



Subject	2015 Management Accounts		
Status	Open Session		
Purpose	For Note		
From	Marc Stoner, Financial Controller		
History	Parent Committee	First Submitted	Revision Number
	N/A	19/11/2015	1

If you have any queries on this paper, please contact Marc Stoner on 020 7580 5861

1. Purpose

To inform the Board of ARB's financial position at 28 October 2015, including the year-end forecast for 2015.

2. Recommendations

- i. To note the contents of the paper.

3. Terms of Reference

Under the Board's Scheme of Decision Making, management accounts go directly to the Board for noting.

4. Open

5. 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

Support architects through regulation.

The prudent financial management of ARB enables the delivery of all of ARB's statutory requirements and objectives.

6. Key Points

- i. Attached at [Annex A](#) is the October 2015 Management Accounts, which includes the year-end forecast and variances against the 2015 budget.
This shows a forecasted surplus at the year-end of £460k (Column G), compared with £389k in September 2015. This is mainly due to the continued increase in the number of new registrants, those re-joining and saving on staff costs due to vacancies and associated on-costs.

The forecast also includes the additional expenditure approved by the Board, by way of a write around, on 2 October 2015. This was an amount of £70k for the IT

resilience project that had been approved as part of the 2016 budget, but brought forward to 2015 due to concerns around the stability of our IT systems at the busiest time of the year due to the collection of the retention fee.

ii. **Operating Variances – year to date**

Income

The year-end forecast is currently £4,376k (Column G) against a budget of £4,002k (Column H), resulting in £374k increase (Column I) in income over the current budget (an additional increase of £28k from September - Column K).

The variance is made up as follows:-

- The number of new registrants and those re-joining the Register continues to increase significantly above the assumptions made when the budget was set (September 2014). There were 1,824 removals for non-payment of the retention fee in January 2015 which is approximately 600 more removals than anticipated when setting the budget, 72% of whom have now re-joined the Register. This combined with an increased number on the Register as at 1 January 2015, when the retention fee was payable has led to the increase in income.
- The numbers of candidates applying to sit the prescribed exam has also significantly increased. Taking into account those sitting during November, we are anticipating 149 candidates for 2015. The total number for 2014 and subsequently used to set the 2015 budget was 101 candidates. Any additional income is offset against increased expenditure, as the process is based on full cost recovery.

iii. **Expenditure**

The year-end forecast is currently £3,631k (Column G) against a budget of £3,753k (Column H), resulting in a £122k (Column I) underspend. This is an increase in the under-spend of £79k from September (Column K).

- Staff costs – £167k underspend (£99k Sept 15). During the first 6 months of 2015, we were carrying 5 vacancies (Registrar, Qualifications Executive and 3 Registration Administrators). The Registrar post was recruited to in July 2015 and the Qualifications Executive in August 2015. This recruitment then resulted in the role of Head of Registration/Deputy Registrar becoming vacant, with the duties being carried out across the organisation. The 3 Registration vacancies are currently being covered by temporary/fixed term contracts and other work being undertaken by the staff across the organisation. This will not be an on-going underspend as we begin to rebuild resources in all areas. The use of temporary staff results in lower pension contributions and training.
- Additionally we have carried one member of staff on long term absence; this

role was being covered through temporary part time resources covering communications, with the Human Resource function currently being outsourced. This has now concluded, with the individual taking retirement.

- Existing staff members, including temporary and fixed term resources, continue to work extremely flexible. This was demonstrated during the retention fee period, including getting as many people back on the Register as quickly as possible. This is also evidenced with the team having to process the significant increase in exam applicants and the increased volume of those wishing to join the Register.
- Professional Services & Legal Advice - Spend to date (Column C) is lower than anticipated at the end of October (Column D) however, the spend is anticipated to increase in the last couple of months when invoices are received for work concluded. However, there is the potential for an underspend in this area at the end of the year which is dependent on the timing of work, and other items in the pipeline.
- Professional Conduct and Regulation – Spend to date (Column C) is lower than anticipated at the end of October (Column D) however, expenditure is expected later in the year within this budget heading, and is estimated to come in on budget.
- Misuse of Title – we continue to successfully recover some of our costs in relation to misuse of title cases. Actual recovery is hard to predict, but to date we have received approximately £10k. The recovered costs are currently offsetting the increased spend in this area due to more complex web based cases.
- Prescribed Examinations - £42k (£56k September) overspend. This is due to the significant increase in applicants wishing to sit the exam and is being offset by the additional income generated. However, the number of exams being undertaken in November were slightly lower than anticipated.

iv. Capital Variances

The forecast also includes the additional expenditure approved by the Board, by way of a write around, on 2 October 2015. This was an amount of £70k for the IT resilience project that had been approved as part of the 2016 budget, but brought forward to 2015 due to concerns around the stability of our IT systems as the busiest time of the year due to the collection of the retention fee. Part of the funding will come from the IT Sinking fund (£35k) and the remainder covered from reserves in 2015, which will be transferred back into reserves at the start of 2016.

Some areas of spend have been delayed due to the Period Review, for which the outcome remains unknown. Any designated expenditure will be rolled into 2016 and funds held in reserves for this purpose.

7. Risk Implications

Continuous assessment of the financial landscape enables the operational management group to alert the Board should any financial risks arise.

8. Reserves

The Board, at its May 2015 meeting approved additional spend for cyclical office maintenance, funded from the Maintenance Reserve. This is now reflected within the Office Cost budget.

The forecast also includes the additional expenditure approved by the Board, by way of a write around, on 2 October 2015. This was an amount of £70k for the IT resilience project that had been approved as part of the 2016 budget, but brought forward to 2015 due to concerns around the stability of our IT systems at the busiest time of the year due to the collection of the retention fee. Therefore, the reserves balance will change to reflect this earlier than planned spend.

Adjustments take place at the year end; following discussions with the Board's external auditors on defining capital and revenue spend. Any adjustments made, will see movements between the final outturn figure at the year end and that held in reserves.

9. Resource Implications

The forecasted balance of the Operating Reserve Fund, excluding any unrealised gains on investments, as at 31 December 2015, is forecasted to be £2,628k. This is equal to approximately 8.5 months of 2015 budgeted operating costs and therefore meets the Boards reserves policy.

After taking account of capital accounting adjustments and ring fenced expenditure, which are included within the above balance, this reduces to approximately 8 months of 2015 budgeted operating costs and therefore still meets the Boards reserves policy.

The level of reserves and the on-going high number of applications to join the Register were factored in when the Board decided the level of the 2016 fee, resulting in the fee being held at the 2015 level of £107.00.

10. 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.

11. Equality and Diversity Implications

None currently identified.