

Architects
Registration
Board

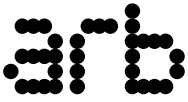
Financial Statements



Statement of Comprehensive income for the year ending 31 December 2019

	Notes	2019 £	2018 £
INCOME			
Registration and retention fees	3	4,814,758	4,494,221
Prescribed examinations		221,356	240,477
Penalties and sundry receipts	4	37,561	17,231
Total operating income		5,073,675	4,751,929
EXPENDITURE			
Employee salaries and benefits	6	1,873,831	1,647,321
Office costs	7	622,909	628,383
		2,496,740	2,275,704
Printing and records	8	56,297	45,592
IT charges	9	559,574	513,777
Board allowances and expenses (associated costs)		64,190	83,407
Legal and other professional charges	10	982,254	1,184,073
Other administrative expenses	11	364,277	345,927
		2,026,592	2,172,776
Total operating expenditure		4,523,332	4,448,480
OPERATIONAL SURPLUS FOR THE YEAR		550,343	303,449
Investment income	5	120,823	123,399
SURPLUS FOR THE YEAR BEFORE TAXATION		671,166	426,848
Taxation	19	(77,563)	32,047
RETAINED SURPLUS FOR THE YEAR		593,603	458,895
OTHER COMPREHENSIVE NET INCOME			
Net gain/(loss) on investments	14	584,618	(362,312)
TOTAL COMPREHENSIVE NET INCOME		1,178,221	96,583

All activities are continuing.



Statement of financial position at 31 December 2019

	Notes	2019 £	2018 £
NON-CURRENT ASSETS			
Property, plant and equipment	12	93,378	112,674
Intangible assets	13	196,920	143,044
Investments	14	6,336,157	5,747,983
Total non-current assets		6,626,455	6,003,701
CURRENT ASSETS			
Trade and other receivables	15	492,341	604,022
Cash and cash equivalents		5,033,397	4,081,373
Total current assets		5,525,738	4,685,395
TOTAL ASSETS		12,152,193	10,689,096
CURRENT LIABILITIES			
Trade and other payables	16	430,446	328,898
Deferred income		4,637,218	4,513,890
Total current liabilities		5,067,664	4,842,788
Liabilities greater than one year		60,000	0
ASSETS LESS LIABILITIES		7,024,529	5,846,308
RESERVES			
Designated reserve		629,200	660,000
MHCLG Closure reserve		3,629,000	3,629,000
Operational reserve		2,213,121	1,557,308
Revaluation reserve		553,208	0
TOTAL RESERVES		7,024,529	5,846,308

These financial statements were approved by the Board and Accounting Officer and authorised for issue on 19 June 2020.

Chair of the Board

Board Member
(Chair of the Audit & Risk Committee)

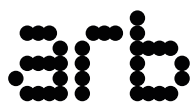
Accounting officer
(Acting Chief Executive & Registrar)



Statement of cash flows for the year ended 31 December 2019

	2019 £	2018 £
CASH FLOWS FROM OPERATING ACTIVITIES		
Operational surplus for the year	550,343	303,449
Adjustments for non-cash transactions		
Depreciation and amortisation	200,373	225,674
Loss on disposal of intangibles	0	15,029
Changes in operating assets and liabilities		
Decrease/ (Increase) in trade and other receivables	111,681	(89,802)
Increase in trade, other payables and deferred income	220,979	299,976
Net cash inflow from operating activities	533,033	450,877
CASH FLOWS FROM INVESTING ACTIVITIES		
Dividends and interest from investments	120,823	123,399
Proceeds from the sale of investments	544,597	2,447,202
Purchase of investments	(548,153)	(2,337,446)
Purchases of property, plant and equipment and intangible assets	(234,954)	(217,700)
Net cash (outflow/ inflow from investing activities)	(117,687)	15,455
Taxation	(13,665)	32,047
Net increase in cash and cash equivalents	952,024	801,828
Cash and cash equivalents at the start of the year	4,081,373	3,279,545
Cash and cash equivalents at the end of the year	5,033,397	4,081,373

All cash is represented by cash in hand



Statement of changes in reserves at 31 December 2019

Operational reserve

The Board's reserves policy is to hold operating reserves sufficient to ensure that the ARB is able to continue in operation for the foreseeable future, whilst retaining as a minimum the closure reserve required under the framework agreement with the MHCLG. The level of reserves is set taking into account the risks faced by the ARB in terms of a decline in income or increase in expenditure and the time that would be taken to return the ARB to a balanced budget by reducing costs or adjusting the annual registration fee. This is currently set at four months of the budgeted operating costs which is £1,530,000.

Closure reserve

The framework agreement with the MHCLG requires the ARB to maintain its assets at a sufficient level to cover its liabilities if ARB were to be wound up. At 31 December 2019 this is estimated to be £3,629,000.

The major elements of this reserve relate to:

- a significant shortfall in income in the period following notice of closure by the MHCLG resulting from an inability to collect all registration fees due during that period

- and redundancies, lease termination costs and costs associated with winding up existing regulatory cases.

Designated reserve

At 31 December 2019, designated reserves represented the IT renewal fund (£69,000 - to cover the cost of ensuring that the organisation's computer systems remain up to date and efficient) and the 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 £492,200 has been designated for projects that were budgeted for in prior years but where these projects are now expected to be completed in 2020 onwards. Major element of this reserve relates to development of IT systems (£352k) and a number of operational reviews and market research (£140k).

Revaluation reserve

At the 31 December 2019, the revaluation reserve represented the closing market value less historic cost value of ARB's investments (accumulated unrealised gains).

	At Jan 2019	Movement in year	Transfers between reserves	At 31 Dec 2019
	£	£	£	£
Operational reserve	1,557,308	430,013	225,800	2,213,121
MHCLG closure reserve	3,629,000	0	0	3,629,000
Designated reserves				
IT renewal	59,000	0	10,000	69,000
Maintenance	58,000	0	10,000	68,000
Deferred/Special projects	543,000	195,000	(245,800)	492,200
Revaluation reserve	0	553,208	0	553,208
Total	5,846,308	1,178,221	0	7,024,529



Notes to the financial statements

1. GENERAL INFORMATION

The Architects Registration Board is incorporated under the Architects Act 1997. ARB's principal activity is acting as the statutory regulator for architects in the UK. The ARB is an arms-length body overseen by the Ministry of Housing, Communities and Local Government (MHCLG).

After making enquiries and after taking into consideration the impact of COVID-19, the Board has a reasonable expectation that the organisation will be able to continue its activities for the foreseeable future. Accordingly they continue to adopt the going concern basis in preparing the financial statements.

2. ACCOUNTING POLICIES

a) Basis of accounting

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted and interpreted by the 2019-20 Government Financial Reporting Manual (FRm) issued by HM Treasury.

Where the FRm permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of ARB for the purpose of giving a true and fair view has been selected. The particular policies adopted by ARB are described below. They have been applied consistently in dealing with items that are considered material to the financial statements.

These financial statements have been prepared under the historical cost convention modified to account for the revaluation of investments. Figures are presented in pounds sterling, which is the functional currency of ARB and rounded to the nearest pound. Transactions denominated in foreign currencies are translated into sterling at the exchange rate at the dates of the transactions.

b) Impending application of newly issued accounting standards not yet effective

ARB discloses wherever it has not yet applied a new accounting standard, and provides any information relevant to assessing the possible impact that the initial application of the new standard would have on the financial statements. The following standards relevant to ARB have been issued but are not yet effective:

- IFRS 16 Leases (effective from 1 April 2020).

The impact of accounting standard IFRS16 would result in the recognition of an asset with an equal and opposing creditor totalling approximately £1.1m.

c) Staff costs

In accordance with IAS 19 Employee Benefits, all short-term staff costs payable at the year-end, which will be paid within one year from the date of reporting, are recognised in the Statement of Comprehensive Income.



d) Pensions

ARB operates a defined contribution pension scheme where ARB pays established annual contribution rates into a separate fund. The amount of pension benefit that a member receives in retirement is dependent on the performance of the fund. ARB recognises the cost of these contributions in the Statement of Comprehensive Income when they fall due. There are no further payment obligations for ARB once the contributions have been paid.

e) Leases

Payments in relation to operating leases (excluding costs for services such as insurance and maintenance) are charged to the Statement of Comprehensive Income on a straight-line basis.

f) Value Added Tax on purchases

ARB is unable to recover the VAT it pays on its expenditure due to the VAT status of its supplies. Therefore, all expenditure disclosed in the financial statements includes any VAT paid.

g) Income

Income is recognised to the extent that it is probable that the economic benefits will flow to ARB and the revenue can be reliably measured. Income is measured at the fair value of the consideration received. Income arising from the provision of services is recognised when and to the extent that ARB obtains the right to consideration in exchange for the performance of its contractual obligations.

Retention fees are recognised in the period over which they entitle an individual to be listed on the Register of Architects. Registration, penalties and prescribed examination fees are recognised in the year in which the registration or prescribed examination takes place or that the penalty becomes due. Income from investments and cash is recognised in the period in which ARB becomes entitled to the income.



h) Corporation tax

ARB is liable for tax on income earned and gains on investments during the year. The tax expense is recognised in the Statement of Comprehensive Income.

i) Plant, equipment and intangible assets

Expenditure of £500 or more on plant and equipment or intangible assets is capitalised where it is expected to bring benefit over future years. On initial recognition, assets are measured at cost and include all costs directly attributable to bringing them into working condition.

All non-current assets are reviewed annually for impairment. Plant and equipment is depreciated, and intangible assets amortised from the time the item comes into operational use, at rates calculated to write them down to the estimated residual value on a straight-line basis over their estimated useful lives. The following annual rates are used:

- Leasehold improvements - over 10 years
- Office furniture and equipment - over 5 years
- IT equipment - over 3 years
- IT development - over 3 years

j) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and short-term deposits with maturity dates of three months or less.

k) Investments

Investments comprise holdings of a number of Gilts (UK Sovereign debt), Corporate Bonds and Equity funds managed by separate investment managers. The fair value of the investments is based on the closing market value at the accounting date. Gains and losses arising from changes in market value are included within the Statement of Comprehensive Income.

l) Trade and other payables

Trade payables are obligations on the basis of normal credit terms and do not bear interest. They are categorised as financial liabilities at amortised cost.

m) Provision

Provisions are recognised in the balance sheet where there is a legal or constructive obligation to settle a liability and the amount can be estimated with reasonable certainty.



3. REVENUE - REGISTRATION AND RETENTION FEES

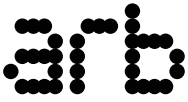
	2019 £	2018 £
Registration fees	119,184	117,103
Retention fees	4,695,574	<u>4,377,118</u>
	4,814,758	<u>4,494,221</u>

4. REVENUE - PENALTIES AND SUNDRY RECEIPTS

Penalties paid on reinstatement to the Register	7,570	7,701
Sundry receipts	29,991	<u>9,530</u>
	37,561	<u>17,231</u>

5. INVESTMENT INCOME

Income from investment portfolio	111,303	121,154
Interest on bank deposits	9,520	<u>2,246</u>
	120,823	<u>123,400</u>



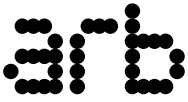
6. STAFF COSTS

	2019 £	2018 £
Wages and salaries	1,341,390	1,185,753
Social security	154,245	134,805
Other pension costs	145,124	135,075
Medical and permanent health insurance	39,390	32,143
Recruitment costs	40,034	34,135
Staff training	28,002	33,749
Temporary staff	125,646	90,660
	1,873,831	1,647,320
	No.	No.
Staff numbers (average full time equivalent staff)	29	26

Salaries in respect of the senior management team within the following ranges:

	No.	No.
£65,000 - £70,000	0	1
£70,000 - £75,000	1	0
£75,000 - £80,000	0	0
£80,000 - £85,000	1	1
£85,000 - £90,000	2	2
£115,000 - £119,000	0	0
£120,000 - £125,000	0	1
£125,000 - £130,000	1	0

Payments were made into defined contribution pension schemes totalling £66,284 (2018: £63,892) in respect of these employees.



7. OFFICE COSTS

	2019 £	2018 £
Rent and Service Charges	279,417	287,660
Rates	126,665	123,808
Building related costs	99,971	46,722
Insurance	8,102	13,026
Electricity	14,838	17,911
Office cleaning	29,211	31,962
Postage and telephone	34,617	34,118
Maintenance of office equipment	16,049	13,854
Depreciation: leasehold improvements	0	51,733
Depreciation: furniture and equipment	14,039	7,591
	622,909	628,385

8. PRINTING AND RECORDS

Printing	49,148	39,726
Stationery	7,149	4,500
Journals and newspapers	0	1,366
	56,297	45,592

9. IT CHARGES

Depreciation and amortisation: IT equipment and development	186,335	166,350
IT costs	373,239	347,426
	559,574	513,776



10. LEGAL AND OTHER PROFESSIONAL CHARGES

	2019	2018
	£	£
Remuneration to external auditors:		
External audit services	21,000	18,750
Other services - corporation tax compliance advice	2,640	5,760
- employment tax advice	1,560	684
Legal expenses and professional charges – regulation	593,489	679,337
General legal, specialist advice and insurance	363,565	479,543
	982,254	1,184,073

All amounts stated above include VAT

11. OTHER ADMINISTRATION EXPENSES

Bank charges	60,442	50,742
Staff travel expenses	28,714	23,228
Prescribed examination	123,255	127,721
Prescription and qualifications	73,059	58,696
Architects' Council of Europe and European Network of Architects Competent Authorities	40,998	39,987
Public and professional awareness	25,045	33,559
Sundry expenditure	12,764	11,994
	364,277	345,927



12. PLANT AND EQUIPMENT

	Leasehold improvements	Office furniture & equipment	IT equipment	Total
	£	£	£	£
Cost				
At 1 January 2019	517,325	139,235	332,750	989,310
Additions	0	33,856	10,715	44,571
Disposals	0	(11,236)	(3,258)	(14,494)
At 31 December 2019	<u>517,325</u>	<u>161,855</u>	<u>340,207</u>	<u>1,019,387</u>
Accumulated depreciation				
At 1 January 2019	517,325	114,865	244,447	876,637
Charge for the year	0	14,038	49,828	63,866
Disposals	0	(11,236)	(3,258)	(14,494)
At 31 December 2019	<u>517,325</u>	<u>117,667</u>	<u>291,017</u>	<u>926,009</u>
Carrying amount				
At 31 December 2019	<u>0</u>	<u>44,188</u>	<u>49,190</u>	<u>93,378</u>
At 31 December 2018	<u>0</u>	<u>24,370</u>	<u>88,303</u>	<u>112,673</u>



13. INTANGIBLE ASSETS (IT development costs)

	Total
Cost	£
At 1 January 2019	654,191
Additions	190,383
Disposals	(11,687)
At 31 December 2019	<u>832,887</u>
Accumulated depreciation	
At 1 January 2019	511,147
Charge for the year	136,507
Disposals	(11,687)
At 31 December 2019	<u>635,967</u>
Carrying amount	
At 31 December 2019	<u>196,920</u>
At 31 December 2018	<u>143,044</u>

ARB has a capital commitment of £44k in relation to IT development costs outstanding as at 31/12/2019

14. INVESTMENTS

	2019	2018
	£	£
At market value		
At start of year	5,747,983	6,220,051
Additions	548,153	2,337,446
Disposal proceeds	(544,597)	(2,447,202)
Net gains on investments	584,618	(362,312)
At end of year	<u>6,336,157</u>	<u>5,747,983</u>
Cost at end of year	<u>5,782,948</u>	<u>5,766,398</u>

All investments are managed by Quilter Cheviot and are invested in a mixture of Gilts (UK Sovereign debt), Corporate Bonds and Equity funds.



15. TRADE AND OTHER RECEIVABLES

	2019	2018
	£	£
Other receivables	315,412	416,997
Prepayments	176,929	187,025
Corporation Tax	0	0
	492,341	604,022

There are no impaired financial assets.

16. TRADE AND OTHER PAYABLES

Trade payables	124,601	85,180
Corporation tax	13,665	0
Deferred tax liability	63,898	0
Other taxation and social security	80,542	67,734
Accruals	147,740	175,984
	430,446	328,898

It is ARB's policy to pay purchase invoices within 30 days of receipt. A provision has been made for the estimated costs of reinstating the ARB's premise at the expiry of its current lease agreement as required under the terms of the lease.

17. PENSIONS

The Staff Pension Scheme is a defined contribution scheme. The cost of contributions during the period was £145,124 (2018: £135,075). There are no outstanding or prepaid contributions at the balance sheet date. The assets of the scheme are held separately from those of the Architects Registration Board in an independently administered fund.

18. LEASING COMMITMENTS

ARB is committed to making the following minimum annual payments under operating leases, which expire:

	Land and buildings	
Between one and six years	1,072,208	1,328,976

ARB is committed to the lease on its Weymouth Street premises until April 2024.



19. TAX EXPENSE

ARB is a mutual trading organisation and is therefore taxed only on outside sources of income. Historically this has been investment income and gains. Corporation tax was calculated at 19% of investment income and gains on investments during the period.

20. RELATED PARTY TRANSACTIONS - ARCHITECTS REGISTRATION BOARD STAFF BENEVOLENT FUND

ARB is able to appoint the trustees of the Architects Registration Board Staff Benevolent Fund. At 31 December 2019 all trustees of the Fund were members of the Board or employees of the Architects Registration Board. The cost of the Fund's audit together with other administration expenses is met by the Architects Registration Board.

21. CURRENCY RISK

ARB does not hold balances in foreign currencies. All fees payable are required to be settled in UK sterling and so ARB is not exposed to current risk.

22. LIQUIDITY AND CREDIT RISK

ARB aims to maintain a minimum of four months operating costs as a reserve, and reserves as at 31 December 2019 were in excess of this level. As stated above, the majority of ARB's income is received at the start or before the start of the financial year. ARB has no borrowings (or legal right to borrow) and monies required for short-term working capital requirements are held in accounts with no significant restrictions on access. ARB does not consider that there is a significant exposure to liquidity or credit risk.

23. INTEREST RATE RISK

Registrants pay annual fees at the start or prior to the start of each financial year. In addition ARB has reserves equating to around four months' annual expenditure. Surplus funds are held as follows to maximise returns:

Funds not required for immediate use (0-8 months) are considered for investment to obtain a return but liquidity and security remain the priority, this policy allows investment in Gilts (UK Sovereign Debt) and selected high quality Corporate Bond Funds. Uncommitted cash can be allocated for longer term investment (minimum of 2, ideally 3 years) so considered by the Board for exposure to equities for the potential for higher returns but only through funds (Investment and Unit Trust) to minimise the risk and increase the diversification

Business reserve - There is a sweeping system in operation from ARB's current account to the business reserve in order to maximise interest earned on monies needed for short-term working capital requirements.



Board allowances and expenses for the year ended 31 December 2019

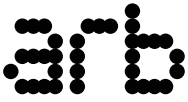
The costs below include attendance allowances and expenses relating to members of the Board who are also members of other Committees for their attendance at those meetings.

Expenses

Board Member	Attendance Allowance	Reading Allowance	Train/Tube Travel	Air	Car Mileage/Parking	Taxi	Other	Hotel	Subsistence	TOTAL
	£	£	£	£	£	£	£	£	£	£
John Beckerleg	4,312.50	0	606.20	0	107.50	0	0	329.00	0	5,355.20
Mark Bottomley	4,125.00	0	280.80	0	51.30	0	0	0	0	4,457.10
Derek Bray	4,125.00	0	1,515.70	0	20.00	24.20	0	180.00	0	5,864.90
Tony Crook	4,125.00	875.00	958.60	0	135.90	0	0	394.50	57.44	6,546.44
Will Freeman	4,350.00	0	58.90	0	0	0	0	0	0	4,408.90
Liz Male	2,625.00	0	280.76	0	40.36	0	0	0	0	2,946.12
Elena Marco	3,375.00	0	771.90	0	0	0	0	329.00	0	4,475.90
Suzanne McCarthy	1,500.00	0	0	0	0	0	0	0	0	1,500.00
Stephen McCusker	4,312.50	0	1,939.70	0	0	34.80	5.00	689.00	61.48	7,042.48
Richard Parnaby	6,937.50	200.00	2,039.20	0	70.80	0	0	720.00	52.64	10,020.14
Alison White	16,400.00	0	942.50	0	36.00	0	0	0	0	17,378.50
TOTAL	56,187.50	1,075.00	9,394.26	0	461.86	59.00	5.00	2,641.50	171.56	69,995.68

Notes:

- More than one meeting may occur during a day, in which case the amount charged will not reflect the number of meetings
- Some members do not charge the full daily rate for meetings
- Board members attend other meetings on ARB business such as visiting stakeholders, educational establishments, practices, appraisals and development events



Attendance

Board member	Board meetings	Additional Board days	Prescription Committee	Remuneration Committee	Audit and Risk Committee
John Beckerleg	(7) 7	(5) 4			(2) 2
Mark Bottomley	(7) 5	(5) 4			(2) 2
Derek Bray	(7) 4	(5) 3		(1) 1	
Tony Crook	(7) 6	(5) 2	(4) 3		
Will Freeman	(7) 7	(5) 4			
Liz Male	(7) 5	(5) 3			
Elena Marco	(7) 5	(5) 3			
Suzanne McCarthy	(3) 3	(1) 1			(1) 1
Stephen McCusker	(7) 6	(5) 3		(1) 1	
Richard Parnaby	(7) 6	(5) 3	(4) 4		
Alison White	(7) 7	(5) 5	(4) 1	(1) 1	(1) 1*

(Actual number of meetings held during their appointment) compared with actual meetings attended

Notes:

- *Not part of the Committee, but formally in attendance
- Board members attend other meetings on ARB business such as visiting stakeholders, educational establishments, practices, appraisals and development events