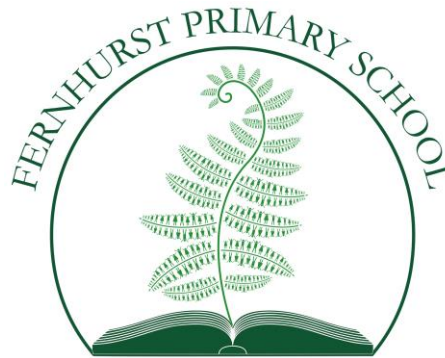


# FERNHURST PRIMARY SCHOOL



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## Related Parties & Conflict of Interest Policy



<b>Responsible Committee</b>	Full LGB
<b>Approved</b>	November 2019
<b>Next Review</b>	Autumn 2020

## Related Party and Conflicts of Interest Policy

### Introduction

As charities, all Multi Academy Trusts and individual academies should have systems and procedures in place to identify related parties and also to deal with any conflicts of interest that may arise as a result of those relationships. This document sets out our policy on both matters.

### Conflicts of interest

Trustees/governors are required to act reasonably and prudently in all matters relating to the MAT/academy and need always to bear in mind that their prime concern is the interests of the MAT/academy. They cannot let their personal views, prejudices or wider interests affect their conduct as trustees/governors.

Conflicts of interest occur when the interests of trustees/governors (or their family, friends or other organisations with which they are involved) are incompatible or in competition with the interests of the MAT/academy. Such situations present a risk that trustees/governors will make decisions based on these external influences, rather than the best interests of the MAT/academy. Typically where a related party relationship exists there is a potential for conflicts of interest to arise.

The Charity Commission recommends that charities have arrangements in place for identifying and managing conflicts of interest and that all trustees/governors are aware of these arrangements. Trustees/governors should also be aware that some transactions affected by a conflict of interest will be at risk of being invalid, unless they are authorised, either by the governing document (Memorandum and Articles of Association) of the MAT/academy or by an order from the Charity Commission, ESFA or the Court. Alternatively there are risks that the motivation behind the transaction may be questioned and the MAT/academy's reputation may be endangered. In extreme situations the Charity Commission/ESFA will use its regulatory powers to investigate cases of concern.

### Dealing with conflicts of interest

It is not unusual for trustees/governors to have a range of interests, personal, domestic and professional that may occasionally compete with those of the MAT/academy. If conflicts cannot be avoided they need to be managed effectively.

The Trust requires all trustees/governors and all staff who are involved in financial decision-making to complete a conflict of interest form. This is submitted to the Company Secretary who will review it and draw any potential conflicts to the attention of the Chair. The register of interests is updated on an annual basis but any trustees/governors who are aware that their interests have changed in the interim should notify the clerk/Company Secretary immediately.

The Memorandum and Articles of Association specify the following:

*Any Trustee who has or can have any direct or indirect duty or personal interest (including but not limited to any Personal Financial Interest) which conflicts or may conflict with his duties as a Trustee shall disclose that fact to the Trustees as soon as he becomes aware of it. A Trustee must absent himself from any discussions of the Trustees in which it is possible that a conflict will arise between his duty to act solely in the interests of the Company and any duty or personal interest (including but not limited to any Personal Financial Interest)*

The Trust requires all governors to abide by this clause as well.

Where a conflict of interest is identified that Trustee/governor must:

- Not be part of the decision-making process for awarding any contract or entering into a financial relationship.
- Withdraw from any meetings at which the matter is discussed.

All such discussions should be formally recorded in the minute book.

If there is any doubt about whether a matter being discussed presents a conflict of interest then the clerk/Company Secretary should be asked to advise.

### **Conflict of interest declaration**

Appendix B contains the Trust model's conflict of interest declaration.

It is important for the purpose of identifying related party transactions and conflicts of interest that a full declaration is made by all individuals of all their interests as there is otherwise a risk that they may be unaware of transactions being entered into by the MAT/academy. The declaration can then be used by the Company Secretary and the Chair to monitor when any transactions arise with these parties.

### **Potential areas of conflict of interest**

Set out below are examples of interests that could result in a conflict arising:

#### Financial interests

- payment of a salary or a professional fee to a trustee/governor or a member of their family by the MAT/academy or by a trading subsidiary
- consultancies (whether remunerated or not) or other services or goods provided to the MAT/academy not related to the role of trustee
- trusteeship of a trust where the trustee or his/her partner or spouse or a member of his/her family may be a beneficiary
- gifts of hospitality offered by outside bodies and arising from his/her position as a trustee/governor
- award of a contract to a company with which a trustee/governor is involved
- sale of property to a trustee/governor

#### Indirect financial interest

- award of an employment contract to a trustee/governor's spouse
- making a grant to a trustee/governor's dependant
- professional services provided by a partnership in which the trustee/governor is a partner

#### Non- financial gain and personal interests

- where a trustee/governor is also a user of services provided by the MAT/academy
- ex-officio trustees/governors or where trustees/governors are nominated by organisations with an interest in the MAT/academy's work such as a local authority
- unremunerated posts, honorary positions and other positions that might give rise to a conflict of interest or of trust.

### **Related Parties**

Under the Charities Statement of Recommended Practice (SORP) 2005 and under financial reporting standards a MAT/academy is required to disclose, in its accounts, transactions with "related parties". A related party transaction is one where the MAT/academy has a relationship with another party which might inhibit it from pursuing its own separate interests. A related party may be:

- a MAT/academy trustee/governor
- body related to the MAT/academy (explained below)
- a person connected to either of the above.

Given the nature of charities, where trustees/governors are commonly trustees/governors of a number of charities and frequently are in business in the local community, charities are likely to have a number of related parties

Related party transactions potentially include:

- purchases

- sales
- donations
- supplies of service
- payments to trustees/governors under the governing document.
- employment

In deciding to enter into a particular transaction with a third party, Trust staff and trustees/governors should only be influenced by consideration of whether this is in the best interests of the Trust. Where the relationship between the Trust and the other party is such that the transaction could possibly have been influenced by interests other than the MAT/academy's (whether or not this is the case) then the Trust should fully disclose the relationship and the details of the transaction.

A detailed definition of related parties as provided in the SORP is set out in Appendix A. It is difficult to provide a definition that covers all possible scenarios, so if you have any doubts whether someone (or some entity) is a related party it is often safest to assume that they are.

### **Related Party Disclosure**

It is important that there is transparency when transactions occur with related parties. The disclosure required in MAT/academy financial statements under SORP 2005 is:

1. The name of the transacting related party.
2. A description of the relationship.
3. A description of the transaction.
4. The amount involved.
5. Outstanding balances (and any provision for doubtful debts, or amounts written off) with related parties.
6. Any other details relevant to the understanding of the financial statements.

The SORP states that only material transactions need to be disclosed in the notes to the accounts. However, paragraph 226 goes further and indicates that where the related party is a MAT/academy trustee or a person connected with a trustee the transaction should always be regarded as material regardless of whether or not they have been undertaken on an arm's length basis, and should, therefore be disclosed regardless of its size unless one of the exceptions applies – see below.

Some routine transactions which happen to be with related parties are unlikely to influence the independent interests of the MAT/academy and need not be disclosed, these include:

- donations received by the MAT/academy with no significant conditions attached
- minor or routine unremunerated services
- contracts of employment between a MAT/academy and its employees (except where the employees are the MAT/academy trustees/governors or people connected with them)
- pension fund contributions to the benefit of employees
- purchase of minor articles offered to the general public on the same terms as to the general public
- provision of services to a related party where the related party receives the services as part of a wider group of beneficiaries, for example use of village hall
- reimbursement of out of pocket expenses.

The SORP requires under paragraphs 230 to 233 for specific disclosures to be made for trustee/governor remuneration and trustees/governors' reimbursed expenses.

Further guidance can be found on this website:

[Declare or seek approval for related party transactions: summary guidance - GOV.UK](#)

**For further advice please contact the Company Secretary, Helen Turner, on 01243 793463 or [h.turner@chi.ac.uk](mailto:h.turner@chi.ac.uk)**

## Appendix A

### Definition of related parties

Related parties include all of the following:

- (a) any MAT/academy trustee/governor and custodian trustee of the MAT/academy; and senior managers of the MAT/academy involved in major decision-making (see (f) below)
- (b) any person or body with:
- (i) *either* the power to appoint or remove a significant proportion of the MAT/academy trustees/governors of the MAT/academy. All or a majority of the trustees/governors should always be treated as a “significant proportion”. Fewer than 50% of the trustees/governors may be a “significant proportion” if they collectively have a dominant influence on the operation of the MAT/academy, as, for example, is likely to be the case if one body has the power to appoint/remove 7 of a body of 15 trustees/governors, and 8 other different bodies had the right to appoint/remove 1 each.
  - (ii) *or* whose consent is required to the exercise of any of the discretions of those trustees/governors,
  - (iii) *or* who is entitled to give directions to those trustees/governors as to the exercise of any of those discretions.
- (c) any institution connected with the MAT/academy, and any director of such an institution. An institution is connected with a MAT/academy if *either*:
- (i) it is controlled by (in Scotland managed or controlled by) the MAT/academy. “Controlled” means that the MAT/academy is able to secure that the affairs of the institution are conducted in accordance with its wishes. A MAT/academy will control another if it is trustee of that MAT/academy or has power to appoint or remove a significant proportion of its trustees/governors. Or
  - (ii) a participating interest in it is beneficially owned by the MAT/academy. “Participating interest” means that the MAT/academy:
    - (a) is interested in shares comprised in the equity share capital of the body of a nominal value of more than one fifth of that share capital; or
    - (b) is entitled to exercise or control the exercise of more than one-fifth of the voting power at any general meeting of that body.
- (d) any other MAT/academy with which it is commonly controlled. Common control exists if:
- (i) the same person, or persons have the right to appoint a majority of the MAT/academy trustees/governors of both or all the charities; or
  - (ii) the same person, or persons, hold a majority of the voting rights in the administration of both or all of the charities.
- Persons who are related with each other through family or business relationships should be treated as the same person for the present purposes.
- A MAT/academy is not necessarily related to another MAT/academy simply because a particular person happens to be a trustee of both. It will only be related if one MAT/academy subordinates its interests to the other MAT/academy in any transaction because of this relationship. There may, however, be conflicts of interest and such relationships must be considered.
- (e) any pension fund for the benefit of:
- (i) the employees of the MAT/academy, and/or
  - (ii) of any other person who is a related party of the MAT/academy;
- (f) any officer, agent or employee of the MAT/academy having authority or responsibility for directing or controlling the major activities or resources of the MAT/academy; and
- (g) any person connected to a person who is related to the MAT/academy including:
- (i) members of the same family or household of the MAT/academy trustee or related person who may be expected to influence, or be influenced by, that person in their dealings with the MAT/academy;
  - (ii) the trustees/governors of any trust, not being a MAT/academy, the beneficiaries or potential beneficiaries of which include a MAT/academy trustee or related person or a person referred to in (i) as being connected with a MAT/academy trustee or to a related person, as the case may be
  - (iii) any business partner of a MAT/academy trustee or related person, or of any person referred to in (i) or (ii) as being connected with a MAT/academy trustee or to a related person, as the case may be
  - (iv) any body corporate, not being a company which is controlled entirely by one or more charitable institutions, in which:
    - (a) the MAT/academy trustee has, or the MAT/academy trustee and any other MAT/academy trustee or trustees/governors or person or persons referred to in (i), (ii) or (iii) above as being connected with a MAT/academy trustee, taken together, have a participating interest; or
    - (b) the related person has, or the related person and any other related parties of the MAT/academy, taken together, have a participating interest.

- (v) any person or body who makes available to the MAT/academy the services of any person or body as a MAT/academy trustee.

**Appendix B**  
**REGISTER OF INTERESTS: conflict of interest declaration**

1. In accordance with accepted standards of good governance members of the Board, who are company Directors and charity Trustees and members of academy Local Governing Bodies who are governors, are expected to declare interests at the commencement of their term of office or at such time where they take on employment by or interest in any other company during their term of office, or at any time that an item appears on the Agenda.
  
2. Please complete this form with respect to your own financial and non-financial interests (and those of your close family, spouse or partners, so far as is known to you) and return it to the University of Chichester Academy Trust Company Secretary at the address at the bottom of this form or the academy clerk. A 'nil' return should be made if there is nothing to declare..
  
3. A copy of the form will be sent to you for checking and countersigning each year. However, material changes to the information supplied should be notified to the Company Secretary/clerk as soon as they occur.

Board Members should note that the Companies Act 2006 places an onus on company directors to avoid a situation in which he/she has, or can have, a direct or indirect interest that conflicts, or may conflict, with the interests of the company. Further guidance on this can be given by the Company Secretary.

Name	.....
Preferred address <small>for correspondence</small>	..... ..... .....
Post Code	
Telephone	
Fax	
E-mail	
Date of Birth	

4. **Remunerated employment, office, profession, etc.**  
.....  
.....

- 5. **Remunerated directorships, consultancies, trustees/governorships and paid appointments to public office, etc.**  
.....  
.....
  
- 6. **Significant shareholdings amounting to 5 per cent or more of the share issue:**  
.....  
.....
  
- 7. **Interests in land or buildings within one mile of any property owned or leased by the MAT/academy:**  
.....  
.....
  
- 8. **Non-financial interests such as governorships and membership of public bodies, trustees/governorships and unremunerated directorships:**  
.....  
.....  
.....
  
- 9. **Any other financial or non-financial interests of you or your close family members where you consider there to be a possible conflict of interest.**  
.....  
.....  
.....

I confirm that the information above is correct.

Member's signature: ..... Date: .....

Member's countersignature: ..... Date: .....  
for Annual update

..... Date: .....

..... Date: .....

***Please return this form to: The Clerk of Fernhurst Primary School***



*Helen Turner, Company Secretary, University of Chichester Academy Trust,  
University of Chichester, Upper Bognor Road, Bognor Regis, West Sussex, PO21 1HR  
or e mail to h.turner@chi.ac.uk or to your academy clerk.*