

## Open session

**Board meeting:** 17 May 2023  
**Agenda item:** 12i  
**Subject:** Yearend outturn 2022  
**Action:** To Note

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### Purpose

This paper sets out the year end outturn for financial year ending 31 December 2022.

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### Annexes

Annex A – outturn summary

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## 1. Open session

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

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## 2. Background and Key points

2.1 For the year ending 31 December 2022, we ended with an operating surplus of £868k. After taking account of investment income, taxation and any losses on the investment portfolio the surplus for the year was £520k.

2.2 The surplus resulted from underspends within our staffing and professional experts because of the wider recruitment market and our inability to recruit to certain roles, which have now been filled. There were also a number of IT transformation projects that due to timing of delivery have been rolled into 2023 and the funds ringfenced within our reserves. A further breakdown can be found below.

2.3 As the Board will be aware, there were a number of business plan items and IT transformation project streams that were rolled over into 2023 as a result of programme timing changes agreed by the Transformation Programme Board.

2.4 These funds amount to £1,593k which is set aside within the designated reserves. This is broken down as follows:


- Fire and life safety review - £40k
- Professionalism research - £20k
- Stakeholder communications activities and events, including education consultation and continuous improvement - £28k
- IT CRM development and data cleansing - £1,505k

### Operating Income

2.5 The total operating income for 2022 is £7,042k against a budget of £7,255k, resulting in a £213k reduction in income when compared to the budget. As previously reported, the reduction in income is a result of the following:

2.6 **Registration and retention fees** (£147k reduction in income). Those Registrants being removed for non-payment of their 2022 annual fee was higher than anticipated. However, a significant number subsequently re-joined the register.

2.7 For new applications and those returning to the Register following removal for non-payment of the 2022 annual fee, a further drop in income was associated with the



timing of those applications which came through later in the year; relevant as the registration element of the fee is calculated on a quarterly pro-rata basis.

**2.8 Government grant income** (£30k additional income). In 2021, ARB was provided with a government grant which ended 31/3/22. Due to a delay in the Professional Qualifications Act 2022 not all of the development work was completed, resulting in an underutilisation of the grant. In August 2022, DLUHC confirmed we were able use the prior year's underspend which resulted in additional funds to meet some of our legal expenses.

**2.9 Prescribed Examinations** (£134k reduction in income). This includes the new UK adaptation assessment route that, due to the delay in the Professional Qualifications Act 2022 and subsequent delay in the secondary legislation for the Architects Act 1997, this income stream will be delayed until the second part of 2023.

**2.10 Penalties and sundry receipts** (£38k additional income). Those registrants who are removed for non-payment and subsequently return to the register are required to pay an additional fee of £80 (this element of the fee remains at the same level regardless of when during the year they re-apply). Given the higher than anticipated numbers removed for non-payment, this resulted in additional income.

### **Operating Expenditure**


**2.11** The total operating expenditure for 2022 is £6,174k against a budget of £7,186k, resulting in a £1,012k reduction in expenditure when compared to the budget. There were a number of one off spends in 2022 that have been carried over to 2023 due to timing of the delivery and associated outputs.

**2.12 Employee salaries and benefits** - £238k underspend. There were a number of roles which proved difficult to recruit to during 2022 and whilst now all appointed to, these roles were vacant for the majority of 2022.

**2.13 Office costs** - £20k underspend. General efficiencies were made during 2022 such as reduced postage costs and less maintenance required at the Weymouth Street office. The number of deep cleans carried out at the office also reduced when compared with 2021.

**2.14 Printing and records** - £40k underspend. We continued to reduce the cost of printing during 2022 as a result of moving more work online. When setting the budget, it had been assumed that costs would increase as we returned to in person meetings.

**2.15 IT Charges** - £339k underspend. During 2022 we moved to a new model of IT delivery with the appointment of an IT Principal Partner. During this time, we



prioritised work on the security issues identified as part on an overall IT infrastructure audit. This resulted in a longer lead in time to move to the new service support desk.

- 2.16 **Board costs** - £19k underspend. During 2022 we carried a vacancy for a Board member; many of the Board meetings remained online rather than being conducted in person.
- 2.17 **Legal and other professional charges** - £223k underspend. During 2022, due to availability of the legally qualified members of the Professional Conduct Committee, the scheduling of hearings was difficult. We have now recruited additional legally qualified panel members and the scheduling of the cases is now moving forward. The work on the property strategy will not commence until 2023.
- 2.18 **Other administrative expenses** - £133k underspend. This includes the new UK adaptation assessment route that has been delayed as set out under 2.7 above.

## **Investments**

- 2.19 Over the year to 31 December 2022, ARB's investment portfolio generated a loss of £668k. This loss would only be realised if we had sold all investments on 31 December 2022.
- 2.20 Rathbones Wealth Management confirmed that 2022 was a difficult year for investors as equity and bond markets were weak and volatile due to high inflation, rising interest rates and slowing economic growth. The high levels of inflation had initially been driven by the effects of the pandemic, when high demand for consumer goods was met with supply chain constraints. Since then, this has been exacerbated by the war in Ukraine driving food and energy prices higher. In order to combat inflation, central banks across the globe raised interest rates to levels not seen for 14 years, which had negative implications for asset values. The combination of high inflation and rising interest rates has caused economic growth to slow, and the expectation is that even the likes of the US will go into recession. Any recession in the US is expected to be mild, however, given the strong labor market, low unemployment and the substantial savings consumers have built up over the pandemic.
- 2.21 Towards the end of the year markets rebounded slightly on the back of lower than expected US inflation figures and more resilient economic data. Overall, this was a challenging year for investments and the longer term forecast for ARB's portfolio is more positive.
- 2.22 During the year ARB received £158k from dividends and interest.

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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 identified in relation to reporting of the year end outturn for 2022.

## Annex A

A	B	F	G	H
		Full Year Forecast		
Budget Category	Budget Heading	Actual	Budget	Variance
Income		£000	£000	£000
Fee Income	Registration and retention fees	6,589	6,737	(147)
	Government grant income	150	120	30
	Prescribed examinations	243	377	(134)
	Penalties and sundry receipts	60	22	38
<b>Total Operating Income</b>		<b>7,042</b>	<b>7,255</b>	<b>(213)</b>
<b>Expenditure</b>				
	Employee salaries and benefits	2,752	2,990	238
	Office costs	550	570	20
	Printing and records	21	61	40
	IT charges	1,006	1,345	339
	Board costs	153	172	19
	Legal and other professional charges	1,203	1,426	223
	Other administrative expenses	489	622	133
<b>Total Operating Expenditure</b>		<b>6,174</b>	<b>7,186</b>	<b>1,012</b>
<b>Operating Surplus /( Deficit)</b>		<b>868</b>	<b>69</b>	<b>799</b>
Investment Income	Investment Income (Dividends/Sales/Interest)	158	0	158
<b>Surplus /( Deficit) after Investments</b>		<b>1,027</b>	<b>69</b>	<b>957</b>
Tax charged on investments (19%)		161	0	0
<b>Retained Surplus /( Deficit) after tax</b>		<b>1,188</b>	<b>69</b>	<b>957</b>
Net (loss)/gains on investments		(668)	0	
<b>Retained Surplus /( Deficit) after tax</b>		<b>520</b>	<b>69</b>	<b>957</b>

(Decrease in income or increase in expenditure)/Increase in income or decrease in expenditure