

[FAITH INSTITUTION]

Policy for Managing Conflicts of Interest

Version		Approved by	
Dated		Next review due on	

[Faith Institution] expects all its trustees and staff to uphold highest level of integrity when making any decisions or spending/using [FAITH INSTITUTION] assets/property/money. While staff are paid remuneration for their work, the trustees do not receive any remuneration because they serve the [FAITH INSTITUTION] as a volunteer. They are only allowed to claim reasonable out of pocket expenses that are subject to approval by the Chairman (or their nominee). The trustees and the staff wholeheartedly accept all relevant codes of conduct and other [FAITH INSTITUTION] policies. By becoming a trustee or a staff member, they agree to follow those codes of conduct and fulfil all their legal, ethical and moral obligations as a trustee or staff member.

Definition of conflict of interest: a conflict of interest is any situation in which a trustee's personal interests or loyalties could, or could be seen to, prevent them from making a decision only in the best interests of the charity (that is, [FAITH INSTITUTION]). Conflicts of interest usually arise where either:

- there is a potential financial or measurable benefit directly to a trustee, or indirectly through a connected person (any one connected to a trustee, for example, spouse, parents, in-laws, children, siblings, any other close relative or a business associate).
- a trustee's duty to the charity may compete with a duty or loyalty they owe to another organisation or person.

Definition of trustee benefit and its implications for [FAITH INSTITUTION] trustees: a trustee gets a benefit from his/her own charity (in this case, [FAITH INSTITUTION]) if he/she receives from the charity (in this case, [FAITH INSTITUTION]) any money or other property, goods or services with a monetary value. It does not include any payments to trustees that are for their proper out of pocket expenses. The law says that trustees cannot receive a benefit from their charity, whether directly or indirectly, unless they have an adequate legal authority to do so. When a trustee is likely to benefit from the charity, it creates a conflict of interest that the trustees need to address effectively. It is a requirement to obtain legal authority before any transaction involving trustee benefit is undertaken.

Key policy points:

1. Each trustee has a personal responsibility to declare conflicts of interest if they are to fulfil their legal duty to act only in the best interests of the charity.
2. Each trustee has an individual personal responsibility to declare conflicts of interest that affect him or her. The interests that trustees should declare, including business and personal interests and those of their spouse, partner, family and close relatives:

3. [FAITH INSTITUTION] will establish a register of interests in which any actual or potential conflicts of interest must be recorded by individual trustees and the trustee body.
4. Each trustee will update his or her entry as soon as a new conflict of interest (or a potential conflict) arises.
5. All the trustees will also review their entries in the register of interests at least once a year.
6. The register of interests will be open to public.
7. This policy reminds the trustees to note that:
 - a. A transaction affected by a conflict of interest, where the trustees have not acted properly, could be challenged by the Charity Commission or by an interested party. The transaction may be unsafe and liable to be invalidated or might be void from the start.
 - b. Where they have not acted properly, trustees may have to repay any sums paid by [FAITH INSTITUTION], whether they result from an unauthorised trustee benefit or another breach of duty. This can be the case, even where [FAITH INSTITUTION] has benefitted from the arrangement. If [FAITH INSTITUTION] has also suffered a loss, the trustees may have to make good such loss to [FAITH INSTITUTION] .

Procedures:

1. When a trustee is subject to a conflict of interest, they will:
 - a. record their interests in the [FAITH INSTITUTION] register of interests;
 - b. declare interests at the beginning of each meeting;
 - c. remove themselves from the decision making process;
 - d. record details of the discussions and decisions made.
2. Where there is a conflict of interest, the Secretary on behalf of the trustees will ensure that the written record of the decision shows:
 - a. the nature of the conflict
 - b. which trustee or trustees were affected
 - c. whether any conflicts of interest were declared in advance
 - d. an outline of the discussion
 - e. whether anyone withdrew from the discussion
 - f. how the trustees took the decision in the best interests of the charity.
3. Chairperson of the Board of Trustees will have the responsibility to enforce the procedures and report annually to the Board of Trustees whether or not all trustees are complying with this policy.
4. The Chairperson will make sure that every trustee fully understands this policy. Every trustee will be given a copy of this policy and training will also be provided to all trustees. This policy will also be included in the Trustee Handbook/Induction Pack.
5. **For staff only:** The staff members must not be involved in any trustee discussions and decisions about staff remuneration.

Appendix: Trustees' Checklist for Managing Conflicts of Interest

Question 1. If a trustee has identified that a conflict of interest exists, has the trustee body considered whether the conflict is so serious that it should be removed or they should seek authority for it? If the trustees have decided against removing the conflict of interest or seeking authority for it, go to Question 2.

Question 2. Has the conflict of interest come up because the trustee concerned will receive a benefit as a result of the decision? If yes, go to Question 3. If not, go to Question 4.

Question 3. Is the benefit authorised:

- by the charity's governing document?
- by a statutory provision such as section 185 of the Charities Act?
- specifically, by the Charity Commission?

If no, the trustees must apply to the Commission for authority for the benefit. Go to Question 5.

If yes, have the charity's trustees complied strictly with the terms of the authority? Go to Question 5.

Question 4. Even if there is no trustee benefit, are there procedures in place to ensure that the decision can be made only in the best interests of the charity? If no, the charity's trustees should take advice on their decision, and for the future, ensure that suitable conflicts of interest procedures are put in place and followed. If yes, go to Question 6.

Question 5. Have the charity's trustees checked whether they are required to disclose the trustee benefit in the annual report and accounts? Go to Question 6.

Question 6. Have the charity's trustees made a record of the conflict, their approach to dealing with it, and their decision?