



Falkirk Council

*Chief Executive Office
(Finance Services)*

Falkirk Council Pension Fund

Conflict of Interest Policy

Local Government Pension Scheme

01 May 2018

Version Control

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1.1	Initial Document	Pensions Manager	01.05.2018

FALKIRK COUNCIL PENSION FUND

Conflict of Interest Policy

1. Introduction

- 1.1 It is possible that those with responsibility for managing a local authority pension fund will face conflicts of interest from time to time. For example, individuals may have personal conflicts resulting from the posts they hold as a Councillor or through having personal, business or other interests in an issue relating to the Fund.
- 1.2 LGPS administering authorities have both fiduciary and public law duties to act in the best interests of scheme beneficiaries and participating employers. As those involved in the management of the Fund may have other roles or responsibilities resulting in actual or potential conflicts of interest, it is good practice to document how any such circumstances are to be managed.

2. Purpose and Objectives

- 2.1 This is the Conflict of Interest Policy of Falkirk Council Pension Fund. It is based on the requirements of the Councillors' Code of Conduct as drawn up by the Standards Commission for Scotland under the Ethical Standards in Public Life etc. (Scotland) Act 2000.
- 2.2 The Policy has been established to ensure compliance with statutory and regulatory requirements¹; to guide those responsible for Fund governance in their respective Fund responsibilities; and to demonstrate transparency and accountability in the management of the Fund.
- 2.3 Councillors who are members of the Pensions Committee or Pension Board are already subject to the Councillors' Code of Conduct and are therefore automatically subject to the Policy.
- 2.4 Members of the Committee or Board who are not Councillors are also required to adhere to the provisions of the Councillors' Code of Conduct (insofar as the Code relates to declarations of interest and the recording of such interests) to ensure a common Fund framework for identifying, monitoring and managing conflicts.

3. Policy Application

- 3.1 The Policy applies to:
 - all members of the Pensions Committee and the Pension Board; and
 - senior officers of Falkirk Council involved in the management, administration and governance of the Fund (i.e. the Chief Finance Officer and Pensions Manager)

¹ *The Public Service Pensions Act 2013 (Sect.5)*
The Local Government Pension Scheme (Governance)(Scotland) Regulations 2015 (Reg. 7)
Pensions Regulator Code of Practice 14: Governance and administration of public service pension schemes

- 3.2 The Chief Governance Officer is the designated officer responsible for ensuring the procedures outlined in the policy are adhered to. Where an actual or potential conflict of interest has been identified, the Chief Governance Officer will consider how the conflict should be managed.
- 3.3 The exception to 3.2 is where a conflict is identified or declared at a meeting. In those circumstances, it will be for the individual to decide in the context of the policy whether they should leave the meeting or exempt themselves from the item.
- 3.3 It is important that all Committee Members, Board Members and Senior Fund Officers are familiar with the contents of this policy (and Sections 3, 4 and 5 of the Councillors' Code of Conduct).

4. Seven Principles of Public Life

- 4.1 The Councillor's Code of Conduct sets out a number of general principles which are applicable to those delivering public services, including:

Selflessness - Holders of public office should act solely in terms of the public interest. They should not do so in order to gain financial or other benefits for themselves, their family or their friends.

Integrity - Holders of public office should not place themselves under any financial or other obligation to outside individuals or organisations that might seek to influence them in the performance of their official duties.

Objectivity - In carrying out public business, including making public appointments, awarding contracts, or recommending individuals for rewards and benefits, holders of public office should make choices on merit.

Accountability - Holders of public office are accountable for their decisions and actions to the public and must submit themselves to whatever scrutiny is appropriate to their office.

Openness - Holders of public office should be as open as possible about all the decisions and actions that they take. They should give reasons for their decisions and restrict information only when the wider public interest clearly demands it.

Honesty - Holders of public office have a duty to declare any private interests relating to their public duties and to take steps to resolve any conflicts arising in a way that protects the public interest.

Leadership - Holders of public office should promote and support these principles by leadership and example.

- 4.2 These key principles are there for the guidance of Committee and Board members and to help them in interpreting the Code. Ultimately, it is the responsibility of Committee and Board members to make sure they are complying with the relevant provisions of the Code. In doing so, they may need to exercise their judgement and consider how a member of the public, with knowledge of the relevant facts, would regard actions or decisions taken.

5. What is a Conflict or Potential Conflict of Interest?

5.1 The Public Services Pensions Act 2013 defines a conflict of interest as *“a financial or other interest which is likely to prejudice the person’s exercise of functions as a member of the board (but does not include a financial or other interest arising merely by virtue of membership of the scheme or any connected scheme).”*

5.2 For instance, a conflict of interest could therefore arise when an individual has a responsibility or duty relating to the management of a Fund, and at the same time has:

- a separate personal interest (financial or otherwise) or
- another responsibility giving rise to a possible conflict

Such a conflict could, for example, arise due to a family member or close colleague having a specific responsibility or interest in a matter.

5.3 Some further examples of potential conflicts are set out in Appendix A.

6. Registrable Interests

6.1 All Pensions Committee, Pension Board members and Designated Officers (i.e. the Chief Finance Officer and Pensions Manager) are required to complete a Notice of Interests Form which will be held and made available for public inspection.

6.2 Where a Notice of Interests Form (or equivalent) has been completed by a Councillor as part of the procedures of Clackmannanshire or Stirling Council, the member will be asked to provide the Chief Governance Officer with a copy.

6.3 Section 4 of the Councillors’ Code of Conduct lists the categories of interest that are considered “registrable”. Individuals should review their own personal circumstances against these categories at least once a year.

6.4 Registrable interests include “remuneration”, “related undertakings” (e.g. directorships), “contracts”, “gifts and hospitality” and “interests in shares and securities”.

6.5 In relation to the non-Councillor members of the Committee and Board, remuneration from the post or office which has given rise to membership of the Committee or Board is not deemed registrable.

6.6 An interest in shares or securities is only of relevance if it is in excess of £25,000 or more than 1% of the issued share capital of a company or other body.

6.7 Gifts or hospitality that may be seen to influence or be intended to influence opinion or judgement should not be accepted.

6.8 Further details on registrable Interests can be found in the Code of Conduct for Councillors and in the accompanying Guidance on the Councillors’ Code of Contact.

7. Declarable Interests

- 7.1 Section 5 of the Councillors' Code of Conduct outlines various considerations around Declarations of Interest. These are interests that may influence or be thought to influence the actions of those persons covered by the Policy. The relevant test is whether a member of the public with knowledge of the facts would reasonably regard the interest as so significant as to prejudice the discussion or decision making process.
- 7.2 Declarable interests may or may not be registrable interests and may be of a financial or non-financial nature. They may relate to those interests covered by the policy directly or of their relatives and close friends.
- 7.3 There is no need to declare an interest unless it is clear and substantial.
- 7.4 All meetings of the Fund should include a standing item titled Declarations of Interest at the start of the meeting in order that any declaration of interest in relation to items on the agenda can be made.
- 7.5 All Pensions Committee, Pension Board members and Senior Fund Officers are required to notify the Chief Governance Officer of any declarable interest relating to their role in managing the Pension Fund in writing at the earliest opportunity.

8. Managing Conflicts of Interest

- 8.1 It is the responsibility of each individual covered by this Policy to identify any potential instances where their personal, financial, business or other interests might come into conflict with their pension fund duties. Falkirk Council Pension Fund wishes to encourage a culture of openness and transparency and therefore encourages individuals to be vigilant in recognising actual or potential conflicts.
- 8.2 The Chief Governance Officer, in consultation with the Chief Finance Officer, will evaluate the nature of any dual interests and assess their impact on Pension Fund operations and good governance.
- 8.3 Provided that the Chief Governance Officer (in consultation with the Chief Finance Officer), is satisfied that the method of management is satisfactory, it shall endeavour to avoid an individual having to resign due to a conflict of interest. However, where the conflict is considered to be so fundamental that it cannot be effectively managed, or where a Pension Board member has an actual conflict of interest as defined in the Public Service Pensions Act, the individual will be required to resign from the Board.

9. Operational Procedure for Managing Conflicts

- 9.1 The process for managing conflict is set out overleaf and is consistent with the recommendations of the Pensions Regulator for potential and actual conflicts to be identified, monitored and managed.

Stage	Process
<p>Step 1 - Initial identification of interests which do or could give rise to a conflict.</p>	<p>On appointment to their role (or on the commencement of this Policy if later), all individuals will be advised of this Policy and be asked to complete a Notice of Interests Form (n.b. this may already have been completed in the course of an elected member's other Council business).</p> <p>This information will be monitored by the Chief Governance Officer who in conjunction with the Chief Finance Officer will assess the extent to which any declarations are relevant to the individual's role in relation to the Pension Fund. Each individual is responsible for advising of any new actual or potential conflict of interest.</p>
<p>Step 2 – Ongoing notification and management of potential or actual conflicts of interest</p>	<p>At the commencement of any Pensions Committee, Pension Board or other formal meeting where Pension Fund matters are to be discussed, the Chair will ask all those present who are covered by this Policy to declare any interests and potential conflicts.</p> <p>All interests declared will be detailed in the record of the meeting.</p> <p>Any individual who considers that they have a potential or actual conflict of interest which relates to an item of business at a meeting, must advise the Chair and Committee Clerk prior to the meeting or state this clearly at the meeting at the earliest possible opportunity.</p> <p>Where a conflict is identified during the meeting, it will be a matter for the individual to determine whether they should leave the meeting or exempt themselves for the item</p> <p>The conflict must be recorded in the minutes of the meeting. The Chief Governance Officer in consultation with the Chief Finance Officer will consider any further action is required to manage the potential or actual conflict.</p>
<p>Step 3 – Periodic review and monitoring of conflicts</p>	<p>The Chief Governance Officer will periodically ask members of the Pensions Committee, Pension Board and Designated Officers to review their Registrable Interests.</p> <p>All individuals should either confirm in writing that the information held is correct or provide an updated Notice of Interests Form.</p>

10. Operational Requirements for Advisers

10.1 Many advisers will be required to meet professional standards relating to the management of conflicts of interest. How conflicts of interest are identified and managed should be addressed within the Fund's contractual agreements with those advisers and suppliers. In addition, the following requirements will apply:

- Where the Fund's advisers are asked to give advice to Scheme employers (including Falkirk Council) or to scheme members or Trades Unions, in relation to pension matters, or where, an adviser is also appointed to another LGPS Fund, which is involved in a transaction involving the Fund, that adviser can only

continue to advise the Fund and the other party where there is no conflict of interest in doing so.

- Where the Pension Board decides to appoint an adviser, this can be the same person as is appointed to advise the Pensions Committee or Fund officers as long as there is no conflict of interest between the two roles.

10.2 Advisers should be:

- provided with a copy of this Policy on appointment and be expected to adhere to its principles;
- expected to provide, on request, information as to how they will manage actual or potential conflicts of interest relating to the provision of advice or services to the Fund; and
- notify the Chief Governance Officer or Chief Finance Office immediately should a potential or actual conflict of interest arise.

11. Monitoring and Reporting

11.1 The Registrable Interests of Committee, Board and Designated officers will be available for inspection at the Council Offices, Municipal Buildings, Falkirk.

11.2 Any matters of significance in relation to conflicts of interest will be reported in the Fund Annual Report.

12. Risks

12.1 The risks surrounding the Policy are outlined below -

- Individuals do not understand or are unaware of the requirements of the Policy
- Incorrect action being taken on identification of a conflict
- Failure by Committee or Board member or Designated Officer to make a declaration of interest leading to inappropriate decision making or wider governance.

13. Costs of Operating the Policy

13.1 All costs that are additional to those incurred by Elected Members will be met directly by Falkirk Council Pension Fund. No payments will be made to any individuals in relation to any time spent or expenses incurred in the disclosure or management of any potential or actual conflicts of interest they may have under this Policy.

14. Approval, Review and Consultation

14.1 This Conflict of Interest Policy has been approved by Falkirk Council's Pensions Committee on the date on the front cover of the policy and may be reviewed and updated from time to time.

15. Further Information

15.1 If you require further information about anything in or related to this Conflicts of Interest Policy, please contact:

Pensions Manager
Falkirk Council

E-mail - alastair.mcgirr@falkirk.gov.uk
Phone - 01324 506333

1 May, 2018

Appendix A

Examples of Potential Conflicts of Interest

- a) A member of the Pensions Committee or Pension Board has ties with an investment manager that the Fund is considering appointing.
- b) An officer or member of the Pensions Committee or Board accepts hospitality and/or gifts from a potential adviser or supplier, especially where a procurement exercise relating to those services is imminent.
- c) An employer representative on the Pension Board is also employed by a company to which the Council has outsourced some of its services and a pensions liability question is being considered.
- d) A trade union representative, appointed to the Pension Board to represent the entire scheme membership could be conflicted if he or she only acts in the interests of their union and union membership, rather than in the interests of all scheme members.
- e) An officer of the Fund or member of the Pensions Committee accepts a dinner invitation from a fund manager, who has submitted a bid as part of a tender process.