From: [redacted]
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I'd like to comment specifically on the budget and regulatory strategy of the UK Endorsement Board. I've responded to both the UKEB and the FRC as it sounds like you are both responsible for different aspects.

Overall, I do think the UKEB is doing a reasonably good job with endorsement, but you should be careful to not to expand your activities for the sake of it. It was also highly regrettable you didn't endorse your 2022 'Endorsement of May 2020 Amendments' project before their effective date, which left companies in unnecessary limbo, and I think you should endevour to avoid that in the future by allocating sufficient resource to your endorsement activities, even if that means reducing your influencing activities.

You're proposing a budget of £5.6 million for 29 staff. In previous publications the UKEB has said that approximately 1,500 entities are listed in the UK, and so are required to apply IFRS Accounting Standards, which works out to around £3,700 per entity that is required to use the standards. The UKEB was set up to take on the role of endorsing IFRS Accounting Standards that was previously carried out by the EU. In comparison, EFRAG's operating expenses in 2020 (the last year UK was still a member and before they started doing sustainability work as well as accounting standards work) was EUR7.9 million, which would have been around £6.8 million at current exchange rates. Whilst I recognise there are some fixed costs in running an endorsement office, it is surprising that a body only representing UK interests rather than the whole EU requires such a comparatively high budget.

In terms of what could be cut from the UKEB regulatory strategy to reduce your:

- I think you have overestimated the workload required to:
  - deal with the adoption of 'Primary Financial Statements' (item 1) and 'Amendments to the Classification and Measurement of Financial Instruments' (Item 3). Almost all of the hard work here has been done in the influencing stage of the process and the outcome will presumably be to adopt those standards without amendment, which should not require much effort at all.
  - influence the 'Financial Instruments with Characteristics of Equity' (item 6), 'Business Combinations - Disclosures, Goodwill and Impairment' (Item 8), 'Provisions—Targeted Improvements' (Item 13) and 'Connectivity – Climate-related and Other Uncertainties in the Financial Statements' (Item 15) projets. Those projects have "limited scope"; and
  - support the ad-hoc advisory group on rate regulated activities (item 24). It should not take the same effort ("moderate") to support one ad-hoc group as to support four of the UKEB's regular standing groups (item 23), for example.
- It is not obvious what the 'IFRS Foundation Due Process Handbook' (item 18) activity is, because the IFRS Foundation does not appear to have any projects planned to amend it. In any case, I don't think a project like that would be within your remit because it is not an accounting standard. Given how much the whole premise of the *International Accounting Standards and European Public Limited-Liability Company (Amendment etc.) (EU Exit) Regulations 2019*, and UKEB's own due processes, relies on the work of the IFRS Foundation, I think responsibility for responding to consultations about the IFRS Foundation Due Process Handbook should rest with the Secretary of State directly.
- I think 'Additional research (topics TBC)' (item 17) could be dropped. The IASB sets out its project pipeline in lots of detail well in advance and if you have not been able to specifically identify a research project already then I don't think one will emerge, so that resource is surplus.

I do think you have underestimated the work that will be required to adopt 'Disclosure Initiative – Subsidiaries without public accountability: Disclosures' (Item 2) due to the substantial overlap with the existing UK accounting standard FRS 101 *Reduced Disclosure Framework*, and therefore the need to work out how to resolve various issues that will cause. For example, how to avoid having two "versions" of international accounting standards in force at the same time, and how to deal with transition from FRS 101 to that new standard.

Page 22 of the FRC's consultation document says that "the full cost of the UKEB's funding is collected on their behalf through the FRC's funding arrangements", but this appears to not be the case because on page 28 of the same document there is a shortfall of £0.3 million in actual funding for 2023/24 compared to budget. Does this mean that the shortfall is being subsidised by reductions in the FRC's other activities, or extra charges on other levy payers? If so, this does not seem appropriate and I think that UKEB funding should be ring fenced from the FRC's other activities.

Kind regards,

Steven Hansen