



**Subject** Management Accounts and Year-End Forecast 2018

**Purpose** To Note

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## 1. Summary

The purpose of the paper is to inform the Board of ARB's financial position at 30 May 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 £80k ([Annex A, Column G](#)) compared with to a budgeted surplus of £76k ([Annex A Column H](#)), an increase in the surplus of £4k (£36k Qtr1 2018).

The main reasons for the change in forecast between that previously reported (May 18) are:

- **Entry/Re-entry to the Register:** £17k reduction in forecast income due to a slightly higher reduction in EU applications of around 5% when compared to the budget set.
- **Employee costs:** £15k overspend – potential overspend in relation to recruitment costs. There has been a higher than anticipated staff turnover during the year with at least one further post to recruit to and provision for a further two posts.

## 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

- 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.

- Income**

The year-end forecast is currently estimated at £4,688 ([Annex A, Column G](#)) against a budget of £4,671k ([Annex A, Column H](#)), resulting in £17k additional income (£34k in Qtr1) ([Annex A, Column I](#)).

- **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:** £17k decrease in income - The number of applications is lower than budgeted in September 2017. We estimate there will be a reduction of approximately 120 applications by the end of the financial year.

iii. **Expenditure**

The year-end forecast is currently estimated at £4,434k (**Annex A, Column G**) against a budget of £4,351k (**Annex A, Column H**), resulting in a £83k (£53k Qtr 1) (**Annex A, Column I**) overspend.

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

- **Employee costs:** £15k overspend – potential overspend in relation to recruitment costs. There has been a higher than anticipated staff turnover during the year with at least one further post to recruit to and provision for a further two posts.
- **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.
- **IT & Digital Spend -** £15k overspend (funded from reserves) – due to a number of power outages (nation grid related) in recent months, work is required to the server room to upgrade the uninterrupted power supply. These funds are set aside within reserves and are within the Registrar and Chief Executives budget authority.

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 £1,530k at the year end. This is approximately 4.2 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 and therefore the spend associated with these projects wont impact on the Boards reserves policy.

**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.

There are a number of items of work on the horizon that are not included within the above forecasted outturn as the scope/cost is not yet known. These items are:

- Investment tendering/market review
- Hackett Review
- Legal support/advice in relation to exiting from the EU
- Mutual Recognition Agreements (MRA's)

Further information around costs will be provided when known.

**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.