



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. The Auditor General undertakes his work using staff and other resources provided by the Wales Audit Office, which is a statutory board established for that purpose and to monitor and advise the Auditor General. The Wales Audit Office is held to account by the National Assembly.

Together with appointed auditors, the Auditor General audits local government bodies in Wales, including unitary authorities, police, probation, fire and rescue authorities, national parks and community councils. He also conducts local government value for money studies and assesses compliance with the requirements of the Local Government (Wales) Measure 2009.

Beyond local government, 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.

The Auditor General and staff of the Wales Audit Office aim to provide public-focused and proportionate reporting on the stewardship of public resources and in the process provide insight and promote improvement.

This Annual Improvement Report has been prepared on behalf of the Auditor General for Wales by Huw Lloyd Jones and Andy Bruce under the direction of Alan Morris.

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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 park authorities are planning for improvement in delivering their services. This report draws on the work of the relevant Welsh inspectorates, as well as work undertaken on the Auditor General's behalf by the Wales Audit Office. The report covers the Isle of Anglesey County Council's (the Council) delivery and evaluation of services in relation to 2012-13, its planning of improvement for 2013-14 and, taking these into account, concludes whether the Auditor General believes that the Council will make arrangements to secure continuous improvement for 2014-15.
 - some progress has been made in the management of data security and information assets, but there is still more to do;
 - initiatives to promote and support the use of the Welsh language are supported by the re-establishment of the Anglesey Strategic Language Forum; and
 - the Energy Island Programme and recently-designated Enterprise Zone status provide an opportunity to create social and economic growth.
- 2 We found that the Council made steady progress in delivering improvements in most of its priority areas for 2012-13 but further improvements are required in some key services. We came to this conclusion because:
 - performance across a range of the Council's services is improving, although there is scope to make further progress;
 - services for vulnerable people have improved, though some risks remain in the provision of social care;
 - the Council is responding well to the findings of the Estyn inspection in 2012 and the performance of schools in Anglesey has improved;
 - the Council is making some progress to improve its housing repairs service by modernising and transforming the service;
- 3 We also found that more thorough and consistent procedures and developing governance arrangements have strengthened the Council's ability to evaluate and improve services. We came to this conclusion because:
 - the Council's first self-assessment and annual self-evaluation report are balanced and improvement reporting duties required under the Measure have been met;
 - the Council has developed more thorough ways than before to assess its progress and provide greater consistency in the evaluation of delivering services and outcomes for citizens;
 - a revised governance and accountability framework reflects recent structural changes, while scrutiny and audit committees continue to provide valuable input and challenge;

- the Council has improved its processes for developing its Annual Governance Statement and has identified further ways to strengthen future arrangements; and
- the Council complied with financial reporting requirements.

4 Finally, we found that, if delivered effectively, the Council's plans for improvement and its arrangements to support improvement should help it to meet the financial and other challenges that lie ahead. We came to this conclusion because:

- the Council's improvement planning arrangements for 2012-13 improved and resulted in Welsh Government intervention ending in May 2013;
- the 2013-14 Improvement Plan and improvement objectives were developed through consultation with the public and stakeholders and met the requirements of the Measure;
- transformational planning arrangements are making good progress, but the Council has recognised the programme may need further fine-tuning to sustain improvement;
- clearer planning and accountability have improved the prospects for education services for children and young people;
- the Council has complied with its duties under the Equality Act 2010; and

- the Council continues to manage its finances and budget but faces challenges in its capacity to provide sufficient and appropriately skilled resources to support the corporate finance service.

5 Taking the above into account, the Auditor General believes that the Council is likely to make arrangements to secure continuous improvement for 2014-15.

Proposal for improvement

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| P1 | <p>To make progress and achieve the objectives of the Transformational Plan, the Council should:</p> <ul style="list-style-type: none"> • secure sufficient capacity, capability and stability in its corporate finance service; and • identify and improve weaknesses in the management of the financial ledger system. |
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Detailed report

Introduction

- 6 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 in delivering their services. **Appendix 1** provides more information about the Auditor General's powers and duties under the Measure. With help from Welsh inspectorates, Estyn (for education), the Care and Social Services Inspectorate for Wales (CSSIW), and the Welsh Language Commissioner we have brought together a picture of what each council or authority in Wales is trying to achieve, how it is going about it, and the progress the Council has made since the Auditor General published his last annual improvement report. The report also draws on the Council's own self-assessment. Finally, considering all this, the report concludes whether the Auditor General believes that the Council is likely to make arrangements to secure continuous improvement for 2014-15.
- 7 We do not undertake a comprehensive annual review of all Council arrangements or services. The conclusions in this report are based on our cumulative and shared knowledge and the findings of our prioritised work which, this year, included an assessment of the Council's progress against two of its improvement objectives:
- Improve Children Services – To ensure that children are protected from harm and abuse and that their wellbeing, independence and stability are promoted; and
 - Improve Corporate Governance – To ensure the Council fully achieves its promise to promote and protect the interests of the Island, its citizens and its communities.
- 8 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:
- make proposals for improvement – if proposals are made to the Council, we would expect them to do something about them and we will follow up what happens;
 - make formal recommendations for improvement – if a formal recommendation is made the Council must prepare a response to that recommendation within 30 working days;
 - conduct a special inspection and publish a report and make recommendations; and
 - recommend to Ministers of the Welsh Government that they intervene in some way.
- 9 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 made steady progress in delivering improvements in most of its priority areas for 2012-13 but further improvements are required in some key services

Performance across a range of the Council's services is improving, although there is scope to make further progress

- 10 Performance indicators for Council services – including Public Accountability Measures (PAMs) and National Statutory Indicators (NSIs) – improved in 2012-13. Of the 36 NSI and PAM indicators that are directly comparable from previous years, two-thirds had improved in 2012-13 with one-third declining. Further analysis shows that 27 per cent of indicators are in the top quartile, whilst only 18 per cent are within the bottom quartile, with the remaining 55 per cent in the middle quartiles.
- 11 The Welsh Government's Local Authority Services Performance Report, published in January 2014, also showed that the Council performed well in a number of areas in 2012-13. When compared with the other local authorities in Wales, the Council's performance was in the upper or middle quartiles for 14 of the 18 indicators included in the Report. Performance exceeded the Welsh average in two-thirds of the indicators.
- 12 Despite this improving picture, the Council has more to do to re-establish public confidence in its ability to provide high quality services. Each year the Welsh Government undertakes a national survey to obtain the views of the people of Wales on a range of issues including health, education and local services. The 2012-13 survey

showed that 48 per cent of Anglesey's residents strongly agreed or tended to agree that the Council provided high-quality services. This is below the Welsh average of 57 per cent and placed the Council's performance in the lowest quartile when compared with the other local authorities in Wales.

Services for vulnerable people have improved, but some risks remain in the provision of social care

- 13 The CSSIW concluded in their review and evaluation of the provision of social care services in 2012-13 that, overall, there were positive changes across both adult and children's services, although there remain areas for future improvement. The CSSIW reported that the Council's corporate improvement agenda is working in parallel with the service improvement agenda, but that the Council now needs to embed its quality assurance system into day-to-day practice.
- 14 The Council's improved website became operational in July 2012 and a project has begun within adult services to decide how best to use the new facility. The Council has a wide selection of publicly available information leaflets describing its social services and is to review them to assess their usefulness and practicality. Children Services are also planning to develop their website information.

- 15 The CSSIW found that the Council had made excellent progress in the improvement of many areas of children's services, and there had been improvements in the stability of the workforce. Despite this, problems remained in recruiting to key posts, retaining personnel and the use of agency staff, which could undermine the Council's capacity to improve the service and increase the financial risk for the Council.
- 16 Performance in 2012-13 shows a year-on-year improvement, which the Council attributes to increased management attention, social work training and improved resources, including increasing the number of staff within the front-line team. Nevertheless, CSSIW found that services for disabled children and their families, and the range of services available to them, remain areas for development.
- 17 Within children's services, there is an upward trend in the looked-after population and increased rates of children on the child protection register. The Council plans to review and modernise children's services, anticipating that significant redesign will be required to achieve efficiencies and better outcomes for children and families. The CSSIW has identified that the Council plans to spend less each year on children's services, but has not determined how to reconcile this with increasing demand.
- 18 CSSIW reported the Council has suffered delays in implementing plans to modernise adult services and current resources are committed to sustaining residential care homes. Until political agreement is secured, the Council is unable to develop the community services which are needed. Despite this, CSSIW found a range of established services providing good-quality care for adults, including Agewell Hywliog Môn, which won a Care Council for Wales accolade for being citizen-led and run by older people.
- 19 The use of tighter eligibility criteria is resulting in fewer community care packages and increased signposting to the independent and voluntary sectors. CSSIW's findings also indicate that the Council identified fewer carers, offered fewer assessments and provided fewer carers within the service in 2012-13 than they did the previous year. The adult services risk register does not include the risk of failing to care for those who do not meet the Council's tighter eligibility criteria and CSSIW plans to follow up progress during the next year.
- 20 The Council has very effective arrangements in place for the protection of vulnerable adults. Nevertheless, the number of Deprivation of Liberty Safeguards (DoLS) assessments and authorisations are low, and this, in turn, is causing concern that the appropriate assessments may not be being made and that safeguards are potentially not being implemented.

21 In May 2012, Estyn published a report, following their inspection of the quality of the Council's education services for children and young people. Estyn concluded the Council had appropriate procedures which reflect safeguarding policies, and confirmed the Council had taken steps to monitor the safe recruitment of staff and governors. The inspection also identified that the Council was working on a corporate safeguarding policy and formalising wider arrangements for safeguarding within the Lifelong Learning service. The Council had also created plans to put a new system in place to collect and analyse safeguarding information from schools. As part of our 2013-14 regulatory programme, we conducted a national review of safeguarding and will be reporting the outcomes in 2014-15.

The Council is responding well to the findings of the Estyn inspection in 2012 and the performance of schools in Anglesey has improved

22 In my 2013 Annual Improvement Report, I referred to the inspection in May 2012 by Estyn and the Wales Audit Office of the Council's Education Services for Children and Young People. The inspection found that the services were unsatisfactory and that they had unsatisfactory capacity to improve.

23 The Minister for Education and Skills subsequently appointed a Recovery Board to provide support and external challenge and the Council responded constructively to the report. Since then, the Recovery Board has reviewed detailed strategic and operational information and received regular progress reports.

24 In November 2013, Estyn conducted their first monitoring visit to assess progress against the recommendations in the post-inspection improvement plan. Estyn concluded that the Council had identified a number of obstacles and responded appropriately to overcome them by:

- appointing the Director of Lifelong Learning, with effective support provided by a permanent senior standards and inclusion officer;
- restructuring at head of service level, which strengthened corporate capacity to lead transformation projects to ensure specific improvements;
- managing transformation projects at a higher level, which enables the Council to build a political consensus;
- members having a better understanding of the Council's responsibilities, and being involved increasingly in holding schools to account and identifying priorities for scrutiny; and
- establishing effective arrangements for monitoring progress against the post-inspection improvement plan and working well with a Recovery Board that provides an external challenge.

- 25 The Council has reviewed and adapted its partnership agreement with schools to reflect the partnership with GwE, the North Wales Regional School Effectiveness and Improvement Service. The agreement outlines an expectation that schools should take responsibility for their own performance and lead the discussion on improvement. It outlines the roles of the Council and schools in relation to supporting, monitoring and challenging effectively.
- 26 Estyn reported that the performance of schools in Anglesey has improved since 2011 and is now higher than the average for Wales in all key stages. During 2013 and in key stage 4, no schools are in the bottom 25 per cent for any of the five main indicators. In the Foundation Phase, and in key stages 2 and 3, the majority of schools are in the top 50 per cent compared with similar schools elsewhere in Wales.
- 27 The Council's procedures for monitoring and promoting learners' attendance are having a positive effect. Officers, schools and relevant agencies have co-operated effectively to form a clear policy for promoting good attendance. Stakeholders are aware of the policy and comply with it. Subsequently, attendance rates have improved in the primary and secondary sectors since the 2012 inspection.
- 28 Attendance rates in secondary schools have risen by 2.3 percentage points over two years. This improvement is significantly better than the average for Welsh schools during the same period. In primary schools, attendance is consistently higher than the average for Wales. However, it has improved at a slightly lower rate than the average for Wales since 2010.
- The Council is making some progress to improve its housing repairs service by modernising and transforming the service**
- 29 The Auditor General's 2013 Annual Improvement Report referred to our 2012 review of how effectively the Council's maintenance service for responsive repairs to housing were being delivered, as this is an important function for Council tenants.
- 30 The review found that the Council's arrangements for its Building Maintenance Unit had been in place for a number of years and were out of date. The Compulsory Competitive Tendering (CCT) arrangements were replaced with a duty to secure best value many years ago and there was no requirement, therefore, for the Council to organise service delivery based on a client/contractor split. A subsequent and related review, conducted by the Council's Internal Audit, found weaknesses in the Building Maintenance Unit's procurement arrangements.

31 The Council has responded constructively and responsibly, having implemented a formal project management approach and action plan to modernise and transform the service. To provide a clear direction for what it needs to improve, the Council has developed an option appraisal process, informed by workshops and individual meetings with service, performance and finance staff. The approach was independently evaluated to address the weaknesses from the previous reviews and provide a number of options for the service. The advantages and disadvantages of different types of provision were assessed and the Council has chosen to retain the service in house. The option merges both client and contractor teams into a single housing repairs unit, whilst modernising and transforming the service. The option supports better customer focus, whilst achieving approximately £250,000 savings per annum. We will continue to monitor progress as the service develops.

Some progress has been made in the management of data security and information assets, but there is still more to do

32 The 2013 Annual Improvement Report concluded that the Council's arrangements for the management of its information assets were limiting its ability to improve. Specifically, there were weaknesses in data security and information management. Similar weaknesses were identified in a range of reports dating from May 2011, including Internal Audit's reports on Modern Records Management, Data Security and Business Continuity, issued in September 2012.

33 Following breaches of the Data Protection Act 1998, the Council agreed to the Information Commissioner's Office carrying out a consensual audit of the Council's arrangements for the processing of personal data. The Information Commissioner's auditors undertook fieldwork in July 2013 and their report confirmed and added to the recommendations made in the previous regulatory reports.

34 Historically, some capacity issues have been a factor, which contributed to the Council's lack of data protection compliance. To help tackle the weaknesses, the Council has appointed a Senior Information Risk Officer (SIRO), set up an Information Governance Project Board and produced an action plan to ensure that the recommendations made by the Information Commissioner's Office are implemented.

35 The Information Governance Project Board is part of the Council's transformation programme to improve services and is the body responsible for delivering the action plan. Four core policies, which cover the key areas of information governance and associated risks, have been developed and endorsed by the Council. Although some progress has been made, the project's timescales have slipped, partly due to the absence of a lead operational officer and project manager. As a response, interim arrangements are in place to drive the project forward to meet its target date of August 2014. There are planned improvements which remain outstanding and relate to weaknesses in property access, security, and ICT storage arrangements.

36 In addition, CSSIW identified the management of personal information as a risk and a priority for action. The project's timeframe does provide some flexibility to manage slippage, but further delays may affect other subsequent elements of the project. The Information Commissioner's Officer has indicated they will conduct follow-up work during 2014, and failure to implement change could result in enforcement action being taken against the Council. In the meantime, the risks associated with some areas of the project will remain and we will continue to monitor progress.

Initiatives to promote and support the use of the Welsh language are supported by the re-establishment of the Anglesey Strategic Language Forum

37 The role of the Welsh Language Commissioner was created by the Welsh Language (Wales) Measure 2011. It is expected that new powers to impose standards on organisations will come into force through subordinate legislation by the end of 2014. Until that time, the Commissioner will continue to review Welsh language schemes by the virtue of powers inherited under the Welsh Language Act 1993.

38 The Commissioner works with all councils in Wales to inspect and advise on the implementation of language schemes. It is the responsibility of councils to provide services to the public in Welsh in accordance with the commitments in their language schemes. Every council is committed to providing an annual monitoring report to the Commissioner outlining its performance in implementing the language scheme. The Commissioner analyses every monitoring report; provides a formal response and collects further information as required.

39 The Council has commissioned a baseline study of the Welsh language in Anglesey. The intention is to collect comprehensive information about the state of the language, which will be a basis for policies and the Council's impact assessment work. The Anglesey Strategic Language Forum has been re-established jointly with the Menter Iaith¹ in order to promote the objectives of the Welsh Government's 'Iaith Fyw: Iaith Byw' (A Living Language: A Language for Living) strategy at community level. Nineteen per cent of the Council's front-line staff do not possess adequate skills in Welsh to be able to offer a service in the language. When new members of staff are appointed to front-line posts where Welsh is essential, learning requirements are imposed unless the workers are bilingual. The Council has provided information about a sample of contracts which were monitored and that complied with the requirements of the Language Scheme, but there is a need to provide a full report for the next reporting period. The Council has identified that a risk remains in terms of the capacity of the Translation Unit and it will be necessary to monitor the situation to ensure that there are no shortcomings.

The Energy Island Programme and recently-designated Enterprise Zone status provide an opportunity to create economic growth

- 40 The Anglesey Energy Island Programme is a collective effort between the Council and several stakeholders within the public and private sectors. Working in partnership, the programme aims to put the island at the forefront of energy research and development, production and servicing, bringing with it potentially significant economic rewards.
- 41 The Energy Island Programme and recently-designated Enterprise Zone status provide an opportunity to create substantial numbers of new jobs and housing as a result of the planned investment in, and growth potential of, the low carbon energy sector. The Council is looking at developing schemes which increase employment opportunities for young people and improve the island's infrastructure. One of the schemes is the development of a new nuclear power station at Wylfa. We reported in the 2013 Annual Improvement Report that an overseas consortium had purchased the plant for future development.
- 42 The next stage in the development has been announced and there are plans to build the renamed Wylfa Newydd on land near the current Wylfa nuclear power station. This is, however, a long-term initiative, which will require assessments by the Office for Nuclear Regulation (ONR) and Natural

¹ Menter Iaith is a community-based organisation which works to raise the profile of the Welsh language in a specific area.

Resources Wales before site-specific proposals are put forward. Regulators will look at the safety, security, environmental and waste implications of the new reactor designs, while decommissioning of the previous site is conducted over a significant period. Subject to the relevant consents being granted by the Secretary of State for Energy and Climate Change, the Planning Inspectorate and the Council, up to 6,000 jobs are expected to be created while the new reactors are built and around 1,000 when the plant is operating.

- 43 The Council also continues to support and develop other key sectors of growth such as tourism, which helps drive the Island's economy. The Council estimates that the tourism industry generated £256 million during 2013 and supported over 4,000 full-time jobs.

More thorough and consistent procedures and developing governance arrangements have strengthened the Council's ability to evaluate and improve services

The Council's first self-assessment and annual self-evaluation report are balanced and improvement reporting duties required under the Measure have been met

44 Welsh Government intervention in Anglesey ended formally in May 2013. Prior to that date, the Council agreed to complete and submit its first self-assessment to the Commissioners and Welsh Government. The assessment provided a fair and balanced evaluation of performance and included information about what the Council was doing to sustain improvement.

45 The Council subsequently produced its 2012-13 Performance Report and, in the Auditor General's December 2013 Improvement Assessment Letter, we reported that the Council has complied in full with its improvement reporting duties under the Measure. The report provides a balanced assessment of delivery and links the analysis of performance data to the Council's improvement objectives. The report includes all the required elements and, in particular, explains how its contents contribute to the Council's statutory duty to make arrangements to secure continuous improvement and be accountable. It also sets out the Council's performance against all statutory performance indicators. The reporting style and content have improved from last year, which reflects the Council's constructive response to last year's feedback.

The Council has developed more thorough ways than before to assess its progress and provide greater consistency in the evaluation of delivering services and outcomes for citizens

46 The Council has developed twice-yearly service reviews which form part of its revised corporate planning and performance management framework. The reviews provide robust challenge, thus enabling senior managers and members to understand better how well each service is performing against targets and to identify what needs to be done in areas that are performing less well. The reviews have promoted greater consistency of self-evaluation across services and include:

- an analysis of financial and performance information;
- horizon scanning for any issues or changes that may affect the service; and
- an analysis of past performance and future objectives.

47 The Auditor General's 2013 Annual Improvement Report concluded that the Council's track record in self-evaluation during 2011-12 was inconsistent, with external assessments providing a picture of varying reliability in the Council's self-evaluation of its performance. Since then, both Estyn and CSSIW have indicated that the Council's arrangements for self-evaluation have improved.

- 48 In November 2013, Estyn concluded that leaders and managers have developed and ensured consistency in the self-evaluation arrangements across the Council's services. Service providers are included in the process and understand the self-evaluation arrangements, and staff have an increased understanding of their individual contribution towards the education service's strategic aims.
- 49 The Council produced a self-evaluation report which Estyn considered was evaluative, precise and identified strengths and areas that need attention. Education service officers hold regular meetings in order to track progress and challenge staff on developments in their areas of responsibility. There is now a common format for planning across services, which facilitates the process of self-evaluation, impact assessment and risk assessment. Nevertheless, there is no formal process to record decisions and this weakens the element of accountability.
- 50 Estyn reported that the target-setting process is transparent, thorough and improved by using data more effectively, including appropriate performance thresholds of free school meals families and regression lines. The Council now monitors and evaluates performance, and challenges schools and individual subject departments much more effectively than in the past. The Council uses the guidelines in the revised partnership agreements to categorise schools in order to identify those that need additional challenge or support to improve.
- 51 Estyn found that officers present a balanced evaluation of performance across the Council to elected members, but the information does not include the names of schools that are causing concern or underachieving. However, the Council has established a Schools Standards Monitoring Group to scrutinise in detail the performance of schools that are underachieving and hold them to account. Three schools have already been brought before the group and further meetings have been arranged for the near future. It is too early to judge the impact of this work.
- 52 Estyn reported that comprehensive arrangements are in place to ensure effective accountability and scrutiny. The Council provides useful guidance and training for members of the scrutiny boards and members are developing a better understanding of their role. The Council realises, however, there is a need to enhance the system as the process matures. The Council's education priorities are steered by the transformational project boards which are using project management disciplines effectively. As a result, there are early signs that there is timely and appropriate progress in achieving the operational aims of the individual projects.
- 53 Estyn concluded that Members' understanding of the service's strengths and weaknesses has improved since the inspection in 2012. The quality of information provided to members is consistently good and has resulted in improved challenge and accountability. The Lifelong Learning Service has provided comprehensive training for members on challenging schools.

This supports the work of the School Standards Monitoring Group in scrutinising the performance of individual schools that are underachieving and strengthened arrangements.

- 54 During 2012-13, CSSIW also concluded that the Council had established effective processes for ensuring corporate oversight of the services. Children's services made monthly reports to the improvement and sustainability board that consisted of the commissioners, executive members and councillors. The CSSIW acknowledges that the recently formed Scrutiny Committee needs to continue and develop its oversight of social services.

A revised governance and accountability framework reflects recent structural changes, while scrutiny and audit committees continue to provide valuable input and challenge

- 55 The Auditor General's 2013 Annual Improvement Report concluded the Executive and monitoring arrangements for scrutiny had been established and the audit committee and scrutiny meetings were being conducted in a professional manner. The Council has since then revised its democratic governance and accountability framework to reflect the reduction in the number of councillors from 40 to 30 following the election in May 2013.

- 56 The number of scrutiny committees has reduced from five to two, with the Audit Committee operating on similar terms as before. Members of all committees have received induction and development workshops to provide a consistent approach to governance. The quality of reports and level of debate in scrutiny and audit committee meetings have generally been of a good standard and a number of issues, critical to the ongoing improvement, have progressed through the democratic process. Both elected and lay members of committees are continuing to provide valuable input and challenge to the governance process.

- 57 Following the election in May 2013, a ruling coalition was democratically formed, with a new Leader elected and Executive chosen. The Council has also created a shadow cabinet and shadow service portfolio holders from the opposition party to promote greater consensus across the Council's governance arrangements.

- 58 The Auditor General's September 2013 Improvement Assessment Letter concluded that good progress had been made in relation to our previous proposal for improvement to develop the role of Council 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.

59 The Council has since restructured its team of heads of service from 16 to 10. The restructure revises and brings greater accountability to the role of head of service. The team operates collectively under the name of 'Y Penaethiaid' and is responsible for service change programmes and projects under the Transformational Plan. Y Penaethiaid are subject to service challenge reviews, carried out in their own services twice yearly, and conducted by the Performance Review Group, consisting of officers and members.

60 The restructure of the Senior Leadership Team is complete and makes best use of the individuals within it. The Leader, Chief Executive, Deputy Chief Executive and three Directors continue to provide strong and visible leadership, which adds significantly to the Council's capacity and capability to deliver further improvement in both corporate and service-specific functions.

The Council has improved its processes for developing its Annual Governance Statement and has identified further ways to strengthen future arrangements

61 The Auditor General's September 2013 Improvement Assessment Letter reported that the Council had been open to learning, as demonstrated by the improvements it had made to its arrangements for drafting its Annual Governance Statement for 2012-13. Additionally, the Council identified further ways to improve its future arrangements, such as:

- aligning the Annual Governance Statement with the Corporate Self-Assessment, the Transformation Plan and the Risk Register;
- using the Performance Review Group to ensure that corporate planning and performance issues contribute more strongly than before to the production of the Annual Governance Statement;
- developing an action plan to provide updates on progress made and to minimise outdated risks and information remaining within its governance framework;
- considering the approach of other authorities with recognised good practice; and
- raising awareness and understanding of governance and reducing the perception that governance relates predominantly to financial matters.

The Council complied with financial reporting requirements

62 The auditor appointed by the Auditor General issued her opinion on the Council's accounts on 29 November 2013. [Appendix 3](#) gives more details.

If delivered effectively, the Council's plans for improvement and its arrangements to support improvement should help it to meet the financial and other challenges that lie ahead

The Council's improvement planning arrangements for 2012-13 improved and resulted in Welsh Government intervention ending in May 2013

63 The Auditor General's 2013 Annual Improvement Report concluded that Welsh Government intervention was scaled back in October 2012, with decision-making powers being returned to the Leader and his Executive Committee. Three of the five Commissioners were retained until 31 May 2013, to monitor and report progress to Ministers and offer ongoing guidance, mentoring and support to the Council and officers. The remaining Commissioners also retained the power to reverse any Council decision which went against the advice of statutory officers. This period was known as the 'improvement and sustainability' phase of the intervention.

64 During the 'improvement and sustainability' phase of intervention, the Council developed and adopted a Transformational Plan as the basis of its strategic development and improvement over the next three years. The Transformational Plan brings together the Council's priorities for improvement and incorporates the Commissioners' 10 corporate governance themes under a programme management framework. Further progress was made during this period. In particular:

- the Executive resumed democratic control of the Council in a mature and considered way while continuing to work with the Commissioners and others in their desire to secure long-term improvement;

- the Council made good progress in establishing transformational change plans and in the robustness of the arrangements which are in place to deliver them;
- the Council agreed a challenging budget for 2013-14 and strengthened its constitution; and
- there was careful planning prior to the May 2013 election, including agreeing a revised Committee structure to enable the new 30-member Council to fulfil its duties.

65 The Commissioners' seventh progress report in April 2013 highlighted the Council's progress and the Commissioners' positive view of the Council's ability to deliver longer-term, sustainable improvements without the need for continued external intervention.

66 Prior to the election in May 2013, the Council worked well with the Electoral Commission, promoting and raising public awareness. The newly elected members changed the Council's make-up, lowering the age profile, slightly improving the gender balance and bringing in a more diverse range of skills, backgrounds and experiences. Following the election, councillors continued to demonstrate the group discipline that the Commissioners had previously supported and developed. This group discipline resulted in the orderly formation of a ruling coalition and the subsequent appointment of a new Leader and Cabinet. Since then, a small number of members have changed groups, but this has not undermined the stability and orderly function of the Council.

- 67 The Council had anticipated that some newly elected councillors may be less experienced and therefore devised an induction programme designed to reflect individual members' development and training needs. A series of briefings were provided to assist new members with the Council's transformational change programme and their important role within it.
- 68 The strength of the Senior Leadership Team, improved managerial capacity and a more robust constitutional framework helped the Council to prevent and, where necessary, to respond to any potential problems that could have undermined progress.
- 69 On 10 May 2013, the Commissioners wrote to the Minister for Local Government and Government Business (the Minister), recommending that the intervention by the Welsh Government in the affairs of the Isle of Anglesey County Council be brought to an end when the Ministerial Direction expired on 31 May 2013. On 13 May 2013, the Auditor General wrote to the Minister acknowledging the Council's progress and indicated that he saw no further purpose in continuing the intervention. On 23 May 2013, the Minister formally announced that intervention would end.

The 2013-14 Improvement Plan and improvement objectives were developed through consultation with the public and stakeholders and met the requirements of the Measure

- 70 The Council's 2013-14 Improvement Plan (the Plan), the annual review of its Corporate Plan 2013-17, was deliberately delayed, to give the newly elected members sufficient time to review the Council's current Improvement Objectives and align these with the improvement programme and Medium Term Financial Plan. The Auditor General's December 2013 Improvement Assessment Letter reported that the Council had discharged its improvement planning duties under the Measure.
- 71 To help develop the Plan's priorities, the Council consulted a range of stakeholders and the public before finalising the 2013-14 improvement objectives. A comprehensive six-week public consultation entitled *Making a Difference* covered most of the island and was promoted through social media, local press and radio, posters at private businesses including supermarkets, local shops, GP and dental surgeries.
- 72 The Plan was published following the analysis of the consultation and further discussions at Council, Scrutiny and Executive meetings in October and early November 2013. The Plan was made available on the Council's website with hard copies distributed in public buildings and Council offices.

- 73 The Plan describes the Council's priorities succinctly and clearly and explains how the priorities reflect the views of the public as well as those of the Council and other partners. The Council has defined 56 Improvement Objectives, but these are usefully grouped together under 19 Development Priorities. These, in turn, cover three major service areas including Education, Adult Services and Children's Services. The plan emphasises a citizen, partnership-centred approach to its development and implementation, and many of the elements are preventative in nature.
- 74 The Council has helped to define its ambition for 2013-14 by choosing a number of outcome indicators for most of its Improvement Objectives. Each set of indicators encapsulates the improvements that the Council hopes that citizens will experience during the year. In setting its targets for these indicators, the Council has carefully considered current and past performance.
- 75 Each service area in the Plan contains a useful section entitled 'What do our citizens tell us', which identifies learning points from previous consultations and emphasises the Council's commitment to feedback and engagement.
- 76 The objectives are the Council's priorities for 2013-14, but the Council acknowledges in its Plan the need to progress and report on outstanding areas of work originating from its Corporate Plan 2013-2017. Progress will be monitored through the revised performance management framework referred to earlier in this report.

Transformational planning arrangements are making good progress, but the Council has recognised the programme may need further fine-tuning to sustain improvement

- 77 Earlier in this report, we referred to the fact that the Council had developed and agreed a Transformational Plan as the basis of its strategic development and improvement over the next three years. The Transformational Plan is an ambitious programme, based on six improvement themes and work streams, which link directly to the Council's corporate objectives and the previous Commissioners' governance themes.
- 78 With any large-scale plan, robust arrangements are required to manage and implement change. The Council has developed a programme management framework consisting of three Programme Boards to help deliver the Plan. Each Programme Board is responsible for a specific theme and work streams relating to:
- Island of Enterprise;
 - Service Excellence; and
 - Business Transformation.
- 79 The aims of the three Programme Boards are to oversee the delivery of the Plan and to ensure that individual change programmes and projects are managed, delivered and monitored. The Boards include senior officers and councillors, therefore providing both leadership and co-ordination of the transformation journey.

The Boards receive regular progress reports and have the authority to report and make recommendations to the Executive and Senior Leadership Team. Board members have the necessary status within the Council to be able to influence Executive decisions and to ensure that these decisions are subsequently implemented.

- 80 The transformation programme provides the apparatus whereby change plans and improvement can be effectively taken forward using project management disciplines. Staff involved in supporting the transformational programme have received project management training and good progress is being made in a number of work streams and change plans for improvement.
- 81 The Council has identified, however, the need for additional capacity to take specific projects forward and is allocating further resources to achieve this aim. As the transformational programme is approaching the end of its first 12 months, the Council is to review the governance arrangements to identify any further improvements in the programme's processes and the prioritisation of transformation activities.

Clearer planning and accountability has improved the prospects for education services for children and young people

- 82 During February 2014, Estyn conducted its second monitoring visit of education services for children and young people and concluded that good progress was having a positive effect on standards and the quality of provision in the Lifelong Learning Service.
- 83 Since the 2012 inspection, the Education service has formalised its internal systems and improved their consistency, including its business planning, project planning and risk assessment processes. Under the leadership of the Director of Lifelong Learning, staff across the service have contributed to developing the processes and there is a greater sense of ownership and a clear commitment and understanding of the new systems from staff at all levels.
- 84 Estyn reported that the Council's planning provides a clear direction to the work of the Lifelong Learning Service and staff have a better understanding of their individual contribution towards achieving the service's aims and objectives. Corporate, service and personal plans are clearly linked with relevant personal targets and success criteria, which are monitored quarterly by line managers. In addition, officers conduct regular meetings to challenge and discuss progress against service targets.

85 The Council has sound arrangements for identifying and recording risk. Significant risks are brought to the attention of the senior leadership team and the risk register is reviewed regularly. This enables officers to mitigate against risks and to respond in a balanced and appropriate way when there is potential of slippage against timescales for a specific action.

86 Additionally, Estyn found the Council has implemented further ways to improve the service's future arrangements, such as:

- developing sound project management techniques with staff receiving appropriate training and arrangements in place for initiating and reporting progress on project programmes;
- resources for the service have improved and officers' accountability to scrutiny and members has increased significantly; and
- adopting more robust methods of controlling schools that over or under spend and providing guidance where necessary, although there is scope to strengthen the arrangements to all schools in Anglesey.

87 Good progress has been made in the provision of post-16 education through partnership arrangements with Gwynedd Council. Both councils have agreed to support the Gwynedd and Môn 16+ Partnership, which is an initiative to increase the number of young people who follow collaborative courses. The Partnership

Agreement sets out clearly the expectations for schools and school leaders and makes effective use of performance data to challenge schools and agree targets.

88 Estyn concluded that the restructure of the Lifelong Learning service has expanded its capacity and strengthened lines of accountability, including setting meaningful and challenging targets.

89 Following the conclusion of Estyn's monitoring visits, Her Majesty's Chief Inspector of Education and Training in Wales announced on 20 June 2014 that the Council is no longer in special measures and that there is no need for further follow-up activity by Estyn.

The Council has complied with its duties under the Equality Act 2010

90 The Equality Act 2010 (Statutory Duties) (Wales) Regulations 2011 (the Act) sets out specific requirements for local authorities in Wales. The Council has complied with the Act, which requires authorities to develop and publish Equality Objectives and a Strategic Equality Plan by 2012. There is significant alignment between the requirement to produce Equality Objectives and the 'Fairness' element that authorities must consider in setting Improvement Objectives under the Measure.

91 The Council's Improvement Objectives include an equality impact assessment, which includes information about the Council's equality work. We believe the

Council has met the requirements of the Act in setting its Improvement Objectives.

The Council continues to manage its finances and budget but faces challenges in its capacity to provide sufficient and appropriately skilled resources to support the corporate finance service

- 92 For the Council to succeed in delivering its Transformational Plan, it is necessary for the Executive to receive timely and consistent financial information. The Council faces challenges in its corporate finance service, having experienced problems with the implementation of its new financial ledger system. There is also a lack of capacity to provide and retain sufficient and appropriately skilled resources. The Council is therefore relying too heavily on temporary and agency staff for key positions within the finance team.
- 93 The Council is acting proactively and responsibly to address these issues and has been open and transparent in discussions with auditors, seeking advice where necessary. As the Council is included in the second year of the Auditor General's corporate assessment programme for 2014-15, we have agreed to bring forward our review of financial management to help identify and address potential weaknesses which may impede progress.
- 94 The Council has clearly stated its Improvement Objectives and has included broad details, linked to its Medium Term Financial Plan, on the resources available,

both revenue and capital, to support their delivery. Despite a challenging grant settlement from the Welsh Government, the Council has set a balanced budget for 2014-15, which includes a 4.5 per cent increase in Council Tax and savings of £7.4 million. For the period 2015-18 further savings will be required. As is the case in many other councils, the Council therefore faces a significant future challenge in responding to the increasingly austere financial climate.

- 95 The Chancellor of the Exchequer announced the 2010 spending review to Parliament on 20 October 2010. This formed a central part of the coalition government's response to reducing the national deficit, with the intention of bringing public finances into balance. The Chancellor's policies represent the largest reduction in public spending since the 1920s and come at a time when demographic changes and recession-based economic pressures are increasing demand for some services. To effectively plan their finances, authorities should analyse details of financial trends, appropriate benchmarking information, possible scenarios and their likely impact over the short, medium and long term. The current financial climate and the recent tough settlement for local government mean that good financial planning is critical to sustaining financial resilience.
- 96 The Wales Audit Office is currently examining authorities' financial health, their approach to budgeting and delivering on required savings, to provide assurance that authorities are financially resilient. This work will consider whether authorities have robust

approaches in place to manage the budget reductions that they are facing to secure a stable financial position that enables them to continue to operate for the foreseeable future. The focus of the work is on the 2014-15 financial planning period and the delivery of 2013-14 budgets. This review will be completed early in 2014-15 and we will publish the findings in our next cycle of improvement assessment work.

The Council is likely to make arrangements to secure continuous improvement for 2014-15

- 97 Based on the conclusions outlined in the previous sections of this report the Auditor General for Wales believes that the Isle of Anglesey County Council is likely to meet the requirements of the Measure in making arrangements to secure continuous improvement. Nevertheless, there are specific challenges the Council faces in the year ahead and we will continue to monitor progress.

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 park authorities, and fire and rescue authorities.

This report has been produced by the Wales Audit Office on behalf of the Auditor General to discharge his duties under section 24 of the Measure. The report also discharges his 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 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. The Auditor General will summarise his audit and assessment work in a published Annual Improvement Report for each authority (under section 24).

The Auditor General may also in some circumstances carry out special inspections (under section 21), which will be reported to the authority and Ministers, and which he may publish (under section 22). 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

The Council's gross revenue budget for 2013-14 was approximately £155.2 million. This equates to about £2,220 per resident. In the same year, the Council also planned to spend £26.4 million on capital items.

The average band D council tax in 2013-14 is £939 per year. This is an increase of

4.7 per cent over the previous year. Seventy-three per cent of housing is in council tax bands A to D.

The Council is made up of 30 elected members who represent the community and make decisions about priorities and use of resources. The political make-up of the Council is as follows:

- 12 Independent
- 12 Plaid Cymru
- 2 Labour
- 4 Not affiliated

The Council's Chief Executive is Richard Parry Jones. He is supported by a Deputy Chief Executive, Bethan Jones, and three corporate directors: Director of Lifelong Learning – Dr Gwynne Jones; Director of Community – Gwen Carrington; and Director of Sustainable Development – Arthur Owen.

Other information

The Assembly Member for Anglesey is:

- Rhun ap Iorwerth, Ynys Môn, Plaid Cymru

Regional Assembly Members are:

- Llyr Huws Gruffydd, Plaid Cymru
- Mark Isherwood, Welsh Conservative Party
- Aled Roberts, Welsh Liberal Democrats
- Antoinette Sandbach, Welsh Conservative Party

The Member of Parliament for Anglesey is:

- Albert Owen, Ynys Môn, Labour

For more information, see the Council's own website at www.anglesey.gov.uk or contact the Council at: Isle of Anglesey County Council, Council Offices, Llangefni, Anglesey, LL77 7TW.

Appendix 3

Annual Audit Letter

Cllr. Ieuan Williams
Isle of Anglesey County Council
Council Offices
Llangefni
Anglesey
LL77 7TW

Dear Cllr Williams

Annual Audit Letter

This letter summarises the key messages arising from my statutory responsibilities under the Public Audit (Wales) Act 2004 as the Appointed Auditor and my reporting responsibilities under the Code of Audit Practice.

The Council complied with its responsibilities relating to financial reporting and use of resources

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.

Local authorities in Wales prepare their accounting statements in accordance with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom. This Code is based on International Financial Reporting Standards. On 27 September 2013 I issued an unqualified audit opinion on the accounting statements confirming that they present a true and fair view of the Council's and the Pension Fund's financial position and transactions. My report is contained within the Statement of Accounts. The key matters arising from the accounts audit were reported to members of the Audit Committee in my Audit of Financial Statements report on the 27 September 2013.

The departure of the finance manager in early September resulted in significant pressure being placed on the finance team to produce a CIPFA Code compliant final draft of the Statement of Accounts.

I identified a material misstatement through the course of the audit fieldwork of £61.6m which occurred as a result of a member of the finance team reversing internal recharges incorrectly. Whilst it had no effect on the Net Cost of Services, Income and Gross Costs of Services were materially overstated in the draft accounts presented to the audit team.

Additionally, several immaterial errors of a similar nature were identified where opening accruals were incorrectly reversed, or grants income and expenditure were duplicated in error. These issues could have been identified by a more detailed review during the production of the accounts.

It is essential that arrangements are put in place as soon as possible to ensure that the finance team has adequate and appropriately skilled resources going forwards.

My consideration 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 (Wales) Measure 2009. Overall, I am satisfied that the Council has appropriate arrangements in place. The Auditor General will highlight areas where the effectiveness of these arrangements has yet to be demonstrated or where improvements could be made when he publishes his Annual Improvement Report. I would like to highlight the following specific areas in this letter:

- the financial outlook for the Council remains challenging and financial planning and monitoring arrangements are in place to identify the funding gap and facilitate the savings required. Difficult decisions will again be required in the short term to secure the savings required; and
- 38% of the grant claims certified by PwC in respect of 2011/12 were subject to a qualification letter (50% in 2010/11). 39% of the grant claims were submitted by the Council after the submission deadline, compared with 10% for 2010/11.

I issued a certificate confirming that the audit of the accounts has been completed on 27 September 2013.

The financial audit fee for 2012/13 is currently expected to be higher than the agreed fee set out in the Annual Audit Outline because of the additional work required in several areas for the audit of the accounts, including the pension liability, equal pay provisioning, accruals and the production of the final draft of the financial statements.

Yours sincerely

Lynn Pamment

For and on behalf of the Appointed Auditor
29 November 2013

Appendix 4

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

The Council's improvement objectives

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 2013-14 in its Improvement Plan 2013-14 which can be found on the Council's website. They are:

Improvement Objectives 2012-2013	Improvement Objectives 2013-2014
Improve Children Services To ensure that children are protected from harm and abuse and that their wellbeing, independence and stability are promoted.	Sustaining and Modernising Children's Services
Regenerating our Communities To prevent homelessness and to meet the housing needs and associated needs of homeless people.	Improving our Education Provision
Improve Corporate Governance To ensure the Council fully achieves its promise to promote and protect the interests of the Island, its citizens and its communities.	Transforming our Adult Social Care
Realisation of our Outcome Agreements To ensure that the County Council aligns itself and works in partnership towards the aims of the Welsh Government.	

The Council's self-assessment of performance

The Council's self-assessment of its performance during 2012-13 can be found on the [Council's website](#).

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