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**RTPI  
Practice  
Advice**



# **STARTING YOUR OWN PRIVATE PRACTICE**

**Setting up as an independent  
planning consultant in the UK**

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**RTPI**

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# Starting your own private practice

## Introduction

This RTPI Practice Advice is designed to support our members who are considering, or who have recently set up as an independent planning consultant. It introduces the main issues you need to consider. From the nitty-gritty of - preparing a business plan, what fees to charge and effective marketing - to how you assess your strengths, effective networking and how to maintain a work-life balance. We have also highlighted the support the RTPI provides for our private sector members and the requirements you need to meet under the terms of our Code of Professional Conduct.

We would like to thank members of the RTPI Independent Consultants Network (ICN) for sharing their top tips.

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# 1 Is independent consultancy for me?

There are a wide range of reasons why you may want to establish your own planning consultancy. The freedom to be your own boss or the opportunity to focus on a particular field of planning may attract you or it could be down to financial necessity.

## There are some questions you should think about first:

- Do you have the drive and commitment? - You will be responsible for your own livelihood, and you may find yourself working even harder and longer than you did before.
- Is this the right time for the move? – Should you wait until you've planned things more carefully, or have circumstances beyond your control presented this opportunity?
- What are your professional strengths and credentials? - Do you have a 'critical friend' who can give you honest feedback on your abilities?
- Do you have a useful network of contacts in the built environment profession? – Have you built good relationships with potential clients that will help you develop contacts and work?
- Does your employment contract with your current or previous employer contain client protection clauses that you need to comply with? - RTPI members have free access to an employment law helpline which can give advice.
- What are your existing financial commitments? - Do you have the means to maintain an acceptable standard of living whilst you establish your business?
- Do you want to work as a consultant full time, or are you thinking of combining consultancy with other activities? - Have you considered acting as a sub-contractor or specialist advisor?
- Are you aware of the day-to-day practicalities of running a business? - It is important to know what your obligations are and where to go for specialist advice.
- Are you customer orientated? – Can you see things from the client's viewpoint, be aware of their expectations, and how to manage them.

This advice note will help you answer some of these questions.

## 2 Setting up your practice

Most independent consultants have moved directly from salaried employment. Your notice period is unlikely to provide sufficient time to prepare for the move. Early planning is essential to research and understand issues relating to running a small business, and to build up your professional network, finding out about opportunities and contacting potential clients. Subject to the provisions of your contract and conditions of service there are a number of things you should work on as soon as possible.

### Preparing a business plan

A business plan is a statement which outlines your objectives, resources and prospects, based on a realistic assessment of your likely income and expenditure over at least the first year of trading. It is an important first step and essential if you are applying for a bank loan or overdraft and will help you to clarify your business idea and spot potential problems. Start Up Donut [www.startupdonut.co.uk/](http://www.startupdonut.co.uk/) has advice on writing a business plan.

“Go on a one or two day small business start-up course. It is well worth it and should cover many of the practicalities.”

Your business plan should cover:

- Business strategy and objectives,
- Size of the potential market for your services,
- Client and competitor analyses,
- Assessment of your competitive edge,
- Marketing strategy,
- Pricing strategy,
- Break-even analysis,
- Projected profit and loss, cash flow profile and balance sheet.

“I jumped into private practice too quickly, I wish I had taken more time to research it as the admin side was a steep learning curve.”

You will need to let your bank know about your intention to set up your own practice. They can offer advice and discuss the cash flow implications of your move. Banks have information to help you prepare a business plan, and it makes sense to follow the guidelines recommended by the bank you are approaching.

“Setting up as a planning consultant need not be expensive, and avoid borrowing money from a bank if you can. An elaborate business plan isn’t always necessary, but it is important to have a realistic estimate of income and expenditure.”

Your business plan should be based on sound research and careful consideration – and crucially set down clearly on paper – not kept in your head. Revisiting your plan will remind you of your goals, and if you are on track.

## Choosing an accountant

You may feel confident that you have the accounting skills needed to run a small business. However, a good accountant will be able to save you time and money and act as a business advisor.

When you are choosing an accountant it is recommended that you meet at least three candidates before making a final choice, asking them to demonstrate their experience of supporting small businesses. As always, personal recommendations are always valuable, but you should seek second opinions about the reputation of the accountants you are considering employing.

The most important things for an accountant to explain are:

- The differences between types of business and which will best suit your situation,
- Having a business account at your bank, separate from your personal account,
- The need to record income and expenditure,
- Date when your accounting year should start,
- Financial information you will require,
- Items which can be charged to your practice, and should be recorded in your accounts,
- Basis on which to calculate ‘start-up’ expenses,
- Your liability to charge VAT.

## Bookkeeping

Legally, all businesses must maintain accurate financial records and retain them for six years. You need to be organised, little and often is a good approach. Use a spreadsheet or online bookkeeping software to maintain a cashbook, showing money entering and leaving the business. To get a true picture of cash flow, outstanding debts and costs should also be included.

Accurate books can save you money when meeting your accountant as they won’t have to sift through statements or request further information. They can also help you make better informed decisions about running your business.



“My book keeper works for half a day a week and deals with all bills and invoices, chases unpaid invoices, VAT returns and company and personal tax returns. Takes all this off me, and is done professionally. The best decision I ever made in business.”

## Choosing the right legal form of business

The legal form of business you choose will depend on the type of business, your attitude to personal financial risk and whether you work alone or with partners. Although you can change your legal form in the future, this will take time and money.

There are four main choices: sole trader, partnership, limited company and limited liability partnership. Companies House [www.companieshouse.gov.uk](http://www.companieshouse.gov.uk) has further information.

### Sole practitioner

Setting up as a sole trader is the easiest way to start a business. You must register your business within three months, or risk a fine, by informing HM Revenue and Customs (HMRC). Your practice is regarded in law as simply an extension of your activities as an individual, you are the business. Therefore, you are liable for the whole of your business's debts. You must complete an annual self-assessment tax return, and pay income tax based on your business profits, along with making National Insurance contributions (NICs). You will also need to check if you need to be VAT registered. See HMRC [www.hmrc.gov.uk](http://www.hmrc.gov.uk) or a qualified accountant for more information.

It is recommended that you put 25 percent of your gross earnings into a separate bank to pay your tax bill, as late payment will incur penalty charges. It is important to note that HMRC will request payments on account for the following year's estimated tax, meaning a much higher initial tax bill than you may have been expecting.

Despite the name, you are still able to employ people as a sole trader. You must collect income tax and NICs from them and operate a PAYE (Pay As You Earn) payroll scheme.

### Limited company

A limited company is viewed as a separate legal entity to the owner, and so are its finances, meaning it offers protection against personal liability for debts. However, it will incur higher costs and more administration initially.

Limited companies must register with Companies House [www.companieshouse.gov.uk](http://www.companieshouse.gov.uk). The information required includes a **memorandum of association** - company name, registered office and nature of business, and **articles of association** – setting out the rules for the running and regulation of the company. An accountant, solicitor or agent will do this for a small fee. At least one director must be appointed, who can also be a shareholder. They will be responsible for filing annual accounts with Companies House and complying with company regulations. Even small companies need to produce an annual statement of accounts, but not all need to be audited.

Corporation tax is payable on any taxable income or profits. Company directors are employees of the company and therefore pay income tax and NICs. Profit from limited companies is usually distributed to shareholders as dividends. The directors remain liable for any breaches of statutory duty by the company, and they are liable in law for negligence.

### **Partnership**

Setting up as a partnership is similar to becoming a sole trader. If you intend to go into business with other professionals you will need to give careful thought to the structure of the relationship and the legal and financial responsibilities involved. The partners draw earnings, rather than receiving a salary through PAYE and NICs don't need to be made. The partnership does not need to register at Companies House or file annual returns. The only legal requirement is that the partners agree to enter practice together, with the intention of sharing the profits. It is important to remember that regardless of each partner's financial status they have shared liability for the business debts and claims against the business. It is recommended that a partnership agreement is made, which explains the business structure, legalities and each partner's responsibilities. Legal advice should be sought.

### **Limited liability partnership**

Starting a limited liability partnership is similar to a limited company. The company must be registered at Companies House and annual returns need to be filed and corporation tax paid. The company is owned by its shareholders (usually the directors) and all profits generated belong to the company. The company debt remains separate from the individuals. Unless the partners are personally negligent, their liability to bear losses is restricted to the assets of the company. Directors remain liable for any breaches of statutory duty, and they are liable in law for negligence. When establishing a limited liability partnership you should always seek professional advice.

### **Consortiums and associations**

Forming a consortium or association, without the legal, financial and professional responsibilities of partnership is not subject to the provisions of company law. Each member of the consortium will maintain their own normal trading obligations. However, it is valuable to obtain legal advice when drafting an agreement about the operation of the consortium.

## Setting up your office

There are a number of factors to take into account when deciding if you should work from home or a separate office:

- Quality and efficiency of the working environment,
- Overhead expenses of running a separate office,
- Space and facilities needed to receive clients,
- Image you want convey with your practice address and your work premises,
- Possible need to accommodate staff or future expansion of the business.

These factors should be assessed as objectively as possible. The most convenient or economical choice in the short term, may not be to your best advantage in the longer term. If you decide to base your business from home, you will be able to set off against tax the proportion of the costs of running your house – lighting, heating, internet and phone charges - incurred by your business.

You should record the value of your office equipment to assess start up costs, capital depreciation and insurance. When calculating your costs remember to include reference materials and subscriptions, including RTPI membership. Make sure your insurance covers office furniture and equipment. If you plan to use your car for business purposes you need to notify your insurance company.

## Ensuring a work – life balance

Establishing a new business can be an exciting, but all consuming activity. A study carried out by Simply Business in 2015 found that on average, self-employed workers take less than half the statutory amount of holiday of 20 days each year, even when accounting for bank holidays.

The usual maxim is ‘never turn work away’. However, you should still be prepared to decline work if you feel it’s not right for you. If you take on too much work, the quality of what you deliver will suffer and affect your reputation.

**“Be true to yourself; do not undercut or undersell yourself; be prepared for things to take longer than you anticipate.”**

However, many self employed people make the flexibility of managing their own workload work for them. Two-thirds of respondents to the Simply Business survey said their working life let them adopt hours that work around family life. The experience of consultants who have children and caring responsibilities suggest that initially it may be better to plan deliberately for under working. This will allow you to realistically assess the hours available for fee earning, allowing for slippage and administration. A good way of doing this is to maintain a manageable amount of work from the same source, for example by working freelance for an architects or solicitors practice, or a larger planning practice needing occasional assistance. In this way experience and contacts can be built up gradually.



“Build the practice slowly, based on recommendations.”

## Taking on staff

If you intend to take on staff, either now or in the future it is important to select staff carefully and to make sure their conditions of engagement are clearly defined. This is particularly important in view of the substantial body of legislation which governs employment. For more information on employing people see Direct Gov [www.gov.uk/browse/employing-people/recruiting-hiring](http://www.gov.uk/browse/employing-people/recruiting-hiring) or ACAS [www.acas.org.uk](http://www.acas.org.uk).

## Pension arrangements

Whatever your age or circumstances you should make arrangements for your retirement. Seek expert, independent advice on the financial provision you need to make now by way of a pension plan or other forms of investment to ensure you have an adequate income once you stop work. You should also ensure you have an appropriate level of life insurance, personal accident insurance, and you should consider how to protect your income if you were unable to work due to an accident or illness.

If you have any employees the law requires you to automatically sign up your staff to a pension through Automatic Enrolment. Failure to do so could result in high fines. See the Department of Work and Pensions for more information [www.workplacepensions.gov.uk](http://www.workplacepensions.gov.uk)

## 3 Marketing your business

Marketing is essentially the relationship between a business and its clients and getting this relationship right is the key to running a successful consultancy. You need to understand the expectations of potential clients at least as well as your competitors do and recognise how the needs of the market are likely to evolve, and try to satisfy those needs with a quality service which represents true value for money. You need to ensure that in every approach you make to a prospective client you highlight the professional strengths that make you distinctive, and the benefits these can bring to your clients.

By far the best form of marketing is satisfied clients who know your strengths, trust your capabilities, understand the value you add and recognise the benefits of using your business.

“Treat clients as the number one route to new work. Word of mouth of is key.”

### Marketing plan

Writing a marketing plan will help you focus, making you more organised and helping you to measure your progress. You should keep a regular, monthly check on your activity, noting what has and hasn't worked so you can effectively inform your next steps. A marketing plan can also be invaluable if you are applying for a bank loan or seeking investment. For a small business your marketing plan doesn't need to be complex and difficult, in fact it is best to keep it simple. A SWOT analysis may help.

<b>Strengths</b>	What are your key skills and professional experience?
<b>Weaknesses</b>	What planning services you are unable to provide? Where do you need more training and help?
<b>Opportunities</b>	What is the profile of your local market and your existing contacts?
<b>Threats</b>	What do your established competitors offer? Will changes in the economy and legislation affect your business?

Start by reviewing your professional knowledge and experience to establish where you are stronger or weaker than your competitors. Also consider what external factors could have an impact on your business. These factors could be threats or opportunities. The prime objective of marketing is to make sure your resources are focused on only the best, most accessible business opportunities. Understand your market and research what individuals and organisations employing planners value. Also profile your competitors and what they offer. You should draw up a profile of the needs of your target customers and then decide how best to reach them.

“Don’t wait for the phone to ring. Identify opportunities that fit with your expertise and pick up the phone.”

## Targeting your opportunities

Identify organisations in your area which are likely to require your services. Business directories and professional associations, such as the local Chamber of Commerce will help. Ideally you should then research each of these possible clients, building up a profile: who they are, what they do, their management structure and the key personnel involved in the engagement of consultants. It is useful to get to know how consultancy services are brought in. Is this done centrally following a set procedure, or do departments have discretion in the way they select consultants? This should help you to identify those with potential commissions for your practice.

“Before starting up, you should already have identified a basic clientele on whom you can rely for business. Usually these are the business and professional contacts that you have made in your career, possibly including your previous employer.”

Spend time researching local authority websites and the local press, identifying plans for development and expansion. If you can establish what development is proposed, you can go back to your lists and identify the companies and organisations which may be involved.

“It is important to be aware of what is going on in your area and to be up to date with planning legislation and developments. Get to know a bit about your nearest Councils, their political set-up and planning committee structure.”

Remember that what you are marketing are your personal strengths and energies – the expertise you have gained as a working planner. The question the potential client is asking, either directly or indirectly, is “why should I engage you instead of someone else?” You need to be very clear in your response. In private practice you will have to market your skills and chase the work. Consultants can usually expect to approach many more people than they would ever receive as clients.

If you intend to engage with public sector clients you will need to research and understand the public procurement methods adopted and ensure you register with any central procurement portals used in your target region such as [www.due-north.com](http://www.due-north.com) or [www.Sell2Wales.com](http://www.Sell2Wales.com).

## Promoting your business

### Website

A website is a valuable marketing tool for new consultants. It allows you to present information about your business to potential clients, and if someone is interested in commissioning you, it allows them to easily verify your credentials – think how often you do this yourself. When designing your website, and indeed any of your marketing materials it is important to make sure things like the choice of font, colours, logo and tone of voice are consistent and represent 'who you are'. Things you should include on your website are: your professional profile, the types of work you undertake, along with examples of previous projects and testimonials from clients. Include content that you can keep up to date and most importantly of all, make your contact details very obvious.

**“Key to marketing is a good website that you can refer potential clients to and it helps establish credibility.”**

### Social media

Creating a website isn't enough, you will still need to promote it. Our ICN members are split on the value of using social media to promote small consultancies, but it is a way of getting your voice heard. Regular informed contributions on Twitter will demonstrate to other professionals that your company is made up of real people with opinions and expertise in the industry and allow you to promote yourself and your business widely. An up to date and active LinkedIn profile, is again a way for interested clients to find out about your business. Always include links to your website from any social media account you have. You can also write a blog, post comments on discussion forums, write articles for industry websites to build up your profile.

**“Your skills might be needed and remembered by someone quite a while after you met them and when they might have changed the organisation they work for. Social media provides them with an easy way for them to re-establish that contact.”**

### Email marketing

Email marketing has the benefit of lower costs and higher response rates than traditional marketing mailings. It is also easy to track responses so that you can easily test what works and tweak your emails to increase response rates. It is a convenient and cost effective way to tell existing and potential customers about your company and respond to queries. Mail Chimp <http://mailchimp.com/> is a useful tool for small businesses as it allows you to send out professional looking emails to your customers for free. It is easy to use software with reporting features that will help improve your future email campaigns.

## Online directories and search engine optimisation

The RTPI Directory of Planning Consultants, along with well known national online business directories like Yell and local directories are a valuable advertising tool. Potential clients may also simply search online for an independent planning consultant in their local area. Search engine optimisation can help your website to feature prominently on search engines. Put simply, it is important to use the right keywords on your website that will make it easy for potential clients to find you. Marketing Donut has a simple explanation [www.marketingdonut.co.uk](http://www.marketingdonut.co.uk).

## Your professional profile

Descriptions of you and your business can appear in many places and a well written professional profile is essential for marketing purposes. It is worth investing some time preparing a template profile that you can then adapt to use in a variety of places like:

- A proposal letter or tender bid,
- Your LinkedIn profile,
- Website,
- Press release,
- Speaker profile,
- Local business or professional directories.

When writing your professional profile template include: what do you do and for whom, length of time in the industry, qualifications, your expertise or specialism, career highlights, clients you have worked with and any awards or accolades you have received.

## Stationery

The image you present to clients is all important. Headed notepaper and professionally printed business cards are essential. They should carry the practice name, business address and contact information. If the practice name is different from your own (for example: 'Southern Planning Partnership', the owner(s) of the practice must by law be named, together with an address in the UK to which business documents can be sent. This requirement also applies to orders for goods and services, invoices, statements and receipts. There is no need to include your VAT number, if you are registered, in letter headings, though it must appear on invoices.

## Press advertising

If you want to work locally and your local or regional newspaper has a 'services offered' column, you could invest in a semi-display advertisement. Give your name, address and phone number, website, RTPI membership number and outline the scope of your work. Don't expect too much from a single insertion. If you cannot afford sustained advertising, you will have to find different ways to promote our business.

Marketing Donut [www.marketingdonut.co.uk/](http://www.marketingdonut.co.uk/) has free, independent advice on marketing for small businesses.

## Letting people know

There are various channels you can use, including:

- Personal and professional contacts,
- Direct marketing: direct mail, presentations, social events,
- Editorial mentions in local papers, technical and trade magazines,
- Advertising, including promotional events.

Produce separate and carefully targeted advertising for each market sector. The shotgun approach, with the same material sent out to everyone is generally more wasteful than effective. Using your professional profile template prepare an outline of the professional services you offer, your areas of specialist interest and previous career experience. Keep this outline brief, and make sure it looks well designed. All promotional material should be designed and printed to a high standard to present a professional image.

Spend as much time compiling the list as you spend on the content of your mailshot. When writing to an organisation address your approach to the individual likely to best understand when consultancy advice will be required. For example, the head of a local authority department, the managing director of a company, the head of an 'estates division' or a chartered town planner employed as part of the in-house staff.

Some organisations will already retain consultant chartered planners, so take care to ensure that you don't lay yourself open to the charge of attempting to poach work. Refer to the RTPI Code of Professional Conduct for further advice. It may be preferable to contact the organisations existing planning advisers to see whether your specialist skills may be required to meet their planning needs.

You should inform local authority information centres about your services, along with citizens' advice bureaus, consumer advice or legal aid centres and civic and amenity societies in the area, to let them know of your availability.

**"I am a member of the Federation of Small Businesses .... it roots you in the business community and provides legal backup if needed."**

## Professional network

Draw up a list of your professional and social contacts who you think it would be useful to inform that you have started your own consultancy. These contacts will include two main categories: other consultants and built environment professionals (e.g. architects, surveyors, consulting engineers); along with contacts such as solicitors and estate agents, who require qualified planning advice as part of their services for clients.



“remember that work and contacts need to pass both ways. If you are always on the receiving end of work from others they will soon look elsewhere.”

A useful way of building up your client base is through collaboration and networking with other consultants. If you work alone in a specialist field, you may be able to develop a niche relationship with a larger firm, supplying expertise on a subcontract basis. You could explore new markets by networking with other consultants who share your approach and offer parallel skills. The links and alliances that you form with other consultants will hopefully develop into projects which you can complete as a team.

“I have an established network of other business practices and have worked both as sub-contractor and lead contractor in projects and submitting tenders.”

## Looking to the future

Markets are dynamic: they expand, contract, change direction and generate totally new sectors of work. As they evolve, the clients and services which now account for most of your turnover may become less dependable, while other clients, or indeed existing ones, may find they have new requirements. If you want your business to develop, you must look for pointers to areas where clients are likely to need the services you can provide in the future.

What are likely to be the growth sectors in planning services? Will changes to Government policy open up new markets? What does this imply for the services you currently provide? The more information you have about your market, the more clearly you will be able to see ahead. You cannot afford to wait until changes are obvious to everyone.

When you have identified promising new markets, you will need to think about the resource costs of entering them, as well as the benefits of growth. What are levels of competition and risk that you will face? What will be the implications for your existing pattern of activities? Will you have to recruit additional personnel or develop new skills? These are some of the key questions you will need to consider.

## 4 Winning work

### Basic points to define

When discussing a job with a potential client there are several points you need to define as a minimum:

- The client's objectives for commissioning the work,
- Scope of the advice. You may need to help the client identify key issues, these may not always correspond with their initial understanding of a situation,
- The deadlines the client has to meet,
- The professional resources you will need to complete the work,
- The outputs and deliverables required e.g. a plan, report or set of specifications. It is important to identify the final deliverable that will mark the completion of the work and payment. Will the client need to agree the final report before the work is signed off?
- Background information and technical data to be supplied by the client,
- Any financial constraints on the extent of the work,
- Any specific requirements about the way the work is managed or presented.

“Develop simple templates for work quotes, etc.”

### Letters and proposals

For a small scale project a proposal letter is sufficient to set out the scope of the job. It should outline the client's objectives, then set out the proposed programme of work, timetable and estimated costs. It should end with an offer to provide further information and a prompt for the client to respond. Include background information about your credentials and experience.

For larger jobs a technical proposal may be more suitable, presenting essential information in the most practical and concise manner. A technical proposal works in a competitive situation, where the client wants to compare quotes, but even when you are the only consultant to be approached, a proposal allows the client to assess how well you will complete the work. If the client has asked for the proposal to be structured in a specific way, follow those instructions. If it is left to your judgement, include the following information – again as a minimum:

- Purpose and origin of the proposal,
- Understanding client needs and key issues,
- Summary of the company's strengths and experience of directly related work,
- Personnel to be assigned to the work and their individual responsibilities,
- Your proposed technical approach e.g. an itemised sequence of tasks,
- Work programme including time scale and completion dates,
- Arrangements to keep the client informed about progress,

- Details of project management and organisation,
- Estimate or confirmation of the fees and expenses likely to be incurred.

Take care not to make your bid too low in the hope of securing work. Never let a client persuade you to accept a rate you know is uneconomic with the promise of more work to come.

## Clients will be asking a number of questions as they evaluate your proposal:

**Compliance** – Does the proposal meet our requirements?

**Insight and ideas** - Does the consultant understand our needs and priorities? Does the consultant offer good ideas/solutions that we hadn't thought of?

**Professional effort** - Does the proposal show evidence of genuine commitment and involvement, or does it read like a routine exercise?

**Balance and method** - Does the proposal reflect a balanced approach? Is there a realistic input of time and effort, and is this likely to deliver results on target?

**Team and resources** - Does the consultant have a convincing record of experience and offer the level of resources appropriate to the work? Is it clear who is going to do the work?

**Presentation** - Does the quality of the proposal give us the confidence that the end product will meet high professional standards?

**Performance and management** - Does the proposal indicate best value for money? Is there an appropriate emphasis on delivering outputs? Is there a convincing match between the results that are promised and the price quoted?

**Added value** - Does the proposal convince us that the consultant is a minimum risk source of professional advice, who we can have a constructive working relationship with?

Finally check the document carefully for any errors and to make sure everything is explained clearly. Remember your client may not have experience of technical planning terminology.

## Confirming your appointment

In most instances confirmation of appointment will be made through an exchange of letters or emails. The essential requirements are to identify the tasks you will carry out and the basis for charging the client. It should be made clear if additional work will mean additional costs. It is important to ensure the services offered are appropriate to the individual's requirements and there is no misunderstanding about what will be achieved. A template letter of agreement is available at [www.rtpi.org.uk/membership/member-benefits-and-support/consultancy-information/](http://www.rtpi.org.uk/membership/member-benefits-and-support/consultancy-information/).

The RTPI Code of Professional Conduct requires members to:

“a. ensure that their terms of engagement, which includes a written fee agreement and clear indication as to the likely costs and description of the services proposed, have been given and confirmed in writing to their clients and; b. satisfy themselves that these terms have been accepted.”

In other cases a formal contract may be required. This is more likely with a public authority or large organisation. They will generally have their legal department or advisers prepare a contract, which you should forward to your solicitor for comment and amendment prior to final agreement.

The items generally specified in a contract include:

- Services to be provided by the consultant,
- Inputs to be provided by the client (e.g. data/information, office space, equipment),
- Start and completion dates, and any intermediate phasing,
- Schedule for the delivery of outputs, including definition of the final deliverable,
- Requirements to keep project accounts and records,
- Requirements to keep the client updated on progress,
- Basis of fee and expenses payments, and details of when payments will be made,
- Arrangements for any additional work commissioned,
- Copyright issues and ownership of deliverables,
- Any special conditions applying to the performance of the work.

Where sub-contractors are going to be used, the terms of their engagement should be covered in the contract. The client may expect you to seek their agreement if you wish to sub-contract a significant proportion of the work, and it is likely they will want you to assume responsibility for the performance of your sub-consultants.

## 5 Knowing what to charge

Deciding what to charge can be difficult at first. Your prices have to be competitive and represent value for money for your clients; whilst providing you with a reasonable level of profit. When you are pitching for a job from a new client, remember that some clients may feel safer giving you a relatively modest initial assignment, to test out the quality of your work. If they are satisfied, there may be the opportunity to develop a relationship which allows more flexible pricing, for example through time based contracts.

Planning Resource carry out an annual survey of planning consultancies. The 2014/15 survey found that the ten highest earning sole practitioners who responded earned fees of between £65,000 and £142,000. It found that daily fee rates (which includes all consultancies regardless of size) range from as little as £150 to £2,000 upwards for the most experienced consultants.

**“Sort out your pricing by careful research of your competitors.”**

New consultants often undercharge for their services; either from fear of missing out on work or through a lack of reliable information about market rates. They are also prone to omit charging for the time spent on research or report writing.

### Time based fees

The services of a Chartered Town Planner are normally charged on the basis of the cost to the practice of the time spent on the work. Time based contracts are based on:

- Fees - expressed in terms of agreed rates per hour, day, week or month,
- Expenses - directly incurred on the project and reimbursable either at cost or with a mark-up, management charge or handling fee,
- Daily allowance for living expenses - when working away from the office, may form a third element, or it can be included as part of the reimbursable expenses.

When estimating costs you need to take account of:

- Payroll costs, including salary or target income, NICs, pension, life and health insurance, and any other benefits,
- Office costs not reimbursable as separate cost items, including administrative, accounting, utilities, office equipment, communications, IT, professional indemnity insurance, marketing, along with business development and financing costs,
- Costs of maintaining and developing your professional knowledge should also be estimated and includes; subscriptions, attending CPD events and professional affiliation fees (RTPI membership),
- The return or profit sought from chargeable time. This is normally calculated as a percentage of the sum of the payroll and office costs.

To translate these costs into an hourly rate that can sustain you through your first year, you need to gauge the number of fee earning hours you are likely to obtain during the year. The nominal working year is usually defined as 210 potential working days. This takes into account weekends, bank holidays, holidays and an allowance for sick leave.

If you assume an eight hour day, that adds up to 1680 potential fee earning hours. If you have jobs firmly lined up, you may be able to count on earning fees from all or most of these hours. For many people, the pattern of work is likely to be uneven during the first year, so it might be prudent to expect to obtain income for no more than 40 or 50 percent of your potential fee earning time. During the start up period a substantial amount of time will be spent on promotion and seeking out work. Therefore business costs will have to be borne by the practice itself. This is another reason why it is important to make adequate financial provision in advance of the start up phase.

Time spent on a project or work is usually interpreted to include:

- Technical work as defined by the contract or in agreement with the client,
- Surveys or data processing,
- Meetings with the client, advisers and external organisations,
- Site visits,
- Community involvement and consultation activities,
- Travelling in connection with the work,
- Production of outputs and deliverables e.g. reports, plans and drawings,
- Presentation of findings,
- Follow up work as agreed with the client.

### **Fixed price contracts**

Fixed price or lump sum contracts are negotiated on the basis of the estimated inputs of personnel time and other items, or on percentages of project values. Once the fee is agreed, it is valid for the life of the contract, but it is worth bearing in mind that contracts can be re-negotiated, and not always in your favour. Payments are usually linked to deliverables. Clients favour lump sum contracts, particularly on large scale projects as they provide certainty. Consultants often prefer time based contracts, as they offer more flexibility in situations where changes beyond their control require extra work or additional costs.

If the client asks you to undertake additional work during the course of a fixed price or lump sum contract, or fails to provide data or other inputs at the time they are required, make sure the implications for the budget and programme of the work are clearly understood. You may need to re-negotiate the contract price.

### **Ad valorem contracts**

A fee basis can be agreed which takes account of the value of the work to the client, e.g. a percentage of the increase in the development value of the site or property based on an independent valuation. The percentage agreed may reflect, for example:



- The importance of the work to the client,
- Cost or value of the property,
- Level of expertise, responsibility and innovation involved by the practice,
- Any special circumstances, such as the need for urgent action.

This means it is possible, for example, to negotiate a bonus for achieving the objectives of a commission, provided that the criteria of success can be clearly identified. There are risks in undertaking professional work on a speculative fee rate which does not cover costs. New consultants will usually find it easier to charge time based fees.

## Setting out a detailed estimate of fees

The RTPI has found that most disputes about fees occur when there isn't a formal agreement between the consultant and client. By not having a written agreement you are not only potentially in breach of the RTPI Code of Professional Conduct, it could result in a legal dispute.

Your client may specify the information to include in a fee estimate cost schedule. When they don't, you should cover the following items, as appropriate:

- Detailed table of time costs, indicating the proposed time inputs and rates for principals and assistants, calculated on an hourly or daily basis (define what constitutes a working day),
- Summary table of estimated costs (fees for consultancy services and reimbursable expenses including travel, equipment, services and legal work). Set out for the project as a whole and for each stage of the work,
- Subsistence and daily allowances,
- Planning application fees - indicate that these would be paid directly by the client,
- Terms and schedule of payment.

There are certain items which are particularly hard to specify accurately in advance of the job, such as survey costs, expert fees, and printing. You should identify these items separately in your estimate and include a ceiling sum for each. Estimating fees is a skill which improves with experience. Where a job relates closely to your previous experience, you may find it easy to quantify the amount of time it will take. In some cases it may be necessary to arrange a retainer period, at an agreed rate and to set an intermediate point (in time or budget) where you report your progress and determine the requirement for further work with the client.

## VAT

VAT applies whatever the legal form of your UK practice. You must register for VAT by notifying your local VAT office. You must charge the tax on all your business activities to UK clients, and calculate it on the sum of each individual invoice. You must include your VAT registration number on each invoice. If your earnings are likely to be below the threshold level, you may still opt to register for VAT, so as to be able to reclaim the VAT that you pay on business related purchases. You should seek an accountant's advice on VAT issues. HMRC [www.hmrc.gov.uk](http://www.hmrc.gov.uk) has information on all aspects of VAT.

## 6 Recording time and receiving payment

It is essential to maintain a regular and consistent record of the time spent on each job. One useful idea is to keep parallel timesheets, one for each job and one for each day. They should be filled in at the same time, and the submission of invoices and receipt of payments can also be recorded on them. The day sheet allows you to track chargeable time outstanding, should you need it for taxation purposes without having to go through all the individual job files. On larger projects clients may need to see timesheets before you can receive payment.

A range of software is available to help you monitor and record the time spent on assignments, including programmes that enable work to be time-tracked, cost-tracked and invoiced, automatically creating reports on time inputs and charges, and comparing actual project charges against project estimates.

Tell your client as early as possible if it is likely the initial estimate of total costs or the agreed budget ceiling will be exceeded. You will have a justifiable claim for additional payment only if you can show that the excess is due to circumstances outside your control, or if the client has significantly changed the scope of the work. Above all, don't just assume that when the client asks for extra work to be done, they will understand your bill will increase. Before starting the work, it is essential to advise the client in writing about its costs implications.

### Invoicing

It is vitally important to present bills promptly and to firmly follow up any invoices that have not been paid promptly. As soon as the invoice becomes overdue, call the customer to remind them and to check the invoice has gone to the right person. Remember that you do not start to make a profit until the money gets into your bank account. Late payments by your clients can cause cash flow problems, take your account into the red and unnecessarily cost you bank charges.

**“I wish I had known that you should invoice quickly and chase up outstanding bills quickly.”**

On relatively short time-based contracts, invoices can be submitted immediately on completion of the work, or at regular intervals in arrears, e.g. on the final day of each calendar month. On longer-term contracts, the schedule on which payments will be made may be defined by the client, or agreed in negotiation. Payments under lump sum contracts are normally made against an agreed time schedule or defined progress targets, e.g. the acceptance by the client of agreed deliverables.

For development management and appeals work, payment stages are often reached at the following points:

- Submitting an application (ensure client payments have cleared into your account),
- Submitting an appeal (ensure client payments have cleared into your account),
- Exchange of statements,
- Presentation of draft proof of evidence,
- Exchange of proofs,
- The inquiry.

“Ensure that you have received part (or full) payment before submitting an application on behalf of a client. This will help you avoid a situation where the client fails to pay invoices once the application has been submitted.”

## Chasing late payment

A large number of small companies are uncomfortable about pursuing late payers, however failing to recover the fees owed to you can have a massive impact on the viability of your business. It is useful to have a process in place to chase late payers and to state clearly from the outset what the terms of your business relationship are. If late payment becomes an issue make sure the customer understands that legitimate costs, compensation and interest will be claimed. You can also consider running initial credit checks for all new significant customers.

## 7 Support and requirements from the RTPI

There are many ways the RTPI can support you when you are setting up your planning consultancy. As an RTPI Member there are also a number of requirements you need to meet under the RTPI Code of Professional Conduct.

### Promoting your business

**RTPI Directory of Planning Consultants** [www.rtpiconsultants.co.uk](http://www.rtpiconsultants.co.uk) clients use the comprehensive search facility to help them find a consultant. Consultancies employing at least one Chartered Town Planner or legal member of the RTPI are eligible to advertise. Contact: [enquiries@rtpiconsultants.co.uk](mailto:enquiries@rtpiconsultants.co.uk)

**Using the RTPI logo and professional designation** [www.rtpi.org.uk/membership/member-benefits-and-support/use-of-the-rtpi-logo/](http://www.rtpi.org.uk/membership/member-benefits-and-support/use-of-the-rtpi-logo/) Chartered RTPI Members, legal associates and practices employing two or more Chartered Members can use the RTPI logo on their letter headings, email signatures and advertising material. The Code of Professional Conduct requires you to disclose your post-nominal letters (MRTPI) where appropriate as a mark of your professional standing.

**Yellow Pages** [www.yell.com](http://www.yell.com) offer a corporate advertising scheme where RTPI members or a practice employing Chartered Town Planners can be listed as an RTPI Planning Consultancy. Contact Yellow Pages directly for more information.

**The Planner** the RTPI monthly magazine runs advertisements for consultants. Contact our publisher at [sales@theplanner.co.uk](mailto:sales@theplanner.co.uk) for more information.

### Building networks

**RTPI Networks** [www.rtpi.org.uk/knowledge/networks/](http://www.rtpi.org.uk/knowledge/networks/) encourage informed discussion, share good practice and information on specific topics and professional issues. They are all free to join for RTPI members.

**RTPI Independent Consultants Network (ICN)** [www.rtpi.org.uk/independent\\_consultants\\_network/](http://www.rtpi.org.uk/independent_consultants_network/) provides targeted resources and a forum for independent consultants to discuss issues and share good practice.

“It’s better than working in an office full of planners because there are more ICN members than you would get in the average office and some of them are better qualified and have more experience than you find in any office. It gives you free support and reference points, very useful when working alone.”

**Nations and Regions** [www.rtpi.org.uk/the-rtpi-near-you/](http://www.rtpi.org.uk/the-rtpi-near-you/) becoming involved with the RTPI in your area gives you access to CPD training, social events, newsletters, local information and networking opportunities.

## Protecting your business

**RTPI Code of Professional Conduct** [www.rtpi.org.uk/professionalstandards](http://www.rtpi.org.uk/professionalstandards) sets out the five **core principles** which all our members must adhere to. It indicates the required standards, ethics and professional behaviour of these five principles; along with supplementary regulations on continuing professional development, advertising, use of the RTPI logo, provision of information to the RTPI and compulsory professional indemnity insurance.

**Informing the RTPI** the Code of Professional Conduct requires you inform us of your intention to start in private practice within 28 days of the change in your circumstances. You can change your contact details through My RTPI [www.rtpi.org.uk/profile](http://www.rtpi.org.uk/profile) or email [changeofaddress@rtpi.org.uk](mailto:changeofaddress@rtpi.org.uk).

**Employment Law Helpline** [www.rtpi.org.uk/membership/member-benefits-and-support/workplace-support/](http://www.rtpi.org.uk/membership/member-benefits-and-support/workplace-support/) RTPI members in the UK have access to employment law advice provided by XACT Group, through a confidential telephone helpline.

**Professional indemnity insurance (PII)** [www.rtpi.org.uk/membership/member-benefits-and-support/consultancy-information/](http://www.rtpi.org.uk/membership/member-benefits-and-support/consultancy-information/) RTPI members are required to hold PII when working as a planning consultant. This is to ensure that you have adequate financial means if a claim is made against you. The RTPI requires the following minimum levels of cover, but be aware that some clients may demand higher levels of cover:

Annual Fee Income	Minimum Limit of Indemnity (Any One Claim)	Maximum Uninsured Excess
Below £40,000	£100,000	£7,500 if limit is £250,000 or less or; 2.5% of limit, or £10,000, whichever is the greater, if limit is more than £250,000.
£40,000 to £199,999	2.5 time gross annual income	
£200,000 or more	£500,000	

Perkins Slade [www.ps-insurance-hub.com/](http://www.ps-insurance-hub.com/) is the RTPI preferred insurance broker, for more information on policy quotes, risk management and FAQs.

**Avoiding conflicts of interest** [www.rtpi.org.uk/professionalstandards](http://www.rtpi.org.uk/professionalstandards) many planners set up practice in the area where they previously worked as they will have useful contacts and valuable local knowledge. However, it can lead to potential conflicts of interest, particularly for planners leaving local authorities. You may have knowledge from your previous employer that isn't publicly available. For example, technical information, early stage plans for development sites, possible changes in strategic policy or sites that are being considered as surplus to requirement by public bodies. Our Code of Professional Conduct is clear on this issue stating that:

“Members must not disclose or use to the advantage of themselves, their employers or clients information acquired in confidence in the course of their work”.

If the confidentiality of particular information is in question, the test is whether or not it would have been revealed to a member of the public making the most diligent, but fair enquiry. If it appears that a conflict might arise, you should discuss the matter with your former employer. If there is the possibility of conflict, you should advise your client that you cannot personally undertake the work. Our Practice Advice on Ethics and Professional Standards [www.rtpi.org.uk/professionalstandards](http://www.rtpi.org.uk/professionalstandards) has further information.

**Standard terms of business** [www.rtpi.org.uk/membership/member-benefits-and-support/consultancy-information/](http://www.rtpi.org.uk/membership/member-benefits-and-support/consultancy-information/) before starting work on a commission RTPI Members must provide their clients with written terms of engagement setting out the relationship between the practice and the client, and confirm they have been accepted. This must include a written fee agreement and a clear indication of likely costs. If there is a variation in the terms of engagement, this should also be given and confirmed in writing.

The RTPI does not provide standard contracts or terms of engagement, instead we have an example of terms of engagement to help members draft their own terms. Seeking additional legal advice when drafting your own agreements may be advisable.

“It is an RTPI requirement to have agreed written terms. Always do this even with a quick exchange of emails for a small and urgent job, either party can forget what was agreed in a phone conversation, and it avoids misunderstandings and unnecessary bad feeling.”

## Maintaining your knowledge and skills

**Continuing Professional Development (CPD)** [www.rtpi.org.uk/cpd](http://www.rtpi.org.uk/cpd) the RTPI requires members to plan, complete and record 50 hours of CPD in each two year period.



“As a sole trader I spend more time on CPD than I did when I worked in a larger organisation. You can choose a more specialist role than when working for a bigger organisation, but it becomes important to maintain expertise and you will be more reliant on yourself rather than being part of a team.”

The RTPI has a range of online CPD resources and runs CPD events throughout the UK and Ireland. Search the RTPI events calendar [www.rtpi.org.uk/events/events-calendar/](http://www.rtpi.org.uk/events/events-calendar/) for a full list of upcoming events.

**The Planner** [www.theplanner.co.uk/](http://www.theplanner.co.uk/) all RTPI members receive a free monthly copy of our magazine. You can search the supporting website by topic or nation and region.

“There are lots of planning related press articles. Make sure you are up to date, because your potential client may well be.”

**Policy, research and practice** [www.rtpi.org.uk/knowledge/](http://www.rtpi.org.uk/knowledge/) the RTPI leads policy debates, establishes new approaches and influences national planning policy and promotes good practice. Read:

- Detailed policy and research reports [www.rtpi.org.uk/knowledge/publications](http://www.rtpi.org.uk/knowledge/publications)
- Practice advice for professional planners [www.rtpi.org.uk/knowledge/practice](http://www.rtpi.org.uk/knowledge/practice)
- Blogs testing out latest thinking [www.rtpi.org.uk/briefing-room/rtpi-blog](http://www.rtpi.org.uk/briefing-room/rtpi-blog) or
- Twitter for news and comment [www.twitter.com/RTPIPlanners](https://www.twitter.com/RTPIPlanners)

**Volunteering** [www.rtpi.org.uk/planning-aid/](http://www.rtpi.org.uk/planning-aid/) Planning Aid offers planning advice and support to individuals and communities to help them get involved in planning their local area. Becoming involved as a volunteer gives you the opportunity to carry out CPD, widen your professional networks and gain experience of community engagement activities.

## Useful sources of business information

- HM Revenue and Customs [www.hmrc.gov.uk](http://www.hmrc.gov.uk)
- Companies House [www.gov.uk/government/organisations/companies-house](http://www.gov.uk/government/organisations/companies-house)
- Start Up Donut [www.startupdonut.co.uk/](http://www.startupdonut.co.uk/) free, independent advice for small businesses.
- Federation of Small Businesses [www.fsb.org.uk/default.aspx](http://www.fsb.org.uk/default.aspx) promotes and protects the interests of the self-employed and owners of small firms.
- British Chamber of Commerce [www.britishchambers.org.uk/](http://www.britishchambers.org.uk/) represents thousands of businesses in the UK.
- Perkins Slade [www.perkins-slade.com](http://www.perkins-slade.com) is the RTPI's preferred insurance broker.



**For more information please visit:**  
[www.rtpi.org.uk/knowledge/practice](http://www.rtpi.org.uk/knowledge/practice)

This paper was written by  
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