

**ARCHITECTS REGISTRATION BOARD
ANNUAL REPORT AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

Accounts presented to the House of Commons pursuant to Section 6(4) of the Government Resources and Accounts Act 2000

Annual Report presented to the House of Commons by the Secretary of State for Housing, Communities and Local Government by Command of Her Majesty



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**ARCHITECTS REGISTRATION BOARD
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PERFORMANCE REPORT**

Statement of the Registrar & Chief Executive, Karen Holmes, on the performance of the Architects Registration Board in 2018.

Overview

The Annual Report and Financial Statements follow the requirements of the Government Financial Reporting Manual (FReM) issued by HM Treasury. Section 5.2 of the FReM requires us to prepare a “Performance report” which approximates to a Strategic report prepared under the Companies Act 2006. Section 5.3 of the FReM 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 UK 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 oversaw the work of ARB in 2018. Seven were architects elected by the profession and the remaining eight were non-architects appointed by the Privy Council.

ARB has a permanent staff of 26, including an executive team of five.

The work of ARB is supported by 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.

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We revised the methodology for 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. We have regularly reviewed the risks within it since. In 2018, we introduced operational deep dives into key risk areas around Brexit, governance, the new Board constitution transition, delivery of our statutory duties and staffing. This was in addition to the Audit Committee deep dives we started to undertake in January 2017 and which continue to run. We also commenced development of an operational risk register to be managed at team level, to enhance understanding of risk throughout the organisation, which will be further developed in 2019. We also formalised work we started in 2017 to form an internal review group responsible for reviewing and challenging procedures, to ensure the efficiency and effectiveness of, and compliance with, key processes.

A number of key risks that could affect ARB's ability to deliver its objectives in 2018 were identified and are outlined below:

Brexit

A key risk for 2018 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 undertook a significant exercise in 2018 to prepare a budget for 2019 which took account of the potential impact of a change to the status of non-UK EU nationals (who make up around 40% of new registrants each year), whilst maintaining our responsibility to ensure that any fee charged is proportionate and fair. Plans were put in place to mitigate the risk of a loss of income through use of the reserves rather than raising additional funds that may be required from the profession through the annual fee. A staff team focussed on Brexit was also formed to enable ARB to respond flexibly as the landscape becomes clearer, as was a dedicated risk register to track key risks associated with an array of scenarios and log action plans for mitigation. We have consistently engaged with government and the healthcare regulatory bodies who are also subject to the Mutual Recognition of Professional Qualifications Directive to ensure we were prepared for both a No Deal scenario and any Deal which may be ratified.

New Board transition

The Periodic Review was published in March 2017 and a plan was put in place for the delivery of the outcomes, including the Ministry of Housing, Communities & Local Government's commitment to put in place an all appointed, smaller Board. The statutory instrument for the new Board constitution was laid in August 2018 and took effect on 7 January 2019. We prepared contingency measures in the event that the new Board appointments were not made by 7 January 2019, including identifying areas of our core work that would become inoperable and areas which we could mitigate for. We also developed induction plans and new Board materials to be ready once the appointments had been made.

Another factor we had to consider was ensuring that we kept the incumbent Board engaged until the end, which we considered key to an effective hand over. We did this by ensuring they understood the process we were going through, where the associated risks were, and where we would need their continued assistance in the event that there was a gap between the old and new Board. A deep dive into the transition was presented to the Audit Committee to ensure that the Committee was aware of the associated risks and assured of the mitigation we had put in place.

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Capacity Risk

The work to prepare for Brexit, the new Board transition, the work around competence that has come from the Hackitt 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 use of some temporary resource and expert advisers. To manage the uncertainty around the time specific nature of these additional work streams, we requested that the Board approve a contingency fund, sourced from reserves, to allow the management team to procure additional staff and expert advice where required. The organisation continues to successfully deliver its statutory functions.

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 have been two appeals lodged in relation to decisions reached by the Professional Conduct Committee during 2018. 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.

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 2018 ARB fully met 24 of its 32 KPI and measurable targets, with seven being partially met and one put on hold pending further clarity in relation to Brexit. Plans have been put in place to address the areas in which performance could be improved in 2019. There were no areas in which performance was measured as unacceptable. Further details can be found in the Performance Analysis below.

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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
	Area of work is on hold

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.

Key Performance Indicators

Performance indicator	Target for 2018	2018 result	Traffic light
Maintaining the quality of the Register			
UK route registrations-no. of days to process.	90% within 15 (working) days	97% (95% in 2017)	
Automatic European route registrations-no. of days to process.	90% within 15 (working) days	84% (87% in 2017)	
Reinstatements & Readmissions within 2 years.	90% within 5 (working) days	94% (95% in 2017)	
Maintaining the standards of conduct and practice of Architects			
Complaints in office – No. of weeks from standard of acceptance met to IP referral or closure.	80 % within 14 weeks	89% (84% in 2017)	
Complaints with IP – No. of weeks from referral of case to issue of final decision.	80 % within 12 weeks	76 % (83% in 2017)	
PCC Reports – No. of weeks from referral to production of Board solicitor’s Report.	80 % within 12 weeks	64% (65% in 2017)	

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PCC Hearing date – No. of weeks from receipt of Board solicitor's Report to PCC hearing.	80 % within 16 weeks	81% (70% in 2017)	
Assisting the public to make informed choices			
Title complaints in office – No. of weeks from date of receipt to referral to Board's solicitor or closure.	80 % within 16 weeks	96% (96% in 2017)	
Title complaints with Board's solicitor to prosecution decision.	80 % within 12 weeks	83% (64% in 2017)	
Prescription Applications			
Average no. of weeks to complete initial scrutiny of Prescription Applications.	95% within 2 weeks	100% (100% in 2017)	
No. of weeks taken between an application being received to it being considered by the Committee for the first time.	95% within 7 weeks	100% in 8 weeks (96%.5.5 weeks in 2017)	
Average no. 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	N/A
Annual Monitoring Submissions (Prescription of Qualifications)			
Average no. of weeks taken for an annual monitoring submission to be considered by the Committee for the first time.	95% within 6 weeks	100% in 5.41 weeks (100% in 4.51 weeks in 2017)	
Average no. of weeks taken for a significant change to be considered by the Committee for the first time.	95% within 6 weeks	100% (same as 2017)	
Average no. of weeks taken for a minor change to be considered by the Committee for the first time.	95% within 6 weeks	100% (same as 2017)	
Average number of weeks taken for evolutionary change/s to be considered by the Committee for the first time.	95% within 6 weeks	100% (6.3 weeks in 2017)	

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Avg no. of weeks taken for an extension to prescription request to be considered by the Committee for the first time.	95% within 7 weeks	100% (N/A in 2017 as none sought extensions)	
UK/European Notifications			
To hold a planning meeting with each UK institution that has to notify its qualifications to the European Commission.	100%	100% (same as 2017)	
UK to respond to all queries received within the 2-month consultation period set out in the Commission's Notification Procedures.	100%	100% (same as 2017)	
ARB to respond to all queries received regarding a notified UK qualification within 2 weeks from the day of receipt.	100%	100% (66% in 2017)	
ARB to respond notifying Member States for each notified qualification with comments within the 2-month consultation period set out in the Commission's Notification Procedures.	100%	100% (same as 2017)	

Further information can be found at <http://www.arb.org.uk/wp-content/uploads/8-Reporting-to-the-Board-cover-paper.pdf>

Key

Met KPI	Within 20% of KPI	Failed KPI >20%
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Signed by



Karen Holmes, Registrar and Chief Executive (Accounting Officer)

17/05/2019

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Corporate Governance Report

Board Report

Administration Office

8 Weymouth Street
London
W1W 5BU

Bankers- Main Account

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

Auditors

Crowe U.K. LLP
St Bride's House
10 Salisbury Square
London, EC4Y 8EH

Until 6 January 2019, our work was overseen by a Board of 15 members, seven architects elected by their peers and eight members of the public appointed by the Privy Council, with the Chair elected by the Board from amongst its membership.

From 7 January 2019, our Board is made up of 11 members all appointed by the Privy Council. This includes one independent, non-executive Chair and ten non-executive Board members made up of five members of the public and five architects. A Board member's tenure cannot exceed 8 years (whether consecutive or not).

Leadership - Karen Holmes was Registrar and Chief Executive throughout 2018 and remains in post going into 2019.

2018 – Board Composition to 6 January 2019

Board Chair - Nabila Zulfiqar was elected Chair with effect from 16 March 2017, and was re-elected as Chair from 13 July 2018.

Board Membership

Carol Bernstein	Appointed	Jason Bill	Elected (resigned 3/1/19)
Caroline Corby	Appointed	Guy Maxwell	Elected
James Grierson	Appointed	Richard Parnaby	Elected
Alice Hynes	Appointed	Susan Roaf	Elected
Ros Levenson	Appointed	Danna Walker	Elected
Suzanne McCarthy	Appointed	Susan Ware	Elected
Jagtar Singh	Appointed	Alex Wright	Elected
Nabila Zulfiqar	Appointed		

2019 – Board Composition from 1 March 2019

Board Chair - Alison White

Board Membership

Lay Board Members	Architect Board Members
John Beckerleg	Mark Bottomley
Derek Bray	Will Freeman
Emeritus Professor ADH Crook	Elena Marco
Liz Male	Stephen McCusker
Suzanne McCarthy	Richard Parnaby

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Declaration of Interests

All Board members submit an annual declaration for inclusion within the Board's Register of Interests. Declarations were published with individual Board members' details on ARB's website during 2018. Declarations and the details of Board members who are appointed in 2019 are also published and available via ARB's website.

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 put in place the necessary arrangements as required by the General Data Protection Regulation, including the appointment of a Data Protection Officer. There was one data breach reported to the Information Commissioner's Office, which resulted in advice being issued but no further action required. ARB is also legally required to respond to all Freedom of Information Act requests within 20 working days (or 40 working days in relation to subject access requests under Data Protection Act).

Equality and Diversity

In 2018 the Board agreed to a 3-year Equality & Diversity Performance Plan, setting out the actions ARB would be taking to both continue to comply with equality legislation, but support the principles of the Public Sector Equality duty 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's Audit Committee periodically monitors progress against the plan.

Environmental/Recycling

Throughout 2018, we have strived to reduce paper use. We have introduced a number of initiatives to reduce the amount of printing including investing in updated technology such as multi-function devices with enhanced print management software in an effort to reduce wasteful printing. We have also introduced an enhanced document archive facility which we can save to directly from our local drive, rather than having to print and scan. Throughout 2018, we have actively encouraged use of the ARB intranet as a means of Board members accessing meeting papers and will be enhancing this further by introducing an online Board portal in 2019.

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. As part of the new contract for the multi-function devices, we are also provided a printer toner recycling service.

During 2018 we saved the equivalent of 71 trees (107 in 2017) by recycling 4,220 kilos of paper (6,297 in 2017). The volume of printing decreased during 2018 by 18% (there was a 6% increase from 2016 to 2017). 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.

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Employee involvement

The “one ARB” ethos continues to be cultivated throughout the organisation. This includes cross team working groups which support the delivery of ARBs business plan as well as supporting change across the organisation. We reviewed our set of commitments in 2018 and developed a revised set of ‘values’, 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 overall was positive. There were some areas that the management team focussed on as a result of the survey and these included, staff dress code, working flexibly, pressure at work and training and development. These reviews have all led to positive change and will be reviewed as part of the 2019 staff engagement survey.

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.

Approved and signed on behalf of the Board



Alison White
Chair of the Board
17/05/2019

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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)

17/05/2019

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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 was comprised of 15 members. Eight members were appointed (lay) members, were appointed by the Privy Council after advice from the Secretary of State of the MHCLG. Seven members were elected architect members. [Note: Due to changes to the Architects Act 1997, an all appointed Board consisting of an independent chair, five architects and five lay members will be appointed in 2019.]

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. ARB provided details of the particular skills that Board members should have as part of the Ministry of Housing, Communities and Local Government's (MHCLG) recruitment exercise to support the appointment of the new Board.

Members of the Board who served during the year are shown on page 7.

Six Board meetings were held during 2018 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 final report resulting from Dame Judith Hackitt's Independent Review of Building Regulations and Fire Safety and the development of the revised Criteria for the Prescription of Qualifications. It also met for a development session 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.

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.

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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 2018 included the prescription of new qualifications in architecture, setting the retention and other fees, and approving new rules for investigating disciplinary allegations against architects. 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 against architects, and ARB's investigations into those unregistered persons who use the title 'architect' illegally. 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. 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.

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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 2018, and took steps to improve Board and Committee effectiveness. Board members were provided with the opportunity to give feedback about the Board's effectiveness and their time on as Board members via exit interviews at the end of 2018, prior to the implementation of the changes to the Board's constitution becoming effective in early 2019.

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 2018 specific consideration was given to the scenario planning for the UK's departure from the EU, the outcomes of the Hackitt Review and the potential development of mutual recognition agreements. Consideration continued in relation to 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 2018 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. In 2018, we introduced operational risk deep dives to ensure that control owners within the staff team were aware

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of and tracking the risks in their department and that the overall Strategic Risk Register accurately reflected the perceptions of those undertaking the work. It has also given the centralised risk management function greater assurance that risk is being thought about at an operational level and conscious decisions are being made as to how we manage key risks identified in those areas. This work continues in 2019 and we are in the process of finalising the operational risk register for managing risks at department level that we began work on in 2018.

The Risk and Control Framework

ARB has in place a risk management strategy which is reviewed, updated and agreed by the Board and Audit Committee annually. The strategy sets out ARB's risk appetite and 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. It also sets out the role of the entire staff team in managing risk and a considerable amount of work has been done throughout 2018 to highlight these responsibilities and embed risk awareness amongst the staff team at all levels. Actions taken in 2018 included developing an operational risk register and a series of operational risk deep dives to accompany the Audit Committee programme.

ARB has a strategic 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, and in meetings with the Head of Registration to focus on key risk areas and establish treatment plans. ARB has also has several subsidiary risk registers, to manage risks around key projects, issues and operational matters which are reviewed by the relevant individuals at regular intervals. A report is also taken to the Board at each of its meetings as part of the Registrar's report on key risks.

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 2018, the internal audit programme covered Health and Safety, Registration and Management Information.

In 2018 ARB presented to the Audit Committee a schedule of 'deep dives' into operational areas including Title Regulation, Brexit, and the transitional arrangements for the new Board constitution. 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.

**ARCHITECTS REGISTRATION BOARD
FOR THE YEAR ENDED 31 DECEMBER 2018
ACCOUNTABILITY REPORT**

Information and Data Security

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

- Compliance with GDPR and data protection legislation;
- Appointing a Data Protection Officer with the necessary expertise and seniority to influence data processing decisions;
- An information asset register;
- Regularly reviewed data protection policies;
- Data protection training for all staff;
- A formal process for recording errors and omissions throughout the organisation, including procedural and data breaches. There were no significant data breaches during 2018 that required notification to the Information Commissioner;
- Data processing 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;
- 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.

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;

**ARCHITECTS REGISTRATION BOARD
FOR THE YEAR ENDED 31 DECEMBER 2018
ACCOUNTABILITY REPORT**

- 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 regularly
- Audit Committee deep dives into specific areas of risk
- Operational deep dives into key risk areas with a view to developing risk treatment plans
- Dedicated risk registers for key projects and issues.

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

Significant Risks in 2018

Significant risks faced in 2018 related largely to managing the uncertainty around Brexit, the new Board transition, and the capacity issues this caused at a time when we were also undertaking review into our Criteria and Procedures for prescription 2018 and the outcomes of the Hackitt review. In terms of Brexit, ARB undertook a significant exercise in 2018 to prepare for potential impacts on budget and staff resource in managing uncertainty and we believe we are in a position to manage a wide array of possible outcomes. We have kept stakeholders informed as far as is practical.

With regards preparing for the new Board constitution, we prepared contingency measures for the event that the new Board appointments were not made in time for 7 January 2019, including identifying areas of our core work that would become inoperable and areas which we could mitigate for. We also developed induction plans and new Board materials to be ready to put in place for when the new Board are appointed. A deep dive into the transition was presented to the Audit Committee to ensure that the Committee was aware of the associated risks and assured of the mitigation we had put in place.

As stated, all of this work has created a resource risk which ARB managed effectively through the use of temporary resource and external advisers. To manage the uncertainty around and time specific nature of these additional work stream, we requested that the Board approve a contingency fund, sourced from reserves, to allow the management team to procure additional staff and expert advice where required.

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 are two appeals currently, in relation to decisions made by the Professional Conduct Committee in 2018. 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.

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

**ARCHITECTS REGISTRATION BOARD
FOR THE YEAR ENDED 31 DECEMBER 2018
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recommendations made by the auditors and my review of the effectiveness of the system of internal control. In 2018 we carried out a schedule of 'deep dives' at Audit Committee meetings into several operational areas including the Misuse of Title, the UK's Exit from the European Union, and Transitional Arrangements for the new Board.

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



Karen Holmes, Registrar and Chief Executive (Accounting Officer)

17/05/2019

**ARCHITECTS REGISTRATION BOARD
FOR THE YEAR ENDED 31 DECEMBER 2018
ACCOUNTABILITY REPORT**

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.

In 2018, the Remuneration Committee comprised of Jagtar Singh, (Chair), Nabila Zulfiqar and Richard Parnaby. The Committee is yet to be populated following the change in Board members.

The Committee produces an annual report of its activities which is presented to the Board. The 2018 report was presented to the Board in the first part of 2019.

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:

	2018		2017	
	Male	Female	Male	Female
Registrar & Chief Executive	0	1	0	1
Permanent Staff	8	15	7	14
Fixed Term / Temporary	0	2	0	1
TOTAL Split	8	18	7	16
TOTAL Employees	26		23	

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 and training 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.

Management take 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

ARCHITECTS REGISTRATION BOARD
FOR THE YEAR ENDED 31 DECEMBER 2018
ACCOUNTABILITY REPORT

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 2018 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 2018, 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 2018 was £130,078 (2017, £120,660). This is 3.41 times (2017 3.26 times) the median remuneration of the workforce, which was £38,182 (2017, £37,045).

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 2018.

Staff Turnover

Staff turnover for 2018 was 27% (21% 2017). 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 26 full time employees was 58 days (82.5 in 2017). This is equivalent to 2.2 days per employee (3.5 in 2017).

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.

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 2018.

**ARCHITECTS REGISTRATION BOARD
FOR THE YEAR ENDED 31 DECEMBER 2018
ACCOUNTABILITY REPORT**

Professional and Specialist Services

ARB sometimes needs 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 2018 were £86,460 (2017: £96,221), 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 £19,480 (2017: £23,382) were claimed during the year. Further details can be found on page 37 of this report.

A summary of Board and Committee attendance allowance and expenses paid in 2018:

Amount	Number of Board Members
Less than £1k	0
£1k to £5k	4
£5k to £10k	7
£10k and above	4



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

17/05/2019

INDEPENDENT AUDITOR'S REPORT TO THE BOARD MEMBERS OF THE ARCHITECTS REGISTRATION BOARD

Opinion

We have audited the financial statements of Architects Registration Board (ARB) for the year ended 31 December 2018 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 2018/19 Government Financial Reporting Manual (FReM) which applies International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion, the financial statements:

- give a true and fair view of the state of the ARB's affairs as at 31 December 2018 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.

INDEPENDENT AUDITOR'S REPORT TO THE BOARD MEMBERS OF THE ARCHITECTS REGISTRATION BOARD

Responsibilities of Board and Accounting Officer

As explained more fully in the Board's and Accounting Officer's responsibilities statement set out on page 10, 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. This description forms part of our auditor's report.

Use of this report

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.

Crowe U.K. LLP

Crowe U.K. LLP

Statutory Auditor

London

29 MAY 2019

ARCHITECTS REGISTRATION BOARD
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	£	2018 £	2017 £
INCOME				
Registration and retention fees	3	4,494,221		4,386,211
Prescribed examinations		240,477		221,119
Penalties and sundry receipts	4	17,231		17,516
		<u>4,751,929</u>		<u>4,624,846</u>
Total operating income				
EXPENDITURE				
Employee salaries and benefits	6	1,647,321		1,524,517
Office costs	7	628,383		640,259
		<u>2,275,704</u>		<u>2,164,776</u>
Printing and records	8	45,592		37,574
IT charges	9	513,777		446,975
Board allowances and expenses		83,407		97,298
Legal and other professional charges	10	1,184,073		901,130
Other administrative expenses	11	345,927		342,546
		<u>2,172,776</u>		<u>1,825,523</u>
Total operating expenditure			<u>4,448,480</u>	<u>3,990,299</u>
OPERATIONAL SURPLUS FOR THE YEAR			303,449	634,547
Investment income	5		<u>123,399</u>	<u>115,730</u>
SURPLUS FOR THE YEAR BEFORE TAXATION			426,848	750,277
Taxation	19		<u>32,047</u>	<u>(24,720)</u>
RETAINED SURPLUS FOR THE YEAR			458,895	725,557
OTHER COMPREHENSIVE NET INCOME				
Net (loss) / gain on investments	14		<u>(362,312)</u>	<u>43,062</u>
TOTAL COMPREHENSIVE NET INCOME			96,583	768,619

All activities are continuing.

**ARCHITECTS REGISTRATION BOARD
STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2018**

	Notes	2018 £	2017 £
NON-CURRENT ASSETS			
Property, plant and equipment	12	112,674	98,955
Intangible assets	13	143,044	179,766
Investments	14	5,747,983	6,220,051
Total non-current assets		6,003,701	6,498,772
CURRENT ASSETS			
Trade and other receivables	15	604,022	514,220
Cash and cash equivalents		4,081,373	3,279,545
Total current assets		4,685,395	3,793,765
TOTAL ASSETS		10,689,096	10,292,537
CURRENT LIABILITIES			
Trade and other payables	16	328,898	354,058
Deferred income		4,513,890	4,188,754
Total current liabilities		4,842,788	4,542,812
ASSETS LESS LIABILITIES		5,846,308	5,749,725
RESERVES			
Designated reserve		660,000	459,000
MHCLG Closure reserve		3,629,000	3,629,000
Operational reserve		1,557,308	1,443,316
Revaluation reserve		0	218,409
TOTAL RESERVES		5,846,308	5,749,725

These financial statements were approved by the Board and Accounting Officer and authorised for issue on 17 May 2019.



} Chair of the Board



} Board member (Chair of the Audit Committee)



} Accounting officer (Chief Executive and Registrar)

ARCHITECTS REGISTRATION BOARD
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018

	£	2018 £	2017 £
CASH FLOWS FROM OPERATING ACTIVITIES			
Operational surplus for the year		303,449	634,547
Adjustments for non-cash transactions			
Depreciation and amortisation	225,674		172,209
Loss on disposal of intangibles	15,029		38,630
Changes in operating assets and liabilities			
(Increase) in trade and other receivables	(89,802)		(17,740)
Increase in trade, other payables and deferred income	299,976		138,925
Net cash from operating activities	450,877		332,024
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividends and interest from investments	123,399		115,730
Proceeds from the sale of investments	2,447,202		1,758,756
Purchase of investments	(2,337,446)		(2,218,835)
Purchases of property, plant and equipment and intangible assets	(217,700)		(187,705)
Net cash decreases from investing activities	15,455		(532,054)
Taxation		32,047	(24,720)
Net increase in cash and cash equivalents		801,828	409,797
Cash and cash equivalents at the start of the year		3,279,545	2,869,748
Cash and cash equivalents at the end of the year		4,081,373	3,279,545

All cash is represented by cash in hand

ARCHITECTS REGISTRATION BOARD
STATEMENT OF CHANGES IN RESERVES
AT 31 DECEMBER 2018

	At 1 January 2018	Movement in year	Transfers between reserves	At 31 December 2018
	£	£	£	£
Operational reserve	1,443,316	205,407	(91,415)	1,557,308
MHCLG closure reserve	3,629,000	0	0	3,629,000
<i>Designated reserves</i>				
IT renewal	49,000	10,000	0	59,000
Election	30,000	0	(30,000)	0
Maintenance	48,000	10,000	0	58,000
Deferred/Special projects	332,000	108,000	103,000	543,000
Revaluation reserve	218,409	(236,824)	18,415	0
Total	5,749,725	96,583	0	5,846,308

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 the MHCLG. The level of reserves is set taking into account 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 annual registration fee. This is currently set at four months of the budgeted operating costs which is £1,423,000.

Closure reserve

The framework agreement with the 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 2018 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 2018, designated reserves represented the IT renewal fund (£59,000 - 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) is no longer required and transferred back to operational reserves and the Maintenance Reserve (£58,000 – set up to cover the regular cost of redecoration of the offices in accordance with the terms of the lease).

In addition a further £543,000 has been designated for projects that were budgeted for in prior years but where these projects are now expected to be completed in 2019 onwards. Major element of this reserve relates to development of IT systems (£329k) and a number of reviews and market research (£214k).

Revaluation reserve

At the 31 December 2018, the revaluation reserve represented the closing market value less historic cost value of ARB's investments (accumulated unrealised gains). A transfer has been made at year end to reflect revaluation losses which cannot be covered by previous 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 7. 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 2018-19 Government Financial Reporting Manual (FRoM) issued by HM Treasury.

Where the FRoM 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 Board 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 16 Leases (effective from 1 January 2019).
- IFRIC 23 Uncertainty over Income Tax Treatments (effective from 1 January 2019)

The impact of accounting standard IFRS16 would result in the recognition of an asset with an equal and opposing creditor totalling approximately £1.1m.

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 Income.

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 supplies. 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

	2018	2017
	£	£
Registration fees	117,103	<i>128,780</i>
Retention fees	4,377,118	<i>4,257,431</i>
	<u>4,494,221</u>	<i><u>4,386,211</u></i>

4. REVENUE - PENALTIES AND SUNDRY RECEIPTS

	£	£
Penalties paid on reinstatement to the Register	7,701	9,400
Sundry receipts	9,530	8,116
	<u>17,231</u>	<u>17,516</u>

5. INVESTMENT INCOME

Income from investment portfolio	121,154	115,305
Interest on bank deposits	2,246	425
	<u>123,400</u>	<u>115,730</u>

6. STAFF COSTS

Wages and salaries	1,185,753	1,103,441
Social security	134,805	127,381
Other pension costs	135,075	116,541
Medical and permanent health insurance	32,143	34,476
Recruitment costs	35,135	19,843
Staff training	33,749	49,316
Temporary staff	90,660	73,519
	<u>1,647,321</u>	<u>1,524,517</u>
	No.	No.
Staff numbers (average full time equivalent staff)	<u>26</u>	<u>24</u>

Salaries in respect of the senior management team within the following ranges:

	No.	No.
£65,000 - £70,000	1	1
£70,000 - £75,000	0	1
£75,000 - £80,000	0	0
£80,000 - £85,000	1	2
£85,000 - £90,000	2	0
£115,000 - £119,999	0	0
£120,000 - £125,000	1	1

Payments were made into defined contribution pension schemes totalling £63,892 (2017: £52,541) in respect of these employees.

7. OFFICE COSTS

	2018	2017
	£	£
Rent & Service Charges	287,660	287,287
Rates	123,808	117,698
Building related costs	46,722	51,195
Insurance	13,026	12,314
Electricity	17,911	24,095
Office cleaning	31,962	28,403
Postage and telephone	34,118	46,250
Maintenance of office equipment	13,854	15,521
Depreciation: leasehold improvements	51,733	51,732
Depreciation: furniture and equipment	7,591	5,764
	<u>628,385</u>	<u>640,259</u>

8. PRINTING AND RECORDS

Printing	39,726	31,116
Stationery	4,500	5,753
Journals and newspapers	1,366	705
	45,592	37,574

9. IT CHARGES

Depreciation and amortisation: IT equipment and development	166,350	114,713
IT costs	347,426	332,262
	513,776	446,975

10. LEGAL AND OTHER PROFESSIONAL CHARGES

All amounts stated above include VAT

Remuneration to external auditors:

External audit services	18,750	19,128
Other services - corporation tax compliance advice	5,760	1,290
- employment tax advice	684	23,724

Legal expenses and professional charges – regulation	679,337	566,020
General legal, specialist advice and insurance	479,543	278,140
	1,184,073	901,130

11. OTHER ADMINISTRATION EXPENSES	2018 £	2017 £
Bank charges	50,742	47,940
Staff travel expenses	23,228	19,889
Prescribed examination	127,721	126,642
Prescription & Qualifications	58,696	67,314
ACE & ENACA	39,987	40,077
Public and professional awareness	33,559	29,792
Sundry expenditure	11,994	10,892
	<u>343,339</u>	<u>342,546</u>

12. PLANT AND EQUIPMENT	Leasehold improvements £	Office furniture & equipment £	IT equipment £	Total £
Cost				
At 1 January 2018	517,325	126,019	312,198	955,542
Additions	-	15,199	124,755	139,954
Disposals	-	(1,983)	(104,203)	(106,186)
At 31 December 2018	<u>517,325</u>	<u>139,235</u>	<u>332,750</u>	<u>989,310</u>
Accumulated depreciation				
At 1 January 2018	465,592	109,256	281,739	856,587
Charge for the year	51,733	7,591	62,408	121,732
Disposals	-	(1,983)	(99,700)	(101,683)
At 31 December 2018	<u>517,325</u>	<u>114,864</u>	<u>244,447</u>	<u>876,636</u>
Carrying amount				
At 31 December 2018	<u>0</u>	<u>24,371</u>	<u>88,303</u>	<u>112,674</u>
<i>At 31 December 2017</i>	<u>51,733</u>	<u>16,763</u>	<u>30,459</u>	<u>98,955</u>

13. INTANGIBLE ASSETS (IT development costs)	Total £
Cost	
At 1 January 2018	604,034
Additions	77,746
Disposals	(27,589)
At 31 December 2018	<u>654,191</u>
Accumulated depreciation	
At 1 January 2018	424,268
Charge for the year	103,942
Disposals	(17,063)
At 31 December 2018	<u>511,147</u>
Carrying amount	
At 31 December 2018	<u>143,044</u>
<i>At 31 December 2017</i>	<u>179,766</u>

14. INVESTMENTS

	2018 £	2017 £
At market value		
At start of year	6,220,051	5,716,910
Additions	2,337,446	2,218,835
Disposal proceeds	(2,447,202)	(1,758,756)
Net gains on investments	(362,312)	43,062
	<u>5,747,983</u>	<u>6,220,051</u>
At end of year		
	<u>5,747,983</u>	<u>6,220,051</u>
Cost at end of year	<u>5,766,398</u>	<u>6,001,642</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	416,997	376,551
Prepayments	187,025	137,669
Corporation Tax	-	-
	<u>604,022</u>	<u>514,220</u>

£395,170 (2017: £356,275) 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 2019. There are no impaired financial assets.

16. TRADE AND OTHER PAYABLES

	£	£
Trade payables	85,180	47,680
Corporation tax	-	18,840
Other taxation and social security	67,734	64,469
Accruals	175,984	223,069
	<u>328,898</u>	<u>354,058</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 £135,075 (2017: £116,541). 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 ARB is committed to making the following minimum annual payments under operating leases, which expire:

	Land and buildings	
	2018	2017
	£	£
Between one and six years	1,328,976	332,379

The ARB is committed to the lease on its Weymouth Street premises until April 2024.

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 ARB is able to appoint the trustees of the Architects Registration Board Staff Benevolent Fund. At 31 December 2018 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 2018 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 immediate use (0-8 months) are considered for investment to obtain a return but liquidity and security remain the priority, this policy allows investment in Gilts (UK Sovereign Debt) and selected high quality Corporate Bond Funds. Uncommitted cash can be allocated for longer term investment (minimum of 2, ideally 3 years) so considered by the Board for exposure to equities for the potential for higher returns but only through funds (Investment and Unit Trust) to minimise the risk and increase the diversification

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 2018**

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 Members Expenses for 2018										
Board Member	Attendance Allowance	Reading Allowance	Train/Tube Travel	Air	Car Mileage/ Parking	Taxi	Other	Hotel	Subsistence	TOTAL
	£	£	£	£	£	£	£	£	£	£
Carol Bernstein	6,936.00	825.00	122.80	-	-	-	-	-	-	7,883.80
Jason Bill	5,724.00	-	1,321.70	-	220.65	-	-	180.00	208.39	7,654.74
Caroline Corby	5,062.00	400.00	-	-	-	-	-	-	-	5,462.00
James Grierson	3,935.00	-	921.55	-	138.60	49.78	-	-	75.66	5,120.59
Alice Hynes	5,955.00	850.00	698.55	-	152.65	-	-	180.00	-	7,836.20
Ros Levenson	3,933.00	-	-	-	58.75	52.50	-	-	-	4,044.25
Guy Maxwell	5,812.00	-	2,711.65	-	-	-	-	1,914.93	102.60	10,541.18
Suzanne McCarthy	5,061.00	-	-	-	-	-	-	-	-	5,061.00
Richard Pamaby	7,870.00	-	2,626.15	-	-	72.00	-	540.00	104.00	11,212.15
Sue Roaf	4,874.00	-	518.30	-	10.00	30.20	-	180.00	-	5,612.50
Jagtar Singh	2,885.00	-	404.90	-	-	31.00	-	-	-	3,320.90
Danna Walker	3,372.00	-	-	-	-	-	-	-	-	3,372.00
Susan Ware	3,935.00	-	-	-	-	10.00	-	-	-	3,945.00
Alex Wright	6,937.00	4,200.00	1,856.40	-	-	-	-	180.00	76.66	13,250.06
Nabila Zulfqar	7,894.70	-	3,302.65	-	234.00	9.00	-	180.00	3.75	11,624.10
TOTAL	80,185.70	6,275.00	14,484.65	-	814.65	254.48	-	3,354.93	571.06	105,940.47

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

Attendance

Board Member	Board Meetings	Additional Board Days	Prescription Committee	Remuneration Committee	Audit Committee	Investigations Oversight Committee
Carol Bernstein	(6) 5	(4) 3	(9) 6		(5) 4	
Jason Bill	(6) 6	(4) 4			(5) 5	
Caroline Corby	(6) 3	(4) 1	(9) 9			
James Grierson	(6) 5	(4) 2				(3) 3
Alice Hynes	(6) 5	(4) 4	(9) 9			
Ros Levenson	(6) 4	(4) 4			(5) 5	(3) 3
Guy Maxwell	(6) 5	(4) 2	(9) 9			
Suzanne McCarthy	(6) 6	(4) 2			(5) 5	
Richard Parnaby	(6) 5	(4) 4		(2) 2		
Sue Roaf	(6) 6	(4) 4			(5) 4	
Jagtar Singh	(6) 5	(4) 1		(2) 2		
Danna Walker	(6) 6	(4) 4				(3) 3
Susan Ware	(6) 5	(4) 4	(9) 7			
Alex Wright	(6) 6	(4) 4	(9) 9			
Nabila Zulfqar	(6) 6	(4) 4		(2) 2		

(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