

Board Paper

for Open session

Subject: **Financial Update**

To note the Management Accounts for 2023

Board meeting:

28 February 2024

Agenda item:

10ii

Action:

- For noting
- For discussion
- For decision

Purpose

The purpose of this paper is to inform the Board of ARB's interim financial outturn for year ending 31 December 2023.

Recommendations

It is recommended that the Board:

- i. Note the content of this paper.
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Annexes

[Annex A](#) – Management Accounts Summary

Author/Key Contact

Marc Stoner – marcs@arb.org.uk

1. Open Session

2. Background and Key points

- 2.1. Attached at Annex A is the management accounts summary. This shows an interim underspend of £184k. Following feedback from the Board at its September 2023 meeting, prior year outturn has been included within the Annex as well as the budget for 2024.
- 2.2. It is important to note that these figures are still being worked on as part of the year end and are likely to change as we progress with a review of coding, accruals, prepayments and reconciliation. However, we do not anticipate that the overall budget will be exceeded.
- 2.3. There has been some delay in relation to onboarding a new external audit partner and approval of the audit plan. We aim to make up the time lost during the coming weeks and believe we will meet all our statutory deadlines in respect of the audited accounts.

Operation Income

- 2.4. The overall income is £8,488k against a budget of £8,536k, resulting in an overall loss of income of £48k when compared to the budget.
- 2.5. Income relating to payment of the annual retention fee for 2023, constituted most of the ARB's income, with 41,240 architects paying their fee. The number of Registrants removed for non-payment of the 2023 retention fee was higher than anticipated which resulted in a loss of income of £154k.
- 2.6. For 2023 we forecast that 505 of those removed for non-payment would re-apply and come back on the register; however, we have received 861 applications. Owing to the larger than anticipated numbers returning to the register, and an increase in the new applications, we the additional income goes somewhat to mitigating the aforementioned £154k loss of annual fee income by c£45k.
- 2.7. The UK adaptation assessments started in July 2023, and it was difficult to predict demand given this is the first time it has been in operation; we anticipated around 70 applications in 2023 however, 20 applications were processed. However, because we required less assessors to carry out the work, savings have been made to offset the reduced income.
- 2.8. Our investment portfolio during 2023 performed well which generated additional income.
- 2.9. An application to the Department for Business and Trade was made for a grant towards the cost of developing future Mutual Recognition Agreements. ARB was awarded a

grant of £75k to be spent by 31 March 2024 however, the funding can only be spent on specific areas of our work such as legal and technical expert advice.

Expenditure

- 2.10. The expenditure is £9,704k against a budget of £9,936k, resulting in an underspend of £232k when compared to the budget.
- 2.11. We are currently reviewing the coding of expenditure as part of the year end process. Further details will be provided at the May board meeting on actual variance however, the overall variance is unlikely to change significantly.
- 2.12. Employee costs – we had to increase our resources in December 2023 within the registration team to support the launch of the new ‘MyARB’ architect’s portal and collection of the 2024 annual fee.
- 2.13. Office costs – The underspend relates to less works than planned in relation to the Weymouth Street office. Given the lease is up for renewal in April 2024, this underspend may reduce once we know the amount of dilapidations provision required.
- 2.14. Professional standards – The underspend relates to the timing of case hearings.
- 2.15. General legal and professional costs – as set out at paragraph 2.9, we are in receipt of a grant and were able to recover £22k of costs from Government. Also under this heading is the professional costs related to property lease; the timing of the work related to the lease expiration only commenced in 2024.
- 2.16. Other administration costs – we had increased credit card processing fees with all traffic being driven to the new portal. This will in turn reduce the manual processing of payments within the Registration and Finance teams.
- 2.17. IT Costs – work was required within the server room to maintain access to ARB systems whilst they were transferred into the cloud. This work as now been completed.

One-Off and Capital Costs

- 2.18. The major spend is in relation to the transformation of our IT infrastructure. There is an anticipated overspend of c£109k in relation to the CRM phase one. We have now paused phase two whilst we review costs and the Board will received a separate update at its March 2024 workshop.

Investments

2.19. The Board's Investment Broker has confirmed that the portfolio is performing in line with the Board's investment strategy.

3. Resource Implications

3.1 Resource implications are set out above.

4. Risk Implications

- 4.1. The Senior Leadership Group closely monitor any likely impact on workloads and financial resources and will report to the Board where appropriate, to ensure the Board is kept up to date.
- 4.2. 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 and achieving best value.
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5. Equality and Diversity Implications

5.1 None currently identified in relation to reporting of the interim outturn report.

6. Recommendations

It is recommended that the Board:

- i. Note the content of this paper.

Tab 10.2 To note the Management Accounts and forecast year end outturn for 2023.

	Actual Month 12	Budget 2023	Var' to Budget	Forecast Q3	Full Yr Var' Bud vs Fcast	Actual 2022	Actual 2021	Actual 2020	Actual 2019	Budget 2024
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Operating Income										
Annual retention fee	7,382	7,536	(154)	7,382	0	6,503	5,212	4,795	4,696	8,159
Entry/re-entry to the register	438	393	45	454	(16)	86	81	114	119	422
Prescribed examinations	318	270	48	270	48	243	209	169	221	273
UK adaption assessments	60	207	(147)	59	1	0	0	0	0	295
- Charges for accreditation	0	0	0	0	0					551
International certificates & sundry receipts	24	10	14	20	4	60	10	36	38	34
Investment income	244	120	124	200	44	158	127	104	121	100
Government grants	22	0	22	42	(20)	150	321	105	0	33
Operating income	8,488	8,536	(48)	8,427	61	7,201	5,960	5,324	5,194	9,867
Overheads										
Employee costs	3,491	3,479	(12)	3,479	(12)	2,752	2,423	2,010	1,874	4,212
Office costs	568	606	38	606	38	539	561	550	623	831
Printing	42	67	25	67	25	21	32	26	56	134
Board costs	192	193	1	193	1	153	126	166	64	228
Membership of Architects' Council of Europe (ACE)	43	44	1	44	1	43	41	41	41	46
Professional Standards - legal and professional	1,045	1,087	42	1,087	42	649	686	890	593	1,200
Other - legal and professional	686	739	53	739	53	554	485	557	389	1,372
Other administrative costs	447	564	117	428	(19)	489	293	270	323	840
IT costs	802	753	(49)	753	(49)	505	557	725	560	1,085
IT Transformation costs	2,388	2,404	16	2,404	16	501	68	0	0	1,000
Taxation/Finance costs	0	0	0	0	0	11	191	39	78	0
Expenditure	9,704	9,936	232	9,800	96	6,174	5,464	5,273	4,601	10,948
Use of Reserves	(1,217)	(1,400)	(184)	(1,400)	(183)	1,027	496	51	594	(1,081)
Net operating costs	1	0	0	0	0	0	(0)	0	0	0

(Decrease in income or increase in expenditure)/Increase in income or decrease in expenditure

Board Paper

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Subject: **Financial Update**

To note the Management Accounts for 2024

Board meeting:

28 February 2024

Agenda item:

10.ii

Action:

- For noting
- For discussion
- For decision

Purpose

The purpose of this paper is to inform the Board of ARB's financial position as of 31 January 2024, including the year-end forecast outturn.

Recommendations

It is recommended that the Board:

- i. Note the content of this paper.
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Annexes

[Annex A](#) – Management Accounts Summary

Author/Key Contact

Marc Stoner – marcs@arb.org.uk

1. Open Session

2. Background and Key points

2.1. Attached at Annex A is the management accounts summary which shows a forecast deficit of £98k.

Operation Income

2.2. The income forecast is £9,848k against a budget of £9,867k, resulting in an overall loss of income of £18k when compared to the budget.

2.3. The annual retention fee for 2024 was received from 40,766 Registrants; 234 less than estimated.

2.4. To date, of those removed from the register for non-payment, 236 architects rejoined the register in January. The fee to rejoin includes an application fee of £35 and a penalty charge of £80 which offsets the financial gap in the retention fee income.

2.5. The income from Accreditation fees is not due until September 2024 and further information is provided at item 21 of the agenda.

Expenditure

2.6. The forecast expenditure for 2024 is £11,028k against a budget of £10,948k, resulting in a forecast overspend of £80k when compared to the budget.

2.7. Employee costs – Due to maternity within the Standards team, an increased workload and as work on transformation begins, an increase in resources is required. We will try to make efficiencies during the year by reviewing vacancies and when the resource will be needed.

One-Off and Capital Costs

2.8. The major spend is in relation to our transformation of our IT infrastructure. We are reviewing the costs for phase 2 and further updates on spend will be presented to the Board at its March workshop.

Investments

2.9. The Board's Investment Broker has confirmed that the portfolio is performing in line with the Board's investment strategy.

3. Resource Implications

3.1 Resource implications are set out above.

4. Risk Implications

- 4.1. The Senior Leadership Group closely monitor any impact on workloads and financial resources and will report to the Board where appropriate, to ensure the Board is kept up to date.
- 4.2. 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.
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5. Equality and Diversity Implications

5.1 None currently identified in relation to reporting of the interim outturn report.

6. Recommendations

It is recommended that the Board:

- i. Note the content of this paper.

Tab 10.2 To note the Management Accounts and forecast year end outturn for 2023.

	Actual Month 1	Forecast	Budget 2024	Full Yr Var' Bud vs Fcast	Actual 2023	Actual 2022	Actual 2021	Actual 2020	Actual 2019
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Operating Income									
Annual retention fee	8,112	8,112	8,159	(47)	7,382	6,503	5,212	4,795	4,696
Entry/re-entry to the register	83	450	422	28	438	86	81	114	119
Prescribed examinations	50	273	273	0	318	243	209	169	221
UK adaption assessments	0	295	295	0	60	0	0	0	0
Charges for accreditation	0	551	551	0	0	0	0	0	0
International certificates & sundry receipts	4	34	34	0	24	60	10	36	38
Investment income	10	100	100	0	244	158	127	104	121
Government grants	0	33	33	0	22	150	321	105	0
Operating income	8,259	9,848	9,867	(18)	8,488	7,201	5,960	5,324	5,194
Overheads									
Employee costs	269	4,292	4,212	(80)	3,491	2,752	2,423	2,010	1,874
Office costs	103	831	831	0	568	539	561	550	623
Printing	0	134	134	0	42	21	32	26	56
Board costs	8	228	228	0	192	153	126	166	64
Membership of Architects' Council of Europe (ACE)	0	46	46	0	43	41	41	41	41
Professional Standards - legal and professional	12	1,200	1,200	0	1,045	649	686	890	593
Other - legal and professional	27	1,372	1,372	0	686	554	485	557	389
Other administrative costs	5	840	840	0	447	489	293	270	323
IT costs	75	1,085	1,085	0	802	505	557	725	560
IT Transformation costs	0	1,000	1,000	0	2,388	501	68	0	0
Taxation/Finance costs	0	0	0	0	0	11	191	39	78
Expenditure	501	11,028	10,948	(80)	9,704	6,174	5,464	5,273	4,601
Use of Reserves	0	(1,081)	(1,081)	0	(1,217)	1,027	496	51	594
Net operating costs	7,758	0	(0)	(98)	1	0	(0)	0	0

(Decrease in income or increase in expenditure)/Increase in income or decrease in expenditure