

COMMISSION OF INQUIRY INTO MOUNT MURRAY

PART TWO REPORT



Isle of Man
Government

Reiltys Ellan Vannin

A REPORT BY THE COUNCIL OF MINISTERS

October 2004

**A REPORT BY THE COUNCIL OF MINISTERS INTO THE COMMISSION OF
INQUIRY INTO MOUNT MURRAY – PART TWO REPORT**

To: The Hon. Noel Q. Cringle, President of Tynwald, and the Honourable Council and Keys in Tynwald assembled.

Introduction

At its sitting in July 2004, Tynwald resolved, inter-alia

“that Tynwald receives the Part 2 Report of the Commission of Inquiry into Mount Murray and refers it to the Council of Ministers to assess its recommendations and report to the October sitting of Tynwald as to how those recommendations can as far as practical be implemented”.

In June 2004, the Commission of Inquiry into Mount Murray published its Part 2 Report which included 13 recommendations. In making those recommendations, the Commission was keen to stress that it saw them as supplementing and supporting the progress already achieved by Government in securing better co-ordination between Departments and securing improved Corporate Governance arrangements (paragraph 9.28 refers). In particular the Commission cited the statements and supporting documentation provided to it by the Chief Secretary as demonstrating the progress achieved. However, the Commission did not, in its 400 page report, reproduce that evidence. Therefore, for the sake of completeness, the Council of Ministers has at Appendix 1 attached a copy of the Chief Secretary's statement to the Commission dated 26th January 2004.

It is apparent to the Council of Ministers that the Commission of Inquiry in its Part 2 Report, recognised that the situation which prevailed in the early 1990s, in respect of the governance of Isle of Man public services, was very much different to today and is now much improved. However, the Commission indicated that further improvements could be made.

The evidence provided to the Commission demonstrated many of those improvements, which included the introduction of the Corporate Government and Business Planning initiative, enhancing the Financial Regulations and the development of a Corporate Governance Code of Conduct. This latter issue encompasses many of the points raised by the Commission and the production of a Code of Conduct applicable to all Departments, Boards and Offices of Government is currently being progressed by the Council of Ministers. A draft Code of Conduct has been produced and is attached at Appendix 2. The Code is currently being trialled within the Department of Education and it is intended to formally implement it, subject to any necessary amendments, across Government in the near future.

In simple terms, Corporate Governance is about the systems and processes Government should ensure are in place to demonstrate that it operates openly, with integrity, and is accountable to elected representatives and to the electorate. It is probable that some of the mistakes made in the past may not have occurred if Government had had robust systems in place to, among other things, control delegated authority, manage risk and manage staff performance.

It is important to point out however that it was not the Mount Murray issue itself that prompted Government to seek to develop a governance framework for its public services. This is something which has been a feature of public and private sector organisations throughout the world for some time. As Government has grown larger, authority has been devolved down and across its component parts and this has enabled frontline staff to become more pro-active and autonomous in managing their functional areas. In order that Government can effectively manage the changing way that services are delivered, it is important to have a clear framework governing that activity. This will ensure that decisions are taken properly, channels of communication are open, that performance is monitored and, above all, that standards are upheld. The Corporate Governance framework has an important role to play in ensuring this happens.

Whilst the Code of Conduct sets out the framework for improving governance it does not, of course, address each of the specific points raised in the 13 recommendations within the Part 2 Report. Therefore, the remainder of this Report repeats each of those 13 recommendations (numbered in the sequence contained in the Part 2 Report) and identifies beneath each, the actions being taken as appropriate, and as far as practicable, to implement the recommendations.

As will be noted from the responses, the Council of Ministers has no objections, in principle, to any of the recommendations.

Recommendation 24

The Council of Ministers take such steps as are necessary to ensure that the recorded minutes of the Council and all other agencies of Government, including Government Departments, statutory Boards and their various committees and sub-committees, contain all matters considered by such bodies, including not only the decision or decisions made but also make clear the reasons leading to them.

The Council of Ministers accepts this recommendation in principle and can confirm that arrangements are being made to notify all Government agencies and ensure that, at the same time, appropriate guidance is provided. This will include, in conjunction with the Government's Personnel Office, revising the existing training provided to the public service on the role of Committee Secretary. It is intended to issue the guidance by 31 December 2004.

Recommendation 25

The Council of Ministers, Government Departments, Statutory Boards and their various committees and sub-committees adopt procedures which ensure that:

- their decisions are followed up and implemented; and
- in the event that a decision is not capable of being implemented immediately, the decision is returned to the decision making body at an appropriate time or times in order that it may be reviewed, varied or rescinded; and that
- so far as the Treasury is concerned in the interests of transparency and to ensure that the position is clarified for the commercial and financial interests on the Island, the Council of Ministers should require the Treasury, in consultation with the Assessor of Income Tax, to advise it, and Tynwald if felt appropriate, whether it remains the Treasury's intent under the powers provided by the Income Tax Act 1995 to legislate to restrict the availability of group tax relief, what date such legislation is expected to be made and from what date it would apply. In the event that such restriction is no longer the intent, a formal decision should be made by Government recording the reasons for it.

With regard to the Council of Ministers there is already a procedure in place which enables outstanding matters which have yet to be decided upon to be reported to Council on a regular basis. The extent to which this procedure exists within other agencies of Government is unclear but the guidance to be issued with regard to minute taking (see Recommendation 24 above) will cover this issue as well.

Regarding the third part of the recommendation, the Treasury is reviewing the issue of group tax relief and will advise the Council of Ministers of the results of that review. The intention is that the Treasury will report to Council of Ministers by no later than 22 October 2004.

Recommendation 26

The Council of Ministers and the Treasury introduce formal procedures to ensure the same standards for researching documenting and adoption of the annual Budget proposals as are applied to the researching, documenting and adoption of such proposals outside the annual Budget process.

The principle behind this recommendation is accepted. To some extent the formal procedures have already been adopted under the current business planning process but the procedures will be reviewed in the light of this recommendation. The 2005 Budget setting process will be used as the basis for that review.

Recommendation 27

The Council of Ministers direct the Department of Tourism and Leisure, in consultation with the Income Tax and Economic Affairs Divisions of the Treasury, to review procedures leading to the issue of a certificate under Article 6 (3) of the Income Tax (Capital Relief) (Tourist Business incentive Allowance) Order 1991, as amended, for the purpose of specifying the nature and extent of the documents and information required in respect of applications for certification regarding tourist business incentive allowance, and that the model for grants or loans as exemplified at paragraph 7.8 above be noted with regard to the nature and depth of material which should be required, and that having completed such review appropriate legislation regarding these requirements should be promoted in accordance with that review; alternatively and as an interim measure.

The Chief Executive of the Department of Tourism should, in consultation with the Assessor of Income Tax, undertake an immediate review of the procedures now followed with respect to applications for tax relief under the Income Tax (Capital Relief) (Tourist Business Incentive Allowance) Order 1991 with a view to supplementing these procedures with formal published guidelines setting out the precise requirements which applicants will be expected to meet to demonstrate project viability, the quality and the competitiveness of the costs to be incurred, and the overall economic criteria required under Article 6 (3) of the Income Tax (Capital Relief) (Tourist Business Incentive Allowance) Order 1991, as amended.

The Department of Tourism and Leisure has commenced a review of the procedures leading to the issue of a certificate under Article 6 (3) of the Income Tax (Capital Relief) (Tourist Business Incentive Allowance) Order 1991 and the procedures followed with respect to applications for tax relief under the Income Tax (Capital Relief) (Tourist Business Incentive Allowance) Order 1991.

Recommendation 28

The Council of Ministers extend the full requirements of the Isle of Man Government Financial Regulations 20 and 21 to Orders, Rules and Regulations, that is to say subordinate legislation.

The revised Financial Directions FD 20 (Financial Implications of Legislation) and FD 21 (Economic Appraisal) were introduced in October 2003. The spirit of those regulations was always meant to include subordinate legislation but that is insufficiently clear from the current wording. The Treasury is in the process of reviewing and strengthening those directions for incorporation into a revised edition of the Financial Regulations.

Recommendation 29

The Minister for, and members of, the Treasury introduce formal minimum procedures for Treasury consultations with outside parties in the development of proposed legislation, whether primary or subordinate, with a view to ensuring that consultation shall not be solely with a single interested party.

The Treasury identifies and publishes for consultation a schedule of relevant professional bodies whose professional interests include Manx Income Tax. The schedule, when agreed, should give the right to such bodies as are named to be consulted and make representations on matters they consider to be relevant in the development of proposed Manx Income Tax legislation, whether primary or subordinate.

The principle of the recommendation is accepted. The formal procedures and schedule of relevant professional bodies are being drawn up by the Treasury and will be published. The intention is to complete this process by no later than 22 October 2004.

Recommendation 30

Subordinate legislation which is made by the Treasury or any other Government Department or agency, whether in the form of an Order, Rules or Regulations, to be approved by or to be laid before Tynwald or either of its Branches before it shall have effect, shall be accompanied by a meaningful statement of its financial implications and objects in a memorandum a copy of which shall be furnished to each member together with the proposed subordinate legislation.

For a number of years Departments when submitting subordinate legislation to the Council of Ministers for approval, have been required to accompany the legislation with an advice note incorporating the following elements:-

- Title of measure
- Changes in policy
- Effects of the measure
- Reasons for the measure
- Resource implications

It is the intention of the Council of Ministers to ensure that in future, when legislation is submitted to Tynwald for consideration that it is accompanied by the same advice notes.

Recommendation 31

The Council of Ministers direct the Legislation Committee to consider the methods of reviewing legislation as suggested by the Assessor, or as otherwise considered appropriate.

The Council of Ministers intends to reconvene the Legislation Sub-Committee in the near future to consider the proposed greater use of parliamentary committees to scrutinise legislation and in particular tax legislation. In particular it will also consider the methods of reviewing legislation as suggested by the Assessor.

Recommendation 32

The appropriate Committee of Tynwald consider the introduction of guidelines relating to the nature and extent of the information which is to be presented by members of Tynwald who move the approval of subordinate legislation in Tynwald. Such information shall be included in the brief prepared by or for the Member of Tynwald who proposes the legislation and such brief should be presented to Tynwald in full.

Whilst this recommendation is not directly a matter for the Council of Ministers to address, if it is pursued by the appropriate Tynwald Committee, and referred to the Council of Ministers, Council will be more than content to consider the matter.

Recommendation 33

Where significant legislative changes are made, the financial consequences of which cannot be forecast with any certainty, the Government Department responsible for administering the new legislation should be charged with the responsibility of monitoring the effects of the change. The result of such monitoring should be reported on not less than an annual basis to the Treasury, except in circumstances where the responsibility for monitoring falls to the Treasury itself, in which case the outcome should be reported to the Council of Ministers where the implications are deemed to be significant, the criteria for which should be as determined from time to time by the Council of Ministers.

This recommendation is supported and arrangements currently being made by the Treasury and Chief Secretary's office to consider how procedures can be developed to support its implementation.

Recommendation 34

Where it is considered necessary to engage consultants or other such advisors who are not to become members of the Isle of Man Civil Service, such consultants and advisors shall without exception report to and be directed either by the Chief Executive of the Government Department in question or by such working arrangement as shall be determined and agreed with the Chief Executive.

This recommendation is fully supported. However it is important to point out that the circumstances which lead to the recommendation being made were fairly unusual and there are no recent examples of any consultants or advisors being appointed who do not either work directly to the Chief Officer of the Department, Board or Office concerned or are ultimately accountable to that Chief Officer.

Recommendation 35

The Council of Ministers introduce guidelines governing the relationships between the staffs of the various Government Departments and Statutory Boards and the manner in which the staff of such Departments and Statutory Boards represent themselves, both within Government and outside, to external organisations, the business community and the public at large.

- Guidelines be introduced which separate out the need, on the one hand, for core guidance across Government on matters covering consultation between Departments and the business community, which should be applicable to all, and more specific guidance or codes of conduct reflecting particular needs and the progress individual departments have already made.
- That the Council of Ministers consider formalising arrangements whereby no department other than the Treasury shall undertake discussions or consultation on matters of taxation with any outside body, organisation, company or their agents other than with the explicit written pre-agreement of the Treasury as to the scope and content of any such meeting and, where appropriate, the attendance of a Treasury officer.

This recommendation is also supported by the Council of Ministers and will flow from the Corporate Governance Code of Conduct and in particular, Aspect 1 which is concerned with methods of consultation. Guidelines on consultation exist within the U.K. public service and it is therefore intended to produce similar guidelines for implementation locally. These guidelines will specify that no Department other than the Treasury shall undertake consultation on taxation matters with external parties other than with the explicit written pre-agreement of the Treasury. It is the intention to issue these guidelines by 31 December 2004.

Recommendation 36

The Council of Ministers give consideration to the preparation of a report to be compiled by the Chief Secretary identifying the particular training and development needs of Chief Executives and of Chief Officers and setting out the means by which they may be met.

Each Chief Executive is currently subject to Performance Development Reviews overseen by the Chief Secretary. They involve regular reviews of performance together with annual performance appraisal which involves feedback on Chief Executive performance by people from within and outside the organisation.

As part of this process the training and development needs of Chief Executives are identified and arrangements are made for such training and coaching to be provided. Indeed, a full development programme co-ordinated by the Personnel Office is currently being progressed with Chief Executives on an individual and team basis. The performance system for Chief Executives is predicated on a competency framework, a copy of which is attached at Appendix 3.

APPENDIX 1

CHIEF SECRETARY'S OFFICE

Oik yn Ard-scrudeyr

Government Office
DOUGLAS
Isle of Man
IM1 3PN
Direct Line (01624) 685703
Fax No. (01624) 685710

All Correspondence to be addressed to :
THE CHIEF SECRETARY

Our reference : 750(33)
Your reference :

CHIEF SECRETARY
M Williams, CPFA

26 January 2004

Ms K Heward-Meadow
Commission of Inquiry Into Mount Murray
23 Athol Street
DOUGLAS

Dear Ms Heward-Meadow

RE: Commission of Inquiry Into Mount Murray

Thank you for your letter of 12 January 2004 requesting me to attend to give evidence to the Commission of Inquiry at 10.30 am of Friday 30 January 2004.

In relation to the matters about which the Commission would like to hear evidence from me, I can respond as follows:-

1. What is the present situation with regard to co-ordination between Government Departments?

Co-ordination between Government Departments, and, indeed, Boards and Offices, occurs at various levels within the organisation on both a formal and informal basis. I shall start at the top.

I understand that you have recently received a copy of a document entitled "Council of Ministers : Notes for Ministers". The Commission may well have also received this document during the Part One Inquiry. The latest published version of this document, was issued in November 2001, to coincide with the last House of Keys Election. Since that time work has been carried out to update the document. This work is nearing completion and it is intended to issue the revised notes in the coming months. The latest confidential draft is attached for the information of the Commission. Bearing in mind it has yet to be endorsed by the Council of Ministers for publication it would be helpful if the document could be kept confidential.

As indicated at page 4 of the document one of the key functions of the Council of Ministers is determining policy and priorities. This requires Departments to work in a consistent and co-ordinated way and it is a key requirement of the Council of Ministers to ensure that this happens.

The document also refers to the recently introduced Corporate Government and Business Planning Initiative which is being led by the Council of Ministers with the support of the Chief Officer Group. One of the key aims of this initiative is to encourage greater corporate working between the agencies of Government and encourage all such agencies to work towards common aims and objectives contributing to the Government's overall core purpose "To maintain and build on the high quality of life enjoyed by the Island's community". As part of this initiative the Government has established a Peer Group Review Process involving Chief Officers and Senior Managers from across Government. The main purpose of this process is to review Departmental Business Plans and Estimates to ensure a co-ordinated and consistent approach is taken to public service delivery. This has proven a very effective process identifying a number of issues where, through better corporate working, improvements and efficiencies can be made.

Co-ordination between Ministers also occurs outside of the Council of Ministers in the form of Sub-Committees established to address specific issues. Examples include the following Standing Committees:-

- Constitutional & External Relations Committee
- Social Issues Committee
- Economic Development Committee
- Drug & Alcohol Strategy Committee
- Personnel Control Sub-Committee
- Ombudsman Sub-Committee
- Children's & Young People's Strategy Committee
- Legislation Committee

At a recent meeting of the Legislation Committee it was decided that all legislation, both primary and secondary should not proceed without having been properly costed as to impact on both the public and private sectors. This ties in with the suggestion in the Economic Strategy that there should be economic and regulatory impact assessments for all legislation. The recent Health and Safety secondary legislation were as a consequence subject to such a cost benefit analysis. The requirement for such assessment has now been incorporated into the Financial Regulations.

In addition to this, ad hoc meetings are held comprising relevant Ministers to discuss specific issues and ensure Government provides a co-ordinated approach when dealing with the matter at hand.

Finally in relation to Ministers, there is a regular amount of informal dialogue when dealing with, for example, Parliamentary matters.

I shall turn now to the Chief Officer Group which comprises the Chief Executives of the nine Government Departments, the Chief Officer of the Personnel Office

and is Chaired by myself as Chief Secretary. The Secretariat for the Group is provided by my office. The Group meets on a fortnightly basis and works to the following remit:-

- To provide a forum for Chief Officers to raise issues of policy, management and common interest, and to report on matters from their Departments
- To consider issues emanating from the Council of Ministers which have a bearing on the working of Departments and the managerial implications thereof
- To sit as a consultative and advisory forum on specific issues as are referred to it for consideration by for example, the Council of Ministers, the Treasury, the Civil Service Commission etc
- To develop something of a “think tank” role for the overall direction of Government, to generate initiatives that are not covered by the remit of other Groups or Committees and to make recommendations accordingly to the Council of Ministers
- To act as the principal advisor to the Council of Ministers on the Corporate Government and Business Planning initiative.

Each of these five strands is designed to develop better corporacy within Government. Beyond the Chief Officer Group there are numerous formal Officer Groups in operation, set up to co-ordinate the implementation of Government Policy. This includes the Finance Officer Group which includes, as suggested by its title, the Finance Officers of each Government Department including Boards and Offices, with a remit to ensure consistent implementation of Financial Management issues within Government. A Senior HR professionals Group has recently been established to assist the implementation of performance management arrangements for the Civil Service and again ensure a co-ordinated and consistent approach on this developing agenda. Similarly a Public Services Lawyers Group has recently been formed.

In addition there are a whole series of Working Groups in existence comprising senior officials addressing specific areas of public service provision drawn from relevant Departments. Some examples are:-

- Children and Young Peoples Strategy – Officer Working Group (representatives from Department of Education, Department of Health & Social Security, Department of Home Affairs, Chief Secretary’s Office)
- Health Strategy Implementation Group (representatives from Department of Home Affairs, Chief Secretary’s Office, Department of Health & Social Security, Treasury, Department of Transport, Department of Agriculture, Fisheries & Forestry, Department of Trade & Industry)
- Financial Regulation Working Group (representatives from Chief Secretary’s Office, Treasury, Financial Supervision Commission, Insurance & Pensions Authority, Department of Home Affairs, Attorney General’s Chambers)

In addition, ad hoc forums are established on a frequent basis to discuss issues of mutual concern including inter-Departmental issues that have arisen as part of the Business Planning Process mentioned above.

A further example of co-ordinated working relates to the Treasury's Economic Strategy which was received by Tynwald in October 2003. A series of Working Groups, comprising representatives from across Government, have been established to drive forward the key proposals contained within the strategy.

The Working Groups are addressing the following issues:-

- Market Access
- Marketing
- Regulation
- Budget Strategy
- Business and Living Infrastructure
- Manpower and Poulation
- Government Process
- Economic Intelligence
- External Environment

As part of the process, there will be full consultation with the Treasury's Consultative Committees, the Chamber of Commerce and public views will also be sought on the components of the strategy.

At the informal operational level, officers in different Departments maintain regular contact on areas of mutual issue and concern. This can be through a regular process of consultation or as the need arises. The compact nature of the Isle of Man Government and the unified Civil Service in particular, is an active encouragement for officers to work collaboratively and have regard to the needs of other Departments when implementing policy. This approach is supported by the Annual Senior Managers Conference which promotes networking and the

development of a cohesive joined up approach to service delivery. People within the organisation are within easy reach and are always willing to share information and provide advice in pursuit of the common aims and objectives.

2. **Does Co-ordination between Departments need to be improved, or formalised, better accorded and more transparent, and does the Council of Ministers have a role to play in this and if so, how? If such improvements are not required, the reasons for this.**

Much of the co-ordination referred to above has been a product of the Corporate Government and Business Planning initiative and, I believe that through this, significant improvements have been made. That does not mean further improvements are not required. One of the key issues the Isle of Man Government needs to address is the continued existence of approximately 20 different Governmental organisations delivering public services.

Whilst the Corporate Government initiative has helped a great deal in encouraging a more co-ordinated approach we are now looking at the structure of Government machinery to see whether changes in this regard might improve service delivery further. The Council of Ministers has determined that it wishes to undertake a fundamental review of the structure of Government and the

timetable and terms of reference of such review will be decided as soon as time allows.

3. **Are there guidelines established and documented for discussions between Government and outside entrepreneurs (e.g. developers, financial institutions, etc) which help Civil Servants and Ministers in resisting attempts to manipulate Government, in particular by one Department being used against another?**

If there are not such guidelines, do they need to be established and documented? If there is not a need for these matters, the reasons for this.

There are no guidelines established within Government at a corporate level, specifically aimed at discussions between Government and outside entrepreneurs to help civil servants and Ministers resist attempts “to manipulate”. All Government Departments, Boards and Offices are however, required to comply with the Isle of Man Government Financial Regulations which are issued by the Treasury and amended from time to time. A copy of the up to date Financial Regulations is attached for your information.

The revised Notes for Ministers including the Code of Conduct for the Civil Service can also be regarded as representing guidelines for Civil Servants and Ministers in respect of the nature of their activities which would clearly include discussions with outside entrepreneurs. I would draw your attention in particular, to page 21 which articulates the seven principles of public life.

A further recent development within Government is the introduction of a Corporate Governance Code of Conduct which is in the process of implementation, and aims to define the way in which Government directs and controls its functions and relates to the Islands community. A copy of the latest draft of the Code of Conduct is attached for the information of the Commission. It is intended to formally introduce the code with effect from 1 April 2004.

As to whether there is a requirement to establish specific guidelines, as the question suggests, this is an issue which will require some further thought within Government involving representatives from the relevant Departments. One of the problems which I can foresee is that generic guidelines may be too general to address all of the needs of the differing Departments/industries, but guidelines which are specific to each Department/industry may result in inconsistencies across Government. This is something which I will place on the agenda for further consideration in due course.

Yours sincerely
Mary Williams
Chief Secretary

Corporate Governance Principles

and

Code of Conduct



Isle of Man
Government
Reiltys Ellan Vannin

Draft – 28 April 2004

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- 3 THE CODE OF CONDUCT

The Isle of Man Corporate Governance Principles and Code of Conduct apply to all “designated bodies” and “Departments of Government” within the meaning of the Treasury Act 1985. **In this Code they are all referred to as "Departments"**. The following are "designated bodies":-

all Departments (Department of Agriculture, Fisheries and Forestry, Department of Education, Department of Health & Social Security, Department of Home Affairs, Department of Trade and Industry, Department of Local Government and the Environment, Department of Tourism and Leisure, Department of Transport, and Treasury, that is the bodies established by the Government Departments Act 1987);

all Statutory Boards (the Communications Commission, Office of Fair Trading, Financial Supervision Commission, Insurance and Pensions Authority, Isle of Man Post Office, Isle of Man Water Authority and the Manx Electricity Authority, that is the bodies to whom the Statutory Boards Act 1987 applies);

any other body or authority (other than a local authority), for example Manx National Heritage, constituted by any enactment for any purposes involving the expenditure of public moneys or the receipt of public moneys for the purposes of that body or authority or for the public revenue;

any other body designated as such for the purposes of the Treasury Act 1985 by order of the Council of Ministers.

For the purposes of this document:-

- the term "Department of Government" includes the Chief Secretary's Office, Attorney General's Chambers, General Registry, Personnel Office, Gambling Control Commission, Office of the Data Protection Supervisor, and Industrial Relations Service which are not "designated bodies", and,
- the term “Minister” includes Chairman in the case of a Statutory Board or other body

1 AIMS AND OBJECTIVES

Corporate Governance in Government

Corporate governance is the system by which Government directs and controls its functions and relates to the Island's community

- 1.1 Effective government relies on the credibility of, and public confidence in, elected politicians and departmental officials. By making explicit the high standards Government expects itself to meet, it can give confidence to potential partners, the public, private, or voluntary sectors, and to the people of the Isle of Man. Adoption of the principles of corporate governance will assist in maintaining credibility and confidence in the public service
- 1.2 All Departments should attempt to meet the highest standards and their governance arrangements should not only be sound, but be seen to be sound. To ensure this, governance arrangements need to be clear, effective and reviewed on a regular basis.
- 1.3 This Code defines the minimum standards of corporate governance to be applied by Departments, but Departments may wish to further develop the code to take account of their individual circumstances and responsibilities.
- 1.4 The purpose of this Code is to:-
 - define the principles that must underpin the governance of each Department;
 - provide the framework within which each Department can ensure confidence and credibility, minimise risk, and manage change, and;
 - assist Departments by articulating what is considered to be best practice.
- 1.5 Each Department will be expected to:-
 - regularly review its corporate governance arrangements in line with the Code;
 - establish arrangements for ensuring the Code is put into operation, and;
 - report regularly, through Statements of Internal Control, on how the Department is complying with the Code.
- 1.6 Statements of Internal Control will be required to be produced by Departments on an annual basis and will contain:-
 - an explanation of the Department's responsibility for financial probity;
 - confirmation that the Department complies with the Code, and
 - evidence to support compliance with the Code.
- 1.7 The Chief Financial Officer will report corporately, on an annual basis, providing a Statement of Internal Control for Government as a whole, stating how it is applying and upholding the principles of corporate governance.

2 FUNDAMENTAL PRINCIPLES OF CORPORATE GOVERNANCE

2.1 The three fundamental principles of corporate governance are:-

Openness An open approach is required to ensure all interested parties are confident in the organisation itself. Being open in the disclosure of information leads to effective and timely action and lends itself to necessary scrutiny.

Integrity This is described as both straightforward dealing and completeness. It should be reflected in the honesty of an organisation's annual report and its portrayal of a balanced view. The integrity of reports depends on the integrity of those who prepare and present them which, in turn, is a reflection of the professional standards within the organisation.

Accountability This is the process whereby individuals are responsible for their actions. It is achieved by all parties having a clear understanding of those responsibilities, and having clearly defined roles through a robust structure.

2.2 These principles are relevant to both public service bodies and private sector entities. They apply equally to all public service bodies, irrespective of whether they are elected or appointed.

2.3 These principles are consistent with the following internationally agreed principles of conduct which should underpin public life:-

Selflessness Holders of public office should take decisions solely in terms of the public interest. They should not do so in order to gain financial or other material benefits for themselves, their family, or their friends.

Integrity Holders of public office should not place themselves under any financial or other obligation to outside individuals or organisations that might influence them in the performance of their official duties.

Objectivity In carrying out public business, including making public appointments, awarding contracts, or recommending individuals for rewards and benefits, holders of public office should make choices on merit.

Accountability Holders of public office are accountable for their decisions and actions to the public and must submit themselves to whatever scrutiny is appropriate to their office.

Openness Holders of public office should be as open as possible about all the decisions and actions that they take. They should give reasons for their decisions and actions and restrict information only when the wider public interest clearly demands.

Honesty Holders of public office have a duty to declare any private interests relating to their public duties and to take steps to resolve any conflicts arising in a way that protects the public interest.

Leadership Holders of public office should promote and support these principles by leadership and example.

3 A CODE OF CONDUCT FOR CORPORATE GOVERNANCE

3.1 The fundamental principles of corporate governance need to be reflected in the different aspects of a Department's functions. These aspects are identified as:-

- community focus;
- performance management;
- structures and processes;
- risk management and internal control;
- standards of conduct.

3.2 The next section considers how the principles of corporate governance can be reflected in the above "aspects" and what that means for Departments in practice. The principles of each aspect are outlined in the boxes. Additional guidance on what each Department will need to do to meet these principles is outlined below each box.

ASPECT 1 – COMMUNITY FOCUS

Through carrying out their general and specific duties and responsibilities and their ability to exert wider influence, Departments should work for and with the Island's community and, where appropriate, exercise leadership within the community by maintaining effective arrangements to:-

- communicate and engage with relevant members of the Island's community (including business) to encourage active participation;
- demonstrate integrity in building effective relationships and partnerships with other public agencies and the private/voluntary sectors in delivering services appropriate to local needs;
- demonstrate openness through consulting with key stakeholders including service users;
- develop and articulate a clear and up to date vision and corporate strategy in response to community needs.

To meet these principles, a Department will need to:-

- put in place appropriate arrangements and channels of communications to encourage individuals and groups from the community to engage with, contribute to and participate in the work of the Department and have processes in place to ensure that these arrangements continue to work in practice;
- make an explicit commitment to openness in all of their dealings, subject only to the need to preserve confidentiality in those specific circumstances where it is proper and appropriate to do so, and by their actions and communications, deliver against that commitment;
- comply with the Government's Code of Practice on Access to Government Information (see extract below).

Code of Practice on Access to Government Information

“Open government is part of an effective democracy. Citizens must have adequate access to the information and analysis on which government business is based. Ministers and public servants have a duty to explain their policies, decisions, and actions to the public. Governments need, however, to keep some information confidential, and have a duty to protect the proper privacy of those with whom they deal.”

The above paragraph, which is fully consistent with the underlying governance principles of openness, integrity, and accountability, is the opening statement of the document “*Code of Practice on Access to Government Information*”, which was approved and issued by the Council of Ministers with effect from 1 September 1996.

ASPECT 2 – PERFORMANCE MANAGEMENT

A Department should ensure that agreed policies are implemented and decisions are carried out by maintaining arrangements which:-

- demonstrate proper accountability for the Department's performance and effectiveness in the delivery of services and the use of resources;
- ensure effectiveness through setting targets and measuring performance;
- are flexible so that they are up to date and can be adapted to accommodate change;
- encourage Cross-Departmental working.

To meet these principles, Departments will need to:-

- publish as part the Government's Corporate Government and Business Planning process an objective and understandable assessment of its:-
 - activities and achievements, and;
 - financial position and performance;
- ensure that this assessment includes details of the Department's current performance in respect of service delivery and plans to maintain and/or improve service quality;
- set performance standards and targets for service delivery that are consistent with:-
 - the Government's corporate aims and objectives, and
 - the Key Performance Indicators established within the Isle of Man Government Plan;
- put in place systems for producing management information for performance reporting purposes;
- monitor individual and organisational performance and report against agreed standards and targets, and;
- establish systems that support collaborative working between Departments in common areas of service delivery.

ASPECT 3 – STRUCTURES AND PROCESSES

A Department needs to establish effective political and managerial structures and processes to govern decision-making and the exercise of authority within the organisation. A Department should maintain arrangements to:-

- define roles and responsibilities of Members and officers to ensure accountability;
- ensure that there is proper scrutiny and review of all aspects of performance and effectiveness;
- demonstrate integrity in the decision making process;
- document clearly such structures and processes and to ensure that they are communicated and understood to demonstrate openness;
- ensure such structures and processes are flexible so that they can be adapted to accommodate change and be kept up to date.

To meet these principles, a Department will need to:-

- develop and maintain an up to date scheme of delegated or reserved powers, which should include a formal schedule of those matters specifically reserved for the decision of the Minister;
- put in place arrangements to ensure that Members are properly briefed and assisted for their roles and have access to all such relevant information, advice and resources as are necessary to enable them to carry out their role effectively;
- define clearly the roles and responsibilities of all Members (and Committee Members) of the Department;
- ensure, where relevant, that Members are remunerated in accordance with The Payment of Members' Expenses Act 1989;
- ensure a Chief Officer (Accounting Officer) or equivalent is responsible for all aspects of executive management as he or she is accountable for the ultimate performance of staff and the implementation of policy;
- ensure a senior officer (Finance Officer) is made responsible to the Accounting Officer for ensuring that appropriate advice is given on all financial matters, for keeping proper financial records and accounts, and for maintaining an effective system of internal financial control;
- ensure the Accounting Officer or a senior officer has clear delegated responsibility for ensuring that agreed procedures are followed and that all applicable statutes and regulations, and other relevant statements of good practice are complied with;
- define clearly the roles and responsibilities of all senior officers, in writing.

ASPECT 4 – RISK MANAGEMENT AND INTERNAL CONTROL

A Department needs to establish and maintain a systematic strategy, framework and process for managing risk. Together these arrangements should:-

- allow for public scrutiny of the Department's risk management strategy, process and framework to demonstrate accountability;
- demonstrate integrity by being based on robust systems;
- include mechanisms for monitoring and review;
- display openness by involving all those associated with planning and delivering services;

To meet these principles, a Department will need to:-

- develop and maintain sound systems for identifying, evaluating, controlling and monitoring all significant strategic and operational opportunities and risks;
- ensure the systems are developed and implemented in consultation with interested parties, and that they are clearly stated and disseminated;
- ensure the systems are in compliance with all applicable statutes and regulations and other relevant statements of best practice;
- ensure that public funds are properly safeguarded, used economically, efficiently and effectively, and in accordance with statutory and other authorities that govern their use;
- ensure that services are delivered by trained and competent people;
- put in place arrangements to allocate resources according to priorities;
- put in place effective arrangements for objective review and monitoring of risk management and internal control systems, including internal audit, to ensure effectiveness in practice;
- maintain professional and objective standards with their internal auditors, external auditors, and other statutory inspectors;
- provide within its annual Statement of Internal Control, an objective, balanced and understandable statement and assessment of the Department's risk management and internal control mechanisms and their effectiveness in practice;

ASPECT 5 – STANDARDS OF CONDUCT

The openness, integrity and accountability of individuals within a Department is the cornerstone of effective corporate governance. The reputation of the Department depends on the standards of behaviour of everyone in it, including agents contracted to it.

Therefore the Minister, Members, and senior officers of a Department will need to:-

- exercise leadership by conducting themselves as role models for others within the Department to follow;
- ensure compliance with relevant professional and corporate standards of personal behaviour and codes of ethics;

To meet these principles, Departments need to:-

- put in place arrangements to ensure:-
 - accountability and effectiveness through establishing and monitoring systems for discipline and grievance;
 - that objectivity and impartiality are maintained in all relationships to demonstrate integrity;
 - there is full compliance with agreed complaints procedures.
- comply with the formal codes of conduct defining the standards of personal behaviour to which individual Members, officers and agents of the Department should be required to subscribe and put in place arrangements to ensure that they are complied with in practice;
- put in place arrangements to ensure that Members and all staff of the Department are not influenced by prejudice, bias, or conflicts of interest in dealing with different interested parties and ensure that these arrangements continue to operate in practice;
- put in place arrangements to ensure that their procedures and operations are designed and monitored in conformity with
 - prescribed Government Policy;
 - the general framework of financial regulations;
 - any relevant legislative requirements, and
 - appropriate ethical standards.



**Developing Performance
in the Isle of Man Government**

Chief Officer Competencies

CHIEF OFFICER COMPETENCIES

The competencies represent the mix of knowledge and experience, skills, attitudes and behaviours that lead to effective performance as a Chief Officer, both now and looking forward to the future. They do not seek to include all the detailed knowledge and experience required within Departments but instead focus on the behaviours that differentiate the successful Chief Officer.

Providing Leadership and Direction

Creating a vision of the future and inspiring people to achieve improved performance

Thinking Strategically

Harnessing ideas and opportunities and focusing on the delivery of public services

Building Partnerships

Taking a corporate approach to issues and building strong internal and external relationships

Managing the Political Environment

Showing political awareness, sensitivity and judgement

Achieving Results

Planning, monitoring and delivering customer service improvements and value for money

Changing and Developing

Leading the change process and looking for opportunities to develop and improve

Making a Difference

Behaving with openness and integrity and in accordance with the Core Values of the Isle of Man Government

Providing Leadership and Direction

<p><i>Provides leadership and direction to the Isle of Man Public Services. Is a confident and credible leader, providing clear sense of purpose and direction both for the organisation and their Department. Inspires staff by communicating a motivating vision and clear sense of purpose. Provides a positive role model and instills respect and confidence. Allows Managers the authority to deliver the agreed Business/ Operational Plan.</i></p>	
Positive Behavioural Indicators	Negative Behavioural Indicators
<ul style="list-style-type: none"> • Plays an active role in creating and renewing the vision for the Isle of Man • Communicates a compelling view of the future • Inspires others to achieve through commitment, enthusiasm, and clear idea of what needs to be achieved and making things happen. • Sets clear long and short term objectives • Speaks with obvious enthusiasm, conviction & commitment about the work of the organisation and Departments • Adapts leadership style to suit different people, groups and situations • Gets staff respect by showing consistency in their actions; showing trust & pride in their staff; delivering on realistic promises; treating staff with equal respect • Builds (and is a member of) high performing teams adapting style and approach appropriately to benefit the team • Allows managers to exercise delegated authority to deliver agreed plans • Praises achievement and celebrates success 	<ul style="list-style-type: none"> • Has a limited role or plays no part in creating and updating the vision for the Isle of Man • Unclear and/or unconvincing in describing the future • Does not inspire staff and gets things done through positional power or administration • Looks to others to provide direction • Lacks conviction or enthusiasm when speaking about the work of the organisation or Departments. Speaks in a negative way about this • Has limited range of leadership styles and does not adapt approach effectively • Is changeable and inconsistent in their actions; fails to deliver promises; treats staff unequally (e.g. based on grade; favouritism); does not practice what they preach. • Does not adapt style and approach to suit different team situations • Does not agree parameters within which senior managers may make operational decisions; once agreed, does not 'back off' to allow senior manager to act • Does not recognise successful performance or takes it for granted

Thinking Strategically

Thinking Strategically	
<p><i>Stands back from operational matters and focuses on broader, more far-reaching issues. Take steps to ensure that they are well-informed about external issues. Takes account of external trends in developing strategies and plans to influence the thinking and planning at political and corporate level. Focuses on key issues and opportunities to improve public services.</i></p>	
Positive Behavioural Indicators	Negative Behavioural Indicators
<ul style="list-style-type: none"> • Adopts a strategic approach. Steps back from operational involvement to focus on broader, more far-reaching issues for the organisation. • Reads, researches and discusses information about external issues. Assesses these to identify implications for the organisation. Ensures they are well-informed. • Brings research to bear on the thinking & planning processes at political & corporate level • Assimilates and makes sense of complex or conflicting data and different perspectives • Homes in on key issues to the Isle of Man at an early stage and defines them clearly and concisely • Finds new ways of looking at issues • Formulates strategies to achieve the vision • Gives objective and balanced advice based on sound evidence and analysis • Talks about the organisation as part of the wider community, with the attendant responsibilities, potential for impact and challenges that brings 	<ul style="list-style-type: none"> • Becomes overly involved in operational matters at the expense of strategic thinking/ planning time and action • Is not as well-informed as they should be; tends not to set aside time for research and thinking. Reads widely, but does not always follow through in relating this to the organisation • Contributions to political/ corporate thinking and planning discussions, is not always informed by up-to-date, relevant research • Struggles to make sense of complex/conflicting information or form a clear view • Fails to identify critical issues or does so unclearly or too late to take appropriate action • Sticks with traditional ‘tried and tested’ solutions • Unable to translate vision into practical strategies • Advice is often given from a particular perspective or is not evidence based • Sees the organisation in isolation from the wider community; does not talk in terms of the responsibilities, challenges and potential for impact this brings

Building Partnerships

Demonstrates a positive attitude to working collaboratively at the corporate level and promotes effective corporate working. Understands the influential relationships at play in the organisation and uses these in a constructive way. Has a knowledge and/ or experience of other corporate functions of the organisation. Recognises the importance of networking externally and building strong partnerships with a wide range of local and international organisations.

Positive Behavioural Indicators

- Identifies the opportunity to improve delivery through partnership
- Builds productive relationships with people across and outside the organisation
- Readily shares ideas and information with others
- Works collaboratively with partners to achieve the best practical outcomes
- Spend time working with influential individuals and groups in advance of decision-making process to ensure understanding of proposals and to inform own tactics
- Takes a corporate view when making decisions
- Treats others' views, concerns and suggestion with interest and respect
- Makes effort to understand the agenda of other person and their motivations. Uses knowledge of other functions to promote effective corporate working
- Combines ability to articulate views clearly with well-developed interpersonal skills to produce a persuasive communication style
- Takes personal responsibility for bringing COG discussions to clearly agreed decisions
- Implements corporate decisions with energy and commitment

Negative Behavioural Indicators

- Sticks with traditional methods of delivery
- Has own set of colleagues and contacts and does little to expand network
- Treats information as power and is reluctant to share
- Works in an 'us and them' way with internal and external contacts
- Does not make time to work with influential individuals or groups to gain understanding and guidance on tactics, in advance of decision-making process
- Decision making tends towards what is best for the department
- Laughs off, dismisses or minimises the concerns and suggestions of others. Does not give a 'fair hearing' before making judgement
- Makes little or no effort to understand and accommodate the agenda of others. Ignores the priorities/ motivations of others
- Communication style lacks the 'personal' touch/ social skill and is not persuasive or compelling
- Expresses views but does not ensure that decisions are taken
- Says one thing but does another

Managing the Political Environment

<p><i>Is keenly attuned to the political interface at senior level, understands the political relationship and actively manages it in a constructive manner. Demonstrates an understanding of the processes and strategies for gaining agreement at the highest level. Lobbies successfully, by adopting a strategic approach to persuading others, using network of contacts and the contribution of others to build the strength of their arguments. Consistently succeeds in gaining agreement to proposals at political, corporate and organisational level. Prepares thoroughly for discussions and negotiations, with various scenarios and contingencies planned.</i></p>	
Positive Behavioural Indicators	Negative Behavioural Indicators
<ul style="list-style-type: none"> • Actively manages the political interface at both departmental and corporate level – predicts, anticipates, shapes, manipulates, influences • Exerts a control over the political relationship, using personal influence • Informs the political decision-making process – gives information, instead of waiting for decision • Anticipates the needs of politicians for guidance/ information. Offers this in an appropriate form • Stays calm, controlled and productive in all dealings at the political level • Is considered & measured in all personal dealings with politicians and chief executive officers • Demonstrates sensitivity to wider political and organisational priorities • Uses the advice, assistance & intervention of others’ to build the strength of their argument and assist the persuasion process at the highest level • Plans their tactical approach to presenting, clarifying and winning support for their proposals • Displays a tough mental attitude when being challenged. Remains focused on finding a solution to defuse the situation with an openness to new ideas and options 	<ul style="list-style-type: none"> • Is cynical about the benefits of or is unable to proactively managing the political interface • Is reactive in the political relationship, rather than think in advance (Holes in the road, rather than state of the nation) • Accepts a decision and tries to make it work, rather than set out to shape/ influence decisions • Does not anticipate the needs/ interests of politicians. Does not offer advice/ information • Manifestly in fear of political interface – buries head in sand, avoids contact • Adopts an abrasive, confrontational attitude in dealings with politicians or chief executive officers • Takes a narrow departmental perspective • Does not make best use of the advice, assistance & intervention of others to strengthen arguments or assist in persuading at the highest level • Does not plan their tactics effectively for presenting, clarifying and winning support for proposals • Does not handle challenges well – ‘caves in’ too easily or adopts a stubborn, aggressive approach. Becomes ‘flustered’ by challenging questions. Does not focus on finding a solution. Fails to defuse difficult situations.

Achieving Results

Identifies corporate priorities and secures and plans resources to deliver organisational/ corporate goals. Directs the allocation of resources to deliver corporate goals and communicates changing priorities, reallocating organisational resources where required. Leads by example, showing a sense of urgency and a positive, 'can do' attitude with a transparent determination to succeed. Focuses on what will deliver customer service and value for money. Able to deal with pressures and to manage conflict in the course of achieving results. Takes responsibility for the results achieved by the organisation.

Positive Behavioural Indicators

- Plays a full part in developing & agreeing the Isle of Man Plan
- Takes an organisational view of where resources should best be assigned. Balances corporate and departmental requirements
- Secures the resources necessary for staff to deliver agreed goals. Makes a convincing Business Case to resource corporate & Departmental plans
- Takes an active responsibility for defining SMART long-term & short-term objectives linked to the corporate Business Plan and Departmental plans
- Sets out clear, realistic corporate timescales for delivery of objectives and communicates these to senior managers.
- Transmits a sense of energy & urgency in their words and actions. Is keen to see results
- Recognises that customer service and improved public services are at the core of everything that the organisation does and acts accordingly
- Co-ordinates between Departments and/ or other teams to ensure smooth progress to achieving desired results
- Is not deflected by obstacles or problems
- Rigorous in monitoring and reviewing progress and performance at corporate and departmental level

Negative Behavioural Indicators

- Fails to actively contribute to developing & agreeing the Isle of Man Plan
- Takes a narrow view of resource requirements. Is unwilling to recognise other corporate priorities. Does not allocate resources to reflect an objective corporate/ departmental balance
- Does not make a convincing Business Case to secure resources required to deliver corporate & Departmental plans
- Does not produce objectives; objectives set are not SMART; does not take an active role in defining corporate or Departmental objectives
- Timescales set are not clear or achievable. Does not effectively communicate these to senior managers
- Lacks energy in their words and actions. Is 'relaxed' about achieving results
- Loses sight of the importance of customer service or pays lip service to it
- Does not intervene effectively to smooth out difficulties or allows conflict situations to persist to the detriment of performance
- Avoids dealing with difficult problems and/or is continually fire fighting
- Focuses more on process than performance. Does not review progress closely or frequently enough

Changing and Developing

Creates a working environment within the organisation, where continuous development to meet changing demands on the organisation or reflect changing priorities is accepted. Actively seeks out fresh ideas and approaches. Champions change projects and communicates in a positive way about the benefits. Accepts and adapts to change or new circumstances. Recognises the importance of developing talent and potential within the Isle of Man Government. Identifies development opportunities for individuals both within own department and corporately. Seeks to improve others' skills and capabilities by providing them with appropriate learning and development opportunities to stretch their abilities.

Positive Behavioural Indicators

- Brings in new ideas from outside the organisation to generate fresh perspectives at the highest levels
- Creates and promotes an atmosphere/ workplace culture of 'no blame' where staff are encouraged to experiment and take calculated risks
- Encourages managers to suggest fresh approaches and to develop ideas to improve the range and quality of services provided
- Creates appropriate corporate frameworks to support & monitor continuous improvement
- Shows commitment to own self-development and acts as a positive role model to others
- Is quick to adapt own approach and revise plans in the light of changed circumstances
- Challenges the status quo and shows a willingness to question traditional assumptions
- Commits the organisation to supporting initiatives to develop staff and improve the capability of the organisation to deliver its objectives.
- Takes measures to continuously improve the corporate assessment, appraisal and development systems
- Sets a positive example, both within own department and across the wider Public Service of coaching and mentoring individuals so they give of their best

Negative Behavioural Indicators

- Invests little or no time & energy in identifying fresh ideas to stimulate corporate thinking
- Sets a tone by words and actions of 'blaming the culprit', discouraging staff from experimenting and taking calculated risks
- Does little or nothing to encourage managers to think of fresh approaches to service provision. Actions/ attitude discourage managers from suggesting new ideas
- Does not commit to creating adequate corporate frameworks to support & monitor continuous improvement
- Shows little interest in own continuing development
- Is slow or reluctant to change own approach or modify plans in the event of changed circumstances
- Accepts the traditional or 'tried & tested' approach. 'We've always done it this way' is used as a reason not to explore alternative approaches
- Is reluctant to consider and act upon initiatives designed to develop staff and their capabilities
- Does not actively contribute to continuous improvement of these corporate systems
- Talks about the importance of training and development but takes little positive action

Making a Difference

Behaving with openness and integrity and in accordance with the Core Values of the Isle of Man Government. Leading by example. Showing the determination, patience and resilience to deal with difficult problems, overcome barriers and handle the pressures and stresses of a high profile role. Demonstrates clear and sustained drive and determination to deliver and to succeed

Positive Behavioural Indicators

- Visible and approachable to all
- Acts with honesty and integrity
- Resilient and determined
- Displays a tough mental attitude when being challenged. Remains focused on finding a solution to defuse the situation
- Challenges and is prepared to challenge
- Accepts responsibility for own decisions
- Says what people may not want to hear
- Takes difficult decisions and measured risks
- Communicates with maximum impact, drive and energy.
- Consistently delivers high volume of high quality work

Negative Behavioural Indicators

- Aloof and arrogant. May be visible but not accessible
- Says one thing and does another
- Takes contrary views as a personal criticism
- Does not handle challenge well – ‘caves in’ too easily or adopts a stubborn, aggressive approach. Becomes ‘flustered’ by challenging questions. Does not focus on finding a solution. Fails to defuse difficult situations.
- Accepts the status quo
- Seeks to blame others when things go wrong
- Does not speak out even when disagreeing with the majority view
- Leaves difficult decisions to others or leaves decision until has no alternative but to act. Takes the ‘tried and tested’ option.
- Lacks impact, drive and energy when speaking
- Work delivered is inconsistent or mediocre in terms of volume and/ or quality