

Board Paper

for Open session

Subject: **Financial Update**

To note the Management Accounts for 2023

Board meeting:

19 July 2023

Agenda item:

7

Action:

- For noting
- For discussion
- For decision

Purpose

The purpose of this paper is to inform the Board of ARB's financial position as at 31 May 2023, including the year-end forecast outturn.

Attached at Annex A is the management accounts summary, which includes the year-end forecast and variances against the 2023 approved budget. This shows an overall forecasted overspend of £63k.

Further details are set out below.

Recommendations

It is recommended that the Board:

- i. Note the content of this paper.

Annexes

Annex A – Management Accounts Summary

Author/Key Contact

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1. Open Session

2. Background and Key points

Key changes from previously reported outturn in May 2023.

- 2.1 We have recently been awarded a grant of £75k from the Department for Business and Trade; the grant is to be used for the purposes of developing future Mutual Recognition Agreements and will cover areas such as some of our legal and technical expert advice costs in this area. We anticipate that we will spend approximately £42k of the grant before the ARB's financial year ending 31 December 2023, with the remaining spend being used in Quarter 1 of 2024.
- 2.2 Increased employee costs of £50k. Some recruitment planned for 2024 has been brought forward to address increased workload, related to Transformation. In addition some additional staffing costs due to structural changes within Professional Standards.
- 2.3 Further details are set out below.

Operation Income

- 2.4 The income forecast is £8,523k against a budget of £8,536k, resulting in an overall loss of income of £13k when compared to the budget.
- 2.5 The annual retention fee for 2023 has now been collected and 41,240 Registrants paid their annual fee. This constitutes the majority of ARB's income and so gives some financial stability for the remainder of the year. Those Registrants removed for non-payment was higher than anticipated resulting in a loss of income of £154k.
- 2.6 For the first half of 2023 we forecasted that 505 of those removed for non-payment would re-apply and come back on the register; as at the 31 May 2023 we had received 694 applications. As a result of the large numbers returning to the register, and a forecasted increase in the new applications, we anticipate £61k additional income which goes some way to mitigating the afore mentioned £154k loss of annual fee income. We are closely monitoring these reinstatement levels.
- 2.7 We have been cautious with the forecast of income for those re-joining the register and those joining the register for the first time as over the last three years, the timing of applications has fluctuated year on year when compared with what had previously been a relatively stable flow of applications.
- 2.8 The UK adaptation assessments are due to start in July 2023 and while it is difficult to predict demand given this is the first time it has been in operation; we are anticipating around 70 applications in 2023. We are testing the new assessment process between

April and June 2023, and at its March 2023 meeting, the Board agreed to waive four application fees for volunteer candidates resulting a reduction in income of £12k.

2.9 Additional income of £45k is likely to be received from our investment portfolio during 2023 given its ongoing performance.

2.10 An application to the Department for Business and Trade was made for a grant towards the cost of developing future Mutual Recognition Agreements. ARB has been 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. We anticipate spending approximately £42k of the grant before ARB's financial year ending 31 December 2023.

Expenditure

2.11 Employee costs - £50k forecast overspend. Some recruitment planned for 2024 has been brought forward to address increased workload, related to Transformation. In addition some additional staffing costs due to structural changes within Professional Standards. We are also seeing an increase in capacity challenges within teams for a variety of reasons. Some are due to increased workload, for example the processing of registration applications through the MRA routes. Others are due to sickness absence in some teams.

2.12 There are currently no other variances to report or concerns to bring to the Board's attention.

Investments

2.13 The Board's Investment Broker has confirmed that the portfolio is performing in line with the Board's investment strategy as is expected to generate an additional £45k of income by the year end.

One-Off and Capital Costs

2.14 There are currently no variances to report or concerns to bring to the Boards attention. The significant spend within this area relates to IT transformation. Phase 1 of the CRM development is now in the testing user acceptance stage and costs are within budget.

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.
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5. Communication

- 5.1 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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6. Equality and Diversity implications

- 6.1 None currently identified in relation to reporting of the forecasted outturn for 2023.
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7. Recommendations

It is recommended that the Board:

- i. Note the content of this paper.

	Actual	Actual	Actual	Actual	Actual
DEPARTMENT	CEO Office	Corp	Reg'n	Prof Stds	Quals
	£000	£000	£000	£000	£000
Operating Income					
Annual retention fee	0	0	7,405	0	0
Entry/re-entry to the register	0	0	332	0	0
Prescribed examinations	0	0	209	0	0
UK adaption assessments	0	0	0	0	0
International certificates & sundry receipts	0	0	10	0	0
Investment income	0	110	0	0	0
Government grants	0	0	0	0	0
Operating Income	0	110	7,956	0	0
Overheads					
Employee costs	90	407	189	264	110
Office costs	0	293	1	0	0
Printing	0	46	0	0	0
Board costs	0	0	0	4	0
Legal and professional costs	12	71	5	379	0
Other administrative costs	0	21	60	9	1
IT costs	0	105	5	0	0
IT Transformation costs	0	0	0	0	0
Utilisation of reserves for IT transformation	0	0	0	0	0
Expenditure	102	943	261	657	111
Net operating costs	(102)	(834)	7,695	(657)	(111)

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

Actual	Actual	Actual	Actual	Actual	Budget to	Var' to	Full Yr
IT	Projects	Comms	Gov & Int	Month 5	Month 5	Budget	Budget
£000	£000	£000	£000	£000	£000	£000	£000
0	0	0	0	7,405	7,536	(131)	7,536
0	0	0	0	332	197	135	393
0	0	0	0	209	135	74	270
0	0	0	0	0	0	0	207
0	0	0	0	10	5	5	10
0	0	0	0	110	50	60	120
0	0	0	42	42	0	42	0
0	0	0	42	8,108	7,923	185	8,536
0	0	106	122	1,288	1,450	162	3,479
0	0	0	2	296	253	(43)	606
0	0	4	0	50	46	(3)	111
0	0	0	110	114	80	(34)	193
53	15	5	3	543	761	218	1,826
0	0	5	5	101	235	134	564
64	72	0	0	246	314	68	753
0	859	0	0	859	1,002	143	2,404
0	0	0	0	0	0	(0)	(1,400)
0	0	0	0	0	0	0	0
117	947	119	242	3,497	4,140	644	8,536
(117)	(947)	(119)	(200)	4,611	3,783	828	0

Full Yr Forecast	Full Yr Var' Bud vs Fcast
£000	£000
7,382	(154)
454	61
270	0
195	(12)
15	5
165	45
42	42
8,523	(13)
3,529	(50)
606	0
111	0
193	0
1,826	0
564	0
753	0
2,404	0
(1,400)	0
8,586	(50)
(63)	(63)