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Hillier Hopkins LLP
Chartered Accountants
And Tax Advisers

Audit Findings Document

For Hatfield Community Free
School

31 August 2023



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Dear Sirs

Audit Findings Document for Hatfield Community Free School for the year ended 31 August 2023

This Audit Findings Document presents the observations and matters which came to our attention during the conduct of our normal audit procedures which are considered to be significant, as required by International Standard on Auditing (UK) 260.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements. We would be grateful if you could provide comments against each point where appropriate within the report and return it to us in due course.

In addition to the audit, we present our 'Limited Assurance' Regularity Conclusion as required by the ESFA.

We would like to take this opportunity to thank the finance team and other staff for their assistance provided during the course of our work.

Yours faithfully

Sam Hodson

Responsible Individual
For and on behalf of
Hillier Hopkins LLP

This report has been prepared solely for your benefit and should not be quoted or copied in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting, on the basis of the content of this report. The content of this report is not a comprehensive record of all the relevant matters, and may be subject to change.



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Audit of the accounts - approach and status

The audit approach, as detailed in our Audit Planning Document, was determined by our assessment of the audit risk, both in terms of the potential misstatement in the financial statements and of the control environment in which the academy operates.

In summary, our approach has been to:

- update our understanding of the organisation and its environment;
- review the design and implementation of key internal financial control systems; and
- plan and perform an audit with professional scepticism recognising that circumstances may exist that cause the financial statements to be materially misstated. This includes the risk of material misstatements due to non-compliance with laws and regulations and fraud.

Opinion

Our work is complete (subject to the items listed below) and our audit report opinion (in accordance with ISAs (UK) 700/705/706) will be:

Unmodified



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Regularity Assurance - approach and status

We conducted our engagement in accordance with the 'Academies Accounts Direction' and the 'Framework and Guide for External Auditors and Reporting Accountant of Academy Trusts' issued by the Education & Skills Funding Agency. We performed a limited assurance engagement as defined in our engagement letter.

Much of the work relating to regularity is undertaken as part of the statutory audit of the accounts, though regularity requires further consideration. In summary, our approach has been to;

- review of the Academies Financial Handbook and extent of systems/controls to promote regularity;
- sampling of income and expenditure (procurement controls are effective and spend is appropriate);
- review for specific Academy Financial Handbook matters requiring approval/notification; for example write offs of debtors, acquisitions or disposals of freehold land and buildings, taking up a finance lease, novel and contentious payments; and
- review of transactions with related parties and the general governance of the academy.

Conclusion

Our work is complete and our regularity assurance report conclusion will be: **Unmodified**



Key matters – Audit

This section provides commentary on the risks identified in our Audit Planning Document along with a summary of the testing performed and any key issues identified:

	Risks identified at planning	Commentary
1	Revenue recognition (grant income) Under ISA (UK) 240 there is a rebuttable presumed risk that revenue recognition may be materially misstated due to fraud.	To address this risk, we have performed the following key audit procedures: <ul style="list-style-type: none">• Review and testing of revenue recognition policies• Review all significant grant income to funding documentation• Review cut-off• Analytical review We have not identified any material audit issues in relation to our audit work.
2	Management override and bias Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management -override of controls is present in all entities.	To address this risk, we have performed the following key audit procedures: <ul style="list-style-type: none">• Review of accounting estimate, judgments and decisions including those noted in the critical accounting estimates and areas of judgement section of the financial statements• Testing of journal entries• Review of unusual significant transactions We have not identified any material audit issues in relation to our audit work.

(ISA (UK) 315) "Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, due to either size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty."



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Key matters - Regularity

This section provides commentary on any key regularity matters identified during our review. Our work was performed in accordance with the Academies Accounts Direction issued by the ESFA.

There were no significant findings in connection with regularity during the course of our audit.

Regularity and Propriety

“Parliament is concerned that any public money raised and subsequently distributed is used only for approved purposes. This is termed as regularity. ‘Managing Public Money’ defines regularity as the requirement that ‘resource consumption should accord with the relevant legislation, the relevant delegated authority and this document’.

- *Regularity, therefore, requires that a financial transaction is in accordance with the relevant framework of authorities, and should be woven into the academy trust’s internal control procedures.*
- *Propriety is a related concept and concerned more with standards of conduct, behaviour and corporate governance.”*



Management Letter

This section provides commentary on any weaknesses identified during our testing of the design and implementation of the internal control environment appropriate in accordance with ISA 265. An audit is not designed to test all internal controls or identify all areas of control weakness, it is directed towards forming and expressing an opinion on the financial statements. In consequence, our work cannot be relied upon to disclose any or all issues, or to include all possible improvements in internal control that may exist.

	Significance	Weakness and potential consequences	Recommendation	Management's response / timescale for implementation
1	●	<p>Fixed Assets During our procedures, we noticed that an invoice for a fixed asset addition had been recorded twice because it had initially been posted to the P/L and subsequently capitalised via a duplicated journal.</p> <p>This can lead to fixed assets being overstated. The error has been adjusted for as per our adjusted audit differences appendix to this document.</p>	We recommend reviewing the Schools controls in relation to posting journals. Having a second review of the journals posted can mitigate the risk of this, however is dependent on having sufficient capacity within the accounting function.	This will form part of the post audit journal entries to be made. It is part of our financial procedures manual that all journals posted will be reviewed and authorised by the Principal prior to being input to the accounting system.
2	●	<p>Deferred Income We noted that the 2021/22 deferred income had been incorrectly calculated. The full UIFSM grant in the prior year should have been deferred in the 2021/22 accounts. However, only 7 months of the balance was deferred.</p> <p>This has thus impacted the UIFSM income recognised in the 22/23 financial statements such that it has been understated by approximately £14,000. No adjustment has been made in this respect.</p>	We recommend reviewing deferred income on a regular basis and ensuring that income is recognised inline with the accounting standards.	It is part of our financial procedures that any reconciling or balancing amounts are cleared as part of the month end reconciliations and reviewed by the Principal.

Assessment

- Significant – risk of significant misstatement
- Deficiency – risk of minor misstatement



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Management Letter (continued)

	Significance	Weakness and potential consequences	Recommendation	Management's response / timescale for implementation
3	●	Prepayments During our audit, we noticed two historical prepayments totalling £5,878 which had not been charged to the P/L account. This difference remains unadjusted and is included in our unadjusted audit differences appended to this document.	We recommend reviewing historic prepayments on a regular basis and updating as and when any changes happen.	This will form part of the post audit journal entries to be made. It is part of our financial procedures that any reconciling or balancing amounts are cleared as part of the month end reconciliations and reviewed by the Principal.
4	●	Squirrels Rental Agreement During our audit, we noticed that the rental agreement between Squirrels has expired and has not been updated.	We recommend an updated agreement is agreed with Squirrels to ensure rental payments are accurate and to mitigate the risk of a breach of the agreement.	We have sought advice from Hertfordshire County Council Estates on the process for updating the lease with Squirrels and have approached the legal department to action this on our behalf.
5	●	Accruals During our audit, we noticed a historic accrual which had not been charged to the P/L account, totalling £2,500. This difference remains unadjusted and is included in our unadjusted audit differences appended to this document.	We recommend reviewing accruals on a regular basis and updating as and when any changes happen.	This will form part of the post audit journal entries to be made. It is part of our financial procedures that any reconciling or balancing amounts are cleared as part of the month end reconciliations and reviewed by the Principal.

Assessment

- Significant – risk of significant misstatement
- Deficiency – risk of minor misstatement



Update on audit findings of prior years

This section provides an update on the audit findings raised in prior years, and the progress made by Management in remediating the issues identified:

	Significance	Issue previously reported	Current status	Management's response / timescale for implementation
1	●	<p>Trade Creditors During our audit we noticed a difference between the trade creditor balance per the trial balance and the aged creditors report.</p> <p>This could lead to over and underpayments to suppliers.</p>	We did not notice this issue in the current year.	n/a
2	●	<p>Publication It was noted during the review of internal audit report that the relevant business and pecuniary interest of members, trustees, local governors, and the accounting officer published on the website were not reviewed as the accuracy of the Register of Interests could not be verified.</p> <p>This should be accurate and up to date to comply with Academy trust handbook</p>	We did not notice this issue in the current year.	n/a

Assessment

- Significant – risk of significant misstatement
- Deficiency – risk of minor misstatement



Update on audit findings of prior years

This section provides an update on the audit findings raised in prior years, and the progress made by Management in remediating the issues identified:

	Significance	Issue previously reported	Current status	Management's response / timescale for implementation
3	●	Governance Framework It was noted during the review of internal audit report it was noted that not all Declaration of Business interests forms had been completed within the last 12 months.	We did not notice this issue in the current year.	n/a
4	●	Payroll It was noted during the review of internal audit report that the Headteacher and School Business Manager hold both administrator and approver rights on the payroll system, with the ability to administer and approve the same transaction. This could lead to self approving the transaction checked by themselves.	We did not notice this issue in the current year.	n/a

Assessment

- Significant – risk of significant misstatement
- Deficiency – risk of minor misstatement



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Update on audit findings of prior years

This section provides an update on the audit findings raised in prior years, and the progress made by Management in remediating the issues identified:

	Significance	Issue previously reported	Current status	Management's response / timescale for implementation
5	●	<p>Finance function The School Business Manager is entering the transaction on the system and these are not reviewed.</p> <p>All the items entered on to the systems should be regularly reviewed to ensure that these are entered correctly.</p>	We did not notice this issue in the current year.	n/a
6	●	<p>Payroll Contract and overtime authorisation It was noted during the review of internal audit report that not all payroll contracts changes and overtime authorisation had been approved in accordance with the finance regulation.</p> <p>This can create a difference between the payment made to the actual contract.</p>	We did not notice this issue in the current year.	n/a

Assessment
 ● Significant – risk of significant misstatement
 ● Deficiency – risk of minor misstatement



Update on audit findings of prior years

This section provides an update on the audit findings raised in prior years, and the progress made by Management in remediating the issues identified:

	Significance	Issue previously reported	Current status	Management's response / timescale for implementation
7	●	<p>Internal audit report</p> <p>There are number of points raised in the internal audit report.</p> <p>This should be reviewed on regular basis and action should be implemented to ensure that controls are in place and changes are done on a regular basis.</p>	We did not notice this issue in the current year.	n/a
8	●	<p>Members and Trustees</p> <p>It was noted during the audit that some of the members are also trustees and there are staff who are appointed as trustees.</p> <p>There should be strong separation between the individuals who are members and trustees and also ESFA's strong preference is any newly appointed senior executive leader can only be trustee if the members decide to appoint them as such, the senior executive leader agrees and the trust's articles permit it. The department's strong preference is for no other employees to serve as trustees, nor for the trustees to occupy staff establishment roles on an unpaid voluntary basis, in order to retain clear lines of accountability.</p>	We did not notice this issue in the current year.	n/a

Assessment

- Significant – risk of significant misstatement
- Deficiency – risk of minor misstatement



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Other communication requirements:

This section documents a number of other communication requirements, prescribed by the ISAs which are summarised below:

ISA	Matter	Auditor findings
240	Fraud	We have not been made aware of any incidents by yourselves or identified during the course of our audit any instances of fraud.
250	Laws and regulations	We are not aware of any significant incidences of non-compliance.
260	Significant qualitative matters: <ul style="list-style-type: none">• Accounting policies• Estimates• Judgements	We have reviewed the presentation and accounting of all material qualitative matters in the financial statements and have nothing to report beyond any other matter detailed in this report.
260	Significant difficulties encountered during the audit	We are pleased to report that we did not encounter any significant difficulties during the course of our audit.
260	Written representations	Representations will be requested from management with regard to specific matters concerning judgement, estimation and other matters.
550	Related parties	We are not aware of any related party transactions which have not been disclosed in the financial statements.



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Independence and non-audit services

The primary objective of an audit is for us to provide independent assurance to members that the trustees have prepared the financial statements properly. The credibility of this depends on beliefs concerning the integrity, objectivity and independence of the firm or covered persons and the work that they perform. Therefore all our audits are conducted with integrity, objectivity and independence, as these are the overarching ethical principles. The Financial Reporting Council’s (FRC) Ethical Standard and ISA (UK) 260 require us to give you timely disclosure of matters relating to our independence. We disclose the following to you:

- We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention.

Non-audit service	Fees	Threat?	Safeguard(s) in place
AAR	£2,300	Self-review / management	Informed management – Rachel Robinson Audit related services (Regularity, AAR, EOYC) Other non-audit services performed by non-audit staff
TPS	£1,450	Self-review / management	
Attendance at Trustee Meeting	£625	Self-review / management	
Total non-audit services	£4,375		

FRC Ethical Standard: Threats to integrity, objectivity and independence

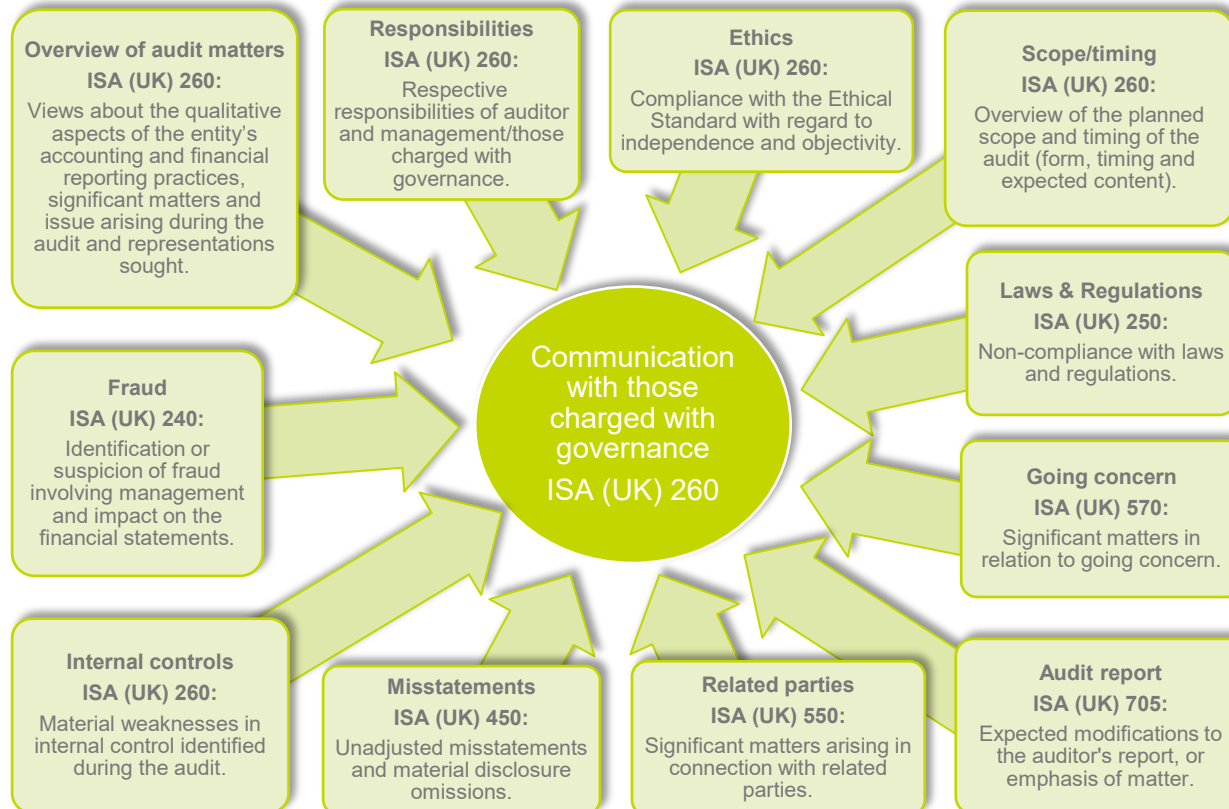
- Self-interest threat • Self-review threat • Management threat • Advocacy threat • Familiarity (or trust) threat • Intimidation threat



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Communication with those charged with governance

International Standard on Auditing (UK) 260 establishes specific reporting obligations on us, as your auditor, to communicate certain matters along with other ISA(UK's) to those charged with governance. Our Audit Planning and Findings Report form part of this communication.





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Appendices



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Adjusted audit differences

In forming our opinion, we note the following adjusted misstatements identified during the course of our audit:

Number	Date	Name	Account No	Reference	Debit	Credit	Net Income (Loss)	Amount Chg
Net Income (Loss) Before Adjustments							83,492	
7	31/08/2023	FA: Fhold Land: Disposals	110500			20		
7	31/08/2023	SP:Educ Supplies:Curriculum Materials - Art & DT	810200-GAG-ART		20			
Being to correct misposting								
					20	20	83,472	-20
11	31/08/2023	FA: Plant & Machinery: Additions other	135230	E1. 3		7,802		
11	31/08/2023	PR: R&M: Building Repair and Maintenance	710100	E1. 3	7,802			
Being to correct invoice posted twice to fixed asset additions								
					7,802	7,802	75,670	-7,802

ISA 450, "If management have corrected *material* misstatements, communicating those corrections of which the auditor is aware to those charged with governance may assist them to fulfil their governance responsibilities, including reviewing the effectiveness of the system of internal control."



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Adjusted audit differences

Number	Date	Name	Account No	Reference	Debit	Credit	Net Income (Loss)	Amount Chg
					1,000	1,000	1,000	1,000
12	31/08/2023	Pension bfwd reserve	HH20	K3	181,000			
12	31/08/2023	LB: Pensions - pres val: Opening balance	370100	K3		181,000		
12	31/08/2023	Current service cost	FRS17.1	K3		101,000		
12	31/08/2023	Current service cost SOFA	FRS17.2	K3	101,000			
12	31/08/2023	Actuarial losses	FRS17.4	K3	166,000			
12	31/08/2023	Actuarial losses	FRS17.5	K3	28,000			
12	31/08/2023	Difference expected	FRS17.6	K3		166,000		
12	31/08/2023	Actuarial losses	FRS17.8	K3		28,000		
12	31/08/2023	Pensions ERs contributions	FRS17.9	K3	94,000			
12	31/08/2023	Expected return	FRS17.10	K3		54,000		
12	31/08/2023	Interest cost SOFA	FRS17.11	K3	46,000			
12	31/08/2023	Expected return	FRS17.12	K3	54,000			
12	31/08/2023	Interest cost BS	FRS17.13	K3		46,000		
12	31/08/2023	ERs contributions	FRS17.14	K3		94,000		
12	31/08/2023	Derecognition of pension surplus (BS)	FRS17.20	K3		195,000		
12	31/08/2023	Derecognition of pension surplus (SOFA)	FRS17.21	K3	195,000			
Being entry to pass the pension journal					865,000	865,000	76,670	1,000
14	31/08/2023	CA: Savings Accounts: Savings Account 1	270100	I1.2	4,748			
14	31/08/2023	IN: Other Income: Investment income	525750UN	I1.2		4,748		
Being entry to provide for bank interest on these account.					4,748	4,748	81,418	4,748
					877,570	877,570	81,418	-2,074

ISA 450, "If management have corrected *material* misstatements, communicating those corrections of which the auditor is aware to those charged with governance may assist them to fulfil their governance responsibilities, including reviewing the effectiveness of the system of internal control."



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Unadjusted audit differences

In forming our opinion, we note the following unadjusted misstatements (factual, judgemental, projected or arising from a prior period) identified during the course of our audit:

Number	Date	Name	Account No	Reference	Debit	Credit	Proposed Net Income (Loss)	Proposed Amount Chg
Net Income (Loss)							81,418	
9	31/08/2023	CA: Debtors <1 year: Prepayments	240300			3,144		
9	31/08/2023	CA: Debtors >1 year: Prepayments	250300			2,734		
9	31/08/2023	Suspense Account	880501		5,878			
Being to pass historic prepayments through the P/L					5,878	5,878	75,540	-5,878
10	31/08/2023	LB: Creditors <1 year: Other accrual	310700		2,500			
10	31/08/2023	Suspense Account	880501			2,500		
Being to pass historic accrual through the P/L					2,500	2,500	78,040	2,500
					8,378	8,378	78,040	-3,378

ISA 450, "If uncorrected misstatements have been communicated with person(s) with management responsibilities, and those person(s) also have governance responsibilities, they need not be communicated again with those same person(s) in their governance role. The auditor nonetheless has to be satisfied that communication with person(s) with management responsibilities adequately informs all of those with whom the auditor would otherwise communicate in their governance capacity."



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Technical developments



Department
for Education



Education & Skills
Funding Agency

Timetable for submission and publication of accounts and related reports

The Accounts Direction outlines that each academy trust must submit by the 31 December 2023:

- Audited accounts, including the reporting accountant's report on regularity
- The audit findings report from the external auditors presented to those charged with governance – this should contain the:
 - findings, including ratings of the importance/risk, e.g. high/medium/low;
 - their views about significant qualitative aspects of the academy trust's accounting practices, including accounting policies, accounting estimates and financial statement disclosures;
 - significant difficulties, if any, encountered during the audit;
 - significant matters, if any, arising from the audit that were discussed, or subject to correspondence with, management and the written representations the auditor is requesting; and
 - other matters, if any, arising from the audit that, in the auditor's professional judgment, are significant to the oversight of the financial reporting process.
- An accounts submission cover (online form).
- An annual internal scrutiny report.

Related obligations:

- The accounts must be published on the academy's website by 31 January 2024;
- The Annual Accounts Return (AAR) must be submitted to the ESFA by 30 January 2024; and
- The accounts must be submitted to Companies House by 31 May 2024.

Comment:

Our Audit Findings Report summarises the fulfilment of our obligations as auditor. As Trustees/Governors, you are ultimately responsible for the correct reporting and submission deadlines required by the ESFA.



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Technical developments



Department
for Education



Education & Skills
Funding Agency

Academy Trust Handbook 2023 – key changes

The ESFA published its updated handbook in July 2023, effective 1 September 2023.

Baroness Barran has stated in her foreword to the Handbook:

“Twenty years ago, the first academy schools opened. Since then, the sector has grown in size, in variety, and maturity. My ambition is to ensure that all schools continue to provide the very best educational experience for our young people. For that to happen, given the department’s role as regulator of academy trusts we must think carefully about achieving the right balance of support, autonomy and oversight. The academy trust handbook, has played a vital role over the years in delivering clarity about the oversight framework that applies to academy trusts, helping us all provide assurance that public money is spent well. Trustees continue to take on very significant responsibilities and this is unchanged by this handbook.”

The key highlights/clarifications are:

Roles & responsibilities:

- Emphasising the importance of good estates safety and management.
- The board should have sufficient financial knowledge to hold the executive to account.
- The Accounting Officer and Chief Financial Officer should not be the same person.

Main financial requirements:

- Clarifying that 3 meetings a year of the board is expected, but more encouraged.
- Giving trusts with an additional month to submit their Budget Forecast return.
- Easing of how management accounts are prepared and circulated.
- Explaining the permissive position on electric vehicle salary sacrifice schemes with the ESFA.

Delegated authorities:

- Simplifying the position on GAG pooling.
- Refining the approval threshold for related party transactions with the ESFA.



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Technical developments



Department
for Education



Education & Skills
Funding Agency

'Dear Accounting Officer' Letter – streamlined financial oversight

The ESFA's 'Dear Accounting Officer' letter in July 2023 highlighted measures aimed at streamlining and improving the financial oversight framework of the sector, now codified within the Academies Trust Handbook 2023:

Key areas reported by the letter include:

- **Related party transactions** - A doubling of the threshold beyond which ESFA approval is required for related party transactions. From 1 September 2023 this increases from £20k to £40k. We have also removed the ESFA approval requirements for transactions with some schools, colleges and universities, and reinforced where the approval requirements do not apply to transactions with faith bodies.
- **Annual reporting** – We have removed the requirement for you to provide explanations in your annual accounts when holding fewer than 6 board meetings per year, although this in no way reduces our expectation to have regular and effective meetings.
- **Budget setting** - We are providing an additional month to submit your annual budget forecast return to us, which extends the deadline to 31 August. We appreciate this is a difficult one for us to get right, given the submission window remains over the summer. But we hope that the extension will help ease the myriad of priorities your trust will be managing at the end of each academic year.
- **Budget monitoring** – We are providing you with more discretion in the distribution of management accounts.
- **Sustainability** – We are confirming you can set up salary sacrifice schemes for electric vehicles, in most cases without our approval.



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Technical developments



Comment:

Like others in the profession, we support the Government's Bill to improve the quality of records held at Companies House but remain cautious regarding the challenges ahead.

Companies House Reform

The Government's Economic Crime and Corporate Transparency Bill achieved royal assent on the 26 October 2023. The Bill includes a series of significant reforms designed to improve the quality and value of financial information on the UK companies register, combat economic crime, whilst supporting growth in the UK.

The Bill (and Whitepaper preceding it) includes the following:

- All new and existing company directors, (and equivalents for other registrable entities), Persons with Significant Control (PSC) and anyone else submitting filings will need a verified account at Companies House.
- All companies will be required to file accounts digitally, with full tagging.
- Small companies will no longer have the option to prepare and file abridged accounts and will be required to file both their profit and loss account and directors' report (ie, the option to file "filleted" accounts will be removed).
- Micro-entities will also be required to file their profit and loss account but will continue to have the option to not prepare or file a directors' report.
- Increased powers granted to the Registrar to enable more investigations and challenges of filings.
- Limiting the number of times a company can shorten its accounting reference period (ARP) to align with the restrictions around extending its ARP.
- Options to enable companies to file financial information once a year with Government will be explored although there are no firm plans in this regard at this time.
- Time periods allowed for filing accounts will not be reduced at this time.
- Companies House fees are expected to rise following powers granted to cover its own expanded powers/costs.

Details: <https://www.gov.uk/government/publications/economic-crime-and-corporate-transparency-bill-2022-factsheets>

When? Not immediately. A number of changes will commence in early 2024, whilst others will be introduced over time as require system development and secondary legislation to action.



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Technical developments



Comment:

These changes may have significant effects for some businesses, so it is important to start preparing early so that you are ready for the 1 January 2025.

If you're not sure how the changes affect your business, please contact one of our experts who can help you understand the implications and prepare your accounts in plenty of time.

FRS102 – 2nd triennial review

The Financial Reporting Council (FRC) published a Financial Reporting Exposure Draft (FRED 82) on 15 December 2022, which proposes a number of changes to FRS 102, following the second periodic review of the regulation and other financial reporting standards.

These proposals include:

- a new model of revenue recognition (for FRS 102 and FRS 105)
- a new model of lease accounting (for FRS 102 only)
- various other incremental improvements and clarifications.

The aim of this second periodic review was to produce amendments to FRS 102 to better align the Standard to IFRS, incorporating the IASB's latest proposed changes to the international financial reporting requirements. Indeed, for those who already prepare their financial statements under IFRS, the above changes will already be familiar to them.

When will this be effective from? These proposed changes are expected to come into effect for periods beginning on or after 1 January 2025. Early adoption is permitted, and certain transition reliefs will be available.

What are the key changes?

- Revenue recognition - A new FRS 102 Section 23 Revenue is proposed, setting out a five-step model aligned to IFRS 15. 1. Identify a contract with a customer, 2. Identify promises within the contract 3. Determine the transaction price 4. Allocate the transaction price to the promises 5. Recognise revenue when or as the entity satisfies the promise.
- Leases - The FRC is also raising a new FRS 102 Section 20 Leases, which will require almost all leases to be brought on the balance sheet if you're a lessee. Accounting for lessors will remain largely unchanged. These new requirements mean recognising a right-of-use (ROU) asset in respect of the lease contract, and a corresponding lease liability, being the present value of remaining payments under the lease.

Our detailed insight is available here: <https://hillierhopkins.co.uk/insight-posts/frs102-2nd-triennial-review/>



Tax rates and allowances 2023/2024

Disclaimer: Rates are for guidance only. No responsibility for loss occasioned by any person acting/refraining from action as a result of this information can be accepted by the authors or Firm.

Income tax allowances

- The Personal Allowance gives an individual an annual amount of income free from tax.
 - The Personal Allowance will be reduced if an individual's 'adjusted net income' is above £100,000. The allowance is reduced by £1 for every £2 of income above £100,000.
 - A married person born before 6 April 1935 may be entitled to a Married Couple's Allowance.
- This is not deducted from income but reduces the tax bill.
- Marriage Allowance – 10% of the personal allowance may be transferable between spouses where neither pays tax above the basic rate. This Marriage Allowance is not available to couples entitled to the married couple's allowance.
 - Reference to spouses includes registered civil partners.

Income tax personal allowances	2023/24	2022/23
Personal Allowance	£12,570	£12,570
Marriage Allowance	£1,260	£1,260
Blind person's Allowance	£2,870	£2,600

Income tax rates

- Income tax applies to the amount of income after deduction of personal allowances. Personal allowances may be allocated against whichever types of income results in the lowest overall tax liability.
- There is also a starting rate band (SRB) of £5,000 which is only applicable to savings income. The band is not available if the taxable amount of non-savings income exceeds the SRB.
- Income is taxed in a specific order with savings and dividend income taxed last.
- There are three main bands – basic rate (BR), higher rate (HR) and additional rate (AR).
- Savings income and dividend income are taxed using UK rates and bands regardless of where the taxpayer is resident in the UK.

Income tax rates (other than dividend income)

2023/24		2022/23	
Band £	Rate %	Band £	Rate %
0 – 37,700	20	0 – 37,700	20
37,701 – 125,140	40	37,701 – 150,000	40
Over 125,140	45	Over 150,000	45

Other allowances for specific types of income

Savings and Dividend Allowances are available. These tax relevant income falling within the allowances at 0%. The income still forms part of the total income of an individual.

Savings allowance	2023/24 and 2022/23	
BR taxpayer	£1,000	
HR taxpayer	£500	
AR taxpayer	£0	
Dividend Allowance	2023/24	2022/23
Available to all taxpayers	£1,000	£2,000
Above Dividend Allowance	2023/24 and 2022/23	
BR band	8.75%	
HR band	33.75%	
AR band	39.35%	
Trade Allowance	2023/24 and 2022/23	
Income up to £1,000	Profits assessable NIL	
Income over £1,000	Election possible to deduct £1,000 allowance rather than the actual expenses	

There is an equivalent rule for certain miscellaneous income from providing assets or services which applies to the extent that the £1,000 allowance is not used against trading income.

Property Allowance	2023/24 and 2022/23	
Income up to £1,000	Profits assessable NIL	
Income over £1,000	Election possible to deduct £1,000 allowance rather than the actual expenses	

Trade and Property Allowances do not apply to 'rent a room' or partnership income.

Individual Savings Accounts (ISAs)

ISA limits	2023/24	2022/23
The overall annual investment limit	£20,000	£20,000
Lifetime ISA annual limit	£4,000	£4,000
Help to Buy ISA monthly subscription limit	£200	£200
Junior ISA annual limit	£9,000	£9,000

Tax reliefs for individuals

The following schemes provide income tax relief and capital gains tax breaks for individuals investing in new and growing companies.

Enterprise Investment Scheme (EIS)	
Maximum investment per annum	£1,000,000
Additional investment limit where investing in knowledge-intensive companies	£1,000,000
Income tax relief	30%
Capital gains treatment on disposal of EIS investment held for three years	Exempt

Capital gains from the disposal of other assets may be deferred by making an EIS investment.

Seed Enterprise Investment Scheme (SEIS)	
Maximum investment per annum	£300,000
Income tax relief	30%
Capital gains treatment on disposal of SEIS investment held for three years	Exempt

Capital gains from the disposal of other assets may be exempt up to £100,000 per annum by making an SEIS investment.

Venture Capital Trusts (VCTs)	
Maximum investment per annum	£200,000
Income tax relief	30%
Dividend income	Exempt
Capital gains treatment on disposal	Exempt

All reliefs are subject to detailed conditions being met.



Tax rates and allowances 2023/2024

National insurance contributions (NICs) – rates and allowances

- Employees start paying Class 1 NICs from age 16 (if sufficient earnings).
- Employers pay Class 1 NICs in accordance with the table below.
- Employer NICs for apprentices under the age of 25 and employees under the age of 21 are reduced from the normal rate of 13.8% to 0% on earnings up to the upper secondary threshold (UST) of £967 per week. This also applies to veterans in the first 12 months of civilian employment. Similar rules apply to eligible employees in Freeports up to a limit of £481.
- Employees Class 1 NICs stop when they reach their State Pension age. Employer contributions continue.

Employee Class 1 - Earnings per week			
2023/24	Rate %	2022/23	Rate %
Up to £242	Nil	Up to £190*	Nil
£242.01 – £967	12	£190.01* – £967	13.25**
Over £967	2	Over £967	3.25**

Entitlement to State Pension and other contribution-based benefits is retained for earnings between £123 and £190* per week. (*£242 from 6 July 2022.)
 **Reduced to 12%/2% for payments of earnings on or after 6 November 2022.

Employer Class 1 - Earnings per week			
2023/24	Rate %	2022/23	Rate %
Up to £175	Nil	Up to £175	Nil
Over £175	13.8	Over £175	15.05*

Other NICs payable by employers

Class 1A – 14.53% for 2022/23 and 13.8% for 2023/24 on broadly all taxable benefits provided to employees and on certain taxable termination and sporting testimonial payments in excess of £30,000.

Class 1B – 14.53% for 2022/23 and 13.8% for 2023/24 on PAYE Settlement Agreements.

Self-employed – Class 2 and 4

- A self-employed person starts paying Class 2 and Class 4 NICs from age 16 (if sufficient profits).
- Class 2 NICs stop when a person reaches State Pension age.
- Class 4 NICs stop from the start of the tax year after the one in which the person reaches State Pension age.

Class 2	2023/24	2022/23
Flat rate per week	£3.45	£3.15
Small Profits Threshold	£6,725	£6,725

Class 4			
2023/24	Rate %	2022/23	Rate %
Up to £12,570	Nil	Up to £11,908	Nil
£11,908.01 – £50,270	9	£11,908.01 – £50,270	9.73
Over £50,270	2	Over £50,270	2.73

Class 3

Generally a person needs 35 years (30 years if State Pension age is before 6 April 2016) of NICs to get a full State Pension.

Class 3 voluntary contributions can be paid to fill or avoid gaps in an individual's NICs record.

Class 3	2023/24	2022/23
Flat rate per week	£17.45	£15.85

Capital allowances

Plant and machinery – Annual Investment Allowance

The Annual Investment Allowance (AIA) gives a 100% write-off on most types of plant and machinery costs, including integral features and long life assets but not cars.

Any costs over the AIA fall into the normal capital allowance pools detailed below. The AIA may need to be shared between certain businesses under common ownership and is not available to mixed partnerships with corporate partners.

AIA from 1 January 2019	£1,000,000
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Other allowances

Corporation tax super-deduction on certain plant and machinery until 31 March 2023	130%
First Year Allowance (FYA) on certain plant, machinery and cars of 0 g/km	100%
Corporation tax FYA on long-life assets, integral features of buildings, etc.	50%
Corporation tax FYA ('full expensing') on certain new, unused plant and machinery from 1 April 2023	100%

Writing Down Allowance

Long-life assets, integral features of buildings, cars over 50 g/km	6%
Other plant and machinery	18%
Structures and Buildings Allowance	3%

Cars	
> 50 g/km	6
≤ 50 g/km	18
ECA 0 g/km	100



Tax rates and allowances 2023/2024

Corporation tax rates

Corporation tax rates are set for each Financial Year. A Financial Year runs from 1 April to the following 31 March. If the accounting period of a company straddles the 31 March, the profits are apportioned on a time basis to each Financial Year.

Year to 31 March 2024	Profits band £	Rate %
Small profits rate	0 - 50,000	19
Marginal rate	50,001 - 250,000	26.5
Main rate	Over 250,000	25
Marginal relief fraction	3/200	

For the year to 31.3.23 the main rate of corporation tax was 19%. Special rules apply to accounting periods straddling 1 April 2023. For the year to 31.3.24 the profits limits are reduced for a company with associated companies. Different rates apply for ring-fenced (broadly oil industry) profit.

VAT

VAT - rates and limits	From 1 April 2023	From 1 April 2022
Standard rate	20%	20%
Reduced rate	5%	5%
Annual Registration Limit	£85,000	£85,000
Annual Deregistration Limit	£83,000	£83,000

Mileage Allowance Payments (MAPs) for employees

- MAPs are tax free payments that an employee can receive from their employer for using their own vehicle for business journeys.
- If the employee receives less than the statutory rate, tax relief can be claimed on the difference.

Cars and vans	Rate per mile
Up to 10,000 miles	45p
Over 10,000 miles	25p
Bicycles	20p
Motorcycles	24p

Car benefits

- The car benefit is calculated by multiplying the car's list price, when new, by a percentage linked to the car's CO2 emissions.
- For fully diesel cars generally add a 4% supplement unless the car is registered on or after 1 September 2017 and meets the Euro 6d emissions standard. The maximum percentage is still capped at 37%.
- The list price is reduced for capital contributions made by the employee up to £5,000.

2023/24		% of list price taxed 2
CO2 emissions g/km		
0		
1-50		
Electric range	130 or more	2
70-129		5
40-69		8
30-39		12
under 30		14
51-54		15
For every extra 5		+1
160 and above		37

Car fuel benefit

- Car fuel benefit applies if an employee has the benefit of private fuel for a company car.
- The benefit is calculated by applying the percentage used to calculate the car benefit by a 'fuel charge multiplier'.
- The charge is proportionately reduced if provision of private fuel ceases part way through the year. The fuel benefit is reduced to nil only if the employee pays for all private fuel.

CGT rates and annual exemption

Individuals	2023/24	2022/23
Exemption	£6,000	£12,300
Standard rate	10%	10%
Higher/additional rate	20%	20%
Trusts		
Exemption	£3,000	£6,150
Rate	20%	20%

Inheritance tax (IHT)

Death rate	Lifetime rate	Chargeable transfers 2023/24 and 2022/23
Nil	Nil	0 – £325,000
40%	20%	Over £325,000
Relief on gifts		
Annual exemption	£3,000	Marriage – parent £5,000
Small gifts	£250	Marriage – grandparent £2,500 Marriage – other £1,000

Stamp duty

When you buy shares, you usually pay a tax or duty of 0.5% on the transaction. Stamp Duty Reserve Tax is payable on electronic purchases or Stamp Duty for share purchases over £1,000 via a stock transfer form.

Stamp Duty Land Tax (SDLT)

Land and buildings in England and Northern Ireland

Rate	Residential	Non-residential	Rate
%	£	£	%
0	0 – 250,000	0 – 150,000	0
5	250,001 – 925,000	150,001 – 250,000	2
10	925,001 – 1,500,000	Over 250,000	5
12	Over 1,500,000		



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Hillier Hopkins at a glance

Founded in
1933

Three strategically located offices in

- Central London (Pall Mall)



- Watford (20 mins by train from central London)



- Milton Keynes (35 mins by train from central London)



Approximately 211 staff including Principals

Wide range of sectors including



Import / Export



Manufacturing



TMT



Property & construction



Restaurant & retail



Education



Financial services



GPs & medical practices



Golf clubs



Travel & tour operators



Professional practices



Charities



- Strong client service ethos and Principal-led culture, reinforced by all team members
- Successful individuals from our own training and development program supplemented by ex-Big 4 and Top-ten personnel
- High pass rate in major professional exams
- High staff retention rate

- Auditor to several mid-tier UK accounting firms
- Experienced service provider to UK subsidiary companies with overseas parents
- Very experienced UK statutory accounts preparation team
- Competitive fees offering real value for money.

Countries of client ownership include





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Our core values and accreditation



Our Core Values

Our firm's philosophy of "*friendly expertise*" is built on a commitment to our Core Values. You will find our team knowledgeable, friendly and cooperative. They will spend time with you to really understand the business, actively engaging and collaborating with you to help you meet your challenges and achieve your goals. Our Core Values were developed collaboratively by our staff and principals. They underpin our training and review process and our appraisal and personal development programme.

- Our Core Values are: Do the right thing, Expertise, Ownership, Positive collaboration and Making time.



Quality assurance

Hillier Hopkins LLP undergoes a number of quality assurance measures including the following:

- Chartered Accountants: We are fully subscribed to the training and technical requirements as set down by the Institute of Chartered Accountants in England and Wales (ICAEW) and subject to their periodic QAD quality checks.
- Internal file reviews: Performed throughout the year by managers from across the firm.
- External audit file reviews: Performed by Mercia (Professional Training and Support Services) and other ICAEW accredited bodies.



Investors in People

Hillier Hopkins LLP invests heavily in staff training and has held the "Investor in People" (IIP) accreditation since 1996. We were one of the first accountancy firms in Hertfordshire to be awarded the IIP accreditation.



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Other Services

Our experts - here to help you
Hillier Hopkins has a variety of experts within the firm who are available to work with you (*).

They are on hand to provide both long term, proactive advice and practical solutions to any business challenges and opportunities that arise.

For further information, please speak to your regular contact, or visit our website:

<https://hillierhopkins.co.uk/services>

* Non-audit services are subject to certain Ethical Standard safeguards, or in some cases are prohibited.





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Independent member of



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