



BHP
Part of the **SUMER** Group

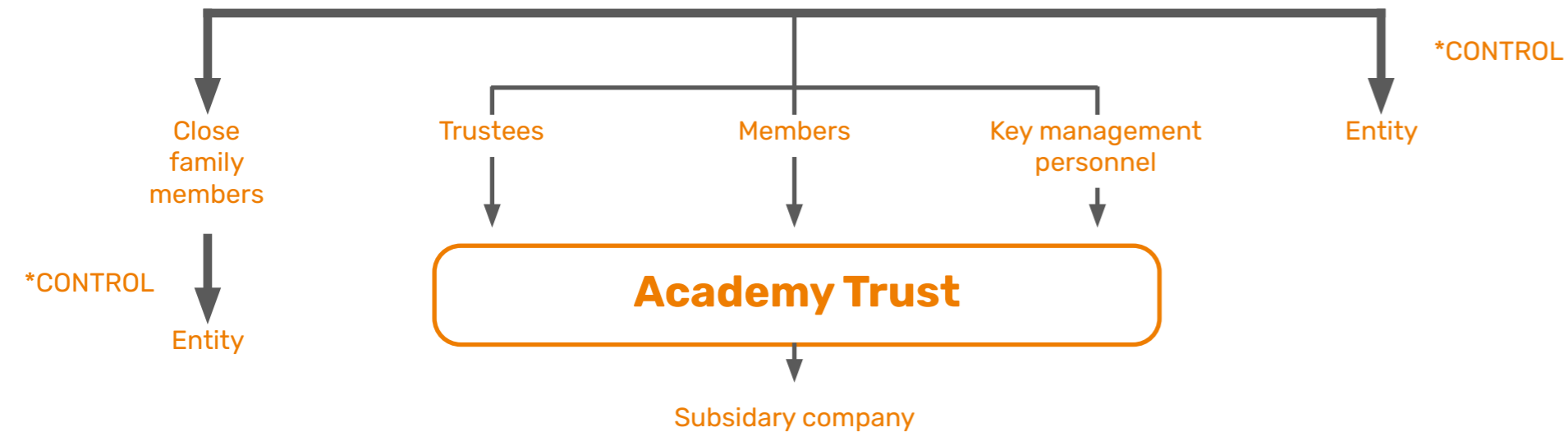
Navigating Related Party Transactions

Academy Trust Handbook

Please note that full guidance is given in part 5 of the Academy Trust Handbook

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.

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.

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 2026 and 7 April 2026. 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 2026.

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 2026. 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.



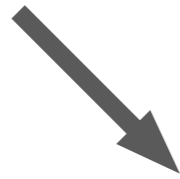
c) The Trust reports £500 of related party transactions with this company to the DfE on 5 March 2026.

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

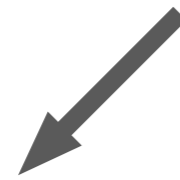
Approval of related party transactions

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 2026.



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



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

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).

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 2025 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 2025 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 2025 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 2026 at £300 per month for one year.

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

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 senior employees serving at any point over the last 12 months.

Part 1 of the Academy Trust Handbook details what this register must include and states that the register must be kept up-to-date at all times.

The register must also be published on the Trust website.

The register must identify relevant interests from close family relationships between the academy trust's members, trustees or local governors. It must also identify interests arising from close family relationships between those individuals and relationships.

Note: This document is a summary of the key items within the Academy Trust Handbook. 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

bhp.co.uk

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