



# **Related Party Transactions Policy**

**Policy Updated: July 2023**

**Approved by Trustees: 10 July 2023**

**Review Date: July 2026 (or sooner if needed as per the Academy Financial Handbook)**

## **1.1 Definition of a Related Party**

- a. Related parties arise where:
  - one party has control or influence over the other, or
  - the parties are subject to common control
  
- b. The Trust is permitted to make transactions with related parties, as long as:
  - Open and transparent procurement procedures are followed, and the Trust's Finance Policy followed.
  - Potential conflicts of interest are managed.
  - ESFA rules, including mandated reporting and advance approval are followed.
  
- c. Related parties include:
  - Parties with control over, or controlled by, the trust, e.g. parent and subsidiary companies.
  - Parties having significant influence over the trust.
  - Key management personnel of the trust, including the executive (headteachers, directors and company secretary).
  - Close family members of any of the above.
  - Others subject to control or significant influence by any individual referred to above.

Nb. That parties are not deemed to be related simply because they have a director or key manager in common (IAS24).
  
- d. For the Trust, our related parties include the Board of Trustees, the Trust Leadership/Finance team (Key Management Personnel), the head teachers and the members of the Trust. Close family members and business partners of the foregoing are also included.

## **1.2 Supporting trustees to manage conflicts of interest**

- a. To support trustees in managing conflicts of interest and to demonstrate complete transparency:
  - The Trust's HR & Governance Leader maintains a comprehensive "Register of Declarations of Business Interest" which is shared with key finance personnel within

the Trust. This register covers Trustees, Executive leaders and Governors. The register is kept up to date at all times, and published on the Trust's website

- The Trust's HR & Governance Leader reviews the Register and 'Register updates' to ensure potential related parties are identified and flagged within the Trust's accounting system, such that any transactions are appropriately identified and routed.
- All related party transactions are considered and agreed by the Finance and General Purposes Committee prior to any new orders being placed (schools are asked in advance of the year to identify the extent of likely transactions with related parties). The Finance and General Purposes Committee considerations shall be supported by evidenced quotations and tendering (as appropriate to the circumstances) and an informed assessment of value for money. Individuals are required to remove themselves from meetings when a potential transaction is identified.  
(Agreement may take the form of a generic approval to a theme of transactions, eg. in relation to outdoor education where a Statement of Assurance is in place).
- The Trust's Business Manager monitors and records any related party transactions arising in the year as part of the month end procedure.

### **1.3 Management and reporting of related party transactions**

- a. From April 2019, new requirements came into force regarding the reporting and approval of Related Party Transactions. These sit alongside those contained within the Academies Accounts Direction covering disclosure. Specifically:
  - The Trust must ensure that all related party transactions taking place on or after April 2019 are reported to the ESFA in advance.
  - The ESFA's prior approval must be obtained for contracts with related parties for the supply of goods or services agreed on or after 1 April 2019 where any of the following limits arise:
    - i. A contract exceeding £40,000 (previously £20,000)
    - ii. A contract of any value that would take the total value of contracts with the related party beyond £40,000 in the same financial year ending 31 August/
    - iii. A contract of any value if there have been contracts exceeding £40,000 individually or cumulatively with the related party in the same financial year ending 31 August.
  - The Trust must seek approval for all novel, contentious or repercussive transactions.

- b. Specific rules apply to payments to related parties where these exceed £2,500 in the financial year. In these circumstances, the Trust must pay no more than 'cost' for goods or services provided to it (NB. 'services' do not include contracts of employment).
- c. The Trust's Business Manager is responsible for ensuring procedural compliance including:
- Ensuring timely notification of potential transactions to the ESFA through ongoing school liaison, pro-active contact and advice to schools, trustees and key management personnel.
  - Seeking statements of assurance where transactions do occur, utilising the ESFA pro forma.
  - Making sure that goods and services by individuals or organisations related to the trust are provided at no more than cost beyond the limits specified, currently £2,500.
  - Ensuring only permitted payments are made, in accordance with the Articles of Association.
  - Preparing an annual summary (at the start of each financial year) of likely transactions, the procurement process to be followed and rationale for the procurement seeking Finance and General Purposes Committee approval to the transaction. Finance and General Purposes Committee to ensure 'conflicts are managed'.
  - Ensuring those in positions of control, understand and manage real and perceived conflicts of interest, in accordance with public life principles.
  - Working with the Trust's HR & Governance Leader to ensure there are measures in place to manage conflicts of interest; that trustees understand and comply with their statutory duties; and that the register of interests is maintained.
  - Making disclosures within the annual accounts, to show that transactions have been conducted in accordance with the high standards of accountability and transparency required within the public sector.
  - Maintaining a file of evidence attached to each related party transaction including the decision-making process and procurement evidence demonstrating fair and transparent process.