

# News story: ESFA introduces new arrangements for related party transactions

From Monday 1 April 2019, we introduce a new policy where academy trusts must declare a related party transaction before they agree it with their supplier. They must also seek approval from ESFA before they agree any related party transactions over £20,000.

New online reporting arrangements aim to give ESFA, Parliament, the tax payer and other interested parties, assurance about the use of public funds.

Eileen Milner, ESFA Chief Executive said:

“Related party transactions offer a legitimate way for academy trusts to work when used following the principles set out in the [Academies Financial Handbook](#). On occasion, they may even help save time and money. But we cannot allow a mis-use of public funds where academy trusts agree to inappropriate related party transactions. It is this behaviour that we need to stamp out through increased transparency and accountability.

“I know this has caused concern for many academy trusts. I want to provide clarity that we are not trying to change the definition or expand the reach of related party transactions in any way. Nor do we want to constrain academy trusts’ ability to make good business decisions. All we seek is extra assurance by introducing a system where academy trusts declare a related party transaction in advance, while continuing to include the transactions in their financial returns.

“In designing the system, we have tried to maintain a balance between scrutiny and autonomy that minimises any additional burden on academy trusts. I’d like to thank all the academy trusts and representative groups for their feedback throughout the policy and design process and with testing the new system.

“From April to September 2019 we will continue to develop the system as we find out more about how related party transactions are used. We will capture the evidence and trends and consider whether our approach is the right one or if it needs to change.

“This is the beginning of a process, not the end. I am grateful to everyone for all the help we’ve had in making sure our funds are spent where they should be – on ensuring our children get the best education they deserve.”

ESFA has published [academy trust related party transactions guidance](#). This has information about what academy trusts need to do before completing the online form.