



Subject Management Accounts and Year-End Forecast 2020
Purpose To Note
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1. Summary

The purpose of the paper is to inform the Board of ARB's financial position at 30 April 2020, including the year-end forecast outturn for 2020.

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

For 2020, the Board had a planned deficit £160k which it was funding from reserves. The forecast deficit as of April 2020 is £156k. However, given the economic climate caused by Covid-19 the Board should remain alive to the fact that it is hard to predict the volumes of those wishing to join the Register during the rest of 2020.

Further information is provided below where there maybe fluctuations in the forecast as the year progresses.

2. The Board should note the following:

- The volatility of the income in relation to those joining the Register.
- The areas identified where budget pressure may occur during the year as outlined in section 5 below.

3. Open

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. Background

- i. The budget was set by the Board at its meeting in September 2019.
- ii. Whilst there are variances showing in the year to date figures (**Annex A, Column E**),

Continuation of agenda item 8

this is related to timing differences as opposed to actual under/over spends. Any actual variances are detailed below.

Covid-19 Impact on income

The table below highlights various scenarios and the potential loss of income. The first scenario would be considered worst case scenario.

Scenario	Loss of Income £
No further applications received in 2020	
Loss of income	164,311
75% drop of applications for the rest of 2020	
Loss of income	129,542
No applications during Qtr. 2	
Q3 - 50% reduction, Q4 - 25 reduction	
Loss of income	120,054
50% drop in UK applications for the rest of 2020	
No further overseas applications	
Loss of income	119,499
75% drop of applications in Qtr. 2	
Q3 - 50% reduction, Q4 - 25 reduction	
Loss of income	102,422
60% drop of applications for Qtr. 2	
Q3 - 50% reduction, Q4 - 25 reduction	
Loss of income	58,158
25% drop of applications for the rest of 2020	
Loss of income	43,181

Annual Retention Fee

All of the 2020 retention fee income was collected by 31/12/2019 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 income for the first four months (Jan to April) of 2020 and so the following scenarios are based on the impact from month five (May) onwards. As the retention fee element is also pro-rata quarterly, the impact of the loss of income is slightly reduced.

iii. Operational Income

- **Annual Retention Fee: £6k 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: £58k forecast reduction in income.** There has been a significant drop in the number of applications being received to join the Register since Covid-19 lockdown. During April 2020 the level of applications reduced by 56% compared to 2019 volumes. For forecasting purposes, a 60% reduction is factored in for qtr. 2, 50% reduction for qtr. 3 and a 25% reduction for qtr. 4. The executive are keeping a close eye on the volumes and will continue to provide the Board with regular updates.
- **Examinations:** The number of applications to sit the examination is currently in line with budget. However, we are unable to allow them to take place currently. 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 should be relatively cost neutral. The executive are currently exploring the possibility of holding the examinations

virtually.

- **Other income streams: £4k 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 certificate 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.

The table below is a breakdown of the staff costs across each department:

Department	Staff Numbers		Actual to 30/04/20			Full Year Forecast		
	permanent	Fixed Term	Actual	Budget	Variance	Forecast	Budget	Variance
			£000	£000	£000	£000	£000	£000
Corporate	10		176	175	(1)	560	600	40
Registration	8		93	115	22	355	395	40
Professional Standards	7	3	136	154	18	527	527	0
Qualifications	7		114	116	2	398	398	0
Recruitment, Temporary Staff, Training			100	87	(13)	260	260	0
Total	32	3	619	647	28	2,100	2,180	80

ARB's permanent head count is 32 full time members of staff. We currently have three 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 £80k within employee costs, to try and mitigate the potential loss of income, we have made a number of key decisions within this budget heading.

Currently we have three vacancies, two of which are within the Registration team. At present we do not plan to recruit to these posts due to the drop in demand of new applications. However, this will be kept under review.

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 organization and use the pool of permanent resources flexibly to target workloads where possible.

The Remuneration and Appointments Committee have recently commissioned a pay and reward review for staff and non-executives. Any cost implications will be considered once the outcomes are known.

Continuation of agenda item 8

Board Expenditure: £40k 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. On average the Chair of the Board is likely to spend 50 days on ARB business (budgeted for 31 days) and on average Board members days around 18 dependent on what Committees they sit on (budgeted for 12 days). This increased cost reflects the changes to the remuneration and attendance of the Board.

vii. Professional Conduct and Regulation:

Following a recent tender exercise for the provision of legal work in relation the Professional Conduct Committee, 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 increased remuneration of the legally qualified chairs of the Professional Conduct Committee and the wider review of the investigations processes. ARB has a much greater number of PCC cases than in previous years; however because of the uncertainty surrounding COVID-19 restrictions, it is not yet possible to accurately predict how many can be heard in 2020. That number will be the single biggest contributory factor as to whether we are under or overspent at the end of the year.

viii. Capital and One Off Costs:

Due to the current Covid-19 crisis, the Board have reviewed its Business plan for 2020 and have deferred several projects which will generate savings of £35k during 2020.

ix. Reserves:

The reserves policy of the Board is being met. The Board may need to access these funds in the coming months due to loss of income or increased costs and so it is important that these funds are readily available.

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.

6. Risk Implications

The Senior 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.

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.