RELATED PARTY TRANSACTION POLICY 2026 - 2027

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CLEEVE SCHOOL
AND SIXTH FORM CENTRE OF EXCELLENCE

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RELATED PARTY TRANSACTION POLICY 2026-2027

Introduction

The purpose of this policy is to set out the steps and processes that Cleeve School follows to ensure that the rules relating to transactions and relationships with related parties are compliant with guidance published in the Academy Trust Handbook. The handbook sets out that academy trusts must declare their intention to the Department for Education (DfE) to enter into a new agreement with a related party prior confirming the transaction with their supplier. Academy trusts must also be even-handed in their relationships with related parties.

What is a related party transaction?

Related parties arise where one party has control or significant 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 and Senior Leaders; 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. This definition of related party transactions applies for both accounting disclosure and DfE reporting purposes.

Such transactions are permitted under company law, charity law and under the Academy Trust Handbook, provided that open and transparent procurement procedures have been followed, and any potential conflicts of interest are adequately and appropriately managed. In the context of Cleeve School, this would generally be a transaction between the organisation and individuals involved in its governance, or a transaction between the organisation and any individual or organisation that is related to individuals governing the school or trust.

Due to the nature of academy trusts' operations and the fact that many academy trustees are drawn from local public and private sector organisations, it is not unusual that related party transactions may occur.

Relationships with related parties

Cleeve School must be even-handed in its relationships with related 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 and senior employees must complete the register of interests, in accordance with the Academy Trust Handbook
- no member, trustee, 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. Cleeve School would 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
- any payment provided to the persons satisfies the 'at cost' requirements in Academy Trust Handbook – further details are set out below.

Requirements for managing a related party transaction

The Board must ensure requirements for managing related party transactions are applied throughout Cleeve School. The Chair and the Accounting Officer must ensure 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.

Any trustee or employee with a conflict of interest must withdraw from discussion and decision-making relating to the transaction.

Cleeve School recognises 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 the Accounting Officer
- payments to organisations with a profit motive, as opposed to those in the public or voluntary sectors
- relationships with external auditors beyond their duty to deliver a statutory audit

Cleeve School will keep sufficient records, and make sufficient disclosures in its 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.

Reporting of related party transactions to DfE

Cleeve School reports all contracts and other agreements with related parties to the DfE in advance of the contract or agreement commencing, using the DfE on-line form.

Approval of related party transactions by DfE

Cleeve School will obtain prior approval from the DfE using the on-line form, for contracts and other agreements for the supply of goods or services to the school by a related party agreed where a single related party transaction exceeds £40,000. All related party transactions, regardless of value, must be reported in advance.

Approval of novel, contentious and/or repercussive related party transactions

Novel, contentious and/or repercussive related party transactions are subject to separate arrangements. Cleeve School must obtain DfE prior approval for any contracts and other agreements with related parties that are novel, contentious and/or repercussive, regardless of value.

- Novel transactions are those of which the trust has no previous experience, or which are outside the trust's normal range of business.
- Contentious transactions are those that are likely to attract criticism from Parliament, the public, the media, or other stakeholders.
- Repercussive transactions are those that could set a precedent or create pressure on other academy trusts by demonstrating an approach that others may feel compelled to follow, with wider financial or reputational implications.

Approval must be sought using the DfE enquiry form, not through the related party on-line form. Cleeve School will carefully consider the impact of this requirement and its relevance to transactions involving the board chair and/or the accounting officer.

For the purposes of reporting to, and approval by, the DfE, 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.

Register of interests

Cleeve School maintains a register of interests on which relevant business and pecuniary interests of members, trustees, and senior employees are entered. These include:

- 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

At cost requirements

Cleeve School 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 academy trust
- any individual or organisation related to a member or trustee of the academy trust. For these purposes the following persons are related to a member, or trustee:
    - a member or trustee;
    - an individual or organisation related/connected to a member or trustee including: relatives; persons carrying on business in partnership with the member or trustee or one of their relatives; a company in which the member
    - or trustee or one of their relatives holds more than 20% of share capital or voting power; or an organisation controlled by a member or trustee or one of their relatives; an individual or organisation that has the right to appoint a member or trustee; or
    - an individual or organisation recognised as a sponsor of the trust.

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 Cleeve School's cumulative annual total with the related party beyond £2,500, the element above £2,500 must be at no more than cost.

Where the School enters into a related party transaction that is subject to the 'at cost' requirement, the following additional controls must be applied to ensure transparency, propriety and value for money.

The School must obtain written confirmation from the related party supplier that the price charged represents no more than the full cost of providing the goods or services and that no element of profit has been included.

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)

This confirmation must:

- set out the basis on which costs have been calculated;
- confirm that the costs charged are attributable solely to the goods or services provided to the trust; and
- be retained as part of the trust's financial and audit records.

The School must be satisfied that the costs charged are reasonable, necessary and properly attributable. Where appropriate and proportionate, this will include:

- reviewing a breakdown of direct and indirect costs;
- ensuring that overheads are allocated on a reasonable and consistent basis; and
- confirming that no unrelated or inflated costs are included.

Even where the 'at cost' requirement applies, the School must consider value for money. Where practicable, the School should benchmark the proposed costs against:

- comparable external suppliers; or
- previous or alternative procurement arrangements.

The purpose of benchmarking is not to demonstrate lower cost, but to provide assurance that the transaction represents an appropriate and efficient use of public funds.

Monitoring and publication of Related Party Transactions

All cases where a report of, or a request for approval for, a related party transaction is notified to the DfE must be approved by the Board prior to its submission. Any Related Party Transactions must be reported in the annual report and accounts.

The board meeting minutes will record:

- the nature of the relationship
- confirmation of no conflict participation
- value-for-money rationale
- confirmation of at-cost compliance (where applicable)

Review of Policy

This policy will be approved by the Board on an annual basis.