

APEAS_{LTD}

ARCHITECTS' PROFESSIONAL EXAMINATION AUTHORITY IN SCOTLAND Ltd.

THE EXAMINATION IN PROFESSIONAL PRACTICE &
MANAGEMENT: PART 3, 2011/12

SCENARIO to the PRACTICE EXAMINATION

All the characters, locations and incidents contained in this Paper are fictitious. The projects, if based on live events, have been amended to conceal specific identity.

© This paper is the copyright of APEAS (Architects' Professional Examination Authority in Scotland Ltd.) and the contents may not be reproduced in any form without written approval.

SCENARIO

The following information describes the hypothetical architectural practice for which you, the candidate, 'work' as an architectural assistant with two and a quarter years of post-Part 2 experience. It sets out the structure of the firm and something of its philosophy, the people involved and the work they are presently doing, and the financial framework within which they are operating. It includes scenario information on various projects which may be the subject of questions in the written Examination Paper.

THE PRACTICE

GFY Architects
Geddes House
1 Union Street
CITYBURGH
CB1 9RW
United Kingdom
Tel: 004 523 0079
Fax: 004 523 7863
gfy@cityburgh.co.uk

THE PARTNERSHIP

Miriam Gorst DA, RIBA, FRIAS is in her late 50s. She trained at the Westcoasts University School of Architecture, and was a Cityburgh Silver medallist and a RIBA Bronze medallist as a student. She is a past President of the Cityburgh Institute of Architects. She promotes conservation and green issues and has gained a reputation as a good designer and as an expert witness.

Duncan Flynn B.Arch, Dip. TP, MB, MRTPI, RIBA, ARIAS, MaPS is also in his late 50s. He trained in London as an architect and planner and spent three years as editor of the national journal 'The Urban Designer' and as a tutor on Urban Design. He continues to write on Urban Design and to lecture part-time. He has trained as a CDM Co-ordinator, has registered as a member of the Association for Project Safety and is actively involved in its Regional and National Committees. He has been appointed to the local / regional panel of Adjudicators and completed a part-time MBA with Cityburgh University in 2007. The downturn in practice workload, experienced before the recession of early 2009, prompted agreement on Flynn moving to a 3-day working week allowing him time to return to his writing career and expand his consultancy work. The partners have since spent the intervening period in discussions on a possible exit strategy for Duncan to formally retire, but have not as yet managed to draw negotiations to a close. Flynn, however, has recently brought matters to a conclusion by serving the 6 month notice, required under the terms of the LLP agreement, of his intention to formally depart from the partnership when he turns 60 in early 2012.

John Young B.Arch, ARIAS is 43 years old and joined the Partnership in 2004. John had been taught by Duncan as a student and, having set up as a sole practitioner 3-years after qualifying, he had developed his practice to a point where he was over-stretched by a mix of small commissions and several design and build projects with developer/construction industry friends from student days.

He had kept in touch with Duncan, knew of GFP's good reputation, and recognised the potential benefits for both organisations in joining forces. Since neither practice had high levels of retained capital, it was relatively easy to establish a basis for partnership.

Background:

The Practice has now been in business for 25 years. GFP (the original practice established by Gorst, Flynn and Paske) was set up in 1985. Neil Paske, who had retired as a partner and was acting as a consultant to the practice, had his agreement terminated nine years ago following a major liability issue resulting from a project he was responsible for. Fortunately, the matter was settled by the practice's Professional Indemnity Insurers before it reached court and no further action was taken against Neil Paske. The Practice, however, had to pay the excess on the Professional Indemnity Policy.

The uncertainty surrounding the liability case and the resultant departure of Neil Paske diverted Miriam and Duncan from the task of developing their Cityburgh office, but once the matter had been resolved they had to decide how best to develop and strengthen the practice.

Duncan and Miriam were concerned that there was no-one within the practice either capable of joining or willing to join the partnership. They had considered in some detail a merger with a larger practice but grew increasingly troubled by the legal and fiscal complexities of merger (the other firm was constituted as a limited company) and by the loss of identity and control that the merger might entail. When John Young contacted them, it seemed to offer a natural path to growth for all three individuals, with, at long last, the introduction of some young blood into GFP.

Almost the first thing that the three agreed was that the practice name should affirm that they were practicing as architects. References to "Building Design" and "Development Consultants" were dropped in favour of the unambiguous title Architects. Duncan and Miriam were happy to drop the Paske name from the

practice after their painful experience in recent years and all three agreed that a change to GFY Architects would offer some valuable re-branding and marketing opportunities.

After a busy year of preparation and having resolved some difficulties with their landlord over the change of operating style, GFY was reconstituted as a Limited Liability Partnership in 2003.

Policy:

The Practice is structured around the particular strengths of the Partners. They have decided still to describe themselves as Partners though, under the provisions of the LLP legislation, they are formally described as Members of the LLP. The Practice had a reputation for architecture in the community, but has also developed an understanding of the role of 'developer architect' in commercial development and to apply their experience and background in this new market. Larger development work, of a commercial and industrial nature, has been handled by Gorst, whereas urban based projects, centred around retail, offices and infill work, are normally carried out by Flynn. Young has built strongly on the varied workload he brought to the Practice. He is also still keen to explore the further potential of taking a direct financial interest in the type of small scale developments in which the practice is involved after completing his first development in a joint venture 4 years ago.

The Practice secures many small projects, which are managed by the Partners with support from the Associates. Although these are beneficial in regards to workload, and in the current financial downturn a vital aspect of the practice's cash flow, it is found to be increasingly difficult to generate any profit from them and they divert staff from larger, potentially more lucrative jobs.

The practice also has a set procedure in place to systematically review electronic Public Procurement notices on a weekly basis. The partners and associates carefully assess whether the practice should bid selectively for projects where they have the required expertise, and the capacity to score highly

in quality based submissions. Feedback on unsuccessful bids is secured as a matter of policy. This has confirmed a concerning trend, that while the practice regularly progresses to the Invitation to Tender stage, projects are invariably being lost to considerably lower fee bids.

CPD is encouraged on a personal development plan basis to meet the requirements of the profession. These plans are discussed and agreed with the partners at annual reviews along with personal logs, which staff are expected to maintain to monitor their CPD activity and is tailored to suit individual training/career requirements.

An internal programme of CPD events, including computer training, is arranged for all staff whilst individuals are asked to attend external courses/seminars, disseminating the information to the rest of the office at internal sessions on their return. In 2006 John Young took over CPD Management within the practice from Duncan Flynn and further to the changes to the RIBA's CPD requirements in February 2006, he has enlisted the assistance of Practice Associate Paul Moore with a view to reviewing the practice's CPD programme. All members of staff maintain individual CPD record sheets.

John Young has also assumed responsibility for CDM matters within the office (as part of Duncan Flynn's "winding down" from the partnership) and is keen to ensure that Health & Safety is taken seriously within GFY Architects.

The Practice was the subject of an HSE Construction Inspector's visit in 2006 and as a result of this John Young has established an in-house CDM Review Panel. John Young took over the position of practice Health & Safety Officer last year.

The Practice is a member of a Distance Learning Library and the local chapter Practice Information Service and is considering subscribing to the Architects Channel CPD Video Service.

The firm had previously operated an internal quality management system; however John Young persuaded the other partners that the practice should aspire to formal accreditation under BS ISO 9001:2000. The practice gained formal accreditation in 2007 and was successfully re-accredited under the ISO 9001:2008 standard in 2010. The office prefers to use current appointment documents. The Scottish Conditions of Appointment (SCA/2000/2008 revision) for Architects Appointment is preferred or ASP/2005/2008 revision for small projects, but RIBA Standard Agreement 2010 is also relevant, depending on client or site location. It is now the practice's policy that all their appointments should accord with the discipline of these documents whenever possible.

The firm holds professional indemnity insurance to £5,000,000 for each and every claim since clients frequently require cover at this level. The policy excess figure is £5,000.

Four years ago the Practice was forced to review and revise the existing practice salary structure after the resignation of two of their most experienced architects. At the time GFY Architects were confident that their new salary structure matched and in some cases bettered that of the national average however, planned salary increases have been put on hold in view of the decrease in practice fee income.

Premises:

GFY rent 3,000 sq ft of office premises in a 1970's office building at £20 per sq ft. A rent review was carried out 6 years ago, the annual service charge is £9,000 with rates at £18,000 per annum and heating and lighting at £6,000 per annum. The premises are subject to a full repair and maintenance lease and the practice budget is £8,000 per annum for repairs. Due to the prevailing financial conditions the Partners have decided to continue their short term recurring lease with their landlord, and the proposal to move to larger premises has been put on hold until the economic climate in the construction industry improves.

Computers:

GFY has a fully integrated computer network with a workstation for each member of staff. Peter Sikorsky has been IT Manager for 4 years. The file server has an automatic back-up system: they use an industry standard package for word processing, spreadsheets, database and E-mail, and they have an industry standard CAD system which is used both for 3-D visualisation and production work. The office also has its own fax machine, photocopier and data projector.

A comprehensive re-vamp of the office web site and graphic identity was completed 4 years ago.

Administration:

In the past, Duncan Flynn dealt with the practice administration and management matters. He took on the role of Chairman of the LLP. All three Partners are Designated Members of the LLP. John Young took on responsibility for drafting the Management Rules of the LLP, and divided practice management responsibilities formally so that Duncan is responsible for external relations, Miriam for financial management and John himself for resource management and office job running systems. The change over of responsibilities allocated to Duncan and Miriam (Duncan used to do admin and Miriam PR) was a deliberate move to freshen up all aspects of practice administration and bring some new insights to the old problems of running a business. John remains interested in current thinking about key performance indicators and hopes to find time to explore whether GFY's systems can be developed to respond to such issues. The current downturn in workload has allowed John to pursue a long term ambition to enrol in a part-time course in construction law at Cityburgh University. John successfully completed his diploma in 2011 and is currently in the final stages of a dissertation which will lead to a LLM in Construction Law.

The part-time book-keeper Hubert Reed and the PA/Practice Secretary, Roberta Smith, handle the day to day administrative load for the practice. In addition, the

Practice Secretary who has been trained in a variety of computing programmes provides efficient financial control and management reports in respect of the status of the practice.

The Practice Secretary operates the fee recovery procedure and keeps the bank informed on all financial matters on a regular basis.

The office has a 35 hour working week and a 1575 hour working year, allowing for all holidays and a provision for lost time. Holidays total 30 working days per annum, including statutory days. A flexitime arrangement was introduced following representations by several members of staff.

Staff:

Alex Smith tendered his resignation to take a career break and subsequently left the practice in November 2009 after agreeing a short notice period with the Partners. GFY have taken this as an opportunity to reduce expenditure and have decided not to fill his position as Architect. The practice has also taken the decision to continue with the policy of not employing a Part 1 year out student.

In view of the reduction in work load and drop off in turnover a 4-day working week for technical and administrative staff was instigated in September 2011 following a process of consultation. This option was unanimously agreed by all members of staff, with the only viable alternative being a reduction in personnel through a redundancy process. This reduced working week was also the preferred choice of the partners on the basis that it retained the practice core expertise and resourcing capacity.

Staff operate a '20% day' rota to ensure that days off are spread evenly throughout the working week. John and Miriam continue to work a full working week, with Duncan remaining part-time pending retirement.

The partners view this as an interim situation and have pledged to staff that a return to a normal working week will be resumed just as soon as work load permits.

PERSONNEL

	Annual salary	Position	Cost to the office Per hour
Miriam Gorst	£40,000 (notional salary)	Partner	£50.00
Duncan Flynn	£24,000 (notional salary)	Partner	£50.00
John Young	£40,000 (notional salary)	Partner	£50.00
Paul Moore BArch Dip (Arch) ARIAS	£37,500 (30,000 pro rata 4 day week)	Associate	£45.00
Jill Kahn ARIAS, RIBA, Lib	£37,500 (30,000 pro rata 4 day week)	Associate	£45.00
Peter Sikorsky Dip Arch RIBA	£30,000 (24,000 pro rata 4 day week)	Architect	£35.00
Zainab Rashid BArch Dip (Arch) ARIAS	£30,000 (24,000 pro rata 4 day week)	Architect	£35.00
Helen Goldie	£27,000 (21,600 pro rata 4 day week)	Technologist	£32.00
Candidate BArch Dip Arch	£20,000 (16,000 pro rata 4 day week)	Graduate	£25.00
Hazel Jones B Arch Dip Arch	£20,000 (16,000 pro rata 4 day week)	Graduate	£25.00
Jurgen Heins BSc BArch	£20,000 (16,000 pro rata 4 day week)	Graduate	£25.00
Carol Murray	£12,000 (9,600 pro rata 4 day week)	Trainee Technician	£16.00

Roberta Smith BA	£25,000 (20,000 pro rata 4 day week)	PA Secretary to Partners
Melanie McKean	£20,000 (16,000 pro rata 4 day week)	Secretary
Hubert Reed	£12,000 (8,000 pro rata 2 day week)	Part-time book keeper / librarian

The cost to the office hourly rate in the table above is calculated as the share of salary and overhead costs for the office as a whole attributable to each technical member (including partners). It excludes any provision for profit.

The office uses the RIBA rate of 18 pence per £100 of salary when charging clients on a time basis.

Financial Summary

GFY have continued to experience a down turn in turn over and profitability over the last 4-years as the general economy continues to flat line. Profit levels peaked at 33% for 2007-2008, reduced to 20% for 2008-2009 and dropped again to 17.5% for 2009-2010. The financial forecast for 2011-2012 projects a turnover of £660,000 with a resultant reduction in profit to 15.93%

The management team have continued to tighten up on overheads where ever possible, but the significant reduction in turnover over the last year has been the primary factor in necessitating the review of technical and administrative staffing costs. Moving to a reduced working week has managed to trim approximately £5,000 from the monthly payroll which has reduced expenditure to a sustainable level. Partner earnings have remained accordingly low, with Miriam, Duncan and John taking substantially less partner drawings from the LLP then in previous years.

The fall out of several substantial bad debts, that have had to be written off following the liquidation of a number of private developer clients, has impacted on the cash reserves for a second year running. The partners are concerned that reserves have dropped below the target 3 month turnover calculus, but are comfortable that the cash balance is still substantial enough to cover cash flow with out reliance on bank finance.

As a result of the financial measures undertaken the practice continues to weather the storm and trade in challenging circumstances.

The following financial summary gives a simplified view of the practices predicted profit and loss figures for the year 2011- 2012.

Profit/Loss Forecast for 2011

INCOME	TOTAL	Percentage of turnover (%)
Miriam Gorst	170000	25.76%
Duncan Flynn	110000	16.67%
John Young	350000	53.03%
Prospects valuation	13500	2.05%
Fee Total	643500	97.50%
<hr/>		
Photos/prints	7500	1.14%
Travel/subsistence	5500	0.83%
Other income	3500	0.53%
Net earned income (turnover)	660000	100.00%
<hr/>		
EXPENDITURE		
Technical salaries (inc. NI)	187200	28.36%
Admin salaries (inc. NI)	44000	6.67%
Pension scheme	25500	3.86%
Staff training	5000	0.76%
Travel & subsistence	11400	1.73%
Car costs	15000	2.27%
Rent	60000	9.09%
Rates	18000	2.73%
Insurances	8000	1.21%
PI Insurance	22000	3.33%
CAD costs	40000	6.06%
Equipment costs	20000	3.03%
Telephone	8000	1.21%
Dwg office supplies / Stationery	12000	1.82%
Postage	5000	0.76%
Photos / prints	9000	1.36%
PR / Publicity / Entertainment	5000	0.76%
Subscriptions	2400	0.36%
Books / publications	3000	0.45%
Heat / Light	6000	0.91%
Fabric maintenance	8000	1.21%
Accountant fees	10000	1.52%
Legal / Professional fees	3600	0.55%
Bank Interest	1750	0.27%
Miscellaneous / Contingency	10000	1.52%
Depreciation	15000	2.27%
Total expended	554850	84.07%
<hr/>		
Profit	105150	15.93%
<hr/>		
Indicative cash position		
Income predicted	660000	
VAT on Income @ 20%	132000	
Total cash income	792000	
trading expenditure	554850	
VAT on expenditure @ 20%	44680	
VAT to Customs & Excise	87320	
Partners' Drawings	104000	
Total cash expenditure	790850	
<hr/>		
Cash movement over year	1150	
<hr/>		
opening bank balance	105652	
closing bank balance	106802	

CONSULTANTS/ADVISERS

LEGAL

DUN, TRIPP and FORSYTH, Solicitors, 70 Albert Road, CITYBURGH, CB2 80A

Contact: Mr Brett Forsyth, Milt LLB.

FINANCIAL

MONTROSE Ltd, Accountants, 3 Albert Close, CITYBURGH, CB2 7AA.

Contact: Mr Virus Susendrah CA. (The financial year runs from 1st September to 31 August).

BANK

BURGHDALE BANK PLC, 92 Chambers Street, CITYBURGH, CB1 3PN.

Contact: Ms Irene McSplash (Senior Manager).

INSURANCE.

EASTERN ASSURANCE PLC, 46 The Square, CITYBURGH, CB1 2EM.

Contact: Mr Sean Gordon

For professional consultation the following firms have been regularly used. Other Consultants for Building Services, Landscape, Fire Engineering etc are engaged as necessary depending on the nature and source of each job.

QUANTITY SURVEYORS

MANNARS SURVEYORS, 14 Chambers Court, CITYBURGH, CB1 XA.

Contact: Mr Rod Mannars LLB ARICS. Mannars are an old firm with a good reputation and some bright younger staff.

CONSTRUCTION COST CONSULTANTS

GLM (West) Ltd., 20 UPPER TOWN, WESTBURGH W1 2UP

Contact: Geom. Le Mesurier, FRICS, ACI Arb, APS.

STRUCTURAL ENGINEERS

TREVOR MAILLOT BSc Eng MStrucE, 14 BRADE STREET, CITYBURGH, CB4 7TS.

Contact: Mr Maillot. A small firm established in 1990.

ENVIRONMENTAL ENGINEERS

GREEN & GREEN, 127 Brade Place, CB4 BTZ.

Contact: Mr George Green BSc MIMech MIEE.

An experienced firm with a keen awareness of building sustainability.

Specific Background to Questions

Question 1

Not necessary

Question 2

Appointment:	No appointment yet
Fee:	Not yet discussed
Project:	Speculative office development on the site of a disused charitable school at Ford End. Project could be refurbishment, or demolition and new build, or both.
Client:	The site is under offer by Vagon Properties Ltd.
Contractor:	None yet.
Contract:	Not known yet.
Project Status:	Feasibility
CDM:	Applies in full
Project Value:	In the region of £3-4m, depending on agreed proposals
Project Team:	John Young, Partner responsible, Candidate
Background:	John Young has met Barry Jeltz, MD of Vagon Properties, at the site, to have a look at the existing building. Jeltz wants to maximise the development of the site for office use and is seeking architectural advice on the site's potential.

Question 3

Appointment:	RIBA Standard Agreement 2010. <i>Architect appointed as Lead Designer with all Stage K services retained under Part 2: Design Services</i>
Fee:	£80,000
Project:	New public library and community halls
Client:	Cityburgh Council
Contractor:	I. M. Hardman Ltd
Value:	£3.2M
Form of Contract:	JCT Design Build
Employers Agent and QS:	Mannars Surveyors
Background:	<p>Employers requirements were based on architectural drawings and specifications taken to RIBA Stage D. The drawings were primarily general arrangement plans, sections and elevations. Architect had applied for planning approval before tenders were issued and approval had been obtained prior to contractor appointment.</p> <p>One of the specification items in the building was the achievement of a BREEAM Excellent Rating and an Air Permeability rating for the whole building of 3.0 m³/hr/m² at 50 Pascal test pressure differential.</p> <p>The contractor has specific design responsibility for:</p> <ul style="list-style-type: none">• Curtain walling• Cladding• Windows• Rainscreen cladding• Single ply membrane roofing• Fire stopping

Question 4

Appointment:	SCA/2000 January 2008 Scottish Conditions of Appointment
Fee:	2.5%
Project:	New campus for renewables & LZC technologies which will include a variety of office, workshop & educational buildings.
Client:	Cityburgh College
QS:	Mannars Surveyors
Structural:	Trevor Maillot
M&E Consultants:	Green & Green
Contractor:	None yet
Contract:	Likely to be traditional procurement
Project Status:	Outline Design
CDM:	Applies in full
Project Value:	Client's current budget £35m
Project Team:	Miriam Gorst, Partner responsible
Background:	<p>Miriam's links with 'green' organisations in both the private and public sectors, over a long period, has resulted in GFY's appointment as architects for the new Renewables Campus on the outskirts of Cityburgh. GFY have produced a masterplan for the campus and Planning Permission in Principle has been granted.</p> <p>The original development concept was for a phased, rolling programme, building by building. However, Cityburgh College have received grant funding to enable them to build the whole campus at once.</p>

Question 5

Project:	The Queensborough Building. Mixed Use New Build, Cityburgh Centre. Residential development above commercial ground and basement.
Client:	Queensborough Properties Ltd.
Contract:	JCT Standard building contract with Quantities (SBC/Q) Revision 2 2009.
Construction Value:	£5,000,000.
Appointment:	Scottish Conditions of Appointment SCA/2000 January 2008. Schedule of services includes Stages K-L
Current Job Staff:	Partner in charge – John Young Candidate

Background:

The project was completed in November 2010.

All flats are occupied. The commercial ground and basement floors are at shell stage pending a series of landlord and individual tenant fit outs.

The original contractor, Smith Construction, has gone into liquidation, eight months into a twelve month rectification period.

Queensborough have appointed a local facilities management contractor, Cityburgh FM, to step in to rectify defects.

John Young has been dealing with the post completion stages of the project and has been leading investigations over the preceding two months into a water ingress problem to the newly constructed basement.

After an extensive process, involving disruptive investigations, John has concluded that the source of water penetration has been caused by a missing four linear metre section of cavity tray to an external masonry cavity wall at ground floor level. The wall is particularly exposed and the missing tray allows cavity borne moisture to penetrate down into the basement during periods of heavy rainfall.

Question 6

Project:	Office Refurbishment, Cityburgh House
Client:	Office Developments Ltd.
Lead Consultant:	GFY Architects
Estimated Contract Value:	£8M
Background:	The building is not a Listed Building

Question 7

Project:	Laboratory building for Cityburgh University
Contractor:	Global Contracts Ltd
Construction value:	£12m
Contract:	JCT Standard Building Contract with Quantities (SBC/Q) Revision 2 2009
Damages:	£10,000 per week

No EOT has been awarded although several unsuccessful claims have been made.

Background: The building is two thirds laboratory space – on the upper two floors, and one third meeting rooms, lecture hall, cafeteria etc. on the ground floor. The external envelope is a gasket sealed curtain walling system with no exposed frame to the outside. The project is nearing or at completion, a year late, after a very fraught construction period where relations between architect and contractor have been strained. It has been run in the office by three project architects over the years – the current one is Jill Kahn (senior associate).

Question 8

Project:	Cityburgh Council office building
Contract:	JCT Standard Building Contract with Quantities (SBC/Q) Revision 2 2009
Contractor:	National Construction Ltd
Value:	£10m
Status:	Completed, but there are on-going issues

Question 9

Duncan Flynn has served 6 months' notice of his intention to retire from the partnership.

There is a simple LLP agreement in place for the practice, which stipulates the above notice period. A change in the form of business is not being considered.

He is entitled to a significant financial sum upon retirement for his interest/share in the business. He would like this immediately but given the current financial climate he has stated a willingness to be paid out in stages over a longer period.

The recession has put financial strain on the company and tensions have been fraught at times between John and Duncan. Duncan feels that his expert witness and CDM-C work is not fully appreciated or acknowledged by John.

Question 10

Not necessary