

# **Architects Registration Board Annual Report and Financial Statements for the Year Ended 31 December 2017**

Presented to Parliament  
by the Secretary of State for Housing, Communities and Local Government  
by Command of Her Majesty

July 2018

Cm 9636



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Any enquiries regarding this publication should be sent to us at

Ministry of Housing, Communities and Local Government  
Fry Building  
2 Marsham Street  
London  
SW1P 4DF  
Telephone: 030 3444 0000

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# Statement of the Registrar & Chief Executive, Karen Holmes, on the performance of the Architects Registration Board in 2017

## Overview

The Annual Report and Financial Statements follow the requirements of the Government Financial Reporting Manual (FRoM) issued by HM Treasury. Section 5.2 of the FRoM requires us to prepare a "Performance report" which approximates to a Strategic report prepared under the Companies Act 2006. Section 5.3 of the FRoM requires us to prepare an "Accountability report" which approximates to a Directors' report prepared under the Companies Act.

## Purpose and activities of the Architects Registration Board (ARB)

ARB is a statutory body established by Parliament under the Architects Act 1997 (the Act) to regulate the architects' profession in the UK.

Under the provisions of the Act, ARB's main activities include:

- Prescribing – or 'recognising' - the qualifications needed to become an architect
- Keeping the UK Register of Architects
- Issuing a Code of Conduct for architects
- Investigating allegations of unacceptable professional conduct and serious professional incompetence against architects
- Regulating the title 'architect'
- Act as the UK's Competent Authority for architects

ARB's two strategic aims, which sit under its statutory responsibilities, are:

- Protecting the users and potential users of architects' services
- Supporting architects through regulation

A Board of 15 members oversee the work of ARB. Seven are architects elected by the profession and the remaining eight are non-architects appointed by the Privy Council.

ARB has a permanent staff of 25, including an executive team of five.

The work of ARB is largely delivered through a number of committees. Further information on our committee structure is detailed within the Governance Statement.

## Risks in delivering ARB's objectives

ARB has in place a risk management strategy, which is reviewed and updated annually. The strategy specifies how ARB identifies, assesses and manages the risks which may impact on ARB's delivery of its strategic aims. The strategy has six principles which underpin ARB's approach:

1. To embed good practice within ARB's risk management framework.
2. To promote an ethos where risk management is everyone's responsibility within ARB.
3. To continuously identify and assess risk in ARB's day-to-day operations.
4. To consider risk when identifying and defining strategy and policy.
5. To regularly monitor and report on the risks identified in the Risk Register.
6. To continually strive to lower and improve the impact of risk through scrutiny of controls and actions specified within the Risk Register.

We revised the Risk Register in 2017 and our internal auditors, Grant Thornton, undertook a Risk Assurance mapping exercise to ensure principal risks were appropriately graded and that recommendations were made and actions identified to add further mitigation where possible.

A number of key risks that could affect ARB's ability to deliver its objectives in 2017 were identified and are outlined below:

### **Brexit**

A key risk for 2017 was the on-going uncertainty around Brexit and any impact that might eventually be realised. Whilst ARB's review of its routes to registration was previously put on hold pending the Periodic Review outcomes, uncertainty around the UK's relationship with the European Union and the rest of the world post-Brexit has led to a further stay on any such review. ARB has also had to assess the potential impact of a change to the status of non-UK EU nationals, including a potential drop in income and an increase in complexity to our approach to recognising qualifications from Europe. A staff team focussed on Brexit has been formed to enable ARB to respond nimbly as the landscape becomes clearer.

### **Periodic Review**

The Periodic Review was published in March 2017 and a plan was put in place for the delivery of the outcomes. Executing our part of the plan has required considerable resource and we addressed this inherent risk by recruiting staff in areas at risk of slippage because of the additional workload. We have also faced a significant task of managing stakeholder relations since the outcomes were published and had to adjust our business plan to reflect the recommendation and commitment by the department to put in place an all appointed, smaller Board. We have managed to carry out the tasks required so far without impacting on the business as usual activities of the organisation.

### **Capacity Risk**

The outcomes of the Periodic Review and the work associated with the business as usual reviews of the Criteria and Procedures for prescription continued to create a resource risk which ARB managed effectively through the recruitment of new key personnel and the organisation continues to successfully deliver its statutory functions. In 2017 there was an overall decrease in the number of new applications received from architects wishing to join the Register, largely due to a reduction in applications from individuals with qualifications from other EU countries. There was, however, an increase in applications from UK applicants and in other areas of the Registration Department's work. There was also an increase in the prescription of qualifications, which created a heightened risk to capacity and resource. This was mitigated by the Board increasing the maximum permanent staff headcount from 23 to 25 members of staff.

### **Legal Challenge**

Due to the nature of ARB's role as a statutory regulator, there continued to be an ongoing risk in respect of judicial review or legal action in respect of decisions taken by the Board, the Registrar or the Professional Conduct Committee. There were no appeals against decisions made by ARB in 2017, though we need to accept that as a regulator ARB could face challenges to the decisions it makes through the course of its business at any point. Such challenges can be costly and create reputational risk. Appropriate insurance arrangements are in place to mitigate the financial risks arising from legal challenge and robust procedures are in place to ensure that decisions are reached fairly and in line with the law.

### **Performance Summary**

The strategic aims of ARB are reflected through specific objectives, which are set out in the annual Business Plan. The success in delivering those objectives is judged against Key Performance Indicators (KPIs) and measurable targets.

The on-going performance of ARB against those objectives is reported twice a year to the Board, and published in an annual report early in the subsequent year.

In summary, in 2017 ARB met 10 out of 16 of its key performance indicators (KPIs), and plans were put in place to address the areas in which performance could be improved in 2018. There were no areas in which performance was unacceptable. Further details can be found in the Performance Analysis below.

## Performance Analysis

### *Measures of performance*

ARB measures its performance in two ways:



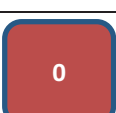
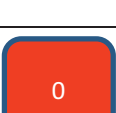
- Delivery of objectives against the annual Business Plan
- Delivery of core-work against agreed KPIs

### **Delivery of objectives against the Business Plan**

In 2017 there were 25 objectives set out in the Business Plan. Success in the delivery of these objectives is assessed via a traffic light system. 24 of the objectives were fully delivered. One objective, 'to ensure the investigations process is running smoothly and offers a fair process to all', was partially delivered or delivered with only partial success as the new online portal was not in place.

The full breakdown of the delivery of ARB's objectives can be found in ARB's 2017 Report against the Business Plan, published on the organisation's website <http://www.arb.org.uk/about-arb/arbs-board-committees/board-meetings/board-meetings-2018/february-agenda-14022018/>

In summary:

	ARB has successfully delivered the item of work to a satisfactory standard
	ARB delivered the majority of the item or delivered only with partial success
	ARB has not delivered the item or performance has been unsatisfactory
	No outcome due to Periodic Review so item of work undeliverable

### **Delivery of core-work against agreed KPIs**

The Board has set KPIs for its core activities. On-going performance is reported biannually both statistically and using a traffic light system.

ARB's performance has generally improved from the previous year, notably in Registration where all of the three KPIs were improved upon and Professional Standards where four out of six KPIs were improved. This is notable because of the increase in workload in some areas and a continued increase in the number of architects on the Register.

**Key:**

Met KPI	Within 20% of KPI	Failed KPI >20%
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Performance indicator	Target for 2017	Year to Date	Traffic light
<b>Maintaining the quality of the Register</b>			
UK route registrations – number of days to process	90% within 15 (working) days	<b>95%</b> (93% in 2016)	
Automatic European route registrations – number of days to process	90% within 15 (working) days	<b>87%</b> (84% in 2016)	
Reinstatements & Readmissions within 2 years	90% within 5 (working) days	<b>95%</b> (93% in 2016)	
<b>Maintaining the standards of conduct and practice of Architects</b>			
Complaints in office – number of weeks from date of receipt to IP referral or closure	80 % within 14 weeks	<b>84%</b> (86% in 2016 <sup>1</sup> )	
Complaints with IP – number of weeks from referral of case to issue of final decision	80 % within 12 weeks	<b>83 %</b> (81% in 2016)	
PCC Reports – number of weeks from referral to production of Board solicitor's Report	80 % within 12 weeks	<b>65%</b> (64% in 2016)	
PCC Hearing date – number of weeks from receipt of Board solicitor's Report to PCC hearing	80 % within 16 weeks	<b>70%</b> (68% in 2016)	
<b>Assisting the public to make informed choices</b>			
Title complaints in office – number of weeks from date of receipt to referral to Board's solicitor or closure	80 % within 16 weeks	<b>95.8%</b> (91.3% in 2016)	
Title complaints with Board's solicitor to prosecution decision	80 % within 12 weeks	<b>64%</b> (83% in 2016)	
<b>Prescription Applications<sup>2</sup></b>			
Average number of weeks to complete initial scrutiny of Prescription Applications	95% within 2 weeks	100% in 0.77 weeks	
Average number of weeks taken between an application being received to it being considered by the Committee for the first time	95% within 7 weeks	96% in 5.45 weeks	

<sup>1</sup> The target in 2016 was 16 weeks, rather than 14

<sup>2</sup> Previous years' data unavailable for Qualifications' KPIs



Average Number of weeks taken for an Independent Adviser to respond to Committee's request	95% within 3 weeks	No routine applications were referred directly by the Committee to its independent advisers.	
<b>Annual Monitoring Submissions (Prescription of Qualifications)</b>			
Average number of weeks taken for an annual monitoring submission to be considered by the Committee for the first time	95% within 6 weeks	100% in 4.51 weeks	
Average number of weeks taken for a significant change to be considered by the Committee for the first time	95% within 6 weeks	100% in 4.86 weeks	
Average number of weeks taken for a minor change to be considered by the Committee for the first time	95% within 6 weeks	100% in 4.67 weeks	
Average number of weeks taken for evolutionary change/s to be considered by the Committee for the first time	95% within 6 weeks	100% in 6.31 weeks	
Average number of weeks taken for an extension to prescription request to be considered by the Committee for the first time	95% within 7 weeks	No institutions sought extensions to prescription	

Signed by



**Karen Holmes, Registrar and Chief Executive (Accounting Officer)**

**11/05/2018**

## Corporate Governance Report

### Board Report

#### Administration Office

8 Weymouth Street  
London  
W1W 5BU

#### Bankers

National Westminster Bank Plc  
10 Marylebone High Street  
London, W1U 4BT

#### Auditors

Crowe Clark Whitehill LLP  
St Bride's House  
10 Salisbury Square  
London, EC4Y 8EH

**Board Chair** -. Peter Coe was elected Chair of the Board until 16/03/17. Nabila Zulfiqar was elected Chair with effect from 16 March 2017.

**Leadership** - Karen Holmes was Registrar and Chief Executive throughout 2017.

### Board Membership 2017

Carol Bernstein	Appointed	Jason Bill	Elected
Peter Coe	Appointed (Retired 31/3/17)	Guy Maxwell	Elected
Caroline Corby	Appointed (From 1/4/17)	Richard Parnaby	Elected
James Grierson	Appointed (From 1/4/17)	Susan Roaf	Elected
Alice Hynes	Appointed (From 1/4/17)	Danna Walker	Elected
Alan Jago	Appointed (Retired 31/3/17)	Susan Ware	Elected
Ros Levenson	Appointed	Alex Wright	Elected
Suzanne McCarthy	Appointed		
Jagtar Singh	Appointed		
Neil Watts	Appointed (Retired 31/3/17)		
Nabila Zulfiqar	Appointed		

### Chairs of Committees

Committee	Chair
Audit Committee	Suzanne McCarthy
Investigation Oversight Committee	Nabila Zulfiqar (Until 12/5/17) Ros Levenson (From 12/5/17)
Prescription Committee	Alan Jago (Until 15/11/17) Alice Hynes (From 16/11/17)
Remuneration Committee	Alan Jago (Until 31/3/17) Jagtar Singh (From 12/5/17)

### Declaration of Interests

All Board members submit an annual declaration for inclusion within the Board's Register of Interests. Details of the most recent declarations are published with individual Board members' details on ARB's website, <http://www.arb.org.uk/about-arb/arbs-board-committees/board-members/>

We keep a rolling record of each Board members' declaration. A Register of Interests form is circulated prior to each Board meeting, and each Board member is asked to disclose by return anything not already included within the existing Declaration that might give rise to an actual or perceived conflict on any specific agenda item. The completed forms are available at each Board meeting for viewing by Board Members and any disclosures are recorded within the meeting minutes for transparency.

## **Information Security and Data Handling**

Due to our statutory functions, we hold a large amount of data some of which constitutes personal data. We have in place relevant procedures to ensure data is handled appropriately at all times. In 2017, no complaints were made to the Information Commissioner about ARB's responses to requests for information under the Freedom of Information Act 2000. We are currently preparing for the General Data Protection Regulations (GDPR) and, whilst we anticipate being compliant, we have added this as an item on the Risk Register.

## **Equality and Diversity**

The Board receives an annual progress report on Equality and Diversity. The latest report was presented to the Board in November 2017. In February 2018, a breakdown of the Equality and Diversity data collected was presented to the Board. The Board Equality Scheme and agreed actions have been updated to take account of the Public Sector Equality duty to which ARB, as a public body, is subject to.

Many of the aims identified in the Scheme have become firmly embedded in the Board's work and in the work of ARB more generally. As a public body, ARB abides by the Public Sector Equality Duty, which requires public bodies to:

- eliminate unlawful discrimination, harassment, victimisation and any other conduct prohibited by the Act;
- advance equality of opportunity between people who are of a protected characteristic and those who are not; and
- foster good relations between people who share a protected characteristic and those who don't.

The Board considers all of these requirements in any decision-making process, and any equality implications are identified and taken into account before decisions are made. All of those who provide a service on behalf of ARB will have received training on the Equality Act and its importance to ARB's functions.

## **Environmental/Recycling**

ARB is committed to reducing the impact on the environment through recycling, and the organisation uses different receptacles for collecting and segregating recyclable and non-recyclable waste.

During 2017 we saved the equivalent of 107 trees (81 in 2016) by recycling 6,297 kilos of paper (4,740 in 2016). The volume of printing increased during 2017 by 6% (there was a 9% increase in 2016) and the amount recycled increased by 33%. The increase in recycling was partly due to the increase in printing. We continue to encourage the use of recycling and are committed to moving further services online with electronic means of communication as the default option where possible.

To help reduce emissions, computers are powered down when not in use, computer monitors and lights are switched off at night. Some rooms have been fitted with sensor switches to ensure lights are only on when the room is in operation. Heating throughout the office is zoned and timed.

## **Employee involvement**

The "one ARB" ethos continues to be cultivated throughout the organisation. We have a set of commitments, which provide a focus for each aspect of the work we do, and we continue to embed these further into our work, which is supported through all staff training events. At the start of 2018 we carried out a staff engagement survey which will be reported on at the next Remuneration Committee meeting.

## **Health and Safety**

There have been no health and safety incidents reported during the year. All the statutory checks and tests have been undertaken and classified as complete. We have also undertaken a security review of ARB and implemented several recommendations, including the installation of shatterproof film on the office's windows to protect against the effects of an explosion.

## **Approved and signed on behalf of the Board**

A handwritten signature in black ink, appearing to read 'Nabila Zulfiqar', with a horizontal line underneath the name.

**Nabila Zulfiqar**  
**Chair of the Board**  
**11/05/2018**

## **Statement of Accounting Officer's Responsibilities of the Board and the Accounting Officer in respect of the financial statements**

Under the Framework Agreement drawn up jointly between the Architects Registration Board (ARB) and the Ministry of Housing, Communities and Local Government (MHCLG), ARB will prepare financial statements for each financial year in the form and on the basis set out in the Accounts Direction issued by the MHCLG. The financial statements are prepared on an accruals basis and must give a true and fair view of the state of affairs of ARB and of its income and expenditure, recognised gains and losses and cash flows for the financial year.

In preparing the financial statements, the Accounting Officer is required to comply with the Government Financial Reporting Manual and in particular to:

- observe the Accounts Direction issued by the MHCLG, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the financial statements; and
- prepare the financial statements on a going concern basis.

The MHCLG has appointed the Registrar as Accounting Officer of ARB. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the ARB's assets are set out in Chapter 3 of Managing Public Money published by the Treasury.

As the appointed Accounting Officer I confirm that, as far I am aware, there is no relevant audit information of which the entity's auditors are unaware, and that I have taken all the steps to make myself aware of any relevant audit information and to establish that the entity's auditors are aware of that information. I also confirm that the Annual Report and financial statements as a whole are fair, balanced and understandable, and that I take personal responsibility for the Annual Report and financial statements and the judgments required for determining that they are fair, balanced and understandable.

**Signed by**



**Karen Holmes, Registrar and Chief Executive (Accounting Officer)**

**11/05/2018**

## **Governance Statement**

As Accounting Officer of the Architects Registration Board (ARB), I, Karen Holmes, am responsible for the management and control of the operations of ARB and the efficient use of our resources. The Board and my colleagues within ARB support the role. This Governance Statement identifies how I discharge those responsibilities. The Statement outlines the governance of the organisation and the risk management framework, which are essential to managing and controlling ARB's resources and risks. It reflects the challenges and activities of ARB during the year and provides assurance as to performance, responses to risk and the organisation's success in managing risk. The Statement also identifies where ARB will be taking steps to improve.

### **Corporate Governance**

The Board provides the strategic leadership and oversight of ARB. The Board is comprised of 15 members. Eight members are appointed (lay) members, are appointed by the Privy Council after advice from the Secretary of State of the MHCLG. Seven members are elected architect members. In relation to the appointed members, ARB is invited to identify particular skills which may be sought in making the appointments in order to assist the Board in securing a range of skills beneficial to the operation of the Board.

Members of the Board who served during the year are shown on page 6.

Five Board meetings were held during 2017 and parts of each meeting were held in public. Agendas, papers and minutes were published on ARB's website in accordance with ARB's policy on open and confidential sessions of the meetings. In addition to the formal meetings, the Board also met to discuss the report published on the outcomes of the Periodic Review. It also met for two development sessions and an annual budget briefing. Details of Board member attendance at Board and Committee meetings together with expenses and attendance allowances claimed are published annually and are reported in the Appendix to the financial statements.

The Board works in accordance with a Board Members' Handbook, which includes a Board Members' Code, which follows the seven principles of public life. The Board Members' Code was reviewed, updated and approved by the Board in May 2017.

Declarations of interests are collected at least annually and published on ARB's website. At all meetings declarations based on the specific meeting agenda are requested prior to commencement and, where appropriate, members are excluded from the relevant discussions. Declarations are recorded in the minutes.

### **Oversight**

The Board determines ARB's annual budget and ensures that the necessary resources are available to fulfil the statutory responsibilities. The Board provides oversight of the activities of ARB and sets the fees payable by architects for registration and retention of their names in the Register. Regular reviews are undertaken of ARB's management accounts throughout the year and any variances are highlighted and considered. The Board receives a report on ARB's performance against key performance indicators together with trend information twice a year, and considers mid-year progress of the Business Plan and the delivery of the Business Plan after the year-end.

At each Board meeting the Board receives an operational activity report. The report provides the Board with information on the day-to-day operational business of the organisation.

## **Decisions of the Board**

The Board is required to take a number of decisions under statute in addition to determining policy. Statutory decisions taken during 2017 included the prescription of new qualifications in architecture, introducing a new Architects' Code of Conduct and setting the retention and other fees as well as re-entry to the Register. In addition, the Board took non-statutory decisions such as the Scheme of Decision Making, the Investment Strategy and a review of the daily allowances paid to Board members and external advisers.

ARB has a number of Committees which assist the Board as described below. Each Committee has terms of reference, which are determined by the Board and are published on ARB's website. Each Committee reviews its own terms of reference and makes recommendations to the Board for change, with the exception of the Professional Conduct Committee where the terms of reference are embedded within Investigations and Professional Conduct Committee rules. All Committees report to the Board. The Professional Conduct Committee holds its hearings in public and also provides an annual report to the Board. All other Committees prepare minutes, which are passed to the Board and also produce an annual report.

### **Audit Committee**

The purpose of the Audit Committee is to assist the Board with its oversight functions. The Committee reviews the system of internal control, the management of risks and the financial reporting process. It also oversees the work of the internal and external auditors. This Committee is particularly important in assisting the Board and the Accounting Officer in managing risk.

### **Remuneration Committee**

The purpose of the Committee is to ensure that the remuneration and reward packages offered to staff, Board members and advisers are reviewed and amended appropriately. Regular external benchmarking work is undertaken to ensure Board member attendance allowance rates and staff salaries remain in line with comparable organisations.

### **Investigations Oversight Committee**

The Investigations Oversight Committee is in place to oversee investigations into allegations of unacceptable professional conduct and serious professional incompetence, as defined by section 14 of the Act. It monitors the performance of ARB and those appointed to investigate on its behalf and reports back to the Board through minutes of its meetings and an annual report.

### **Professional Conduct Committee**

Although a Committee of ARB, the Professional Conduct Committee is separate from the Board in its decision-making. While a number of Board members are nominally members of the Committee, they take no part in cases being considered to ensure a separation of policy making and decision making. The Professional Conduct Committee considers and determines cases referred for unacceptable professional conduct, serious professional incompetence and relevant criminal convictions. The Committee's Chair presents a report to the Board on an annual basis, and attends the relevant Board meeting.

## **Prescription Committee**

The Prescription Committee's key role is to oversee the operation of the procedures for Prescription of Qualifications. It also considers and develops policies relating to the Prescription of Qualifications. In addition, the Committee has a responsibility to oversee matters relating to ARB's Prescribed Examinations and the Competency Standards Group.

## **Board Effectiveness**

To assist the Board in the effective discharge of its responsibilities, Board members receive a comprehensive induction programme. Board and Committee papers are provided in advance of meetings wherever possible, and contain sufficient information to allow the Board and the Committees to discharge their responsibilities. During the year, the Board sets aside development sessions which allows the Board to focus on horizon scanning and strategic development. A Board appraisal system is operated together with an external appraisal process for the Chair of the Board. The Board considered the outcome of the most recent effectiveness review in February 2017, and will continue to take steps to improve Board and Committee effectiveness. A Board effectiveness review is currently underway, with the Board due to consider outcomes at its 2018 development day.

## **Risk Management**

In fulfilling my responsibilities as both Accounting Officer and Registrar of the ARB, I work closely with the Board as under the Architects Act 1997 (as amended) responsibilities for the delivery of the Act are designated to me or to the Board. The Board determines the risk strategy of the organisation and sets the Scheme of Decision Making, which is in place to identify where authority for decision-making lies.

## **The Purpose of the System of Internal Control**

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure. It can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is an on-going process designed to identify and prioritise the risks to the achievement of ARB's purpose, policies, objectives and statutory responsibilities. During 2017 specific consideration was given to the delivery of the recommendations from the Periodic Review, the possible implications of the UK leaving the EU and the impact of the ongoing growth in the demand for the organisation's services.

The system of internal control has been in place for the year ended 31 December 2017 and up to the date of approval of the Annual Report and financial statements. The system of internal control accords with Treasury guidance where it is considered to be appropriate and adds value to ARB.

## **Capacity to Handle Risk**

The Board has overall responsibility for risk management and is aided by the Audit Committee. A fundamental aspect of risk management is obtaining assurance that appropriate systems of controls and actions are in place along with a robust and transparent reporting mechanism of those risks. The Board achieves this by having effective oversight procedures in place.

Along with the management team, I am responsible for the day-to-day management of risk including the delivery and promotion of sound risk management practices. Staff are aware of ARB's Risk Strategy and are encouraged to contribute and highlight potential risks. Staff are regularly briefed on the content of the Risk Register and new actions and controls are added to the document accordingly.



## **The Risk and Control Framework**

ARB has in place a risk management strategy which is reviewed, updated and agreed by the Board annually. The strategy specifies how ARB identifies, assesses and manages risk that may impact on ARB's delivery of its strategic aims, priorities and annual business plan. The strategy has six principles underpinning ARB's approach and it acknowledges that, as a statutory body, ARB is naturally risk-averse. ARB generally works to minimise and control risk by taking an appropriate and proportionate approach to it.

ARB has a Risk Register in which risks faced by ARB are logged and tracked. The Risk Register is a key tool within ARB's Risk Management Framework. The Risk Register is reviewed at least monthly at management meetings. New risks are added and consideration is given to the residual level of risk, identified after controls have been applied. The level of risk is adjusted where appropriate and some risks are removed. Actions and controls are also reviewed and amended as necessary according to the level of risk. Staff are invited to discuss and raise risks at monthly team meetings in order to embed a culture of risk ownership. A report is also taken to the Board at each of its meetings as part of the Registrar's report on key risks.

In 2017 we revised the Risk Register. Each risk level is now quantified using the likelihood and significance method (ratings from 1-5). A gross score is calculated by multiplying the likelihood (a) and significance (b), and then adding the significance again ( $(a \times b) + b = c$ ). Controls are identified and actions put in place for each risk, and a revised risk rating applied accordingly using residual likelihood and significance, and the same method of calculation. The Risk Register also maps the risk appetite in relation to each particular risk. A Risk Owner is assigned to the risk.

The Audit Committee has considered the key risks and developed, along with the Registrar and management team, a rolling programme of internal audit reviews conducted by ARB's internal auditors. The Committee receives a report on the outcome of each review and monitors the implementation of any recommendations. In 2017, the internal audit programme covered Scheme of Decision Making, Insurance Arrangements and Contract Tendering and Procurement.

In 2017 ARB also carried out at Audit Committee a schedule of 'deep dives' into operational areas including Registration, Complaints, and the Prescription of Qualifications. The schedule will be continued in 2018, with deep dives into Title Regulation, Governance, Finance and Human Resources. The aim of these deep dives is to provide the Audit Committee with a greater understanding of the work each department undertakes and to understand how processes, risks and opportunities are managed at an operational level.

The Committee monitors the progress of actions following internal audit reviews at each meeting and reports to the Board through its minutes as well as by verbal updates given by the Chair of the Committee. In addition to the internal audit programme, the management team undertook a risk assurance mapping of the risk register and undertook to implement a series of recommendations and series of internal compliance reviews, including compliance reviews of the Prescribed Examination procedures and ARB/MHCLG Framework Agreement

## **Information and Data Security**

ARB is committed to ensuring personal data held by the organisation is held securely and used appropriately and in line with that Data Protection principles. The organisation operates a range of measures to help safeguard personal and other data including:

- A commitment to data quality and accuracy;
- A regularly reviewed and updated Retention & Destruction policy;
- A formal process for recording errors and omissions throughout the organisation, including procedural and data breaches. There were no significant data breaches during 2017 that required notification to the Information Commissioner;
- Data sharing agreements with those third parties with whom it is appropriate to share information;
- A "security shredding" contract with a trusted market leader;
- Industry-standard encryption of data for transfer and external storage;
- Regular information security training for staff;
- IT services policies and guidelines for staff;
- Statements on privacy, data protection, copyright and publishing;
- Compliance and monitoring tools for email, internet and telecommunication services and including social media;
- Physical security measures (including safe, access control systems and intruder alarm, CCTV recording equipment) both internally and at the perimeter;
- Off-site vaults and storage facilities with military-grade security for the storing of data
- ISO-certified destruction of information assets;
- Industry-standard firewall appliances to protect the organisation's private network from attack and intrusion; and
- Network penetration testing for the protection of the organisation's private network to be carried out annually and that testing includes the Remote Access system.
- In addition to this, ARB has been taking steps to ensure compliance with the General Data Protection Regulations when they come into force in May 2018.

### **Risk Management Tools**

Details of risk management tools are described in the sections above. In addition to those already mentioned, ARB also has in place:

- Appropriate insurance arrangements;
- Regular reviews of ARB's Staff Handbook and associated appendices;
- External advisers used to ensure health and safety compliance;
- A log of complaints received with regard to ARB's administrative processes and decisions;
- Error log for procedures within ARB;
- Assessment of risk resource and equality implications in Board and Committee papers for new or revised policies ;
- Horizon scanning of the organisation's risk landscape undertaken by staff and the Board
- Regular reviews of investment and reserves policies;
- A regularly reviewed Whistleblowing policy and Fraud and Bribery prevention policies
- Staff training, including fire safety and information security training undertaken regularly;
- Regular reviews of operating procedures
- Ethos among staff of continuous improvement;
- A stringent budgeting process, linked to the annual Business Plan and three year forecasts;
- A Scheme of Delegated Authority, (Scheme of Decision Making) regularly reviewed and agreed by the Board;
- A financial procedures manual, regularly updated to reflect current practice
- Internal compliance reviews of the Architects Act and ARB/MHCLG Framework Agreement undertaken annually.

As Accounting Officer, I attend all Board meetings, internal Management Team meetings and Audit Committee meetings. I also regularly attend other Committee meetings and meetings of the Remuneration Committee, where it is appropriate for me to do so.

### **Significant Risks in 2017**

Key areas of risk for 2017 were the uncertainty created by the UK's pending withdrawal from the European Union, managing the outcomes of the Periodic Review and the strain on staff capacity to maintain an effective discharge of duties.

The 2017 impacts of withdrawing from the EU were largely in relation to the increased resource demands of scoping available information, responding to stakeholder and Government information requests and planning for the change.

The Periodic Review Report was published three years from the announcement of the intention to review, during which time ARB experienced a sustained period of uncertainty where the future of the organisation was unknown. Once the outcomes of the Report were known in March 2017, ARB experienced further instability at Board level, where structure and membership is expected to change by the end of 2018, and needed to deploy additional resources liaising with stakeholders and revising our priorities to ensure we deliver on the Report's recommendations.

A priority for the year was managing these significant events alongside a general overall increase in workload across the organisation, ensuring there was organisational capacity to continue to deliver our statutory role and that ARB remained a focussed and effective regulator. The resource implications of both risks were partly managed by increasing ARB's headcount in key areas, alongside the flexible and committed approach of the staff team. With this mitigation, the organisation managed to continue to deliver its statutory functions in 2017 during a period of increased service requirements. Undeterred by the imminent change in membership, the Board focused on the priorities of the organisation, providing leadership and oversight during the year and for the year ahead.

Despite there being no legal challenges brought against ARB in 2017, as a regulator there continues to be an ongoing risk of judicial review or legal action in respect of decisions taken by the Board, the Registrar, or the Professional Conduct Committee. Although all regulators may expect such challenges, actions can be costly and increase reputational risk. ARB will therefore continue to learn from all challenges and their outcomes, and regularly review its insurance arrangements to ensure that they are adequate, proportionate and appropriate.

### **Conclusions**

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review is informed by the work of the management team within ARB who have responsibility for the development and maintenance of the internal control framework and comments made by both the internal and external auditors in their management letter and other reports.

Throughout the year the Audit Committee has continued to review the management of ARB's risks, the work and outcomes of the completed internal and external audits, the timing for the implementation of recommendations made by the auditors and my review of the effectiveness of the system of internal control. In 2017 we carried out a schedule of 'deep dives' at Audit Committee meetings into several operational areas including Registration, Complaints, and the Prescription of Qualifications and as outlined above, a programme of deep dives is scheduled for 2018.

The tools used in ARB's risk management are outlined in the risk and control framework above. I have identified no significant on-going weaknesses in the systems of internal controls, and welcome the continuing programme of internal audit and ARB's commitment to continuously assess its procedures for quality, efficiency, and value for money.

Signed by

A handwritten signature in black ink, appearing to be 'KH', written in a cursive style.

**Karen Holmes, Registrar and Chief Executive (Accounting Officer)**

**11/05/2018**

## Remuneration and Staff Report

The Remuneration Committee was established in July 2009 following a review of ARB's Governance and Committee structure. The purpose of the Committee is to ensure that the remuneration and reward package offered to all staff, Board members and advisers is reviewed and amended appropriately.

Regular external benchmarking work is undertaken to ensure Board member attendance allowance rates and staff salaries remain in line with comparable organisations. An external benchmarking review took place during 2017 and the daily attendance allowance was increased to reflect the report's findings.

From January to March 2017 the Remuneration Committee was made up of 3 Board members; Alan Jago (Chair), Peter Coe and Richard Parnaby. From May 2017 the Committee comprised of Jagtar Singh, (Chair), Nabila Zulfiqar and Richard Parnaby.

The Committee produces an annual report of its activities which is presented to the Board. This can be found at <http://www.arb.org.uk/about-arb/arbs-board-committees/board-meetings/board-meetings-2017/february-agenda-16-02-2017/>

ARB seeks to fairly remunerate employees, to motivate staff and to attract and maintain good quality staff. Staff commitment and good levels of engagement helps the organisation to deliver its objectives and business plan.

The composition of ARB staff and numbers at the end of the financial year was:

	2017		2016	
	Male	Female	Male	Female
Registrar & Chief Executive	0	1	0	1
Permanent Staff	7	14	7	10
Fixed Term / Temporary	0	1	1	2
<b>TOTAL Split</b>	<b>7</b>	<b>16</b>	<b>8</b>	<b>13</b>
TOTAL Employees	23		21	

## ARB's Staff Policies

ARB's aim is to have a workforce that is truly representative of all sections of society where each employee feels respected and able to give their best. Selection for employment, promotion, training or any other benefit is on the basis of aptitude and ability. We help and encourage all our employees to develop their full potential, and their talents and resources are fully utilised to maximise the efficiency of the organisation.

In order to achieve this, all job descriptions are carefully drafted to ensure that the skills and knowledge reflect the job requirements and do not place unnecessary restrictions on applicants. Applicants are invited to complete an Equalities Monitoring form at the application stage, which is received separately to the application form and is not available to the short-listing panel. All applicants are invited to provide details of any disability in order that reasonable adjustments can be made for the selection process. Equality Monitoring forms are analysed in respect to steps that can be taken to further equality and inclusion.

ARB continues to be supportive of staff with disabilities and appreciates the value that all employees bring to their roles. Regular one-to-one meetings provide the opportunity to identify the need for adjustments for disabled staff in employment as well as reviewing those adjustments to ensure they continue to be relevant.

**ARCHITECTS REGISTRATION BOARD  
FOR THE YEAR ENDED 31 DECEMBER 2017  
ACCOUNTABILITY REPORT**

Management takes proactive steps to promote a culture that understands, accepts and supports both physical and mental disabilities in the workplace. Incorporated in the annual training plan, equalities training is one of the ways that management seeks to re-enforce diversity. HR policies and practices further support the employment of staff with disabilities. The wellbeing of staff is supported by the range of benefits offered by the organisation as well as providing training on mental health and wellbeing.

Staff training needs are identified at their annual reviews when development needs are assessed and prioritised. Training opportunities are prioritised on the basis of relevance to an individual's role and their career path. Any training or development interventions for staff with disabilities are prioritised. All internal applicants meeting the essential criteria are interviewed and any relevant adjustments made. All internal applicants are given feedback on the selection process and any development needs incorporated into personal development plans.

### **Remuneration**

The Remuneration Committee, annually benchmarks rates of pay awards given by our competitors as well as looking at employment market trends. The Committee also give consideration to Governments expectations on public sector pay awards. The pay award given to all staff for 2017 was 1%, which was in line with Government expectations. The Committee can also make non-consolidated incentive payments to staff. This is dependent on delivery of the Business Plan and a decision is taken each year. During 2017, there were no changes to ARB's remuneration policy.

Reporting bodies are required to disclose the relationship between the remuneration of the highest-paid employee in their organisation and the median remuneration of the organisation's workforce. Total remuneration includes salary, non-consolidated performance-related pay and benefits-in-kind. It does not include severance payment or employer pension contributions.

The mid-banded remuneration of the highest paid employee of ARB in the financial year end 2017 was £120,660 (2016, £118,000). This is 3.26 times (2016 3.26 times) the median remuneration of the workforce, which was £37,045 (2016, £36,213).

Note 6 of the Financial Statements notes provides details of the highest paid members of staff and the contributions paid by ARB into their Defined Contribution (DC) pension fund during 2017.

### **Staff Turnover**

Staff turnover for 2017 was 21% (14% 2016). The figure for ARB staff turnover is higher than the national average across all sectors. However, with such a low number of staff, any departures and recruitment has a significant statistical impact.

### **Staff Absence Information**

The number of days lost through sickness absence for the 23.8 full time employees was 82.5 days (56.5 in 2016). This is equivalent to 3.5 days per employee (2.8 in 2016)

### **Staff Pension Arrangements**

ARB provides its employees with access to a contributory Group Personal Pension Scheme (otherwise known as a Defined Contribution – DC – arrangement). ARB's liability for this arrangement ceases when employment comes to an end.

This arrangement meets all statutory requirements for employment law relating to employer sponsored pension arrangements.

**ARCHITECTS REGISTRATION BOARD  
FOR THE YEAR ENDED 31 DECEMBER 2017  
ACCOUNTABILITY REPORT**

Additionally, ARB has a closed (Paid Up) Occupational Money Purchase scheme (which is also a defined contribution arrangement). There are, however, no contributions being made to this scheme and nor have there been for several years. There are no liabilities for future contributions to this scheme.

Note 6 of the Financial Statements notes provides details of the highest paid members of staff and the contributions paid by ARB into the Group Personal Pension Scheme during 2017.

**Professional and Specialist Services**

ARB often needs day-to-day specialist advice such as for the interpretation of EU law, employment advice, IT, insurance and legal challenges. Due to the broad ranging spectrum of advice required and to use our resources as efficiently as possible, we procure such services from a small number of suppliers, as and when required. Further information on this spend can be found under note 10 of the Financial Statements.

**Board Remuneration Report**

The Remuneration Committee each year considers the remuneration of Board members, panel members and advisers, including travel and subsistence payments on an annual basis. The Board, based on a recommendation from the Remuneration Committee, takes the final decision.

Board members received an attendance allowance of £375 per day for attending Board meetings and participating in other Board business and Committees.

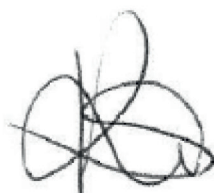
The total attendance and reading allowances paid during 2017 were £96,221 (2016: £66,978), which includes allowances paid to Board members for their roles as members of the Board and other Committees and meetings.

Board members are also able to claim travel and subsistence expenses. Expenses totalling £23,382 (2016: £17,008) were claimed during the year. Further details can be found on page 33 of this report.

A summary of Board and Committee attendance allowance and expenses paid in 2017:

<b>Amount</b>	<b>Number of Board Members*</b>
Less than £1k	1
£1k to £5k	4
£5k to £10k	10
£10k and above	3

\*Three members of the Board retired 31 March 2017.



Signed by:  
**Karen Holmes, Registrar and Chief Executive (Accounting Officer)**

**11/05/2018**

## **INDEPENDENT AUDITOR'S REPORT TO THE BOARD MEMBERS OF THE ARCHITECT REGISTRATION BOARD**

### **Opinion**

We have audited the financial statements of Architects Registration Board (ARB) for the year ended 31 December 2017 which comprise Statement of Comprehensive Income, Statement of Financial Position, Statement of Cash Flows, Statement of Changes in Reserves and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the 2017/18 Government Financial Reporting Manual (FReM) which applies International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the Board Members of the ARB, as a body, under the Architects Act 1997. Our audit work has been undertaken so that we might state to the Board Members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the ARB and the Board Members as a body, for our audit work, for this report, or for the opinions we have formed.

In our opinion, the financial statements:

- give a true and fair view of the state of the ARB's affairs as at 31 December 2017 and of its surplus for the year then ended;
- have been properly prepared in accordance with the Government Financial Reporting Manual (FReM).

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the ARB in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Board's and Accounting Officer's' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Board's and Accounting Officer have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about ARB's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

### **Other information**

The Board and Accounting Officer are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.



**ARCHITECTS REGISTRATION BOARD  
STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2017**

**Responsibilities of Board and Accounting Officer**

As explained more fully in the Board's and Accounting Officer's responsibilities statement set out on page 9, the Board and Accounting Officer are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

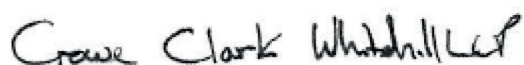
In preparing the financial statements, the Board and Accounting Officer are responsible for assessing the ARB's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate ARB or to cease operations, or have no realistic alternative but to do so.

**Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.



**Crowe Clark Whitehill LLP**

Statutory Auditor  
St Bride's House  
Salisbury Square  
London  
EC4Y 8EH

23 May 2018

**ARCHITECTS REGISTRATION BOARD  
STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2017**

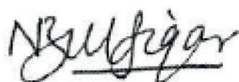
	Notes	£	2017 £	2016 £
<b>INCOME</b>				
Registration and retention fees	3	4,386,211		4,240,817
Prescribed examinations		221,119		209,768
Penalties and sundry receipts	4	17,516		22,988
				<hr/>
<b>Total operating income</b>		<b>4,624,846</b>		<b>4,473,573</b>
<b>EXPENDITURE</b>				
Employee salaries and benefits	6	1,524,517		1,368,788
Office costs	7	640,259		621,058
				<hr/>
		<b>2,164,776</b>		<b>1,989,846</b>
Printing and records	8	37,574		53,693
IT charges	9	446,975		395,369
Board allowances and expenses		97,298		74,717
Legal and other professional charges	10	901,130		999,551
Other administrative expenses	11	342,546		292,255
				<hr/>
		<b>1,825,523</b>		<b>1,815,585</b>
				<hr/>
Total operating expenditure			<b>3,990,299</b>	<b>3,805,431</b>
<b>OPERATIONAL SURPLUS FOR THE YEAR</b>			<b>634,547</b>	<b>668,142</b>
Investment income	5		<u>115,730</u>	<u>116,179</u>
<b>SURPLUS FOR THE YEAR BEFORE TAXATION</b>			<b>750,277</b>	<b>784,321</b>
Taxation	19		<u>(24,720)</u>	<u>(80,188)</u>
<b>RETAINED SURPLUS FOR THE YEAR</b>			<b>725,557</b>	<b>704,133</b>
<b>OTHER COMPREHENSIVE NET INCOME</b>				
Net gains on investments	14		<u>43,062</u>	<u>375,934</u>
<b>TOTAL COMPREHENSIVE NET INCOME</b>			<b>768,619</b>	<b>1,080,067</b>

All activities are continuing.

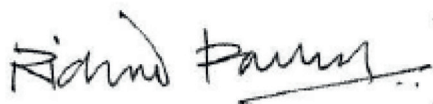
**ARCHITECTS REGISTRATION BOARD  
STATEMENT OF FINANCIAL POSITION AT  
31 DECEMBER 2017**

	Notes	2017 £	2016 £
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	12	98,955	169,256
Intangible assets	13	179,766	132,599
Investments	14	<u>6,220,051</u>	<u>5,716,910</u>
<b>Total non-current assets</b>		<b>6,498,772</b>	<b>6,018,765</b>
<b>CURRENT ASSETS</b>			
Trade and other receivables	15	514,220	496,480
Cash and cash equivalents		<u>3,279,545</u>	<u>2,869,748</u>
<b>Total current assets</b>		<b>3,793,765</b>	<b>3,366,228</b>
<b>TOTAL ASSETS</b>		<b><u>10,292,537</u></b>	<b><u>9,384,993</u></b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	16	354,058	381,809
Deferred income		<u>4,188,754</u>	<u>4,022,078</u>
<b>Total current liabilities</b>		<b>4,542,812</b>	<b>4,403,887</b>
<b>ASSETS LESS LIABILITIES</b>		<b><u>5,749,725</u></b>	<b><u>4,981,106</u></b>
<b>RESERVES</b>			
Designated reserve		459,000	103,000
MHCLG Closure reserve		3,629,000	0
Operational reserve		1,443,316	4,609,026
Revaluation reserve		<u>218,409</u>	<u>269,080</u>
<b>TOTAL RESERVES</b>		<b><u>5,749,725</u></b>	<b><u>4,981,106</u></b>

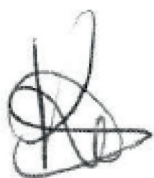
These financial statements were approved by the Board and Accounting Officer and authorised for issue on



Board member (Chair)



Board member (Vice Chair)



Accounting officer (Chief Executive and Registrar)

**ARCHITECTS REGISTRATION BOARD  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

	£	2017 £	2016 £
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Operational surplus for the year</b>		<b>634,547</b>	668,142
<b>Adjustments for non-cash transactions</b>			
Depreciation and amortisation	172,209		180,612
Loss on disposal of intangibles	38,630		-
<b>Changes in operating assets and liabilities</b>			
(Increase) in trade and other receivables	(17,740)		(311,331)
Increase in trade, other payables and deferred income	138,925		446,981
		<u>332,024</u>	<u>316,262</u>
<b>Net cash from operating activities</b>			
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Dividends and interest from investments	115,730		116,179
Proceeds from the sale of investments	1,758,756		2,288,133
Purchase of investments	(2,218,835)		(3,491,208)
Purchases of property, plant and equipment and intangible assets	(187,705)		(146,336)
<b>Net cash decreases from investing activities</b>	<b>(532,054)</b>		<b>(1,233,232)</b>
<b>Taxation</b>		<u>(24,720)</u>	<u>(80,188)</u>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>409,797</b>	<b>(329,016)</b>
Cash and cash equivalents at the start of the year		<u>2,869,748</u>	<u>3,198,764</u>
<b>Cash and cash equivalents at the end of the year</b>		<u><b>3,279,545</b></u>	<u><b>2,869,748</b></u>

All cash is represented by cash in hand

**ARCHITECTS REGISTRATION BOARD  
STATEMENT OF CHANGES IN RESERVES  
AT 31 DECEMBER 2017**

	At 1 January 2017	Movement in year	Transfers between reserves	At 31 December 2017
	£	£	£	£
Operational reserve	4,609,026	795,290	(3,961,000)	<b>1,443,316</b>
MHCLG closure reserve	-	-	3,629,000	<b>3,629,000</b>
<i>Designated reserves</i>				
IT renewal	42,000	7,000	-	<b>49,000</b>
Election	20,000	10,000	-	<b>30,000</b>
Maintenance	41,000	7,000	-	<b>48,000</b>
Deferred projects	-		332,000	<b>332,000</b>
Revaluation reserve	269,080	(50,671)	-	<b>218,409</b>
<b>Total</b>	<b>4,981,106</b>	<b>768,619</b>	<b>-</b>	<b>5,749,725</b>

#### **Operational reserve**

The Board's reserves policy is to hold operating reserves sufficient to ensure that the ARB is able to continue in operation for the foreseeable future whilst retaining as a minimum the closure reserve required under the framework agreement with MHCLG. The level of reserves is set taking into the risks faced by the ARB in terms of a decline in income or increase in expenditure and the time that would be taken to return the ARB to a balanced budget by reducing costs or adjusting the registration fee. This is currently set at four months operating costs or £1,383,300.

#### **Closure reserve**

The framework agreement with MHCLG requires the ARB to maintain its assets at a sufficient level to cover its liabilities if ARB were to be wound up. At 31 December 2017 this is estimated to be £3,629,000. The major elements of this reserve relate to:

- a significant shortfall in income in the period following notice of closure by the MHCLG resulting from an inability to collect all registration fees due during that period; and
- redundancies, lease termination costs and costs associated with winding up existing regulatory cases.

#### **Designated reserve**

At 31 December 2017, designated reserves represented the IT renewal fund (£49,000 - to cover the cost of ensuring that the organisation's computer systems remain up to date and efficient), the Election Fund (£30,000 – set up to cover the cost of the triennial election of ARB Board) and the Maintenance Reserve (£49,000 – set up to cover the regular cost of redecoration of the offices in accordance with the terms of the lease).

In addition a further £332,000 has been designed for projects that were budgeted for in prior years but where these projects are now expected to be completed in 2018 or early 2019. Major element of this reserve relate to development of IT systems.

#### **Revaluation reserve**

At the 31 December 2017, the revaluation reserve represented the closing market value less historic cost value of ARBs investments (accumulated unrealised gains).

**ARCHITECTS REGISTRATION BOARD  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

**1. GENERAL INFORMATION**

The Architects Registration Board is incorporated under the Architects Act 1997. ARB's principal address is shown on page 6 ARB's principal activity is acting as the statutory regulator for architects in the UK. The ARB is an arms-length body overseen by the Ministry of Housing, Communities and Local Government (MHCLG).

**2. ACCOUNTING POLICIES**

**a) Basis of accounting**

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted and interpreted by the 2017-18 Government Financial Reporting Manual (FReM) issued by HM Treasury.

Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the ARB for the purpose of giving a true and fair view has been selected. The particular policies adopted by the ARB are described below. They have been applied consistently in dealing with items that are considered material to the financial statements.

These financial statements have been prepared under the historical cost convention modified to account for the revaluation of investments. Figures are presented in pounds sterling, which is the functional currency of the ARB and rounded to the nearest pound. Transactions denominated in foreign currencies are translated into sterling at the exchange rate at the dates of the transactions.

After making enquiries, the ARB has a reasonable expectation that the organisation will be able to continue its activities for the foreseeable future. Accordingly they continue to adopt the going concern basis in preparing the financial statements.

**b) Impending application of newly issued accounting standards not yet effective**

The ARB discloses wherever it has not yet applied a new accounting standard, and provides any information relevant to assessing the possible impact that the initial application of the new standard would have on the financial statements. The following standards relevant to ARB have been issued but are not yet effective:

- IFRS 9 Financial Instruments (effective from 1 January 2018);
- IFRS 15 Revenue from Contracts with customers (effective from 1 January 2018);
- IFRS 16 Leases (effective from 1 January 2019).

ARB will carry out a review to assess whether it is anticipated that there will be any material impacts upon the financial statements following the introduction of these standards which will be adopted once we are required to do so by the FReM.

**c) Staff costs**

In accordance with IAS 19 Employee Benefits, all short-term staff costs payable at the year-end, which will be paid within one year from the date of reporting, are recognised in the Statement of Comprehensive Net Expenditure.

**d) Pensions**

The ARB operates a defined contribution pension scheme where the ARB pays established annual contribution rates into a separate fund. The amount of pension benefit that a member receives in retirement is dependent on the performance of the fund. The ARB recognises the cost of these contributions in the Statement of Comprehensive Income when they fall due. There are no further payment obligations for the ARB once the contributions have been paid.

- e) **Leases**  
Payments in relation to operating leases (excluding costs for services such as insurance and maintenance) are charged to the Statement of Comprehensive Income on a straight-line basis.
- f) **Value Added Tax on purchases**  
The ARB is unable to recover the VAT it pays on its expenditure due to the VAT status of its suppliers. Therefore, all expenditure disclosed in the financial statements includes any VAT paid.
- g) **Income**  
Income is recognised to the extent that it is probable that the economic benefits will flow to ARB and the revenue can be reliably measured. Income is measured at the fair value of the consideration received. Income arising from the provision of services is recognised when and to the extent that ARB obtains the right to consideration in exchange for the performance of its contractual obligations.
- Retention fees are recognised in the period over which they entitle an individual to be listed on the Register of Architects. Registration, penalties and prescribed examination fees are recognised in the year in which the registration or prescribed examination takes place or that the penalty becomes due. Income from investments and cash is recognised in the period in which the ARB becomes entitled to the income.
- h) **Corporation tax**  
The ARB is liable for tax on income earned and gains on investments during the year. The tax expense is recognised in the Statement of Comprehensive Income.
- i) **Plant, equipment and intangible assets**  
Expenditure of £500 or more on plant and equipment or intangible assets is capitalised where it is expected to bring benefit over future years. On initial recognition, assets are measured at cost and include all costs directly attributable to bringing them into working condition.
- All non-current assets are reviewed annually for impairment. Plant and equipment is depreciated, and intangible assets amortised from the time the item comes into operational use, at rates calculated to write them down to the estimated residual value on a straight-line basis over their estimated useful lives. The following annual rates are used:
- |                                |                 |
|--------------------------------|-----------------|
| Leasehold improvements         | - over 10 years |
| Office furniture and equipment | - over 5 years  |
| IT equipment                   | - over 3 years  |
| IT development                 | - over 3 years  |
- j) **Cash and cash equivalents**  
Cash and cash equivalents comprise cash at bank and in hand and short-term deposits with maturity dates of three months or less.
- k) **Investments**  
Investments comprise holdings of a number of Gilts (UK Sovereign debt), Corporate Bonds and Equity funds managed by separate investment managers. The fair value of the investments is based on the closing market value at the accounting date. Gains and losses arising from changes in market value are included within the Statement of Comprehensive Income.
- l) **Trade and other payables**  
Trade payables are obligations on the basis of normal credit terms and do not bear interest. They are categorised as financial liabilities at amortised cost.

**3. REVENUE - REGISTRATION AND RETENTION FEES**

	2017 £	2016 £
Registration fees	128,780	137,606
Retention fees	4,257,431	4,103,211
	<u>4,386,211</u>	<u>4,240,817</u>

**4. REVENUE - PENALTIES AND SUNDRY RECEIPTS**

	£	£
Penalties paid on reinstatement to the Register	9,400	10,990
Sundry receipts	8,116	11,998
	<u>17,516</u>	<u>22,988</u>

**5. INVESTMENT INCOME**

Income from investment portfolio	115,305	105,483
Interest on bank deposits	425	10,696
	<u>115,730</u>	<u>116,179</u>

**6. STAFF COSTS**

Wages and salaries	1,103,441	985,805
Social security	127,381	116,496
Other pension costs	116,541	109,669
Medical and permanent health insurance	34,476	30,253
Recruitment costs	19,843	29,152
Staff training	49,316	16,176
Temporary staff	73,519	81,237
	<u>1,524,517</u>	<u>1,368,788</u>

Staff numbers (average full time equivalent permanent staff)	<u>No.</u> 24	<u>No.</u> 21
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Salaries in respect of those employees paid over £62k were within the following ranges:

	<u>No.</u>	<u>No.</u>
£60,000 - £65,000	1	0
£70,000 - £75,000	1	0
£75,000 - £80,000	0	3
£80,000 - £85,000	2	0
£115,000 - £119,999	0	1
£120,000 - £125,000	1	0

Payments were made into defined contribution pension schemes totalling £52,541 (2016: £43,965) in respect of these employees.



<b>7. OFFICE COSTS</b>	<b>2017</b>	<b>2016</b>
	<b>£</b>	<b>£</b>
Rent & Service Charges	<b>287,287</b>	282,715
Rates	<b>117,698</b>	114,776
Building related costs	<b>51,195</b>	65,886
Insurance	<b>12,314</b>	7,955
Electricity	<b>24,095</b>	14,761
Office cleaning	<b>28,403</b>	24,326
Postage and telephone	<b>46,250</b>	44,407
Maintenance of office equipment	<b>15,521</b>	12,124
Depreciation: leasehold improvements	<b>51,732</b>	51,732
Depreciation: furniture and equipment	<b>5,764</b>	2,376
	<b><u>640,259</u></b>	<b><u>621,058</u></b>
 <b>8. PRINTING AND RECORDS</b>		
Printing	<b>31,116</b>	46,265
Stationery	<b>5,753</b>	6,303
Journals and newspapers	<b>705</b>	1,125
	<b><u>37,574</u></b>	<b><u>53,693</u></b>
 <b>9. IT CHARGES</b>		
Depreciation and amortisation: IT equipment and development	<b>114,713</b>	126,506
IT costs	<b>332,262</b>	268,863
	<b><u>446,975</u></b>	<b><u>395,369</u></b>
 <b>10. LEGAL AND OTHER PROFESSIONAL CHARGES</b>		
All amounts stated above include VAT		
Remuneration to external auditors:		
External audit services	<b>19,128</b>	19,080
Other services - corporation tax compliance advice	<b>1,290</b>	1,260
- employment tax advice	<b>23,724</b>	828
- Board and Committee benchmarking	<b>11,700</b>	0
- risk management	<b>1,128</b>	0
Legal expenses and professional charges – regulation	<b>566,020</b>	724,541
General legal, specialist advice and insurance	<b>278,140</b>	253,842
	<b><u>901,130</u></b>	<b><u>999,551</u></b>

11. OTHER ADMINISTRATION EXPENSES	2017 £	2016 £
Bank charges	47,940	43,186
Staff travel expenses	19,889	14,659
Prescribed examination	126,642	92,224
Prescription & Qualifications	67,314	56,113
ACE & ENACA	40,077	37,610
Public and professional awareness	29,792	36,176
Sundry expenditure	10,892	12,287
	<u>342,546</u>	<u>292,255</u>

12. PLANT AND EQUIPMENT	Leasehold improvements £	Office furniture & equipment £	IT equipment £	Total £
<b>Cost</b>				
At 1 January 2017	517,325	111,786	311,394	940,505
Additions	-	18,776	15,402	34,178
Disposals	-	(4,543)	(14,598)	(19,141)
<b>At 31 December 2017</b>	<u>517,325</u>	<u>126,019</u>	<u>312,198</u>	<u>955,542</u>
<b>Accumulated depreciation</b>				
At 1 January 2017	413,860	108,035	249,354	771,249
Charge for the year	51,732	5,764	46,983	104,479
Disposals	-	(4,543)	(14,598)	(19,141)
<b>At 31 December 2017</b>	<u>465,592</u>	<u>109,256</u>	<u>281,739</u>	<u>856,587</u>
<b>Carrying amount</b>				
<b>At 31 December 2017</b>	<u>51,733</u>	<u>16,763</u>	<u>30,459</u>	<u>98,955</u>
<i>At 31 December 2016</i>	<u>103,465</u>	<u>3,751</u>	<u>62,040</u>	<u>169,256</u>

### 13. INTANGIBLE ASSETS

Intangible assets include capitalised IT development. £109,872 (2016: £46,314) relates to Sharepoint development which is expected to go live during 2018 and will be amortised over three years.

<b>Cost</b>	Total £
At 1 January 2017	504,837
Additions	153,527
Disposals	(54,330)
<b>At 31 December 2017</b>	<u>604,034</u>
<b>Accumulated depreciation</b>	
At 1 January 2017	372,238
Charge for the year	67,730
Disposals	(15,700)
<b>At 31 December 2017</b>	<u>424,268</u>
<b>Carrying amount</b>	
<b>At 31 December 2017</b>	<u>179,766</u>
<i>At 31 December 2016</i>	<u>132,599</u>

#### 14. INVESTMENTS

	2017	2016
	£	£
<b>At market value</b>		
At start of year	5,716,910	4,137,901
Additions	2,218,835	3,491,208
Disposal proceeds	(1,758,756)	(2,288,133)
Net gains on investments	43,062	375,934
	<u>6,220,051</u>	<u>5,716,910</u>
<b>At end of year</b>		
	<u>6,220,051</u>	<u>5,716,910</u>
<b>Cost at end of year</b>	<u>6,001,642</u>	<u>5,447,830</u>

All investments are managed by Quilter Cheviot and are invested in a mixture of Gilts (UK Sovereign debt), Corporate Bonds and Equity funds.

#### 15. TRADE AND OTHER RECEIVABLES

	£	£
Other receivables	376,551	339,209
Prepayments	137,669	157,271
Corporation Tax	-	-
	<u>514,220</u>	<u>496,480</u>

£356,275 (2016: £321,244) in other receivables relates to credit card payments taken but not transferred over to ARB bank account by the merchant at the year end. All monies received by merchants was received in ARBs bank account in January 2018. There are no impaired financial assets.

#### 16. TRADE AND OTHER PAYABLES

	£	£
Trade payables	47,680	41,527
Corporation tax	18,840	60,621
Other taxation and social security	64,469	60,009
Accruals	223,069	219,652
	<u>354,058</u>	<u>381,809</u>

It is ARB's policy to pay purchase invoices within 30 days of receipt.

#### 17. PENSIONS

The Staff Pension Scheme is a defined contribution scheme. The cost of contributions during the period was £116,541 (2016: £109,669). There are no outstanding or prepaid contributions at the balance sheet date. The assets of the scheme are held separately from those of the Architects Registration Board in an independently administered fund.

## 18. LEASING COMMITMENTS

The Architects Registration Board is committed to making the following minimum annual payments under operating leases, which expire:

	Land and buildings	
	2017	2016
	£	£
Between one and five years	<b>332,379</b>	598,282

The Architects Registration Board is committed to the lease on its Weymouth Street premises until April 2019.

## 19. TAX EXPENSE

ARB is a mutual trading organisation and is therefore taxed only on outside sources of income. Historically this has been investment income and gains. Corporation tax was calculated at 20% / 19% of investment income and gains on investments during the period.

## 20. RELATED PARTY TRANSACTIONS - ARCHITECTS REGISTRATION BOARD STAFF BENEVOLENT FUND

The Architects Registration Board is able to appoint the trustees of the Architects Registration Board Staff Benevolent Fund. At 31 December 2017 all trustees of the Fund were members of the Board of the Architects Registration Board. The cost of the Fund's audit together with other administration expenses is met by the Architects Registration Board.

## 21. CURRENCY RISK

ARB does not hold balances in foreign currencies. All fees payable are required to be settled in UK sterling and so ARB is not exposed to current risk.

## 22. LIQUIDITY AND CREDIT RISK

ARB aims to maintain a minimum of four months operating costs as a reserve, and reserves as at 31 December 2017 were in excess of this level. As stated above, the majority of ARB's income is received at the start or before the start of the financial year. ARB has no borrowings (or legal right to borrow) and monies required for short-term working capital requirements are held in accounts with no significant restrictions on access. ARB does not consider that there is a significant exposure to liquidity or credit risk.

## 23. INTEREST RATE RISK

Registrants pay annual fees at the start or prior to the start of each financial year. In addition ARB has reserves equating to around four months' annual expenditure. Surplus funds are held as follows to maximise returns:

Funds not required for short-term working capital are held in Gilts (UK Sovereign debt), Corporate Bonds and Equity funds. The return for the last year is at 2.1% versus the benchmark's 3.3%. It is a greater return than the previous year and significantly higher than funds on deposit would have achieved.

Business reserve - There is a sweeping system in operation from ARB's current account to the business reserve in order to maximise interest earned on monies needed for short-term working capital requirements.

**ARCHITECTS REGISTRATION BOARD  
BOARD ALLOWANCES AND EXPENSES  
FOR THE YEAR ENDED 31 DECEMBER 2017**

**Board Members Expenses and Meeting Attendance**

The costs below include attendance allowances and expenses relating to members of the Board who are also members of other Committees for their attendance at those meetings.

**Expenses**

Board Member	Attendance Allowance	Reading Allowance	Train/Tube Travel	Air	Car Mileage/ Parking	Taxi	Other	Hotel	Subsistance	TOTAL
	£	£	£	£	£	£	£	£	£	£
Carol Bernstein	5,375.00	3,700.00	153.40			35.38			4.60	9,268.38
Jason Bill	4,112.00	900.00	693.75		811.30			466.75	172.58	7,156.38
Peter Coe	675.00	150.00								825.00
Caroline Corby	5,000.00	950.00								5,950.00
James Grierson	4,125.00	525.00	801.55		251.10	14.74			112.34	5,829.73
Alice Hynes	6,011.00	1,250.00	893.75		76.50	8.00		180.00		8,419.25
Alan Jago	3,000.00	1,650.00	190.95						7.80	4,848.75
Ros Levenson	3,949.00	950.00			90.65	57.50				5,047.15
Guy Maxwell	4,687.00	1,200.00	2,443.11					2,312.35	150.95	10,793.41
Suzanne McCarthy	3,912.00	1,000.00					75.00			4,987.00
Richard Pamaby	3,136.00	625.00	988.10			33.17		990.00	48.30	5,820.57
Sue Roaf	3,437.00	950.00	562.05		4.00	34.20		360.00	60.00	5,407.25
Jagtar Singh	4,550.00	625.00	196.20		691.70	5.00		720.00		6,787.90
Danna Walker	2,474.00	600.00								3,074.00
Susan Ware	4,562.00									4,562.00
Neil Watts	1,750.00	1,200.00	310.75		19.40		2,500.00	99.13	126.00	6,005.28
Alex Wright	5,624.00	5,950.00	1,831.85					180.00	112.54	13,698.39
Nabila Zulfqar	6,404.50	1,212.50	2,692.00		259.20		7.25	360.00	187.43	11,122.88
<b>TOTAL</b>	<b>72,783.50</b>	<b>23,437.50</b>	<b>11,757.46</b>	<b>-</b>	<b>2,203.85</b>	<b>187.99</b>	<b>2,582.25</b>	<b>5,668.23</b>	<b>982.54</b>	<b>119,603.32</b>

**Attendance**

Board Member	Board Meetings	Additional Board Days	Prescription Committee	Remuneration Committee	Audit Committee	Investigations Oversight Committee
Carol Bernstein	(5)4	(3)2	(10) 9		(4) 4	
Jason Bill	(5)5	(3)2			(4) 4	
Peter Coe (retired 31/03/17)	(1)1	(0)				
Caroline Corby (from 01/04/17)	(4)4	(3)3	(6) 5			
James Grierson (from 01/04/17)	(4)4	(3)3				(2) 2
Alice Hynes (from 01/04/17)	(4)4	(3)3	(6) 5			
Alan Jago (retired 31/03/17)	(1) 1	(0)	(4) 9			
Ros Levenson	(5)5	(3)2			(4) 4	(2) 2
Guy Maxwell	(5)5	(3)2	(10) 8			
Suzanne McCarthy	(5)5	(3)3			(4) 4	
Richard Pamaby	(5)5	(3)2		(3) 3		
Sue Roaf	(5)5	(3)3			(4) 4	
Jagtar Singh	(5)5	(3)3		(3) 3		(1) 1
Danna Walker	(5)5	(3)3				(3) 3
Susan Ware	(5)5	(3)2	(10) 9			
Neil Watts (retired 31/03/17)	(1)1	(0)	(4) 4			
Alex Wright	(5)4	(3)2	(10) 10			
Nabila Zulfqar	(5)5	(3)3		(3) 3		(1) 1

(Actual number of meetings held) compared with actual meetings attended

**Notes:**

- More than one meeting may occur during a day, in which case the amount charged will not reflect the number of meetings
- Some members do not charge the full daily rate for meetings
- Board members attend other meetings on ARB business – such as appraisals, induction sessions and visits for new members
- Committee memberships changed during the year as a result of new Board members joining





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