

Annual Governance Statement 2022/2023

The Council's Annual Governance Statement (AGS) follows the Code of Practice on Local Authority Accounting in the UK 2022/23 and comprises the following sections:

- Scope of responsibility
- The purpose of the governance framework
- The governance framework
- Review of effectiveness
- Update on the significant governance issues that were declared last year
- Significant governance issues for the year-end 2023

Scope of responsibility

Belfast City Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, that public money is safeguarded and properly accounted for, and is used economically, efficiently and effectively. The Council also has a duty under Part 12 of the Local Government Act (Northern Ireland) 2014 to make arrangements for continuous improvement in the way in which its functions are exercised, having regard to a combination of strategic effectiveness, service quality, service availability, fairness, sustainability, efficiency and innovation.

In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

The Council has prepared an Annual Governance Statement, which is consistent with the principles of the new CIPFA/SOLACE Framework *Delivering Good Governance in Local Government (2016 edition)*. This statement explains how the Council has complied with the code and meets the requirements of the Local Government (Accounts and Audit) Regulations (Northern Ireland 2015) in relation to the publication of an annual governance statement.

The purpose of the governance framework

The governance framework comprises the systems and processes, and culture and values, by which the Council is directed and controlled and the activities through which it accounts to, engages with and leads its communities. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.

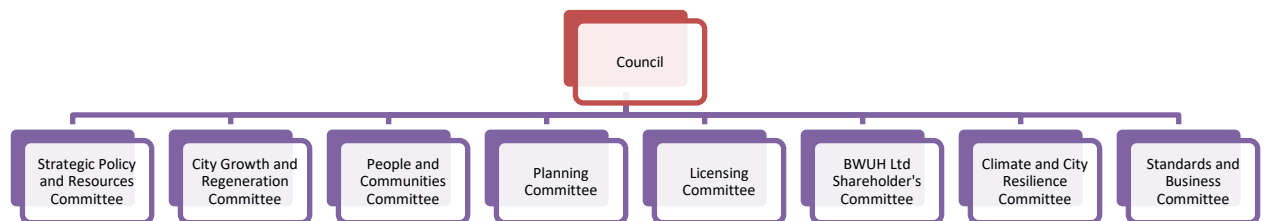
The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework continues to be in place at Belfast City Council for the year ending 31st March 2023 and up to the date of approval of the Annual Governance Statement and statement of accounts. The following section sets out the key elements of the governance framework.

The Governance Framework

The Coronavirus Act 2020 (Extension of Provisions Relating to Local Authority Meetings) (No. 2) Order (Northern Ireland) 2023 provides councils with the flexibility to hold meetings by remote or hybrid means until 24 September 2023. The extension is an interim measure until such time as permanent legislation can be made.

Our committee structure, which is based on the full council and eight standing committees is illustrated and described below.



Through the work of committees, our Members oversee the work of the council. All committee decisions need to be ratified by the full council except where committees have been granted delegated authority to make decisions.

The full council, which consists of all 60 elected representatives, is the overarching decision-making body.

The Strategic Policy and Resources Committee is responsible for setting the strategic direction of the Council through the development of its corporate plan and other key corporate and cross cutting strategies and policies. It will also ensure effective use of resources and value for money for ratepayers and oversee the Council’s relationship with a number of key agencies and partners.

The City Growth and Regeneration Committee is responsible for the development and implementation of strategies, policies, programmes and projects directed to the regeneration and growth of the city in the context of the outcomes agreed in the community and corporate plans and other corporate strategy.

The People and Communities Committee is responsible for the development and implementation of strategies, policies, programmes and projects aimed at improving life at a local level in the context of the outcomes agreed in the community and corporate plans and other corporate strategy.

The Planning Committee is responsible for all of the Council's planning functions, except those matters, which are delegated to officers or reserved to full Council.

The Licensing Committee is responsible for the consideration of all matters pertaining to policy and legislation in relation to licensing issues.

The Belfast Waterfront and Ulster Hall Ltd Shareholders' Committee is responsible for making the decisions required by the Shareholders' Agreement and ensure that the company complies with the contract for the operation of the venues.

The Climate and City Resilience Committee is responsible for political oversight of the resilience strategy for Belfast, liaising with Belfast Resilience and Sustainability Board who are responsible for monitoring and delivery with the support of Belfast Climate Commission, supporting a targeted approach through existing structures to those issues which pose the greatest risk to the city, its economy and its people. This includes considering the potential implications of climate change for the city of Belfast and for making recommendations to the Council on Belfast City Council's approach to addressing the climate crisis and Council's role and responsibilities at city level.

The terms of reference of the Standards and Business Committee are to: promote, sustain and safeguard the conduct of Councillors within the Council; promote a collaborative working relationship between senior officers and Members; ensure the probity of all the council's proceedings; and review and improve processes in relation to bringing business before the Council, including review of all Notices of Motion, any review of Standing Orders and the Council's Scheme of Delegation.

In addition to the Committees listed in the diagrams above there are 14 Working Groups established which include the Audit and Risk Panel and four Area Working Groups. In addition there is a Party Leaders' Consultative Forum.

The Audit & Risk Panel provides an independent assurance on the adequacy of the Council's risk management framework and associated control environment. It provides an independent scrutiny of the Council's financial and non-financial performance, which is relied upon by the Council, to the extent that it exposes it to risk and weakens the control environment. The Panel reports to the Strategic Policy and Resources Committee. The Audit and Risk Panel met four times during 2022/23.

The Council's Code of Governance is based on the seven core principles set out in the CIPFA/SOLACE Framework (2016 edition). How we meet these seven core principles is reviewed and updated annually, and in particular for this year, ensuring that our update reflects Covid-19 related changes to our governance arrangements. A summary of the key elements of our governance framework are set out in the following table:

Our seven principles of good governance

A: Behaving with integrity

- Shared values communicated via corporate plan, community plan and key strategies
- Codes of conduct for Members and staff
- PDP / appraisal process for Members & staff
- Gifts and hospitality and conflicts of interest policies and registers in place
- Fraud and Raising Concerns policies
- Good Relations Unit
- Equality and Diversity Framework
- Council constitution, standing orders & scheme of delegation
- Expert professional advice
- Partners and contractors required to comply with relevant policies
- Achieving Through People Framework
- Standards and Business Committee
- Accessibility Statement for the updated website
- Social Value Procurement Policy

B: Ensuring openness

- Council / committee meetings open to the public and agendas / minutes on website
- Belfast Agenda developed via extensive consultation and engagement.
- Corporate plan and annual improvement plan are subject to consultation before agreement
- Statement of Community Involvement for production of the Local Development Plan
- Ongoing consultation and engagement with staff and trade unions
- Corporate communications
- Annual financial report published on the BCC website
- Quarterly Screening Outcome report available through the BCC website
- Formal Partnership arrangements with GLL, Active Belfast, arc21, BWUH Ltd, Visit Belfast, Innovation City Belfast
- "Your Say" consultation hub
- Working with Belfast Region City Deal partners

C: Defining outcomes

- Belfast: Our Recovery plan
- Belfast Agenda outlines long term economic, social and environmental benefits and is refreshed every 4 years
- Belfast Region City Deal Investment Plan
- Cultural Strategy
- Corporate plan outlines the annual contribution to the Belfast Agenda
- City centre regeneration & investment strategy
- Physical Investment Programme
- Leisure transformation programme
- Grant funding processes
- Equality Impact Assessments
- Belfast Resilience Strategy – the city's first climate plan

D: Optimising the achievement of outcomes

- Corporate plan aligned to delivery of Belfast Agenda and Belfast: Our Recovery
- Adoption of the Belfast Local Development Plan (LDP) - Plan Strategy in May 2023
- Key partner in the Belfast Region City Deal
- Consultation and engagement processes
- Strategic financial management and reporting framework in place.
- Performance management framework
- Regular reports on progress of our performance improvement plan to CMT and SP&R
- Risk management strategy & framework

E: Developing capacity & capability

- People Strategy
- Achieving Through People Framework
- Benchmarking activity
- Efficiency programme
- Regular performance monitoring of the delivery of improvement objectives
- Learning and development policy
- Health and wellbeing strategy
- Appraisal scheme in place for Chief Officers, Operational Directors / Heads of Service and Senior Managers
- PDPs for officers and Members
- Member capacity building / training
- Continuing Development Programme for members
- Party group briefings

F: Finance, performance and risk management

- Annual Rate Setting process
- Financial Strategy
- Compliance with CIPFA Financial Management Code
- Performance management framework
- Treasury Management Strategy
- Capital Strategy
- Risk management strategy
- Corporate risk management framework
- Regular reporting of finance, risk and performance
- Audit and Risk Panel
- Internal audit function / annual internal audit strategy and plan in place
- Recommendations Monitor process
- Data protection policy and procedures
- Corporate Fraud Risk Assessment
- Increased data security controls

G: Transparency, reporting & effective accountability

- BCC website regularly updated
- Publication of key reports including the annual financial report; annual governance statement and; performance improvement report
- Committee support framework to approve papers prior to submission to Members
- AGRS (internal audit) annual assurance statement within the annual governance statement
- Internal Audit effectiveness annually reviewed against public sector internal audit standards, with an independent external review every five years
- Internal / external audit recommendations followed up as part of recommendations monitoring process every six months
- Key governance arrangements in place for the Council's Accountable Body role for the Belfast Region City Deal

The Chief Executive is the Council's designated Chief Financial Officer under the Local Government Finance Act (Northern Ireland) 2011, responsible for the proper administration of the Council's financial affairs.

The Council's financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2016).

We have re-assessed our compliance with the principles of the CIPFA Financial Management Code and have reached the overall conclusion that we are compliant, with improvement still to be made over better integration of strategic plans and resources. The work for the 2023/24 year will include an evaluation of the potential for income generating opportunities as reducing or eliminating the budgetary gap is a priority for the 2024/25 rate setting process. It is also expected that the implementation of the new financial system in October 2023 will provide better analytics to improve whole life costing, medium term planning and scenario planning

Having considered all the principles of the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption (2014), subject to the implementation of the Corporate Fraud Risk Action Plans, the Council has adopted a response that is appropriate for its fraud and corruption risks and commits to maintain its vigilance to tackle fraud.

The CIPFA Statement on the Role of the Head of Internal Audit (2019) outlines the five principles that set out the organisation's responsibilities to ensure the Head of Internal Audit (HIA) is able to operate effectively and perform their core duties. The Statement also sets out the core responsibilities of the HIA along with the personal skills and professional standards expected of the HIA. The Head of Audit, Governance and Risk Services (AGRS), and the supporting operational arrangements in place, conform to the five principles set out in the CIPFA Statement. This is demonstrated through a self-assessment exercise undertaken by the Head of AGRS. While the principles state that the HIA should not be responsible for preparing the annual governance report, the arrangements within the council, involve AGRS co-ordinating the preparation of the Annual Governance Statement which is then reviewed and agreed by the Corporate Management Team, Audit Assurance Board and Audit and Risk Panel, before being reviewed by Strategic Policy and Resources committee and signed by the Chair of Strategic Policy & Resources and the Chief Executive.

The Council reported two breaches of personal data to the Information Commissioner's Office (ICO) during 2022/23. The ICO took no regulatory action in relation to either case.

Review of Effectiveness

The following diagram illustrates the Assurance Framework in place that provides information on compliance with the various elements of the Council's Governance Framework, including performance reports, health and safety reports, finance reports, internal audit reports and risk management report



The various in year and year-end reports arising from the Assurance Framework are reviewed and approved by the Audit and Risk Panel and Strategic Policy and Resources Committee annually.

In addition, the review of the effectiveness of the Governance Framework is also informed by:

- the annual review and update of the Code of Governance;
- comments or recommendations made by the external auditors during their annual audit; and
- the Head of Audit Governance and Risk Services (AGRS) annual assurance statement for the period ending 2022/23, which gives an opinion on the Council's risk and control environment.

Head of Internal Audit Opinion

An extract from the Head of AGRS Annual Assurance Statement for the period ending 2022/23 is given below:

As Head of Audit, Governance and Risk Services (AGRS), on the basis of work carried out, I can provide a reasonable assurance regarding the adequacy and effectiveness of the Council's framework of governance, risk management and control.

We developed our audit plan in consultation with management to ensure that our audit work was focussed on the areas where assurance was most valuable and was timed and conducted in a way that minimised interruption, while complying with public health guidelines. Member and management agreement of this plan combined with delivery of the majority of this plan, during a time when the organisation was continuing to operate while responding to and recovering from the impact of the pandemic, signifies members and managers recognition of the importance of receiving independent assurance over the council's risk, control and governance frameworks and provided me with sufficient evidence to support my assurance statement. As such there is no limitation of scope on my assurance statement.

My opinion is based on completion of audits in the audit plan for 22/23; programme and project assurance and advisory work undertaken for a number of fundamental corporate IT projects; other advisory work completed in relation to new processes and; quarterly assurance statements from senior management on compliance with risk management and internal control systems.

Specifically my opinion is based on the following:

- *Evidence from areas subject to detailed internal audit during 2022/2023, in that AGRS has been able to provide positive statements of assurance with the majority of audits falling into the 'some improvement needed' category - the 2nd tier of assurance in the 4 tier model.*
- *Provision of assurance and advisory work for major programmes and projects in addition to real time advisory work on key processes including grants / funding processes, the draft digital strategy and capital programme / asset management processes.*
- *The work that was undertaken to support management in their quarterly review and update on the management of the corporate risks that could potentially impact on delivery of our corporate plan and priorities.*
- *The work that was undertaken to complete the review of the Corporate Fraud Risk Assessments and to support management in the development of associated fraud risk mitigation plans.*
- *Quarterly assurances from senior management on the management of key risks and maintenance of internal control systems during the pandemic response and recovery efforts.*
- *The evidence set out in the review of the Council's Code of Governance and Annual Governance Statement regarding the range of key assurance and governance arrangements that the Council has in place to direct / oversee its activities.*

However, some weaknesses and areas for improvement have been identified through audit work. These have been reported in detail to the Council's Audit Assurance Board and Audit and Risk Panel during 2022/23 through quarterly progress reports. In addition, I have highlighted, where appropriate, where further action is required to implement agreed audit actions. The key issues I would highlight in this statement are as follows:

While AGRS was able to provide positive statements of assurance in the majority of audits completed in 2022/23, five areas resulted in 'major improvement' assurance levels:

- Absence Management*
- Continuous Improvement*
- Corporate Risk Review – Information Governance*
- Corporate risk – Data Strategy*
- Police and Community Safety Partnerships*

It is important that the action plans for the above audits are implemented in as timely a manner as possible.

In particular, given the current budgetary pressures and the role that Service Design and Absence Management will have in delivering potential efficiencies, I highlight the importance of ensuring that the agreed actions from the internal audits of Continuous Improvement and Absence Management are implemented timely.

In addition it is important that progress is made in the implementation of open audit actions from previous audits that have the potential to deliver efficiencies, such as those from the internal audits of Procurement and Contract Management, Value for Money review of Utilities, Agency Engagement and Management and the Capital Programme.

Looking ahead, the high level of vacancies in certain services, budgetary pressures and the planned implementation of the new accounting system during 23/24, has the potential to affect the adequacy and effectiveness of the councils risk control and governance arrangements as well as service delivery. It is important that these issues are managed appropriately and that management continue to place importance on the maintenance of risk, control and governance arrangements.

Public Sector Internal Audit Standards

I can confirm that the AGRS Service has conformed to Public Sector Internal Audit Standards during 2022/23. A quality assurance and improvement programme is in place including internal review of work, annual assessment against professional standards, quarterly progress and performance reporting to the Assurance Board and Audit & Risk Panel. An external quality assessment of AGRS took place in 2022 and this confirmed the Service's compliance with professional standards.

Continued effort has been put into developing and implementing the key elements of an assurance framework within the Council with the key elements being:

- a process whereby senior managers are required to sign annual assurance statements;
- a process whereby Directors are required to sign quarterly assurance statements;
- embedding risk management and developing the arrangements for oversight of the management of these risks;
- business planning and related performance reporting arrangements;
- an Audit and Risk Panel;
- a professional internal audit function, which has been reviewed for effectiveness against the Public Sector Internal Audit Standards; and
- a Health & Safety Assurance Board.

Update on the Significant Governance Issues that were declared last year

Five issues were declared last year and continue to be declared as issues in this year's statement. An update on the work that was completed last year to manage these issues along with further information on these issues is set out in the next section.

Significant Governance Issues for the year-end 2023

The significant governance issues for the year-end 2023 were identified through review of the risks in the Corporate Risk Register and review of the Directors' Annual Assurance Statements.

The most significant issues for the Council continue to be the five issues that were declared in last year's statement, which are listed below:

1. Financial planning
2. Digital information security / Digital Strategy
3. Brexit implementation programme for Port Health
4. Recruitment challenges
5. Belfast Region City Deal

More information on these significant governance issues is provided on the following pages.

1. Financial Planning

The five-step finance strategy was extended into the 2022/23 financial year to deal with the cost of living crisis that manifested in 2022/23 and was reviewed quarterly.

Members had previously agreed the creation of two additional specified reserves to deal with Covid costs / income losses and rate base losses. The five-step finance strategy allowed the council to manage additional costs / income losses due to covid via in year budget savings and the use of these specified reserves. As part of the year-end 2023 review of the Council's financial position, these reserves will be reviewed taking consideration of the current economic environment.

The challenges faced by the Council over the past few years have been unprecedented and are likely to continue given the on-going global unrest and the resultant economic impacts.

As part of the 2023/24 rate setting process members agreed a strategy to deal with the impact of the cost of living crisis on the 2023/24 budgets. To mitigate the impact on the 2024/25 rate setting process a significant efficiency programme has been developed to look at cost savings through reviewing Category and Contract Management, maximising income generation opportunities, exploring new and additional income streams and the use of enhanced expenditure controls.

2. Digital Information Security / Digital Strategy

Digital information security continues to be a significant governance issue and is overseen through the Council's risk management processes by the Council's Corporate Management Team. Digital Services has implemented the following additional controls to manage and have better visibility of the growing threats in this area:

- Completion of penetration tests.

- Completion of Payment Card Industry Data Security Standard attestation.
- Ongoing delivery of a Security Awareness programme through regular five-minute online training modules on a range of issues that pose a cyber risk for our network.
- Unannounced tests to help determine where future support is required.
- Implementation of Public Key Infrastructure to enhance network access control.
- Activation of Always-On Virtual Private Network to ensure all homeworking access is managed through our security infrastructure.
- Mobile device management using Microsoft Intune currently being rolled out for all new mobile phones.
- Completion of firewall upgrades.
- Draft Ransomware incident response plan.
- Cloud services access report reviewed by Security Oversight Group

The Digital information Security programme will continue to focus on priority areas that are most important to enhance the council's cyber security controls, including:

- Cyber security incident response
- Identity management
- Cloud strategy
- Maturity assessment priorities

Additional actions to be undertaken to further mitigate this key corporate risk in 2023/24 include:

- Completion of the Microsoft security crisis and response exercise
- Completion of the Ransomware playbook.
- Review of cloud security governance
- Implementation of network access control
- Review of the National Cyber Security Centre's Cyber Assessment Framework

A recent internal audit highlighted issues with the management of the corporate risk on the strategic approach to the use of data, including future ownership of this risk. In this regard, ownership of the risk will be discussed with the Deputy Chief Executive / Strategic Director of Corporate Services when they take up post in July. In addition, The Council is in the process of developing a Digital Strategy with the vision to make the best use of digital and data to deliver excellent public services and inclusive growth in the Belfast City Region. The main objectives of the Digital Strategy relate to Digital Public Services; Information as an Asset; Digital City Innovation and; Digital Capability. This strategy will be considered and agreed through the usual governance processes in 2023/24.

ICT capability is an intrinsic pillar of the overall operating model of the Council and it important that we have the right skills within Digital Services and across the Council. Attracting new talent is becoming problematic in specialist areas such as Cyber Security and Application Development. The new Digital Strategy will require the development of a people / talent strategy for Digital Services to ensure we retain the right technical capability and capacity to meet the requirements of the Council going forward.

3. Brexit Implementation Programme for Port Health

The Council's Port Health duties include overseeing the import of food into Belfast, including checks on High Risk Food not of Animal Origin and fish and fishery products for human consumption. Since 31st December 2020 when the UK left the EU, these checks now apply to products arriving in Belfast

Port from GB, as well as other countries outside the EU. Temporary grace periods and easements under the NI Protocol were extended in 2021 and remain in place at present. These grace periods will be replaced by the arrangements set out in the Windsor Framework once new legislation is put in place later in 2023.

Throughout 2022/23 the Council has continued work with partners and stakeholders to ensure the Council meets its current statutory duties, while also taking steps to prepare for future operational requirements. The programme of work has focused on securing temporary funding (currently allocated on an annual basis), implementing an updated temporary staffing model (including addressing recruitment and retention issues), and working with DAERA to upgrade and maintain the temporary inspection facilities at Corry Place. Further work being taken forward under the programme includes further development of IT systems to streamline processes and design of the new purpose built inspection facilities.

Some uncertainty remains regarding detailed requirements for implementation of new arrangements post October 2023, and the extent to which businesses will utilise the flexibilities for reduced 'green lane' checks. The ongoing uncertainty during 2022/23 has caused delays to completion of new inspection facilities, development of IT processes, and development of a sustainable resourcing model for the future. The Council are liaising closely with DAERA to ensure operational readiness. Further work will be required in 2023/24 and beyond to develop a longer term staffing model, and to secure a sustainable funding arrangement to support the service going forward.

4. Recruitment Challenges

The council was unable to recruit a Strategic Director of Finance and Resources due to difficulties in sourcing a like for like replacement in a challenging recruitment market. This led to a pause on the recruitment of the Strategic Director of City and Neighbourhood Services and the Strategic Director of Place and Economy roles. In addition we undertook a review of the structure of CMT. The review resulted in several changes at CMT level, namely the repositioning of a number of key corporate functions and changes to the remit of several Director roles. Following the change to the structure of CMT, the Council successfully recruited a Deputy Chief Executive / Strategic Director of Corporate Services who will take up post at the end of July 2023. The Council will proceed with the planned recruitment of the Strategic Director of City and Neighbourhood Services, the Strategic Director of Place and Economy and the City Solicitor & Director of Legal & Civic Services in 2023/24.

The Council undertook a number of permanent recruitment campaigns in difficult to fill roles for example security staff, environmental health officers, HGV drivers which provides greater stability across departments.

The Council also completed permanent recruitment campaigns for the basic entry roles of general operatives and business support clerks which has further increased stability across departments. The Council will continue to recruit posts including hard to fill roles throughout 2023/24

The Council's People Strategy which will be launched in the coming months will focus on how we retain, attract and develop staff and upskill our existing talent to have adequate succession plans to fulfil vacancies at all levels including senior management.

5. Belfast Region City Deal

The delays in relation to business case approvals and agreeing Contracts for Funding (which must be signed before funding can flow) following the signing of the BRCD deal in late 2021 delayed the transition to the delivery phase of the BRCD until the middle of the 2022/23 year. This resulted in delays to project delivery with associated impacts and costs. This was mitigated to some extent by partners continuing to progress projects at risk.

During the latter part of 2022/23 considerable progress was made, working collaboratively with government and deal partners, in obtaining outstanding business case approvals and putting in place Contracts for Funding. Outline Business Cases for approximately half of the programme have now been approved with three more at advanced stages of the approval process. The first Contract for Funding was signed in July 2022 and by the end of the year seven Contracts had been signed with two more drafted and expected to be approved in the first quarter of 2023/2024. Governance and assurance processes to enable BCC to fulfil its role as the Accountable Body have been agreed and implemented. At the end of 2022/23 the first funding drawdown requests for the BRCD were submitted to the Department for Economy and Department for Communities and the first claim to a BRCD partner has been completed marking significant milestones for deal delivery.

The BRCD partners are working to address the challenges created by the high levels of construction inflation. Project budgets already included significant levels of optimism bias and contingency but the exceptionally high levels of construction inflation are resulting in the need for some project sponsors to consider options to ensure that projects are affordable and deliverable. The level of funding support from the BRCD is fixed for each project and no additional government funding will be available. Therefore as projects progress through the delivery phase, developing more accurate and informed costs, project specific solutions are being identified at key decision points (i.e. at design, procurement and Full Business Case phase) including value engineering and commitment of additional funding by partners.

Partners are also exploring strategic options that could assist in dealing with the impact of construction inflation, including assessment of the potential impact on the outcomes and benefits, which government partners recognise are likely to be reduced as a result of high levels of construction inflation.

Signed:
Chair Strategic Policy and Resources Committee

Signed:
Chief Executive Officer