

CONFLICT OF INTEREST POLICY

Introduction

Under charity and company law the Board have a duty to act in the best interests of the organisation. In order to do so, the Board must avoid conflicts of interest, or, where these are unavoidable, must manage them transparently. A conflict of interest can arise where:

- The board member receives a benefit from the organisation that is not properly authorised within the Constitution,
- the decision making in respect of the charity may be influenced by their relationship with another person or organisation.

The Companies Act 2006 introduced a duty on directors of companies to avoid situations where a conflict might arise rather than just the conflict itself.

This policy aims to ensure the board does avoid potential conflicts of interest as far as possible, and manage them when they are unavoidable.

What is a Conflict of Interest?

The most common types of conflict of interest are the following:

- Direct financial gain by a board member such as payment for goods and services supplied, payment for acting as a board member, sale of land to a board member, use of a Board Member's property by the charity.
- Indirect financial gain by a Board Member, most commonly where a connected person receives a payment for goods or services supplied to the charity, or through a contract of employment with the charity. A Board Member may also receive an indirect financial gain if the charity awards a contract to an organisation in which the Board Member holds an interest.
- Where a Board Member may receive a financial or non-financial benefit as a user of the charity's services.
- When a Board Member has a conflict of loyalties between the charity and their personal or other interests (such as a role with another organisation), and may be unduly influenced by these in relation to their stewardship of the charity.

Managing conflicts of interest

General principles

- When Board Members meet, they must leave all their outside interests and loyalties at the door. If this is not possible, or if the conflicts are so frequent as to limit the usefulness of a Board Member, then s/he must step down as a Board Member of the organisation.

- Board Members must be able to identify conflicts of interest when they arise and to ensure, if they receive a material benefit as a result of the conflict of interest, that the benefit is authorised by the Constitution or relevant regulator.
- If there is no material benefit to a Board Member, no authority will be required, but the Board Members will need to ensure that the conflict of interest is properly managed.
- Conflicts of interest which are unavoidable must be managed transparently. For this reason, the organisation has a Code of Conduct, a Register of Interests disclosing personal interests, and a procedure for identifying and declaring conflicts, withdrawing from discussion and decision making, and the minuting of such a process.
- A Board Member must play no part in decisions where they have a conflict of interest.
- Failure to disclose an interest may create significant risks for the organisation in terms of poor decision making and loss of reputation. A Board Member who does not comply with this policy may be removed from office.

Honesty and openness are key to minimising conflicts of interest. This policy puts in place a system in which actual or potential conflicts of interest, whether financial or more general, are properly managed and formally recorded.

Declaration of interests

Board Members should be meticulous about declaring any actual or potential conflicts of interest affecting themselves and connected parties.

Relevant interests and potential conflicts of interest should be declared in writing and regularly updated.

Declarations of Interest in Board meetings

Whenever a Board Member has a personal interest in a matter to be discussed at a meeting (whether a general meeting or a Board Members' meeting) or in relation to which a decision is proposed to be made, or whenever a Board Member has an interest in another organisation whose interests are reasonably likely to conflict with those of the organisation in relation to a matter to be discussed at a meeting (whether a general meeting or a Board Members' meeting), he/she must:

- declare an interest before discussion begins on the matter;
- withdraw from that part of the meeting unless expressly invited to remain or decline to participate in any discussion on the matter unless expressly invited to do so;
- in the case of personal interests not be counted in the quorum for that part of the meeting; and
- in the case of personal interests withdraw during the vote and have no vote on the matter.

In the event of a meeting having to decide upon a question in which a Board Member has an interest, all decisions will be made by a simple majority. A quorum must be present for the discussion and decision; interested parties will not be counted when deciding whether the meeting is quorate. Interested parties may not vote on matters affecting their own interest.

All decisions under a conflict of interest will be recorded and reported in the minutes of the meeting. The minutes will show:

- the nature of the conflict
- which Board Member or Board Members were affected
- whether any conflicts of interest were declared in advance
- an outline of the discussion
- whether anyone withdrew from the discussion
- how the Board Members took the decision in the best interests of the organisation

Where a Board Member benefits from the decision, this will be reported in the annual report and account.

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

Managing Contracts

A Board Member must not be involved in managing a tender process or a contract in which they have an interest.

Accounts Disclosure

Under the financial reporting requirements, we are required to disclose details of any connected party transactions in the accounts. This includes details of properly authorised payments to Board Members and also any other transactions in which the Board Member or a connected person has an interest.