

Appendix C

Annual Governance Statement 2018/2019

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 last year
- Significant governance issues for the year-end 2019

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

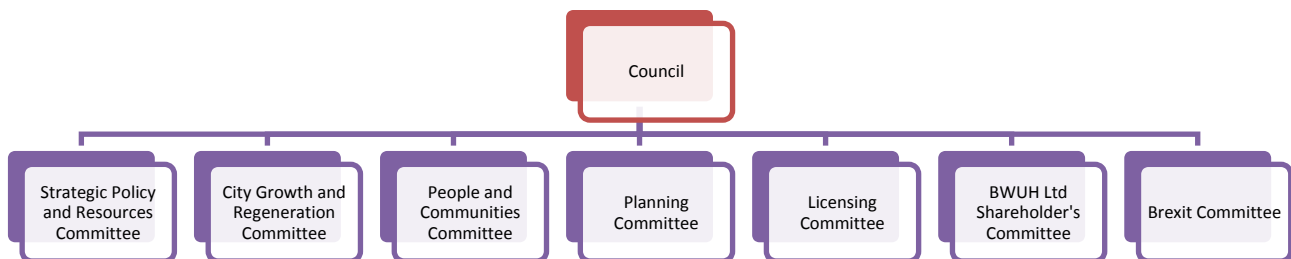
The governance framework comprises the systems and processes, and culture and values, by which the Council is directed and controlled and the activities through which it accounts to, engages with and leads its communities. It enables the Council to monitor the achievement of its strategic objectives 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 2019 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 seven 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 Brexit Committee is responsible for researching, monitoring, and reviewing the financial, resource or operational impact upon the council and the district as a result of the UK leaving the European Union and for making recommendations to council on such issues (or the relevant standing committee where appropriate).

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

In June 2018, the Council appointed a Commissioner for Resilience, fully funded by the organisation '100 Resilient Cities'. The Commissioner who reports directly to the Chief Executive, is working with Council officers and city partners to design and implement a resilience strategy for Belfast, focusing on economic resilience.

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 2018/19.

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:

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 & 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
- Achieving Through People Framework and development of organisational values and behaviours

B: Ensuring openness

- 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
- Working with Belfast Region City Deal partners

C: Defining outcomes

- Belfast Agenda outlines long term economic, social and environmental benefits
- Agreed Heads of Terms for Belfast Region City Deal
- 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

D: Optimising the achievement of outcomes

- 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

- Creation of City Organisational Strategy department
- Achieving Through People Framework and development of organisational values and behaviours
- 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 completed for 2018/19
- Continuing Development Programme in place for the Planning Committee
- Party group briefings

F: Finance, performance and risk management

- Strategic financial management framework in place
- Efficiency programme
- Performance management framework
- 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
- Corporate Fraud Risk Assessment

- **Head of Commercial & Procurement Services to lead on the development of commercial skills**

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.

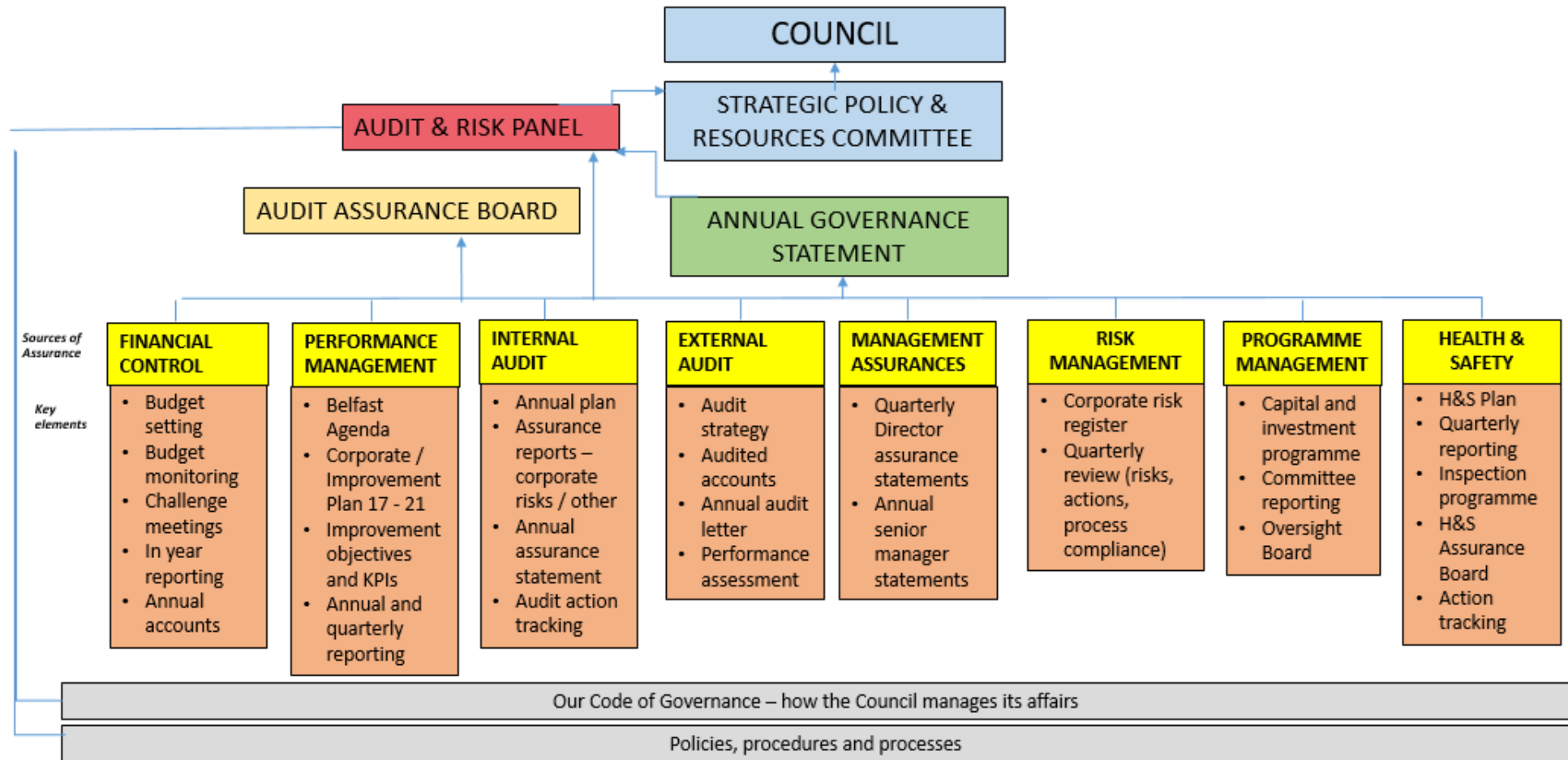
The CIPFA Statement on the Role of the Head of Internal Audit (2019 edition) sets out the five principles that set out the organisation's responsibilities to ensure HIAs are able to operate effectively and perform their core duties. The Statement also sets out the core responsibilities of the HIA along with the personal skills and professional standards expected of the HIA.

The Head of 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 reviewed by Strategic Policy and Resources committee and 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 2018/19, 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 2018/19 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 areas subject to detailed internal audit during 2018/19, 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*
- *application of risk management and management assurance processes and our reviews 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 2018/19 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 2018/19, four areas resulted in 'major improvement' assurance levels – the review of the management of the corporate risk on Asset Management; the corporate / strategic level issues identified as part of the capital programme audit; the internal audit of Fire Safety arrangements and; the internal audit of the Markets. It is important that the action plans that are in place to address these are implemented in a timely manner.*

Regarding the corporate risk on Asset Management, there is need for a fundamental review of the risk, the associated mitigation plan, the allocation of accountability and the progression of actions in relation to the baseline survey, clarifying roles and responsibilities and reviewing resourcing and financing.

Our audit of the Capital Programme identified issues that were not unique to the capital programme but had wider corporate / strategic significance relating to how the Council aligns and prioritises projects in relation to the Belfast Agenda, with a focus on those projects which will best contribute to the outcomes of Belfast Agenda. It is important that an action plan is developed and taken forward to address these corporate wide issues.

- *The corporate risk register is currently being reviewed. It is important that any proposed changes to the corporate risks are agreed, ownership assigned and mitigation plans developed in a timely manner.*
- *The updated Risk Strategy was approved in early 2019 and requires departments to better integrate risk management into their planning and performance management processes. AGRS will support and challenge departments in this regard.*
- *Following the completion of the Corporate Fraud Risk Assessment, and in order to underline where responsibility for the management of fraud risk lies, the majority of departments have completed an initial fraud risk assessment. AGRS will be working with management to review the initial assessment and determine any follow up work that is required.*

Finally, looking ahead, the Council is taking forward a number of transformational programmes in 2019/20 including the Belfast Region City Deal, Customer Focus Programme and the Continuous Improvement Programme. These present significant risks and opportunities to the Council. AGRS will be providing assurance and consultancy services to the Council in relation to these programmes and this has been built into our plan of work for the year ahead.

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

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 the Belfast Region City Deal). An update on the action that was taken regarding the remaining three issues that were declared last year (procurement and contract management, change management and bonfire management) is provided below.

Procurement and Contract Management

Since the identification of Procurement and Contract management as a corporate risk in the year ending March 2018, a new staffing structure for the Procurement Service has been implemented. The Head of Commercial and Procurement Services is now in post and management roles have since been recruited with new starts in Quarter 2 of this financial year. A Procurement Improvement Plan

has been developed and is being implemented which should address the procurement and commercial risks identified.

Change management

The Strategic Hub has been created to support the delivery of the Belfast Agenda, to provide project management and service design support to the change programmes, develop the people strategy and lead on staff engagement and communications.

Bonfire Management

Bonfires continue to be a very complex legacy issue and a framework for managing them has still to be agreed at a regional level. The Council continues to play a role in engaging with regional structures being led by The Executive Office. The Council has also worked through the recommendations in the independent review of bonfire management. It sourced additional help on Governance and the new Governance arrangements are now embedded in the Council's overall approach to bonfires.

Significant Governance Issues for the year-end 2019

The significant governance issues for the year-end 2019 were identified through the review of the risks in the Corporate Risk Register 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. Belfast Region City Deal
4. City Centre Recovery and Revitalisation
5. New Member Development and Development of the Political Management Arrangements

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 development of the draft Waste Framework, which sets the direction of the Council until 2030. Elements of this framework will require ongoing political and community support and significant capital investment. The monitoring of our existing waste contracts is ongoing. In addition we will continue to monitor the position of the proposed arc21 Residual Waste Treatment Project following the Court of Appeal's judgment in July 2018 in relation to planning permission, and the subsequent decision by the Department for Infrastructure not to appeal this ruling.

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.

Last year, in addition to ensuring the operation of established controls, we established a Security Oversight Group, revised the ICT security strategy against business impact assessment and investigated tools to detect approved and non-approved use of cloud-based services.

This year we will take the following additional actions to further mitigate this risk; completion of the work to create a new ICT security strategy against business impact assessment; assessment and acting on the results of the review of approved and non-approved use of cloud-based services and; implementation of the recommendations of the Corporate Risk Review – Digital Information Security.

3. Belfast Region City Deal

Appropriate governance and programme management arrangements were put in place to develop the Belfast Region City Deal (BRCD) proposition, which was presented to UK and NI governments in September 2018. The Chancellor in his budget statement in October 2018, announced a £350m investment package for the BRCD, with a further £350m match funding from NI Executive and £150m contribution from BRCD partners. Belfast City Council, as the lead authority, are now putting in place a dedicated programme office and revised governance structures to deliver the second phase of the programme, which includes the development of outline business cases for all projects, and will result in a financial agreement being drawn up between BRCD and the UK government and NI Executive. Work will also continue on the governance arrangements and assurance framework which will be put in place for the delivery phase of the deal, which is likely to commence in 2021.

4. City Centre Recovery and Revitalisation

The major fire at the Bank Buildings in August 2018 resulted in the forced closure of 14 city centre retail traders inside a cordoned off area and had a negative impact on traders and businesses within the immediate vicinity of the cordon. Council sought and was granted £2 million towards the recovery of the city centre from the Chancellor of the Exchequer in the October 2018 budget. This fund was supplemented by additional monies from the Northern Ireland Government Departments and from Council itself to support the recovery of the city centre. Council is committed to supporting recovery in the city centre having put in place a programme to manage the immediate recovery and going forward, has put in place a revitalisation programme to encourage visitors and shoppers back to the city centre. This is supported by a team delivering on each work strand, led by the Director of Place and Economy.

5. New Member Development and Development of the Political Management Arrangements

The Council now has 22 new members and there is a need to design and deliver a significant programme of work to ensure that they are provided with sufficient support and development to help them fulfil their role. This will also involve ongoing development of our political management arrangements to ensure that they provide effective support for parties and party group leaders.

Signed:
Chair Strategic Policy and Resources Committee

Signed:
Chief Executive Officer

Signed:
Chief Financial Officer