



Financial Reporting Council

Financial Reporting Council: Plan and Budget 2024-25



March 2024

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1. Introduction

Next year's plan and budget aims for a year of consolidation and prioritisation

As we complete another year of challenge and slow growth for UK business, the FRC's work remains more relevant than ever in terms of our core public purpose of supporting public trust and confidence in audit, corporate reporting and governance, whilst – in line with our Growth Duty – contributing to UK economic growth and competitiveness.

We have recently welcomed a new Chief Executive, Richard Moriarty, who brings a fresh perspective, and an updated remit letter from the Secretary of State for Business and Trade. The remit letter provides us with clarity and steer on the government's priorities, and this plan sets out how we intend to deliver on those priorities in the financial year ahead.

Following His Majesty the King's Speech of 7 November, we acknowledge that, despite government's continued commitment to legislate and cross-party support for it, we do not expect to receive further statutory powers in the next financial year. The revised plan does not include a headline planning assumption for a date for legislation. We will, however, keep this under review.

Our financial year 2024-25 is a time to reflect on where our activities can best support improved public interest outcomes, to consolidate, and prioritise the allocation of our resources in pursuit of those outcomes. We will go further in embedding the importance of our Growth Duty into all our regulatory decision making. Our regulation to encourage high quality audit, corporate reporting and governance should, if performed well, support UK growth and competitiveness.

It helps to underpin investor trust and confidence in UK plc, helping to broaden the pool of capital available and make it

more competitive. It also underpins trust and confidence of other important stakeholders in UK plc such as pensioners, employees, suppliers, creditors and the broader public.

Nevertheless, we are mindful that regulation can impose costs on and have unintended consequences for businesses, so in pursuing our public interest it is important that our expectations on businesses are targeted, risk-focused, proportionate and drive the right outcomes. This includes our work in setting new expectations, but it also includes us needing to be vigilant to whether any existing expectations have over time become disproportionate and should be reviewed.

In setting our levies, we are very mindful of the general economic environment and want to avoid unnecessary increases in our charges to levy payers. The planned headcount growth we previously set out for 2024-25 assumed we would be taking on new statutory duties which is no longer the case. This would have led to our headcount rising by over 16% to 590. Instead, we intend to keep our headcount broadly flat compared to the forecast level at the end of 2023-24 of 506 (i.e., 0% headcount growth).

Last year, we reported our intention to open a second office location outside London, consistent with government's 'Places for Growth' programme. The 2024-25 plan includes provision for opening of a new office in the city centre of Birmingham, which we expect to commence in the final quarter of our 2023-24 financial year.

We look forward to another year of enhancing our engagement with our stakeholders as we pursue our core public purpose.



Sir Jan du Plessis
Chair



Richard Moriarty
CEO

2. The FRC's remit

Our core purpose remains, but with a renewed focus on supporting the UK's growth and international competitiveness in line with our Growth Duty

The FRC's remit spans the UK's corporate ecosystem and our role as a regulator is to set clear, proportionate, expectations for those we regulate. High standards of corporate behaviours from boards of directors, auditors, accountants, and actuaries are what makes the UK's corporate governance and reporting regime one which is copied the world over.

To maintain the UK's attractiveness as a place to invest or to start, grow and list a business, it is essential that regulation supports high standards, whilst being targeted and proportionate and avoiding unnecessary burdens.

A renewed focus on UK growth and international competitiveness



Our four faces approach helps us to deliver our remit and stay aligned with our core purpose by ensuring we consider the extent to which our regulatory priorities are appropriately balanced.

The System partner and Facilitator faces are linked to improvement priorities, supporting those we regulate to understand and meet our expectations. Our Supervisor and Enforcer faces are a necessary part of assessing the effectiveness of the application of standards and holding to account, where it is in the public interest, those who fail to meet our expectations. In turn, our supervision and enforcement activities provide insight regarding how well the corporate reporting and governance ecosystem is functioning, the expectations of those in our remit, and how we might adapt our improvement regulation over time.

The combination of the four faces and our five strategic objectives (shown on page 5) support us in ensuring that we comply with both the spirit and the letter of the Regulators' Code, the accompanying principles of good regulation, our growth duty, and our regulatory remit as set by government. More information on how we comply with the Regulators' Code can be found on our [website](#).

In terms of what we want our plan to achieve, our five strategic objectives are unchanged for the 2024-25 plan apart from a small update to the fifth strategic objective to reflect our organisational effectiveness aims more effectively, rather than focus exclusively on the transformation to ARGA. We remain of the view that ARGA powers are both necessary and proportionate to expand and modernise our toolkit, but they are a means to an end of being a modern, effective and respected regulator which drives high quality public interest outcomes; the powers are not an end in themselves. We are encouraged that the prospect of the FRC acquiring these more modern powers retains a high degree of consensus among our stakeholders.

During 2024-25, we intend to undertake a full review of our strategy and objectives, with a view to subsequently publishing a 3-year strategy, supplemented each year with an annual plan and budget. This approach is consistent with other regulators and we believe that it will offer our stakeholders the clearest understanding of our medium-term regulatory objectives whilst allowing flexibility for how we deploy resources each year towards meeting those objectives.

Five Strategic Objectives



Set high standards in corporate governance and stewardship, corporate reporting, auditing, and actuarial work and assess the effectiveness of the application of those standards, enforcing them proportionately where it is in the public interest.



Promote improvements and innovation in the areas for which we are responsible, exploring good practice with a wide range of stakeholders.



Influence international standards and share best practice through membership of a range of global and regional bodies, and incorporate appropriate standards into the UK regulatory framework.



Create a more resilient audit market through greater competition and choice.



Develop our organisation as a respected, independent, and high-performing regulator; trusted to deliver best-in-class public interest outcomes.

Delivering our remit

During 2024-25 we will focus particularly on the following areas highlighted in our remit letter, and throughout the rest of this plan we set out in more detail how this will be achieved:

- Embedding our growth duty into our decision-making processes wherever this is not clear;
- Finalising work associated with our review of the UK Corporate Governance Code and its associated guidance;
- Commencing a full review of the Stewardship Code;
- Building on improvements in audit quality where they have been achieved, including in our role as shadow System Leader for local authority audit. We will also support challenger and smaller audit firms to deliver better audit quality alongside their ambitions to scale in size and scope;
- Supporting the simplification and streamlining of corporate reporting by continuing our close engagement with the government on its review of non-financial reporting requirements;
- Making the UK's sustainability reporting framework world-class through our work with international standard setters and other regulators, and in our role as secretariat to the UK Sustainability Advisory Committee; and
- Continue our actuarial work and engagement with all parts of the pensions system in support of reliable and consistent pension projections.



3. Delivering our plan

The FRC has five divisions, each of which contributes to our strategic objectives and core purpose.

Our structure is made up of our Regulatory Standards, Supervision, Enforcement and Corporate Services divisions. During 2023 we also created a fifth, CEO division, comprised of our existing Stakeholder Engagement & Corporate Affairs, Governance and Strategy and Change functions. This centralised these existing functions under a simplified structure.

The primary responsibilities of each division are explained in the table below. Section 3.1 sets out our priorities for 2024-25, as well as those areas where we may pause, slow or stop previously planned activities to focus instead on activities which:

- are a statutory or contractual requirement and therefore essential;
- were highlighted in the government’s remit letter;
- contribute significantly to achieving our five strategic objectives, in the public interest; or
- contribute towards improving our organisational culture or streamlining and modernising our processes.

Regulatory Standards



- Lead the development of public and technical policy.
- Set Codes, standards and guidance that support high-quality corporate reporting, corporate governance, and stewardship, audit, and actuarial work.
- Drive innovation in the public interest for our stakeholders.
- Influence international standard setting and collaborate with other regulators.

Supervision



- Deliver our statutory responsibilities for corporate reporting review and act as the Competent Authority in respect of statutory auditors and their professional bodies and the audit market.
- Monitor the application of corporate reporting and audit standards and hold to account those that fail to meet these standards.
- Promote improvement and innovation in corporate reporting and audit.
- Promote a more resilient audit market.
- Act as Shadow System Leader for local audit.

Enforcement



- Drive the application of high standards in corporate reporting, audit and actuarial work through proportionate and risk-focused enforcement action where it is in the public interest.
- Promote improvements and innovation in these areas by communicating clear and impactful messages through enforcement cases and publications, and through the setting and monitoring of effective non-financial sanctions.

Corporate Services



- Support the regulatory divisions by providing a robust and resilient framework and expert support for the delivery of the FRC's wider objectives.
- Support the FRC's ongoing work as an improvement regulator by acting as a trusted partner and adviser to the business, and through our ongoing partnership with the Department for Business and Trade (DBT).

CEO division



- Inform the development of public and technical policy through influential stakeholder engagement.
- Support the FRC's governance framework with a high-quality company secretariat.
- Embed enhanced leadership capabilities and more mature project management discipline across the FRC.

i) 2024/25 priorities and deliverables

Regulatory Standards



The Regulatory Standards division is the gateway to our policy cycle. This is where our international and domestic influencing work is vital to promote the UK's interests and ensure that international standards, reporting frameworks and taxonomies are designed to minimise the burden of their adoption in the UK and facilitate global consistency and comparability. The FRC's published standards, codes and guidance reflect this sustained cycle of engagement with all stakeholders. In addition, Regulatory Standards supports the FRC's innovation objective through its targeted work to deliver high-quality xbrl reporting taxonomies and opening up new opportunities for structured data such as through the Company and Organisational Data Explorer (CODEx) project. Competition policy is also delivered by the Regulatory Standards division, and this year our focus will be on building our capability to undertake full market studies in due course. This will deepen our understanding of competition issues in the audit market and facilitate better informed policy and supervision work elsewhere in the FRC. Considering the flat headcount required this year, we will concentrate on sustainably delivering our statutory requirements, which will mean undertaking fewer discretionary projects such as those developed in the FRC Lab. In response to stakeholder feedback, later this year we will move to a system of quarterly consultation dates, meaning that any consultations for each period will be released on the same day once per quarter. We will consider the impact of this year's pre-election periods and communicate the planned consultation content and dates in due course.



**The gateway
to our policy
cycle**

Key deliverables for 2024-25 include:

- I. Development and maintenance of standards and codes, including UK GAAP (FRS 102), narrative reporting, UK Ethical Standard, audit and assurance standards, technical actuarial standards (TAS) and ASTM1, finalising the review of the UK Corporate Governance Code, Wates Principles, and the planned review of stewardship in collaboration with the FCA, DWP and the Pensions Regulator.
- II. International influencing of auditing, assurance and ethical standards, and significant contribution to non-financial reporting developments in the UK and internationally.
- III. Activities focused on improvements and innovation to support high-quality reporting (including in the value chain) and audit including addressing the needs of the smaller and medium-sized entities, through use of the new 'Audit Sandbox', the government's non-financial reporting review, and targeted engagement with academics and research organisations. Our work on non-financial reporting is subject to further government activity in this area.

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- IV. Promoting the use of technology throughout our policy areas, through digital reporting and provision of taxonomies, and the implications for data and data governance, and delivering the Company and Organisational Data Explorer (CODEx) project.
 - V. Undertaking the necessary policy work to develop a regulatory framework for sustainability reporting and assurance, including the continued influencing of international reporting, assurance and ethics and independence standards and their adoption for use in the UK and acting as Secretariat to the newly established Technical Advisory Committee to support the provision of high-quality and trustworthy information.
 - VI. We will review our Framework and Principles for the Development of Codes, Standards and Guidance to ensure they are fully aligned with the FRC's objectives, duties, and the government's priorities as set out in the remit letter, including our Growth Duty.
 - VII. Monitoring and reporting on competition developments in the audit market and commissioning informal market studies.

Supervision



Within Supervision we have created over the past few years a model for year-round engagement on audit quality with the Tier 1 firms in our remit. We are now working on building out proportionate supervision for Tier 2 and 3 firms, where audit quality is less consistent but there is market appetite to understand what is required to successfully expand and scale into the PIE audit market. We have also started to take the learnings from deploying this dedicated supervisor-led approach, into our restructured Professional Bodies Supervision team. Combined, this will give us a unique cradle-to-grave view as regulator. We will better understand and be able to oversee the qualifications and training provided to auditors and accountants, control the quality of firms and individuals registering to undertake PIE audit work, and obtain holistic insights as to individual firm culture, risk and resilience as well as for the market as a whole through our market monitoring activities and operational separation reporting. Our Audit Quality Review team will continue to support our understanding of the state of the audit market with a view of audit quality in practice by delivering a full programme of reviews, targeted at areas of the highest risk. Similarly, our Corporate Reporting Review team will provide a view on the quality of compliance with existing and new reporting requirements. Our thematic review choices will reflect those areas where we see both room for improvement and an opportunity for our insights to support stakeholders to interpret and comply with the requirements which apply to them. Finally, in our role as interim Shadow System Leader for Local Audit, we will draw on all the expertise within Supervision and the FRC more widely, to address the unacceptable backlog in local audit opinions and support the local audit system towards a more sustainable trajectory of improvement. We will work within the flat headcount this year by reducing pace and scope in areas of discretionary activity, and re-allocating resource across teams, building in flexibility and fungibility wherever possible.



A dedicated supervisor-led approach

Key deliverables for 2024-25 include:

- I. Continue our forward-looking supervision of audit firms including Tiers 2 and 3. Identify priorities for each firm to improve audit quality and to hold them accountable for delivering them. Continue to build capacity and capability to deliver improved audit quality at the Tier 2 and 3 firms (through Scalebox, ISQM1, culture and risk and resilience).
- II. Registration of audit firms and responsible individuals who undertake PIE audit work.
- III. In AMS, assess the effectiveness of the application of the FRC's Ethical Standard and ISQM1/2. Assess the resilience of the audit firms and supervision (voluntary) operational separation. Develop an Audit Market Monitoring function.

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- IV. Deliver a full programme of high-quality AQR inspections, continue work on our Developing AQR project, and publish a report on major local audit quality inspection findings.
 - V. Assess the quality of compliance of companies, LLPs and other relevant entities with relevant reporting requirements in annual and interim reports and accounts, while targeting companies in higher-risk sectors. Focus on a small number of areas of new reporting requirements and other areas of particular investor interest and where there is room for improvement in terms of compliance or decision-usefulness.
 - VI. Collaborate with the FCA in the monitoring of mandatory climate risk disclosures, additional reporting requirements expected during the plan period which will fall to CRR to assess, including TCFD, Companies Act Climate disclosures, UK Sustainability Disclosures Standards, Transition Plan Taskforce disclosures alongside potential extension of CRR's remit under C(AICE). Work alongside CG&S to monitor corporate governance disclosures. Continue to publish on a quarterly basis (with the consent of the relevant entities) the outcome of substantive challenges in an accessible form and a list of companies who receive no issue letters.
 - VII. Continue to build capacity and capability to embed the new supervisory strategy for the professional bodies, education and training for the audit and actuarial qualifications and CPD, pursue mutual recognition of overseas qualifications, maintain Third Country Audit regime.
 - VIII. Deliver, with key partners such as DLUHC, NAO and CIPFA a plan to help reduce the backlog in local audit and, as Interim Shadow System Leader, advise on steps to put the local audit market on a more sustainable trajectory. Commence reporting annually on the state of the local audit system, continue development and implementation of the workforce strategy.

Enforcement



Delivering a risk-focused, proportionate and timely enforcement regime is critical to maintaining trust and confidence of investors and others in audit, corporate reporting and governance. It ensures that those responsible for poor quality audit and reporting and the underlying poor behaviours are held to account and is an important aspect of our role as an improvement regulator in demonstrating what is required and setting non-financial sanctions to drive change. It also supports root cause analysis which can be fed into quality improvement plans or used to inform subsequent policy and supervisory work. The division has again made good progress in resolving cases, and the revised timeliness KPI will provide a more accurate view of what is realistic in this area. The division will monitor carefully the caseload and impact of planned flat headcount for this year, and in order to address any risks to robustness or fairness of case outcomes or efficiency and effectiveness of case handling. Unless sufficient resource is guaranteed, the division will not proceed with discretionary work such as a review of Sanctions Policies.



A risk-focused, proportionate and timely enforcement regime

Key deliverables for 2024-25 include:

- I. Using our enforcement powers effectively and efficiently by focusing our investigations and enforcement action on subjects (firms and individuals) for breaches and misconduct in the most serious or significant matters and highest priority areas of regulatory concern.
- II. Continuing to ensure the proportionality and consistency of the approach taken to investigations, enforcement action, and sanctions in the interests of fairness and efficiency without sacrificing outcomes.
- III. Continuing to strive to meet the 2 and 3-year KPI targets of 50% and 80% respectively.
- IV. Publishing case outcomes throughout the year and our Annual Enforcement Review, highlighting what good looks like.

Corporate Services



Our regulatory objectives, including a focus on measuring our impact and contribution towards the UK's growth and competitiveness, are best served by an efficient and effective Corporate Services division. This year, as well as supporting the successful delivery of our two new office locations, we will identify resource-saving opportunities and streamline more of our processes.



Our objectives are best served by efficient and effective corporate services

Key deliverables for 2024-25 include:

- I. Maintaining a sustainable non-statutory funding model, cascading the associated budget and value for money discipline (including planning and procurement) throughout the organisation.
- II. Supporting the FRC's Locations Programme with excellent HR, Finance and Facilities advice.
- III. Bolstering our IT infrastructure to maintain high standards of stability and cybersecurity. Delivering Information Management projects in line with our strategy, addressing the highest risk areas first. Sustaining our approach to information and personal data privacy.
- IV. Providing Data analytics, economic advice, impact assessment and research capability to enhance the quality of our regulatory insights and publications.
- V. Further embedding our workforce planning strategy, including through identifying skills gaps and succession planning, and developing our employee value proposition.
- VI. Providing high-quality legal advice to all FRC teams and support the FRC's continued compliance with all relevant legal duties, and the complaints handling role.
- VII. Embedding effective enterprise risk management, robust internal controls and a mature risk culture, including business contingency planning and testing.

CEO



The CEO division houses strategic underpinning functions which support the delivery of the FRC's objectives through strong governance, project and portfolio management discipline and impactful and influential stakeholder engagement and communications.

Key deliverables for 2024-25 include:

- I. Leading on a revised high-level strategy for 2025 onwards.
- II. Delivering appropriate organisation reporting of the FRC's performance in meeting its Growth Duty and supporting policy development in the context of the government's 'Smarter Regulation' approach.
- III. Executing improvements to our governance approach, including through taking forward actions from our external board performance review, streamlining conflicts of interest processes and enhancing opportunities for non-executives and senior advisors to contribute their skills.
- IV. Delivering a focused yet impactful, integrated stakeholder engagement, public affairs and communications programme.
- V. Improving the alignment of all projects with our published project management framework, through the provision of tools, templates and training which are simple to use and easy to access.

4. Operational requirements

The FRC experienced a significant period of growth during the past 5 years, as we addressed the recommendations of the 2018 Kingman report and pursued a transformation agenda to ensure we were respected by stakeholders as an effective regulator.

It is right that in 2024-25 we pause our further planned growth, and instead prioritise our existing resources. However, due to the headcount increase that has already occurred during 2023-24, we expect our cash budget to rise as the full year's cost is realised.

Overall, the combined budgeted cost of the FRC and the UKEB will be £71.5m (2023/24 budget: £66.3m). This is an increase of 7.8% on our 2023-24 budget in nominal terms. Since we set the current year budget in 2022, prices are forecast to be, on average 7.5% higher in 2023 and 3.6% higher again, on average, in 2024¹. This equates to a 'real' decrease of about 2.3% in 'budget to budget' terms.

Our forecast outturn for 2023-24 is £61.6m, due to a deliberate rephasing of recruitment and expenditure. Against this forecast, our proposed 2024-25 budget represents a nominal increase of 16.1%, or 4.4% when adjusted for inflation.






It should be noted that each year our budget contains an assumed figure for enforcement case costs, net of case cost recoveries awarded. The actual amount can differ significantly in years when we receive high cost awards, such as in 2023-24. These cost awards do not necessarily relate to cases concluded in that financial year.

Annex 1 contains a detailed breakdown of expenditure and funding requirements. The number of people we employ will stay flat against our 2023-24 forecast of 506 (FTE: 487). This is a decrease of 25 (or 4.7%) compared with our budgeted headcount for March 2024 of 533 (FTE: 516).

This year, due to uncertainty over the prospect of legislative changes, we have set out a one-year budget and plan. However, as mentioned above we wish to return next year to our practice of setting out a three-year view of our expected budget.

¹ Based on OBR inflation figures

Our planned headcount for 2024-25 compared against our current year budgeted headcount:

Division		March-24 Budget	March-25 Budget	March-25 Budget FTE
 Regulatory Standards		90	83	81
 Supervision		215	200	189
 Enforcement		80	78	75
 Corporate Services		87	85	82
 CEO division		32	30	30
	Total FRC	504	476	457
	UK Endorsement Board	29	30	29
	Total	533	506	486

i) Our People

The FRC is an organisation of experts, many of them leaders in their fields. As a regulator whose core asset is the knowledge and experience of those experts, it is important that we retain and build on the improvements we have made in recent years. The next financial year will see us start in earnest the process of operating from two locations. Approximately five percent of our current staff are due to relocate to our new Birmingham office before the end of FY 2023-24, and we have already started to recruit new staff there too. However, given the slowdown in our planned headcount growth compared to the original business case assumption, the pace of expansion into the Birmingham office may be slower as a result.

Towards the end of 2024, we will also move our London office to another location on the government estate. Our two new office spaces are expected to see us located closer to other regulators, government departments and arm's length bodies as part of the 'Places for Growth' programme, and able to provide our colleagues with what we hope will be an enriched working experience which comes from co-location in modern office buildings alongside other public sector organisations. Moving to a dual location model also presents us with an opportunity to look at what we value most about the FRC's culture and seek to learn how we can best replicate or improve on those things so that all colleagues are able to thrive, regardless of where they work. We will report on these moves and their impact over the coming years until we reach our intended split between London and Birmingham.

An opportunity to look at what we value most about the FRC's culture



We will continue the professionalisation of our colleague experience, developing the work started during 2023 to enhance our onboarding and learning and development offering. In particular, we will retain focus on growing our leadership capabilities, which will be an essential component for achieving our objective of being a best-in-class regulator.

5. Risks and challenges

We report in detail on our principal risks and the operation of our risk management framework during the preceding year in our [Annual Report and Accounts](#).

In setting our annual budget and determining our priorities across the period of this plan, we have considered our current risks, their trend, and the likelihood of our existing mitigating actions failing to be sufficient to address those risks over the medium-term. We had previously identified the impact of delay or ineffective regulatory reform due to political and other pressures as one of our principal risks. This risk has now crystallised and as a result we will no longer report on it. The actions we are taking on headcount, costs and prioritisation of our activities for this plan and budget reflects the changed environment in which we are now operating.

The FRC Board and Executive are also aware that managing risks to our operational effectiveness in a more cost constrained environment is essential for success, and plans are in place to ensure that we have the necessary leadership capability to deliver our plan within budget, and that we focus on streamlining our processes wherever possible to enable our colleagues to focus on high-value activities. Creating, embedding and monitoring the culture required to achieve this is a priority.

More broadly, our plan continues to recognise the need to be flexible and within each risk we identify appropriate mitigating actions to create options for alternative routes to similar outcomes.

The actions we are taking reflect the changed environment in which we are now operating




6. Key outputs and success measures

The KPIs in the table below are those which we have chosen to publish from 2021 onwards, with two exceptions, described below. They represent quantitative metrics against which we assess our operational performance. They are supported by more detailed management information and additional internal metrics. The table below shows our full year target for each KPI and the previous full year's performance. Performance for the 2023-24 financial year will be published in our annual report and accounts in July 2024.

At the end of 2022 we formally commenced the registration of firms and responsible individuals (RIs) who undertake PIE audit work, an activity previously delegated to the ICAEW. This change, effected by government as part of their audit reforms, is a key mitigation against the risk of poor audit quality.

Owning the registration process allows us to ensure that only those firms and individuals who can demonstrate sufficient capacity and capability are able to undertake PIE audit work. In addition, imposing conditions on registration or de-registering where we have concerns can act as a powerful incentive for firms to prioritise audit quality. Ensuring that firms and RIs can rely on a swift and responsive approach to processing their applications is also an important part of supporting firms in managing and growing their PIE audit portfolios, which benefits competition and contributes to our growth duty. We therefore consider the measure of application processing time is an indirect contributor to overall audit quality.

Timely investigation and enforcement action is an important factor in discharging our regulatory obligations fairly and in a proportionate manner. As reported last year and in our [Annual Enforcement Review](#) we have reflected on the most appropriate way to measure our performance with a timeliness KPI, taking into consideration the limitations of the existing two-year KPI. We introduced a comparative KPI measure that was based on all cases where the KPI fell due in the year, irrespective of whether it was achieved in-year, in a previous year or not yet met. This ran alongside the historical KPI, adopted since the inception of the AER, which included all cases where the KPI either fell due or where it had been met in the reporting year. We consider that the comparative measure offers richer and more meaningful data, particularly in the longer term, and it is against this that we report this year and intend to report in future years. Given the size and complexity of the enforcement caseload, and the impact of external factors outside our control a period of two years from commencement to settlement, closure or service of the investigation report or proposed formal complaint is not realistic. We determined that instead a calibrated benchmark measuring both a two and three-year KPI is a better indicator of performance.

Category	Measure	Target 2024/25	2022/23 (FY)
Supervision and Monitoring 	Number of Audit Quality Review (AQR) reports completed	150	143
	Number of Corporate Reporting Review (CRR) reports opened	240-260	263
	Constructive engagement cases concluded within 12 months	100%	81%
	Standard PIE auditor registration applications processed within 25 days	100%	N/A
Enforcement 	Enforcement case investigations concluded, settled, or closed within three-year target ²	80%	N/A
	Enforcement case investigations concluded, settled, or closed within two-year target	50%	75% ³
Financial and operational performance 	Operating costs against budget (excluding UKEB)	£66.4m	£50.5m
	Recruitment against budget (excluding UKEB)	504	443
	FRC complaints responded to within service level agreement timeframe ⁴	100%	100%

As we take steps to re-prioritise and further embed our remit, we will explore how we can better report on our assessment of our regulatory impact, including through reporting against our growth duty and being transparent about how and why we believe our regulatory decisions are proportionate and remove burdens on business. It is important that we are also transparent regarding risks emerging at the perimeter of our current remit.

² See text above table for an explanation of the changes in our chosen Enforcement metrics.

³ Note that this figure relates to a period in which the target for this KPI was 100%, see text above table for an explanation of the changes in our chosen Enforcement metrics.

⁴ This KPI was previously reported on a split basis with professional body complaints separated out. This single measure includes complaints processed by any FRC team.

7. UK Endorsement Board

The UK Endorsement Board (UKEB) was set up by the government in 2021 as an independent body, to influence, endorse and adopt new or amended international accounting standards issued by the International Accounting Standards Board (IASB), and to lead the UK's participation in and contribution to the development of a single set of international accounting standards. The UKEB is accountable to the Secretary of State for its technical decision-making and subject to FRC oversight in respect of its governance and due process. The FRC's Chief Executive acts as Accounting Officer for the UKEB. Further information can be found on the [UKEB website](#).

The UKEB has set its budget at a level designed to ensure that it has adequate resource to enable it to fulfil its statutory objectives, which are approved by the Secretary of State, and deliver on its regulatory strategy. The UKEB's 2024/25 Regulatory Strategy is available to view on its [website](#). In setting its budget, the UKEB consults with the FRC and follows the FRC's budgeting processes.

During 2023/24 the UKEB budgeted for a headcount of 30 (**FTE: 30**). In 2024/25, consistent with the overall budget approach taken by the FRC the UKEB will keep its headcount flat. The UKEB considers that the budget is sufficient to undertake its statutory responsibilities. The full cost of the UKEB's funding is collected on their behalf through the FRC's funding arrangements. The influencing, endorsement and adoption of international accounting standards on behalf of the UK, is not an FRC function and therefore UKEB costs are shown separately in Annex 1, below.

Annex 1 - Expenditure and funding

2024/25

Expenditure

We have set an overall budget of £71.5m for 2024/25 (2023/24: £66.3m). Our budget comprises:

- Regulatory activities for which we set an annual budget, and which are funded through levies on market participants.
- Enforcement case costs, which reflect both the number and size of cases we are currently taking forward and our estimate of the costs of cases we might take on in-year. We seek to recover case costs from the audit and accountancy professional bodies under the terms of our enforcement schemes.
- Activities carried out on behalf of and funded by Government or other public agencies.
- The cost of the UK Endorsement Board, whose regulatory strategy is agreed by DBT, and which is funded by market participants through our preparers levy.

The budget for those functions funded by market participants in 2024/25 (including the UKEB) includes:

- The impact of inflation during 2023/24.
- The forward impact of the FRC's 2023 pay settlement which increases our base pay assumptions beyond those of the previous 3-year plan. The 2023 pay settlement was below inflation and within the limit set by Government for the public sector.
- The full-year cost of staff recruited during 2023/24.
- The additional costs involved in establishing at Government request a second office in Birmingham and of relocating our London office within the Government Estate. These costs were not included in the previous 3-year plan because the scope of the relocation had not been agreed at that time. For the 2024-25 year, any increase in costs resulting from this is budgeted to be funded through reserves.

The following tables set out our proposed budget by our core regulatory activities, by division and by expenditure type.

Table 1: Expenditure by activity – summary	2023/24 Forecast £m	2023/24 Budget £m	2024/25 Budget £m	Budget to Budget Change £m
Audit and Assurance	37.5	41.5	45.0	3.5
Corporate Reporting	10.0	10.2	10.7	0.5
Corporate governance and investor stewardship	2.8	2.8	2.8	0.0
Actuarial Regulation	3.4	3.6	3.7	0.1
Other Functions	3.1	3.1	3.7	0.6
UK Endorsement Board	4.8	5.1	5.6	0.5
Total	61.6	66.3	71.5	5.2

The FRC has three divisions covering its regulatory activities and the corporate services and CEO divisions, combined here. The budget for each division is as follows:

Table 2: Expenditure by division	2023/24 Forecast £m	2023/24 Budget £m	2024/25 Budget £m	Budget to Budget Change £m
Supervision	22.7	23.6	25.4	1.8
Regulatory Standards	10.3	11.0	11.3	0.3
Enforcement	3.8	3.9	3.9	0
Corporate Services	13.6	13.0	16.0	3.0
CEO	4.6	4.7	4.3	(0.4)
Sub Total	55.0	56.2	60.9	4.7
Audit and accountancy case costs	1.8	5.0	5.0	0
Total FRC	56.8	61.2	65.9	4.7
UK Endorsement Board	4.8	5.1	5.6	0.5
Total	61.6	66.3	71.5	5.2

Corporate Services costs include IT, finance, HR and facilities costs, and legal and analytical support for the Supervision, Regulatory Standards and Enforcement and CEO Divisions and UKEB and are assigned against our regulatory activities on a proportionate basis. The UKEB costs above include its allocation of the recharge.

The budgets we have set for each of the FRC's regulatory activities are as follows:

Table 3: Expenditure by area	2023/24 Forecast £m	2023/24 Budget £m	2024/25 Budget £m	Budget to Budget Change £m
Supervision				
Audit Quality Review	10.7	10.7	11.9	1.2
Corporate Reporting Review	7.3	7.2	7.6	0.4
Audit Firm Supervision	3.6	3.8	4.2	0.4
Audit Market Supervision	3.4	3.4	4.0	0.6
Shadow Local Audit systems leadership	1.2	1.1	1.7	0.6
Professional Bodies Supervision				
Professional Bodies Supervision	6.3	6.5	7.4	0.9
Third Country Auditors	0.8	0.8	0.8	-
Enforcement core costs	6.0	6.2	6.3	0.1
Regulatory Standards				
Corporate governance and investor stewardship	2.8	2.8	2.8	-
Accounting and reporting standards	2.8	3.0	3.1	0.1
Audit and assurance standards	3.6	4.0	3.7	(0.3)
FRC Lab	2.8	2.8	3.4	0.6
FRC Taxonomies	0.3	0.3	0.3	-
Actuarial				
Technical actuarial standards	3.2	3.4	3.5	0.1
Professional oversight	0.2	0.2	0.2	-
Total Core Costs	55.0	56.2	60.9	4.7
Audit and accountancy case costs	1.8	5.0	5.0	-
Actuarial investigation costs	0.0	0.0	0.0	-
Total FRC Costs	56.8	61.2	65.9	4.7
UK Endorsement Board	4.8	5.1	5.6	0.5
Total	61.6	66.3	71.5	5.2

Table 4: Expenditure type	2023/24 Forecast £m	2023/24 Budget £m	2024/25 Budget £m	Budget to Budget Change £m
Staff costs	46.8	46.6	50.9	4.3
NED and Committee Member Fees	0.9	1.0	1.0	-
Facility costs	2.9	2.7	4.1	1.4
IT & Website	3.0	3.6	3.4	(0.2)
Travel	0.5	0.6	0.5	(0.1)
Conferences	0.3	0.4	0.3	(0.1)
Recruitment	0.6	0.7	0.5	(0.2)
Training	0.5	0.6	0.5	(0.1)
Legal / professional / audit	1.6	2.2	2.4	0.2
Research	0.4	0.6	0.5	(0.1)
All others (see note)	2.0	2.0	2.1	0.1
FRC Taxonomies	0.3	0.3	0.3	-
Total	59.8	61.3	66.5	5.2
Actuarial investigation costs	-	-	-	-
Audit and accountancy case costs	1.8	5.0	5.0	-
Total	61.6	66.3	71.5	5.2

This table includes UK Endorsement Board costs.

Audit and accountancy case costs are shown net of the costs recovered under the terms of the enforcement schemes.

Funding requirement 2024/25

We set our annual funding requirement and levies for 2024/25 in line with the proposed budget. We have set an overall funding requirement of £71.5m for 2024/25 (2023/24: £66.3m). This represents an increase of £5.2m on the previous year's funding requirement.

To enable stakeholders to assess our expenditure against the funding we have raised, we compare our expenditure each year against the budget and funding requirement set at the beginning of the year rather than the forecast outcome.

We have allocated the funding requirement as follows:

Funding sources	2023/24 Forecast £m	2023/24 Budget £m	2024/25 Budget £m	Budget to Budget Change £m
Audit and Accountancy funding groups				
RSB contribution to AQR	9.4	10.4	10.7	0.3
RSB contribution to AMS	3.4	3.4	3.9	0.5
RSB contribution to AFS	3.6	3.8	4.0	0.2
NAO & Crown Dependencies	0.8	0.6	0.8	0.2
CCAB contribution	12.9	13.1	14.3	1.2
CIMA	0.8	0.9	0.8	(0.1)
Audit and accountancy case costs	1.8	5.0	5.0	-
Sub-total	32.7	37.2	39.5	2.3

Companies (Accounts Preparers)				
For the FRC	17.5	17.7	18.8	1.1
UK Endorsement Board	4.8	5.1	5.6	0.5
Contribution from FRC reserves	0.8	0.8	1.0	0.2
Government contribution	0.5	0.2	0.7	0.5
Sub-total	23.6	23.8	26.1	2.3

Actuarial funding groups				
Insurance companies	1.7	1.7	1.8	0.1
Pension schemes	1.7	1.7	1.7	-
Actuarial profession	0.2	0.2	0.2	-
Sub-total	3.6	3.6	3.7	0.1
Publications, FRC Taxonomies, TCA registration fees	0.5	0.6	0.5	(0.1)
DLUHC	1.2	1.1	1.7	0.6
Total	61.6	66.3	71.5	5.2

FRC levies 2024/25

Audit and accountancy profession

The audit profession's contribution to the cost of FRC's audit quality review, audit firm supervision and audit market supervision activities is paid by the Recognised Supervisory Bodies.

The audit and accountancy professional bodies' contributions to the cost of the FRC's professional body supervision, audit and assurance standard-setting, and a proportion (50%) of the core costs of our enforcement activities, are paid by the Consultative Committee of Accountancy Bodies (CCAB) and CIMA. The CCAB member bodies are ACCA, CAI, CIPFA, ICAEW, and ICAS. CIMA contributes to the FRC's funding requirement under the terms of a separate agreement with the FRC.

The funding requirement for our role as shadow systems leader for local audit will be met by the Department for Levelling Up, Housing, and Communities (DLUHC). Our work to monitor the quality of local audit is funded through the contributions from the audit and accountancy professional bodies.

Accounts preparers

Accounts preparers contribute to the cost of our work on corporate reporting standards, corporate reporting review, corporate governance and investor stewardship, and a proportion (50%) of the core costs of enforcing auditing and accounting standards, through the FRC preparers levy. Accounts preparers include listed and large private companies, UK AIM companies and public sector organisations.

At the request of DBT, the FRC will continue to collect the cost of the UKEB (2024/25: £5.6m) through the preparers levy. This amount is included in the FRC's budget and annual funding requirement.

As requested by Government we will continue to raise the major share of UK's annual contribution to the IFRS Foundation (2024/25: £0.9m) through the preparers levy. This amount is not included in the FRC's budget or annual funding requirement.

The Department for Science, Innovation and Technology will provide a grant in aid of £0.6m towards costs of running the CODEx project within the FRC Lab.

In 2024/25 we will also draw on £1.0m from our general reserves to reduce the amount we would otherwise raise through the preparers levy. The use of any reserves is subject to agreement with DBT. We will consider how the remaining reserves can be best utilised in future.

Taking account of the contributions from Government and the FRC's general reserves, we will increase the amount we request through the preparers levy towards the FRC's annual funding requirement in 2024/25 by 7%. This will require an increase of 13.5% in the rates we apply.

For listed entities the levy is calculated based on their market capitalisation at the end of September 2023. For other entities the levy is calculated based on the latest available data on their turnover. Premium listed preparers are asked to pay the levy based on the full rates; other entities are charged a proportion of the full rates.

	Organisation size per £m of market cap*	2024/25 Preparers levy rate
Minimum fee for all companies	Up to 100m	£2,076
Additional fees based on the following levy bands		
1	100m - 250m	£20.37
2	250m - 1,000m	£15.54
3	1,000m - 5,000m	£15.03
4	5,000m - 25,000m	£0.2446
5	> 25,000m	£0.0462

The following table gives examples amounts that will be charged to different types of entity:

Organisation	2024/25 levy
UK AIM company with £100m market cap (50% discount)	£1,038
Private company with £750m turnover (50% discount)	£6,451
Premium listed company: £10bn market cap (full rates)	£78,130

Actuarial levies

By agreement with Government, we fund our work on actuarial regulation through levies on pension schemes and insurers. These levies are collected on a non-statutory basis.

The actuarial profession contributes to the cost of actuarial professional oversight.

Pension levy 2024/25

The FRC pension levy applies to all Defined Benefit and Defined Contribution schemes with 5,000 members or more. We will raise £1.7m through the pension levy in 2024/25. We will confirm the levy rate to be applied after receiving data on scheme membership provided by the Pensions Regulator.

Insurance levy 2024/25

The insurance levy is allocated to insurance companies as a proportion of the FCA and PRA regulatory fees and requested on the same invoice as the PRA fees. We will raise £1.8m from the insurance levy in 2024/25 and we will apply the levy rate necessary to secure this as a proportion of the FCA and PRA fees.

Reserve powers

Our funding arrangements are based on non-statutory arrangements put in place at the request of Government. Should these arrangements prove unworkable the Secretary of State is able to make regulations to introduce statutory levies on a statutory basis for those functions designated in The Companies (Audit, Investigations and Community Enterprise) Act 2004.

Audit regulation: Equivalence and adequacy assessments

The UK makes equivalence and adequacy decisions in relation to third country audit (TCA) regimes. Equivalence is where another country's audit regime is deemed to apply a comparable standard of oversight. Adequacy is where another country's competent authority is deemed adequate for the purposes of sharing information.

DBT have asked the FRC to make recommendations on equivalence and adequacy for selected countries. The FRC undertakes assessments to make those recommendations. We have set a budget and funding requirement for this work in 2024/25 of £0.8m.

The fee charge in 2024/25 will remain unchanged and are shown in the table below.

Annual fee payable by a registered third country auditor 2024/25		
Number of audit clients	Type of registration as a third country auditor	
	Equivalent registration (Form A)	Full registration (Form B)
0 – 9	£1,221	£2,357
10+	£2,925	£5,765

Further information about our current funding is available on our [website](#).



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