



Subject Management Accounts 2016
Purpose To Note
From Marc Stoner – Head of Finance and Resources

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1. Summary

The purpose of the paper is to inform the Board of ARB's financial position at 31 October 2016, including the year-end forecast for 2016.

Attached at **Annex A** is the management accounts summary, which includes the year-end forecast and variances against the 2016 budget. This shows a forecasted surplus at the year-end of £295k (Column G), compared with £187k in September 2016 a change of £108k.

The significant changes from the previously reported, which have resulted in the increase in the forecasted surplus are as follows:

- £45k saving in staffing as a result of several vacancies across the organisation and timing of recruitment to these posts. Whilst some areas of work have been covered by temporary staff, there is an overall saving on both salary costs and the associated on-costs.
- £10k saving within printing costs due to the tendering of the production and distribution of the annual retention fee invoice.
- £62k saving within professional services & legal advice as a result of requiring less professional advice, successful conclusion of the rent negotiations and timing of advice in relation to EU issues such as the 4+2 requirement.
- (£10k) reduction in income Entry/Re-entry to the Register – Whilst the number of European applications are higher than previous years, during September and October the number of EU applications started to level out and we anticipate this will continue during the final 2 months of the year.

Further detailed explanation can be found in point 5 below.

2. Open

3. Contribution to the Board's Purpose and Objectives

In delivering the Act, ARB's objectives are to:

Protect the users and potential users of architects' services and support architects through regulation.

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

4. Background

i. Income

The year-end forecast is currently estimated at £4,487k (**Annex A, Column G**) against a budget of £4,318k (**Annex A, Column H**), resulting in a £169k (**Annex A, Column I**) increase in income.

- **Annual Retention Fee** – £137k increased income - When setting the budget for the annual fee in September 2015, the number of registrants paying the fee was estimated at 34,300. 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 35,600 fee payments for 2016.
- **Entry/Re-entry to the Register** – In the first 10 months of 2016, the number of new entrants has increased by 14% (19% September 2016) compared to 2015. However, the numbers re-joining the Register have decreased by 28% 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.

A reduction in income of (£10k) for Entry/Re-entry to the register is currently forecast – Whilst the number of European applications are up on previous years, during September and October the number of EU applications started to level out and we anticipate this will continue during the final 2 months of the year.

- **Prescribed Exam Fee** - £41k increased income. This is due to the significant increase in applicants wishing to sit the exam.

ii. Expenditure

The year-end forecast is currently estimated at £3,852k (£3,968k September 2016) (**Annex A, Column G**) against a budget of £3,979k (**Annex A, Column H**), resulting in a £125k (**Annex A, Column I**) underspend.

- **Staff costs** – £45k underspend - We appointed a Head of Registration in June 2016 (held vacant since February 2014 and covered internally) and in September 2016, 2 Registration Administrators were appointed (which had been previously covered by temporary/fixed term contracts with other work being undertaken by the staff across the organisation). We are currently recruiting for a Qualifications Executive & Investigations Manager, which we hope to have in place by the end of the year.
- **Office costs** – £21k underspend. Following conclusion of the rent

negotiations, a saving of £31k was realised. However, additional spend of approximately £10k was required due to the accessibility lift developing a number of failures, which required several repair callouts and parts.

- Printing - £10k underspend – Achieved through tendering for the work to produce the annual retention fee invoice and mail out.
- Professional Services and Legal Advice - £62k underspend. Lower than anticipated use of professional advice services, successful conclusion of the rent negotiations and timing of advice in relation to EU issues such as the 4+2 requirement.
- Professional Conduct and Regulation – Spend to date is lower than anticipated due to the timing of hearings and associated invoicing of works from our solicitors and conduct panel members.
- Prescribed Examinations - £11k overspend - This is due to the significant increase in applicants wishing to sit the exam.

Due to the current recruitment process and transitional arrangements following changes to the tenure of examiners and Independent Examiners, a decision has been taken by the Operational Management Group to defer the training of examiners from October 2016 to early 2017, resulting in a saving of approximately £32k. This surplus will be ring-fenced in reserves to cover the additional costs associated with reading/preparation time and training/induction costs in 2017.

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

Some areas of spend are currently on hold due to the delayed outcomes of the Periodic Review (e.g., routes review and S14 review). An update will be provided to the Board once the outcomes are announced on how these projects will be resourced and delivered.

iv. **Reserves**

The balance of the Operating Reserve Fund, excluding any unrealised gains on investments, as at 1 January 2016, was £3,768k. There are sufficient funds to meet the DCLG requirements to hold the cost of closure and therefore meets the Board's reserves policy. The current policy is due for review in quarter 3 of 2017 but the level of resources held also forms part of the budget and retention fee considerations. Based on the current forecast, the balance of reserves at the end of 2016 will be £4,063k, dependent upon timing of the spend in relation to the projects on hold until the outcome of the Periodic Review is known.

5. Resource implications

The year-end surplus will be transferred to reserves. It should be noted that holding this level of reserves was a factor when the Board made the decision in September 2016 to hold the retention fee at £107.00 for 2017.

6. Risk Implications

The Operational Management Group closely monitor the impact on workloads and financial resources and will report to the Board where appropriate, to keep the Board up to date.

7. 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.

8. Equality and Diversity Implications

None currently identified.