



Subject	2015 Management Accounts		
Status	Open Session		
Purpose	For Note		
From	Marc Stoner, Financial Controller		
History	Parent Committee	First Submitted	Revision Number
	N/A	17/09/2015	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 31 August 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 August 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 £389k (Column G), compared with £351k in July 2015. This is mainly due to the continued increase in the number of new registrants, those re-joining, saving on staff costs due to vacancies, and lower than budgeted staff salary increase.

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

Income

The year-end forecast is currently £4,347k (Column G) against a budget of £4,002k (Column H), resulting in £345k increase (Column I) in income over the current budget.

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 October and November, we are anticipating 160 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 £3,710k (Column G) against a budget of £3,753k (Column H), resulting in a £43k (Column I) underspend.

- Staff costs – £99k underspend (£56k July 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. The remaining 3 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.
- Additionally we continue to have one member of staff on long term absence; this role is being covered through temporary part time resources covering communications, with the Human Resource function currently being outsourced.
- Existing staff members, including those 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 Conduct and Regulation – Spend to date (Column C) is lower than anticipated at the end of August (Column D) however, the spend will increase later in the year and is currently estimated to come in on budget. This is due to a number of cases being adjourned and therefore, spend will increase last quarter of the year.
- Misuse of Title – we continue to successfully recover some of our costs in relation to title misuse cases. This is hard to predict, but to date we have received approximately £10k. This is currently offsetting the increased spend in this area due to more complex web based cases.
- Prescribed Examinations - £56k overspend. This is due to the significant increase in applicants wishing to sit the exam and is being offset by the additional income generated.

iv. **Capital Variances**

There are currently no variances to report.

7. Risk Implications

Continuous assessment of the financial landscape enables the 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.

9. Resource Implications

The forecasted balance of the Operating Reserve Fund, excluding any unrealised gains on investments, as at 31 December 2015, is £2,591k. This is equal to approximately 8.3 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 7.8 months of 2015 budgeted operating costs and therefore still meets the Boards reserves policy.

Consideration of the reserve levels will feed in to discussions on the setting of the 2016 fee.

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.