



# Local Code of Corporate Governance

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# 1. Introduction

- 1.1. Orkney Islands Council is responsible for ensuring that its business is conducted in accordance with the law, and with appropriate standards, and that public money is safeguarded, properly accounted for, and used ethically, economically, efficiently and effectively.
- 1.2. In discharging these responsibilities, elected members and all officers of the Council are committed to ensuring effective arrangements for the governance of the Council's affairs and the stewardship of the resources at its disposal. These arrangements are documented in the Local Code of Corporate Governance (the Local Code).

# 2. Statutory Framework

- 2.1. Regulation 5(2) of the Local Authority Accounts (Scotland) Regulations 2014 requires a Scottish local authority to conduct a review at least once in each financial year of the effectiveness of its system of internal control and include a statement reporting on the review as a part of the authority's Annual Accounts.
- 2.2. The "Delivering Good Governance in Local Government: Framework", originally published by the Chartered Institute of Public Finance and Accountancy (CIPFA) in association with the Society of Local Authority Chief Executives (Solace) in 2007, sets the standard for local authority governance in the UK. The preparation and publication of an Annual Governance Statement in accordance with the Framework fulfils the statutory requirement for a local authority to review its system of internal control each year and to report on the review in its Statement of Accounts.

# 3. Corporate Governance

- 3.1. Sometimes defined as "the management of management", corporate governance is the system through which an organisation directs and controls its functions and relates to its local community and other stakeholders. The system of controls includes the way in which the organisation determines its strategy and objectives, and manages its business. Corporate governance in local government is concerned with structures and processes for decision making, accountability, control and behaviour at the level of the elected members and senior officers of the organisation.
- 3.2. Corporate governance is underpinned by the seven [Nolan Principles of Public Life](#):

1. Selflessness	Holders of public office should act solely in terms of the public interest.
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2. Integrity	<p> Holders of public office must avoid placing themselves under any obligation to people or organisations that might try inappropriately to influence them in their work. They should not act or take decisions in order to gain financial or other material benefits for themselves, their family, or their friends. They must declare and resolve any interests and relationships.</p>
3. Objectivity	<p> Holders of public office must act and take decisions impartially, fairly and on merit, using the best evidence and without discrimination or bias.</p>
4. Accountability	<p> Holders of public office are accountable to the public for their decisions and actions and must submit themselves to the scrutiny necessary to ensure this.</p>
5. Openness	<p> Holders of public office should act and take decisions in an open and transparent manner. Information should not be withheld from the public unless there are clear and lawful reasons for so doing.</p>
6. Honesty	<p> Holders of public office should be truthful.</p>
7. Leadership	<p> Holders of public office should exhibit these principles in their own behaviour. They should actively promote and robustly support the principles and be willing to challenge poor behaviour wherever it occurs.</p>

- 3.3. Corporate governance in Scottish local authorities is underpinned by the Delivering Good Governance in Local Government: Framework. CIPFA and Solace reviewed the Framework in 2015 to ensure it remained fit for purpose and published a revised edition in spring 2016, together with additional "Guidance Notes for Scottish Authorities".
- 3.4. The Council's Local Code of Corporate Governance (the Local Code) was revised in 2017 to reflect the 2016 edition of the Framework, and is consistent with the revised principles and requirements contained in the Framework. The Council adopted the present Local Code on 10 October 2017. The Local Code was updated in 2022, to reflect changes in the Council's management structure, plans and internal controls.
- 3.5. The sections that follow present a summary of the Local Code, based on the Principles in the Delivering Good Governance in Local Government: Framework (2016). Set out at Annexes 1, 2 and 3 is the detail of the Local Code, demonstrating that the Council has in place arrangements for monitoring each element of the Framework and for providing evidence of annual compliance.

## 4. The Council's Good Governance Principles

- 4.1. Acting in the public interest requires a commitment to and effective arrangements for:

**Principle A:** Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

**Principle B:** Ensuring openness and comprehensive stakeholder engagement

- 4.2. Achieving good governance in local government also requires effective arrangements for:

**Principle C:** Defining outcomes in terms of sustainable economic, social, and environmental benefits

**Principle D:** Determining the interventions necessary to optimise the achievement of the intended outcomes

**Principle E:** Developing the Council's capacity, including the capability of its leadership and the individuals within it

**Principle F:** Managing risks and performance through robust internal control and strong public financial management

**Principle G:** Implementing good practices in transparency, reporting, and audit to deliver effective accountability

### **Principle A**

**Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law**

- 4.3. Good governance is established and maintained by means of robust structures, systems and procedures, but structures, systems and procedures on their own are not enough to ensure integrity.
- 4.4. The foundation of the Council's integrity is its culture. The Council's culture is demonstrated through the leadership, behaviour, openness and mutual respect of its elected members and chief officers.
- 4.5. Elected members demonstrate their commitment to ethical values in many ways including robust preparation for meetings, regular attendance at meetings, active participation in decision making, and registering and declaring their interests.
- 4.6. Chief officers demonstrate their commitment to ethical values by ensuring that their advice to elected members is objective, politically neutral and given

in good faith, that information is accurate, and that formal recommendations to the Council are based on sound analysis and professional judgement.

4.7. The Council's commitment to high standards of conduct, and respect for the rule of law, is evidenced by its adoption of a range of robust structures, systems and procedures, including:

- [Code of Conduct for Councillors.](#)
- [Code of Conduct for Employees.](#)
- [Members' Declarations of Interest.](#)
- [Financial Regulations.](#)
- [Standing Orders.](#)
- [Scheme of Administration.](#)
- [Scheme of Delegation to Officers.](#)
- [Equality Outcomes and Annual Reports.](#)
- [Whistleblowing Policy and Procedure.](#)
- [Corporate Anti-Fraud Policy.](#)

## **Principle B**

### **Ensuring openness and comprehensive stakeholder engagement**

4.8. Elected members are accountable to their local communities through the democratic process of electing a new Council every five years. Elected members are also accountable to the public for ensuring transparency in decision making. To that end, Council committee and sub-committee meetings are held in public, and only where there is a legal requirement to do so will a particular agenda item be considered in private. Council meetings held in public are audio cast live and recordings are available afterwards online.

4.9. To communicate the Council's activities, achievements, financial position and performance, the Council publishes each year an Annual Performance Report, its Annual Accounts and, on behalf of The Orkney Partnership, an annual report on the current Local Outcomes Improvement Plan.

4.10. To enable service users and the public to influence the planning, provision and development of Council services, the Council has in place a number of services, processes and resources. These provide service users and the public with opportunities to give their views about their needs and the needs of their communities, and the ways that they believe services should be provided and developed. They include:

- [Community Consultation and Engagement Policy.](#)
- [Political Engagement Strategy.](#)

- The Orkney Partnership's [Consultation and Engagement Guide](#) (adopted by the Council).
  - The [Community Council](#) network and liaison service.
  - [Current Council consultations](#) available online.
  - [Multiple channels for public engagement](#), whether in person, by phone or online (detailed on the Council's website and relevant publications).
  - [Freedom of Information \(FOI\) requests](#).
  - [Participation Requests Policy](#) and published decision notices.
  - [Annual Performance Reports](#).
  - [Complaints procedure](#).
- 4.11. Training in community consultation and engagement, building on the Scottish Government's National Standards for Community Engagement, is arranged for Council and Partnership managers and staff, as required. Seminars for elected members are arranged periodically.

## **Principle C**

### **Defining outcomes in terms of sustainable economic, social, and environmental benefits**

- 4.12. Orkney Islands Council publishes its strategic mission, values, priorities and planned outcomes in the [Council Plan](#). A [Delivery Plan](#) is published alongside the Council Plan, setting out the actions which the Council will undertake over the plan period to achieve its planned outcomes.
- 4.13. As a statutory facilitating partner in The Orkney Partnership, the Council also subscribes to the strategic priorities and outcomes held by the Partnership. These are defined in the [Orkney Community Plan](#), which incorporates Orkney's statutory Local Outcomes Improvement Plan (LOIP).
- 4.14. Both the Council Plan and the Community Plan place a high value on sustainability and identify the economic, social and environmental benefits which they aim to achieve through their planning processes.

## **Principle D**

### **Determining the interventions necessary to optimise the achievement of the intended outcomes**

- 4.15. The actions contained in the Delivery Plan are assigned to Corporate Directors to progress through their service teams. All actions are recorded on the Council's online performance management system and named officers are assigned to the roles of data owner and updater. Progress is monitored quarterly through the Corporate Leadership Team and reported to

the Policy and Resources Committee for scrutiny. The Council Plan and Delivery Plan are refreshed mid-way through a Council term and updated as necessary.

- 4.16. The Council maintains a suite of Service-level operational plans which detail the projects and activities through which these actions are to be progressed. Service plans document the core services and activities of Council services and how these will be delivered and funded over the coming three years. These are maintained by Corporate Directors on a rolling basis. All Service plan actions are recorded on the Council's online performance management system and named officers are assigned to the roles of data owner and updater. Progress is reported twice a year and reported to the relevant Service Committee.
- 4.17. The strategic priorities and outcomes contained in the Orkney Community Plan are assigned by the Orkney Partnership Board to Delivery Groups, one for each strategic priority, chaired by members of the Board. The Delivery Groups translate them into specific actions and projects within their own action plans, and oversee their delivery, monitoring and reporting. Progress is reported to the Orkney Partnership Board.
- 4.18. Where a proposed course of action requires the approval of elected members, a report is submitted to the relevant committee. Every report submitted to committee includes a paragraph entitled Links to Council Plan, which identifies which (if any) of the Council's strategic priorities will be progressed by the recommendations contained in the report. A similar paragraph entitled Links to Local Outcomes Improvement Plan serves the same purpose with regard to the Community Plan. This enables elected members to make an informed decision. All Council decisions are followed up: where appropriate they are recorded on the Council's online performance management system and named officers are assigned to the roles of data owner and updater. Progress is monitored twice a year and the results made available to elected members.

## **Principle E**

### **Developing the Council's capacity, including the capability of its leadership and the individuals within it**

- 4.19. Elected members direct and control the Council in the public interest, carrying out various functions of which five are central to their role:
  - Within the context of the Orkney Community Plan, and in consultation with the Chief Executive and Corporate Directors, establish the Council's strategic direction and aims.
  - Through the Scheme of Administration, ensure that policy decisions are made.
  - Ensure accountability to the public for the Council's performance.

- Delegate to the Chief Executive and to Corporate Directors the executive management of the Council, in accordance with the Scheme of Administration.
  - Through the Standing Orders, Contract Standing Orders and Financial Regulations, ensure that the Council is managed with probity and integrity, and within the resources at its disposal.
- 4.20. It is the role of elected members to make policy decisions, while taking into account advice received from the Chief Executive and Corporate Directors. The role of the Chief Executive and Corporate Directors is to implement policy decisions, with progress scrutinised by elected members.
- 4.21. Due to the complex and demanding nature of their roles and responsibilities, and the constantly changing policy environment, elected members and senior officers are provided with a range of support services to ensure that they have the necessary knowledge and skills to be fully effective. They are also encouraged to access complementary support services provided by the Improvement Service, the Scottish Government and other agencies.
- 4.22. Elected members require a range of essential skills and abilities which equip them to be effective in the following tasks:
- To represent their ward and the local community.
  - To scrutinise and challenge policy, performance and the use of resources.
  - To know when expert advice from outside the Council might be required.
  - To act as an ambassador for the Council, and for Orkney.
  - To lead and influence others.
- 4.23. To meet the development needs of elected members, the following provision is in place:
- Elected member role description.
  - Elected member induction programme.
  - Elected member induction manual.
  - Regular briefing notes from senior officers.
  - Elected member seminar programme in respect of legislative changes, economic development opportunities, new service proposals etc.
  - iLearn, the Council's online learning system, including Induction Notebooks for Elected Members provided by the improvement Service.
  - Continuing Professional Development Framework for elected members in Scottish local government.

- 4.24. To meet the development needs of Council managers and staff, the following provision is in place:
- Corporate Learning and Development Policy and Procedure.
  - A training programme of short courses in a wide range of topics, designed to build capacity in both management and vocational skills.
  - Employee Review and Development Scheme, designed to help staff to achieve their full potential by identifying training needs and addressing ways of meeting them.
  - iLearn, the Council's online learning system, offering e-modules in mandatory induction and training courses, the Council's Competency Framework, role-specific training, leadership and management.
  - Support for Continuing Professional Development in the regulated professions.
- 4.25. Elected members and staff have ready access via the Council's information portal to a full range of Council policies, strategies and guidelines. Committee agendas, minutes, reports and other public documents are available via the Council's main website.

## **Principle F**

### **Managing risks and performance through robust internal control and strong public financial management**

- 4.26. Managing risks and ensuring strong financial management is the responsibility of the Chief Executive, the Corporate Directors and the Heads of Service as chief officers. The roles of chief officers are defined in agreed contracts of employment and job descriptions, and their performance is reviewed annually through the Council's Employee Review and Development arrangements. In addition, the Council has two statutory roles for chief officers: the Monitoring Officer and the Chief Social Work Officer, plus the quasi-statutory role of Chief Finance Officer (Section 95 Officer).
- 4.27. The Chief Finance Officer is responsible for ensuring appropriate advice to the Council on all financial matters, for keeping proper financial records and accounts, and for maintaining an effective system of internal financial control under the terms of the Financial Regulations. This role is held by the Corporate Director for Enterprise and Sustainable Regeneration.
- 4.28. The Monitoring Officer is responsible for ensuring appropriate advice to the Council on legal matters, for monitoring the behaviour and conduct of Council committees, sub-committees and officers, and for raising issues or concerns over the legality of any proposed course of action and reporting that concern the Council. The Monitoring Officer consults with the Chief Executive and Section 95 Officer in preparing any such report. This role is held by the Head of Legal and Governance, reporting to the Corporate Director for Strategy, Performance and Business Solutions.

- 4.29. The Chief Social Work Officer is responsible for ensuring appropriate advice to the Council on social work and social care matters, and for highlighting where a Council policy might endanger lives or welfare. This role is held by the Chief Social Work Officer/Head of Children, Families and Criminal Justice, reporting to the Chief Officer, Orkney Health and Social Care Partnership.
- 4.30. Council decisions are important: they determine the services relied upon by the people of Orkney, now and into the future. At the centre of Council decision making is the Scheme of Administration, which lists all of the Council's committees and sub-committees and specifies the areas of Council services and activities that are the responsibility of each.
- 4.31. Prior to submission, Council committee and sub-committee reports are scrutinised by the Committee Services team on behalf of the Chief Executive, to ensure that recommended practice is followed. Reports are formally considered and signed off by the Head of Finance and the Head of Legal and Governance, thereby ensuring that any legal or financial implications relating to the recommendations within the report are made explicit for the consideration of elected members prior to making their decisions. Any reports containing recommendations relating to new policy, practice or procedures are accompanied by an Equality Impact Assessment and, where there is likely to be an effect on an island community which is significantly different from its effect on other communities (including other island communities) within Orkney, an Island Communities Impact Assessment.
- 4.32. Good decision-making is complex and challenging, and elected members must have at their disposal sufficient information. The management of risk is particularly important, enabling the Council to identify threats to its core services, and to proposed developments and improvements, and ensuring that action is taken to mitigate the possible adverse effects of these risks. This is implemented through a suite of Risk Registers and associated Risk Management Action Plans.
- 4.33. All risk management documentation is recorded and monitored on the Council's online performance and risk management system. The use of this system in managing action plans and committee decisions has been included under Principle D above. In addition, the system is used for recording and monitoring actions relating to the Local Government Benchmarking Framework indicators, internal and external audit recommendations, the Local Code of Corporate Governance and self-evaluation, as well as the archiving of older plans and assessments. The performance and risk management system is a vital element in the Council's system of internal controls and greatly facilitates the presentation of performance indicators to elected members for scrutiny and to inform decision-making.

- 4.34. Robust internal control is the focus of the internal audit function, which provides an independent, objective assurance and consulting activity designed to add value and improve the Council's operations. It helps the Council to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.
- 4.35. The Chartered Institute of Public Finance and Accountancy maintains that good financial management is fundamental to establishing confidence in the public services and good relationships with the taxpayer and other funders. The Corporate Leadership Team collectively set the tone that financial management is core to achieving strategic aims, and to demonstrating that public money is used well. The financial management of the Council is carried out in accordance with the delegations contained in the Scheme of Administration and the Scheme of Delegation to Officers, as well as the rules established by the Council's Financial Regulations.
- 4.36. The Finance Service delivers operational financial functions for the Council including the payment of creditors and staff payroll, debt collection and the collection of local taxation. The Finance Service also performs many of the Financial Management functions of the Council, including:-
- Oversight of the financial consequences of major decisions of the Council through the Committee reporting processes.
  - Preparation of annual budgets and budgetary control through the monitoring and reporting of income and expenditure against budget.
  - Preparation of the Council's Annual Statement of Accounts.
  - Preparation of the Council's Medium Term Financial Strategy.
  - Preparation and monitoring of the Capital Programme.

## **Principle G**

### **Implementing good practices in transparency, reporting, and audit to deliver effective accountability**

- 4.37. Council committee and sub-committee meetings are held in public. Only where there is a legal requirement to do so will a particular agenda item be considered in private. All Council committee meetings are webcast in live audio, with the recording available thereafter for download from the Council's public website.
- 4.38. At the beginning of Council committee and sub-committee meetings, the Chair asks the elected members present, including those attending remotely, if they have any declarations of interest to make with regard to any of the agenda items. Should this be the case, the member concerned will leave the Council Chamber or withdraw from remote attendance for the relevant item, thus ensuring that decisions are made without any conflict of interest.

- 4.39. One week prior to a committee or sub-committee meeting, the agenda and associated reports are distributed to the elected members who will be present, to the chief officers who will be in attendance, and to the public via the Council's website. Once the minutes of the meetings have been approved at the following General Meeting of the Council, these are also posted on the Council's website.
- 4.40. The Monitoring and Audit Committee has a remit to monitor the way in which the Council's policies and decisions are implemented. The Committee is also responsible for ensuring that arrangements are in place for the effective use of Council resources, and for promoting high standards of conduct by elected members of the Council. Membership of the Monitoring and Audit Committee is open to any councillor other than the Convener, Leader, Depute Leader and the Chair of a service committee.
- 4.41. In order to communicate the Council's activities, achievements, financial position and performance, the Council publishes each year an annual report on the Orkney Community Plan (incorporating Orkney's Local Outcomes Improvement Plan), its Annual Accounts and its Annual Performance Report.

## **5. Annual Self-Assessment**

- 5.1. In order to support Orkney Islands Council's Local Code of Corporate Governance, it is essential that the details of the principles, supporting principles and internal controls are fully documented, and known to relevant officers.
- 5.2. An annual self-assessment of the extent to which the Council meets the requirements of the Local Code is led by officers from the Improvement and Performance team, with the participation of all Corporate Directors and Heads of Service. The template used for this purpose is attached at Annex 3 and records evidence of compliance, including relevant plans, policies and internal control mechanisms, against each of the Principles A to G and their supporting sub-principles.
- 5.3. The self-assessment is reviewed by the Corporate Leadership Team and compliance with each sub-principle scored on a scale of 1 to 4 as follows:
- 1 – not compliant with the requirement.
  - 2 – partially compliant with the requirement.
  - 3 – fully compliant with the requirement.
  - 4 – exceeds the requirement.
- 5.4. Any actions required to improve compliance are documented in an Improvement Action Plan which is submitted to the Monitoring and Audit Committee for scrutiny.

## **6. Annexes**

- 6.1. **Annex 1** lists the seven CIPFA/SOLACE Principles A to G, along with the respective supporting sub-principles and requirements of each.
- 6.2. **Annex 2** lists all of the structures, systems and procedures that enable Orkney Islands Council to meet the requirements of the CIPFA/SOLACE Principles – these structures, systems and procedures are, for the purposes of the Local Code, known collectively as internal controls.
- 6.3. **Annex 3** comprises the self-assessment template used to assess the extent to which the Council meets the requirements of the CIPFA/SOLACE Principles.