

AUDIT AND GOVERNANCE WORKING GROUP

COUNCIL REFERRAL

AGENDA

Monday 30 September 2019

at 2.00 pm

**in the Council Chamber,
Civic Centre, Hartlepool**

MEMBERS: Ms Clare Wilson (Independent Chair) and Councillors Black, Hall, Hamilton, Harrison, James, Loynes and Ward.

1. Apologies for absence.
2. Declarations of Interest.
3. Notes of the meeting held on the 3rd September 2019 (to follow)
4. Allowances Paid to the Chair and Vice Chair of Council – Verbal Progress Update (*Chief Executive*)
5. Council Referral - Funding of any Organisation to Which an Elected Member is Affiliated:-
 - i) Introduction (*Statutory Scrutiny Manager*)
 - ii) Evidence (*Director of Finance and Policy*) (report to be tabled)*
6. Meeting Adjournment.
7. Date and time of future meetings.

2nd October 2019 at 5.00pm (reconvened from the 30th Sept)

3rd October 2019 at 3.00pm (reconvened from the 2nd Oct)

The potential for further meetings in the week commencing 7th October should they be required.

AUDIT AND GOVERNANCE WORKING GROUP (COUNCIL REFERRAL)

30th September 2019



Report of: Statutory Scrutiny Manager

**Subject: COUNCIL REFERRAL - FUNDING OF ANY ORGANISATION
TO WHICH AN ELECTED MEMBER IS AFFILIATED**

1. PURPOSE OF REPORT

- 1.1 To progress consideration of the formal referral from Council in relation to 'funding of any organisation to which an elected member is affiliated'.

2. BACKGROUND INFORMATION

- 2.1 Council at its meeting on the 30th July 2019 received the following Motion and it was agreed that consideration of the issues raised be referred to an independently chaired Working Group of the Audit and Governance Committee for further investigation.

"Hartlepool's Labour Councillors request that this Council:-

1. Review its decision making procedures around the awarding of funding to any organisation to which an elected member is affiliated in a capacity, such as an employee, trustee or director.
2. Ensures that any organisation in receipt of funding from Hartlepool Borough Council in excess of £1000 in total per annum be subject to stringent processes of auditing and reporting with an additional requirement to submit full accounts, prepared and audited by an independent qualified accountant to Hartlepool Borough Council at the end of each financial year within which local authority funds have been received.
3. Makes known its systems and processes for ensuring and evaluating 'value for money' relating to the funding provided to individual organisations and makes public the results of any and all such evaluations on an annual basis."

Signed: Councillors Howson, Lindridge, C Richardson, Prince and Hamilton."

3. CONSIDERATION OF THE REFERRAL

3.1 In progressing consideration of the referral made by Council in relation to funding of any organisation to which an elected member is affiliated, the Working Group will consider:-

- i) How organisations are funded by the Local Authority.
- ii) Which organisations are funded?
- iii) The purposes for which funding is allocated.
- iv) Monitoring arrangements in place to ensure that funding is used for the purpose intended.
- v) Risks to the Local Authority.
- vi) A full impact assessment to ensure that systems are robust and transparent, with particular emphasis as part of the investigation on processes in relation to:
 - Council owned buildings (Inc. community buildings) occupied by outside bodies / organisations, on a social value basis, with specific evidence in terms of:
 - The policy for allocation of buildings?
 - Which buildings are let, to which organisations and for what projects?
 - Letting arrangements for each building and organisation (payment arrangements for rents, rates and utilities)?
 - If any buildings are being sub-let (to who and for how much)?
 - Ward Member budget spending, with specific evidence in terms of the process for the allocation of funds and monitoring to ensure its use for the purpose intended.
 - The quality of Member Declaration of Interest forms.
- vii) The feasibility of the introduction of a requirement for any organisation to which funding is given to be registered as a Charity or Company.

3.2 To assist the Working Group in its consideration of the issue a detailed report is to be provided. In light of challenging timescales and workloads for the preparation of documentation for the investigation, the report will be tabled at today's meeting for initial consideration and questions. Detailed consideration of the report to be deferred until the reconvened meeting of the Working Group on the 2nd October 2019.

4. ONGOING TIMETABLE FOR INVESTIGATION

4.1 The agreed timetable for the remainder of the review is as detailed below:-

Working Group – 2nd October 2019 at 5.00pm – Reconvened meeting to continue consideration of evidence and discussion.

Working Group – 3rd October 2019 at 3.00pm - Reconvened meeting to continue consideration of evidence and discussion (if required).

Working Group – Additional meetings will be convened in the week commencing the 7th October 2019 should they be required.

Audit and Governance Committee (additional meeting) - 24th October 2019 at 2.00pm - To consider the findings of the Working Group and approve for submission to Council.

Council (Extraordinary) - November 2019 - To consider the Working Group's Final Report. The report to be presented by the Independent Chair of the Working Group.

5. RECOMMENDATIONS

- 5.1 That the Working Group receive the tabled report for initial comment / questions.
- 5.2 That following presentation of the report, the Working Group meeting be adjourned and reconvened on the 2th October 2019 to enable full and detailed consideration of the information provided.

BACKGROUND PAPERS

The following background papers were used in preparation of this report:-

- (a) Council reports and minutes – 30 July 2019
- (b) Audit and Governance Committee report and minutes – 15 August 2019
- (c) Audit and Governance Working Group – 3 September 2019 (reports and minutes)
- (d) Council Constitution

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AUDIT AND GOVERNANCE COMMITTEE WORKING GROUP

30 September 2019



Report of: Director of Finance and Policy, and Head of Audit and Governance

Subject: Referral from Council – Funding to any organisation to which an Elected Member is affiliated

1. PURPOSE OF REPORT

- 1.1 To enable the Working Group to consider the report of the Director of Finance and Policy, and Head of Audit and Governance in respect of the review carried in relation to this issues detailed in section 3-12.

2. BACKGROUND

- 2.1 The Audit and Governance Committee agreed the terms of reference for the Working Group that was established on 15th August 2019.
- 2.2 As the terms of reference are broad ranging it has been agreed with the Independent Chair that separate reports will be considered by the Working Group to ensure these issues can be investigated thoroughly. This report covers the specific issues detailed in section 3-12.
- 2.3 In considering the evidence detailed in this report it is appropriate to remind the Working Group that the posts of Director of Finance and Policy, and Head of Audit and Governance carry specific statutory responsibilities. In discharging these responsibilities we are able to report independently to the Working Group and make recommendations that reflect the findings of our investigations.
- 2.4 This investigation has been based on the standards for internal audit services in local government as defined in Public Sector Internal Audit Standards (PSIAS). These are set by the Chartered Institute of Public Finance and Accountancy (CIPFA) and other standard setters across the public sector. These standards comply with the international standards issued by the Institute of Internal Auditors (IIA) and are the standards adhered to when carrying out this review.
- 2.5 As part of the accountability arrangements for councils they are required to produce an annual Statement of Accounts. The integrity of the Annual

Statement of Accounts is underpinned by requirement for an independent external audit. The Council's external auditors, Mazars, were appointed by Public Sector Audit Appointments. Their report on the 2018/19 accounts which was issued at the end of July 2019 gave an unqualified opinion on the financial statement and value for money conclusion. In this context 'unqualified' is a positive outcome as it provides the Council with assurance it would want. When External Auditors 'qualify' either the financial statement, value for money conclusion, or both, they will set out specific actions that a Council needs to address.

3. SPECIFIC AREAS REVIEWED AND FINDINGS

- 3.1 This review considers three specific areas as detailed in paragraphs 3.3 and 12. In conducting this review we have, as agreed by the Audit and Governance Committee, examined the arrangements covering three financial years (2016/17 to 2018/19) as detailed in Appendix A. The details in Appendix A are a summary of quarterly information published on the Council's website.
- 3.2 This level of publication exceeds the minimum statutory requirements and reflects a previous decision by the Council to publish quarterly spend, cumulative spend to date in the financial year, for all areas where a Member has declared an interest. We are not aware that other authorities publish information in this level of detail in such an easily accessible format.
- 3.3 **Council Referral issues 1 - Review its decision making procedures around the awarding of funding to any organisation to which an elected member is affiliated in a capacity, such as an employee, trustee or director.**

4 Review of Declaration of Member Interests

- 4.1 The first part of this review considered the process for Members of the Council declaring an interest and procedures in place to manage this. This is a long established, fundamental element of the Councils governance arrangements. It is included in the Code of Conduct for Elected Members and Co-opted Members which forms an important part of the Councils Constitution as the extract details below:

4.2 Extract of Part 5 Constitution – Codes and Protocols

“4. Registration of Interests

4.1 You must register in the Authority's Register of Elected Members/Co-opted Members Interests information about your registerable personal interests. In this code of conduct 'your registerable personal interests' means:

- (a) Any Disclosable Pecuniary Interest as set out in **Appendix 2**; or
- (b) Any other interest held by you as set out in **Appendix 3**.

You must register information about your registerable personal interests by giving written notice to the Monitoring Officer, who maintains the Register, within 28 days of:

- your appointment as a member of the Authority; and
- any change taking place in your registerable personal interests.

5. Non-Registerable Interests

5.1 You will have a non-registerable personal interest (Prejudicial) when you attend a meeting of Full Council, or one of their committees or sub-committees, and you are, or ought reasonably to be, aware that a decision in relation to an item of business which is to be transacted might reasonably be regarded as affecting your wellbeing or financial position, or the wellbeing or financial position of a person described in paragraph 5.2 to a greater extent than most inhabitants of the area affected by the decision.

5.2 The persons referred to in paragraph 5.1 are:

- (a) A member of your family;
- (b) Any person with whom you have a close association;
- (c) In relation to persons described in (a) and (b), their employer, any firm in which they are a partner, or company of which they are a director or shareholder.

“A member of your family” means: your partner (i.e. your spouse, civil partner or anyone with whom you live in a similar capacity); your parent or parent-in-law; any child, stepchild or sibling of you or your partner; your grandparent, grandchild, aunt, uncle, nephew or niece; and the partners of any of those people. You have a “close association” with someone if your relationship is such that a reasonable member of the public might think you would be prepared to favour or disadvantage that person when deciding a matter which affects them).

6. Non-Participation in Authority Business

6.1 When you attend a meeting of Full Council, or one of their committees or subcommittees, and you are aware that the criteria set out in paragraph 6.2 are satisfied in relation to any matter to be considered, or being considered at that meeting, you must:

- (a) Declare that fact to the meeting;
- (b) Not participate (or further participate) in any discussion of the matter at the meeting;
- (c) Not participate in any vote (or further vote) taken on the matter at the meeting; and
- (d) Leave the room whilst the matter is being discussed.

6.2. The criteria for the purposes of paragraph 6.1 are that:

- (a) You have a registerable or non-registerable personal interest (prejudicial) in the matter which is such that a member of the public knowing the relevant facts would reasonably think it so significant that it is likely to prejudice your judgement of the public interest; and either
- (b) The matter will affect the financial position of yourself or one of the persons or bodies referred to in paragraph 5.2 or in any of your register entries; or

(c) The matter concerns a request for any permission, licence, consent or registration sought by yourself or any of the persons referred to in paragraph 5.2 or in any of your register entries.”

4.3 **Outcome of Review of Declaration of Member Interests**

Legal Services provide Members of the Council with training on the Members Code of Conduct and also when Members complete the Nomination Form when they are appointed. At the time of the review all Members had completed the Authority’s Register of Elected Members/Co-opted Members Interests form.

4.4 **Proposed Recommendation 1** – In order to provide greater clarity the form to record Members declarations of interest in the Authority’s Register of Elected Members/Co-opted Members Interests is reviewed. Members comply with the Councils constitution and register information about registerable personal interests by giving written notice to the Monitoring Officer, who maintains the Register, within 28 days of:

- appointment as a member of the Authority; and
- any change taking place in registerable personal interests.

5 **Review of Publication Arrangements**

- 5.1 The expenditure/funding detailed in Appendix A was reviewed to ensure all relevant Council policies and procedures were followed. The information detailed in Appendix A is a list of expenditure made to organisations matched to Members who have declared an interest in those organisations. This information is reported quarterly on the Councils website. The Transparency Code 2015 (the Code) sets out requirements for the publication of a variety of authority wide data. The Code specifies 15 different categories of data that a Local Authority has to publish. Each dataset has its own requirements in terms of the content of the data, format of the publication and frequency of publication/review. The council complies with this legislation and in publishing a list of expenditure made to organisations matched to Members who have declared an interest in those organisations, the Council exceeds statutory code requirements.
- 5.2 The Council also participates in the National Fraud Initiative (NFI). The NFI is an exercise that matches electronic data within and between public and private sector bodies to prevent and detect fraud. The NFI is managed by the Home Office and is therefore completely independent of Councils. Where the NFI identifies a data match the Director of Finance and Policy receives a report and is required to investigate the issues and report back to the NFI. In most cases NFI matches are for a legitimate reasons and simply reflect the volume and availability of electronic data. However, in a limited number of cases the NFI match will have identified issues which need investigating.
- 5.3 The matches that would identify any potential anomalies in Member declarations are matches to payroll and creditor’s supplier data and matches

to payroll and Companies House director's data and creditor supplier data. All matches identified are investigated. No issues have arisen from the previous three years NFI exercises in relation to Members declarations. This position provides reassurance that the Council's Member declaration are effective. The latest NFI review was undertaken in 2018/19 and takes place every two years.

5.4 Outcome of Review of Publication Arrangements

No issues have been identified as in order to ensure transparency, the Council currently exceeds requirements for publication of data.

6 Review/Analysis of Expenditure

6.1 The second part of this review considers expenditure/funding. This expenditure totals £3,410,110.60 and falls into three broad categories of spend, namely:

- Day to day expenditure authorised through the annual budget process;
- Grant awards expenditure;
- Contract expenditure.

6.2 When deciding how to expend public funds, the Council has processes in place to manage each of the three areas highlighted above to ensure it acts lawfully. In order to comply with statute, these procedures are recorded in detail in the Councils Constitution. Article 13 – Finance, Contracts and Legal Matters states “The management of the Authority's financial affairs will be conducted in accordance with the Financial Procedure Rules set out in Part 4 of this Constitution”.

6.3 Part 4 of the Constitution includes in the following procedure documents:

- Access to Information Procedure Rules;
- Budget and Policy Framework Procedure Rules;
- Contract Procedure Rules;
- Full Council Procedure Rules;
- Financial Procedure Rules;
- Officer Employment Procedure Rules;
- Statutory Scrutiny Procedure Rules.

6.4 Other Codes and Protocols included in the Constitution that support procedure rules are:

- Code of Conduct for Elected Members and Co-opted Members;
- Code of Conduct for Employees;
- Protocol on Elected Member/Officer Relations;
- Code of Corporate Governance.

6.5 These Code and Protocols are also supported by Part 3 of the Constitution, Responsibility for Functions. This sets out which bodies and Officers within the Council are responsible for decision-making in relation to particular functions of the Authority and includes the following areas:

- The Authority's Functions and Delegation Scheme
 - General Principles
 - The Statutory/Proper Officers
 - General Delegations
 - Senior Leadership Structure
 - Chief Executive
 - Director of Finance and Policy
 - Chief Solicitor
 - Director of Adult and Community Based Services
 - Director of Children's and Joint Commissioning Services
 - Director of Public Health
 - Director of Regeneration and Neighbourhoods
- 6.6 How the Council complies with these procedure rules is detailed in the Annual Governance Statement which is reviewed and approved by the Audit and Governance Committee annually and published as part of the Councils financial statements. The Councils adherence to these rules are also independently reviewed by the Councils Internal Audit section and reported to the Audit and Governance Committee in the form of Quarterly Update Reports. The Councils External Auditor, Mazars, carries out its work to provide reasonable assurance that the Councils financial statements are free from material error and give a true and fair view of the financial performance and position of the Council for the year. Mazars are also required to conclude whether the Council has proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources. The outcome of Mazars work is reported to the Audit and Governance Committee.
- 6.7 The routes taken to decide on the expenditure incurred as detailed in Appendix A, has been reviewed to ensure compliance with the relevant procedures outlined above in respect of the three categories:
- Budget – this is day to day expenditure authorised by budget managers delivering service;
 - grant awards expenditure;
 - contract expenditure.
- 6.8 Appendix B breaks down the elements of expenditure across each organisation. This allowed a detailed review of each type of spend to be undertaken which involved the review of 1100 individual payments. The review of individual payments also considered the involvement of Members of the Council in the process and whether relevant Committee protocols have been followed.
- 7 Review of Day to Day Expenditure Authorised Through the Annual Budget Process**
- 7.1 Appendix B highlights expenditure that is managed through the Councils annual budget process which totals £633,036.49 for 2016-19. This bulk of this expenditure of £451,937 is in respect of Child Care funding which

reflects parental choice with the funding effectively following the child. The amount of £108,000 detailed as release of funds for Seaton Youth Centre was an amount that the Council held on behalf of the centre that was released as part of the Seaton Regeneration Project, which had been accounted for appropriately whilst retained by the Council. All other expenditure in this category is effectively day to day running costs.

- 7.2 The procedures the Council operates for day to day budget expenditure enforces a separation of duties across the process for expending Council resources. This means that the same member of staff cannot order, authorise and receive goods. This reduces the span of control of any one officer thus reducing the chance of error or fraud going undetected. This process is enforced by the Council's main accounting financial management system Integra. When reviewing the compliance of budget expenditure with these processes no issue arose. Delegation for this expenditure is made through the budget process agreed by the Finance and Policy Committee and agreed by full Council. These processes and protocols are mentioned in paragraphs 6.3 – 6.5.

7.3 **Outcome of the Review of Day to Day Expenditure Authorised Through the Annual Budget Process**

No issues were identified in relation to the review of day to day expenditure authorised through the annual budget process. All Payments reviewed were made in accordance with Council procedure as detailed in paragraph 7.2 above in terms of ordering, authorising and receiving goods.

8 Review of Grant Awards Expenditure

- 8.1 Appendix B highlights expenditure that is managed via grant awards which totals £270,812.14 for 2016-19. Grant awards have individual grant terms and conditions that have to be met as part of the funding agreement, this will involve an application process, review of applications, award of grant and monitoring procedures. These procedures will be proportionate to the risk inherent in each area of grant funding. This does not currently mean that the Council request organisations to provide copies of financial statements or governance arrangement details as part of all grant processes. This would be dependent on the materiality of the grant concerned and the staffing implications of monitoring such arrangements.
- 8.2 The payment to the Rifty Youth Project in 2018/19 included £6,944.77 in respect of a donation made by the Ceremonial Mayor from funds raised during his Mayoral year. These monies were held in trust in the Council's bank account as this arrangement is administratively efficient. The subsequent payment of these monies is therefore not Council funding and was included in the register to provide transparency. This mirrors previous years arrangements for mayoral charity funding.
- 8.3 The Holiday Hunger Grant Scheme was proposed at a meeting of the Finance and Policy Committee on 20.6.16. The proposed holiday hunger

pilot scheme was to be made up of two parts, an initiative with the Food Bank to offer an enhanced service over the summer from community based locations, and the development of a ring fenced non-recurrent resource for local and voluntary organisations to bid for funds to deliver a scheme in their local community. At the Finance and Policy Committee meeting of the 10.2.17, Members were provided with the key findings from the 2016 'Holiday Hunger' pilot scheme, and members agreed that another holiday provision scheme should be provided in 2017.

- 8.4 No issues were identified when reviewing the payments made to organisations as part of the holiday hunger scheme, all were appropriately recorded and authorised with key outcomes reported to members.

8.5 **Outcome of Review of Grant Awards Expenditure**

Individual grant schemes have terms and conditions that need to be met as part of the delivery of that specific grant. Officers are aware of their responsibilities in this process and are supported by the Contracts and Commissioning Team in Childrens Services Department. The measures that are in place to manage grant expenditure are proportionate to the levels of risk and materiality the Council is exposed to for each grant regime.

- 8.6 Whilst there were no issues identified as part of the review of grant expenditure, members may want to consider strengthening the arrangements in place in relation to the process followed for agreeing all grants where Members declare an interest. The process could be strengthened by making sure the Council receives a full set of independently produced financial statements from any organisation applying for grants where members have made a declaration of interests. It may also be advisable to request governance information such as Trustee/Board/Governance details to ensure organisations are adequately structured.

- 8.7 **Proposed Recommendation 2** – The Council receives a full set of independently produced financial statements and governance information, such as Trustee/Board/Governance details, from any organisation applying for a grant where members have made a declaration of interests.

9 **Review of Ward Member Budgets**

- 9.1 Grant expenditure identified as Ward Member Budgets in Appendix B is subject to an application, payment and monitoring process that has been delegated to the Director of Regeneration and Neighbourhoods. Application forms are completed and retained for all payments made. Over the three years from 2016-19 a total of £325,000.00 has been expended. In order to ensure transparency all of these amounts have been published on the Councils website.
- 9.2 Up to date Ward Member Budget guidance is provided to all Members and an annual report outlining expenditure is presented to the Neighbourhood

Services Committee and is published on the Council's website to ensure transparency.

- 9.3 Officers manage the process for making payments which are subject to the same separation of duties procedures outlined in paragraph 7.2. Monitoring information is requested from organisations receiving Ward Member Budget funding. Over the course of the period reviewed, average Ward Member Budget payments were £190.00.

Outcome of Review of Ward Member Budgets

- 9.4 No issues were identified in the area of Ward Member Budgets, a well established process is in place that is proportionate to the risks faced by the Council. At its meeting of 21.03.19, Council agreed to a recommendation made by Finance and Policy Committee as part of its Review of Civic Expenditure to the removal of Ward Member Budgets from 2020/21. This would produce an annual revenue saving of £66K.

10 Review of Contract Expenditure

- 10.1 Appendix B highlights expenditure that is managed via contracts which totals £2,423,359.16 for the period 2016-19. The arrangements for letting and monitoring these contracts were reviewed. Those with the greatest level of materiality were:
- Targeted outreach services;
 - Mentoring contract;
 - Short break service;
 - Healthwatch;
 - National Museum of Royal Navy;
 - Gasoil/DERV contract;
 - Specialist advice and guidance service;
 - Youth activities.
- 10.2 As highlighted in paragraph 6.3, Part 4 of the Council's Constitution includes the following procedure documents:
- Access to Information Procedure Rules;
 - Budget and Policy Framework Procedure Rules;
 - Contract Procedure Rules;
 - Full Council Procedure Rules;
 - Financial Procedure Rules;
 - Officer Employment Procedure Rules;
 - Statutory Scrutiny Procedure Rules.
- 10.3 Contract procedure rules detail the processes that are followed when letting contracts. This is supported by a Corporate Procurement Section and also a Contracts and Commissioning team within the Children's Department. Officers are also provided with training in the area of procurement to ensure that the Council meets its statutory duties as a best value authority.

- 10.4 The Corporate Procurement Section has developed guidance that outlines procedures to follow based on contract value. For contracts valued under £25,000, health and safety and insurance checks are carried out before contracts are awarded. Financial checks would be carried out if contract payments were to be made in advance. For contracts valued over £25,000, health and safety, insurance and financial checks are carried out before contracts are awarded. Credit rating agencies are used to ascertain the financial status of organisations, and further action is taken dependent upon the outcome of those checks.

10.5 **Outcome of Review of Contract Expenditure**

Of the contracts reviewed, which involved liaising with those officers responsible for contracts and reviewing payments and committee reports, adequate arrangements were in place for the awarding of contracts, making contract payments and monitoring contract performance. Ongoing contract monitoring information was either in place or being sought for contracts reviewed.

- 10.6 Whilst there were no issues identified as part of the review of contract expenditure, members may want to consider strengthening the arrangements in place in relation to the process followed for agreeing all contracts where Members declare an interest. The process could be strengthened by making sure the Council receives a full set of independently produced financial statements from any organisation awarded a contract regardless of value where members have made a declaration of interest. It may also be advisable to request governance information such as Trustee/Board/Governance details to ensure organisations are adequately structured.

- 10.7 **Proposed Recommendation 3** – the Council receives a full set of independently produced financial statements and governance information, such as Trustee/Board/Governance details, from any organisation awarded a contract, regardless of value, where members have made a declaration of interest.

11 **Review of Social Value Lets**

- 11.1 As part of the review, community use of Council assets was examined. A report to the Councils Finance and Policy Committee on 10th July 2017 outlined the Councils approach to sales and lettings at less than market value. This outlined a process to be followed if an organisation wanted to apply for use of a Council asset at less than market value. The purpose of the report was to implement a clear process to assess applications for concessionary rents within the Councils leased estate.
- 11.2 The report stated that in order to provide full transparency, market rents for all lettings/rent reviews would be assessed by the Estates team. Any applications for subsidy, together with the fully completed application forms setting out the justification, will be considered initially by an officer working

group. A recommendation is then provided to CMT for consideration and decision, and then if relevant to Finance and Policy Committee.

- 11.3 In practice, applications are reviewed and agreed by three members of CMT, namely the Director of Regeneration and Neighbourhoods, Chief Executive and the Director of Finance and Policy. Within the Authority's Functions and Delegation Scheme, The Director of Regeneration and Neighbourhoods has the power to approve land and property disposals, leases, lettings, licences, wayleaves, easements, undertaking and concluding rent reviews, lease renewals and the release and amendments of restrictions, covenants and other land and property matters within prescribed thresholds as set out in the Finance and Policy committee arrangements.
- 11.4 No reports were made to Finance and Policy Committee regarding any Social Value Leases as under the policy agreed it was not relevant. It was noted that the Council does not have a Social Value Policy in place that communicates how the Council will meet its responsibilities under the Public Services (Social Value) Act 2012.
- 11.5 Appendix C details the six social value lettings currently in operation at the Council. The nature of these lettings are outlined in the lease agreement between the Council and the individual organisations with no issues arising. In order to ensure the letting operates in line with the lease, a program of annual revaluation is carried out which includes an inspection. All organisations were up to date with all payments as agreed as part of the lease.
- 11.6 **Outcome of Review of Social Value Lets**
- Whilst there were no issues with lease agreements viewed, members may want to consider strengthening pre lease arrangements in relation to the process followed for agreeing any social value reduction. The process could be strengthened by making sure the Council receives a full set of independently produced financial statements from any organisation applying for a social value reduction. This would ensure the Council has all relevant financial information it needs to decide if and at what level any reduction is made. It may also be advisable to request governance information such as Trustee/Board/Governance details to ensure organisations are adequately structured.
- 11.7 Where there are any deviations from an agreed lease, the Council makes a decision regarding the lease that protects Council assets and makes sure any change in financial circumstances is reflected in any new agreement.
- 11.8 **Proposed Recommendation 4** – The Council receives a full set of independently produced financial statements and governance information, such as Trustee/Board/Governance details, from any organisation applying for a social value reduction. The Council develops a Social Value Policy that communicates how the Council will meet its responsibilities under the Public Services (Social Value) Act 2012.

- 12 Council Referral issue 2 - Ensures that any organisation in receipt of funding from Hartlepool Borough Council in excess of £1000 in total per annum be subject to stringent processes of auditing and reporting with an additional requirement to submit full accounts, prepared and audited by an independent qualified accountant to Hartlepool Borough Council at the end of each financial year within which local authority funds have been received.**

Council Referral issue 3 - Makes known its systems and processes for ensuring and evaluating ‘value for money’ relating to the funding provided to individual organisations and makes public the results of any and all such evaluations on an annual basis.”

Review of Referral Issue 2 and 3

- 12.1 In order to carry out the review in a timely manner, given the commonality between issues 2 and 3 it was decided to review them at the same time. As detailed earlier in report the Council has long established and robust procedures in place to ensure expenditure incurred and funding awarded is lawful and meets the statutory requirement of the Council acting as a Best Value Authority.
- 12.2 Governance arrangements that control and direct expenditure and the award of funding are proportionate to the level and nature of risk and materiality involved. It would be disproportionate in terms of risk faced to require all organisations to submit full accounts in the context of the procedures and policies the Council already has in place. It would also be a substantial additional financial burden to both the Council and the organisation in question to administer such a process.
- 12.3 Whilst the intention behind the referral issues 2 and 3 is clear there are also practical considerations to take into account such as many organisations, particularly private companies, do not use 31st March as their financial year end and Local Authorities now operate with some of the tightest year end deadlines for publishing audited accounts within four months of the year end (i.e. by 31st July).
- 12.4 Therefore, a more targeted approach to meeting the requirements outlined in Issue 2 and 3 is proposed, concentrating on expenditure/funding over £1000 where Members have made a declaration (i.e. organisations detailed in Appendix A) This would be more proportionate to the financial risk the Council faces and address the perception of any reputational risk that may cause damage to the Council. This would involve all departments completing a quarterly analysis and reporting it to Corporate Management Team outlining how on expenditure over £1000, where members have declared an interest, ‘value for money’ is achieved.
- 12.5 It is proposed that on an annual basis all quarterly returns reported to Corporate Management Team are collated and reported to the Audit and

Governance Committee in order to ensure independent scrutiny and to make public the results of all such evaluations.

- 12.6 **Proposed Recommendation 5** – expenditure/funding over £1000, only where Members have made a declaration, is subject to the new procedures outlined below.
- 12.7 **Proposed Recommendation 6** – where expenditure is likely to exceed £1000 for organisations where a Members declaration has been made, those organisations are required to submit full accounts, prepared and audited by an independent qualified accountant to Hartlepool Borough Council at the end of each financial year within which local authority funds have been received.
- 12.8 **Proposed Recommendation 7** – on a quarterly basis all departments complete an analysis and report it to Corporate Management Team outlining how on expenditure over £1000, where Members have declared an interest, is achieving ‘value for money’.
- 12.9 **Proposed Recommendation 8** – on an annual basis all quarterly returns reported to Corporate Management Team are collated and reported to the Audit and Governance Committee in order to ensure independent scrutiny, and to make public the results of all such evaluations.

13 CONCLUSION

- 13.1 Through the Councils Constitution, the Council has well established procedures and policies in place that set out how decisions are made in relation to the expenditure of Council funds. This includes the Members Code of Conduct which sets out how Members should act if a declaration of interest needs to be made. In order to ensure the highest levels of transparency, all Members should complete annual declarations of interest at the earliest opportunity and ensure they are kept up to date.
- 13.2 The Council has adequate arrangements in place to manage and monitor expenditure including ensuring it meets its responsibilities as a Best Value Authority. The arrangements in place are well established, understood by Officers and Members and are proportionate dependent on the level and nature of expenditure. This is an area that is subject to independent review over the course of the year both internally and externally.
- 13.3 To mitigate reputational risk it may be advisable to revisit arrangements for expenditure, grant funding and contracts where Members have made a declaration of interest.
- 13.4 In order to demonstrate compliance and increase transparency with regard to relevant legislation regarding the community use of Council assets, the Council may want to strengthen procedures around the evaluation of any such reductions and should develop a Social Value Policy to communicate its objectives and approach in this area.

14 RECOMMENDATIONS

14.1 The recommendations of the report are that:

- (i) **Proposed Recommendation 1** – In order to provide greater clarity, the form to record Members declarations of interest in the Authority's Register of Elected Members/Co-opted Members Interests is reviewed. Members comply with the Councils constitution and register information about registerable personal interests by giving written notice to the Monitoring Officer, who maintains the Register, within 28 days of appointment as a member of the Authority and when any change takes place in registerable personal interests.
- (ii) **Proposed Recommendation 2** – The Council receives a full set of independently produced financial statements and governance information, such as Trustee/Board/Governance details, from any organisation applying for a grant where members have made a declaration of interests.
- (iii) **Proposed Recommendation 3** – the Council receives a full set of independently produced financial statements and governance information, such as Trustee/Board/Governance details, from any organisation awarded a contract, regardless of value, where members have made a declaration of interests.
- (iv) **Proposed Recommendation 4** – The Council receives a full set of independently produced financial statements and governance information, such as Trustee/Board/Governance details, from any organisation applying for a social value rent reduction. The Council develops a Social Value Policy that communicates how the Council will meet its responsibilities under the Public Services (Social Value) Act 2012.
- (v) **Proposed Recommendation 5** – expenditure/funding over £1000 to organisations where Members have made a declaration are subject to the new procedures outlined below.
- (vi) **Proposed Recommendation 6** – where expenditure is likely to exceed £1000 for organisations where a Members declaration has been made, those organisations are required to submit full accounts, prepared and audited by an independent qualified accountant to Hartlepool Borough Council at the end of each financial year within which local authority funds have been received.
- (vii) **Proposed Recommendation 7** – on a quarterly basis all departments complete an analysis and report it to Corporate Management Team outlining how, on expenditure over £1000 where Members have declared an interest, is achieving 'value for money'.
- (viii) **Proposed Recommendation 8** – on an annual basis all quarterly returns reported to Corporate Management Team are collated and reported to the Audit and Governance Committee in order to ensure independent scrutiny and to make public the results of all such evaluations.

15 REASON FOR RECOMMENDATIONS

- 15.1 The recommendations are made in response to the Motion received from Council. The purpose of the recommendations are to build on the governance arrangements already in place at the Council in order to improve accountability and transparency.

16 BACKGROUND PAPERS

- 16.1 Extra Ordinary Council 30th July 2019.
Councils Constitution.
The Public Services (Social Value) Act 2012.

17 CONTACT OFFICER

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Supplier Name	Payments 2016/2017 £	Payments 2017/2018 £	Payments 2018/2019 £	Total £	Member (Current)	Member (Previous)	Type of Interest (as at 1st April 2019)
Asda Stores Limited	-	-	1,323.86	1,323.86	Ann Marshall		Employment, Office Trade, Profession or Vocation
Asylum Seekers And Refugee Group	2,685.00	1,146.50	1,901.00	5,732.50		Paul Beck	Other Interests
Belle Vue Community Sports	104,790.49	302,890.32	325,913.65	733,594.46		Alan Clark Kevin Cranney	Other Interests
Bringing Communities Together	-	-	6,539.07	6,539.07	Michael Young		Employment, Office Trade, Profession or Vocation
Changing Futures North East	93,231.93	115,547.60	-	208,779.53	Gerard Hall		Other Interests
H M S Trincomalee Trust	25,611.11	-	-	25,611.11	Gerard Hall		Other Interests
Hartlepool Access Group	800.00	10,000.00	-	10,800.00		Kevin Cranney	Other Interests
Hartlepool Citizens Advice Bureau	3,150.00	-	4,745.14	7,895.14		Allan Barclay	Other Interests
Hartlepool Families First	182,244.65	141,638.77	-	323,883.42		Paul Thompson	Interested Parties / Contracts with the Authority / Employment, Office Trade, Profession or Vocation
Hartlepool Men's Sheds	1,875.00	-	-	1,875.00		Tom Hind George Springer	Other Interests Other Interests
Hartlepool Seals Baseball Team	-	520.00	-	520.00	Leisa Smith		Interested Parties
Hartlepool United Supporters Club Ltd	150.00	225.00	-	375.00	Stephen Thomas		Other Interests
Healthwatch Hartlepool	68,702.79	20,256.02	106,485.00	195,443.81	Christopher Akers-Belcher Stephen Thomas		Employment, Office Trade, Profession or Vocation / Contracts with the Authority Employment, Office Trade, Profession or Vocation
Jan's Jelly Babies Jelly Tots Childmind	1,822.80	-	-	1,822.80		Trisha Lawton	Interested Parties
Leisa Smith (Liberty Catering Solutions)	-	8,107.30	2,085.60	10,192.90	Leisa Smith		Employment, Office Trade, Profession or Vocation
Linthorpe Community Primary School	-	2,250.00	-	2,250.00	James Black		Employment, Office Trade, Profession or Vocation
National Museum Of Royal Navy Trading Co	-	-	507,815.50	507,815.50	Christopher Akers-Belcher		Other Interests
National Museum of the Royal Navy	-	-	2,797.88	2,797.88	Christopher Akers-Belcher		Other Interests
Oil NRG Limited	322,409.96	-	-	322,409.96	Shane Moore		Employment, Office Trade, Profession or Vocation
Owton Rossmere Community Enterprise Limited	3,844.00	-	-	3,844.00		Allan Barclay	Other Interests
Oxford Road Baptist Church	1,117.20	430.00	210.00	1,757.20	John Lauderdale		Licence to occupy Land
Paul's Travel	-	-	89,954.00	89,954.00	Sue Little		Employment, Office Trade, Profession or Vocation
Rift House East Residents Association	4,500.00	800.00	-	5,300.00	Christopher Akers-Belcher Stephen Akers-Belcher		Land in the Area of the Authority / Other Interests Land in the Area of the Authority / Other Interests
Royal Engineers Association	-	-	1,050.00	1,050.00		Allan Barclay	Other Interests
Seaton Youth Centre	108,000.00	-	-	108,000.00		Paul Thompson	Other Interests
St Matthew's Hall Committee	2,672.00	2,744.00	-	5,416.00	Gerard Hall		Other Interests
The Rifty Youth Project	3,679.95	6,819.90	9,960.32	20,460.17	Christopher Akers-Belcher Stephen Akers-Belcher	Paul Beck Sandra Belcher	Other Interests Other Interests Employment, Office Trade, Profession or Vocation Other Interests

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West View Advice & Resource Centre Ltd	111,740.50	111,428.92	112,715.62	335,885.04	Carl Richardson	Robin Cook	Other Interests Interested Parties
West View Project	393,358.50	37,926.75	32,097.00	463,382.25		Robin Cook	Other Interests
Xivvi Limited	5,400.00	-	-	5,400.00		Paul Thompson	Securities / Employment, Office Trade, Profession or Vocation / Contracts with the Authority
	1,441,785.88	762,731.08	1,205,593.64	3,410,110.6			

Appendix B

Supplier Name	Expenditure 2016/2019	Nature of Expenditure	Type of Spend	Member
Asda Stores Limited	1,323.86	Supplies as part of Pharmacy Contract	Budget	Ann Marshall
	1,323.86			
Asylum Seekers And Refugee Group	2,550.00	Holiday Hunger Scheme	Grant	Paul Beck
	2,556.00	Ward Member Budgets	Grant	
	626.50	Other	Budget	
	5,732.50			
Belle Vue Community Sports	133,442.36	Targeted Outreach Services	Contract	Alan Clark Kevin Cranney
	451,937.40	Child Care Funding	Budget	
	64,000.00	Child/Young Peoples Grant	Grant	
	7,426.00	Holiday Hunger Scheme	Grant	
	6,785.50	Ward Member Budgets	Grant	
	22,329.59	High Needs Top Up	Grant	
	9,991.41	Room Hire	Budget	
	7,373.00	Nursery Placements	Budget	
	14,940.00	1-2-1 Support	Contract	
	1,536.00	Food/beverages	Budget	
	5,426.00	COOL Project	Grant	
	8,407.20	Other	Budget	
	733,594.46			
Bringing Communities Together	1,720.47	Adult Education Courses	Budget	Michael Young
	2,378.00	Ward Member Budgets	Grant	
	2,000.00	Holiday Hunger Scheme	Grant	
	440.60	Other	Budget	
	6,539.07			
Changing Futures North East	129,166.81	Mentoring Contract	Contract	Gerard Hall
	45,552.72	Independent Visitor Contract	Contract	
	560.00	Ward Member Budgets	Grant	
	32,000.00	Children and Young People Grant	Grant	
	1,500.00	Abbey Street Grant	Grant	
	208,779.53			
H M S Trincomalee Trust	25,611.11	Admissions Collected Historic Quay	Contract	Gerard Hall
	25,611.11			

Hartlepool Access Group	800.00	Ward Member Budgets	Grant	Kevin Cranney
	10,000.00	Shopmobility Grant	Grant	
	10,800.00			
Hartlepool Citizens Advice Bureau	2,500.00	NIS Community Fund	Grant	Allan Barclay
	5,395.14	Advice/Advocacy	Contract	
	7,895.14			
Hartlepool Families First	4,145.28	Sports Disability Grant	Grant	Paul Thompson
	223,083.49	Short Break Service	Contract	
	8,031.48	Sports Disability Voluntary Payments	Contract	
	82,090.00	Mobile Health Improvement Service	Contract	
	6,533.17	Other	Budget	
	323,883.42			
Hartlepool Men's Sheds	1,875.00	Ward Member Budgets	Grant	Tom Hind George Springer
	1,875.00			
Hartlepool Seals Baseball Team	520.00	Ward Member Budgets	Grant	Leisa Smith
	520.00			
Hartlepool United Supporters Club Ltd	375.00	Room Hire	Budget	Stephen Thomas
	375.00			
Healthwatch Hartlepool	112,541.00	Contract Payments	Contract	Christopher Akers-Belcher Stephen Thomas
	195,443.81	Difference in Figures due to Salaries Recharges		
Jan's Jelly Babies Jelly Tots Childmind	1,822.80	Childcare Funding	Budget	Trisha Lawton
	1,822.80			
Leisa Smith (Liberty Catering Solutions)	7,303.00	Catering	Budget	Leisa Claire Smith
	2,889.90	Adult Education Courses	Budget	
	10,192.90			
Linthorpe Community Primary School	1,000.00	High Achievement Review	Budget	James Black
	1,250.00	Reimbursement of 2 Senior Staff	Budget	
	2,250.00			

National Museum Of Royal Navy Trading	503,389.00	Contract Payments	Contract	Christopher Akers-Belcher
	4,426.50	Catering/Room Hire	Budget	
	507,815.50			
National Museum of the Royal Navy	359.28	Rifle Parade	Budget	Christopher Akers-Belcher
	1,184.10	Catering	Budget	
	1,082.00	Room Hire	Budget	
	172.50	Refugee Event	Budget	
	2,797.88			
Oil NRG Limited	322,409.96	NEPO GasOil/DERV Contract	Contract	Shane Moore
	322,409.96			
Owton Rossmere Community Enterprise Limited	3,844.00	Room Hire Adult Education	Budget	Allan Barclay
	3,844.00			
Oxford Road Baptist Church	1,357.20	Room Hire	Budget	John Lauderdale
	400.00	Ward Member Budgets	Grant	
	1,757.20			
Paul's Travel	89,954.00	Home to School Transport Contract	Contract	Sue Little
	89,954.00			
Rift House East Residents Association	5,300.00	Ward Member Budgets	Grant	Christopher Akers-Belcher Stephen Akers-Belcher
	5,300.00			
Royal Engineers Association	1,050.00	Ward Member Budgets	Grant	Allan Joseph Barclay
	1,050.00			
Seaton Youth Centre	108,000.00	Release of Funds	Budget	Paul Thompson
	108,000.00			
St Matthew's Hall Committee	1,000.00	Room Hire Elections	Budget	Gerard Hall
	4,416.00	Ward Member Budgets	Grant	
	5,416.00			
The Rifty Youth Project	10,770.00	Holiday Hunger Scheme	Grant	Christopher Akers-Belcher Stephen
	444.90	Room Hire	Budget	
	1,500.00	Ward Member Budgets	Grant	

	6,944.77	Mayors Charity	Grant	Akers-Belcher Sandra Belcher Paul Beck
	800.50	Event Catering	Budget	
	20,460.17			
West View Advice & Resource Centre Ltd	328,543.84	Specialist Advice and Guidance Service Contract	Contract	Robin Cook Carl Richardson
	2,750.00	Ward Member Budgets	Grant	
	4,591.20	Room Hire	Budget	
	335,885.04			
West View Project	4,330.00	Ward Member Budgets	Grant	Robin Cook
	7,309.25	Summer/Christmas Sports/Activities	Contract	
	64,000.00	Children and Young People Grant	Grant	
	375,000.00	Youth Activities Contract	Contract	
	11,499.00	Participation	Contract	
	1,244.00	Other	Budget	
	463,382.25			
Xivvi Limited	5,400.00	Design of Education Brochure	Contract	Paul Thompson
	5,400.00			

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Appendix C

Location	Tenant	Use of Premises	Term	Discount	Member Declaration	Utilities Included as Part of Rent
Burbank Community Centre	Big League CIC	Social Enterprise	3yr	75%	No	Yes
Seaton Carew Beach Huts	Marshalls Beach and Leisure Huts Ltd	Leisure - Beach Huts	5yr	75%	No	No
Rift House Community Building	Rifty Youth Project	Community Centre/Social Enterprise	5yr	75%	Yes	No
Indoor Bowls Club	Hartlepool and District Indoor Bowls Club	Leisure - Bowls Association	7yr	25%	No	No
Grayfields	TDSOB RUFC	Leisure - Rugby	25yr	25%	No	No
Brenda Road	Seymour's	Training and Education Facility	10yr	25%	No	No

	Payments 2016/2017 £	Payments 2017/2018 £	Payments 2018/2019 £	Total £	Member (Current)	Member (Previous)	Type of Interest (as at 1st April 2019)
Asda Stores Limited	-	-	1,323.86	1,323.86	Ann Marshall ##		Employment, Office Trade, Profession or Vocation
Asylum Seekers And Refugee Group	2,685.00	1,146.50	1,901.00	5,732.50		Paul Beck	Other Interests
Belle Vue Community Sports	104,790.49	302,890.32	325,913.65	733,594.46		Alan Clark Kevin Cranney	Other Interests
Bringing Communities Together	-	-	6,539.07	6,539.07	Michael Young		Employment, Office Trade, Profession or Vocation
Changing Futures North East	93,231.93	115,547.60	-	208,779.53	Gerard Hall		Other Interests
H M S Trincomalee Trust	25,611.11	-	-	25,611.11	Gerard Hall		Other Interests
Hartlepool Access Group	800.00	10,000.00	-	10,800.00		Kevin Cranney	Other Interests
Hartlepool Citizens Advice Bureau	3,150.00	-	4,745.14	7,895.14		Allan Barclay	Other Interests
Hartlepool Families First	182,244.65	141,638.77	-	323,883.42		Paul Thompson	Interested Parties / Contracts with the Authority / Employment, Office Trade, Profession or Vocation
Hartlepool Men's Sheds	1,875.00	-	-	1,875.00		Tom Hind George Springer	Other Interests Other Interests
Hartlepool Seals Baseball Team	-	520.00	-	520.00	Leisa Smith		Interested Parties
Hartlepool United Supporters Club Ltd	150.00	225.00	-	375.00	Stephen Thomas		Other Interests
Healthwatch Hartlepool	68,702.79	20,256.02	106,485.00	195,443.81	Christopher Akers-Belcher Stephen Thomas		Employment, Office Trade, Profession or Vocation / Contracts with the Authority Employment, Office Trade, Profession or Vocation
Jan's Jelly Babies Jelly Tots Childmind	1,822.80	-	-	1,822.80		Trisha Lawton	Interested Parties
Leisa Smith (Liberty Catering Solutions)	-	8,107.30	2,085.60	10,192.90	Leisa Smith		Employment, Office Trade, Profession or Vocation
Linthorpe Community Primary School	-	2,250.00	-	2,250.00	James Black		Employment, Office Trade, Profession or Vocation
National Museum Of Royal Navy Trading Co	-	-	507,815.50	507,815.50	Christopher Akers-Belcher		Other Interests
National Museum of the Royal Navy	-	-	2,797.88	2,797.88	Christopher Akers-Belcher		Other Interests
Oil NRG Limited	322,409.96	-	-	322,409.96	Shane Moore ##		Employment, Office Trade, Profession or Vocation
Owton Rossmere Community Enterprise Limited	3,844.00	-	-	3,844.00		Allan Barclay	Other Interests
Oxford Road Baptist Church	1,117.20	430.00	210.00	1,757.20	John Lauderdale		Licence to occupy Land
Paul's Travel		-	89,954.00	89,954.00	Sue Little		Employment, Office Trade, Profession or Vocation
Rift House East Residents Association	4,500.00	800.00	-	5,300.00	Christopher Akers-Belcher Stephen Akers-Belcher		Land in the Area of the Authority / Other Interests Land in the Area of the Authority / Other Interests
Royal Engineers Association	-	-	1,050.00	1,050.00		Allan Barclay	Other Interests
Seaton Youth Centre	108,000.00	-	-	108,000.00		Paul Thompson	Other Interests
St Matthew's Hall Committee	2,672.00	2,744.00	-	5,416.00	Gerard Hall		Other Interests
The Rifty Youth Project	3,679.95	6,819.90	9,960.32	20,460.17	Christopher Akers-Belcher Stephen Akers-Belcher	Paul Beck Sandra Belcher	Other Interests Other Interests Employment, Office Trade, Profession or Vocation Other Interests
West View Advice & Resource Centre Ltd	111,740.50	111,428.92	112,715.62	335,885.04	Carl Richardson	Robin Cook	Other Interests Interested Parties
West View Project	393,358.50	37,926.75	32,097.00	463,382.25		Robin Cook	Other Interests
Xivvi Limited	5,400.00	-	-	5,400.00		Paul Thompson	Securities / Employment, Office Trade, Profession or Vocation / Contracts with the Authority
	1,441,785.88	762,731.08	1,205,593.64	3,410,110.6			

- The working group were verbally advised that these declarations related to the individual members employment and these members were not involved in strategic business decisions or the submission of tenders to the Council by their employers.