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# Leeds Diocesan Learning Trust (LDLT)

Company Number 13687278

## **Effectively Managing Related Parties Policy**

**Policy Reviewed and Adopted by Board of Directors: 29.09.22**

**Version 1**

**Date of Next Review: September 2023**

**Responsible Officer: CFO**

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## Vision Statement

Serving and celebrating our unique schools and communities, we will love, live and learn together. Valuing our pupils, staff, governors and team as people of God, we will deliver transformational learning and the flourishing of all.

## Other Related Policies

- Scheme of Delegation
- Finance Policy
- Anti-Fraud & Anti-Corruption Policy

### 1. Introduction

Directors of LDLT have a legal obligation to act in the best interests of the multi-academy trust. This policy ensures that directors comply with their statutory duties as company directors to avoid conflicts of interest, will not accept benefits from third parties, and declare interest in proposed transactions or arrangements.

Conflicts of interests may arise where an individual's personal or family interests and/or loyalties conflict with those of the Trust. Such conflicts may create problems. They can:

- inhibit free discussion;
- result in decisions or actions that are not in the interests of the Trust; and
- risk the impression that the Trust has acted improperly.

### 2. Aim

The aim of this policy is to protect both the organisation and the individuals involved from any appearance of impropriety. This policy operates without prejudice to any of the provisions in the Trust's Articles of Association relating to conflicts of interest.

### 3. Declaration of Interests

All Members of the Trust, Directors, Members of Local Academy Councils and Senior Staff must declare their interests in accordance with the Academy Trust Handbook.

A 'Declaration of Interests' form is provided for this purpose, listing the types of interest you should declare and a Register of Interests will be maintained by the Trust.

To be effective, the declaration of interests needs to be updated at least annually and also when any changes occur.

If you are not sure what to declare, or whether/when your declaration needs to be updated, please contact the CEO or CFO for confidential guidance.

### 4. Data Protection

The information provided will be processed in accordance with the most up to date GDPR guidelines. Data will be processed only to ensure that the Members, Directors, Local

Academy Councils and all staff act in the best interests of the Trust. The information provided will not be used for any other purpose.

## 5. What to do if you face a Conflict of Interest

If you have a direct or indirect interest in:

- a proposed transaction with the Trust; or
- any transaction or arrangement entered into by the Trust which has not previously been disclosed;

You must disclose the nature and extent of that interest, whether or not you receive any actual benefit as a consequence of the interest. You may have an indirect interest in a matter, if a family member or friend has an interest in the matter.

As good practice, every Member, Director and member of the Local Academy Council should declare any private interest which he or she has in an item to be discussed at the beginning of every meeting, and certainly before any discussion of the item itself. You should not be involved in decisions in which it is possible that a conflict will arise. You should declare your interest at the earliest opportunity and withdraw from any subsequent discussion.

## 6. Decisions taken where an individual has an Interest

In the event of the Trust Board having to decide upon a question in which a Member, Director, member of a Local Academy Council or a member of staff has an interest, they will do so by vote, with a simple majority required. The Trust Board must consider the reporting requirements of the related party transaction and notifying the ESFA, where applicable. The conflicted individual may be present when the matter is discussed, but must not take part in the discussion or vote on any matter relating to the discussion and a quorum must otherwise be present for the discussion and decision.

All decisions made where there has been a declared conflict of interest will be recorded by the Clerk and reported in the minutes of the meeting. The report will record:

- the nature and extent of the conflict;
- an outline of the discussion;
- the actions taken to manage the conflict.

## 7. Managing Contracts

If you have a conflict of interest, you must not be involved in managing or monitoring a contract or transaction in which you have an interest. Monitoring arrangements for such contracts will include provisions for an independent challenge of bills and invoices, and termination of the contract if the relationship is unsatisfactory.

## 8. 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.

## 9. Related Party Transaction “At Cost” Policy

This policy should be read in conjunction with the Academies Trust Handbook.

A trust must pay no more than ‘cost’ for goods or services (‘services’ do not include contracts of employment) provided to it by the related party. While these provisions do not apply to contracts of employment, the principles of value for money and using public money properly, including managing conflicts of interest, still apply. Salaries should be appropriate to the individual’s skills and experience and to wider market rates.

The ‘at cost’ requirement applies to contracts with a related party agreed on or after 7 November 2013.

The ‘at cost’ requirement applies to contracts with a related party exceeding £2,500, cumulatively, in any one financial year. 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 dioceses, the contributions made by an academy trust to its diocese for services it receives associated with securing the academy trust’s religious character and ethos, which only the diocese can provide, are regarded as meeting the ‘at cost’ requirement.

Academy trusts must ensure any agreement with a related party 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 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 these 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 (costs of materials and labour used directly in producing the goods or services)
- indirect costs (a proportionate share of fixed and variable overheads).

## 10. Disclosure requirements

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 a reporting entity’s 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.

The ESFA's Academies Accounts Direction sets out that, for academy trusts, related parties include:

- parties with control over, or controlled by, the entity (for example parent and subsidiary companies);
- parties having significant influence over the entity;
- key management personnel of the entity, including any director, whether executive or otherwise;
- close family members of any of the above;
- others subject to control or significant influence by any individual referred to above;

Academy trusts are required by company law to have the disclosures made in their financial statements subject to independent audit by a registered auditor. The trust's auditors are also required to undertake a regularity review which covers the regularity of both expenditure and income.

## **11. Reporting and approval of related party transactions**

In advance of any contracts or agreements commencing, the Trust must report these using the ESFA's related party online form. If a contract, agreement or cumulative expenditure is likely to exceed £20,000 in any academic year with a related party, the Trust must obtain approval from the ESFA in advance.

If you are unsure about how this should be disclosed, seek advice from the CFO.

## Appendix 1

### Examples of beneficial related party transactions

If managed properly, the following transactions can be beneficial:

**Diversification** – where trusts establish subsidiary companies, to manage services provided by a trust (for example to deliver school to school support, or to run nurseries or other trading activities such as cleaning or a sports facility that also benefits the wider community). These generate additional income, but in doing so trusts may need to recharge staffing, accommodation and other costs. Regularly, directors are common to both the academy trust and the subsidiary, hence this arrangement will often give rise to related party transactions.

**Shared services** – for example, with local authorities and sponsors (that can offer facilities management services or catering) – these may offer reduced costs through economies of scale.

**School improvement support** – this is sometimes offered by trusts where the head teacher may be a trustee at both of the institutions involved in the transaction. In most cases the financial transactions would be between the institutions involved and would be to cover the cost of supply cover for the member of staff providing support, this would be within the current rules as the transaction would be deemed to be ‘at cost’.

**‘In house’ expertise** – where a trust is related to a recognised national lead in a given area, who is able to provide consultancy support (for example, school improvement support) ‘at cost’ and is selected by open and transparent procurement. Sufficient controls would be in place to manage any conflicts of interest. This may be an economic way for trusts to procure such services. The cost to the trust is likely to be less than procuring exclusively from the open market and/or the quality of the services provided will be high.

**Diocesan education authorities** – may receive a voluntary contribution from academies if the diocese provides a service to the academy which is connected with securing a school’s religious nature and ethos.

**Donations** – when a charity, sponsor or other philanthropist contributor is represented on a trust’s board (or has a connection to someone that does) and makes donations such as funds, equipment, accommodation. These donations would be identified as related party transactions within the trust’s financial statements.