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**Contact:** Howard Emmett

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Dear Colleague

## **DFE TRANSPARENCY AGENDA – RELATED PARTY TRANSACTIONS**

### **Background**

The DfE launched a consultation that ran from 17 July to 30 September 2019, which put forward a number of proposed changes to the financial transparency arrangements for local authorities and maintained schools with the objective of aligning processes with those already in place in academy trusts. The consultation reported in July 2020 and implements a number of new requirements including the requirement for schools to report any Related Party Transactions through their School Financial Value Standard (SFVS) submission for 2021/22. Details on how schools are expected to manage related party transactions can be found at: [Checklist guidance - GOV.UK \(www.gov.uk\)](http://www.gov.uk)

### **Key points to note are:**

#### **What is a related party transaction?**

*A related party transaction is one where a contract is awarded to a person or body that has close links with the persons awarding the contract. It is a concept that largely applies to companies, but the same principles apply to public bodies such as maintained schools. The principle is not that such transactions should never happen, but that effective procedures should be in place to ensure that open and transparent procurement procedures are followed, and any potential conflicts of interest are adequately and appropriately managed.*

#### **What related party transactions might arise in schools?**

*A member of the governing body, or a member of staff, or a close relative of such a person, might have a stake in a company or organisation that was bidding for a contract to be awarded by the school. The governor or member of staff concerned must declare this interest and take*

*no part in the procurement procedure. The same would apply if a close relative of a governor or member of staff was applying for a job at the school.*

**The school should be aware of and have a record of any related party transactions that have been arrived at through proper procedures.**

*A related party transaction may, in some cases, provide the best deal and the best value for money. But to avoid any appearance of impropriety, the school should keep a record of any related party transaction, including:*

- *the nature and value of the contract*
- *the person at the school whose interest makes this a related party transaction*
- *whether a competitive tendering process was carried out*

### **Next steps**

In order to provide assurance to the Local Authority (LA) that schools are meeting the new 2021/22 SFVS requirement, schools are asked to complete the attached schedule each term providing details of related party transactions which have occurred in the previous term. The termly submissions are required as follows:

Summer - 1<sup>st</sup> April to 31<sup>st</sup> August 2021: submission to be returned by 22<sup>nd</sup> October 2021

Autumn – 1<sup>st</sup> September to 31<sup>st</sup> December 2021: submission to be returned by 31<sup>st</sup> January 2022

Spring – 1<sup>st</sup> January to 31<sup>st</sup> March 2022: submission to be returned by 31<sup>st</sup> March 2022 (as per SFVS submission deadline)

Schools will need to report Related Party Transactions through their overall SFVS submission which needs to be submitted to the LA by 31<sup>st</sup> March 2022. Schools will be able to utilise the termly information submitted to the LA throughout the financial year for this purpose.

A nil return is required where there are no related party transactions in a particular term.

The return for summer term 2021 needs to be completed and returned to [schoolfinancialgovernance@northyorks.gov.uk](mailto:schoolfinancialgovernance@northyorks.gov.uk) by Friday 22<sup>nd</sup> October 2021.

Please contact the Schools Finance Team (email: [schoolfinancialgovernance@northyorks.gov.uk](mailto:schoolfinancialgovernance@northyorks.gov.uk)) or your FMS Support Officer if you have any queries with regard to the completion and submission of the related party transactions information.

Yours sincerely



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