



King's Group Academies Related Party Transactions Policy

Date adopted: December 2018 by KGA Trustees

Date of last review: December 2024

Due for review: As required

Background

Concern over the use of related party transactions (RTPs) has caused the ESFA (since October 2024, the DfE) to require all RTPs to be reported in advance of the transaction taking place, and for prior approval to be sought for any transaction which exceeds £40,000 with a single supplier.

Reporting and Approval

KGA will adhere to current requirements of the Academy Trust Handbook. The requirements for 2024/25 are at Annexe A

Identification of Related Parties and Avoidance of Conflicts of Interest

KGA will maintain records of the business interests of Trustees, Governors and senior leaders, to facilitate the identification of a related party. In addition, meetings of the Board of Trustees or any of its committees will report declarations of interest which relate to items for discussion at that meeting. Decision-makers with an interest in any procurement decision will be removed from the tendering and reviewing process for the purchase.

Auditors and Regularity

The Trust's auditors will check compliance with KGA's schemes of delegation and with the rules set out in the Academies Financial Handbook. Where 'at cost' transactions have occurred they will check whether there is a statement of assurance, and what work the Accounting Officer has undertaken to satisfy himself there is no element of profit. Section 9.4 of the Academies Accounts Direction explains a series of tests that will more than likely be undertaken (see checklist in Annex B).

If there are any issues with the transactions this will need to be noted firstly on the Accounting Officer's statement of 'regularity, propriety and compliance' and then within the auditors' regularity report

The role of the Academy Trust Accounting Officer

Trust Accounting Officers in academies are ultimately accountable, via the DfE, to Parliament, 'for regularity, propriety, and value for money in the use of public funds' and this has been well documented in the ESFA Chief Executive's annual 'Dear Accounting Officer' letters.

The roles of directors and trustees

The Department for Education's Governors Handbook sets out the structure of governance in academy schools. An academy trust is a charitable company limited by guarantee. Within academies, there are members of the Trust, akin to stakeholders, as well as governors, who are directors and trustees of the charitable company/the Trust. Governors have duties as directors under company law, and trustees under charity law.

Managing conflicts of interest

The management of conflicts of interest is important in terms of statutory duties of directors, and maintaining confidence and trust in the academy in relation to the use of public funds and overall reputation. The Charity Commission provides useful advice in how to mitigate this issue.

KGA maintains and publishes a list of the pecuniary interests of its Trustees and Governors, to aid the identification of conflicts of interest.

In accordance with the Academy Accounts Direction, connected party transactions are disclosed in the Trust's financial statements, and if there have not been any such transactions this is also disclosed.

Annexe A

Requirements of the Academy Trust Handbook

1. Reporting related party transactions

Academy trusts must report their intention to enter into a new transaction with a related party to the Department for Education (DfE) before confirming the transaction with the related party. This includes transactions being renewed with a related party.

Academy trusts do not need to report income transactions with related parties. For expenditure related party transactions with a new supplier, academy trusts must confirm whether they have previously received a donation from the related party.

Salaries and other payments made by an academy trust to a related party under a contract of employment, through the academy trust's payroll, are not in scope of this reporting requirement.

Academy trusts must declare all related party transactions, regardless of value, in their annual financial statements as set out in the [Academies Accounts Direction](#).

2. Seeking approval for related party transactions

Academy trusts must obtain DfE's prior approval, using the [online form](#), for related party transactions that start on or after 1 September 2023, and exceed £40,000 for the supply of goods or services to the trust by a related party in the same financial year ending 31 August.

The £40,000 approval threshold applies to single transactions with the same supplier, the transaction value is not aggregated by supplier.

This approval requirement does not apply in the following circumstances:

- transactions for the supply of goods or services to a trust by the following educational establishments:
 - colleges, universities, and schools which are sponsors of the academy trust
 - state funded schools and colleges, including academies

This concession does not apply to transactions with a subsidiary of such a related party.

- transactions for the provision of goods or services to an academy trust with a religious designation, for essential functions fundamental to the academy trust's religious character and ethos which can only be provided by their religious authority.

These related party transactions must be declared to the DfE using the [online form](#).

Novel, contentious or repercussive related party transactions are subject to separate arrangements. Trusts must obtain DfE's prior approval for any transactions with related parties that are novel, contentious or repercussive, regardless of value. Approval must be sought using DfE's [online form](#). Trusts should carefully consider the impact of this requirement and its relevance to transactions involving the board chair or the accounting officer as set out in [Academy trust handbook](#).

A single request for approval can be submitted for a series of intended transactions with the same supplier if sufficient detail about each transaction is included in the evidence provided.

3. Submitting a retrospective expenditure transaction with a related party

All expenditure transactions with a related party must be reported to DfE using the [online form](#). Submitting a retrospective transaction is a breach of the Academy trust handbook, and DfE may consider further action.

The accounting office should report the breach in their 'Statement on regularity, propriety and compliance'.

In the event of an emergency where the academy trust has taken immediate action to procure goods or services to address an emergency situation, it is essential the academy trust:

- demonstrates how it has followed its own procurement and delegation procedures
- demonstrates how conflicts of interest were managed
- reports or seeks DfE approval retrospectively using DfE's [online form](#) and as soon as possible after the emergency
- provides DfE with appropriate evidence of the emergency circumstances and can justify why the transaction was needed

4. Reported transactions that do not require approval by DfE

Transactions which are reported but do not require approval, will still be monitored by DfE:

- as part of routine oversight for compliance and transparency purposes

- to improve or shape future policy changes

Even though approval may not be required for certain transactions it is still important to maintain accurate records and documentation of all transactions with related parties. If required, academy trusts may need to make this information available to DfE as part of an audit or other review.

Annex B: Tests undertaken to check compliance

These tests have been lifted from the Academies Accounts Direction; however you may find them a useful checklist

Issue	Comments
Declarations of business interests have been completed (for those in a position to influence the academy trust, including key staff) and published on the academy trust's website	
Contracts with connected parties have been procured following the academy trust's procurement and tendering process	
The academy trust has obtained statements of assurance (confirming no profit element was charged) and the academy trust has followed their internal processes in reviewing this	
The academy trust has requested, under the open book arrangement, a clear demonstration that the charges do not exceed the cost of supply	
Governors who provide consultancy services to the academy trust are not receiving a profit for their services and the correct procurement and tendering process is being followed	
No connected party gains from their position by receiving payments under terms that are preferential	
If employees are providing external consultancy that the income is being received into the academy trusts accounts if the work was performed within the academy trusts normal working hours	
Disclosures of the transactions are in accordance with the Accounts Direction	