



SHETLAND ISLANDS COUNCIL

CONSTITUTION

PART H

**CODE OF CORPORATE GOVERNANCE
2023/2024**

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12/05/2011	0.1	1.0	First adopted
22/03/2017	1.0	1.1	No changes - submitted for endorsement to conclude 2012-2017 term of office
29/08/2018	1.1	1.2	Reviewed to take account of new international standards and assessment.
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CODE OF CORPORATE GOVERNANCE

1 Introduction – Corporate Governance

- 1.1 Each body, through its chief executive or accountable officer, is responsible for establishing arrangements to ensure the proper conduct of its affairs including the legality of activities and transactions, and for monitoring the adequacy and effectiveness of these arrangements. Audited bodies should involve those charged with governance (including audit committees or equivalent) in monitoring these arrangements.
- 1.2 CIPFA and SOLACE published a revised framework document on governance entitled: Delivering Good Governance in Local Government Framework 2016 (2016 Guidance). The new framework is taken from the International Framework: Good Governance in the Public Sector (CPIFA/IFAC 2014). The framework envisages it will be a continuous process of seven principles with a core of A and B being about the behaviours of integrity demonstrating a strong commitment to ethics and respecting the rule of law with practices being carried out in the spirit of openness and comprehensive stakeholder engagement.
- 1.3 The seven principles are:

- 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 Authority'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.

- 1.5 Corporate governance is the system by which Shetland Islands Council directs and controls its functions and relates to its community. Shetland Islands Council strives to deliver the best possible services for its community whilst keeping within its financial means, and is therefore committed to following the principles of Corporate Governance in its aim to meet its strategic, corporate and operational objectives.
- 1.6 The Council's governance arrangements are an integral part of its service delivery and shall be reflected in all that it does, leading to improved levels of corporate awareness and understanding.
- 1.7 Good Governance is about the culture, systems, processes and values by which the Council conducts its business and delivers services. The Council adheres to and works within a framework of internal values and expected external principles and standards which help to deliver good standards of governance. The standards reflect the conduct of business and day to day delivery of services and apply to all Council members and officers.
- 1.8 Corporate Governance is the term used to describe the overall control system. It details how functions are directed and controlled, and how we relate to our communities. It covers the following dimensions:
- service delivery arrangements
 - structures and processes
 - risk management and internal control
 - standards of conduct.
- 1.9 The key elements of the structures and processes that comprise the Council's governance arrangements are summarised in sections 2 to 12 below.

2 Principles for Good Governance

- 2.1 In developing the local Code, the Council has considered best practice and guidance, in particular the CIPFA/SOLACE "Delivering Good Governance in Local Government Framework 2016". This national framework defines the principles that should underpin the governance of the Council, and provides a structure for the Council's approach to its governance structures and partnership arrangements against the principles contained in the framework by:
- Reviewing existing governance arrangements
 - Developing and maintaining an up-to-date local code of governance, including arrangements for ensuring ongoing effectiveness
 - Reporting publicly on compliance with their own code on an annual basis and on how they have monitored the effectiveness of their governance arrangements in the year and on planned changes

- 2.2 The seven principles of good governance are as follow:
- A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.
 - B. Ensuring openness and comprehensive stakeholder engagement.
 - C. Defining outcomes in terms of sustainable economic, social, and environmental benefits.
 - D. Determining the interventions necessary to optimize the achievement of the intended outcomes.
 - E. Developing the entity's capacity, including the capability of its leadership and the individuals within it.
 - F. Managing risks and performance through robust internal control and strong public financial management.
 - G. Implementing good practices in transparency, reporting, and audit, to deliver effective accountability.
- 2.3 An Assessment of Compliance is conducted annually by the Council, which sets out the key policies, procedures and structures that demonstrate Shetland Islands Council's compliance with these core principles.

3 Constitution / Governance Arrangements

- 3.1 The Council is a unitary authority originally established as a body corporate by Local Government (Scotland) Act 1973 and now constituted under Section 2 of the Local Government etc. (Scotland) Act 1994. The Council provides the full range of local government services to the people of Shetland.
- 3.2 The Council's Constitution sets out how the council operates, how decisions are made and the procedures that are followed to ensure that these are accessible, transparent and accountable to local people. The constitution comprises a number of parts and these parts set out the basic rules governing the way the Council conducts business.
- 3.3 Both Councillors and Council employees are servants of the public but their responsibilities are distinct. Councillors are responsible to the electorate; the employee is responsible to the Council as a whole. The Councillors' role is to determine policy, scrutinise performance and the achievement of outcomes, and to participate in decisions on matters placed before them. Direct operational

management of the Council's services is the responsibility of the Council's Chief Executive and Corporate Management Team.

- 3.4 The Council comprises 23 Councillors representing 7 multi member wards; as follows:

Council Ward	Number of Councillors
North Isles	3
Shetland North	3
Shetland West	2
Shetland Central	4
Shetland South	4
Lerwick North and Bressay	3
Lerwick South	4

- 3.5 In the course of acting in the capacity of Councillor, Councillors must at all times observe the requirements of any law, the Councillors' Code of Conduct, and the provisions of the Council's Constitution.
- 3.6 The Council positively promotes the principles of sound corporate governance within all areas of the Council's affairs. Supporting this, the documents governing the conduct of local government business conventionally fall into three categories: corporate standing orders (broad strategic statements), regulations (more detailed aspects of control) and practitioners' manuals/guidance notes (basic details describing particular work procedures). In this Council the first two requirements are covered by the Standing Orders for Meetings, Scheme of Administration and Delegations, Contract Standing Orders, Scheme of Remuneration and Approved Duties and the Financial Regulations, which deal with both corporate standing orders and regulations. These main documents are backed up as necessary by a range of practitioners' manuals/guidance notes, which are referred to as appropriate.

4 Ethical Standards and Council Values

- 4.1 Council members and staff are expected to promote and support the principles in the Code of Conduct and to promote through their own personal conduct the values of the seven principles of public life as follows:

- ◆ Duty
- ◆ Leadership
- ◆ Selflessness
- ◆ Integrity
- ◆ Objectivity
- ◆ Openness
- ◆ Accountability and Stewardship
- ◆ Honesty
- ◆ Respect

- 4.2 Certain employees may also be bound by their own professional and ethical codes of practice.
- 4.3 Our values should be visible in everything we do and contribute to person-centred, safe and effective services. The Council approved Values statement is as follows: “Excellent service is at the heart of everything we do. We provide excellent service by taking personal responsibility and working well together.”
- 4.4 Shetland Islands Council recognises that excellent customer service is at the heart of every successful organisation, and that “People who use our services will experience excellent standards of customer care”. The Council therefore adopted a Customer Charter, which sets out the levels and standard of services that customers can expect from the Council.
- 4.5 The Council will also conduct its business following the Principles set out in the “Delivering Good Governance in Local Government Framework 2016”.

5 Financial Regulations

- 5.1 The Financial Regulations set out the framework for the proper financial management of the Council. The Council has these regulations as it is both good management practice and the Council is required, by statute, to make proper arrangements for its financial management.
- 5.2 The Financial Regulations apply to every Councillor and employee of the Council and anyone acting on its behalf and are intended to enable staff to carry out their jobs in an efficient and effective manner and free from the risk of being accused of impropriety. All officers must be familiar with and apply the Financial Regulations in relation to carrying out their duties. The practitioners’ manuals/guidance notes will be of less general relevance and are mainly aimed at specialists in particular fields.
- 5.3 The Executive Manager - Finance holds the responsibility for ensuring compliance with the legislation governing the proper administration of the Council’s financial affairs. This role is sometimes referred to as the ‘Proper Officer’, ‘Section 95 Officer’ or the ‘Chief Financial Adviser’. The Council’s Scheme of Administration and Delegations refers to the ‘Chief Finance Officer’. All staff and agents must comply with the Financial Regulations. The Executive Manager – Finance has to rely upon the whole financial administration of the Council, this means that in carrying out all financial tasks staff and agents are working on behalf of the Executive Manager – Finance and as such are expected to maintain an attention to detail, apply procedures and be diligent in the completion of their work.
- 5.4 The Financial Regulations are designed to facilitate the smooth running of the Council and to protect its interests and the interests of its Councillors and its Officers. The regulations are made for the proper administration of all the Council’s financial affairs.

6 Administration and Delegations

- 6.1 The effectiveness of the decision-making framework across the Council is influenced by the information provided to decision makers, the robustness of data quality and delegation arrangements.
- 6.2 The Council is responsible for ensuring that its business is conducted in accordance with the law and appropriate standards and that public money is safeguarded, properly accounted for and used economically, efficiently, effectively, equitably and ethically.
- 6.3 The Council's arrangements for the discharge of functions are set out in the Council's Scheme of Administration and Delegations contained in Part C of the Constitution, and provide for certain powers and duties of the Council to be discharged on the Council's behalf collectively by a body within the political management framework, or by an officer.
- 6.4 The Scheme of Administration and Delegations also outlines the specific powers delegated to the Chief Executive, the Chief Finance Officer, the Chief Legal Officer and Chief Social Work Officer, and was last approved at the Council meeting on 22 March 2017.
- 6.5 The following bodies are currently part of the Council's Political Management Framework which is set out in full in the Scheme of Administration and Delegations at Part C of the Constitution–

Policy and Resources Committee
Education and Families Committee
Development Committee
Environment and Transport Committee
Planning Committee
Licensing Committee
Audit Committee
Harbour Board

- 6.6 All decisions of the Council, or anybody within the political management framework, will be made in accordance with certain immutable principles, which are –

- Decisions are taken (with certain exceptions) by a majority of those Councillors present and voting at a meeting
- Proportionality (that is to say, the action must be proportionate to the circumstances and desired outcome);
- Due consultation with and the taking of and hearing and consideration of professional advice from officers;
- Respect for human rights and equality;
- A presumption in favour of openness; and
- Clarity of aims and desired outcomes.

7 Risk Management

- 7.1 The Shetland Islands Council is committed to the management of risk which is a key element of Corporate Governance. To deliver its objectives, the Council supports well managed risk taking and recognises the need to be risk aware, not risk averse; it recognises and seeks to exploit opportunities, particularly where they are within our areas of core competency.
- 7.2 The Council's approved Risk Management Strategy sets out the objectives, direction, scope and priorities for the Shetland Islands Council in relation to the management of risk, and how it supports the organisation's plans as set out in the Shetland Partnership Plan, the Council's Corporate Plan (Our Ambition) and Directorate plans.
- 7.3 The Risk Management Policy sets out the Council's risk appetite and the risk management processes, system and methodologies.
- 7.4 The Council's Planning and Performance Management Framework (PPMF) 2019-2024, sets out the timeframe for performance reporting which includes risks. Committee and Council PPMF meetings are held quarterly on dates agreed annually by the Council.
- 7.5 CMT Risk Board has responsibility for driving the management of risk across the organisation by ensuring the implementation of, and compliance with, the Risk Management Strategy and Policy. The Risk Board meets on a quarterly basis to consider risk-focussed reports from each Directorate and requests reports on specific risk areas and on risk-control activities from Directorates and the Risk Management Team, and for formally considering risk performance on an annual basis and for reporting that risk performance to Audit Committee.

8 Equalities

- 8.1 The Equality Act came into force on 1 October 2010 and provides a legal framework to protect the rights of individuals and advance equality of opportunity for all.

The Act simplifies, strengthens and harmonises legislation to provide Britain with a discrimination law which protects individuals from unfair treatment and promotes a fair and more equal society. The Public Sector Equality Duty, which forms part of the Act, requires public bodies to consider all individuals when carrying out their day-to-day work – in shaping policy, in delivering services and in relation to their own employees.

- 8.2 The Act also:
- Strengthens disabled people's protection from discrimination

- Protects people from discrimination by association and perception
- Introduces Positive Action in recruitment and promotion which gives greater scope to address deficits in the workforce
- Strengthens the powers of employment tribunals
- Strengthens the protection for pregnant women and breastfeeding mothers

8.3 Shetland Islands Council is committed to promoting equality of opportunity and good community relations, and has adopted an Equality and Diversity Policy, and has achieved Equally Safe at Work accreditation. Shetland’s community statement contains the following statements:

- We’ll seek to create fulfilling, well paid jobs for all, whatever their talent
- Foster confident, thriving communities across Shetland
- Promote justice and equality, here and overseas
- Expand knowledge, extend opportunities and improve access

8.4 Shetland Partnership, as part of their obligations under the Local Government Act (2003), is committed to promoting equalities, and through the Shetland Partnership Outcomes Improvement Framework, all Community Planning Partners have committed to embedding equalities and integrated impact assessments in their service delivery.

9 Community Planning and Engagement

9.1 The Shetland Partnership is made up of wide range of partners and community bodies who work together to deliver our collective ambitions for the future. It is the Community Planning Partnership for Shetland.

9.2 The Partnership and key partners within it have a statutory duty to both produce a plan and ensure it is delivered and resourced. This duty is laid out in Part 2 of the Community Empowerment (Scotland) Act 2015.

9.3 The resulting Shetland’s Partnership Plan 2018-2028 The Partnership Plan identifies a shared vision and four key priorities for all of us to work towards, both individually and collectively, to improve the lives of everyone in Shetland.

“Shetland is a place where everyone is able to thrive; living well in strong, resilient communities; and where people and communities are able to help plan and deliver solutions to future challenges”

9.4 The four priorities of the Plan are:

- People – individuals and Families can thrive and reach their full potential
- Participation – People can participate and influence decisions on services

- and use of resources
 - Place – Shetland is an attractive place to live, work, study and invest; and
 - Money – All households can afford to have a good standard of living.
- 9.5 The key focus of the Plan is to reduce inequality of outcome in Shetland – how we will tackle the issues that mean some people and groups have a poorer quality of life than others.
- 9.6 The Partnership Plan is the ‘Local Outcomes Improvement Plan’ (LOIP) for Shetland, a statutory requirement for the Partnership under the Community Empowerment (Scotland) Act 2015. This Plan supersedes the previous local outcomes improvement plan and the community plan.
- 9.7 The Shetland Partnership must work to maximise the resources available both collectively and individually to achieve our shared vision. This will require strong leadership and effective management. The Partnership is accountable to the community for delivering on our shared vision and priorities. There will be regular engagement between senior representatives of the Partnership, Community Councils and other community bodies. Communities in Shetland will have the opportunity to influence what the Partnership does and how they hold it to account as well as being involved in delivery.
- 9.8 The Council values the opinions of everyone in Shetland. The Council works with other organisations to link various ways of hearing opinions, and to ensure people of all ages are offered a variety of ways to influence the decisions that affect Shetland.
- 9.9 The annual Shetland Partnership Summit brings partner and community body representatives together to review progress over the past 12 months and to develop plans for the future. Summits are also themed around a particular topic to encourage engagement and conversation. The Shetland Partnership Alliance allows for frequent conversations between partner agency representatives and community bodies. Key questions for conversation include asking community bodies what they would like to know in order to understand community planning better and hold the Shetland Partnership to account effectively. The Shetland Partnership Network gives partners an opportunity for regular dialogue about what is working well and what learning could be applied in different areas. It also allows partners to discuss the future and identify things on the horizon that could affect Shetland and community planning locally.

10 Performance

- 10.1 The Council’s Planning and Performance Management Framework (PPMF) 2019-2024 follows an agreed structure and style and is a key element of the Council’s performance management arrangements. Performance management is a keystone of best value and ensures that the Council can demonstrate sound governance arrangements.
- 10.2 The Council’s PPMF Framework was developed to enable the Corporate Plan

(Our Ambition) and Directorate Service Plans to be monitored along with the Key Performance Indicators and local measures from the Local Outcomes Improvement Plan. These actions and measures allow the Council to monitor success in delivering these outcomes.

11 Scrutiny and Audit Arrangements

- 11.1 The Council's functional Committees and the Audit Committee monitor corporate and departmental performance targets and service standards. Measuring the performance of services and related projects ensures that they are delivered in accordance with defined outcomes and that they represent the best use of resources and value for money.
- 11.2 External scrutiny is provided by a range of organisations, which regulate, inspect and support improvement of services and administration.
- 11.3 The Council has established internal audit arrangements for the review of the adequacy of the arrangements for risk management, governance and control of resources. Self-evaluation of its processes and procedures are supported by a range of clear and robust evidence which can be subject to transparency and open scrutiny. These will be held up for judgement both internally and externally by the following bodies:

Internal Scrutiny	External Scrutiny
• Corporate Management Team	• External Auditors
• CMT as Risk Board	• Accounts Commission
• Information Governance Board	• Scottish Public Services Ombudsman
• Shetland Islands Council	• Other Public Sector Inspectorates
• Audit Committee	
• Internal Audit	

12 Assessment of Compliance and Annual Review

- 12.1 The Assessment of Compliance covers each of the seven key principles detailed in section 2 of this Code, and details the specific standards to be achieved by the Authority, along with the supporting evidence and/or any remedial actions required where current standards fall short of those expected.
- 12.2 The Assessment will be undertaken on an annual basis, and a report will be submitted to Audit Committee and Council advising on progress and risks identified, as well as any actions taken or planned to manage those risks and improve overall performance.
- 12.3 This annual assessment and approval of the Code, will inform the Corporate Governance Assurance Statement which is included in the Council's Annual Report and Accounts each year.

Maggie Sandison, SIC Chief Executive

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28 June 2023