

## Conflicts of Interest and Related Party Transactions Policy

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|--------------------------|---|
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| Owner of Policy:         | Chief Finance Officer   |
| Authorised By:           | Board of Trustees   |
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| Distribution:            | Members<br>Trustees<br>Governors<br>Senior Staff<br>Line Managers<br>Websites |

**This is a trust-wide policy**

## CONFLICTS OF INTEREST AND RELATED PARTY TRANSACTIONS POLICY

Bright Futures Educational Trust's (the Trust) Strategy underpins all aspects of this policy and the way in which it will be applied. Our vision is: the best **for** everyone and the best **from** everyone. This is underpinned by our core values which are:

- **Community** – we work together for a common purpose acknowledging our diversity as strength
- **Integrity** – we do the right things for the right reasons
- **Passion** – we take responsibility, work hard and have high aspirations

Our commitments are: to foster collaborative and strong relationships; for professional learning; to be supportive, challenging and fair; for effective communication; **for strong governance and accountability**; to achieve value for money and to be united behind decisions.

An important part of strong governance and accountability relates to the management of conflicts of interest and related party transactions.

### What is the Policy for?

In order to provide transparent and open governance, it is important to seek to avoid and manage not just conflicts of interest but also the perception of them. The overall approach taken is to avoid conflicts of interest wherever possible and, where it is not possible, to manage and declare them.

This policy will seek to ensure both staff and public are aware that the Trust fosters an environment where there are policies and processes in place to avoid conflict of interest and, where any issues should arise, there are procedures to ensure they are dealt with fairly and transparently.

### Who is the Policy for?

This policy applies to anyone within the Trust who is charged with the responsibility of making a decision with financial implications on behalf of the Trust and its academies, who can influence the career progression of another member of staff or who can influence the appointment of an external candidate. As such it applies to Members, Trustees, Governors, Executive Management, Principals, Heads of Schools, Senior Leadership and those Senior Managers who may be charged with any kind of procurement or who line manage another member of staff.

## General Principles

### 1. What Constitutes a Conflict of Interest?

A conflict of interest is any situation in which a person has a business or personal interest or loyalty which could, or could be perceived to, prevent them from making a decision only in the best interests of the Trust or School.

A conflict of interest, or the perception of conflict, arises when a person has influence over, or decision making authority about, career progression, compensation, benefits or other such matters concerning another person with whom they have a close relationship, or a member of staff has influence or decision rights over purchasing or other transactions where a close relationship is involved, i.e. related party transactions.

### 2. Definition of a Close Relationship

A close relationship is defined as “a close member of the family or member of the same household who may be expected to influence or be influenced by the person”. This would include:

- Husband, wife, civil partner, partner or cohabitee.
- Parent
- Child
- Brother or sister

The list is not limited to the above and the assumption should be made that it means “being in a relationship with”.

### 3. Declarations of Interest

- All Members, Trustees, Governors, Executive Management, Principals, Heads of School, Senior Leadership and Senior Managers who may be charged with any kind of procurement or who line manage another member of staff must sign and submit to their academy or the Trust’s central office, a Declaration of Interests form at the start of each academic year and no later than **30 September** each academic year.
- Original forms for Governors, Principals, Senior Leadership and Senior Managers should be kept in the individual academies.
- Original forms for Members, Trustees and Executive Management will be kept at Trust’s central office.
- A copy of all Governors Declarations should be sent to the Chief Finance Officer by each Principal/Head of School no later than **October half term** each academic year.
- Declarations of Interest forms for any newly appointed Member, Trustee, Governor, Executive Management, Principal, Head of School, Senior Leadership and Senior Managers who may be charged with any kind of procurement or who line manage another member of staff, within the academic year should be completed by the individual **within one month** of their being appointed, filed in the appropriate place and copied to the Chief Finance Officer, if appropriate.

- The Declarations of Interest for Governors, Trustees and Members should be included as a table on the Trust website and updated no later than **14 October** each academic year and as appropriate throughout the year.
- Individual academies should show Declarations of Interest for every member of their Local Governing Body on their website within their profile area.

#### 4. **Managing Conflicts of Interest**

Once a conflict, or potential conflict of interest has been identified, the procedures outlined in **Appendix A** should be followed.

#### 5. **Related-Party Transactions**

Bright Futures Educational Trust follows the policy for related-party transactions laid out in the most recently published Academy Trust Handbook. This deals with goods or services provided by individuals or organisations connected to the Trust and/or the academies.

For ease of reference, the relevant sections from the Academy Trust Handbook are copied in **Appendix B**.

The Trust's Procurement Policy should be followed and adhered to for any transactions by all in the Trust, including the individual academies. Wherever possible, related-party transactions should be avoided. Where there is no alternative, the rules outlined in Appendix B must be followed. **Please note: Section 5.41 of the Academies Trust handbook requires prior approval of the ESFA.** Please refer any such matters to the Chief Finance Officer as soon as possible.

For any unavoidable related-party transaction that does occur, this must be approved, in writing, by someone more senior than the person in the school who has the relationship with the related party. The approver must have the delegated authority to approve the transaction and must satisfy themselves that all the rules and guidelines both within the Academy Trust Handbook and any related Trust policies have been followed to the best of their knowledge.

See **Appendix C** for sample declarations.

## APPENDIX A

### MANAGING CONFLICTS OF INTEREST

#### 1. Conflicts of Interest during Governance Meetings

- Attendees should be asked at the start of any governance meeting (i.e. Members' meeting, Board of Trustees, Executive Management meeting and Local Governing Body meetings, including committees thereof), to declare any interests in items on the Agenda.
- It is up to the Chair of the meeting to decide whether it would be in the best interests of any decision making for the person with the declared interest to stay for the discussion of that particular item. This should be clearly noted in the Minutes with the explanation as to why that person was asked to stay.
- Anyone with a declared conflict of interest will not have any voting rights whatsoever on that item.
- Should a conflict occur unexpectedly during a meeting, e.g. through Any Other Business, it should be declared immediately to the Chair of the meeting. The Chair can then make the decision whether to ask the person to leave or to make a note of the declaration and withdraw any voting rights from that person.
- Governance meetings applicable would include:
  - Members' meetings
  - Board of Trustee meetings
  - Executive Management meetings
  - Local Governing Body meetings
  - Any committee meetings from the above bodies
  - Senior Leadership meetings
  - Recruitment Panels
  - Formal HR Meetings/Panels

This is not an exhaustive list and should always include any bodies set up around procurement arrangements.

#### 2. Line Management Structure

- The direct line management structure will not include people who are in a close relationship. Where two people in the same line management structure subsequently enter into a close relationship, one or other must be moved to a different line management structure. Advice should be sought from the Trust 's Director of People & Strategy before any action is taken.
- Where someone has a close relationship that could affect decisions taken, the Principal/Head of School must be advised. If that person is a Principal/Head of School, it should be declared to the Director of Education and if it is a member of the Executive team it should be declared to the Chief Executive Officer.

- If one of the parties is the Principal/Head of School, the Director of Education and a governor of the school will be involved in making decisions which otherwise would lead to a conflict of interest.
- Such decisions mentioned above would include (but not be limited to), those relating to salary, promotion, taking on extra responsibilities, opportunities for career progression, continuing professional development opportunities, appraisal, complaints and any formal HR proceedings outcomes e.g. disciplinary, capability, grievance.
- Conflicts of interest must be considered as part of any appointment process and management of the issue must be identified before any appointment is made which could lead to a conflict of interest or the perception of it.
- A close relation cannot be appointed to a role which reports directly to the Principal/Head of School. In the event the Principal/Head of School enters into a relationship with a direct report, one or other must leave the school or take a position that reports into someone else among the school staff. Advice should be sought from the Trust 's Director of HR & Strategy before any action is taken.

### 3. Appraisals

- A staff member's appraisal will not be conducted by a person with whom they are in a close relationship.
- Where it has been impossible to avoid a line manager directly managing someone with whom they have a close relationship, the appraisal will be done by someone who is senior to the direct line manager, have first discussed the appraisal with them.
- Where this cannot be avoided if the direct line manager is a Principal/Head of School, the appraisal should be conducted by the Director of Education after having discussions with the Principal/Head of School.

### 4. Promotional / Additional Paid Responsibilities

- The procedures for staff applying for any post/extra responsibilities will follow the same procedures as above.
- Any staff involved in the recruitment process will be asked to declare any close relationships they may have with any of the candidates and, if so, will not be involved in any stage of the recruitment process e.g. shortlisting, interviewing, etc.
- In cases where a conflict of interest may arise, (other than a Principal/Head of School), a member of staff more senior than both members in the close relationship will replace the person in the close relationship in the recruitment process and on the interview panel.
- Where this concerns a Principal/Head of School, the Director of Education will replace them in the recruitment process.

## **5. Training / CPD / Time Off Work**

- For any decisions around such requests which could cause a conflict of interest, a more senior member of staff than those in the close relationship will make the decision.
- In the case where one of the parties is the Principal/Head of School, the Director of Education, or an appropriate executive will make the decision.

## **6. Complaints / Grievances / Disciplinary / Capability / Sickness Cases involving a Member of Staff in a Close Relationship**

The relevant Trust policies should be referred to at all times.

- Where any proceedings are instigated under staff policies and one of the members is in a close relationship with the member involved, these shall be referred to the Principal and/or the Trust's Director of People & Strategy to determine the appropriate person to be involved.
- For the avoidance of doubt, such proceedings could include:
  - Chairing a grievance hearing
  - Chairing a disciplinary hearing
  - Handling a complaint
  - Being a member of an Appeals Panel
  - Chairing a Sickness meeting
  - Conducting a disciplinary / grievance investigation
  - Chairing a Capability hearing
- This is not an exhaustive list and other instances may be relevant.
- A staff member shall suffer no adverse repercussions from raising a complaint or grievance against someone who is in a close relationship with another member of staff or governor.

## **7. Confidentiality**

- The senior member within the close relationship is expected to maintain the highest professional standards, including not passing on confidential information to the other member within that close relationship. This includes all information which is shared at management levels above those to which the less senior member would normally have access.
- If a staff member suspects that information is being shared inappropriately, it should be reported to, and investigated by, a more senior member of staff.
- Where one of the parties is a Principal/Head of School and the other is suspected of receiving confidential information from them, the Director of Education, or appropriate executive should handle the complaint.

## APPENDIX B

### EXTRACTS FROM THE ACADEMY TRUST HANDBOOK 2022

If there are any doubts about any of the extracts from the Academy Trust Handbook 2021 mentioned below, advice should be sought from the Chief Finance Officer.

#### Related party transactions

5.35 This part of the handbook deals with goods or services provided by or to individuals or organisations related to the academy trust.

Related parties include persons and entities with control or significant influence over the academy trust, and members of the same group (e.g. parent and subsidiary companies, key management personnel and close family members).

The above description is not comprehensive. Find the full definition in:

- section 33 of Financial Reporting Standard 102
- section 9.15 and appendix 1 of the Charities SORP.

The related parties section of ESFA's Accounts Direction provides further information.

#### Principles applying to related party relationships:

5.36 Academy trusts must be even-handed in their relationships with related parties by ensuring that:

- trustees comply with their statutory duties as company directors to avoid conflicts of interest, not accept benefits from third parties, and declare interest in proposed transactions or arrangements
- all members, trustees, local governors of academies and senior employees complete the register of interests, in accordance with sections 5.45 to 5.48 of this handbook
- no member, trustee, local governor, 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 trustees 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. Trusts will 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
- the Charity Commission's approval is obtained where the trust believes a significant advantage exists in paying a trustee for acting as a trustee
- payments provided to the persons referred to in section 5.49 satisfy the 'at cost' requirements in this handbook.

5.37 The trust should be aware of the Charity Commission's guidance for trustees CC11: Trustee expenses and payments.

5.38 The board of trustees must ensure requirements for managing related party transactions are applied across the trust. The board 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 7 principles of public life.

5.39 Trusts must recognise 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 board chair and accounting officer 51
- 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.

5.40 The trust must keep sufficient records, and make sufficient disclosures in their 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 and approval of related party transactions

5.41 Trusts must report all contracts and other agreements with related parties to ESFA in advance of the contract or agreement commencing, using ESFA's related party on-line form. This requirement applies to all such contracts and agreements made on or after 1 April 2019.

5.42 Trusts must obtain ESFA's prior approval, using ESFA's related party on-line form, for contracts and other agreements for the supply of goods or services to the trust by a related party agreed on or after 1 April 2019 where any of the following limits arise:

- a contract or other agreement exceeding £20,000
- a contract or other agreement of any value that would mean the cumulative value of contracts and other agreements with the related party exceeds, or continues to exceed, £20,000 in the same financial year ending 31 August.

5.43 For the purposes of reporting to, and approval by, ESFA contracts and agreements 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.

## APPENDIX C

### PRO-FORMA STATEMENT OF ASSURANCE

This form is for completion by an individual or organisation (the ‘supplier’) defined in the Academies Trust Handbook 2022 as a ‘connected party’ to an academy trust and/or its individual academies.

Individuals and organisations supplying goods or services to a connected trust must charge no more than cost (defined at the end of the form).

This form will also help trusts comply with their funding agreement obligations.

#### Section 1: Supplier Details

|  |   |
|--|---|
| Name and Address of Supplier   |   |
| Company Number (if applicable)   |   |
| Start Date   |   |
| End Date   |   |
| Estimate of commercial price, including profit   | <i>A reasonable and fair estimate</i>   |
| Connection with Bright Futures Educational Trust e.g. Trustee is also a Director of the supplier of goods and services | <i>Explain the nature of the connection between the supplier and Bright Futures</i> |
| Value of goods or services to right Futures  | <i>£ at cost without profit</i>   |
| Does this value include direct costs and indirect costs only?  | <i>Yes / No</i>   |
| Nature of contract   | <i>Such as building supplies or professional services</i>                           |

## Section 2: Details of Contract

|  |                     |                       |              |
|--|---------------------|-----------------------|--------------|
| Explanation of how the supplier is charging right Futures.   |                     |                       |              |
| <i>This should include a sufficiently detailed explanation setting out that the supplier understands its direct and indirect costs in such a way to demonstrate to the academy trust that it is supplying goods and services at cost, without any element of profit. Extend the rows below if the contract is longer than three years.</i> |                     |                       |              |
|  | <b>Direct Costs</b> | <b>Indirect Costs</b> | <b>Total</b> |
| Year 1   | £                   | £                     | £            |
| Year 2   | £                   | £                     | £            |
| Year 3   | £                   | £                     | £            |
| <b>TOTAL</b>   | £                   | £                     | £            |

## Section 3: Supplier Certification

|  |  |
|--|--|
| <b>Certification of Supplier</b>   |  |
| I certify, on behalf of <b>(Name of Supplier)</b> that:  |  |
| <input type="radio"/> The goods and services detailed in this form will be supplied to Bright Futures Educational Trust on the basis of direct cost plus indirect costs, with no element of profit.        |  |
| <input type="radio"/> We are supplying the goods and services on an open book basis and we will provide more information on request.   |  |
| <input type="radio"/> We will make an adjustment in the following year if we identify a miscalculation on our direct or indirect costs and supplied goods or services which included an element of profit. |  |
| Name and position  | <i>Needs to be a sufficiently senior person within the organisation with the authority to sign such a declaration.</i> |
| Date   |  |
| Signature  |  |

## Section 4: Bright Futures Educational Trust Sign Off

| Certification of Bright Futures Educational Trust   |  |
|---|--|
| <p>In signing this document, I am satisfied that:</p> <ul style="list-style-type: none"> <li><input type="radio"/> The goods and services being supplied comply with the requirements on trading with connected parties as set out in the Financial Academy Trust 2021 and represent value for money.</li> <li><input type="radio"/> There is full compliance with Bright Futures' Scheme of Delegation.</li> <li><input type="radio"/> Open and fair procurement and compliance with Bright Futures' procurement procedures have taken place.</li> <li><input type="radio"/> Potential conflicts of interest within Bright Futures have been robustly managed.</li> <li><input type="radio"/> Bright Futures' Register of Interests captures relevant business and pecuniary interests as set out in the Financial Academy Trust 2021 and will be updated to reflect this contract (if not already).</li> <li><input type="radio"/> The supplier understands that open book arrangements are in place and they will provide more information on request, if needed.</li> <li><input type="radio"/> Both Bright Futures' Accounting Officer and the Chair of the Board of Trustees have agreed to trade with this connected supplier and that the measures and safeguards listed above are in place.</li> </ul> |  |
| Name and position   | Needs to be signed by the Chief Executive Officer or the Chief Finance Officer |
| Date  |  |
| Signature   |  |

### NOTES

**Direct costs** means the cost of any materials and labour used directly in producing the goods or services.

**Indirect costs** means a proportionate and reasonable share of fixed and variable overheads.

**At cost** means without profit as it includes direct and indirect costs only.

**Estimate** of commercial price acknowledges that the value of such contracts varies depending on a number of factors and negotiations. The supplier should identify a reasonable and fair price e.g. from a previous similar contract.