



RIBA Business Benchmarking 2020

Summary Report prepared for the RIBA
by The Fees Bureau



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Introduction

In this year of the Covid-19 pandemic we have learned just how vital it is to have good, reliable data. Statistics have never been so important, as a foundation for the insight that follows. The RIBA Benchmarking Survey provides such data for the architectural profession. The massive number of practices responding means it is reliable; the variety of respondents means that every aspect of private practice is represented; and the breadth of topics covered keeps it relevant. The sheer volume of data collected - more than half a million data points this year - means it is comprehensive. This year's report includes a new analysis about participation in and awareness of the RIBA 2030 Climate Challenge.

The data shows the early effects of Covid-19. Financial revenues are trending down - the first time Chartered Practice revenue has fallen since this survey started in 2012. Total revenue fell by 1 per cent - basically flatlining. That in itself does not sound bad, but most if not all of this year's revenue data comes from the pre-crisis period, suggesting that revenue was starting to turn down anyway. And, significantly, it comes after an uninterrupted seven-year run of rapidly rising revenues. The period 2012 to 2019 saw RIBA Chartered Practice revenues double, including a 13 per cent rise in 2019 alone. Average practice revenues rose in 2019 for every practice size. Compared with this historic run of consistently positive revenue indicators, this year's position of 'no change' is a significant deviation.

The quandary is that payroll costs are half of all expenditure - which makes it an obvious area to cut - but staff are a practice's principal resource.

Staffing levels are falling. At the start of May, practices already employed 5 per cent fewer staff than one year earlier. As with revenue, it is the context that counts. Staff numbers had increased rapidly year on year since 2013, including an 8 per cent increase in 2019.

A slowing economy brings with it increased competition and the need to stay competitive on price. The static hourly rates figure for most staff categories reflects this situation. At the same time, the profession is reining in its costs. While the total payroll bill is falling as staff numbers fall, practices appear to be maintaining salaries at last year's level for most staff as well as for those holding the equity. Average pay for Partners/Directors/Sole Principals is practically unchanged at just 1 per cent higher - which may partly reflect smaller profits but may also indicate a desire to retain cash in the business to safeguard future cashflow.

However, the profession is far from uniform. Practice size, more than anything else, affects the benchmarks. The larger practices, those with 50 or more staff are few in number but account for well over half of all Chartered Practices' revenue. The very large practices with 100+ staff are starting to lose staff and, despite bringing in more international work, average revenue and average profits are lower this year than last. Staffing in the next size down (50-<100 staff) has grown. For this size of practice, not only are staff numbers up but so too is average revenue and average profit. For other practices (<50 staff) this year's benchmarks are slightly higher, or slightly lower, than last year with no consistent trend emerging.

There is another layer to add - geography. While there is no evidence that location itself impacts revenue or profits, one of this year's surprises is that London is generating an increasing amount of the profession's revenue. This year, £2 out of every £3 of revenue earned by the whole profession comes from practices located in the capital.

The challenges of operating a practice during the Covid-19 crisis will affect next year's revenues and profits. Some of the existing business policies will have set practices up well to meet a number of the current challenges, for example the rising proportion of practices which had policies in place to assist with flexible working arrangements. The quandary that practice owners and managers face is that payroll costs form half of all expenditure and that makes staffing an obvious area to cut. But, at the same time, staff are the practice's principal resource so practice leaders know it would be better to try to achieve savings elsewhere initially. Probably the most urgent area to focus on is cashflow and bad debts. It is good to see that the average bad debt has fallen compared with last year, but in the current crisis Partners, Directors and Sole Principals are likely to spend much more of their time keeping control of cashflow, invoicing promptly and regularly chasing for payment.



Review of this year's survey

Adrian Malleson, Head of Economic Research & Analysis, RIBA

In this the 2020 Benchmarking Report, we see the remarkable period of rapid revenue growth among RIBA Chartered Practices coming to an end. Nevertheless, practice revenue profitability is holding up.

The 2020 report describes practices' financial information up to May 2020, so captures only the very early effects of the Covid-19 pandemic. The report shows that despite growing uncertainty in 2019 and early 2020, the business of architecture held steady.

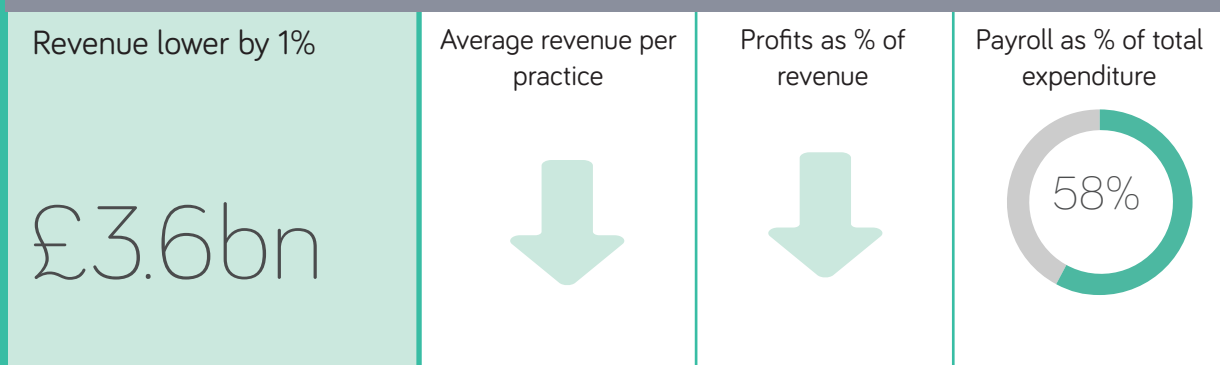
The remainder of 2020 and into early 2021 looks particularly challenging; since May 2020 we've faced the continuation and second wave of Covid-19, further national lock-downs, the ever-looming threat of a no-deal Brexit, the biggest post-war UK economic slump and the insufficiently mitigated climate emergency. The 2021 report will reflect these pressures, but early indications suggest that most practices have, through sound business management, equipped themselves to withstand them. And, at last, the end of the pandemic is coming into view.

The RIBA continues to be on hand, providing support and resources to our members to help navigate these challenging times.

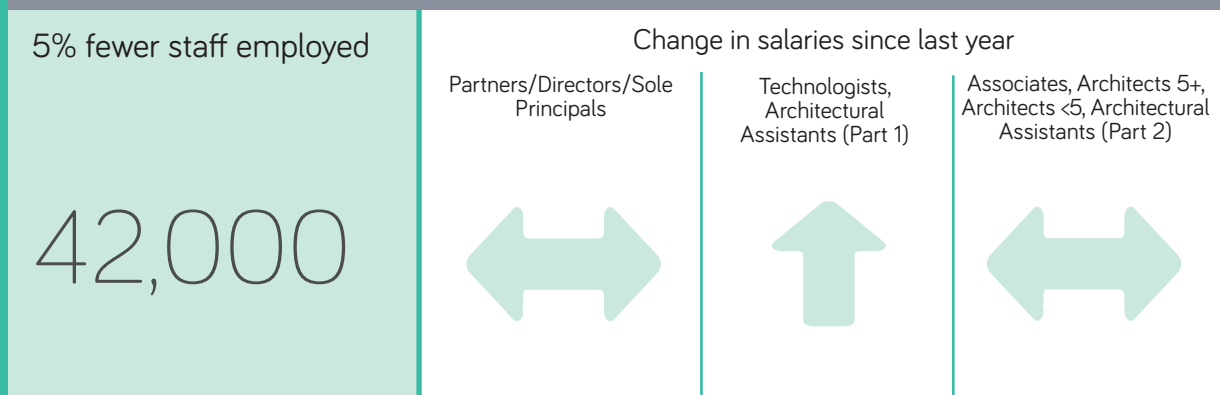
Finally, thank you to the people who completed this year's survey. It's very much appreciated; questionnaires were submitted during the pandemic, often at home, sometimes with young children around, and without the usual resources at hand. It's been a very difficult year and we are most grateful for all the efforts Chartered Practices have made.

RIBA Chartered Practices in 2020

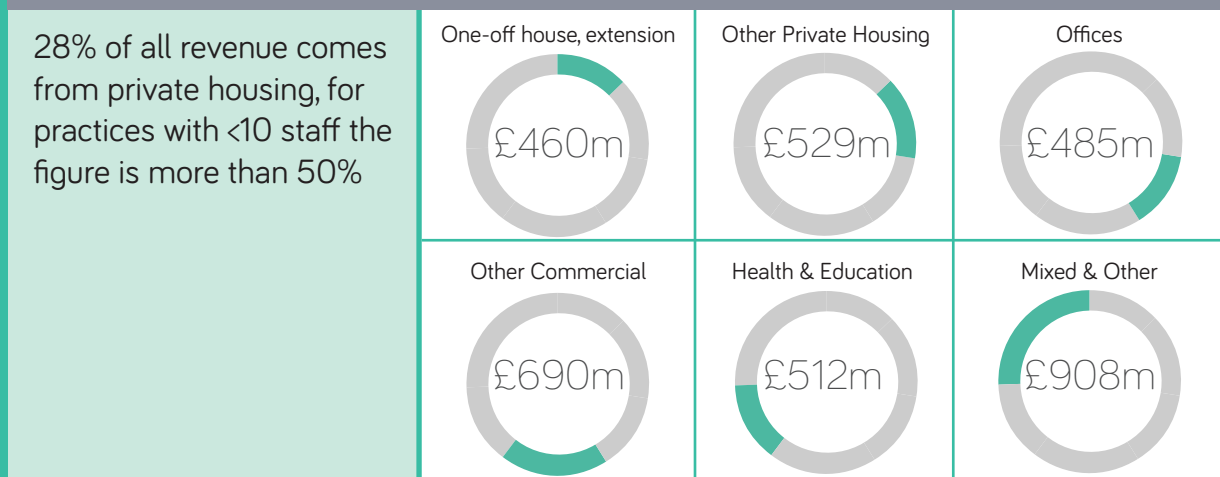
Revenue has not increased for the first time since 2012



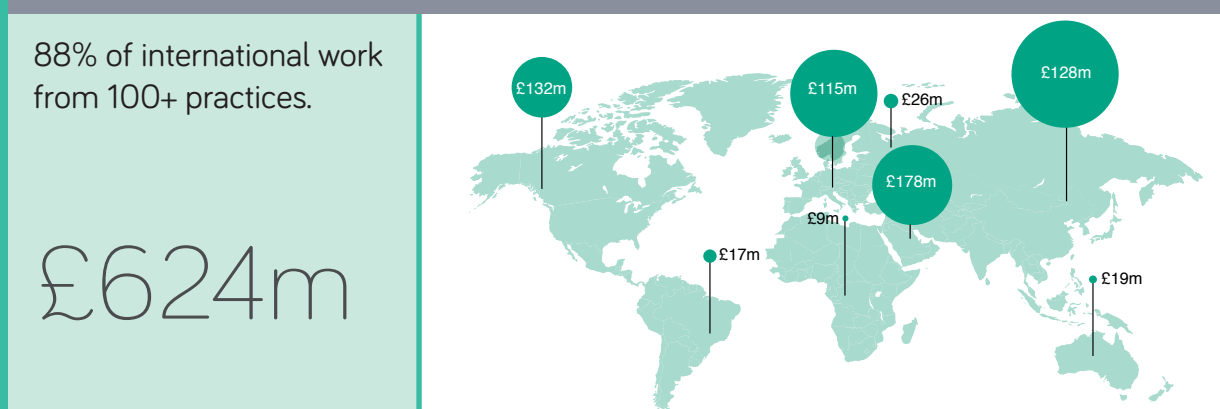
Staff numbers are falling, salaries are static



Private housing's share of total workload is up



International work is stable



Key benchmarks in 2020

Below average
 Average
 Above average

Financial

	1	2	3-<5	5-<10	10-<20	20-<50	50-<100	100+
RIBA Chartered Practices								
Number of practices	904	533	652	798	388	254	81	50
Revenue								
Revenue per practice	52,455	91,099	176,279	377,137	964,907	2.4m	6.9m	30.7m
Revenue per Partner/Director/Sole	53,190	67,710	118,268	212,670	408,232	0.6m	1.3m	2.3m
Revenue per all fee-earning staff	52,887	49,210	57,741	64,219	78,060	87,556	108,351	117,452
Expenditure & profits								
Expenditure per practice	23,988	47,523	115,943	264,616	744,542	1.9m	5.9m	26.0m
Profits per practice	26,538	38,988	54,725	89,677	183,788	444,485	0.7m	2.6m

Talent

	1	2	3-<5	5-<10	10-<20	20-<50	50-<100	100+
Staffing								
Number of staff	878	1,063	2,267	5,266	5,357	7,609	5,638	14,238
Diversity								
% Female	12	37	37	37	35	37	36	37
% Mixed/multiple ethnic groups	1	2	2	3	3	4	2	3
% Asian/Asian British	3	3	5	5	4	6	7	9
% Black/African/Caribbean/ Black British	0	2	2	1	1	2	2	2
% Other ethnic group(s)	1	2	1	1	1	2	3	2
Salaries								
Partner/Director/Sole Principal	25,000	28,000	37,875	48,000	65,000	89,000	125,000	154,550
Architect (5+ years ARB registered)	n/a	n/a	35,200	39,000	40,000	42,000	44,573	44,893
Architect (<5 years ARB registered)	n/a	n/a	30,000	32,500	34,000	34,620	36,560	36,250

Workloads

	1	2	3-<5	5-<10	10-<20	20-<50	50-<100	100+
Projects worked on in 2020								
Number of projects	15	19	28	45	80	127	177	420
Bid success rate %	52	60	52	52	48	49	43	31
Workload contribution to revenue								
% private housing	60	31	33	25	25	30	11	14
% commercial	40	46	52	60	52	48	88	73
% other	0	23	15	15	23	23	1	13
Type of service contribution to revenue								
% building design	85	85	85	84	81	83	78	78
% partial services or consultancy	15	15	15	16	19	17	22	22

International

	1	2	3-<5	5-<10	10-<20	20-<50	50-<100	100+
Revenue								
% of revenue from outside UK	3	2	3	2	3	6	6	35
Average revenue from outside UK	1,387	1,577	4,724	6,674	31,466	147,535	0.4m	10.7m
Offices								
% with office(s) outside UK	2	1	3	2	6	5	23	56

Read the full report and interact with the benchmarking data at:
www.ribabenchmark.com

Learn more about the interactive RIBA Benchmarking Tool
by watching the explanatory video:
<https://www.architecture.com/knowledge-and-resources/resources-landing-page/business-benchmarking>