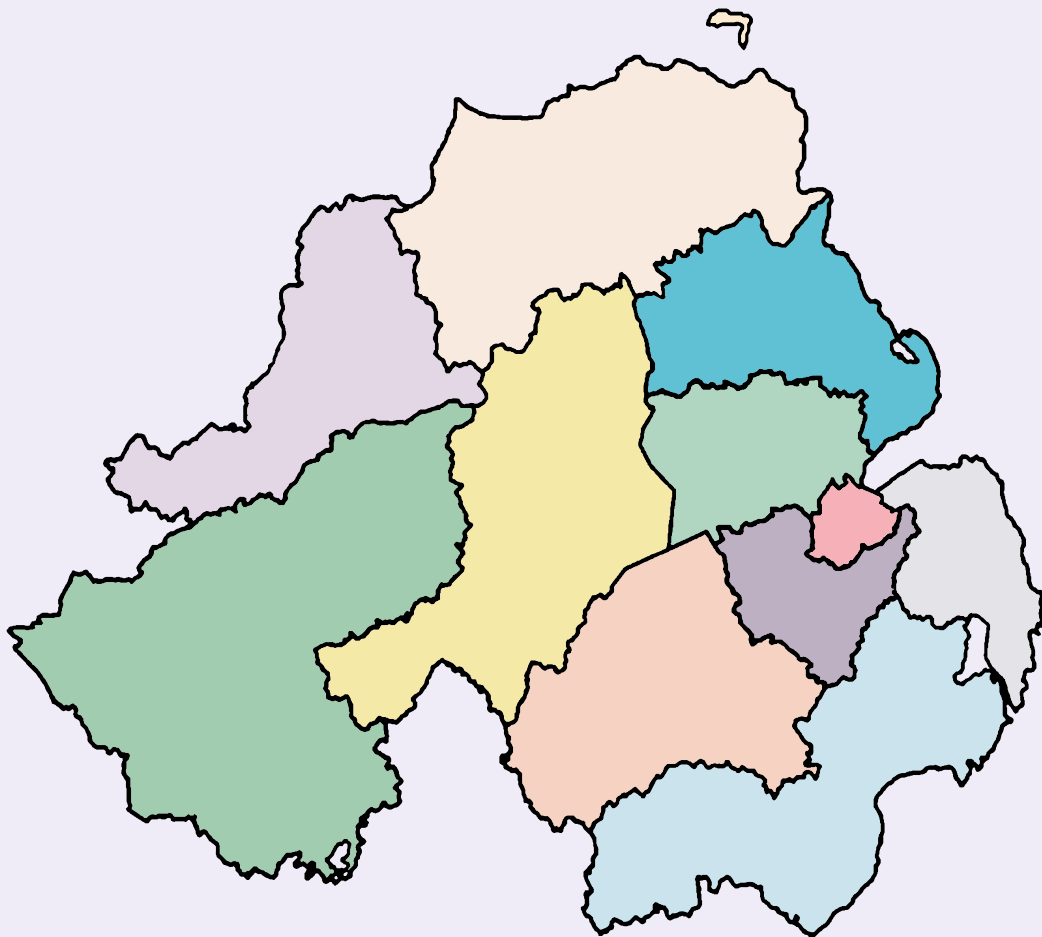




Northern Ireland Audit Office

# Local Government Auditor's Report – 2018



REPORT BY THE LOCAL GOVERNMENT AUDITOR  
4 September 2018





Northern Ireland Audit Office

# Report on the exercise of the Local Government Auditor's functions

In the year to 31 March 2018

Published 4 September 2018



The Department of Communities may, with the consent of the Comptroller and Auditor General for Northern Ireland, designate a member of Northern Ireland Audit Office staff as the Local Government Auditor.

The Local Government Auditor has statutory authority to undertake comparative and other studies designed to enable her to make recommendations for improving economy, efficiency and effectiveness in the provision of services by local government bodies and to publish her results and recommendations.

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This report has been prepared under Article 4 of the Local Government (Northern Ireland) Order 2005.

Pamela McCreedy  
Local Government Auditor  
4 September 2018



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# Introduction

## Local Government Auditor's Introduction

As Local Government Auditor, it is my responsibility to audit and provide an opinion on the financial statements of the 11 Councils in Northern Ireland. I am also required to prepare an annual report on the exercise of my functions. This is my first annual report and it covers my audit work in the year to 31 March 2018.

The Department for Communities (the Department), with the consent of the Comptroller and Auditor General for Northern Ireland (the C&AG), designated me as the Local Government Auditor in January 2018. I am also the Chief Operating Officer of the Northern Ireland Audit Office (NIAO).



**Pamela McCreehy,**  
Local Government Auditor

In addition to providing an opinion on the financial statements of the 11 councils, I am responsible for the audit of two joint committees<sup>1</sup>, the Local Government Staff Commission and the Northern Ireland Local Government Officers' Superannuation Committee. In total, audit opinions are issued on 15 sets of financial statements. I am pleased to report that all 15 audit opinions for the 2016-17 financial statements were unqualified. This means that all financial statements were properly prepared and that they gave a true and fair view of the financial position of the body concerned and its income and expenditure for the year.

Councils are independent of central government and are accountable to their local electorate and ratepayers. They consider local circumstances in making decisions in the best interests of the communities they serve. All councils have the same basic legislative powers, although each council has the discretion to place a different emphasis on the services delivered.

In providing such a broad range of services, either directly or in partnership with others, councils require substantial resources. In the 2016-17 financial year they spent £878 million on providing services to the public, employed over 9,800 full time equivalent staff and utilised assets worth more than £2,300 million.

As part of my audit work, I consider whether each council has **proper arrangements** in place to secure economy, efficiency and effectiveness in the use of resources and that public money is properly accounted for. If I consider it appropriate, I can make a report in the public interest on any matter coming to my notice in the course of an audit. No public interest reports were made during the year and my audit findings were issued to each council in their annual audit letter, which is published on the councils' websites, detailing where any action is required. I expect councils to take these actions forward as appropriate.

In addition to the audit of 2016-17 local government body financial statements, I am responsible for the audit and assessment of the councils' performance improvement responsibilities. The work carried out during the year in this area concluded that all councils met their key performance improvement responsibilities, both in relation to improvement planning and the publication of improvement information,

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<sup>1</sup> A joint committee is made up of two or more participant councils and may be constituted as a body corporate.

## Introduction

and all received the same overall assessment. Although councils are at different stages of development, all strengthened their performance improvement arrangements in year and each council delivered some measurable improvements to services. With sufficient resources, councils' arrangements to deliver improvement should develop further and mature over time. I have provided feedback to each council on how their arrangements could be improved.

In 2017-18, councils were required for the first time to report on their performance against that of other councils in delivering the same or similar functions, where it was reasonably practicable to do so. In my view, this requirement will be difficult to achieve until an agreed framework between councils supports it. I have recommended further work be carried out by all councils, facilitated by the Department, to enable such a framework to be put in place. Benchmarking performance against others assists councils in identifying opportunities for service improvements and better value for money.

As the Local Government Auditor, I can also undertake comparative and other studies designed in order to make recommendations for improving economy, efficiency and effectiveness ("3E" studies) in the provision of services by local government bodies and to publish my results and recommendations. No such studies have been undertaken to date on the 11 councils. In 2018-19, it is my intention to consult with councils, local government representative bodies and other appropriate bodies in preparing a rolling three-year programme of 3E studies.

This report provides my perspective on the audits of local councils based on the key messages from audit work completed by 31 March 2018. This includes the audit of the financial statements for 1 April 2016 to 31 March 2017 (the 2016-17 financial year) and the audit of councils' performance improvement plans and outcomes from 1 April 2017 to 31 March 2018 (the 2017-18 financial year).

In my report, I have sought to highlight areas of strength and areas for improvement within local councils. I have also considered several important issues that may affect the councils in the near future. Both councillors and officers should consider this report and review how their council is managing the issues I have highlighted.

Local government faces significant challenges and uncertainties in the years ahead, including the impact of Brexit and continuing fiscal pressures. There will be challenging times ahead. However, I am confident that local government will respond positively to these challenges and that the Local Government Audit function will continue to play its part in promoting performance improvement and securing economy, efficiency and effectiveness in the provision of services.

I would like to thank elected members and the Chief Executives and staff of the 11 councils and other local government bodies audited, for the assistance provided to audit staff in completing this year's audits. I also wish to thank those members of the staff of the Northern Ireland Audit Office who assisted me in the performance of the Local Government Auditor's functions.

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I would also like to take this opportunity to recognise the contribution of my predecessor Louise Mason, who stepped down as Local Government Auditor in January 2018. I want to thank Louise for her important contribution to improvements in financial management and governance arrangements in the local government sector since her appointment in February 2011.

A handwritten signature in black ink that reads "Pamela McCreedy". The signature is written in a cursive style with a large initial 'P'.

**Pamela McCreedy**  
Local Government Auditor

4 September 2018

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# Introduction

## Council districts



Source: NIAO

## Key Facts

### In the year under review Councils:

Spent **£878** million on providing services to the public – an average of



for every person in Northern Ireland

Employed over **9,800** full time



equivalent staff



Used assets worth more than

**£2,300**  
million

Held usable reserves of

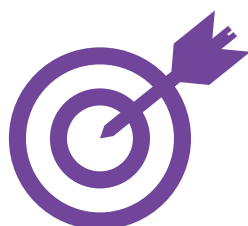


**£205**  
million

Had Loans outstanding of **£485** million - **£261** for each person in Northern Ireland



Produced financial statements which were **properly prepared** and gave a **true and fair** view of the financial position of the Council



Met their key performance improvement responsibilities



Part One:  
Financial Performance

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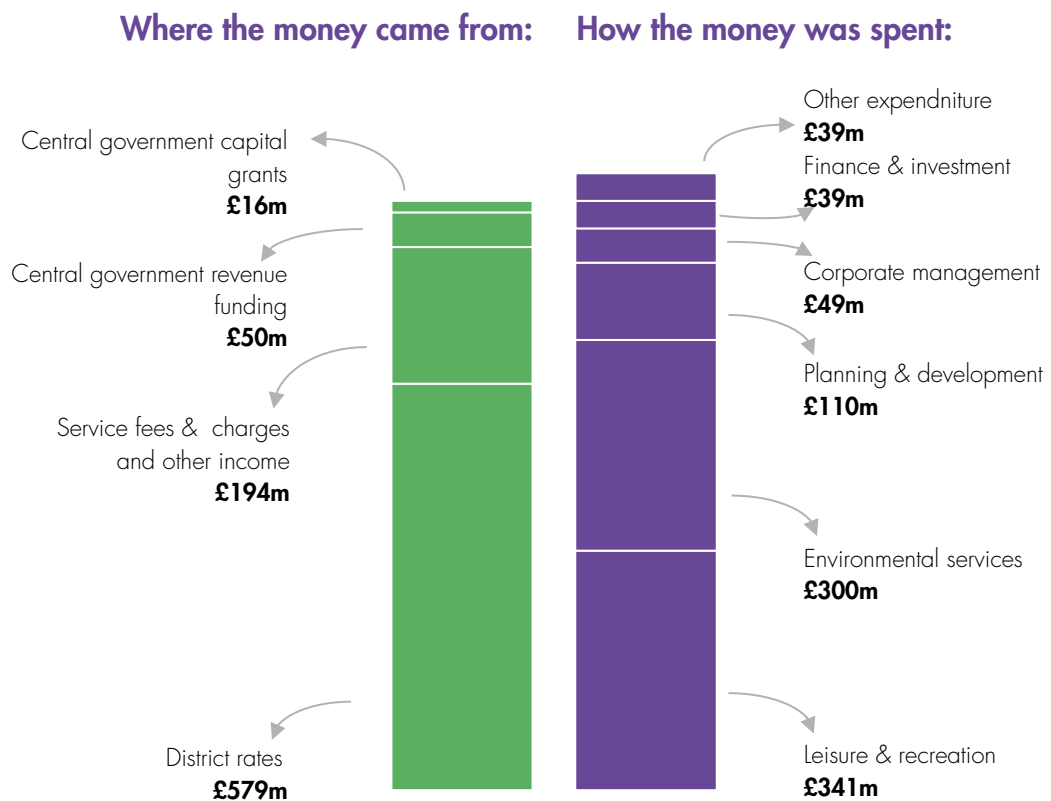
# Part One: Financial Performance

1.1 This section provides a summary of councils' financial performance in the year 2016-17.

## Income and Expenditure

1.2 In 2016-17, councils received income of £839 million (£864 million in 2015-16) from rates, charges and grants. Council expenditure on services in the same year mounted to almost £878 million<sup>2</sup> (£858 million in 2015-16) (see **Figure 1**).

**Figure 1: Income and Expenditure**



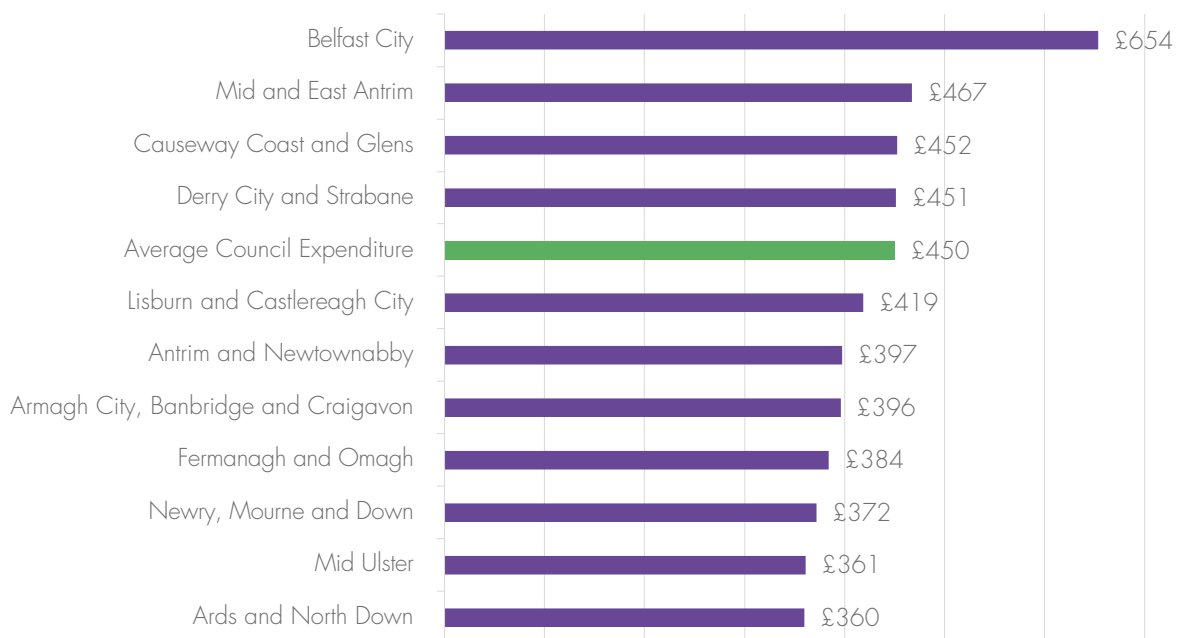
Source: Councils' audited financial statements for 2016-17

2 Total expenditure charged to general funds was £839 million. The difference of £39 million is due to accounting adjustments that are required by statute to be excluded when determining the movement in general funds for the year.



- 1.3 The majority of councils' income, 69 per cent (66 per cent in 2015-16), was received from district rates. Fees and charges accounted for 23 per cent of income (22 per cent in 2015-16) for services such as building control, waste collection and use of leisure facilities. General revenue funding and capital grants accounted for 6 per cent and 2 per cent of income respectively.
- 1.4 Councils received £66 million (£112 million in 2015-16) of government funding in 2016-17. As in 2015-16, this included an amount of £50 million of general revenue funding<sup>3</sup> from the Department for Communities (the Department). Councils also received £16 million (£62 million in 2015-16) in capital grants.
- 1.5 Councils' total spend on services in 2016-17 was £878 million (£858 million in 2015-16). **Figure 2** sets out the amount spent by each council per head of population. This ranged from £360 per person in Ards and North Down Council to £654 in Belfast City Council. The average spend by councils was £450 per person, with the median being £397 (Antrim and Newtownabbey).

**Figure 2: Council Spending per Person**



Source: Councils' audited financial statements for 2016-17 and NISRA

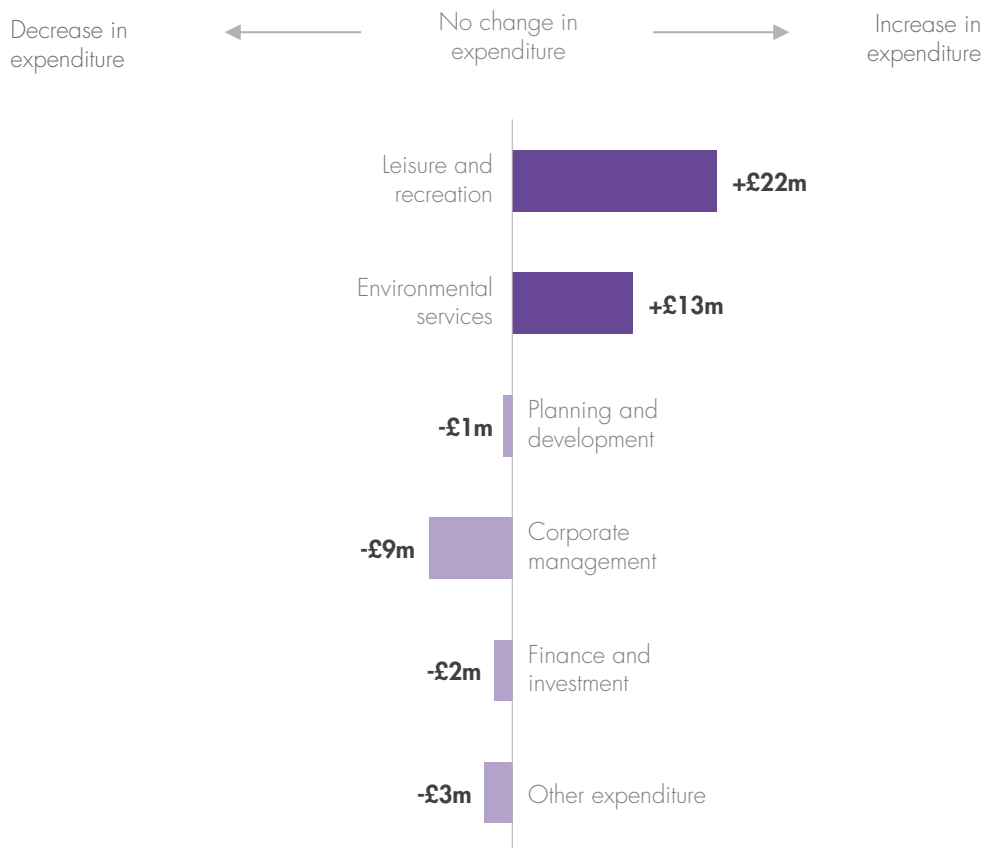
3 General revenue funding from the government is paid to compensate councils for the statutory de-rating of certain property and to provide additional resources for those councils whose needs exceed their wealth base.

## Part One: Financial Performance

- 1.6 **Figure 3** sets out changes in the categories of expenditure on services incurred by councils in 2016-17 (excluding Finance & Investment). As in 2015-16, the largest single area of expenditure was Leisure and Recreation, where councils spent £341 million (£319 million in 2015-16). A significant element of Leisure and Recreation expenditure related to costs associated with leisure centres of £95 million (31 per cent of expenditure in this category).
- 1.7 Leisure and Recreation expenditure combined with spending on Environmental Services totalling £300 million (£287 million in 2015-16) accounted for over three-quarters (76.5 per cent) of all expenditure incurred on services by councils in 2016-17. Other significant areas of expenditure were Planning and Development at £110 million (13 per cent of the total expenditure) and Democratic Representation & Corporate Management at £49 million (6 per cent of total expenditure).

### Figure 3: Changes in Expenditure

Total expenditure on services in 2016-17 was £20m higher than in 2015-16. This was driven by increasing expenditure on Leisure and Recreation and Environmental Services.



Source: Councils' audited financial statements for 2016-17

- 1.8 The main component of Environmental Services expenditure in 2016-17 was £174 million on Waste costs, of which approximately a third (£58 million) was spent on domestic and commercial waste collection and disposal. The other main Waste related costs were: Recycling (£38 million); Landfill (£30 million); Civic Amenity sites (£22 million); and Other Disposal (£6 million).
- 1.9 Other large sub-categories of service expenditure incurred by councils included: Environmental Health (£50.5 million); Tourism (£40.9 million); and Economic Development (£39.3 million).

## Loans

- 1.10 Loans outstanding at 31 March 2017 totalled £485.4 million (**Figure 4**), a decrease of £8.3 million (1.7 per cent) from £493.7 million in the year ended 31 March 2016. The loan amounts vary considerably between councils. In total, council borrowing equates to nearly £261 per person (£264 in 2015-16), based on the estimated Northern Ireland population of 1.86 million<sup>4</sup>.

**Figure 4: Councils' Loan Position as at 31 March 2017**

Council	Loans Outstanding at 31 March 2017 (£m)	Loans Outstanding at 31 March 2016 (£m)	Change (%)
Antrim and Newtownabbey	53.7	57.5	-7
Ards and North Down	53.4	55.6	-4
Armagh City, Banbridge and Craigavon	45.0	47.3	-5
Belfast City	36.6	34.8	+5
Causeway Coast and Glens	73.9	69.0	+7
Derry City and Strabane	52.0	52.3	-1
Fermanagh and Omagh	10.6	11.7	-9
Lisburn and Castlereagh City	30.4	31.6	-4
Mid and East Antrim	61.3	64.9	-6
Mid Ulster	9.0	10.8	-16
Newry, Mourne and Down	59.5	58.2	+2
<b>Northern Ireland</b>	<b>485.4</b>	<b>493.7</b>	<b>-1.7</b>

Source: Councils' audited financial statements for 2016-17

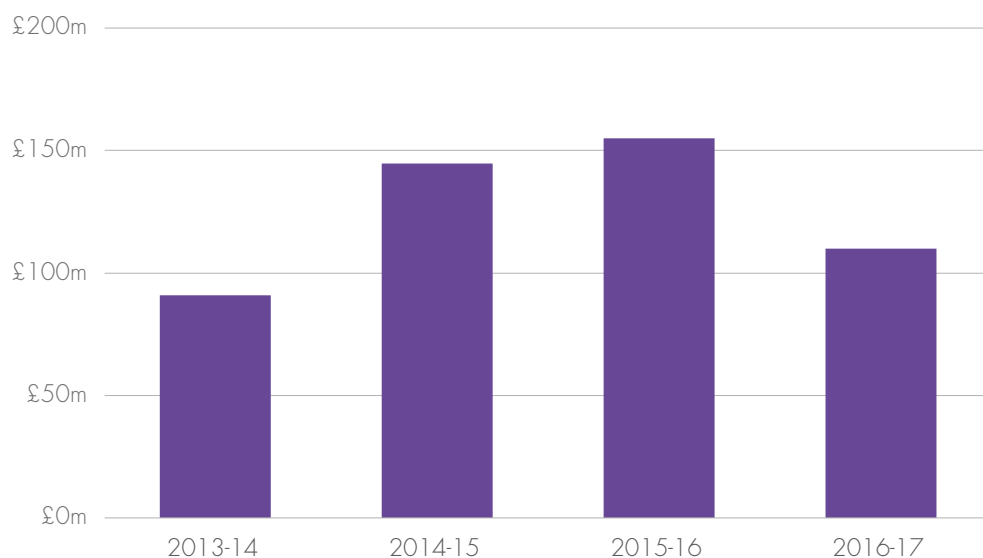
## Part One: Financial Performance

### Capital Expenditure

- 1.11 Capital expenditure is spending of a long-term nature (paid for over more than one year) where assets are purchased, constructed or improved by the councils. The main sources of capital funding are: borrowing and government grants; capital receipts; grants and contributions; and revenue financing subject to constraints.
- 1.12 **Figure 5** shows that total capital expenditure in 2016-17 amounted to £110 million. This represents a significant decrease in the level of capital spend in the two preceding financial years (by 29 per cent over the previous year). Capital spend had been £145 million in 2014-15 (the final year of operation of the legacy councils) and had peaked at £155 million in 2015-16.

#### Figure 5: Capital Expenditure

After two years of substantial increases, capital expenditure fell significantly in 2016-17.



Source: Councils' audited financial statements for 2016-17

1.13 Across the councils there have been a number of significant projects which have contributed to the level of capital expenditure in 2016-17. These include:

- Allen Park development (Antrim and Newtownabbey);
- Exploris refurbishment and Ards Leisure Centre (Ards and North Down);
- Olympia Leisure Centre (Belfast);
- Connswater Greenway (Belfast);
- Banbridge Civic Centre (Armagh City, Banbridge and Craigavon);
- Dungiven Sports and Community Project (Causeway Coast and Glens);
- Enterprise Zone (Causeway Coast and Glens);
- Heaney Homeplace (Mid Ulster);
- Ecos Science Park (Mid and East Antrim); and
- Newry Leisure Centre and Down Leisure Centre (Newry, Mourne and Down).

## Reserves

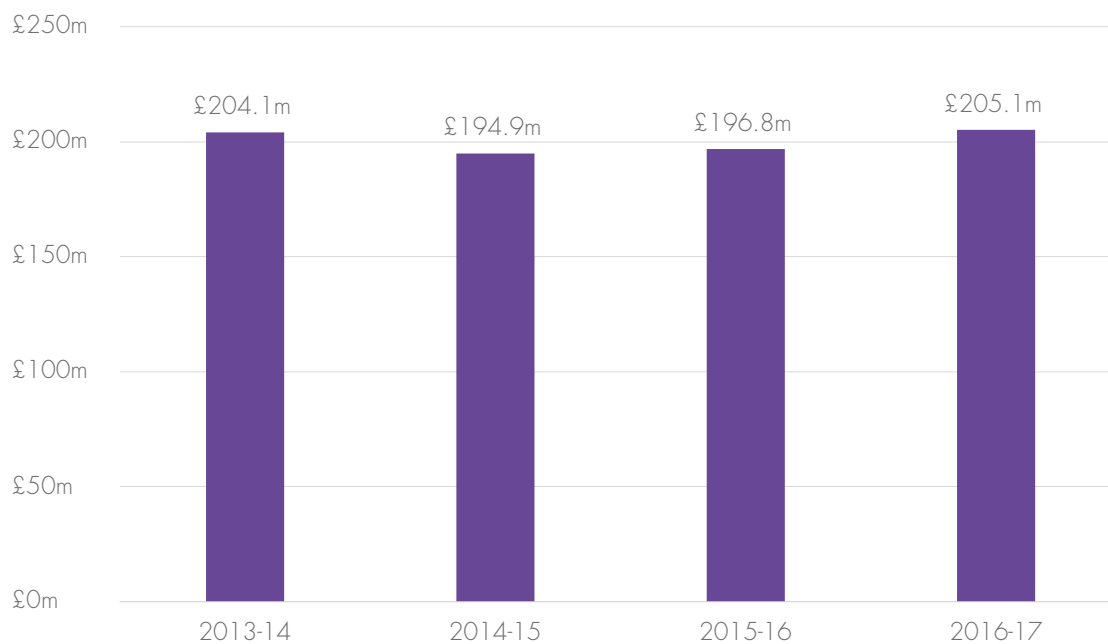
1.14 Councils' financial statements disclose the level of both usable and unusable reserves. Unusable reserves consist of unrealised gains, such as the revaluation reserve, or those relating to timing differences, such as the pension reserve and capital adjustment account.

1.15 **Figure 6** shows that the overall level of usable reserves across councils increased by approximately £8.3 million (4.2 per cent), from £197 million in 2015-16 to £205 million in 2016-17. The total value of usable reserves has remained relatively constant over the past four years.

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## Part One: Financial Performance

**Figure 6: Total Usable Reserves**



Source: Councils' audited financial statements for 2016-17

- 1.16 The General Fund is the main usable reserve. Overall, the total General Fund balance held by all councils has increased by £3.8 million, or 4.1 per cent, compared to the previous year, and now totals £96.7 million as shown in **Figure 7**. The average balance held by councils in their General Fund is now £8.8 million (2015-16: £8.4 million), with the level varying considerably across councils from £3.1 million (Fermanagh and Omagh District Council) to £21 million (Belfast City Council).

**Figure 7: Most councils increased the level of General Reserves in 2016-17**

<b>Council</b>	<b>General Fund Reserves at 31 March 2017 (£m)</b>	<b>General Fund Reserves at 31 March 2016 (£m)</b>	<b>Change (%)</b>
Antrim and Newtownabbey	6.7	7.9	-15.5
Ards and North Down	3.6	3.1	+17.2
Armagh City, Banbridge and Craigavon	17.1	16.8	+2.1
Belfast City	21.0	19.2	+9.4
Causeway Coast and Glens	7.9	10.0	-21.3
Derry City and Strabane	4.7	4.3	+10.4
Fermanagh and Omagh	3.1	3.0	+3.5
Lisburn and Castlereagh City	16.2	14.7	+10.3
Mid and East Antrim	4.0	3.8	+4.0
Mid Ulster	3.6	3.0	+21.1
Newry, Mourne and Down	8.9	7.2	+23.2
<b>Northern Ireland</b>	<b>96.7</b>	<b>92.8</b>	<b>+4.1</b>

Source: Councils' audited financial statements

- 1.17 In July 2017, my predecessor as Local Government Auditor recommended that councils should continue to monitor, and build up as required, the level of their General Fund balance to ensure that they are adequately funded to meet the risk of future liabilities, some of which are difficult to predict. Councils elsewhere in the UK have faced severe financial challenges and a number of councils have turned to their reserves simply to balance the books.
- 1.18 In the current financial environment, it is ever more important for councillors to be aware of, and to keep under review, their council's reserves policy and ensure sufficient reserves are retained to meet any challenges ahead.

## Part One: Financial Performance

### Improving the presentation of councils' financial statements

- 1.19 In future, councils will prepare their annual financial reports in line with the new "Telling the Story<sup>5</sup>" format. The revised format puts much greater emphasis on the analysis of a council's performance and provides for a new style of user-friendly narrative report that links the financial statements to organisational objectives, resource allocation and performance. My report next year will consider how effective the new presentation has been.

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5 Under the Code of Practice on Local Authority Accounting in the UK 2017/18, CIPFA, March 2017.



# Part Two:

## Good Governance

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## Part Two:

### Good Governance

#### Governance statements

- 2.1 The annual governance statement accompanies a council's financial statements and explains its governance arrangements and controls for managing the risk of failing to achieve strategic objectives. It is a key statement by which a council demonstrates to its ratepayers, elected members and other external stakeholders that it is complying with the basic tenets of good governance.
- 2.2 The statement explains the process for reviewing the effectiveness of arrangements, and outlines actions taken to deal with any significant governance issues. What is considered significant will depend on an individual council's governance framework, how effectively it is operating and the extent to which the issue has the potential to prevent a council from achieving its strategic objectives.
- 2.3 In her July 2017 report, the former Local Government Auditor highlighted a small number of instances where disclosures of significant matters in a council's governance statement had been incomplete. I have no similar concerns in relation to the 2016-17 disclosures and found the governance statements to be comprehensive and of good quality.

#### Common themes in governance statements and audit reports

- 2.4 Many of the common governance themes identified by councils in 2015-16 governance statements reappeared in 2016-17 including: waste management; procurement and contract management; and legal issues. New themes emerging included ICT security and the threat of external fraud, and budgetary uncertainty in the absence of a Northern Ireland Executive.
- 2.5 I note that a number of these matters were also raised as audit issues in the 2016-17 accounts. An issue found during the audit of most councils was weaknesses in procurement procedures and guidance (in seven councils). Audit issues were also raised regarding income recording and cash handling procedures (six councils) and fixed asset recording and management (in six councils). In addition, at the conclusion of the 2016-17 financial audit, councils were advised of the following matters:
- officers should always make it clear to councillors whether a proposal presented to them requires the exercise of new powers provided under the General Power of Competence under the 2014 Act; and
-

- councils should comply with the additional reporting requirements of the Code and the Department's Accounts Direction in respect of any companies established by the council as subsidiaries. Councils should also ensure that for all subsidiaries, associate companies and joint ventures consolidated into group accounts, due consideration is given to the appointment of an independent auditor.

- 2.6 In its 2015-16 governance statement, Mid and East Antrim Borough Council reported on the outcome of an investigation into payments incorrectly made to two senior members of staff of the former Larne Borough Council, one of whom was the former Chief Executive. The payments were compensation for accumulated time off in lieu (TOIL). The Mid and East Antrim Borough Council's investigation of February 2016 concluded that, in its opinion, based on all the evidence provided, "the decision reached on this matter was not based on a proper consideration of facts and consequently the payments were inappropriate, irregular and improper".
- 2.7 I am pleased to note that the Council has reached an agreement with the former Chief Executive for the payment to be fully recovered and has already received a substantial proportion of the amount due, with firm arrangements in place to recover the remainder.

## Audit and Risk Committees

- 2.8 The main purpose of an audit and risk committee is to give independent assurance to elected members and the public about the governance, financial reporting and financial management of a council. It also scrutinises the council's financial management and reporting arrangements and provides an independent challenge to the council. All councils have audit committees in place and my staff attend meetings of these committees on a regular basis. In its recently updated audit committee guidance<sup>6</sup>, the Chartered Institute of Public Finance and Accountancy (CIPFA) has emphasised the impact that an effective audit committee is able to have in the areas set out in **Figure 8** below.

<sup>6</sup> Audit Committees: Practical Guidance for Local Authorities and Police, 2018 Edition, CIPFA. Guidance includes a helpful Audit Committee Self-assessment Checklist and a Knowledge and Skills Framework document.

## Part Two: Good Governance

**Figure 8: The Effective Audit Committee**



Source: CIPFA

2.9 In order to improve their effectiveness, and in line with CIPFA's guidance, I consider councils need to ensure their audit and risk committees have the key characteristics set out below:

- a membership that is balanced, objective, independent of mind, knowledgeable and properly trained to fulfil the role. As members become more effective with experience, it is advisable to have some continuity of membership on the committee;
- a strong, independently minded chair displaying a depth of knowledge, skills and interest. In determining the tenure of the Chair, it should be recognised that a period of continuity is

helpful for the development of greater knowledge and expertise, while rotation also helps to deliver a new perspective;

- regular committee meetings – at least four times a year. Care should be taken to balance the frequency of meetings against the need to give the business of the committee sufficient focused attention without lengthy or unproductive meetings. The audit and risk committee should operate at a strategic level and avoid straying into matters of operational detail; and
- independent members - in addition to bringing additional knowledge and expertise to the committee, independent members assist in maintaining continuity through the electoral cycle.

2.10 In previous reports, my predecessor as Local Government Auditor has highlighted the benefits of the appointment of independent members. I note that 10 of the 11 councils now have at least one independent member on their audit and risk committee. Most councils hold audit and risk committee meetings at the recommended frequency of four to five times a year. I note that a small number of councils hold much more frequent meetings; three councils held nine or more committee meetings in 2016-17. In such cases, it is recommended that the council re-evaluates both the frequency of meetings and the content of its agendas in order to assure itself that there is sufficient focus on the core audit and risk committee functions.

**Recommendation: Councils should assess whether their audit and risk committee exhibits the key characteristics of an effective committee that I have set out above. CIPFA's 2018 Guidance will be a valuable resource in completing this assessment.**

## The Code of Conduct and the Northern Ireland Local Government Commissioner for Standards

- 2.11 Councillors are expected to observe the highest standards of behaviour in undertaking their official duties. They are required to comply with the principles and rules of conduct set out in the mandatory Northern Ireland Code of Conduct for Councillors (the Code) introduced in May 2014.
- 2.12 The Code is based on 12 principles of conduct which are: Public Duty; Selflessness; Integrity; Objectivity; Accountability; Openness; Honesty; Leadership; Equality; Promoting Good Relations; Respect; and Good Working Relationships.
- 2.13 Each council is required to establish, maintain and make publicly available a register of members' interests. Also, the Code recommends that a register for gifts and hospitality is established and that procedures are in place for dealing with relevant declarations of interests.
-

## Part Two:

### Good Governance

- 2.14 The Northern Ireland Public Services Ombudsman (the Ombudsman), in her role as Northern Ireland Local Government Commissioner for Standards (the Commissioner), is responsible for investigating and adjudicating on complaints that a councillor has failed to comply with the Code. If the Commissioner finds that a councillor has failed to comply, she can impose a sanction that, in the most serious cases, can result in disqualification from serving as a councillor. The Commissioner can also take alternative action to resolve a complaint, for example by requiring a councillor to apologise for his or her conduct or to attend training on the Code.
- 2.15 In 2017-18, the Commissioner received 44 complaints (34 in 2016-17) of a failure to comply with the Code, bringing the total number of complaints received since the Code was introduced to 125. There is a wide variety of complaints, including failures to register and disclose interests and breaches of the Code requirements on lobbying and decision-making. Where there are any financial implications arising from non-compliance with the Code, I may decide to report this information.
- 2.16 I note that, in 2017-18, the Commissioner held one public adjudication hearing<sup>7</sup> which resulted in a sanction of censure against a councillor who had failed to show respect to a council officer. Two further complaints were resolved by the implementation of the Commissioner's Alternative Action Policy. In one of these cases, the Commissioner required a member of a planning committee to attend training on planning guidance, following his acceptance that he had failed to comply with the Code when:
- in response to a request to attend a meeting with a representative of a potential planning applicant, he had not referred the request to the appropriate planning officer;
  - he had attended the requested meeting with the representative alone, contrary to departmental guidance and had made no record of the meeting; and
  - having met with the representative, he failed to report the meeting and the representations made to him to the appropriate planning officer.
- 2.17 Planning decisions are often complex and councillors who act as decision-makers on planning matters undertake a challenging role. In these circumstances it is important that councillors are provided with, and attend, appropriate training and that they understand and comply with relevant guidance.

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<sup>7</sup> Details of the Commissioner's findings are available on the Ombudsman website at [www.nipso.org.uk](http://www.nipso.org.uk).

**Recommendation: In light of the Commissioner's finding in this case, councils should review their training provision for those councillors who are decision-makers on planning matters. Councils should provide additional training where necessary, with a particular focus on the need to have regard to the Code, departmental guidance on planning matters and to the Commissioner's Guidance on the Code.**

- 2.18 In October 2015, the then Local Government Auditor signed a formal protocol with the Ombudsman which sets out arrangements for co-operating and working together in order to fulfil our statutory responsibilities as fully, effectively and efficiently as possible. The protocol is currently being updated to take into account the provisions of the Public Services Ombudsman Act (NI) 2016. These included a requirement that the Ombudsman, in considering a complaint or conducting an investigation, consults with me on any matter that I could investigate, and provides for the Ombudsman to co-operate with me.
- 2.19 I welcome the Commissioner's decision to publish, in December 2017, an annual report on Local Government Ethical Standards. Her report includes case studies arising from her investigations. The Commissioner also published, in August 2017, Guidance for Councillors on the Use of Social Media and the Code. I commend these publications to councillors and council officers as a source of good practice and useful advice in understanding and complying with Code requirements.
- 2.20 In her 2017 report, the then Local Government Auditor noted that the Local Government circulars "Consolidated Guidance on Councillors' Allowances" were silent as to whether councillors should still continue to be paid their allowances in the event of being suspended. However, the Department has notified councils of proposed changes to the guidance on councillors' allowances, currently provided in LG Circular 3/2017. Updated guidance has not issued due to a delay in making the Local Government (Payments to Councillors) Regulations (Northern Ireland).

**Recommendation: I recommend that the Department updates its guidance on allowances, when circumstances permit, to ensure fairness and consistency in the approach taken by councils to the payment of allowances in the event of suspensions.**

## Registration and Declaration of Interests

- 2.21 While no conflicts of interest issues were reported within councils' governance statements in the 2016-17 financial year, I found in the course of my audit of the financial statements that two
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## Part Two:

### Good Governance

councils had not obtained annual returns updating the Register of Interests from all members. In one council six returns from members were outstanding, despite a number of requests from staff. In a second council, two councillors had not completed an annual return recording their interests in the period.

- 2.22 In 2017, the former Local Government Auditor emphasised that councils should have in place arrangements to ensure that members and employees are not influenced by prejudice, bias or conflicts of interest in dealing with different stakeholders, and should ensure that these arrangements operate effectively. Members are also required to observe statutory and Code of Conduct requirements on the registration and declaration of relevant interests.
- 2.23 It is important that members and council staff are aware of their responsibility for managing the risk of a conflict of interest (real or perceived) or, where this is not possible, for ensuring that it is declared and managed properly. Regular training is essential to ensure that the conflicts of interest requirements are understood and applied by members and staff. NIAO's March 2015 publication "Conflicts of Interest: A Good Practice Guide" provides comprehensive guidance on recognising and dealing with conflicts of interest in public life. The Guide is available on the NIAO website<sup>8</sup>.

### Reporting Suspected and Actual Fraud

- 2.24 From 1 April 2016, local councils agreed to report all proven, suspected or attempted frauds to the Local Government Auditor, using the circulated pro-forma 'Initial Notification of Frauds to the Local Government Auditor'. Since that date, seven different councils have notified 30 proven, suspected or attempted frauds. Examples are:
- emails purporting to be from the Chief Executive to a member of finance staff, seeking urgent transfer of funds;
  - theft of assets; and
  - inflated mileage claims by an employee.
- 2.25 I would encourage all councils to report frauds to me, and to alert other councils about potential fraud risks through appropriate forums such as the Association of Local Government Finance Officers.

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8 [https://www.niauditoffice.gov.uk/sites/niao/files/media-files/conflicts\\_of\\_interest\\_good\\_practice\\_guide.pdf](https://www.niauditoffice.gov.uk/sites/niao/files/media-files/conflicts_of_interest_good_practice_guide.pdf)



## Bribery and Corruption Risk

- 2.26 The NIAO has recently published a good practice guide on managing the risk of bribery and corruption.<sup>9</sup> The Guide highlights that while the risk may be low in the Northern Ireland public sector, it is present and should not be under-estimated. Key risk areas include procurement and planning. The Guide provides advice to organisations and individual public officials on recognising and minimising bribery and corruption risks. The Guide contains a number of checklists designed to help public bodies identify and address any bribery and corruption risks they may face. I recommend that those councils who have not already done so should complete the checklists as part of their consideration of the risk of fraud.

## Whistleblowing

- 2.27 Effective whistleblowing arrangements are an important element of good governance arrangements. Whistleblowers are essential for helping to bring to light matters of concern in an organisation. Where wrongdoing exists, those responsible must be held to account, mistakes must be remedied and lessons must be learnt.
- 2.28 All councils may receive whistleblowing concerns in line with their own policies. Councils must have procedures in place to deal promptly and robustly with concerns raised and must ensure that whistleblowers are supported and protected from any form of detriment or victimisation.
- 2.29 As the Local Government Auditor within the NIAO, I am a prescribed person to whom protected disclosures can be made, under the Public Interest Disclosure (NI) Order 1998, in relation to the proper conduct of public business, fraud and corruption and value for money. In that capacity, I receive whistleblowing concerns relating to local government bodies (see **Figure 9**).

**Figure 9: Whistleblowing concerns reported directly to the Local Government Auditor**

	2013-14	2014-15	2015-16	2016-17	2017-18
<b>Number of concerns reported directly to the LGA</b>	21	21	12	15	23

Source: NIAO

<sup>9</sup> Managing the Risk of Bribery and Corruption: A Good Practice Guide for the Northern Ireland Public Sector, NIAO, November 2017.

## Part Two:

### Good Governance

- 2.30 The NIAO website<sup>10</sup> provides contact details for those wishing to raise a concern with the Local Government Auditor. Concerns raised will be evaluated as audit evidence, taking into account a range of factors including:
- professional judgment;
  - audit experience;
  - whether there is a “public interest” element to the issue; and
  - whether the concerns indicate serious impropriety, irregularity or value for money issues.
- 2.31 I consider a number of possible actions when dealing with concerns. These range from discussing the issues with the audited body to carrying out a full audit investigation and including relevant comments in our audit reports. I am not required to undertake investigations on behalf of individuals.
- 2.32 In 2014, the four supreme audit agencies of the UK, including the NIAO, jointly issued a good practice guide on whistleblowing in the public sector<sup>11</sup>. Once again, I commend this guide to all councils and recommend that it is made available to all council workers via councils' intranets or other appropriate means.

### National Fraud Initiative (NFI)

- 2.33 The National Fraud Initiative (NFI) is a major two-yearly data matching exercise in which all local councils participate. Their payroll and trade creditors' data is matched with the data of other organisations across Northern Ireland, England, Scotland and Wales using sophisticated computer based data matching techniques, to help identify potentially fraudulent and duplicate transactions. The NFI provides participating organisations with valuable management information to which they would not otherwise have access.
- 2.34 Councils are not required to investigate all the data matches they receive. They should adopt a risk-based approach, focusing on the higher risk matches which are separately identified. If no fraud or error is being found, investigations should not continue.
- 2.35 In the current NFI exercise, councils received around 9,000 data matches in January 2017, around 900 of which were identified as higher priority matches. Councils had 14 months to complete any necessary investigative work. Twelve duplicate or potentially fraudulent payments were identified, totalling just over £20,000.

10 <https://www.niauditoffice.gov.uk/whistleblowing>

11 Whistleblowing in the Public Sector: A good practice guide for workers and employers, November 2014.

2.36 The Comptroller and Auditor General for Northern Ireland published his report on the current NFI exercise on 19th June 2018<sup>12</sup>.

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12 <https://www.niauditoffice.gov.uk/publications/national-fraud-initiative-2016-17>



# Part Three:

## Service Delivery Performance

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## Part Three:

### Service Delivery Performance

#### Proper arrangements to ensure economy, efficiency and effectiveness

- 3.1 The Local Government (Northern Ireland) Order 2005 requires me to be satisfied each year that proper arrangements have been made for securing economy, efficiency and effectiveness (value for money) in the use of resources. Details of the nature of my work in this area are outlined in Chapter 3 of my Code of Audit Practice 2016<sup>13</sup>. In order to assess whether proper arrangements are in place, my staff require councils to complete an annual questionnaire and to provide supporting documentation on a wide range of corporate activities including financial planning and reporting, IT security, procurement policy and procedures, risk management and governance arrangements.
- 3.2 As a result of my audit work in this area, I was satisfied that all 11 councils had in place proper arrangements to ensure economy, efficiency and effectiveness in the use of resources for the 2016-17 financial year. No public interest reports were made during the year and my audit findings were issued to each council in their annual audit letter.

#### Community Planning

- 3.3 Community planning is a new responsibility for councils, designed to improve the lives and wellbeing of residents throughout the council's area. It involves working with a wide range of partners, including the community and voluntary sector, education, health, Police Service of Northern Ireland and Tourism Northern Ireland.
- 3.4 The Local Government Act (Northern Ireland) 2014 requires councils to publish a statement on outcomes achieved and actions taken within two years of the plan being published. In addition, councils and their partners must carry out a review of the plan before its fourth anniversary.
- 3.5 Although an audit of community plans is not required, I assess and report on whether councils' improvement objectives have links to community planning, as part of the improvement audit and assessment, as outlined in **paragraphs 3.37 to 3.48**. Last year's report commented on the importance of all councils having their community plans published as soon as possible. I am pleased to note that all councils have now published community plans.

## Efficiency Savings

- 3.6 In her 2017 report, my predecessor recommended that the Department should monitor and report on efficiency savings gained as a result of the reduction in the number of councils from 26 to 11.
- 3.7 The Department had undertaken preliminary work in 2015 to analyse the costs and benefits of local government reform. I welcome the decision of the Department's Local Government & Housing Division to commission economists to proceed with this exercise. I understand that the Terms of Reference have yet to be agreed. The Department intends to consult councils on how to conduct the exercise, but I would caution against any further significant delay in proceeding with this exercise.

## Good Practice on the Measurement of Efficiency Savings

- 3.8 'Efficiency savings' are generally defined as measures which reduce expenditure (or other inputs) while maintaining or improving the level of service. Measures which transfer costs to users (such as increasing fees or charges) or which are not sustainable year-on-year (such as the sale of surplus assets) are not genuine efficiencies. In 2012, the Comptroller and Auditor General (C&AG) recommended<sup>14</sup> that government should deliver better efficiency savings programmes by:
- improving information systems, in particular by establishing robust baselines against which to measure improvements;
  - including measures to capture quality of service as well as expenditure, and giving consideration to the impact of 'savings' on service users, to ensure they are not disadvantaging particular groups; and
  - maintaining a clear audit trail to identify, monitor and report on efficiency savings on a comprehensive basis.

14 Review of the Efficiency Delivery Programme, NIAO, 11 December 2012, [https://www.niauditoffice.gov.uk/sites/niao/files/media-files/efficiency\\_final.pdf](https://www.niauditoffice.gov.uk/sites/niao/files/media-files/efficiency_final.pdf)

## Part Three:

### Service Delivery Performance

- 3.9 The C&AG drew attention to the experience of health and social care trusts which, following wide-scale restructuring of the health service, faced distinct challenges in measuring efficiency savings using information systems which had been designed for other purposes and for a greater number of legacy bodies.

**Recommendation: The Department should give early consideration to, and clear guidance to councils on, devising an appropriate methodology for measuring efficiency savings and reporting outcomes.**

### Procurement

- 3.10 In Part Two of this Report, I highlighted that issues around procurement policies and procedures featured prominently in both the governance statements published by councils and in the summary of the audit issues found in the 2016-17 accounts. A number of audit recommendations concerned the need to ensure proper procurement procedures are in place, particularly regarding contract variations, the use of Direct Award Contracts, and contract management. Audit recommendations also emphasised the importance of ensuring that procurement procedures are periodically reviewed, updated and, crucially, implemented consistently. Councils were also asked to ensure that procedures for obtaining quotations, applying authorisation levels and evaluating tenders are followed.
- 3.11 I note that in April 2018, the Northern Ireland Public Services Ombudsman (the Ombudsman) issued her report into an investigation of a complaint against Antrim and Newtownabbey Borough Council. The Ombudsman found maladministration in the Council's failure to follow its own financial procedures in the award of a £3,000 contract for stewarding services for Armed Forces Day. The Council did not obtain a quote from the complainant's company when he expressed an interest in the upcoming event. A Council employee was found to have advised the company that was awarded the contract (Company A) to keep its quote under procurement thresholds and had failed to disclose that she was a former employee of Company A.
- 3.12 The Council's Financial Regulations required it, wherever practicable, to amalgamate the total value of relevant contracts in order to determine an appropriate procurement procedure, but it had not done so in this case. The Council told the Ombudsman that it was not feasible to amalgamate contracts for the stewarding of events into a single contract as a number of one-off events had arisen over the course of that year. The Ombudsman did not accept this explanation; her view was that: "...the amalgamation of these contracts would ensure the Council's adherence to fairness, transparency and better value for money". The Council subsequently told the Ombudsman that it had prioritised the amalgamation of larger contracts



for goods and services. However, arising from this case, it now intended to pursue a formal procurement approach for stewarding and to award a two-year contract from 1 April 2018.

- 3.13 The Ombudsman recommended that the Council apologise to the complainant, provide him with details of the lessons learned from the investigation and offer a commitment that he will have fair and equal access to all future procurement competitions. The Council was asked to pay the claimant £500 in recognition of the injustice identified. The Ombudsman also recommended that the Council provide training to relevant staff on best procurement practice and on the Code of Conduct for Local Government Employees. The Council has accepted all of the Ombudsman's recommendations.
- 3.14 In my view, a key message from the Ombudsman's findings in this case is that failure to comply with proper procedures not only acts against the achievement of value for money in procurement and deters potential contractors from bidding for work, it undermines public confidence in the fairness and integrity of the public body's decision-making.

**Recommendation: In order to ensure the lessons arising from this case are implemented throughout local government, councils should ensure that:**

- **procurement staff have the necessary skills and training to ensure the council's Financial Procedures are implemented in any procurement exercise;**
- **procurement staff (and staff in other sensitive roles such as recruitment) receive appropriate training on standards in public life and fully understand the need to comply with the requirement to declare conflicts of interest. I would remind councils of the guidance available in the NIAO publication "Conflicts of Interest: A Good Practice Guide" of March 2015;**
- **senior staff take appropriate action in handling conflicts of interest of which they are made aware, and that they consider disciplinary action where such declarations are not made; and**
- **sufficient emphasis is given to aggregating expenditure on goods and services, wherever possible, in order to achieve economies of scale and maximise the spending power of public authorities.**

## Part Three: Service Delivery Performance

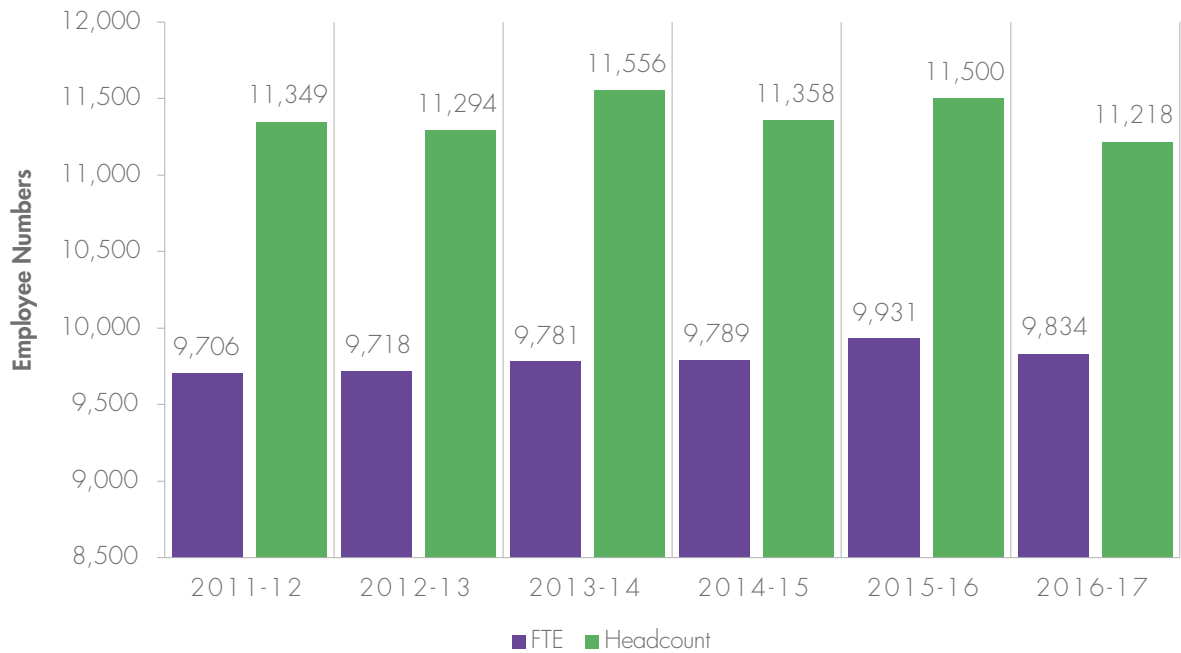
### Planning: the Planning Monitoring Framework

- 3.15 It is part of my statutory responsibility to audit and report on councils' arrangements for continuous improvement. This may include examining their performance against three statutory planning indicators.
- 3.16 Recognising that these indicators do not cover all the planning work undertaken by councils, the Department for Infrastructure has introduced, from 1 April 2018, a further set of performance indicators covering many aspects of planning activity. By measuring and reporting on progress against these indicators, councils will be able to evidence and demonstrate their contribution towards the draft Programme for Government<sup>15</sup> outcomes and their stated purpose of improving wellbeing for all, by tackling disadvantage and driving economic growth. The indicators will also allow councils to report their progress in implementing their community plans and the associated local development plans.
- 3.17 The new indicators include:
- the proportion of planning applications determined by planning officers under delegated powers;
  - the number of planning applications taken to the planning committee for a decision and the percentage of planning committee decisions made against officers' recommendations;
  - in cases where a council has refused planning permission, the percentage of appeals against that decision which are dismissed; and
  - details of the numbers of affordable and market-rate homes granted planning approval and details of the amount of office, retail and industrial floor space granted approval.
- 3.18 Data will be collected from 1 April 2018 and the first results will be published, along with the Department's 2018-19 official planning statistics, in July 2019.
- 3.19 I note that the Department's initiative has the potential to improve transparency and accountability. I intend to consider the results carefully and to use them to inform my approach to future audit work in this area.

## Staffing

- 3.20 Given the introduction of the 11 new councils in April 2015 and the transfer of planning functions to local government, 2015-16 was a year of significant staff changes within councils. By contrast, staff numbers and costs remained relatively static in 2016-17. Between 1 April 2016 and 31 March 2017, full time equivalent staff numbers (**Figure 10**) and costs (**Figure 11**) decreased by less than 1 per cent.

**Figure 10: Staff numbers in councils**

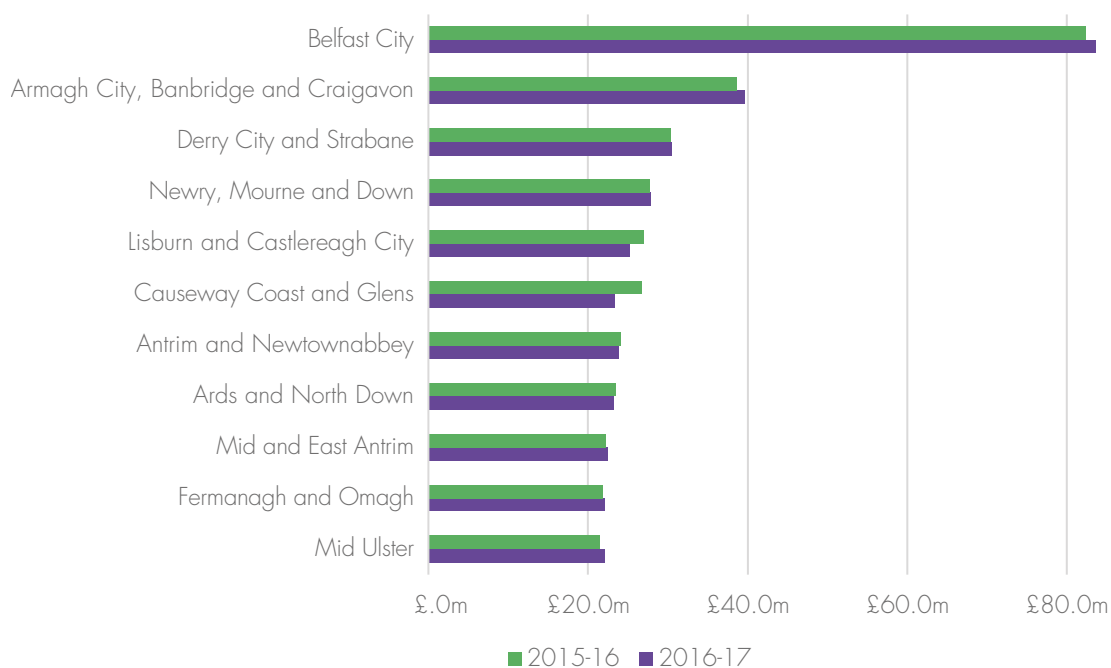


Source: Councils' audited financial statements for 2016-17

## Part Three:

### Service Delivery Performance

**Figure 11: Staff Costs**



Source: Councils' audited financial statements for 2016-17

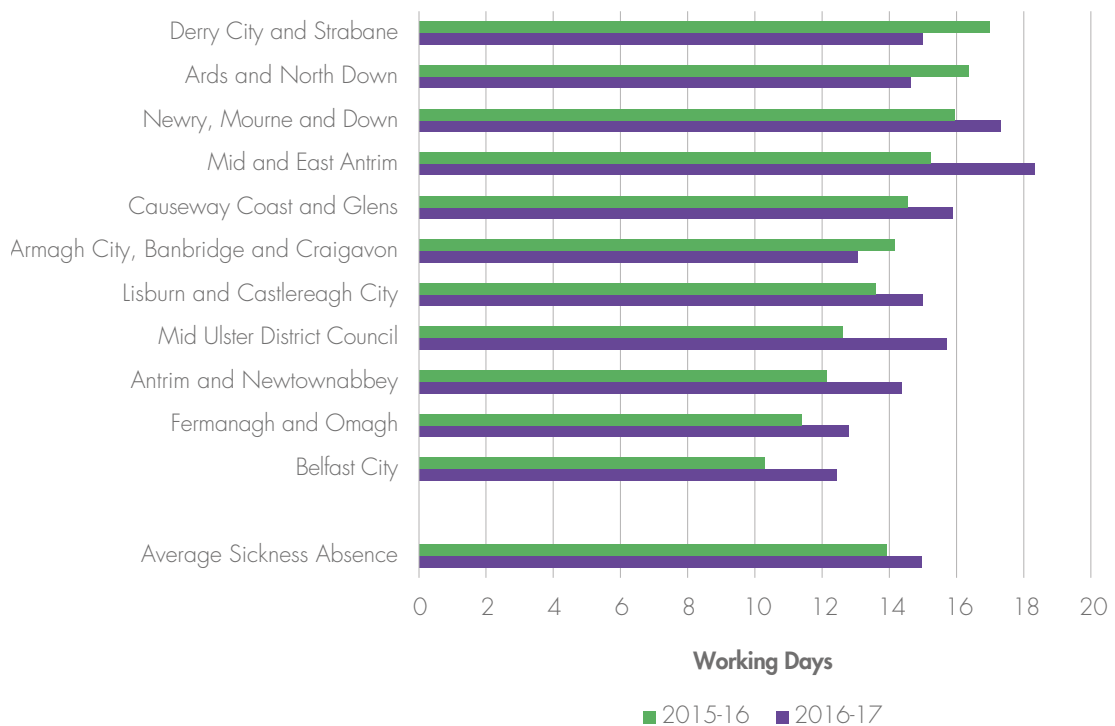
- 3.21 In 2016-17, staff costs represented 41 per cent of operating expenditure in councils, amounting to over £344 million, a reduction of £2.1 million from 2015-16. However, salary totals include additional costs associated with exit packages and the number of staff exiting under exit packages fell from 219 in 2015-16 to 98 in 2016-17 (**paragraphs 3.31 to 3.33**).
- 3.22 The average cost of a member of staff fell from £35,856<sup>16</sup> in 2015-16 to £34,987 in 2016-17, a decrease of 2.42 per cent. Across councils, changes in average staff costs ranged from an increase of 3.9 per cent to a decrease of 8.0 per cent (again, the reduction in the number of staff receiving exit packages impacts on the average staff costs).

16 Some elements of 2015-16 staff costs and numbers were restated in 2016-17 financial statements.

## Absence Figures

3.23 In 2015-16, the average sickness absence rate for the 11 councils was 13.93 days a year; this has increased by almost 7.3 per cent to 14.95 days in 2016-17 (**Figure 12**). This represents approximately 6.7 per cent of total working days<sup>17</sup> lost through sickness absence in 2016-17 across all councils.

**Figure 12: Comparison of Sickness Absence Rate for 2015-16 and 2016-17**



Source: Councils

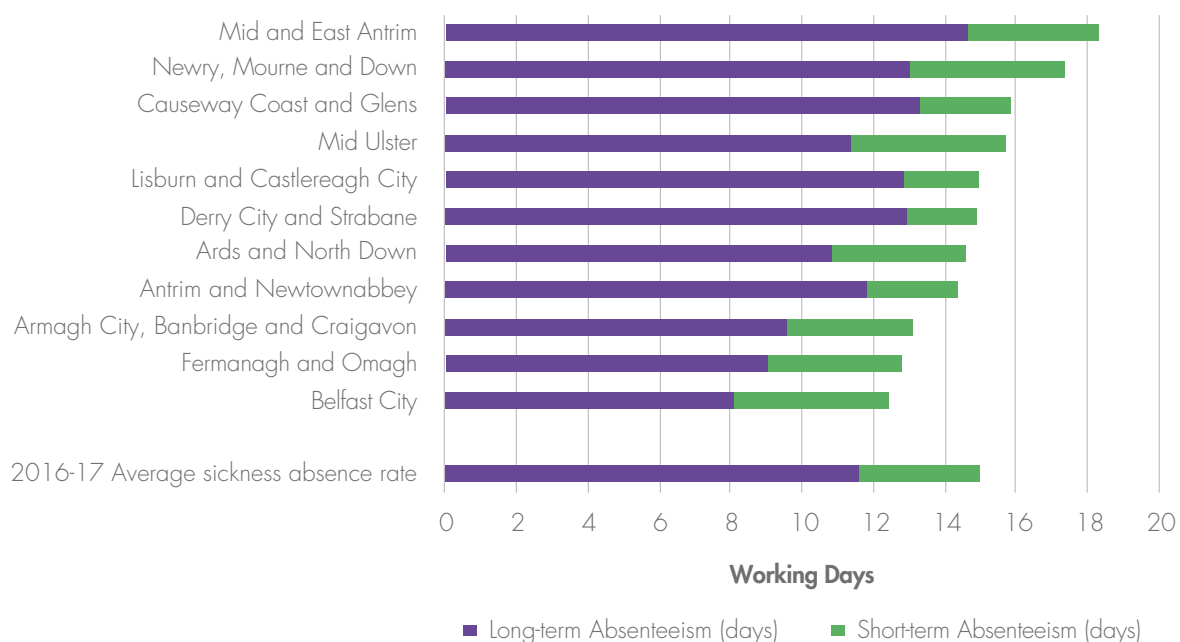
<sup>17</sup> Based on 220 working days a year.

## Part Three:

### Service Delivery Performance

- 3.24 The average sickness absence rates by council for 2016-17 show a significant range in the number of days lost per employee. Belfast City Council recorded the lowest number of days lost at 12.4 days per employee (10.3 days in 2015-16) while Mid and East Antrim Borough Council recorded the highest at 18.3 days per employee (15.2 days in 2015-16). Three councils achieved a reduction in absence levels over the previous year; in eight councils absence rates increased.
- 3.25 Councils facing an increase in absenteeism attributed this to a rise in long-term sickness absence (**Figure 13**). Belfast City Council reported an increase in long-term absences because of conditions such as severe depression, musculoskeletal problems and stress. In Mid and East Antrim, the increase of 3.1 days has been mainly caused by musculoskeletal problems, with stress, depression and fatigue also major reasons for sickness absence.

**Figure 13: Breakdown of Sickness Absence Rate for 2016-17**



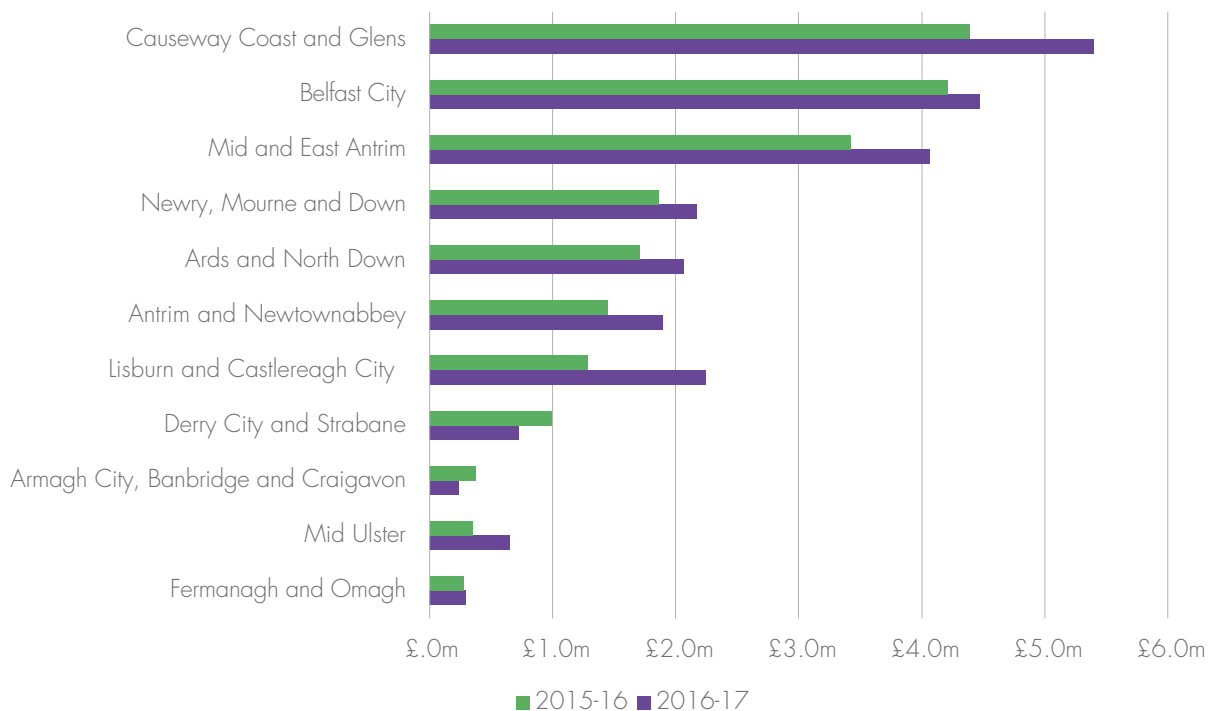
Source: Councils

- 3.26 It is important that councils continue to closely monitor and actively manage sickness absence, both to ensure that staff welfare is protected and that the delivery of front line services is not adversely affected. I will continue to keep absence levels under review and will consider the benefits of a more detailed study in this area.

## Agency staff

- 3.27 In her 2017 Report, the previous Local Government Auditor noted that significant expenditure continued to be incurred on the engagement of agency staff. She asked councils to satisfy themselves that they were receiving value for money from such significant expenditure and ensure that this was the best means of providing the relevant services. My predecessor stated that she expected "to see the amounts spent on agency staff decrease, particularly as a percentage of total staff costs, as new councils stabilize".
- 3.28 Contrary to this expectation, I note that, in total, council expenditure on agency staff increased by £3.9 million (19.1 per cent) to £24.2 million in 2016-17 (£20.3 million in 2015-16), and that nine of the eleven councils increased their spending on agency staff (**Figure 14**).

**Figure 14: Councils' Expenditure on Agency Staff**



Source: Councils' audited financial statements for 2016-17

## Part Three:

### Service Delivery Performance

- 3.29 Over half of the increase (58 per cent) was incurred by three councils (Causeway Coast and Glens, Belfast, and Mid and East Antrim). Overall, agency staff expenditure equated to seven per cent of the total council expenditure on staffing, but there were significant variations between councils. In Armagh City, Banbridge and Craigavon, agency staffing costs amounted to 0.6 per cent of total staff costs, compared with Causeway Coast and Glens where agency staff costs amounted to 23.1 per cent of total staff costs.
- 3.30 I recognise that the use of agency staff, particularly during a period of significant organisational change, may be required to meet business needs. However, councils must ensure that their employment continues to deliver value for money. I intend to keep the cost of agency staffing under review and, if I consider it appropriate, may examine expenditure in this area in greater detail in future audit work.

### Exit Packages

- 3.31 Councils are required to disclose the number and cost of staff exit packages. The costs include compulsory and voluntary redundancy costs, pension contributions and other departure costs. Over the four years from 2013-14 to 2016-17, councils have paid a total of £34 million in exit packages to staff, with an average cost for each package of £65,000 (see **Figure 15**).

**Figure 15: Exit Packages paid between 2013-14 and 2016-17**

	Number of exit packages	Cost of exit packages £m	Average cost of each exit package £000	Number of packages greater than £100,000
2013-14	49	1.9	39	5
2014-15	172	9.4	54	25
2015-16	208	16.8	81	64
2016-17	92	5.9	65	21
<b>Total</b>	<b>521</b>	<b>34.0</b>	<b>-</b>	<b>115</b>

Source: Councils' audited financial statements

- 3.32 Following the formation of the 11 new councils, there have been significant staff changes and restructuring throughout many of the councils. This led to a significant increase in exit packages in 2015-16, the first year of the new councils. However, in 2016-17 the numbers and cost of exit packages have decreased to less than half of the 2015-16 levels.



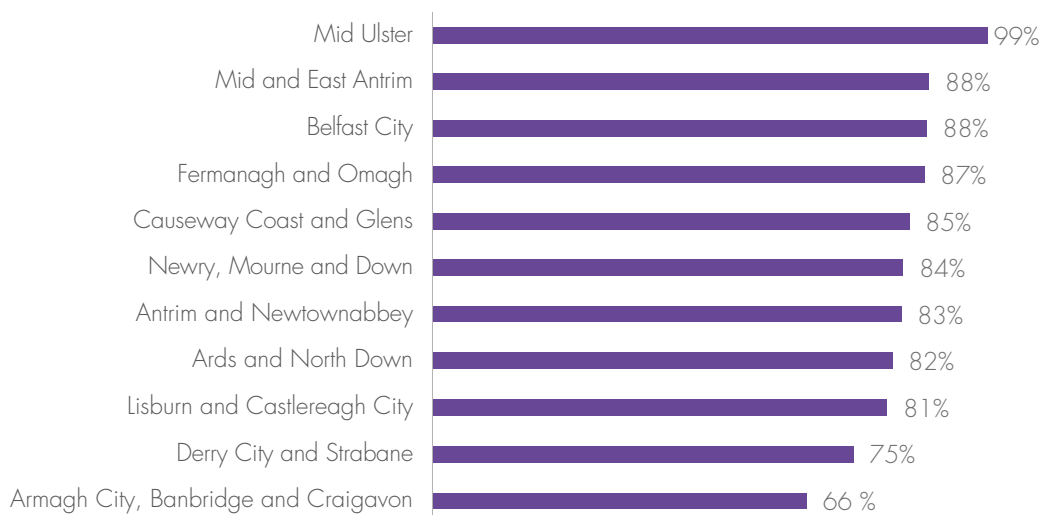
- 3.33 I note that 23 per cent (31 per cent in 2015-16) of exit packages agreed in 2016-17 were for amounts greater than £100,000. The overall average amount paid across the councils was £64,598 (£80,736 in 2015-16).

## Prompt Payment

- 3.34 Late payment of invoices is a key concern for businesses as it can reduce their cash flow and jeopardise their ability to trade. Councils are encouraged by government to pay suppliers as promptly as possible and to endeavour to meet the commitment made by the Northern Ireland Executive to pay the majority of valid invoices within 10 days<sup>18</sup>. Late payment legislation<sup>19</sup> allows for businesses to claim interest and compensation from public bodies who fail to pay valid invoices within 30 days.
- 3.35 In 2016-17, councils processed nearly 303,000 invoices with an approximate value of £609 million. On average, 48 per cent of all invoices were paid within 10 working days and 83 per cent within 30 working days. Performance by councils is shown in **Figures 16 and 17**.

### Figure 16: Prompt Payment

Only one council paid more than 90 percent of valid invoices within 30 days.



Source: Councils' Financial Statements 2016-17

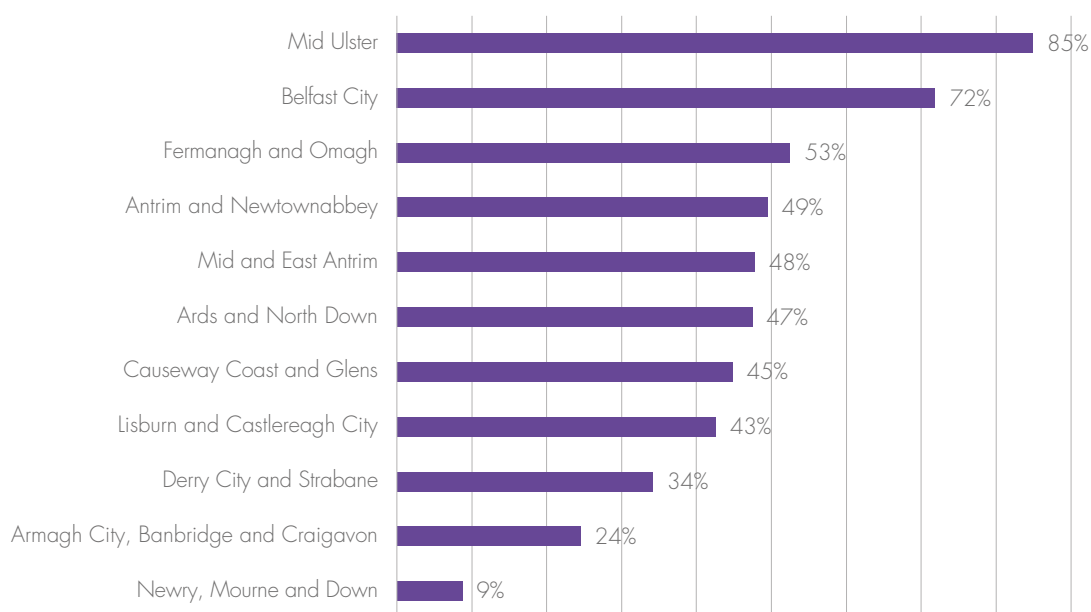
18 Central government departments aim to pay at least 90 per cent of valid invoices within 10 working days.

19 The Late Payment of Commercial Debts (Interest) Act 1988 (as amended by the Late Payment of Commercial Debt Regulations 2002 (SI 1674) and Late Payment of Commercial Debt Regulations 2013 (SI 395)).

## Part Three:

### Service Delivery Performance

**Figure 17: Percentage of valid invoices paid within 10 days**



Source: Councils' Financial Statements 2016-17

- 3.36 There is considerable scope for councils to improve their performance in this area. I intend to continue to monitor councils' prompt payment performance and may report on my findings in greater detail in future.

## Performance Improvement

### Background

- 3.37 The performance improvement framework places a statutory responsibility<sup>20</sup> on councils to make arrangements for, and report on, continuous improvement in their functions or services. Improvement, in the context of the legislation, means more than just quantifiable gains in service output or efficiency, or the internal effectiveness of an organisation. Improvement for councils should mean activity that enhances the sustainable quality of life and environment for ratepayers and communities. The framework also places a statutory responsibility on me to conduct an 'improvement audit and assessment' each year<sup>21</sup> and report my findings.

20 Section 93 of the Local Government Act (NI) 2014, together with the supporting statutory guidance issued by the Department for Communities.

21 Improvement audits and assessments are performed in-year, whilst financial audits are performed retrospectively.

- 3.38 The 2017-18 year was the final one of a three-year phased implementation of the performance improvement framework at the 11 councils. This placed additional responsibilities on councils. My improvement audit and assessment work in the year also addressed the existing and new requirements.

### **Reporting on Performance Improvement**

- 3.39 Councils are required to consult on and select improvement objectives and publish annual performance improvement plans. These set out each council's improvement objectives and how it plans to achieve them. Underlying this, councils are required to put arrangements in place to deliver each objective and to collect data and information, which would enable them to report on improvements made in an annual self-assessment report. Councils were required to publish their annual self-assessment report for the first time in 2017-18. They were also required to look back to the 2016-17 year and report whether they had met each of the planning, waste management and economic development standards and indicators set by central government, and to make comparisons with other councils.
- 3.40 I am required to assess and report whether each council:
- discharged its duties in relation to improvement planning;
  - published the required improvement information;
  - acted in accordance with guidance issued by the Department for Communities (the Department) in relation to those duties; and
  - was likely to comply with the requirement to make arrangements to secure continuous improvement in the exercise of its duties.
- 3.41 My detailed findings in respect of the 2017-18 plans and the 2016-17 performance reports were reported to each council, as well as the Department, in November 2017. I published summaries of my findings for each council on the NIAO website in March 2018. I did not undertake any special inspections or recommend formal intervention by the Department.

### **Performance Improvement: Key findings and recommendations in 2017-18**

- 3.42 All of the councils met their key performance improvement responsibilities and all received the same overall assessment. Although councils are at different stages of development, all strengthened their performance improvement arrangements in-year and each council delivered some measurable improvements to services. With sufficient resources, councils' arrangements to deliver improvement should develop further and mature over time. Until this happens and
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## Part Three:

### Service Delivery Performance

councils can demonstrate a track record of ongoing improvement, I am unable to determine the extent to which improvements will be made in future.

- 3.43 Councils have a wide degree of discretion on their performance improvement arrangements within the overall statutory framework. As a result, my audit work in 2017-18 continued to focus primarily on compliance with the legislation and guidance, and on identifying and sharing emerging good practice. In future years, my expectations of councils' performance improvement arrangements will increase. I have provided feedback to each council on how their arrangements could be improved. However, it is a matter for each council to decide the extent to which it accepts my assessment.
- 3.44 For the performance improvement framework to operate effectively, councils must collect relevant information and data to support any claims of improvement. I found some councils are finding this to be challenging as:
- not all councils have a suitable management information system in place to facilitate the capture, recording and reporting of data;
  - not all councils are agreed on what data and/or information needs to be recorded to facilitate the measurement of improvement; and
  - there is a lack of a common understanding of certain elements of the legislation and guidance.
- 3.45 Some councils are also finding it challenging to demonstrate improvements have been achieved. This may either be due to their 2016-17 improvement objectives being strategic in nature, or because they did not clearly set out in their 2016-17 plans how improvements would be measured. I consider that the councils' improvement objectives for 2017-18 (and the arrangements to deliver them) are generally more focused, realistic and, potentially, more achievable. Some councils may find it difficult to realise some of their more aspirational objectives. However, it may be that the arrangements made to deliver aspirational objectives will result in some demonstrable improvements.
- 3.46 In 2017-18, councils were required for the first time to report on their performance against that of other councils in delivering the same or similar functions, where it was reasonably practicable to do so. I found most published comparisons to be limited in content. In my view, this requirement will remain difficult to achieve until it is supported by an agreed framework between councils. While most councils have been working with the Department to consider how to undertake such comparisons, progress to date has been limited.
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3.47 I note there is some uncertainty within councils on the interpretation of aspects of the Department's statutory guidance, specifically:

- the 'General Duty' to improve;
- the selection and reporting of 'self-imposed indicators and standards'; and
- comparison between councils and the reporting of this information.

3.48 I welcome the recent establishment of a multi-stakeholder group, which includes representatives from the Department and councils, to resolve these issues. I will continue to keep these ongoing issues under review in future improvement audits and report on any developments next year.

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# Part Four:

## Looking Forward

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## Part Four: Looking Forward

### The draft Programme for Government and the Outcome Delivery Plan

- 4.1 Following the suspension of the devolved administration in Northern Ireland in January 2017, the Programme for Government Framework 2016-21, agreed by the Executive in May 2016, remains in draft form. The framework had set out a vision of both central and local government working together within their respective legislative frameworks to create more vibrant places with more job opportunities and better housing, addressing poverty and improving the quality of people's lives.
- 4.2 In June 2018, without an Assembly and Executive to ensure the effective discharge of government, the Executive Office published an Outcomes Delivery Plan for 2018-19. The Head of the Civil Service, David Sterling, described it as a necessarily constrained outcomes delivery plan, which "...sets out the actions that departments will take to give effect to the previous Executive's stated objective of improving wellbeing for all by tackling disadvantage and driving economic growth."
- 4.3 The Outcome Delivery Plan provides an interim direction and clarity for those delivering public services, including councils, at a time when normal Assembly scrutiny is absent. There is also a local government dimension, with each of the 11 councils now delivering, through partnership working, community plans that respond to the needs of their areas. All have already linked their community plans to the outcomes contained in the framework.
- 4.4 If the current situation continues, there will be a full report on progress in delivering each of the actions listed at the mid-year and end-year points. The reports will be published so that others can see and hold departments accountable for progress.

### Community Planning

- 4.5 Community plans identify long-term priorities for improving the social, economic and environmental well-being of council districts and the people who live there. Councils are responsible for leading the community planning process for their district. Community planning brings together all those involved in delivering public services including the council, statutory bodies, agencies and the voluntary sector, together with the wider community. All councils have now completed and published their Community Plans, which are available on the Department's website<sup>22</sup>.



- 4.6 In their 2016-17 Governance Statements, a number of councils identified potential risks to delivery of community plans and set out their proposals to address these risks, including the development of appropriate governance structures, performance management arrangements and adequate resourcing. I note that a number of councils identified concerns in their 2016-17 financial statements about pressures resulting from constraints on central government budgets that impact on local government.
- 4.7 While I have no statutory duty in relation to a council's community planning responsibility, I am required to assess and report on whether a council's improvement objectives have links to its community plan. I intend to monitor developments in community planning and I may, in future, consider the implementation of community plans under my powers to undertake comparative and other studies in order to make recommendations for improving economy, efficiency and effectiveness in the provision of council services.

## Brexit

- 4.8 Northern Ireland is the part of the UK most distinctly affected by Brexit. Issues of cross-border trade, funding of council programmes and the movement of people across the border have a significant potential impact across Northern Ireland and for councils close to the border. Given the considerable uncertainty which remains, it is prudent for councils to continue to prepare for the possible impacts of Brexit. I note that a number of councils recognised and began to address these risks in their 2016-17 Governance Statements, for example, Belfast City Council has set up a Brexit committee. I will continue to monitor developments in this area closely.

## Local Elections

- 4.9 The reorganisation of Northern Ireland local government in 2015 delivered a significant change from 26 to 11 new councils. Recent reforms are still bedding in and, with the Voluntary Exit Scheme, there are concerns over continuity and loss of experience. I note that further change is on the horizon, with local elections to be held in May 2019. In light of this, councillors may wish to consider measures to support continuity in key committees, particularly in the Audit and Risk and Planning committees.
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