

23rd March, 1962.

NI/GP/62/15

NATIONAL INSTITUTE FOR RESEARCH IN NUCLEAR SCIENCE

GENERAL PURPOSES COMMITTEE

Fees Charged by Southern Works Organisation

Note by Mr. A. E. Drake

I was invited by the G.P.C. at the Meeting on 9th January to prepare a Memorandum on the methods used by Southern Works Organisation in calculating fees.

The Southern Works Organisation is the southern establishment of the Engineering Group Works and Buildings Directorate. The fees charged relate to work by outside consultants, by S.W.O., and by some other sections of Engineering Group where relevant.

Provision for fees is made in Estimates by applying a percentage to the estimated total cost of the project. Originally this provision was made at 10% only, and this has had to be revised. The 10% approximates to the outside charges by the civil and M and E consultants and quantity surveyors, but the background may be worth expanding as follows:-

- (a) Fees of outside consultants were normally estimated at about 10%.
- (b) When estimates were prepared by the Research Group, before the institution of S.W.O., the old practice was followed, because inter-Group charges for current services were not included in formal capital expenditure sanctions.
- (c) The general services rendered by the Authority to N.I.R.N.S. were (and remain) mainly provided by the Research Group, and their normal methods of calculating charges to N.I.R.N.S. covered all relevant use of Authority staff.
- (d) With the institution of S.W.O. and formal separate costing by the Engineering Group, more accurate costs for this particular work are now computed and are charged to all clients. In principle the introduction of these charges is of course counter-balanced by a reduction in the overhead charges made by the Research Group.

In fact, therefore, the broad provision for Authority building work previously contained in general charges by the Research Group has been deleted from that Group's charges and more accurate costs for such work have been introduced. This causes an increase in the charges for fees attributable to Phase II, but it will be recognised that, in principle, all that has happened is that charges are now being more accurately and fairly computed than they were previously.

The system of calculating fees now in force charges the actual costs incurred on the relevant work. The time of Authority professional and technical staff is therefore apportioned among the schemes to which they contribute. The costs of support for this work (e.g. office services, administrative staff, and so on) are spread over the Authority professional and technical costs according to usage. The consultants also are charged with their fair share, which however is very small (of the order of 10%). The effect of this arrangement is to ensure that the overheads charged to schemes which are placed with outside architects for design and supervision are kept to a low level.

Engineering Group consider that it should be possible to keep actual charges at about 15% of the cost of schemes and this figure is now used for estimating purposes. Actual costs will, of course, vary with the nature of

the schemes and especially with the extent of redesign work and changes in the specification. The present system of calculating actual costs incurred rather than applying a percentages figure to the cost of construction has the very real advantage that there is an incentive to minimise changes in design and calls upon S.W.O. effort.

The fees to be charged for the Rutherford Laboratory Phase II scheme etc. have been re-examined and the revised estimate of the Engineering Group is £75,000. This total relates to the Phase II scheme itself, the Hydrogen Bubble Chamber Plant Room and the associated electricity substation. The total capital cost is £460,500 and the estimated fees, amounting to approximately 16% of the capital cost, are made up as follows:-

(a) Civil and M. & E. Consultant (Merz and McLellan)	£ 28,500
(b) Quantity surveyors (Falkner and Partners)	9,500
(c) Site construction services	15,500
(d) Supporting administrative service to (c) from Research Group	3,000
(e) Engineering Group fee for design etc. works by S.W.O.	18,000
(f) Other fees	500
	<u>75,000</u>

Item (e) covers the following:-

(i) Design services for architectural work in Phase II etc.	10,000
(ii) Examination of consultants' drawings and redesigning where necessary.	5,000
(iii) Certain quantity surveying work carried out by Engineering Group staff instead of Falkner and Partners, and estimating and planning service.	3,000
	<u>18,000</u>