

Board Paper

for Open session

Subject: **Financial Update**

To note the Management Accounts for 2023

Board meeting:

6 December 2023

Agenda item:

12ii

Action:

- For noting
- For discussion
- For decision

Purpose

The purpose of this paper is to inform the Board of ARB's financial position as at 30 September 2023, 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 2023 approved budget. This shows an overall forecasted underspend of £27k.

Following feedback from the Board, at its September 2023 meeting, prior year outturn has been included within the Annex as well as the budget for 2024.

Further details are set out below.

Recommendations

It is recommended that the Board:

- i. Note the content of this paper.

Annexes

Annex A – Management Accounts Summary

Author/Key Contact

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1. Open Session

2. Background and Key points

2.1 There have been no significant changes since the report to the Board in September 2023.

Operation Income

2.2 The income forecast is £8,427k against a budget of £8,536k, resulting in an overall loss of income of £109k when compared to the budget.

2.3 The annual retention fee for 2023 was received from 41,240 Registrants. This constitutes the majority of ARB's income and so gives some financial stability for the remainder of the year. Those Registrants removed for non-payment was higher than anticipated resulting in a loss of income of £154k.

2.4 For the first half of 2023 we forecasted that 505 of those removed for non-payment would re-apply and come back on the register; however, we have received 694 applications. As a result of the large numbers returning to the register, and a forecasted increase in the new applications, we anticipate £61k additional income which goes somewhat to mitigating the afore mentioned £154k loss of annual fee income. We are closely monitoring these reinstatement levels.

2.5 We have been cautious with the forecast of income for those re-joining the register and those joining the register for the first time as over the last three years, the timing of applications has fluctuated year on year when compared with what had previously been a relatively stable flow of applications.

2.6 The UK adaptation assessments started in July 2023, and it was difficult to predict demand given this is the first time it has been in operation; we anticipated around 70 applications in 2023 however, this is likely to be nearer to 20 applications.

2.7 Additional income of £80k is likely to be received from our investment portfolio during 2023 given its ongoing performance.

2.8 An application to the Department for Business and Trade was made for a grant towards the cost of developing future Mutual Recognition Agreements. ARB has been awarded a grant of £75k to be spent by 31 March 2024 however, the funding can only be spent on specific areas of our work such as legal and technical expert advice. We anticipate

spending approximately £42k of the grant before ARB's financial year ending 31 December 2023.

Expenditure

- 2.9 Other administrative costs – a saving of £136k due to lower number of applications for the UK adaption assessments.
- 2.10 There are currently no other variances to report or concerns to bring to the Board's attention.

Investments

- 2.11 The Board's Investment Broker has confirmed that the portfolio is performing in line with the Board's investment strategy as is expected to generate an additional £80k of income by the year end.

One-Off and Capital Costs

- 2.12 There are currently no variances to report or concerns to bring to the Boards attention. The significant spend within this area relates to IT transformation. Phase 1 of the CRM development is now in the testing user acceptance stage and costs are within budget.

3. Resource Implications

- 3.1 Resource implications are set out above.

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.
- 4.2. 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.

5. Equality and Diversity Implications

- 5.1 None currently identified in relation to reporting of the forecasted outturn for 2023.
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6. Recommendations

It is recommended that the Board:

- i. Note the content of this paper.

	Actual Month 9	Budget to Month 9	Var' to Budget	Full Yr Budget	Full Yr Forecast	Full Yr Var' Bud vs Fcast	Actual 2022	Actual 2021	Actual 2020	Actual 2019	Budget 2024
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Operating Income											
Annual retention fee	7,382	7,536	(154)	7,536	7,382	(154)	6,503	5,212	4,795	4,696	8,159
Entry/re-entry to the register	332	328	135	393	454	61	86	81	114	119	422
Prescribed examinations	319	270	49	270	270	0	243	209	169	221	273
UK adaption assessments	56	138	(82)	207	59	(148)	0	0	0	0	295
- Charges for accreditation	0										551
International certificates & sundry receipts	80	7	74	10	20	10	60	10	36	38	34
Investment income	187	90	97	120	200	80	158	127	104	121	100
Government grants	42	0	42	0	42	42	150	321	105	0	33
Operating Income	8,398	8,368	160	8,536	8,427	(109)	7,201	5,960	5,324	5,194	9,867
Overheads											
Employee costs	2,482	2,609	127	3,479	3,479	0	2,752	2,423	2,010	1,874	4,212
Office costs	486	455	(32)	606	606	0	539	561	550	623	831
Printing	49	83	34	111	111	0	21	32	26	56	179
Board costs	172	145	(27)	193	193	0	153	126	166	64	228
Legal and professional costs	1,051	1,370	318	1,826	1,826	0	1,203	1,171	1,447	982	2,572
Other administrative costs	272	423	151	564	428	136	489	334	311	364	840
IT costs	551	565	14	753	753	0	505	557	725	560	1,085
IT Transformation costs	1,653	1,803	150	2,404	2,404	0	501	68	0	0	1,000
Taxation/Finance costs	0	0	0	0	0	0	11	67	39	78	
Use of Reserves	0	0	(0)	(1,400)	(1,400)	0	1,027	620	51	594	(1,081)
	0										
Expenditure	6,718	7,452	734	8,536	8,400	136	7,201	5,959	5,324	5,195	9,866
Net operating costs	1,680	916	764	0	27	27	(0)	0	(0)	(0)	0

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