



Subject	Management Accounts 2016		
Status	Open Session		
Purpose	For Note		
From	Marc Stoner, Financial Controller		
History	Parent Committee	First Submitted	Revision Number
	N/A	14/07/2016	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 20 June 2016, including the year-end forecast for 2016.

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.

To manage the organisation's finances prudently whilst delivering ARB's statutory requirements and objectives.

6. Key Points

- i. Attached at [Annex A](#) is the management accounts summary as of 20 June 2016, which includes the year-end forecast and variances against the 2016 budget. This shows a forecasted surplus at the year-end of £155k (Column G), compared with £165k in May 2016, a change of £10k.

The decrease in the forecasted surplus resulted from additional spend on repairs to the accessibility lift and cleaning and repair to the external part of the building following a drainage issue (approved in line with the Scheme of Decision Making).

ii. Income

The year-end forecast is currently estimated at £4,452k (**Annex A, Column G**) against a budget of £4,318k (**Annex A, Column H**), resulting in a £134k (**Annex A, Column I**) increase in income. There is no change from May 2016.

Annual Retention Fee – £134k increased income - When setting the budget for the annual fee, in September 2015, the number of registrants paying the fee was estimated at 34,500. The Register continued to grow during the remainder of 2015, less architects resigned and a lower number of architects were removed for non-payment, resulting in approximately 35,500 fee payments for 2016.

Entry/re-entry to the Register – In the first 5 months of 2016, the number of new entrants has increased by 15% compared to 2015. However, the numbers re-joining the Register have decreased by 24% compared to 2015. This is due to a decrease in the number of removals for non-payment of the retention fee. The growth in the Register is continually monitored to ensure sufficient resources are available to deal with increased demand.

ii. Expenditure

The year-end forecast is currently estimated at £3,958 (£3,948k May 16) (**Annex A, Column G**) against a budget of £3,979k (**Annex A, Column H**), resulting in a £21k (**Annex A, Column I**) underspend (£10k increased spend from May 16).

When looking at the actual spend to date (**Annex A, Column C**) compared to the budget profile (**Annex A, Column D**), it is worth noting the following points in relation to several of the variances.

- Staff costs – We are currently re-building our resources and have recently appointed a Head of Registration (held vacant since February 2014 and covered internally) and a Registration Administrator (which was being covered by temporary/fixed term contracts and other work being undertaken by the staff across the organisation).
- The increase in the number of people joining the Register continues to rise. We are monitoring resources carefully with a view to building additional resources within the Registration Team if demand continues to rise.
- Existing staff members, including temporary and fixed term resources, continue to work extremely flexible. This was demonstrated during the retention fee period, when getting as many people back on the Register as quickly as possible

to ensure that they were eligible to vote in the Board elections was a time critical priority for the organisation. This is also evidenced with the team having to process the significant increase in exam applications and the increased volume of applications to join the Register.

- Office costs – £21k underspend. Following conclusion of the rent negotiations, a saving of £31k was realised. However, additional spend of £10k is required due to the accessibility lift developing a number of failures, which required several repair callouts and parts. It may be that the lift is coming to the end of its useful economical life and if it continues to fail may need replacing. There was also a drainage issue to the back of the property, which ARB is liable for under the lease, for which emergency work was carried out by the landlord. This overspend is currently an estimate and we await the final repair bill.

- Professional Services and Legal Advice - Spend to date is lower than anticipated. However, this area of spend is likely to increase later in the year, as it dependant on the timing of works, projects and the timing of any Periodic Review outcomes.

- Professional Conduct and Regulation – Spend to date is lower than anticipated as it is subject to the timing of hearings and associated invoicing of works from our solicitors and conduct panel members.

v. **Capital and One Off Costs - Variances**

Some areas of spend are currently on hold due to the Period Review (e.g., routes review and S14 review), for which the outcome remains unknown. An update will be provided to the Board once the outcome is announced on how these projects will be resourced and delivered.

A number of other areas in the business plan and one-off projects continue to be delivered with existing staff resources.

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 balance of the Operating Reserve Fund, excluding any unrealised gains on investments, as at 1 January 2016, was £3,768k. This is equal to approximately nine months of 2016 budgeted operating costs, prior to taking account of committed funds. There are sufficient funds to meets the DCLG requirements to hold the cost of closure and therefore meets the Boards reserves policy. The current policy is up for review in quarter 3 of 2017 but the level

of resources held also forms part of the budget and retention fee considerations.

9. Resource Implications

The level of reserves and the on-going high number of applications to join the Register will be factored in when the Board decides the level of the 2017 fee. It should be noted that holding this level of reserves was a factor in the Board holding the fee at £107.00 for 2016.

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.