

Section Four –Levies 2017/18

Sources of Funding

The following table sets out how we have allocated our funding requirement in 2017/18.

	2016/17 Funding requirement	2016/17 Forecast	2017/18 Funding requirement
	£m	£m	£m
FRC total expenditure	33.5	31.3	35.3
Proposed additions to reserves	1.1	2.0	0.7
Total funding requirement	34.6	33.3	36.0
Funded by:			
Audit and accountancy funding groups			
RSB contribution to AQR funding	6.3	6.3	6.5
Other AQR income	1.1	0.9	0.8
Contribution to standards & oversight	4.1	4.1	4.2
CIMA	0.8	0.8	0.8
Case costs	5.0	4.0	5.0
Preparers levy	14.1	13.6	14.8
Actuarial funding groups			
Insurance levy	1.4	1.6	1.4
Pension levy	1.2	1.4	1.4
IFoA	0.2	0.2	0.2
Unspent prior year (forecast)			0.4
Publications and other income	0.4	0.5	0.5
Total	34.6	33.3	36.0

Accountancy profession

The accountancy profession's contribution (shown as the audit and accountancy funding groups in the above table) is paid by the Consultative Committee of Accountancy Bodies (CCAB), whose members are ACCA, CAI, CIPFA, ICAEW, and ICAS; and by CIMA which contributes to the FRC's funding requirement under the terms of a separate agreement with the FRC.

The ICAEW, ICAS, ACCA and CAI are Recognised Supervisory Bodies (RSB) for audit under Schedule 10 of the Companies Act 2006. The FRC, as the audit competent authority, delegates certain audit regulatory tasks to each RSB under a Delegation Agreement.

Schedule 10 of the Companies Act 2006 and each Delegation Agreement also places an obligation on a RSB to fund the FRC's performance of any tasks that have not been delegated where these relate to the regulation of auditors registered with that RSB. This covers the costs of the FRC's audit review activities, audit enforcement activities and standard-setting procedures.

The activities of our Audit Quality Review team are also funded through the Audit Commission, the National Audit Office and fees levied on Recognised Auditors registered in the Crown Dependencies.

During 2016/17, we are forecasting to spend £0.4m less than budgeted on our audit review activities and will therefore reduce the 2017/18 funding requirement from the accountancy profession by that amount.

Preparers levy

The preparers levy is the annual levy we charge to:

- Companies listed on the London Stock Exchange with a Premium or Standard listing.
- UK companies traded on AIM and listed on ISDX (previously known as PLUS) Market group.
- Large private entities with a turnover of £500m or more.
- Global Depository Receipts issuers.
- Government Departments, local authorities and other public sector organisations.

The total amount of the preparers levy for 2017/18 will be £14.8m. In addition to this the FRC will aim to collect the UK contribution to the funding of the International Accounting Standards Board, totalling £0.9m in 2017/18.

The amounts payable by individual organisations under the preparers levy are determined through a minimum levy and further amounts for organisations above a certain size, with the rate per £m declining in five levy bands, aligned with the FCA levy arrangements. The amounts finally charged to individual levy payers are based on their market capitalisation (for listed companies), turnover (for other companies) or annual expenditure (for public sector organisations).

We are increasing the minimum fee and the rates for levy bands one and two by 2.5% for listed and other companies with a market capitalisation/turnover of less than £1bn; and increase the levy rates for bands three, four and five by 9.5%.

Preparers levy rates will be as follows:

	Organisation size per £m*	2017/18 Preparers levy rate
Minimum fee	Up to 100m	£1,070
Band		Per £m*
1	100m - 250m	£10.49
2	250m - 1,000m	£8.00
3	1,000m - 5,000m	£7.74
4	5,000m - 25,000m	£0.1260
5	> 25,000m	£0.0239

**determined by market capitalisation for listed companies; and turnover or annual expenditure for other entities*

Discounts: Main market companies with a Premium listing pay the full levy; companies with a Standard listing receive a 20% discount. UK AIM traded and ISDX listed companies receive a 50% discount. Private entities with a turnover of more than £500m receive a 50% discount. Public sector organisations receive a 75% discount. The following table gives examples of the levy that will be charged to different types of entity:

Organisation	2017/18 levy
UK AIM company with £100m market cap	£535
Private company with £750m turnover	£3,322
Premium listed company: £25bn market cap	£42,124

The levy for Global Depositary Receipt issuers will be £3,450 for companies that have designated the UK as their home competent authority and £2,750 for other issuers. There is no change from 2016/17. The FCA's Home Competent Authority list is available at <http://www.fsa.gov.uk/ukla/hcaList.do>

Insurance levy for 2017/18

The insurance levy is charged to insurance companies on the same invoice as the FCA fees. We are setting a levy equivalent to 1.1% of the fees charged by the FCA and PRA for their fee blocks A3 (insurers – general) and A4 (insurers - life).

Pension levy for 2017/18

The FRC pension levy will apply to all Defined Benefit and Defined Contribution schemes with 5,000 members or more at a pension levy rate of £3.12 per 100 members. The levy rate to be applied to individual schemes will be based on latest available data on scheme membership provided by The Pensions Regulator.

Institute and Faculty of Actuaries (IFoA)

When we took on our new responsibilities for actuarial standards and regulation in April 2006 it was agreed that the IFoA will contribute a share equivalent to 10% of the cost of our actuarial activities.

Third Country Auditors – Registration and renewal fees

A third country auditor seeking registration in the UK must pay to the FRC a fee upon application and an annual fee thereafter for renewal of its registration in accordance with the Third Country Auditors (Fees) Instrument 2011. This fee is based upon our anticipated costs to administer the regime. The amounts payable are determined by the anticipated cost of processing applications from each of the three categories of registration; Equivalent, Transitional or Article 45. Audit firms from countries which have not been assessed as having audit oversight, monitoring and discipline regimes equivalent to those of the European member states or regimes which are moving in that direction involve the greatest amount of processing and therefore incur the highest fees.

From 1 April 2017, the fees will increase to the amounts shown in the table below.

	0-9 relevant clients		10+ relevant clients	
	Equiv/trans	Art 45	Equiv/trans	Art 45
01/01/17	1,136	2,272	2,840	5,680

Other income

The FRC also generates income from its publications, including from electronic rights. The XBRL project is funded by HMRC, the Charity Commission and UK Companies House. We also receive some bank interest on our deposits.

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For general information about the FRC, please visit our website at: www.frc.org.uk