

## Open session

**Board meeting:** 19 October 2022

**Agenda item:** 11ii

**Subject:** Management Accounts and forecast year end outturn for 2022

**Action:** To Note

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### Purpose

The purpose of this paper is to inform the Board of ARB's financial position as at 31 August 2022, 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 2022 approved budget.

The outturn for 2022 is currently forecast at a deficit of £494k against a planned budget deficit of £1,523k. This is a reduction in the forecast deficit of £1,029k as a result of timings of various projects, such as IT transformation, which are unlikely to take part until early 2023.

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### Recommendations

It is recommended that the Board:

- i. Note the content of this paper.

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### Annexes

Annex A – management accounts summary.

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## 1. Open session

This item will be discussed in the open session of the Board meeting.

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## 2. Background and Key points

### Operation Income

- 2.1 The income forecast is £7,063 against a budget of £7,255k, resulting in a £192k reduction in the anticipated income when compared to the budget. The change from July is that DLUCH have confirmed the carry over grant from 2022 to 2023 totalling £60k.
- 2.2 The annual retention fee for 2022 was collected and 42,170 Registrants paid their annual fee. This constitutes the majority of ARB's income and so gives some financial stability for the remainder of the year. Those Registrants being removed for non-payment was higher than anticipated and the numbers paying lower than predicted.
- 2.3 For new applications and those returning to the Register, a reduced number was factored into the budget for 2022. Whilst we are not predicting a drop in those joining the Register for the first time, we do anticipate a drop in income associated to the timing of those applications which come through later in the year.
- 2.4 ARB was provided with a Government grant which ended 31/3/22. Due to a delay in the legislation, not all of the development work was completed and therefore £60k of the grant remained unspent. DLUHC, In August 2022, have confirmed we are able spend the £60k in 2022 which will cover the costs of the legal advice required.
- 2.5 £170k of income was anticipated from the UK adaptation assessment however, due to the delay in legislation this income stream is unlikely to come online until 2023. The loss of income will be offset by a reduction in spend on the assessors.
- 2.6 £98k additional income is likely to be materialised from our investments during 2022 given their ongoing strong performance.

### Expenditure (Operating costs and business plan spend)

- 2.7 Expenditure forecast is £7,557k against a budget of £8,779k resulting in a £1,222k reduction in expenditure when compared to the budget. This is due to the timing of the delivery of a number of work streams, including IT related, that have been rescheduled and are likely to be completed in 2023.



2.8 Following completion of the discovery work around the IT transformation, we are now at the stage of the business case development for a proposed CRM system. However, due to the timing of the work, costs will not be realised until 2023 and so £854k has been ringfenced within reserves for commitment to delivery in 2023.

2.9 The remaining underspend is in relation to timing of consultations and delays in legislation and so deferring expenditure into 2023

### **Professional Conduct, Title and Regulation**

2.10. We continue to monitor the significant increase in the caseload being dealt with at the Professional Conduct Committee, which is likely to have a continued impact on the financial resource that will need to be committed to this area of ARB's work. This has been factored into the 2023 proposed budget.

### **Investments**

2.11. 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 these funds will be withdrawn and used to support the cashflow and expenditure commitments.

### **One-Off and Capital Costs**

2.12. The appointment of the IT Principal Partner (ITPP) has now been completed and the initial discovery work has finished. As the CRM business case developed we will have a better understanding of the associated development cost and potential timelines.

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## **3. Resource Implications**

3.1. Resource implications are set out above.

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## **4. Risk implications**

4.1. 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.

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## **5. Communication**

5.1. 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.

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**6. Equality and Diversity implication**

6.1. None currently identified in relation to reporting of the forecasted outturn for 2022.

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**7. Recommendations**

It is recommended that the Board:

- i. Note the content of this paper.
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DEPARTMENT	Actual Corp	Actual Reg'n	Actual Prof Stds	Actual Quals	Actual IT	Actual Projects	Actual Comms	Actual Gov & Int	Actual Period 8 YTD	Budget Period 8 YTD	Var' to Budget YTD	Full Yr Budget YTD	Full Yr Forecast YTD	Full Yr Var' Bud vs Fcast YTD
	1	2	3	4	5	6	7	7	YTD	YTD	YTD	YTD	YTD	YTD
	£	£	£	£	£	£	£	£	£	£	£	£	£	£
<b>Operating Income</b>														
Annual Retention Fees	0	6,304,075							6,304,075	6,283,330	20,745	6,481,500	6,283,330	(198,170)
Entry and Re-entry to the register	(162)	285,931	0	0	0	0	0	0	285,769	170,080	115,690	255,120	320,000	64,880
Prescribed Exams and DSA Fees	0	260,587	0	0	0	0	0	0	260,587	251,136	9,451	376,704	217,230	(159,474)
Investment Income	0	91,139	0	0	0	0	0	0	91,139	14,667	76,472	22,000	120,000	98,000
Sundry Receipts	2,646	0	0	0	0	0	0	0	2,646	0	2,646	0	3,000	3,000
Government Grants	0	0	0	0	0	0	0	90,235	90,235	90,000	235	120,000	120,000	0
<b>Total Operating Income</b>	<b>2,484</b>	<b>6,941,732</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>90,235</b>	<b>7,034,451</b>	<b>6,809,213</b>	<b>225,239</b>	<b>7,255,324</b>	<b>7,063,560</b>	<b>(191,764)</b>
<b>Overheads</b>														
- STAFF	684,195	289,528	323,206	162,925	4,516	0	164,916	136,862	1,766,148	1,993,330	227,181	2,989,994	2,989,994	0
- OFFICES	412,230	0	73	0	0	0	0	0	412,304	376,587	(35,717)	564,880	564,880	0
- PRINTING & RECORDS	46,827	2,321	210	0	0	0	0	41,750	91,107	87,333	(3,774)	131,000	131,000	0
- BOARD EXPENSES	96,854	0	7,436	(792)	0	0	0	840	104,338	134,617	30,278	201,925	201,925	0
- LEGAL & PROF. CHARGES	361,985	0	107,600	3,034	0	67,320	21,676	29,025	590,639	1,009,453	418,814	1,514,180	1,316,680	197,500
- OTHER ADMIN. EXPENSES	137,666	42,245	6,545	1,485	0	0	2,190	2,090	192,222	351,200	158,978	526,800	356,800	170,000
- COMPUTER COSTS	43,102	0	0	0	191,965	0	12,278	0	247,345	633,333	385,988	950,000	950,000	0
- EXCEPTIONAL ITEMS	28,374	0	0	0	0	0	0	0	28,374	0	(28,374)	0	0	0
- EXTRAORDINARY COSTS	47,487	(47)	(1,081)	(241)	(8,736)	212,485	0	128	249,994	1,266,667	1,016,673	1,900,000	1,046,000	854,000
<b>Total expenditure</b>	<b>1,858,720</b>	<b>334,046</b>	<b>443,988</b>	<b>166,412</b>	<b>187,745</b>	<b>279,805</b>	<b>201,060</b>	<b>210,695</b>	<b>3,682,471</b>	<b>5,852,520</b>	<b>2,170,048</b>	<b>8,778,779</b>	<b>7,557,279</b>	<b>1,221,500</b>
<b>Surplus/(Deficit)</b>	<b>(1,856,236)</b>	<b>6,607,685</b>	<b>(443,988)</b>	<b>(166,412)</b>	<b>(187,745)</b>	<b>(279,805)</b>	<b>(201,060)</b>	<b>(120,460)</b>	<b>3,351,980</b>	<b>956,693</b>	<b>(1,944,810)</b>	<b>(1,523,456)</b>	<b>(493,719)</b>	<b>1,029,736</b>