



Financial Reporting Council

Consultation on the FRC Annual Plan and Budget 2026-27

Feedback statement

March 2026

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1. Introduction

Our consultation

We published our Draft Annual Plan and Budget 2026-27 in December 2025, inviting responses by 6 February 2026. This feedback document summarises the range of views we received from our stakeholders, and our response. We are grateful to the respondents, for their support for our regulatory approach, including our initiatives to reduce burdens on regulated entities, and their suggestions on how we can further develop our work.

The FRC's finalised Plan and Budget 2026-27 sets out our activities for the second year of our Strategy for 2025-28 and the resources needed. It builds on work begun to deliver against the four strategic objectives within that Strategy. This represents a year of delivery for the FRC.

Section one summarises your views on our planned activities, and our response, while section two summarises your views on our expenditure and funding and confirms our budget and levies.

2. FRC Annual Plan 2026-27

What you told us and our response

Respondents raised the following points on our proposed plan and activities for 2026-27.

Overall objectives and Strategy for 2025-28

Respondents welcomed the FRC's overall objectives and recognised the planned activities for 2026/27 as relevant and important, especially in relation to burden-reductions for Small and Medium Enterprises (SMEs) and support for smaller audit firms. FRC's ambition to support the Department for Business and Trade (DBT)'s work on Modernising Corporate Reporting and engage on Sustainability Reporting were also welcomed.

Most respondents asked whether the plan for 2026-27, or the three-year [Strategy for 2025-28](#), would be revised in the light of the government's announcement on 20 January 2026 of its decision not to proceed with a major package of legislation on audit reform.

As Minister McDougall recognised in his letter to the Select Committee, the FRC has transformed as a regulator since the reform package was originally proposed and the quality of audit has improved considerably. We will continue to work with government to make the audit market work better, minimise the administrative burden of regulation and support growth.

Our three-year Strategy for 2025-28 set out the FRC's purpose to serve the public interest and support UK economic growth, and detailed four strategic objectives to guide our activities. These remain appropriate and continue to guide our work. As is standard practice, we will review our Strategy again this year and consider whether targeted adjustments are required. We do not anticipate wholesale changes.

We have maintained a flat headcount since 2023 and limited cost growth to inflation since 2024, while continuing to deliver an expanding portfolio of responsibilities. We have been asked to take on additional activities by government, including the development and delivery of the sustainability assurance registration regime and increased focus on international mutual recognition arrangements, while delivering major programmes such as the Future of Audit Supervision Strategy (FASS) and the End to End Enforcement Procedure (E2E). We have redeployed existing resource to meet these commitments as we are resolute in our ambition to deliver more with the resources available. Our plan for 2026-27 continues this flat trajectory, with a focus on efficient delivery of in-flight work.

Our Major Projects

Respondents voiced their strong support for the End to End Enforcement Procedure review. This built on more detailed feedback in responses to the [Audit Enforcement Procedure: Consultation on proposed updates to the FRC's routes to resolution](#) which closed on 9 January 2026.

Most respondents who commented on this topic made clear their expectations for demonstrable outcomes and measures, with case timeliness the most frequently referenced concern. The new

processes (Accelerated Procedure and Early Admissions Process) offer the potential to conclude investigations significantly faster than the 2-3 years envisaged by the existing key performance indicators. We have set out our commitment to review the effectiveness of new routes to resolution, no earlier than 2028, to allow enough time for cases to be brought forward under the Audit Enforcement Procedure to inform the review, and for audit firms and individual auditors to become more familiar with the new routes to resolution. Several respondents emphasised the importance of the linkage between FASS and the new enforcement processes being introduced under E2E. The two projects share information regularly, have common team members and maintain aligned project governance.

Stakeholders have been supportive of the direction set by the Future Audit Supervision Strategy, recognising the benefits of a more proportionate, risk-based supervisory approach. We welcome this positive feedback and remain committed to implementing an approach that improves audit quality and firm resilience while supporting a more consistent and efficient supervisory framework across the market.

The FRC acknowledge the areas where respondents have asked for greater clarity - particularly around what firms should expect under the revised supervisory model, how inspection activity will be structured, and how public reporting will evolve.

The FRC's new supervisory model is commencing in April, with a phased implementation focusing on the twelve largest PIE firms. As part of this launch, in addition to an update to the wider market, firms will receive details on how the approach impacts them and we will actively engage with stakeholders to ensure FASS is implemented in a way that delivers the intended benefits, maintains clarity, and supports a high-quality and resilient audit market.

Innovation

Many respondents welcomed our initiatives to support choice and resilience in the audit market, including the Innovation and Improvement Hub and Building Capability and Capacity for Smaller Firms project. Some asked us to more explicitly articulate our support for competition and mid-tier resilience in the audit market. We remain firmly committed to fostering a more diverse and resilient audit ecosystem, and much of this work is already embedded across our supervisory, market-monitoring and capability-building activities. Through our ongoing engagement with challenger firms, our focus on proportionate and risk-based supervision through FASS, and our targeted programmes designed to strengthen smaller firms' capacity to undertake high-quality PIE audits, we will continue to support a market in which a broader range of firms can compete, grow and succeed.

Sustainability Assurance Register

Several respondents asked for additional detail on the operation of the Sustainability Assurance Register which DBT has tasked the FRC with establishing. The government's [response to feedback received from its consultation on this proposal](#) was published in January 2026, setting out greater detail.

International Standards

Several responses emphasised the value of UK alignment with international standards and the significant effect that this has on reducing burden. The FRC is committed to influencing international standard setting and through our active participation in the IAASB and IESBA, and engagement with the IASB and ISSB, we continue to ensure that the UK's voice is reflected in global developments. This includes our leadership roles on key international working groups, including our active membership of IFIAR, our contribution to the development of international standards, and our work to promote high-quality, globally comparable audit, assurance, ethical and reporting frameworks. At the same time, we remain focused on adopting international standards in a timely and proportionate manner and will only introduce UK-specific requirements where necessary to reflect domestic law or clear public-interest considerations. This approach underpins our commitment to reducing unnecessary regulatory divergence, supporting market efficiency and maintaining the UK's attractiveness as a place to do business.

3. FRC Expenditure and funding 2026-27

What you told us and our response

Respondents raised the following points on our proposed expenditure and funding.

Expenditure

Respondents welcomed our maintaining overall expenditure levels and our transparency on use of reserves. Our final budget is a below-inflation increase.

Respondents wanted to understand how the FRC is ensuring it has the skill mix, capacity and expertise to deliver sustained change in the absence of increased headcount. At an executive level we assesses the key skills, expertise and abilities required to meet our commitments. We offer continuous professional development and learning to all our staff in order to deploy them in the most agile manner.

Multiple respondents highlighted the importance of building internal FRC capability in AI and technology, and welcomed our planned work through the Technology Training Hub. Digital reporting and data analytics, sustainability reporting / assurance and systems of quality management were also identified as skills and knowledge areas the FRC should invest in. Conscious that our people represent our most significant area of expenditure, but likewise our greatest asset, we are focussed on individual effectiveness and accountability through effective training, alongside our revised and more rigorous performance evaluation process.

Two respondents requested that the FRC issue a three-year budget to provide greater long-term visibility. While we do not intend to issue a multi-year budget at this time, we recognise the value stakeholders place on enhanced forward planning information. As part of our annual planning process for 2027–28, we will consider how we can provide improved medium-term visibility, including where it may be appropriate to share clearer assumptions about future resource needs, cost drivers and programme sequencing. Our commitment remains to maintain cost discipline, ensure value for money, and communicate transparently with levy payers as our work evolves. In May 2025 the FRC introduced a quarterly consultation schedule, to provide greater consistency and provide clarity for stakeholders – enabling them to better anticipate, prepare for and respond to regulatory developments from the FRC. We remain committed to consulting annually on our plan and budget.

One respondent raised questions regarding the timing and funding of our Enterprise Resource Planning (ERP) programme. The main costs for implementation fall later than originally planned, which has meant that reserves set aside for earlier phases were not required in 2025/26, and the limited preparatory costs incurred this year have been absorbed within existing budgets. The majority of implementation expenditure is scheduled for 2026/27, and benefits will be realised progressively once the system goes live in Q3 FY 2026/27.

One respondent requested that expenditure on engaging external stakeholders be broken out in our divisional budget breakdown. The sum of our engagement activity is not limited to one division, with colleagues across technical teams, supervisors and wider functions engaging with stakeholders and holding consultations, led and coordinated by the FRC's Stakeholder Engagement & Corporate Affairs (SECA) team. It would therefore not be representative to give a breakdown of SECA alone as representing our total investment in engaging our stakeholders.

Funding

Respondents were supportive of our holding overall funding at its current level in real terms. This commitment to do more with existing resources sits alongside our ongoing principle of only charging stakeholders for the costs we actually incur.

One respondent asked about our use of reserves. Reserves are used only with DBT approval for specific one-off expenditure.

Some professional bodies asked about the need for Government to change the FRC's funding model at the point that the organisation is put on a statutory footing. The FRC's view on the principles for improving the funding model was set out in our [consultation in 2022](#). We believe these principles remain the most relevant for any review of FRC funding.

Annexe - Respondents

The following 14 organisations and one individual responded to our consultation:

- Chartered Governance Institute UK & Ireland (CGI)
- Consultative Committee of Accountancy Bodies (CCAB)
- Crowe UK LLP
- Deloitte LLP
- Ernst & Young LLP (EY)
- Forvis Mazars LLP
- Institute of Chartered Accountants in England and Wales (ICAEW)
- Institute of Chartered Accountants of Scotland (ICAS)
- KPMG LLP
- Martyn E. Jones
- PricewaterhouseCoopers LLP (PwC)
- SME Alliance Limited
- The Association of Practising Accountants (APA)
- UK Private Capital
- United Kingdom Shareholders' Association (UKSA)



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