



# **Conflicts of Interest Policy**

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**Review by July 2016**



## Conflicts of Interest Policy

### Defining conflicts of interest

#### What are conflicts of interest?

A conflict of interest is a set of circumstances that creates a risk that an individual's ability to apply judgement or act in one role is, or could be, impaired or influenced by a secondary interest. It can occur in any situation where an individual or organisation (private or public) can exploit a professional or official role for personal or other benefit.

Conflicts can exist if the circumstances create a risk that decisions may be influenced, regardless of whether the individual actually benefits. The perception of competing interests, impaired judgement or undue influence can also be a conflict of interest.

Conflicts might occur if individuals have, for example:

- a direct or indirect financial interest;
- non-financial or personal interests; or
- conflicts of loyalty where decision-makers have competing loyalties between an organisation they owe a primary duty to and some other person or entity.

Conflicts of interest exist on a spectrum of severity. In public services, they can take many forms, for example:

- accepting hospitality or gifts from private sector companies during a procurement exercise;
- Friends or family members cessing or benefitting from the services provided;
- awarding contracts to suppliers in which the decision-maker has a personal or financial interest; and
- in the delivery of public services, where individuals or organisations assess service needs as well as providing the services.

#### Consequences of not recognising the risk of conflicts

It is important to manage conflicts of interest. Not only can they bring decision-making into disrepute but often the perception of conflict alone is enough to cause concern. This can lead to reputational damage and undermine public confidence in the integrity of institutions.



A failure to recognise a conflict of interest can give the impression that the organisation or individual is not acting in the public interest. More seriously, if left unresolved, some conflicts can result in criminal action, for example fraud, bribery or corruption through abuse of position.

There is also a potential risk of legal challenge to decisions made by public bodies. If a decision-maker has a conflict of interest then the decision is potentially vulnerable and could be overturned on judicial review.

### **Recognising the risk of conflicts of interest**

Conflicts of interest are a common and unavoidable part of management that can arise in a range of situations and environments. They can result from policy decisions or systems or can occur naturally in certain management situations. It is therefore not reasonable or desirable to completely eliminate the risk of conflicts of interest. It is better to recognise the associated risks and put measures in place to identify and manage conflicts when they do arise.

All organisations should design a proportionate approach that reflects the nature and scale of conflicts that they are exposed to and their risk appetite.

### **Gifts and hospitality**

Accepting significant gifts or hospitality creates a perception of biased decision-making even if the gift has no bearing on judgement. The Bribery Act 2010 defines bribery as offering or receiving a bribe in return for breach of expectation or improper performance and sets out 4 criminal offences: bribing another person; being bribed; bribery of a foreign public official; and failure of a commercial organisation to prevent a bribe. Under Section 7, commercial organisations need to show they have 'adequate procedures' in place to prevent persons associated with them from undertaking such conduct.

The legislation does not criminalise corporate hospitality or other expenditure which is reasonable and proportionate. It is accepted that this is a recognised and established part of doing business. But in some instances it may be perceived that the real purpose behind the expenditure is to influence an individual in order to secure business or a business advantage.



The Trust's Financial Regulations states:

#### **"9.4 Receiving gifts or hospitality**

The Bribery Act 2010 came into force on 1 July 2011. The Act introduced new offences for acts of bribery by individuals, or persons associated with relevant organisations. The penalties are severe for any employee convicted under the Act, which could mean a criminal record with ten years' imprisonment and unlimited fines.

NET's specific Anti-fraud, Corruption and Bribery Policy provides further support in this area.

Employees should therefore not accept any gifts, rewards or hospitality (or have them given to members of their families) from any organisation or individual with whom they have contact in the course of their work that would cause them to reach a position whereby they might be, or might be deemed by others to have been, influenced in making a business decision as a consequence of accepting such hospitality OR accept hospitality significantly greater than NET would be likely to provide in return.

Guidance and support should be sought from relevant Principal or the Director of Finance when it is not easy to decide between what is and is not acceptable in terms of gifts, hospitality and whether the offer should be declined (showing disrespect or embarrassment).

For the protection of those involved, the Director of Finance maintains a register of gifts and hospitality received where the value is in excess of £100.

The Register of Gifts and Hospitality is published on the NET website: [www.northerneducationtrust.org](http://www.northerneducationtrust.org)

#### **The NET approach to managing conflicts of interest**

Board members and staff at all levels of the Northern Education Trust ("the Trust") will strive to avoid any conflict of interest between the interests of the Trust on the one hand, and personal, professional, and business interests on the other. This includes avoiding actual as well as perceived conflicts of interest.

The purposes of this policy is to protect the integrity of the Trust and reputation of Trustees and staff members alike.



Examples of conflicts of interest include:

- 1 A board member who is also a parent of a child at one of our academies.
- 2 A board member who is related to a member of staff.
- 3 A board member who is also on the controlling body of another organisation that is in the same or a similar field.
- 4 A board member who has shares or an interest in a business that may be awarded a contract to do work or provide services for the Trust.

Upon appointment, and at least once per year, each board member will make a full, written disclosure of interests, such as remunerated positions, share holdings and political activity that could potentially result in a conflict of interest or the perception of a conflict. This written disclosure will be kept on file and will be updated regularly and at least once per year. This is also subject to formal assessment/review by the Trust's external auditors.

At the start of, or in the course of, meetings or activities, board members will disclose any interests in a transaction or decision where there may be a conflict between the Trusts best interests and the board members best interests or a conflict between the best interests of two organisations that the board members is involved with.

In the case of a conflict of interests arising for a Board Member because of a duty of loyalty owed to another organisation or person and the conflict is not authorised by virtue of any other provision in the Trust's Articles of Association, the remaining board members may authorise such a conflict of interests where the following conditions apply:

1. The Charity Commission's permission is sought before a benefit for a trustee may be authorised that isn't otherwise authorised in the Articles or already authorised in writing from the Commission.
2. the Board Member who has declared the conflict of interest withdraws from the part of the meeting at which there is discussion of any arrangement or transaction affecting that other organisation or person;
3. the Board Member who has the conflict of interest does not vote on any such matter and is not to be counted when considering whether a quorum of Trustees is present at the meeting;



4. the other board Members who have no conflict of interest in this matter consider it is in the interests of the Trust to authorise the conflict of interest in the circumstances applying.
5. Any such disclosure and the subsequent actions taken will be noted in the minutes.

For all other potential conflicts of interest the advice of the Charity Commission/EFA/External Legal Advisors will be sought. All matters including details of any external advice provided and steps taken to follow that advice will be recorded.

This policy supports existing governance arrangements within the Trust. Anyone not sure of how or whether this policy applies to them should seek advice from the Trust Secretary or the Chief Executive immediately they are aware of an issue or potential issue.

#### Other relevant documents

- Articles of Association
- Financial Regulations
- Anti-Fraud and Corruption Policy
- Code of Corporate Responsibility and Code of conduct