

REGULATORY AND PRACTICE ASSURANCE FEES AND LEVY INCREASE AND CHANGE PROPOSALS 2025



 READING TIME: 5 mins  ACTION: To take a decision

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FRAMING

Context

This paper presents the proposed increases to the 2025 fees and levies for board approval. Such a change and resulting level of fees secures the self-financing of regulatory and practice assurance activities in order to act in the public interest and provide consumer protection.

Questions to the reader

Is the board content with the proposed increases and changes?

EXECUTIVE SUMMARY

1. What is the need and why now?

Under its terms of reference, ICAEW Regulatory Board (IRB) are required to review and approve fee and levy increases.

Balancing fee income with operational spend is fundamental to our success and ability to deliver as a regulator. Approving mid-year aligns with the presentation of the proposed budget, communication with oversight bodies and firms, and preparation of the renewals process.

2. How are the fee increases justified?

The fee increases proposed are:

10% for practice assurance (PA), 5-10% for audit, 0% for non-appointment taking insolvency practitioners, probate 0% for the smallest firms and 3% for all others, 3% for investment business (DPB) firms and all other insolvency practitioners.

The increases are as a result of wage and general inflation, delays in reductions to ICAEW overheads, extra resource required to operate the practice assurance scheme, work demands from oversight bodies and to offset reductions in registrations.

The levy increases proposed are:

Insolvency +30%. Probate, investment business unchanged and OPBAS +£1pp. Financial Reporting Council (FRC) to reflect operational and conduct requirements, increases below +10% are anticipated.

The proposals are guided by oversight body spend plans and budgets.

3. What do we need to do next to progress?

Approval from this board in order to share the increases with ICAEW Board and request probate fees are approved by the Legal Services Board (LSB).

THE PAPER

1. What is the need and why now?

Based on the budget presentation for 2025, ICAEW Regulatory Board are requested to review and approve fee and levy increases. Approval mid-year ensures that the department is well placed to share information with ICAEW Board, apply to the LSB for agreement to change the probate fees, support the ICAEW budget process, communicate change and prepare for the registration renewals process.

2. How are the fee increases justified?

2.1. What is the mechanism for change?

Regulatory and operational planning identifies the resources required for success and guides the construction of the budget. The detailed identification of costs, alongside a projection of registration volumes, then indicates the required change to fees and therefore to income.

2.2. What principles does the approach follow?

Self-financing (sometimes called 'user pays') is in operation in the regulatory, practice assurance and anti-money laundering area. Income is targeted to match expected cost.

The financial strategy addresses the challenge of income opportunity and (to a certain extent) risk. It also carefully considers oversight bodies' expectations and ICAEW overhead.

The budget plans to provide sufficient resources to carry out statutory and regulatory functions. Plus, deliver a range of services, projects and initiatives, explore new opportunities, and to address potential changes in the regulatory environment.

There is no financial subsidy to the PSD budget from; membership subscriptions, practising certificate (PC) fees or fines and cost recoveries monies returned by the FRC.

Were there a requirement to fund an exceptionally large investigation, funds would be drawn from reserves generated by PSD i.e., from outside of the in-year regulatory budget.

ICAEW continues in an investment phase. Across several years, this has resulted in increasing overhead costs. Overheads remain at a higher level than expected.

2.3. What does the budget include?

The key components are:

- Self-financing regulatory, practice assurance and anti-money laundering supervisory activities.

(‘Self-financing regulatory’ includes, for the avoidance of doubt, income and costs related to probate. All funds generated by probate registrations are used specifically for the purposes of reserved legal service. This includes generating a small surplus which returns the costs of the original application and set-up. The payback of these investment costs is in its 8th year. At the end of 2025, c£25k of the initial investment is expected to be outstanding.)

- The net cost - fine income less operating costs - of member conduct activities.
- Quality Assurance Department (QAD) contract and other commercial activities.
- Levies source funding for oversight bodies operation and for compensation schemes. The FRC and OPBAS levies include funding for additional activities requested of ICAEW.

3. What do we need to do next to progress?

4.1. What is required to progress with the increases?

IRB approval of the fee and levy changes listed below. As some of the increases are above wage inflation, this paper is to be shared with the ICAEW Board in July.

4.2. What are the full details of the fee and levy changes?

FEES

Audit regulatory fees, core increase +5%, 251+ principals +10%

DPB and Insolvency* regulatory fees +3%

***insolvency non-appointment taker fee remains at £100**

Practice assurance +10%

taking the annual fee per person from £214 to £235.40

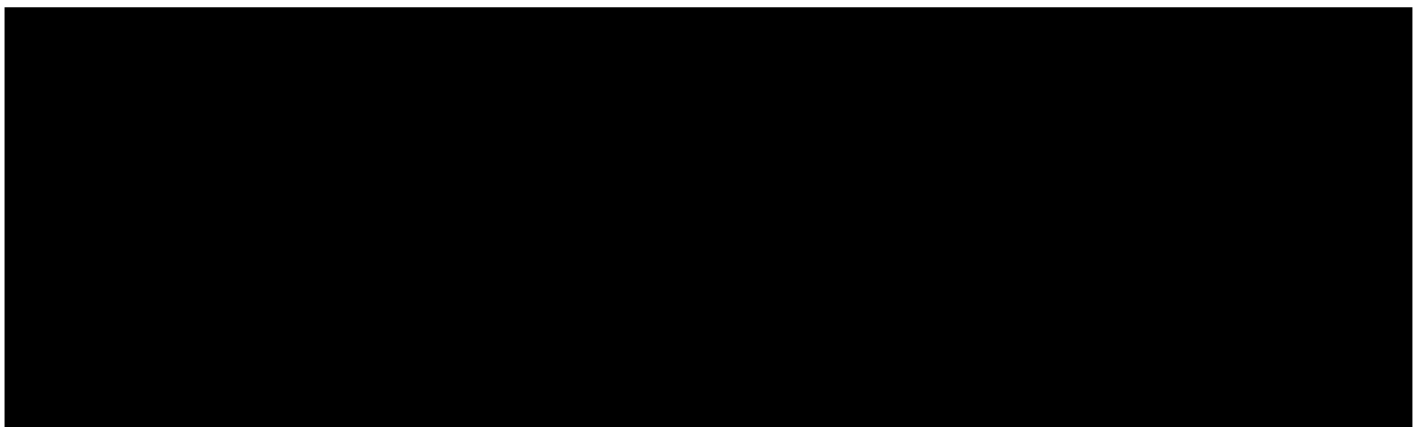
The Licensed Practitioner Scheme (LPS) fees, targeted visit charge and application fee for dispensation re use of description Chartered Accountants, increase in line with the proposed core audit percentage i.e., 5.0%

The targeted visit charge therefore to increase from £1,297 to £1,427 per day. The dispensation application fee to increase from £550 to £605.

Probate* and DPB fees +3%

***below 5 principals (small firms) no increase**

Affiliate registration fees increase in line with the core audit fee increase i.e., +5%





Investment business and probate compensation scheme costs, unchanged.

Insolvency Service (BEIS and Northern Ireland Department for the Economy) operating cost, passed on by levy to individual Insolvency Practitioners (IP), +30%

Insolvency complaints gateway levy, unchanged. However, if the Insolvency Services do advise of budget increase plans in advance of renewal notices being issued the levy will be increased accordingly.

OPBAS funding and operational cost levy to increase by £1 to £60pp. This is passed on to UK PC holders.

Local Public Audit (LPA) cost recovery

Operational costs are recovered through an annual registration fee, this reflects the cycle of visits and volume of file reviews e.g., for the largest firm £26k pa and for the smallest £700 pa.

4.3. Are there any changes to the way we charge?

Yes. There are two changes:

Audit feescale

The highest audit firm fee band (501+ principals), listed client bands between 100 and 599 to become 1 band. This impacts only the largest firms and reflects the operational requirements of the FRC, a falling population of registered firms, falling numbers of listed clients and associated risk of the reduction of listed clients misrepresenting the appropriate fees.

FRC levy

£200k of funding added to FRC operating costs, due to the requirements of the FRC; this represents the increased costs in QAD, higher volume of staff interactions, JAR responsibilities and further change project
