

# **London Borough of Hillingdon Pension Fund**

## **Conflicts of Interest Policy**



HILLINGDON  
LONDON

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## **1. Introduction**

The London Borough of Hillingdon ('the Council') is the administering authority of the London Borough of Hillingdon Pension Fund ('the Fund'). The Council delegates the management of the Fund to its Pensions Committee ('the Committee') which is assisted by the Local Pension Board.

This Conflict of Interest Policy applies to all members of the Pensions Committee , Local Pensions Board , all managers in the Council's Pension Fund Management Team, and the Corporate Director of Finance (Section 151 Officer) who are, from hereon in, collectively referred to as the senior officers of the Fund .

The Head of Pension, Treasury & Statutory Accounts will monitor potential conflicts for less senior officers involved in the daily management of the Fund and highlight this Policy to them as appropriate.

This Policy will be regularly reviewed in accordance with the requirements of the Pensions Regulator's codes and any other regulations that apply. It will be reviewed every three years or more frequently if deemed necessary.

## **2. Legislative Context**

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

The Public Service Pensions Act 2013, Section 5(4) requires that any member of a Pension Board must not have a "conflict of interest", which is defined in Section 5(5) 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."

This policy should be considered in the context that the Local Pension Board assists in complying with regulations and is not a decision making body. It is not therefore anticipated that any significant conflict of interest will arise. This policy has been established as the agreed framework for the Council, as the administering authority of the Fund to effectively apply the three step approach of identifying, monitoring and managing conflicts of interest including but not limited to the consideration of actual or potential conflicts related to stewardship matters.

The Pension Regulators General Code of Practice (the Code) requires funds to have an agreed documented conflict of interest policy for managing actual and perceived conflicts of interest and to publish on the fund's website. The Code also requires the fund to have processes in place to ensure that their decision-making is not compromised by actual or potential conflicts.

Scheme regulations and the Code require that the Fund must be satisfied that a prospective member of the Local Pension Board does not have a conflict of interest and must remain satisfied that none of the members has a conflict of interest.

### **3. CIPFA Investment Pooling Governance Principles for LGPS Administering Authorities Guidance**

The CIPFA governance principles guidance states "the establishment of investment pooling arrangements creates a range of additional roles that committee members, representatives, officers and advisers might have." It includes some examples of how conflicts of interest could arise in these new roles.

It highlights the need for Administering Authorities to:

- update their conflicts policies to have regard to asset pooling;
- remind all those involved with the management of the fund of the policy requirements and the potential for conflicts to arise in respect of asset pooling responsibilities; and
- ensure declarations are updated appropriately.

### **4. Localism Act 2011**

All members of the Pensions Committee are required by the Localism Act 2011 to declare 'disclosable pecuniary interests' and to abide by the Council's Code of Conduct for Members, which contains provisions relating to disclosure of interests.

### **5. The Seven Principles of Standards in Public Life**

Sometimes referred to as the 'Nolan Principles', the seven principles of public life applies to anyone who holds public office. 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.

Many of the principles are integral to the successful implementation of this Policy. The principles are as follows:

- selflessness;
- integrity;
- objectivity;
- accountability;

- openness;
- honesty; and
- leadership.

## **6. Advisers Professional Standards**

Many advisers will be required to meet professional standards relating to the management of conflicts of interest, for example, the Fund Actuary will be bound by the requirements of the Institute and Faculty of Actuaries.

Any agreement or other document entered into between an adviser and the Council in relation to conflicts of interest, whether as a requirement of a professional body or otherwise, should be read in conjunction with this Policy.

## **7. Senior Officers**

In addition to the requirements of this Policy, officers of the Council are required to adhere to the Council's Code of Conduct, its Declarations of Interest Policy and its Gifts and Hospitality Policy which includes requirements in relation to the disclosure and management of potential or actual conflicts of interest or relationships (financial and non-financial) that may impact on their work.

Senior officers of the Fund will, as a matter of course provide advice and support on pension fund matters.

## **8. Advisers**

The Fund appoints its own advisers and agreements with advisers include clauses on the declaration of actual or perceived conflicts of interest. Advisers will be required to declare interests on an annual basis.

There may be circumstances where these advisers are asked to give advice to scheme employers, or even to scheme members or member representatives such as the Trades Unions, in relation to pension matters. Similarly, an adviser may also be appointed to another administering authority which is involved in a transaction involving the Hillingdon Pension Fund and on which advice is required or to a supplier or organisation providing services to the Hillingdon Pension Fund.

An adviser can only continue to advise the Fund and another party where there is no conflict of interest in doing so.

An adviser appointed to advise the Pensions Committee, Local Pensions Board or Fund officers can be the same person, as long as there is no conflict of interest between the multiple responsibilities.

The Fund will adopt the three stage approach to Identify, monitor and manage potential conflicts of interest as recommended in Cop14.

## **9. Identifying Conflicts of Interest**

A conflict of interest is a financial or other interest which is likely to prejudice a person's exercise of functions as a member of the Pension Committee or Local Pension Board, or a senior officer. It does not include a financial or other interest arising merely by virtue of that person being a member of the scheme or any connected scheme for which the Committee or Board is established.

Prospective Local Pension Board members must complete a declaration of interest form . The forms are available on the Fund's website.

The register of interests for members of the Pensions Committee are available on the Council's website.

### **Monitoring and Reporting Conflicts of Interest**

A register of interests will be maintained, monitoring dual interests, conflicts in relation to stewardship and other responsibilities. Members of the Local Pension Board will be required to update their declaration of interests and declare any gifts or hospitality on an annual basis.

Decisions about how to manage potential conflicts of interest will be recorded in the register of interests. The register will be published on the pension fund website and considered in each Committee/Board meeting.

Declaration of conflicts of interest is included as an opening agenda item at each Pensions Committee and Local Pension Board meeting. This will provide an opportunity for all those present to declare any changes in interests, including other responsibilities, which have the potential to become conflicts of interest, and to minute discussions about how they will be managed to prevent an actual conflict arising. This conflict could be with a general subject area or a specific item on the agenda.

As part of their risk assessment process, Pensions Committee and Local Pension Board members should be able to identify, evaluate and manage dual interests which have the potential to become conflicts of interest and pose a risk to the scheme and possibly members, if they are not mitigated. The Fund will evaluate the nature of any dual interests and assess the likely consequences were a conflict of interest to materialise.

## **11. Managing conflicts of Interest**

Pensions Committee and Local Pension Board members are required to have a clear understanding of their role and the circumstances in which they may find themselves in a position of conflict of interest, and should know how potential conflicts should be managed.

The Pensions Committee and Local Pension Board are required to evaluate the nature of any dual interests and responsibilities, assess the impact on operations and governance were a conflict of interest to materialise, and seek

to prevent a potential conflict of interest becoming detrimental to their conduct.

The Pensions Committee and Local Pension Board may consider seeking independent legal advice from a nominated officer (for example, the monitoring officer) or external advisers where necessary on how to deal with these issues, if appropriate.

Individual members of the Pensions Committee and Local Pension Board must know how to identify where they have a conflict of interest which needs to be declared and which may also restrict their ability to participate in meetings or decision making. They must also appreciate their legal duty under the Regulations to provide information to the Administering Authority in respect of such conflicts of interest.

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 of the Committee or Board and the Head of Finance – Statutory Accounts & Pension Fund prior to the meeting where possible, or state this clearly at the earliest possible opportunity in the meeting. A decision should then be reached on whether further action needs to be taken.

Options for managing an actual conflict of interest, should one arise, include:

- A member withdrawing from the discussion and any decision-making process;
- The Committee or Board establishing a sub-board to review the issue (where the terms of reference give the power to do so); or
- A member resigning from the Committee or Board if the conflict is so fundamental that it cannot be managed in any other way.
- Consider taking independent legal advice to help decide the best approach to manage an actual or perceived conflict of interest.

## **12. Examples of Conflicts of Interest**

- Any commercial relationships between the administering authority and other employers in the fund/or other parties which may impact decisions made in the best interests of the Fund. These may include shared service arrangements which impact the Fund operations directly or outsourcing relationship and companies related to or wholly owned by the Council, which do not relate to pension fund operations.
- Setting of employer contribution rates for the administering authority and other employers.
- Cross charging for services or shared resourcing between the administering authority and the Fund and ensuring the service quality is appropriate for the Fund.
- Dual role of the administering authority as an owner and client of London CIV.
- Local investment decisions.
- How the pension fund appropriately responds to Council decisions or policies on wider issues such as climate change.

- Any other roles within the Council being carried out by Pensions Committee members or officers which may result in a conflict either in the time available to dedicate to the Pensions Committee or in decision making or oversight. For example, some roles on other finance committees, audit or health committees or cabinet should be disclosed.
- An employer representative has access to information by virtue of his or her employment, which could influence or inform the considerations or decisions of the Pensions Committee or Local Pension Board. He or she has to consider whether to share this information in the light of their duty of confidentiality to their employer. Their knowledge of this information will put them in a position of conflict if it is likely to prejudice their ability to carry out their functions as a member of the Pensions Committee or Local Pension Board.
- An employer representative on the Local Pensions Board works for an employer who is not providing member information to the Fund in line with legislative requirements and the Board is considering whether this breach is reportable to The Pensions Regulator.
- A member representative (who is also a trade union representative) on the Board, only acts in the interests of their union rather than in the interest of all Fund members.
- A member of the Committee/Board has a personal or family relationship with an employee of a company tendering for services.
- Stewardship related conflicts may arise as a result of business relationships between asset owners and asset managers, ownership structure of invested companies, differences between the stewardship policies of asset managers and their clients, cross-directorships, and client and other beneficiary interests which differ from each other.

### **Approval, Review and Consultation**

This Conflict of Interest Policy was approved on 26 March 2024 by the Pensions Committee. 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 LGPS 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 Conflict of Interest Policy, please contact Pete Carpenter, Director of Pensions, Treasury & Statutory Accounts

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