

## **Case study – conflict of interest**

A large charitable trust faced an inherent conflict of interest in its governance, as all but two of the 24 trustees were Councillors appointed by the local authority. As local Councillors, they were bound by a responsibility to act in the best interests of the local authority, but as charity trustees they had a duty to act in the best interests of the charity.

The charity's structure was complex, and it was difficult for the trustees to demonstrate independence from the local authority and comply with their duties under charity law. The Council's chief executive had also been the chief executive of the charity. The Council's website featured a page that provided the charity's contact details, and made references to the charity, without making clear that the charity was a separate body.

### **What happened?**

Initially, the charity's trustees addressed some issues, but not the inherent conflict of interest.

- The charity appointed a separate chief executive.
- It developed a dedicated website for the charity, that was hosted by a separate company.
- The charity had a conflict of interest policy but it was not clear that it had been invoked in all of the relevant instances.

The charity undertook to address the inherent conflict of interest by appointing a majority of trustees that were not connected to the local authority. It invited local people to apply for charity trustee posts and set out the selection process, making clear that the new Board would comprise the balance of skills and experience required to run the charity effectively.

### **Outcome**

The charity appointed a selection panel that included independent members, to assess applicants and appoint new Board members. The process was widely reported in the local media as were profiles of the successful applicants. The new Board members took up their roles enthusiastically and were able to demonstrate to the community, their independence from the local authority.

## **What can you do to protect your charity?**

Charity trustees have an overall duty to act in the best interests of the charity. They must act in the charity's best interests, and not in the interests of any organisation that appointed them or with which they are connected – for example, an employer.

- You must put the interests of the charity first, and be able to demonstrate that the decisions you take are in the charity's best interests. You must do what is best for the charity – not what is best for you, your friends or family.
- Your charity should have a Conflict of Interest policy that says what you should do if there is a conflict of interest, and what happens if a charity trustee does something wrong. Make sure that this is adhered to where a conflict arises.
- You should also consider the reputational impact – how it looks to the wider community should you fail to address a conflict of interest.

## **Guidance and support**

- You can read our guidance on charity trustee duties at <http://www.oscr.org.uk>
- You can read our guidance ['Who's in Charge'](#)
- Our [Good Governance Checklist](#) gives guidance for Councillors who are also charity trustees.
- You can get help and support in setting up policies and procedures, and arrange training, with help from your local [Third Sector Interface](#).