



Financial Reporting Council

Draft Annual Plan and Budget

2026-27



December 2025

Contents

1. Introduction	4
2. 2025-28 Strategy: Delivery Progress	5
3. Delivering in 2026-27	8
4. 2027-28 Focus	14
5. Operational requirements	15
6. Risks and challenges	16
7. Operational Performance Measures	18
8. UK Endorsement Board	20
Annex 1 – Expenditure and funding 2026-27	21

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1. Introduction

Our plan and budget for 2026-27 sets out how we deliver on the purpose of our organisation

The purpose of the Financial Reporting Council (FRC) is to serve the public interest and support UK economic growth by upholding high standards of corporate governance, corporate reporting, audit and actuarial work.

A year ago we launched our three-year [Strategy for 2025-28](#), setting out the strategic themes and stakeholder outcomes to which we contribute.

Entering the second year of this strategy, while we will adapt our specific activities to respond to emerging needs, our purpose and strategic objectives remain unchanged. Our core activities – standard-setting, supervision and enforcement – remain the foundation of how we support investor and stakeholder confidence.

Driven by the Prime Minister’s mission to kickstart growth through burden reduction, we will ensure our work remains relevant, impactful, and supports UK economic growth. Our delivery in 2026-27 includes five major projects:

1. **End-to-End Enforcement (E2E)** – reviewing and modernising our enforcement processes and procedures.
2. **The Future Audit Supervision Strategy (FASS)** – evolving our supervisory approach to support an environment that promotes system learning and a resilient audit market.
3. **Enterprise Resource Planning (ERP)** – future proofing our operational effectiveness by replacing and streamlining FRC systems, including Finance and HR.
4. Our programme of work to support **Small-Medium Enterprises (SMEs)** in the areas we regulate.
5. **The FRC Innovation and Improvement Hub** – advancing innovation, quality and market resilience, including Building Capability for Smaller Firms, to increase regulatory certainty for our stakeholders and promote outcomes-based regulation.

Through these projects we will have reviewed the majority of our core supervisory functions and made improvements leading to outcomes which support UK growth and investment.

Our proportionate business-as-usual work will support investor and stakeholder confidence. In combination with our change initiatives this will further strengthen the FRC as a modern regulator, in line with the Government’s intention to legislate to put the FRC on a statutory footing.

The FRC will deliver this work as efficiently as possible, adhering to the principles of managing public money, assessing economic impact, and providing value for the public and the UK economy.

2. 2025-28 Strategy: Delivery Progress

In our 2025-28 strategy, published on 25 March 2025, we defined four strategic objectives and set out targeted work to deliver them. Here is some of our progress to date.

Objective 1

The standards and expectations we set will enhance corporate governance, corporate reporting and investor stewardship in a manner that supports UK economic growth and investment.



In our first year, we updated the **UK Stewardship Code** and streamlined the assessment and monitoring process, reducing burdens for asset managers, owners, and service providers. With £56.4 trillion in assets under management by signatories, this initiative enhances investor stewardship and supports UK economic growth. We are tracking progress via the number of stewardship signatories as one of our **Key Performance Indicators**. Alongside embedding the updated UK **Corporate Governance Code**, taking responsibility for the Wates Principles for privately owned business, and maintaining the **accounting standards** we set for the 3 million businesses that follow UK GAAP, this business-as-usual work supports investment in the UK.

Internationally, we chaired the's (IAASB) Going Concern Task Force and led development of the sustainability assurance standard (ISSA 5000), **aligning global practice with UK priorities**. These strategic contributions are vital for maintaining consistency across jurisdictions for global firms and investors, reinforcing trust in audit quality worldwide and ensuring UK leadership in shaping the future of corporate reporting and assurance.

Objective 2

Our regulation of accounting, audit and actuarial work will set and expect high quality by those responsible and deal effectively and fairly with cases where there are significant or serious shortcomings.



As a key focus for this objective, we progressed our **E2E project**, assessing the full enforcement lifecycle from case intake to outcome publication. We have benchmarked against peer regulators, held roundtables and consulted on measures to ensure the governance, decision-making, and operation of the enforcement process are efficient, effective, and proportionate.

Equally significantly, our **FASS project** undertook multiple phases of analysis and stakeholder engagement, in June and September 2025, on evolving our audit supervision regulatory model, aiming to deliver a more holistic and risk-based view of audit quality, integrating insights from our inspection programme, assessments of firms' internal quality management systems, and governance structures.

We delivered two activities to support smaller firms. Firstly, we launched a project on **Building Capability for Smaller firms**, to deliver the supervisory response to support these firms in developing Systems of Quality Management (SoQM). The firms that accept this invitation and are committed to investing in their SoQM will receive *reduced formal inspection, supervision and registration requirements during 2026 and 2027*. Meanwhile our **Scalebox initiative** continued to share best practice and build capability through targeted engagement.

Objective 3

We will have a deep understanding of the audit and actuarial markets we oversee, and by being a future-focused organisation we will identify and prepare for opportunities and challenges on the horizon.



Under our **SME Programme** we concluded two consultations, improving our understanding of how the audit market operates for SMEs and resulting in clearer guidance on proportionate and scalable application of ISAs (UK).

In September 2025 we launched the FRC **Innovation and Improvement Hub** to accelerate innovation, improve audit quality, and strengthen market resilience. The Hub provides stakeholders with new, flexible ways to engage with regulatory support beyond traditional supervision.

This built on several key initiatives delivered through the year, including guidance on **AI in Audit**, published in June 2025 to support responsible and effective use of AI in audit. In addition, the **CODEx project**, which completed in May 2025, delivered public tools and infrastructure to embed structure data in company reporting which continue to deliver value for users of company reporting, thereby supporting the UK economy.

Finally, we developed an appropriate approach to greater participation by **private capital** in the ownership of UK audit firms. This involved consulting on proposed amendments to the PIE Auditor Registration regulations, which respond to increased activity in the areas of restructuring, reorganisation and private capital ownership of PIE registered audit firms.

Objective 4

We will be a modern organisation, considered by others as a respected, effective and highly engaged regulator and by our colleagues as an inclusive and great place to work.



Following our move from a single City of London office building, we have embedded our dual site model with a **successful relocation** to Harbour Exchange in Canary Wharf and an expanded presence in our Birmingham headquarters at Arena Central.

To replace multiple legacy systems with a unified back-office solution we launched the **ERP programme**. It will automate tasks to increase efficiency, improve forecasting and decision-making through reliable and integrated flows of data. This improvement to our day-to-day operations equips the FRC as a modern regulator with effective workflows and information management, in turn supporting security and internal controls. Similarly, our **Regulatory Data Gathering** project has further reduced our reliance on external database providers and introduced greater automation to our data gathering exercises.

As a modern regulator we require the people and skills to deliver effectively on our objectives. We have therefore developed our **people strategy** to ensure we recruit, retain and develop the necessary skills, experience and values to meet our objectives. Alongside this we launched targeted **leadership programmes**, helping equip our staff to lead the FRC through change.

To ensure our people continued to upskill and keep pace with developing areas, in September 2025 we launched the **Technology Training Hub**, designed to help FRC staff build their digital and data skills in areas including AI, machine learning, programming and cybersecurity.

3. Delivering in 2026-27

Objective 1



The standards and expectations we set will enhance corporate governance, corporate reporting and investor stewardship in a manner that supports UK economic growth and investment.

In 2026-27 we will:

- **Set and maintain standards, codes and guidance** for corporate governance and stewardship, corporate reporting, auditing (including ethics and independence), assurance and actuarial work, and issue annual updates to digital reporting taxonomies.
 - Undertake maintenance of UK GAAP, support Statement of Recommended Practice (SORP)-making bodies and Strategic Report guidance updates.
 - Maintain Technical Actuarial Standards (including possible revision of TAS 310) and related guidance, complete annual review of AS TM 1 (pension projections) and maintain standards and guidance relating to defined benefit pensions.
 - Undertake maintenance of UK auditing, ethics and independence standards, develop a new e-Money safeguarding standard and complete a review of the Standards for Investment Reporting (SIRs) in line with changes to Financial Conduct Authority (FCA) Listing Rules.
 - Support the embedding of the revised Corporate Governance Code.
 - Complete annual revision of digital reporting taxonomies suite.
- **Contribute to international standard setting** through active participation in global and regional bodies, and by responding to public consultations.
 - Support the development of an international accounting standard for non-profit organisations, and engage with the International Accounting Standards Board (IASB) and the International Sustainability Standards Board (ISSB) through attendance at international and multilateral network conferences and meetings.
 - Provide input to the development of standards by the International Actuarial Association.
 - Promote positive outcomes for the UK economy by participating in IAASB and International Ethics Standards Board for Accountants (IESBA) board meetings and working groups, including through our role as chair of the International Forum of Independent Audit Regulators (IFIAR) Standards Co-Ordination Working Group.

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- Engage with the IFRS Taxonomy Consultative Group to support the development of high-quality digital reporting standards.
 - **Collaborate with government departments and other regulators** across key policy areas.
 - Provide secretariat to UK Sustainability Disclosure TAC, support the Department for Business and Trade (DBT) in its Modernisation of Corporate Reporting project and complete the annual due process review of UK Endorsement Board (UKEB).
 - Provide technical advice and input to HM Treasury and other regulators, provide advice and support to the Department for Work and Pensions (DWP) on developing Pension Policy issues, including establishing a Pensions Illustration Task Force, and provide recommendations on pensions illustrations policy for defined contribution schemes.
 - Support DBT in streamlining corporate governance aspects of non-financial reporting.
 - Provide support to Companies House in implementing software-only filing by 2027.
 - **Assess the effectiveness of application of policy we set.**
 - Develop our approach for voluntary monitoring of actuarial work, ahead of proposed pension legislation and reforms.
 - Complete annual review of Corporate Governance reporting, and broader post-implementation reviews.
 - Roll out the assessment system for new Stewardship Code signatory applications.
 - Complete review of digital reporting under FCA listing rule requirements.
 - **Inform decisions relating to the FRC's major change projects**, and our ongoing supervisory and enforcement work, by providing expertise in actuarial, auditing, corporate reporting and stewardship.
 - Plan and initiate development of a **voluntary sustainability assurance provider registration regime** from 2026-27.
 - **Support evolving government pensions reform** in collaboration with DWP and The Pensions Regulator.

These core activities ensure continuity in governance and reporting standards, forming the foundation for effective supervision and enforcement under Objective 2.

Objective 2



Our regulation of accounting, audit and actuarial work will set and expect high quality by those responsible and deal effectively and fairly with cases where there are significant or serious shortcomings.

In addition to our accounting and actuarial supervisory work, several key in-flight FRC projects are linked to our Supervision of the audit market: FASS, Building Capability for Smaller audit firms, SME market study and E2E Enforcement. The implementation of these projects is key for the FRC, and in the case of FASS will continue into 2027-28.

In 2026-27, we will:

- **Improve our approach to enforcement** by introducing a more proportionate and graduated range of regulatory responses through the End-to-End Enforcement Review, including an Accelerated Procedure and Early Admissions process, so that relevant cases proceed faster, improving efficiency for stakeholders and the FRC alike.
- **Continue to fulfil our statutory remit** through a robust programme of Corporate Reporting reviews, thematic work, and targeted monitoring of disclosures.
- **Support Innovation and Improvement Hub** initiatives across the FRC and UKEB.
- **Deliver an evolved Public Interest Entity (PIE) audit supervisory model** through the implementation of the transition year of the FASS project and Building Capability for Smaller firms.
- **Enhance our forward-looking Supervisor-led supervision of audit firms** grounded in their Systems of Quality Management (SoQMs) to identify priorities for each firm to improve audit quality and to hold them accountable for delivering them. We will continue to prioritise engagement with the twelve largest UK audit firms.
- **Introduce a new workstream within the Scalebox to Build Capability for Smaller Firms** in developing their Systems of Quality Management, building a pipeline of credible challengers to provide audits of PIEs. This will reduce some inspection work to help provide the necessary capacity and flexibility to support the delivery of the programme.
- **Deliver a proportionate programme of audit file inspections**, including full graded, corroboratory, follow-up, and thematic reviews.
- **Develop our oversight of the twelve largest audit firms**, tailoring our work on Leadership, Governance and Culture, and Risk and Resilience to respond to the outputs of the new style FASS-risk assessments. Horizon-scanning and proactive engagement with firms on emerging issues will remain central to the approach.
- **Embed the newly established restructuring team** to support live and upcoming transactions, while strengthening the restructuring and transaction framework through the development of a clear operating model and the establishment of a sustainable approach.

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- **Oversee statutory RQB and Recognised Supervisory Bodies (RSB) responsibilities, deliver Mutual Recognition Agreements and manage third country audit registration.** We will evolve our oversight of the professional bodies to incorporate findings from the FASS programme and the SME market study.
 - We will launch the **Audit Qualification 2030 and Beyond (AQ 2030)** project. Working with professional bodies, the project aims to keep the UK audit qualification relevant, rigorous, and appealing in a changing audit environment.
 - Deliver an effective **Audit Firm Survey**, an important tool in our supervision of audit firm culture.
 - **Influence and engage on international audit quality, contributing to positive outcomes for the UK economy.** This includes promoting mutual recognition of audit qualifications and facilitating global mobility of auditors. We will maintain active participation in the IFIAR and Public Company Accounting Oversight Board (PCAOB) Institute, and foster knowledge exchange between specialist inspectors and enforcers, and early awareness of emerging issues in other jurisdictions.

Our supervisory and enforcement business as usual work underpins investor and stakeholder confidence in reporting, actuarial and audit quality, while insights from these activities inform our forward-looking market analysis in Objective 3.

Objective 3



We will have a deep understanding of the audit and actuarial markets we oversee, and by being a future-focused organisation we will identify and prepare for opportunities and challenges on the horizon.

In 2026-27, we will:

- **Drive innovation across the FRC and the UKEB through the Innovation and Improvement Hub** by creating spaces to tackle real-world challenges in audit, reporting and governance and promote smarter regulation and responsible use of AI through initiatives like the Audit Sandbox, Scalebox and support for smaller firms.
- **Build on our work to improve public use of digital reporting data**, working with government and other regulators to develop a future digital reporting strategy to support high quality reliable information; and delivering enhancements to the public iXBRL viewer to maximise the use of digital reporting data.
- **Explore whether the audit qualification needs to change** in response to AI, ESG and other changes to audit work, so that it can continue to support the UK audit market by developing the knowledge, skills and behaviours required by the newly qualified auditor of 2030 and beyond.
- **Provide the secretariat and specialist advice to the government's UK Sustainability Technical Advisory Committee (TAC)** for the endorsement of international standards related to sustainability reporting, supporting DBT in its consultations on this, the market and a potential framework for assurance on sustainability disclosures.
- **Deliver a project to strengthen our capability to assess the economic impact** of proposed changes across our regulatory activities, to reduce burdens in line with the Prime Minister's mission to support growth.
- **Undertake research and analysis, including market studies and data products**, to inform our regulatory activities including Audit Quality Reviews and Corporate Reporting Reviews.

By deepening our market intelligence and fostering innovation, we strengthen the resilience of our regulatory framework, supporting our ambition to be a modern organisation under Objective 4.

Objective 4



We will be a modern organisation, considered by others as a respected, effective and highly engaged regulator and by our colleagues as an inclusive and great place to work.

In 2026-27, we will:

- **Implement an Enterprise Resource Planning (ERP) system** to initially integrate HR and Finance into a unified platform, enabling more efficient resource utilisation and achieving a cohesive approach to backend services.
- **Maintain our ongoing work to strengthen our cyber defences**, including enhancing our authorised access controls, to improve monitoring and assurance of our security posture and support a more resilient and secure organisation.
- **Progress our Technology Strategy and Work Plan**, including adopting new tools and making use of existing capabilities to support the delivery of our regulatory work in ways which enhance effectiveness and efficiency.
- **Enhance modern data and information management practices** including through our multi-year project relating to Regulatory Data Gathering, reducing reliance on external databases, and increasing automation.
- **Promote improvements and innovation** through a range of initiatives to enhance transparency and accessibility, including the Audit Sandbox, Digital and Taxonomies projects, CODEx project, revisions to standards, codes and guidance and research outputs.
- **Deepen our expertise in AI** by upskilling staff in the use of AI across research, data and analysis, including use of tools like Copilot and participation in external training.
- **Realise the benefits of our Central Contracts Database** to streamline contract management, support collaboration and reduce administrative burden.

These operational improvements enable us to deliver business as usual and strategic priorities efficiently, ensuring the FRC remains a trusted and effective regulator.

4. 2027-28 Focus

Looking to the third year in our [Strategy for 2025-28](#), the FRC's support for the Government's growth mission and associated change projects will improve the way we regulate, captured in our 'four faces' approach.



Based on the actionable insights produced by our **Audit Qualification 2030 project**, as a partner to auditors and the audit market we will use methods which are engaging and developmental for the next generation of students to contribute to a strong pipeline of future auditors.

Having implemented changes to our supervisory model as a result of the **FASS** project we will begin to realise the positive impacts of a more effective and proportionate regulatory approach. This will mean removing unnecessary regulatory burdens, while underpinning consistent audit quality and supporting firms to evolve their own quality management systems. By evolving our supervisory approach we will support an environment that promotes quality, system learning and resilience across the whole audit market.

Through our updated range of **E2E** options and approaches, including an Accelerated Procedure and Early Admissions process, relevant cases will proceed to completion more quickly, improving efficiency for stakeholders and the FRC alike.

Following rollout of our unified **Enterprise Resource Planning (ERP)** solution, our legacy HR, Finance and forecasting systems will be archived and ongoing benefits measured. These will include improvements to how we process recruitment, manage staff learning and development, and enable better record keeping and data processing.

We will continue to develop **Mutual Recognition Agreements** to enable cross-border audit recognition and support global mobility of UK auditors as well as expand the pool of qualified auditors able to undertake statutory audit work in the UK.

Based on horizon scanning and incorporating learning from the 2025-28 period we will set out a forward strategy to take the FRC into the 2030s. We will continue to balance the imperative to enhance corporate information for the benefit of investors, users and preparers, while avoiding unnecessary burdens and costs.






5. Operational requirements

Our People

Overall budgeted headcount remains flat across both FRC and UKEB, reflecting the decision not to grow the organisation, minimising any increase in staff costs.

Having purposefully not recruited to our full budgeted personnel figure for 2024-25 (476), we have been able to set a reduced target for March 2026 (450 people, 432 FTE) which we are on track to meet.

Note: the increase in Corporate Services and decrease in SGSE (Strategy, Governance and Stakeholder Engagement) headcount reflects existing teams moving division. All figures shown in the table below are budget not actuals.

Division		March-26 Headcount	March-26 FTE	March-27 Headcount	March-27 FTE
	Regulatory Standards	70	67	69	66
	Supervision	190	181	190	180
	Enforcement	68	64	68	64
	Corporate Services	50	49	73	72
	SGSE division	72	71	50	50
	Total FRC	450	432	450	432
	UK Endorsement Board	30	30	30	30
	Total	480	462	480	462

Our headcount target for 2026-27 involves not only critically assessing the need for every new role but also challenging whether to recruit to vacant positions. Where we do recruit, we continue to prioritise basing new roles at our Birmingham office, as set out in our Strategy for 2025-28 and in line with the Places for Growth programme. We will continue to grow our established twin hub operation, accepting that our flat headcount and low staff turnover mean that this will be more gradual than set out in the initial business case.

Annex 1 contains a detailed breakdown of our expenditure and funding requirements needed to deliver the FRC's activities for 2026-27, including the five Major projects as well as the portfolio of other projects and operational activities set out in section 3, above.

Overall, the combined budgeted cost of the FRC and the UKEB for 2025-26 will be £74.4m (2024-25 budget £72.3m). This increase of 2.9% is in line with the inflation assumption of 3%.

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. These cost awards do not necessarily relate to cases concluded in that financial year.

6. Risks and challenges

In our [Annual Report and Accounts](#), we provide a comprehensive review of our principal risks and the effectiveness of our risk management framework over the past year. Below we set out how our planned activities for 2026-27 address these risks.

Principal Risk	Key Mitigating activities in 2026-27
<p>Cause: A high change environment or a lack of proportionate consideration of stakeholder impacts (smarter regulation).</p> <p>Event: The FRC fails to manage evolving political and stakeholder expectations.</p> <p>Effect: This results in a loss of trust in corporate governance, standard setting, corporate reporting, and audit quality, and/or undermines our ability to contribute towards our growth duty.</p>	<p>Tailored and integrated communication and stakeholder engagement on all major projects.</p> <p>Strengthening the tools we use to assess the impact of proposed changes to reduce burdens in line with the Prime Minister's mission.</p>
<p>Cause: Insufficient investment, focus or introducing unjustified divergence from international standards.</p> <p>Event: The FRC fails to effectively influence and implement domestic and international Accounting, Audit and Actuarial standards and expectations.</p> <p>Effect: This results in unnecessary cost to participants in the ecosystem and risks undermining the quality of information supporting decision making in financial markets.</p>	<p>Engaging directly through membership of global and regional bodies (boards and working groups) and bi-lateral meetings, and indirectly through responding to public consultations, to influence the setting of international standards.</p> <p>Contributing to the development of an international accounting standard for non-profit organisations.</p> <p>Chairing the IFIAR Standards Co-Ordination Working Group.</p>
<p>Cause: Our supervisory model is not sufficiently effective, risk-based, or proportionate.</p> <p>Event: This creates a failure to drive audit quality improvements or build firm(s) capability and market resilience.</p> <p>Effect: This results in a lack of confidence in audit and a less sustainable audit market.</p>	<p>FASS project – evolving our supervisory approach to support an environment that promotes system learning and a resilient audit market.</p> <p>E2E project – reviewing and modernising our enforcement processes and procedures.</p>


Principal Risk	Key Mitigating activities in 2026-27
<p>Cause: Poor or inconsistent internal management and leadership or structures and systems.</p> <p>Event: The FRC fails to adapt to change.</p> <p>Effect: The FRC fails to deliver on its strategic objectives.</p>	<p>Introducing a high potential leadership programme for colleagues in middle management roles, supplementing existing programmes for more senior and junior roles.</p> <p>Launch of a new Leadership Fundamentals programme for colleagues new to leadership.</p> <p>External coaching for senior leaders and provision of structured programmes through external providers.</p> <p>Internal coaching of leaders of FRC teams by a member of the Executive Team, to enhance their leadership capability and impact.</p>
<p>Cause: Cybersecurity vulnerabilities and threats.</p> <p>Event: The organisation is exposed to cyber-attacks or system compromise.</p> <p>Effect: This results in data breaches, unauthorised access, legal breaches, financial penalties, reputational damage, and operational disruption.</p>	<p>Increase our cybersecurity and technical architect capability by bringing in additional third-line support.</p> <p>ERP programme – future proofing our operational effectiveness by replacing and streamlining FRC systems, including Finance and HR.</p> <p>Maintaining and improving our effective cyber defences and monitoring.</p>
<p>Cause: Weak data governance and limited awareness of data handling responsibilities.</p> <p>Event: The organisation may fail to protect, manage, and leverage its data effectively.</p> <p>Effect: This could result in data loss, breach of law/regulation, financial penalties, operational inefficiencies, and reputational damage.</p>	<p>ERP programme – future proofing our operational effectiveness by replacing and streamlining FRC systems, including Finance and HR.</p> <p>Embedding our dedicated system for handling legal services requests.</p> <p>Embed our central contracts database and handling process.</p>



7. Operational Performance Measures

In our [Strategy for 2025-28](#), we set out the high-level public interest stakeholder outcomes to which we believe our work actively contributes. Our Operational Performance Measures show the planned volume and timeliness of outputs which are part of our core work.

The table below shows our full-year target for each measure and the performance in the previous full year. Performance for the 2025-26 financial year will be published in our annual report and accounts in 2026.

We are decreasing the Corporate Reporting Review target range by 10 cases overall in 2026-27 (so the range will be 230-250), to enable colleagues to provide additional specific support for the work of other teams across the FRC.

Category	Measure	Target 2026-27	Target 2025/26	2024/25 (FY)	2023/24 (FY)
Supervision and monitoring 	Number of Audit Quality Review (AQR) inspections completed	140-150	140-150	141	137
	Number of Corporate Reporting Review (CRR) reports opened	230-250	240-260	222	243
	Complaints against professional bodies for auditors, accountants and actuaries investigated and responded to within six weeks	75%	75%	88%	90%
	PIE auditor registration applications which do not raise any compliance issues will be processed, and a decision taken within 25 working days, of the date on which all required documentation and information has been submitted to the FRC	100%	100%	98%	100%

Category	Measure	Target 2026-27	Target 2025/26	2024/25 (FY)	2023/24 (FY)
Enforcement 	Enforcement case investigations concluded, settled or closed within three-year target	50%	50%	90%	53%
	Enforcement case investigations concluded, settled or closed within two-year target	80%	80%	87%	88%
Financial and operational performance 	Operating costs against budget excluding UKEB	£63.5m	£61.4m	£58.1m	£59.6m
	FRC complaints responded to within service level agreement timeframe	100%	100%	100%	100%

8. UK Endorsement Board

The UK Endorsement Board (UKEB) was set up in 2021 as an independent body to influence, endorse and adopt new or amended international accounting standards issued by the 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 Business and Trade for its technical decision-making and subject to FRC oversight in respect of its governance and due process. The FRC Chief Executive is the UKEB's Accounting Officer. 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 [2025/28 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 process.

During 2025-26, the UKEB budgeted for a headcount of 30 (FTE: 30), which was flat against the prior-year headcount. In 2026-27, consistent with the overall budget approach taken by the FRC the UKEB will again keep its headcount flat. The UKEB considers that the budget is sufficient to undertake its statutory responsibilities. The UKEB's funding requirement is collected on its 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, therefore UKEB costs are shown separately in Annex 1.

Annex 1 – Expenditure and funding 2026-27

Expenditure

We have set an overall budget of £74.4m for 2026-27 (2025/26: £72.3m).

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	2025/26 Forecast £m	2025/26 Budget £m	2026-27 Budget £m	Budget to Budget Change £m
Audit and Assurance	44.1	44.7	46.5	1.8
Corporate Reporting	11.2	12.3	12.2	(0.1)
Corporate governance and investor stewardship	2.9	3.2	3.3	0.1
Actuarial Regulation	3.8	3.9	3.9	0.0
Other functions	2.4	2.3	2.6	0.3
UK Endorsement Board	5.3	5.9	5.9	0.0
Total	69.7	72.3	74.4	2.1

The FRC's Audit and Assurance expenditure reflects our range of work to supervise audit quality, firms delivering audit and assurance and the audit market. Several Major projects for implementation in 2026-27 draw significantly on these areas, including the Future of Audit Supervision Strategy, elements of End-to-End Enforcement review and our work on Building Capability for Smaller Firms.

The FRC is has three divisions covering its regulatory activities and the corporate services and Strategy, Governance and Stakeholder Engagement (SGSE) divisions, combined here. The budget for each division is as follows:

Table 2: Expenditure by division	2025/26 Forecast £m	2025/26 Budget £m	2026-27 Budget £m	Budget to Budget Change £m
Supervision	24.5	24.5	26.0	1.5
Regulatory Standards	9.5	10.0	10.0	0.0
Enforcement	3.7	4.0	4.1	0.1
Corporate Services and SGSE Division	21.3	22.9	23.4	0.5
Sub Total	59.0	61.4	63.5	2.1
Audit and accountancy case costs	5.4	5.0	5.0	-
Total FRC	64.4	66.4	68.5	2.1
UK Endorsement Board	5.3	5.9	5.9	0.0
Total	69.7	72.3	74.4	2.1

Our investment in Enterprise Resource Planning to enhance our long-term operational efficiency will be met through a contribution from our existing general reserves.

Corporate Services costs include IT, finance, HR, legal and facilities costs. The cost of Enterprise Resource Planning falls within Corporate Services. The SGSE Division includes analytical support for the Supervision, Regulatory Standards and Enforcement Divisions. These support costs are assigned against our regulatory activities on a proportionate basis.

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

Table 3: Expenditure by activity	2025/26 Forecast £m	2025/26 Budget £m	2026-27 Budget £m	Budget to Budget Change £m
Supervision				
Audit Quality Review	12.0	11.8	12.5	0.7
Corporate Reporting Review	7.7	8.5	8.6	0.1
Audit Firm Supervision	4.8	4.7	5.1	0.4
Audit Market Supervision	4.1	3.9	4.4	0.5
Shadow Local Audit systems leadership	0.1	0.0	0.0	-
Professional Oversight				
Professional Oversight	7.9	8.3	8.4	0.1
Third Country Auditors	0.7	0.8	0.8	-
Enforcement core costs	6.5	7.2	7.4	0.2
Regulatory Standards				
Corporate governance and investor stewardship	2.9	3.2	3.3	0.1
Accounting and reporting standards	3.5	3.9	3.6	(0.3)
Audit and assurance standards	2.6	2.9	2.9	-
Digital reporting and taxonomies	2.1	2.0	2.3	0.3
FRC Taxonomies	0.3	0.3	0.3	-
Actuarial				
Technical actuarial standards	3.6	3.7	3.7	-
Professional oversight	0.2	0.2	0.2	-
Total Core Costs	59.0	61.4	63.5	2.1
Audit and accountancy case costs	5.4	5.0	5.0	-
Actuarial investigation costs	0.0	0.0	0.0	-
Total FRC Costs	64.4	66.4	68.5	2.1
UK Endorsement Board	5.3	5.9	5.9	0.0
Total	69.7	72.3	74.4	2.1

Table 4: Expenditure type	2025/26 Forecast £m	2025/26 Budget £m	2026-27 Budget £m	Budget to Budget Change £m
Staff costs	51.2	52.5	54.8	2.3
NED and Committee Member Fees	1.0	1.0	1.0	-
Facility costs	3.4	3.8	3.5	(0.3)
IT and Website	2.9	4.1	4.4	0.3
Travel	0.7	0.5	0.7	0.2
Conferences	0.3	0.3	0.3	-
Recruitment	0.5	0.2	0.2	-
Training	0.5	0.5	0.5	-
Legal / professional / audit	1.5	1.4	1.4	-
Research	0.4	0.4	0.5	0.1
All other	1.6	2.3	1.8	(0.5)
FRC Taxonomies	0.3	0.3	0.3	-
Total	64.3	67.3	69.4	2.1
Actuarial investigation costs	0.0	0.0	0.0	-
Audit and accountancy case costs	5.4	5.0	5.0	-
Total	69.7	72.3	74.4	2.1

This table includes UK Endorsement Board costs.

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

Funding requirement 2026-27

We set our proposed annual funding requirement and levies in line with the proposed budget. We have set an overall funding requirement of £74.4m for 2026-27 (2025/26: £72.3m). This represents an increase of £2.1m (2.9%) 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	2025/26 Forecast £m	2025/26 Budget £m	2026-27 Budget £m	Budget to Budget Change £m
Audit and Accountancy funding groups				
RSB contribution to AQR	10.9	10.7	11.5	0.8
RSB contribution to AMS	4.0	3.8	4.2	0.4
RSB contribution to AFS	4.7	4.6	4.9	0.3
NAO and Crown Dependencies	0.8	0.8	0.5	-0.3
CCAB contribution	14.3	14.9	15.3	0.4
CIMA	0.8	0.8	0.8	-
Audit and accountancy case costs	5.4	5.0	5.0	-
Sub-total	40.9	40.6	42.2	1.6
Companies (Accounts Preparers)				
For the FRC	21.3	20.7	20.6	-0.1
UK Endorsement Board	5.3	5.9	5.9	-
Government contribution	-	-	-	-
Sub-total	26.6	26.6	26.5	-0.1
Actuarial funding groups				
Insurance companies	1.9	1.9	1.9	-
Pension schemes	1.7	1.8	1.8	-
Actuarial profession	0.2	0.2	0.2	-
Sub-total	3.8	3.9	3.9	-
FRC Taxonomies, TCA registration fees	0.5	0.5	0.5	-
Contribution from FRC reserves	-	0.7	1.2	0.5
MHCLG	0.1	-	-	-
Total	71.9	72.3	74.4	2.1

FRC levies 2026-27

Audit and accountancy professional bodies

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 RSBs.

The audit and accountancy professional bodies' contributions to the cost of professional oversight, 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.

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 through our preparers levy 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. Accounts preparers include listed and large private entities, UK AIM companies, and public sector organisations.

At the request of DBT, the FRC will continue to collect the cost of the UKEB (2026-27: £5.9m) 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 (2026-27: £1m) through the preparers levy. This amount is not included in the FRC's budget or annual funding requirement.

Reflecting the costs of core regulatory functions, we will decrease the amount we request through the preparers levy in 2026-27 by 1% compared to the amount we budgeted to raise in 2025/26.

The FCA collect the preparers levy from listed entities on the FRC's behalf, alongside their annual listing fee. The FCA determine the levy population and calculate the levy for each entity based on its market capitalisation at the end of September of the previous year. We determine the levy population for non-listed preparers and collect the levy from each entity based on its latest published turnover. Listed preparers are asked to pay the levy at the full rates shown below. Non-listed entities are charged a proportion of the full rates. we will confirm the rates we will apply in May 2026 to take account of the finalised FCA data on the population of entities subject to their listing fee and hence our preparers levy. Our expectation is that the rates applied in 2026-27 will decrease by 1.5% compared to the rates we applied in 2025/26.

Additional fees based on the following levy bands

Organisation size 2026-27 per £m of market capitalisation		2026-27 Preparers levy rate
Minimum fee for all companies	Up to 100m	£2,128
1	100m - 250m	£20.86
2	250m - 1,000m	£15.92
3	1,000m - 5,000m	£15.40
4	5,000m - 25,000m	£0.25
5	> 25,000m	£0.0473

The following table gives examples of the amounts that will be charged to different types of entity based on the above tables:

Organisation	2026-27 levy
UK AIM company with £100m market cap (50% discount)	£1,064
Private company with £750m turnover (50% discount)	£6,608
Premium listed company: £10bn market cap (full rates)	£80,030

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 2026-27

The FRC pension levy applies to all Defined Benefit and Defined Contribution schemes with 5,000 members or more. We will raise £1.8m through the pension levy in 2025/26. We will confirm the levy rate to be applied after receiving data on scheme membership provided by the Pensions Regulator.

Insurance levy 2026-27

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 £1.9m from the insurance levy in 2026-27 and we will apply the levy rate necessary to secure this as a proportion of the 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 may make regulations to introduce statutory levies on a statutory basis for those functions designated in The Companies (Audit, Investigations and Community Enterprise) Act 2004.

Registration of Third Country Auditors

UK law requires the registration and regulation of auditors that audit the accounts of companies from third countries which issue securities on regulated markets in the UK ("third country auditors" or "TCAs"). These auditors are subject to oversight to ensure their audit opinions meet standards appropriate for reliance by UK investors. The TCA regime is designed to provide a level of assurance comparable to that required for audits of UK-listed companies.

To support this, the FRC is commissioned by DBT to assess third country audit regimes for equivalence and their competent authorities for adequacy. Equivalence considers whether another country's audit regime is deemed to apply a comparable standard of oversight and adequacy considers the ability of the competent authority to cooperate with the FRC on the exchange of audit working papers. TCAs who are from countries deemed equivalent or transitional¹ may be exempt from certain regulatory requirements in the UK. The FRC conducts two equivalent and one adequacy assessment per year.

To fund the TCA registration system and equivalence/adequacy assessments, a budget of £0.8m has been set for 2026-27.

Following a comprehensive review of the registration system and associated risks, we are proposing a revised fee structure that better reflects the distribution of time and resources.

The proposed annual fees are outlined below:

Proposed Annual Fee Payable by a Registered Third Country Auditor		
Number of relevant audit clients	Type of Registration	
	Equivalent/ Transitional Registration (Form A)	Full Registration (Form B)
0	£1,350	£1,450
1 - 4	£1,500	£2,600
5 or more	£2,150	£3,400

¹ It may be determined that certain jurisdictions have a system of audit regulation that is sufficiently robust to merit being considered as a transitional third country for a period of up to seven years.

For comparison, the current annual fees are shown below:

Current Annual Fee Payable by a Registered Third Country Auditor		
Number of relevant audit clients	Type of Registration	
	Equivalent/ Transitional Registration (Form A)	Full Registration (Form B)
0 - 9	£1,221	£2,357
10 or more	£2,925	£2,600

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



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