

## **Managing conflicts of interest**

Conflicts of interest affect charities of all types and sizes. They can lead to decisions that are not in the best interests of the charity and which are invalid or open to challenge. Conflicts of interest can also damage a charity's reputation or public trust and confidence in charities generally. These harmful effects can be prevented where individual trustees can identify a conflict of interest, and the trustee body acts to prevent the conflict affecting decision-making.

The Charity Commission expects charity trustees to take appropriate steps in line with its [guidance](#) to ensure that they can do this. The relevant Standing Order covering conflicts of interest is SO 019A.

Trustees within the Methodist Church are the members of the Church Council, Circuit Meeting and District Policy Committee. The members of these bodies are both managing trustees for the purposes of the Model Trust and Standing Orders, and charity trustees under Charity law. Throughout this document the reference will be to trustees.

### **How to identify, deal with, and record conflicts of interests**

Trustees have a legal duty to act in the best interests of their Local Church, Circuit or District 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 the trustee will not be able to comply with their duty unless certain steps are followed.

A trustee will have a conflict of interest if the charity is thinking of making a decision that would mean:

- A trustee [could benefit financially or otherwise from the charity](#), either directly or indirectly through someone the trustee is connected to.
- The trustee's duty to the charity [competes with a duty or loyalty](#) the trustee has to another organisation or person.

Many in the Church act in more than one capacity. This is one reason why conflicts of interest arise. Having a conflict of interest does not mean a trustee has done anything wrong; the important thing is that they declare their interest if they will be compromised and not vote on, or take part in, any discussion by the trustees on that particular matter (see SO 019A). Trustees must act to prevent any such conflicts of interest interfering with their ability to make decisions that are in the best interests of the charity, see CC3 [The Essential Trustee Guide, what you need to know, what you need to do](#).

Trustees should follow a 3-step approach (identify, prevent, record) to ensure they are able to comply with their duties under charity law and avoid:

- making decisions that could be overturned
- risking the charity's reputation (and potentially the reputation of the Church as a whole)
- having to repay the charity if they make unauthorised payments to trustees

## 1) How to identify a conflict of interest Legal requirement

Trustees must declare a conflict of interest as soon as they are aware of any possibility that his or her personal or wider interests could influence decision-making. It is best practice to have a standard agenda item at the beginning of each meeting to allow trustees to declare any actual or potential conflicts of interest.

Trustees should ensure that they are familiar with Charity Commission [guidance](#) to ensure that they can:

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

In larger Methodist charities, trustees might consider keeping a register of interests which would be updated when trustees' circumstances change and when new trustees are appointed. However, this is not essential.

Be aware of rules about 'connected persons' A 'connected person' can be a trustee's:

- spouse or partner
- sibling
- brother- or sister-in-law
- parent
- business partner

If a connected person is to be paid or employed by the charity, the trustee(s) they are connected to must not be involved in any part of the process. You need the Charity Commission's permission to pay or employ someone who is connected to a trustee.

## 2) How to deal with a conflict of interest

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

- finding an alternative way forward not involving the conflict of interest.
- taking appropriate steps to manage the conflict, if it is less serious, which will usually mean that the person affected does not take part in discussions or voting on the matter concerned. Best practice in such circumstances is for the trustees to leave the meeting whilst the particular issue is under discussion (see SO 019A).

[Charity law](#) places additional requirements on trustees in certain situations e.g. Charity Commission consent is required if charity land is to be sold to a trustee or other connected person, or if a trustee is to be paid for their services. The Charity Commission will also need to be consulted and authorisation sought, if most or all of the trustees share the conflict of interest.

### **3) How to record conflicts of interest**

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

Explain:

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

Legal requirement: for charities who prepare accruals accounts, the accounts must include details of any payments and benefits to the trustees and connected persons. It must be explained why the payments were necessary and the legal authority the trustees had to make them.

It is good practice to include details of trustee payments and benefits if accounts are prepared on a receipts and payments basis.

Further information

Please contact the Legal and Constitutional Practice team at [LCP@methodistchurch.org.uk](mailto:LCP@methodistchurch.org.uk)

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