

PwC Perspectives

Modernising Corporate Reporting – consultation



Background

On 7 September BIST (Department for Business, Innovation, Science and Trade (formerly DBT)) issued a consultation on 'Modernising Corporate Reporting'. In its press release, the proposals are described as 'Common sense changes to save businesses more than £450 million a year, with even further savings to come'. It is important to note that, in BIST's own words, this is an 'ambitious' consultation in many respects. It therefore appears quite radical, with the aim of encouraging broad engagement to help shape final policies.

Below, we summarise the consultation's main proposals by theme, provide an initial PwC perspective and suggest points for companies and other interested parties to consider when deciding how to respond.

At a glance...

Our initial perspectives are summarised below, with further detail in the following sections.

Key proposals within each area	Initial PwC perspectives
Financial reporting	
A streamlined financial reporting framework	We welcome proposals to simplify financial reporting, reduce complexity and compliance costs, and make standards easier to apply.
Narrative 'front half' reporting	
Simpler narrative reporting requirements; company size and threshold considerations; Governance reporting clarifications.	We support the move to more focused narrative reporting that helps companies produce clear and relevant information for investors. Streamlined strategic and remuneration reporting could also improve the transparency and accessibility of reporting and risk management. Some care will be needed to preserve valued information, comparability and appropriate accountability, particularly around remuneration. Specifically for cyber risk reporting, this is an important and increasingly relevant issue for companies, so we would support additional risk reporting that is meaningful and company-specific (within sensitivity boundaries).
Removal of a several strategic reporting requirements	
Removal of several remuneration reporting requirements	
A more flexible, principle-based approach to sustainability reporting	
Enhanced cyber risk reporting	
Reduction in non-financial reporting requirements for private companies	
Solvency and distributions	
Replacing existing approach to dividend legality with a solvency-based regime	We understand the driver is to move to a distribution framework that simplifies decision-making, improves transparency and is proportionate and workable in practice. However, any framework, whether solvency-based or otherwise, must protect creditors (a core principle of The Companies Act 2006 ("CA06")) and clearly define the responsibilities of directors and auditors. As the distributable reserves framework underpins much of CA06, reforms must also consider the wider implications to avoid unclear or conflicting legislation.
Audit/Assurance related proposals	
Wider use of audit exemptions	Wider audit exemptions could reduce costs, but may weaken scrutiny, accountability and confidence in reporting. It is important that any changes provide sufficient protection for the public interest.
Audit reports to cover digital tagging	We support accessible, trusted digital reporting that is practical to deliver, but it must be future proofed for use with AI and other emerging technologies.
Other proposals	
- Greater transparency about the assurance over information outside the financial statements - Greater use of online reporting, electronic communications and AI - Ability to hold fully virtual AGMs	We broadly support these proposals, subject to careful implementation and appropriate protection of stakeholder interests.

Financial reporting

The Government wants to simplify financial reporting by:

- Making accounting standards the main source of detailed requirements, while the Companies Act would set out only the overall obligations and identify which standard applies.
- Aligning the 'true and fair' requirement under both UK-IAS and Companies Act accounts.
- Organising standards around company size and type, with four separate frameworks:
 - UK-IAS.
 - UK GAAP for large companies.
 - UK GAAP for small and medium-sized companies.
 - UK GAAP for micro-entities.
- Allowing small and medium-sized companies access to the same reporting exemptions, including no requirement to prepare consolidated accounts or a cash flow statement.
- Extending additional reporting exemptions to subsidiaries in ineligible groups that are currently unavailable to them.



Initial PwC view and points to consider:

Overall, we welcome the proposals to simplify financial reporting and support their aim of reducing complexity, improving proportionality and making the appropriate accounting standards easier to identify and apply. If implemented carefully, the changes could deliver meaningful benefits for companies, including more focused reporting and lower compliance costs. Companies may wish to respond to the consultation by sharing practical experience of how the proposed company-size categories and reporting exemptions could maximise these benefits, while also helping to ensure that the final framework remains clear, consistent and comparable.

Narrative 'front half' reporting

The Government is proposing a simpler and more focused approach to narrative reporting. Many detailed strategic report requirements would be replaced by a core set of disclosures covering the company's business model, performance, strategy, resources and relationships, and principal risks; climate-related financial disclosures would remain subject to a review in Spring 2027. Remuneration reporting would also be streamlined by removing some detailed disclosures and the annual advisory shareholder vote on the directors' remuneration report, while retaining the binding vote on remuneration policy every three years. In addition, very large companies would be required to provide clearer information on how directors oversee and manage cyber security risks.



Initial PwC view and points to consider:

We support the move to more focused narrative reporting that helps companies produce clear and relevant information for investors. Streamlined remuneration reporting and specific cyber risk disclosures could also improve the transparency and accessibility of reporting and risk management. Some care will be needed to preserve valued information, comparability and appropriate accountability, in particular around remuneration. Companies and investors should engage with the consultation to help ensure the final requirements deliver these benefits in a clear, proportionate and workable way.

Solvency and distributions

The Government is considering replacing the current rules on distributable profits and capital maintenance with a solvency-based approach to dividends. Instead of relying mainly on profits available for distribution, directors would need to confirm that paying a dividend would not affect the company's ability to continue as a going concern. The aim is to create a clearer and more practical framework that links dividend decisions more directly to the company's financial position.



Initial PwC view and points to consider:

We understand the driver is to move to a distribution framework which simplifies decision-making, improves transparency and remains proportionate and is workable in practice. However, any such framework (be it solvency based, or otherwise) will need to maintain the key principle that creditors are not prejudiced (core to The Companies Act 2006 ("CA06")) and be clear what the duties and responsibilities of directors and auditors are in this regard. We note that the current distributable reserves framework underpins much of the CA06 and is relevant to many more sections than those that explicitly relate to distributions, such that the knock-on implications of this proposal will need to be considered to avoid a lack of clarity or conflicting legislation. Companies and investors should engage to help ensure the regime simplifies decision-making, improves transparency and remains proportionate and workable in practice.

Audit/Assurance related proposals

Audit exemptions

The consultation is considering whether to widen access to audit exemptions by removing most of the existing preconditions for UK subsidiaries with a UK parent, and by allowing medium-sized companies to use the exemption currently available to small companies. This could mean that more subsidiaries and medium-sized companies would no longer need a statutory audit, although some exceptions would continue to apply.



Initial PwC view and points to consider:

We recognise that wider audit exemptions could reduce costs and allow audit requirements to be applied more proportionately. However, it is important that the proposals provide sufficient protection for the public interest. Allowing more companies to be exempted from statutory audits could reduce independent scrutiny, accountability and confidence in financial reporting, with wider implications for the company itself with its creditors, investors and other stakeholders. Stakeholders should engage with the consultation to help ensure that any exemptions are supported by clear evidence of benefits, appropriate safeguards and a robust assessment of their wider economic and public-interest effects.

Electronic tagging

The Government is also considering whether auditor reports should provide assurance through the audit that electronically filed reports and accounts are tagged and formatted correctly. Electronic tagging currently applies to listed companies and will soon affect many private companies. This proposal could potentially improve the quality and consistency of digital reporting but also possibly add cost and pressure at year end. Companies may therefore wish to respond to help ensure any new requirement is proportionate, practical and designed so tagging issues can be resolved early, minimising delay and rework.



Initial PwC view and points to consider:

We support proposals that make annual report information easier to access, analyse and trust. Any approach should be consistent, practical within tight reporting timetables and designed to minimise additional year-end pressure. It should also be future-ready, enabling electronic information to be used effectively by AI and other emerging technologies.

Other proposals

Other proposals include: greater transparency about the assurance companies obtain over information outside the financial statements; a review of whether private companies should continue to meet their strategic, governance and climate-reporting requirements; more flexible, financially focused sustainability reporting, particularly for SMEs; and greater use of online reporting, electronic communications, AI and virtual AGMs. Companies may wish to respond because these proposals could affect reporting processes, accessibility, stakeholder information, comparability, governance, engagement and the extent to which investor needs are met. Responses could draw on practical experience to identify where the changes may simplify reporting and improve accessibility, as well as where they may have wider implications, helping to inform proposals that are clear, proportionate and workable.



Potential timeline

The consultation closes on 30 November, and the Government has committed to responding within 6 months. Implementation timelines are not yet known as some of the proposals may need primary legislation – and therefore are unlikely to take effect before 2028 – and some may be able to be implemented through secondary legislation as early as 2027. We expect this to become clearer after the Government issues its response.



How to respond

Closing date is 12.59pm on 30 November. As outlined in the consultation, the preferred response mechanism is online at https://ditresearch.eu.qualtrics.com/ife/form/SV_eDUJXog8k5Cu2i. Enquiries can also be sent to mcr.review@businessandtrade.gov.uk.

PwC contacts

If you have any questions, please follow up with your usual PwC contact. Alternatively, you can contact.



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