



The Knowle Society

Conflict of Interest Policy

You have a legal duty to act in your charity's best interests when making decisions as a trustee. If there is a decision to be made where a trustee has a personal or other interest, this is a conflict of interest and you won't be able to comply with your duty unless you follow certain steps.

For example, if you're a trustee, you would have a conflict of interest if the charity is thinking of making a decision that would mean:

- you could benefit financially or otherwise from your charity, either directly or indirectly through someone you're connected to
- your duty to your charity competes with a duty or loyalty you have to another organisation or person

Conflicts of interest are common in charities – having a conflict of interest doesn't mean you've done something wrong. But you need to act to prevent them from interfering with your ability to make a decision only in the best interests of the charity.

Follow a 3-step approach (identify, prevent, record) so that you are able to comply with your duty and avoid:

- making decisions that could be overturned
- risking your charity's reputation
- having to repay your charity if you make unauthorised payments to trustees

How to identify a conflict of interest

Legal requirement: you must declare a conflict of interest immediately you are aware of any possibility that your personal or wider interests could influence your decision-making.

Have a standard agenda item at the beginning of each trustee meeting to allow trustees to declare any actual or potential conflicts of interest.

It's good practice to have a written conflicts of interest policy to:

- tell your existing trustees how to identify and disclose conflicts of interest
- help prospective trustees identify possible conflicts of interest before they're appointed

You can also keep a register of interests – make sure you change this if trustees' circumstances change and when new trustees are appointed.

How to deal with a conflict of interest

Once a conflict of interest is identified, prevent it from affecting your decision-making by:

- finding an alternative way forward which doesn't involve the conflict of interest (particularly if the issue is serious)
- taking appropriate steps to manage the conflict (if it's less serious), which will usually mean that the person affected doesn't take part in discussions about the issue

Follow any instructions on managing conflicts of interest in your charity's governing document. In some situations you need to comply with legal restrictions. For example, if your charity plans to sell land to one of its trustees, or pay a trustee for goods or services.

If there's nothing about the conflict of interest in your charity's governing document or the law, you will still need to make sure that it is declared and consider whether the conflicted trustee should withdraw from discussions and voting on the matter.

You will have to ask the Charity Commission to authorise a decision in advance if:

- it is going to involve any benefit to a trustee that hasn't already been authorised
- the conflict of interest is serious but there's no alternative way forward that will remove it
- most or all of your trustees share the conflict of interest

How to record a conflict of interest

Keep a written record of the conflict of interest and how you dealt with it in the minutes of your meetings.

Explain:

- what sort of conflict of interest it was
- which trustee or trustees were affected
- if any conflicts of interest were declared in advance
- an outline of the discussion
- if anyone withdrew from the discussion
- how you and the other trustees made the decision in your charity's best interests

Legal requirement: if you prepare accruals accounts, they must include details of payments and benefits to your charity's trustees and people connected to them. You must say why the payments were necessary and the legal authority you had to make them. It's good practice to include details of trustee payments and benefits if you prepare receipts and payments accounts.