subscription you can look up ‘average’ fee based on the region, sector and size of a job. Note this information is what other practices say they charge, not necessarily what they do charge. And they are average fees, which may mask a wide variety in actual bids.

![AJ100 fee scale: 2017-2018](https://www.feesbureau.co.uk)

**Time Charge Fees**

In a time charge agreement the client pays for the time spent in delivering the services. No more no less.

If the services are difficult to determine, this is a good way of making sure that the architect gets a fair wage and the client pays for only what is actually done. It suits some clients because they know they are paying only for actual services performed.

A good example is when you are agreeing to attend site during construction ‘as and when needed’ rather than making regular inspections.

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8 [https://www.feesbureau.co.uk](https://www.feesbureau.co.uk)
Clients should not be expected to undertake an open ended agreement, so these are nearly always accompanied by an estimate of fees, perhaps a range, or a price ‘per visit’ as appropriate.

**Lump Sum Fees**

Lump sums are easy for clients. They know exactly what they are letting themselves in for. It works well when you have a well-defined scope of work.

Note that if there are changes to the budget, timetable or scope, or if the architect is required to do extra work for reasons beyond the architect’s control, you are entitled to additional fees.⁹

*Lump Sum Fees are not ‘Fixed Fees’. Never agree to a fixed fee.* A fixed fee does not necessarily entitle you to extra fees if the scope changes. It is not a term recognised in the RIBA appointment. If you are asked to provide a fixed fee reply by saying you will be pleased to quote on a lump sum basis.

*Also never agree to Fit for Purpose.* Whose purpose? What if the supplier or the manufacturer is at fault? Meet the requirements of the brief, yes. Exercise reasonable skill and care: yes.

**Success Fees**

A new method of charging fees is to charge a success fee. Beware of success fees. In normal circumstances when acting on behalf of an applicant or appellant, when you say something, people understand that your fees are paid by your client, but you are nevertheless expected to be objective. When paid a success fee you can never be a credible witness at a public enquiry. You are incentivised to get a particular result so cannot be considered objective.

MBA have very occasionally entered into success fee agreements [2 or 3 times out of 700 jobs] where our client does not have the money to fund the full planning fee. We ask them to pay cost price and ‘double or quit’ on profit.

**Fee data**

Keep a database of previous projects. OK if you have done plenty of stuff of that kind before.

If not, research:
Refer to the old RIBA fee scales (minus 20%)
Look at published scales or articles: AJ, RIBA, ACA.
Subscribe to the Fees Bureau.

**Expenses**

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⁹ RIBA Standard Agreement, Conditions 5.8, 5.9.
Expenses are traditionally charged extra, at cost, or net cost plus a handling charge. Sometimes they are amalgamated into the fee as an allowance of 2% or 5% of the fee.

9. Fee bids and negotiations

Where do you want to be on fees?
Do you want to be the second lowest or the second highest?
Who are you competing against?
What is your USP?

Do you want to give:
• a low bottom line and lots of optional extras, or
• a robust fee without extras.

We favour the latter approach. In public sector work the former is prevalent, because a lot of public sector work is aggressively cost driven.

Spell out the service. Make as long a list as necessary to show what is:
• included and
• excluded.
Stress what you will include, and how this relates to the individual project.
Spell out your expertise and track record to give you a competitive advantage.

Discuss fees if they are a problem.
Add or subtract services to adjust fees, don’t simply drop the price.

Feedback
• Find out who else was in the running, what they bid, what their bids looked like, why they were chosen.
• Explain to the client if necessary that your scope included services that others excluded, etc.
• Feedback and coming second is good marketing. You can create a lot of goodwill and this might get you onto the next short list.

10. Extra fees

There are different schools of thought about this.
Some architects bid low and charge a lot of extras, often on public sector works.
Some architects charge a robust fee and don’t keep coming back for more.
Some quote low time-charge out rates with generous time allowances, others vice-versa.

It depends how you want to present yourself.

Extra fees are chargeable under the RIBA form of appointment for:
• Additional work for reasons beyond the architects control [condition 5.9]
• Change of brief, timescale or budget [condition 5.8.1].
They are chargeable on a time basis, unless otherwise agreed, based on the amount of time reasonably taken (not necessarily the actual amount of time taken). It is best to flag up extra fees early, before they are incurred.
Document time.

You must do this otherwise you don’t know how much resource is going on what. There are various timekeeping softwares. These allow you to look into a job and click into profitability, time spent, and so on, by work stage. But you must input the information properly otherwise it is useless. Instil in staff the importance of good time records.

Be businesslike.

If you are not careful about your own money, why should your clients trust you with theirs?

Be assertive (never aggressive).

Assertive means:
• set out clearly your interests, requirements and aspirations
• let others do the same,
• listen
• agree.
Aggressive means:
• Know your position and
• Ignore or trample over the needs of everyone else.

Take the long view.

If you have agreed to the wrong terms, sometimes you must take it on the chin. In which case you are doing good marketing and learning a lesson. Communicate with people. Don’t suffer in silence. If you have taken on a project and it is really much more complicated than you envisaged, why not pick up the phone and discuss?

Learn from your mistakes.

Find out what went wrong when things don’t go the way you expected: not to beat yourself up, but to learn.

11. The culture of the practice

Remember everything you do is part of the practice’s persona, the outward image of the practice as it presents itself to other people.

Fee bidding is just as much part of design as drawing an elevation. It is a way of presenting the practice to potential clients and can leave a good impression even if you do not win the bid.

Appendix C - Example of a practice dashboard.
### APPENDIX A - Worked example calculating overhead factor

Calculating overhead factor from management accounts

<table>
<thead>
<tr>
<th>Item</th>
<th>Item total</th>
<th>Total</th>
<th>Salaries</th>
<th>Overheads</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Income</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fees</td>
<td>£1,400,000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Chargeable expenses</td>
<td>£35,300</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total income</strong></td>
<td>£1,435,300</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Cost of Sales</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Client expenses</td>
<td>£20,000</td>
<td>£20,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Consultancy</td>
<td>£4,000</td>
<td>£4,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Staff recruitment</td>
<td>£200</td>
<td>£200</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Staff training</td>
<td>£7,500</td>
<td>£7,500</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total cost of sales</strong></td>
<td>£31,700</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Gross Profit</strong></td>
<td>£1,403,600</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Expenses</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Marketing</td>
<td>£16,670</td>
<td>£16,670</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Branding/website</td>
<td>£3,750</td>
<td>£3,750</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Prof subscriptions and library</td>
<td>£15,500</td>
<td>£15,500</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Donations</td>
<td>£16,000</td>
<td>£16,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equipment leasing</td>
<td>£3,750</td>
<td>£3,750</td>
<td></td>
<td></td>
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<tr>
<td>Insurance</td>
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<td>Printing postage and stationery</td>
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<td>£13,800</td>
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<td></td>
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<td>Rent and rates</td>
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<td>£99,500</td>
<td></td>
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<tr>
<td>Light and heat</td>
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<tr>
<td>Depreciation</td>
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<td></td>
</tr>
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<td><strong>Salaries and directors remuneration</strong></td>
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<tr>
<td>Directors</td>
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<td></td>
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<tr>
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<td>Employers NIC</td>
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<td>Class 1a NIC</td>
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<td><strong>Total expenses</strong></td>
<td>£1,269,340</td>
<td>£1,301,040</td>
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<td><strong>Net profit</strong></td>
<td>£134,260</td>
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<tr>
<td><strong>Admin salaries incl. pensions, NIC</strong></td>
<td></td>
<td></td>
<td>-£75,000</td>
<td>£75,000</td>
</tr>
<tr>
<td><strong>Total salaries</strong></td>
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<td></td>
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<tr>
<td><strong>Total overheads</strong></td>
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<td><strong>Overhead factor</strong></td>
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<tr>
<td><strong>Profit/gross income</strong></td>
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<td></td>
<td></td>
<td>10.58%</td>
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</table>

2 Architects' Fees and Expenses

Figure 1  
Indicative percentage fee scales: New works

Figure 2  
Indicative percentage fee scales: Works to existing buildings
Appendix B2 - RIBA Indicative fee scales 1992 showing different complexities of projects.

<table>
<thead>
<tr>
<th>Figure 3</th>
<th>Classification of Building Types</th>
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<td><strong>Type</strong></td>
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<td>Industrial</td>
<td>• Storage sheds</td>
</tr>
<tr>
<td>Agricultural</td>
<td>• Barns and sheds</td>
</tr>
<tr>
<td>Commercial</td>
<td>• Speculative shops</td>
</tr>
<tr>
<td></td>
<td>• Surface car parks</td>
</tr>
<tr>
<td>Community</td>
<td>• Community halls</td>
</tr>
<tr>
<td>Residencial</td>
<td>• Dormitory hostels</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
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<td></td>
</tr>
<tr>
<td></td>
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</tr>
<tr>
<td></td>
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</tr>
<tr>
<td>Education</td>
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</tr>
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<td></td>
<td></td>
</tr>
<tr>
<td>Recreation</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>Medical/Social services</td>
<td></td>
</tr>
<tr>
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<td></td>
</tr>
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<td></td>
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<tr>
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</table>
The top half sets out month by month fees to be earned for each job. The colour coding represents where the project has got to: purple for feasibility, green for stages 2 and 3, bright green for technical design, and orange for operations on site.

The bottom half is fee earning capacity, the charge out rate (including profit) times the chargeable hours per month.

---

Example Cash Flow Forecast for a small practice

<table>
<thead>
<tr>
<th>Fee income</th>
<th>Project no</th>
<th>Project name</th>
<th>J</th>
<th>F</th>
<th>M</th>
<th>A</th>
<th>M</th>
<th>J</th>
<th>A</th>
<th>S</th>
<th>O</th>
<th>N</th>
<th>D</th>
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<tr>
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<td>£11,000</td>
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<td>£11,000</td>
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<td></td>
<td>102</td>
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<td>£11,000</td>
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<td>£11,000</td>
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<tr>
<td></td>
<td>101</td>
<td>Project name</td>
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<td>£11,000</td>
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</tr>
</tbody>
</table>

Monthly cost

| Monthly cost | £30,177 | £43,852 | £43,200 |
|--------------|£49,700 | £52,950 | £51,450 |
|--------------|£51,450 | £49,200 | £34,950 |
|--------------|£31,950 | £39,879 | £46,950 |
|--------------|£47,829 | £47,829 | £47,829 |

Profit/loss

| Profit/loss | £-2,823 | £8,852 | £5,200 |
|-------------|£8,700 | £11,950 | £10,450 |
|-------------|£10,450 | £2,200 | £9,050 |
|-------------|£5,950 | £5,950 | £5,950 |

Cumulative

| Cumulative | £-2,823 | £6,029 | £11,229 |
|------------|£19,929 | £31,879 | £42,329 |
|------------|£52,779 | £62,779 | £73,779 |
|------------|£54,979 | £54,979 | £54,979 |

Fee earning capacity

| Fee earning capacity | Director | £11,000 | £11,000 | £11,000 |
|----------------------|----------|£11,000 | £11,000 | £11,000 |
|                      | Associate | £11,667 | £11,667 | £11,667 |
|                      | Architect | £10,500 | £10,500 | £10,500 |
|                      | Architect | £10,500 | £10,500 | £10,500 |
|                      | Assistant | £7,583 | £7,583 | £7,583 |
|                      | Assistant | £7,583 | £7,583 | £7,583 |

TOTAL

| TOTAL | £40,750 | £51,250 | £51,250 |
|-------|£58,833 | £58,833 | £58,833 |
|-------|£58,833 | £58,833 | £58,833 |
|-------|£58,833 | £58,833 | £58,833 |

Capacity used

<table>
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<th>Capacity used</th>
<th>74%</th>
<th>86%</th>
<th>84%</th>
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