



Chelmsford Diocesan Board of Finance Conflict of Interests Policy

I. INTRODUCTION

This policy applies to Trustees of the Chelmsford Diocesan Board of Finance, members of Bishop's Council, plus all others serving on Committees working on diocesan business.¹ Unless otherwise specified, the term 'trustees' is used throughout to cover all these individuals.

Trustees, generally, should not benefit from the charity and should not be influenced by their wider interests when making decisions affecting the charity. Trustees have a *legal obligation* to act in the best interests of the charities they serve, and it is our policy to extend these principles to committee members. This policy should be read in conjunction with guidance note CC29 published on the Charity Commission website. (Hardcopies may be requested from the Director of Finance.)

It is also recognised that within the Church, employees and volunteers can have conflicts of interest and loyalty, for example through a church in which they might worship. Relevant procedures are generally described in the Staff Handbook and the Expenses Policy, but staff and volunteers should also have regard to the principles in this policy.

2. WHAT IS A CONFLICT OF INTEREST OR LOYALTY?

A conflict of interest can be defined as:

"...any situation in which a trustee's personal interests or responsibilities that they owe to another body, may, or may appear to, influence the trustee's decision making."

Conflicts of interest arise when the interests of trustees, or related parties² are incompatible or in competition with the interests of the diocese/CDBF. Such conflicts may potentially:

- inhibit free discussion
- result in decisions or actions that are not in the interests of diocese
- invite reputational damage or risk of the impression that the diocese has acted improperly
- lead to a disclosure of confidential information to another body

¹ The Trustees of the Board of Finance are those members of Bishop's Council not otherwise disqualified, e.g. by being an employee. Trustees' are those members of the Bishop's Council not otherwise disqualified. (See Committee Handbook for more details.) These individuals are both directors in Company Law and trustees in Charity Law. Failure to act properly where there is a conflict of interest is a breach of the trustees' legal responsibilities.

Committees include, sub-committees of the Diocesan Board of Finance, Diocesan Safeguarding Advisory Panel, Diocesan Board of Education and its formal committees, the Diocesan Advisory Committee, Retreat House Advisory Board, LOC Council, MOFAC and CDBF's trading subsidiaries to the extent appropriate. It is also good practice guidance for other groups. Where appropriate, terms of reference should identify that this policy applies.

² The definition of a related party is broad and includes a trustee's spouse or partner; parents (and their spouses); children (and their spouses); siblings (and their spouses); and businesses where a trustee or related party holds significant interest or control.



The most common types of conflict include:

- (i) **direct financial interest** – when a trustee obtains a direct financial benefit e.g.:
 - payment of a salary, grant or other benefit by the charity
 - award of a contract to a company with which he/she is involved
 - purchase of charity property at below market value
- (ii) **indirect financial interest** - this arises when a close relative of a trustee benefits from the charity, e.g.:
 - a contract or grant to a spouse or dependent child
 - shares (or other financial instrument) in a company with which the charity does business or has a related holding
- (iii) **non-financial or personal conflicts** – occur where trustees/volunteers receive no financial benefit, but are influenced by external factors:
 - influencing board decisions on service provision to their own advantage, perhaps because they use the charity’s service themselves or have care for someone who does
 - to gain some other intangible benefit or prestige
 - awarding contracts to friends or relatives
- (iv) **conflicts of loyalties** - trustees may have competing loyalties between the charity to which they owe a primary duty and some other person or entity, even though they have no direct or indirect financial interest. The Charity Commission defines a conflict of loyalty as a particular type of conflict of interest in which a trustee’s loyalty or duty to another person or organisation could prevent them from making a decision only in the best interests of the charity, e.g.
 - a body that appointed them to their role
 - an employer
 - another charity of which they are trustee
 - involvement with another entity in the wider church family or the CDBF Group of companies
 - a legal obligation to another person or body

Potential conflicts of loyalty are likely to be particularly prevalent in diocesan work, most obviously where a trustee also attends a church, or serves on the Parochial Church Council, or is a school governor.

A Trustee who is also a member of Synod will be ex-officio a member of their Deanery Synod and PCC, which gives rise to a number of potential conflicts of loyalty. This is perfectly normal, and is not a problem if managed appropriately.

The test is whether the other interest could be seen to interfere with the trustee’s ability to decide an issue only in the best interests of the charity.



Trustees, when acting as a trustee, must act in the best interests of the charity alone.
Where a conflict does arise, the responsibility of all the trustees is to the charity.

Acting in the best interests of the charity includes any access that trustees may gain to confidential or privileged information by virtue of their trusteeship. Whatever information trustees acquire in their role should remain confidential and not be used to the advantage of themselves, an external individual, or entity.

3. MANAGING CONFLICTS OF INTERESTS AND LOYALTIES

The general approach to managing conflicts of interests and loyalties is three stage:

- Maintaining a generic register of interests
- Identifying specific conflicts for each agenda and noting declarations at the start of the meeting
- Declaring specific conflicts if they become apparent during an item of business

(i) Declaration of interests/loyalties and the register

Potential and new trustees should be informed that they will be expected to declare their interests on appointment and subsequently, when they arise. They should also be provided with a copy of the conflicts of interest policy, preferably before appointment. If the potential trustee is concerned about a possible conflict of interest, they should consult the Chief Executive before agreeing to take up the position.

On appointment, trustees should be asked to complete a declaration of interests form. Any concerns about what comes under this heading should be discussed with the Chief Executive. Updates and material changes must be notified as they occur.

Bishop's Council members, CDBF Directors/Trustees, Chairs of Board sub-committees and Key Management Personnel³ are additionally required to re-certify their declaration of interests on an annual basis as part of preparation of the accounts.

When completing a declaration of interests, trustees should consider the following areas:

- employment
- any previous employment in which the trustee still has a financial, or other, interest
- any other appointments (voluntary or otherwise) e.g. trusteeships, directorships, local authority membership, tribunals
- professional and organisational membership
- membership of any special interest groups
- investments in unlisted companies, partnerships and other forms of business
- major shareholdings (e.g. more than 5% of issued capital) and beneficial interests
- gifts or hospitality offered to the trustee by external bodies and whether this was declined or accepted

³ As set out in the Annual Report and Accounts in accordance with the Charities SORP



- related party connections where relevant
- using, or caring for a user of, the organisation's services
- any contractual relationship between the trustee or a related party and the charity or its subsidiaries.

Recognising the need to balance accountability and unwarranted intrusion into the affairs of their trustees the level of detail required in the register will depend on:

- the likelihood of a conflict arising
- the potential damage that could be caused by a conflict.

Trustees may indicate certain interests which they wish to be held confidentially. Such information will be made available only to the Chair of the CDBF, Chair of the Audit Committee, Bishop of Chelmsford, Chief Executive and such executives or professional advisers on a 'need to know' basis.

Declarations of interests will be held by the Finance office. The Director of Finance is responsible for ensuring the annual update process takes place.

When a conflict of interest does arise, it is the responsibility of the trustee in question to declare such a conflict to the board. If he or she fails to do so, the Chair or secretary should declare the conflict.

(ii) Meetings

It should be standard practice for committee chairs to ask for declarations of interest at the start of each meeting. Agenda should include a reminder for declarations.

Where a committee is presented with a conflict of interest, the interest should be declared, the conflict and action taken to manage it should be recorded in the minutes and, where it has been decided that an individual should withdraw from the meeting, steps should be taken to ensure that any details of the discussion relating to the conflict of interest are not divulged. The secretary of the relevant body should ensure that minutes or other documents relating to the item are appropriately redacted for the person facing the conflict. A balance needs to be made to ensure that the person still receives sufficient information about the activities of the charity generally without disclosing such sensitive information that could place the individual in an untenable position.

Sometimes a conflict may only become apparent during discussion on an item of business. In these situations, the conflicted member should declare the interest as soon as s/he becomes aware of it and withdraw if appropriate.

Particular conflicts of interests scenarios

- a) Archdeacons: A particular conflict of interests may arise in the case of archdeacons when dealing with matters relating to parochial clergy and parishes within their own archdeaconry, as both members of committees and (under Canon C 22, 4) are required



under the bishop, to 'assist the bishop in his pastoral care and office'. In these circumstances the archdeacon must declare their interest. They may present the views of the clergy/parish but must then act solely in the best interests of the diocesan body concerned or withdraw from the discussion.

- b) Decisions on Stipends and other Remuneration in Finance Committee: Our practice is that stipendiary ecclesiastical office holders indirectly remunerated by the CDBF (i.e. typically parish clergy and archdeacons) may contribute to discussion of these matters but may not vote specifically on this matter. These persons are not restricted from voting on the overall budget.
- c) Decisions on Stipends and other Remuneration in Diocesan Synod: Synod members are free to vote and speak on these matters in Diocesan Synod.

Any question of ambiguity in these matters should be referred to the Chair of the CDBF and the Bishop of Chelmsford.

(iii) Gifts and hospitality

Any trustee receiving gifts or hospitality in connection with their role as a trustee should ensure this is recorded on the Gifts and Hospitality Register which is held in the Chief Executive's office, and reviewed as part of the annual audit process.

Trustees acting outside the terms of their governing document, without permission from the courts or the Charity Commission, or knowingly accepting a benefit from the charity without proper authority e.g. from the Charity Commission, the courts, or the charity's governing document, will be in breach of trust and may be subject to summary removal or personal reference to the Charity Commission.

4. ADDITIONAL INFORMATION

Trustees and committee members should have due regard to guidance note CC29 published on the Charity Commission website. Further information may be found on the Companies House and Charity Commission websites. Legislation sources include the Charities SORP (FRS 102) and s173-176 of the Companies Act 2006. Hardcopies and/or further briefing may be requested from the Director of Finance.

Trustee training may be arranged on request.

5. APPROVAL

This Policy was approved by the Trustees at their meeting on 19 October 2017. It is effective for Directors/Trustees from 1 April 2018 and all other roles from 1 January 2019. The Audit Committee is responsible for reviewing implementation and recommending revisions to the Trustees.