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Special Inspection: Corporate
Governance Re-inspection

Isle of Anglesey County Council

Welsh Ministers' intervention in 2009 has not succeeded in producing a sustainable recovery from the Isle of Anglesey County Council's long history of weak governance, and stronger intervention is necessary.

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Status of this report

This report is issued and published pursuant to section 22 of the Local Government (Wales) Measure 2009 in respect of a special inspection under section 21 of that Measure.

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Summary

1. In February 2011, the Minister for Social Justice and Local Government requested that the Auditor General conduct a re-inspection of the Isle of Anglesey County Council (the Council), following the Corporate Governance Inspection undertaken in 2009. The Auditor General has therefore carried out a special inspection using his functions under section 21 of the Local Government (Wales) Measure 2009 (the Measure).
2. The Minister asked the Auditor General to undertake an urgent assessment of the situation at the Council. He asked that the assessment include the Council's progress towards addressing the findings in the 2009 Corporate Governance Inspection report (the 2009 report) and the Council's potential to address those findings fully, conclusively and sustainably by August 2011.
3. The 2009 Corporate Governance Inspection concluded that the Council had a long history of not being properly run, from its inception in 1996 to the time of the inspection. This had had a corrosive effect on the exercise of the Council's functions and left it poorly placed to meet future challenges.
4. This judgement was based on a set of conclusions, as shown on the contents page of the 2009 report, which is included at Appendix 1. The full 2009 report is available on our website at:
http://www.wao.gov.uk/reportsandpublications/localgovernment_695.asp
5. In addition to making a number of recommendations to the Council, the Auditor General recommended that Welsh Ministers should intervene in the affairs of the Council under section 15 of the Local Government Act 1999. This recommendation was accepted and the Minister for Social Justice and Local Government issued a direction to the Council. Under the direction, the Minister appointed an Interim Managing Director and instructed the Council to co-operate with a Recovery Board established to oversee the implementation of the recommendations in the Auditor General's report. The board was appointed until August 2011, unless the direction to the Council was extended or curtailed, and has presented regular reports to the Minister.
6. Following the most recent report from the Recovery Board, the Minister issued a written statement on 16 February 2011 expressing serious concerns about the progress of the Council to date and its prospects for a sustainable recovery. He said he would consider what further action he should take after receiving the Auditor General's re-inspection report.

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7. This re-inspection reviews the Council's progress against the conclusions and recommendations of the 2009 report and considers the impact of the Ministerial intervention on the Council's corporate governance. The inspection took place over four days during the period 23 to 28 February 2011. We acknowledge the work of Council staff in making the necessary arrangements for our work and the willingness of both senior officers and councillors to modify their plans at short notice in order to meet with the inspection team.
 8. We concluded that Welsh Ministers' intervention in 2009 has not succeeded in producing a sustainable recovery from the Council's long history of weak governance, and that stronger intervention is necessary.
 9. Without such intervention, we believe that the Council's prospects of achieving a full and sustainable recovery by August 2011 are poor, and that its prospects of doing so by May 2012 are uncertain.

Statement by the Auditor General

10. This report sets out the results of my special inspection of the Council under section 21 of the Measure. The Measure requires me to mention any matter in respect of which I believe as a result of the inspection that the Council is failing to comply with the requirements of Part 1 of the Measure (local government improvement), and, accordingly, this report mentions such matters. As I have reported such matters, the Measure also enables me to recommend that the Welsh Ministers provide assistance to the Council under section 28 of the Measure and that they give a direction under section 29 of the Measure.
11. Based on my assessment of the likelihood that the Council will achieve a sustainable recovery from the position I reported in July 2009, I believe that the Council is failing to comply with the requirements of Part 1 of the Measure. I have therefore decided to **recommend** that the Welsh Ministers issue a direction to the Council under section 29 of the Measure so as to direct:
 - i. the authority to comply with Part 1 of the Measure;
 - ii. that the executive functions of the authority be exercised by commissioners appointed by the Welsh Ministers until such time as Welsh Ministers see fit to curtail the direction; and
 - iii. that the function of designating a head of paid service should be exercised by the Welsh Ministers, and that the functions of appointing a monitoring officer or Section 151 officer, in the event that vacancies in these posts arise, be exercised by the commissioners appointed by the Welsh Ministers for the duration of the direction.

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12. I also **recommend** that the Welsh Ministers direct the authority to develop and implement a strategy that promotes democratic renewal, and that Welsh Ministers provide assistance to the authority under section 28 of the Measure in pursuit of that renewal. In so doing, I also **recommend** that Welsh Ministers request the Local Government Boundary Commission for Wales to review its proposals published in 2010 to ensure that the changes proposed adequately address the need for democratic renewal in Anglesey in terms of the number of councillors and the introduction of multi-member wards. If it is not possible to complete and implement this review by May 2012, I **recommend** that the Ministers consider using powers under section 87 of the Local Government Act 2000 to delay the Council's elections until 2013.
 13. Finally, I **recommend** that the Welsh Ministers consider directing the authority to conduct a referendum that seeks the views of the Anglesey electorate on a change to the authority's model of governance to that of Directly Elected Mayor and Cabinet, as set out in the Local Government Act 2000.

The Isle of Anglesey County Council has had a long history of not being properly run

14. The 2009 report concluded that the Council has a long history of inappropriate behaviour and conflict and of not being properly run. The persistent and consistent nature of these problems provides an important context for the Council's current position, particularly as a number of leading councillors have held influential positions at the Council throughout this period. An assessment of the prospects for a sustainable recovery by the Council must take account of its track record, which we therefore summarise again in this report.
15. The history of conflict and inappropriate behaviour can be traced back as far as the Council's inception in 1996 and before this to the Council's predecessor, Ynys Môn Borough Council.
16. A number of allegations of corruption and impropriety, relating to issues of land and property, contracts, grants and gifts and hospitality, led to two public interest reports being issued by the District Auditor in 1998. The reports were critical of standards of conduct at both councillor and officer levels. These reports resulted in changes of key personnel and a small minority of councillors and officers being involved in legal proceedings and disciplinary action. However, this did not succeed in drawing a line under the issues.
17. Between 1998 and 2001, Michael Farmer QC produced three reports relating to conflict and standards of conduct within the Council. In his third and final report he stated, 'Local Government is based on partnership: a partnership based on mutual trust between the electorate, members and officers. In Anglesey, that partnership has been a fragile one in the recent past.'
18. Despite the recommendations of the Farmer reports, member conflict and behaviour continued to be an issue. This led to a personal intervention in 2001 by the Local Government Minister to advise on the distribution of scrutiny chairs.
19. A Peer Review¹ in 2001 identified many significant weaknesses in the Council's leadership, democratic and managerial structures, communications and performance management. The report also recognised a strong desire by the majority of councillors and officers to move forward with a new direction and fresh corporate objectives. However, the report said: 'If the authority is to survive in the long term, Members will have to understand their responsibilities to the community and leave the past behind them.' The events of subsequent years suggest that this lesson has not been learnt and is equally true today as it was 10 years ago.

¹ In November 2001, the Council invited the Improvement and Development Agency to carry out a Peer Review. The report of the review was published in February 2002.

20. The Annual Letter issued to the Council in December 2004 by the Council's auditors stated that: '...the Council must also continue to make a concerted effort to change the culture of the organisation. This will require strengthening the mutual trust and respect between officers and members and instilling a challenging and positive attitude that will ensure that internally generated improvement becomes more of an integral part of day to day management... The problems faced by the Council in the late 1990s made it difficult for staff and members to focus on service improvement and had a damaging effect on the Council's reputation, both locally and nationally.'
21. The Annual Letter issued to the Council in December 2005 stated that: 'Adverse publicity relating to the behaviour of elected members continues to be a distraction for both members and officers. If the external image of the Council is to be improved, members and officers must demonstrate that they can work together to focus their efforts on delivering high quality, efficient services to the people of Anglesey.'
22. The theme was continued in the Annual Letter issued to the Council in December 2007 which stated that, 'Member conflict is currently the cause for greatest concern to the Council's regulators as it tends to take the focus of members and officers away from addressing the other high risks and the Council's objectives. Furthermore the negative publicity caused by this conflict impacts on the Council's reputation with the electorate, its regulators, the National Assembly and the Assembly Government.'
23. Matters were brought to a head in the Annual Letter issued to the Council in January 2009, which recommended that the Auditor General carried out an inspection under section 10A of the Local Government Act 1999 of corporate governance at the Council, due to 'concerns that difficulties in working relationships between some Executive members and some senior officers are having a detrimental impact on the Council and its ability to fulfil the general best value duty'.
24. The 2009 report said that the repeated highlighting of problems of conflict and inappropriate behaviour had failed to secure improvement. Despite the efforts of successive managing directors, supported by the Welsh Local Government Association (WLGA) and external consultants, to reduce conflict and improve behaviour, the problems had not been resolved and continued to undermine the workings of the Council and impact on the way its functions were exercised. The Council's response to the various external reviews and interventions has sometimes resulted in a period of contrition but a reversion to previous behaviours has soon followed.

25. After hearing the findings of our 2009 inspection, many councillors stood up to say they recognised and accepted what they had heard. Many also said it was now time to put past differences aside and for everyone to pull together for the good of the Council and the people of Anglesey. Since then, we have seen some signs of attempts to do this, but we have also seen evidence of the reversion to previous behaviours by some councillors, as has been the case in the past.

The progress that the Council has made in relation to the findings of the 2009 Corporate Governance Inspection has not proved to be sustainable

26. We have based our assessment of the Council's progress since the Ministerial intervention in 2009 on:
- the relevant conclusions contained in our Corporate Assessment, published in September 2010, and our Annual Improvement Report, published in January 2011²; and
 - the conclusions we reached during the recent re-inspection, following the Minister's request.
27. The main conclusion in our Corporate Assessment report was that the Council had responded positively to Ministerial intervention but much work remained to implement plans and then embed the modernisation of the Council's corporate arrangements and to assure the sustainability of recovery. The Interim Managing Director, who began his work in October 2009 following his appointment by the then Minister for Social Justice and Local Government, had made a number of necessary changes, particularly in relation to the way in which councillors conduct their business. We reported that many of the foundations necessary to tackle longstanding weaknesses were in place.
28. We updated our Corporate Assessment in the Council's Annual Improvement Report. This reports further progress, mainly in relation to the Council's management and its business processes. We also reported promising developments in the Council's scrutiny arrangements. As in the past, our assessment of the quality of the services delivered by or on behalf of the Council was positive.
29. Both our Corporate Assessment and our Annual Improvement Report nevertheless question the sustainability of the Council's improvement and its recovery. On both occasions, our doubts related mainly to the political instability within the Council. Our recent inspection focused predominantly on the impact of the latest political instability that has beset the Council since January 2011 and its causes. At the time of writing this report in early March 2011, this instability has yet to be resolved.

² Our Corporate Assessment and Annual Improvement Report for Isle of Anglesey County Council are available at:

http://www.wao.gov.uk/reportsandpublications/localgovernment_695.asp

30. Many factors and events have contributed to this latest bout of instability. We describe two key events below and will refer to them elsewhere in this report:
- In June 2010, the largest political group within the Council (the Original Independents) broke in two, with only four of its members remaining loyal to the Leader. The Leader formed a new group, Llais i Fôn (Voice for Anglesey). Llais i Fôn then created an alliance of 20 members, based on detailed Terms of Engagement, with another small group of independent councillors (Menai), Plaid Cymru and the Labour group. This left the Original Independents, another small independent group (Môn Ymlaen) and five unaffiliated councillors to form the opposition, also numbering 20 councillors.
 - In January 2011, some of the group leaders from within the alliance, supported by other group leaders from the opposition, took steps to overthrow the Leader and form a new administration. Though the overthrow did not occur, the Leader announced that he would stand down from his position at the Council's Annual General Meeting in May 2011. He subsequently relieved the two alliance group leaders of their portfolios within the Executive. The Leader's announcement has prompted a protracted sequence of negotiations involving, at various times, all five current group leaders and some other councillors. At the time of writing this report in early March 2011, there is still no solution and the negotiations continue.

Promising progress in dealing with inappropriate behaviour has been seriously undermined by recent events

31. Prior to the 2009 Corporate Governance Inspection, there had been a serious breakdown in the working relationship between the then Executive and the senior management team. We reported in our 2010 Corporate Assessment that the working relationship between the Executive and senior management had been restored, and this remains the case. Even during the events of early 2011, the Executive has continued its work and has, for example, agreed and recommended a budget for approval by the Council.
32. We also reported that the conduct of councillors in meetings had improved, with less personalised animosity than in the past. The Interim Managing Director had rightly identified that a lack of group discipline was a key factor in the Council's past problems. He insisted that group leaders should accept responsibility for the behaviour of their members and should act robustly when necessary. We reported that the actions of group leaders had introduced a necessary element of self-regulation into the conduct of Council business. There had also been agreement about the allocation of committee chairs. We judged that this agreement has the potential to reduce the 'winner takes all' culture that had previously tended to marginalise opposition groups and had contributed to the frequent realignment of political allegiances in order to gain power.

33. However, we also struck a note of caution. We reported that tensions between councillors continued to emerge and these tensions undermined our confidence in the Council's ability to make a sustainable recovery.
34. Setbacks had, for the most part, been handled decisively. For example, the Leader had expelled two councillors from his group for alleged serious breaches of the Members' Code of Conduct relating to the undermining of senior officers and, in particular, the Monitoring Officer. In keeping with the Interim Managing Director's promotion of stronger group discipline, all other group leaders supported the Leader by agreeing not to accept the expelled councillors as members of their groups and the Council subsequently reported the councillors to the Public Services Ombudsman for Wales. The Ombudsman has not yet concluded his investigations.
35. However, it emerged that some members of the Leader's group still supported the councillors that had been expelled. This was a key factor in the Leader's decision to create the new Llais i Fôn group and to create the alliance in June 2010 (see paragraph 30). We reported that the alliance was fragile, not least because it comprised only half the Council.
36. The Terms of Engagement that bound the alliance together were controversial. With the strong support of the Interim Managing Director, they set out as a key principle the wish to marginalise the type of conduct that had, in the past, hindered the Council's progress. They focused heavily on the requirement for members of the alliance to put aside all historical issues and to '...isolate those who have consistently blocked progress and, by their actions, have refused to embrace new ways of working'. Paragraphs 6, 8 and 9, in particular, were strongly worded:
- paragraph 6 required those who signed the Terms of Engagement to, 'collectively take steps to robustly 'name and shame' anyone who obstructs the recovery';
 - paragraph 8 required alliance members to 'publicly and robustly condemn' the two councillors that had earlier been expelled from the Leader's group in a statement supporting the Council's position in reporting them to the Ombudsman; and
 - paragraph 9 required members of the alliance to 'take any and all opportunities to expose and marginalise those identified by paragraphs 4 and 6' of the Terms of Engagement.
37. Though a single document, the Terms of Engagement therefore had two distinct purposes. In the first instance, they rightly sought to confirm the Council's condemnation of any members who undermined officers. Secondly, the Terms of Engagement were intended to marginalise those councillors who did not support the Council's recovery. The Terms of Engagement did not succeed fully in achieving both purposes. Some members of opposition groups still harboured allegiances with the councillors named in the document, others supported the Council's recovery but felt that 'public condemnation' before the Ombudsman had concluded his investigation ran counter to their sense of natural justice. Other opposition members felt that to join a new group of independent councillors – there were four such groups after the formation of Llais i Fôn – would

demonstrate the type of political opportunism that had blighted the Council in the past and therefore chose to remain loyal to the group that they had first joined.

38. Member behaviour in the Council chamber had improved and Wales Audit Office staff and/or members of the Recovery Board have attended several well-run and productive meetings. However, the trend has reversed during the last few months. There have been instances of a lack of adherence to standing orders in Council meetings, exacerbated by weak chairmanship, and where the Council has spent too long discussing points of relatively minor importance at the expense of far more strategic issues. Many councillors are committed and well-intentioned ward members, but too few of them are willing to speak out against the more experienced and powerful members who tend to dominate proceedings. Some members have told us that they felt constrained from entering into legitimate political debate or challenge for fear of being accused of obstructing recovery. As a result, debates on significant issues are often brief and lacking in challenge.
39. The pursuit of power through the democratic process is the aim of all ambitious politicians. However, this aim is legitimate only when it is exercised in order to pursue a clear set of policies and principles. Within the Council, the differences between the various political groups, whether independent or representing national political parties, are not based on policy. None of those we interviewed during this inspection referred to the Council's existing objectives, as set out in its Corporate Plan, or to any proposed change to these objectives.
40. We interpret from this lack of policy-based differences that at least some of the group leaders who continue to jockey for power following the recent attempted overthrow of the Leader are motivated more by power itself and the advantages it carries, rather than by principle. Such motivation fails the test of selflessness, the first of Lord Nolan's Seven Principles of Public Life.
41. Though inexperienced in politics, the Leader has shown a consistent adherence to principle since 2009. With the support and guidance of the Interim Managing Director, he has taken difficult decisions, sometimes to the detriment of his popularity. However, leadership is effective only when others follow. Many of those we spoke to during the inspection, both councillors and officers, told us that the Leader's style of leadership reflects his lack of experience. The Interim Managing Director had foreseen during the autumn of 2010 that the Leader might not continue in the role after the May 2011 Council meeting. He had engaged a consultant to facilitate a gradual and orderly transition of power, so that a new leader from the alliance would be ready to take over. Unfortunately, the bad weather during the latter part of 2010 prevented this work from taking place.

42. Instead, the attempted overthrow of the ruling administration that we describe in paragraph 30 occurred. In our view, the actions of the group leaders within the alliance in plotting with others outside the alliance shows a lack of awareness of their responsibilities, both as group leaders and as members of the alliance. If the members of these groups were agreed in their dissatisfaction with the leadership of the alliance, they should have discussed it within the alliance and then, if no resolution were found, withdrawn from it. While such action is likely to have brought down the alliance, it would have done so as a result of due democratic process. Instead, the group leaders continue in dialogue with others to plan the next administration and to decide which members of it will benefit from the more highly paid Executive positions, even though they are still represented on the existing Executive.

After a period of progress, conflict is once again having a corrosive effect that seriously jeopardises service delivery

43. The fact that the Executive and senior management have worked well together since 2009 has reduced the internal impact of conflict and inappropriate behaviour. Nevertheless, frequent changes in the membership of the Executive and of scrutiny committees have slowed down the Council's progress in addressing the challenging agenda it has set itself.
44. Recent events have had damaging consequences that seriously threaten the Council's ability to continue to improve its services. In particular, the protracted nature of the negotiations to determine who will succeed the current administration is affecting the Council's reputation and its credibility with its partners.
45. The most tangible outcome of this reputational damage is that, because of the uncertainty that surrounds the leadership in Anglesey, Gwynedd Council has suspended its earlier support for a scoping study into large-scale collaboration between the two authorities. Such a project had the potential to provide increased service resilience and efficiency savings for both councils and could have provided an exemplar for public services in Wales.
46. The instability and uncertainty have also badly affected staff morale. Managers told us that they have already noticed less commitment among staff to 'go the extra mile', and that staff feel ashamed to admit that they work for the Council when they attend external events involving colleagues from other councils. Fuelled by unhelpful internal and external speculation that the Minister might direct the Council to merge with Gwynedd Council, Anglesey staff have publicly expressed their loss of confidence in the behaviour of elected members.
47. We have referred earlier in this report to the fact that differences of policy and ideology between political groups have had little or no bearing on the protracted negotiations to form a new administration. These negotiations have, at various times, seen different permutations of all five political groups taking part in a new coalition that would rule the Council once the Leader steps down. Two of the resulting 'solutions' have been announced in the press, only to fall apart soon afterwards.

48. The key factors contributing to the lack of success of the negotiations are:
- the insistence by one group leader that he should play a leading role within any new administration that his group supports;
 - the fact that, on grounds of principle, some groups refuse to work with others;
 - the Interim Managing Director's clear advice to group leaders that, if the new administration is to command public and Ministerial confidence, the increasing number of councillors who have shown a lack of regard for good governance should not be rewarded with posts of responsibility in the new administration; and
 - unhelpful speculation as to which combinations may or may not trigger further intervention by the Minister.
49. We have referred earlier to the fact that paragraph 6 of the Terms of Engagement for the June 2010 alliance saw the introduction of the 'naming and shaming' of individual councillors who are deemed to have obstructed the recovery. This practice of naming individuals has become more prevalent in recent weeks, both within the Council and in public. As a result, all of the numerically viable coalitions that have emerged since January 2011 have included some members whose track records are questionable in terms of their commitment to good governance.
50. We acknowledge the widespread frustration that more inclusive methods such as training and development have failed to improve behaviour. However, we feel that 'naming and shaming' has ultimately been unhelpful. It creates 'victims' who, in turn, attract sympathisers. Furthermore, it fosters a divisive culture in which certain officers are perceived to be no longer neutral. This was the position that the Council faced in 2008, and it must not return to it.
51. The Interim Managing Director is in a unique position; though an employee of the Council, he has Ministerial backing as a result of the 2009 intervention. We argue later in this report that the nature of this support was not defined clearly enough at the outset. Nevertheless, the Interim Managing Director has frequently drawn on the views expressed by the Minister in a speech to Anglesey councillors and in published letters when advising councillors. He has been firm and consistent in his advice to councillors to consider the principle that those whose conduct falls below the expected high standard should not, at least in the short term, play a prominent role in any new administration.
52. The alliance that, at the time of writing this report, still forms the Council's ruling administration is unlikely to survive in its current form. It was numerically weak from the outset and all its group leaders have been engaged in recent weeks in discussions as to how the alliance might be strengthened or replaced by another coalition. However, every proposal to date has failed. Some have failed because the discussions have focused too heavily on who would hold positions of power, rather than on how the coalition might use that power. Others have failed because of members' perception that certain combinations would be unacceptable to the Interim Managing Director and, by implication, to the Minister. The Interim Managing Director has recently written to group leaders, making it clear that the 'acceptability' of certain councillors is a matter for members themselves.

The Minister for Social Justice and Local Government has also made it clear in a written statement issued on 16 February 2011 that he has, ‘...no interest whatsoever in who the leader of the council is, or who forms an administration’. But the perception that councillors cannot move forward without approval is a barrier to further progress. If the Council is to progress, councillors must make their own decisions on such matters, based on policies and principles. Members must ultimately stand up and be counted in opposing such decisions when they see that they are based on the pursuit of power for its own sake.

53. We concur with the widespread praise for the Interim Managing Director’s contribution in leading necessary improvements and in his action to protect staff. Nevertheless, many people from within and outside the Council told us during the inspection that they felt that he has now become part of the problem in terms of establishing a new administration to succeed the alliance. Overall, the events of early 2011 represent significant backward steps in the Council’s journey to recovery. Furthermore, they have absorbed the time of senior officers when their energy should be focused on delivering the ambitious programme of change set out in the Council’s Corporate Plan.

The 2010-11 Corporate Plan represents a major step forward in clarifying the Council’s direction but recent events have distracted all of those responsible for delivering the plan

54. We reported in our Corporate Assessment that the Council had, for many years, failed to establish a clear and consistent policy direction to guide its decision making. But, in July 2010, the Council adopted and published its Corporate Plan for 2010-11.
55. Aspects of the Corporate Plan need to be refined for 2011-12. However, we reported in the Annual Improvement Report that the plan ‘represents the outcome of a comprehensive analysis of what the Council needs to do. It summarises within it the remaining elements of the Council’s Recovery Plan in response to the 2009 Corporate Governance Inspection, its medium-term financial planning, and its more outwardly focused priorities. In publishing the plan, the Council has taken a significant step forward in improving the transparency of its intentions and in its accountability for their delivery.’ Furthermore, the Executive consulted with the public in a series of ‘road shows’ in order to validate the five strategic aims under which the Council’s proposals are grouped.
56. The production of the Corporate Plan represents a major step forward for the Council. The Interim Managing Director led this process very effectively by adding his own analysis of the Council’s problems to the agenda that the 2009 Corporate Governance Inspection had already set. He also ensured that additional resources were available in the Council’s corporate centre to map out the practical implications of the proposals. The result is an ambitious agenda for change that, if delivered, will result in significant improvement in the Council’s governance and the modernisation of its services. We will report on the Council’s success in delivering the 2010-11 Corporate Plan in our 2011 Annual Improvement Report.

57. Political instability such as that we have seen since the beginning of 2011 serves only to distract both councillors and staff from the work of delivering this agenda for change. It is imperative, in our view, that the Council devotes its full attention to delivering the 2010-11 Corporate Plan and to deciding how the plan needs to change for 2011-12.

The Council has taken significant steps to improve consistency in its approach to corporate issues but the changes are not yet embedded

58. The Interim Managing Director has provided strong and effective leadership for senior managers and has introduced many badly needed improvements to corporate arrangements. In particular, he has restructured the Managing Director's Department, adding to its capacity to lead on corporate issues. There has been generally good progress in beginning to ensure a consistent approach across the Council in matters such as business planning, project and programme management and performance management. External reviews have taken place or are planned for corporate services such as Human Resources, Finance and ICT. However, the Council acknowledges that these improvements are 'works in progress' and that more work is needed to embed change and to tackle major issues such as job evaluation and single status that have been allowed to slip badly in the past.
59. By giving greater prominence to the role of heads of service, the Interim Managing Director has also begun to enable senior managers to focus more effectively on strategic and corporate issues, while heads of service take on greater responsibility and accountability for operational matters.

The Council has taken steps to improve its framework of accountability but recent events indicate that these have not changed the underlying culture

60. There have been a number of changes since 2009 that are designed to improve the Council's accountability framework. The changes affect the respective roles of councillors and managers as well as the interaction between them. However, cultural and behavioural changes take time, and few of these potential improvements are yet well enough embedded to assure that they are sustainable. Recent events indicate that the changes have failed to address the Council's underlying culture.

61. The Council has restructured its scrutiny committees so that the role of each committee is far clearer than before. More officer support is now available to the committees to support their developing work programmes. There is more work to be done before the scrutiny committees become effective in holding the Executive to account. Some meetings still suffer from inadequate preparation, with the result that officers and councillors spend too much time without reaching any resolution. However, there are promising signs in some committees that members' knowledge and understanding of the subject areas under scrutiny are developing, enabling them to ask more pertinent questions during meetings. The Recovery Board and the WLGA have provided good support in developing the scrutiny function.
62. In order to improve the accountability of staff, the Interim Managing Director has introduced the concept of the 'Anglesey Manager'. The intention is that managers at all levels should be more accountable than in the past for managing performance, finance and staff. This work again represents a step in the right direction and should continue.
63. In the past, some councillors have become far too closely involved in the direct running of services. The Council has tried to achieve a clearer and more appropriate separation of duties between officers and councillors so that, for example, councillors no longer play any role in staff appointments other than at a senior level. But we heard during the inspection that, despite training and development, a minority of councillors continue to try to influence matters such as housing allocations in which they should play no part.

The positive steps taken to address the 2009 recommendations have not prevented the problems of the past from resurfacing

64. We have set out the seven recommendations from the 2009 Corporate Governance Inspection in Appendix 1. In our Annual Improvement Report, we judged that the Council had made significant progress in addressing these recommendations, but that some of the plans will take time to put in place across the Council in a way that makes sure that the problems of the past do not resurface.
65. Events during the early part of 2011, in particular, suggest that, despite the actions that the Council has taken to promote improvement, some of the problems of the past remain. In particular, despite the Interim Managing Director's efforts, the stricter group discipline required in Recommendation 1 is not in place. As a result, the Council is again experiencing a loss of trust between staff and elected members, and a corrosive impact on staff morale and the Council's ability to work credibly with its partners.

66. The pursuit of power for its own sake, or for the advantages it can bring to individuals, those that support them and the wards they represent, has again emerged. We believe that the Council's lack of diversity, particularly in relation to its age-profile and its gender balance, promotes this culture which, in turn, deters others from standing for election. We identified in our 2010 Corporate Assessment that the Council should promote democratic renewal by developing, 'a strategy.....to inform citizens about the role and responsibilities of the modern councillor and, in so doing, promote greater diversity within the Council'. The Council has already earmarked a small budget for this work, but we believe that external support and assistance for this work will be necessary.
67. The Local Government Boundary Commission for Wales reviewed electoral arrangements in Anglesey and made proposals for change in the autumn of 2010. The proposals, which received qualified support from the Council, call for a reduction in the number of councillors from 40 to 36 and the introduction of multi-member wards in parts of the island. We believe that these proposals, along with external support to encourage new blood to stand for election, have the potential to reduce the parochial nature of politics on the island.
68. However, in order to address the particular need for democratic renewal in Anglesey, we believe that there should be a further review to consider the scope for more multi-member wards and/or a further reduction in the number of councillors. Any such changes should be implemented prior to the next local authority elections on the island. It may therefore be necessary for the Minister to consider using powers under section 87 of the Local Government Act 2000 to delay the elections until 2013.
69. During the inspection, we also heard arguments in favour of a form of governance, untried in Wales, whereby a Directly Elected Mayor leads the Council and chooses its Executive. We acknowledge that there are risks associated with this model, but the potential advantages are that:
- the Mayor would provide stability of leadership over a four-year term; and
 - the Mayor would be elected by, and be accountable to, all the people of Anglesey rather than a particular ward.
70. There are no directly elected mayors in Wales, although one local authority held a referendum in response to a petition, in which the proposal for an elected mayor was defeated. However, there are a number of local authorities in England where the model has worked well. The Office of the Deputy Prime Minister³ identified their potential:
- 'Mayors can provide a focus for public engagement and bringing partners together. The fact that mayors have the unique mandate of being a single individual elected by citizens from across the locality as a whole reinforces their legitimacy and can enhance their ability to act as a leader of the entire community, to bring partners together and to shape services and outcomes well beyond the immediate responsibilities of the council.'

³ Office of the Deputy Prime Minister (2005), *Vibrant Local Leadership*, London: ODPM, p14

Despite valuable work by the Recovery Board and the Interim Managing Director, the intervention has ultimately been unsuccessful and stronger intervention is necessary to improve the prospects of recovery

- 71.** The intervention by Welsh Ministers following the 2009 Corporate Governance Inspection has resulted in many potentially positive changes as well as learning opportunities for staff and councillors. Experienced senior managers we spoke to during the inspection told us how much they had learned from the Interim Managing Director's approach. The Recovery Board, whose members have brought to the Council a diverse range of experience and expertise, has provided valuable insight as well as monitoring the Council's progress and reporting regularly to the Minister. Its members have also provided valuable support and development in areas such as scrutiny, though its impact has thus far been confined to the scrutiny of specific service areas. As part of the intervention, the WLGA has also provided extensive training and development to councillors. Attendance at these sessions has varied; on average, only 63 per cent of councillors invited to each session have attended.
- 72.** The intention of this developmental work was to make the Council an exemplar in terms of its corporate governance. The intervention has ultimately been unsuccessful in this respect, but we are confident that many councillors and staff will have gained from the experience.
- 73.** This intervention was the first of its kind in Wales and has incurred significant costs to the Council, money that could otherwise have been spent on services in Anglesey. It is important, therefore, that lessons are learned from this exercise.
- 74.** At the outset, the Recovery Board received a detailed remit from the Assembly Government. The board's remit included advising the Minister and the Council, but no powers to direct the Council or its Interim Managing Director.
- 75.** In contrast, the Interim Managing Director, appointed by the Council under a direction by Welsh Ministers, had no specific 'job description'. He has observer status on the Recovery Board and has provided regular reports to the Board. He also has the Minister's protection against dismissal by the Council, and has increasingly drawn on this protection in his efforts to influence the Council's political management in a direction that sought to embed good governance. But, in the absence of any guidelines about the extent of the Interim Managing Director's remit, it has not been clear whether or not his actions are consistent with the Minister's views. This lack of clarity has fuelled speculation among councillors about what might and might not be the consequences of their own actions.
- 76.** In hindsight, therefore, we are of the view that the Assembly Government should have determined parameters for the role of the Interim Managing Director, set in the context of a clearer definition of his role in relation to the Recovery Board.

77. We conclude that the intervention has thus far been unsuccessful in resolving the Council's underlying weaknesses of corporate governance. In order to improve the Council's prospects of recovery, we believe the Ministers should continue to intervene in the running of the Council and should strengthen the terms of their intervention as set out in the Auditor General's recommendations.
78. The Recovery Board has played an important role in overseeing the implementation of the recommendations of the 2009 report, but we believe it is now necessary to intervene more directly in the running of the Council and that the Welsh Ministers should direct that the executive functions of the authority be exercised by commissioners appointed by the Welsh Ministers. The commissioners should release some Executive powers to the Council during their period of office if the Ministers consider this appropriate.
79. We consider that the Minister should retain the power to appoint an Interim Managing Director. However, we believe there is a need for greater clarity in the terms of reference of that post and in defining the accountability of the post-holder.
80. We also consider that the functions of appointing the Council's other statutory officers, in the event that vacancies in those posts arise during the period of the intervention, should be exercised by the commissioners.
81. The Council should be supported to implement proposals for democratic renewal with a view to bringing in new blood and ensuring greater diversity among Council members. The Local Government Boundary Commission for Wales reviewed electoral arrangements in Anglesey and made proposals for change in 2010. The proposals, which received qualified support from the Council, call for a reduction in the number of councillors from 40 to 36 and the introduction of multi-member wards in parts of Anglesey. We consider that there are merits in these proposals. We therefore consider that Ministers should ask the Boundary Commission to review its proposals so as to ensure that the changes originally proposed adequately address the need for democratic renewal in Anglesey, and introduce the changes, updated as necessary, in time for the next local authority election in 2012. If it is not possible to complete and implement this review by then, the Ministers should consider using powers under section 87 of the Local Government Act 2000 to delay the elections until 2013.
82. Alongside these measures, the Minister may wish to consider directing the Council to hold a referendum on changing its governance model from the current Leader and Cabinet model to that of Directly Elected Mayor and Cabinet. While such a model is not without risk, it should provide stability of leadership, and a Mayor with a mandate from the whole of Anglesey. Furthermore, the Mayor would select his or her Executive, thereby avoiding the current jockeying for power between groups of councillors.

Appendix 1

Findings and recommendations of the 2009 Corporate Governance Inspection

The Isle of Anglesey County Council has a long history of not being properly run, from its inception in 1996 to the present day. This has had a corrosive effect on the exercise of its functions and leaves it poorly placed to meet future challenges.

Contents

Summary and Recommendations

Detailed Report

Weak self-regulation of inappropriate behaviour and conflict has had a corrosive effect and wastes Council resources

The Council is ineffective in dealing with issues of conflict and inappropriate behaviour

The Council has failed to respond to a number of previous external reviews that have highlighted issues of conflict and inappropriate behaviour

The Council has a reactive approach to dealing with issues of conflict and inappropriate personal behaviour

Weak political group structures contribute to a lack of control and sanction

The history of internal conflict and inappropriate behaviour has had a corrosive effect

A great deal of time and energy is diverted to dealing with conflict and inappropriate behaviour

The Council's reputation has been seriously damaged

Conflict has led to a rift between political and managerial leadership

The Council is poorly placed to meet future challenges, including its duty to secure continuous improvement, because of a lack direction, corporate leadership and accountability, even though there are good features in the performance of many services

While there are there are good features in the performance of many services the Council lacks clear direction

There are good features in the performance of many services

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| The Council does not have clearly defined policies and priorities |
| The concept of community leadership is neither practised nor fully understood |
| The Corporate Management Team provides some effective leadership to service areas but fails to provide the necessary leadership on corporate issues |
| Corporate directors provide some effective leadership to their service areas |
| Many corporate issues have not been adequately progressed and corporate services lack capacity |
| The Council does not have an effective framework of accountability |
| Performance management is ineffective |
| Scrutiny and overview committees are ineffective and the Audit Committee's independent assurance role is limited |
| Roles and responsibilities are not clearly understood |

Recommendations

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| R1 | <p>The current political arrangements contribute to the Council not being properly run. To support better governance and decision-making, and to address the fundamental underlying problem of conflict, the Council should, within 12 months of the publication of this report, amend its political arrangements to promote:</p> <ul style="list-style-type: none"> • clear determination of its strategic priorities and direction; • a reduction in the corrosive effect of member conflict through proactive monitoring and enforcement of standards of conduct and stricter group discipline; • more rigorous scrutiny based around Committees that are independent of the Executive; and • better information flows. |
| R2 | <p>The Council faces the immediate problem of restoring trust between some members and some senior officers. To begin this process, the Council needs to resolve the Graigwen issue⁴ and issues relating to the Annual Letter issued by the Relationship Manager in January 2009. To facilitate resolution of these issues and restore mutual trust and respect the Council Leader and the Interim Managing Director should reinstate formal and informal meetings between the Corporate Management Team and the Executive with immediate effect.</p> |

⁴ Graigwen is a property that the Council purchased at auction in 2007.

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| R3 | The members of the Corporate Management Team provide some effective leadership to service areas but fail to provide the necessary corporate leadership ⁵ . The Council, within six months of the publication of this report, should make proposals for the composition and structure of senior management to remedy this deficiency. |
| R4 | Recent changes to the decision making processes have contributed to improving planning decisions. Nevertheless, Planning Committee decisions remain a source of reputational damage and erosion of public confidence. The Council, within three months of the publication of this report, should make proposals for increasing the transparency and quality of decision making. |
| R5 | Good governance and exercising the community leadership role require effective citizen engagement. There is however no co-ordinated approach to establishing the needs of the island's community through citizen engagement. The Council should make proposals for improving citizen engagement by 31 December 2009. |
| R6 | Responding effectively to complaints is an essential component of holding the Council accountable. The Council has a poor track record of responding to complaints that it does not have a statutory duty to respond to. This is a concern shared by the public, officers and councillors. The Council should, by 31 March 2010, make proposals for improving its process for responding to complaints based on an evaluation of the pilot that commenced on 1 June 2009. |
| R7 | Strong corporate services ⁶ with sufficient capacity to provide the necessary level of support to members and officers are essential to promote efficiency and are fundamental to improving governance. The Council should, within six months of the publication of this report, develop proposals to improve corporate services. |

⁵ Corporate leadership can be defined as giving direction to staff in line with the Executive's priorities. It means working collaboratively to set the direction for the Council as a whole, in exercising the Council's powers and functions, and ensuring that the Council as a whole moves in that direction.

⁶ Corporate services refers to those services such as Human Resources, Finance, Information and Communications Technology, Policy and Performance that support the Council as a whole in delivering effective services to the public.



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