

Observance of scale fees

68. One of the chief purposes of our survey of architects' practices was to find out the extent to which architects' services in the United Kingdom are supplied by persons who charge fees calculated by reference to agreed scales. The questionnaire used in the survey also asked for other information, including information on the scales used, on the circumstances, if any, in which suppliers depart from the exact scale and on profits relating to supply of reference services. Questionnaires were sent to 878 addresses, being one in seven out of a list of firms of architects and individual architects believed to be in business on their own account. Our analysis of results was based on 588 questionnaires completed by suppliers of the reference services. Details of the method of sampling, the questionnaire, the response and the statistical information obtained from the survey are contained in the note on the survey in Appendix 4. The financial information obtained from the survey is discussed separately in Chapter 5.

The survey results

69. We attempted to measure the quantity of reference services supplied and the proportion charged for in accordance with scale fees by reference both to the number of commissions and to the value of fees received. A limitation of using commissions is that there are many different types and sizes of projects, and hence commissions do not represent homogeneous units of measurement. A practical difficulty is that architectural commissions extend over very varying periods, often being of several years duration, and it is not sensible to use as a statistical measure the number of commissions completed within as short a period as one year. This difficulty can be met by measuring the number of commissions on which architects finished work within a chosen year.

70. The figures on p. 28 show for the suppliers' accounting years ended in 1973, 1972 and 1971: (a) the total number of commissions for reference services finished in each year and the number and percentage of them charged for in accordance with professional associations' scales, and (b) the total value of fees received for reference services in the year and the amount and percentage of the value charged for in accordance with professional associations' scales. In each of the three years, therefore, about 89 per cent of reference services commissions finished and about 94 per cent of reference services by value of fees received were charged for in accordance with professional associations' scales. We have no means of accounting exactly for the difference between these two percentages but a possible explanation is that there was a stronger tendency to adhere to the fee scales for the larger value commissions than for those of smaller value.

71. As shown in Table 6 of Appendix 4, in each of the three years about 99 per cent of the reference services by value was supplied by practices which reported that they either always or usually used scales of charges issued by professional associations. This includes not only those practices which charged fees exactly in accordance with scales, but also those which used the scales as

<i>Accounting year ended in</i>	<i>Number of practices in sample</i>	<i>(a)</i>			<i>(b)</i>		
		<i>Number of commissions finished</i>			<i>Value of fees received</i>		
		<i>Total</i>	<i>Charged for in accordance with professional associations' scales</i>		<i>Total</i>	<i>Charged for in accordance with professional associations' scales</i>	
		<i>Number</i>	<i>Per cent</i>		<i>Amount</i>	<i>Per cent</i>	
1973	579	20,051	17,874	89.1	£34.9m	£32.7m	93.8
1972	550	18,137	16,224	89.5	£27.8m	£26.2m	94.5
1971	530	16,287	14,423	88.6	£22.6m	£21.3m	94.1

a basis for calculating a charge which might be higher or lower than the actual scale fee (ie all practices which charged 'by reference to' the scales).

72. Nearly all of the practices in the sample reported that in calculating their charges for the reference services they either always or usually used the fee scales issued by the architects' professional associations. The professional associations' scales used were as follows:

<i>Scales issued by:</i>	<i>Approximate percentage of suppliers who used</i>
Royal Institute of British Architects	99
Royal Incorporation of Architects in Scotland	6
Faculty of Architects and Surveyors	2
Incorporated Association of Architects and Surveyors	1
Institute of Registered Architects	1

Some suppliers reported that they used the scales of more than one of the above professional associations, usually the RIBA scales and one or more of the others:

73. About 60 per cent of practices which generally used the professional associations' scales reported that they sometimes departed from the exact scale in particular circumstances, usually to charge a lower fee than that indicated by the scale. The most frequent reasons for departure from the exact scale were:

- (a) work for charitable bodies or cases of hardship;
- (b) work for regular clients;
- (c) repetitive work other than that allowed for under the scale.

Higher fees were sometimes charged for specially difficult or unusual jobs, for example work on historic buildings. Both higher and lower fees were sometimes charged for domestic and small works. Details of other circumstances in which

practices departed from the exact scale fee are given in Table 8 of Appendix 4 and in paragraph 85.

Comments by architects

74. Many architects responded to our invitation in the letter which accompanied the questionnaire to submit comments on any matters relevant to the inquiry which they would like to bring to our attention. The salient points they made are summarised below.

75. Much emphasis was placed on the existence of competition in the supply of building design services, especially for the smaller jobs, by building surveyors, architectural consultants who are not professionally qualified, and others including persons in architectural employment who do spare time work on their own account. While these competitors might give the impression that they charged fees much lower than architects in private practice this was often not so in reality, because the quality of their service was claimed to be inferior. One architect admitted having to cut his own fees in self-defence against such competition.

76. A number of architects said that competition for architects' services should be by quality of service and suitability for the job. A common minimum fee scale encouraged selection on the basis of merit rather than cost. It was felt by some that fee competition would be against the principle of professionalism, whereby the architect gave a high standard of service for the set fee, and that fee cutting would undermine the good relationship between architect and client which was essential for the success of any building project. One architect said that it was difficult enough to provide a conscientious and professional service for the RIBA scale charges, and added: ' . . . to be subjected to bargaining with clients on fee rates, and presumably fee-cutting, could only result in a worse service for those clients, or starvation for architects, or both'. Another architect said that there would be practical problems for the client if architects were to be engaged by competitive tender, because of the difficulty for the client in defining the architect's brief and in comparing the services offered by different architects.

77. Several architects stressed the extent and duration of the training needed to become an architect and the responsibility which an architect carried. One said that if the system of payment were to change in order to allow the public to bargain on fees, then in turn architects should be allowed to negotiate the extent of their responsibility and even perhaps to become limited liability companies. Another said that unlimited liability made indemnity insurance a very heavy burden. One architect commented that since the professional bodies maintained a minimum standard of service they must also provide a minimum standard of remuneration 'or it is not worth becoming proficient in the trade'.

78. Some architects mentioned the problems of sustaining small practices in the face of low earnings, high cost and competition. One said: 'the RIBA scale only provides architects in small practices the equivalent pay of a skilled craftsman and little more if anything than a mere draughtsman'. Another commented that having a small office with only moderate overheads enabled him to take on

the small and time consuming jobs, which may be kitchen extensions or work on ancient buildings, which larger offices could not do except at a heavy loss, but if there were no standard minimum fee for architects the larger offices would undercut him on his more profitable jobs thus robbing him of his ability to handle the less profitable ones.

79. A number of architects said that fees were too low on small jobs. One said that the six per cent fee was too low on new projects costing below £100,000. The same architect considered that the time charge of £5 per hour per principal was quite inadequate and should be replaced by a charge of not less than £10 per hour including all travelling and incidental expenses, which should then be applied to all jobs of construction cost below £50,000. However, another architect said that in his experience clients were willing to pay for services on a percentage basis and that contentious reactions from clients arose only when it was necessary to charge on a *quantum meruit* or hourly basis. Another architect said that time charges seemed to lead to irritation and increased non-productive clerical work.

80. One architect commented that the scales tended to be unfairly remunerative for large projects and unremunerative for smaller works. Reduction to 5 per cent on projects over £75,000 would be acceptable, but any reduction at lower levels of building costs might have the effect of the general public finding it more difficult to obtain the services of the profession. Another architect commented, from experience of running a small practice specialising in restoration work and conversion of historic buildings, that a one-man (or one-woman) practice was unlikely to succeed financially if a conscientious job was done for the minimum fee, because 'the fee scale is only viable if there is a good lacing of larger or easier jobs, which are less likely to come the way of the smaller practice'. The need for a mixture of jobs was also stressed by another architect who said that his practice would not survive on the small jobs, which were subsidised by the larger ones. If the fee scale was eliminated these jobs would be charged for at a higher percentage. Neither would the practice survive on the relatively small number of larger jobs. 'The two types of commission are therefore essential to ride out the regular fluctuations of work load . . .'

81. Another architect commented that he had experienced many instances where a prospective purchaser who wanted to extend or modernise his house could not afford the minimum fees that it was permissible for an architect to charge and in consequence had been forced to employ draughtsmen or inexperienced technicians at a lower charge, often with unfortunate results. To meet the needs of such persons he was of the view that the scale should commence at a construction cost of about £8,000. In his opinion the RIBA scale fees were excessive when a project had simple design but high construction costs, but the reverse might be true if the architectural work were complex. He would prefer to charge all projects on a time basis, so that he would be competitive not only in design but also in fees.

82. A practice which specialised in comprehensive reconstruction and extension of existing buildings, where the character of the work was similar to

the erection of new buildings, considered that the RIBA scale fee of 10 per cent for work to existing buildings costing over £25,000 was excessive for its particular class of work, and the practice charged a fee of 8 per cent which was perfectly acceptable to its clients. The practice supported the RIBA scale charge for work to existing buildings, when applied to really complicated work such as conversions of old buildings into flats. The practice had always felt, however, that there should be some grading between 6 per cent and 10 per cent for different classes of alteration work and that, while guidelines should be laid down, the actual fee should be a matter for negotiation and agreement between architect and client. Another practice which mainly undertook conversions, alterations and extensions to existing buildings, with the value of construction work averaging less than £9,000, said that on this type of small complex project it found the RIBA minimum scale fee, as set out in Table 2 of the Conditions of Engagement, totally inadequate, particularly in relation to work stage H (obtaining tenders and site supervision), where time consuming problems could arise when old buildings were opened up. The practice therefore charged all work in stage H on a time basis at or above the RIBA minimum fee scale of £5 per hour for principals.

83. One architect said that the provisions in the RIBA Conditions of Engagement covering repetition did not allow sufficient reductions for repeat house building. He considered it 'iniquitous' to claim full fees on the first three houses of any one type, and suggested that Clause 3.401 should be amended to read 'on all except the first of any houses of the same design'. One other area in which fees should be reduced was where consultants were drawn in and the architect's professional liability reduced.

84. Some architects referred to the effects of inflation. One said that where there had been rapid escalation of building costs remuneration had tended to be excessive in some cases, but staff costs had also risen steeply. On the other hand another architect considered that inflation could act to the architect's disadvantage, because accounts were often paid many months after the work had been carried out. He suggested that a possible remedy for late payments of accounts would be to give the client an alternative of accepting a time charge, not to exceed 90 per cent of the *ad valorem* charge, with monthly invoices subject to interest charges for late payment.

85. Several architects mentioned various ways in which they interpreted the RIBA Conditions of Engagement so as to achieve lower charges where it seemed appropriate to make reductions on the standard scale, for example:

- (a) the waiving of travelling and sundry expenses or the agreement of a lump sum for these at the beginning of a contract;
- (b) providing free initial or general advice;
- (c) being lenient over charges for abandoned work. Where inflation was the cause of a scheme being abandoned the fee might be charged at the appropriate percentage of the original budget cost rather than the revised estimated cost;

- (d) allowing reduced fees to clients who placed repeat orders or who employed their own staff or consultants who worked closely with the commissioned architects;
- (e) where commissions involved new and alteration work, charging only as for new work.

86. One architect made the general comment: 'It seems to me that the magical figure of 6 per cent is quite arbitrary and could be 4 per cent or 10 per cent but there would be, over a period of time, a lowering or raising of the architectural quality of the environment'.