

Appendix 2 - Annual Governance Statement 2017/2018

The Council's Annual Governance Statement (AGS) follows DfC accounts directions and where applicable, the factsheet on governance statements issued by the NIAO in 2013, 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 at the year-end 2017
- Significant governance issues for the year-end 2018

Scope of responsibility

Belfast City Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and 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.

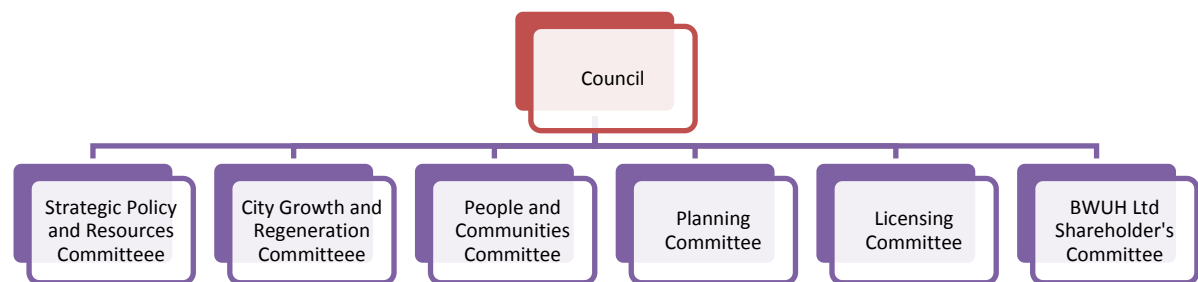
The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance

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 place at Belfast City Council for the year ending 31st March 2018 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

Our committee structure, which is based on the full council and six 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.

In addition to the Committees listed in the diagrams above there are a number of Working Groups established which include the Audit & Risk Panel, the Budget and Transformation Panel and a number of Area Working Groups.

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 Audit & Risk Panel met four times during 2017/18.

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 a summary of the key elements of our governance framework are set out in the table below:

A: Behaving with integrity

B: Ensuring openness

- Shared values communicated via corporate plan, community plan and key strategies
- Codes of conduct for Members & staff
- PDP / appraisal process for Members & staff
- Gifts and hospitality and conflicts of interest policies & registers in place
- Fraud & whistleblowing policies and investigations
- Good Relations Unit
- Equality & Diversity Framework
- Council constitution, standing orders & scheme of delegation
- Expert professional advice
- Partners and contractors required to comply with relevant policies

- Council / committee meetings open to the public and agendas / minutes on website with a process in place for time bound restrictions
- Belfast Agenda developed via extensive consultation and engagement with public “Belfast Conversation” events as well as statutory and other key partners
- Statement of Community Involvement for production of the Local Development Plan
- Ongoing consultation and engagement with staff & trade unions
- Corporate communications
- Annual financial report and annual report to Equality Commission published on BCC website
- Partnership / legal agreements with GLL, Active Belfast, arc21, BWUH Ltd, Visit Belfast
- “Your Say” consultation hub on BCC website

C: Defining outcomes

D: Optimising the achievement of outcomes

- Belfast Agenda outlines long term economic, social and environmental benefits
- Preferred Options Paper for the Local Development Plan sets out how strategic aims align to Belfast Agenda
- Corporate plan aligned to the Belfast Agenda
- City centre regeneration & investment strategy
- Physical Investment Programme
- Leisure transformation programme
- Grant funding processes
- Equality Impact Assessments

- Corporate plan aligned to delivery of Belfast Agenda
- Consultation and engagement processes
- Strategic financial management framework in place, including quarterly challenge process.
- Performance management framework
- Regular reports on progress of our performance improvement plan (corporate plan) to CMT and SP&R
- Risk management strategy & framework
- Commercial Panel aims to ensure that commercial activity places an emphasis on outcomes

E: Developing capacity & capability

F: Finance, performance and risk management

- Creation of Strategic Hub
- 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, Heads of Service and Senior Managers
- PDPs for officers and Members
- Member capacity building plan in place for 2017/18
- Continuing Development Programme in place for the Planning Committee
- Party group briefings
- Commercial Panel to lead on the development of commercial skills

- Strategic financial management framework in place
- Efficiency programme
- Performance management framework
- Corporate performance management (CorVu) system in place
- Financial resilience review
- Risk management strategy
- Corporate risk management system (MKinsight) and processes / procedures in place
- Regular reporting of finance, risk & performance
- Audit and Risk Panel
- Internal audit function / annual internal audit strategy & plan in place
- Recommendations Monitor process
- Data protection policy and procedures

G: Transparency, reporting & effective accountability

- BCC website regularly updated
- Publication of key reports including the annual financial report; annual governance statement; performance improvement report and annual report to Equality Commission
- 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

The Deputy Chief Executive and Director of Finance and Resources 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).

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 Fraud Action Plan, the Council has adopted a response that is appropriate for its fraud and corruption risks and commits to maintain its vigilance to tackle fraud.

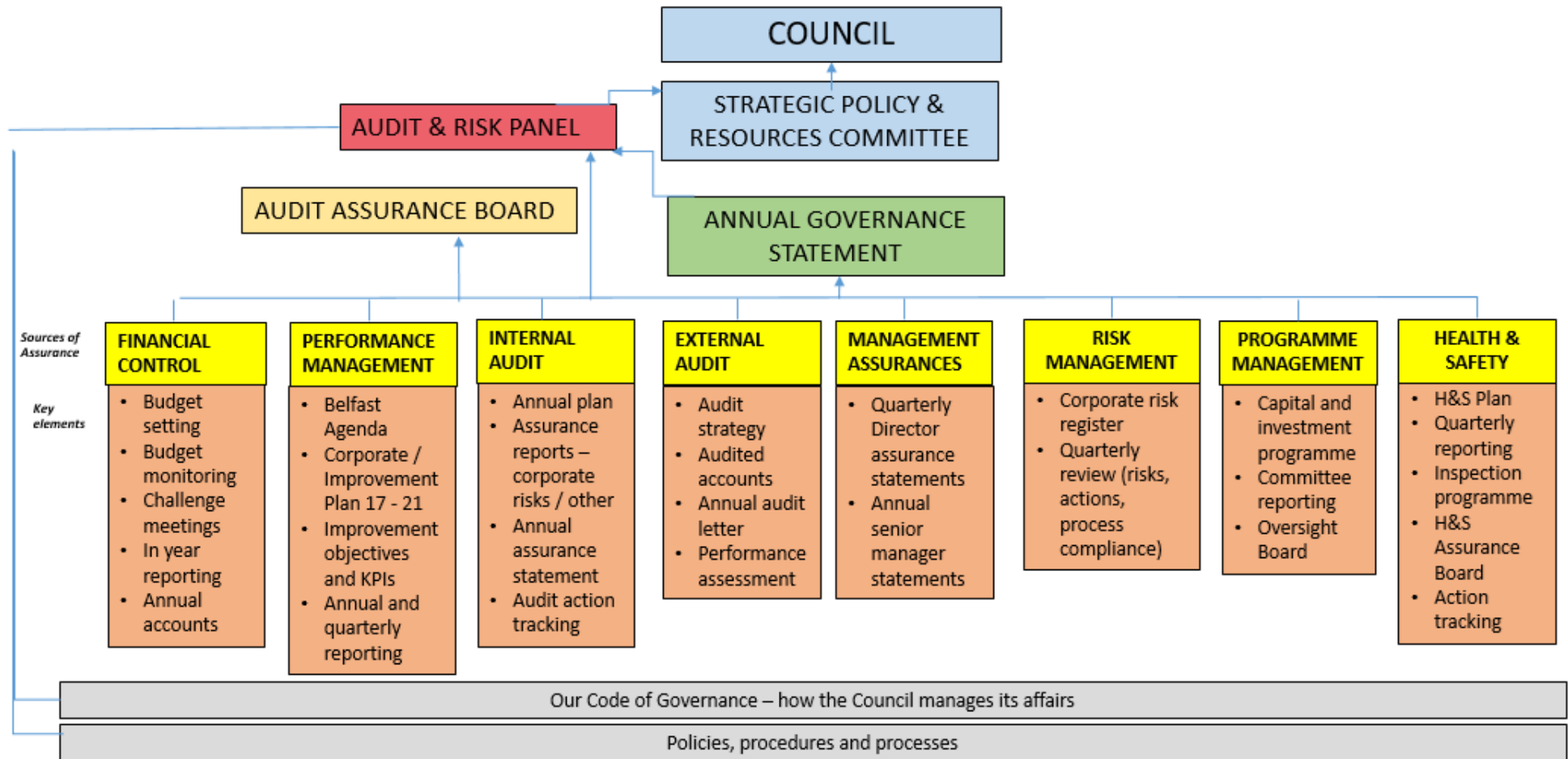
The CIPFA Statement on the Role of the Head of Internal Audit (2010) sets out the five principles that define the core activities and behaviours that belong to the role of the Head of Internal Audit (HIA) in public service organisations and the organisational arrangements needed to support them.

The Head of 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 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-coordinating the preparation of the Annual Governance Statement which is then reviewed and approved by the Corporate Management Team, Assurance Board and Audit and Risk Panel, before being signed by the Chair of Strategic Policy & Resources, the Chief Executive and the Deputy Chief Executive and Director of Finance and Resources.

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 reports.

Key Components of the Council's Assurance Framework



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 2017/18, which gives an opinion on the Council's risk and control environment.

An extract from the Head of AGRS Annual Assurance Statement for the period ending 2017/18 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. This opinion is based on the following:

- *evidence from audit assignments that areas subject to detailed internal audit during 2017/18, 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 (see Table 2 at section 3 of this report)*
- *application of risk management and management assurance processes and our review of the management of key corporate risks*
- *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 Assurance Board and Audit and Risk Panel during 2017/18 through quarterly progress reports. In addition, I have highlighted, where appropriate, where further action is required to implement agreed audit actions.

In comparison with previous years, there are more assurance audits falling into the 'major improvement needed' category. This is a concern. I have highlighted to senior management through the Assurance Board (and related reporting to the Corporate Management Team), that while no 'red' audit reports have been issued, it is important that some of the recurring themes arising in these audits are addressed. These include ensuring that:

- *roles and responsibilities for the management and maintenance of key policies are clear. This includes ensuring clear ownership and accountability. In this regard, the proposed policy management process, which is due to be implemented by Legal Services during 2018/19, has the potential to secure improvements;*
- *there is effective management of change, whilst also ensuring ongoing management of risks and performance of 'business as usual'. In this regard, management has proposed a new taskforce approach to oversee organisational change;*

- *appropriate programme / project management arrangements are in place to deliver changes and improvements. This applies in particular to revenue spend programmes / projects. The establishment of the new Strategic Hub presents an opportunity to implement improvements in this regard;*
- *there are robust management, oversight and assurance mechanisms in relation to key risk areas and functions, supported by appropriate management information. AGRS will continue to emphasise the importance of this through its audit and risk management (facilitation) work.*

With regard to risk management, during 2017/18 AGRS has undertaken independent ‘assurance’ reviews of the management of a number of the key corporate risks. While these reviews have confirmed the focus of management on these key risks, our work has identified that further action is required to implement risk action plans and reduce risk exposure to target levels. These include the development and effective operation of ‘oversight’ arrangements as well as operational controls.”

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 CIPFA Code of Practice for Internal Audit in Local Government; and
- a Health & Safety Assurance Board.

Update on the Significant Governance Issues that were declared at the year-end 2017

Six issues were declared last year and three of these continue to be declared as issues in this year’s statement (waste management, digital information security and procurement). An update on the action that was taken regarding the remaining three issues that were declared last year (agreement and delivery of the Community Plan / Belfast Agenda, the organisation’s transformation programme and external fraud) is provided below.

Agreement and delivery of the Community Plan / Belfast Agenda

We undertook the following actions to manage the risk:

- Held an inaugural Community Planning Partnership meeting in February 2018 to engage partners on the ambition of the Belfast Agenda and the work required to deliver the 2017-2021 priorities
- Commenced work with partners on detailed action planning to identify progress against Stretch Goal targets any opportunities or gaps in Stretch Goal delivery

Currently staff are working towards the next stage of engagement with partners in parallel with the following:

- Finalising the appropriate governance structures and reporting regime for the Belfast Agenda
- Agreeing and implement performance management arrangements, with reference to the agreed outcomes framework
- Agreeing the Inclusive Growth Framework for the Belfast Agenda
- Implementing a pilot of the City Dashboard
- Continuing to put resources in place to support the ambition of the Strategic Hub.

Organisation's Transformation Programme

We undertook the following actions to manage this risk:

- Designing and establishing a new organisational functional blue print.
- Recruiting a range of Strategic & Operational Directors job roles including designing appropriate organisational structures and delivering leadership development.
- Driving a range of priority projects including City & Neighbourhood Services, Place & Economy, Legal & Civic Services, Property & Projects and HR/Payroll system.
- Continuing to implement the agreed Member Development Framework and Health & Wellbeing Strategy.

The Council is now developing the next phase of the transformation or continuous improvement programme. At present the activities are focused on the following:

- Agreeing the detailed priorities for the Continuous Improvement programme plan, which will finalise the structure changes across Council and implement further efficiency and effectiveness improvements.
- Identify a suite of enabling activities that will underpin the Continuous Improvement programme and wider organisational performance.
- Agree the resourcing strategy for the next phase of the Continuous Improvement programme.
- Develop a communications strategy for Members and Staff.
- Continue to put resources in place to support the ambition of the Strategic Hub.

External fraud

Following the fraudulent change of bank details of one of the Council's main vendors, revised control procedures in the Central Transactions Unit (CTU) were implemented in 2013. In a recent report, Audit Governance and Risk Services highlighted that during a period of management / supervisory change in CTU, there had been delays in completion of some of the supervisory checks over the critical change process. A new CTU Manager has been appointed and has taken up post and management / supervisory checks are being completed within designated timescales. The control procedures have also been reviewed to ensure resources are targeted at key risk actions.

Significant Governance Issues for the year-end 2018

The significant governance issues for 2017/18 were identified through the review of the risks in the Corporate Risk Register for the year ending 31 March 2018, consideration of significant events / issues and review of the Directors' Annual Assurance Statements.

The most significant issues for the Council are in relation to:

1. Waste management
2. Digital Information Security
3. Procurement and Contract Management
4. Bonfire management
5. Change management
6. Belfast Region City Deal

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

1. Waste Management

The impact of the failure to manage the City's waste targets in an affordable manner is significant in relation to the financial penalties that can be imposed. Key actions have been undertaken to mitigate against the likelihood of this with the draft Waste Framework that is currently out to public consultation and the commitment of Capital investment for key elements of the service. The monitoring of our existing waste contracts is ongoing and we will monitor the appeal by Department for Infrastructure, of the High Court judgment in May 2018, in relation to the planning application for the proposed arc21 Residual Waste Treatment facility.

2. Digital Information Security

Security of our information assets remains a concern. Digital Services uses its resources to deliver a securely designed infrastructure, continually improve the maturity of security processes and to ensure security controls are in place to detect threats to the ICT environment. The delivery of a secure ICT Infrastructure aligns security activities with business need in order to optimise security budgets and resources.

Additional actions that will be carried out to mitigate this key corporate risk in 18-19 include:

- Establishing a Security Oversight Group within Digital Services to oversee:
 - Security strategy and policy (aligned with the Information Governance Unit)
 - Security Architecture
 - Current state assessment
 - Security Programme of work (including implementation of audit actions from the recent IT Infrastructure, Security and Business Continuity Audit)
 - Measuring performance
- Revising ICT security strategy against business impact assessment
- Investigation of tools to detect approved and non-approved use of cloud-based services

3. Procurement and Contract Management

Procurement and contract management was identified as a new corporate risk last year. It continues to be a challenge due to the increasingly complex nature of the Council's procurement requirements, current capacity issues and issues in relation to compliance with policies and

procedures. Following a recent management review and audit, Council has agreed to a new staffing structure for the Procurement Service, following recruitment, a priority will be to develop and deliver an improvement plan to address these issues.

4. Bonfire Management

Bonfires are a very complex legacy issue and a framework for managing them needs to be agreed at a regional level and the Council has a role to play in his process. Given the issues that arose in the summer of 2017, Council commissioned an independent review of bonfire management, with the report issued in April 2018. The Council is committed to fully implementing the recommendations in the report and new governance arrangements have been put in place for taking these forward.

5. Change management

An overarching issue for the Council is the management of change. The Council is going through a period of significant change arising from; the need to deliver the Belfast Agenda and the related Corporate Plan; the recruitment of Strategic and Operational Directors and; the way we operate in an increasingly complex and uncertain environment. A new Director of City and Organisational Strategy has been appointed to lead a Strategic Hub to support the organisation during this period of change and enable delivery of the Belfast Agenda.

6. Belfast Region City Deal

In November 2017 the UK Government announced that they would open negotiations on the Belfast Region City Deal. This creates the opportunity for the delivery of a transformative programme of investment across the six Council areas that have formed a partnership to negotiate the Deal with the UK and Northern Ireland Governments. Delivery of the deal may require the establishment of new financing and governance arrangements involving a range of partners. The Deputy Chief Executive, and SRO for the City Deal project, will lead a working group on Finance and Governance to develop governance proposals relating to the implementation of the City Deal for agreement by Councils and other partners.

Signed:
Chair Strategic Policy and Resources Committee

Signed:
Chief Executive Officer

Signed:
Chief Financial Officer