



Hambledon Youth Hut  
West Street  
Hambledon  
PO7 4RW  
02392 632242  
[www.hambledonpreschool.co.uk](http://www.hambledonpreschool.co.uk)

## 2.3 Conflict of Interest

### Policy statement

Our committee members have a duty to act in the best interests of the Pre-School and must not use their position as a committee member to their own benefit. Conflicts of interest occur when a committee member's personal interests, or the interests of an organisation or person connected to the committee member, have the potential to conflict with the interests of the Pre-School. Committee members must avoid all situations that may possibly lead to a conflict of interest and also have a legal duty to declare any potential conflicts of interest between themselves (or a connected person or organisation) and the Pre-School. Prior legal authorisation is also required in any situation where a committee member potentially stands to receive a material benefit from the Pre-School.

The purpose of this policy is to provide a procedure for recognising situations which can lead to potential or actual conflicts of interest and to create a clear and transparent process for declaring and managing these conflicts. All prospective committee members are made aware of this conflicts of interest policy and to encourage transparency, a copy is also made available publicly (on the Pre-School's website).

### Types of conflicts of interest

A conflict of interest can arise for a committee member in situations where there is the potential for:

- *Direct financial gain or benefit:* circumstances that involve a committee member receiving a direct financial gain or benefit might include:
  - A paid employee of the Pre-School becoming a committee member
  - Employing a committee member to work in a paid post within the Pre-School.
  - Paying a committee member, or an organisation, which a committee member has a financial interest in, for services provided to the Pre-School.
  - Paying a committee member for work they carry out as part of their committee duties
  - Selling Pre-School equipment or land to a committee member
  - A committee member providing a loan to the Pre-School
  - A waiver or reduction in childcare fees for a committee member

- *Indirect financial gain*: This can include the employment of a committee member's partner by the Pre-School, as the committee member may benefit indirectly from their partner's salary.
- *Non-financial gain*: A non-financial gain can include if a committee member is treated favourably when using the services of the Pre-School, because they are a committee member, such as if they were given priority above other families when applying for childcare sessions
- *Conflicts of loyalty or duty*: These might arise for a committee member if:
  - A partner, relation or close friend is employed by the Pre-School.
  - They are a committee member, employee or member of another organisation that has dealings, or may be in direct competition with the Pre-School e.g. for a funding bid

### **Authorisation for a committee member to receive a benefit**

Conflicts of interest are often created when a committee member stands to profit or personally benefit, either directly or indirectly, from the Pre-School or their role. Explicit legal authority must be obtained from the governing document, the Charity Commission or a court of law before a committee member received any financial or material benefit from the Pre-School. There are limited circumstances where a benefit will not require authority i.e. reasonably incurred expenses. Benefits that are available to anyone and not just the committee members will also not generally need to be authorised. All benefits and payments to committee members are clearly detailed in the Pre-School's accounts.

### **Procedure for dealing with conflicts of interest**

- The Pre-School maintains a committee member register of interests to help recognise potential conflicts of interest or loyalty for the committee members, recording information such as:
  - Sources of significant income of the committee members (not including the amount)
  - Significant business interests, including property holdings
  - Membership or board positions in other organisations
  - Significant participation in any form of a campaigning or political body
  - Details of any third parties that the committee member deals with on a regular basis
  - Relationships with any employees of the Pre-School, or any potential employees, suppliers, service providers or funders to the Pre-School
  - Situations where the committee member has the opportunity to benefit, including whether authority has been obtained.
- Committee members are asked to complete a declaration of interest form, disclosing any known interests which may conflict with the work of the Pre-School, on invitation to join the Pre-School as a committee member and annually thereafter to keep the committee member register of interests up-to-date.
- Significant interests for prospective committee members will be pointed out to the members at the time of committee member election.
- The committee member register of interests is used at each committee meeting to identify any items for discussion where there is potential for a conflict of interest to arise for any of the committee members

- As not all conflict of interest can be predicted in advance, committee members are asked to declare any potential conflicts of interest at the start of the meeting, and must withdraw from any discussions and voting on the matter concerned.
- To ensure transparency, the trustee is usually asked to leave the meeting at this point so that it cannot be claimed that they influenced the decision, although they may be asked to provide relevant information prior to this.
- Where a committee member from discussions due to a conflict of interest, they are not included in the quorum, whether they leave the room or remain present. If this makes the discussion inquorate, voting and decision-making on the matter is postponed until the next quorate meeting
- The conflict of interest and the action taken are recorded in the minutes of the meeting.

The above steps to declare that a conflict exists and to withdraw from the discussion and any decision-making will usually be all that is required if the conflict of interest does not involve a possible material benefit to the committee member. However, if a committee member is receiving a material benefit, specific legal authority is required and the additional conditions below are followed:

*Additional conditions relating to financial or material benefits*

- The committee members who do not stand to benefit from an arrangement make the decision over whether it is in the best interest of the Pre-School for a committee member to receive a financial or material benefit. The matter is recorded on the committee register of interests and the committee member concerned has no involvement
- In all cases where the committee members decide it is the best interest of the Pre-School, the committee members ensure they have the necessary legal authority before proceeding any further, making an application to the Charity Commission for authority in instances where the Pre-School's governing document does not provide this.
- If legal authority is provided:
  - The number of committee members receiving a financial or material benefit from the Pre-School at any time, either directly or indirectly through a connected person or organisation, are always in the minority
  - A written agreement is drawn up to set out the arrangements between the committee member concerned and the Pre-School, and is approved by the committee members who do not stand to benefit
  - Any payments or financial benefits made to a committee member are reasonable for the services provided and do not exceed the amount that would normally be paid to the Pre-School.
  - Committee members with a conflict of interest will not be permitted to sign contracts or invoices connected with the conflict
  - Committee members who receive a financial benefit from the Pre-School do not hold one of the Officer positions, as implementing the procedures required to manage the conflict of interest will make it difficult to fulfil certain duties connected to their roles.
  - The benefit is clearly recorded in the Pre-School's Annual Report and accounts

Each committee member is responsible for declaring any matters that may present any actual or potential conflict of interest. If any committee member is uncertain about what matters they should declare, they must raise the issue with the other committee members. The committee members will seek advice from the Charity Commission where necessary. The Charity Commission advice and any actions taken in following the advise will be recorded in the minutes.

The committee members must notify the Charity Commission if they find that a committee member is receiving an unauthorised benefit, or has not acted in the best interest of the Pre-School. In these cases, the committee member concerned may be in breach of the trust and could be liable to repay the value of the benefit to the Pre-School.

Where a conflict of interest may damage the interests or reputation of the Pre-School, the committee members may be asked to take steps to put and end to the situation causing the conflict; if necessary by resigning as a committee member of the Pre-School.