

Subject Management Accounts 2017

Purpose To Note

From Marc Stoner – Head of Finance and Resources

If you have any enquiries on this paper, please contact Marc Stoner at marcs@arb.org.uk or on 020 7580 5861

1. Summary

The purpose of the paper is to inform the Board of ARB's financial position at 31 July 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 £254k (£295k July 17) (Column G) compared with a budgeted surplus of £222k (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 (approved July 2017)
- Approval of 2 additional staff members (approved July 2017)

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 (no change from July) ([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

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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** – £68k decrease in income (no change from July 17) – the level of registrant's joining the register in the 1st quarter of the year remained similar to 2016 levels.

During the 2nd quarter, we have seen a drop in number of EU applications of around 42% compared to the same period in 2016. This could be as a result of registrants waiting until October 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.

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.

- **EU Certificates** - £6k increased income – Increase in the number of EU certificates being issued.
- **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 (no change from July 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. The work to the office meeting space (as reported on at the July Board meeting) has now been completed and came in within 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 £4,981k. There are sufficient funds to meet the DCLG requirements to hold the cost of closure, leaving approximately 3.83 months of unallocated reserves.

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. Some of these projects are now underway.

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 identified.