

## **Invitation to Tender (ITT):**

### **Research on preparers' use of FRS 101 *Reduced Disclosure Framework***

### **Provision of Research Services**

Reference	FRC2024-008- Research on preparers' use of FRS 101 Reduced Disclosure Framework
Date	19 <sup>th</sup> March 2024

## **Research on preparers' use of FRS 101 *Reduced Disclosure Framework***

### **1. Background and context**

The Financial Reporting Council (FRC) regulates auditors, accountants and actuaries and sets the UK's Corporate Governance and Stewardship Codes. We seek to promote transparency and integrity in business; our work is aimed at investors and others who rely on company accounts, audit, and high-quality risk management. As the Competent Authority for audit in the UK, the FRC sets auditing and ethical standards and monitors and enforces audit quality.

The FRC is also a prescribed body for issuing accounting standards in the UK and Republic of Ireland. The FRC's overriding objective in setting accounting standards is to enable users of accounts to receive high-quality, understandable financial reporting proportionate to the size and complexity of the entity and users' information needs.

**This research project will engage with UK companies to gather data about their use of a particular UK accounting standard: FRS 101 *Reduced Disclosure Framework*. However, the project will not require the successful contractor to have specialist knowledge of accounting.**

FRS 101 is one of the accounting standards issued by the FRC. FRS 101 sets out an optional accounting framework for the individual financial statements of subsidiaries (including intermediate parents) and ultimate parents, under which preparers apply the recognition and measurement requirements of adopted IFRS Accounting Standards, but with reduced disclosure.

FRS 101 was originally developed in response to feedback from UK listed groups, which are required to apply adopted IFRS Accounting Standards in their consolidated financial statements, to enable the use of consistent recognition and measurement requirements in the individual financial statements of the parent and subsidiary companies but with reduced disclosure.

FRS 101 was first issued in November 2012, with the most recent edition being published in January 2022. In developing the reduced disclosure framework, the FRC followed the principles of relevance, the cost constraint on useful financial reporting, and avoiding gold plating. FRS 101 is subject to annual reviews which provide a mechanism for introducing additional disclosure exemptions as IFRS Accounting Standards evolve. FRS 101 is also included in the FRC's periodic reviews of its financial reporting standards, which take place approximately every five years. These periodic reviews provide a mechanism for a more comprehensive review of the standards and whether their requirements remain appropriate.

**This research project will provide the FRC with data about why UK listed groups have chosen to *apply* or *not to apply* FRS 101, and about the experience of those preparers who have chosen to apply it.**

The project's output will help inform the FRC as to the extent to which FRS 101 is meeting its objectives when considering potential improvements. .

## **2. Project description**

### **2.1. Purpose and objectives**

#### **Groups applying FRS 101**

The research will collect information from groups of companies that have chosen to apply FRS 101 in the preparation of UK qualifying entities' financial statements. For these groups, we would like to know:

- a) the most significant reasons for preparers' choice to apply FRS 101 to the financial statements of qualifying group entities, and who (i.e. which job function) made this decision;
- b) which of the FRS 101 disclosure exemptions preparers consider to be useful, less useful, and why;
- c) additional disclosure exemptions that preparers believe could be appropriate for FRS 101 to provide, and why;
- d) other potential improvements to FRS 101 that preparers believe would be beneficial, and why they would improve the standard;
- e) how developments in international standards have or might impact the usefulness of FRS 101;
- f) the types of users (that the preparers are aware of) who obtain information from the FRS 101 financial statements produced by group entities;
- g) feedback on the FRS 101 financial statements that groups have received from users;
- h) additional information requested by users of FRS 101 financial statements, beyond the requirements of FRS 101;
- i) areas of the taxonomy for digital reporting for FRS 101 financial statements that preparers think could be improved and, if so, what these improvements are; and
- j) information about the size and structure of the group, including the ultimate ownership, the number of qualifying entities that are applying or not applying FRS 101, and the countries in which they are incorporated.

### UK listed groups *not applying* FRS 101

The research will also engage with UK listed groups that *could have chosen to apply FRS 101 in the preparation of qualifying entities' financial statements* **but did not do so**. For these groups, we would like to know:

- k) the most significant reasons why UK listed groups choose not to apply FRS 101, and who (which job function) makes this decision;
- l) what, if any, changes to FRS 101 would make these preparers likely to consider applying FRS 101 in the future and why these changes would be beneficial; and
- m) how, if at all, developments in international standards may impact the group's decision on the most beneficial standards to apply.

## **2.2. Scope**

The research will identify prevalent views and concerns of UK listed groups, including those which have chosen to apply FRS 101 in the preparation of UK qualifying entities' financial statements, and those which chose not to. **It should therefore include a sufficient number of participants of each type to ensure that prevalent views are identified.** The FRC will consider significant matters identified by the research in more detail and may seek further evidence through its own stakeholder consultation and outreach activities.

The research population will be UK groups listed on the London Stock Exchange Main Market (LSE MM – comprising FTSE 100 and FTSE 250 constituents, plus smaller main market listed entities) and the London Stock Exchange Alternative Investment Market (LSE AIM). In total this is expected to be approximately 2,000 groups. The FRC would like to collect information from across this population. The FRC will provide the appointed contractor with a definitive list to form the basis of the research population, having first removed listed entities which do not file group accounts and which are therefore assumed not to qualify to use FRS 101.

The list will identify the name of a listed entity for each group of companies. The researchers will be responsible for identifying, and obtaining contact details of, the appropriate representative of each group from whom to request participation in the research and collect the required data. That representative (e.g. the person responsible for group accounting policy) might in turn need to liaise with other colleagues in the group to answer the range of questions that satisfy the research objectives detailed in Section 2.1 above.

- Please explain in your proposal how you would identify and contact the appropriate representative for each sampled group, and the way(s) in which you would engage with them so as to ensure a sufficient response rate.

Please also specify:

- How you would stratify the population and what sample sizes you would suggest (up to and including 100% samples).
- How you would go about maximising the number of good quality responses.
- How many such responses you confidently expect.

### **2.3. Suggested approach**

Questions for each participant group will be developed by the FRC policy team in consultation with the appointed research contractors. It is therefore not a pre-requisite for the researchers to have accounting expertise nor to interpret participants' responses, only to record them accurately and collate and present the data in an accessible format in a research report, highlighting key points.

It is anticipated that a questionnaire format may be an appropriate research method for collecting the data from a sufficient volume of participants to meet the objectives of the research project. Researchers may also (or instead) wish to propose other research methods that may be better able to achieve the intended response rate and/or be better suited to the breadth and detail of information to be collected.

### **2.4. Outputs and deliverables**

The outputs from this research project will be the raw data collected from the participating preparers and a research report analysing the data collected from subsets of those preparers. The contractor will anonymise all outputs so that the FRC will not be able to identify which companies or individuals participated. The research report is not intended to be published separately. The data and analysis in the research report will be used by the FRC to identify prevalent views of preparers and potential preparers of FRS 101 financial statements that the FRC can subsequently explore in more depth through its own stakeholder consultation and outreach activities, as appropriate.

Anonymised data from the research project may be referred to and/or quoted in published FRC documents (e.g. public consultation documents). The successful research contractors will be cited accordingly.

### **2.5. Liaison arrangements**

The FRC policy team will be consulted on key decisions in the research design and its implementation. This will include regular project progress updates via Microsoft Teams and email.

## 2.6. High-level project timeline

Date	Deliverable / milestone
Late-April / Early May 2024	Kick-off meeting, agree detailed project timeline and methods for each phase
May 2024	Develop questions/topic guide for each area of enquiry; agree target populations/samples
May – July 2024	Survey live
Early June	Initial survey responses presentation to FRC (to check survey design/setup working as intended)
August 2024	Data processing & analysis; draft version of outputs to FRC for review/comment
September 2024	Final deliverables to the FRC

## 2.7. Cost and financials

Bidders should provide a fixed fee for the work, exclusive of VAT, inclusive of all expenses. Costs should be detailed in the Tender Response Documents in the format specified. No other costs should be charged on top of the fixed fee, unless the scope materially changes from that agreed. Changes to the scope / cost of the project must be mutually agreed.

***The FRC does not anticipate tender bids over £72,000 incl. VAT.***

### **3. Your tender response**

The proposal should be no more than 7 pages in total, excluding annexes, and include:

- A succinct summary of your proposal, including an estimated timeline of project milestones.
- Details of your proposed approach. This should include a high-level overview of the methods and techniques to be used in the project.
- Answers to all the questions about participant recruitment and engagement posed in Section 2.2.
- Your organisation's experience of similar projects and relevant research capability.
- The arrangements to be put in place for managing this work and quality-assuring outputs.
- A budget, including a breakdown of time and costs per activity.
- Details of personnel to be involved, including their role for this project and their relevant experience.
- CVs for the project team should be included in an annex, along with any additional information about your organisation that you consider relevant.

Bids should identify any real or perceived conflicts of interest.

#### **3.1. Tender evaluation**

Bids will be assessed against the following principal criteria:

- (25%) Understanding of our requirement (supported by relevant experience, track record and / or transferrable knowledge).
- (25%) The suitability of the approach (including methodology and management).
- (30%) Experience / relevant experience of the proposed personnel.
- (20%) Pricing / cost of your proposal.

### **4. Use of ITT & publication**

Tenderers **must not** undertake any publicity activity regarding the procurement within any section of the media.

### **5. Questions & Clarifications**

- Tenderers may raise questions or seek clarification regarding any aspect of this further competition at any time prior to the tender clarification deadline.
- Tenderers may raise questions or seek clarification within the timeframe by sending questions to [procurement@frc.org.uk](mailto:procurement@frc.org.uk) in the following format.

Nature of query / clarification	Query / Clarification

- FRC will not enter into exclusive discussions regarding the requirements of this ITT with tenderers.
- To ensure that all tenderers have equal access to information regarding this tender opportunity, FRC will publish all its responses to questions raised by Tenderers on an anonymous basis.
- Responses will be published in a questions and answers document to all Tenderers who have indicated that they wish to participate.

## 6. Tender process timeline

DATE/TIME	ACTIVITY
<b>19/03/2024</b>	Publication of the Invitation to Tender
<b>27/03/2024 by 12.00noon</b>	Supplier's deadline to submit clarification questions
<b>03/04/2024 by 12.00noon</b>	FRC's deadline for publication of responses to clarification questions FRC will endeavour to meet this deadline
<b>11/04/2024 12.00noon</b>	Deadline for supplier submission of tender to the FRC.
<b>w/c 22/04/2024</b>	Tender outcome / If required: Shortlisted suppliers advised
<b>w/c 22/04/2024</b>	If required: Supplier tender clarification session(s)
<b>On / around 25/04/2024</b>	Contract execution
<b>On / around 29/04/2024</b>	Contract commencement / kick off meeting – 01/05/2024 10.00am – 11.00am (TBC)

## 7. Conduct

- The tenderer must not communicate to any person the tender price, even approximately, before the date of the contract award other than to obtain, in strict confidence, a price for insurance required to submit the tender.
- The tenderer must not try to obtain any information about any other person's tender or proposed tender before the date of the contract award.
- The tenderer must not make any arrangements with any other person about whether or not they should tender, or about their tender price.
- The tenderer must not offer any incentive to any member of FRC's staff for doing or refraining from doing any act in relation to the tender.



- If the tenderer engages in any of the activities set out in this paragraph or if FRC considers the tenderer's behaviour is in any way unethical FRC reserves the right to disqualify the tenderer from the procurement.
- The tenderer represents and warrants that a conflicts of interest check has been carried out, and that check revealed no conflicts of interest.
- Where a conflict of interest exists or arises or may exist or arise during the procurement process or following contract award the tenderer must inform the FRC and submit proposals to avoid such conflicts.
- Tenderers must obtain for themselves at their own responsibility and expense all information necessary for the preparation of tenders. The FRC is not liable for any costs incurred by the tenderer as a result of the tendering procedure. Any work undertaken by the tenderer prior to the award of contract is a matter solely for the tenderer's own commercial judgement.

## **8. Due Diligence**

- While reasonable care has been taken in preparing the information in this ITT and any supporting documents, the information within the documents does not purport to be exhaustive nor has it been independently verified.
- Neither FRC, nor its representatives, employees, agents or advisers:
  - makes any representation or warranty, express or implied, as to the accuracy, reasonableness or completeness of the ITT and supporting documents; or
  - Accepts any responsibility for the adequacy, accuracy or completeness of the information contained in the ITT and supporting documents nor shall any of them be liable for any loss or damage, other than in respect of fraudulent misrepresentation, arising as a result of reliance on such information or any subsequent communication.
- It is the tenderer's sole responsibility to undertake such investigations and take such advice, including professional advice, as it considers appropriate in order to make decisions regarding the content of its tenders and in order to verify any information provided to it during the procurement process and to query any ambiguity, whether actual or potential.
- It is a requirement that the successful supplier (i) comply with all applicable laws and regulations including, without limitation, the Bribery Act 2010, the Equality Act 2010 and the Modern Slavery Act 2015; and (ii) in addition to any contractual requirement(s), inform the FRC immediately upon becoming aware of any event (including actual or threatened court proceedings) which may impact upon the reputation of the FRC, whether or not connected with the Supplies and/or Services.

## **9. Submitting a Tender**

- Tenderers must submit their tender response within the deadline to [procurement@frc.org.uk](mailto:procurement@frc.org.uk).
- Where a Tender Response Template is provided, potential providers must align their tender response with that format.
- A Tender must remain valid and capable of acceptance by the Authority for a period of 90 days following the Tender Submission Deadline. A Tender with a shorter validity period may be rejected.

## **10. Evaluation**

- FRC will award the contract on the basis of the tender which best meets the evaluation criteria aligned to the requirements.

## **11. Acceptance of Tender & Notification of Award**

- FRC reserves the right to amend, add to or withdraw all or any part of this ITT at any time during the procurement.
- FRC shall not be under any obligation to accept the lowest price tender or any tender and reserves the right to accept such portion or portions as it may decide, unless the tenderer includes a formal statement to the contrary in the tender. FRC also reserves the right to award more than one contract to fulfil the requirement.
- The tenderer will be notified of the outcome of the tender submission at the earliest possible time.
- Where the procurement process is subject to EU public procurement directives, a minimum standstill period of 10 calendar days will apply between communicating the award decision electronically to tenderers and awarding the contract.
- Nothing in the documentation provided by FRC to the tenderer during this procurement or any communication between the tenderer and FRC or FRC's representatives, employees, agents or advisers shall be taken as constituting an offer to contract or a contract. No tender will be deemed to have been formally accepted until the successful tenderer has received a formal contract award letter from FRC.

## **12. Additional Information**

- Please use the attached Tender Response Document for your reply.
- The Terms and Conditions that will apply to this proposed Agreement are attached. Suppliers should accept the T&C's with no material changes.