



Northern Ireland Audit Office

# Local Government Auditor's Report – 2021



REPORT BY THE LOCAL GOVERNMENT AUDITOR  
21 December 2021





Northern Ireland Audit Office

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

In the year to 31 March 2021

Published 21 December 2021



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.

Colette Kane  
Local Government Auditor  
21 December 2021



# Contents

<b>Contents</b>	<b>5</b>
<b>Definitions and Abbreviations</b>	<b>8</b>
<b>Local Government Auditor's Introduction</b>	<b>9</b>
<b>Council districts</b>	<b>11</b>
<b>Key Facts</b>	<b>12</b>
<b>Part One:</b>	<b>Financial Performance</b>
	<b>13</b>
	<b>Key messages</b>
	<b>14</b>
	<b>Income and expenditure</b>
	<b>14</b>
	Councils continued to receive the majority of their income from district rates
	14
	Expenditure continued to exceed income
	16
	<b>Staffing levels and costs</b>
	<b>17</b>
	Some councils have increased their expenditure on agency staff
	17
	<b>Exit Packages</b>
	<b>18</b>
	The number and cost of exit packages continues to be high
	18
	<b>Capital expenditure and financing</b>
	<b>19</b>
	Councils continued to commit significant sums to capital projects
	19
	<b>Borrowing</b>
	<b>20</b>
	Borrowing levels continued to increase in most councils
	20
	<b>Pensions</b>
	<b>21</b>
	The overall pension liability has increased by more than 25 per cent in 2019-20
	21
	<b>Reserves</b>
	<b>22</b>
	Usable reserves fluctuate across councils
	22
	<b>Financial Resilience</b>
	<b>24</b>
	Councils' financial resilience has been challenged by the pandemic
	24
	Robust financial planning and management processes will be essential to ensure councils' continued financial sustainability
	24
	<b>Conclusion</b>
	<b>25</b>
<b>Part Two:</b>	<b>Good Governance</b>
	<b>27</b>
	<b>Key messages</b>
	<b>28</b>
	<b>Proper arrangements to secure economy, efficiency and effectiveness</b>
	<b>28</b>
	Each council had in place proper arrangements to ensure economy, efficiency and effectiveness in the use of resources
	28
	<b>The Governance Framework</b>
	<b>28</b>
	The pandemic has required councils to make changes to governance structures and processes
	28

# Contents

	<b>Audit and Risk Committees</b>	<b>29</b>
	Audit and Risk Committees should review and assess their processes and ensure they are in line with best practice	29
	<b>Governance Statements</b>	<b>30</b>
	Governance statements continue to be comprehensive and of good quality	30
	Covid-19 has led to changes in the working environment across the public sector and an increased reliance on digital technology	30
	Issues with procurement and contract management continue to be raised during my audits	31
	<b>Raising concerns</b>	<b>31</b>
	Concerns continue to be raised with me about the planning system	31
<b>Part Three:</b>	<b>Performance Improvement</b>	<b>33</b>
	<b>Key messages</b>	<b>34</b>
	<b>Performance Improvement audits and assessments</b>	<b>34</b>
	Councils have a statutory responsibility to make arrangements for, and report on, continuous improvement in their functions or services	34
	Councils met their responsibilities to report performance improvement information arrangements in the year	35
	Impact of Covid-19 on performance improvement arrangements over the next two years	36
	<b>Conclusion</b>	<b>36</b>
<b>Part Four:</b>	<b>Response to the Covid-19 pandemic</b>	<b>37</b>
	<b>Key messages</b>	<b>38</b>
	The Covid-19 pandemic is likely to continue to present challenges for local government	38
	Councils have received significant sums of central government funding to support their financial recovery	38
	Most councils have set up specific reserves to aid their recovery from the pandemic, and these will need to be managed carefully	39
	Councils have provided essential support to local communities throughout the pandemic	40
	<b>Conclusion</b>	<b>45</b>
<b>Part Five:</b>	<b>Other matters</b>	<b>47</b>
	<b>Key messages</b>	<b>48</b>
	<b>Efficiency Savings</b>	<b>48</b>
	The Department's review of efficiency savings has been postponed for the second year	48



<b>City and Local Growth Deals</b>	<b>49</b>
Every part of Northern Ireland is now covered by an economic growth deal	49
Belfast Region City Deal	49
Derry City and Strabane Region City Deal	50
Mid, South and West and Causeway Coast and Glens Local Growth Deals	51
These city and local growth deals bring great opportunities as councils assist in rebuilding the economy	52
<b>Absenteeism</b>	<b>52</b>
Sickness absence levels remained consistently high, with an average of over 14 days lost per employee	52
<b>Prompt Payment</b>	<b>53</b>
Whilst performance has improved slightly, some councils still struggle to meet prompt payment targets for suppliers	53
<b>Asset management</b>	<b>55</b>
Councils should ensure that their asset management practices are in line with recent guidance	55
<b>Brexit considerations</b>	<b>55</b>
<b>NIAO Reports 2020 and 2021</b>	<b>56</b>

## Definitions and Abbreviations

<b>BRCD:</b>	Belfast Region City Deal
<b>C&amp;AG:</b>	Comptroller and Auditor General
<b>Capital receipts:</b>	Income received when assets (such as land or buildings) are sold. Capital receipts can only be used to buy new or improve existing assets. These assets could be land, buildings or large pieces of equipment such as vehicles.
<b>Capital grants:</b>	Sums of money given to councils by the government. This money can only be used as capital expenditure, to buy or improve assets of lasting value.
<b>CIPFA:</b>	Chartered Institute of Public Finance and Accountancy
<b>DAERA:</b>	Department of Agriculture, Environment and Rural Affairs
<b>Earmarked reserves:</b>	Money that has been set aside for a particular purpose, such as buying or repairing equipment or the maintenance of public parks or buildings.
<b>Emphasis of matter:</b>	A paragraph that is included by the Local Government Auditor in her audit report to direct the attention of users of financial statements to a matter that has been discussed appropriately in the financial statements (usually a disclosure). It is a professional judgement that the matter is of such importance that users should know about it in order to completely understand the financial statements.
<b>FTE:</b>	Full-time equivalent
<b>General fund balance:</b>	This is a contingency fund - money set aside for emergencies or to cover any unexpected costs that may occur during the year, such as unexpected repairs.
<b>Going concern:</b>	Financial statements are prepared on a going concern basis when, under the going concern assumption, the organisation is viewed as being able to continue in business for the foreseeable future.
<b>NIAO:</b>	Northern Ireland Audit Office
<b>Single Tender Action:</b>	Also known as Direct Award Contracts (DACs), Single Tender Actions occur when a contract is awarded to a contractor without a competition, or where there is a material change to an existing contract.
<b>SOLACE:</b>	Society of Local Authority Chief Executives
<b>PSNI:</b>	Police Service of Northern Ireland
<b>Treasury management:</b>	The management of the organisation's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.
<b>Usable reserves:</b>	These relate to accumulated, unspent money that each council has set aside from previous years to provide services or buy assets now or in the future.
<b>Unusable reserves:</b>	These relate to accounting treatment balances, rather than real usable money. They include, for example, balances relating to 'unrealised gains or losses' in respect of assets, such as buildings, whose value changes over time. There may also be commitments linked to these assets, such as loans or maintenance needs. The funds held in the unusable reserves fund can only be unlocked and turned into usable money if the assets are sold.

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# Local Government Auditor's Introduction

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 March 2021. 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 report provides my perspective on the audits of local councils, based on the key messages from audit work completed by 31 March 2021. My work includes the audit of the financial statements for 1 April 2019 to 31 March 2020 (the 2019-20 financial year). As a result, parts of my report are based on the circumstances that councils were operating in before the pandemic took hold, and the associated financial impact of Covid-19 was limited. Throughout my report I have sought to highlight areas of strength and areas for improvement within local councils. Both councillors and officers should consider this report and review how their council is managing the issues I have highlighted.



**Colette Kane**  
Local Government Auditor

**Part One** of my report details the financial performance of the councils during 2019-20, using figures from the 2019-20 audited financial statements and comparing against prior year figures to highlight trends and movements. 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 2019-20 financial statements were unqualified.

**Part Two** of my report comments on my work to 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. **Part Two** also considers the governance arrangements councils have in place, and the changes made to these as a result of Covid-19.

In addition to the audit of 2019-20 local government 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 is summarised in **Part Three**. All councils met their key performance improvement responsibilities for publishing a self-assessment report during the year. Given the impact of the pandemic on council services, however, I was unable to conclude on an assessment of whether the councils were likely to meet their performance improvement responsibilities under legislation for the 2020-21 year.

The Covid-19 pandemic has impacted on all aspects of our lives. Councils have demonstrated flexibility and versatility in responding to the pandemic. **Part Four** of my report provides an overview of the substantial funding provided by central government to assist councils in their financial recovery and includes some examples of how councils have responded to the pandemic in terms of innovation, collaborative working and support provided to local communities.

**Part Five** highlights other matters affecting councils that continue to present challenges and opportunities in the coming years.

<sup>1</sup> A joint committee is made up of two or more participant councils and may be constituted as a body corporate. The two joint committees are arc21 and the North West Region Waste Management Group.

## Local Government Auditor's Introduction

In November 2020, the Minister for Communities directed me to hold an extraordinary audit of the accounts of Causeway Coast and Glens Borough Council concentrating on land disposals and easements and related asset management policies and procedures. This audit is still ongoing.

As the Local Government Auditor, I can also undertake comparative and other studies designed to make recommendations for improving economy, efficiency and effectiveness in the provision of services by local government bodies. In 2022 I will publish my report on the Planning System in Northern Ireland.

I would like to thank elected members, 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 staff of the NIAO who assisted me in the performance of the Local Government Auditor's functions.



**Colette Kane**  
Local Government Auditor

21 December 2021

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### Council districts



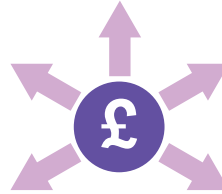
Source: NIAO

## Key Facts

During 2019-20:



**£945 million**  
**Income** received,  
£638 million of which  
was from district rates



**£1 billion**  
**Expenditure** incurred,  
with £143 million spent on  
capital projects



**£580 million**  
Outstanding **loan**  
balances



**£266 million**  
**Usable reserves**  
held

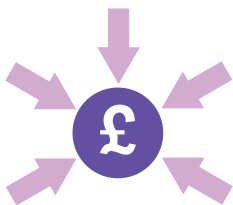


**£689 million**  
Net **pension liability**,  
an increase of over 25%  
from 2018-19

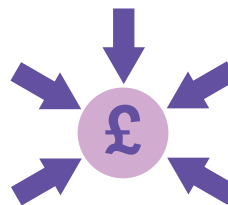
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## Covid-19 funding

At 31 March 2021:



**£117 million**  
**Funding** received  
from the Department for  
Communities



**£12.5 million**  
**Funding** received from  
DAERA to help cover higher  
waste collection, treatment  
and disposal costs



**£405 million**  
Total **usable**  
**reserves**, an  
increase from £266  
million in 2019-20

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# Part One: Financial Performance

# Part One:

## Financial Performance

1.1 This section provides a summary of the councils' financial performance in the year 2019-20.

### Key messages

1. The majority of councils' income continues to come from district rates.
2. Expenditure continues to exceed income, however the gap has narrowed slightly.
3. Some councils continue to rely heavily on agency staff. In addition, the number and cost of exit packages remains high. Progress must be made to stabilise the staffing structures across councils.
4. Borrowing levels have increased for a second consecutive year as councils continue to fund major capital projects.
5. Usable reserves should be managed carefully and will be an important resource as councils recover from the financial impact of Covid-19. Councils should have clear plans setting out how these reserves will be used.

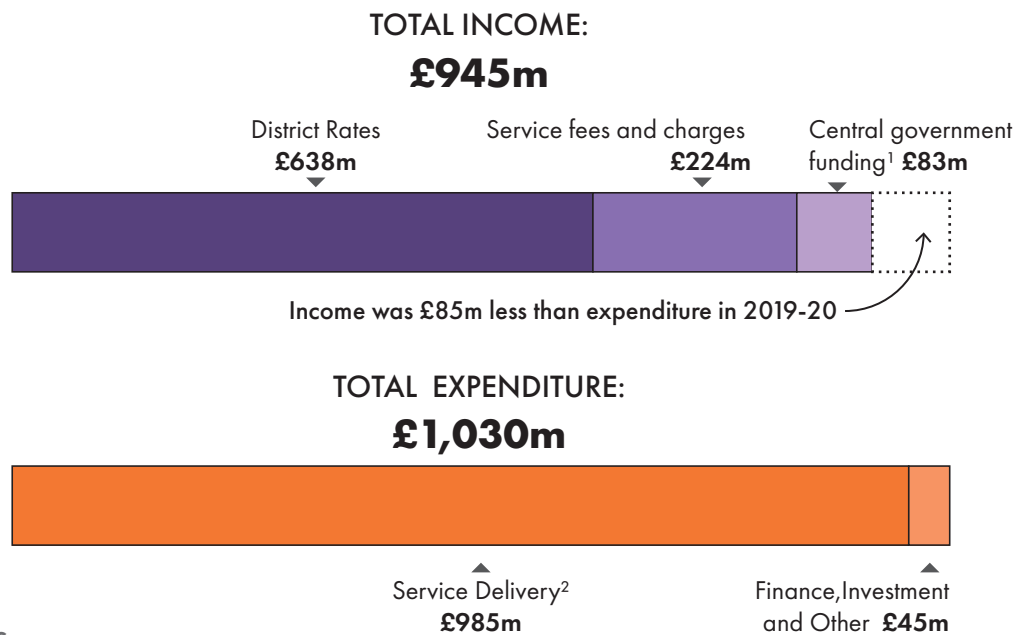
### Income and expenditure

#### Councils continued to receive the majority of their income from district rates

1.2 In 2019-20, councils received income of £945 million (£917 million in 2018-19) from district rates, fees charged for services, grants and investment income and spent £1,030 million (£1,023 million in 2018-19) (see **Figure 1**). Of the total income figure, the vast majority (£914 million) is revenue-based, which councils use to deliver key functions and services, and the remainder (£31 million) is capital income, which is spent on buying or improving assets, for example leisure centres and play parks. Councils can also spend money from their usable reserves and supplement their income by borrowing money to support capital projects.

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**Figure 1. Council income and expenditure in 2019-20****NOTES**

1 Central government funding consists of £52m revenue funding and £31m capital funding.

2 Service delivery includes, for example, the provision of leisure facilities, civic amenities and waste management.

Source: Councils' audited financial statements

- 1.3 Councils continue to receive the majority of their income, 68 per cent (68 per cent in 2018-19), from district rates. Councils charge fees to use their facilities including leisure centres, or for the provision of services, such as planning fees. These fees, along with other income<sup>2</sup>, accounted for almost 24 per cent of total income (23 per cent in 2018-19) and general revenue funding from central government<sup>3</sup> accounted for around 5 per cent. Capital grants fluctuate from year to year, depending on investment decisions, and in 2019-20 accounted for just over 3 per cent of total income.
- 1.4 Overall, the local government sector has experienced an increase in revenue-based income over the past five years, although the rate of increase slowed in 2019-20 (see **Figure 2**).

2 For example, income from investments and bank interest.

3 General revenue funding, from the Department for Communities, is paid to compensate councils for the statutory de-rating of certain property, to provide additional resources for those councils whose needs exceed their wealth base and to support councils in emergency planning. It also compensates for the cost of functions transferred in 2015-16. Other government departments pay specific grants to councils which help with the financing of certain revenue and capital expenditure.

## Part One: Financial Performance

**Figure 2. Councils' revenue funding has increased over the last five years**

Year	£ MILLION			TOTAL INCOME	Change from previous year	%
	District rates	Service fees, charges and other income	Revenue funding from central government			
2015-16	566	186	50	802		-
2016-17	579	194	50	823		+2.6
2017-18	601	189	50	840		+2.1
2018-19	625	210	61	896		+6.7
2019-20	638	224	52	914		+2.0

**NOTE**

*These figures exclude capital funding which is included in Figure 1*

*Source: Councils' audited financial statements*

- 1.5 Overall income levels have begun to flatten, and whilst there are variations across councils, all continue to be heavily reliant on income from district rates. It is important that councils continue to explore options to maximise the income generated from services, and where possible reduce costs, including considering the potential for more efficient service delivery such as online facilities, automated processes and the sharing of services across councils.
- 1.6 In 2019-20, seven of the eleven councils were entitled to a Rates Support Grant at varying levels<sup>4</sup>. It is designed to provide additional finance to those councils whose total rateable value, per head of the population, falls below a standard determined by the Department. The total amount available varies annually, depending on the Department's spending priorities. As a result of funding pressures, the total annual amount allocated to the councils (£16 million in 2019-20) has been reducing (£17.2 million in 2018-19).

### Expenditure continued to exceed income

- 1.7 Expenditure levels vary across each council. Overall there has been a very small increase in expenditure in 2019-20 (see **Figure 3**). The main areas of council expenditure include the provision of leisure facilities, civic amenities, and waste management.

<sup>4</sup> The seven councils in receipt of the Rates Support Grant are Armagh City, Banbridge and Craigavon, Derry City and Strabane, Mid Ulster, Causeway Coast and Glens, Newry, Mourne and Down, Fermanagh and Omagh, and Mid and East Antrim.

**Figure 3. Councils' expenditure has increased over the last five years**

Year	£ MILLION				% Change from previous year
	Cost of delivering services	Finance and investment expenditure	Other operating expenditure	TOTAL EXPENDITURE	
2015-16	782	41	35	858	-
2016-17	800	39	39	878	+2.3
2017-18	885	44	7	936	+6.6
2018-19	982	40	1	1,023	+9.3
2019-20	985	42	3	1,030	+0.7

Source: Councils' audited financial statements

### Observation

Expenditure continues to exceed income for all councils. Councils will need to consider their long-term financial management plans and, as noted at **paragraph 1.5**, continue to explore ways to maximise income and reduce costs. Councils' financial resilience is considered in more detail at the end of **Part One**.

## Staffing levels and costs

### Some councils have increased their expenditure on agency staff

- 1.8 Council services across Northern Ireland are primarily delivered by a combination of council employees and, to a lesser extent, agency staff<sup>5</sup>. Whilst some agency staff are temporary, seasonal workers, some councils rely on agency staff on a longer-term basis to operate services such as leisure centres and civic amenity sites.
- 1.9 There were 10,113 full-time equivalent (FTE) staff in 2019-20, which is consistent with the prior year (10,136 in 2018-19). In 2019-20, total employee costs were almost £396 million, representing over 38 per cent of councils' operating expenditure.
- 1.10 Spending on agency staff accounted for around three per cent of councils' operating expenditure. The overall increase in spend on agency staff from 2018-19 was modest at £474,000, and agency costs decreased in just over half the councils. Whilst I recognise that there will always be a need for agency staff to cover temporary posts and absences, during my financial audits I noted with concern the continued reliance on agency staff in two councils during 2019-20. In Causeway Coast and Glens, agency staff costs accounted for one third of total salary costs. In Mid and East Antrim, agency staff costs accounted for over 20 per cent of

5 Some services, such as leisure centres, are contracted to private sector contractors. This varies by council and therefore staff numbers across councils are not directly comparable.

## Part One: Financial Performance

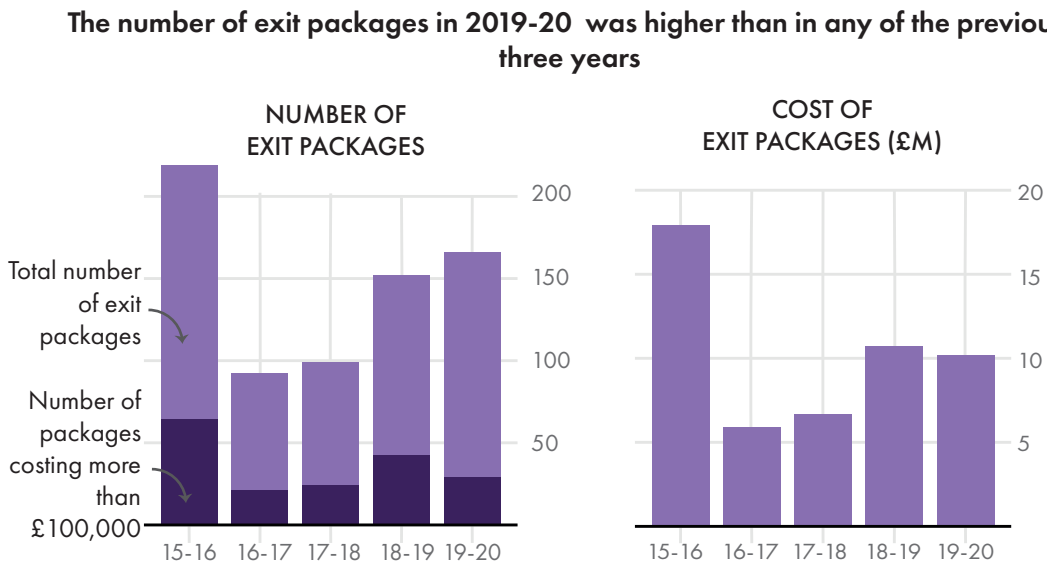
total salary costs. I have continued to recommend that progress needs to be made to recruit and permanently fill posts in the councils affected.

### Exit Packages

#### The number and cost of exit packages continues to be high

1.11 Councils are required to disclose the number and cost of staff exit packages each year. The costs include compulsory and voluntary redundancy costs, pension contributions and other departure costs. Over the five financial years from 2015-16 to 2019-20, councils have paid a total of £51.6 million in exit packages to staff (see **Figure 4**). My predecessor reported the significant cost and number of exit packages in 2018-19, and this trend has continued in 2019-20, when councils agreed 166 packages at a cost of £10.2 million (in 2018-19 councils agreed 152 exit packages at a cost of £10.7 million). In 2019-20, two councils accounted for almost half the exit packages. Causeway Coast and Glens reported 34 exit packages at a cost of £2.4 million, and Lisburn and Castlereagh reported 36 exit packages at a cost of £2.2 million.

**Figure 4. Councils agreed a total of 166 exit packages in 2019-20, at a cost of £10.2 million**



Source: Councils' audited financial statements

**Observation**

The continuing trend of exit packages, coupled with a reliance on agency staff, indicates that staffing is still not in a steady state in some councils five years on since the councils were formed. I would therefore strongly encourage councils to progress work to stabilise staffing structures, ensuring the necessary capacity and capabilities are secured.

## Capital expenditure and financing

### Councils continued to commit significant sums to capital projects

- 1.12 Capital expenditure relates to assets which are purchased, constructed or improved by the councils, to support the delivery of their services. These range from one-off purchases in-year, to larger projects which can take several years to complete.
- 1.13 Councils finance capital expenditure in a number of ways including revenue funding, borrowing (from the government or commercial lenders), capital receipts, grants and other contributions. Councils are required to be prudent and consider the affordability of their capital expenditure programme and its impact on the day-to-day running of their services.
- 1.14 Capital expenditure in 2019-20 was £143 million (£131 million in 2018-19), which was the highest level of capital expenditure in the last five years (see **Figure 5**).

**Figure 5. Capital expenditure increased in most councils**

Council	2018-19 Capital Expenditure £ million	2019-20 Capital Expenditure £ million	Movement £ million
<b>Total Capital Expenditure</b>	<b>130.6</b>	<b>143.3</b>	<b>+12.7</b>
Armagh City, Banbridge and Craigavon	12.9	32.3	+19.4
Belfast City	38.9	43.9	+5.0
Mid Ulster	5.0	9.4	+4.4
Mid and East Antrim	4.0	8.1	+4.1
Antrim and Newtownabbey	4.6	8.5	+3.9
Derry City and Strabane	7.1	8.6	+1.5
Causeway Coast and Glens	9.1	10.1	+1.0
Lisburn and Castlereagh City	7.2	7.9	+0.7
Fermanagh and Omagh	5.6	5.2	-0.4
Newry, Mourne and Down	16.9	6.5	-10.4
Ards and North Down	19.3	2.8	-16.5

Source: Councils' audited financial statements

## Part One: Financial Performance

- 1.15 Some of the significant projects which contributed to councils' capital expenditure in 2019-20 are outlined below:
- South Lake Leisure Centre (Armagh City, Banbridge and Craigavon) - £26m
  - Andersonstown Leisure Centre (Belfast City) - £11.9m
  - Brook Activity Centre (Belfast City) - £7.3m
  - Coalisland public realm (Mid Ulster) - £4.3m
  - Portrush public realm and North Pier (Causeway Coast and Glens) - £3.1m
- 1.16 Councils' total 'Capital Financing Requirement' increased from £713 million in 2018-19 to £781 million in 2019-20. This demonstrates how much councils need to borrow to fund their capital expenditure. The financing mix (using council reserves or obtaining loans) will be determined by each individual council, depending on its treasury management strategy and capital investment strategy.
- 1.17 At 31 March 2020, councils had committed to ongoing or approved future capital schemes with an estimated cost of almost £284 million, much of which will be obtained from external sources and borrowing. In their Annual Reports, a number of councils highlighted that their capital plans might need to change as less funding is available due to the impact of Covid-19.

### Borrowing

#### **Borrowing levels continued to increase in most councils**

- 1.18 Councils decide how much borrowing is required to deliver services. The costs of servicing this debt (repayment of principal amount and interest charges) should not adversely impact on service delivery.
- 1.19 The majority of debt relates to external borrowing which contributes to the financing of capital expenditure and consists of a mix of short-term and long-term loans, mostly from central government. Councils can also use overdrafts to assist with working capital balances.
- 1.20 Borrowing varies widely across councils and is based upon individual treasury management strategies and local priorities. It also reflects historical decision-making, as the level of borrowing includes inherited loan balances from the legacy councils. Each council is required to maintain its long-term borrowing balance below the level of its Capital Financing Requirement. All councils complied with this requirement in 2019-20.
-

- 1.21 Loans outstanding at 31 March 2020 totalled £580 million, an increase of £53 million from 2018-19 (see **Figure 6**). This increase was driven mainly by significant borrowing in Armagh City, Banbridge and Craigavon to enable substantial capital expenditure during the year (see **paragraph 1.15**).

**Figure 6. Total borrowing continued to increase across councils**

Council	2018-19 Loan Balance £ million	2019-20 Loan Balance £ million	Movement £ million
<b>Total Borrowing</b>	<b>527.7</b>	<b>580.4</b>	<b>+52.7</b>
Armagh City, Banbridge and Craigavon	40.7	73.0	+32.3
Belfast City	62.9	72.7	+9.8
Antrim and Newtownabbey	49.7	56.0	+6.3
Newry, Mourne and Down	69.8	74.8	+5.0
Mid and East Antrim	62.8	65.6	+2.8
Ards and North Down	78.9	81.2	+2.3
Causeway Coast and Glens	71.2	72.1	+0.9
Mid Ulster	6.7	6.1	-0.6
Fermanagh and Omagh	7.2	6.2	-1.0
Lisburn and Castlereagh City	27.6	25.9	-1.7
Derry City and Strabane	50.2	46.8	-3.4

Source: Councils' audited financial statements

- 1.22 The annual costs committed to repaying loans reduce the amount councils have available to spend each year on delivering services. The amounts paid during the year, and the extent to which this impacts services, depend on the period over which councils agree to repay their loans, as well as any impact from interest rate fluctuations and future inflation. In 2019-20, councils paid almost £99 million towards the principal outstanding balances (£78 million in 2018-19) and over £24 million in interest costs (£23 million in 2018-19).

## Pensions

### The overall pension liability has increased by more than 25 per cent in 2019-20

- 1.23 The vast majority of council pension liabilities are the responsibility of the Northern Ireland Local Government Officers' Superannuation Committee, which operates a pension scheme fund for the local councils and other similar bodies in Northern Ireland. In 2019-20, councils' total net pension liabilities increased by over 25 per cent, to £689 million.

## Part One: Financial Performance

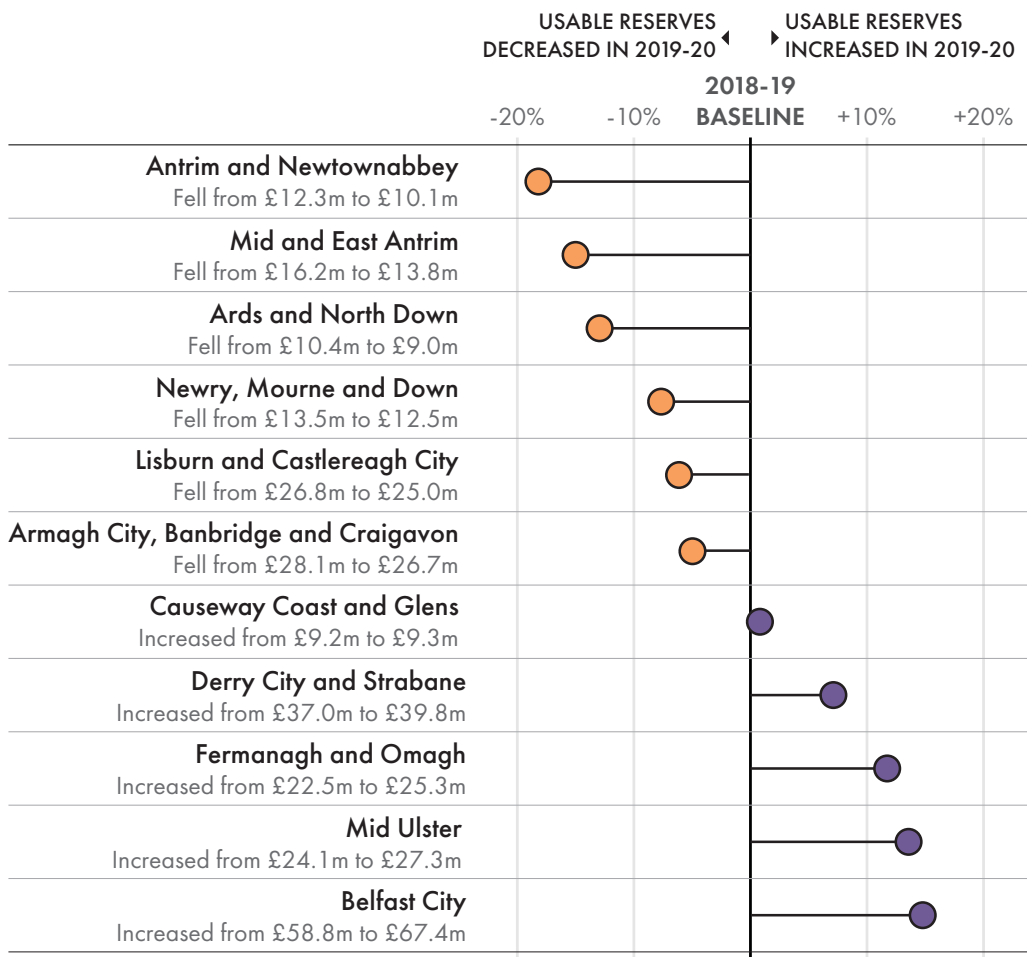
- 1.24 Pension liabilities include the potential liability from recent legal case developments, including the McCloud judgement and developments related to the Guaranteed Minimum Pension Scheme indexation and equalisation. There was a sharp reduction in the value of the fund in March 2020 which has impacted the liability for employers. Covid-19 has also led to changes in the underlying assumptions used to calculate pension liabilities.
- 1.25 Every three years an independent review is undertaken to calculate how much each council should contribute to the pension scheme fund. Councils contribute a percentage rate plus deficit recovery contributions. The percentage contribution rate in 2019-20 was 20 per cent of employees' gross salary. A review in 2021 will set new contribution rates. Councils are content that pension liabilities will be met from future contributions from scheme members.

### Reserves

#### Usable reserves fluctuate across councils

- 1.26 All councils hold invested funds, the majority of which are liquid cash reserves which generate small amounts of interest-based income. Other forms of long-term investment portfolios can include commercial property rental, and investments in associated companies, charities and trust funds, however, these type of investments are uncommon in Northern Ireland.
- 1.27 Usable reserves play an important role in councils' financial management. The overall level of usable reserves across councils increased by three per cent, from £258 million in 2018-19 to £266 million in 2019-20. **Figure 7** shows that levels fluctuate across individual councils, with usable reserve balances decreasing in six councils during 2019-20, and increasing in five councils.
-



**Figure 7. Councils' usable reserves fluctuated between 2018-19 and 2019-20**

Source: Councils' audited financial statements

- 1.28 The main usable reserves include the General Fund (£101 million), Capital Reserves (£109 million) and the Renewal and Repairs Fund (£14 million). These reserves can be used to respond to unexpected events, or supplement income where necessary, and to finance major projects.
- 1.29 Last year, my predecessor reported that some councils' General Fund balances had declined rapidly, however the position appears to have stabilised in 2019-20. Overall, the total General Fund balance held by all councils reduced by around £8 million, however there were varying increases and decreases across councils. During 2019-20, six councils increased their General Fund balance while the others made use of the reserve. The changes in General Fund levels were individually very small, with no repetition of the significant fluctuations seen in 2018-19.

## Part One: Financial Performance

### Observation

Usable reserves should be managed carefully and will be an important resource as councils recover from the financial impact of Covid-19. Councils should have clear plans setting out how these reserves will be used.

## Financial Resilience

### Councils' financial resilience has been challenged by the pandemic

- 1.30 My predecessors and I have consistently commented on the significant financial pressures facing councils. The Covid-19 pandemic has added an additional layer of financial pressure. In recognition of the financial pressures councils are facing, my 2019-20 financial audits considered the risk that councils might be unable to continue as financially resilient entities. My audit work considered the Chief Financial Officers' assessment of the going concern basis for the preparation of the accounts and the detailed disclosures regarding the financial position included within the 2019-20 financial statements. I also examined the recovery plans councils had produced as a consequence of the Covid-19 pandemic.
- 1.31 I was satisfied that, for all 11 councils, the Chief Financial Officers' assessment of the going concern basis for the preparation of the accounts was appropriate and that sufficient disclosures had been made in the accounts regarding councils' financial position. I was content that councils had put in place recovery plans to help address the issues arising from the Covid-19 pandemic and that these are monitored on an ongoing basis.

### Robust financial planning and management processes will be essential to ensure councils' continued financial sustainability

- 1.32 Looking forward, there are a number of financial challenges that councils need to consider and plan for:
- **Changing or unpredictable income streams** – many income generating services had to cease during lockdown and some continue to be impacted by ongoing social distancing requirements.
  - **Increasing costs of providing services** – councils will need to plan for continuing additional costs associated with service provision, such as the provision of personal protective equipment to keep staff safe, and additional cleaning, maintenance and waste disposal costs, to adhere to public health guidance.
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- **Risks and opportunities for fraud** – increased digitisation and pressures on personal finances, may create motivation and opportunities for fraudsters. A strong focus on fraud prevention is vital to ensuring financial resilience. More on this can be found in **paragraph 2.6**.

1.33 In 2017, CIPFA published guidance on building financial resilience for local authorities<sup>6</sup>. Whilst this predates the pandemic, many of the key messages remain relevant:

- **Getting routine financial management right** - financial managers and their teams must have a clear understanding of the council's financial position and understand the long-term financial strategy and how it will be delivered.
- **Benchmarking** - comparing performance against other councils should be a routine part of financial management. **Part Three** of my report, which focuses on Performance Improvement, highlights that significant progress is needed to allow a broader range of functions to be benchmarked (see **paragraph 3.7**).
- **Clear plans for delivering savings** - savings plans must be realistic and constantly updated.
- **Managing reserves** - councils should have a defined program for managing reserves. As noted above, I encourage councils to have clear plans for their usable reserves, including those set up to manage the impact of Covid-19 (see also **Part Four**).

## Conclusion

1.34 Councils continue to face challenges in respect of financial sustainability and the pressure to maintain service levels with reducing resources. Robust financial planning and management will be essential to aid decision-making and ensure continued financial resilience.

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<sup>6</sup> *Building financial resilience: managing financial stress in local authorities*, CIPFA, June 2017.



Part Two:  
Good Governance

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## Part Two: Good Governance

### Key messages

1. Covid-19 has impacted on councils' governance arrangements and processes. Councils should be alert to the associated risks including IT security and increased opportunities for fraud.
2. Councils' governance statements complied with relevant guidance and continue to be comprehensive and of good quality.
3. All councils should report actual, suspected and attempted frauds to the Local Government Auditor.
4. All councils are encouraged to review the effectiveness of their Raising Concerns policies.

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

#### Each council had in place proper arrangements to ensure economy, efficiency and effectiveness in the use of resources

- 2.1 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 2021<sup>7</sup>. In order to assess whether proper arrangements are in place, my staff require councils to complete an annual questionnaire and 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.
- 2.2 As a result of my audit work in this area, I was satisfied that all 11 councils, the 2 joint committees and the Local Government Staff Commission had in place proper arrangements to ensure economy, efficiency and effectiveness in the use of resources for the 2019-20 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.

### The Governance Framework

#### The pandemic has required councils to make changes to governance structures and processes

- 2.3 In response to the Covid-19 pandemic, councils made changes to their governance and decision-making processes. An amendment to the Standing Orders<sup>8</sup> allowed the committee decision-making process to be temporarily delegated to council Chief Executives.

<sup>7</sup> <https://www.niauditoffice.gov.uk/publications/code-audit-practice-local-government>

<sup>8</sup> In accordance with Section 37 of the Local Government Act (Northern Ireland) 2014, councils are required to make Standing Orders for the regulation of the proceedings and business of the council.

- 2.4 With social distancing guidelines in place, councils moved to revise their schedule of meetings, focusing on dealing with urgent matters. As the pandemic continued, councils moved to virtual meetings, and as restrictions eased, many have implemented a hybrid arrangement. Meetings are often livestreamed, allowing the public to have access to democratic processes. As recovery continues, councils will have to consider the security of digital platforms, and ensure that virtual meetings do not exclude citizens.
- 2.5 Many council employees were redeployed to new business areas to ensure delivery of essential services throughout the pandemic. I commend the flexibility and dedication of council staff during the crisis. In some councils this included Internal Audit staff and whilst this was necessary to ensure that essential services continued to operate, councils must now ensure that a full Internal Audit service is able to resume, and consider the impact of Covid-19 risks to its work programme. It is also important to highlight that the Internal Audit function must remain independent and councils should ensure that Internal Audit staff are not asked to take on any duties which could impact on their independence.
- 2.6 It is widely accepted that fraud risks increase in times of change or crisis. Councils must be alert to the risk that internal controls may suffer due to staff and process changes. Councils should ensure that staff reassigned to unfamiliar work are given an appropriate level of training, guidance and supervision. In August 2020 the NIAO produced a guide to Covid-19 fraud risks<sup>9</sup> which highlights the key risks and sets out the controls that can mitigate those risks. Two additional guides have also been published with a focus on procurement fraud risk<sup>10</sup> and grant fraud risks<sup>11</sup>. These guides are a useful reminder to all public sector organisations about the increased risk of fraud and how those risks can be mitigated.

## Audit and Risk Committees

### Audit and Risk Committees should review and assess their processes and ensure they are in line with best practice

- 2.7 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 and Risk Committees in place and my staff attend meetings of these committees on a regular basis.
- 2.8 As previously noted, Covid-19 has been a catalyst for increased digitalisation of governance structures in many councils. Audit and Risk Committees continue to operate virtually in many areas, or in a hybrid model. Changing audit committee arrangements provides councils with an opportunity to review their governance processes and ensure that they are in line with best practice.

9 <https://www.niauditoffice.gov.uk/publications/covid-19-fraud-risks-niao-august-2020>

10 <https://www.niauditoffice.gov.uk/publications/procurement-fraud-risk-guide>

11 <https://www.niauditoffice.gov.uk/publications/grant-fraud-risks>

## Part Two: Good Governance

- 2.9 Councils should provide an induction programme for new Audit and Risk Committee members. This should cover the role of the Audit and Risk Committee, including its terms of reference and expected time commitment by members, and an overview of the council's strategies, identifying the main financial and governance risks. It could also include meeting some of the key council staff. Training should also be provided to members of the Audit and Risk Committee on an ongoing and timely basis and should include an understanding of the principles of, and developments in, financial reporting and relevant legislation.

### Governance Statements

#### Governance statements continue to be comprehensive and of good quality

- 2.10 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.
- 2.11 The statement explains the process for reviewing the effectiveness of those 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. The number of individual significant issues raised varied considerably between councils, ranging from zero to eight. I found the governance statements to be comprehensive and of good quality.

#### Covid-19 has led to changes in the working environment across the public sector and an increased reliance on digital technology

- 2.12 In response to the pandemic, councils have adopted changes in working practices and there has been an increased reliance on digital technology. These changes bring corresponding risks which councils must consider. In line with government guidelines, significant numbers of council staff have been working from home. This may increase opportunities for breaches of IT security and if staff are accessing personal data at home they must consider its security. Video conferencing and virtual meetings are also potentially more susceptible to security breaches.
- 2.13 In their governance statements, some councils identified that their IT policies and procedures required updates and improvements. Given the increased reliance on digital services, I would encourage councils to ensure this work is taken forward as soon as possible.
-



## Issues with procurement and contract management continue to be raised during my audits

- 2.14 During the audit of the 2019-20 financial statements, I raised issues and made recommendations relating to procurement and contract management processes in a number of councils. My audit teams identified issues common to several councils including: a lack of open tender processes; the routine use and reliance on Single Tender Actions; and incomplete contract registers. In many cases, the issues identified had also been brought to the councils' attention in the 2018-19 year, and I am concerned that there has been little evidence of sustained progress towards resolving these issues. I will continue to monitor councils' progress on my recommendations.
- 2.15 In my report on Derry City and Strabane District Council, I included an emphasis of matter paragraph, drawing attention to disclosures included in the Council's financial statements in relation to the City of Derry Airport. The key concern is a potential funding shortfall post December 2021. Government funding has now been secured until March 2023.

## Raising concerns

### Concerns continue to be raised with me about the planning system

- 2.16 Effective arrangements for raising concerns are an important element of good governance arrangements and 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.
- 2.17 All councils may receive 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 those raising concerns are supported and protected from any form of detriment or victimisation. I encourage all councils to review the effectiveness of their Raising Concerns policies.
- 2.18 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 concerns relating to local government bodies (see **Figure 8**).

**Figure 8. Concerns reported directly to the Local Government Auditor**

	2016-17	2017-18	2018-19	2019-20	2020-21
Number of concerns reported directly to the LGA	15	23	23	18	19

Source: NIAO data

## Part Two: Good Governance

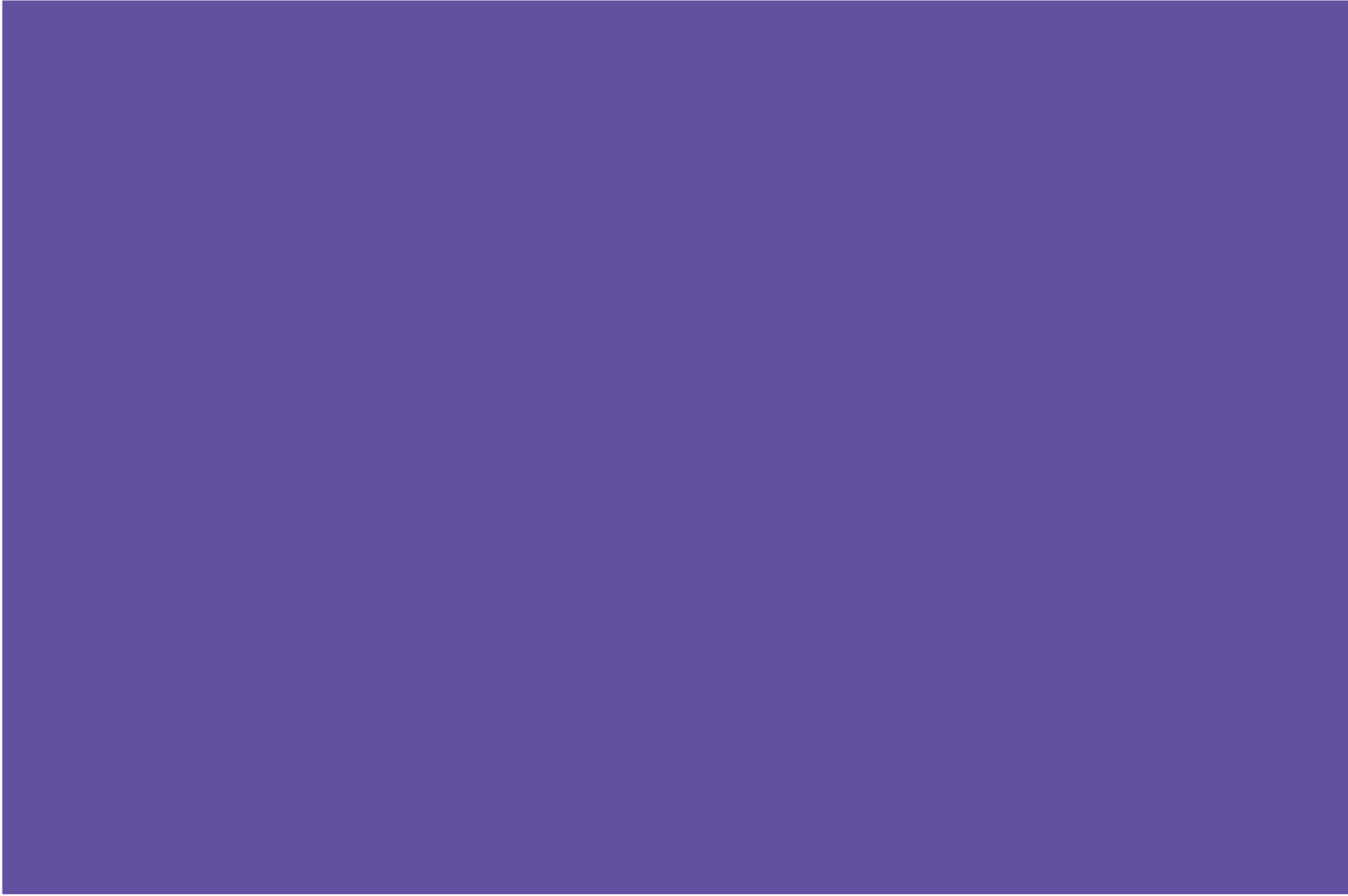
- 2.19 In June 2020, NIAO published a good practice guide on raising concerns<sup>12</sup>. The guide encourages organisations to put in place effective arrangements for receiving concerns from the wider public and ensuring that they are properly considered and appropriately acted upon. The guide also suggests organisations appoint a speak-up guardian or raising concerns champion who can be a source of advice and support for staff and a key resource for connecting the organisation to service users and the wider public.
- 2.20 The NIAO website<sup>13</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.
- 2.21 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 my audit reports. I am not required to undertake investigations on behalf of individuals.
- 2.22 I note that most open cases continue to relate to concerns about the planning process. Whilst I am unable to reverse the outcome of a planning decision, I continue to urge councils to ensure consistency in the approval, or rejection, of planning applications, as well as the retention of documentation to support the rationale for planning decisions. In collaboration with the C&AG, I will publish a report on the Planning System in both central and local government in early 2022.

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12 <https://www.niauditoffice.gov.uk/publications/raising-concerns-good-practice-guide-northern-ireland-public-sector>

13 <https://www.niauditoffice.gov.uk/fraud-and-raising-concerns>

# Part Three: Performance Improvement



## Part Three: Performance Improvement

### Key messages

1. All councils met their key performance improvement responsibility to publish a self-assessment report during the year.
2. Due to the impact of the Covid-19 pandemic, the requirement to publish annual performance plans for 2020-21 was set aside. My work therefore focused on the 2019-20 performance reports and my findings were reported to each council and the Department in November and December 2021.
3. Progress is still required by all councils on benchmarking a broader range of functions.

### Performance Improvement audits and assessments

#### Councils have a statutory responsibility to make arrangements for, and report on, continuous improvement in their functions or services

- 3.1 The performance improvement framework has been phased in since 2015-16 and became fully operational in 2017-18. It places a statutory responsibility<sup>14</sup> on councils to make arrangements for, and report on, continuous improvement in their functions or services. Improvement should be more than gains in service output or efficiency, or the internal effectiveness of an organisation. The activity should enhance 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 and report my findings.
- 3.2 With the exception of 2020-21, councils are required to select and consult on improvement objectives and then publish these in annual performance improvement plans, along with details of how they plan to achieve them. Underlying this, councils are required to make arrangements to deliver each objective and collect data to enable them to report on the achievement of improvements. Councils had to publish details of this information for 2019-20 in their annual self-assessment report in September 2020. This report considered their performance against the objectives they had set. It also reported performance against planning, waste management and economic development standards and indicators set by central government, and made comparisons with other councils.
- 3.3 I am required to assess and report on whether each council:
  - discharged its duties in relation to improvement planning;
  - published the required improvement information;

<sup>14</sup> Section 93 of the Local Government Act (NI) 2014, together with the supporting statutory guidance issued by the Department for Communities.

- acted in accordance with guidance issued by the Department in relation to those duties; and
- was likely to comply with legislative requirements for performance improvement.

3.4 In accordance with The Local Government (Meetings and Performance) Act (Northern Ireland) 2021, the requirement to publish an improvement plan for 2020-21 was set aside due to the pandemic. My work therefore focused on the 2019-20 performance reports and my findings were reported to each council and the Department in November and December 2021, due to further time being required to enact this legislation. I will subsequently publish summaries of my findings for each council on the NIAO website in March 2022. I did not undertake any special inspections or recommend formal intervention by the Department.

### **Councils met their responsibilities to report performance improvement information arrangements in the year**

- 3.5 All of the councils met their key performance improvement responsibilities for publishing a self-assessment report during the year. Given the impact of the pandemic on council services, however, I was unable to conclude on an assessment of whether the councils were likely to meet their performance improvement responsibilities under legislation for the 2020-21 year.
- 3.6 Councils have a wide degree of discretion on their performance improvement arrangements within the overall statutory framework. As a result, my audit work in 2020-21 continued to focus primarily on compliance with the legislation and guidance.
- 3.7 This was the fourth year that councils were required 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. Whilst comparisons had been made in prior years on statutory indicators set by central government on planning, waste management and economic development, comparisons relating to self-imposed indicators were very limited. During 2019, the Department advised that comparisons should be published in the 2018-19 self-assessment reports on at least two self-imposed indicators, for prompt payment and sickness absence, relating to the 'General Duty' to improve. However, I noted in my previous reports that significant progress by all councils was needed to enable a broader range of functions to be benchmarked in future. During 2019, a sub-group of SOLACE's performance improvement working group prepared a paper on establishing a regional performance framework for benchmarking, but a considerable amount of work would be necessary to take this forward. The impact of the pandemic has undoubtedly affected progress on this issue.
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## Part Three: Performance Improvement

### Impact of Covid-19 on performance improvement arrangements over the next two years

3.8 Performance improvement arrangements for councils for the 2021-22 year remain unchanged with the exception that:

- The date by which a council should publish the performance improvement plan has been moved from the end of June 2021 to the end of September 2021. The Department also suggested that councils focus their performance improvement arrangements for 2021-22 on those aspects of improvement that best reflect what councils have listed in their Covid-19 recovery plans.
- The content of a council's annual self-assessment report has been amended, largely due to the requirement for an improvement plan to report against being set aside for 2020-21.
- The date by which I must report my findings for 2021-22 performance improvement audit and assessment work has been extended to 28 February 2022.

### Conclusion

3.9 I will continue to discuss the way forward for the performance improvement arrangements with the councils and the Department in the months ahead, with a focus on benchmarking a broader range of functions.

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Part Four:  
Response to the Covid-19 pandemic

## Part Four: Response to the Covid-19 pandemic

### Key messages

1. Councils have received significant funding from central government to support their financial recovery from Covid-19.
2. Councils must ensure that they have robust financial management plans in place for spending these funds.
3. Lessons learned from collaboration and innovation in response to Covid-19 should be shared and built upon as recovery continues.

### The Covid-19 pandemic is likely to continue to present challenges for local government

- 4.1 The Covid-19 pandemic has had a significant impact on society and on the economy. Councils have had to adapt quickly to ensure continued provision of their key critical services such as waste collection and disposal, community support, registrations of deaths and burial services. Additionally, councils lost income from the closure of their income-generating facilities and services such as leisure centres. Councils have demonstrated flexibility and versatility. As councils begin to plan for longer-term recovery, it is important that the lessons learned from the pandemic are carried forward.
- 4.2 NIAO's public reporting programme has included a number of reports illustrating the scale of the public sector financial response to Covid-19. In June 2021, the C&AG's second report on the NI Executive's response to the pandemic set out that the total cost of Covid-19 spending was £6.2 billion at 31 March 2021. Of this, £3.9 billion reflected the cost of central government measures to combat Covid-19.

### Councils have received significant sums of central government funding to support their financial recovery

- 4.3 At 31 March 2021, the Department for Communities had provided councils with £117 million to support a range of services and responses delivered during the pandemic, including:
- **£85.3 million** to mitigate councils' projected losses as a result of the pandemic;
  - **£19.3 million** Recovery Revitalisation Fund – to ensure a safe environment for visitors as towns and cities began to reopen, for example to fund outside awnings, furniture, tannoy systems and signage. The Department contributed £12 million towards the Fund, with additional contributions of £5 million and £2.3 million from the Department for Infrastructure and the Department of Agriculture, Environment and Rural Affairs (DAERA) respectively;
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- **£6 million** Community Support Fund – to support voluntary and community groups under the categories of finance, food and connectivity; and
- **£3.5 million** Food and Essential Supplies Fund to support the most vulnerable with the dual challenges of the Christmas period and Brexit.

DAERA also provided £12.5 million to councils to help cover higher waste collection, treatment and disposal costs.

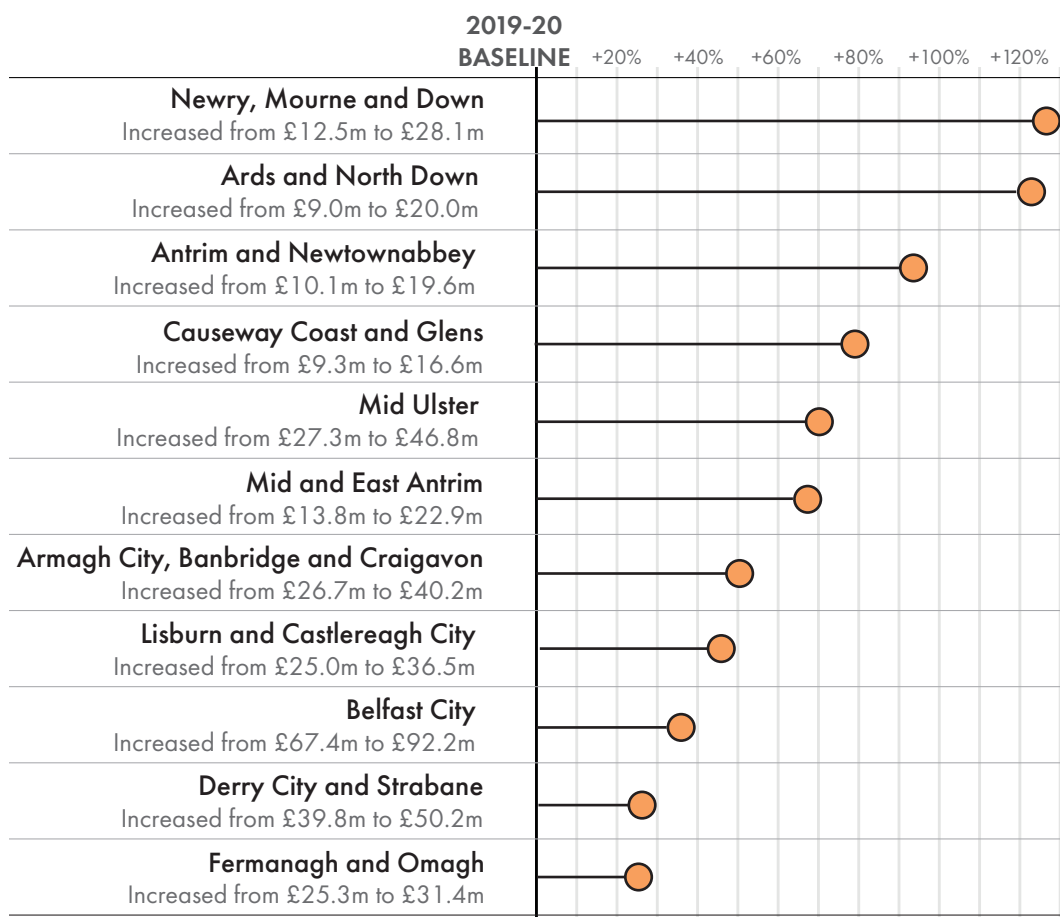
- 4.4 The amounts received by each council were based on estimates of increased pressure and loss of income, and ranged from £6 million to £25 million. The Department told me that expenditure was then compared against these estimates at the end of each quarter, to ensure that the funding was being used only to mitigate the financial impact of Covid-19, and future funding was adjusted as necessary.
- 4.5 Whilst most of the short-term financial impact has been offset by extra support from central government, the effects of the pandemic will extend into the foreseeable future. Even though many of councils' revenue generating services have reopened, their ability to generate income may be impacted by continuing social distancing requirements, and potentially less demand as a result of the impact of the pandemic on disposable incomes.

### **Most councils have set up specific reserves to aid their recovery from the pandemic, and these will need to be managed carefully**

- 4.6 Most councils have set aside funds into Earmarked Reserves to support their recovery plans and to mitigate the ongoing financial risks as result of Covid-19. **Figure 9** shows the level of usable reserves, which include these Earmarked Reserves, held by each council at 31 March 2020 and then at 31 March 2021, illustrating significant increases in usable reserves.
- 4.7 Managing reserves over the medium-term is one of CIPFA's key pillars of financial resilience (see **paragraph 1.33**). Councils must ensure that they have clear and robust plans in place for using these reserves.
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## Part Four: Response to the Covid-19 pandemic

**Figure 9. Usable reserves increased significantly across all councils in 2020-21**



Source: Councils' audited financial statements

### Councils have provided essential support to local communities throughout the pandemic

- 4.8 All councils have had to adapt quickly to the challenges of Covid-19. Councils have shared with me many interesting examples of how they have responded in terms of innovation, collaborative working and support provided to local communities. Working in partnership with other public sector organisations, as well as the community and voluntary sector, councils have delivered essential services and supported local people, communities and businesses with a range of interventions.
- 4.9 I have included an example provided by each of the councils below and I encourage all councils to ensure that lessons can be learned and built upon as recovery from Covid-19 continues.

## Supporting communities

Councils have played a lead role in coordinating partnerships that provided support and help for local communities during the pandemic. Partnerships with community and voluntary sector organisations have been particularly important. There have been positive examples of partnership working at every council.

Community Support Hubs were established in all 11 council areas, to support the local community and voluntary sector, and individuals in need during the peak of the pandemic. Councils worked in partnership with Health and Social Care Trusts, central government departments, PSNI and local community and voluntary groups.

### Case examples:

**Ards and North Down Borough Council's** Community Development and Environmental Health Services provided a comprehensive support service, particularly for people who required more than food parcels. By using the Home Safety and Affordable Warmth databases, the team identified and contacted over 600 older people potentially in need of support. Assistance was given with practicalities such as accessing food and pharmacy deliveries and referrals were made to other agencies as necessary. Mental health and emotional wellbeing needs were considered, along with the ability to keep active and a focus on Falls Prevention and nutritional advice.

In **Causeway Coast and Glens**, the Flowerfield Arts Centre in Portstewart was converted into an Emergency Support Coordination Hub that controlled the distribution of food parcels. The operating model for the hub was developed by the Council in partnership with the Health Trusts, and adopted across other council areas. This initiative enabled support to be delivered to those who needed it most.

**Fermanagh and Omagh District Council** worked in partnership with the Western Health and Social Care Trust and South West Age Partnership to support the 'Happy at Home' campaign through the production of a series of booklets over the winter period.

Booklets delivered to over 6,000 older people across the district during the winter lockdown provided a range of short activities, helpful contact details and information on a variety of topics including shopping safely online, efficient home heating and winter warmer recipes. In recognition of the isolation experienced by older people, the Council also launched a Christmas Cheer initiative, which delivered 1,850 small gifts to those aged over 65 and living alone or a lone carer.

## Part Four: Response to the Covid-19 pandemic

### Service delivery and staff redeployment

Homeworking and increased reliance on IT presented challenges for council workforces. Working from home has become the new normal for a significant number of council staff.

Councils have demonstrated flexibility, redeploying staff from services which were closed or curtailed to front-line service delivery or to provide support in the community.

As recovery continues, council workforces will need to continue to adapt to new working arrangements.

#### Case example:

**Antrim and Newtownabbey Borough Council:** When non-essential council services were suspended and significant numbers of staff from the Leisure and Arts and Culture sections were unable to work from home, this presented an opportunity.

Each day, staff attended the Civic Headquarters to be assigned to a specific community group and provide much needed support on the ground. This initiative had significant mutual benefits, with the staff having a vital role to play and the community having access to skilled and committed additional support to aid their efforts. Many of the council staff who were involved have continued working with groups, and are now community volunteers.

### Jobs and skills

Many councils set up schemes providing support with jobs and skills, as well as access to financial advice and expertise.

#### Case example:

During the initial stages of the Covid-19 pandemic, and prior to the furlough scheme, **Derry City and Strabane District Council** provided support to three advice agencies as they helped a range of people affected by the lockdown.

Further development of this initiative resulted in a Financial Inclusion Partnership launched in November 2020, utilising funding from the Department for Communities to address the financial implications of Covid-19. The Partnership was made up of Advice NW, Dove House and the Resource Centre Derry, working with the Council and other stakeholders.

From November 2020 to March 2021, the advice agencies provided support to over 2,700 individuals across the Council area on a range of issues including benefit maximisation, financial advice, debt advice and employment/furlough support.

**Case example:**

**Mid and East Antrim Borough Council** instigated its Rapid Redundancy Response Programme to support companies who closed their businesses and employees impacted by redundancy. Working with key partners including the local Jobs and Benefits Office and the MEA Manufacturing Task Force, the Council provided support via three Job Fairs, two Redundancy Clinics and a careers webinar. Over 60 employers engaged through these events and regular job sheets were promoted on the Council's website with over 600 employment opportunities showcased and 260 Job Seekers supported.

The Council also initiated a range of new employability academies to prepare job seekers and those who were made redundant to enter new career pathways. These academies in Welding, Health and Social Care, Tourism and Hospitality, Childminding, HGV Driving and Retail Start have engaged 135 participants as at the end of September 2021 with employment, self-employment, further education and training outcomes.

**Virtual events**

During lockdown, council-run venues such as museums, arts centres and leisure facilities had to close for a significant period of time. Many councils took the opportunity to adopt innovative and creative use of digital technology to keep citizens connected, including online art collections, virtual fitness classes and live-streamed cultural events.

**Case examples:**

**Armagh City, Banbridge and Craigavon Council's** Arts, Culture and Heritage facilities continued to engage with audiences with online and digital programmes. Market Place Theatre delivered online workshop programmes and streamed live music events. Armagh County Museum made its collections accessible online through Flickr and Art UK. Signature Tourism Events: Food and Cider Festival, Georgian Festival and Home of St Patricks Festival were adapted to enable them to be delivered safely within the restrictions of Covid-19.

**Lisburn and Castlereagh City Council's** virtual museum delivered a range of exhibitions and programmes including VE75, VJ Day, The Swanzy Riots 1920 and Planting a Parliament: The Foundation of Northern Ireland. The Museum's 'Covid-19 and Me', in which citizens shared their stories, photos, thoughts and memories, has been recognised by the House of European History in Brussels and it received Thrives Audience Delight Award.

## Part Four: Response to the Covid-19 pandemic

### Other initiatives

#### Personal Protective Equipment

**Case example:**

**Mid Ulster District Council** repurposed Meadowbank Sports Arena to facilitate the work of a local company that had gone into production of frontline Personal Protective Equipment, following the creation of a proto-type.

The production line was able to produce more than 22,000 face shields per day for those clinicians working in acute front line settings and it provided temporary employment for many people who were not in receipt of financial support from the government.

#### CovidConnectNI.com

**Case example:**

**Belfast City Council's** City Innovation Team managed the Covid Connect NI project. The Council worked with government, universities, and the community and voluntary sector to support a coordinated contribution by the innovator community to solving Covid-19 challenges across Northern Ireland. It aims to connect organisations and match challenge owners with potential digital solutions. The Covid Connect website lists a range of offers and requests for digital support.

The site encourages local businesses, universities and innovators to use their digital expertise, capacity and resources to help tackle challenges during the Covid-19 crisis, and, where possible, to do so on a pro bono or discounted basis. Examples include data analytics and visualisation, support for remote working and learning, 3D printing, software and database development, contact relationship management, web services, connectivity and telecoms support, project management, and support for social distancing and contact tracing.

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## Business support

### Case example:

During the first lockdown, **Newry, Mourne and Down District Council** identified an urgent need to ensure information flow to businesses. The Council responded directly to businesses' new needs arising from Covid-19, by launching a range of focused and tailored programmes, such as 'Get Your Business Online', a "Business Resilience Programme", a "100 Day Consolidation programme" and a "Business Reboot programme". All business support was delivered online, on a one-to-one basis, and through strategic workshops, events and virtual networking opportunities.

Business support programmes have been complemented by an ongoing and sustained 'Make It Local' campaign, aimed at encouraging safe trading and customer practices and the need to support local businesses through commitments to shop local, both online and, more recently, through click and collect.

The Council also held a relaunch summit, securing advice from world renowned strategists to help businesses through the economic crisis. This was complemented by Newry, Mourne and Down Enterprise Week 2020 which focused on the early stage of developing a business idea, as well as economic support and recovery interventions across key business sectors of the local economy.

## Conclusion

- 4.10 There is no doubt there will continue to be wide-reaching impacts from the pandemic for many years to come. There will be continuing challenges for councils to deliver a balanced budget, even with central government support, and therefore it is extremely important that the councils have detailed medium-term financial plans which are regularly monitored and updated. The wider work of the NIAO will continue to highlight the response to the pandemic across central and local government. I encourage all councils to ensure that lessons learned from collaboration and innovation in response to Covid-19 are shared, and built upon, as recovery continues.





Part Five:  
Other matters

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## Part Five: Other matters

### Key messages

1. Due to the impact of Covid-19, the planned review of efficiency savings has been postponed for the second year.
2. Economic growth deals have continued to progress, and represent considerable opportunities for councils in the coming years.
3. Staff sickness absence levels continued to be very high in 2019-20.
4. Prompt payment of suppliers varies significantly across councils, with continuing poor performance in some councils.

### Efficiency Savings

#### The Department's review of efficiency savings has been postponed for the second year

- 5.1 In the LGA 2018 report, my predecessor recommended that the Department should give early consideration to, and clear guidance to councils on, devising an appropriate methodology for measuring efficiency savings and reporting outcomes relating to the reduction in the number of councils in 2015.
  - 5.2 The Department intended to complete a review of the cost benefit analysis of local government reform during 2019-20, however this was delayed until 2020-21. As a result of the Covid-19 pandemic, work has been further postponed until 2021-22. A working group has been established, and work on the review has re-commenced, with an expected completion date of March 2022.
  - 5.3 Whilst I recognise the impact of the Covid-19 pandemic and the necessary shift in priorities, six years have now passed since the number of councils reduced in 2015. It is disappointing that there has been limited progress in completing this review and as it is an important piece of work further slippage in the timetable must be avoided. I will continue to monitor and engage with the Department in relation to this project and may decide to report on this matter in more detail in the future.
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## City and Local Growth Deals

### Every part of Northern Ireland is now covered by an economic growth deal

5.4 Councils are partners in the City Region and Growth Deals. Over £1.4 billion has been committed to date to support economic growth and development, by promoting a range of measures and projects designed to increase the skills, productivity and competitiveness of each region. Four deals have now been agreed covering all 11 council areas:

- Belfast Region City Deal - £850 million
- Derry City and Strabane Region City Deal - £250 million
- Mid, South and West Growth Deal - £252 million
- Causeway Coast and Glens Growth Deal - £72 million

### Belfast Region City Deal

5.5 In its 2018 autumn budget, the UK Government committed £350 million of funding to the Belfast Region City Deal (BRCD). In May 2020, the NI Executive committed to match the £350 million of UK Government funding, with the six participating councils and the two universities committing a further £150 million in total.

5.6 The BRCD programme is focused on delivering inclusive growth across the region through the following pillars of investment:

<p><b>Pillar 1: Innovation and Digital</b></p> <p>Achieving world leading competitive advantage in key sectors: building innovation and digital capability - facilitating invention, commercialisation and widespread adoption as a driver of economic prosperity and increased wellbeing.</p>	<p><b>Pillar 2: Tourism and Regeneration</b></p> <p>Boosting tourism and regenerating our region – creating world-class visitor attractions and investing in towns and cities to provide a year-round destination that will stand out in international markets.</p>
<p><b>Pillar 3: Infrastructure</b></p> <p>Connecting the region – connecting people to opportunity and services through enhanced and sustainable infrastructure.</p>	<p><b>Pillar 4: Employability and Skills</b></p> <p>Putting in place arrangements to enable a constant pipeline of talent to support the growth created by the BRCD investments and ensure that the right skills are available within the region to support the emerging job opportunities.</p>

## Part Five: Other matters

- 5.7 In March 2019, the Secretary of State, BRCD partners and the Northern Ireland Civil Service signed a Heads of Terms document, enabling business cases to be prepared for the projects proposed.
- 5.8 The BRCD partners have been working with the UK and NI departments to develop and approve Outline Business Cases for their individual projects. The final deal was signed by BRCD partners and both governments in December 2021, to allow funding to flow to the most advanced projects which have approval. The next steps are for the BRCD partners and the governments to establish supporting governance and finance frameworks to enable the delivery of the deal.

### **Derry City and Strabane Region City Deal**

- 5.9 In February 2021, the Heads of Terms for the Derry City and Strabane Region City Deal and Inclusive Future Fund Investment Plan were signed. They set out a commitment to a £250 million City Deal and Inclusive Future Fund Investment Plan to deliver on a suite of integrated and complementary catalyst projects in the areas of Innovation, Digital and Health, together with a number of major transformational Regeneration, Tourism and Renewal projects. Delivery partners have committed to maximising the opportunities brought by this investment to create jobs and enhance skills.
- 5.10 The investment package comprises a funding commitment by the UK Government of £105 million; £105 million match funding by the Northern Ireland Executive; and contributions by Derry City and Strabane District Council and project delivery partners of a minimum of £40 million. The Inclusive Future Fund element of the investment plan is an exclusive fund for the city and region. It recognises the unique circumstances facing the region and will help create new opportunities for the whole of the community.
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5.11 The programme is focused on the following pillars of investment:

<b>Pillar 1: Innovation, Digital and Health</b>	<b>Pillar 2: Regeneration, Tourism and Renewal</b>
<ul style="list-style-type: none"> <li>• Centre for Industrial Digitisation, Robotics and Automation (CIDRA)</li> <li>• Cognitive Analytics Research Laboratory (CARL)</li> <li>• The Transformation Healthcare Research Innovation Value-based Ecosystem (THRIVE)</li> <li>• Northern Ireland Graduate Entry Medical School</li> <li>• Digital Enabling Infrastructure Programme</li> <li>• SMART Cities Initiatives</li> </ul>	<ul style="list-style-type: none"> <li>• Major Strabane Town Centre Regeneration project</li> <li>• Derry Central Riverfront Regeneration (including Queens Quay)</li> <li>• DNA Museum Ebrington</li> <li>• Walled City Tourism/Economic Investment</li> </ul>

5.12 This investment will be underpinned by the principles of sustainability and inclusivity as well as working with government to develop an integrated programme for employability and skills interventions. The deal will result in the single biggest ever combined and integrated funding injection in the city and region, that will enable progress and delivery of a number of key infrastructure, tourism and regeneration projects.

### **Mid, South and West and Causeway Coast and Glens Local Growth Deals**

5.13 In October 2019, the UK Government announced that Northern Ireland regions would benefit from an additional £163 million of funding to support local economic growth, create jobs and invest in local projects. The 2020 budget announced two new local growth deals:

- £126 million for the Mid, South and West of Northern Ireland Deal; and
- £36 million for the Causeway Coast and Glens Deal.

## Part Five: Other matters

In May 2020, the NI Executive announced match funding for both growth deals, bringing the total values to £252 million and £72 million respectively. The Executive also announced a £100 million complementary fund in relation to the city and growth deals and councils are awaiting information on this package of support.

- 5.14 In September 2020, a Regional Economic Strategy for the Mid, South and West region was published, highlighting the strategic interventions for progressing the growth deal.

### **These city and local growth deals bring great opportunities as councils assist in rebuilding the economy**

- 5.15 The capacity of councils and their development partners to deliver large scale projects against a challenging public sector backdrop represents a significant risk. Councils will need to strike a balance between maximising opportunities and carefully managing the risks at all stages of the projects they embark upon.
- 5.16 Councils will have to ensure that robust accountability and governance arrangements are put in place, as well as considering how the long-term success of economic growth deals will be measured, including how they have contributed to Programme for Government outcomes. This will be key to determining the extent of economic growth and the extent to which value for money has been delivered. These city and local growth deals are now more important than ever as councils assist in rebuilding the economy. The C&AG and I will continue to monitor the deals as they progress.

## **Absenteeism**

### **Sickness absence levels remained consistently high, with an average of over 14 days lost per employee**

- 5.17 Absence rates rose from 13.9 days per employee in 2018-19, to 14.2 days in 2019-20. Mid and East Antrim Council recorded the lowest number of days lost at 10.6 days (14.05 days in 2018-19), while Armagh City, Banbridge and Craigavon Council recorded the highest rate at 18.3 days (16.7 days in 2018-19). In five councils, absence levels have reduced since the previous year, while they have increased in the other six. I am aware that during the 2020-21 year, sickness absence levels improved considerably as staff worked from home.

- 5.18 In November 2020, I published a good practice guide on *Managing Attendance in Central and Local Government*<sup>15</sup> which provides an overview of sickness absence across central and local government in Northern Ireland and sets out key principles for managing attendance that are consistent across the public sector. I continue to emphasise the importance of closely monitoring and actively managing sickness absence levels.

## Prompt Payment

### Whilst performance has improved slightly, some councils still struggle to meet prompt payment targets for suppliers

- 5.19 Councils are encouraged 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. The average number of days taken to pay a supplier varies considerably across the councils.
- 5.20 In 2019-20, seven councils paid at least half of their valid invoices within 10 days, a slight improvement from the six that met the target in 2018-19. However, most councils' performance continues to be significantly poorer than that of central government (see **Figure 10**).

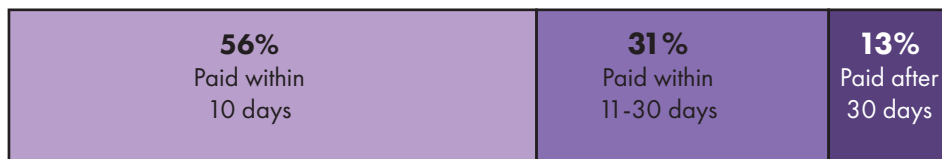
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15 <https://www.niauditoffice.gov.uk/publications/managing-attendance-central-and-local-government>

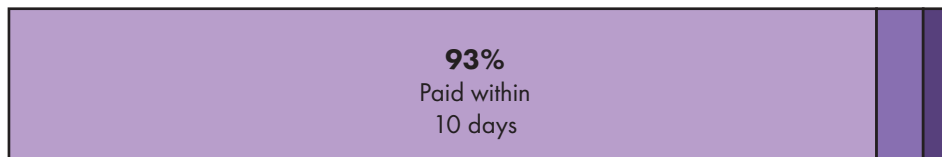
## Part Five: Other matters

**Figure 10. Overall prompt payment performance is significantly slower than central government performance**

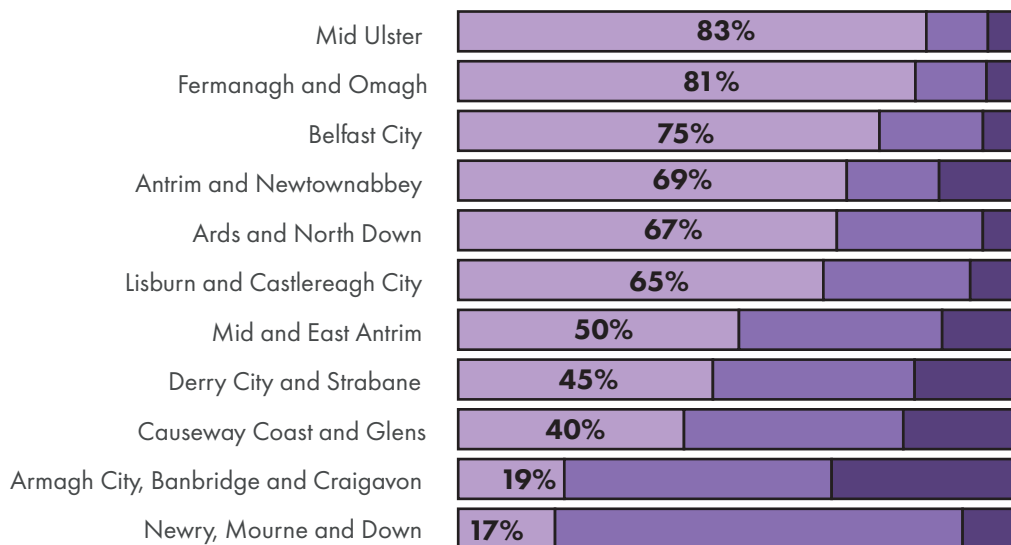
In 2019-20, **councils** paid just over half of invoices within 10 days



**Central government** paid over 90% of invoices within 10 days over the same period



**However, there was substantial variation in performance between councils**



Source: Councils' management information; Department of Finance NICS Prompt Payment tables

### Observation

Prompt payment of invoices helps business cash flow and it is important that councils endeavour to support their suppliers in the current challenging economic climate.



## Asset management

### Councils should ensure that their asset management practices are in line with recent guidance

- 5.21 Councils own and manage a significant number and range of public assets which are used to support the delivery of their services. The value of these assets at 31 March 2020 was in excess of £2.7 billion,<sup>16</sup> with a small proportion (with an approximate value of £3.1 million) currently surplus to requirements, or being held for future development.
- 5.22 In the current economic climate there is increasing pressure on councils to consolidate, replace and maintain ageing public sector assets, as well as manage the risks associated with operating ageing assets. It is therefore essential that councils ensure their asset management practices are sufficient to help deliver sustainable public services. In partnership with the Strategic Investment Board, I have produced guidance on the use of public sector assets. A Strategic Approach to the Use of Public Sector Assets - A Good Practice Guide for Local Government in Northern Ireland<sup>17</sup> was launched in October 2021. This guide expands upon the existing principles of good asset management and is designed to bring forward modern public sector asset management practices, and ultimately enhance the health and wellbeing of the citizens of Northern Ireland.

### Brexit considerations

- 5.23 The United Kingdom left the EU on 31 January 2020, and completed the transition period on 31 December 2020. Issues affecting councils to date have included funding of council programmes, cross-border trade, tourism, imports and exports, employment, local supplies and local business. These issues and other related matters are considered at the monthly SOLACE meetings to ensure that all councils are taking a consistent approach. Council officers are continuing to work with colleagues across the 11 councils to ensure that areas of risk are identified and appropriate measures are in place to manage these risks where possible.

<sup>16</sup> Excluding heritage assets, investment properties and intangible assets.

<sup>17</sup> <https://www.niauditoffice.gov.uk/publications/strategic-approach-use-public-sector-assets-good-practice-guide-local-government>

# NIAO Reports 2020 and 2021

Title	Date Published
<b>2020</b>	
Reducing costs in the PSNI	28 April 2020
The National Fraud Initiative: Northern Ireland	11 June 2020
The LandWeb Project: An Update	16 June 2020
Raising Concerns: A Good Practice Guide for the Northern Ireland Public Sector	25 June 2020
Addiction Services in Northern Ireland	30 June 2020
Workforce planning for nurses and midwives	31 July 2020
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<b>2021</b>	
Management and Delivery of the Personal Independence Payment Contract in Northern Ireland	23 March 2021
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Second Report – Overview of the Northern Ireland Executive's Response to the COVID-19 Pandemic	08 June 2021
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