



Subject Management Accounts and Year-End Forecast 2018

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 March 2018, including the year-end forecast for 2018.

Attached at [Annex A](#) is the management accounts summary, which includes the year-end forecast and variances against the 2018 budget. This shows a forecasted surplus at the year-end of £112k ([Annex A, Column G](#)) compared with to a budgeted surplus of £76k ([Annex A Column H](#)), an increase in the surplus of £36k.

The reasons for the change in forecast are:

- When setting the budget for the annual fee in September 2017, the number of registrants paying the fee was estimated at 38,457. The Register continued to grow during the remainder of 2017 and fewer than anticipated architects were removed for non-payment, resulting in approximately 38,779 fee payments for 2018.
- Increase in the forecasted dividends on the Board investment portfolio following the Boards decision to change its strategy in November 2017.
- Costs incurred in relation to the Property strategy review as required as part of the Periodic Review outcomes and the pending break clause in the lease.

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. Whilst there are variances showing in the year to date figures ([Annex A, Column E](#)), this is related to timing differences as opposed to actual under/over spends. Any actual variances are detailed below.
- ii. [Income](#)
The year-end forecast is currently estimated at £4,705k ([Annex A, Column G](#))

against a budget of £4,671k ([Annex A, Column H](#)), resulting in a £34k ([Annex A, Column I](#)) increase in income.

- **Annual Retention Fee:** £34k increased income - When setting the budget for the annual fee in September 2017, the number of registrants paying the fee was estimated at 38,457. The Register continued to grow during the remainder of 2017 and fewer than anticipated architects were removed for non-payment, resulting in approximately 38,779 fee payments for 2018.
- **Entry/Re-entry to the Register:** The number of applications is currently in line with the budget. However, these are kept under review especially with all of the unknowns around Brexit.

iii. Expenditure

The year-end forecast is currently estimated at £4,404k ([Annex A, Column G](#)) against a budget of £4,351k ([Annex A, Column H](#)), resulting in a £53k ([Annex A, Column I](#)) overspend which is being covered from reserves.

Detailed below are the key variances which result in the forecasted underspend:

- **Employee costs:** Whilst there is no overspend being forecast, we have recently increased the resources within the Qualifications team on a temporary basis (18 months fixed term contract) to ensure resilience within the team with the increasing work load around apprenticeships, criteria and procedure reviews and potential around MRAs post Brexit. Funding of this post will either be covered from within reserves or from within the general staffing budget.
- **Professional Services and Legal Advice:** £56k overspend - The estimated costs of the on-going criteria review are estimated to be £25k in 2018. Funds were set aside to cover some of these costs in prior years so overall and therefore unlikely to impact on the budgeted outturn. Costs of £33k incurred in relation to the Property strategy review as required as part of the Periodic Review outcomes and the pending break clause in the lease.
- **Title misuse:** £3k forecasted underspend – this is the estimated amount of costs we anticipated being recovered from title misuse prosecutions during 2018. It should be noted that there remains £5,800 owed to ARB in costs by a misuse of title offender. Payment of those costs is unlikely, though we continue to investigate economically viable options for recovery. At this stage this amount is not included within the forecast for the year, given its uncertainty. This budget is demand led and therefore costs could increase during the year.

iv. Investments

Dividends and Bank Interest: £29k increased in forecasted income – Following the change to the Boards investment portfolio in November 2017, additional dividends are anticipated during 2018.

v. Capital and One Off Costs

There are currently no variances to report and projects are progressing. Any underspends as a result of timing of delivery will be set aside within reserves at the year end and reported to the Board.

vi. **Reserves**

Taking into account the forecasted budget surplus, the Operational reserves are estimated to stand at £1,555k at the year end. This is approximately 4.3 months of operating costs and therefore meets the Boards Reserves Policy. There are also sufficient funds to meet the MHCLG requirements to hold the cost of closure.

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 forecasted 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 2017 to hold the retention fee at £107.00 for 2018.

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 in relation to reporting of the forecasted outturn for 2018. We will continue to consider this position on an ongoing basis especially when setting the budget and annual fee for 2019.