

Item: 6

Policy and Resources Committee: 21 April 2026.

Local Code of Corporate Governance.

Report by Director of Education, Communities and Housing.

1. Overview

- 1.1. This report presents a new Local Code of Corporate Governance for members' approval.
- 1.2. The Council is required to maintain a Local Code of Corporate Governance (the Local Code) which is consistent with the Chartered Institute of Public Finance and Accountancy (CIPFA) publication *Delivering Good Governance in Local Government Framework*, and to conduct an annual self-assessment of its compliance with the Local Code.
- 1.3. The Council's Local Code was last revised in 2022 with changes to internal references and was recommended for approval by the Policy and Resources Committee on 20 September 2022. The most recent Local Code is based on the 2016 edition of the CIPFA Framework.
- 1.4. CIPFA have issued an addendum to the 2016 Framework which necessitates a review of the Local Code of Corporate Governance.

2. Recommendations

- 2.1. It is recommended that members of the Committee:
 - i. Approve the new Local Code of Corporate Governance, attached as Annex 1 to this report.

3. Revisions to the Local Code and Annual Self-Assessment

- 3.1. The 2016 edition of the CIPFA Framework sets out a regime of principles and sub-principles, which were reproduced in the Council's Local Code and formed the basis of the annual self-assessment against the Local Code.

- 3.2. In the 2025 addendum, the seven principles of good governance remain unchanged but the Framework now includes various arrangements local authorities should ensure are in place to demonstrate good governance.
- 3.3. The good governance principles and arrangements form the basis of the new Local Code and annual self-assessment.
- 3.4. The new Local Code, which is attached as Annex 1 to this report, builds on the previous Local Code adopted in 2022 but simplifies the document, and includes the following appendices:
 - i. Appendix 1: Good Governance Principles and Arrangements, which sets out the arrangements the Council should ensure exist to demonstrate robust governance,
 - ii. Appendix 2: Annual Self-Assessment Template, which sets out the format of the self-assessment which will be carried out each year,
 - iii. Appendix 3: Improvement Action Plan Template, which sets out the format of the Improvement Action Plan which is presented to the Monitoring and Audit Committee each year. This continues to be a rolling action plan with any actions identified in previous years carried over into the new plan until such times as they are completed.
 - iv. Appendix 4: List of Internal Controls, which sets out the primary systems and processes the Council has in place to ensure good governance.
- 3.5. The practical approach to carrying out the annual self-assessment will change with the adoption of the new Local Code. Self-assessment in previous years focussed on compiling an exhaustive catalogue of governance arrangements. In future self-assessments, the exercise will focus on assessing how well our primary governance arrangements are working, and where improvement is required.
- 3.6. The new Local Code was prepared with reference to review of other Scottish local authorities' Local Codes and discussions with some councils to inform the approach.

4. Other Arrangements

- 4.1. The Council publishes an Annual Governance Statement (AGS) following the end of each financial year, which is a requirement of the Local Authority Accounts (Scotland) Regulations 2014.
- 4.2. The Local Code informs the assessment of governance published in the AGS.

- 4.3. Officers established an internal governance group during 2025/26, chaired by the Head of Corporate Governance, which informs and oversees the Local Code and the AGS.

For Further Information please contact:

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Implications of Report

1. **Financial:** none arising directly from this report. Costs incurred in the delivery of the Code to be met from existing approved budgets.
2. **Legal:** The Council is required to maintain a Local Code of Corporate Governance in order to comply with CIPFA requirements. Approving the recommendation in this report will assist the Council in meeting these requirements.
3. **Corporate Governance:** the recommendations in this report relate directly to the Council's duty to demonstrate that it operates robust governance.
4. **Human Resources:** not applicable.
5. **Equalities:** An Equality Impact Assessment is not required for this report.
6. **Island Communities Impact:** An Island Communities Impact Assessment is not required for this report.
7. **Links to Council Plan:** the proposals in this report support and contribute to improved outcomes for communities as outlined in the following Council Plan strategic priorities:
 - Growing our Economy.
 - Strengthening our communities.
 - Developing our Infrastructure.
 - Transforming our Council.
8. **Links to Local Outcomes Improvement Plan:** the proposals in this report support and contribute to improved outcomes for communities as outlined in the following Local Outcomes Improvement Plan priorities:
 - Cost of Living.
 - Sustainable Development.
 - Local Equality.
 - Improving Population Health.
9. **Environmental and Climate Risk:** not applicable.
10. **Risk:** not applicable.
11. **Procurement:** not applicable.
12. **Health and Safety:** not applicable.
13. **Property and Assets:** not applicable.
14. **Information Technology:** not applicable.

15. Cost of Living: not applicable.

List of Background Papers

[Policy and Resources Committee, 20 September 2022 – Item 8: Local Code of Corporate Governance.](#)

CIPFA's *Delivering Good Governance in Local Government Framework*, 2016 edition.

CIPFA's 2025 addendum to the 2016 Framework.

Annex

Annex 1 –Proposed Local Code of Corporate Governance.



Local Code of Corporate Governance

Adopted April 2026

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 and Guidance

- 2.1. Regulation 5(2) of the Local Authority Accounts (Scotland) Regulations 2014 (as amended) 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 Chartered Institute of Public Finance and Accountancy (CIPFA) publication *Delivering Good Governance in Local Government: Framework* sets the standard for good governance in local authorities. The Council's Local Code is based on the 2016 edition of the framework, incorporating subsequent amendments.
- 2.3. 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. 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.
- 3.2. 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.
- 3.3. Corporate governance is underpinned by the [seven principles of public life](#), sometimes called the Nolan principles, shown in the table below.

1. Selflessness	Holders of public office should act solely in terms of the public interest.
2. Integrity	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
3. Objectivity	Holders of public office must act and take decisions impartially, fairly and on merit, using the best evidence and without discrimination or bias.
4. Accountability	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.
5. Openness	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.
6. Honesty	Holders of public office should be truthful.
7. Leadership	Holders of public office should exhibit these principles in their own behaviour and treat others with respect. They should actively promote and robustly support the principles and challenge poor behaviour wherever it occurs.

3.4. This document, together with its appendices, set out the detail of the Local Code, demonstrating that the Council has arrangements in place for monitoring each element of the framework, and for providing evidence of compliance.

4. The Council's Good Governance Principles

4.1. The Council adopts the seven principles of good governance set out in the framework, as noted at 2.2 above. These principles are shown in the table below.

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.
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.

- 4.2. Appendix 1 sets out the arrangements recommended in the framework to demonstrate compliance with the principles of good governance.

5. Annual Self-Assessment

- 5.1. 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. The Council carries out an annual self-assessment to determine the extent to which it meets the requirements of the Local Code, and where improvements are needed.
- 5.3. The annual self-assessment should record the primary governance arrangements required to demonstrate that each principle is met but should also consider how well the current arrangements work in practice. It is not simply an exercise to compile an exhaustive list of all governance arrangements.
- 5.4. Compliance with the arrangements required for each principle is scored on a scale of 1 to 4, as follows:
- 1 – not compliant with the arrangements required.
 - 2 – partially compliant with the arrangements required.
 - 3 – fully compliant with the arrangements required.
 - 4 – exceeds requirements.
- 5.5. Any actions required to improve compliance are documented in an Improvement Action Plan, which is presented to the Monitoring and Audit Committee for scrutiny following the conclusion of the self-assessment.

- 5.6. The template used to carry out the annual self-assessment is set out in Appendix 2.
- 5.7. The template used to compile the Improvement Action Plan is set out in Appendix 3.

6. Internal Controls

- 6.1. The structures, systems and procedures that enable the Council to meet the requirements of the good governance principles are known collectively for the purposes of the Local Code as internal controls.
- 6.2. A list of internal controls is set out in Appendix 4.

Appendix 1: Arrangements for good governance

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

Arrangements to ensure ethical conduct for both members and officers, including codes of conduct, management of conflicts of interest, declarations of gift and hospitality, training and evaluation.

Arrangements covering the ethical behaviour of external service providers

Arrangements to support whistleblowing.

How compliance with laws and regulations and internal policies and procedures is ensured and arrangements to ensure expenditure is lawful.

How breaches of ethical arrangements, laws, regulations and procedures are addressed and learning adopted.

How all those in governance roles and senior managers demonstrate their leadership of an ethical culture.

Principle B: Ensuring openness and comprehensive stakeholder engagement.

How the authority ensures that decisions are made in the public interest and the rationale for decisions is recorded.

How the authority achieves expected standards of openness and transparency, including a culture of internal challenge and self-assessment.

The arrangements for consultation and engagement with citizens, service users and stakeholders and how these inform decision-making.

The ways in which the authority communicates with the community and stakeholders.

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

How the authority establishes its vision, target outcomes, and associated long-term plans to deliver sustainable outcomes.

Its decision-making arrangements and how it ensures consideration and demonstration of value for money and best value.

Arrangements to achieve fair access to services.

The authority's strategic approach to commissioning across the entity and its partnerships and collaborations.

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

The arrangements for medium and short-term service planning, supported by projects and programmes, to ensure alignment to the vision and objectives.

How budgets and resource strategies align to the delivery of objectives.

How the authority uses self-assessment and continuous improvement to achieve value for money.

The authority's performance management arrangements to ensure continued alignment to its objectives.

Arrangements for the achievement of social value in commissioning, procurement and contracting

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

Member and officer protocols and clarity over roles and responsibilities, including schemes of delegation.

Application of the Code of Practice on Good Governance for Local Authority Statutory Officers.

How financial management roles align with: – CIPFA Financial Management Code (FM Code)– CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2015)

The arrangements in place for the discharge of the monitoring officer function.

The arrangements in place for the discharge of the head of paid service function.

Induction and development programmes to meet the needs of members and senior officers in relation to their strategic roles.

Workforce planning and organisational development.

Arrangements for learning and development, and health and wellbeing.

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

Risk management policy, strategy and arrangements for review.

How financial management arrangements align with the Financial Management Code.

Internal control arrangements including: – Cyber, AI and information security arrangements– information governance– asset management– procurement and contract management.

Assurance frameworks across the three lines. The framework should set out how the leadership team obtains its assurance, including from management, risk and compliance arrangements, and internal audit.

Internal audit arrangements in conformance with the Global Internal Audit Standards in the UK public sector (GIAS and the Application Note) and the CIPFA Code of Practice on the Governance of Internal Audit.

Arrangements for formal overview and scrutiny (as applicable).

Facilitation of internal and external challenge.

Undertaking the core functions of an audit committee, as identified in Audit Committees: Practical Guidance for Local Authorities and Police (CIPFA, 2022).

Counter fraud and anti-corruption developed and maintained in accordance with the Code of Practice on Managing the Risk of Fraud and Corruption (CIPFA, 2014).

Governance, risk and control arrangements across companies, partnerships, collaborations and arm's length bodies.

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

Arrangements for the timely response and support to the work of external audit, internal audit and other inspection or regulatory action.

Approach to welcoming external challenge and implementing recommendations.

How learning and improvement are actioned.

How transparency and accountability are maintained across collaborations and arm's length bodies, such as trading companies and joint ventures.

Accountability to the public and stakeholders is supported by clear assurance and ensures core areas are covered to enable better accountability in practice.

Appendix 2: Annual Self-Assessment Template

Principle A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law	
Arrangements	Score
List the principal arrangements we have as noted in appendix 1	Rate arrangements using the guide in the Local Code.

Principle B: Ensuring openness and comprehensive stakeholder engagement	
Arrangements	Score
List the principal arrangements we have as noted in appendix 1	Rate arrangements using the guide in the Local Code.

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

Arrangements	Score
List the principal arrangements we have as noted in appendix 1	Rate arrangements using the guide in the Local Code.

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

Arrangements	Score
List the principal arrangements we have as noted in appendix 1	Rate arrangements using the guide in the Local Code.

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

Arrangements	Score
List the principal arrangements we have as noted in appendix 1	Rate arrangements using the guide in the Local Code.

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

Arrangements	Score
List the principal arrangements we have as noted in appendix 1	Rate arrangements using the guide in the Local Code.

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

Arrangements

Score

List the principal arrangements we have as noted in appendix 1

Rate arrangements using the guide in the Local Code.

Appendix 3: Improvement Action Plan Template

Principle A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.		
Planned updates or improvements required.	Person Responsible.	Target date.

Principle B: Ensuring openness and comprehensive stakeholder engagement.		
Planned updates or improvements required.	Person Responsible.	Target date.

Principle C: Defining outcomes in terms of sustainable economic, social, and environmental benefits.		
Planned updates or improvements required.	Person Responsible.	Target date.

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

Planned updates or improvements required.	Person Responsible.	Target date.

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

Planned updates or improvements required.	Person Responsible.	Target date.

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

Planned updates or improvements required.	Person Responsible.	Target date.

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

Planned updates or improvements required.	Person Responsible.	Target date.

Appendix 4 List of Internal Controls

Introduction

This document sets out the structures, systems and procedures that enable the Council to meet the requirements of the good governance principles, known collectively for the purposes of the Local Code of Corporate Governance as Internal Controls.

The document shows lists of the principal control measures grouped together by function but is not an exhaustive list of all the Council's internal control measures.

Council Meetings and Administration

- General Meeting of Orkney Islands Council.
- Service committees and sub-committees.
- Standing Orders.
- Scheme of Administration.
- Scheme of Delegation to Officers.
- Local Code of Corporate Governance.
- Appointed Monitoring Officer.

Partnership Bodies and Arrangements

- The Orkney Partnership.
- Orkney Health and Care.
- Children's Panel.
- Chief Officers' Group.
- Service level agreements.

Strategic and Service Level Planning

- Strategic Planning and Performance Framework.
- Orkney Community Plan (incorporating Orkney's Local Outcomes Improvement Plan).
- The Council Plan.
- Service planning guidance.
- Directorate Delivery plans and service plans.
- Corporate and service risk registers.
- Business continuity plans.
- Equality impact assessments.
- Island Communities Impact Assessments.

Finance

- Annual Statements of Accounts.
- Annual Efficiency Statement.

- Financial Regulations.
- Appointed Section 95 Officer.
- Accountancy service – final accounts procedures.
- Budget setting processes.
- Capital Project Appraisal process.
- Capital Programme approval and management.
- Contract Standing Orders.
- Anti-fraud and Anti-corruption Strategy and Policies.
- Statement on the System of Internal Financial Control.
- Following the Public Pound Policy.
- Treasury Management Strategy Statement and Annual Investment Strategy.
- Budget Strategy and Planning.
- Budget monitoring and control.

External and Internal Audit

- External Audits.
- Internal Audits.
- Shared Risk Assessment: Assurance and Improvement Plan.
- External Audit Annual Report to the Council and Controller of Audit.
- Annual Assurance Report from Chief Internal Auditor.

Communications

- Communications Strategy.
- ICT Strategy.
- Community Consultation and Engagement Policy.
- The Orkney Partnership Consultation and Engagement Guide.
- Community consultation and engagement training.
- Consultation and Engagement Officers' Network

Performance

- Public Sector Improvement Framework.
- Council Plan Progress Report.
- Directorate Delivery Plan monitoring reports.
- Local Government Benchmarking Framework.
- Corporate Complaints Procedure.
- Local Outcomes Improvement Plan Annual Report.
- Public Performance Reporting including the Annual Performance Report.

Management Teams

- Corporate Leadership Team.
- Extended Corporate Leadership Team.

- Directorate Management Teams.
- Service Management Teams.
- Performance and Risk Management Group.
- Governance Group.
- Corporate Protection Group.

Elected Members

- Elected member induction programme.
- Elected member role description.
- Councillors' Code of Conduct.
- Remuneration Regulations 2007.
- Continuous professional development for elected members, including the online Continuous Professional Development Framework and Development Programme.
- Elected member training plans.
- Elected member seminar programme.
- Electronic access to the full range of Council policies, strategies, guidelines, reports etc.