



WALES AUDIT OFFICE
SWYDDFA ARCHWILIO CYMRU

Annual Improvement Report

Isle of Anglesey County Council

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About the Auditor General for Wales

The Auditor General is independent of government and is appointed by Her Majesty the Queen. He leads the Wales Audit Office and is held accountable by the Public Accounts Committee of the National Assembly for the Wales Audit Office's work.

The Auditor General is the external auditor of the Welsh Government and its sponsored and related public bodies, the Assembly Commission and National Health Service bodies in Wales. He also appoints the external auditors of Welsh local government bodies, including unitary authorities, police, probation, fire and rescue authorities, national parks and community councils. The Auditor General's appointed auditors are responsible for the annual audit of the majority of public money spent in Wales, including the £15 billion of funds that are voted to Wales annually by the Westminster Parliament. Nearly £5.5 billion of this funding is passed by the Welsh Government to local government in the form of general and specific grants. Local government, in turn, raises a further £2.1 billion through council tax and business rates.

As well as carrying out financial audit, the Auditor General's role is to examine how public bodies manage and spend public money, including achieving value in the delivery of public services. The Wales Audit Office aims to make public money count, by promoting improvement, so that people in Wales benefit from accountable, well-managed public services that offer the best possible value for money. It is also committed to identifying and spreading good practice across the Welsh public sector.

Huw Vaughan Thomas, Auditor General for Wales, was supported by Huw Lloyd Jones and John Roberts and colleagues under the direction of Alan Morris in conducting the Improvement Assessment and producing this report.

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Summary report

- 1 Each year, the Auditor General must report on how well Welsh councils, fire and rescue authorities, and national parks are planning for improvement and delivering their services. Drawing on the work of the Wales Audit Office and relevant Welsh inspectorates, this report presents a picture of the extent to which Isle of Anglesey County Council (the Council) has improved over the last year, and its arrangements for securing further improvement. The report is in three main sections which cover the planning, delivery and evaluation of improvement by the Council.
- 2 The first section of the report focuses mostly on the Council's forward planning of its work for the financial year 2011-12 and the arrangements that underpin that work. The second section, the delivery of improvement, looks back on the Council's performance in priority areas during 2010-11. However, we have also referred to more recent performance in those areas such as education where published data is available. In the third section of this report, we comment on the way the Council evaluates its performance, with particular emphasis on the Council's self-assessment of its work in 2010-11.
- 3 Overall the Auditor General has concluded that the Council is addressing weaknesses in its improvement planning and evaluation of performance but emerging weaknesses in some key services reflect past under-investment in developing management capacity at both corporate and service levels.
- 4 We found that the Council has made promising progress in addressing longstanding weaknesses in its improvement planning and decision-making but much work remains to assure the sustainability of change. In particular, we found that:
 - the Commissioners have identified and begun to implement an ambitious programme of change aimed at securing effective and sustainable governance;
 - there has been a promising start in addressing priorities but senior management remains fragile and it is too early to judge whether improvements in the Council's governance can be sustained;
 - work is in hand to address the Council's failure during the last two years to approve its accounts by the required deadline but the Council's financial outlook is challenging; and
 - the Council's arrangements for developing, using and supporting technology are unlikely to support continuous improvement and, like other corporate services, are constrained by resource and capacity issues.
- 5 We also found that there have been some improvements in frontline services but weaknesses in social services for children and slow progress within the schools service reflect a lack of past investment in management capacity.

- 6 In relation to the Council's services to support people in need, we found that improvement in Children's Services has been slow to emerge. Despite having identified the need for improvement over a number of years, the Care and Social Services Inspectorate for Wales (CSSIW) reported that there had been no significant change for the better when it issued the Annual Review and Evaluation of Performance in October 2011. The CSSIW's inspection of assessment and care management in early 2011 found that the quality of many assessments was poor, there were delays in assessing complex and serious cases, and assessments were not completed in a timely manner. However, CSSIW has also reported that aspects of the remodelling of services for older people reflect strategic planning and effective leadership.
- 7 The Council's services to help people develop face a number of challenges. Despite the high and increasing costs of the schools service, Estyn (Her Majesty's Inspectorate of Education and Training in Wales) has told us that, when compared with similar schools across Wales, more Anglesey schools performed at below-average levels in 2011 than might be expected in all key stages. However, the Council has strengthened its Children and Young People's Partnership following a critical inspection by Estyn in 2009.
- 8 Services that aim to promote a pleasant and sustainable environment have performed well, and work to increase the island's prosperity is showing promise. The Council has introduced food waste collections across the island and the proportion of waste sent to landfill has fallen further and by more than the Council's target. The Energy Island Programme was launched in June 2010, with the aim of placing Anglesey as a major low-carbon, sustainable energy hub that will benefit the island and the rest of north Wales. The Council has also estimated that the value of tourism to the island's economy increased by six per cent during 2010-11.
- 9 Finally, this report sets out our views on the Council's own assessment of its performance and arrangements. We concluded that the Council's review of its performance in 2010-11 complies with statutory requirements in most respects but the lack of clearly stated objectives at the beginning of the year makes effective evaluation impossible.

Recommendations and proposals for improvement

Recommendation

- R1** To support the sustainability of the Council's recovery, 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.

Proposals for improvement

- P1** The Council should make arrangements that enable the Chief Executive to focus on:
- 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.
- P2** The Council should develop the role of middle managers so that:
- 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.
- P3** The Council should secure sufficient capacity and capability in its finance, HR and ICT services to:
- 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.
- P4** The Council should:
- 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.

Detailed report

Introduction

- 10 This report was prepared by the Wales Audit Office on behalf of the Auditor General. On [page 2](#) you can find a brief explanation of what the Auditor General does.
 - make formal recommendations for improvement – if a formal recommendation is made the Council must respond to that recommendation publicly within 30 days; and
 - make proposals for improvement – if we make proposals to the Council, we would expect it to do something about them and we will follow up what happens.
- 11 Under the Local Government (Wales) Measure 2009 (the Measure), the Auditor General must report each year on how well Welsh councils, fire and rescue authorities, and national parks are planning for improvement and delivering their services. [Appendix 1](#) provides more information about the Auditor General's powers and duties under the Measure. With help from the Welsh Language Board and from Welsh inspectorates, Estyn (for education) and CSSIW (for social services), we have brought together a picture of what each council or authority in Wales is trying to achieve and how it is going about it. This report also sets out the progress the Council has made since the Auditor General published his last Annual Improvement Report, drawing on the Council's own self-assessment.
- 12 Throughout the report, we set out what the Council needs to do to improve its services. Given the wide range of services provided and the challenges facing the Council it would be unusual if we did not find things that can be improved. The Auditor General is able to:
 - recommend to Ministers of the Welsh Government that they intervene in some way;
 - conduct a special inspection and publish the report with detailed recommendations;
- 13 We want to find out if this report gives you the information you need and whether it is easy to understand. You can let us know your views by e-mailing us at info@wao.gov.uk or writing to us at 24 Cathedral Road, Cardiff, CF11 9LJ.

The Council is addressing weaknesses in its improvement planning and evaluation of performance but emerging weaknesses in some key services reflect past under-investment in developing management capacity at both corporate and service levels

- 14 There have been significant changes in the Council's governance during the period covered by this report. Our commentary on service performance (paragraphs 61 to 100) refers mostly to the Council's achievements during 2010-11 and on its performance against the improvement objectives it set at the beginning of that year. At that time, the Council's Executive took key decisions but Council staff were led by an Interim Managing Director appointed under the direction of the then Minister for Social Justice and Local Government. During this first intervention by the Welsh Government, a Recovery Board was in place in order to monitor the Council's progress in responding to the recommendations of the 2009 Corporate Governance Inspection.
- 15 Last year's Annual Improvement Report, issued in January 2011, concluded that the Council had made significant progress in addressing the recommendations of the 2009 Corporate Governance Inspection, but that some of the plans would take time to put in place throughout the Council in a way that made sure that the problems of the past did not resurface once the intervention was over.
- 16 However, political instability had begun to dominate Council business once again early in 2011, detracting from the progress that had been made. In February, the Minister for Social Justice and Local Government (the Minister) requested that the Auditor General should undertake an urgent assessment of the situation and that the assessment include the Council's progress towards addressing the findings in the 2009 Corporate Governance Inspection report and the Council's potential to address those findings fully, conclusively and sustainably by August 2011. The Auditor General published his Corporate Governance Re-inspection report¹ in March 2011 and concluded that Welsh Ministers' previous intervention in 2009 had not succeeded in producing a sustainable recovery from the Council's long history of weak governance, and that stronger intervention was necessary.
- 17 On 16 March 2011, the Minister responded to the Auditor General's recommendations by issuing a direction to the effect that control of the Council would pass from the existing elected executive to Commissioners appointed by him. On 31 March he announced the final appointments to his team of five experienced Commissioners who began their work on 1 April. The Minister also used his powers to designate a new Interim Chief Executive, formerly the Council's Director of Education and Leisure. These changes brought to an end the political instability that had triggered the Corporate Governance Re-inspection and marked the beginning of the second Welsh Government intervention.
- 18 Our assessment of the Council's planning and its arrangements to deliver improvement also refers to the progress made during 2010-11 under the first intervention. However, the assessment also refers to the work undertaken since 1 April 2011, when the second intervention began.

¹ *Special Inspection: Corporate Governance Re-inspection*, Wales Audit Office, March 2011. http://www.wao.gov.uk/reportsandpublications/localgovernment_695.asp

- 19 We do not undertake a comprehensive annual review of all the Council's arrangements or services. Our work has focused on the main objectives that the Council has set itself and builds upon earlier audit feedback and reports issued to the Council. The conclusions in this report are based on our cumulative and shared knowledge and the findings of the work we have prioritised to be undertaken this year.

The Council has made promising progress in addressing longstanding weaknesses in its improvement planning and decision-making but much work remains to assure the sustainability of change

- 20 In August 2011, the Auditor General for Wales wrote to the Council's Interim Chief Executive. The letter included:
- a summary of the Council's progress in addressing areas for improvement and recommendations identified in the 2010 Corporate Assessment, issued during the first intervention in September 2010;
 - a brief commentary on the issues that had emerged since the publication of the Corporate Governance Re-inspection report in March 2011, and comments on how the Council was addressing financial challenges; and
 - the Auditor General's assessment of the Council's compliance with its statutory obligations to make arrangements to secure continuous improvement.
- 21 The letter assessed the Council's progress in relation to the six areas for improvement that we had identified in the 2010 Corporate Assessment. In summary:
- the Council had made good progress in terms of improving public access to its proceedings by publishing on its website all appropriate committee agendas and papers in advance of each meeting;
 - there had been only limited progress in developing a clear approach to risk management;
 - there had been some progress in identifying indicators and measures against which to judge the progress of individual services and some of the programmes within the Corporate Business Plan for 2011-12;
- there was still much to do to better integrate the use of financial and performance information in the planning and monitoring of service delivery and, in particular, the delivery of the Affordable Priorities Programme;
 - work was in hand to develop a new Competency Appraisal Framework for staff and to implement it during the autumn of 2011; and
 - there had been little progress in the work of promoting democratic renewal, even though this was a key strand of the Minister's 2011 direction.
- 22 The Auditor General's August letter reported that, since beginning their work in April 2011, the Commissioners had completed their initial assessment and agreed a work programme, but that it was too early to assess whether or not that programme would deliver sustainable improvements. The Council was moving from the planning phase into the delivery stage and it was therefore too early to make a judgement about its prospects for improvement.
- 23 The letter summarised our findings in relation to a number of common issues facing councils across Wales. We found that in Anglesey:
- the Council's approach to public engagement was in transition and was improving but it did not yet have in place a robust framework that could show whether its efforts were having a positive impact;
 - the Council was maintaining its focus on meeting the financial challenges it faces but its project management and monitoring

arrangements were not supporting the delivery of its Affordable Priorities Programme well enough;

- over the last year, the Council has been trying to establish some of the basic requirements of an effective Human Resources (HR) service, but there were still a number of strategic challenges if HR management was to support the Council's improvement; and
- scrutiny had improved, but progress had been uneven, particularly with regard to the role of scrutiny in holding the Executive to account.

We provide below an updated assessment of progress in some of the areas identified in [paragraphs 21 to 23](#).

The Commissioners have identified and are implementing an ambitious programme of change aimed at securing effective and sustainable governance

- 24 In reviewing the Council's improvement planning for 2011-12, the Auditor General concluded in his August letter that the Council's Corporate Business Plan 2011-12 met the requirements of the Measure. However, since a number of improvement objectives (see [Appendix 4](#)) are not supported by clear and measurable outcomes it will be difficult for the Council to demonstrate that its improvement priorities are being achieved. This replicates a weakness of the previous Corporate Plan and is an area that we identified as a proposal for improvement in the 2010 Annual Improvement Report.
- 25 The task of preparing the Council's 2011-12 Corporate Business Plan was well underway before the Commissioners began their work on 1 April. The Commissioners were able to influence the plan to ensure that it reflected, in a broad sense, their emerging priorities. However, we accept that unavoidable issues of timing resulted in the Council publishing its Corporate Plan before the Commissioners had completed their appraisal.
- 26 The overall conclusion was that there had been some promising changes since April 2011, but it was too early to modify the Auditor General's earlier assessment, set out in the 2011 Corporate Governance Re-inspection report, that the Council was failing to comply with the requirements of Part 1 of the Local Government (Wales) Measure 2009.
- 27 Since then, the Commissioners have crystallised their initial assessment of what needed to be done to improve the Council's corporate governance. They have based their assessment on a detailed and thorough analysis of previous recommendations by inspectorates and regulators and on their own observations of the way in which the Council functions. The resulting Ten Improvement Programme Themes, set out below, represent an ambitious and necessary agenda.

The Ten Improvement Programme Themes of the Anglesey Commissioners

- 1 Relationship between members and political groups.
- 2 The effectiveness of the Council's Standards Committee.
- 3 Scrutiny and its ability to effectively challenge and influence decisions and policies.
- 4 Standards of conduct and behaviour by members and officers.
- 5 The organisation, coherence and effectiveness of the Council's senior management team.
- 6 Develop strategic priorities with more outcome-focused measurement.
- 7 Introduce a robust process for performance, project and risk management.
- 8 Improve the capacity, quality and management of corporate support services.
- 9 Fully engage with and reflect the views and priorities of the citizens of Anglesey.
- 10 Develop effective partnerships between the Council and the public and private sectors at local, regional and national level.

There has been a promising start in addressing priorities but senior management remains fragile and it is too early to judge whether improvements in the Council's governance can be sustained

- 28 In their second progress report to the Minister, the Commissioners have concluded that, '....there are positive signs that the improvement has commenced. There is still a great deal of work to be done....to deliver long-term sustainable recovery'. We agree with this self-assessment and comment below on progress in relation to some of these themes.

Elected members are gradually increasing the extent and effectiveness of the role they play within the Council but they do not yet have decision-making power

- 29 The Auditor General reported in August that the Commissioners had made good progress in building relationships with and between councillors following the troubled period during the early part of 2011. They were beginning to involve councillors in the decision-making process in preparation for their resumption of control of the running of the Council. This progress has continued. Since the Commissioners began their work in April 2011, councillors have, for the most part, acted supportively and responsibly. With the support of the Welsh Government, the Commissioners have instigated a review of the Council's constitution to ensure that it

provides the Council with an appropriate and sustainable decision-making framework once the current intervention ends.

- 30 While Commissioners continue to exercise the full executive function, a shadow Executive of elected members contributes to that function and is also involved in regular discussions with heads of service and senior managers, including performance reviews. The recent formation of a Corporate Improvement Board comprising Commissioners, members of the shadow Executive, chairs of the Corporate Scrutiny and Audit Committees, and senior managers provides a further forum in which councillors are able to begin to resume their roles within the democratic process. However, the function of this new Board in relation to the Executive, scrutiny committees and to the Council is not yet clear enough.
- 31 This gradual reintroduction of councillors to their full range of functions, under the Commissioners' supervision, is a process that should continue. There can be little certainty that the Council can function independently of the current intervention until elected members have had the opportunity to demonstrate that they can exercise their powers effectively for the benefit of the people of Anglesey.
- 32 The progress in improving the function of scrutiny committees has been maintained across most committees. Our recent fieldwork found that the effectiveness of pre-decision scrutiny, in particular, continues to improve. There is better co-ordination than before between the forward work programmes of the scrutiny committees and those of the Commissioners. However, these

improvements relate mostly to the scrutiny of policy development and its implementation; scrutiny committees play only a limited role in influencing and challenging the decisions taken by the Commissioners in their role as the Council's Executive.

- 33 The ability of scrutiny committees to scrutinise and challenge the delivery of, and performance against, corporate and service priorities remains underdeveloped overall. There are, nevertheless, some exceptions. Scrutiny committees have, for example, undertaken a robust examination of school performance in 2011 and they have also conducted a thorough review of progress in implementing the Council's Children's Services Action Plan following a critical inspection by the CSSIW earlier in the year. The absence of a robust corporate performance management system and the lack of an effective information system have been significant barriers to the effectiveness of scrutiny committees in monitoring and challenging service performance.

It is too early to judge whether promising developments in the Council's management of performance and risk will be implemented consistently across all services

- 34 The 2011 CSSIW inspection found that there was little evidence of robust quality assurance processes within Children's Services and a lack of management capacity to undertake quality assurance work. The inspection report included a recommendation that the Council should develop consistency in the implementation of expected and articulated standards in the work of its staff. However, these processes will take time to embed and

the Council's progress in improving the management of its own performance will remain an area subject to ongoing monitoring and review.

- 35 The Council has acknowledged the need for an improved planning and performance management framework, both corporately and within social services. At a corporate level, there has been promising progress in recent months in developing such a framework for use across all services. Officers have engaged well with other councils in developing this new approach. The Council has adopted the framework formally and has already used it to develop its reporting of progress in implementing the Commissioners' Improvement Themes and in assessing and reporting service performance during 2011-12. However, the Council's track record in implementing change consistently across all departments suggests that it remains too early to assess the extent to which individual services will embrace the framework.
- 36 The work of developing a new three-year Corporate Plan for 2012-15 is now underway and services will shortly begin to produce the associated business plans and the measures against which they will gauge their success. We will continue to monitor progress in this important area of work during the coming year.
- 37 The work of developing a risk management framework is equally promising but, as with the performance management framework, it is too early to judge its impact. The work undertaken records in one place those issues that may prevent the Council from achieving

its objectives, documents how such risks are to be mitigated, and provides a vehicle for monitoring the progress of those actions. An effective risk management system has the potential to help the Council avoid common past weaknesses whereby decisions were taken but never implemented, and important service-related issues received too little attention at a corporate level from councillors and senior managers.

Senior management is fragile but the Council has agreed to revise the structure in order to address the weaknesses

- 38 Since his appointment, the interim Chief Executive has continued to exercise parts of his former role as Director of Education and Leisure, which remains vacant. This dual role has been exceptionally demanding, and also has the potential to compromise the interim Chief Executive's primary function, that of leading the Senior Leadership Group and managers at a lower level.
- 39 Our recent fieldwork indicates that the work of the Senior Leadership Group does not yet command the confidence of managers. The role of that Group is not clear enough within the Council's decision-making structure. Though it meets regularly, managers perceive that the Senior Leadership Group is slow to resolve issues and to provide the necessary corporate leadership to drive strategic initiatives across the Council. Similarly, the Heads of Service Management Group has yet to fulfil its potential as a group that influences change and modernisation among staff. There is more to do to ensure that all staff are fully committed to the Council's programme of change. To date, senior management has not

done enough to make sure that initiatives have the ownership necessary at senior and middle management levels in order to ensure their successful implementation.

- 40 The Commissioners identified at an early stage the need to review and strengthen the Council's senior management. The Council has very recently approved revisions to its corporate management structure that should, once new appointments are in place, provide much needed additional capacity. More importantly, these changes have been designed to ensure that senior managers, both individually and collectively, are accountable for the successful delivery of sustainable improvement.

The Council is improving the extent and the effectiveness of its engagement with citizens and is seeking to promote wider public interest in the role of the councillor

- 41 The work of increasing the level of engagement with the citizens of Anglesey has continued. The Council has recently upgraded its website which is increasingly user-friendly and informative and includes well-signposted links to a range of issues about which the Council is seeking the views of the public. The Council has also run a series of consultation events with a wide range of stakeholder groups in order to gauge views about its priorities for 2012-15. Public attendance at community engagement road-shows held in secondary schools around the Island was disappointing, but the Council has reviewed its methods and has learned lessons for the future about the structure, timing and venues for such events.

- 42 The Council successfully launched its democratic renewal agenda at the Anglesey County Show in August 2011 and has since followed this up at the community engagement road-shows and through its website. The linking of community engagement and democratic renewal in a single strategy makes sense, in that the greater involvement of citizens in the Council's work is also likely to promote more interest in standing for election to the Council.

- 43 The Local Government Boundary Commission has completed its review of the Island's electoral wards and announced draft proposals in late November 2011. If implemented, the proposals will create 11 new wards, with eight of them represented by more than one councillor. The proposals would reduce the total number of councillors from 40 to 30. The Council has already expressed its opposition to such changes and a public consultation is underway. It seems very unlikely that final decisions will be made in time for the 2012 local government elections to take place in May as planned. The postponement of the elections would offer more time for a reasoned consideration of the Boundary Commission proposals and for the subsequent implementation of any change. It would also provide more time for the Commissioners to put in place more of their planned programme of work and to test its sustainability.

The Council's internal agenda for change has restricted its ability to play a lead role in regional collaboration but Commissioners are committed to re-engaging with the work

- 44 The changes following the 2011 intervention and the Council's limited senior management capacity have inevitably undermined its ability to play a leading role in the work of the North Wales Regional Partnership Board, which continues to develop a range of shared services across north Wales. The Council has nevertheless approved in principle the Outline Business Cases for:
- a Regional School Effectiveness and Improvement Service; and
 - a Regional Commissioning, Procurement and Monitoring Hub, aimed at securing greater efficiency in the procurement and subsequent monitoring of high-cost, low-volume residential care packages for children and adults.
- 45 The Council has expressed reservations about aspects of the management arrangements for some of the proposed projects. Some other partners perceive such reservations to represent an unduly cautious approach. However, constructive criticism and the identification of issues at Outline Business Case stage have the potential to strengthen Full Business Cases in due course, and to avoid damaging loss of commitment at a later stage in the planning.
- 46 The Regional Partnership Board, which includes other public services as well as the six north Wales councils, leads four programmes of work. Each includes one or more potentially significant collaborative projects. Partners have invested much time and resources in taking this work forward over the last two years in response to Welsh Government encouragement and the increasing need to find efficiencies. However, those projects that will integrate services across north Wales are all grappling, often separately, with difficult issues such as:
- the governance of the proposed joint services, and how each of the constituent councils might retain and exercise their individual accountability for the cost and quality of the services delivered on their behalf; and
 - how to deal with differences in the terms and conditions of staff who may transfer to the new integrated service, once established.
- 47 Outside the regional partnership agenda, the Council is working with neighbouring Gwynedd Council to develop a joint Local Development Plan. The Plan, which is required by the Welsh Government, will set a policy framework to inform planning decisions about the use of land across the two authorities. A resourced action plan is in place to deliver this Plan. The Local Service Board has also agreed to work with the Gwynedd Local Service Board to take forward the rationalisation of statutory partnerships across the two counties.

Work is in hand to address the Council's failure during the last two years to approve its accounts by the required deadline but the Council's financial outlook is challenging

- 48 The Council spent about £2.2 million less than planned in its 2010-11 revenue budget. In part, this reflects the early implementation of parts of the Council's Affordable Priorities Programme. The implementation of this Programme, designed to achieve the savings necessary to deal with reducing revenue funding, was one of the Council's improvement objectives for 2010-11. There were underspends of at least £100,000 in eight services, including a net underspend of about £1.5 million in social services.
- 49 In March 2011, before the start of the current Ministerial intervention, the Council agreed a savings package of £7 million over three years, including cuts of £3.4 million during 2011-12. Most of this sum forms part of the Council's Affordable Priorities Programme. The Commissioners monitor the budget position closely and the latest report forecasts that initiatives under the Affordable Priorities Programme in 2011-12 will realise about £649,000 less than planned for the year. However, the Council anticipates that it will save more than half of this sum in 2012-13. The Council was unable to meet certain targets it had set in its Outcome Agreement with the Welsh Government and may lose grant funding in the order of £184,000.
- 50 The Council's Auditor has reported that the financial outlook is very challenging (see Appendix 3). In the light of the general economic climate and an even lower settlement than had been anticipated, the Commissioners are currently consulting on a budget strategy for 2012-13. In January 2012, the Council estimates that cuts of about £4.5 million will be necessary during the forthcoming financial year in order to allow £1 million for necessary growth. The Council anticipates that about £1.9 million of the required savings will represent service reductions.
- 51 The Auditor General's letter in August 2011 reported deepening concerns about the Council's ability to produce timely annual accounts. The Council had previously failed to approve its 2009-10 accounts by the 30 September 2010 deadline required by regulations. Since then, the Council has also missed the deadline of 30 June 2011 to produce its draft Statement of Accounts for 2010-11. This slippage led to a second successive failure to approve its accounts by the end of September deadline. The Council's inability to meet the statutory deadlines represents a failure in corporate governance. The Appointed Auditor wrote to the Council in September 2011 making clear his concerns, and stating that he was considering whether or not to issue a report in the public interest. On 16 November 2011, the Council's Auditor was able to issue an unqualified audit opinion on the 2010-11 accounting statements, confirming that they present a true and fair view of the Council's financial position and transactions.

- 52 The Auditor General's letter in August 2011 included a statutory recommendation that, as a matter of urgency, the Council should take steps to ensure that it has the capacity and capability to deliver its finance function effectively.
- 53 The Commissioners acted decisively in response. On 12 September 2011, they decided that allegations of misconduct against the Council's Section 151 officer² should be investigated. It should be stressed that these allegations are not of a criminal nature. In taking this decision, the Commissioners used the powers granted to them under the Minister's direction to overrule an earlier decision by the Council's Investigation Committee. At the time of writing this report, a Designated Independent Person appointed by the Minister is conducting the investigation and the Section 151 officer has been suspended without prejudice. As an interim measure, the Minister has appointed a part-time interim Section 151 officer pending the completion of the investigation. In the short time that she has been in post, the interim Section 151 officer has begun to assess the capacity and capability of the finance service and has already secured the Commissioners' agreement to provide some additional capacity.
- 54 The CSSIW drew attention in their Annual Performance Evaluation and Review to the lack of effective management and administration of the Cymorth – Children and Youth Support Grant which represents a significant source of revenue for the Council. As a result of issues raised in the audit qualification letter for 2009-10, the Welsh Government wrote to the Council stating that it would withhold Cymorth funding for 2011-12 until there was evidence that their concerns had been addressed. Following a re-audit, the Council's auditors reported to the Audit Committee in December 2011 that the Council had completed the necessary remedial work. The spot-checking of partners' use of grants had yet to be undertaken because of the short time between the Council's response and the re-audit. However, plans are in place to ensure that these spot-checks happen.
- 55 The Council's wider administration of grants has been a source of concern in the past, but there are signs of improvement. In 2009-10, the Council was late in submitting two-thirds of its grant claims to its auditors and almost half were subject to qualification letters. This performance was in part due to a loss of staff and the inability to recruit replacements. At the end of December 2011, following the recruitment of a grant co-ordinator, only about a quarter of the 2010-11 claims submitted for audit certification were late. However, the improvement in the quality of grant claims has been slow, with 46 per cent of the claims certified by the end of December 2011 still being the subject of qualification letters.

² The Section 151 officer is the Council's Responsible Financial Officer, a statutory position defined under Section 151 of the Local Government Act 1972.

56 There have been improvements in the timeliness and accuracy of housing and council tax benefit subsidy claims, but the Council is still struggling to produce the subsidy claim by the end of June deadline.

The Council's arrangements for developing, using and supporting technology are unlikely to support continuous improvement and, like other corporate services, are constrained by resource and capacity issues

57 In 2010, the Wales Audit Office identified that many local authorities were grappling with ensuring that technology was used effectively to support service transformation and achieve efficiency savings. As a result, we have undertaken reviews of technology at most councils in Wales.

58 In Anglesey, we concluded that the Council's current arrangements for developing, using and supporting technology are unlikely to support continuous improvement. We reached this conclusion because:

- technology arrangements are developing, but they lack clear corporate support and direction, are reactive and are constrained by resource and capacity issues; and
- there are weaknesses in aspects of performance which, if left unaddressed, will limit the Council's ability to exploit the potential of technology and enable timely service improvement and savings.

59 Aspects of our findings from our review of technology mirror the findings of previous reviews of HR and Finance, the other two corporate services that underpin the Council's work in delivering frontline services to the public. All three services are under-resourced in terms of staff; they struggle to provide a dependable level of support and advice to other services while, at the same time, performing the key corporate functions for which they are responsible. Within the current level of resources, the HR service has made good progress in implementing an action plan following an earlier review. The ICT and finance services have now also formulated and begun to implement action plans.

60 The CSSIW has identified in its Annual Review and Evaluation of Performance for 2010-11 the impact of weak management of human resources within social services. The CSSIW reported that the Council has not developed a stable workforce in children's services with sufficient management capacity to improve and maintain service quality. Despite similar judgements in previous inspections, the 2011 inspection of assessment and care management in Children's Services identified that morale amongst staff was very low. The Council had a number of temporary managers in senior positions, adversely affecting its ability to maintain stability at a time when improvement and change are urgently required. Following the 2011 inspection, the Council agreed to increase the capacity within its workforce and to employ three further senior practitioners in 2011-12. However, providing a stable, confident and competent workforce in social services remains a priority for the Council.

There have been some improvements in frontline services but weaknesses in social services for children and slow progress within the schools service reflect a lack of past investment in management capacity

- 61 In May 2010, the Council published 34 improvement objectives, grouped under five strategic priorities in its Corporate Plan. The strategic priorities were to:
- enhance the reputation of the Council and island;
 - protect and develop the island's economy;
 - build and support sustainable communities;
 - promote healthy, safe and fair communities; and
 - develop businesslike and affordable services.
- 62 We commented in last year's Annual Improvement Report that the volume of work included within the Corporate Plan represented an ambitious programme and that the timescale for delivering some improvement objectives extended well beyond 2010-11. We also noted that the 'desired outcome' for each improvement objective offered little indication of the scale of improvement that the Council was hoping to achieve and that it would be difficult, therefore, for the Council and its citizens to judge whether or not the objective had been achieved.
- 63 We have commented earlier in this report on the progress the Council has made in delivering those improvement objectives relating to its internal arrangements – the first and fifth strategic priorities above. **Paragraphs 66-100** set out our evaluation of the Council's progress in improving the quality and availability of its services to citizens.
- 64 The Welsh Language Board (the Board) works with councils to help them develop their statutory Welsh Language Schemes that outline the way in which councils provide services to the public in Welsh. Every council provides an annual monitoring report to the Board. We reported in last year's Annual Improvement Report that, following discussions with the Board, the Council had included as one of its improvement objectives for 2010-11 its commitment to continuing to focus on promoting bilingual services and promoting the Welsh language.
- 65 This year, the Board has told us that the Council has addressed the concerns the Board expressed last year about its monitoring arrangements. The Council has established a Language Task Group which aims to allow for effective scrutiny of the Welsh Language Scheme. The Council has successfully completed the majority of the targets in its present Scheme and the revised version will be presented to the Board for approval in early 2012. Work has begun to mainstream the Welsh language into the Council's main strategies and policies through the development of an integrated Welsh language and equalities impact assessment tool. The Board has noted that further work is required with public service contracts and services conducted on the Council's behalf by third parties.

Much needed improvement in Children's Services has been slow to emerge, but aspects of the remodelling of services for older people reflect strategic planning and effective leadership

The CSSIW has identified that many facets of the Council's support for children in need are weak and that progress in improving performance is slow

- 66 In its Annual Review and Evaluation of Performance 2010-11, CSSIW concluded that Children's Services in Anglesey needed to improve significantly and urgently to protect and promote the welfare of children. Despite having identified the need for improvement over a number of years, CSSIW reported that there had been no significant change for the better when they issued the Annual Review and Evaluation of Performance in October 2011. The CSSIW recommended that the Council needed to establish and embed appropriate corporate reporting, delegation and oversight systems to support necessary improvements to children's service provision.
- 67 CSSIW undertook an inspection of assessment and care management in Children's Services in Anglesey in early 2011. They found that the quality of many assessments was poor, there were delays in assessing complex and serious cases, and assessments were not completed in a timely manner. The thresholds that govern access to services for children and families were inconsistent. The 2011 inspection also found areas where assessment and care management within Children's Services did not comply with national policy, statutory guidance and regulations.

- 68 The Council has produced and is implementing an action plan to address the recommendations of the 2011 inspection and has arranged external support for the improvement programme. In addition, the Council has agreed to provide additional front-line staff for 2011-12 to support timely and effective assessment and interventions. The Council has established a Service Improvement Board to oversee progress, but CSSIW has reported that the actions taken have not yet had a significant impact on performance and there are a number of key areas where performance remains amongst the lowest in Wales.
- 69 The Council said that, as one of its 34 improvement objectives for 2010-11, it would 'focus on the Council's corporate parenting responsibilities and children's safeguarding arrangements'.
- 70 The CSSIW inspection of the Council's fostering service, published in March 2011, found that foster carers and young people felt that the child placement team social workers provided good support and were readily available. Young people in foster care said that they felt that their care kept them safe and they were happy with the way foster carers looked after them. Young people said that they had support to enjoy their hobbies and out-of-school activities and that this helped them to benefit from their foster placement.
- 71 However, CSSIW inspected a children's home operated by the Council in January 2011 and identified significant issues in relation to the operation, management and monitoring of the home. Following the inspection the Council decided to close the home and review the

current arrangements for delivery and commissioning of residential care. In the meantime, the Council procures placements from independent care providers.

- 72 The CSSIW had identified the need to improve the timeliness and consistency of reviews of looked-after children as an area for development in their Annual Review and Evaluation of Performance for 2009-10. Despite a slight improvement in this performance indicator in 2010-11, some other indicators that reflect the Council's corporate parenting role in relation to looked-after children declined. The educational achievement of looked-after children in Anglesey improved on most indicators in 2010. None left school aged 16 without any approved qualifications. However, the average external qualifications point score for looked-after children aged 16, though better than in 2009, remains below the Wales average. The CSSIW has concluded that the Council needs to improve the life chances for its looked-after children as a matter of urgency.
- 73 The 2011 CSSIW inspection of assessment and care management did not focus on the safeguarding of children. However, it provided sufficient evidence to justify a further inspection of safeguarding during the autumn of 2011. At the time of writing this report, the findings of the safeguarding inspection have not been published.

Aspects of the Council's remodelling of adult services reflect effective leadership and strategic planning, but its support for people with caring responsibilities is an area for development

- 74 In Adult Services, CSSIW has reported that the Council has been able to make good use of partnerships to provide services that meet the needs of service users. Following an approach by Betsi Cadwaladr University Health Board, a single point of access to services opened in May 2011 and is an important development for the region. This partnership aims to provide a seamless approach to unified assessment that then provides people with co-ordinated effective services. The rate of delayed transfers of care for social care reasons per 1,000 population aged 75 or over was amongst the best in Wales at 1.5.
- 75 The Council's improvement objectives for 2010-11 include the intention to remodel home care, residential and day-care facilities. This is consistent with the new Health, Social Care and Wellbeing Strategy 2011-14 which articulates the vision that vulnerable adults living on Anglesey are empowered to live independent, safe and fulfilled lives in the environment of their choice. The preparation of this new strategy was another of the Council's improvement objectives for 2010-11.
- 76 In their Annual Review and Evaluation of Performance for 2010-11, CSSIW has judged that the remodelling of adult services provides evidence of some effective leadership and strategic planning. For example:

- Canolfan Byron is a community-based service that contributes significantly to promoting independence, empowerment and wellbeing as well as increasing social inclusion, economic activity and a positive approach to ageing.
- The Council offers an 'Age Well' programme that users describe as having 'transformed their lives'. The service offers a wide range of activities that enable older people to socialise, improve their physical mobility and reduce the risk of falls in domestic and public settings.

77 The Council is more rigorous than before in applying its eligibility criteria for adult services and has increased the extent to which it commissions services from the voluntary sector. As a result, the rate of older people aged 65 or over supported in the community per 1,000 population fell sharply in 2010-11, though the number of hours of support provided increased. Meanwhile, the rate of older people per 1,000 population aged 65 or over supported in care homes increased slightly. Similarly, the percentage of adults aged 18 to 64 supported in the community during the year also fell. However, these figures for those supported in the community do not include those supported by community-based enablement and support services that are either commissioned directly from the third sector or from community groups.

78 The CSSIW has identified as an area for development the support that the Council provides for people with caring responsibilities. While the number of carers known to the Council increased sharply in 2010-11, performance indicators suggest that

the Council was not fully able to meet this increase in demand in terms of assessing the needs of carers and providing them with a service.

79 We reported in last year's Annual Improvement Report that the Council had reduced the length of time it took to deliver Disabled Facilities Grants. This improvement continued in 2010-11; at 310 days, performance in Anglesey was considerably better than the Wales average of 387 days.

The Council's work to meet housing needs shows a mixed picture of success in 2010-11

80 We also reported last year that the Council had set three improvement objectives that related to the island's housing needs. The Council said that it would:

- continue to improve the quality of the Council's housing stock in order to meet the Welsh Housing Quality Standard;
- continue to focus on the provision of homelessness services due to unpredictable demand; and
- deliver an affordable housing programme with partner organisations.

81 The Council is on track to meet the Welsh Housing Quality Standard in all of its housing stock by the end of 2012-13. The Wales Audit Office report, Progress in Delivering the Welsh Housing Quality Standard, published in January 2012, refers positively to the way in which the Council and its partner contractor have programmed refurbishments efficiently, and in such a way that all tenants have already benefited from some improvements to their homes.

82 As was the case last year, the Council has performed well in terms of its work in preventing homelessness but its performance once homelessness occurs appears to be poor in comparison with other councils. The Council has a clear understanding of the reasons behind some aspects of its performance. The calculation of one indicator, for example, is distorted by the fact that the Council leases temporary accommodation from private landlords and then rents them to homeless families, but the performance indicator definition excludes this form of provision.

83 The Council's auditors have expressed doubts about the reliability of the Council's performance data in relation to the number of additional affordable housing units provided during 2010-11. The Council's own review of its performance in this area refers to a wide range of activity but, in the absence of clearly defined objectives, it is difficult to judge whether or not the Council has achieved this improvement objective.

The Council has strengthened its Children and Young People's Partnership but the schools service faces many challenges in improving its cost-effectiveness

84 In last year's Annual Improvement Report, we commented that the performance of pupils in Anglesey primary schools (key stages 1 and 2) in 2010 had improved on the previous year and was above average. In key stage 3 (14 year olds), performance had also improved on the previous year and was above average, but, in key stage 4 (16 year olds), the proportion of pupils achieving the Level 2 Threshold was below average.

85 In 2011, pupils in primary schools performed less well than in 2010 on average. In secondary schools, performance again improved at key stage 3, while, at key stage 4, there was a mixed picture, with improvement on some indicators but a fall in performance against others. Students in the sixth form in the island's schools again performed well in 2011; the average wider points score for pupils aged 17 at the start of the academic year was higher than in all but two other authorities in Wales.

86 The Council said that, in 2010-11, it would continue to focus on improving core skills in accordance with the Assembly Government's School Effectiveness Framework. However, Estyn has told us that, taking account of a range of contextual information, the performance of schools in Anglesey in 2011 was below average in all key stages. When compared to similar schools across Wales, around 60 per cent of Anglesey's schools are below average for the Core Subject Indicator (the percentage of pupils achieving the expected levels in Welsh or English, mathematics and science) in every key stage. In key stage 4 too many schools are in the bottom 25 per cent. Performance in key stages 3 and 4, based on entitlement to free school meals, has met or exceeded six out of the 12 Welsh Government benchmarks in the four years up to 2010.

87 Estyn has judged that attendance in primary schools is good and is above average, although there has been a decreasing trend over the last four years. Attendance in secondary schools is below average and four of the five schools were in the bottom quartile compared to other similar schools in Wales.

The number of fixed-term exclusions of six days or more from secondary schools is well above the Wales average.

- 88 The Council included as an improvement objective for 2010-11 the need to review the structure of its Children and Young People's Partnership and to produce a revised Partnership Plan for 2011-14. In June 2011, Estyn conducted a re-inspection of the youth support services in Anglesey following an earlier, critical inspection in 2009. Estyn inspectors judged that the current performance of the Children and Young People's Partnership was adequate and that it had good prospects for improvement.
- 89 The Council also said that, in 2010-11, it would develop a strategy to meet the requirements of the Assembly Government's 21st Century Schools initiative which will include the schools rationalisation programme. Since the Council set this improvement objective, the Welsh Government has revised its 21st Century Schools initiative to reflect the reduction in the capital funding available. Councils were required to submit revised strategies covering a six-year period, and during which they would be required to contribute 50 per cent of the necessary capital, rather than the 30 per cent that had originally been planned. The Council's revised strategy has attracted only £3.95 million in Welsh Government funding because of the limited availability of other sources of capital to match the Welsh Government contribution. This total of £7.9 million has been earmarked to build a new primary school in Holyhead. The Council has also agreed to review primary school provision in three other areas of the island.
- 90 In the meantime, two further small schools have closed, but over 25 per cent of school places are now empty. The cost of primary school education³ has increased in 2011-12 to £5,318 per pupil, the highest among all councils in Wales. The equivalent cost for secondary schools is £4,967 per pupil, well above the average for Wales.
- 91 Within the costs of primary and secondary education, the sums delegated to schools' budgets are well below average. The comparatively low delegated budgets reflect mostly the fact that the Council's Special Educational Needs (SEN) provision is particularly costly and is, for the most part, paid for from non-delegated budgets. The gross SEN budget for 2011-12, at £9.5 million, represents £1,024 for every pupil in Anglesey's schools. This figure is the highest in Wales by a considerable margin, and much higher than the average of £770 per pupil.
- 92 The Council faces a considerable challenge to meet targets set by the Welsh Government to increase the proportion of education funding that is delegated to schools. Schools' delegated budgets for 2011-12 are a little lower in cash terms than they were two years ago in 2009-10. Schools have therefore begun to use the considerable reserves that they had built up in the past and which were too high. During 2010-11, the level of reserves held by schools fell by £0.9 million to £2.2 million. This still represents £242 per pupil, well above the average level of reserves held by schools in Wales.

³ Figures taken from Revenue Account Forms, and include both delegated and non-delegated expenditure apportioned to primary schools, including specific grants.

Services that aim to promote a pleasant and sustainable environment have performed well, and work to increase the island's prosperity is showing promise

- 93 The Council's work to maintain the island as a pleasant place in which to live has generally progressed well during the year. The cleanliness index as calculated from independent inspections (and provided by Keep Wales Tidy) was the third highest among councils in Wales during 2010-11.
- 94 In last year's Annual Improvement Report we concluded that the Council's waste management service was performing very well. The Council said that, in 2010-11, it would continue to implement its waste minimisation programme, recycling initiatives and collaborative arrangements for dealing with residual waste.
- 95 The Council has now introduced food waste collections across the island so that all communities receive the same service. The proportion of waste sent to landfill has fallen further and by more than the Council's target. Though the Council's auditors have expressed doubts about the reliability of the Council's figures, the Council reports that 54 per cent of the waste it collects is prepared for re-use and/or recycled. Only one other council in Wales has reported better figures.
- 96 The Council's plans to develop a carbon reduction and energy efficiency programme during 2010-11 have not progressed well. Energy-saving investment in Council-owned buildings is on hold while the Council develops its asset management planning and decides which buildings are necessary. As a result, there was a small increase in carbon dioxide emissions from non-domestic public buildings in 2010-11, while, across Wales, there was an average reduction of over five per cent.
- 97 The Council set four improvement objectives under the theme of 'protecting and developing the island's economy'. There has, for many years, been a broad consensus that improving the island's prosperity is key priority for the Council. This consensus has been maintained through both Welsh Government interventions. In June 2010, the Council launched its Energy Island Programme. This aims to place Anglesey as a major low-carbon sustainable energy hub that will benefit Anglesey and the rest of North Wales.
- 98 The Commissioners have adopted the Energy Island Programme as a corporate priority, recognising its potential to provide sustainable expansion in the island's economy. They have recognised that the development of the Wylfa B nuclear power station, together with a number of energy-related and tourism projects, will offer high-quality employment in the longer term as well as during the construction phase. The Commissioners have also recognised that this work provides a valuable context for re-engaging councillors in the decision-making process and in helping them to develop stronger relationships with a range of partners.
- 99 It is too early to report the direct economic benefits of these efforts. However, there have been promising developments. In July 2011, Coleg Menai, the local Further Education College, opened a new renewable energy centre offering specialised courses for young

people wishing to work in the energy industry. The Welsh Government has also located one of two new Enterprise Zones in Anglesey with the aim of stimulating investment and creating jobs.

- 100 The Council reports considerable success in relation to its improvement objective of developing and promoting tourism, with an estimated six per cent increase in the value of the island's tourism product during 2010-11. The number of visitors to seasonal heritage sites increased by almost seven per cent and there was a 10 per cent increase in the number of visitors to the Oriel Ynys Môn gallery. The Council has reviewed the rationale for the direct provision of some of its tourist amenities, and a Task and Finish Group has made proposals that would cut the net running costs of heritage sites by an estimated 30 per cent. The Council has begun to implement some of these proposals.

The Council's review of its performance in 2010-11 complies with statutory requirements in most respects but the lack of clearly stated objectives at the beginning of the year makes effective evaluation impossible

- 101 The Council's Improvement Plan (Performance Review), published at the end of October 2011, complies with the requirements of the Local Government Measure 2009 in most respects and with most aspects of Welsh Government guidance.
- 102 The Review reports in a balanced way on the Council's performance during 2010-11 and provides a full and detailed picture of performance against national performance indicators. The Council's Review also summarises fairly the reports issued by CSSIW and the Wales Audit Office during the year. However, it lacks sufficient analytical, evaluative comment. The Auditor General has therefore determined that the Council has discharged most of its duties under section 15(1) to (7) of the Local Government (Wales) Measure 2009, but that it has failed to show how it has used the information in its Review to determine whether it needs to improve, and what steps it needs to take to improve.
- 103 We commented in last year's Annual Improvement Report that few of the Council's 34 improvement objectives were phrased in a way that made explicit the outcomes that citizens might expect to see. This fact has made difficult the Council's task of assessing its performance against its improvement objectives. Its Review includes a description of activity against each improvement objective and, in some cases, provides some evidence of the impact of those activities. However, the fact that no clear outcomes were set at the outset makes it impossible for the Council or its citizens to gauge whether or not the Council has achieved what it set out to achieve.
- 104 We have previously made proposals for improvement that urge the Council to establish clear outcomes for its objectives, and we repeat this proposal in this report. However, the Council's developing performance management framework offers some promise that the Council's improvement objectives for 2012-13 will be better focused and more clearly stated.
- 105 The Commissioners' quarterly reports to the Minister provide a further valuable and regular opportunity for the Council to reflect on its progress. The two reports that have been produced at the time of writing this report provide a fair and balanced assessment of what has been achieved. The developing use of the risk management framework is beginning to provide a means of recording and reporting those priority areas where there are concerns, and a basis for planning corrective action.

Appendices

Appendix 1 Status of this report

The Local Government (Wales) Measure 2009 (the Measure) requires the Auditor General to undertake an annual Improvement Assessment, and to publish an Annual Improvement Report, for each improvement authority in Wales. This requirement covers local councils, national parks, and fire and rescue authorities.

This report has been produced by the Auditor General to discharge his duties under section 24 of the Measure. The report also discharges duties under section 19 to issue a report certifying that he has carried out an Improvement Assessment under section 18 and stating whether, as a result of his improvement plan audit under section 17, he believes that the authority has discharged its improvement planning duties under section 15.

Improvement authorities are under a general duty to 'make arrangements to secure continuous improvement in the exercise of [their] functions'. Improvement authorities are defined as local councils, national parks, and fire and rescue authorities.

The annual Improvement Assessment is the main piece of work that enables the Auditor General to fulfil his duties. The Improvement Assessment is informed by a forward-looking assessment of an authority's likelihood to comply with its duty to make arrangements to secure continuous improvement. It also includes a retrospective assessment of whether an authority has achieved its planned improvements in order to inform a view as to the authority's track record of improvement. This report also summarises the Auditor General's conclusions on the Council's self-assessment of its performance.

The Auditor General may also in some circumstances carry out special inspections (under section 21), in respect of which he will provide a report to the relevant authorities and Ministers, and which he may publish (under section 22). The Auditor General will summarise audit and assessment reports in this published Annual Improvement Report (under section 24). This will also summarise any reports of special inspections.

An important ancillary activity for the Wales Audit Office is the co-ordination of assessment and regulatory work (required by section 23) which takes into consideration the overall programme of work of all relevant regulators at an improvement authority. The Auditor General may also take account of information shared by relevant regulators (under section 33) in his assessments.

Appendix 2

Useful information about Anglesey and Isle of Anglesey County Council

The Council

In 2010-11, the Council's total revenue spending was £154.3 million. This equates to about £2,249 per resident and is very close to the average for councils in Wales. In the same year, the Council also spent £24.1 million on capital items.

The average band D council tax in 2010-11 in Anglesey was £1,054.92. This has increased by 3.74 per cent to £1,094.41 for 2011-12 but remains the second lowest among the six north Wales councils. Seventy-three per cent of the dwellings within Anglesey are in council tax bands A to D.

The Council is made up of 40 elected members who represent the community and make decisions about priorities and the use of resources. The political make-up of the Council is as follows:

- 14 Original Independent
- 8 Plaid Cymru
- 8 unaffiliated
- 5 Labour
- 5 Llais i Fôn

Since 1 April 2011 five Commissioners, appointed by the Minister for Social Justice and Local Government, have exercised the Council's executive function. The Commissioners are:

- Alex Aldridge, OBE
- Byron Davies, OBE
- Margaret Foster, OBE
- Mick Giannasi
- Gareth Jones

Mr Richard Parry Jones is the Council's interim Chief Executive. He is supported by two Corporate Directors, Mr David Elis-Williams and Mr Arthur Owen, and one acting Corporate Director, Mr T Gwyn Jones. The Council also employs Ms Gill Lewis in an interim, part-time capacity to cover the absence of one of the Corporate Directors. The Council employs about 3,000 staff, including teachers and other school-based staff.

Other information

The Assembly Member for Anglesey is Ieuan Wyn Jones, Plaid Cymru.

The Member of Parliament representing Anglesey is Albert Owen, Labour Party.

For more information, please see the Council's own website at www.anglesey.gov.uk or contact the Council at the Council Offices, Llangefni, Anglesey, LL77 7TW, or by telephone on 01248 750057.

Appendix 3

Annual Audit Letter to Members of Isle of Anglesey County Council

Local electors and others have a right to look at the Council's accounts. When the Council has finalised its accounts for the previous financial year, usually around June or July, it must advertise that they are available for people to look at. You can get copies of the accounts from the Council; you can also inspect all books, deeds, contracts, bills, vouchers and receipts relating to them for 20 working days after they are made available. You can ask the auditor questions about the accounts for the year that they are auditing. For example, you can simply tell the auditor if you think that something is wrong with the accounts or about waste and inefficiency in the way the Council runs its services. For more information see the Wales Audit Office leaflet, Council accounts: your rights, on our website at www.wao.gov.uk or by writing to us at 24 Cathedral Road, Cardiff, CF11 9LJ.

The auditor appointed by the Auditor General issued the following letter on 8 December 2011.

Annual Audit Letter to the Members of Isle of Anglesey County Council

As you will be aware the Auditor General for Wales will be issuing an Annual Improvement Report to each local authority by the end of January 2012 and some of the issues that were traditionally reported in the Appointed Auditor's Annual Audit Letter will be included in that report. Therefore, I have taken the opportunity to summarise the key messages arising from the work to discharge my statutory responsibilities into this short letter which forms the Annual Audit Letter. The letter is designed to be a standalone document, but will also be presented to the Council and the public as part of the Annual Improvement Report and, therefore, discharges my reporting responsibilities under the Code of Audit Practice.

Isle of Anglesey Council did not comply with reporting requirements relating to its financial performance and the financial outlook for the Council remains very challenging

It is the Council's responsibility to:

- put systems of internal control in place to ensure the regularity and lawfulness of transactions and to ensure that its assets are secure;
- maintain proper accounting records;
- prepare a Statement of Accounts in accordance with relevant requirements; and
- establish and keep under review appropriate arrangements to secure economy, efficiency and effectiveness in its use of resources.

The Public Audit (Wales) Act 2004 requires me to:

- provide an audit opinion on the accounting statements;
- review the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources; and
- issue a certificate confirming that I have completed the audit of the accounts.

On 16 November 2011 I issued an unqualified audit opinion on the accounting statements confirming that they present a true and fair view of the Council's financial position and transactions. My report is contained within the Statement of Accounts. A number of matters arising from the accounts audit were reported to members in my Audit of Financial Statements report.

From 2010-11 local authorities in Wales are required to produce their accounts on the basis of International Financial Reporting Standards (IFRS). The introduction of these new standards imposed significant additional demands on the Council's finance staff. In part due to these additional pressures, the accounts were not prepared by the statutory deadline.

The following issues were identified during the accounts audit:

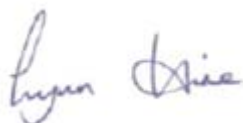
- the draft accounts were not provided for audit by 30 June 2011 and were not approved by the Council by 30 September 2011. These are requirements of the Accounts and Audit (Wales) Regulations 2005 (as amended). The Council continues to experience difficulties in recruiting to key accounting roles;
- a number of adjustments to fixed asset records were required as a result of extensive work undertaken by the Council in preparation for IFRS;
- a number of errors were identified in the valuation of fixed assets for which a greater deal of oversight and review could reduce in future valuations; and
- the Whole of Government Accounts return was delayed as a result of the delays in respect of the Statement of Accounts.

My review of the Council's arrangements to secure economy, efficiency and effectiveness has been based on the audit work undertaken on the accounts as well as placing reliance on the work completed as part of the Improvement Assessment under the Local Government Measure (2009). The main findings from this latter work will be set out in the Annual Improvement Report. In addition I also bring the following issues to your attention:

- the financial outlook remains very challenging;
- progress in implementing risk management arrangements was limited during the year;
- the Council did not have an IT disaster recovery plan or Business Continuity Plan in place during the year;
- 33 grant claims were audited by PwC in respect of 2009-10, of which 66% were submitted late by the Council and 48% were subject to qualification letters; and
- we continue to be able to place reliance upon the work of Internal Audit.

I have not been able to complete the audit because there are outstanding questions raised by electors relating to the administration of renovation grants. I am also considering whether to issue a report in the public interest in respect of the Council's inability to achieve statutory reporting deadlines for the Statement of Accounts.

The financial audit fee for 2010-11 is currently expected to be higher than those set out in the Annual Audit Outline because of the extended timescales involved in the audit of the Statement of Accounts.

A handwritten signature in blue ink, appearing to read "Lynn Hine".

Lynn Hine (PricewaterhouseCoopers LLP)

For and on behalf of the Appointed Auditor

December 2011

Appendix 4

Isle of Anglesey County Council's improvement objectives and self-assessment

Isle of Anglesey County Council's improvement objectives for 2011-12

The Council is required by the Welsh Government to make plans to improve its functions and the services it provides. Each year it must publish these plans along with specific 'improvement objectives' that set out the key things that the Council intends to do to improve. The Council must do this as soon as possible after 1 April each year.

The Council published its improvement objectives for 2011-12 in its Corporate Business Plan which can be found on the Council's website at www.anglesey.gov.uk. The improvement objectives are grouped under four broad headings:

- Becoming More Businesslike
- The Affordable Priorities Programme
- The Realisation of our Outcome Agreement
- Democratic Renewal

Pages 14 to 16 of the Corporate Business Plan include further detail about some of the projects that fall under each of these headings.

Isle of Anglesey County Council's self-assessment of performance in 2010-11

The Council's improvement objectives for 2010-11 were grouped under five strategic priorities, as follows:

Enhance the reputation of the Council and island

- Delivery of the community leadership and engagement project.
- Delivery of the member development programme.
- Enhancing reputation management.

Protect and develop the island's economy

- Development and delivery of the Energy Island programme to maximise the potential for inward investment, job creation and skills development.
- Utilisation of key external funding streams to support regeneration projects.
- Develop and promote tourism opportunities.
- Work in partnership with Gwynedd Council to develop a Local Development Plan.

Build and support sustainable communities

- Continue to improve the quality of the Council's housing stock in order to meet Welsh Housing Quality Standard requirements.
- Delivery of the affordable housing programme with partner organisations, including the development of an Empty Homes Strategy.
- Continue to focus on the provision of homelessness services due to unpredictable demand.
- Review the structure of the Children and Young People's Partnership. Development of work programmes with greater focus on child poverty and key skills and produce a revised Partnership Plan for 2011-14.
- Develop a strategy to meet the requirements of the Assembly Government 21st Century Schools initiative, which will include the schools rationalisation programme.
- Focus on the Council's Corporate Parenting responsibilities and children's safeguarding arrangements.
- Continued focus on lifelong learning to meet the needs of the island's residents.
- Continued focus on improving core skills in accordance with the Assembly Government's School Effectiveness Framework.
- Review the rationale for the direct provision of a range of amenity and tourism activities, including heritage sites, parks, leisure, countryside and maritime services.
- Continued focus on promoting bilingual services in the Council and promoting the Welsh language.
- Continue to implement the Council's waste minimisation programme, recycling initiatives and collaborative arrangements dealing with residual waste.
- Develop a carbon reduction and energy efficiency programme linked to the Energy Island framework.

Promote healthy, safe and fair communities

- Continue to implement a range of initiatives/programmes to support the priority areas of the current 2008-11 Health, Social Care and Wellbeing Strategy to promote healthy living across all age groups.
- Prepare a revised Health, Social Care and Wellbeing Strategy for 2011-14.
- Remodelling of leisure services on the island.
- Collaborate in north Wales to implement an integrated telecare service for the region and to develop options for CCTV.

- Work with partner organisations to implement the annual Community Safety Partnership Plan.
- Contribute towards implementation of the Local Service Board strategy on social inclusion, focusing on economic inactivity, public access, financial inclusion and child poverty.
- Remodelling of home care, residential and day care facilities.

Businesslike and affordable services

- Improving the Council's project and performance management arrangements.
- Collaborative initiatives to manage change and better use of resources – work in partnership with North Wales authorities on the four change management programmes – Education, Social Care, Environmental Services and Central Support Services.
- Implementation of the Affordable Priorities Programme across a range of services to reduce costs and more fit-for-purpose provision.
- Preparation of ICT Strategy to improve business processes, eg, document management and website development.
- Making arrangements to balance the Council budget with less resources in future years and implementation of the medium-term financial strategy.
- Preparation of a risk management strategy to strengthen the Council's risk management arrangements.
- Improving workforce management as part of the developing people project, including ongoing organisational review, Human Resources review and Salary and Grading review.
- Better use of Council assets and further development of the Asset Management Plan.

The Council's self-assessment of its performance can be found in its Improvement Plan (Performance Review of 2010-2011), available on the Council's website.

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