

New financial rules for church Academy Trusts come into force

For some time the Academies Financial Handbook has restricted Academy Trusts in how much they could pay for goods or services purchased from a 'related party' i.e. a person or organisation closely linked to the Academy Trust.

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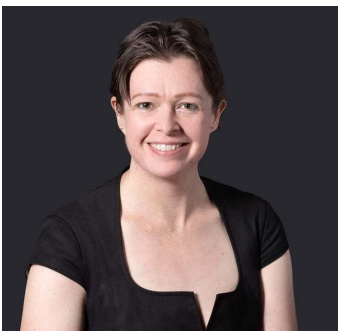
For some time the Academies Financial Handbook has restricted Academy Trusts in how much they could pay for goods or services purchased from a 'related party' i.e. a person or organisation closely linked to the Academy Trust. An Academy Trust is only able to pay 'at-cost' for these goods or services with no element of profit being allowed.

From 1 April 2019 Academy Trusts are now required to go one step further and apply to the ESFA for prior approval before entering into any new significant related party transaction including those with the relevant diocese. As dioceses provide (and charge for) a variety of services to Academy Trusts there was concern that the new rules would be problematic for church Academy Trusts.

However the ESFA have issued [guidance for church Academy Trusts](#) confirming that, where the services provided by the dioceses 'can only be delivered by the diocese' then the charges levied by the diocese will automatically meet the 'at-cost' test and prior ESFA consent isn't required. Arguably services which the diocese provides but which are not essential would fall foul of the new rule requiring prior ESFA consent to be obtained.

Church Academy Trusts who are in doubt as to whether they need to apply for ESFA prior consent should seek advice.

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