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Education & Skills
Funding Agency

Guidance

Declare or seek approval for related party transactions: guidance for church academy trusts

Updated 26 September 2019

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This guidance is for church academy trusts to use when declaring or seeking approval for transactions with the diocese.

1. Declaring related party transactions

[Summary guidance](#) describes the requirement for academy trusts to declare an intention to enter into an agreement with a related party before confirming the transaction. This includes agreements being renewed with a related party supplier.

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

In line with [paragraph 5.42](#) of the Academies Financial Handbook, 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 continue to report 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 seek prior approval from ESFA, when:

- a single contract or agreement with a related party exceeds £20,000
- a contract or agreement of any value means the total value of contracts or agreements with the same related party exceeds £20,000 in a financial year

Services that can only be delivered by the diocese, which provide essential functions fundamental to the religious character and ethos of the academy trust, are deemed as meeting the "at-cost" requirements. These transactions need only be declared and do not require prior approval.

Transactions with the diocese which include any element of traded services do require prior approval.

3. Using the online form

The form is for academy trusts to declare or seek approval for an agreement or contract with a related party before it's confirmed with the related party.

"Using the online form" guidance explains how to complete and submit the online form. Some sections of the online form only apply to transactions with the diocese. This guidance describes those sections in more detail.

When entering a new supplier, you need to confirm whether the transaction is with the diocese. When **yes** is selected, the form will not request further information about the supplier, or your relationship with the supplier.

For all new suppliers, you must confirm whether the academy trust has previously received a donation from the related party and the type of donation, cash, in kind, both, or other.

Where a new supplier is recorded as the diocese, the transaction information

page requests confirmation that the goods or services included within the transaction are:

- solely provided as part of your voluntary contribution or levy to the diocese for the purposes of maintaining the religious ethos or character of the academy trust; and
- do not include traded services

When **no** is selected, the form continues and “using the online form” guidance applies.

Where the transaction includes any element of traded service, **no** should be selected.

Where **yes** is selected, the academy trust is confirming that the transaction is entirely for services that can only be delivered by the diocese to provide essential functions that are fundamental to the religious character and ethos of the school. Where transactions with the diocese exceed £20,000, the online form will ask for evidence to be uploaded. For this type of transaction, the evidence should be a document relating to the voluntary contribution or levy for these services.

Subject to our review, we will confirm the transaction is deemed as being “at cost” and is not subject to approval. However, the transaction will be displayed as approved, rather than declared, within the online form.

4. Do you have any questions?

Contact [ESFA enquiries](#) selecting ‘related party transactions’ from the options.

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