PROFESSIONAL FEES FOR ARCHITECTS

JUNE 2019

PRESENTATION BY W. DEWULF
WORKSHOP SUMMARY

- General remarks
- Standard and supplementary services
- Documentation fees example
- Contract administration fees example
- Repetition fees
- Alteration fees
- Ratios
- Example
- Time charges
- Other charges
- Calculation of total fees
- Exercise
General remarks

- Minimum fees chargeable by Architects = schedule.
- Fees for standard services calculated as a percentage of the cost of works.
- Definition of cost of works
- VAT on different contracts
  - buildings used solely (100%) for residential purpose
  - extensions to an existing building used solely for residential purpose
  - improvements or maintenance to an existing building used solely for residential purpose
  - buildings used for both residential and non-residential purposes
  - number of new buildings, some for residential purposes and some for non-residential purposes
- Fees for supplementary services calculated on a time cost basis.
- All professional fees are subject to 15% value added tax
Standard and supplementary services

- Standard services (schedule, point 3)
  - Appraisal and definition of the project
  - Design concept
  - Design development
  - Approvals and technical documentation
  - Contract administration and inspection

- Supplementary services (schedule, point 4)
  - Special studies
  - Special designs
  - Surveys, inspections, renovations, valuations, etc. of existing premises
  - Special administrative or legal services
  - Maintenance/ Operating manuals
  - Supplementary/ Revised documentation
  - Special project management activities
Standard services – type building

- List of simple and complex buildings (schedule, point 5)
- Fees calculated in accordance with Column A, B or C

### PERCENTAGE FEES FOR WORKS

<table>
<thead>
<tr>
<th>Cost of Works</th>
<th>Column A Fee for buildings other than simple or complex (in Namibian Dollars)</th>
<th>Column B Fee for simple buildings (in Namibian Dollars)</th>
<th>Column C Fee for complex buildings (in Namibian Dollars)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(in Namibian Dollars)</td>
<td>0.00 + 7.5% of cost</td>
<td>0.00 + 6.5% of cost</td>
<td>0.00 + 8.50% of cost</td>
</tr>
<tr>
<td>0 to 440,000</td>
<td>2,200.00 + 7.0% of cost</td>
<td>2,200.00 + 6.0% of cost</td>
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</tr>
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<td>440,001 to 880,000</td>
<td>4,400.00 + 6.75% of cost</td>
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<td>880,001 to 1,760,000</td>
<td>8,800.00 + 6.5% of cost</td>
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<tr>
<td>56,320,001 to 112,640,000</td>
<td>563,200.00 + 5.0% of cost</td>
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<tr>
<td>Over 225,280,000</td>
<td>0.00 + 5.25% of cost</td>
<td>0.00 + 4.25% of cost</td>
<td>0.00 + 6.25% of cost</td>
</tr>
</tbody>
</table>
Cost of project for the calculation of fees is determined as follow:

<table>
<thead>
<tr>
<th>DOCUMENTATION:</th>
<th>CONTRACT ADMINISTRATION:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total estimated cost (incl. VAT)</td>
<td>Total contract sum (incl. VAT)</td>
</tr>
<tr>
<td>Less: VAT</td>
<td></td>
</tr>
<tr>
<td>Less: Escalation</td>
<td></td>
</tr>
<tr>
<td>Less: Contingencies</td>
<td></td>
</tr>
<tr>
<td><strong>SUB-TOTAL</strong></td>
<td></td>
</tr>
<tr>
<td>Add: VAT</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td></td>
</tr>
</tbody>
</table>

- Contract sum always incl. VAT but is sometimes zero rated.
Standard services - stages

- Payment divided into different work stages.
  - Stage 1 - Appraisal and definition 5%
  - Stage 2 - Design concept 15%
  - Stage 3 - Design development 15%
  - Stage 4 - Approvals and technical documentation 40%
  - Stage 5 - Contract administration and inspection 25%

\[
\begin{align*}
\text{100}\% \\
\end{align*}
\]

- In the event of partial services, fees are payable for each stage.
- If another Architect takes over after a specific stage, the fee for the first stage after takeover will increase by 15%
Example - documentation fees

- Calculate the documentation fees for the different work stages. The project is a small industrial park with two units consisting of office and warehouse for FI Holdings; the estimated project cost is N$ 39,518,748.50; including N$ 2,030,200.00 for escalation and N$ 1,539,700.00 for contingencies.

**DOCUMENTATION:**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount (N$)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total estimated cost (incl. VAT)</td>
<td>39,518,485.00</td>
</tr>
<tr>
<td>Less: VAT</td>
<td>5,154,585.00</td>
</tr>
<tr>
<td>Less: Escalation</td>
<td>2,030,200.00</td>
</tr>
<tr>
<td>Less: Contingencies</td>
<td>1,539,700.00</td>
</tr>
<tr>
<td><strong>SUB-TOTAL</strong></td>
<td>30,794,000.00</td>
</tr>
<tr>
<td>Add: VAT</td>
<td>4,619,100.00</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>35,413,100.00</td>
</tr>
</tbody>
</table>
Type building  Industrial park  = other than building  ➔ use column A
Cost of works is N$ 35,431,100.00  ➔ use appropriate row

<table>
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<tr>
<th>Cost of Works</th>
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<th>Column C</th>
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</table>
Example - documentation fees cont.

Professional fees = basic charge + 5.5% of cost
= N$ 140,800.00 + (5.5% of N$ 35,431,100.00)
= N$ 140,800.00 + N$ 1,947,720.50
= N$ 2,088,520.50 (= full fees excl. VAT)

Prof fees incl VAT = N$ 2,088,520.50 + 15% VAT
= N$ 2,088,520.50 + N$ 313,278.08
= N$ 2,401,798.58 (= full fees incl. VAT)

TOTAL DOCUMENTATION FEES  = 75% of full fees  = N$ 1,801,348.93

<table>
<thead>
<tr>
<th>Stage</th>
<th>Fees</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stage 1</td>
<td>5% of N$ 2,401,798.58</td>
<td>N$ 120,089.93</td>
</tr>
<tr>
<td>Stage 2</td>
<td>15% of N$ 2,401,798.58</td>
<td>N$ 360,269.79</td>
</tr>
<tr>
<td>Stage 3</td>
<td>15% of N$ 2,401,798.58</td>
<td>N$ 360,269.79</td>
</tr>
<tr>
<td>Stage 4</td>
<td>40% of N$ 2,401,798.58</td>
<td>N$ 960,719.43</td>
</tr>
</tbody>
</table>

N$ 1,801,348.94
Example - contract administration fees

- The tender amount for the industrial project is N$ 37,638,975.00 (incl. VAT). The current amount valued to date (as per most recent valuation from QS) is N$ 7,369,535.00. The previous contract administration fee account to the amount of N$ 82,579.30 has been paid by the client. Calculate the new amount due.

<table>
<thead>
<tr>
<th>Back to the table</th>
<th>Column A</th>
<th>Row of value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Professional fees</td>
<td>= basic charge + 5.50% of cost of works</td>
<td></td>
</tr>
<tr>
<td></td>
<td>= N$ 140,800.00 + (5.5% of N$ 37,638,975.00)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>= N$ 140,800.00 + N$ 2,070,143.63</td>
<td>= N$ 2,210,943.63 (= full fees excl. VAT)</td>
</tr>
<tr>
<td>Prof fees incl VAT</td>
<td>= N$ 2,210,943.63 + 15% VAT</td>
<td></td>
</tr>
<tr>
<td></td>
<td>= N$ 2,210,943.63 + N$ 331,641.54</td>
<td>= N$ 2,542,585.17 (= full fees incl. VAT)</td>
</tr>
</tbody>
</table>

Total contract administration fees is 25% of full fees = N$ 635,646.29
Example - contract administration fees cont.

Contract sum: N$ 37,638,975.00 (incl. VAT)
Amount valued to date: N$ 7,369,535.00 (excl. VAT)

Contract admin fees should be calculated as a percentage of total amount valued to date, including VAT, less any previously paid amounts.

Percentage of work done:
Work done (incl VAT) = N$ 7,369,535.00 + 15% VAT
                      = N$ 7,369,535.00 + N$ 1,105,430.25
                      = N$ 8,474,965.25

Percentage of total: N$ 8,474,965.25 / N$ 37,638,975.00 = 22.52%

Fees to date: 22.52 % of contract administration fees
              = 22.52 % of N$ 635,646.29 = N$ 143,147.54

Fees due now: fees to date – previous paid
              = N$ 143,147.54 – N$ 82,579.30
              = N$ 60,568.24
Repetition fees

- Repetition fees are only applicable to design and documentation stages.

**Formula:**

\[
\frac{F (N+2P)}{4N}
\]

- F - fee based on cost of repeated portion
- N - total number of buildings
- P - total number of different sets of drawings

- Contract admin fee (stage 5) calculated on total cost of project.
Alteration / additions fees

- Alteration fees are applicable to all the different stages, including design, documentation and supervision.
- Add 30% towards portion of fee.
A project can consist of new work, repetition work and alterations.

In order to calculate professional fees due, the ratio of each portion should be calculated in relation to the complete project.

EXAMPLE

An office complex is constructed with three identical office blocks. The construction cost of each new office block is N$ 3,752,675.00 incl. VAT. There are also some changes made to existing office block on the same site. Calculate the ratios for professional fees for the following project.

Additional information:

<table>
<thead>
<tr>
<th>Description</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Site works</td>
<td>N$ 4,628,800.00 excl. VAT</td>
</tr>
<tr>
<td>Alterations</td>
<td>N$ 1,734,320.00 incl. VAT</td>
</tr>
</tbody>
</table>
The first step is to ensure all amounts exclude VAT for calculation.

Office block
= N$ 3,752,675.00 - VAT portion
= N$ 3,752,675.00 - N$ 489,479.35 = N$ 3,263,195.65

Alterations
= N$ 1,734,320.00 - VAT portion
= N$ 1,734,320.00 - N$ 226,215.65 = N$ 1,508,104.35

Next step is to determine value of new work, repetition and alterations.

New works
= N$ 3,263,195.65 - one office block
= N$ 4,628,800.00 - site works
= N$ 7,891,995.65 - total new work

Repetition
= N$ 6,526,391.30 - two repeated office blocks

Alterations:
= N$ 1,508,104.35 - total alterations

Total constructions cost:
= N$ 15,926,491.30
Example - ratios cont.

RATIOS

Ratio new work : \[ \frac{N$ 7,891,995.65}{N$ 15,926,491.30} = 49.55\% \]
Ratio repetition : \[ \frac{N$ 6,526,391.30}{N$ 15,926,491.30} = 40.98\% \]
Ratio alterations : \[ \frac{N$ 1,508,104.35}{N$ 15,926,491.30} = 9.47\% \]

= 100.00\%

DOCUMENTATION FEES

- Total fees is sum of fees on different kinds of work
- Fees new work = full fee x ratio new
- Fees repetition as per repetition formula x ratio rep
- Fees alteration fee = full fee ratio alt + 30%

CONTRACT ADMIN FEES

- Fees on new and repetition = full fee
- Fees alteration = full fee + 30%
The hourly rate chargeable by Principal members/directors is set out in terms of subsection (6) of section 7 of the Architects’ and Quantity Surveyors’ Act. (Act No. 13 of 1979). This is for additional services.

This amount is currently N$ 2,099.28/hour.

Staff time charges are calculated as follows:

\[
\text{Staff time charge} = \frac{\text{Staff Gross Annual Salary (including any bonus)} \times 0.15}{100}
\]

Example: salary of N$ 21,000.00 per month

\[
\begin{align*}
\text{time charge} & = \frac{\text{N$ 21,000.00} \times 13 \text{ (= 12 months + bonus)} \times 0.15}{100} \\
& = \text{N$ 409.50 per hour}
\end{align*}
\]

VAT to be added to all time charges.
Other charges

- Disbursements: e.g. printing costs
- Travel costs (for government projects separate flight – travel cost)
- Travel time (include actual travel and non productive time)

ALL ITEMS TO INCLUDE VAT
Calculation of total fees

Professional fees to date

Less: Previously paid

SUB-TOTAL

Add: Time charges
Add: Disbursements
Add: Travel costs
Add: VAT on above

TOTAL (VAT-able)

Add: non VAT amount

TOTAL DUE

DISBURSEMENT AND TRAVEL COST VAT ONLY CHARGEABLE IF NOT INCLUDED
Exercise - documentation

Information received

- Scope of project
- Breakdown of estimate
- Breakdown of contract sum
- Valuation details of valuation 13 & 14

2017 question 1.1

- Basson Architects has previously claimed for the concept design and was paid the amount of N$ 378,200.00 (no disbursements charged).
- Calculate the professional fee account for Basson Architects after completion of full documentation based on the estimate.
Exercise documentation – step 1 : ratios

First step is to determine value of new work, repetition and alterations.

**New work**

- Barrack male: N$ 1,555,000.00
- Barrack female: N$ 1,750,000.00
- Mess, kitchen: N$ 3,450,000.00
- Laundry, workshop: N$ 5,300,000.00
- Cell block: N$ 875,000.00
- External works: N$ 2,500,000.00

Total new work: N$ 15,430,000.00

**Repetition**

- 3 x Barrack male: N$ 4,665,000.00
- 2 x Cell block: N$ 1,750,000.00

Total repetition: N$ 6,415,000.00

**Alterations**

- Total alterations: N$ 2,400,000.00

Total cost: N$ 24,245,000.00

Total new work = 63.64%

Total repetition = 26.46%

Total alterations = 9.90%

Total cost = 100.00%
Next step is to determine the cost of works.

<table>
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<tr>
<th>Description</th>
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</thead>
<tbody>
<tr>
<td>Total estimated cost (incl. VAT)</td>
<td>N$ 32,763,500.00</td>
</tr>
<tr>
<td>Less: VAT</td>
<td>N$ 4,273,500.00</td>
</tr>
<tr>
<td>Less: Escalation</td>
<td>N$ 1,750,000.00</td>
</tr>
<tr>
<td>Less: Contingencies</td>
<td>N$ 2,495,000.00</td>
</tr>
<tr>
<td><strong>SUB-TOTAL</strong></td>
<td><strong>N$ 24,245,000.00</strong></td>
</tr>
<tr>
<td>Add: VAT</td>
<td>N$ 3,636,750.00</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>N$ 27,881,750.00</strong></td>
</tr>
</tbody>
</table>
Exercise documentation – step 3: table

<table>
<thead>
<tr>
<th>Cost of Works (in Namibian Dollars)</th>
<th>Column A</th>
<th>Column B</th>
<th>Column C</th>
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Police station = complex buildings / project ➔ use column C

Cost of works is N$ 27,881,750.00 ➔ use appropriate row
Exercise documentation – step 4 : full fees

Professional fees:

\[ \text{N}\$ 70,400.00 + (6.75\% \text{ of cost of works}) \]

\[ = \text{N}\$ 70,400.00 + (6.75\% \text{ of N}\$ 27,881,750.00) \]

\[ = \text{N}\$ 70,400.00 + \text{N}\$ 1,882,018.13 \]

\[ = \text{N}\$ 1,952,418.13 \text{ (full fees excl. VAT)} \]
Exercise documentation – step 5 : ratio fees

Documentation fees repetition portion :

value of N      =  5
value of P      =  2

= N$ 1,952,418.13 x 75 % x 26.46 % x (5 + 2 x 2) / 4 x 5
= N$ 174,355.82 (documentation fees repetition excl. VAT)

Documentation fees alteration portion :

= N$ 1,952,418.13 x 75 % x 9.90 % x 130 %
= N$ 188,457.16 (documentation fees alteration excl. VAT)

Documentation fees new portion :

= N$ 1,952,418.13 x 75 % x 63.64 %
= N$ 931,889.17 (documentation fees new excl. VAT)

Total documentation fees :

= N$ 1,294,702.15
Exercise documentation – step 6: calculation

Completion of documentation = stage 1 to 4 = full documentation fee

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Professional fees</td>
<td>N$ 1,294,702.15</td>
</tr>
<tr>
<td>Less: Previously paid</td>
<td>N$ 328,869.57</td>
</tr>
<tr>
<td>FEES DUE</td>
<td>N$ 965,832.58</td>
</tr>
<tr>
<td>Add: Time charges</td>
<td>NIL</td>
</tr>
<tr>
<td>Add: Disbursements</td>
<td>NIL</td>
</tr>
<tr>
<td>Add: Travel / Accomm.</td>
<td>NIL</td>
</tr>
<tr>
<td>SUB-TOTAL</td>
<td>N$ 965,832.58</td>
</tr>
<tr>
<td>Add: VAT on above</td>
<td>N$ 144,874.89</td>
</tr>
<tr>
<td>TOTAL DUE</td>
<td>N$ 1,110,707.47</td>
</tr>
</tbody>
</table>
Exercise – contract admin

2017 question 1.2

- Calculate Basson Architects’ inspection fees based on the payment certificate No 14, with following information:
  - The same ratios of type of work: repetitions, alterations and new work are applicable to the contract sum, as to the cost estimate
  - Basson Architects did not claim any inspection fees prior to issue of payment certificate No 14
  - Disbursements for 15 site visits to date:
    - Time charge: 5 hours per trip at minimum hourly fee
      - Note: 12 x old rate and 3 x new rate (as from 1 April 2017)
    - 15 x ticket with Air Namibia at N$3,950.00 each
    - Cost of printing of the drawings to date at N$ 16,330.00 (incl VAT)
Police station = complex buildings / project ➔ use column C

Cost of works is N$ 34,379,250.00 ➔ use appropriate row
Exercise contract admin – step 2 : full fees

Professional fees:

\[ \text{N$ 140,800.00} + (6.5\% \text{ of cost of works}) \]
\[ = \text{N$ 140,800.00} + (6.5\% \text{ of N$ 34,379,250.00}) \]
\[ = \text{N$ 140,800.00} + \text{N$ 2,234,651.25} \]
\[ = \textbf{N$ 2,375,451.25} \text{ (full fees excl. VAT)} \]
Exercise contract admin – step 3 : ratio fees

Admin fees repetition :
\[ = \text{N}\$ 2,375,451.25 \times 25 \% \times 26.46 \% \]
\[ = \text{N}\$ 157,136.10 \text{ (admin fees repetition excl. VAT)} \]

Admin fees alteration :
\[ = \text{N}\$ 2,375,451.25 \times 25 \% \times 9.90 \% \times 130 \% \]
\[ = \text{N}\$ 76,430.14 \text{ (admin fees alteration excl. VAT)} \]

Admin fees new :
\[ = \text{N}\$ 2,375,451.25 \times 25 \% \times 63.64 \% \]
\[ = \text{N}\$ 377,934.29 \text{ (admin fees new excl. VAT)} \]

Total admin fees :
\[ = \text{N}\$ 611,500.54 \]
Time charges:

\[= 12 \text{ trip} \times 5 \text{ h} \times \text{N$} 1,577.23 + 3 \text{ trip} \times 5 \text{ h} \times \text{N$} 1,734.95\]

\[= \text{N$} 120,658.05 \text{ (time charges excl. VAT)}\]

Printing costs:

must be excluding VAT for calculation

\[= \text{N$} 16,330.00 / 1.15\]

\[= \text{N$} 14,200.00 \text{ (printing costs excl. VAT)}\]

Flight costs (No VAT charged):

\[= 15 \times \text{N$} 3,950.00\]

\[= \text{N$} 59,250.00 \text{ (flight costs excl. VAT)}\]
<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contract admin fees</td>
<td>N$ 611,500.54</td>
</tr>
<tr>
<td>Ratio:</td>
<td>N$ 12,980,900.00 (excl) 43.42 %</td>
</tr>
<tr>
<td>PROF FEES DUE</td>
<td>N$ 265,513.53</td>
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<tr>
<td>Add: time charges</td>
<td>N$ 120,658.05</td>
</tr>
<tr>
<td>Add: disbursements</td>
<td>N$ 14,200.00</td>
</tr>
<tr>
<td>SUB-TOTAL</td>
<td>N$ 400,371.58</td>
</tr>
<tr>
<td>Add: VAT on above</td>
<td>N$ 60,055.74</td>
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<tr>
<td>SUBTOTAL VAT portion</td>
<td>N$ 460,427.32</td>
</tr>
<tr>
<td>Add: amount 0% VAT</td>
<td>N$ 59,250.00</td>
</tr>
<tr>
<td>TOTAL</td>
<td>N$ 519,677.32 (now due)</td>
</tr>
</tbody>
</table>