



ISBA 2026

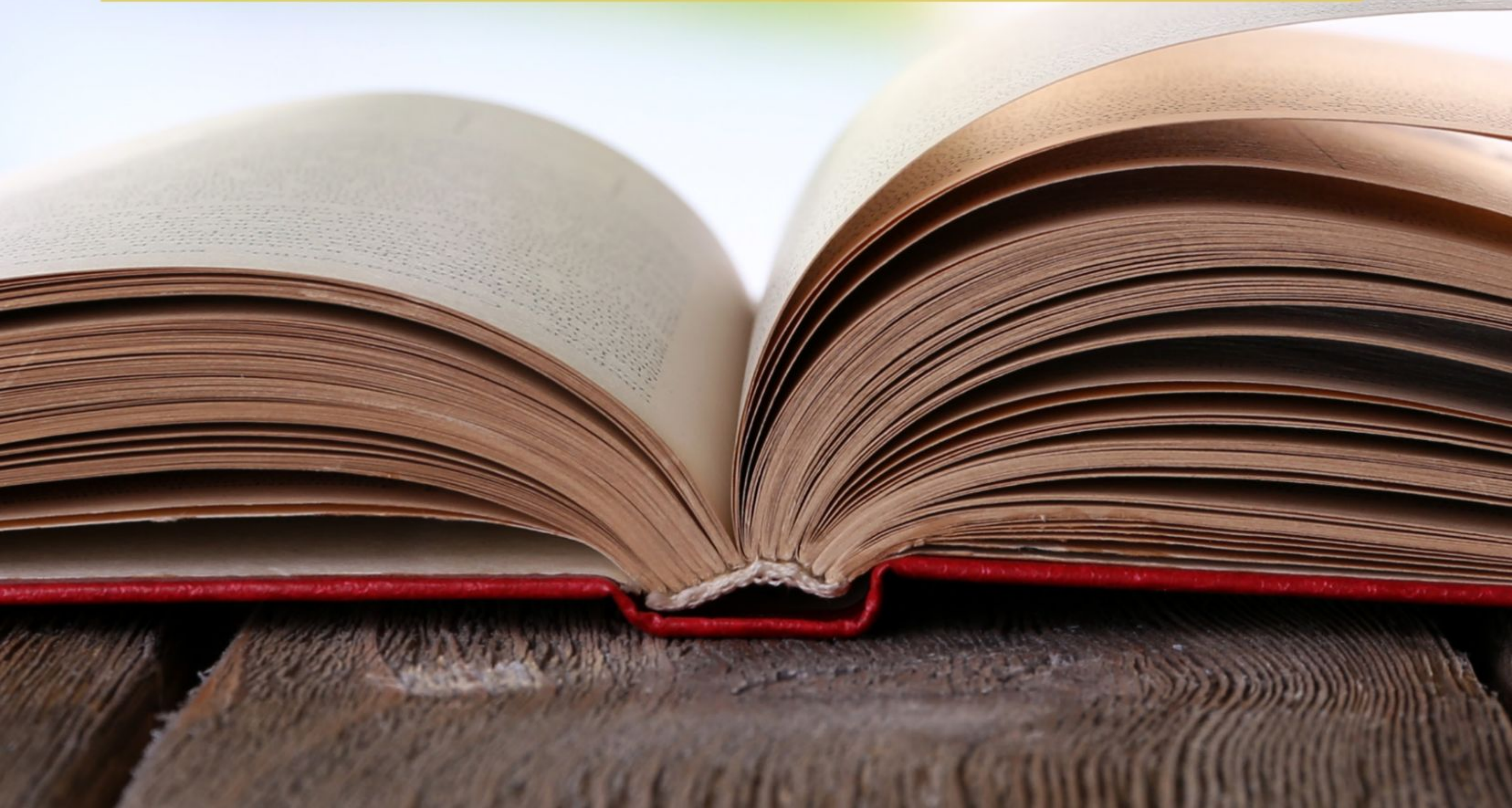
Schools Briefing

HaysMac⁺



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Welcome from the editor



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Welcome to the ISBA Conference edition of our Schools Briefing for independent schools, where we provide updates and insights on accounting, tax, reporting and governance for school Bursars and Governors.

To begin, Jane Askew, Partner and Head of Education, shares the results of the Independent Schools Management Survey. The 2024/25 year presented significant challenges for schools with cost pressures remaining elevated and the downward trend in pupil numbers has persisted. Whilst the current environment is challenging, there may be opportunities for schools to take informed, pro active steps in response.

Phil Salmon, Partner and Co-Head of VAT, shares his observations on recent VAT developments. He looks at a recent First-tier Tax Tribunal case and the potential impact for independent schools. Phil then goes onto to consider HMRC's current position on Fees in Advance based on responses to VAT reclaims made by schools.

Our first guest author, Dale Walmsley, Partner and Head of Public Service Pensions at First Actuarial, considers whether there are early signs of a potential reduction in future TPS contribution rates. Dale explores why a reduction may be possible and what independent schools should be doing now to prepare.

Louise Veragoo, Social Purpose Direct Tax Director, outlines the key direct tax considerations when operating overseas. As some schools consider the benefits of operating outside of the UK for the first time to explore new opportunities, Louise reminds us of the key questions that any school should be asking in advance of operating overseas to avoid unexpected tax liabilities.

Our second guest authors, Stephen Ravenscroft and Kenjo Batchelor, partners at Stone King, share some key governance lessons that independent school groups can learn from multi-academy trusts (MATs). From their significant experience of working with the development and growth of large MATs, they share some lessons learned and how they may be applied to independent schools.

Andrew Roberts, Director in our Independent Schools Team, reflects on the modern evolution of governance in an increasingly digital world. Andrew suggests that changes in the political and economic environment requires a shift from reactive problem solving to proactive strategies to engage with digital innovation.

Nick Bustin, Employment Tax Director, considers the changes in mandatory payrolling of benefits that will take effect from April 2027. Nick provides a detailed overview of the changes, their specific implications for independent schools and the key steps schools should take to prepare.

Finally, Dan Lennox, Senior Manager in our Independent Schools Team, provides a comprehensive guide to the Charity Commission's CC8 guidance on Internal Financial Controls for Charities. Dan explains why the CC8 checklist is an essential tool and that all schools should consider regularly to protect the school's assets, its reputation and its ability to continue delivering a world-class education.

I hope you find this edition informative and the articles thought-provoking. If you have any questions about the topics covered, please do not hesitate to reach out to the authors, your usual HaysMac contact, or myself for further information and guidance.

Independent Schools Management Survey

The 2024/25 year presented significant challenges for independent schools. Cost pressures remained elevated, while the downward trend in pupil numbers has, in many cases, persisted. Our survey results suggest that this decline is generally gradual rather than abrupt, with the most pronounced effects being felt at traditional entry and exit points. While concerning, this pattern does afford schools **an opportunity to monitor emerging trends closely and take informed, proactive steps in response.**

Against this challenging backdrop, clear focus on financial operating models is more important than ever. Schools must make necessary adjustments to strengthen their financial resilience. Benchmarking remains a valuable tool for senior management and Governors, providing valuable context for evaluating financial performance, identifying areas for improvement and supporting strategic decision-making.

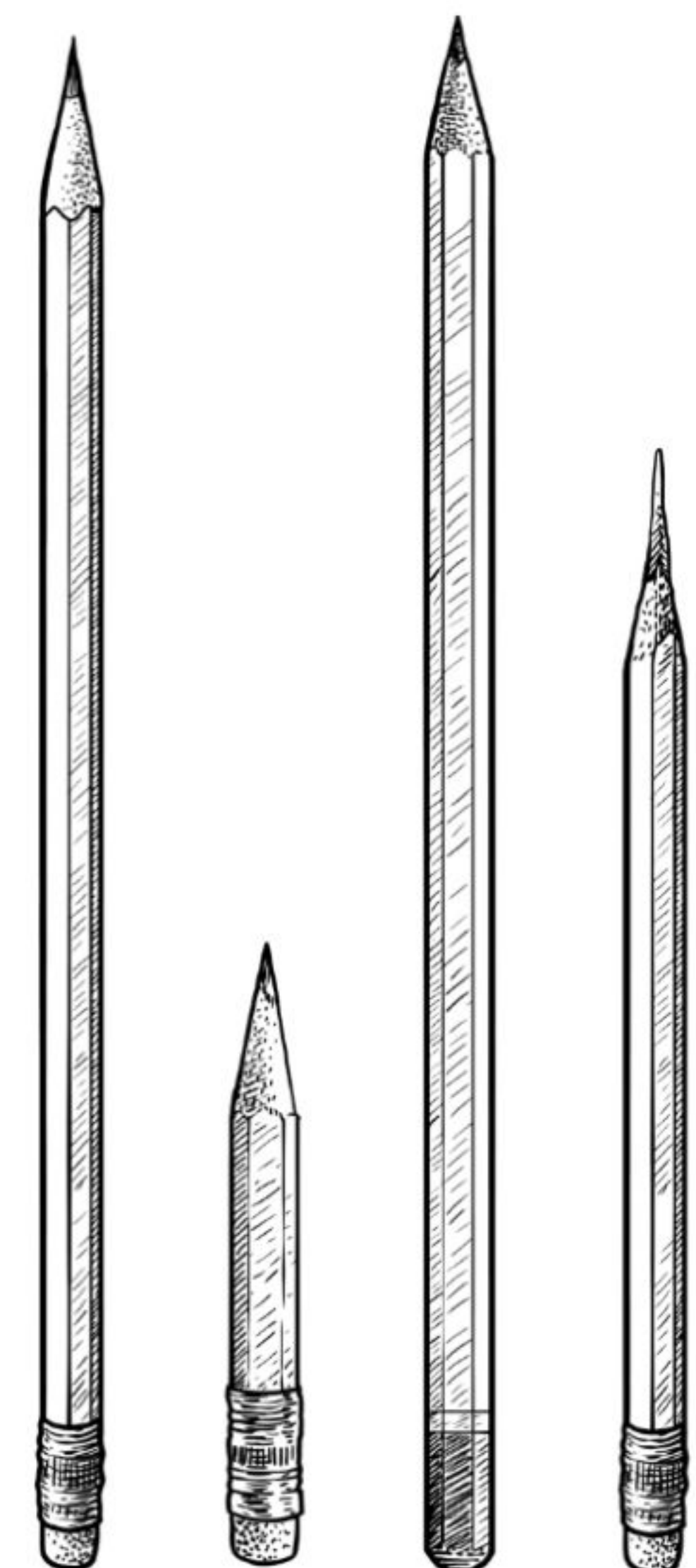
We have set out below the key findings arising from our analysis of this year's survey data, which we hope will serve as a useful reference point for schools navigating an increasingly complex operating environment.

Pupil numbers

Overall **pupil numbers** across surveyed schools have declined by 1.7% from 2023/24 to 2025/26. The decrease was most significant from 2023/24 to 2024/25, with a reduction in pupil numbers of 1%; but the decline continued into 2025/26, with a further loss of 0.7% of pupils. This decline occurred among both day and boarding pupils, however nursery enrolment has seen growth in both years, increasing by 1.9% each year from 2023/24 to 2025/26.

The sharpest decline was observed in boarding pupil numbers, which dropped by 5.7% between 2023/24 and 2024/25, and then by a further 1.1% in 2025/26. This corresponds with what we are hearing from clients about the challenging boarding market, particularly internationally. Day pupil numbers decreased by 0.75% between 2023/24 and 2024/25, and then by a further 0.2% in 2025/26. This downward trend affected all school categories except for combined senior and junior boarding & day schools, whose pupil numbers increased by 1.1% on average, largely due an increase in day pupils of 3.1% – however it must be noted that boarding pupils fell by 2.6% on average at these schools between 2024/25 and 2025/26.

There continues to be significant increases and sharp declines in pupil numbers at individual schools; with 18% of schools who completed the survey experiencing an increase in pupil numbers of 3% or more. This indicates a varied landscape within the sector, though most schools continue to grapple with challenging market conditions. Mergers and closures have continued apace into 2026, reflecting the effects of VAT, changing demographics and cost increases on school fees, and the ongoing financial pressures on fee-paying families.



Fee increases

The average **fee increase** exclusive of VAT between September 2024 and September 2025 across surveyed schools was 3.3%. This is markedly lower than the 5.9% average increase in 2024/25 and the 7.6% average increase in 2023/24. This figure disregards any adjustments made to fees in January 2025 as a result of the implementation of VAT. Notably, 19% of schools implemented fee increases exceeding 5% in September 2025; however the majority of these had passed on a lower amount of VAT to parents in January 2025 than the survey average.

The fee rises that we have observed in our survey over the past 4 years (2022 to 2026) represent the highest increases since 2008/09, following a period of relatively modest increases: the average increase from 2009/10 to 2021/22 ranged from 3.3% to 3.9%. The recent increases reflect the impact of continued high cost inflation on schools and pay awards.

The vast majority of schools adjusted their fees from January 2025 in response to VAT. When surveyed, schools reported passing on anywhere from 0% to 20% of the VAT cost to parents, with an average increase of 13.0%. Nearly 75% of schools passed on between 10% and 17.5%, with the most common adjustment falling between 14% and 16%—a range applied by almost one-third of schools. By September 2025, the fee charge net of VAT at 12% of schools remained below the Autumn 2024 fee levels. All other surveyed schools had increased their net fee charged.

The introduction of VAT on school fees in January 2025 of course means that the fee charged to parents is 20% higher than the income due to the school. The average undiscounted fee charged to parents has increased by 24% between September 2024 and September 2025. An overwhelming majority of schools (83%) have increased the fee charged to parents by between 20% and 30% from September 2024 to September 2025.

Fee remissions

Schools in the survey provided **fee remissions** of 8.8% of gross fees on average in 2024/25, a very slight increase from the prior year percentage of 8.7% of gross fees. When analysed by type of school, the average percentage of remissions to gross fees ranges from 5.5% in preparatory day schools to 11.9% in senior boarding & day schools.

Means-tested bursaries (including hardship awards) averaged 4.0% of gross fees in 2024/25, which is consistent with the average in 2023/24. The level of means tested remissions provided varies significantly between school categories, with preparatory day schools providing on average 1.8% of gross fees compared with 4.6% at combined senior/junior boarding & day schools and senior boarding & day schools.

Scholarships averaged 1.3% of gross fees compared to 1.4% in 2023/24, further continuing the downward trend in this area.



Staff fee remissions (not means-tested) were on average 2.0% of gross fees in 2024/25, compared with 2.1% in the prior year – a stabilisation from the slight upwards trend which we observed in our 2024 and 2025 surveys.

It is common in the sector for staff to be provided with discounted fees for their children, although the level of remission can vary from nothing up to – in exceptional cases – 100% (which can have benefit in kind tax implications). Staff fee remissions can be a very tax efficient benefit that is expected by many teachers and key support staff, and can assist with recruitment and retention. For some, it can be a key part of their decision-making when accepting a role. None of the schools completing our survey this year offered discounts of 100% in the past 3 years, with the highest discount offered being 85%.

Highlights of our analysis of levels of **remission** across all schools in 2025/26 are:

- ◆ By far the most common remission rate continues to be 50%, with 56% of schools offering a 50% remission to teachers, and 44% offering it to non-teaching staff.
- ◆ The next most common level of remission is between 61% and 70%; with 16% of schools offering remissions within this range to teachers (9% to non-teaching staff), including 9% providing a remission of 66.7% to teachers (non-teaching staff: 6.5%).
- ◆ Only 4% of schools offered no remission to teachers, which is consistent with previous survey findings.

The level of remissions offered are consistent for most schools over the period, with only 2% of schools making changes to their remission rates for both teaching and non-teaching staff.

75% of schools provide the same level of remission to both teachers and non-teachers, with the remainder providing much less, if any, remission to non-teachers. 23% of schools provided no remissions to non-teaching staff.

Sibling and other discounts remain the smallest category of remissions, but have increased from 1.2% of net fees in 2023/24 to 1.5% in 2024/25.

Pay awards

Inflationary **pay awards for teachers** were on average 2.5%; a reduction from the 3.7% awarded in 2024/25, and the 5.5% awarded in 2023/24. High inflation continues to exert pressure on pay awards, but governing bodies are balancing these with affordability. It is telling of the financial challenges facing schools that 12% of surveyed schools did not apply any increase to teachers' pay in 2025/26 – a stark increase from 2024/25 and 2023/24 when only 1% of schools did not have an inflationary pay award. We also continue to see schools exiting the Teachers' Pensions Scheme, or moving to a hybrid scheme arrangement.

The average inflationary **pay award for non-teachers** has broadly matched the award given to teachers over the last three years; with an average increase of 2.4% in 2025/26 (2024/25: 3.7%). Most of the schools who gave no inflationary pay increase to teachers also took the same approach with non-teaching staff.



Premises costs

Premises costs averaged 13.2% of net fees, which is consistent with the 2023/24 year. Premises costs now make up a higher percentage of net fees than has historically been the case. This is likely a result of the continued impact of inflation, high energy costs and challenges in sourcing materials and labour for maintenance projects. Premises costs can vary significantly between schools depending on the nature of the school estate, in particular the number and age of the buildings. As expected, boarding schools tend to have greater costs in this area.

Repairs and maintenance form a significant proportion of premises costs, making it essential to incorporate both these costs, along with capital projects, into strategic planning and financial forecasting. While delaying projects may offer short-term savings, it often leads to inefficiencies, worsening infrastructure, and higher costs over time. Regular condition surveys provide valuable insight, enabling schools to identify and prioritise necessary work effectively while ensuring adequate financial resources are available.

Capital expenditure

Average **capital expenditure** was £1.724m in 2024/25, a 6% increase on the previous year's average of £1.627m. Many schools chose not to undertake new major non-essential capital projects in 2023/24 in anticipation of the change in government, and the increase in 2024/25 could largely be explained by inflation. The levels of capital expenditure continue to vary significantly from school to school and by school type. This year, 35% of schools spent less than £250k, compared with 26% in 2024/25 – indicating that a fair portion of schools were continuing to delay significant projects. 35% of schools spent over £1m, a decrease from 40% in the previous year. There continues to be a small number of schools undertaking very significant projects, with 9% of schools spending in excess of £5m in both years.

Just under a quarter of schools responding to our survey received fundraising income for capital projects, which is consistent with the prior year. The amount of income raised towards capital projects varies significantly, with 88% receiving less than £100k and only 4% receiving over £1m. The majority of surveyed schools have funded projects at least in part by borrowing, but there was a 10% reduction in the number of schools with outstanding loans at the 2024/25 financial year end. We also reported a reduction in the previous year's survey; indicating that schools put new large-scale capital projects and other borrowing on hold due to the political and economic climate.

Net surplus

The average **net surplus*** was 7.6% of net fees for 2024/25, a reduction from 9.9% in 2023/24. This reduction reflects the challenging environment that many schools found themselves in during the 2024/25 year and the impact of the reduction in pupil numbers on overall surplus. It must be noted that the net surplus varied significantly between schools with some achieving significantly in excess of this level and others far below. We continue to believe that schools should target a surplus on net fees before depreciation of at least 10% to provide sufficient working capital to fund IT, capital and maintenance programmes, and provide means tested bursaries. However, for some schools, strategic plans may indicate that they need to achieve surpluses in excess of this level.

Overdue debts

In last year's survey, we reported that there had been a marked increase in the number of schools reporting **overdue Autumn term fees at Autumn half term** (excluding direct debit and standing order arrangements). This year, a similar level of schools have reported overdue Autumn term debts in both years – 68% of surveyed schools in 2024/25 and 69% in 2023/24. This is an increase from prior year surveys, when the figure was closer to 50%, highlighting the increasing pressure on fee-payers to meet payment deadlines.

While the value of overdue debt varies widely across surveyed schools, it is rare for it to exceed 1% of annual net fees. Nevertheless in the years ahead, it will be crucial for schools to actively monitor and manage outstanding debts to ensure that cashflow is carefully managed.

In conclusion

Taken together, this year's survey findings indicate a sector operating in a period of sustained adjustment. Modest but persistent declines in overall pupil numbers are combining with ongoing cost pressures; ultimately impacting the ability of schools to generate surpluses from their educational activities. While headline fee increases have moderated compared with recent years, the introduction of VAT has materially reshaped the fee environment for families and schools alike, with wide variation in how schools have responded.

Schools must continue to track pupil numbers as well as bursary and hardship awards to identify early warning signs of future financial strain and enable prompt intervention. Cost control and continuous evaluation of operational models remain key to maintaining financial stability, while careful assessment of the business case and long-term viability of projects is essential.

In the current climate, scenario planning and stress testing are indispensable tools for determining the best strategic approach. As demonstrated by recent mergers and school closures, the sector is undergoing significant transformation at present, and schools must be prepared to respond swiftly to both risks and opportunities. Access to detailed and up-to-date financial data will be vital in supporting governing bodies to make informed decisions.

We hope this benchmarking analysis provides a practical reference point for Governors and senior leaders as you navigate the challenges and opportunities that your school faces.

In light of this rapidly evolving operating environment, I am pleased to share that HaysMac will shortly be launching a series of pulse surveys for the independent schools sector. These will provide participating schools with benchmarking insights on key financial metrics and KPIs on a near real-time basis. We very much look forward to your continued engagement and participation.

The figures provided below are the average for all independent schools completing our Schools Management Survey 2025. If you would like a copy of this year's publication, please contact marketing@haysmac.com.



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Average Increase / (decrease) in pupil numbers	2024/25 to 2025/26	2023/24 to 2024/25
All pupils	-0.7%	-1.0%
Day	-0.2%	-0.8%
Boarding	-1.1%	-5.7%
Nursery	1.9%	1.9%

	2025/26	2024/25
Fee increase (start of the school year)	3.3%	5.9%
VAT passed on - January 2025	n/a	13.0%
Inflationary pay award - teaching staff	2.5%	3.7%
Inflationary pay award - non-teaching staff	2.4%	3.7%

	2024/25	2023/24
Fee remissions as a percentage of gross fees	8.8%	8.7%
Means Tested bursaries as a percentage of gross fees	4.0%	3.9%
Scholarships as a percentage of gross fees	1.3%	1.4%
Staff fee remissions as a percentage of gross fees	2.0%	2.1%
Premises costs as a percentage of net fees	13.2%	13.2%
Average capital expenditure	£1.724m	£1.627m
Average net surplus* as a percentage of net fees	7.6%	9.9%

* excludes investment income, fundraising income and expenditure, borrowing costs or depreciation



VAT – Observations on recent developments

Some of you may have received mail shots from a company referring to a recent VAT Tribunal that they won saying that they can help you obtain a greater amount of VAT recovery than HMRC was previously allowing.

Like most marketing materials it puts a very positive gloss on the case in question. That is not to say that there is nothing in the case, just that the matter is not as clear cut as it makes out. The case in question is *Aspire In The Community Services Ltd (Aspire)*.

The decision was released on 13 February and HMRC had 56 days from that date in which to appeal it. It is a First-tier Tax Tribunal (FTT) case and therefore has no binding precedent on any other case. At the time of writing, it is believed that HMRC has decided not to appeal the case, but anyone making a claim may find themselves challenged on a different basis.

Like all FTT decisions it is based on its own fact pattern and the salient facts are as follows. The case dealt with a welfare provider and with pre-registration VAT. Prior to VAT registration, its services were wholly exempt from VAT, and afterwards, it was partly exempt so in that respect it largely mirrors the position newly registered independent schools found themselves in prior to 1 January 2025.

As the goods and services on which VAT incurred prior to registration were to be used in making both taxable and exempt supplies, the initial claim which *Aspire* made apportioned the VAT using Regulation 101(2)(e). This regulation is part of the standard method for partial exemption which deals only with input tax.

Regulation 111 which deals with VAT incurred prior to registration allows such VAT to be treated as if it was input tax, it does not say that it becomes input tax.

HMRC opened an enquiry into the first VAT return and as part of that enquiry sought to apportion the VAT on goods with a calculation which took account of use prior to registration and denied recovery of VAT on goods based on a five year economic life. This was later amended before the hearing of the case in respect of some goods to use a ten year economic life.

Initially HMRC refused recovery of VAT on services bought prior to registration on the basis that the services had been consumed prior to registration. This position was changed in respect of some services prior to the appeal.

The first really important aspect of the case which, in large part, helps explain why HMRC lost is that Regulation 111 gives HMRC a discretion as to whether to allow VAT incurred prior to registration to be treated as if it was input tax. Subsequent to lodging its appeal the Appellant applied to the Tribunal for an order that HMRC disclose information about the identity of the decision makers and contemporaneous evidence as to the reasons for the decision.

For some bizarre reason HMRC adopted the position that there were two stages to its decision:

1. There was a decision in principle to allow tax to be treated as input tax under Regulation 111; and
2. There was a decision as to the amount of input tax which it could recover in accordance with Section 26 of the VAT Act and the partial exemption regulations.

The judge saw fit to comment on this in paragraph 51 of the judgement saying, "In other words, HMRC submitted that it had limited the recovery of the Pre-Registration Input Tax... not because of the exercise of its discretion under regulation 111 but because of the "normal rules of deduction" set out in VATA 1994".

The Judge at the Disclosure hearing accepted HMRC's position and since this was an exercise of a discretion conferred upon HMRC, it had only limited supervisory jurisdiction meaning it could only disagree if HMRC's exercise of its discretion was manifestly unreasonable. Neither HMRC or *Aspire* appealed against the Disclosure Decision and the Judge in the substantive hearing of the case then went on to say in paragraph 55 that "The position is therefore that HMRC exercised its discretion under regulation 111 to allow [*Aspire*] to treat all of the pre-registration VAT it claimed in its return for the period to be "treated as input tax".

That meant that the issue for the Tribunal was only to do with the second part of HMRC's position which was how much of the pre-registration VAT was recoverable in the period based on the statutory rules for deduction of input tax as set out in the partial exemption legislation.

The normal rules for partial exemption are based on the use of the goods and services in the relevant period (the first period after registration in this case) and take no account of their use in earlier periods prior to registration.

It therefore followed that by adopting the position that there was a two stage test to exercising its discretion and having exercised its discretion to allow deduction in principle, there was no power in the partial exemption legislation to allow HMRC to reduce recovery by reference to use of the goods or services prior to the relevant period.

The Judge commented on this in paragraph 64 of his decision saying that "If HMRC consider that a fair and reasonable apportionment needs to be made between pre and post registration use of goods and services on which VAT has been paid... this could arguably be done as part of the exercise of its discretion under regulation 111. We do not make any finding as to whether it would be reasonable for HMRC to exercise its discretion under regulation 111 in this way in this appeal or more generally because that issue is not relevant to this appeal and we have not heard any submissions on it."

Then in the following paragraph, he went on to say, "What we do find however is that beyond any discretion in regulation 111 there is no further discretion that allows HMRC to make a "fair and reasonable" apportionment that is not within the parameters of [the standard method]".

Where does that leave Schools?

Clearly, you could make a claim for the recovery of additional pre-registration VAT that had been restricted because of HMRC's insistence that the amount claimed be reduced to take account of pre-registration use.

If you choose to do so, we would suggest it is done by way of a voluntary disclosure irrespective of whether the amount exceeds the £10,000 limit for correction on a return. This is because if you fully disclose the claim in this way, then HMRC can reject it, but they could not impose a penalty if you just claimed it on a return and they challenged it at a later date.

Are HMRC likely to accept the claim?

It seems unlikely to us, but on the basis of "nothing ventured, nothing gained" we would suggest claiming.

How is HMRC going to reject a claim?

HMRC could challenge the decision on appeal, but if I were them, I would not because if they lose on appeal to the Upper Tribunal it creates a binding precedent.

A simpler way of rejecting a claim would be to argue that regulation 111 gives a discretion to allow pre-registration VAT to be claimed and that part of that includes a discretion as to how much of this VAT can be treated as input tax.

In other words, they follow the hints given by the Judge in paragraphs 51, 55, 64 and 65 of the judgement that this was more likely to have worked for HMRC than a two stage test which says we will allow all pre-registration VAT to be treated as input tax, but then try and restrict using the standard method which only permits a restriction based on the use in the first period after registration and ignores use prior to registration.

It would be difficult to reject such a challenge based on what HMRC has done in this case because it has no binding precedent on any other.

Conclusion

Based on the facts presented to it, the Tribunal reached the only decision it could and this is clearly a good win for the taxpayer.

But, we query whether it is the "silver bullet" the marketing material we have seen makes it out to be as HMRC must surely be kicking themselves to have conceded that regulation 111 was an "in principle" decision only and it did not encompass the question of quantum as that was never their policy when I worked in the Policy section of Customs responsible for this regulation.



Fees in Advance (FIA)

Many schools continue to have VAT reclaims held pending review by HMRC with a stock response along the lines that HMRC is considering its position on Fees in Advance.

Some have had repayments made on a without prejudice basis but again referencing the fact that HMRC is considering its policy on Fees in Advance.

However, we have now seen a number of examples of HMRC seemingly accepting that Fees in Advance did crystallise a time of supply when the payment was made and that exempt supplies were made in those earlier periods, but arguing that this means that the standard method is not now achieving a fair and reasonable result and that a standard method override should be applied.

In our view, this is potentially significant as it seems to indicate that HMRC may be moving away from seeking to argue that VAT might be due on Fees in Advance payments and accepting that the supplies are exempt.

The use of an override to correct a distortion in the standard method has been the ISBA's position for some time, but our view has been that this was premature until such time as HMRC accepted that exempt supplies had been made since, of course, if FIA payments were consideration for taxable supplies of education then there could be no distortion in the standard method calculation.

It remains to be seen whether this is indicative of HMRC reaching a settled view on Fees in Advance, or whether it is simply the actions of individual officers who have reached their own conclusions based on the existing law and HMRC guidance.



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TPS contributions: Early signs of a potential reduction?

The cost of the Teachers' Pension Scheme (TPS) is under review, with the next scheduled employer contribution change due in April 2027. Although the new TPS employer rate is unlikely to be announced until late 2026, early signs are emerging. Long-term GDP forecasts from the Office for Budget Responsibility (OBR) at the time of writing point to an increase in **the SCAPE discount rate – the single biggest driver of TPS employer costs in recent valuation cycles.**

On balance, if these trends continue, the TPS employer rate is likely to fall in April 2027. This article explores why a reduction is possible and what independent schools should be doing now to prepare.

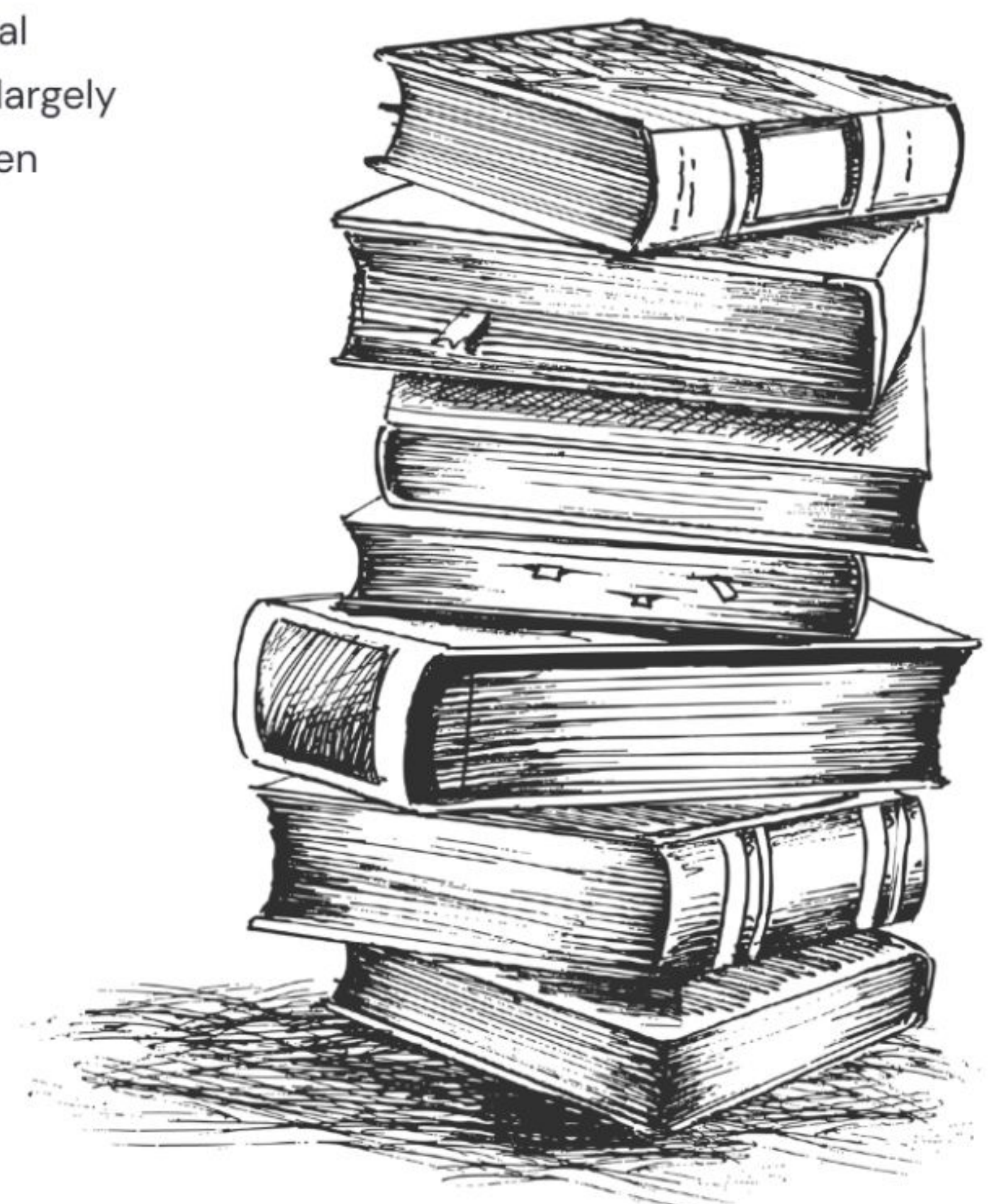
Pressure on employment costs

Employment costs are the largest line in most schools' budgets. In recent years, they've faced additional pressure from:

- ◆ Higher employer National Insurance costs
- ◆ Pay awards in the state sector feeding through to independent schools
- ◆ Pension costs – with TPS employer rates rising sharply since 2019, as shown below.

Effective date	Employer contribution rate
September 2015	16.48%
September 2019	23.68%
April 2024	28.68%
April 2027	<i>Next scheduled change</i>

Since 2019, the TPS employer rate has increased by almost 75%. For local authority-maintained schools and academies, grant mechanisms have largely cushioned these increases. Independent schools, however, have not been insulated, prompting difficult strategic choices.



Why TPS costs rose

Pension valuations estimate the size and timing of future benefits using financial and demographic assumptions. Those future payments are then converted to a present value using a discount rate – which can be thought of as an advance allowance for expected long-term investment returns.

A lower discount rate means more money must be set aside today, making pension costs more expensive. Even relatively small movements in the discount rate can have a big impact on contributions.

For unfunded public service schemes such as the TPS, the discount rate is the SCAPE rate – which is linked to long-term UK GDP growth, as forecast by the OBR.

As long-term GDP forecasts fell over the past decade, the SCAPE rate also fell. This has been the principal driver of higher TPS employer contribution rates, outweighing the impact of other valuation assumptions.

Outlook for the SCAPE discount rate

The current SCAPE methodology of using the GDP approach was introduced in 2011, and reviewed, as scheduled, ten years later during the last completed valuation cycle. This framework remains in place unless HM Treasury directs otherwise.

While recent headline GDP growth has been modest, it's the long-term GDP forecasts that determine the SCAPE rate. The OBR's long-term projections (published in July 2025) show a material improvement compared with those underpinning the current 28.68% TPS employer rate.

If this improved outlook persists, it will increase the SCAPE discount rate – and all else being equal, it would reduce the TPS employer rate from April 2027, assuming HM Treasury maintains the current SCAPE approach without modification.

Will TPS employer costs definitely fall?

Not necessarily. Other valuation assumptions matter too, including salary growth, inflation, longevity and scheme member behaviour.

HM Treasury will issue valuation directions (methodology and assumptions) and the Government Actuary's Department (GAD) will use these to determine the new TPS employer rate. This formal process provides the framework with a consistent approach across all public service schemes.

In its last valuation report, GAD indicated that a 0.25% pa increase in the SCAPE rate would reduce the TPS employer rate by around 7% of pay. Last year's long-term OBR forecasts improved by more than this, suggesting meaningful downward pressure on costs if other assumptions remain broadly stable.

On balance, stronger long-term GDP assumptions – and a higher SCAPE rate – should lead to a fall in the TPS employer rate from April 2027.

Ultimately, the outcome is not guaranteed until the directions and valuation results are finalised.

Public service pension sustainability

As the TPS is an unfunded, pay-as-you-go scheme, sustainability can be monitored by comparing money in – from employees and employers (effectively taxpayers) – with money out (benefit payments). This measure is not the only indicator, but it provides a useful snapshot of short-term financial balance.

OBR figures showed a small cashflow deficit in 2024/25, forecast to improve slightly in the current year, rising to a surplus of around £5bn by 2030/31, influenced by public sector pay awards and headcount increases.

There is also the long-term commitment to paying decades' worth of pensions already built up.

Current legislation includes stabilisers such as a cost cap mechanism, and the normal pension age rising with the State Pension age. A 25-year guarantee protects many scheme design features until 2040.

The framework aims to manage risk. Major structural changes to a valued part of public sector remuneration would require significant political will.

For independent schools, the broader sustainability of the system provides context, but the immediate impact remains driven by the current valuation and the new TPS employer rate from April 2027.

What can independent schools do now

The challenges for independent schools in the TPS remain – costs are high and future costs are uncertain. Even if TPS employer rates fall in 2027, schools should continue with disciplined planning:

Keep planning flexible: Continue sensible financial governance through scenario planning, budget stress testing, and clear documentation of pension-related decisions.

Review your TPS strategy: Options are unchanged – including continuing the TPS for all teaching staff, closing to new joiners, closing to all, and even reopening.

Schools that left the TPS often relied on the resulting cost savings to remain viable. If earlier consultation materials indicated TPS costs would always rise, then a potential fall may warrant careful positioning and staff communications.

Check hybrid arrangements: Schools that offer a hybrid option (TPS + DC) should review how a lower TPS employer rate would impact their cost-sharing approach. Some models may have been introduced with only rising TPS costs in mind.

Optimise other pension and benefit spend: Away from the TPS, there remain opportunities to improve value for money, such as:

- ◆ Maximising salary sacrifice efficiency
- ◆ Consolidating DC providers
- ◆ Reviewing DC investment performance
- ◆ Reviewing contribution levels for support staff.

Informed decision-making is essential. Regular pension strategy reviews, supported by specialist training, help governing bodies make confident, transparent, and well-evidenced decisions in the best interests of the school and its staff.



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Key considerations when operating overseas

As the world becomes ever more reachable, charitable entities, particularly in the education sector, are considering the benefits of operating outside of the UK to broaden their footprint and explore new opportunities. However, there are additional direct tax implications to consider when expanding into overseas jurisdictions and **some of the key direct tax implications are explored below.**

Charitable objects

The first question that any school should ask is whether operating overseas falls within its charitable objects. For example, the school must ensure that its objects do not restrict its operations to a particular geographic location, eg within the UK.

The school must also ensure that the proposed activities meet the public benefit requirement. In particular, the charity must be able to demonstrate that charitable benefit is to the public as a whole, or a section of the public. The benefit to a section of the public should not be unreasonably restricted by geography, or the ability to pay unreasonable fees for example. Any private benefits must also be incidental.

If the activities fail to meet either the charitable objects or public benefit requirement, then the school may be required to establish a trading subsidiary company to carry out the proposed overseas operations.

Trading outside of the charitable objects may give rise to Corporation Tax exposure and should be avoided.

Overseas expenditure

As a school with charitable status, a number of very valuable direct tax reliefs are available on income, meaning that most income will not be subject to Corporation Tax, where it is applied to charitable purposes only. When these funds are spent, they are referred to as charitable expenditure.

Where the funds are not applied to charitable purposes, the tax exemptions may be restricted. The restriction can be triggered where the school incurs what is known as “non-charitable” expenditure.

Importantly, non-charitable expenditure includes any payment to an overseas body where the school has not taken “reasonable steps” to ensure that the payment is applied only for charitable purposes.

As such, additional due diligence is required when making overseas payments. HMRC impose a number of steps that need to be taken for overseas payments in order to avoid triggering a tax liability for the school. Payments include any monetary payment to a charity, company, agent, partner, and individual person outside the UK.

The school must be able to demonstrate to the Commissioners for HMRC that it has taken steps, such as safeguards, monitoring, and oversight, to ensure that payments made outside the UK are made for charitable purposes. Follow-up action and monitoring of funds spent should also be taken to confirm the payments were applied properly. Where these conditions are not met, the payment will be treated as non-charitable expenditure.

Withholding taxes

A UK company including a school and its subsidiary companies, may be subject to overseas withholding taxes (WHT) on certain types of income received from overseas jurisdictions. The main types of income that attract WHT are dividends, interest and royalties. WHT impacts the net receipt of the UK company and is deducted by the overseas payer.

There are three types of UK tax relief for WHT suffered:

1. Treaty relief – the UK company is subject to a lower WHT rate (often zero) as set out in the double tax treaty between the UK and the overseas jurisdiction, by agreement with the overseas authority. Alternatively, WHT is imposed and then reclaimed by the UK company, via a claim to the overseas tax authority.
2. Unilateral relief – the UK company deducts the WHT from its UK Corporation Tax liability. This is only helpful where this is a UK Corporation Tax liability against which to offset the WHT.
3. Deduction relief – The UK company treats the WHT as a tax deductible expense, ie. it becomes a cost of doing business.

As noted above, the options for a school are generally limited to treaty relief, because most of their income will already be exempt from Corporation Tax in the UK. As such, WHT should always be considered at the outset and factored into discussions and pricing of contracts.

Permanent establishment risk

A school benefits from various direct tax exemptions in the UK. However, these exemptions are unlikely to apply in overseas jurisdictions. As such, it is crucial to consider whether the proposed overseas activities are likely to create a local tax presence. Where a local presence is created then profits/income attributable to that country may be subject to tax without any charitable exemptions to shelter them.

An overseas presence may create a Permanent Establishment (PE) for tax purposes, even if no legal entity has been formed there. Where there is a fixed place of business or a dependent agent concluding business in the territory on the school's behalf, there is a risk that the activity may be taxable overseas, because a PE has been created.

The exact nature of the overseas activities will need to be considered to establish the likely risk of creating a PE and each jurisdiction may have differing rules to conclude on this point. If the activities are likely to create a PE, it may be necessary to establish an overseas registered and incorporated company or indeed, a charity (if possible) to help mitigate the risk of tax arising overseas.

As you can see from the above, there are a number of direct tax related considerations that a school should be making in advance of operating overseas. It is crucial that timely advice is sought in order to avoid unexpected tax liabilities.



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What governance lessons can independent school groups learn from multi-academy trusts?

Multi academy trusts (MATs) have played a key role in the operation of a significant part of the state funded school sector for the last 20 years. Over this time, the shape and form of the educational world for state funded education has changed beyond recognition, and, as a firm, Stone King has been involved with the development and growth of some of the country's largest chains of MATs. With this work has come a significant degree of experience in what has worked and, **crucially, what hasn't, in terms of the management, governance and development of MATs.**

The independent schools' sector is going through a period of unprecedented challenge and change and one of the consequences of this is the growth of a number of independent school "MATs". Our work as a firm includes a sustained volume of merger work for both schools joining groups and groups acquiring schools, often alongside advice on the governance issues that arise in practice. Working across both sectors gives us a clear view of what strong group governance looks like when it really matters, such as the integration of new schools to a group and when challenges arise.

Just how far can the structures and the lessons learned from MATs be applied to independent schools? Are they transferable or are the challenges faced by the independent sector unique or, at least, different?

Lesson 1: There's no 'I' in Group

One of the most consistent early faultlines in multi-school structures is misaligned expectations about autonomy. For MATs, it is now generally well-understood that a school joining a trust is moving into a model where ultimate authority and accountability sits at MAT board level and is then delegated, rather than each school retaining 'sovereign' decision-making by default. However, that is now – in the earlier days of MATs, many schools joined MATs buoyed by promises of being able to retain their autonomy with light-touch governance and oversight. Those promises were just that – the fact of the matter is that it is the MAT itself which is accountable legally and financially and it follows that the governance structure and architecture must reflect that.

This is a journey which is still being explored by independent school groups. We see cases, especially where growth happens through incremental acquisitions, where schools joining a group expect to operate as if little has changed.

In MATs, tensions often surface as a steady stream of queries and concerns from the local governing boards when they dislike what the trust board has decided. The same dynamic appears in independent groups: 'local' leaders or governors question why decisions have moved 'up' or why a group policy is displacing historic custom at school level. It is inevitable that independent schools joining groups will lose autonomy – liability sits with the main board and to have otherwise would see an unworkable loose federation that struggles to move quickly and manage risk consistently.

In practice, groups should:

- ◆ Select partners with compatible instincts about accountability – including that the group board sets strategy and guardrails, and that local bodies operate within delegated authority.
- ◆ Make the autonomy trade-off explicit, early, and repeatedly – group membership means accepting group decisions, even where they are unpopular locally.
- ◆ Define the purpose of any ‘local board’ before you populate it – the key is to prevent the local tier becoming either a talking shop with no real function or a shadow board competing with the group board.
- ◆ Build a shared narrative: why the group exists – autonomy debates reduce sharply when stakeholders can see (and repeat) the group’s purpose.

Lesson 2: Plan the group’s governance framework

Governance models should not be negotiated piecemeal as each new school joins, with the framework becoming an accumulation of local compromises rather than a coherent system that serves the group’s strategy. By comparison, the academy trust environment has learned to place strong emphasis on clarity of governance expectations and how the distinct organisational structures will operate.

In merger transactions, we still see groups nearing completion without the fundamentals in place: no scheme of delegation, committee/board terms of reference that are too thin, and no shared language for who is Responsible, Accountable, Consulted and Informed (a simple RACI approach can be invaluable here).

What groups should do differently:

- ◆ Design the framework early and alongside the growth project.
- ◆ Put the basics in writing – clear schemes of delegation, committee/local board terms of reference, and matters reserved for the group board.
- ◆ Use a RACI-style map for recurring ‘flashpoint’ decisions, such as budget-setting, admissions/fees strategy, safeguarding escalation, complaints etc.
- ◆ Avoid designing governance by concession – local preferences matter, but the framework should be driven by the group’s strategy and risk appetite.

Lesson 3: Choose a governance framework which fits with your strategy

Governance must fit each organisation. There is no one size fits all approach here. A structure that is ‘simple’ for others may be a nightmare for you if it does not match how you intend to run the group. Equally, a structure that is ‘standard’ for the sector may not be what you want if your strategic differentiator is autonomy or a distinctive ethos.

A useful reference point from MATs is that governance expectations are presented in a structured way, with guidance that distinguishes between what is a ‘must’ (legal/regulatory requirement) and what is a ‘should’ (minimum good practice). There is value to a clear focus on governance structures and reflecting the specific context in which academy trusts operate.

While elements of compliance for independent schools are different, the fundamental principle of being clear about what you are seeking to achieve with your governance structure and designing that structure to meet your requirements is key. Groups should aim to be deliberate about what the structure is trying to achieve and then design to that purpose rather than defaulting to a template.

How to make sure the framework fits the strategy:

- ◆ Start with the strategic 'why', then work backwards to governance.
- ◆ Test structures against real decisions – run recurring decisions through the model and ask: who decides, who recommends, who can veto, who escalates?
- ◆ Build in the ability to evolve – a framework that works for a small group of 2 or 3 schools locally clustered is unlikely to work effectively as the group develops and operations become more diverse. If you expect growth, plan for it as far as possible.
- ◆ Be honest about readiness for 'innovation' – if the group is still aligning culture and reporting, a highly novel structure may create ambiguity rather than empowerment.

Conclusion

The three lessons all point to the same underlying message: good group governance is a shared understanding of why the group exists, where authority sits and how decisions will be made.

One of the most useful takeaways from MATs is governance clarity. Expectations are framed in structured terms, with a distinction between what is required and what is minimum good practice. Independent schools can borrow from this mindset.

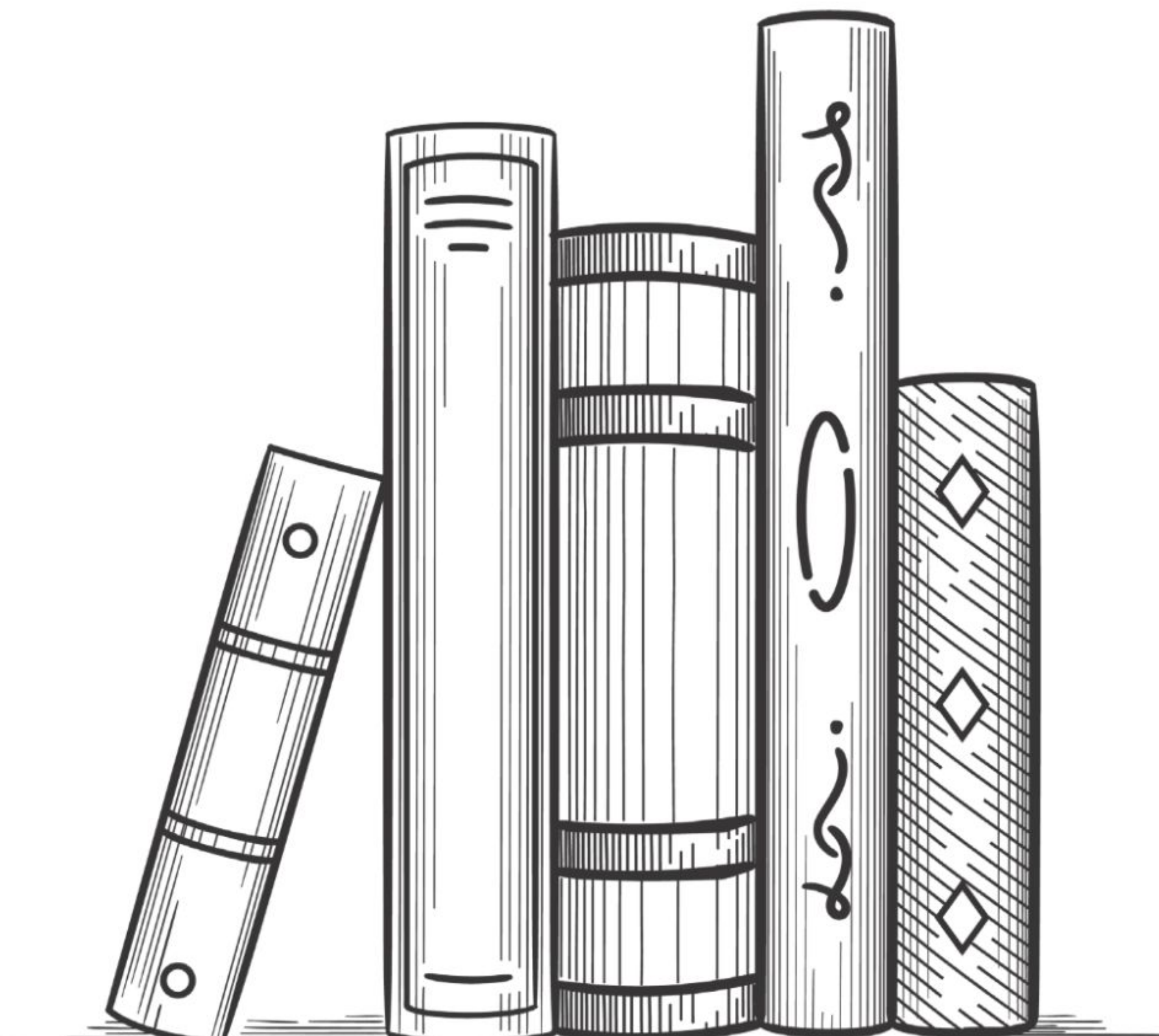
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The modern evolution of governance in an increasingly digital world

Governance in the education sector increasingly finds itself situated within a state of volatility with the world around us seemingly moving from one crisis to the next requiring governors to be ever reactive to the changing environment around them. These changes in the political and economic environment requires **a shift from reactive problem solving to proactive strategies which enable schools to stay the course rather than be constantly manoeuvring.**

This theoretical transition is underpinned by the Charities Act 2011, which establishes fiduciary duties requiring governors to act with reasonable care and skill while prioritising the organisational mission of the entity above all other interests.

It is clear that digital technologies, including Artificial Intelligence (AI) will be an increasing part of all educational settings ecosystems and as such boards will need to build digital into their governance activities, adapting existing policies to recognise both the potential use-cases and risks associated with advancing digital technologies.

Under the recently revised Charity Governance Code, boards are explicitly tasked with ensuring they possess the necessary knowledge and experience to govern effectively in an environment defined by rapid technological change. The development of AI and complex digital ecosystems has transformed technology from an isolated operational variable into potentially being a core governance tool.

Governors are not required to possess proficiency in the workings of any digital technologies; rather, they must maintain a strategic comprehension of how these tools reshape the school's risk profile. This represents a shift where technology serves as a "golden thread" interwoven through organisational values and operations, rather than the historic view of technology being a single area of risk, typically focussed on potential data loss and cyber risks.

A critical aspect in modern governance is the principle of proportionality, which dictates that the level of board oversight must correspond directly to the scale and nature of the risks presented. The administrative use of AI generally presents a lower-risk profile compared to for example embedding automated systems into educational delivery that directly impacts upon student experience. In high-risk scenarios involving AI systems making automated decisions, the governors must be satisfied that the process is based on sound logic and has appropriate guard rails in place to bring in human oversight as and when risk hits a set level.

Over the last few years risk management has similarly evolved into a dynamic evolving process underpinning all decision making, rather than a static annual exercise of updating the risk register and then filing it away until the next year. Current guidance dictates that boards must advance beyond the mere identification of gross risks to actively managing net risks through a rigorous analysis of mitigation and robust internal controls.

This approach requires governors to form a view on the level of appetite for the residual risk remaining after mitigating factors have been considered. Furthermore, contemporary risk assessment places a much higher level of overall risk on the potential impact rather than the likelihood, whereas in traditional models the impact and likelihood scores carried equal weighting.

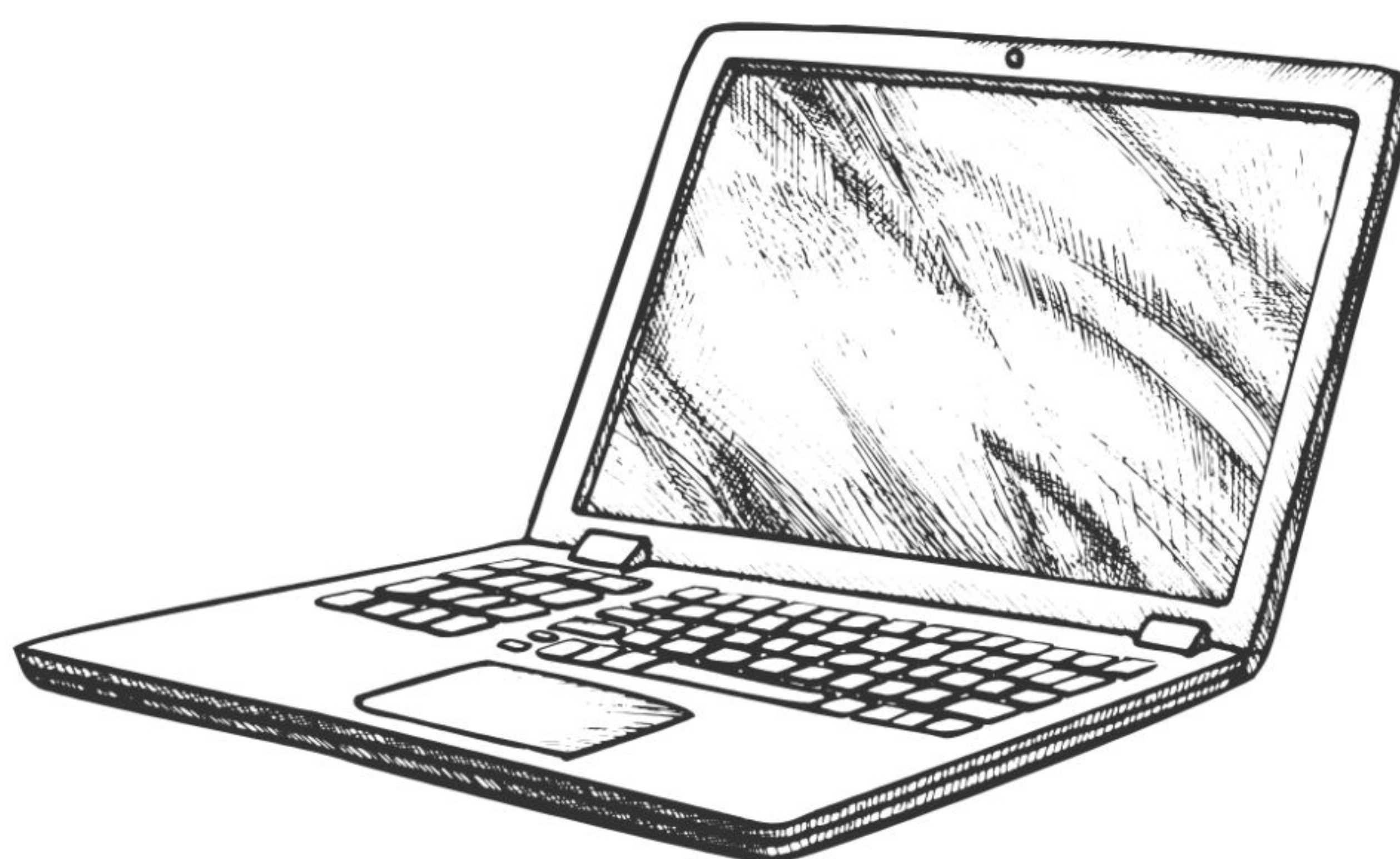
While larger school groups may successfully navigate digital transformation with access to greater resources and the ability to bring in experts and professional assistance, smaller schools may encounter cost and knowledge constraints that can lead to technological stagnation. Conversely, with the right blend of resource and risk appetite, those smaller schools can have the ability to move nimbly compared to larger more complex groups and reap the rewards of innovation.

In conclusion, the current evolution of governance is defined by the necessity of bridging the gap between advancing digital innovation and governors' appetite for change and risk. Governors who avoid engagement with emerging technologies are not acting with prudence; they are potentially failing to fulfil their core governance duties.

Effective leadership now demands a blend of traditional fiduciary responsibilities with a proactive approach to digital engagement, ensuring that the educational settings being led can remain relevant and competitive in an ever-changing environment. It is essential for boards to consider the potential use cases of digital technologies as well as adapting existing policies from a digital first perspective, building in the benefits on offer whilst being aware of and mitigating where possible any potential risks



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Mandatory payrolling of benefits – Preparing Independent Schools for April 2027

Independent schools frequently operate in a complex employment environment, offering a broad range of benefits designed to support staff working patterns, pastoral responsibilities, and the distinctive residential aspects of school life.

One of the most significant and unique features of the sector is the provision of living accommodation, often an integral part of roles such as house-parents, boarding staff and key operational personnel. Alongside accommodation, many schools provide additional benefits including private medical insurance, various wellbeing or lifestyle offerings, and school fee discount arrangements.

The method by which benefits in kind are taxed and reported on is undergoing one of the most substantial changes in recent years. From 6 April 2027, the Government will introduce mandatory payrolling for most benefits in kind, replacing the long standing practice of reporting such benefits annually using P11D forms. Under the new system, the taxable value of benefits must be included in the employee's pay as it arises, with tax collected in real time through PAYE.

However, not all benefits fall within the mandatory regime. Two benefits will remain outside of mandatory payrolling:

- ◆ Living accommodation provided by the employer
- ◆ Beneficial loans

These benefits must continue to be reported on P11Ds unless the employer opts to use the voluntary payrolling route.

For independent schools, where staff accommodation is often essential to the effective running of the school, this mixed regime – mandatory payrolling for most benefits, but traditional reporting for accommodation – creates a distinctive set of challenges. Schools will need to understand the new obligations, adjust internal processes and determine whether voluntary payrolling of any accommodation which is not exempt from a charge to tax would be beneficial or practical.

This article provides a detailed overview of the changes coming in April 2027, their specific implications for independent schools and the key steps schools should take to prepare.

What will change from April 2027

Mandatory payrolling becomes the default reporting mechanism

From April 2027, most benefits in kind will be taxed at the point they arise. Instead of employers submitting P11Ds after the end of the tax year, the taxable value of a benefit will be added to an employee's taxable pay and taxed through PAYE as part of their regular payroll.

This represents a significant operational shift. HR, payroll and finance teams must ensure that benefit data can be captured, valued, and processed in real time rather than retrospectively.

Exclusion of living accommodation from the mandatory regime

Despite the broad scope of the reform, the Government has confirmed that employer provided living accommodation which is taxable (not benefitting from one of the exemptions) will not be subject to mandatory payrolling. For independent schools, this is highly relevant due to the frequency with which accommodation is provided.

Schools must therefore continue to report taxable accommodation on P11Ds unless they voluntarily register to payroll the benefit. The decision to exclude accommodation appears to reflect the complexity of the tax rules.

Voluntary payrolling remains an option

Independent schools may choose to payroll accommodation voluntarily. This can be attractive for schools wishing to eliminate P11Ds entirely or improve real time visibility of tax for your employees. However, voluntary payrolling requires the school to:

- ◆ Register with HMRC before the start of the tax year
- ◆ Operate accurate monthly valuation updates
- ◆ Manage complex rules such as:
 - Historical cost adjustments
 - Charges connected with the accommodation, such as council tax and utility costs
 - Part year occupation of any accommodation provided to an employee

As accommodation rules are among the most complex in the benefits system, not all schools will choose to adopt voluntary payrolling immediately.

Data sits across several departments

Unlike many benefits that sit squarely within HR, accommodation often spans:

- ◆ HR (employment contracts and role requirements)
- ◆ Estates teams (property records and occupancy details)
- ◆ Finance (historic cost and valuation)
- ◆ Payroll (tax assessment and processing)

Mandatory payrolling adds pressure to ensure all teams operate from consistent, accurate and timely data. Any errors may result in incorrect taxation, and with real time reporting, corrections become more visible and administratively burdensome.

Reviewing payroll processes and systems

However, all other benefits which are typically provided by schools will be subject to the mandatory payrolling of benefits from April 2027. Consequently, schools must prepare for the shift to real time taxation by evaluating whether their current payroll systems can manage payrolled benefits. This applies both to benefits being mandated and those where voluntary payrolling may be considered.

Key questions include:

1. **Can the payroll system record and tax multiple types of benefits in real time?** Different benefits may require different valuation methodologies.
2. **Can part year, mid year and role change data be updated promptly?** This is especially important where benefits are renewed
3. **Is the payroll system integrated with HR, estates and finance systems?** Manual data transfers increase the risk of error.
4. **Does your payroll software support the full range of payrolled benefits?** Some software may need configuration updates.

Communicating with employees

Payrolling benefits will increase visibility for employees, as the tax arising will be deducted month by month rather than adjusted at year end. Clear communication is needed to avoid staff confusion or concerns.

Schools should consider:

- ◆ Early awareness briefings explaining how payrolling works
- ◆ Detailed FAQs tailored to the taxable benefits provided
- ◆ Examples showing how payslips will change
- ◆ Pre and post implementation communication phases

Taxable living in accommodation may require additional guidance.

Working with payroll bureaus

Schools using outsourced payroll must engage with their providers early. Key topics to address include:

- ◆ Whether the bureau can process all relevant benefits under mandatory payrolling
- ◆ The bureau's capacity to payroll accommodation if the school chooses voluntary payrolling
- ◆ Timing and format requirements for benefit data submissions
- ◆ Clear delineation of responsibilities for valuations versus processing

Service agreements may need revision to clarify these points.

Liaising with benefits providers

Schools often rely on third party providers (e.g., private medical insurers) and they must check:

- ◆ Whether providers can supply in year, rather than annual, data
- ◆ Whether the format aligns with payroll requirements
- ◆ How quickly data is available when staff join or leave schemes

Aligning provider reporting with payroll cut off dates is crucial to avoid retrospective adjustments.



Preparing for April 2027 – A practical summary

To prepare effectively, independent schools should adopt a structured implementation plan:

- 1. Map all current benefits.** Identify all benefits provided to staff and confirm which fall under mandatory payrolling.
- 2. Assess accommodation arrangements in detail.** Ensure records are accurate, classification is correct and valuations are current.
- 3. Decide whether to payroll accommodation voluntarily.** Consider administrative capacity, payroll system functionality and staff impact.
- 4. Review internal data flows.** Ensure HR, estates, finance and payroll operate with consistent information.
- 5. Engage early with payroll providers and benefits providers.** Confirm capabilities and update processes as required.
- 6. Plan internal and staff communication strategies.** Tailor materials for different staff groups.

Conclusion

Mandatory payrolling marks a major shift for all employers, but independent schools face unique considerations due to the vital role of living accommodation and other sector specific benefits. Although accommodation remains outside the mandatory regime, schools must still manage a system where some benefits are payrolled and others reported via P11D.

By preparing early, improving data quality, strengthening cross departmental processes and communicating clearly with staff, independent schools can navigate the transition smoothly and position themselves for future legislative changes.



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Strengthening Financial Resilience: A Comprehensive Guide to the CC8 Checklist for Independent Schools

In an era of increasing regulatory scrutiny and ever-evolving sophisticated financial threats, the role of a school governor, or trustee, has never been more demanding. For independent schools, which often operate with the complexity of a medium or large sized company, whilst often maintaining the legal status of a charity, **robust financial oversight is not just a best practice; it is a fundamental duty.**

Central to this oversight is the Charity Commission's CC8 guidance: Internal Financial Controls for Charities, and its accompanying Self-assessment Checklist. This article explains how utilizing this tool directly benefits your board and your school.

Why the CC8 Checklist is an Essential Tool

The CC8 checklist is designed to translate often complex legal requirements into actionable, more simplified questions, that management teams and boards can understand. For an independent school, where income streams range from tuition fees to commercial lettings and investment portfolios, the checklist provides a standardised framework to ensure nothing is overlooked.

Its primary use lies in its ability to provide an objective 'health check.' It moves the conversation from 'we think our finances are fine' to 'we have verified that our controls are effective,' which gives much greater confidence and security for those charged with governance. By covering areas such as income collection, expenditure authorisation, and asset safeguarding, it ensures that the school's assets (which are ultimately held in trust for educational objectives), are used solely for their intended purpose.

The Strategic Importance of Regular Reviews

Compliance should never be a 'once and done' exercise. The Charity Commission explicitly recommends that trustees review their internal financial controls at least annually, but ideally in practice, it should be more often than this. For independent schools, several factors make regular review particularly vital:

- 1. Staff Turnover and Process Drift:** Over time, established procedures can be bypassed for the sake of efficiency, or new staff may not be fully trained on existing procedures, and who is responsible for what elements of them. Regular use of the checklist identifies these gaps before they become systemic failures, which often then lead to bigger issues.
- 2. Technological Evolution:** As schools move toward paperless offices and automated billing, the risks change. A control that worked for physical cheques ten years ago is pretty much useless against modern digital payment fraud.

3. Third Party Confidence:

Demonstrating that the board regularly engages with the CC8 checklist sends a powerful message to external third parties, where that be parents of children at the school, auditors, other regulators, or the general public. It proves that the governors are initiative-taking, staying connected with changes in regulation, being transparent, and take their duty of care seriously.

To prevent these reviews from becoming a tick-box exercise, boards could consider a rotational calendar: rather than one annual marathon, you could focus on income (fees and lets) in the Autumn, expenditure (payroll and procurement) in the Spring, and assets (IT and property) in the Summer, for example.

A Pointer for Guidance and Professional Development

One of the most useful features of the checklist is that it acts as a roadmap to deeper knowledge. Each question in the checklist is cross-referenced to specific sections of the main CC8 guidance. This is particularly helpful for governors who may not come from a financial background. It allows the board to use the checklist as a training tool, ensuring that all trustees, not just the Finance and/or Audit Committees, understand the basic principles that sit behind the importance of segregation of duties, and delegated authorities.

Combatting Modern Threats: Fraud and Cybercrime

The most recent version of the guidance places a heavier emphasis on the digital landscape. Independent schools are increasingly being targeted by criminals who view them as softer targets, with often less experienced finance teams, and a generally a number of high-value transactions occurring on a regular basis.

- ◆ **Fraud Prevention:** Internal fraud remains a persistent risk. The checklist prompts schools to evaluate their systems and controls. For example, the person who manages the school's payroll should not also be the sole person authorised to change bank details on the system. By forcing a second pair of eyes on high-risk transactions, the school creates a powerful deterrent against both internal and external bad actors.

- ◆ **Cyber Resilience:** Cyberattacks, particularly mandate fraud (where fraudsters impersonate a supplier to change payment details) and CEO fraud (impersonating the Head or Bursar to request urgent transfers), are on the rise. The CC8 checklist encourages schools to implement dual-authorisation for all electronic payments, ensuring that no single individual can move funds without a secondary check. This protects against 'I'll just do it to help him or her out,' and means there is less risk of simple human error or oversight.
- ◆ **Asset Protection:** In a school environment, assets extend beyond cash. They include sensitive pupil data, and sometimes intellectual property as well. The checklist helps schools ensure that digital access controls are as stringent as the physical locks on the school gates.



Beyond the Basics: Tailoring the Approach

While the CC8 checklist provides the 'what to do,' schools themselves are required to determine the 'how to do it.' This requires looking into School-Specific Blind Spots that general guidance might miss:

- ◆ **Trips and Tours:** Are large sums held for overseas trips subject to the same dual authorisation as the main school levy?
- ◆ **Bursaries:** Is there a clear segregation between those assessing financial need and those authorising the fee credit?
- ◆ **Associated Entities:** Does the board have oversight of the financial controls used by the PTA or Friends of the School?

By integrating the checklist into the annual governance calendar, schools can move beyond mere compliance, and toward a culture of being more financially mindful. This culture ensures that every decision made, whether it is a small departmental spend or a multi-million-pound capital project, is underpinned by the same rigorous standards of accountability.

Essential Resources for Governors

To ensure your school is operating at the highest standard, we recommend reviewing the following documents:

- ◆ **The Full Guidance:** Internal financial controls for charities (CC8)
- ◆ **The Interactive Checklist:** CC8 Self-assessment Checklist (ODT Format)
- ◆ **Fraud Awareness:** Protecting your charity from fraud
- ◆ **Cyber Security Advice:** NCSC: Cyber Security for Small Charities

The Bottom Line

The CC8 checklist is more than a regulatory requirement; it is a roadmap for resilience. By integrating it into your annual calendar, you protect the school's assets, its reputation, and, most importantly, its ability to continue delivering a world-class education.



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