

## **Management and Professional Studies**

### **Assignment 01: Appointment & Fees**

## Appointment & Fees

### Assignment 01

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#### Assumptions

- This fee proposal is based on my costs for being at university.
  - Professional indemnity insurance will be required and has been assumed at £500 per year.
  - Studio 2 requires 370 hours to complete from my initial sketches to Tender Submission.
  - Studio 2 requires 30 hours of consultant's fees.
  - There are 1600 profitable working hours in a year.
  - My appointment is for RIBA stages A Appraisal – G Tender Documents.
  - All lecturers (consultants) fees are equal to current university fees.
  - Work is performed from a separate office for which overheads need to be accounted for. I have assumed these overheads are equal to my current living costs.
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### Report

Despite the fact this fee proposal is for Studio 2 only I need to work out my total costs for attending university for the whole year so I can break down my costs into an hourly figure.

#### Office Overheads

These costs are based over 1 year.

<b>Details:</b>	<b>Cost</b>	<b>Adjusted Cost</b>
Consultants Fees p year	£1,050	£1,050
Rent @£205 p month	£2,460	£2,460
Subsistence @ £15 p week	£780	£780
Internet @ £30 p month*	£360	£72
Mobile @ £25 p month	£300	£300
Landline @ £60 p quarter*	£240	£48
Gas @ £300 6 months*	£600	£120
Water @ £340 p year*	£340	£68
Electricity @ £160 6 months*	£320	£64
Professional Indemnity @ £500 p year	£500	£500
Company Car @ £1100 <sup>#</sup>	£1100	£550
Petrol @ £20 p week <sup>#</sup>	£1040	£520
TV Licence @ £116 p year*	£116	£116
Software licences <sup>+</sup>	£600	£300
<b>Total Yearly Expenditure</b>		<b>£6,948</b>

\* These items are based on a 5 person house share and the total cost has therefore been divided by 5. The gas, electricity and landline costs are based on the last 6 months of charges from British Gas and British Telecom as billed.

#This item is based on my car. £650 Insurance, £110 Tax, £42 MOT, £240 Servicing and a repair contingency fund of £58 which is based on the last 12 months of running costs. This resource is shared and as such the cost is halved.

+This item is based on academic versions of Microsoft Office 2003, Microstation CAD, Norton Internet Security, Adobe Photoshop and Adobe Pagemaker. This cost is a fixed, one off cost to be covered over the 2 years and has been divided by 2 for the yearly cost.

Hourly Rate:

<b>Details</b>	
1 – Overheads	£6,948
2 - Profitable Working Hours	1600
<b>Overheads per Hour (1/2)</b>	<b>£4.34</b>

My basic overheads are valued at £4.34 per hour. I need to work out my overheads over the 400 hours of time project 2 is expected to take.

Cost over period of Studio 2	£4.34 x 400 = £1,736
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In addition to my costs I will need to be salaried. The minimum wage for the UK is £4.50 per hour. Therefore I will pay myself £5 per hour to cover my salary bill, and a further £5 per hour for my business profits, thus attempting to keep within the rule of thirds, 1 third salaries, 1 third overheads, 1 third profit. This salary initially seems rather low for a part qualified Architect. However, it is important to consider that as a sole trader I am entitled to pay myself a dividend out of final profits. Therefore, the additional 1 third relating to profits will increase my personal earnings to a more reasonable level.

Salary over period of Studio 2	£5 x 400 = £2,000
Profit over period of Studio 2	£5 x 400 = £2,000

Total Fee:

<b>Details</b>	<b>Value</b>	<b>Percentage</b>
1 – Overheads	£1,736	30%
2 – Salary	£2,000	35%
3 – Profit	£2,000	35%
<b>Totals (1+2+3)</b>	<b>£5,736</b>	<b>100%</b>

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The total fee should be £5,736. This is the idealised fee of thirds, however, and consideration must be made of the time available to actually do the job.

Time Available:

There are 7 hours in a working day and 35 hours in a working week. This project runs over a total of 17 weeks which means there are:

Hours available (weeks x hours p week)	17 x 35 = 595
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There are 595 hours available to work on projects during this period but over the same period other projects and administration tasks demand my time. I need to spend time thus:

Details	Hours
1 - Studio 2	400
2 - Technology Co – Requisite	170
3 - Dissertation (Pro-rata)	50
4 - Professional Studies	170
<b>Total (1+2+3+4)</b>	<b>790</b>

This means I have a deficit of:

Details	
1 - Hours Required (Project Time)	790
2 - Hours Available (Working Week)	595
<b>Hour Deficit (1-2)</b>	<b>195</b>

The above means I will have to work 195 hours in addition to a normal working week. Since Professional Studies deadline is 2 weeks after studio 2 deadline I am only required to do 100 hours work during Studio 2's duration. Therefore I have to work:

Details	
1 – Overtime	195
2 - Time available after Studio 2 deadline	70
<b>Hour Deficit (1-2)</b>	<b>125</b>

This hour deficit should be split pro rata between all projects in this time period.

Details	Time spent %	Overtime spent Hrs
1 - Studio 2	55%	70
2 - Technology Co – Requisite	24%	30
3 - Dissertation	7%	8
4 - Professional Studies	14%	17
<b>Totals (1+2+3+4)</b>	<b>100%</b>	<b>125</b>

Time spent % is =  $[100 \times (\text{project time required} / \text{total time required})]$   
Overtime spent Hrs is =  $[125 \times \text{Time spent \%}]$

Since I can not, with good conscience, charge my client for my over subscribed time this overtime which is valued at £7.50 per hour (ie. One and a half times basic salary) and will have to be covered by the jobs profit.

<b>Details</b>	
1 – Profit	£2,000
2 - Overtime @ £7.50 x 70	£525
<b>Adjusted Profit (1–2)</b>	<b>£1,475</b>

Adjusted Total Fee:

<b>Details</b>	<b>Value</b>	<b>Percentage</b>
1 - Overheads	£1,736	30%
2 - Salary	£2,525	45%
3 - Profit	£1,475	25%
<b>Totals</b>	<b>£5,736</b>	<b>100%</b>

The above table shows the actual profit and costs of this project taking into account overtime must be done to meet the strict deadlines.

RIBA Work Stages and Fee Schedule:

The Project is broken down into approximate RIBA work stages as defined by the studio 2 structure provided by the 'client' (course leader).

RIBA Stage A Appraisal – C Outline Proposals is run from January 16<sup>th</sup> to February 13<sup>th</sup>. This is a period of four weeks.

RIBA Stage D Detailed Proposals – E Final Proposals is to run from February 13<sup>th</sup> to April 2<sup>nd</sup>. This is a period of seven weeks.

RIBA Stage F Production Information – G Tender Documents is to run from April 2<sup>nd</sup> to May 18<sup>th</sup>. This is a period of six weeks only which is due to two bank holidays in this period.

On May the 18<sup>th</sup> the detailed project needs to be submitted for 'tender', or more commonly known, as portfolio submission.

I would propose that the fee be split into seventeen weekly payments of £300.00. I would then finish the fee by having an additional payment of £300.00 on planning submission and £336.00 on completion of the job.

The fee schedule will ensure an even cash flow throughout the project and force me to meet a mid deadline, planning permission, and also a final deadline, portfolio submission, for the extra payments.

Services Provided:

- Analysis of the site, environmental issues and urban planning. Including models, existing site sections and townscape studies.
- Produce a schematic proposal for the site in model and drawn format.
- Produce a set of general arrangement drawings, elevations and building sections.
- Produce no more than 10 details for elemental construction for the building.
- Produce three dimensional images and models of the site and building.
- Produce a façade study.
- Consultations with planning officers, building regulation officers, M&E consultants and engineers.
- Preparation of a planning application (client must pay the fee for this service).
- Preparation of a building regulations application (Client must pay the fee for this service).

These services have been taken in part from the brief provided by the 'client' (course leader).

Exclusions:

- No additional drawings or consultations are covered by this figure. Additional work after production of tender drawings will be subject to another fee proposal.
- All travel expenses will be paid by the 'client' (course leader).

Conclusions:

This fee calculation is almost an idealised fee of thirds. This projects profitability was affected by necessary overtime to complete projects on time. Should this project run to the schedules above it should generate a profit.

This fee quote is also vulnerable to additional people working on the job. For example if I had to employ another person for 40 hours and their salary was £15 per hour then it would cost be £600 and cut my profit to £875 or 15% of the total fee. I should aim to do no more overtime than the 70 hours accounted for. If I was to fully utilise my potential 1600 working hours then the 'practice' would generate £22,948 in fees as broken down like this:

<b>Details</b>	<b>Value</b>	<b>Percentage</b>
1 - Overheads	£6,948	30%
2 - Salary	£10,100	45%
3 - Profit	£5,900	25%
<b>Totals</b>	<b>£22,948</b>	<b>100%</b>

Section 2: Letter of Appointment

May 10<sup>th</sup>, 2004

Dear Sir,

**RE: Irish Music Rights Organisation's new offices:**

I am pleased to confirm my appointment to provide the following architectural services:

- Analysis of the site, environmental issues and urban planning. Including models, existing site sections and townscape studies.
- Produce a schematic proposal for the site in model and drawn format.
- Produce a set of general arrangement drawings, elevations and building sections.
- Produce no more than 10 details for elemental construction for the building.
- Produce three dimensional images and models of the site and building.
- Produce a façade study.
- Consultations with planning officers, building regulation officers, M&E consultants and engineers.
- Preparation of a planning application (client must pay the fee for this service).
- Preparation of a building regulations application (Client must pay the fee for this service).

As discussed previously in your original consultation the fee for the above services will be **£5,736** and due in seventeen instalments due on this payment schedule.

<b>Instalment No.</b>	<b>Payment Due</b>	<b>Payment Value</b>	<b>Cumulative Value</b>
Payment 1	January 23 <sup>rd</sup>	£300-00	£300-00
Payment 2	January 30 <sup>th</sup>	£300-00	£600-00
Payment 3	February 6 <sup>th</sup>	£300-00	£900-00
Payment 4	February 13 <sup>th</sup>	£300-00	£1,200-00
Payment 5	February 20 <sup>th</sup>	£300-00	£1,500-00
Payment 6	February 27 <sup>th</sup>	£300-00	£1,800-00
Payment 7	March 5 <sup>th</sup>	£300-00	£2,100-00
Payment 8	March 12 <sup>th</sup>	£300-00	£2,400-00
Payment 9	March 19 <sup>th</sup>	£300-00	£2,700-00
Payment 10	March 26 <sup>th</sup>	£300-00	£3,000-00
Payment 11	April 2 <sup>nd</sup>	£300-00	£3,300-00
Payment 12	April 9 <sup>th</sup>	£300-00	£3,600-00
Payment 13	April 16 <sup>th</sup>	£300-00	£3,900-00
Payment 14	April 23 <sup>rd</sup>	£300-00	£4,200-00
Payment 15	April 30 <sup>th</sup>	£300-00	£4,500-00
Payment 16	May 7 <sup>th</sup>	£300-00	£4,800-00
Payment 17	May 14 <sup>th</sup>	£300-00	£5,100-00



**Michael Riley**

5<sup>th</sup> Year Architecture: **Management and Professional Studies**

Two additional payments are also due:

<b>Instalment No.</b>	<b>Payment Due</b>	<b>Payment Value</b>	<b>Cumulative Value</b>
Payment 18	Planning App	£300-00	£300-00
Payment 19	Completion	£336-00	£636-00
<b>TOTAL:</b>			<b>£5,736-00</b>

The RIBA code of conduct requires me to take reasonable care to enquire if you have previously engaged any other Architect to work on this scheme. If any previous Architects have been employed could you please provide their name and address so I can make them aware of my involvement.

I look forward to working on this very exciting new scheme and our next meeting. If you require any further information please do not hesitate to contact me,

Yours sincerely,

Michael Riley

BA(Hons) Architecture  
For The Manchester School of Architecture