



**Subject** Management Accounts 2017  
**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 May 2017, including the year-end forecast for 2017.

Attached at **Annex A** is the management accounts summary, which includes the year-end forecast and variances against the 2017 budget. This shows a forecasted surplus at the year-end of £294k (£278k May 17) (Column G) compared with to a budgeted surplus of £262k (Column H), an increase of £33k.

The reasons for the change in forecast are:

- A drop in registration income due to a decrease in new applications from the EU
- Anticipated additional income from investment dividends
- Additional spend within office costs, partly offset by a reduction in the anticipated business rates for 2017/18

## 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 £4,697k (£4,677k May 17) (**Annex A, Column G**) against a budget of £4,659k (**Annex A, Column H**), resulting in a £38k (**Annex A, Column I**) increase in income.

- **Annual Retention Fee** – £40k increased income - When setting the budget for the annual fee in September 2016, the number of registrants paying the fee was estimated at 36,985. The Register continued to grow during the remainder of 2016 and fewer than anticipated architects were removed for non-payment, resulting in approximately 37,329 fee payments for 2017.

- **Entry/Re-entry to the Register** – £62k decrease in income (£34k May 17) – the level of registrant's joining the register in the 1st quarter of the year remained similar to 2016 levels.

During the 2<sup>nd</sup> quarter, we have seen a drop in number of EU applications. This could be as a result of registrants waiting until July when the fee drops or a genuine decrease in applications. We have factored this drop into the anticipated income and therefore reduced the forecast by a further £28k. We will keep this under review during quarter 3 and provide an update at the September Board meeting.

As previously reported, the numbers re-joining the register are lower than anticipated due to the reduced number of removals for non-payment of the retention fee as outlined above.

- **Dividends and Bank Interest** - £60k increased income – Following the change to the Boards investment portfolio in November 2016, the revised portfolio continues to perform well and is anticipated to generate an additional £40k in dividends during the year.

ii. **Expenditure**

The year-end forecast is currently estimated at £4,115k (£4,112k May 17) (**Annex A, Column G**) against a budget of £4,110k (**Annex A, Column H**), resulting in a £5k (**Annex A, Column I**) overspend.

- **Office costs** – £10k overspend (£7k May 17). It was reported at the May 2017 Board meeting that we expected a £7k overspend in relation to Business Rates due to the revaluation. However, due to an error at the Valuation Office, the valuation rate has been subsequently amended resulting in a £13k underspend. As the organisation continues to evolve and as we are finding an increased demand for meeting space, a project has been undertaken to use our office space more efficiently. We will be creating a more useable meeting space by using the hot desk area more effectively. This should reduce the need for using offsite meeting venues (which are currently being used more frequently), especially when there is a PCC hearing or prescribed examinations taking place within the office. The costs are anticipated to be approximately £23k which the Registrar has approved under her authority, as set out in the Scheme of Decision Making. The additional spend can be accommodated within the total overall budget.
- **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.
- **Title misuse** - Title misuse - £5k underspend as a result of recovering costs at the prosecution stage. Due to changes in Solicitor personnel at the end of 2016 some title cases were placed on 'hold' until the new Solicitor team were up to speed on dealing with cases hence the lower than anticipated spend to date. However, it is anticipated spend will increase during the second half of the year.

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

There are currently no variances to report and a number of projects are being

progressed. Projects may need to be re-prioritised now that the Periodic Review Report has been published. Updates will be provided at future Board meetings.

iv. **Reserves**

The balance of the Operating Reserve Fund, excluding any unrealised gains on investments, as at 1 January 2017 was £4,609k. There are sufficient funds to meet the DCLG requirements to hold the cost of closure, leaving approximately 3.87 months of unallocated reserves. The Audit Committee recently reviewed the current Reserves Policy and will not be recommending any changes when the policy is considered by the Board in quarter 3 of 2017. The level of resources held also forms part of the budget and retention fee considerations. Also contained within the reserves are the funds being held for various projects carried forward, as well as those that were deferred awaiting the outcomes of the Periodic Review.

**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.