

The background of the slide is a photograph of a business meeting. Two men in dark blue suits are seated at a light blue desk. The man on the left is writing in a notebook with a pen. The man on the right is holding a pen and looking at a laptop. On the desk, there is a silver laptop, a blue calculator, a notebook, and some papers with charts. The scene is brightly lit, suggesting an office environment.

# Navigating Related Party Transactions

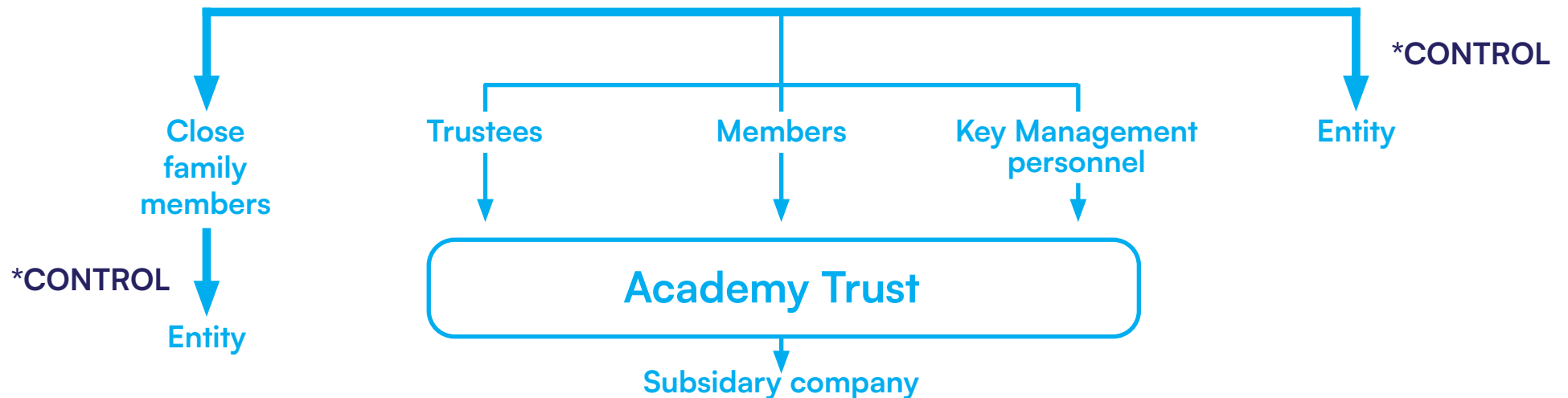
Academy Trust Handbook 2024 - Effective from 1 September 2024

*Please note that full guidance is given from section 5.35 in the Academy Trust Handbook 2024*



# What is a Related Party?

The term is used to identify those persons or entities that are closely connected to the Trust or its trustees. There is an extensive detailed definition in the Charities SORP but listed below are the common considerations...



## \*Control

Control refers to the power to govern the financial and operating policies of an entity. This can be through ownership or voting rights, power to appoint or remove members of the Board, via the governing documents or by having a dominant influence.

**Local Governing Bodies** mainly fall outside the related party definition as they commonly do not have control over the Trust — but this is not always the case. Local Governing Bodies are a group that oversees the operation of an individual academy within a Trust.

**Academy Trusts** must abide by the rules of managing related party relationships to ensure transparency, accountability and proper use of public funds. This is to prevent conflicts of interest arising from personal gain at the expense of the Trust, ensuring public funds are used properly and Compliance with the Academy Trust Handbook 2024.



# Reporting of related party transactions

**All** related party transactions must be reported to the Department for Education (DfE) **before** the contract or agreement commences or is renewed via the related party on-line form through the Trust portal.

## Let's put this into practice:

A Trustees' husband owns a minibus hire company, 'Swift Shuttle Services Ltd', and this minibus company will be used to take school children to a trip on 7 March 2025 and 7 April 2025. Total costs of trip 1 is £150 and trip 2 is estimated to be £200.

## Scenarios:



**a)** The Trust reports to the DfE the related party transactions via the portal once invoices for both trips are received on 10 April 2025.

**Regularity breach! Reporting should be made before the transaction occurs.**



**b)** The Trust reports £350 of related party transactions with this company to the DfE on 5 March 2025. When the invoices are received, trip number 2 totalled £250.

**Regularity breach! The report did not cover the total costs incurred in the related party transaction.**



**c)** The Trust reports £500 of related party transactions with this company to the DfE on 5 March 2025. The transaction is reporting in advance with sufficient coverage of costs.

**The transaction is reported in advance with sufficient coverage of costs.**



# Approval of related party transactions

Trusts must obtain the DfE's **prior approval** for the supply of goods or services to the Trust by a related party **agreed on or after 1 September 2023** that **exceeds £40,000** in **one financial year ending 31 August**.

A contract is in discussion with a related party to carry out services totalling £100,000 for the year ending 31 August 2025.

Once approved, the transaction can be confirmed with the related party.

Trusts must report their intention to enter into a new or renewed transaction with a related party to the Department for Education (DfE).

## Rule does not apply to:



Income transactions

Salary or contract of employment payments

Single transactions/contracts with the same supplier, do not aggregate. E.g. BHP, audit/AAR/TPS fees



# The 'At Cost' Rule

Trusts must pay no more than 'cost' for goods or services provided to it by the following persons:

- Members or Trustees of the academy trust
- Close family member of the above
- Organisations controlled by any of the above

The 'at cost' rule applies to transactions with a related party exceeding **£2,500 cumulatively**, in any one financial year (to the 31 August).

What should the Trust do if text to the left applies?

Ensure properly  
procured  
through an  
open and fair  
process

Obtain a statement of  
assurance from the RP  
to the Trust confirming  
their charges do not  
exceed cost

This rule does not apply to Key Management Personnel related parties OR contracts of employment. →

## Let's put this into practice:

### Rule applies:

Trustees' son provides plumbing services on 1 Oct 2024 to one of the schools in the Trust which totals £4,000.

A company owned by one of the members provides a monthly piano service to the Trust, commencing on 1 September 2024 at £300 per month for one year. Total cost of £2,400 for the year ended 31 August.

### Rule does not apply:

Headteachers' son provides plumbing services on 1 Oct 2024 to one of the schools in the Trust which totals £4,000.

A company owned by one of the members provides a monthly piano service to the Trust, commencing on 1 Jan 2025 at £300 per month for one year.

Although these rules do not apply for contracts of employment...

The principles of value for money and managing conflicts of interest apply. Salaries should be appropriate to individuals' skills, experience and wider market rates





# Register of interests

Trusts **must** keep a register of all relevant business interests for members, trustees, local governors and KMP serving at any point over the last 12 months.

**Section 1.46 and 1.47** of the Academy Trust Handbook 2024 details what this **register must include**. Section 1.48 of the Academy Trust Handbook 2024 states that the register must be kept up-to-date at all times.

The register must be published on the **Trust website**.

## The auditor's role...

We will obtain the source data used to populate this extensive list, usually in the form of register of interest forms signed by said person, to complete our testing.

*Note: This document is a summary of the key items within the Academy Trust Handbook 2024. Where related party transactions are identified always refer to the full detailed guidance to confirm treatment.*

If you have any questions,  
please get in touch with  
your usual BHP contact

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