



DECLARATIONS OF INTEREST, RELATED PARTIES AND TRANSACTIONS POLICY

Approved and signed by the Audit and Finance Committee during virtual meeting
16.06.20

Renewal date: June 2021

SEPTEMBER 2019

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1. STATEMENT OF INTENT

Discovery Multi Academy Trust (DMAT) seeks to uphold the highest ethical standards with regard to its governance and finances, and wishes to manage any conflicts of interests, actual or perceived, that may arise as result of related party transactions or relationships. There is a need to consider related/connected party transactions to reduce any potential risk of abuse of funds and reputational damage, both to the Trust and to the wider education sector.

This policy outlines the procedures and duties that will be implemented to prevent any potential misconduct or misuse of funds, and the standards that will be upheld to ensure proper financial practice.

2. LEGAL FRAMEWORK

1.1 This policy has due regard to statutory legislation and guidance including, but not limited to, the following:

- DfE (2019) Academies Financial Handbook (AFH)
- Education and Skills Funding Agency (ESFA) Academies Accounts Direction 2018-2019
- ESFA guidance - Related party transactions: information for academy trusts

1.2 This policy has due regard to the following policies:

- Finance Policy
- Governance Expenses Policy
- Investment Policy

3. ROLES AND RESPONSIBILITIES

3.1 All staff are responsible to some degree for ensuring adherence to this policy, but the primary overseers of its implementation are the Chief Executive Officer/Accounting Officer (CEO/AO), Chief Finance Officer (CFO) and Chair of Trustees.

3.2 Heads of School and the Local Advisory Board for the Trust's individual academies will also be aware of, and be vigilant over, the practices and expectations set out in this policy.

Responsibilities required by the Academies Financial Handbook 2019:

3.3 As per the AFH 2019, DMAT adheres to the following requirements:

“5.40 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 online form. This requirement applies to all such contracts and agreements made on or after 1 April 2019.

5.41 Trusts **must** obtain ESFA'S prior approval, using ESFA's related party online form, for contracts and any 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 contact 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

5.42 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

5.43 Novel, contentious and/or repercussive related party transactions are subject to separate arrangements. Trusts **must** obtain ESFA's prior approval for any contracts and other agreements with related parties that are novel, contentious and/or repercussive, regardless of value. Approval must be sought using the ESFA's enquiry form, not through the related party online form. Trusts should carefully consider the impact of this requirement and its relevance to transactions involving the board chair and/or the accounting officer."

3.4 The Trustees will ensure that the requirements for managing connected parties transactions are applied across the Trust.

3.5 The Chair of Trustees and the CEO (as Accounting Officer) will ensure that their capacity to control and influence does not conflict with these requirements.

3.6 The Trustees will manage personal relationships with connected parties to avoid both real and perceived conflicts of interest, promoting integrity and openness in accordance with the seven principles of public life: selflessness, integrity, objectivity, accountability, openness, honesty and leadership.

4. WHAT IS A RELATED PARTY TRANSACTION?

4.1 Related party transactions involve transactions – the purchase, sale, lease or donation of goods, services, property or money – for which one party has control or influence over the other, or where the parties are subject to common control.

4.2 Company law, Charity law and the AFH permit these sorts of transactions as long as they are declared and subject to robust procurement procedures in order to properly manage conflicts of interest.

4.3 Related party transactions are common in the academies sector as many academy trustees are drawn from local public and private sector organisations.

4.4 The Trust and its academies recognise, as set out in the ESFA's Academies Accounts direction 2018-19 document, that related parties constitute:

- parties with control over, or controlled by, the entity, e.g. **parent & subsidiary companies**
- parties having **significant influence** over the entity
- **key management personnel** of the entity, including any **director**, whether executive or otherwise
- **close family members**; e.g. a member of your immediate family including parents, grandparents, children, grandchildren and siblings of Trustees, connected persons or some other close personal connection of any of the above
- others subject to control or significant influence by any individual referred to above

5. DISCLOSURE REQUIREMENTS

5.1 Regarding related party transactions, there are certain pieces of information that must be disclosed as standard accounting practice. Where the Trust and its Academies engage in related parties transactions, the following will be disclosed:

- The names of the related parties and a description of the relationship between the parties
- A description of the transactions and the amounts involved
- The amounts due, to or from, related parties at the balance sheet date, and any provisions for doubtful debts or amounts written off
- Details of any guarantees given/received
- Terms and conditions, including whether they are secured, and the nature of the consideration to be provided in settlement
- Any other elements of the transactions which are necessary for the understanding of the accounts
- An evidence-based statement confirming whether related parties transactions were in accordance with the Trust's financial regulations and procurement procedures
- A separate related party disclosure for the remuneration and expenses paid to a Head of School, staff and Trustees in line with the Charity Statement of Recommended Practice.

5.2 If no related party transactions are undertaken, this will be disclosed.

6. MANAGING CONFLICTS OF INTEREST AND ENSURING TRANSPARENCY

6.1 Declarations of an interest – all Trustees will declare the interest within their annual Declaration of Interest. In addition, all LAB members will declare the interest at LAB meetings where relevant.

6.2 Removal from the decision-making process – the connected Trustees and/or LAB members will remove themselves from meetings where discussions and decisions are made in regards to the related parties transactions.

6.3 Competitive procurement procedures – at least three written quotes will be obtained for the supply of the services – as per DMAT's Finance Policy. All transactions are on a non-profit basis.

6.4 Value for money assessment – submitted bids will be examined and selected based on the quoted cost and quality of service/staff.

6.5 Trustees will take the following measures to transparency and good practice:

- Publishing as many details as possible about connected parties and the nature of any transaction that has taken place with them
- Providing details on how any conflicts of interests, actual or perceived, are managed and mitigated
- Setting out clearly and publicly the procurement procedures that the Trust has in place
- Identifying and sharing whether procurement practices with connected parties comply with the Trust's own regulations and standards, articles of association and funding agreement
- Providing details of how decisions to conduct business with connected parties is taken
- Providing evidence of how any related party transactions are good value for money
- Detailing whether transactions are one-off agreements or ongoing contracts

7. ENSURING COMPLIANCE

Where appropriate and applicable, the following actions and procedures will be followed to ensure the Trust and its academies do not create conflicts of interests or financial irregularities, and adhere to the ESFA guidelines:

- 7.1 The Trust will pay a CEO through the payroll system (via PAYE) in accordance with Her Majesty's Treasury (HMT) guidance;
- 7.2 The Trust and its academies will not expand services from an accountancy firm in which a Trustee is the sole director and partner, without tendering;
- 7.3 The Trust and its academies will pay honorariums through the payroll system (via PAYE) and with prior ESFA approval if required;
- 7.4 The Trust and its academies will not pay staff to work on activities that exclusively benefit the related party company;
- 7.5 The Trust and its academies will ensure that family members or close friends of staff, Trustees or LAB are employed in line with full recruitment procedures, avoiding nepotism; and
- 7.6 The Trust and its academies will follow sufficient procurement procedures highlighted in this policy when entering into related party transactions and/or demonstrate that potential conflicts of interest have been adequately managed.

'At cost' requirements

- 7.7 The Trust and its academies will correctly observe the 'at cost' requirements set out in the DfE's AFH.
- 7.8 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.
- 7.9 In accordance with these requirements, the Trust and its academies will pay no more than 'cost' for goods or services provided to it by:
 - Any Member, Trustee or LAB member of the Trust
 - Any individual or organisation connected to a Member, Trustee or LAB member of the Trust:
 - A relative of the Member, Trustee or LAB member
 - An individual or organisation carrying on business in partnership with the Member, Trustee or LAB member, or a relative of the Member, Trustee or LAB member.
 - 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) and/or a LAB member or the relative of a LAB member (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), and/or a LAB member or the relative of a LAB member (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, Trustee or LAB member of the Academy Trust; or any body related to such individual or organisation.
- Any individual or organisation recognised by the Secretary of State as a sponsor of the Academy Trust; or any body related to such individual or organisation.¹

8. FULFILLING OBLIGATIONS

8.1 The Trust and its Academies will:

- Openly procure services
- Ensure decision makers declare conflicts of interest
- Ensure decision makers refrain from voting in matters where they have a conflict of interest
- Have due regard to Charity and Company Law obligations
- Maintain a register of decision makers' interests
- Pay no more than cost for supplies received from any related party
- Make arrangements for proper administration of financial affairs/management of conflict of interests
- Ensure the CFO and AO report any irregular payments

8.2 The Trust will ensure that any agreement with an individual or organisation referred to in section 7.10 to supply goods or services to the Trust is procured fairly and openly, and is:

- Supported by a Statement of Assurance (Appendix B) from that individual or organisation to the Trust confirming that their charges do not exceed the cost of goods or services
- On the basis of an 'open book' agreement, whereby the supplier will demonstrate clearly, if requested by the Trust, that their charges do not exceed the cost of supply.

8.3 Any agreements will be fully costed in terms of the resources used in supplying goods or services. The '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)

8.4 Full cost will not include any degree of profit.

9. DECLARATIONS OF INTEREST AND RELATED PARTIES PROTOCOL

¹ DfE 2019 Academies financial handbook, p. 40-41

The protocols surrounding declarations of interest and related parties apply to Members, Trustees, LAB members and all staff in Discovery MAT.

9.1 Why do we have a protocol?

Members, Trustees, LAB and staff have a legal obligation to act in the best interests of Discovery MAT and in accordance with the Trust's articles of association, to avoid situations where there may be a potential conflict of interest. Conflicts of interest may arise where an individual's personal or family interests and/or loyalties conflict with those of Discovery MAT. Such conflicts may create problems; they can:

- inhibit free discussion;
- result in decisions or actions that are not in the interests of Discovery MAT; and
- risk the impression that Discovery MAT has acted improperly.

The aim of the protocol is to protect both the organisation and individuals involved from any appearance of impropriety.

9.2 Declaration of Interests and gifts register

We ask Members, Trustees, LAB and staff to declare their interests, and any gifts or hospitality received in connection with their role for Discovery MAT. A declaration of interests form (Appendix A) is provided for this purpose, listing the types of interest that should be declared, including that of related parties.

To be effective, the declaration of interests needs to be updated at least annually, and also when any changes occur.

The trust also keeps a register to record all gifts with a value over £20 received by Trustees, LAB members and staff. The declaration of interests register and gifts register will be maintained by Discovery MAT central staff. The register will be accessible by the auditor/staff preparing the company accounts.

9.3 Data Protection

The information provided will be processed in accordance with data protection principles as set out in the General Data Protection Regulations (2018). Data will be processed only to ensure that Members, Trustees, LAB members and staff act in the best interests of Discovery MAT. The information provided will not be used for any other purpose.

9.4 Declaration of interests and withdrawal from board meetings

All Members/Trustees/LAB members should submit any conflict of interest where a decision-making process is to be made, that could affect or influence their voting.

If a Member/Trustee/LAB member fails to declare an interest that is known to the Trust, the Company Secretary/Clerk to Trustees will declare the interest.

Those in a position of governance should be aware that their interests of those related or a close connection to a member of staff within the Trust should be declared at the earliest opportunity.

A relative can be defined as a close family member, or a member of the same household, who may be expected to influence, or be influenced by, the person. This includes, a member of your immediate family including parents, grandparents, children, grandchildren and siblings of Trustees, connected persons or some other close personal connection of any of the above. Very close friends can also be included in this list.

Connections with any of the academies with the Trust should also be declared on the Register of Interests form.

Members/Trustees/LAB members may find the checklist of questions below a useful starting point:

1. Is there a possibility that I, or a relative, may benefit or lose out from the decision on this issue?
2. Could it be viewed by an outsider that there be any reasonable doubt about my impartiality, because of private information I have received or of personal or business contacts, which I may have?
3. If I, as a Member/Trustee/LAB member, am related to an employee of the trust, is the pay, hours or performance management of that employee due to be discussed?
4. If I am a LAB member employed by the Trust (but not as the CEO), is the pay or performance management of a Trust employee due to be discussed? ²

If the answer is 'Yes' to any of the questions above, the person in a position of governance should declare an interest in the item to be discussed.

If the answer is 'Yes' to questions 1, 3 or 4, the person in a position of governance should also withdraw from the meeting for that item.

If the answer is 'Yes' to question 2 you would be advised, but not required, to withdraw from the meeting for that item.

Register of interest amendments will be updated at each meeting as per the standing agenda item by the Clerk to Trustees.

9.5 Decisions taken where a Trustee has an interest

If the Board of Trustees have to make a decision in which a Trustee has an interest, all decisions will be made by vote, with a simple majority required. A quorum must be present for the discussion and decision; interested parties will not be counted when deciding whether the meeting is quorate. Interested Trustees may not vote on matters affecting their own interests and must withdraw from the meeting where appropriate.

All decisions under a conflict of interest will be recorded as such by the Clerk to Trustees or, in the event of the Clerk's absence, the Chair of Trustees, and reported in the minutes of the meeting. The report will record:

- the nature and extent of the conflict;
- an outline of the discussion; and
- the actions taken to manage the conflict

Where a Trustee benefits from the decision, this will be reported in the annual report and accounts in accordance with the current Charities SORP.

All payments or benefits in kind to Trustees, LAB and staff will be reported in the Trust's accounts and annual report, with amounts for each trustee listed for the year in question.

² In accordance with ESFA recommendation, employees of the Trust are not permitted to be Members by the Trust's Articles of Association. In the case of Discovery MAT, this has been extended to also include Trustees. Employees are permitted to be LAB members, as long as a balance of independent LAB members is maintained.

9.6 Managing contracts, related parties and statement of assurance

On completion of the Trustees' Declaration of Interests and Related Parties Form, relevant information will be entered into the accounting system with the supplier record being annotated as a related party (RP). If an Administrator receives a requisition, contract or agreement for the supply of goods and/or services for a related party supplier, she must inform the CEO/CFO immediately and must not proceed until prior approval has been received from the ESFA. A related party supplier will be visible throughout the ordering, authorising and payment processes at both school and central office levels.

Where a member of Discovery MAT staff or person in a position of governance is connected to a party involved in the supply of a service or product to the Trust (related party transaction) this information will be fully disclosed in the annual report and accounts.

In accordance with ESFA arrangements, the Trust **must** declare a related party transaction before they agree it with their supplier (Appendix B, statement of assurance form). The Trust must also seek approval from ESFA before they agree any related party transactions over £20,000.

Independent external moderation will be used where conflicts cannot be resolved through the usual procedures.

If a staff member has a conflict of interest in relation to the managing of a contract, that staff member must not be involved in managing or monitoring the contract. Monitoring arrangements for such contracts will include provisions for an independent challenge of bills and invoices, and termination of the contract if the relationship is unsatisfactory.

10. MONITORING AND REVIEW

10.1 The AO/CFO and Trustees will jointly review this policy on an annual basis, with due consideration to updates in guidance from the ESFA.

10.2 The scheduled review date for this policy is September 2020.

DECLARATION OF INTERESTS AND RELATED PARTIES FORM [GOVERNANCE]



I as Member / Trustee / LAB member **[please delete as applicable]** of Discovery MAT, I have set out below my interests in accordance with the Trust's Declarations of Interest, Related Parties and Transactions Policy.

Category	<i>Please give details of the interest and whether it applies to yourself or, where appropriate, a member of your immediate family including parents, grandparents, children, grandchildren and siblings of Trustees, connected persons or some other close personal connection</i>
Current employment and any previous employment in which you continue to have a financial interest	
Appointments (voluntary or otherwise) e.g. trusteeships, directorships, local authority membership, tribunals etc	
Membership of any professional bodies, special interest groups or mutual support organisations	
Investments in unlisted companies, partnerships and other forms of business, major shareholdings (more than 5% of issued capital) and beneficial interests	
Gifts of hospitality offered to you by external bodies and whether this was declined or accepted in the last twelve months	
Interests of spouse/domestic partner	
Interests of dependants or domestic partner's dependants	
Do you use, or care for a user of the organisation's services?	
Do you have any contractual relationship with the Trust?	
Do you have any other conflicts of interest that are not covered by the above?	

To the best of my knowledge, the above information is complete and correct. I undertake to update as necessary the information provided by informing the Trust Chair or Clerk to Trustees at the earliest convenience. I undertake to review the accuracy of the information on an annual basis. I give my consent for it to be used for the purposes described in the Declarations of Interest, Related Parties & Transactions Policy and for no other purpose.

Signed Date

Position

APPENDIX B

STATEMENT OF ASSURANCE FROM RELATED PARTY SUPPLIERS



Section 1	
Name and address of supplier	
Company number (if applicable)	
Start date	
End date	
Estimate of commercial price, including profit	
Connection with trust e.g. <i>trustee is also a director of the supplier of goods and services</i>	
Value of goods or services to trust	
Does this value include direct costs and indirect costs only?	
Section 2	
Details of contract <i>Explanation of how the supplier is charging the Trust</i>	
Section 3	
Supplier certification (<i>to be completed by the supplier</i>)	
I certify, on behalf of	
Name	
Position in organisation	
Date	Signature

Section 4 (to be completed by the academy trust)

In signing this document I am satisfied that:

- the goods and services being supplied comply with the requirements on trading with related parties as set out in the Academies Financial Handbook, and represent value for money;
- there is full compliance with the Trust's scheme of delegation
- open and fair procurement and compliance with the Trust's procurement procedures have taken place;
- potential conflicts of interest within the academy trust have been robustly managed;
- the Trust's register of interests captures the relevant business and pecuniary interests as set out in the Academies Financial Handbook, and will be updated to reflect this contract (if not already);
- the supplier understands that open book arrangements are in place and they will provide more information on request, if needed; and
- both the Trust's Accounting Officer and Chair of Trustees have agreed to trade with this related supplier, and that the measures and safeguards listed above are in place.

Name	
Position in Academy Trust	
Date	Signature

Notes

Direct costs means the costs 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 previous similar contract.