



Subject	Management Accounts 2016		
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Purpose	For Note		
From	Marc Stoner, Head of Finance & Resources		
History	Parent Committee	First Submitted	Revision Number
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### 1. Purpose

To inform the Board of ARB's financial position at 25 August 2016, including the year-end forecast for 2016.

### 2. Recommendations

- i. To note the contents of the paper.

### 3. Terms of Reference

Under the Board's Scheme of Decision Making, management accounts go directly to the Board for noting.

### 4. Open

### 5. Contribution to the Board's Purpose and Objectives

In delivering the Act, ARB's objectives are:

Protect the users and potential users of architects' services

Support architects through regulation.

To manage the organisation's finances prudently whilst delivering ARB's statutory requirements and objectives.

### 6. Key Points

- i. Attached at **Annex A** is the management accounts summary as of 25 August 2016, which includes the year-end forecast and variances against the 2016 budget. This shows a forecasted surplus at the year-end of £187k (Column G), compared with £155k in July 2016, a change of £32k.

The increase in the forecasted surplus will be realised from the proposed efficiencies within the area of examinations. These efficiencies are possible due to the re-alignment of the recruitment exercise starting in Autumn and the combination of the 2016 and 2017 training days, as proposed in item 10 of the Boards agenda.

i. Income

The year-end forecast is currently estimated at £4,494k ([Annex A, Column G](#)) against a budget of £4,318k ([Annex A, Column H](#)), resulting in a £176k ([Annex A, Column I](#)) increase in income.

**Annual Retention Fee** – £134k increased income - When setting the budget for the annual fee, in September 2015, the number of registrants paying the fee was estimated at 34,500. The Register continued to grow during the remainder of 2015, less architects resigned and a lower number of architects were removed for non-payment, resulting in approximately 35,500 fee payments for 2016.

**Entry/re-entry to the Register** – In the first 7 months of 2016, the number of new entrants has increased by 19% compared to 2015. However, the numbers re-joining the Register have decreased by 28% compared to 2015. This is due to a decrease in the number of removals for non-payment of the retention fee. The growth in the Register is continually monitored to ensure sufficient resources are available to deal with increased demand.

- **Prescribed exam fee** - £42k increased income – This is due to the significant increase in applicants wishing to sit the exam.

i. Expenditure

The year-end forecast is currently estimated at £3,968k (£3,958k July 16) ([Annex A, Column G](#)) against a budget of £3,979k ([Annex A, Column H](#)), resulting in a £11k ([Annex A, Column I](#)) underspend.

When looking at the actual spend to date ([Annex A, Column C](#)) compared to the budget profile ([Annex A, Column D](#)), it is worth noting the following points in relation to several of the variances.

- Staff costs – We are currently re-building our resources and have recently appointed a Head of Registration (held vacant since February 2014 and covered internally) and a Registration Administrator (which was being covered by temporary/fixed term contracts and other work being undertaken by the staff across the organisation). We are currently recruiting for 2 Registration Administrators as a result of an internal promotion and a temporary team member leaving.
- The increase in the number of people joining the Register continues to rise. We are monitoring resources carefully with a view to building additional resources within

the Registration Team if demand continues to rise.

- Existing staff members, including temporary and fixed term resources, continue to work extremely flexible. This was demonstrated during the retention fee period, when getting as many people back on the Register as quickly as possible to ensure that they were eligible to vote in the Board elections was a time critical priority for the organisation. This is also evidenced with the team having to process the significant increase in exam applications and the increased volume of applications to join the Register.
  - Office costs – £21k underspend. Following conclusion of the rent negotiations, a saving of £31k was realised. However, additional spend of approximately £10k is required due to the accessibility lift developing a number of failures, which required several repair callouts and parts.
  - Professional Services and Legal Advice - Spend to date is lower than anticipated. However, this area of spend is likely to increase later in the year, as it dependant on the timing of works, projects and the timing of any Periodic Review outcomes.
  - Professional Conduct and Regulation – Spend to date is lower than anticipated as it is subject to the timing of hearings and associated invoicing of works from our solicitors and conduct panel members.
  - Prescribed Examinations - £11k overspend - This is due to the significant increase in applicants wishing to sit the exam. Due to the current recruitment process and transitional arrangements, a decision has been taken by the Operational Management Group to defer the training of examiners from October 2016 to early 2017, resulting in a saving of approximately £32k. This surplus will be ring-fenced in reserves to cover the additional costs associated with reading/preparation time (if agreed, see item 10) and training/induction costs in 2017, which will help mitigate any fee increase as this area, which operates on a full cost recovery model.
- v. **Capital and One Off Costs - Variances**
- Some areas of spend are currently on hold due to the delayed outcomes of the Period Review (e.g., routes review and S14 review. An update will be provided to the Board once the outcomes are announced on how these projects will be resourced and delivered.
- A number of other areas in the business plan and one-off projects continue to be delivered with existing staff resources.

**7. Risk Implications**

Continuous assessment of the financial landscape enables the Operational Management Group to alert the Board should any financial risks arise.

**8. Reserves**

The balance of the Operating Reserve Fund, excluding any unrealised gains on investments, as at 1 January 2016, was £3,768k. This is equal to approximately nine months of 2016 budgeted operating costs, prior to taking account of committed funds. There are sufficient funds to meet the DCLG requirements to hold the cost of closure and therefore meets the Board's reserves policy. The current policy is up for review in quarter 3 of 2017 but the level of resources held also forms part of the budget and retention fee considerations. Based on the current forecast, the balance of reserves at the end of 2016 will be £4,088k (9.6 months) but this is dependent upon timing of the spend in relation to the projects on hold until the outcome of the Periodic Review is known.

**9. Resource Implications**

The level of reserves and the on-going high number of applications to join the Register will form part of the decision making process when the Board decides the level of the 2017 retention fee at Item 14. It should be noted that holding this level of reserves was a factor when the Board made the decision in September 2015 to hold the retention fee at £107.00 for 2016.

**10. 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.

**11. Equality and Diversity Implications**

None currently identified.