

Financial Reporting Council
8th Floor, 125 London Wall
London
EC2Y 5AS

By email: frc.plan.budget@frc.org.uk

6 February 2026

Re: UK Private Capital response to FRC's Draft Annual Plan and Budget 2026-27

UK Private Capital is the association of the UK private capital industry. We represent 600 firms including the wider ecosystem of professional advisers and investors. Private capital consists of private equity and venture capital which make long-term investments to grow British businesses and build a better economy. Private credit and venture debt provide active and engaged debt finance to businesses.

The private capital industry backs 13,000 UK businesses, nine in 10 of which are small or medium-sized enterprises. Businesses backed by the industry employ 2.5 million people across the UK and contribute 7% to GDP. In 2024, £29.4bn was invested by private capital into UK businesses in sectors across the UK economy, ranging from consumer products to emerging technology. This increased investment has fuelled the growth of businesses across the UK, with six in ten (58%) of the businesses backed in 2024, located outside of the capital. These investments are long term, with an average investment period of six years, in contrast to less than a year in public markets.

UK-based private capital specialists have raised £190bn of funds, known as dry powder, which is expected to be invested over the next three to five years. The industry invests for a better future by backing some of the UK's best loved businesses, developing the companies of the future and delivering solutions to global problems.

UK Private Capital welcomes the opportunity to respond to this consultation and applauds the FRC's willingness to engage with the private capital industry. We support the stated ambitions of the FRC and are committed to supporting both the Government and FRC to ensure that reporting is focused on supporting financial decision-making for investors and promotes investment in the UK, whilst ensuring enforcement of high standards in audit and assurance. In recent months, UK Private Capital met with senior FRC officials, allowing for direct dialogue and fostering a constructive relationship between the regulator and the industry. We encourage the FRC to continue this engagement and are confident that future collaboration can help create stronger foundations for UK growth and investment.

We have structured this response into three sections; opportunities for improvement, priorities and areas of focus, and medium to long-term trends.

1. Opportunities for improvement (2025 delivery progress)

There has been meaningful progress in reducing and reforming unnecessary reporting burdens. For example, in 2025, we responded to the UK Stewardship Code consultation, which highlighted that due to stewardship practices inherent in the private capital ownership model,

the Code is less applicable to private capital firms. We were encouraged to see the updated Code provide clearer reporting guidance and expand its commentary to include environmental and societal considerations as part of signatories' stewardship responsibilities. However, there is more to be done to ensure the Code is fully compatible with the private capital investment model, should a firm wish to adopt it, which is predicated on alignment of interests and positive engagement through direct investment.

There are further opportunities to streamline processes, particularly by strengthening engagement with Government and other regulators. We welcome the FRC's ambition to engage with UK Private Capital and our members, particularly on the Modernisation of Corporate Reporting project, sustainability assurance and changes to Companies House requirements. It will be important for the FRC to provide clarity on how regulatory expectations will apply in practice, ensuring that the implications for the private capital industry are fully understood and met. Clear and proportionate reporting will be essential to preventing uncertainty and administrative burdens that could inadvertently affect UK investment.

2. FRC priorities and areas of focus for 2026-27

We welcome the five projects, set out in the introduction, as constructive steps towards creating a robust regulatory environment that maintains competitiveness, builds investor confidence and drives growth. We support the direction of travel towards more streamlined processes and modernised reporting, as well as the emphasis on SME growth and innovation, as these are areas particularly relevant to the UK private capital industry and central to ensuring that capital can flow efficiently into businesses that drive productivity, competitiveness and economic growth.

Objective 1 – we support the FRC's ambitions to enhance corporate governance and reporting to help foster UK economic growth and investment.

In particular, we are pleased that sustainability remains a priority for the FRC. We welcomed the consultations led through the UK Sustainability Technical Advisory Committee (TAC) and valued the opportunity to contribute our views on the development of the UK Sustainability Reporting Standards (UK SRS). We maintain that aligning UK standards with international frameworks will promote consistent disclosures of sustainability information, allowing entities to enhance transparency and manage risks. We are therefore pleased that the FRC encourages continued engagement with industry as the work progresses.

We support the Department of Business and Trade's (DBT) review on the modernisation of corporate reporting and will engage with and respond to upcoming consultations as this work develops. We encourage the FRC to work closely with DBT to ensure that any future changes are proportionate, practical and aligned with the needs of private capital firms and portfolio companies.

However, the recent withdrawal of the Corporate Governance and Audit Reform Bill has created uncertainty for our members. The Bill aimed to improve proportionality by shifting regulatory focus towards the largest companies and to put the regulator on a "statutory footing". Its removal now raises questions about whether any significant legislative reforms to the regulator will proceed. If the Government and FRC is serious about driving growth and delivering

economic stability, it should provide clarity on the direction of travel for the regulator and how the FRC will operate. We would welcome engagement as the direction of reform becomes clearer.

Objective 2 – we welcome the FRC’s ambition to uphold high quality regulation of audit and assurance and support its commitment to enhancing its approach to enforcement.

We submitted views to the SME market study, and we are pleased the study has resulted in clearer guidance on proportionate and scalable application of ISAs. We encourage the FRC to continue supporting a more flexible, analytics-driven approach to make audits more relevant and efficient for SMEs. We would welcome clarity on the next steps of this market study as the areas it focused on – in particular, scalability, regulatory expectations, SME understanding of audit and proportionate assurance – are highly relevant to our sector. Clearer regulatory outcomes help to maintain market confidence, support effective governance and reduce unnecessary uncertainty for investors, portfolio companies and auditors.

Objective 3 – we support the ambition to embed a future-focused approach across the FRC, fostering innovation and deepening market intelligence through the use of digital reporting.

We welcome the FRC’s commitment to assessing the economic impact of regulatory changes. This focus is essential for the private capital industry, which delivers significant investment and growth opportunities. For member firms to fully realise these opportunities, the regulatory environment must be resilient and supportive of innovation.

We look forward to engaging on private capital participation in the ownership of UK audit firms, and can share the benefits of such investment in an industry that stands to benefit from it. We are aware that work was undertaken last year to assess the perceived risks and would welcome the opportunity to be involved as this work progresses. Private equity investment in the sector has played a positive role in strengthening leadership and driving growth in capability, especially at mid-sized firms, helping to improve audit performance and increase profitability across the sector.

Whilst research and analysis is valuable in informing effective regulation, it is important this work does not hinder firms’ ability to operate efficiently, deploy capital and invest in the UK economy. The FRC should carefully consider the scope and focus of its research and analysis to ensure it is targeted and aligned with its core objectives, avoiding mission creep where possible.

Objective 4 – we support the ambition to be recognised as a respected, effective and highly engaged regulator and we continue to welcome positive and constructive engagement. As the FRC transitions, UK Private Capital is keen to ensure that engagement remains consistent and that dialogue between industry and the regulator continues to deliver meaningful progress that aligns with the Government’s ambition to reduce regulatory burdens.

3. Medium to long-term industry trends for the FRC to consider

With an evolving regulatory landscape, businesses are navigating an increasingly complex operating environment shaped by shifting market dynamics, geopolitical tensions and growing

regulatory requirements. The industry is seeing several important trends that will shape the medium to long-term, including:

- The global nature of private capital investment – As the UK competes globally for investment, the FRC must ensure that reporting standards and the role of audit and assurance continue to align with international best practice to maintain investor confidence. Some jurisdictions, including the EU, can be more pragmatic and structured in their approach, allowing for greater regulatory certainty and making them more attractive destinations for investment than the UK. If the UK is to maintain competitiveness, its reporting requirements should be proportionate, and there should be greater clarity about how the FRC will support this.
- An increasing focus on sustainability – As investors increasingly embed sustainability ambitions into their investment strategies, private capital is well positioned to advance progress because of its active ownership model and direct capital deployment. However, the FRC should continue to consider how the burden of sustainability reporting will be felt on our members and their portfolio companies, the majority of which are SMEs.
- The demand for flexibility – As industries and businesses increasingly require flexibility to remain competitive in a global economy, the FRC should continue to engage with industry on how reporting frameworks can remain adaptable, scalable and proportionate to the size and complexity of reporting entities. This will help to ensure effective adoption and meaningful outcomes from implementation, while avoiding disproportionately burdensome requirements on companies within private capital structures which can create significant operational challenges and unnecessary red tape, potentially deterring investment and hindering the growth and competitiveness of the industry.

As the FRC reviews its strategy, UK Private Capital is keen to work together to ensure the regulator conduct its duties effectively as these trends are realised, and that the UK regulatory environment supports growth and investor confidence. As outlined in Section 4, we are supportive of the FRC's focus over the coming years on balancing corporate information for the benefit of investors while avoiding unnecessary burdens and are hopeful this will continue to deliver meaningful progress.

We welcome continued engagement with the FRC and would be open to further discussions as it finalises its Annual Plan and Budget. If you have any questions or would like to discuss any of the above in more detail, please do not hesitate to contact Ciaran Harris, charris@bvca.co.uk and Tom Taylor, ttaylor@bvca.co.uk.

Yours sincerely,



Jonathan Martin

Chair, UK Private Capital Accounting, Reporting & Governance Committee