

WIRRAL COUNCIL

PENSIONS COMMITTEE

25 JUNE 2012

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| SUBJECT: | GIFTS AND HOSPITALITY POLICY |
| WARD/S AFFECTED: | NONE |
| REPORT OF: | INTERIM DIRECTOR OF FINANCE |
| KEY DECISION? <i>(Defined in paragraph 13.3 of Article 13 'Decision Making' in the Council's Constitution.)</i> | NO |

1.0 EXECUTIVE SUMMARY

- 1.1 This report responds to the recent review of the Council's gifts and hospitality procedure by Audit Commission, clarifies arrangements at Merseyside Pension Fund and proposes revised reporting arrangements to improve clarity and transparency for other stakeholders in the Fund.
- 1.2 It is also proposed that the Fund's arrangements are accepted as non-binding, best practice guidance for those members of Committee who are otherwise not subject to personal conduct arrangements.

2.0 BACKGROUND AND KEY ISSUES

- 2.1 In its report, Audit Commission referred to differences in guidance between arrangements pertaining at MPF and Wirral Council as "more permissive" and recommended that any differences are agreed. It confirmed that arrangements at the Fund, set out in the Compliance Manual, had been approved by Pensions Committee.
- 2.2 The guidance contained within the compliance manual is not intended to be "more permissive" than the Wirral guidance but gives direction as to the way in which the Chief Officer's discretion is generally exercised, reflecting industry best practice. Staff are still required to exercise their own judgment and comply with Wirral's policy. The only difference is the 'de minimus' limit for declaration which was put in place to reduce the administrative burden of recording the many trivial promotional gifts received by officers. The £25 limit was set with reference to arrangements pertaining to elected members and is below that set by the Financial Services Authority (£30).
- 2.3 An extract from the pension fund's compliance manual, setting out this guidance follows:

Gifts & Hospitality

The Council's policy in respect of gifts and hospitality is set out in full on the intranet and must be adhered to, along with the following guidance. For Fund employees, no employee or connected person may accept from any person any gift/hospitality or other benefit unless it is abundantly clear that, taking into account:

- the value of the gift/hospitality, and the circumstances in which it was given,
- there could be no suspicion in any one's mind that the recipient might be tempted to favour the giver to the prejudice of the Fund's interest.

In deciding whether or not it is appropriate to accept any gift or hospitality the following guidelines should be taken into account;

(a) There should be no cause for concern where an offer of hospitality is made by another non-commercial public body or one of its officers.

(b) Normal business courtesies, for example lunch and dinner invitations may be accepted where these follow or form part of a business meeting.

(c) Small gifts of modest value such as diaries and calendars may be accepted.

Hospitality/Entertainment is sometimes offered to senior officers as official representatives of the Fund and may be accepted in the following circumstances:

(a) If the Director of Finance can justify acceptance in the context of fulfilling duties as a representatives of the Fund e.g. speaking at a public conference or representing the Fund at business meetings.

(b) If the extent of the hospitality/entertainment is reasonable and is likely to be regarded as a normal part of the courtesies of public life e.g. a lunch or dinner invitation or social event offered at a conference or similar event to participants generally.

(c) If details of the hospitality/entertainment are recorded as soon as practicable in a register to be maintained by the Head of Pension Fund PA, reviewed by the Fund Accountant (Compliance).

Regarding hospitality, where an invitation is to an event involving a number of clients, there is unlikely to be an issue as organisations regulated by the FSA must, themselves, comply with the criteria issued by the FSA. Where an invitation is personal, greater discretion should be exercised. In all cases, where an organisation is seeking work or is likely to be tendering for a contract within six months, or there is a risk of a conflict of interest (actual or perceived), acceptance should be avoided.

When an unacceptable gift is received without warning, this should immediately be reported to the Fund Accountant (Compliance) who will decide whether the gift should be returned.

In some circumstances, individuals may consider a donation to the Mayor's Fund to be appropriate and, in attendance, should also evaluate the split between work and personal time.

Procedure for declaration

Prior approval must be sought from the Director of Finance prior to acceptance of any hospitality.

Gifts and hospitality must be reported to Compliance on the appropriate form if they are above the monetary limits for reporting or if there are circumstances which a reasonable person might conclude would require reporting to Compliance.

The description of the gift/hospitality needs to be sufficient to allow a third party to assess accurately what the gift/hospitality is and to attribute a fair market value to it where this is not immediately obvious. It should also be recorded on the form whether events are group or individual events.

Compliance will not normally consider it necessary to report a gift or hospitality unless it exceeds £25 in value or, in aggregate, gifts or hospitality received from the same party over 6 months, exceeds £50 in value.

Employees are required to make a return on a monthly basis. Forms (see appendix 5) are available at [Gifts-Hospitality notification form](#). Returns should be submitted to the Head Of Pension Fund PA within 10 days of each month end and reviewed by the Fund Accountant (Compliance). They must include evidence of approval. The HOPF PA will also send the hospitality forms on to Wirral Council's Administration and Performance team who maintain a central register of all hospitality accepted/declined for the Finance department. This register is reviewed by the Deputy Director of Finance every six months.

The Fund Accountant (Compliance) will review the returned forms and report to the Group Accountant on non-returned items and items which raise concern.

Nil returns and notification of hospitality offers received and declined are required.

Roles on Boards

Employees may not accept roles on boards without prior written permission from the Director of Finance. The Fund Accountant (Compliance) must be informed immediately after permission has been granted/refused and evidence of the DoF's decision must be given to the Fund Accountant (Compliance) at the time of notification. All meetings attended must be disclosed to the Fund Accountant (Compliance) in advance of the meeting and all hospitality, travel and accommodation expenses, reimbursed out of pocket expenses and any salary must be declared to the Fund Accountant (Compliance) via email within one month of the meeting taking place.

- 2.4 It will be apparent from this guidance that, over and above what might normally be construed as hospitality, officers at the Fund have declared as hospitality, reimbursement of expenses when attending advisory board meetings or speaking/lecturing at conferences. Equally, the Fund has investments with a range of managers, many of whom hold annual investor conferences to which existing and potential investors are invited and some or all of the costs of attending are covered.

Wirral's policy exempts lecturing from the gifts and hospitality policy and it would be reasonable to view some of the activities above as comparable.

Industry conferences attended by officers and Members invariably involve the provision of hospitality/entertainment to attendees. It is usual for managers to extend lunch or dinner invitations when officers undertake monitoring /update meetings.

A number of these activities benefit the Fund by defraying subsistence costs that would otherwise be incurred. Attendance at conferences is also recognised as an important element of Continuous Professional Development (CPD) and fulfils requirements under the CIPFA Knowledge and Skills Framework.

The Financial Services Authority regulates the activities of the Fund's counterparties through a number of avenues:

- The Conduct of Business Sourcebook provides, in COBS 2.3, guidance on Inducements
- Its March 2012 guidance on the anti-bribery and corruption legislation
- Ongoing consultation on "Proposed Guidance for and amendments to 'Financial Crime: a guide for firms'".

The Fund's accounts now include a detailed note on advisory board meetings attended and expenditure reimbursed.

- 2.5 The report by Audit Commission did not differentiate between those activities which involved the reimbursement of expenses/defrayal of costs, and those which were actual hospitality. To avoid unnecessary criticism of the Authority in future, and in the interests of transparency, it therefore seems appropriate that:

Gifts and hospitality continue to be declared in accordance with Wirral's procedures, subject to the £25 "de minimus".

It is acknowledged that reimbursement of expenditure, the defrayal of costs or attendance at industry events is not deemed to be hospitality and the activities in section 2.4 will, therefore, be reported to this Committee annually.

It is accepted that the guidance in the Compliance Manual reflects best practice as set out by the Financial Services Authority and is appropriate to the Pension Fund's business needs.

3.0 RELEVANT RISKS

- 3.1 A failure to recognise and allow for the differences of the Fund's business activities may inhibit the Fund's training and monitoring arrangements and incur additional cost.

4.0 OTHER OPTIONS CONSIDERED

- 4.1 No other options have been considered.

5.0 CONSULTATION

- 5.1 There has been no consultation undertaken or proposed for this report. There are no implications for partner organisations arising from this report.

6.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

- 6.1 There are none arising from this report.

7.0 RESOURCE IMPLICATIONS: FINANCIAL; IT; STAFFING; AND ASSETS

7.1 Although transport and accommodation costs are modest in relation to the Fund's budget, officers are able to defray monitoring and training costs by participating on advisory boards and in conferences.

8.0 LEGAL IMPLICATIONS

8.1 There are none arising from this report

9.0 EQUALITIES IMPLICATIONS

9.1 Has the potential impact of your proposal(s) been reviewed with regard to equality?

(b) No because there is no relevance to equality.

10.0 CARBON REDUCTION IMPLICATIONS

10.1 There are no carbon usage implications, nor any other relevant environmental issues arising from this report.

11.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

11.1 There are none arising from this report.

12.0 RECOMMENDATION/S

12.1 That Members approve the following actions:

Gifts and hospitality are declared in accordance with Wirral's procedures (subject to the £25 "de minimus") and reported to this Committee annually.

It is acknowledged that reimbursement of expenditure, the defrayal of costs or attendance at industry events is not deemed to be hospitality but is reported to Committee as set out in section 2.5.

It is accepted that the guidance in the Compliance Manual reflects the practicalities of the Pension Fund's business needs and that this is reflected by Wirral in its overall governance arrangements.

The Fund's arrangements are accepted as non-binding, best practice guidance for those members of Committee who are otherwise not subject to personal conduct arrangements.

The arrangements agreed at this meeting are reflected in the Fund's guidance and the Compliance Manual, appropriately revised, is brought to a future meeting of this Committee for approval.

13.0 REASON/S FOR RECOMMENDATION/S

13.1 Response to the 2011/12 Audit Commission report to Wirral Council.

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FNCE/192/12

APPENDICES

Appendix 1. Wirral's gifts and hospitality procedures.

REFERENCE MATERIAL

SUBJECT HISTORY (last 3 years)

| Council Meeting | Date |
|--|--------------------------|
| Audit & Risk Management Committee | 19 September 2012 |
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