

Conflicts of Interest Policy

Northumberland County Council as Fire and Rescue Authority and Scheme Manager of the Firefighters' Pension Scheme

April 2016

CONFLICTS OF INTEREST POLICY

Introduction

Conflicts of interest have always existed for those with Firefighters' Pension Scheme (FPS) Scheme Manager responsibilities as well as for their advisers. This simply reflects the fact that many of those managing or advising the FPS will have a variety of other roles and responsibilities, for example as a member of the FPS or as an adviser to more than one FPS Scheme Manager. Further, any of those persons may have an individual personal, business or other interest which might conflict, or be perceived to conflict, with their role managing or advising the FPS Scheme Managers.

It is generally accepted that FPS Scheme Managers have both fiduciary and public law duties to act in the best interest of both the FPS beneficiaries and the employer. This, however, does not preclude those involved in the management of the FPS from having other roles or responsibilities which may result in an actual or potential conflict of interest. Accordingly, it is good practice to document within a policy, such as this, how any such conflicts or potential conflicts are to be managed.

Purpose and objectives

This is the Conflicts of Interest Policy of the FPS for Northumberland Fire and Rescue service, which is managed by Northumberland County Council (the Scheme Manager). The Policy details how actual and potential conflicts of interest are identified and managed by those involved in the management and governance of the FPS for Northumberland Fire and Rescue Service, whether directly, or in an advisory capacity.

This Conflicts of Interest Policy is established to guide the NCC FPS Local Pension Board members, officers and advisers. Along with other constitutional documents, including various Codes of Conduct, it aims to ensure that those individuals do not act improperly or create a perception that they may have acted improperly. It is an aid to good governance, encouraging transparency and minimising the risk of any matter prejudicing decision making or management of the FPS for Northumberland Fire and Rescue Service otherwise.

The Scheme Manager's objectives, as they relate to governance of the FPS for Northumberland Fire and Rescue Service are to:

- ensure robust governance arrangements are in place to facilitate informed decision making supported by appropriate advice, policies and strategies, which do not unreasonably favour one group of stakeholders over another;
- ensure the FPS for Northumberland Fire and Rescue Service is managed and its services delivered by people who have the appropriate knowledge and expertise;

- comply with all appropriate legislation and statutory guidance, and to act in the spirit of other relevant guidelines and best practice guidance.

The identification and management of potential and actual conflicts of interest is integral to the Scheme Manager achieving its governance objectives which are set out in the NCC FPS Governance Policy Statement provided in Appendix A to this Policy.

To whom this Policy applies

This Policy and the issue of conflicts of interest in general must be considered in the light of each individual's role, whether this is a management, advisory or assisting role. This Conflicts of Interest Policy applies to:

- all members of the NCC FPS Local Pension Board, including scheme member and employer representatives, whether voting members or not;
- all members of the NCC Disputes Panel (Fire Service);
- all employees of Northumberland County Council who are involved in the administration and the management of the FPS for Northumberland Fire and Rescue Service, including the Chief Financial Officer and Monitoring Officer; and
- all advisers and suppliers to the Fund, whether advising the NCC FPS Local Pension Board or officers, in relation to their Scheme Manager role.

The Chief Financial Officer will monitor potential conflicts for less senior officers involved in the daily management of the FPS for Northumberland Fire and Rescue Service and highlight this Policy to them as he or she considers appropriate.

In this Policy, reference to advisers includes all advisers, suppliers and other parties providing advice and services to the Scheme Manager in relation to FPS Pension matters. This includes but is not limited to actuaries, independent advisers, benefits consultants, third party administrators, and lawyers.

Where an advisory appointment is with a firm rather than an individual, reference to "advisers" is to the lead adviser(s) responsible for the delivery of advice and services to the Scheme Manager rather than the firm as a whole.

In accepting any role covered by this Policy, those individuals agree that they must:

- acknowledge any potential conflict of interest they may have;
- be open with the Scheme Manager on any conflicts of interest they may have;
- adopt practical solutions to managing those conflicts; and
- plan ahead and agree with the Scheme Manager how they will manage any conflicts of interest which arise in future.

The procedures outlined later in this Policy provide a framework for each individual to meet these requirements.

Legislative and related context

The overriding requirements in relation to the management of potential or actual conflicts of interest for those involved in the FPS are contained in various elements of legislation and guidance. These are considered further below.

The Public Service Pensions Act 2013

Section 5 of this Act requires that the scheme manager (in the case of the FPS, this is Northumberland County Council as Fire and Rescue Authority) must be satisfied that a local pension board member does not have a conflict of interest at the point of appointment and from time to time thereafter. It also requires local pension board members (or nominated members) to provide reasonable information to the scheme manager for this purpose.

The Act 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).”

Further, the Act requires that scheme managers must have regard to any such guidance that the national scheme advisory board issue (see below).

The Firefighters' Pension Scheme (Amendment) (Governance) Regulations 2015

Regulation 4C of these Regulations applies the requirements of the Public Service Pensions Act (as outlined above) to the FPS, placing a duty on each scheme manager to satisfy itself that local pension board members do not have conflicts of interest on appointment or whilst they are members of the board. It also requires those local pension board members to provide reasonable information to the scheme manager in this regard.

Regulation 4D states that each scheme manager must have regard to guidance issued by the Secretary of State in relation to local pension boards. Further, regulation 4E provides that the national Firefighters' scheme advisory board has a function of providing advice to scheme managers and local pension boards. Although the FPS national scheme advisory board did not issue guidance in this area, the LGPS national scheme advisory board issued guidance relating to the creation of local pension boards including a section on conflicts of interest. Given the similarities between the requirements of the LGPS Pension Boards and the FPS Pension Boards, this Conflicts of Interest Policy has been developed having regard to that guidance.

The Pensions Act 2004

The Public Service Pensions Act 2013 also added a number of provisions to the Pensions Act 2004 related to the governance of public service pension schemes and, in particular, conflicts of interest.

Section 90A requires the Pensions Regulator to issue a code of practice relating to conflicts of interest for local pension board members. The Pensions Regulator has issued such a code and this Conflicts of Interest Policy has been developed having regard to that code.

Further, under section 13, the Pensions Regulator can issue an improvement notice (i.e. a notice requiring steps to be taken to rectify a situation) where it is considered that the requirements relating to conflicts of interest for local pension board members are not being adhered to.

The Localism Act 2011

Chapter 7 of this Act requires councillors to comply with the code of conduct of their local authority and that code of conduct must be consistent with the Seven Principles of Public Life (considered further below). In addition the Act requires that the code of conduct must include provisions requiring the disclosure and registration of pecuniary interests and interests other than pecuniary interests.

The Seven Principles of Public Life

Otherwise known as the 'Nolan Principles', the seven principles of public life apply to anyone who works as a public office-holder. This includes people who are elected or appointed to public office, nationally and locally, and all people appointed to work in:

- the civil service;
- local government;
- the police;
- the courts and probation services;
- non-departmental public bodies; and
- health, education, social and care services.

The principles also apply to all those in other sectors that deliver public services, which includes Firefighters.

Many of the principles are integral to the successful implementation of this Policy:

- selflessness;
- integrity;
- objectivity;
- accountability;
- openness;
- honesty; and
- leadership.

Advisers' professional standards

Many advisers will be required to meet professional standards relating to the management of conflicts of interest, for example, Actuaries will be bound by the requirements of the Institute and Faculty of Actuaries. Any contract, protocol or other document entered into between an adviser and the Scheme Manager which includes any requirement relating to conflicts of interest, whether as a professional body or otherwise, should be read in conjunction with this Policy.

Northumberland Fire and Rescue Service specific requirements

NCC FPS Local Pension Board members

In addition to the requirements of this Policy, NCC FPS Local Pension Board members are required to adhere to Part 7 of the Terms of Reference of the NCC FPS Local Pension Board which includes declaring any interests that may lead to a conflict of interest.

Employees

In addition to the requirements of this Policy, employees of Northumberland County Council are required to adhere to the Northumberland County Council Employees' Code of Conduct which includes requirements in relation to the disclosure and management of personal and pecuniary interests.

Advisers and suppliers

The Scheme Manager appoints its own advisers and suppliers. How conflicts of interest will be identified and managed should be addressed within its contractual agreements with those advisers and suppliers. In addition, the following requirements will apply:

- where
 - the Scheme Manager's advisers are asked to give advice to the Council or to scheme members or member representatives such as the Trades Unions, in relation to pension matters; or
 - where an adviser is also appointed to another scheme manager which is involved in a transaction involving FPS for Northumberland Fire and Rescue Service and on which advice is required,
that adviser can only continue to advise the Scheme Manager and another party where there is no conflict of interest in doing so; and
- where the NCC FPS Local Pension Board decides to appoint an adviser, this can be the same person as is appointed to advise the Scheme Manager as long as there is no conflict of interest between the two roles.

Conduct at meetings

There may be circumstances where a representative of the employer or the members wishes to provide a specific point of view on behalf of the employer or the member (or group of members). The Scheme Manager requires that any individual wishing to speak from an employer's or member's viewpoint

must state this clearly, e.g. at a NCC FPS Local Pension Board meeting, and that this will be recorded in the minutes.

What is a conflict or potential conflict and how will they be managed?

The Public Service Pensions Act 2013 defines a conflict of interest as a financial or other interest which is likely to prejudice a person's exercise of functions.

Therefore, a conflict of interest may arise when an individual:

- has a responsibility or duty in relation to the management of or advice for the FPS managed by Northumberland County Council; and
- at the same time has:
 - a separate personal interest (financial or otherwise); or
 - another responsibility in relation to that matter, giving rise to a possible conflict with his/her first responsibility.

An interest could also arise due to a family member or close colleague having a specific responsibility or interest in a matter.

Some examples of potential conflicts are included in **Appendix 1**.

Northumberland County Council, as Scheme Manager, will encourage a culture of openness and transparency and will encourage individuals to be vigilant, have a clear understanding of their role and the circumstances in which they may find themselves in a position of conflict of interest, and of how potential conflicts should be managed. Northumberland County Council, as Scheme Manager, will evaluate the nature of any dual interests or responsibilities that are highlighted and assess the impact on FPS operations and good governance were an actual conflict of interest to materialise.

Ways in which conflicts of interest may be managed include:

- the individual concerned abstaining from discussion, decision-making or providing advice relating to the relevant issue;
- the individual being excluded from the meeting(s) and any related correspondence or material in connection with the relevant issue (for example, a report for an FPS Local Pension Board meeting); or
- a working group or sub-committee being established, excluding the individual concerned, to consider the matter outside of the formal meeting (where the terms of reference permit this to happen).

Provided that the Scheme Manager (having taken any professional advice deemed to be required) is satisfied that the method of management is satisfactory, this will hopefully avoid the need for an individual to have 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 NCC FPS Local 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 or appointment.

Responsibility

Northumberland County Council as the Scheme Manager (as defined in the Public Service Pensions Act 2013) for the FPS for Northumberland Fire and Rescue Service must be satisfied that conflicts of interest are appropriately managed. For this purpose, the Chief Financial Officer* and Monitoring Officer are the designated individuals for ensuring the procedure outlined below is adhered to.

However, it is the responsibility of each individual covered by this Policy to identify any potential instances where his/her personal, financial, business or other interests might come into conflict with his/her FPS Pension duties.

* from April 2016, the Chief Financial Officer has nominated the Principal Accountant (Pensions) as main contact for implementation of this Policy.

Operational procedure for officers and NCC FPS Local Pension Board members

What is required	How this will be done
<p>Step 1 - Initial identification of interests which are 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 provided with a copy of this Policy and be required to complete a Declaration of Interest the same as or similar to that included in Appendix 2.</p> <p>The completed declarations will be provided by each individual to the Principal Accountant (Pensions) who will assess the extent to which any declarations are relevant to the individual's role in relation to the FPS and collate the information into the FPS's Register of Conflicts of Interest in a format the same or similar to that included in Appendix 3.</p>
<p>Step 2 - Ongoing notification and management of potential or actual conflicts of interest</p>	<p>At the commencement of any NCC FPS Local Pension Board or other formal meeting where FPS matters are to be discussed, the Chair will ask all those present who are covered by this Policy to declare any new interests and potential conflicts. These will be recorded in the FPS's Register of Conflicts of Interest. In addition, the latest version of the Register will be made available by the Principal Accountant (Pensions) to the Chair of every meeting prior to that meeting.</p> <p>Any individual who considers that he/she or another individual has a potential or actual conflict of interest which relates to an item of business at a meeting, must advise the Chair and the Principal Accountant (Pensions) prior to the meeting, where possible, or state this clearly at the meeting at the earliest possible</p>

	<p>opportunity. The Chair, in consultation with the Principal Accountant (Pensions), should then decide whether the conflicted or potentially conflicted individual needs to leave the meeting during the discussion on the relevant matter or to withdraw from voting on the matter.</p> <p>If such a conflict is identified outside of a meeting the notification must be made to the Principal Accountant (Pensions) and where it relates to the business of any meeting, also to the Chair of that meeting. The Principal Accountant (Pensions), in consultation with the Chair where relevant, will consider any necessary action to manage the potential or actual conflict.</p> <p>Where information relating to any potential or actual conflict has been provided, the Principal Accountant (Pensions) may seek professional advice as they think fit (such as legal advice from the Monitoring Officer or other source) on how to address any identified conflicts.</p> <p>Any such potential or actual conflicts of interest and resulting action must be recorded on the FPS's Register of Conflicts of Interest.</p>
<p>Step 3 - Periodic review of potential and actual conflicts</p>	<p>At least once every 12 months, the Principal Accountant (Pensions) will provide to all those to whom the above procedures apply a copy of the FPS's Register of Conflicts of Interest. All individuals will confirm in writing to the Principal Accountant (Pensions) that the information held in relation to them is correct. If that is not the case, they will complete a new Declaration of Interest as per step 1 and the Register will be updated. (Following this exercise, the updated Register will then be re-circulated by the Principal Accountant (Pensions) to all individuals to whom the above procedures apply).</p>

Operational procedures for advisers

Although this Policy applies to all advisers, the operational procedures outlined in steps 1 and 3 above relating to completing ongoing declarations are not expected to apply to advisers. Instead all advisers must:

- be provided with a copy of this Policy on appointment and whenever it is updated;
- adhere to the principles of this Policy;
- provide, on request, information to the Principal Accountant (Pensions) in relation to how they will manage actual or potential conflicts of interest relating to the provision of advice or services to Northumberland County Council as Scheme Manager; and
- notify the Principal Accountant (Pensions) immediately should a potential or actual conflict of interest arise.

All potential or actual conflicts notified by advisers will be recorded in the FPS's Register of conflicts of interest.

Monitoring and reporting

The FPS's Register of Conflicts of Interest may be viewed by any interested party at any point in time. It will be made available by the Principal Accountant (Pensions) on request.

In order to identify whether the objectives of this Policy are being met the Scheme Manager will review the FPS's Register of Conflicts of Interest on an annual basis and consider whether there has been any potential or actual conflicts of interest that were not declared at the earliest opportunity.

Key risks

The key risks to the delivery of this Policy are outlined below, all of which could result in an actual conflict of interest arising and not being properly managed. The Monitoring Officer and the Chief Financial Officer with the assistance of Principal Accountant (Pensions) will monitor these and other key risks and consider how to respond to them. Key risks are:

- insufficient training or poor understanding in relation to individuals' roles on FPS matters;
- insufficient training or failure to communicate the requirements of this Policy;
- absence of the individual allocated to manage the operational aspects of this Policy and no one deputising or failure of that individual to carry out the operational aspects in accordance with this Policy;
- failure by a chairperson to take appropriate action when a conflict is highlighted at a meeting; and
- failure by a NCC FPS Local Pension Board member to make a declaration of interest resulting in an actual conflict of interest.

Costs

All costs related to the operation and implementation of this Policy will be met directly by Northumberland Fire and Rescue Service. However, 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.

Approval, review and consultation

This Conflicts of Interest Policy was approved by the Chief Financial Officer in consultation with the Chief Fire Officer and the FPS Local Pension Board in March 2016, to take effect from 1 April 2016. It will be formally reviewed and updated at least every three years or sooner if the conflict management arrangements or other matters included within it merit reconsideration

including if there are any changes to the FPS or other relevant Regulations or Guidance which need to be taken into account.

Further information

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

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Examples of potential conflicts of interest

- a) An officer or member of the FPS Local Pension Board accepting hospitality and gifts from a potential adviser or supplier could be perceived as a potential or actual conflict of interest, particularly where a procurement exercise relating to those services is imminent.
- b) An employer representative on the NCC FPS Local Pension Board is employed by a company to which the scheme manager has outsourced its pension administration services and the FPS Local Pension Board is reviewing the standards of service provided by that company.
- c) The person appointed to consider internal disputes is asked to review a case relating to a close friend or relative.
- d) Officers are asked to provide a report to the NCC FPS Local Pension Board on whether the administration services should be outsourced which, if it were to happen, could result in a change of employment conditions or job insecurity for them.
- e) A member representative, who is also a trade union representative, appointed to the NCC FPS Local Pension Board to represent the entire scheme membership could be conflicted if he or she only acts in the interests of his/her union and union membership, rather than all scheme members.
- f) An adviser is party to the development of a strategy which could result in additional work for his/her firm.
- g) An employer representative has access to information by virtue of his or her employment, which could influence or inform the considerations of the NCC FPS Local Pension Board. He or she has to consider whether to share this information in the light of his/her duty of confidentiality to his/her employer. His/her knowledge of this information will put him/her in a position of conflict if it is likely to prejudice his/her ability to carry out his/her functions as a member of the NCC FPS Local Pension Board.

Declaration of interests relating to the management of the FPS for Northumberland Fire and Rescue Service by Northumberland County Council

Tick as appropriate

I, [full name], am:

- an officer involved in the management/administration
- an FPS Local Pension Board member

of the FPS for Northumberland Fire and Rescue Service and I set out below under the appropriate headings my interests, which I am required to declare under the Northumberland FPS Conflicts of Interest Policy. I have put "none" where I have no such interests under any heading.

Responsibilities or other interests that could result in a conflict of interest (please list and continue overleaf if necessary):

A) *Relating to me*

B) *Relating to family members or close colleagues*

Undertaking:

I declare that I understand my responsibilities under the Northumberland FPS Conflicts of Interest Policy. I undertake to notify the Principal Accountant (Pensions) of any changes in the information set out above.

Signed _____ **Date** _____

Name (CAPITAL LETTERS) _____

Northumberland FPS - Register of Potential and Actual Conflicts of Interest

All reported conflicts of interest will be recorded in the minutes and a register of conflicts will be maintained and reviewed annually by Northumberland County Council, the Scheme Manager.

Date identified	Name of Person	Role of Person	Details of conflict	Actual or potential conflict	How notified ⁽¹⁾	Action taken ⁽²⁾	Follow up required	Date resolved

⁽¹⁾ E.g. verbal declaration at meeting, written conflicts declaration, etc

⁽²⁾ E.g. withdrawing from a decision making process, left meeting

Appendix A – NCC FPS Governance Policy Statement

Brief details of Firefighters' Pension Scheme (FPS) governance arrangements within NCC

With effect from 1 April 2015

The Public Service Pensions Act 2013 set out new governance arrangements for all public service schemes with effect from **1 April 2015**, including the requirement for each public service scheme to have a **Scheme Manager** and a local **Pension Board** (LPB) in place.

Scheme Manager

The term Scheme Manager is defined as the person responsible for **managing or administering** the scheme, and the 2013 Act makes it clear that the “person” referred to may be the responsible authority. The Firefighters' Pension Scheme (FPS) Governance Regulations provide that for the FPS, the Scheme Manager is the appropriate fire and rescue authority. Therefore, it is **NCC** acting in its capacity as a **fire and rescue authority** that has the Scheme Manager role to administer the FPS in Northumberland.

On 1 April 2015 NCC's Constitution was changed to add the following to Part 4 (Delegation Scheme):

“9. The Lead Executive Director

The Lead Executive Director will also have service responsibilities for:

(b) The exercise of the scheme manager function for the Firefighters' Pension Scheme in consultation with the Chief Fire Officer.”

Therefore, for the FPS in NCC, the term “Scheme Manager” means NCC, and NCC has delegated the function to the Lead Executive Director (now the Chief Executive) in consultation with the Chief Fire Officer.

NCC has also established a **Disputes Panel (Fire Service)** with powers “*To hear and determine disputes, as required, in accordance with the provisions in the National Joint Council for Local Authority Fire and Rescue Services.*” The Disputes Panel is part of the Scheme Manager function.

Local Pension Board

The FPS Local Pension Board (“the Board”) was established from 1 April 2015 by Northumberland County Council at its meeting held on 1 April 2015.

The key points incorporated in the FPS Local Pension Board Terms of Reference are:

- there are four members of the Board, or five if an independent chair is deemed necessary;
- only the four members of the Board (i.e. not the independent chair, if there is one) have voting rights;

- the two employer representatives are both NCC councillors other than the Chairman of the Pension Fund Panel or members of the Disputes Panel (Fire Service);
- the two Scheme member representatives are
 - (i) a FPS union representative, and
 - (ii) a FPS active or pensioner member, sourced by seeking interest from members via a direct request; and
- there are a minimum of two meetings per year, with the option for the Chair of the Board to call more.

The terms, structure and operational procedures of the Board are set out in the Board's Terms of Reference.

The role of the Board is to assist Northumberland County Council as Scheme Manager:

- to secure compliance with the FPS Regulations and any other legislation relating to the governance and administration of the Scheme, and requirements imposed in relation to the FPS by the Pensions Regulator; and
- to ensure the effective and efficient governance and administration of the FPS.

The Board provides oversight of these matters and, accordingly, it is not a decision making body in relation to the management or administration of the FPS, but makes recommendations to assist in such management.

Governance objectives

- To ensure robust governance arrangements are in place to facilitate informed decision making supported by appropriate advice, policies and strategies;
- To ensure the FPS is administered and its services delivered by people who have the appropriate knowledge and expertise;
- To ensure compliance with all appropriate legislation and statutory guidance, and to act in the spirit of other relevant guidelines and best practice guidance; and
- To identify and manage potential and actual conflicts of interest.