



Board Meeting 1 December
2021
Agenda Item 11

Subject Management Accounts for 2021
Purpose To Note
From Director of Resources

If you have any enquiries on this paper, please contact Marc Stoner at marcs@arb.org.uk or on 020 7580 5861

1. Summary

The purpose of this paper is to inform the Board of ARB's financial position as at 31 October 2021, including the year-end forecast outturn.

Attached at [Annex A](#) is the management accounts summary, which includes the year-end forecast and variances against the 2021 approved budget.

The year end forecast is £197k (£266k October 21) deficit ([Annex A, Column F](#)) against a budgeted deficit of £222k ([Annex A, Column G](#)). The change in forecast reflects the investment income that is now being withdrawn, as opposed to being invested, as a result of the 2022 budget strategy.

Variances on the actual to date figures ([Annex A, Column E](#)) are currently issues of timing of spend as opposed to any particular under/overspends to report at this time.

2. Recommendation

It is recommended that the Board:

- i. Note the content of this paper

3. Confidential Session

4. Contribution to the Board's Purpose and Objectives

In delivering the Act, ARB's objectives are:

- Protect the users and potential users of architects' services and support architects through regulation.
- To manage the organisation's finances prudently whilst delivering ARB's statutory requirements and objectives.

5. Operation Income

- 5.1 The income forecast is £5,838k (**Annex A, Column F**) against a budget of £5,776k (**Annex A, Column G**), resulting in a £62k (**Annex A, Column E**) additional income when compared to the budget.
- 5.2 **Annual Retention Fee** - The annual retention fee for 2021 has now been collected and c42,400 registrants paid their annual fee. At the time of setting the budget, it was estimated that 42,000 annual registration fees would be received, however the Register continued to grow in 2020. This constitutes the majority of ARB's income and so gives some financial stability for the remainder of the year.
- 5.3 **Entry/re-entry to the register** - For new applications and those returning to the Register, a reduced number was factored into the budget for 2021 due to the impact of the UK's exit from the EU and Covid-19.
- 5.4 **Government Funding** – ARB was provided a Government grant of £700k over two years, i.e., 1 April 2020 to 31 March 2021 and 1 April 2021 to 31 March 2022, which we were notified of in January 2021. The grant agreement was signed on 31 March 2021. It is estimated that £303k will be utilised in 2021, with the remainder being used in quarter 1 of 2022. £105k was utilised for spend in 2020. Only actual expenditure can only be claimed, and fund cannot be carried over.

6. Operating Expenditure

- 6.1 The operating expenditure forecast is £6,111k (**Annex A, Column F**) against a budget of £6,005k (**Annex A, Column G**).
- 6.2 **Staff costs** – The Board, in April 2021, agreed a permanent increase in headcount of seven full time posts. The estimated cost for 2021 will be £106k, including the cost of recruitment. Given the urgency of the four policy roles, a recruitment agency has been appointed to support these appointments. The remaining three roles will be appointed as part of restructure of the Registration team and they will initially be advertised internally as we currently have a number of temporary members of staff within the organisation.
- 6.3 We are experiencing a challenging job market for recruiters. According to the latest Recruitment and Employment Confederation / KPMG Report on Jobs, there is an all time record low in availability of staff and the imbalance of staff and jobs has led to significant upward pressure on starting salaries, “at the fastest rates in 24 years of data collection”.
- 6.4 The cost of recruitment is payable upon placement of an individual and therefore if the posts are not filled by the 31 December 2021 the reported overspend will decrease and the impact will be on the 2022 budget.

7. Investments

There are currently no concerns with the Board's investment portfolio and the Board Investment Broker has confirmed that it is performing in line with the Board's investment strategy. Dividends being paid on the closure fund will now be withdrawn and used to support the cashflow requirements.

8. One-Off and capital costs

- 8.1 A report has been commissioned on moving our end user experience for the workforce into a more collaborative working space, and on achieving efficiencies by using IT. Further information will be provided to the board as part of the 2022 business plan and budget setting.

9. Efficiencies

- 9.1 A new electricity contracts has been negotiated for a term of 3 years and is 100% renewable energy. As part of the Covid-19 changes to the office environment and to enable the office windows to be opened, the blinds have been removed and a solar reflective coating has been applied. This will not only offer privacy it will also reflect some of the heat and reduce the energy consumption associated with heating and air conditioning.
- 9.2 Efficiencies have also been gained, totalling £15k in relation to changes to the pension administration and re-negotiation of our credit card transactions. This will help to mitigate some of the increased costs in relation to our increased headcount and the growing number on the Register.

10. Risk Implications

The Senior Leadership Group closely monitor any impact on workloads and financial resources and will report to the Board where appropriate, to ensure the Board is kept up to date.

11. Communication

ARB is committed to seeking cost-saving initiatives to help ensure value for money. Sound budget planning and the prudent management of ARB's financial resources contribute towards maximising cost savings.

12. Equality and Diversity Implications

None currently identified in relation to reporting of the forecasted outturn for 2021.

Annex A

A	B	C	D	E
		Actual to 31/10/2021		
Budget Category	Budget Heading	Actual	Budget	Variance
Income		£000	£000	£000
Fee Income	Annual Retention Fee	5,087	4,998	89
	Entry/re-entry to the register	178	225	(47)
	Prescribed Examination Fees	269	157	113
Total Fee Income		5,535	5,380	155
Other Income	Government Funding	427	0	427
	EU Certificates & Sundry Receipts	8	30	(21)
Total Operating Income		5,970	5,409	561
Expenditure				
	Staff	1,950	1,786	(165)
	Premises (rent, rates, utilities, cleaning etc)	492	437	(56)
	Postage, Telecommunications, Printing	47	37	(10)
	ACE & ENACA	41	35	(7)
	Public and Professional Awareness	19	29	10
	Board Expenses	117	108	(9)
	Professional Services & Legal Advice	320	613	293
	Professional Conduct, Title and Regulation	401	480	79
	Banking/Payment processing and sundry items	23	56	33
	Prescribed Examination	113	101	(12)
	Prescription/Qualifications	29	49	20
	IT and Digital Spend	617	645	28
Total Operating Expenditure		4,171	4,375	204
Operating Surplus /(Deficit)		1,799	1,034	765
Investment Income	Investment Income (Dividends/Sales/Interest)	44	0	28
Surplus /(Deficit) after Investments		1,844	1,034	793
Tax charged on investments (19%)	Corporation Tax	35	40	5
Surplus /(Deficit) after tax		1,809	994	798

F	G	H	I
Full Year Forecast			
Forecast	Budget	Variance	
£000	£000	£000	%
5,080	4,998	82	1.6%
237	300	(63)	(21.0%)
209	209	0	0.0%
5,526	5,507	19	0.3%
303	260	43	0.0%
8	9	0	0.0%
5,837	5,776	62	1.1%
2,536	2,430	(106)	-4.4%
533	533	0	0.0%
70	97	27	0.0%
46	46	0	0.0%
40	40	0	0.0%
144	144	0	0.0%
900	900	0	0.0%
640	640	0	0.0%
75	75	0	0.0%
135	135	0	0.0%
65	65	0	0.0%
900	900	0	0.0%
6,084	6,005	(79)	-1.3%
(247)	(229)	(17)	7%
80	37	43	0.0%
(167)	(192)	26	20.1%
30	30	0	0.0%
(197)	(222)	26	20.1%