



# Conflicts of Interest and Related Party Transactions Policy

This is a Trust-Wide Policy

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Owner of Policy: **Finance Director**

Authorised By: **Board of Trustees**

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Distribution: **Members  
Trustees  
Governors  
Senior Staff  
Line Managers  
Websites**

## CONFLICTS OF INTEREST AND RELATED PARTY TRANSACTIONS POLICY

The vision of Bright Futures Educational Trust is to create a world class education to enable every young person to reach their full potential, and in particular, their full academic potential.

The Trust is committed to the highest standards of governance. An important part of this 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 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 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 either one of the Academies belonging to the Trust or for the Trust as a whole, 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 and those Senior Managers who may be charged with any kind of procurement or who line manage another member of staff.

## Policy Standards

### General Principles

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

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 Schools and those 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 Trust Head 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 Line Managers should be kept in the individual Academies.
- Original forms for Members, Trustees and Executive Management will be kept at Trust Head Office.
- A copy of all Governors Declarations should be sent to the Finance Director 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 Manager or anyone who may 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 Finance Director, 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 Academies Financial Handbook 2016. 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 Academies Financial 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.

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 Academies Financial Handbook and any related Trust policies have been followed to the best of their knowledge.

See **Appendix C** for sample declarations.

## 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 Head of HR 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 Education Director and if it is a member of the Executive Management team it should be declared to the Chief Executive Officer.

- All reasonable steps should be taken to avoid people being in the direct line-management structure with someone with whom they have a close relationship. This will include considering appointing one of the people with the relationship to an equivalent role in a different line management structure. In cases where this cannot be avoided, a member of staff more senior than both members in the close relationship will make decisions about areas which would otherwise lead to a conflict of interest. Advice should be sought from the Trust's Head of HR in the first instance.
- If one of the parties is the Principal/Head of School, the Education Director 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 some else among the school staff. Advice should be sought from the Trust's Head of HR before any action is taken.

#### 4.2 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 Education Director after having discussions with the Principal/Head of School.

#### 4.3 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 Education Director will replace them in the recruitment process.

#### 4.4 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 Education Director will make the decision.

#### 4.5 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 Head of HR 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.

#### 4.6 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.



## APPENDIX A

- Where one of the parties is a Principal/Head of School and the other is suspected of receiving confidential information from them, the Education Director should handle the complaint.

## EXTRACTS FROM THE ACADEMIES FINANCIAL HANDBOOK 2016

If there are any doubts about any of the extracts from the Academies Financial Handbook 2016 mentioned below, advice should be sought from the Finance Director.

### 3.2 Trading with Connected Parties

**3.2.2** Subject to sections 3.2.7 and 3.2.12, a Trust must pay no more than 'cost' for goods or services provided to it by the following persons ('services' do not include services provided under a contract of employment).

- Any Member or Trustee of the academy trust.
- Any individual or organisation connected to a Member or Trustee of the academy trust. For these purposes the following persons are connected to a Member or Trustee:
  - A relative of the Member or Trustee. A relative 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 includes, but is not limited to, a child, parent, spouse or civil partner.
- An individual or organisation carrying on business in partnership with the Member, Trustee or a relative of the Member or Trustee.
- A company in which a Member, or the relative of a Member (taken separately or together) and/or a Trustee or the relative of a Trustee (taken separately or together), holds more than 20% of the share capital or is entitled to exercise more than 20% of the voting power at any general meeting of that company.
- An organisation which is controlled by a Member or the relative of a Member (acting separately or together), and/or a Trustee or the relative of a Trustee (acting separately or together). For these purposes an organisation is controlled by an individual or organisation if that individual or organisation is able to secure that the affairs of the body are conducted in accordance with the individual's or organisation's wishes.
- Any individual or organisation that is given the right under the Trust's Articles of Association to appoint a Member or Trustee of the academy trust; or anybody related to such individual or organisation.
- Any individual or organisation recognised by the Secretary of State as a sponsor of the academy trust; or anybody related to such individual or organisation.

**3.2.3** A body is related to another individual or organisation if it: is controlled by the individual or organisation; or controls the organisation; or is under common control with the individual or organisation. For these purposes, control means:

- Holding more than 20% of the share capital (or equivalent interest).

- Having the equivalent right to control management decisions of the body.
  - Having the right to appoint or remove a majority of the Board or Governing Body.
- 3.2.4** The 'at cost' requirements does not apply to the Trust's employees unless they are also one of the parties described in section 3.2.2
- 3.2.5** Whilst these provisions do not apply to contracts of employment, the same principles of securing value for money and using public money properly, including managing conflicts of interest, will still apply. Salaries paid should be appropriate to the individual's skills and experience and the salary rates paid in the wider market.
- 3.2.6** Should any staff/personnel of an individual or organisation referred to in section 3.2.1 be based in, or work from the premises of, the academy trust, that individual/organisation and the trust must agree an appropriate sum to be paid to the Trust for such use/occupation of the premises, save to the extent that they are carrying out work for the Trust.
- 3.2.8** The 'at cost' requirement applies to contracts for goods and services from a connected party agreed by the academy trust on or after 07 November 2013.
- 3.2.10** The 'at cost' requirement applies to contracts for goods and services from a connected party exceeding £2,500, cumulatively, in any one financial year of the trust. For these purposes, where a contract takes the trust's cumulative annual total with the connected party beyond £2,500, the element above £2,500 must be at no more than cost.
- 3.2.12** In relation to organisations supplying legal advice or audit services to the academy trust, the 'at cost' requirement applies where the organisation's partner directly managing the services is a Member or Trustee of the trust, but not in other cases for those organisations. The published ethical standards for auditors also prevent partners or employees of the audit firm from acting as a trustee of their client trust, but not of other trusts.
- 3.2.14** Academy trusts must ensure that any agreement with an individual or organisation referred to in section 3.2.2 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 that their charges do not exceed the cost of the goods or services.

- On the basis of an open book agreement, including a requirement for the supplier to demonstrate clearly, if requested, that their charges to not exceed the cost of supply.

**3.2.16** For these purposes the cost will be the ‘full cost’ of all the resources used in supplying the goods or services. Full cost includes:

- All direct costs (the costs of any materials and labour used directly in producing the goods or services).
- Indirect costs (comprising a proportionate and reasonable share of fixed and variable overheads).

**3.2.17** Full cost must not include an element of profit.

## PRO-FORMA STATEMENT OF ASSURANCE

This form is for completion by an individual or organisation (the 'supplier') defined in the Academies Financial Handbook 2016 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	A reasonable and fair estimate
Connection with Bright Futures Educational Trust e.g. Trustee is also a Director of the supplier of goods and services	Explain the nature of the connection between the supplier and BFET
Value of goods or services to BFET	£ at cost without profit
Does this value include direct costs and indirect costs only?	Yes / No
Nature of contract	Such as building supplies or professional services

## Section 2: Details of Contract

Explanation of how the supplier is charging BFET.			
<p>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.</p> <p>Extend the rows below if the contract is longer than three years.</p>			
	<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>	
<p>I certify, on behalf of <b>(Name of Supplier)</b> that:</p> <ul style="list-style-type: none"> <li>• 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.</li> <li>• We are supplying the goods and services on an open book basis and we will provide more information on request.</li> <li>• 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.</li> </ul>	
Name and position	Needs to be a sufficiently senior person within the organisation with the authority to sign such a declaration.
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>• The goods and services being supplied comply with the requirements on trading with connected parties as set out in the Financial Academies Handbook 2016 and represent value for money.</li> <li>• There is full compliance with BFET's Scheme of Delegation.</li> <li>• Open and fair procurement and compliance with BFET's procurement procedures have taken place.</li> <li>• Potential conflicts of interest within BFET have been robustly managed.</li> <li>• BFET's Register of Interests captures relevant business and pecuniary interests as set out in the Financial Academies Handbook 2016 and will be updated to reflect this contract (if not already).</li> <li>• The supplier understands that open book arrangements are in place and they will provide more information on request, if needed.</li> <li>• Both BFET's 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 Finance Director
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.