



Board Meeting      20 November  
2020  
Agenda Item      27

**Subject**                      **Management Accounts and Year-End Forecast 2020**  
**Purpose**                        **For Decision**  
**From**                         **Marc Stoner Acting Chief Executive and Registrar**

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## 1. Summary

The purpose of the paper is to inform the Board of ARB's financial position at 31 October 2020, including the year-end forecast outturn for 2020.

In September 2020, the Board agreed to the utilization of £356k from the reserves in order to move forward the Board's strategic projects (£185k), and IT development and security of its systems (£171k).

Attached at **Annex A** is the management accounts summary, which includes the year-end forecast and variances against the 2020 approved budget.

For 2020, the Board had a planned deficit of £160k, combined with the additional spend agreed by the Board in September in order to move forward the strategic projects (£185k) and the IT modernisation project (£171k) bring the total operating deficit for 2020 to £516k. This deficit is being covered from within the Boards reserves.

During the year, savings within the staffing budget were identified to help offset reductions in income as a result on the economic downturn. The number of applications and issuing of certificates has now started to increase.

Further details on the use of reserves can be found under section 5 vii. below.

Further information is provided below regarding potential fluctuations in the forecast as the year progresses.

## 2. To Note

The Board is asked to note the content of this paper.

## 3. Confidential Session

In order to provide the Board with details on the proposed IT investment, this paper is potentially commercially sensitive as it contains costs associated with specific work.

#### 4. Contribution to the Board's Purpose and Objectives

In delivering the Act, ARB's objectives are:

- 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.

#### 5. Key Points

- i. The 2020 budget was set by the Board at its meeting in September 2019.

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. **Covid-19 – Potential Impact on Income**

##### **Annual Retention Fee**

All of the 2020 retention fee income was collected by 31 December 2019 and therefore there will be no impact in 2020 on this income stream.

##### **New Admissions**

This income stream is likely to be impacted as the income is only received when an individual requests to join the Register.

We have received 10 months' worth of income and the volume of new applications is now starting to recover.

- iii. **Operational Income**

- **Annual Retention Fee: £12k increased income** – When setting the budget for the annual fee in September 2019, the number of registrants paying the fee was estimated at 41,150. The Register continued to grow during the remainder of 2019, resulting in approximately 41,206 fee payments for 2020.
- **Entry/re-entry to the register: £25k (58k previously forecast) forecast reduction in income.** There was a significant drop in the number of applications being received to join the Register since the COVID-19 lockdown. However, the numbers have now started to increase; therefore reducing the previous forecast. Additional staffing resources may be required to meet the demand over the coming months.
- **Examinations:** The number of applications to sit the examination is currently in line with budget. At present, we are unable to accommodate face to face prescribed examinations due to government advice on travel and remote working. No reduction in income is currently factored in as

the examination process cost will also reduce if the examinations do not take place, and so this should be relatively cost neutral. The Executive are currently holding the examinations remotely, using technology to facilitate document transfer and to replace face-to-face examinations.

- **Other income streams: £8k additional income.** We continue to monitor the other income streams as any impact on the UK exit from the EU remains unknown. There is still a demand for certificates for individuals who wish to register in other EU states.

iv. **Employee Costs**

This is ARB's largest area of spend. This budget contains all of the costs associated with ARB's employees including salaries, contractual benefits, training and the cost of recruitment.

ARB's permanent head count is 32 full time members of staff. We currently have two additional fixed term posts within the Professional Standards team, of which one is maternity cover.

In order to try and achieve a reduction in spend of £79k within employee costs to try and mitigate the potential loss of income, we have made a number of key decisions within this budget heading as outlined below.

Currently we have three vacancies, two of which are within the Registration team however; these roles are being covered by a temporary resource in order to move forward with the remote examinations and manage the increase in new applications. We have also taken the decision to delay the recruitment for a further member within the Communications team.

Where appropriate we are using temporary resources to meet changes in workloads across the organisation and to use the pool of permanent resources flexibly to target workloads where possible.

v. **Board Expenditure:**

£20k anticipated increase in costs. Following the review of the Board Committee and governance structures the number of days required of the Chair and Board members has increased.

vi. **Professional Conduct and Regulation:**

Following a tender exercise for the provision of legal services in relation the Professional Conduct Committee (PCC), a contract was awarded on a fixed price basis. Whilst savings are likely to be achieved from the new legal services contract, those savings will be required to meet the Board agreed increased remuneration of the PCC legally qualified chairs and panel members as well as the requested wider review of the investigations processes. ARB has a much greater number of PCC cases than in previous years and these are currently being held remotely.

vii. **Capital and One Off Costs:**

Due to the current COVID-19 crisis, the Board reviewed its Business Plan for 2020 in April and has deferred several projects which will roll over into 2021.

**6. Resource Implications**

The above paper highlights those areas of spend that may increase during the year. The Board should be assured that there are sufficient reserves to mitigate any increased spend and as always the Executive seeks to find efficiencies and savings where possible.

**7. Risk Implications**

The Senior Leadership Group closely monitor the impact on workloads and financial resources and will report to the Board where appropriate, to ensure the Board is kept up to date.

**8. 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.

**9. Equality and Diversity Implications**

None currently identified in relation to reporting of the forecasted outturn for 2020. The investment within IT will support staff working more flexibly and potentially create better work life balance and improved mental wellbeing.