



Subject Year-End Outturn 2020
Purpose To Note
From Director of Finance and Resources

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1. Summary

This paper sets out the year end outturn for financial year ending 31 December 2020.

The financial statements have now been reviewed by the Board's external auditors. The statements were also presented to the Audit and Risk Assurance Committee (ARAC) at its meeting on 15 April 2021. There were no issues raised with as part of the audit or raised with the ARAC as of a material concern.

Attached at [Annex A](#) is a summary, which includes the year-end outturn and variances against the 2020 budget.

The operating surplus at the year-end is £296k prior to any adjustments for areas of expenditure carried forward in 2021. This is a positive outcome given the potential £516k planned deficit for 2020.

2. The Board should note the following:

- The outturn for financial year ending 31 December 2020.

3. Open Session

4. 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.

5. Operating Income

The operating income as at 31/12/20 was £5,220k ([Annex A, Column C](#)) against a budget of £5,121k ([Annex A, Column D](#)), resulting in £99k ([Annex A, Column E](#)) additional income when compared to the original budget.

The key variances are:

- 5.1 Government Funding: £105k increased income** – ARB was awarded a Government grant of £700k over two years to support our work on the development of mutual recognition agreements (i.e., 1 April 2020 to 31 March 2021 and 1 April 2021 to 31 March 2022), which we were notified of in January 2021. The grant agreement was signed on 31 March 2021. It is estimated that £350k will be utilised in 2021. Therefore, £105k was recognised in 2020 with funds still awaited from MHCLG. This meant that funds previously set aside for this work can now be released into general reserves totalling a further £100k saving.
- 5.2 Examinations: £40k reduction in income.** We were unable to accommodate face to face prescribed examinations due to government advice on travel and remote working. Exams were switched to remote, via Zoom, and the candidates were given the option as to whether they undertook it remotely or wait to see if exams return in person. A number of exams have been carried over in 2021. There is a compensating underspend of £41k in relation to the examiner costs shown under expenditure 'Prescribed Examinations'.
- 5.3 Other income streams: £32k additional income.** There was a high demand for certificates for individuals who wished to register in other EU states at the year-end resulting in additional income.

6. Operating Expenditure

The operating expenditure as at 31/12/20 was £5,149k ([Annex A, Column C](#)) against a budget of £5,540k ([Annex A, Column D](#)), resulting in a £391k ([Annex A, Column E](#)) underspend.

The key variances are:

- 6.1 Employee Costs - £170k underspend** – In the first part of 2020, planned staffing was paused in order to mitigate any loss of income resulting from Covid-19. There we also a high level of turnover in staffing than anticipated in the second half of the year and some of these posts were not filled until either late in 2020 or in 2021. There were also underspends in relation to the staff bonus scheme as the award was lower than budgeted as well as an underspend within training.
- 6.2 Professional Conduct, Title and Regulation - £45k overspend.** An increase in remuneration of the PCC legally qualified chairs and panel members was agreed during 2020 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 a large number of cases were held remotely.
- 6.3 IT and Digital Spend - £217k underspend.** ARB is currently undertaking a review of its IT requirements including an audit of current and future IT projects to ensure we are making

appropriate decisions aligned to our emerging strategy. We recognise the need for significant IT transformation and this underspend has been carried over to 2021 to ensure the work can continue in relation to the projects under way such as a move from windows 7 to windows 10, facilitation of flexible and remote working for staff and improvements to cyber security.

6.4 Investment Income - £183k additional income. The Board changed its Investment Broker during 2020 as well as its Investment Strategy. This required the sale of a number of assets within the portfolio and due to the strategy taken on the sale of these assets by the Board's Broker, a higher than anticipated sale value was achieved.

7. Business plan and one off items – £100k reduction in costs. As a result of being able to utilise some of the MHCLG grant funding of £105k for work completed on mutual recognition agreements in 2020. This has resulted in a reduction in the amount required to be drawn from ARB reserves.

8. Reserves

Operating Reserves

Taking into account the surplus for 2020, the Operational reserves stand at £2.3m. This is approximately four months of budgeted operating costs and therefore meets the Board's Reserves Policy (which is a minimum of four months budgeted operating costs). These reserves are for any unanticipated expenditure that cannot be contained within the operational budget, and any additional expenditure outside of the overall budget over £30k that the Board agrees from time to time.

MHCLG Closure Fund

ARB is required by Ministry of Housing, Communities and Local Government (MHCLG) to hold in reserves the estimated cost of the closure of ARB. This reserve sits around £3.6m in a separate fund and is sufficient to meet the MHCLG requirements. As these funds are not required in the foreseeable future, they are placed in an investment portfolio.

MHCLG have said that in the event we need further contingency around the UK's exit from the EU, outcomes from the Hackitt review and the progression of Mutual Recognition Agreements, that they would be supportive of ARB using up to £1m from these funds. The Board would however need to agree a plan to re-build any used reserves.

Designated Reserves

At 31 December 2020, designated reserves consist of a Maintenance Reserve (£68,000 – set up to cover the regular cost of redecoration of the offices in accordance with the terms of the lease).

In addition, a further £709k has been designated for projects that were budgeted for in prior years but where these projects run over several years, such as our IT investment. All the projects are currently on going and funds drawn down as and when required. Where efficiency savings are made, funds will be returned to general reserves for utilisation by the Board.

9. Resource implications

As set out above

10. Risk Implications

The Strategic Leadership 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.

11. 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.

12. Equality and Diversity Implications

None currently identified in relation to reporting of the outturn for 2020. We will continue to consider this position on an ongoing basis especially when setting the budget and annual fee for 2022.

Annex A

A	B	C	D	E
		Actual to 31/12/2020		
Budget Category	Budget Heading	Actual	Budget	Variance
Income		£000	£000	£000
Fee Income	Annual Retention Fee	4,587	4,568	19
	Entry/re-entry to the register	322	340	(17)
	Prescribed Examination Fees	169	209	(40)
Total Fee Income		5,078	5,116	(38)
Grant funding	Government Grant	105	0	105
Other Income	EU Certificates & Sundry Receipts	36	4	32
Total Operating Income		5,220	5,121	99
Expenditure				
	Staff	2,010	2,180	170
	Premises (rent, rates, utilities, cleaning etc)	550	529	(21)
	Postage, Telecommunications, Printing	34	47	13
	ACE & ENACA	41	44	3
	Public and Professional Awareness	31	39	8
	Board Expenses	166	184	18
	Professional Services & Legal Advice	557	556	(1)
	Professional Conduct, Title and Regulation	805	760	(45)
	Banking/Payment processing and sundry items	69	67	(2)
	Prescribed Examination	103	135	32
	Prescription/Qualifications	59	58	(1)
	IT and Digital Spend	725	942	217
Total Operating Expenditure		5,149	5,540	391
Operating Surplus /(Deficit)		70	(420)	490
Investment Income	Investment Income (Dividends/Sales/Interest)	265	82	183
Surplus /(Deficit) after Investments		335	(338)	673
Tax charged on investments (19%)	Corporation Tax	39	40	1
Surplus /(Deficit) after tax		296	(378)	674
Business Plan/One off items	Capital - Current Year	0	59	59

	Sinking funds	0	79	79
Total Surplus /(Deficit) for the year		296	(516)	812