

## Open session

**Board meeting:** 20 July 2022

**Agenda item:** 12

**Subject:** Management Accounts for 2022

**Action:** To Note

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### Purpose

The purpose of this paper is to inform the Board of ARB's financial position as at 31 May 2022, 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 2022 approved budget.

The outturn for 2022 is currently forecast at a deficit of £1,617k against a planned budget deficit of £1,523k. This is an increase in the forecast deficit of £94k as a result of lower than anticipated income from those Registrants paying their annual fee and a delay in the Professional Qualifications and Building Safety Act, as not all of the development work was completed.

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### Recommendations

It is recommended that the Board:

- i. Note the content of this paper.

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### Annexes

Annex A – management accounts summary.

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### Author/Key Contact

Marc Stoner, Director of Resources ([marcs@arb.org.uk](mailto:marcs@arb.org.uk))

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## 1. Open session

This item will be discussed in the open session of the Board meeting.

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## 2. Background and Key points

### Operation Income

- 2.1 The income forecast is £6,991k against a budget of £7,255k, resulting in a £264k reduction in the anticipated income when compared to the budget. The number of applications may increase in the later part of the year and we will also know the outcome of the grant rollover from DLUHC and so the position may improve as the year goes on.
- 2.2 The annual retention fee for 2022 has now been collected and 42,170 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 being removed for non-payment was higher than anticipated and the numbers paying lower than predicted, resulting in a loss of income of £180k. As of 31 March 2022, over 450 of those removed re-joined the Register which has gone some way to offset this loss.
- 2.3 For new applications and those returning to the Register, a reduced number was factored into the budget for 2022. Whilst we are not predicting a drop in those joining the Register for the first time, we do anticipate a drop in income associated to the timing of those applications which come through later in the year.
- 2.4 ARB was provided with a Government grant which ended 31/3/22. Due to a delay in the legislation, not all of the development work was completed and therefore £60k of the grant remained unspent. We have asked DLUHC to extend the grant closure date and this is currently under consideration by the Department.
- 2.5 £170k of income was anticipated from the UK adaptation assessment however, due to the delay in legislation this income stream is unlikely to come online until 2023. The loss of income will be offset by a reduction in spend on the assessors.
- 2.6 A £98k additional income is likely to be materialised from our investments during 2022 given their ongoing strong performance.

### Operating Expenditure

- 2.7 The operating expenditure forecast is £8,609 against a budget of £8,779k resulting in a £170k reduction in expenditure when compared to the budget. This is in relation to



the UK adaptation assessment due to a delay in the legislation. This is offset by a reduction in income that the assessment would have generated.

2.8 From April 2022, employer National Insurance will increase from 13.8% to 15.05% with an impact on ARB of c20k. We also anticipate additional costs in relation to delays in recruitment for a number of roles, and we will try to cover this within the existing budget.

2.9 **Professional Conduct, Title and Regulation** - We continue to monitor the significant increase in the caseload being dealt with at the Professional Conduct Committee, which is likely to have a continued impact on the financial resource that will need to be committed to this area of ARB's work.

2.10 As the delivery of the Business Plan progresses, there is the potential for additional staffing resources (both temporary and permanent). Further information will be provided to the Board in the coming months.

### **Investments**

2.11 There are currently no concerns with the Board's investment portfolio and the Board Investment Broker has confirmed that it is performing in line with the Board's investment strategy. Dividends being paid on these funds will be withdrawn and used to support the cashflow and expenditure commitments.

### **One-Off and Capital Costs**

2.12 There are currently no variances to report. The appointment of the IT Principal Partner (ITPP) has now been completed and once the initial discovery work is finished, we will have a better understanding of the associated development cost and potential timelines. Please see note 2.10 above in relation to the potential requirements of additional resources.

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## **3. Resource Implications**

3.1. Resource implications are set out above.

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## **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 (Delete as appropriate)**

- 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 implication**

- 6.1. None currently identified in relation to reporting of the forecasted outturn for 2022.

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**7. Recommendations**

It is recommended that the Board:

- i. Note the content of this paper.
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