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Hillier Hopkins LLP
Chartered Accountants
And Tax Advisers

Audit Findings Document

For Hatfield Community Free
School

31 August 2025



“friendly expertise”



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Hatfield Community Free School
Briars Lane
Hatfield
Hertfordshire
AL10 8ES

Hillier Hopkins LLP
Radius House
51 Clarendon Road
Watford
Hertfordshire
WD17 1HP

www.hillierhopkins.co.uk

Dear Trustees/Governors

Audit Findings Document for Hatfield Community Free School for the year ended 31 August 2025

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**



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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	<p>Revenue recognition (grant income) Under ISA (UK) 240 there is a rebuttable presumed risk that revenue recognition may be materially misstated due to fraud.</p>	<p>To address this risk, we have performed the following key audit procedures:</p> <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
2	<p>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.</p>	<p>To address this risk, we have performed the following key audit procedures:</p> <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
3	<p>Local Government Pension Scheme (LGPS) The Academy's pension fund reflected in its balance sheet represent significant estimates in the financial statements.</p>	<p>To address this risk, we have performed the following key audit procedures:</p> <ul style="list-style-type: none"> • Reviewed the competence, expertise and objectivity of the actuary who carried out your pension fund valuation • Gained an understanding of the valuation and performed procedures to confirm the reasonableness of the actuarial assumptions, asset values and membership data • Reviewed the consistency of the disclosures with the actuarial report

(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.

None noted.

Assessment

- Significant – risk of major non-compliance
- Deficiency – risk of minor non-compliance

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.”*



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Internal control deficiencies

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 asset register</p> <p>The Net Book Value (NBV) carried forward in the fixed asset register historically does not agree with the NBV disclosed in the prior year's signed accounts. This discrepancy suggests issues in the reconciliation process or adjustments made outside the fixed asset register.</p>	<p>Management should reconcile the differences by adding adjustment lines within each asset category and depreciating them over time to remove discrepancies from the register or alternatively treat them as disposals. Controls should be strengthened to ensure that all adjustments are reflected in both the register and the accounts consistently.</p>	<p>It is acknowledged that this is carry forward from a prior year; it is intended to resolve this in the New Year</p>
2	●	<p>Credit Card Statement</p> <p>There is a £649 difference between the credit card statement and the trial balance. Unreconciled differences between the credit card statement and the ledger may indicate errors or omissions.</p>	<p>Management should investigate the difference, identify its cause, and make the necessary adjustments. Regular reconciliations should be performed to ensure accuracy and strengthen control over credit card transactions.</p>	<p>There are no errors in the Credit card statements and payment for 2024-25, and all payments have been reconciled. This is a carry forward from a prior accounting period. It will be corrected.</p>

Assessment

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



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Internal control deficiencies (continued)

	Significance	Weakness and potential consequences	Recommendation	Management's response / timescale for implementation
3	●	<p>Fixed asset additions and depreciation No additions or depreciation entries were posted before the audit commenced. If assets are left in the profit and loss account rather than being correctly removed from the balance sheet upon disposal, capital items would be incorrectly recorded as revenue transactions.</p>	<p>Management should ensure that all additions and depreciation charges are posted promptly and in accordance with the accounting policy. Regular reviews should be implemented to confirm completeness and accuracy before the year-end close.</p>	<p>Noted and systems for recording are being considered. Presently a spreadsheet, and an on-line tool that has not been kept up to date.</p>
4	●	<p>Under-accrual of income Squirrel Nursery income of £3,900 for the current year has not been accrued, resulting in an understatement of both income and accrued income.</p> <p>This was raised by the client as a late audit adjustment</p>	<p>Management should review year-end income and accrued income figures to ensure all amounts relating to the current year are recorded. Controls should be strengthened to prevent omissions in future periods.</p>	<p>Noted for next year.</p>

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
1	●	Fixed Asset Register The Net Book Value (NBV) carried forward in the fixed asset register historically does not agree with the NBV disclosed in the prior year's signed accounts. This discrepancy indicates a potential issue in the reconciliation process or adjustments made outside of the fixed asset register. This increases the risk of non-compliance with accounting standards.	Noted as an ongoing issue in the year ended 31 August 2025	See above
2	●	Board Minutes Per the board minutes 05/06/2024 a letter was received from ESFA suggesting excess reserves are spent on strategic projects.	No longer noted as an ongoing issue.	Noted.

Assessment

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



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	Significance	Issue previously reported	Current status	Management's response / timescale for implementation
3	●	<p>Pupil Premium</p> <p>We noted Journal entry number 024-03-0000009884 erroneously debited income instead of crediting it, thereby misstating income. A subsequent attempt to correct the entry through journal entries 024-03-0000010109 and 024-03-0000010547 did not completely resolve the error.</p> <p>The journals resulted in income being recognised in the incorrect accounts. This increases the risk of being reported incorrect withing the financial statements, including the funds analysis. Management decisions that rely on accurate revenue figures, such as budgeting, forecasting, and resource allocation, could be compromised by incorrect income reporting.</p>	No longer noted as an ongoing issue.	Noted.
4	●	<p>Cybersecurity</p> <p>It was noted during our review of the Internal Scrutiny report that the Academy was not compliant with the RPA requirements. This means that the Academy may not be covered by insurance in the case of anyCybersecurity breaches.</p>	No longer noted as an ongoing issue.	Noted.

Assessment

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



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	Significance	Issue previously reported	Current status	Management's response / timescale for implementation
5	●	<p>Missing remittance advices During our audit, we noted that remittance records from the local council were missing from the academy's financial records.</p> <p>Without remittance records, it becomes challenging to verify income receipts accurately. This may lead to discrepancies in financial reporting, making it difficult for the academy to perform accurate reconciliations and impacting the reliability of financial statements.</p>	No longer noted as an ongoing issue.	Noted.
6	●	<p>Donations Income During our testing we noted that invoices/remittance slips were not issued on receipt of all donations.</p> <p>Lack of documentation around donations increases the risk of fraud or misappropriation due to the lack of internal control.</p>	No longer noted as an ongoing issue.	Noted.

Assessment

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



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	Significance	Issue previously reported	Current status	Management's response / timescale for implementation
7	●	<p>Risk Register It has been observed that the academy has not conducted an annual review of its risk register, contrary to the requirements outlined in the Financial Procedures Manual.</p> <p>Without an annual review, the risk register may fail to reflect evolving risks or emerging threats. This oversight leaves the academy vulnerable to unmanaged risks, which could have financial, operational, or reputational consequences.</p>	No longer noted as an ongoing issue.	Noted.
8	●	<p>Wages We have identified an instance of an incorrect payment to an employee, which has potential financial, compliance, and operational impacts on the organisation.</p> <p>Errors in payment could result in violations of employment laws or tax regulations, which can lead to penalties or audits from regulatory bodies.</p>	No longer noted as an ongoing issue.	Noted.

Assessment

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



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	Significance	Issue previously reported	Current status	Management's response / timescale for implementation
9	●	<p>PAYE We noted during our testing that incorrect PAYE/NI amounts were paid – 2 months were underpaid and 4 months were overpaid.</p> <p>Overpayment of PAYE/NI could result in unnecessary cash flow impacts and the need to seek refunds from HMRC. Underpayments could lead to penalties and interest charged by HMRC, as well as compliance risks for the Academy.</p>	No longer noted as an ongoing issue.	Noted.
10	●	<p>Fixed Assets We noted J000000263 recorded the capitalisation of artificial gross amounting to £12,000, under expense code 710100-GAGMEI. According to the original expense, the asset should be journaled out of 710100-GAG-REP.</p> <p>Journaling a capital expenditure from may course the detailed analysis of the profit and loss accounts to be misstated. This can cause issues with future budgeting and forecasts.</p>	No longer noted as an ongoing issue.	Noted.

Assessment

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



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	Significance	Issue previously reported	Current status	Management's response / timescale for implementation
11	●	<p>Management Accounts Management accounts have not been shared with the chair of Trustees monthly and with other trustees six times a year.</p> <p>Per the Academies Trust Handbook 2023, management accounts must be shared with the chair of trustees every month and the board must consider these when it meets.</p>	No longer noted as an ongoing issue.	Noted.

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.
- **[Detail other threat arising other than non-audit services and safeguard applied (i.e. long association)]**

Non-audit service	Fees	Threat?	Safeguard(s) in place
EOYC	£1,600	Self-review / management	Informed management – Jonathan Durbin & accounts Audit related services (Regularity, AAR, EOYC) Other non-audit services performed by non-audit staff
AAR	£2,450	Self-review / management	
Other	£700	Self-review / management	
Total non-audit services	£4,750		

FRC Ethical Standard: Threats to integrity, objectivity and independence

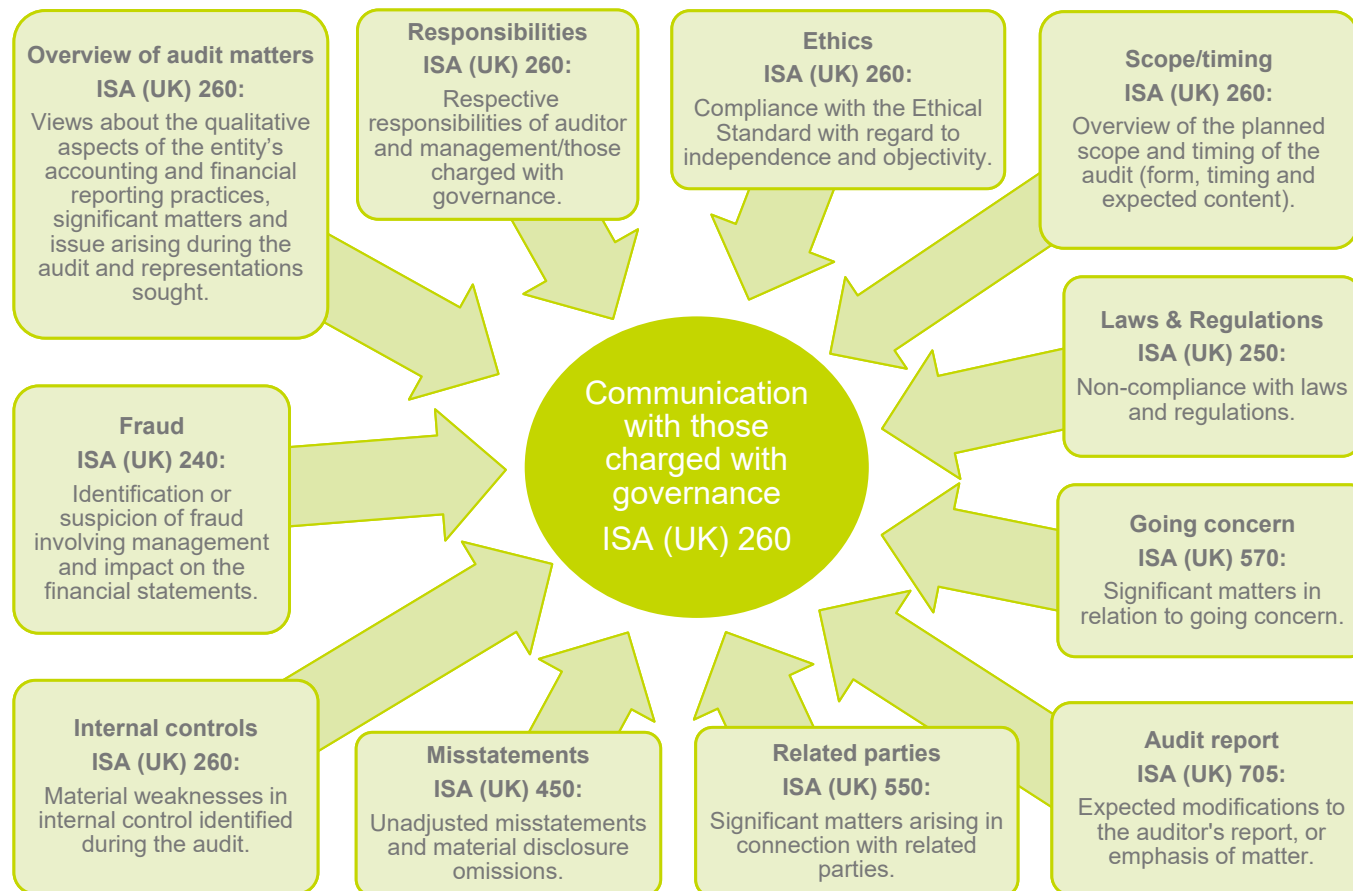
• Self-interest threat • Self-review threat • Management threat • Advocacy threat • Familiarity (or trust) threat • Intimidation threat



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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							-28,831	
5	31/08/2025	FA: L'hold Improv'ts: Additions other	130230	E1. 1. 1	5,450			
5	31/08/2025	FA: Computer Equipment: Additions other	145230	E1. 1. 1	70,479			
5	31/08/2025	PR: R&M: Building Repair and Maintenance	710100	E1. 1. 1		5,450		
5	31/08/2025	SP: Tech Costs: ICT Admin Hardware (not Cap)	820320	E1. 1. 1		70,479		
Being to recognise Additions in the current year that were allocated to Repairs & Maintenance Codes.					75,929	75,929	47,098	75,929
6	31/08/2025	FA: L'hold Buildings: Depr'n charged	125710	E1. 4		53,452		
6	31/08/2025	FA: Plant & Machinery: Depr'n charged	135710	E1. 4		19,999		
6	31/08/2025	FA: Furniture & Equipment: Depr'n charged	140710	E1. 4		4,434		
6	31/08/2025	FA: Computer Equipment: Depr'n charged	145710	E1. 4		54,262		
6	31/08/2025	SP: Asset financing: Depr'n - direct costs - build	892100	E1. 4	53,452			
6	31/08/2025	SP: Asset financing: Depr'n - direct costs - other	892110	E1. 4	78,695			
Being to post HH estimate of depreciation for the year.					132,147	132,147	-85,049	-132,147

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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 (continued)

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
7	31/08/2025	Current service cost	FRS17.1	K3		74,000		
7	31/08/2025	Current service cost SOFA	FRS17.2	K3	74,000			
7	31/08/2025	Actuarial losses	FRS17.4	K3	296,000			
7	31/08/2025	Actuarial losses	FRS17.5	K3	28,000			
7	31/08/2025	Difference expected	FRS17.6	K3		296,000		
7	31/08/2025	Actuarial losses	FRS17.8	K3		28,000		
7	31/08/2025	Pensions ERs contributions	FRS17.9	K3	100,000			
7	31/08/2025	Expected return	FRS17.10	K3		85,000		
7	31/08/2025	Interest cost SOFA	FRS17.11	K3	59,000			
7	31/08/2025	Expected return	FRS17.12	K3	85,000			
7	31/08/2025	Interest cost BS	FRS17.13	K3		59,000		
7	31/08/2025	ERs contributions	FRS17.14	K3		100,000		
7	31/08/2025	Derecognition of pension surplus (BS)	FRS17.20	K3		376,000		
7	31/08/2025	Derecognition of pension surplus (SOFA)	FRS17.21	K3	376,000			
Being FRS102 pension journal								
					1,018,000	1,018,000	-33,049	52,000
9	31/08/2025	FA: L'hold Buildings: Depr'n b/wd	125700		1			
9	31/08/2025	FA: Computer Equip: Cost b/wd	145100		1			
9	31/08/2025	SP: Educ Supplies: Education Equip (not IT)	810250			2		
being to agree FA b/wd								
					2	2	-33,047	2
					1,226,078	1,226,078	-33,047	-4,216

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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)							-33,047	
8	31/08/2025	CA: Debtors <1 year: Accrued DfE rev	240220	H2. 2	3,900			
8	31/08/2025	IN: Trading Income: Rental Income	530250	H2. 2		3,900		
		Being to propose the recognition of Squirrels Day Nursery charges income.			3,900	3,900	-29,147	3,900

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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
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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 2024:

- 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
 - 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 2025
- The Annual Accounts Return (AAR) must be submitted to the ESFA by 28 January 2025
- The accounts must be submitted to Companies House by 31 May 2025

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 2024 – key changes

The ESFA published its updated handbook in July 2024, effective 1 September 2024.

Catherine McKinnell MP, The Minister for School Standards has stated in her foreword to the Handbook:

“It is with strong financial management and governance that schools are able to operate most effectively and deliver high-quality teaching and learning that prepares our children for the future. I know the importance of the handbook in supporting you to achieve this. From 1 September the handbook confirms that you will have greater freedom to manage your resources by being able to enter into finance leases for assets you use on a day-to-day basis. In addition, for those of you who receive higher levels of funding we are moving towards a position where use of a professional internal audit function becomes the norm to ensure a robust system of scrutiny.”

The key highlights/clarifications are:

Roles & responsibilities:

- Reminding trusts the importance of the digital and technological standards

Main financial requirements:

- Emphasising that trusts’ reserves policy includes a clear plan for managing reserves
- Clarifying the position around when trusts must approach ESFA for Electric Vehicle (EV) salary sacrifice schemes

Internal Scrutiny

- Explaining which internal scrutiny options to be applied for trusts with annual revenue income over £50 million
- Clarifying qualifications and/or experience for trustees and peer reviewers

Delegated authorities:

- Confirming that trusts will be able to enter into finance leases where the lease category appears on the DfE approved list

The Regulator and intervention

- Clarifying that trusts take appropriate action to meet DfE’s cyber security standards
- Extended the list of examples where a Notice to Improve (Ntl) may be issued to include management of the school estate



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Technical developments



Department
for Education



Education & Skills
Funding Agency

‘Dear Accounting Officer’ Letter – streamlined financial oversight

Accompanying the updated Academy Trust Handbook 2024 issued in July 2024, The ESFA’s ‘Dear Accounting Officer’ letter was issued. Despite noting a desire to deliberately restrict the number of changes in the period, for stability, there are a few important changes to highlight:

- **Finance leases** – from 1 September 2024, for certain pre-approved assets, academies can enter into a “finance lease” (typically leases with longer durations, and/or where the lease payments account for a significant proportion of the underlying asset) without seeking prior approval. The list of consent assets includes IT catering and cleaning equipment and furniture. <https://www.gov.uk/government/publications/leasing-for-academy-trusts/changes-to-leasing-agreements-for-academy-trusts>
- **Digital and technological standards** – the DfE’s Digital and Technological Standards are now referenced, and academy trusts should take appropriate actions to meet them
- **Internal scrutiny** – a reminder that assessing your systems and controls are suitable and operating effectively provides your board with vital assurance. Notes that trusts continue to develop an approaching this area, and this should be proportionate depending on the size and complexity of the trust
- **Electric Vehicle Salary Sacrifice (EVSS) Schemes** – the ESFA are pausing its position on EVSS schemes whilst it clarifies its approach. Any academy contemplating a new scheme, or accepting a new employee into an existing scheme should contact them using its Customer Help Portal
- **Estate management & NTI** – relating to recent challenges for some trusts (RAAC etc), the letter highlights the DfE’s focus to promote constructive, supportive dialogue. They have extended the list of circumstances in which a Notice to Improve may be issued in respect to estates management. <https://www.gov.uk/guidance/meeting-digital-and-technology-standards-in-schools-and-colleges/cyber-security-standards-for-schools-and-colleges>



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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? The timeline for implementing the key provisions is expected to be phased over the coming years, with the majority expected in 2025.



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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 2026.

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 published

Following the consultation period, the Financial Reporting Council (FRC) has now published the 'Amendments to FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland and other FRSs – Periodic Review 2024' ("the Amendments").

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.

The effective date of the amendments is for accounting periods beginning on or after 1 January 2026, with early application permitted provided all amendments are applied at the same time.

What are the key changes?

- 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.

Looking at the detail:

- Revenue recognition - a new FRS 102 Section 23 Revenue, 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 - 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.

Full text: <https://www.frc.org.uk/library/standards-codes-policy/accounting-and-reporting/uk-accounting-standards/frs-102/>



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Technical developments – FRS 102 (update) Revenue

On 27 March 2024, the FRC issued amendments to FRS 102 and other FRSs following the conclusion of its second periodic review of the standards. These amendments effectively align FRS 102 with IFRS for accounting revenue and lease transactions (though some differences remain). The amendments are effective for accounting periods beginning on or after **1 January 2026**, with early application permitted.

Revenue recognition impact	Details
<p>In terms of revenue recognition, businesses most likely to be impacted by these changes will be businesses that have long-term contracts or provide services, such as software companies, professional services and construction companies – rather than ship and bill businesses.</p> <p>Contract terms will direct the accounting conclusion on whether revenue can be recognised over time, or at a point in time.</p> <p>It is anticipated that entities that offer ‘bundled contracts’, ‘warranties’, offer variable consideration or have significant financing components will be the most directly affected.</p> <p>This may lead to significant changes to the way revenue was previously recognised. Current FRS 102 guidance focuses more on when risks and rewards are transferred to the customer, rather than when promises under the contract are fulfilled.</p>	<p>The five-step model works as follows:</p> <ul style="list-style-type: none"> • Step 1: Identify the contract(s) with a customer; • Step 2: Identify the performance obligations in the contract; • Step 3: Determine the transaction price; • Step 4: Allocate the transaction price to the performance obligations in the contract; and • Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation. <p>Management will need to review their contracts in detail to apply the guidance and this may not be as simple as it appears at first glance.</p> <p>On transition, there is the option to either restate the prior year results or adjust the opening reserves as if the standard had always applied.</p> <p>Performing an initial impact assessment is advised to understand the likely areas of impact for your financial statements. These amendments may require changes to systems and processes to be in place for 1 January 2026. This may involve updating charts of accounts, assessing system capabilities, and designing revised processes to ensure compliance.</p>



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Technical developments – FRS 102 (update) Leases

Leases impact	Details
<p>There is no longer a distinction made between operating and finance leases.</p> <p>Any business with operating leases, as a lessee will see substantial changes to their EBITDA figures and balance sheet presentation because of the amendments.</p> <p>So for instance, entities with lease portfolios of retail spaces, vehicle fleets will be significantly impacted.</p> <p>On the balance sheet, both gross liabilities and assets will increase as a result of bringing the lease liability and the right of use (RoU) asset on to the balance sheet.</p> <p>Operating profit will be impacted (most likely increase), as the rent/ lease expense will now be accounted for as depreciation (above operating expenses) and lease interest (below operating expenses).</p> <p>There will be exemptions available for short term leases and low value assets.</p> <p>Accounting by lessors has not been significantly changed.</p>	<p>If amounts have previously been calculated in accordance with IFRS 16 for group reporting purposes, the use of these amounts on transition is permitted.</p> <p>Otherwise, the RoU asset recognised is equal to the liability on transition, adjusted by the amount of any prepaid or accrued lease payments on the balance sheet before application of the amendments.</p> <p>Any cumulative effect of initially applying the standard is recorded as an adjustment to opening retained earnings.</p> <p>On transition, restatement of comparatives is not permitted.</p> <p>Entities will need to collect data, make and document significant estimates and judgements, and again have systems in place ahead of 1 January 2026. Simple questions to get started include:</p> <ul style="list-style-type: none"> • What types of leases do you have? • Do you have copies of all your lease agreements and are they available for review in order to identify and reflect key terms in the financial statement amounts? • Does the finance team have the required knowledge on the new lease accounting requirements or is further training required?



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Technical developments



Artificial intelligence (AI) in the accountancy sector

The ICAEW has published a series of articles on the topic. Their site contains a wealth of resource for those looking to leverage the current opportunities, and gain some insight into 'what next' in accounting.

<https://www.icaew.com/technical/technology/artificial-intelligence/generative-ai-guide#>

Machine learning and other AI techniques are not new, but they are rapidly evolving and transforming various domains. Business and accounting are among the fields that can benefit from AI, but they have not yet fully embraced its potential. To create a positive vision of the future, we need to understand how AI can address the challenges and opportunities in accounting and business, as well as the skills and competencies that accountants need to collaborate with intelligent systems.

The ICAEW highlight the AI tools that look to improve efficiency, insight and value including:

- Document generation: drafting documents such as proposals and reports, or producing ideas for presentations;
- Client communication: supporting client engagement, communication and correspondence tasks such as drafting letters, emails and tailored reminders;
- Document translation and summarisation: reading long documents such as contracts and providing a summary with key insights, or translating a document to another language;
- Assisting in the automation of repetitive, low-level judgement tasks, such as account categorisation;
- Software development: writing code and scripts to help with tasks, such as account reconciliations, fraud detection and complex data manipulation and analysis;
- Collating of information (for example producing a comparative list of target clients).

Comment:

Artificial intelligence (AI) systems are improving quickly and can be very powerful. They provide outputs that can be extremely accurate thus replacing and, in some cases, far superseding human efforts. IT systems and controls within your organisation are now, more than ever an important pillar of a successful enterprise.



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Technical developments



Comment:

The assessment of going concern is very much an accounting issue and not just an audit one.

If you are not sure on how to assess going concern a your next period end report, please contact one of our experts who can help understand the implications and help you prepare the accounts accordingly.

Going Concern – in an uncertain world

For those responsible for the preparation and/or approval of financial reports, there remains an ongoing challenge in ensuring financial statements contain the correct 'basis' and disclosures with regard to their 'Going Concern' state. With a backdrop of an uncertain macroeconomic environment caused by pandemic, war, supply-side challenges and corporate failures on the high street, the FRC has (re)issued its guidance on the topic:

<https://www.frc.org.uk/library/standards-codes-policy/accounting-and-reporting/annual-corporate-reporting/guidance-on-going-concern-basis/>

The following key questions must be considered:

- Has management undertaken an adequate going concern assessment?
- Have the financial statements been prepared on the correct basis (going concern, or basis other than)?
- Are the disclosures (material uncertainties) in the financial statements sufficient to ensure that a true and fair view is presented?

The assessment should match the entity's nature and size. For organisations where there is clearly some doubt as to their going concern status, the assessment would be expected to cover some or all of the following issues:

- The implications of a pandemic, war, inflation, or other 'economic shock' on income, supplies and staff.
- The expected future cash flows of the organisation for at least the period that should be covered by the review, i.e. twelve months from the date of the approval of the financial statements. Sensitize the key assumptions.
- The availability of additional sources of finance (and enforceability of) should it be required.
- Consideration of dependency on any key suppliers and staff and the implications if difficulties arise.
- If entity is part of a group, consideration of how going concern issues may be affecting the wider group and the implications for the entity.
- Consideration of any other known contingent liabilities and the potential impact on cash flow.

Management must form a conclusion based upon the issues on whether the entity is a going concern or not, and the implications for the basis of preparing the financial statements.



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Tax rates and allowances 2025/2026

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

Rates and bands (other than savings and dividend income)

2025/26		2024/25	
Band £	Rate %	Band £	Rate %
0 - 37,700	20	0 - 37,700	20
37,701 - 125,140	40	37,701 - 125,140	40
Over 125,140	45	Over 125,140	45

Income tax rates in Scotland and Wales on income other than savings and dividend income have been devolved.

Savings income	2025/26 and 2024/25
Savings allowance basic rate	£1,000
Savings allowance higher rate	£500

A starting rate of 0% may be available unless taxable non-savings income exceeds £5,000.

Dividend income	2025/26	2024/25
Dividend allowance	£500	£500
Dividend ordinary rate	8.75%	8.75%
Dividend upper rate	33.75%	33.75%
Dividend additional rate	39.35%	39.35%

Income Tax Allowances

	2025/26	2024/25
Personal allowance	£12,570	£12,570
Personal allowance income limit	£100,000	£100,000
Marriage allowance	£1,260	£1,260
Married couple's allowance	£11,270	£11,080
- minimum amount	£4,360	£4,280
- income limit	£37,700	£37,000
Blind person's allowance	£3,130	£3,070

Individual Savings Accounts

	2025/26	2024/25
Overall investment limit	£20,000	£20,000
Junior account investment limit	£9,000	£9,000

Devolved Income Tax

Scotland rates and bands

2025/26		2024/25	
Band £	Rate %	Band £	Rate %
0 - 2,827	19	0 - 2,306	19
2,828 - 14,921	20	2,307 - 13,991	20
14,922 - 31,092	21	13,992 - 31,092	21
31,093 - 62,430	42	31,093 - 62,430	42
62,431 - 125,140	45	62,431 - 125,140	45
Over 125,140	48	Over 125,140	48

Wales rates and bands

2025/26		2024/25	
Band £	Rate %	Band £	Rate %
0 - 37,700	20	0 - 37,700	20
37,701 - 125,140	40	37,701 - 125,140	40
Over 125,140	45	Over 125,140	45

Capital Gains Tax

Individuals	2025/26	2024/25
Exemption	£3,000	£3,000
Standard rate	18%	10/18*%
Higher/additional rate	24%	20/24*%

Trusts

Exemption	2025/26	2024/25
Rate	£1,500	£1,500
	24%	20/24*%

*The 18/24% rates apply to disposals on/after 30 October 2024. The 10/18% rates may apply to the disposal of certain residential property for both years.

Business Asset Disposal Relief

The first £1m of qualifying gains are charged at 10% for 2024/25 and 14% for 2025/26.

Inheritance Tax

Death rate	Lifetime rate	Chargeable transfers 2025/26 and 2024/25
Nil	Nil	0 - £325,000 (nil rate band)
40%	20%	Over £325,000

A further nil rate band of £175,000 may be available in relation to current or former residences.

Car, Van and Fuel Benefits

2025/26		2024/25
CO2 emissions g/km		% of list price taxed
0		3
1 - 50		
Electric range	130 or more	3
	70 - 129	6
	40 - 69	9
	30 - 39	13
	under 30	15
51 - 54		16
For every extra 5		+1
155 and above		37

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) but the maximum is still 37%. For emissions of 75g/km or more if the CO2 figure does not end in a 5 or 0 round down to the nearest 5 or 0.

	2025/26
Car fuel benefit	£28,200
Van benefit	£4,020
Van fuel benefit	£769

Tax Reliefs for Individuals

2025/26 and 2024/25

Enterprise Investment Scheme (EIS)

Relief on investments in certain unquoted trading companies up to £1m per annum (£2m for knowledge intensive companies):

- Income tax relief at 30%
 - Capital gains exemption on disposal
- Unlimited amounts of capital gains from the disposal of other assets may be able to be deferred by making an EIS investment.

Seed Enterprise Investment Scheme (SEIS)

Relief on investments in certain unquoted trading companies up to £200,000 per annum:

- Income tax relief at 50%
 - Capital gains exemption on disposal
- 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)

Relief on investments in certain quoted companies up to £200,000 per annum:

- Income tax relief at 30%
 - Capital gains exemption on disposal
- Dividends received from VCTs may be exempt from income tax.



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Tax rates and allowances 2025/2026

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Selected Rates

	2025/26	2024/25
Weekly benefit	£	£
New State Pension	230.25	221.20
Old State Pension	176.45	169.50
Statutory pay standard rates		
Sick Pay	118.75	116.75
Maternity/Adoption Pay	187.18	184.03
Shared Parental Pay	187.18	184.03
Paternity Pay	187.18	184.03

National Living Wage and National Minimum Wage

Age	NLW	18-20	16-17	Apprentices
From 1 April 2025	£12.21	£10	£7.55	£7.55

Applies to apprentices under 19 or 19 and over in the first year of apprenticeship.
NLW applies to those aged 21 and over.

National Insurance

2025/26 Class 1 (employed) rates

Employee	%	Employer	Earnings per week	%
Up to £242	Nil	Up to £96	Nil	
£242.01 - £967	8	Over £96	15	
Over £967	2			

Entitlement to contribution-based benefits for employees retained for earnings between £125 and £242 per week. The employer rate is 0% for certain military veterans, employees under 21 and apprentices under 25 on earnings up to £967 per week.

- Class 1A (employers) 15% on employee taxable benefits
- Class 1B (employers) 15% on PAYE Settlement Agreements
- Class 2 nil (£3.50 per week where those with profits below £6,845 wish to make a voluntary contribution)
- Class 3 (voluntary) flat rate per week £17.75
- Class 4 6% on profits between £12,570 and £50,270 plus 2% on profits over £50,270 (self-employed)

Corporation Tax

Years to 31.3.25 and 31.3.26	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	

Profits limits are reduced for a company with associated companies. Different rates apply for ring-fenced (broadly oil industry) profit.

Capital Allowances

First Year Allowance (FYA) on certain plant, machinery and cars of 0g/km (for cars purchased before 1 April 2026 (6 April 2026 for income tax)) **100%**

Corporation tax FYA ("full expensing") on certain new, unused plant and machinery **100%**

Corporation tax FYA on new, unused long-life assets, integral features of buildings, etc. **50%**

Annual Investment Allowance £1,000,000 excluding cars

Writing Down Allowance
Long-life assets, integral features of buildings, cars over 50g/km **6%**
Other plant and machinery **18%**

Structures and Buildings Allowance **3%**

Pensions

	2025/26	2024/25
Lump sum allowance	£268,275	£268,275
Lump sum and death benefit allowance	£1,073,100	£1,073,100
Annual allowance	£60,000	£60,000
Money purchase annual allowance	£10,000	£10,000

Value Added Tax

	From 1.4.25	From 1.4.24
Standard rate	20%	20%
Reduced rate	5%	5%
Annual Registration Limit	£90,000	£90,000
Annual Deregistration Limit	£88,000	£88,000

Property Taxes

Across the whole of the UK, residential rates may be increased by 5% (8% in Scotland and up to 5% in Wales) where further residential properties are acquired.

Stamp Duty Land Tax

Land and buildings in England and N. Ireland

Residential* Band £	Rate %	Non-residential Band £	Rate %
0 - 125,000	0	0 - 150,000	0
125,001 - 250,000	2	150,001 - 250,000	2
250,001 - 925,000	5	Over 250,000	5
925,001 - 1,500,000	10		
Over 1,500,000	12		

First-Time Buyer relief may apply to residential purchases up to £500,000.

Land and Buildings Transaction Tax

Land and buildings in Scotland

Residential Band £	Rate %	Non-residential Band £	Rate %
0 - 145,000	0	0 - 150,000	0
145,001 - 250,000	2	150,001 - 250,000	1
250,001 - 325,000	5	Over 250,000	5
325,001 - 750,000	10		
Over 750,000	12		

First-Time Buyer relief may apply on the first £175,000 of residential purchases.

Land Transaction Tax

Land and buildings in Wales

Residential Band £	Rate %	Non-residential Band £	Rate %
0 - 225,000	0	0 - 225,000	0
225,001 - 400,000	6	225,001 - 250,000	1
400,001 - 750,000	7.5	250,001 - 1,000,000	5
750,001 - 1,500,000	10	Over 1,000,000	6
Over 1,500,000	12		



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Hillier Hopkins at a glance

Founded in 1933		Offices in London, Watford & Milton Keynes 	Independent member of TGS Global network 	Ranked in Accountancy Age top 50 UK firms #47 and ranked in the Mid-Tier Power Index #19	Experienced in a wide range of sectors  Import & export  Manufacturing  TMT
Friendly experts 	Principal led advice 	Staff and principals Over 250	High professional exam attainment 	High staff retention rate 	 Financial services  GPs & medical practices  Golf clubs  Travel & tour operators  Professional practices  Charities



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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. 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.
- Cold-file reviews: Performed by leading external ICAEW accredited bodies and internal peer-reviews.



Investors in People

Hillier Hopkins 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 and now hold a Gold Accreditation.



Best places to work

We are proud to be featured in the prestigious 'Sunday Times Best Places to Work' list for 2025, which recognises and highlights our firm's commitment to fostering a positive and supportive work environment for all of our employees.



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Sustainability

At Hillier Hopkins we take pride in doing the right thing. Whether it's the friendly expertise we provide to our clients or the choice of a renewable energy provider to power our office, we want to make a positive difference. That's why as a firm we are committed to minimising our environmental footprint wherever possible across all three of our office locations. Our environmental goals are designed to help us minimise waste, procure more sustainably and build a strong environmental culture that drives us to continue to improve.

Our goals and achievements

- **Local Volunteering initiatives:** We take part in tree planting days and regularly organise litter picks around our office areas to clean and green up our neighbourhoods. Our volunteering policy also allows all of our staff one day per year to participate in volunteering opportunities of their choice.
- **Recycling:** We reduce our waste and recycling through collecting food waste, recyclables and soft plastics, printing less and shredding our paper sustainably.
- **Reducing our carbon emissions:** We have reduced our carbon emissions by switching to 100% renewable energy at our offices where possible and using lower energy appliances.
- **Sustainable procurement:** We try to ensure that we procure our office supplies, stationery and branded goods as sustainably as possible through social enterprise suppliers.



Looking after our people



Looking after our community



Looking after our world





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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>

Compliance and advisory on:
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International tax

Cross border VAT
Making Tax Digital and bridging software
Brexit advisory



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Highly experienced team with Big4 and mid-tier backgrounds
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