

FINANCES

The PSD budget categories

The budget is described by income and cost type, and by functions and reported in this way for management control purposes:

- regulation and firm conduct, sub-divided into registration areas such as audit and probate.
- member discipline.
- contracts and products.

Our financials

There are four main income and cost areas:

- income generated from regulatory registration and application fees and contract charges;
- levies on firms and individuals, to fund oversight organisations and compensation scheme arrangements;
- operating costs; and
- overheads including property, utilities and shared central systems, processes and functions.

The Professional Standards Department (PSD) also receives fines and associated recovery of costs incurred.

The following year's draft budget is produced for the May ICAEW Regulatory Board (IRB) meeting. The budget sets out the financial strategy, the principles related to income generation and underpins any fee and/or levy increase proposals for the IRB to review, change where applicable, and approve.

The department operates with a very strong sense of, and commitment to, financial stewardship, the self-financing model and meeting budget targets. We understand that we operate in a highly competitive and changeable environment and that regulatory fees are a cost of operation for registered firms, individuals and, therefore, for their customers.

2023 financial results

The regulatory areas met the self-financing target and, along with exceptional regulatory fines and registrations, generated a surplus.

As anticipated in planning, volumes of firms registered for audit and investment business, and individuals in the Practice Assurance scheme fell again. Some of this fall is due to firm consolidations.

New registrations in some areas were slightly higher than expected including related to audit responsible individuals. These elements played a part in exceeding the self-financing target.

The longer-term financial strategy and operating model take these market changes and pressures into account.

The cost base is well managed. Operating costs are largely made up of staff who are actively responding and meeting statutory and regulatory requirements. Good progress has been made to recruit into any role vacancies.

Oversight body activity, and therefore operating costs, continues to increase at the Financial Reporting Council (FRC), and levies on audit firms are rising accordingly.

While poorly behaving ICAEW member and firm numbers remain a small minority, the number of new annual complaint matters is holding at c.900. A number of these cases can be highly complex and long running.

2024-2025

The financial planning and forecasting reflect a very busy, successful, and ambitious department. There are risks, such as those related to the future of the regulatory environment and registration volumes, securing and retaining skills and staff and the short- and long-term cost of conduct investigations. There is also opportunity, including the potential for new and expanded areas of regulation, contract and collaborative work with fellow regulators and other bodies and those afforded by our suite of educational training films.

2023 regulatory fee increases recognise the pressures of general cost and wage inflation, the challenges faced by smaller firms and the cost of regulation, and an ongoing commitment to cost reduction through continuous improvement, new systems and enhanced processes.

The regulatory areas met the self-financing target

FINANCES continued

The 2024 budget and income and cost projections for 2024 and 2025 are considered pragmatic, particularly considering the economic environment, registration volume estimates, guidance and requirements set out by oversight bodies, including those related to consumer protection, and associated cost projections.

Mitigating actions, in relation to risks to achieving our financial strategy, have been

put in place to secure appropriate future income in order to discharge the PSD's regulatory duties. Progress, change and risks will be monitored regularly.

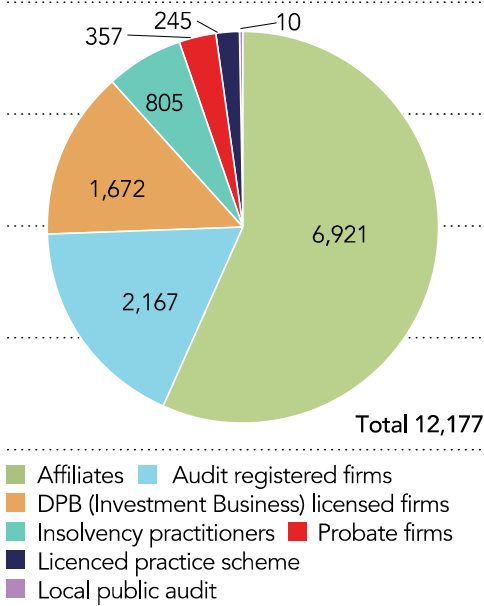
Financial plans, including programme and project proposals and business cases, will be reviewed by the IRB.

2025 budget and fee and levy proposals will be presented for review and approval mid-2024.

12,177
registered firms in 2023

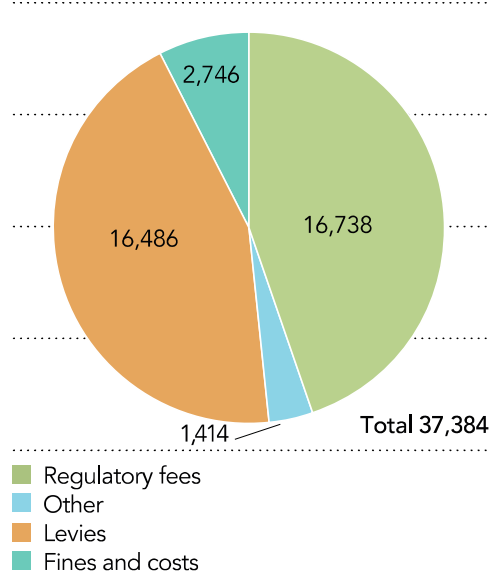
Registered Firms

2023 full year



Income Analysis £,000

2023 full year actuals



Cost Analysis £,000

2023 full year actuals

