

Small Practice and the Sole Practitioner

Marianne Davys

RIBA  Publishing

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INTRODUCTION

This book is written for architects who are thinking of setting up a small practice or working as sole practitioners. There are between 9000 and 12000 architectural practices in the UK – estimates vary. Around 79% of RIBA Chartered Practices employ fewer than 10 people, according to the 2017 RIBA Business Benchmarking Survey.¹

The book will be of interest to existing sole practitioners, architects thinking of setting up a small practice or already running a small practice, and to Part II or Part III students who would like to set up in practice themselves, or work for a small practice or on small projects at some point in their career.

Architectural courses, despite their length, give little or no guidance on setting up and running a business. This book, in three separate parts, will aim to do just that. At the end of the book, there are 10 case studies of the typical kinds of projects that a small practice or sole practitioner might take on.

➤ PART 1: SETTING UP A SMALL ARCHITECTURAL PRACTICE

➤ PART 2: SMALL PRACTICE MANAGEMENT

➤ PART 3: SMALL PROJECT MANAGEMENT

Detailed advice on setting up a new practice is already available in books from the RIBA Bookshop or online.² Guidance on practice and project management is also available. However, much of the guidance is aimed at architectural practices of any size, undertaking projects of any size, so it can be difficult to decide how to scale down the administration and the recommended procedures when working at a smaller scale. This aspect will be covered in more detail throughout the book.

One of the challenges for any small practice is working with domestic clients, or clients who have not worked with architects before, who do not know what to expect from their architect. Clients might be stressed about finances or builders working in their home, so if you chose to work with domestic clients

you must find ways to make their experience as enjoyable as possible, and you need to be prepared to explain exactly what architects do. The advantages and disadvantages of working with domestic clients will be covered in detail in Part 2.

Another challenge is working on small projects without a quantity surveyor, and providing your clients with accurate cost information. Advice on this topic is included in Part 3.

Probably the biggest challenge for the small practice is to take on small but complex projects, provide a professional service, deliver projects that are well designed and detailed, work within budget, meet clients' expectations – and at the same time generate a reasonable profit. This is not easy: generally, the smaller the project the harder it is to make a profit. Tips and advice on this topic are included in Parts 2 and 3.

Case studies of typical small projects (£50,000 to £750,000) showing the challenges they present are included at the end of the book.

References in this book to tax, insurance, legislation, company law, regulations and codes of practice are current at the time of going to press, but changes and revisions are frequent so check online that you are following current guidance.

ABOUT THE AUTHOR

Marianne Davys is an architect and sole director of Marianne Davys Architects Ltd, established in 1999 and which focuses on domestic projects, small commercial projects and work for private schools.

Marianne has wide experience of design and delivery in both the public and the private sector. She has delivered planning permissions on sensitive sites and has expertise in the management and coordination of multi-disciplinary consultant teams through all project stages.

She has sat on various RIBA committees and panels including the RIBA Small Practice Committee and the Guerilla Tactics sub-committee, the RIBA Plan of Work and the BIM review groups.

She lectures annually at the Cambridge School of Architecture to RIBA Part III students on setting up and running a small architectural practice.

Marianne lives and works in North London in the house she has extended and modified to accommodate her practice and the different stages of family life.

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To my daughter Emma who inspired the idea of running a small architectural practice from a home office and who was always there to provide moral support.

➤ Part 1

Setting up a small architectural practice





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CONTEXT

What is a 'small practice'?

The RIBA defines small practices as those that employ between 6 and 10 people, and micropractices as those that employ between 2 and 5 people. A huge number of practices fall into this category, and the range of projects on which they work is extensive.

This book will mainly focus on the very small or micropractice, as well as the sole practitioner architect operating from a home office and taking on relatively small projects. As well as architects, structural engineers, quantity surveyors, VAT consultants and party wall surveyors can all work successfully as sole practitioners.

Company structure

Once you have decided whether you are going to work on your own or with others, how many people you would like to employ, where you will be based, the type and size of project you prefer, the turnover you hope to achieve, and how much capital you can access, you can then decide what type of company structure is best suited to your needs, taking into account the advantages and disadvantages of the different options. For more detail on company structure, see pages 33–35.

Management structure

The sole practitioner architect will do everything in the office – from tasks requiring skill and experience such as bringing in work, running projects, IT, and managing finances, to the simplest of tasks such as changing the ink in the photocopier, going to the post office or ordering stationery. For this reason a sole practitioner must be organised and efficient to avoid spending a disproportionate amount of time on admin, which would negatively affect the practice income.



THE SOLE PRACTITIONER WHO RUNS A SMALL HOME OFFICE WILL HAVE A DIFFERENT WORKING DAY FROM A PARTNER IN A LARGER PRACTICE. SOME ARCHITECTS MIGHT PERFORM BRILLIANTLY IN A LARGE PRACTICE BUT FIND THE CHALLENGES OF A SMALL PRACTICE IMPOSSIBLE TO MANAGE, AND VICE VERSA.

Architects choose to operate at a small scale for a variety of reasons, including being able to work from a home office, or they might simply enjoy working on small projects with domestic clients. If a small practice is well set up and professionally run, the practice should be able to grow to five or more members with ease if growth is an objective.

With four or five people in the office a more formal management structure and office accommodation will be necessary, but there is also more scope for employing staff with a range of qualifications, experience and skill. Apart from one or two senior architects, the office might employ a Part I or Part II architect, an architectural assistant, an office manager or an interior designer.

Turnover

A sole practitioner with low overheads and working from a home office might only have to do between £600k–£1m worth of construction work, spread over a number of projects, to generate sufficient turnover to run the practice successfully and earn a reasonable salary (comparable to what an architect would earn in a larger practice). With, say, five staff a practice can take on a wider range of projects and larger projects but would have much higher overheads, including the cost of renting office premises, so would have to bring in significantly more fee income per architect than the sole practitioner working from a home office.

A small practice might decide to run three or four projects rather than one project of the necessary value, for less risk in terms of turnover and cashflow. However, jobs that are too small may not be viable, so it is important to establish what size and type of job is right for your practice and only take on larger or smaller projects after careful consideration.

Profit

The profit made by the practice will depend on bringing in enough work, charging the right fee for each project, the overheads, and how much employees are paid. In cities like London there is a lot of work that can be done by small offices and sole practitioners, and the fees are likely to be higher than elsewhere in the UK, but overheads and the cost of living are also higher.

Whatever the size of the practice – whether one person or five, whether in your attic or in commercial premises in Central London – to be successful it must be set up and run as a business with appropriate management structure, systems and procedures to deliver a professional service. Every practice must achieve a balance between fee income and company overheads and generate a profit in order to survive and thrive.



Small practice projects

Projects for private domestic clients are the main but not the only source of work for sole practitioners and small practices. Within the domestic category projects will vary significantly in value, and there are numerous sub-categories, some of which will require specialist skills – such as the skills of a conservation architect.

Examples of small practice projects

RESIDENTIAL WORK

- works to privately-owned Grade I-listed houses
- works to privately-owned Grade II-listed houses or apartments in conservation areas, including extensions, refurbishment and alterations
- works to existing privately-owned houses and apartments
- new private houses.

COMMERCIAL WORK

- alterations and extensions to existing commercial buildings
- small housing developments
- doctors' surgeries
- shops
- private schools
- stables and farm buildings
- restaurants
- galleries
- offices and studios
- interiors
- exhibition stands
- buy-to-let properties or domestic rental properties
- housing Association projects
- work on existing churches including Grade I - or II - listed churches
- work as a subconsultant to another firm of architects for a specific project
- work for a developer.

Larger projects

Working on large commercial projects, government projects, and Housing Association and local authority projects is possible, but might not be right for the sole practitioner or small practice unless it is set up to do this type of work. There is a risk associated with taking on one large project rather than a few smaller ones: the big job might fall through, and any late payment of fees could cause cashflow problems. You might also have to do some preliminary work for no fee and no guarantee that you will be appointed for the whole project. The methods used for the procurement of consultants usually rule out very small practices on the grounds that they will not have the relevant experience or enough professional indemnity cover, even though a small practice will often have the ability, the resources and the technical skill to do the project.

Work from outside the UK

Working outside the UK is becoming more common, with the increase in digital communication and collaboration, but a small practice should carefully consider whether such a project will be financially viable, especially if there will be a lot of time spent on site. The logistics of building far away from the office become more difficult to manage the smaller the project is. Construction law, and Planning and Building Regulations also vary from one country to another – even between Scotland and England. A good rule of thumb is that the smaller the project, the closer to the office it should be, unless the fee has been carefully calculated to ensure that travel time and any other expenses are covered. Additional professional indemnity (PI) insurance may also be required to cover a project outside the UK.

Other work

Work that can also bring in income and provide an important source of new contacts includes the following:

- teaching at architecture schools
- lecturing to Part III students
- speaking at conferences
- principal designer duties under the CDM Regulations (in detail in Part 3).

Specialisation

Specialisms – such as interior design skills, being a registered Conservation Architect or having expertise in a particular area of work such as doctors' surgeries or the refurbishment of domestic properties – can be a good way of bringing in work, via a portfolio of relevant completed projects on the practice website.

Existing projects

With domestic work, existing projects are a great source of more work. Clients will often set a budget lower than is realistic for the project they actually want, as they are concerned about costs they will not be able to control. As a project develops and the client starts to relax and trust the team, they will often ask the architect to add extra work to the project. These late-stage requests to do more work can be time-consuming to deal with, so you need to ensure that extra resources are always available. However, this work can be quite lucrative if your fee is a fixed percentage based on the final contract value.

Know when to say no

It is important to know what types of projects and values are right for your practice, and to be confident that you have the skills and resources to deal with a project. It is equally important to know when a project or a client is not right for the practice and to be able to say no. To not get a desired job is unfortunate, but to take on the wrong project, or the wrong client, can be disastrous – and could potentially ruin a small practice that might otherwise have been successful.

You will put a lot of effort into bringing in work, and your success as a business will depend on this, but it is also important not to take on too much work relative to the resources available. Resources should always be available for the project you really want to do that unexpectedly comes into the office, or for additional work on an existing project. Taking on extra staff to increase resources is possible, but the implications for the practice need to be carefully considered in advance.

The value of experience before setting up a practice

The more experience, contacts and skills you have acquired, or can acquire, the easier the process of setting up a new architectural practice will be. Despite the huge number of sole practitioners and small practices, there is little or no part of an architectural education that prepares the architect to run their own business. In most cases, unless the necessary skills have been acquired by working for others, some form of business training as well as financial advice and legal advice will be essential.

Much can be learned by working in at least a few architectural practices of varying type and size and understanding and contributing to how they are set up and managed. Some practices will be well set up, with systems in place to allow for growth, while others will be less well organised. Helping an existing practice to improve is a good way of clocking up experience that can be used later in setting up your own practice.

Before setting up in practice you must be sure you have acquired the skills necessary to run the projects that will come into the office, as well as those needed to set up and run a business. One of the most important is being able to understand cashflow: what money is coming in and what money is going out. Where such skills are lacking, they should be bought in and not just learned on the job.

Before setting up my own practice I had worked in the public and private sectors on a range of projects, from small refurbishments to large local authority projects. I had developed a good understanding of the Building Regulations and the construction industry in the UK, and how a range of architectural practices were run and managed. I had gained experience of the type of project our new practice would undertake, which is mostly residential work with a strong emphasis on the refurbishment of period and listed properties. Without this experience and a network of contacts, it would have been much harder to bring in work in the early years. There are, however, many successful large and small practices that were set up by architects early in their careers – so it is possible with help and hard work, but the more experience and contacts you have first, the easier it will be.

Go at your own pace

It is a lot easier and requires less skill to run two small jobs at the same time than five small jobs at the same time. When starting out in practice and doing everything for the first time, everything will take longer. Starting slowly and gradually building up the workload and the pace will allow you to take on more work as all the office systems and network of contacts become established.

Mentoring

If you are young and have limited experience and only a small network of contacts, you might be able to approach a more established practice that does similar work to mentor you through the first year or two of your new practice. This could be an invaluable source of advice: older architects have the edge when it comes to experience, knowledge and contacts, while younger architects tend to have boundless energy and no problems with IT and social media, so an exchange of skills between a fledgling and an established practice might benefit both.

Advice from colleagues

You should be able to get good advice from architect colleagues already running their own small practices. You can also get advice from an accountant – especially if they work for other small architectural practices – a bookkeeper, a quantity surveyor or a structural engineer.

Contacts

The people you know, and in particular those you have worked with in the construction industry, will be good sources of new work. This might include referrals from architects you have worked with previously, but it could also be clients, structural engineers, quantity surveyors, VAT consultants or contractors. Make sure everybody knows that you are setting up a small practice, especially if you are specialising in domestic work, as everyone you meet is a potential client.

Business training

Whatever level of experience you have as an architect, the task of setting up a practice will be challenging. A full understanding of what is involved is essential, gained through advice from colleagues and other professionals, research and training. If the plan is to set up as a small practice and stay small, that will require one approach. If the plan is to set up as a small practice and to grow as quickly as possible, the growth plan should be accommodated from day one. Once the practice becomes busy it will be hard to find the time to move office or change the structure of your company.

If you decide that you do not have the business skills necessary to set up and run your business, try to find a short course in business training that is local and at a time that suits you, as you will probably still be working full-time as an employee architect. Details of courses provided by local colleges can be found online.

Networking

Once you have set up the practice, networking with other practices similar to your own will provide crucial support. You will be able to share CPD seminars, talk over problems or ask for advice – sometimes just ask for a second opinion; share contractors, photographers, website designers or IT support, arrange holiday or illness cover; and so on. For the sole practitioner this network of colleagues is the next best thing to having more senior people in your own office.

The RIBA Small Practice Committee arranges a popular annual conference at the RIBA called Guerilla Tactics. This is a good opportunity to catch up on CPD and to network with other small practices. You will find that the questions raised by delegates are often about the same issues your practice faces. A question raised during a session can often be followed up by an interesting chat during the next coffee break.

SETTING UP

Setting up a new practice

Architects are not trained to set up and run small businesses, so the necessary skills must be acquired by extra training while working for someone else, or bought in from outside, or a combination of both. Remember that the decision to set up an architectural practice does not have to be made quickly. The idea can gradually develop as you gather all the necessary information to know what is involved before making the decision to proceed. You can also continue to earn a salary while employed elsewhere, and build up some capital while the idea of the new practice develops.

If the practice is going to be small – perhaps one or two people working in a home office on domestic projects – the logistics of setting up will be easier and the capital required significantly less than for a new practice with, say, three to five staff based in commercial premises hoping to take on large projects and to grow quickly. No two practices will be set up or run in exactly the same way, but there are basic, core requirements that must be met by all practices so they operate in accordance with the ARB Architects Code: Standards of Conduct and Practice, and as successful businesses, no matter what size they are.

Technology and digital communication now make it possible to operate a small practice at a professional level with little more than one person and a laptop – however, that person must have all the skills necessary to run a successful business, and those skills have not changed since the days of drawing boards and T-squares.

Setting up a new practice can be broken down into four separate stages, with the level of commitment required increasing at each stage.

- STAGE 1: Questions, conversations and research
- STAGE 2: Decisions
- STAGE 3: Setting up
- STAGE 4: Ready to trade

➤ STAGE 1: Questions, conversations and research

At this stage the new practice is just an idea in your head or a chat in the pub after work. You are not spending any money, and no decisions are final. At the end of this stage you may have nothing on paper but you will either have decided against the idea, or to take it to the next stage.

Here are some questions before proceeding to the next stage:

- Why are you doing this: to have more control over the projects you design? To make money? To become famous? To be able to work from home? For family reasons? To improve your quality of life?
- Are you going to do this alone, or with others?
- Are you going to employ staff?
- Are you going to work full-time?
- Have you got some capital?
- Are you prepared for the financial risks of a new business?
- Can you cope with financial insecurity?
- Can you deal with stress positively?
- If the business struggles, will you give up or keep going?
- Is there a market for the services your practice will provide?
- Who will be your potential clients?
- Will the practice have the necessary design skills and project experience to do the small but complex projects that come into such a practice?
- What skills or services will need to be bought in: IT support, accountant, bookkeeper, photographer?
- Consider the economy... is it a good time to set up? Is work available?
- Is the work available the kind of work you are interested in doing?
- How will you get the work when competing against other practices?
- Will the practice be based in a home office or rented accommodation?
- Will a home office give the right impression to your future clients?
- Where would you like the practice to be at end of years one, two and five?
- Will the practice start small and stay small, or will it start small and grow?

And here are some questions specifically for the future sole practitioner:

- Are you self-confident?
- Can you multitask?
- Will you be able to arrange cover when you are on holiday or sick?
- Are you prepared to work hard and long hours?
- Are you good with finances? You will be responsible for your money and your clients'.
- Do you have the good health, stamina and persistence that will be necessary?
- Have you got the right personality to deal with domestic clients, and can you be assertive in a positive way when dealing with difficult clients?
- Will you be able to bring in projects and maintain a balanced workload?
- Have you got the technical and project administration skills necessary?
- Can you see when you need help? Do you know how to find the right people to help?
- Do you have the support of family members?
- Will office accommodation be easy to arrange?

While you are still working for someone else, you can carry out useful preparation for your own practice:

- Get as much project administration and practice management experience as you can.
- Focus on CPD – attend business courses or do a business degree.
- Develop a network of contacts across the construction industry.
- Read books on setting up a business or an architectural practice.
- Check out government websites, articles online and in the architectural press about setting up a new business.
- Talk to architect colleagues who have already set up similar practices, visit their offices and check out their websites.
- Talk to a few non-architect colleagues who have small practices – such as a quantity surveyor or a structural engineer.
- Talk to an accountant and a bookkeeper – ideally who already work for other small practices. Find out what services they can provide.

If you are thinking of setting up on your own straight out of college, because you have been made redundant or you cannot find work, or because someone has offered you an interesting project, you will not have the luxury of earning and learning while you go through the initial stages of setting up. It will be challenging, and you will need advice from a good accountant and possibly a solicitor, a good business plan and sufficient capital, as well as the right personality – and, if possible, a good mentor.



AN ARCHITECTURAL PRACTICE IS LIKE A MARRIAGE. IT'S EASY TO RUSH INTO, BUT DIFFICULT AND EXPENSIVE TO WIND UP. TAKE IT SLOWLY, THINK THROUGH THE RISKS INVOLVED AND BE SURE IT'S WHAT YOU WANT TO DO BEFORE YOU GO ANY FURTHER.



► STAGE 2: Decisions

At the end of this stage you should be ready to prepare a preliminary business plan for your practice, with decisions made on the following points:

- Whether to set up as a sole practitioner, or with others.
- How to operate the practice in accordance with the ARB Architects Code: Standards of Conduct and Practice.
- The objectives of the practice.
- The type of work the practice will do and how it will bring this work in.
- The income the practice expects in the first year.
- The amount of capital available.
- The capital the practice will need in year one.
- The amount of capital the practice will borrow.
- Practice location – home office or rented office.
- The number of staff the practice will employ.
- How the practice will compete for work against competitors.
- Business training needs.
- CPD needs.
- Compliance with construction, employment and health and safety legislation.
- Expertise that will be bought in: accountant, bookkeeper, IT support, website design, etc.
- The necessary technical skills and experience for the expected work.
- The consultants and contractors the practice will recommend to clients.
- The long-term plan for the practice, for the end of years one, two and five.

The long-term plan is important, because the type of work will largely dictate the type of practice you set up. If you want to grow the practice to work on large commercial projects, then the office premises, the IT set-up and the clients will all be different from the start, compared to the practice that wants to stay small, to work mostly with domestic clients and on relatively small projects.