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Pages 1 of 12

Dear Richard

Improvement Assessment

I am required, under the Local Government (Wales) Measure 2009 (the Measure) to report my audit and assessment work in relation to whether the Isle of Anglesey County Council (the Council) has discharged its duties and met the requirements of the Measure.

This letter summarises:

- my views on whether the Council has discharged its statutory duties in respect of improvement planning;
- my views on the Council's compliance with requirements to make arrangements to secure continuous improvement, based on work carried out to date by the Wales Audit Office and relevant regulators, including:
 - the Council's progress on areas for improvement and recommendations identified in my previous assessments;
 - any relevant issues that may have emerged since my last report, including comments on how the Council is addressing financial challenges; and
 - a brief summary of any reports of relevant regulators issued since my last report.
- my further proposals for improvement and/or recommendations; and
- updates to the Wales Audit Office work plan and timetable for delivering my Improvement Assessment work.

I shall update my views during the year and will provide a further letter by the end of November 2012.

The Council has discharged its improvement planning duties under the Measure and has acted in accordance with Welsh Government guidance

I have reached this conclusion because:

- the Council Plan 2012-15 (the Plan) sets out the Council's improvement objectives, which comply with the Welsh Government guidance and appear achievable;
- improvement objectives are based on the Commissioners' key areas for improvement and the areas of improvement identified by external regulators, and have been endorsed by the Council;
- the results of engagement with the public have informed the development of outcomes;
- the Council has set ambitious targets for achievement during the life of the Plan; and
- the accounts have been publicised in accordance with statutory timescales.

The Council Plan identifies four improvement objectives for 2012-13 and explains clearly why the improvement objectives were chosen. The Plan is more outcome-based than before and better reflects the needs of citizens. The Council conducted a citizens' survey earlier this year and used the feedback to re-set the Council's priorities for 2012-13 and to shape its Plan for 2012-15. Citizens are being encouraged to continue to contact the Council to help establish improvement objectives for 2013-14. The Plan is available in an abbreviated summary version, which the Council is promoting.

There remains scope for the Council to further improve the quality of its Plan. For example each improvement objective has a description of what success will look like, but some are not sufficiently clear about how they will be measured or, in some cases, what the standard is. Actions are set out in the Plan, but some are not clear enough about what the Council intends to do.

The Council's draft Statement of Accounts were certified by the interim s151 officer by the deadline of 30 June 2012 and presented to the Audit Committee in July 2012. The audit of the Statement of Accounts is substantially complete and approval and publication of the accounts with the audit certificate is expected before the end of September 2012 deadline. This is the first time in the last three years that this process has been completed in accordance with all statutory timescales.

Based on, and limited to, work carried out to date by the Wales Audit Office and relevant regulators, I believe that the Council is likely to comply with the requirement to make arrangements to secure continuous improvement during this financial year

I have reached this conclusion because:

- the Council is making good progress in addressing the Commissioners' 10 Corporate Governance improvement themes;
- the Council's clarity of direction is improving and there has been reasonable progress in addressing the proposals for improvement identified in my last Annual Improvement Report;
- though not yet complete, the restructuring of senior management adds significantly to the Council's capacity and its capability to deliver further improvement in both corporate and service-specific functions;
- the Council is dealing more maturely than before with controversial issues and has taken steps to ensure that the improvement is sustainable;
- the Council has improved its engagement with the public and is beginning to address democratic renewal; and
- the Council has responded constructively and responsibly to the recent highly critical inspection of its education services by Estyn and the Wales Audit Office.

The Council is making good progress in addressing the Commissioners' 10 Corporate Governance improvement themes

Following my recommendation in 2011, the Minister for Social Justice and Local Government appointed five Commissioners who replaced the Council's Executive. This scale of intervention was unique, reflecting the seriousness of the Council's historical problems. The Commissioners subsequently developed a work programme to help lead to a sustainable improvement in the Council's corporate governance. The work programme includes the development of 10 corporate governance improvement themes against which the Commissioners regularly assess the Council's progress. The themes are comprehensive in their coverage of the critical issues that the Council needs to tackle in order to establish a long-term sustainable recovery.

The latest Commissioners' quarterly report shows satisfactory progress against all 10 corporate governance improvement themes with more than half assessed to be progressing well against expectations.

The Council's clarity of direction is improving and there has been reasonable progress in addressing the proposals for improvement identified in my last Annual Improvement Report

I have previously made a number of proposals for improvement and also noted some areas where we would undertake further work. Progress on these matters is summarised below and described in more detail in Appendix 1. With the support and guidance of the Commissioners:

- the Council has recruited three new senior officers with credible track records of performance improvement;
- the Chief Executive has established a new senior leadership team whose structure will enable greater focus than before on managing internal and external relationships, change management, project and programme management;
- Heads of Service submit Service Delivery Plans holding them more accountable for the operational delivery of change management;
- the ICT service is being restructured to become more customer focused and to modernise the way the Council conducts its business; and
- the staffing structure in the finance department is being developed to provide additional capacity to support services as well as providing the required corporate finance services.

Though not yet complete, the restructuring of senior management adds significantly to the Council's capacity and its capability to deliver further improvement in both corporate and service-specific functions

Since I last reported, the Council has recruited three new and experienced officers to its senior management team. The expertise that they bring to the Council adds significantly to its capacity to embed the changes introduced by the Commissioners and to identify and implement further improvement. Given effective political leadership and support, the new senior managers also bring the potential to address the weaknesses that have emerged in key services since the Commissioners' appointment and to which I refer later in this letter. The Council has engaged external support to help to blend its new management team into an effective and cohesive unit that makes the best use of the individuals within it.

The post of Head of Resources within the management team remains unfilled but a second recruitment campaign has attracted significant interest and the Council hopes to make an appointment in the near future. In the meantime, the interim post-holder is providing sound leadership in helping the Council to address the significant financial challenges it faces and in beginning to reform the finance and ICT services.

The Council is dealing more maturely than before with controversial issues and has taken steps to ensure that the improvement is sustainable

Since their appointment, the Commissioners have worked hard to develop the skills of councillors and to draw on their local knowledge before making decisions. The shadow Executive, in particular, has responded well and is taking a mature approach over difficult issues, working well with Commissioners, the Chief Executive and officers on key developments.

In contrast to the past, the Standards Committee has shown itself to be willing to act decisively when necessary and the number of referrals to the Ombudsman has fallen. There are also fewer instances than before of members briefing the press and acting unilaterally to try to address issues within their wards.

The Council has amended its Constitution to improve the way in which it operates. The changes should help to prevent some of the issues which previously resulted in political instability and add a degree of sustainability to the Council in future.

The Council has improved its engagement with the public and is beginning to address democratic renewal

The Council has signalled its intent to improve its engagement with the public through the better management of its website, which is increasingly accessible, informative and consultative. The Council has arranged public 'road shows' to seek the views of its citizens. However, the Council now recognises that these road shows have been time-consuming in relation to the numbers attending and the limited benefits achieved. The Council has addressed this and has now established a panel of 400 residents who are willing to be consulted on a range of issues.

The Council has accepted the Boundary Commission proposals to reconfigure ward boundaries to create multi-member wards after the elections in May 2013. As a result, the Council's membership will fall from 40 to 30 councillors. The Council's acceptance of this understandably controversial change provides further evidence of members' increasing maturity. The reduction in the number of members will inevitably require changes in the Council's Executive and committee structures. In anticipation of this, one of the Commissioners is chairing a working party to establish the new structure before the elections so that there is no subsequent loss of momentum. The Council is also planning an induction process for new members.

The Council has responded constructively and responsibly to the recent highly critical inspection of its education services by Estyn and the Wales Audit Office

In May 2012, Estyn and the Wales Audit office inspected the Council's Local Authority Education Services for Children and Young People. The inspection found that the services were unsatisfactory and that they had unsatisfactory capacity to improve. The report recommends that the Council should:

- raise standards in all key stages and make sure that all learners who can do so achieve functional literacy by the end of key stage 2;
- plan more effectively with relevant professionals to improve school attendance rates;
- establish sound business-planning , project-planning and risk-assessment processes to professionalise the operational delivery of education services;
- plan better efficiencies in the allocation of resources for the Lifelong Learning service;
- secure more thoroughness and consistency in requirements for self-evaluation, both operationally and strategically;
- take action to reduce surplus places; and
- formalise and strengthen performance management systems and challenge the performance of schools and officers.

These are challenging recommendations. The report recognises that, since their appointment in March 2011, Commissioners had concentrated their efforts on building corporate functions and processes. The new Corporate Director of Lifelong Learning was not full time in post until after the inspection, following a period of 12 months during which the post was vacant. This led to a reduction in the department's capacity during a difficult period.

Some of the issues arising are a legacy of poor corporate governance in recent years. The Council has reacted constructively and responsibly to these challenging findings and recommendations and has drafted an action plan to improve the quality of its education services. A Recovery Board appointed by the Minister for Children, Education, Lifelong Learning and Skills will oversee the Council's progress.

The full set of data about the performance of schools in 2012 is not yet available. However, there are promising signs that the performance of pupils in primary schools, in particular, has improved significantly since 2011.

Further proposals for improvement/recommendations

In my last Annual Improvement Report, I recommended that Welsh Ministers should:

- promote the gradual transfer of decision-making power from the Commissioners to the shadow Executive; and
- as the transfer of decision-making power proceeds, re-define the role of Commissioners so that they monitor the Council's progress, while retaining the power to intervene as necessary.

I believe that the time is now right to implement this recommendation. I agree with the Commissioners' evaluation that the conditions have now been created which would enable the Minister to consider a return to democratic control with specific safeguards in place. While the precise nature of such safeguards is a matter for the Minister, I recommend that Commissioners should:

- continue to provide the Minister with quarterly monitoring reports focusing, in particular, on the Council's progress in implementing the 10 Corporate Governance improvement themes; and
- retain a power to confirm or override any decision made by the Council or its Executive which appears to the Commissioners to have been taken in contravention of relevant advice or recommendations.

Senior leaders at the Council acknowledge that the Commissioners have much to offer in continuing to improve the way in which the Council conducts its business. However, in taking up a revised role in which they no longer act as the Council's Executive, but, instead, monitor the Council's own decision-making, it will be important that the Commissioners are alive to the risk that they might compromise their independence in reviewing decisions where they have actively engaged as advisors on matters of policy.

Under such revised terms of intervention, I acknowledge that the Council faces a particularly challenging period as the May 2013 elections approach. In addition to maintaining the momentum of improvement in its governance, councillors will face stern tests in approving a budget for 2013-14 and in addressing the modernisation of key services such as education and social care. More work is also necessary to re-establish the confidence of local government and other partners in the Council's long-term future.

I therefore make no further recommendations or proposals for improvement to the Council in this letter. We will continue to monitor and report on the progress made by the Council in implementing the proposals set out in my previous reports and letters.

Updates to the work plan and timetable

My Improvement Assessment Team will keep the Council informed of the detailed arrangements for the delivery of my assessment work.

The regularly updated work plan and timetable provides more detail on the work being delivered during this year's assessment and in particular how we will add value by focusing on jointly identified areas or services.

The work plan and timetable takes account of my consultation with improvement authorities over my proposals for 2012-13 performance audit work. In particular, I shall be asking my Improvement Assessment Team to consider during the year the reliance that we can place upon the self-assessment processes (including your review of governance in producing the Annual Governance Statement and your Annual Performance Report). I shall comment on this approach in my Annual Improvement Report.

I am grateful to the Council for the way in which it has helped to facilitate our work and hope to see even more effective and efficient arrangements developing over time. I remain committed to providing appropriate levels of public assurance while supporting you in mitigating the inevitable risks to services and accountability that stem from reducing resources and consequential change.

Yours sincerely



HUW VAUGHAN THOMAS

AUDITOR GENERAL FOR WALES

CC: Carl Sargeant, Minister for Local Government and Communities

Huw Lloyd Jones – Manager

Andy Bruce – Performance Audit Lead

Appendix 1

Proposals for improvement	Progress
<p>P1. The Council should make arrangements that enable the Chief Executive to focus on:</p> <ul style="list-style-type: none"> • leading and developing the Senior Leadership Group; • managing individual members of the Senior Leadership Group, holding them to account for the delivery of specific aspects of the Council's agenda for improving governance; and • representing the Council externally. 	<p>The Council has improved its arrangements to enable the Chief Executive to focus more on leadership responsibilities and manage external relationships. The restructure includes a newly formed Senior Leadership Team consisting of; the Chief Executive, Deputy Chief Executive, Director of Communities, Director of Lifelong Learning, Director of Sustainable Development and Head of Function (Resources).</p> <p>Accountability is strengthened by the development of a Senior Leadership Team business plan and workshops provided by an external consultancy.</p>
<p>P2. The Council should develop the role of middle managers so that:</p> <ul style="list-style-type: none"> • collectively, they provide feedback to senior managers about the implementation of change; and • both individually and collectively, they are accountable for the operational delivery of change in the services which they manage. 	<p>The Council is developing the role of middle managers through a number of initiatives including, working with an external consultancy to create an Organisational Development strategy. The Senior Leadership Team is considering an operating model for the strategy and an internal communication strategy in September 2012.</p> <p>The Corporate Planning and Performance Management Framework requires Heads of Service to submit Service Delivery Plans (SDP's) which identify the contribution services will make to delivering change and who is accountable. The plans are available through the Council's intranet and quarterly performance monitoring meetings for middle management will provide feedback to senior managers about any risks linked with the implementation of change.</p> <p>Progress towards the Corporate Business Plan and Service Delivery Plans are assessed through quarterly performance monitoring meetings. During the meetings, the risk registers are monitored and updated.</p> <p>The Sustainability Board receives updates on the draft risk management strategy and corporate risk register. The Senior Leadership Team is presently updating the action plan for the risk register and will report to the Council's Audit Committee.</p>

Proposals for improvement	Progress
<p>P3. The Council should secure sufficient capacity and capability in its finance, HR and ICT services to:</p> <ul style="list-style-type: none"> • deliver the necessary corporate functions associated with each of these services to required standards; and • provide support to other Council services in accordance with agreed standards. 	<p>The Council is making progress to increase its capacity and capability in ICT, HR and Finance services:</p> <p>ICT</p> <p>The Council is restructuring the ICT service to adopt a more customer-focused approach and respond to the transformation agenda. Staff is being re-deployed to ICT to increase capacity and a re-design of roles, training, development and accreditation.</p> <p>HR</p> <p>The Council is releasing additional funding to increase strategic capacity and five additional staff have been appointed to improve capacity and succession planning. A dedicated HR officer has been appointed to support the interim Head of Service and key posts have been identified to support the Council's strategic direction. The Council has appointed a strategic lead on workforce planning.</p> <p>Finance</p> <p>The Council is releasing additional funding to increase capacity within Finance. The staff structure for Finance is being developed to provide additional capacity to support services as well as providing a corporate finance service. On a temporary basis, the Council is contracting experienced finance interims to review and strengthen its processes and to assist with developing permanent staff. Mentoring arrangements are in place and staff are seconded to cover the ledger implementation process. The Council has procured a new financial system and the Accounts closure process has been reviewed and streamlined.</p> <p>The Council's medium term strategy is updated with budget guidelines for 2013-14. Members have attended specific workshops to provide additional guidance.</p>

Proposals for improvement	Progress
<p>P4. The Council should:</p> <ul style="list-style-type: none"> • collectively, specify its improvement objectives for 2012-13 in a manner that enables it to determine and report whether or not they have been achieved; and • draw on its analysis of 2011-12 performance to learn from what has gone well and to determine and report what steps it needs to take to improve. 	<p>The Council's Improvement Priorities for 2012-13 are agreed and measures are being developed to assess whether the priorities are being achieved. These include quarterly performance meetings to monitor progress towards service delivery plans and corporate business plan objectives.</p> <p>The Council has introduced Service Performance Reviews to identify performance strengths and weaknesses and measure progress against the service and corporate targets.</p> <p>A citizens' survey was conducted in early 2012 and feedback from the survey was used to help set priorities for 2012-13. To help shape priorities for 2012-14, further consultation is encouraged through the Council's website and public panel.</p> <p>A performance review plan is being developed to help analysis previous performance and identify weaknesses and areas for further improvement.</p> <p>The Senior Leadership Team is reviewing performance data and trends to help prioritise improvement areas for 2013-14 and beyond.</p>