



Related Party Transactions Policy

Adopted by Board: 19 March 2019
Review Period: 3yr
Review Date: March 2022
Person responsible for policy: Chief Financial Officer

1. Overview

BePART Educational Trust is committed to the highest standards of governance. An important part of this relates to the management of conflicts of interest and related party transactions.

This policy sets out the process to be followed when the Trust is entering into relationships with a related party (also referred to as connected parties). The requirements set out in this policy are in addition to the requirement to register pecuniary interests which is detailed in the Trust's financial regulations.

The Academies Financial Handbook is issued by the Education Funding Agency (EFA) and updated annually for the start of the academic year. The Handbook provides detailed guidance, much of which is mandatory, about related party relationships.

The disclosure of related party transactions is standard accounting practice across the private and public sectors. Such disclosures provide accountability and transparency to the public and Parliament and demonstrate that potential conflicts of interest are being identified, managed and reported.

Accounting standards require related party transactions to be disclosed in the Annual Report and Financial Statements so that users can gain a full understanding of the transactions which have taken place, and any factors that might have influenced them.

2. What is a Related Party Transaction

Related parties arise where one party has control or influence over the other, or where the parties are subject to common control. This includes parent companies and their subsidiaries, key management personnel including company directors, their close family members and other entities in which these parties have a controlling interest. Accounting standards require transactions between related parties to be disclosed in company financial statements as related party transactions.

Such transactions are permitted under company law, charity law and under the Academies Financial Handbook, provided that open and transparent procurement procedures have been followed and any potential conflicts of interest are adequately and appropriately managed. The most common types of related transactions are the purchase, sale, lease or donation of goods, services, property, or money.

3. Principles Applying to Related Party Relationships

The Trust must be even-handed in their relationships with connected parties by ensuring that:

- trustees comply with their statutory duties as company directors to avoid conflicts of interest, not to accept benefits from third parties, and to declare interest in proposed transactions or arrangements
- all members, trustees, local governors of academies within a MAT and senior employees have completed the register of interests, in accordance with the Academies Financial Handbook
- no member, trustee, local governor, employee or related individual or organisation uses their connection to the Trust for personal gain, including payment under terms that are preferential to those that would be offered to an individual or organisation with no connection to the Trust
- there are no payments to any trustee by the Trust unless permitted by the Articles, or by authority from the Charity Commission and comply with any relevant agreement with the Secretary of State. Trusts will need to consider these obligations where payments are made to other business entities who employ the trustee, are owned by the trustee, or in which the trustee holds a controlling interest

- the Charity Commission's approval is obtained where the Trust believes a significant advantage exists in paying a trustee for acting as a trustee
- any payment provided to the persons referred to above satisfies the 'at cost' requirements as set out below

The board of trustees must ensure requirements for managing related party transactions are applied across the Trust. The chair of the board and the accounting officer must ensure that their capacity to control and influence does not conflict with these requirements. They must manage personal relationships with related parties to avoid both real and perceived conflicts of interest, promoting integrity and openness in accordance with the seven principles of public life.

The Trust must recognise that some relationships with related parties may attract greater public scrutiny, such as:

- transactions with individuals in a position of control and influence, including the chair of the board of trustees and accounting officer
- payments to organisations with a profit motive, as opposed to those in the voluntary sector
- relationships with external auditors beyond their duty to deliver a statutory audit

The Trust must keep sufficient records and make sufficient disclosures in their annual accounts, to show that transactions with these parties and all other related parties have been conducted in accordance with the high standards of accountability and transparency required within the public sector.

4. Reporting of related party transactions to ESFA

The Trust must report all transactions with related parties to ESFA in advance of the transaction taking place, using ESFA's online form. This requirement applies to transactions made on or after 1 April 2019.

5. Approval of related party transactions by ESFA

The Trust must obtain ESFA's approval for transactions with related parties that are novel, contentious and/or repercussive. Trusts should carefully consider the impact of this requirement and its relevance to transactions involving the chair of the board and the accounting officer.

The Trust must obtain ESFA's prior approval, using ESFA's online form, for contracts for the supply of goods or services to the Trust by a related party agreed on or after 1 April 2019 where any of the following limits arise:

- a contract exceeding £20,000
- a contract of any value that would take the total value of contracts with the related party beyond £20,000 in the same financial year ending 31 August
- a contract of any value if there have been contracts exceeding £20,000 individually or cumulatively with the related party in the same financial year ending 31 August

For the purposes of reporting to, and approval by ESFA, transactions with related parties do not include salaries and other payments made by the Trust to a person under a contract of employment through the Trust's payroll.

6. Register of interests

The Trust's register of interests must capture relevant business and pecuniary interests of members, trustees, local governors of academies within a MAT and senior employees including:

- directorships, partnerships and employments with businesses

- trusteeships and governorships at other educational institutions and charities
- for each interest: the name of the business; the nature of the business; the nature of the interest; and the date the interest began

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

The Trust should consider whether any other interests should be registered. Boards of trustees should keep their register of interests up-to-date.

The Trust must publish on its website, relevant business and pecuniary interests of members, trustees, local governors and accounting officers. The Trust has discretion over the publication of interests of any other individual named on the register.

7. 'At Cost' Requirement

The Trust must pay no more than 'cost' for goods or services provided to it by the following persons ('services' do not include contracts of employment):

- any member or trustee of the Trust
- any individual or organisation connected to a member or trustee of the Trust. For these purposes the following persons are connected to a member, or trustee:
 - a relative of the member or trustee. A relative is defined as a close member of the family, or member of the same household, who may be expected to influence, or be influenced by, the person. This includes, but is not limited to, a child, parent, spouse or civil partner
 - an individual or organisation carrying on business in partnership with the member, trustee or a relative of the member or trustee
 - a company in which a member or the relative of a member (taken separately or together), and/or a trustee or the relative of a trustee (taken separately or together), holds more than 20% of the share capital or is entitled to exercise more than 20% of the voting power at any general meeting of that company
 - an organisation which is controlled by a member or the relative of a member (acting separately or together), and/or a trustee or the relative of a trustee (acting separately or together). For these purposes an organisation is controlled by an individual or organisation if that individual or organisation is able to secure that the affairs of the body are conducted in accordance with the individual's or organisation's wishes
- any individual or organisation given the right under the Trust's articles of association to appoint a member or trustee of the Trust; or anybody connected to such individual or organisation
- any individual or organisation recognised by the Secretary of State as a sponsor of the Trust; or anybody connected to such individual or organisation

A body is connected to another individual or organisation if it: is controlled by the individual or organisation; or controls the organisation; or is under common control with the individual or organisation. For these purposes control means:

- holding more than 20% of the share capital (or equivalent interest), or
- having the equivalent right to control management decisions of the body, or
- having the right to appoint or remove a majority of the board or governing body

The 'at cost' requirement does not apply to the Trust's employees unless they are also one of the parties as described above.

While these provisions do not apply to contracts of employment, the same principles of securing value for money and using public money properly, including managing conflicts of interest, will

still apply. Salaries should be appropriate to the individual's skills and experience and to rates in the wider market.

Should any staff / personnel of an individual or organisation referred to above be based in, or work from the premises of, the Trust, that individual/organisation and the Trust must agree an appropriate sum to be paid to the Trust for such use/occupation of the premises, save to the extent that they are carrying out work for the Trust.

The 'at cost' requirement applies to contracts for goods and services from a related party agreed on or after 7 November 2013.

The 'at cost' requirement applies to contracts for goods and services from a related party exceeding £2,500, cumulatively, in any one financial year. For these purposes, where a contract takes the Trust's cumulative annual total with the related party beyond £2,500, the element above £2,500 must be at no more than cost.

In relation to organisations supplying legal advice or audit services to the Trust, the 'at cost' requirement applies where the organisation's partner directly managing the service is a member or trustee of the Trust but not in other cases for those organisations. The published ethical standards for auditors also prevent partners or employees of the audit firm from acting as a trustee of their client trust, but not of other trusts.

The Trust must ensure that any agreement with an individual or organisation to supply goods or services to the Trust is properly procured through an open and fair process and is:

- supported by a statement of assurance from that individual or organisation to the Trust confirming that their charges do not exceed the cost of the goods or services, and
- on the basis of an open book agreement including a requirement for the supplier to demonstrate clearly, if requested, that their charges do not exceed the cost of supply

For the purposes the cost will be the 'full cost' of all the resources used in supplying the goods or services, and must not include any profit. Full cost includes:

- all direct costs (the costs of any materials and labour used directly in producing the goods or services)
- indirect costs (a proportionate and reasonable share of fixed and variable overheads)