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# Road to Recovery: An Independent Evaluation of the Anglesey Intervention



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**RCS**

**September 2014**

The views expressed in this report are those of the research team and do not necessarily reflect those of the Welsh Government

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## Foreword

The Anglesey story is, in essence, that of a small unitary authority serving a relatively disadvantaged and isolated island community, with a long history of political turbulence and corporate under-performance. Formal intervention in 2009 was triggered by a report by the Auditor General which expressed a range of significant concerns focused in particular on the absence of effective political leadership. This led to the appointment of a Recovery Board which operated alongside an Interim Managing Director. But by early 2011 the Minister judged that insufficient progress had been made in improving the Council and decided to step up intervention through the appointment of five Commissioners who effectively took full control of the running of the Council. They provided both direction and hands-on support whilst gradually handing control back to local politicians as they judged that councillors were equipped to take up responsibility for decision making once again. This process culminated in elections in 2013 using new ward boundaries, with a smaller number of councillors elected and a new system of multi-member wards.

The decision by the Welsh Government to intervene in Anglesey County Council ('Anglesey') is unique in Welsh Government and extremely rare in the UK as a whole. The intervention, and this evaluation of it, were located in both a local and national context. Locally, Anglesey suffered from a long and public history of difficulties, dating back almost two decades. Nationally, the intervention was part of an evolving policy context in which the Welsh Government has become more determined to address failures at local level and has been willing to engage directly, rather than relying on the local government sector to address problems 'from within'. This is particularly interesting since it has taken place at a time when policy makers elsewhere, notably in England, have been moving towards a less muscular approach in favour of sector-led or self-improvement by councils. As such, Anglesey has important insights to offer into the limits to self-improvement in councils which lack self-awareness and corporate capacity, and the ability (or otherwise) of external support and intervention to improve local capacity in the medium term.

The commissioning of this evaluation of the intervention therefore creates an excellent opportunity for learning, and not just within Wales. It will be of interest and relevance more widely.

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## Key Conclusions

- The Welsh Government intervention in Anglesey was justified. It probably should have happened sooner but it was necessary given the limited capability and capacity of the Council, and the lack of cognition by key actors that it needed to change radically.
- The first phase of the intervention between 2009 and 2011 consisted of an advisory Recovery Board and a designated Interim Managing Director. It may have been a necessary first step given the state of local-central relationships at the time and that it marked a significant departure from previous policy. But it failed to turn the Council round because the differing (and sometimes opposing) approaches of the Recovery Board and the Interim Managing Director were based on an incomplete theory of change.
- The second phase from 2011 to 2013 consisted of the appointment of Commissioners to run the Council combined with electoral reform. It succeeded in providing a 'wake-up' call for key actors in Anglesey and introducing the necessary capability and capacity to achieve the changes that were required. The Commissioners combined the use of 'soft' and 'hard' power to win respect and to demonstrate how to do things and get things done. The Minister's clear and strong support for the Commissioners, coupled with an effective exit strategy linked to the boundary changes, were critical success factors.
- In designing and implementing future interventions, the Welsh Government should draw on the learning from this and other interventions. In particular it should apply a formal framework of analysis and diagnosis, and be explicit about the theory of improvement and the equation of change it is adopting.
- Advantage should always be taken of the benefits of 'small country governance', as it was in this case, to align and reinforce the perspectives, capabilities and actions of the key institutions and actors. A revision of the Welsh Government's Intervention and Support Protocol in light of our evaluation could be an important instrument for giving effect to those benefits.
- In intervening in local authorities, the Welsh Government is asserting its own democratic mandate alongside that of local councils. It is important that interventions are understood in this broader context so that in conjunction with local government the Welsh Government can establish the necessary standards, ensure that the necessary intelligence is available, and promote the requisite action and behaviour change. This will help ensure that where improvement and turnaround are needed there is the necessary cognition, capability and capacity to make it happen, especially as councils grapple with the challenges associated with austerity and the prospect of mergers.

# **Executive Summary**

## **Introduction**

E1. The Welsh Government commissioned UK Research and Consulting Services to undertake an independent evaluation of its intervention in Anglesey. This report presents the findings of the study. It analyses the nature and the causes of the problems in Anglesey and the implementation, impacts, strengths and weaknesses of the intervention. Then, in light of previous research on organisational turnaround, it highlights the implications of the Anglesey experience for future interventions - in Wales and beyond.

## **Methods and Evidence**

E2. The evaluation used a combination of qualitative and quantitative methods. A review of the literature on organisational turnaround identified common causes of failure and factors that determine the success or failure of previous interventions. Evidence about the intervention in Anglesey was gathered through in-depth interviews with those who had been most involved at national and local levels and analysis of a wide range of published and unpublished documents. The result is a comprehensive and rounded assessment of the effectiveness of the intervention.

## **Lessons from the Literature**

- E3. Our analysis of previous research on organisational turnaround in local government and other public services highlighted six key themes:
- The importance of diagnosing accurately the symptoms and causes of organisational failure;
  - The range of turnaround strategies and choices available to policy makers;
  - The need for clear frameworks of analysis and action;



- The importance of a whole system approach to turnaround;
- The central played by implicit theories of Improvement; and
- The nature of the risks and problems confronting interventions.

## **Pre-intervention**

- E4. Prior to the intervention, Anglesey exhibited most of the symptoms of organisational failure that were highlighted by our review of the literature. There were longstanding concerns about the conduct of some councillors, the quality of political leadership and lack of corporate capacity. These problems resulted in inadequate strategy development, business planning and performance management and were compounded by a lack of cognition of the need for improvement or the capacity and capability needed to turn things around.
- E5. The local government sector offered the Council support but its efforts were piecemeal, apparently unconnected actions by different people at different times. With hindsight it seems surprising that it took so long for Ministers to intervene. Problems had been documented by auditors as early as 2003 and Welsh Government officials and local government leaders were well aware that there were serious problems. This raises questions about the adequacy of the mechanisms for detecting organisational failure in Welsh local government at the time.
- E6. Possibly the 'mood music' in terms of central-local relations was very different five to ten years ago. Also, auditors assessed that services in Anglesey were satisfactory which meant that its difficulties were deemed to be of less immediate concern than the problems in those councils where there were obvious problems with service delivery.
- E7. The period prior to intervention also raises questions about the ability of sector led support to achieve turnaround in councils where local

politicians are unwilling to embrace change and the senior managers lack the capacity and capability to achieve it.

### **Phase 1 Intervention - Interim Managing Director and Recovery Board**

E8. Following a corporate governance inspection in Spring 2009 the Auditor General made a series of recommendations for immediate action for the Council to:

- Amend its political arrangements in order to strengthen its capacity to set strategic priorities and direction, reduce conflict between councillors, and ensure more rigorous scrutiny from outside the executive;
- Restore trust between councillors and officers;
- Improve its corporate services and corporate leadership capacity;
- Increase the transparency and quality of planning decisions; and
- Improve citizen engagement and handling of complaints.

E9. The Minister issued the Council with a formal Direction to comply with the Auditor General's recommendations, appoint a named Interim Managing Director, and work with a Recovery Board. The Minister appointed seven members to the Recovery Board from a variety of backgrounds which were widely seen as making them well qualified for the role. Their role was to monitor the Council's progress in complying with the Auditor General's recommendations, and to advise Ministers on any further directions that were required.

E10. The Interim Managing Director was the Council's Head of Paid Service but his strongest sense of accountability was to the Welsh Government Minister rather than to the Council's Executive, the full Council or the Recovery Board. Recovery Board members believed that their job was to reform the council by modelling to councillors the qualities they needed to provide political leadership, discipline and behaviour. The Interim Managing Director had a different theory of improvement. He

placed more emphasis on the isolation of a small number of disruptive councillors to enable others to provide the political leadership and strategic direction that was needed to turn the Council round.

E11. All of the evidence indicates that the first phase of the intervention failed to resolve the Council's problems. Our analysis highlights five key factors:

- Some of the most influential councillors apparently believed that if they 'toughed it out' the intervention would eventually go away;
- The Recovery Board was 'underpowered';
- The Interim Managing Director was not able to isolate the councillors whose conduct he believed to be a major source of the Council's difficulties;
- The 'governance' arrangements were not sufficiently clear. In particular there was a lack of integration between the Recovery Board and Interim Managing Director; and
- The theories of improvement that informed this phase of the intervention were based on an incomplete understanding of the problems in Anglesey which attributed them to councillors' conduct and did not sufficiently take account of problems with services.

E12. This does not mean that this first phase of the intervention was ill-advised. It seems unlikely that a more robust approach would have been feasible politically at the time and this phase was widely seen as something which had to be tried before taking the tougher action which followed it.

## **Phase 2 intervention - Commissioners and Electoral Reform**

E13. The second phase of the intervention ran from March 2011 to May 2013.

E14. In March 2011 the Auditor General recommended that Ministers issue a direction to the Council to appoint Commissioners. He also

recommended that Ministers request the Local Government Boundary Commission for Wales to review its proposals to ensure that the changes in Anglesey adequately addressed the need for democratic renewal in terms of the number of councillors and the introduction of multi-member wards.

- E15. The Minister appointed five Commissioners who effectively ran the Council. Local democratic control on Anglesey was suspended in an attempt to save it, and it was widely understood that if the appointment of Commissioners and electoral changes did not work then abolition of the Council would be seriously considered. The Commissioners worked with a new Interim (and then permanent) Chief Executive who had previously been a Director and was widely respected locally.
- E16. Many on Anglesey were sceptical about this second intervention when it was announced. However, whilst the wider local government community in Wales regretted the need for the intervention, it saw the action as necessary and welcome.
- E17. The combination of Commissioner-led intervention and boundary changes is widely seen as having got the Council back on track. In May 2013 control of the Council was returned to local politicians. The Commissioners managed to transform the culture, capacities and ways of working in the Council. Their main achievement was to change the way that many councillors and officers approached and thought about their roles through the consistent demonstration of good political and professional leadership behaviour.
- E18. The Commissioners set clear targets for improvement and monitored progress on a regular basis. It also helped that their involvement was seen as time limited and that they had a clear exit strategy. This helped to create an imperative for change and provided a focus on the key actions that needed to be taken.

E19. Other key factors in their success included the way in which they:

- Used their authority to challenge poor behaviour where necessary and modelled effective leadership;
- Avoided being drawn into conflicts with councillors or officers and created consensus;
- Recruited and nurtured a new cadre of senior managers with the outlook and skills needed to achieve improvement;
- Operated in a business-like fashion and began to uncover and address problems with service delivery; and
- Established good governance to enable proper decision making based on clear advice.

E20 It was also important that in this second phase of intervention there was a clearer, and more consistent and aligned, design for the intervention and its governance. The WAO had spelt out the issues more fully and clearly, the Minister had a fuller and firmer view, and the instruments selected in the form of the Commissioners and the electoral reform were capable of giving effect to the new strategy.

E21 In the second phase of the intervention, the attempt to nurture and develop Councillors was combined with changing and strengthening officers at senior level to provide the leadership that was needed to improve services. Similarly, the boundary changes had the effect (in some cases directly and in others indirectly) of removing some of the councillors who had been regarded as the main sources of concern.

## Assessment and Recommendations

E22 The successes and failures of the two phases of the intervention bear out many of the key findings from our analysis of the literature on organisational turnaround, and provide important lessons. In 2009 Anglesey lacked cognition, capacity and capability needed to achieve improvement. It required significant external input to identify the need for change and model the behaviour needed to secure change. The Recovery Board approach did not provide the 'shock to the system' that was needed. There were key contrasts between the first and second phases of the intervention:

- The second was taken more seriously by the Council - the alternatives to intervention which were being openly canvassed provided the 'wake-up' call;
- There was an injection of capability – the knowledge of what needs to be done, and the technical skill to achieve it – and of capacity;
- The second phase was underpinned by a much clearer, coherent, and comprehensive 'theory of improvement';
- There was a completely different intervention model and the adoption of a broader intervention scope;
- Significantly greater resource was devoted to the intervention through the time and capacities of the appointed commissioners;
- The Minister who had initially inherited the 'Recovery Board' approach from his predecessor subsequently concluded that a much more muscular approach was required;
- There was a clearer and shared theory of improvement and equation of change which removed legal powers from councillors but combined with a positive strategy of engagement with a view to councillors being able to regain those powers within a reasonable timescale;

- The absence of any need to marginalise particular individuals or groups of councillors because all of them had their powers removed;
- A new chief executive whose background enabled him to maintain connections with a wider range of Councillors;
- The parallel development of a combined political change and ‘exit’ strategy built around major change in the electoral arrangements in Anglesey; and
- Adoption by the Commissioners of explicit criteria against which they judged progress.

E23 The Minister’s clear and strong framework for achieving turnaround (‘theory of improvement and equation of change’) signalled political will and determination to find a solution, and provided for clear and regular monitoring of progress and problems. The changes to electoral boundaries provided a landing and an exit point, and a reconfiguration of the local political system which helped to convince key actors that the improvements which had been achieved were sustainable. Inevitably, some things could have been done better:

- The effective provision of early sector-led support may have been hampered by the WLGA’s twin roles of being both a representative body and an improvement agency;
- WAO and Estyn reports could have been clearer about failures and weaknesses and there could have been earlier escalation to the more intrusive and thorough regulatory stage of a Corporate Governance Inspection;
- A better planned transition from the Recovery Board to Commissioners might have enabled more of the former’s knowledge to be passed on; and
- Some aspects of governance in the Commissioner phase might have been clearer. In particular the parallel Welsh Government

education intervention in particular revealed some significant gaps. Multiple interventions need to be coordinated at the Ministerial, official, regulatory, and operational levels. There was some exchange at each of these levels but relatively little and not sufficient to connect them up properly. Had the Commissioner intervention continued beyond May 2013 this lack of coordination might well have come to the fore and been more problematic.

E24 The impacts of Anglesey were not confined to the immediate actors. Most of all, the Welsh Government was seen to have shown that it had the 'bottle' to intervene even in the core democratic process of a local authority, and this was a decisive moment which gave a clear signal that the relationship between the Welsh Government and Welsh local government was becoming one of greater accountability and challenge. The Welsh Government was asserting its own democratic mandate.

E 25 The Local Government Support and Intervention Protocol which the Welsh Government has published jointly with the WLGA is a strong document that sets out some helpful principles and goes a long way to developing a shared approach or theory of improvement across central and local government. It could be developed further.

E26 When contemplating interventions the Welsh Government ought to consider the following:

- A 'whole system' approach is needed which provides for a clear statement of the standards required to be met by a local authority, detection and assessment of the standards which are not being met, and a design for the means to effect the necessary change.
- An explicit theory of how improvement is to be achieved, and an equation of change which applies it to the situation, are required.
- Governance and accountability relationships between key actors need to be spelt out, and the key actors chosen to lead the



intervention need to have the qualities, capabilities and capacities to deliver the equation of change.

- Clear timescales, performance/progress measures, and milestones which are not self-defined need to be put in place.
- There should be an explicit escalation strategy, and appropriate exit arrangements.

E27 There is a need for clear problem analysis and diagnosis, an explicit theory of how to achieve improvement, and an equation of change which applies that theory to the intervention situation in hand. The equation of change will be a combination of relatively practical and immediate aspects of a given situation and the forces at play within it. The role of political parties and electoral arrangements needs to be addressed within the operating theory of improvement, if only because political parties can themselves be positive and important agents of change.

E28 A further theme concerns the extent to which interventions should always follow a ladder of escalation. The issue should be less one of following a 'least intrusive' principle than having clarity of what the character of the problem is, and how best to tackle it, albeit against the backdrop that muscular intervention should ideally be a last resort.

E29 Perhaps the most important lesson from the Anglesey Intervention is what it indicates about the relationships between the Welsh Government and local government, and the extent to which it provides an example of 'small country governance' working both well, and perhaps not so well also. In 2006 the Beecham Report concluded that Wales was not at that time taking advantage of the opportunities afforded by small country governance. Since then, the relationship between the Welsh Government and local authorities has become more demanding, and the Welsh Government has been much more willing to hold local authorities

to account for their performance. In part this reflects a maturing of the devolution settlement, and the growing confidence and capacity of the Welsh Government such that Wales can more readily benefit from small country governance through effective cooperation and collaboration between key actors, when hitherto that closeness may actually have inhibited the decisive action which may sometimes be required.

E30 The Anglesey Intervention brought together all the key players in a close and collaborative effort which was ultimately successful, and in a way which it is difficult to imagine happening in a much larger jurisdiction. One important way in which small country governance could work to advantage would be in building capacity 'upstream' in local authorities both politically and managerially. This could reduce the risk that local authorities get into a state (either corporately, politically and/or in terms of the performance of services) where there is a need for external support/intervention.

E31 There are two features of any overall 'design for central/local governance' which stand out to us from this study as needing to be addressed. The first is the perennial issue of the interplay of the respective democratic mandates of local authorities and of central government when local authorities are in difficulties. The second, and related issue, is to identify 'which institutions and processes will perform the key roles of 'director', 'detector', and 'effector' within the system. In particular, how far local government itself is able to take lead responsibility for performing them will be a good measure of realising a greater degree of local self-government.

## Section 1 Introduction

- 1.1 In March 2011 the Welsh Government suspended democratic control on the island of Anglesey. It appointed Commissioners and invested them with the executive powers that had previously been exercised by the Isle of Anglesey County Council. It was the first time that Ministers in Wales had taken such a step, and was seen as a defining moment in the relationship between the Welsh Government and Welsh local authorities.
- 1.2 These actions were not taken lightly or in haste. They followed an earlier period during which Ministers had sought to strengthen the Council through the mechanism of a Recovery Board and the appointment of an Interim Managing Director who had significant experience of 'turnaround' roles. That period of intervention did not succeed, although it may have been a necessary step, and have paved the way for a more robust phase of intervention. It was followed by the appointment of Commissioners. Their appointment was controversial and without precedent in Wales (or elsewhere in the UK at the time), and the progress of this new form of intervention attracted considerable attention and interest.
- 1.3 Within little more than two years democracy had been restored to the island, through elections in May 2013, and the Council's governance arrangements had been normalised. This, together with a range of other organisational, political and cultural changes that had taken place, meant that the intervention was seen as having been broadly successful. At the same time the Welsh Government was by then involved in a range of different types of intervention across a number of other councils. It therefore resolved to commission an independent assessment of the intervention in Anglesey to determine whether it offered lessons that could help to inform other attempts to turn round councils that are struggling. This report is that evaluation.

- 1.4 The remainder of the report is in six sections. Section 2 describes the research methods we have used and the evidence that we have assembled and analysed and on which our assessment is based. Then Section 3 draws out the principal themes and lessons which we have identified from interventions by one level of government into another, more generally – both from academic theory and empirical analysis of case studies of intervention.
- 1.5 Sections 4-6 provide a narrative account of the pre-intervention period, of the eighteen months during which the Council's progress was monitored by a Recovery Board (October 2009 to March 2011), and of the period of just over two years during which commissioners were given executive powers normally exercised by councillors (March 2011 to May 2013). In each Section there is first a factual narrative and an evidence-based account of the perspectives of the main stakeholders which aims to give a rounded picture, and a sense of the variety of roles and points of view of the key players. These draw on considerable documentary material, and also on many hours of in-depth, semi-structured interviews with key actors including ministers, senior Welsh Government officials, the Wales Audit Office (WAO) and Welsh Local Government Association (WLGA), the Commissioners and members of the Recovery Board, and councillors who held office on the Isle of Anglesey at the time of the interventions.
- 1.6 Each Section then also projects what happened in Anglesey against the wider themes and lessons from the literature in order to distil the learning from what happened there, and to produce new insights and understanding of the intervention process and what helps to make it work well, or not.
- 1.7 Finally in Section 7 we provide some conclusions and recommendations on issues that we believe the Welsh Government might usefully consider if/when it judges that there is a need for intervention in councils in the future.

## **Section 2 Methods and Evidence**

### **Introduction**

- 2.1 The evaluation examined the implementation, impacts, strengths and weaknesses of the intervention in Anglesey. We adopted a grounded theory approach, using a combination of methods and evidence drawn both from primary research and secondary data analysis.
- 2.2 We first undertook an analysis of the literature and of previous research on organisational turnaround. This enabled us to identify the common causes of organisational failure and the factors that have determined the success or failure of previous interventions. It provided a framework for designing our research instruments and for the analysis of the evidence that we collected.
- 2.3 We analysed secondary evidence contained in a wide range of published and unpublished documents which recorded the context to the interventions, contemporaneous analysis of problems which the Council faced, the approaches adopted to the two phases of intervention, and the impact which intervention had.
- 2.4 In addition we gathered primary evidence through interviews with a wide range of those who were involved in the processes of intervention - at national and local levels. We interviewed representatives of all of the key stakeholders at national level, all of the Commissioners and members of the Recovery Board, most of the senior officers in Anglesey and more than half of the councillors who were members of the Council at the time of the intervention.
- 2.5 We used triangulation between different types of evidence and comparisons between and among the perspectives offered by different stakeholders in the intervention process to enable us to build up a comprehensive and rounded picture of the different phases of the interventions and the impacts they had.

2.6 We used counterfactual analysis to assess what might have happened in the absence of intervention or a different type of intervention and then projected this evidence against the key concepts and issues identified in the literature on organisational turnaround and intervention. This enabled us to locate the intervention in Anglesey in a broader framework and to draw out potential lessons for future interventions in other councils and contexts.

### **Analysis of previous research**

2.7 As well as providing a framework for our overall analysis, our analysis of the literature on previous research on organisational turnaround highlighted key issues that we needed to investigate in Anglesey. This in turn informed the topic guide that we developed to provide a structure for the interviews we conducted.

2.8 We drew extensively on our existing (fairly comprehensive) knowledge of the key academic literature in this field, but complemented this with a search using terms such as 'inspection', 'intervention', 'regulation' and 'turnaround' to ensure that we took account of recently published research and material that we had not previously aware of. We adopted a 'snowballing' approach that identified other relevant research by following up on references in the papers we already knew of or had identified through the search.

2.9 This approach enabled us to identify a substantial literature which covered three key issues:

- Common causes of organisational failure;
- Processes of organisational turnaround; and
- Factors which are known to influence the effectiveness of external support or intervention.

2.10 The literature included research from private sector contexts, on public services and specifically relating to local government. Much of it was

from the UK which has been at the leading edge of attempts to drive performance improvement through inspection and intervention. However, there were some important insights from research and practice in a number of other countries.

## **Documentary analysis**

2.11 In addition to reviewing the academic literature, we also analysed published documents and unpublished material which shed light on the background to the specific intervention in Anglesey, its implementation and perceived impacts.

2.12 The sources we analysed are set out in Annex 1. They included:

- Reports produced by the Audit Commission in Wales and its successor the Wales Audit Office (WAO), Estyn, and the Care and Social Services Inspectorate Wales (CSSIW);
- Minutes of Recovery Board meetings;
- Reports produced by the Recovery Board;
- Reports produced by the Commissioners; and
- A range of unpublished notes written by Welsh Government officials and individual members of the Recovery Board.

2.13 Taken together, these sources provided a detailed and very valuable set of contemporaneous accounts which recorded problems, events and decisions as they were seen at the time from a range of different perspectives. They enabled us to track change through the course of the interventions. Importantly, they also provided relatively objective sources of evidence against which we could triangulate stakeholders' perspectives.

## **Semi-structured interviews**

2.14 The Anglesey case was very high profile. The causes of the problems the Council faced were hotly contested. And the decision to intervene was seen as controversial. Disputes between councillors often became very personal and there are different interpretations of whether intervention had been needed and what it achieved and why. So it was important for us to talk directly with those who had been most closely involved in order to allow everyone to have their say but more importantly so that we could make a rounded assessment.

2.15 We therefore devoted a lot of time and resource to gathering evidence first hand and from a wide range of stakeholders. In total we conducted 54 in-depth semi-structured interviews.

2.16 At 'national' level we interviewed:

- All seven members of the former Recovery Board;
- All five of the former Commissioners;
- Seven senior officers from the WLGA, WAO, Estyn and CSSIW;
- All three Ministers who oversaw the intervention and their special adviser;
- Five senior Welsh Government officials;
- A BBC journalist with a considerable history of covering Anglesey; and
- Seven chief executives/leaders of other Welsh local authorities to gauge the wider impact of the interventions across Welsh local government.



2.17 At 'local' level we interviewed:

- We invited all 40 councillors who had been in office immediately prior to the 2013 election to participate in the research. Twenty one councillors who held office in Anglesey during the period covered by the intervention agreed to do so. They were a self-selecting sample and we cannot rule out the possibility of non-response bias or assume that those who we interviewed were 'representative' of all of the councillors in Anglesey. However those who agreed to be interviewed were drawn from across political groups, different parts of the island, and from both in and outside the executive. They also included almost all of the councillors who held key leadership roles and those who were identified in the documentary material and interviews as having been key actors during the period covered by the intervention. This gives us confidence that we have heard the full spectrum of views and perspectives.
- Five officers who had served as members of the Council's senior management team at the time of the intervention including both the former Interim Managing Director and the current Chief Executive.

2.18 Interviews were conducted one to one in the interviewee's first choice language. They were typically 45 minutes to an hour and a half in duration and wherever possible conducted face to face. When this was not feasible they were undertaken by telephone. All interviews were conducted by a member of the research team. They were taped and/or recorded in detailed contemporaneous notes and then summarised and circulated to other members of the research team to ensure consistency of approach.

2.19 We were acutely aware that for some interviewees the events leading up to and during interventions had been difficult and painful and the material we were collecting could, therefore, be sensitive. But we wanted them to

speak freely and to give the full picture as they saw it. For this reason we provided an assurance that all material would be treated in confidence and to respect this we have not attributed views to individuals in this report save where we have been given explicit permission to do so.

2.20 In analysing the material from interviews we have reached judgements by weighing up the balance of evidence from different sources. Often there has been a strong consensus among interviewees. In these cases we have highlighted verbatim quotations which exemplify the general view. Where there were significant differences of perspective and interpretation we have reported the main viewpoints which were expressed and illustrated these using exemplar quotations where the words of one interviewee spoke for a significant proportion of the others we spoke with.

## **Section 3 Lessons from the Literature**

### **Introduction**

3.1 The substantial body of research and practical case studies on 'organisational turnaround' in local government and other public services is a landscape against which to project the colour and bigger picture of what happened in Anglesey. It is set out here under the following themes:

- Symptoms and causes of organisational failure;
- Turnaround strategies and choices;
- Frameworks of analysis and action;
- Whole system approaches;
- Theories of Improvement; and
- Risks and problems.

### **Symptoms and causes of organisational failure**

3.2 There is a very substantial literature on the causes and symptoms of organisational failure in both the private and public sectors. The thinking produced by this body of research is reflected in, *inter alia*, in the inspection frameworks employed by the Audit Commission, Audit Scotland and WAO (Downe et al. 2010) including the WAO's reports on Anglesey. Many studies have identified weaknesses in political and/or organisational leadership as often the critical factor in organisational failure (Lewis et al 2007; Audit Commission 2002; Skelcher et al 2004). Symptoms include poor services and/or inadequate internal processes such as strategy development or business planning (Hughes et al 2004). The importance of understanding the causes of failure is not merely to

know whether to intervene, but also because they shape (or ought to shape) how the intervention is crafted and what its objectives are (Joyce 2010; Skelcher et al 2006).

- 3.3 How these causes of failure are related to the way in which intervention takes place is, however, less well researched. Although Beerli (2009 and 2013, and see later) and Bennett et al (2014) provide some leads, this is an area where the current evaluation can potentially contribute to wider thinking.

### **Turnaround strategies and choices**

- 3.4 Where a local authority requires external input in order to turn round its performance the key choice is often whether to provide 'support' or to 'intervene'. These options are often treated as if they are entirely unrelated activities, but in practice the boundary between them can be a fuzzy one. Moreover they are often sequential in practice, and also as a matter of policy.
- 3.5 Intervention usually involves specific actors with statutory powers making/receiving a judgement about the poor performance of a council and coordinating atypical activities with an explicit initiation and end point that seeks to improve performance outcomes and organisational functioning. 'Support' signifies a broader process often involving requests made by local authorities for 'help' with improvement. However, intermediate political processes aimed at struggling councils often result in them 'requesting' help in order to facilitate the provision of assistance or satisfy legal requirements and to avoid an 'intervention', the shape and character of which may be effectively entirely in the hands of the intervener. Support and intervention can also be classified as being externally or internally driven, and as having a principal focus of improvement activity as corporate governance or service-specific.

3.6 Where intervention is used, there are three especially important and relevant areas which research has illuminated:

- Assessment of the course and consequences of 'neutralisation' approaches;
- The role of leadership in turnaround; and
- The characteristics of successful intervention boards.

3.7 The academic literature recognises neutralisation as an extreme form of intervention which involves the replacement of elected local leadership with a Convened Committee (Beerli 2009 and 2013). This is probably the closest model to the Anglesey Intervention and has been used in a systematic and relatively frequent manner in Israel. It is said to offer three key advantages in the quest to improve local administration:

- It enables the re-establishment of a better and more cooperative relationship between central and local government, as a convened committee is more open to inspection and oversight (greater transparency). Moreover, government agencies are much more open and responsive to convened committees and are willing to provide administrative and technical help to them while leaving the majority of powers and budgetary incentives in the hands of the Convened Committee;
- A convened committee is a non-political, non-partisan body and therefore avoids the problems that local political disputes tend to create in the decision-making environment; and
- Neutralisation has the potential to foster a cooperative and rational relationship between convened committees, citizens, and local institutions within a supportive environment.

3.8 Neutralisation can follow three paths:

- Administrative path: subject to a commission of enquiry recommendation and triggered when a local authority does not appropriately administer the functions assigned to it by law, and fails to put into action recovery plans;
- Financial path: set in motion when the authority accrues an excessively high deficit, or does not achieve adequate collection rates for property taxes and water rates; and
- Local politics path: activated, *inter alia*, when a local authority fails to approve an annual budget on time as established by law.

3.9 According to Beer, the circumstances which trigger a neutralisation response appear to have little effect on the success of a convened committee. The longer a convened committee is in place, the greater the possibility that it is viewed as interfering with local democracy, and blurring the line between politics and local administration. The neutralisation approach does undermine local democracy, but does not appear to be too radical a tool, if used as a last resort.

3.10 Just as leadership (or the lack of it) is often a key cause of failure, so the role of leadership in the turnaround of a local authority is important. Our analysis of the academic literature on intervention highlights a number of important lessons (Lewis et al 2007; Kellard et al 2007):

- The range of skills of the intervention team should recognise 'whole systems' aspects from the start (not just addressing one particular problem, but addressing systemic problems within the organisation), and attention should be given to the advantages of the inclusion of independent voices;
- Success requires a balance of challenge and supportive approaches. Challenge (and focus) helps to address questions of legitimacy and

effectiveness but supportive approaches are more sustainable.

Transition must be carefully considered and managed;

- All interventions need to achieve legitimacy in terms of the desired outcome, people involved, activities undertaken and decisions reached. If there is no legitimacy the benefits of intervention will be minimized;
- The mode of intervention may need to change over time and should move towards supportive/transformational/flexible modes;
- A clear assessment methodology is required in monitoring interventions, with regular local and national reporting and activities designed to obtain qualitative information on the progress made;
- A phasing out process, rather than an abrupt end to an intervention, is often helpful in order to ensure that problems have truly been solved in the medium to long term; and
- Support should continue to be provided, and an evaluation of the intervention be undertaken in order to learn.

3.11 As to the 'intervention' board, research shows that it (Skelcher et al 2004; Beerli 2013; Joyce 2010):

- Must be composed of credible individuals of high standing that are aware of the commitment in terms of time and workload required;
- Should combine local knowledge and wider talent pool;
- Must be independent, and its role and lifespan (exit strategy) must be wholly clear;
- Should have some flexibility in the Terms of Reference to allow for emerging issues and focus on different priorities; and
- Should recognise that an intensive period of 'early learning' is necessary in the early stages of a board in order to familiarise board

members with the issues they are scrutinising, and that the activities of a successful Board will involve the participation of members in less formal engagements (discussions, meetings etc.).

3.12 As will be seen, many of these features have significant relevance to the Anglesey intervention.

### **Frameworks of analysis and action**

3.13 There are a variety of frameworks and perspectives in the literature that can help to understand how interventions can be made more successful, or the conditions under which success is more likely. A number of them are highly relevant to the Anglesey intervention.

3.14 The first is the importance of contextual factors – history, identity, language, political culture - in influencing support/intervention processes and specifically the size of the authority and corresponding resource levels. Attention to context is the first step in framing successful intervention.

3.15 Secondly, there are three factors that explain the ability to recover:

- Cognition - the recognition by an organisation that it needs improve and acceptance of help in doing so;
- Capability – knowledge of what needs to be done, and the technical skill to achieve it; and
- Capacity – the ability to tackle the change agenda.

3.16 Research by Jas and Skelcher (2005b) indicates that turnaround mechanisms are most effective where they address the specific mix of cognition, capability, and capacity issues of a given situation. Some mechanisms can hinder progress if applied in an inappropriate manner e.g. over-reliance on a particular mechanism to solve problems. The



most effective mechanisms are those that are owned by the council, but subject to government and regulators being able to exercise influence where a council does not effectively engage with recovery (Fox 2003; Kellard et al 2007). Accurate diagnosis of the specific recovery requirements and context of each local authority is necessary to determine which mechanisms to apply and in what way to achieve the best results.

- 3.17 A helpful variation or elaboration of this perspective is to attend also to the extent and nature of the problems faced. Where problems are endemic then the response is likely to need to be comprehensive, whereas if they are self-contained a more focused approach can be contemplated. And if the problems are located in service delivery then a restorative approach may be sufficient, whereas if they go to an authority's capacity to deal with problems then a more transformative approach may be required. These distinctions were potentially very important in the timing, design and implementation of the Anglesey intervention.

### **Whole system approaches**

- 3.18 All attempts at organisational turnaround take place within a wider improvement 'system', and the way in which that system works has significant implications. Almost any improvement system involves three elements (Hood et al 1999).
- 3.19 First, there are 'directors' – individuals or agencies which set agreed standards against which services and conduct are judged. These might be the performance standards of services, or they may be criteria against which corporate activities can be assessed. They may be hard and quantitative output/outcome standards such as educational attainment, or perhaps partly reputational (and therefore qualitative) standards such as the perceived quality of leadership. In the local

government context, directors can be central government departments, agencies acting on behalf of the government (such as inspection or auditing bodies), or councils acting individually or collectively through the local government associations, professional bodies and other networks.

3.20 Secondly, there are 'detectors' - bodies that gather information to assess whether organisations are meeting the standards. In situations requiring turnaround they are likely to be inspection bodies, but they might also be the media or politicians, or other councils, or perhaps improvement officers who informally detect that things are awry. The 'detection' might thus be formal or informal, and it might be public or discreet. For self-actuated turnaround it might be the council itself that detects the problem, realising its own failures to meet the standards that have been imposed on it, or it has set itself.

3.21 Thirdly, effective regulatory systems require 'effectors' - one or more actors or agents who can make change happen by enabling a council to modify systems, practices, culture and conduct so that it can meet the required standards of performance.

3.22 Who takes on each of these three roles depends on a range of factors. The character, type and level of risk involved is important. The greater, more obvious and more sensitive the risk, the more likely it is that standards will be set publicly and assessed by a governmental agency. Other important factors (which have a feedback also on the level of risk) will be public attitudes to the performance of the organisation and the implications of service or corporate failure, and also the relative power of the different agencies involved in the improvement system. But there are other kinds of risk which also come into play. Intervention in local government by central government may endanger central-local relations more generally. Risk might also be transferred between different levels of government either as a matter of measured policy or more situated political considerations.

3.23 One of the important considerations in evaluating the Anglesey intervention will be assessing which agencies performed these roles, and whether they did so as effectively as they might have done.

### **Theories of Improvement**

3.24 When intervention is being contemplated, the tools for turnaround have to be deployed and orchestrated to good effect, and this underlines the importance in every case of having an effective and explicit turnaround strategy and one which looks at the whole of the situation. Critical to any such strategy is the recognition of the factors and circumstances that are unique to each poorly performing local authority, and that the design of the intervention therefore accounts for these features that need to influence support and intervention processes. The choice of those features that require attention therefore shapes the selection of turnaround instruments and methods that should therefore follow.

3.25 Those responsible for triggering or leading a turnaround should be able to show how that linkage is articulated through their 'theory of improvement' (Downe et al 2010). A theory of improvement is important because it analyses and articulates in a structured way whether someone responsible for directing a turnaround or intervention has a clear and evidence-based approach - or whether the approach is partial or based a series of hunches and best guesses. It involves a thorough assessment of the nature of the difficulties a council faces, and an attempt to tailor the mode of turnaround and the instruments that are used in the diagnosis. In short, investment in understanding the problems and the context for them is a crucial stage towards effective turnaround.

3.26 Clearly there are always contingent features in any intervention situation, accompanied by turbulence and uncertainty. Thus the importance of having a clear analysis and theory of improvement and the associated 'equation of change' (i.e. consciously applying the analysis to develop

and articulate the rationale for the mix of measures chosen to implement turnaround) when applied to a given situation is not that it is either a sufficient or even a necessary condition for successful intervention. But it is vital – because intervention is always difficult and not fully predictable - and interveners need all the instruments at their disposal.

3.27 Although there are no formal rules about this, there are theories of improvement that are most associated with sector led and central engagements respectively. Therefore there are alternatives available, in terms both of how it is going to be done, and who is going to do it.

3.28 Theories of improvement and strategies for turnaround need to be differentiated not only in respect of the context and individual characteristics of the council needing turnaround, but more widely, because multiple theories and strategies are possible, and there are, therefore, choices to be made. What is critical is that within the turnaround nexus, there is an authoritative voice capable of formulating and implementing a credible strategy which properly understands why turnaround is needed, and how those problems can be connected with a well resourced and effectively managed strategy of engagement. How far that was the case with Anglesey is an important aspect of the narrative and analysis which follows.

### **Risks and Problems**

3.29 Finally, it is important to recognise and respect the common problems which can and do arise in interventions. They can be costly, disruptive and controversial, and raise major legal and practical requirements to resolve sustainably (Turner and Whiteman 2005). The contexts of each intervention situation are different and therefore there is limited precedent, especially when new legal powers are being deployed for the first time or in novel situations. Indeed, 'precedent' can actually be dangerous if the different contextual aspects of an intervention are not properly recognised and taken into account. The 'wrong' instrument

may be deployed in one situation partly because it was seen to work well elsewhere, but where the two contexts actually required different instruments.

3.30 Interventions are also difficult to exit, and there may be limited capacity to handle multiple interventions in different authorities, or inevitable coordination issues of multiple interventions in a single authority. Finally, there is always the risk that turnaround may be achieved but not sustainable.

3.31 Each of these risks was present in the Anglesey situation, and most of the features of interventions rehearsed in this section were in evidence during one or more of its phases. They provide an important, broader backdrop in drawing wider lessons from what happened, and in helping to see why it was that some things worked well, and others less so.

## **Section 4 Pre-intervention in Anglesey**

### **Introduction**

- 4.1 The Anglesey story is, in essence, that of a small unitary authority serving a relatively disadvantaged and isolated island community, with a long history of political turbulence and corporate under-performance. It can be usefully seen as comprising a pre-intervention phase and then two distinct phases of intervention which involved different types and different intensities of engagement.
- 4.2 The pre-intervention phase covers a relatively long period of time, dating back at least as far as local government reorganisation in 1996 and arguably earlier. In this time it was common knowledge that all was not well in Anglesey and the local government sector tried in various ways to help the Council address its problems.
- 4.3 The first phase of the intervention involved the appointment of a Recovery Board and an Interim Managing Director who was employed by the Council but designated by the Welsh Government. The second intervention phase consisted of a more muscular form of intervention involving the suspension of local democratic control and the appointment of Commissioners to run the council at the same time as the Boundary Commission conducted a review of electoral arrangements on the island.
- 4.4 This section provides an overview of the problems which emerged in Anglesey prior to the intervention and analyses it in light of the key themes identified from the literature.

### **Evidence**

#### ***Context***

- 4.5 Even before local government reorganisation in 1996, when Anglesey was still a district council within a two-tier structure of local government, there were concerns about the conduct of some councillors.

Interviewees at national level reported that there were cases of what one called 'borderline corruption' (some other interviewees used more forthright or colourful language), with particular concerns about some planning decisions.

- 4.6 These concerns persisted, and arguably intensified, following the creation of the new Unitary Authority in 1996, in part because the Council was now responsible for a much wider range of services including education and social services and as a result controlled more substantial budgets.
- 4.7 Allegations of misconduct surfaced in the national and local media and interviewees from the Welsh Government and the WLGA told us that it was common knowledge in the local government community that there were concerns about some leading councillors in Anglesey.

#### ***The nature and causes of failure***

- 4.8 Our analysis of the documentary evidence shows that there was plenty of warning of these problems well before the intervention, with auditors consistently flagging up concerns about political leadership, corporate capacity and councillors' conduct.
- 4.9 As far back as 2003 the audit letter reported that the Council was facing significant challenges. It highlighted concerns about political leadership and noted that the corporate risk assessment, which was a key part of the Improvement Plan, was incomplete and lacked an external perspective because there was a lack of public consultation. This provides an early pointer to what was later seen as the Council's insularity and lack of openness to external challenge, both of which were recurrent themes in many of the interviews we conducted and are issues that we explore in sections 5 and 6.
- 4.10 The Relationship Manager's Annual Letter for 2003/4 also noted weaknesses in corporate working which it said had been highlighted in many previous regulators' reports. The letter stated that unless the

Council strengthened its corporate systems and working arrangements, it would not be able to achieve the continuous improvement in performance expected under the Wales Programme for Improvement and Anglesey's performance would fall behind that of other councils with stronger corporate foundations. The letter recommended that the Council continue to make a concerted effort to change the culture of the organisation. This would, it stated, require strengthening the mutual trust and respect between officers and members and instilling a challenging and positive attitude. There was a need to ensure common ownership of problems within the Council and to guard against a blame culture. The Corporate Management Team and councillors needed to concentrate on strategic issues and become less involved in the day to day running of services.

- 4.11 The Relationship Manager's letter the following year reiterated these weaknesses, adding that adverse publicity relating to the behaviour of Councillors continued to be a distraction for both politicians and officers and that there was a need to implement a corporate performance management framework.
- 4.12 The 2005/2006 letter noted that progress in establishing priorities and aligning resources with these was slow, and the Annual Risk Assessment in 2006/2007 identified thirteen high risks, noting that the Auditor General continued to be concerned that conflict between councillors threatened the Council's ability to fulfil the general duty under section 3(1) of the 1999 Act: *'To make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness'*.
- 4.13 The following year the Annual Letter focused on conflict between executive councillors and senior officers. It reported that the Leader had expressed strong criticisms of many of the actions of the Corporate Management Team, and that the erosion of trust and lack of effective



communication between some members and officers was having a detrimental impact on the Council's ability to fulfil the general best value duty. But in spite of these persistent concerns, the letter concluded there was no need to recommend an inspection under section 10A of the Local Government Act 1999.

- 4.14 However, in 2007/2008 it was recommended that the Auditor General should conduct an inspection of the Council's corporate governance. The resulting inspection in 2009 concluded that the Council had a long history of not being properly run from its inception in 1996, and that this had a corrosive effect on the exercise of its functions, leaving it poorly placed to meet future challenges. It was this report which in effect triggered the first phase of the intervention.
- 4.15 Our interviewees from the Welsh Government, WLGA and Recovery Board all corroborated the Auditor General's conclusions and the problems which had been logged by audit letters since at least 2003. They told us that although it was the alleged misconduct by some councillors which had grabbed the attention of the media, the problems ran much deeper. Many interviewees reported that the Council ducked difficult decisions and was apparently incapable of articulating and then sticking with strategic priorities.
- 4.16 Members of the Recovery Board and the Interim Managing Director were particularly well placed to comment on the problems faced by the Council prior to intervention because they observed it at close quarters in the period immediately following the Minister's decision to issue a direction.
- 4.17 They reported in documents at the time and in their interviews with us that the Council was dogged by chronic political instability. Shifting alliances and frequent changes of control, particularly among the large group of Independent councillors, meant that councillors found it almost impossible to agree a coherent strategy. Allied with the lack of party

political manifestos, this culture of ad hoc decision making meant there was no sense of strategic direction.

- 4.18 They observed that councillors had strong ties within their communities and saw their primary duty as being to safeguard the interests of their own wards but this was often to the detriment of the area as a whole. As a Recovery Board member put it: “They fought hard for a football pitch in their ward and to stop the closure of their local school and had immense personal loyalty in their communities. But they did not work for the good of the island as a whole”.
- 4.19 Both the Interim Managing Director and Recovery Board members also told us that they found that a small group of councillors bullied officers and that there was a ‘silent majority’ of councillors who were ‘intimidated’ by the controlling group. They suspected that council decisions were sometimes unduly influenced by family ties and other loyalties. One told us: “You are literally talking about people who would bump into somebody in the butcher’s shop and change their decision about key issues on the basis of a conversation there”. Another explained: “There would be whispering among councillors during the breaks in meetings and people would go from saying one thing before the break to saying something completely opposite after it. I was amazed by the behaviour”.
- 4.20 Like the auditors in 2003, Recovery Board members concluded that the Council suffered from a lack of effective challenge from outside the executive. They attributed this in part to the control which a small group was able to exert over their colleagues and to what several interviewees described as “a winner takes it all” culture which was said to run “very deep in the Council”. One of the consequences of this was that members of the controlling group chaired all scrutiny committees (although this was not uncommon in other parts of Wales).
- 4.21 Both the members of the Recovery Board and the Commissioners subsequently appointed reported that these difficulties were compounded by what they regarded as a lack of understanding among

councillors about how to conduct council meetings and an absence of proper business planning processes.

4.22 We were told by Recovery Board members that this was in part because officers were sometimes unwilling to stand up to, or provide proper support for, councillors. They attributed this to the fact that many officers had little or no experience of local government beyond the island and therefore regarded the dysfunctional culture in the Council as the norm.

4.23 The high level of turnover of Managing Directors, and the perceived quality of some of those who were appointed, was seen as a significant problem by interviewees from the Welsh Government and WLGA. One reported that “the problems really blew up when [name of Managing Director] was appointed. He was the second choice candidate and head hunters were very frustrated that nobody in local government wanted to touch the post. Councillors were seen as fractious and the Council was seen as having a bad reputation even back then”.

4.24 Conversely, as noted above, there was a low level of turnover among other staff that contributed to a sense of parochialism and insularity and which Recovery Board members believed acted as a barrier to entry for those from outside of North Wales. As a result the council tended to recruit from a much smaller pool of potential officers than most authorities and this had an adverse impact on the calibre of staff. One member of the Recovery Board told us: “I don’t think the people on the island have the fundamental capability to run a twenty first century council. They needed to bring that in but if you insist that people need to speak Welsh then you’re not going to be able to find many senior officers of the right calibre” – even though it is important to note that there was not a statutory requirement in relation to the Welsh language.

### ***Sector-led support***

4.25 The local government sector provided a variety of different forms of support to Anglesey prior to and during the intervention. The WLGA provided support in developing effective scrutiny, advice on corporate

governance, and help with finding interim managers. During the period prior to the intervention it also arranged for a peer review of the Council. But none of those who we interviewed believed these attempts at sector led support had achieved significant progress.

- 4.26 Interviewees who had been involved in these attempts believed that sector led support could have played a valuable role in different circumstances, and they pointed to other councils where the WLGA was seen as having helped councils to turn round performance. However, they believed that councillors in Anglesey did not accept that there was a need for change. One explained: 'The culture there wasn't rational and therefore it wasn't really possible to engage in organisational development'. Another told us: 'Councillors were offered development programmes but they didn't want to be developed'.
- 4.27 Interviewees told us that experienced councillors and officers from other authorities who tried to work with Anglesey concluded that it could not be turned round without external intervention. For example, a highly respected Council Leader who was part of the peer review team was quoted as reporting back after the visit that 'the council is broken to the core'. Other leaders and chief executives concluded that the fundamental issue was that councillors lacked the will to change. By 2009 the Council had run out of allies in the sector and the WLGA supported the Minister's decision to intervene, the first time it had backed intervention in a Welsh council. As one interviewee from the local government sector explained to us, 'there was a strong feeling that we didn't want one bad apple spoiling it for the rest of the local government'.

## **Analysis**

### ***Symptoms and causes of failure***

- 4.28 The evidence from our analysis of documents and interviews suggests that Anglesey was a classic case of a failing organisation and exhibited

most, if not all, of the symptoms and causes of organisational failure that we identified from the literature.

- 4.29 Weaknesses in political and/or organisational leadership are critical factors in most instances of organisational failure. Anglesey was clearly perceived to be suffering from both. Other symptoms and causes of failure include inadequate internal processes such as strategy development, business planning and performance management. Again, the evidence shows that Anglesey lacked these.
- 4.30 Previous research has also shown that context is an important variable and it is clear that the history of the island and the Council, with its relative geographical isolation and sense of pride in being distinctive, were important contributory factors in its failure to recognise and address its problems, the influence which leading councillors had over colleagues, and the resistance to external challenge.
- 4.31 There was also a lack of cognition (i.e. awareness and/or acceptance of the need for improvement), which previous research has identified as a common cause of failure. And neither officers nor councillors had the capacity and capability that was needed to achieve changes.
- 4.32 The literature suggests (see in particular Jas and Skelcher 2005b) that where a council lacks cognition sector led support is very unlikely to be sufficient to turn performance round. A failing council which lacks self-awareness will not recognise the need for or be receptive to the assistance which is on offer. At best, it will 'go through the motions'; at worst, councillors and/or officers will resist attempts to help it change. Again, the evidence suggests that this is precisely what happened in the case of Anglesey.

### ***Theory of improvement***

- 4.33 The literature highlights the necessity of taking a 'whole systems' approach when intervening, and of having a clear and robust theory of improvement which can inform the design of support and intervention.

This requires an understanding of the causes of the problems facing an organisation and tailoring the response to this.

4.34 The evidence shows that the Auditor General's diagnosis of the problems in Anglesey prior to intervention was underpinned by an implicit theory. Annual audit letters correctly and repeatedly identified a raft of problems including:

- A lack of effective leadership;
- Conflict and distrust among and between councillors and senior officers;
- A lack of clear priorities;
- The absence of consultation and scrutiny; and
- A failure to implement adequate performance management.

These would, he argued, eventually undermine the Council's ability to deliver good services.

4.35 However, this diagnosis, and the implicit theory which underpinned it, was not reflected in the pre-intervention phase in a coherent strategy to address the problems which were identified. There does not seem to have been a systematic analysis of whether sector led support had any realistic prospect of success. The support that was offered consisted of piecemeal, apparently unconnected actions, provided by different people at different times.

### ***Triggering intervention***

4.36 Since it is fairly clear that sector led support was unlikely to be sufficient to achieve turnaround in Anglesey, with hindsight it seems at first strange that it took so long for Ministers to trigger intervention. As we have shown above, regulators' reports, and in particular annual audit letters, had been sounding the alarm over a number of years and during

this time Ministers had chosen to intervene in a number of other councils including Cardiff, Swansea and Denbighshire. So why did they choose to rely on the sector to support Anglesey for so long?

- 4.37 There are a number of explanations. First and perhaps foremost, although auditors were consistently critical of the council, they did not recommend conducting an inspection of corporate governance until 2007/2008. Indeed, as noted above, the previous year's annual audit letter explicitly stated that there was no need for an inspection or for the Minister to issue a direction. Ministers felt this left them without adequate grounds for intervening.
- 4.38 Whilst it was widely known by Welsh Government officials and local government leaders that there were problems in Anglesey, the recommendations of the Auditor General are extremely important. As one Welsh Government official explained to us: "The Wales Audit Office is an important piece of body armour for the Minister, politically and legally". So without a clear steer from the Auditor General, it was very difficult for Ministers to take action before 2009.
- 4.39 The next question is why it took auditors so long to recommend a corporate governance inspection and what this tells us about the mechanisms for detecting organisational failure in Welsh local government.
- 4.40 Evidence from documentary analysis and the interviews we undertook point to a combination of factors. Some of those we interviewed suggested that the 'mood music' in terms of central-local relations was very different five to ten years ago. There was an explicit commitment to working in partnership with local government and Ministers believed it was important to allow the sector take responsibility for its own improvement. Local government settlements were increasing year on year which made for relatively harmonious relationships and the Welsh

Government was, perhaps, less confident of its own policy capacity and level of public support.

- 4.41 But as noted above, the desire to work with local government did not preclude interventions in other councils. So the relatively happy state of central-local relations does not entirely explain the reliance on sector led support in Anglesey.
- 4.42 An additional explanation is that the problems in Anglesey were of a different kind to those experienced in the councils which Ministers did intervene in at the time. Audit letters flagged up weaknesses in corporate capacity rather than in services. Auditors believed that problems with political leadership, councillors' conduct, and the relationships between the Executive and Corporate Management Team were threats to the Council's ability to sustain improvement. However, its current performance was not seen as a cause for concern.
- 4.43 The belief that a lack of corporate capacity would ultimately undermine the Council's performance reflects the theory of improvement which underpinned the Wales Programme for Improvement, and at the time it was a credible and widely held view. But it seems that, in contrast to service failures, problems with corporate capacity problems were not seen – by the auditors or by the Welsh Government – as requiring or justifying immediate action.
- 4.44 There are 'good' reasons for this. Corporate capacity is less tangible and less visible from outside the organisation than service failure. Unlike service delivery, there were no clear or unequivocal quantitative measures of performance failure. Assessments of the quality of political leadership and member-officer relationships inevitably require an element of judgement which could be more open to challenge than assessments of services that are backed by statutory performance indicators. Even the allegations of misconduct by councillors in Anglesey had proved difficult to pin down.



- 4.45 The kinds of problems which auditors reported in Anglesey were also of less immediate concern to the public (and perhaps therefore to Ministers) than obvious failures in service delivery. Though adverse media coverage about councillors' behaviour might damage the Council's reputation, it did not put lives at risk in the way in which failures in children's services might do, or harm pupils' life chances in the way that failing schools would do. Moreover, as we noted above, many councillors on Anglesey had strong links with, and enjoyed significant support within, their local communities.
- 4.46 In these circumstances issues of principle and pragmatic political considerations meant that Ministers needed to be very sure there was a significant problem before becoming directly involved. As one official put it to us: "You're intervening in someone else's democracy. What you're going to do will be controversial and unpopular locally".

### ***Lessons and counterfactuals***

- 4.47 Given these circumstances, could and should the Welsh Government, the regulators or the local government sector have done anything differently in the period prior to the intervention in Anglesey? Or put another way, what are the counterfactuals and would any of them have led to a different (better) outcome in the period from 1996 to 2009?
- 4.48 Of course it is easy to be wise with hindsight. But our evaluation suggests that the answer is yes and we believe that there are lessons which can be learnt for the future from the fairly protracted period prior to intervention in which all of the key stakeholders knew that there were significant problems but did not take sufficiently decisive action to address them.
- 4.49 In our view, it was not unreasonable to try sector led support in the first instance. Indeed, it is right in principle that this should normally be the 'default option', in part because it reflects the margin of appreciation

which any local democratic body should be able to enjoy and, indeed, is required by the UK's treaty obligations under the European Convention of Local Self-Government. However, given the lack of cognition in Anglesey, the councillors' unwillingness to embrace change, and the lack of capacity and capability among senior officers, the case for having relied entirely on sector led support for so long is weak. To have stood any chance of success it would have needed to be backed by a very clear and explicit threat of rapid escalation should the Council failed to respond appropriately and show clear signs of improvement. This was not the case.

4.50 There also needed to have been a much clearer diagnosis of the steps that were needed and a timetable for achieving them - in effect, an improvement plan agreed between the Council and the sector which included clear milestones and auditable improvements. Again, this did not exist in Anglesey in the period leading up to 2009.

4.51 A much more comprehensive and coordinated package of support in place of the piecemeal and sequential attempts to offer support would also have been required.

4.52 Sector led support has been shown to be effective in a number of councils which have been faced with problems that were not dissimilar to those in Anglesey. The most high profile recent example is Wirral and we have argued in our recent report for the LGA (Bennett et al. 2014) that sector led improvement is probably better suited to tackling corporate governance issues than problems with services.

4.53 However it seems to us that it is very unlikely that it could ever have been effective in Anglesey, for two main reasons. First, the WLGA did not have the resources and capacity to provide the kind and intensity of support that would have been needed. Second, organisational turnaround based on sector led support requires buy in from local

political leaders and it is very difficult to see how this could have been secured in Anglesey.

4.54 That leaves the possibility that Ministers might have intervened earlier. It seems to us that this could and perhaps should have happened. The reason it did not is attributable in part to weaknesses in the performance assessment framework and the reporting arrangements which existed at the time.

4.55 Throughout this period, in spite of the weaknesses in corporate capacity, regulators and inspectors - including the WAO, Estyn and CSSIW - repeatedly reported that services in Anglesey were not a cause for concern. However, evidence from both the Recovery Board and the Commissioners suggests that the regulators were wrong about this. During the intervention serious weaknesses in key services, especially children's services and education, were uncovered. And there was sufficient concern about the capacity of some of the senior officers running these services that the Commissioners saw no option but to encourage their replacement with higher quality interim managers.

4.56 Interviewees from the regulators accepted that they were slow to pick up on problems in services. Some interviewees argue that the performance indicators for educational attainment in 2011, which played a part in triggering intervention the following year, were a 'blip'. But Estyn now believes that there were systemic problems and argues that the decision to intervene in 2012 was based on a much broader range of evidence.

4.57 Similarly, the highly critical evaluation conducted by CSSIW in late 2009/early 2010 supports the Recovery Board members' view that weaknesses in management processes put vulnerable children in Anglesey at serious risk.

4.58 So it seems clear that inspectors and regulators either failed to detect these problems in the pre-intervention or did not communicate their concerns clearly enough to Ministers. Our conclusion is that it was a

combination of both and this in turn points to three weaknesses in the regulatory system.

- 4.59 First, the performance framework did not lend itself to an integrated approach. The separation of roles between the WAO, Estyn and CSSIW meant that intelligence about councils' performance was scattered. The mechanisms for bringing together the evidence from these different agencies were inadequate and made it difficult for Ministers to take an overview of a council's performance.
- 4.60 This problem was made worse by the lack of joined up working between Welsh Government departments. This was manifested in the way in which the intervention in education in Anglesey directed by the Education Minister from 2012 operated largely in isolation from the work of the Commissioners who had been appointed by the Minister for Local Government.
- 4.61 A second apparent weakness in the regulatory framework was identified by interviewees from the Welsh Government who were critical of what they saw as a lack of clarity in regulators' reports. We were told that Ministers felt that reports did not give them sufficient grounds for intervening prior to 2009 or for intervening as strongly as they would have liked to after 2009.
- 4.62 The language which reports were couched in was seen as being too opaque. Ministers would have liked a clearer steer. As one interviewee put it: "the Wales Audit Office and Estyn reports are so mealy mouthed you can't work out how serious the problem is". We were told that this is much less of an issue now that the current Auditor General meets Ministers on a regular basis and is able to provide a richer context to the WAO's published reports. However, his predecessor had a different relationship with Ministers, and this did not happen.
- 4.63 Third, it seems to us that in the pre-intervention period there was a failure to follow through on the logic of the theory of improvement that

underpinned the Wales Programme for Improvement. If corporate capacity really does hold the key to a council's ability to sustain improvement, then the problems being reported in Anglesey should have set alarm bells ringing much earlier and much louder.

4.64 In practice all of the main stakeholders at national level – the Welsh Government, the regulators and the WLGA – seem to have been more concerned about, and thus more inclined to take decisive action to address, instances where council services were failing than cases where a lack of corporate capacity was seen as a threat to prospects for improvement.

4.65 This is perhaps understandable. However, it indicates that the Welsh Government's policy was not fully aligned with the theory of improvement espoused by the WAO and that auditors were reluctant to act on their own theory of improvement even when the evidence which they were reporting suggested all too clearly that services in Anglesey would eventually run into serious difficulty.

## **Section 5 Interim Managing Director and Recovery Board**

### **Introduction**

5.1 In this section we analyse the first phase of the intervention in Anglesey. We follow the same approach as we used in Section Four. First we describe the main points to emerge from the evidence that we gathered. Then we present our analysis of the first phase of the intervention and draw out what we see as the key learning points that could help inform future interventions.

### **Evidence**

#### ***Context***

5.2 Continuing concerns about the conduct of councillors and the Council's lack of corporate capacity came to a head in the Annual Letter prepared by the WAO's Relationship Manager in January 2009. This recommended that "the Auditor General carries 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" (WAO 2009)..

5.3 The resulting inspection was conducted in April and its report was published in July 2009. It concluded that whilst the performance of many services was good, the Council had a long history of not being properly run which the Auditor General attributed to "weak self-regulation of inappropriate behaviour and conflict" and the Council's "lack of direction, corporate leadership and accountability". This, he found, "had a corrosive effect on the exercise of its functions and leaves it poorly placed to meet future challenges" (WAO 2009).

5.4 The Auditor General's report recommended that the Council needed to take immediate action to:

- Amend its political arrangements in order to strengthen its capacity to set strategic priorities and direction, reduce conflict between councillors, and ensure more rigorous scrutiny from outside the executive;
- Restore trust between councillors and officers;
- Improve its corporate services and corporate leadership capacity;
- Increase the transparency and quality of planning decisions; and
- Improve citizen engagement and handling of complaints.

5.5 Crucially, the Auditor General concluded that "that the Council will require external support and challenge to ensure that these recommendations are implemented" (WAO 2009), and proposed the creation of an Advisory Recovery Board.

5.6 The report acted as the trigger for the appointment of an Interim Managing Director as well as the establishment of a Recovery Board. But the decision to intervene was not experienced as an easy one. Practical, political and legal implications all loomed large and the Minister made the decisions only after very detailed assessment of the implications and options.

5.7 Analysis of documentary evidence shows that officials considered the option of suspending the Council in its entirety but concluded this would be unlikely to succeed because of a lack of a clear exit strategy. Consideration was also given to nominating another authority to take over Anglesey's functions. But in the end officials recommended that the Minister seek a solution which maintained the democratic independence of the council whilst providing it with the support it needed to find sustainable solutions to the problems it faced.

- 5.8 This package of support would, they suggested, need to include:
- An internal review of scrutiny and standards;
  - A review of the constitution;
  - A review of senior management;
  - The appointment of an interim Managing Director;
  - Establishing policies to protect staff; and
  - Activities designed to restore public confidence including a review of the handling of complaints.

5.9 The Minister decided to issue the Council with a formal Direction which required it to comply with the Auditor General's recommendations, appoint a named Interim Managing Director, and work with a Recovery Board appointed by him.

5.10 The choice of this approach was guided by two main considerations. First, the Welsh Government, WLGA and WAO all believed that councillors' behaviour lay at the heart of the core problem. Second, the Recovery Board was seen as the minimum level of intervention which was likely to effect the changes that were thought to be necessary.

5.11 It was also important that the WAO report came at a point when the Council was without a Managing Director since this provided an opportunity both to put in place the machinery for formal and external supervision and also to seek out an experienced chief executive with a proven track record of dealing with misconduct.

5.12 One of the most striking features of the intervention was that although it was inevitably controversial on Anglesey, there was unanimity among those at national level that external intervention was necessary. Several interviewees within the Welsh Government pointed out there were more muscular or constraining approaches that could have been pursued than that which the Minister eventually opted for. However, the Welsh



Government, WAO and WLGA all agreed that something had to be done from the centre. Local government leaders had by now lost patience with their counterparts in Anglesey.

5.13 The Minister alerted cabinet colleagues and other politicians within his own party and others, both in order to take the political temperature and 'clear the lines'. Many interviewees cited the strength and breadth of the coalition of support for intervention in Anglesey as a result of the close knit nature of the policy community in Wales and one of the advantages of 'small country governance', an issue to which we will return.

### ***Appointment process***

5.14 The Minister appointed seven members to the Recovery Board. They were carefully chosen and between them they brought a wealth of experience from government, public services and academia and combined expertise in corporate governance issues, organisational change and the management of local government services.

5.15 Board members included two academics – one of whom had expertise in broadcasting and strong links to Welsh culture and the arts and the other who specialised in public services. The other five Board members were a former:

- Local Government Minister;
- Local Authority Leader;
- Assistant Chief Constable;
- Chief Inspector of Social Services; and
- Chief Executive of the UK local government Improvement and Development Agency (IDeA).

5.16 Documentary materials show that there was a very careful consideration of the elements which would go to make up an effective Recovery Board. They cite the success of the Denbighshire intervention and

identify the need for the composition of the Board to be driven by its role. It should, it was argued, contain a mix of expertise and experience from local government and beyond, and have the ability to command the attention of councillors.

5.17 Councillors in Anglesey, Welsh Government officials and representatives of the wider local government community who we interviewed all told us that the Recovery Board members were widely seen as being well qualified for the role. As one councillor said “it was a good cross-section of people with different political views”. The chair was widely seen as having been an astute appointment because of her understanding of Welsh culture and language. The Board as a whole brought direct local government experience at senior political and managerial levels and from Wales and England.

5.18 The appointment of the Interim Managing Director involved what one official described to us as “an intricate process which wasn’t well understood”. He was sourced by Solace Enterprises although technically he was employed by the Council. However, the Minister directed the Council to appoint him and councillors could not in reality dismiss him.

5.19 He was the Council’s Head of Paid Service but he did not act like a conventional chief executive and his strongest sense of accountability was to the Welsh Government Minister rather than to the Council’s Executive or the full Council. Welsh Government officials told us that he was selected specifically because of his experience of dealing with the Leader of a large county council in England who was eventually found guilty of corruption. Not surprisingly, he was widely seen as what one Welsh Government official described to us as ‘the Minister’s hit man’.

## ***Approach***

- 5.20 The approach taken in the first phase of the intervention is set out here in three parts. First we set out the Minister's approach, and then look at the perspective and work of the Recovery Board before turning to the perspective of the Interim Managing Director.
- 5.21 The The Minister responsible for local government for the bulk of the intervention took office a short time after it had been initiated. He therefore inherited the approach to intervention which was based on appointment of a Recovery Board and Interim Managing Director. He had strong views of his own about the Anglesey situation which he set out in one particularly significant speech on 24<sup>th</sup> February 2010 to Anglesey councillors. The problems he identified included poor member behaviour, a lack of strategic direction, and inadequate public engagement – a “toxic mixture”. He stated that misbehaviour needed to be addressed by the Group Leaders and “anyone who obstructs recovery should be dealt with particularly severely.” The most important step would be to develop a collective culture looking outwards at serious issues, not personalities and in-fighting. That would “isolate poor behaviour”. He expressed clearly that if action was not taken soon then he would consider very drastic steps, including “the future of the Council as an autonomous body”.
- 5.22 Subsequently in letters of the 4<sup>th</sup> March and the 30<sup>th</sup> June 2010 he reinforced these messages. In the first he commended the Leader of the Council for taking action decisively against Councillors whom the Leader thought were obstructing the recovery. In the second he signalled that he had caused contingency plans to be drawn up “with drastic and possibly permanent consequences” should the recovery falter or if the new Alliance between the Group Leaders of the different parties which had been established failed.
- 5.23 The Recovery Board's role was to monitor the Council's progress in complying with the Auditor General's recommendations, and to advise

Ministers on the need to issue further directions if required. By agreement, it could also provide informal advice to the Interim Managing Director, though he was not accountable to the Board.

- 5.24 It met monthly and held additional meetings with officers and councillors. They were also in regular contact with each other via phone and email. They were not, however, closely involved in day-to-day council business.
- 5.25 The evidence from documentary analysis and our interviews shows that some members of the Recovery Board had a theory of improvement which informed the way in which they approached their task. They believed that their job was to model and instil in councillors the qualities to provide political leadership, discipline and behaviour. And from the outset they sought to work with councillors rather than supplant or undermine them.
- 5.26 This was consistent with the terms of reference which the Minister had given them and in tune with their own view that it was important to support the Council to take responsibility for its own recovery. The chair and several other members of the Board explained to us that they saw this as offering the best hope of achieving a turnaround that would be sustainable and feared that if the Council became too dependent on them its problems would return once the Board had gone away.
- 5.27 This belief in the importance of empowering councillors to take responsibility for turning the Council around is reflected in the minutes of the Board's early meetings in the autumn of 2009. They show that members of the Recovery Board were conscious of the importance of the Council itself initiating, managing and securing its own recovery and were anxious not be seen as a substitute for the Council's decision-making or a 'prop' for that councillors came to rely too heavily on. Some Board members also told us that they were reluctant to become more engaged because they were sensitive to media concerns about the costs of the intervention.

- 5.28 The minutes note that Board members feared that councillors misunderstood its role and agreed that they would challenge misconceptions directly and by refusing to take on responsibilities which exceeded their terms of reference. They also requested that the Minister explained their role to the Council.
- 5.29 The Recovery Board recognised that the Council's problems were deep seated and long standing, but rejected the view that the blame lay entirely with councillors. One of its members told us they had been "shocked at the weakness of some of the officers". They did not, "have the skills base, they just didn't have the awareness of what it took to be an effective manager". The minutes of the Board's early meetings reflect this analysis. They stated that the problems ran wider than individuals. They were, the Board believed, corporate and the changes needed to achieve recovery needed to be widely owned within the Council.
- 5.30 Consistent with this approach, the Board deliberately avoided apportioning blame for the Council's failings. As another of its members explained, "the councillors weren't bad people. They were committed people. They were deficient in many ways but with guidance we thought they might be OK".
- 5.31 Our interviews with Recovery Board members showed that the belief that councillors could be 'reformed' by being shown how to conduct themselves properly and how to take responsibility for strategic decision was also fundamental to its theory of improvement.
- 5.32 This view was articulated particularly strongly by its chair, although our interviews highlighted some differences of emphasis. Particularly as time had gone by some members of the Board came to believe that more forceful action would be needed to deal with Anglesey's weaknesses. Others argued that if it had been given more time the approach they adopted could have succeeded.

- 5.33 Recovery Board members also told us that they became increasingly frustrated by what they perceived as the Interim Managing Director's pre-occupation with dealing with 'troublesome' councillors and his reluctance to address what the Recovery Board saw as significant weaknesses among senior officers.
- 5.34 Our interviews with members of the Recovery Board revealed that they expected the interim Managing Director to focus on working with senior officers and to oversee a process of reform of the council's administrative structures and processes which would run in parallel with the Recovery Board's work with councillors.
- 5.35 Contemporaneous documentation indicates that in the early months of 2010 views about the Interim Managing Director by both senior officers and councillors was positive. Interviews conducted by members of the Recovery Board summarised the views of senior officers as follows: *"The impact of the Interim MD David Bowles cannot be overstated. There was not one individual who did not appreciate his firmness, experience, boundary setting and leadership style. For many it was an eye opener, for one a life changing experience revealing through example what might have been possible for the Council and indeed himself."* As to councillors, their views were in summary: "The Interim Managing Director was widely praised for his Leadership, his incisiveness and his clarity. There was some criticism from Councillors that they had never met him, but a widespread appreciation that he had an onerous task. When pressed, members believed that part of that clarity and leadership was attributable to the fact that he was a free agent, appointed through Ministerial intervention and not beholden to any one faction of the Council. They also recognised the personal qualities that he had brought to the Council which they respected including his habit of intervening strategically both in Committee and out of Committee. Some regretted the fact that past Chief Executives had not had the clarity or decisive leadership that was desirable."

5.36 But there was a turning point for many councillors and members of the Recovery Board after the attempt in early summer to forge an Alliance of councillors which would enable those seen as the worse ‘trouble-makers’ to be isolated and excluded from power. Ultimately this was unsuccessful, and there was considerable collateral damage for the Interim Managing Director and the Leader.

5.37 After this, the perception that he was too confrontational strengthened. The fact that he was seen as having been imposed on the Council by the Minister also made him unpopular with many councillors, some of whom deliberately sought to question his judgement and undermine his credibility. Most of the councillors who we interviewed were critical of his role, as were most of the senior managers who we interviewed. Many interviewees, including Recovery Board members, councillors and some national interviewees, felt that he had not understood the political culture or appreciated the strength of the personal loyalties which existed among councillors. One councillor described him as “an able man, experienced, but didn’t understand the politics of either Ynys Môn or Wales. He wanted the council to operate through political groups and he didn’t really understand how the various independent groups were constructed”. Several interviewees considered that he had not understood what one called the unusually “narrow and isolationist politics of the island”, and what another councillor referred to as a sense of “insularity”.

5.38 Many of these interviewees believed that the Interim Managing Director had the right diagnosis but failed to find the right solutions. They told us that in their view he became increasingly embroiled in personalised battles between councillors and in the process ‘became a part of the problem’.

5.39 The Interim Managing Director saw things very differently. He was extremely experienced, having held senior positions in three other councils where serious problems had been turned around. From his

perspective there was a chronic corporate governance failure which had severe consequences for the island and its communities and necessitated a direct and serious approach. The Council's problems were very long standing, with repeated allegations of wrongdoing, especially in relation to the planning system. It had had problems for at least fifteen years which successive reports and initiatives had failed to solve. In his view, the Council's difficulties should have been tackled much earlier and past reports which had skirted round the issues had created a mindset where powerful councillors thought they were invincible and unaccountable. In the case of other struggling councils which he had turned round in England auditors were clear about what was wrong, and where appropriate they named individuals. There was no comparable analysis from the Wales Audit Office whose reports he regarded as being 'coded'. In his view, this lack of clarity undermined the first phase of the intervention, and the role of the Recovery Board in particular.

5.40 He reported that he found a dysfunctional officer machine in Anglesey which was in large part attributable to member conduct over a long period of time, but he believed this to be manageable and that he had made some progress in addressing it. Early on he held one to one meetings with twenty senior councillors and officers. A common theme was the hold that a small group of long standing experienced councillors had over the council and their colleagues. He told us that it was a widely held view that it would be impossible to turn things round whilst a number of individuals remained members of the Council. But he was determined to make up his own mind and for some time worked well with Group Leaders on a range of issues. He agreed with the WAO assessment that weak self-regulation of inappropriate behaviour and conflict was at the core of the Council's problems. But he was convinced that the Council's problems stemmed also from the lack of response from other councillor's to that conduct also needed to be addressed. Rather than relying simply re-educating councillors who were behaving



badly, it was also necessary to encourage their colleagues to adopt a strong system of self-regulation which challenged poor conduct, particularly because Anglesey had a large number of independent councillors who were not subject to the disciplinary arrangements of national political parties. And he considered this twin track approach to be entirely consistent with the Minister's statement to the Council in February 2010.

5.41 The Interim Managing Director's theory of improvement was, therefore, founded on the need to change expectations of councillors' conduct and build up their willingness to challenge disruptive behaviour which interfered with the effective running of the Council. He told us that his stance was to draw a line under the past and seek to change conduct, but that if the training and development did not work then he believed the majority of councillors needed to act to marginalise the small number of politicians who were causing difficulties. Other councillors would then be able to provide the political leadership and strategic direction that was needed to turn the Council round. He acknowledged that over time his approach increasingly diverged from the Recovery Board's attempt to 'reform' councillors by modelling and nurturing 'good behaviour'. But it was consistent with the views expressed to us by the Ministers, Welsh Government officials and representatives of the local government community who we interviewed.

5.42 The Interim Managing Director rejected the suggestion (from some members of the Recovery Board) that he became too involved in personalised battles between councillors. He believed that it was part of the role of a local authority chief executive to manage the political interface. He also pointed out that as a consequence of the Protocol on Self Regulation which was developed councillors made complaints about conduct to him rather than to the Ombudsman and he reports that he received more complaints in twelve months in Anglesey than he had had in his entire career as a Chief Executive in other councils. A number of

the complaints were against officers and in his view were usually malicious in nature. But he had no choice other than to investigate them and as a result get drawn into disputes.

5.43 As noted earlier, a number of Recovery Board members and councillors told us of what they regarded as a defining moment in the summer of 2010 when the Council leader, strongly supported by the Interim Managing Director, attempted through the new Alliance to exclude some councillors from positions of power and influence within the Council, and demanded that others sign a pledge of loyalty. The Interim Managing Director takes a different view. For him, by then the Council was slipping back into its former way of working and so he met with all five Group Leaders and drew their attention to the Minister's expectations calling on them to show some leadership. They all agreed to form the Alliance with an informal Board to isolate those who had already disrupted the recovery and any other members who might do so. He believes that these sentiments mirrored closely the 'guidance' given by the Minister in his speech to the Council earlier that year. In the event the Alliance, and particularly the Leader, was systematically undermined and the Council continued to struggle to find stability throughout the rest of 2010.

Councillors saw the Interim Managing Director as closely associated with this initiative and his credibility was seriously damaged by the episode.

5.44 Like Recovery Board members, the Interim Managing Director told us that his relationship to the Board was unclear. He was also unsure of the boundaries of his own remit. His training and experience told him to work with the Leaders of the political groups and initially he tried to do this by getting them to work together. By the end of 2010 however it was evident that some were not supportive of the attempt to turn the Council around.

5.45 In strong contrast to some other interviewees, he did not regard his approach as being confrontational. He described his role as being diplomatic and a consensus builder. However he was determined to

avoid what he described as a 'fudge'. He believed that things 'had to be done properly' and that meant confronting the root cause of the issues. In his view the Recovery Board was too focused on the symptoms of the problems and did not do enough to challenge its most significant causes i.e. the absence of a strong system of self regulation which enabled councillors to challenge inappropriate behaviour by colleagues. In these circumstances he thought it necessary to be very direct, and to confront power and abuse and poor behaviours.

5.46 He believed this approach to be entirely consistent with the Minister's statements and took a particularly strong line where he believed councillors were ignoring the Minister's clear warnings. He became increasingly 'concerned that many backbench members were being systematically misled by senior councillors' and for this reason in the last few months of his engagement, in particular, he adopted in public a direct and assertive approach which councillors found very uncomfortable. In his view, the Minister had been similarly direct about what he saw as the problems (internal disputes, rivalries, individual misbehaviour, personal and parochial conflicts, and in jockeying for positions and allowances). And the Interim Managing Director used the Minister's speech and those letters to draw to councillors' attention to the fact that they had ignored the Minister's guidance and the implications of so doing.

5.47 His attitude to Anglesey changed as the intervention progressed. Some of the issues he witnessed were worse than he had experienced in any other Council by a wide margin, and there were a great number of them. He directly confronted individual councillors when they harassed, intimidated, undermined, or bullied staff. That added substantially to the tensions but he saw it as the job of any Chief Executive to challenge such behaviour. Confronting that behaviour did not make him 'confrontational' in his view. It added substantially to the tensions but was part of the job of a Chief Executive.

5.48 The Interim Managing Director told us that he believes that his robust approach succeeded in exposing the sheer scale of difficulties that Anglesey faced and that this paved the way for subsequent success in turning the Council around. His actions demonstrated that it was necessary to put in place a combination of Commissioners and a serious attempt at democratic renewal.

### ***Impact***

5.49 All of the evidence indicates that the first phase of the intervention failed to resolve the problems in Anglesey. None of those we interviewed, including councillors in Anglesey, Ministers, Welsh Government officials or representatives of the local government sector, saw it as having been successful in turning the Council round.

5.50 Analysis of internal Welsh Government documents shows that by summer of 2010 officials judged that only limited progress had been made in improving the conduct of councillors, which was widely seen as the root cause of the Council's difficulties. Welsh Government officials who we interviewed informed us that at this stage it was still believed that most of the Council's services were adequate but continuing political instability meant there was little prospect of a sustainable improvement in corporate capacity in Anglesey.

5.51 Documents note that there had been changes in structures and that two members of the ruling group had been expelled. And that the Council had fulfilled many of the requirements set out in a speech made by the Minister the previous February. However, they state that a pervasive climate of conflict remained and there was a preoccupation with internal issues and rivalries between a small number of influential councillors who continued to have a disproportionate and detrimental effect on council business.

5.52 The then leader of the Council endorsed this view. In January 2011 he wrote to the Minister explaining "I can no longer be convinced that the

efforts which have taken place to date by the Interim Managing Director ..... supported by yourself and the Recovery Board are enough to guarantee a return to “normality”.<sup>1</sup> He did not therefore “believe that investing further money in the recovery process is justified”.

5.53 Neither the Recovery Board nor the Interim Managing Director believed that councillors in Anglesey had responded sufficiently (or sufficiently quickly) to attempts to persuade them to change their conduct. Others agreed. Welsh Government officials and interviewees from the local government sector, as well as Recovery Board members, reported that councillors in Anglesey thought that if they ‘toughed it out’ the intervention would eventually go away.

5.54 Some Recovery Board members told us that they detected promising signs in 2010 and believed that given more time they would have been able to change councillors’ hearts and minds. But other members of the Board disagreed and reported that by late 2010 they had come to the view that the intensity of the intervention needed to be stepped up.

5.55 The fact that the first phase of the intervention did not turn the Council round does not necessarily mean that it should not have been attempted. Most of the interviewees from the Welsh Government and local government sector believed that it had been right in principle to try the relatively low key approach represented by the Interim Managing Director and the Recovery Board first and to escalate the intervention only if this failed. And it is questionable whether a more robust form of intervention would have been feasible politically if Ministers had not first of all tried this approach.

5.56 Some of the Recovery Board members also argued that though it failed to turn the Council round, it may have contributed to the success of the second phase by paving the way for a more robust form of intervention. One interviewee from the local government sector, for example, praised

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<sup>1</sup> Letter from Councillor Clive McGregor to the Minister 24 January 2011.

the Interim Managing Director for uncovering the extent of the problems with councillors, what he described as a “great job of lifting off the drain covers”.

- 5.57 A variety of new options were considered by Welsh Government officials from the autumn of 2010 onwards. They began actively to explore the possibility of removing powers from the Council though there were concerns about the implications for accountability to local people and the lack of a viable exit strategy.
- 5.58 As an alternative, the Welsh Government looked at the possibility of integrating services on Anglesey with those provided by neighbouring Gwynedd. However it was felt that this might well face a legal challenge, especially since at this stage it was thought that education and social services were being run reasonably well. This view was endorsed by one of the councillors who we interviewed who reported that the suggestion that Gwynedd might ‘take over’ the running of some services provided a strong ‘rallying point’ for councillors and the community alike.
- 5.59 Members of the Recovery Board told us that in late 2010 they believed that the Auditor General would recommend to the Minister that their role should be extended and enhanced. However, by early in 2011 things had taken a turn for the worse (precipitating the Leader’s letter to the Minister) and it was decided to stand the Recovery Board down and appoint Commissioners.
- 5.60 The Interim Managing Director had been appointed initially for one year, and was persuaded to stay for a second. With the move to a Commissioner-led approach he was de-designated by the Minister and replaced by a member of the existing senior management team who was seen as better understanding the local context and having a “more emollient” approach.

## Analysis

- 5.61 The first phase of the intervention failed to achieve the desired results, on the basis both of the perceptions of effectively every stakeholder and participant, and also against any wider and more objective criteria. Yet great thought and care had gone into the choice of the Interim Managing Director and the Recovery Board members, and both he and they were able and experienced . So why did it not work?
- 5.62 Our analysis of the evidence highlights six key factors which contributed to the failure of the first phase of intervention to turn the situation on Anglesey around.
- 5.63 First, some of the most influential councillors on Anglesey did not respond as the Recovery Board or the Interim Managing Director had hoped. There were several reasons for this. According to Recovery Board members, many councillors saw the intervention as something that would eventually go away, at which point there would be a return to 'business as usual'. Seen in this light, they regarded the intervention as something to be 'endured and survived and ultimately seen off', rather than a chance to change the culture and performance of the Council.
- 5.64 Some Recovery Board members suggested that this hope was fuelled by the Council's experience of sector-led initiatives which had come and gone over many years without leaving any lasting imprint. Others noted that councillors had resented the imposition of intervention. Many of the councillors who we interviewed, told us that it had been seen locally as unnecessary and unwelcome interference 'from Cardiff'. Some believed it was politically motivated and that Anglesey had been 'picked on' because it was small and lacked allies in the Welsh Government
- 5.65 Though they had resented its appointment, some councillors spoke well of the way in which the Recovery Board members conducted themselves, believing them to be well intentioned. However, the Interim Managing Director's approach may have ultimately added to the internal resistance to the intervention.

- 5.66 A second important factor is that the Recovery Board was, and was widely perceived to have been, 'underpowered'. This was the result of the limited nature of the powers, capacity and role given to it by the Minister. Whilst the Council was under a duty to cooperate with it, members of the Board could not instruct councillors or officers, they could only offer advice.
- 5.67 It also reflected their preferred modus operandi. A senior manager told us "they were well-intentioned, but they were too touchy feely". And some of the Recovery Board members told us that, with hindsight, they should have been more business-like and set tighter timescales and clear milestones for recovery, of the kind which the Commissioners instigated in the second phase of the intervention. However, they recognised that this would have meant being much more 'hands-on'.
- 5.68 Councillors also saw the Recovery Board as having been 'remote' and "too distant from the issues they were trying to understand and influence". One explained that, in marked contrast to the Interim Managing Director, they were "largely invisible to councillors and officers". Recovery Board members agreed with this assessment. One explained: "We needed to have been in the council more often to pick up that soft intelligence which would have meant we could have had a word behind the scenes which would have helped head off some of the problems".
- 5.69 Third, the approach adopted by the Interim Managing Director failed to achieve the results that he (and the Minister) had hoped. However, he may have succeeded in 'softening up' the Council for the more hard-edged intervention which followed and it is clear that his experiences helped to inform the way in which the Commissioners worked.
- 5.70 Fourth, the 'governance' arrangements were not entirely clear. Some Recovery Board members told us that they were initially unsure of their roles and were not given clear criteria for judging the Council's performance and progress.



- 5.71 There was also a lack of integration between the two key components of the first phase of the intervention. The Recovery Board's role was to advise the Minister, but the Council were also under a legal duty to cooperate with it. The Interim Managing Director was paid by the Council, but designated by the Minister. He attended Recovery Board meetings but did not formally report to it.
- 5.72 Some members of the Recovery Board and a number of councillors told us that this arrangement was problematic. The Minister received regular progress reports from the chair of the Recovery Board but there was a separate 'informal' channel of communication with the Interim Managing Director who sent the Minister occasional letters and had occasional meetings with him.
- 5.73 Some members of the Board told us that it would have been helpful if they had been able to exercise more direct influence over the Interim Managing Director's activities. They believed that if they had been on the island and in the council buildings more often they would have been able to help defuse issues before they became big problems. They also became frustrated by what they saw his preoccupation with councillors and his failure to address weaknesses in the Corporate Management Team, which they saw as his core task.
- 5.74 Having a greater 'presence' on the island would have required a greater commitment of time and resources to the Recovery Board. But the underlying problem, and the fifth important factor, was not one of resources. It was the fact that the Recovery Board and Interim Managing Director were operating with very different theories of improvement. The Recovery Board believed that it was important to work in a collaborative way with both councillors and officers, modelling good behaviour and demonstrating how to run meetings in the expectation that this would encourage them to see the need to act differently and enable them to relate differently. The Interim Managing Director's approach, based on his experience and understanding of

governance failures was designed to supplement the reform or re-educating of councillors who were perceived as being at the root of the Council's problems by encouraging other members, should disruptive conduct continue, to isolate them. The lack of alignment between the Recovery Board and interim Managing Director meant that rather than complementing each other they operated largely in isolation from each other and their 'soft cop' and 'hard cop' approaches pulled in different directions.

5.75 Finally, it is clear that the theories of improvement in operation at the time of the first phase of intervention were too narrow because they were based on an incomplete understanding of the problems in Anglesey. The prevailing view was that it was councillors' conduct that was main (perhaps even the sole) source of the Council's problems. This reflected in part the auditors' reports which suggested that services were performing adequately. Significant problems subsequently emerged in other areas including a lack of senior management capacity and failings in education and social services. However these wider issues were barely addressed at all in the first phase.

### ***Counterfactuals***

5.76 There are two principal counterfactuals to explore in relation to the first phase of intervention. The first is whether this phase could have succeeded and if so under what circumstances. Whilst this is of course impossible to know for certain, some Recovery Board members and councillors believed that it could have worked given more time and (especially) a different arrangement with the Interim Managing Director so he could work more closely with them. Some councillors and some members of the Recovery Board also argue that the Recovery Board needed to have been granted different (and stronger) powers and have a clearer and more effective connection with the Minister.

- 5.77 Overall though, our judgment is that the Recovery Board model was not sufficiently 'hard-edged' to achieve the changes that were needed in Anglesey given the lack of cognition of the need for change and resistance that was encountered among influential councillors. Alternatively, a 'softer' engagement strategy aligned between both the Recovery Board and the Interim Managing Director, and with greater clarity and complementarity of accountabilities and roles, might have provided a time limited and focussed first phase. This would probably not have worked unless Anglesey councillors had been fully convinced of the risks of not responding to it, but it would have had better prospects of doing so. If set against clear performance targets it could have led naturally and more quickly, and with less contention, to a more robust phase.
- 5.78 Another intriguing counterfactual question is whether the second phase of intervention could have succeeded without the first. It is worth recalling that this was a courageous intervention. The legal position was untested and complex, and a potential legal challenge was always possible that might have tangled the whole enterprise in knots for a long period. It was politically potentially very difficult, and carried considerable risks for the Welsh Government in its wider relationships with local authorities in Wales, and in terms of community sentiment.
- 5.79 For all these reasons, back in 2009 the attempt to turn Anglesey around by appointing a Recovery Board may well have been a necessary precursor to the later use of Commissioners, especially given its 'novel' character and the legal limitations.
- 5.80 It is worth noting in this regard that the Local Government Support and Intervention Protocol subsequently agreed between the Welsh Government and Welsh Local Government Association provides that "approaches which allow local authorities to resolve their own problems, with or without external help, are better than more directives or imposed approaches which involve formal directions or intervention. These are a

last resort and/or to be used in emergencies only.” In essence, this Protocol seeks to minimise the need for intervention by promoting self-evaluation by local government, information-sharing between national partners and prompt offers of support. Although this Protocol did not apply at the time (it was agreed in 2013), a similar frame of reference was operating in 2009. Trying a ‘softer’ initial phase may have been unavoidable, albeit that it could perhaps have been done better.

## **Lessons**

- 5.81 The evidence that we have gathered highlights a number of important lessons about the impact of the first phase of the intervention involving the appointment of the Recovery Board and Interim Managing Director which we believe may be relevant to future policy and design of future interventions – in Wales and beyond.
- 5.82 Our first key finding is that the first phase of intervention was based on a partial understanding of the nature and extent of the problems in Anglesey. This in turn poses some important questions about the adequacy of the regulatory framework at the time and in particular the effectiveness of what Hood et al. describe as the ‘detectors’. Accurate and timely intelligence is vital for those making decisions about when and how to intervene and in the case of Anglesey the evidence was fragmented and incomplete.
- 5.83 A second important lesson is that the decisions and actions of Ministers, officials, members of the Recovery Board, and the Interim Managing Director were guided by what appear to be multiple, and sometimes contrasting, theories of improvement. As a result there was no clear agreement about the equation of change which they were seeking to create. The issue is not that the individuals involved lacked capacity but that the roles they were given and the skills they had were not properly aligned with the ‘problem’ and that the different elements of the intervention pulled in different directions.

- 5.84 The Welsh Government did not spell out an explicit theory of improvement and allowed the Recovery Board and the Interim Managing Director to adopt contrasting approaches. In our view this led to uncertainty about the objectives of the intervention and a lack of linkage between the two main strands of the intervention. Recovery Board members found themselves unable to influence the way in which the Interim Managing Director approached his task and, rightly or wrongly, believed that his views held more sway with the Minister. The Interim Managing Director was left to operate largely on his own.
- 5.85 Thirdly, the first phase of the intervention was not taken sufficiently seriously by some councillors who continued to deny that there was a problem. This demonstrates the importance of cognition highlighted in the literature and the need for intervention to be backed by a credible 'threat' that there is something worse to come from the centre if a council does not respond, especially in cases like Anglesey where key political leaders and/or senior officers are resistant to change. It is notable that this kind of warning was not taken seriously on Anglesey during the first phase of the intervention but that in contrast the appointment of Commissioners was seen as the Council's 'last chance' to sort out its problems.
- 5.86 A fourth key lesson from the first phase of the intervention is that it is important to establish clear criteria and milestones for improvement. This is more difficult to do when the problem is a lack of corporate capacity rather than service failure. But it is necessary in order to help those undertaking the intervention to remain focused and avoid getting drawn into the minutiae of local politics.

## **Section 6 Phase 2: Commissioners and Electoral Reform**

### **Introduction**

- 6.1 In the second phase of the intervention (from March 2011 to May 2013) Commissioners were appointed by the Minister to, in effect, run the Council. Local democratic control on Anglesey was suspended in an attempt to save it. This was a remarkable and a relatively high-risk decision, which the Welsh Government believed was without precedent in Wales or in the rest of the UK. It marked a period of much more intensive and engaged intervention than that provided by the Recovery Board. The Commissioners were effectively full time for a period of eighteen months and three of them remained in place until the elections in May 2013. The Minister visited Anglesey several times during this period, and kept in close touch with his Commissioners.
- 6.2 Like the first phase of intervention, this period of intervention was accompanied by other important developments. Alongside the appointment of Commissioners, boundary changes were introduced. The Minister also appointed a replacement for the Interim Managing Director, selecting an internal and a local candidate from Director level who was widely respected and seen as having been relatively untouched by the turmoil to date.
- 6.3 It was widely understood, if not officially the position of the Welsh Government, that if the appointment of Commissioners and electoral changes did not work then abolition of the council would be seriously considered. Merger with Gwynedd was broadly seen to be the most likely outcome in that case, although it was not a scenario that ultimately was considered possible. The stakes were therefore very high on all sides.
- 6.4 There was agreement among interviewees at both national and local level that the Commissioners succeeded in moving the Council in a much more positive direction. They were regarded as having a clear

sense of common purpose, the necessary powers, capability and capacity to make change happen, and as deploying these assets effectively and astutely. By October 2012 the Council was considered to have improved sufficiently that some powers were returned to the councillors, and the number of Commissioners was reduced from five to three.

- 6.5 The decision to review and radically alter ward boundaries on Anglesey was also seen by interviewees as being an important factor in turning the Council round. The outcome of the boundary review was a significant reduction in the number of councillors from 40 to 30, and the creation of multi-member wards throughout Anglesey. The net result was to ensure that places on the Council were far more competitive both for the Council as a whole and within individual wards and consequently that there was significant turnover of serving councillors.
- 6.6 By May 2013 the Commissioners felt able to assure the Minister that in light of the elections which had taken place, and the actions of the newly elected Councillors in putting in place arrangements for the Council's governance, continued direct supervision of the Council was no longer required, and their intervention drew to a close. However, although the Council's corporate capacity was now much greater, concerns about its education service, which had run parallel to the 'main' intervention for some months, remained.

## **Evidence**

### ***Background to the second intervention***

- 6.7 By early 2011 the Minister had concluded that the combination of a Recovery Board and Interim Managing Director was not working. He requested that the Auditor General conduct a re-inspection of the Isle of Anglesey County Council to assess progress since the Corporate Governance Inspection undertaken in 2009, including the Council's progress towards addressing the findings in the 2009 Corporate

Governance Inspection report and the Council's potential to address those findings fully, conclusively and sustainably by August 2011.

- 6.8 The Minister's call for a re-inspection followed a report from the Recovery Board and a letter from the Leader of the Council, both of which expressed a loss of confidence that the first intervention was achieving sustainable change.
- 6.9 In his letter to the Minister of 24 January 2011, the Leader of the Council wrote: "For far too long, members of this Authority have been content to put up with personality politics at the expense of serving the public. The winner takes all culture was and is still deeply ingrained into the psyche of many of the Councillors. I have found it extremely sad and frustrating that members have found it impossible to support the reporting of persistent bad behaviour to the Local Government Ombudsman. Despite the best endeavours of several members to try and create an inclusive Council, old loyalties and promises of patronage still pervade the Authority. The inescapable fact is that there are more members who appear to follow leaders who condone bad behaviour than those who oppose it. Whilst that situation prevails, this Authority will not recover. I do not believe that investing further money in the recovery process is justified."
- 6.10 The Leader wrote of covert attempts to undermine him and the Interim Managing Director. He claimed that: "Bullying and harassment appears to be a way of life here" and named a number of councillors who by their constant political challenge to him as Leader he characterised as not being "committed to the recovery process."
- 6.11 In their report of 31 January the Recovery Board wrote to the Minister: "overall, the issues we have set out above lead us to conclude that a sustainable recovery is not reasonably foreseeable ... We are equally clear that this situation demands some more stringent form of intervention [and] ... we strongly believe that the long-term viability of the



council demands a wholesale process of democratic renewal: only then can we be sure that the political culture will improve. As it stands, the council has among the highest proportions of members returned unopposed and among the lowest proportions of female councillors (2 out of 40)." (Anglesey Recovery Board 2011). The Recovery Board advised against the Commissioner model but suggested a more "stringent" and challenging Intervention Board.

6.12 On 16 February 2011 the Minister issued a written statement expressing serious concerns about the (lack of) progress in turning the Council round and about 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.

6.13 In March 2011 the Wales Audit Office (WAO) published the results of its special Corporate re-inspection of the Council. The re-inspection reviewed the Council's progress against the conclusions and recommendations of the 2009 report and considered the impact of the Ministerial intervention on the Council's corporate governance. The report concluded that Welsh Ministers' intervention launched in 2009 with the establishing of the Recovery Board and appointment of the Interim Managing Director had not succeeded in producing a sustainable recovery from the Council's long history of weak governance. Councillors were not changing their behaviour and there were still significant weaknesses in the Council's senior management. Stronger intervention was seen to be necessary.

6.14 Without such intervention, the report said, "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." (WAO: 2011).

- 6.15 In his report the Auditor General for Wales (AGW) recommended that Ministers issue a direction to the Council under section 29 of the Local Government (Wales) Measure 2009 so as to direct:
- i. the authority to comply with Part 1 of the Measure (that the authority has obligations to make arrangements to secure continuous improvement and to achieve its performance objectives);
  - 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.
- 6.16 He also recommended that: “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.”
- 6.17 In so doing, he also recommended that 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 were not possible to complete and implement this review by May 2012, he recommended that the Minister consider using powers under section 87 of the Local Government Act 2000 to delay the Council’s elections until 2013.
- 6.18 Finally, he recommended that the Minister consider directing the authority to conduct a referendum that sought 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.

### ***Approach to the intervention***

6.19 On 16 March 2011 the Minister wrote to the Leader of Anglesey to inform him of the new Direction he was issuing.<sup>2</sup> This set out the legal basis of the intervention under the 2009 Measure, the principles which guided it and the key components of the intervention (Welsh Government, 2011). According to the Direction, in deciding how to intervene the Welsh Ministers took into account the following principles:

- Intervention should be a last resort;
- Intervention should be proportionate; and
- Intervention should be focused.

6.20 The key components and purpose of the intervention were to:

- Provide for the appointment of Commissioners to act as decision makers exercising the functions of the executive and to act as decision makers if the authority seeks to act in a way that does not accord with a recommendation of a statutory officer;
- Provide that Ministers should designate statutory officer appointments in the event of vacancies arising; and
- Provide that any changes in the Council's constitution need approval by Welsh Ministers.

6.21 In their first report to the Minister in July 2011 the Commissioners set out their own roles in more detail:

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<sup>2</sup> Letter from Carl Sargeant, the Minister for Social Justice and Local Government, to Cllr Clive McGregor, Leader of Anglesey Council, 16 March 2011.

“The terms of reference set by the Welsh Government, establish one overarching priority for the Commissioners. That is to ensure that the authority complies with Part 1 of the Local Government (Wales) Measure by making arrangements to secure continuous improvement in the way in which it exercises its functions. Inter alia, this requires the Commissioners to exercise all of those functions which were withdrawn from the Council by virtue of the Ministerial Direction, except those which are exercisable by Ministers themselves (i.e. amending the constitution and appointing statutory officers). In effect this requires the Commissioners to operate collectively as though they were the Executive.

The executive functions of the Council are defined by exception. The most significant, long-term issues (such as adopting the budget) remain matters for the full Council. In addition, by law, the quasi-judicial functions like planning, regulatory and licensing functions remain matters for the relevant committees of the Council.

The remaining functions, consisting in essence of strategic decision and policy making functions, (which were previously exercisable by the council’s executive) are now exercisable only by Commissioners. Operational and routine service delivery functions remain delegated to officers.

Although the Council retains responsibility for a number of key functions, there is a safeguard against perverse or obstructive decision making. Commissioners have reserve powers provided by Welsh Ministers where the Council or its committees fail to have regard to the advice of the statutory officers (i.e. the interim chief executive, monitoring officer and section 151 officer).”

6.22 The Direction did not implement all the AGW's recommendations and said it would be “separately considering” issues of democratic renewal i.e. the Boundary review and Mayoral referendum. Yet in the Senedd

that same day the Minister announced: “I will immediately instruct the Local Government Boundary Commission for Wales to undertake a review of the electoral boundaries of the authority and will consider what action can be taken to support democratic renewal.” (Welsh Assembly 2011).

### ***Appointment of the Commissioners to run Anglesey County Council***

6.23 The Minister used the Direction of 16 March 2011 to appoint two Commissioners with immediate effect, a former Leader of Flintshire County Council and the Welsh Local Government Association and a former Chief Executive of Cardiff County Council. At the same time it was announced that the Chief Constable of Gwent Police, would take up appointment with effect from his retirement at the end of that month. On March 31 2011 the Minister appointed a further two commissioners, a former Chief Executive of Cwm Taf NHS Trust, and the serving Assembly Member for Aberconwy who had announced his intention to stand down at the May 2011 elections. None of the Recovery Board members was carried forward as a Commissioner.

6.24 The process for appointing Commissioners was not set out publicly until the publication of a response to a Freedom of Information (FOI) Request in May 2011. The explanation was that the Commissioners were not public appointments, as they were not members of a public body. Accordingly, they were not appointed following the Welsh Assembly Government’s Public Appointments process. Commissioners were appointed directly by the Minister following the process of drawing up criteria, identifying candidates, long-listing, short-listing and interviewing. The FOI response states that the Minister’s officials developed a range of qualities that they would be seeking in a model Commissioner and evaluated shortlisted candidates accordingly.

This was that Commissioners should be appointed on the basis that they are able to demonstrate some or all of the following key criteria:

- extensive experience of dealing with politicians and political decisions;
- experience of addressing poor political behaviour and standards;
- experience of addressing poor relationships between members and officers;
- ability/presence to command attention and credibility within (at senior management and political level) and outside the authority;
- recent and successful experience in local government / public sector at a senior level;
- experience of representing an organisation on a National decision-making body;
- experience of addressing serious corporate governance weaknesses or failure;
- experience of improving governance functions;
- expertise and experience to evaluate progress in relevant local government improvement / service areas;
- sufficient breadth of view to identify and encourage the most viable solution to an unusual set of problems; and
- expertise in strategic planning and performance management.

6.25 There was no requirement in the Council's constitution nor its Welsh language scheme for members of the Executive to be able to speak Welsh. However, it was thought that having two Welsh speakers on the Commission would ensure credibility and support day to day business within the Council (Welsh Government 2011b).

6.26 The Recovery Board members were divided about the decision to replace them with the Commissioners. Some believed it was necessary. Others told us that they could have done the job if they had been given greater powers. They all argued that they could and should have been more involved in the transition from the first intervention to the second. Some suggested that they could have provided useful intelligence to the incoming Commissioners. One believed that it would have been valuable if two of the Recovery Board members had been selected as Commissioners to provide a degree of continuity.

### ***Perceptions of the intervention – internal***

6.27 Understandably there was a range of perspectives on the second intervention in Anglesey when it was first announced. After all, the suspension of local democracy and the replacement of locally elected politicians by government appointed Commissioners was unprecedented not only in Wales, but anywhere in the UK. As the Minister had said, “This is a very serious intervention. This is the first time that any council in the UK has been subject to intervention at this level. Even in Doncaster, the council remained an executive; in Anglesey, we are removing the function of the executive completely, so this is pretty groundbreaking.” (National Assembly for Wales 2011). The most critical voices we heard during our research, perhaps unsurprisingly, came from some Anglesey councillors who expressed outrage at the interference of the centre (“Cardiff”) in Anglesey’s affairs. One councillor called the intervention “state-sponsored gerrymandering.” Another line of criticism from some councillors was that the intervention was heavy-handed and over the top. Or as a number of councillors said: “a sledgehammer had been used to crack a nut.” There was also a suggestion by some councillors that the intervention was motivated by the desire of central government to generate support through “macho politics.” These views were trenchantly held and expressed by a significant number of councillors who sat on the council at the time of the intervention.

- 6.28 However, a majority of the 21 councillors who we interviewed expressed support for the Commissioners' intervention, at least in light of their experience of it. While it is somewhat difficult in retrospect to be sure to what extent support was contemporaneous with the announcement of the first Commissioners' appointment on 16 March 2011, or to what extent their support arose out of their subsequent experience, most of the councillors we interviewed had been impressed by and supported at least certain aspects of the Commissioners' intervention.
- 6.29 Among these were councillors who spoke of the sense of shame and the disappointment that the island's affairs had descended to such a level that the intervention had been imposed. Many had wished at the time of the second intervention for "another chance" to sort things out themselves. Others had felt at the time that Anglesey was being "punished" and having their "noses rubbed in it" given the severity of the Welsh Government's action. However, at least with the benefit of hindsight, most councillors who accepted an invitation to participate in this evaluation, felt that the intervention of the Commissioners had been positive for Anglesey and that it had led to improvement, learning and democratic renewal.
- 6.30 The majority of senior managers in Anglesey were sceptical at first, at least partly because of their experience of the Recovery Board, and some had criticisms of the intervention design. One thought there the number of Commissioners was not justified. They also had the perception that a Commissioner was "too close" to the Minister and that this was "not healthy." Another told us that Commissioners' roles were never clear.
- 6.31 However, only a small minority disagreed entirely with the second intervention. One senior officer told us that it "was not warranted". Their perception was that it was designed to "punish the members rather than support and encourage them." But this perception is at odds with the



evidence we received from councillors themselves and the majority of officers.

***Perceptions of the intervention - external***

- 6.32 The wider local government community in Wales also found itself firmly welcoming the intervention. On 16 March 2011, the day the second Direction was published, the WLGA's Chief Executive issued a statement recognising the seriousness for local democracy of the decision to intervene in the way the Welsh Government had done, but fully backing the Minister's decision. He said that this was "a sad day in terms of local democracy on the Island" but that "it comes on the back of years of political instability in Anglesey County Council" which threaten the ability of the council to deliver services. He went on to say that the concern about the council's situation "has been clearly evidenced" by the Auditor General and that "the WLGA fully acknowledges the problems highlighted and supports the Minister's response."
- 6.33 Our interviews with the WLGA, and leaders and chief executives from the wider local government community in Wales found similar views. The intervention was deeply regrettable but such was the negative impact of Anglesey's failure on its local community and on the reputation of Welsh local government that the intervention was very broadly - if quietly - supported.
- 6.34 One Chief Executive who we interviewed reflected on the long history of underperformance there had been in Anglesey and the high level of external support it had received over many years: "I always had the impression that as soon as you left, things would go back to where they were before. Nothing seemed to stick. Anglesey always felt brittle. The politics were so suffocating, the management so weak. Professional leadership was not respected. ... There was a time when Anglesey's services were probably quite good but councillors had no self-awareness, they couldn't understand how expectations of what it is to be

a council had shifted [i.e. that Anglesey council's ambitions had stayed static while community expectations - in terms of quality, transparency, responsiveness - had increased significantly].”

6.35 Another Chief Executive said: “It had been known for some time that Anglesey had been dysfunctional. Very difficult politics; very difficult to run. The behaviour of Anglesey was really embarrassing, it was letting us all down. The view was that Anglesey was so dysfunctional something dramatic had to be done.” A leader of another council in Wales told us: “It is a very difficult call given the Commissioners have no local mandate. But given Nolan etc., [the expectations that politicians exemplify high standards in public life] it is within the Welsh Government's remit [to intervene.” Another representative view was expressed by a different Chief Executive that “the Recovery Board hadn't worked, Gwynedd didn't want to take part, so Commissioners were the next step. Obviously there is a concern about the Welsh Government becoming more interventionist. Were they opening a Pandora's box? But it was broadly justified.”

6.36 Where the wider local government community was more critical of the intervention was on the perceived ad hoc nature of the process to design the intervention and select the Commissioners. The Leaders and Chief Executives we interviewed did not criticise the Commissioners or the job they did - on the contrary most were grateful for the work they had done - but they were critical that the process lacked transparency and any public rationale. While the Direction contained three principles of last resort, proportionality and focus, there was no explanation as to why this particular model of five Commissioners with the powers they had been given had been used. Our interviewees were also unaware of any explicit criteria that had been used in the selection of Commissioners. One Chief Executive in particular was disappointed that the intervention had not made more of sector-led support which had been offered by neighbouring councils, although as has been seen earlier there had

been a number of attempts to correct the situation through sector-led approaches.

### ***Evidence of Impact***

6.37 There is considerable evidence as to the impact of the Commissioner-led phase of the intervention.

6.38 ***Wales Audit Office Annual Improvement Report, March 2013:*** The 2013 Annual Improvement Report was the first since the Minister had returned democratic control to the Council in October 2012.

6.39 The report concluded that the Council:

- has discharged its improvement planning duties under the Local Government (Wales) Measure and acted in accordance with Welsh Government guidance;
- continues to make steady progress in addressing the proposals for improvement identified in previous assessments;
- has clear and robust financial plans but faces a number of financial challenges with continuing austerity measures; and
- has developed an organisational development plan to support long-term improvement and modernise the way the Council works.

6.40 This was by some way the most positive audit report the Council had received for many years.

6.41 ***Commissioners' reports:*** The Commissioners published their own regular reports on Anglesey's development. In their seventh report, published in April 2013 (Anglesey Commissioners 2013), the Commissioners focused their attention on six key questions which, they said, "go to the heart of the issue" as follows:

- Is the Council now meeting its duty under the Local Government Measure?

- Are the Council’s corporate governance arrangements now effective?
- Has there been a sustainable change in behaviours?
- Have services improved for the people of the Island?
- Is there a realistic and achievable plan to transform the organisation?
- Is the recovery sustainable beyond intervention?

6.42 The Commissioners’ responses to these questions provide an open assessment of the successes and of the ongoing risks, and in their answers highlight a number of areas where they obviously believed progress had been particularly significant. These were:

- “In the view of the Commissioners, the Council has now moved beyond ‘recovery’ to a position where it is constantly striving to improve its performance through evidence based analysis, improved performance information and improved programme and project management arrangements.”
- “The Commissioners are pleased to report that corporate governance improvement has now become mainstream business for the Council”.
- “One of the most satisfying aspects of the intervention from the Commissioners’ perspective has been the way in which the conduct of members and officers has demonstrably changed for the better during the two years of the intervention.”
- “One of the most encouraging aspects of the transition has been the noticeable increase in mutual trust and respect between members and officers, particularly amongst the Executive and the Senior Leadership Team.”

6.43 On the other hand in relation to service improvement the Commissioners adopted a more cautious formulation saying, “it seems

reasonable to suggest not only that services have improved, but also that they are likely to continue to do so in the future.”

6.44 Similarly, on the issue of sustainability beyond intervention the Commissioners strike a fine balance in their final judgement: “This is the key question and the one on which the Minister’s decision will undoubtedly hinge. Although it is fair to say that Anglesey is no longer ‘broken’ it is far from ‘fixed’ and it is essential that the momentum which has been developed during the intervention is sustained for the next three years if the ambitious transformational change programme is to be delivered. Although it would be impossible to say with absolute confidence that continued improvement was assured, Commissioners believe that there is a high likelihood that this will be the case.”

6.45 ***Commissioners’ perspectives:*** The primary evidence we generated from interviews with the Commissioners amplified these judgements. Soon after the Commissioners were appointed in March 2011 they carried out what one called a “360 evaluation” or a stock take to establish strengths and weaknesses of the post-Recovery Board situation. This evaluation was based on meetings with members and senior officers and a review of existing audit and inspection evidence. It also involved consulting with key stakeholders, like the Welsh Government, the Wales Audit Office, the auditors (Pricewaterhouse Cooper LLP), and the former Recovery Board. Commissioners also commissioned a review of the Corporate Services within the Council which drew together the various strands of outstanding work to ensure that the Commissioners’ forward work plan captured those outstanding recommendations from previous reviews which still remain relevant.

6.46 Their assessment after their first three months in the role was that “Whilst some tangible progress has been made during the initial period of intervention, it is the view of the Commissioners that the underlying problems which were identified by previous reviews, in particular those

relating to corporate capacity, capability and competence, still largely remain to be tackled.” (Anglesey Commissioners 2011a).

6.47 Furthermore, the Commissioners found “in some areas, for example the finance function, matters appear to have worsened rather than improved. The failure for a second year in succession to produce the annual statement of accounts within the statutory timescales is an indication that the fundamental problems which have been identified by previous inspections and reviews have still not been addressed.”

6.48 The Commissioners therefore “identified the need to tackle some fundamental underpinning issues like organisational vision, values and culture as well as developing the personal capacity and capability of officers as a means of improving services to Citizens.”

6.49 The Commissioners set out seven objectives in their strategic work plan - reviewing and strengthening the corporate centre; developing a community engagement strategy; enhancing the business and financial planning process; re-engaging in the collaboration and shared services agenda; developing the economic development programme; strengthening the Constitution where necessary; and working with officers to facilitate improved services for the people of Anglesey. (Anglesey Commissioners 2011b).

6.50 But the greatest impact they made in the eyes of those we interviewed were in two key interlinked areas:

- Culture change, officer and member conduct, professional leadership behaviours; and
- Strengthening and systematising corporate capacity and processes.

6.51 The Commissioners were very concerned to ensure they had the right person in place to provide leadership to the officer side through and beyond the intervention. Very soon after the arrival of the Commissioners the Minister accepted the Commissioners’

recommendation to appoint what one called in evidence to us “the most trusted officer” as the new Interim Chief Executive.

6.52 As an illustration of the Commissioner’s focus on corporate capacity Commissioners told us that when they first arrived in Anglesey they were shocked by the terms in which and nature of how officers criticised members in front of them. They were also disappointed at the quality of written advice and reports given to members. One Commissioner characterised them as “terrible” and went on:

“The recommendations were wavering; members took decisions based on unclear recommendations and that meant that officers could then criticise members for not making the right decision.”

6.53 The Commissioners rapidly concluded that the problems were not all related to councillors’ behaviour and that there was a fundamental dysfunction between those giving advice and those making decisions. The Commissioners, therefore, decided that while they needed to be more inclusive of Councillors; they also needed to send out a strong message to officers that they too needed to change. The Commissioners put significant emphasis on the strengthening of corporate capacity and processes in their evidence to us. This included significantly the appointment of a Deputy Chief Executive, an independent review of senior pay to expand the available labour market, and improvements in financial management, ensuring the budgets were made and approved on time.

6.54 ***Councillors’ perspectives:*** Our interviews suggested a stark contrast between councillors’ perceptions of the Commissioners and of the first intervention. The respect for and reputation of the Commissioners was extremely high with many expressing unprompted admiration and gratitude. These positive perceptions seem to be based on a widespread belief that the Commissioners acted fairly, treated people with respect and showed a level of integrity and professionalism with

which they were unfamiliar. One councillor told us that “they showed us how to behave ... They led by example.”

- 6.55 Another said that their achievement was that they “showed a business-like approach and they didn’t get involved in petty politics.” Another told us they displayed “excellent communication”, they “supported officers and members”, they showed “a readiness to attend events” and they were “accessible.” Another said: “they were a different class, very fair, you could debate with them.”
- 6.56 The Commissioners were also seen as highly organised, “they had a plan and they knew what they were doing.” One potent symbol of how this translated into significant potential for positive change was that one senior councillor, who had been seen as partly responsible for previous trouble, reported to us that after his early meetings with the Commissioners he told his following on the council that “their success would be our success.”
- 6.57 Councillors’ criticisms of the Commissioners’ intervention largely focused on the lack of progress around service improvement. A number said they “put off the difficult decisions” or that “they left with the job half done.” One councillor told us that the Commissioners “should have made more progress on school closures.” Another said that the Commissioners “didn’t take responsibility for services”. A member of the current Council’s political leadership said that it was short-sighted to leave major service decisions (such as school closure) with such negative community impact to a new and inexperienced administration.
- 6.58 Others also criticised the apparent ambiguity as to whether Commissioners had portfolios or whether they shared collective responsibility for all areas. Particular criticism in this regard was focused on the leadership of children’s services and the Commissioners’ dealings with Estyn. A final criticism related to the timing of the elections. There is strong evidence that the councillors who worked with the



Commissioners developed significantly because of the investment in time and resources that was put into building their capacities. Yet many of them were unsuccessful at local elections in May 2013. The criticism, therefore, was that the development work undertaken was of limited value to the new council. Had the elections been held in 2012 then at least the new executive, whoever they were, would have had the benefit of working with Commissioners.

- 6.59 Having examined all of the evidence it is clear to us that the decision to delay the elections from 2012 to 2013 was not taken for policy reasons related to the intervention. The delay was largely related to the Minister's dismissal of the Boundary Commissioners in July 2011 and as a result the review had not been completed in time to run the election on the new boundaries.
- 6.60 The Minister faced a choice to allow the elections to go ahead on the existing boundaries or to delay for a year. He chose the latter route, he said, to "provide stability while the Council proceeds towards a wider recovery." (Welsh Government 2012). This decision was based on advice from the Auditor General in his report of 16 March 2011.
- 6.61 **Officers' perspectives:** The officers we interviewed regarding the Commissioners were, in the main, those who were still in post and some had been appointed during the Commissioners' time on Anglesey. However, their perspectives were largely positive. They focused on the way in which the Commissioners had succeeded in modifying councillor conduct and re-establishing the space for professional leadership. Some had undoubtedly been bruised by the re-structuring and re-focusing of the organisation, and by the greater responsibility for past problems which the Commissioners placed on officers. But most serving officers emphasised that the Commissioners worked as a team and included the Senior Leadership Team in their work.

6.62 The majority of senior managers overcame any scepticism they had at the beginning of the intervention and were supportive. One told us the Commissioners' intervention was "wholly positive" and that the relationship between members and officers "was vastly improved" as a result. Another told us that although the intervention was "uncomfortable at first," without the Commissioners "change would not have happened" and that in the end "the intervention worked." Another characterised the second intervention as "the true intervention" in the sense that it came with authority and made a positive impact.

6.63 There were criticisms, though. Some officers criticised Commissioners for the forcefulness and ruthlessness with which they implemented changes which affected them, and some were greatly affected by the Commissioners' actions.

6.64 Others, particularly in service leadership roles, criticised the Commissioners for being absent too much of the time and told us they felt that the Commissioners' attention was largely paid to corporate issues round the conduct of members and of meetings rather than to services. Finally, officers (but also councillors) were extremely critical that there was no coordination between the corporate intervention and the Estyn intervention. We were told that the Commissioners tried hard to join up the interventions but that this was resisted by Welsh Government officials.

## **Analysis**

6.65 In terms of its strengths and weaknesses, successes and failures, the intervention led by the Commissioners is widely perceived to have produced a number of achievements and successes, though there is less consensus as to the likely sustainability of those achievements. And while there were also criticisms of the extent to which Commissioners had managed to (or had tried to) transform council services, there was

widespread recognition that they had focused on changing the culture, capacities and ways of working at the council. Their main achievement may have been to change the way that many councillors and officers approached and thought about their roles through the consistent demonstration of good political and professional leadership behaviour.

6.66 In any event, the evidence from all key parties, both contemporaneous and retrospective, was that Anglesey made progress under the Commissioners' intervention, especially when the critical aspect of the political reorganisation of the Council is factored into the equation.

### ***Success factors***

6.67 **Political leadership:** An important factor in the success of the Commissioner phase was the leadership provided by the Welsh Government, through the Minister and supported and advised by officials. Appointed as Minister for Social Justice and Local Government in December 2009 he inherited the Recovery Board and Interim Managing Director and appears to have been a key force in the design and decision making behind the subsequent Commissioner phase. Welsh Government officials and others told us that the second phase of intervention benefited not only from a "direct ministerial approach" but also from the fact that the Minister was from North Wales and not inhibited by being seen as "from Cardiff." The Minister concluded that the first phase of intervention was not working and that neither the Recovery Board nor the Interim Managing Director provided the right answer and neither were capable of working well on their own. The organisation was broken, and the professionals could not manage or support the political system properly. The Minister considered abolishing Anglesey as a separate Council because he could not initially see any other route to change. But he could not find a willing partner, and that created the impulse to re-imagine the design of the intervention.

6.68 Faced with the starkness of a continually failing authority, with dysfunctional officer/member relationships the Minister sought a solution that would be coordinated and effective across the whole system of corporate governance in the council. In thinking through the Council's needs and matching up an intervention that mirrored those needs the Minister - aided by officials and others - was effectively developing the "theory of improvement" (as set out in the literature review above) which underpinned the Commissioner phase and in choosing the core Commissioners who embodied the style and capacities he wanted, the "equation of change".

6.69 ***Commissioners' approach to turnaround:*** While the Commissioners had different styles and backgrounds, soon after their appointment they developed a shared understanding of the issues and a clear approach to their work. This process seems to have led them to establish a relatively nuanced outlook which formed the bedrock of their approach. We have codified the evidence we received into the following principles:

- At all times the Commissioners' own behaviour must be exemplary, even in the face of provocation;
- The Commissioners were business like and focused on the business - in one early meeting they got through 18 separate items of business;
- The Commissioners had executive powers but they understood their task be a "developmental force";
- The Commissioners must assert their authority and their willingness to use it, but otherwise and even within a confrontational situation they worked hard to create consensus;
- There are many causes of conflict but the Commissioners sought to identify issues (the public sector ethos) around which they could create a unifying narrative;

- Appointments to senior posts of officers whose motivations, character and the ability to exemplify good behaviour became of primary importance;
- The problems had been characterised too heavily as emanating from councillor behaviour. Officers' behaviour needed to be challenged and changed; and
- The councillor/officer interface was dysfunctional. Good governance needed to be established following proper decision making based on clear advice.

6.70 Another way of characterising the Commissioners' approach is in terms of 'hard power' and 'soft power'. The Commissioners' intervention was based on a removal of executive power from the cabinet (i.e. hard power) but their personal style was perceived as open, facilitative, based on engagement, cooperative, focused on working with people and aimed at transferring skills and building capacity (i.e. soft power). Examples of the Commissioner's use of soft power techniques would be their representation of themselves as "critical friends" who saw their approach as developmental rather than dominant. The focus on creating a shared narrative or identity based on overarching values such as the public sector ethos was designed to be inclusive, rather than exclusive. One senior officer talked about their experience of the Commissioners as being of "knowledge transfer". Politicians on the island perceived the Commissioners as acting fairly, treating people with respect and showed a level of integrity and professionalism with which they were unfamiliar.

6.71 The distinction between hard and soft power is current in international political relations where the concept is used to distinguish different approaches to intervention in foreign policy. Soft power, as developed by Joseph Nye, the Dean of Harvard's Kennedy School of Government is defined by him as "getting others to want the outcomes that you want – [soft power] co-opts people rather than coerces them" (2004). In one

dramatic example Nye quotes Newt Gingrich to the effect that “success is not measured by how many enemies I kill. The key measure is how many allies I make.”

- 6.72 The metaphor is easily transferred to Anglesey’s interventions. Hard power was necessary to have the right purchase on the structures and institutions and to provide the resources to be taken seriously. Indeed one could say that the hard power, or firepower, of the removal of democracy was the public administration version of a “shock and awe” strategy in which the sheer overwhelming strength of the intervention was designed to quell resistance.
- 6.73 However, although the Commissioners possessed such power they seldom needed to threaten its use - a marked distinction with other approaches to intervention. If hard power is designed to achieve change through force, soft power is designed to achieve outcomes through persuasion. Soft power comes from the ability to build relationships, to build on your social capital, your reputation, learning and experience to make people want to follow you rather than to be forced to follow your direction. And if the progress which has been made in Anglesey is sustainable it will have been down, at least in part, to the way in which Commissioners wielded their soft power to make people want to change (albeit with considerable hard power as backup).
- 6.74 There may be something profound in the difference between the demonstration of good behaviour and the being told that their behaviour was not good. This notion - that some things can be shown but not said - may have important implications in turnaround situations in which greater “cognition” is required by the failing authority, but where deaf ears are being turned to what one Commissioner called the “constant berating” of auditors.
- 6.75 **A clearer intervention governance design:** In the second phase there was a clearer, and more consistent and aligned design for the

intervention and its governance. The WAO had spelt out the issues more fully and clearly, the Minister had a fuller and firmer view, and the instruments selected in the form of the Commissioners, and the electoral reform were capable of giving effect to the new strategy.

### **Lessons**

- 6.76 The evidence from the second phase of intervention in Anglesey bears out many of the key findings from the analysis of the literature.
- 6.77 In March 2011 Anglesey continued to exhibit many of the classic symptoms of organisational failure. The Council continued to lack corporate capacity. Political leadership was ineffective. There were problems with the conduct of some councillors. Some senior officers were not sufficiently effective (albeit in what was clearly a very difficult environment). And there were increasing signs of significant problems in some key services including education. And yet some Councillors and senior officers still did not accept the need for significant change and improvement. In short, Anglesey lacked all three of the Cs identified in section three – cognition, capacity and capability.
- 6.78 For this reason, it needed significant external input – both to identify the need for change and to model the behaviour that would be needed to achieve improvement. The evidence suggests that the Commissioner model provided the combination of challenge and support that was needed. It most closely resembles the ‘convened committee’ which we discuss in section three and had the characteristics of a successful intervention board to be found in the literature.
- 6.79 They ensured that they learned about and understood the issues early on in their role. They tried to include rather than suppress independent voices, and they earned legitimacy through gaining acceptance of their values and their ability to promote positive change. They had a clear methodology for achieving change but approached their task in a pragmatic and adaptive manner. As a group, they were seen as bringing

the right mix of skills. Their collective experience of working at the highest levels politically and managerially in local government and other public services was important. Their effectiveness also depended on the way in which they looked out for and supported one another. They also had a greater level of involvement in the Council than Recovery Board members. The combined effect was to enable them to neutralise local political disputes and opposition in a way which the previous phase of intervention was unable to.

6.80 A necessary condition of turnaround is the recognition of the problem. In Anglesey the Commissioners succeeded in generating far wider recognition among the senior political and managerial leaders that the Council was in dire straits and needed help to recover. This recognition came partly from the 'shock and awe' hard power strategy but also from the Commissioners use of soft power which succeeded in raising awareness and changing hearts and minds.

6.81 Importantly, the Commissioners had a shared a theory of improvement. They were clear about what they needed to achieve and how. And their approach was seen as having the backing of the Minister. This meant that Councillors believed that this second phase of the intervention really did represent the last chance for the Council to resolve its problems.

6.82 It was important that the Commissioners set clear targets for improvement and monitored progress on a regular basis. It also helped that their involvement was seen as time limited and that they had a clear exit strategy. This helped to create an imperative for change and provided a focus on the key actions that needed to be taken.

6.83 Interestingly, and potentially important for future interventions, the second phase of the intervention combined a strategy of nurturing and developing existing Councillors and senior officers and removing others. As we have noted, most of the senior management team were moved on and replaced by fresh faces. Similarly, the boundary changes had the



effect (in some cases directly and in others indirectly) of removing some of the Councillors who had been regarded as the main sources of concern.

- 6.84 Notwithstanding the effectiveness of the second phase of the intervention in turning the Council around, there are some issues which we believe need to be borne in mind in trying to draw general lessons from it.
- 6.85 First, the literature highlights the importance of local context and tailoring intervention to this. Anglesey was widely seen by our interviewees as a 'one-off'. Depending on their viewpoint, this was either as an extreme case of corporate failure or as having been singled out by Ministers because it was an 'easy target'. Either way, it is clear that it cannot be considered to be a 'typical' council and replicating the second phase of the intervention will not therefore guarantee success in other settings.
- 6.86 Second, the transition from the first to the second phase of the intervention seems to us not to have been optimal.. Recovery Board members felt that they received 'mixed messages' from the Auditor General and were excluded from the decision making process at the point where it was decided that a different approach was needed. More could perhaps have been done to make the most of the knowledge they had acquired over the previous eighteen months through a better planned and more systematic handover to the incoming Commissioners.
- 6.87 Third, the Commissioners were not able to get everything right. For example, our analysis of the literature highlights the need to adopt a whole system approach to organisational turnaround. The Commissioners made some progress in this regard but their efforts were not effectively coordinated with the separate approach to intervention in education.
- 6.88 Fourth, it is important to consider the input that was required to achieve turnaround in Anglesey. We have not attempted to quantify the financial

costs of the intervention but it is clear that this one relatively small Council has, over a prolonged period, consumed a huge amount of time and attention on the part of Ministers, officials, boundary commissioners, auditors and some of the brightest and best politicians and officers from the wider local government community – in Wales and beyond. In addition the turnaround was achieved at significant personal cost to some of the key participants. The Commissioners' actions and the boundary changes affected the careers of several leading officers and politicians and the whole process left many others with a sense of regret. And it seems improbable that a small country like Wales can sustain a similar level of investment in many interventions on the scale that was devoted to Anglesey. The experience of Anglesey suggests that intervention on this scale must therefore be used sparingly and only as a last resort. Those embarking on it need to be prepared for a long haul involving a significant investment of senior staff time and political capital.

## **Section 7 Assessment and Recommendations**

### **Introduction**

- 7.1 This evaluation has two aspects. First is the assessment of the effectiveness of the intervention measures in Anglesey, what impacts the intervention had and how they were achieved. Second is the identification of the lessons learned from the intervention which may be relevant to other interventions in Wales and to policy and practice further afield.
- 7.2 In the earlier sections we have assessed the effectiveness of Welsh Government intervention in Anglesey and in particular the reasons why each of the two distinct phases had their respective impacts or lack of them. We have done this through a systematic account of the methods of intervention used and the ways they were implemented, taking account of the perspectives of all of the key stakeholders at local and national level. This has included an assessment of the perceived impact of the intervention on the viability and corporate capacity of the council, and identification of aspects of the intervention that might, with hindsight, have been done differently and better.
- 7.3 In this final section, we begin by providing an explicit comparative review of the two phases of intervention. That itself provides some immediate lessons that we believe are transferable. They should support the development of ‘good practice’ in implementing future interventions, whilst also recognising the uniqueness of the circumstances that led to intervention in Anglesey and those aspects which are specific to the Anglesey context.
- 7.4 But we then also draw out three principal additional lessons. First, we set out an approach for the Welsh Government and its officials to consider as a quasi-formal framework to apply when contemplating

interventions. Second, we highlight the need to be clear about the underlying ‘whole system’, and also the importance of clear theories of improvement. Finally, we reflect on the issue of ‘small country governance’ and the importance of central-local relationships in Wales.

## **The two phases**

7.5 It is tempting to think of the two phases of the intervention as being those of ‘the Recovery Board’ and ‘the Commissioners’. They were, after all, distinct in several respects - in terms of the underpinning legal powers that were deployed in each case, the relationship of each of them to the Council, the powers they respectively exercised directly, the intensity of their engagement in the project to turn Anglesey round, and the people appointed to operate them. That would, however, be a mistake, because both phases were more than these two instruments, as important as they each were. The first phase was a combination of an advisory Recovery Board and an imposed Interim Managing Director. Critical to understanding the relative lack of success of the first phase is precisely the relationship between these two major parts of it, and the different theories of improvement which were at work. The second phase involved a combination of Commissioners and a reorganisation of the electoral arrangements of the Council. Here too the interplay between these two elements was critical to the impact of the intervention and its relative success compared to the first phase.

7.6 It is important to recognise the differential success of the two phases, and to tease out why that happened. Whilst phase two is widely seen as having worked very well, both in terms of the processes that were developed and the impacts that these achieved, views about the efficacy of the first phase are much more mixed. Clearly the first phase did not achieve turnaround, and some stakeholders believe it had made no positive impact at all, whether or not the Recovery Board satisfied its

formal responsibilities and terms of reference through its advisory function to the Minister.

- 7.7 With the benefit of hindsight it is clear that the Recovery Board approach clearly did not provide the ‘shock to the system’ that was needed in Anglesey. During the first phase there was relatively little progress in reconstructing the organisation and strengthening its underlying capability and capacity. By the end of the Recovery Board phase the Council remained divided and entrenched. By contrast, by the time the Commissioners withdrew completely and the new electoral arrangements had taken effect, democracy had been restored to the Council on what appears to be a sustainable basis, organisational capability had been strengthened, and there had been visible learning and changes of behaviour.
- 7.8 It may also be tempting to attribute the difference to the different sets of individuals who were respectively members of the Recovery Board or commissioners, and to the different Interim Managing Directors/Chief Executives who performed the role during these two periods. But in all respects the individuals concerned were people of considerable experience and ability, and strongly committed to the task in hand. In our view the explanation of the difference has much deeper roots, which suggest some of the wider lessons about intervention which need to be learned
- 7.9 The central differences between the two phases in our assessment are threefold. First is the fact that the first phase had taken place and had been seen to fail, and that the alternatives being openly canvassed for Anglesey were such as to provide the ‘wake-up’ call that had been missing hitherto. In this sense, the Council acquired the ‘cognition’ that it had lacked prior to the intervention and even during the first phase. It may not have ‘accepted’ the ‘help’ being given in a positive sense, but everyone realised that it was going to get the help anyway, and had best

get on with it in the interests of ending as quickly as possible what was undoubtedly a humiliating and chastening experience. This may have been 'cognition' in a rather negative sense, at least initially, but it clearly represented a shift in the prevailing mind-set.

7.10 Secondly, there was an injection of greater capability - the knowledge of what needs to be done, and the technical skill to achieve it - and also of capacity, in terms of the ability to actually tackle the change agenda. The powers invested in the Commissioners and the changes made to the electoral arrangements were both in their own ways 'fit for purpose' in tackling the problems they were aimed at. For the Commissioners, their powers enabled them to ensure that things were actually done differently, and that the organisation was changed to make it fit for purpose.

7.11 Thirdly, the second phase was underpinned by a much clearer, coherent, and comprehensive 'theory of improvement'. And crucially, the same theory was shared by all of the Commissioners, in contrast to the first phase. The theory of improvement for the second phase was based on the recognition that the Council could not turn itself around, and that others would need to do it for them, but also with them. Additional and different executive authority was seen to be required that was capable of changing the way the Council's organisation functioned, and some of the personnel, as well as demonstrating how to run the council properly. At the same time, the Minister maintained a close and direct interest, and contributed his political authority to the approach. In parallel, the changes to the electoral arrangements, and the deferral of the 2012 local elections, both created extra space for the approach to work its way through and also provided a longer term structural solution to help counter parochialism and insularity.

7.12 In contrast, the first phase relied heavily on placing a very robust Interim Managing Director in the Council. The Recovery Board was in many

ways a bystander to the attempts he made in conjunction with the then Leader and the other Group Leaders to isolate and exclude those Councillors seen as being at the heart of the Council's troubles. His analysis was that it was imperative to deal with a relatively few key people who were not redeemable and who were leading others astray. Whilst many felt that his methods were too muscular for the situation, many of the same participants and observers also considered that the boundary changes were decisive. Partly this was because of the associated general democratic renewal. But it also led to the elimination from the Council of those seen to have been causing most of the difficulties. This suggests that the Interim Managing Director's and the then Leader's analysis of the underlying problem was actually widely shared, even if others did not think that the methods being applied were the right ones.

7.13 The second phase was not simply about appointing different people with much stronger powers, and as Commissioners. The contrasts with the first phase included:

- A completely different intervention model and the adoption of a broader intervention scope;
- Significantly greater resource being devoted to the intervention through the time and capacities of the appointed commissioners;
- A Minister who had initially inherited the 'Recovery Board' approach from his predecessor and who subsequently concluded that a much more muscular approach was required;
- A clearer and shared theory of improvement and equation of change which removed legal powers from Councillors but combined with a positive strategy of engagement with a view to Councillors being able to regain those powers within a reasonable timescale;

- The absence of any need to marginalise particular individuals or groups of Councillors because all of them had their powers removed;
- A new Interim Chief Executive whose background enabled him to maintain connections with a wider range of Councillors;
- The parallel development of a combined political change and ‘exit’ strategy built around major change in the electoral arrangements in Anglesey; and
- Adoption by the Commissioners of explicit criteria against which they judged progress.

7.14 In terms of critical success factors for the second phase it is difficult to separate out particular features, partly because what underpinned the success was a ‘whole’ system approach. However, two factors stand out. First, was the Minister’s clear and strong framework for achieving turnaround (‘theory of improvement and equation of change’), and secondly the electoral changes. The first signalled political will and determination to find a solution, and provided for clear and regular monitoring of progress and problems. If things had stalled or not gone as well as was needed, then there was a real prospect that the approach would have been flexed or reinforced to find a way forward. The second provided a landing and an exit point, and a reconfiguration of the local political system which helped to convince key actors that the improvements which had been achieved were sustainable. By generating competition they made for a more healthy local democratic process which focused candidates and Councillors on wider issues than narrow ward concerns. This re-set the governance of Anglesey and served to make a clear break with the past.

### **Immediate Lessons**

7.15 Interventions are never easy, especially in novel situations using relatively untested legal powers. Inevitably, some things could have been done better. For example, there are some aspects of the roles of



other bodies in the pre-intervention period which may be useful for them to reflect on. These derive from observations made to us, but also in our own view are worth considering by the bodies concerned:

- The effective provision of early sector led support may have been hampered by the WLGA's twin roles of being both a representative body and an improvement agency. The former is inevitably partly defensive, whilst the latter needs to be untrammelled by implicit 'conflicts of interest' so that the clearest analysis and earliest diagnosis can be brought to bear;
- Both WAO and Estyn reports may need to be clearer and more immediate about failures and weaknesses, and/or there may need to be earlier escalation to the more intrusive and thorough regulatory stage of a Corporate Governance Inspection. Reports may not in the past have been sufficiently direct and robust, although this in turn may have been a reflection of the wider prevailing public service culture – WAO reports from 2003 onwards regularly exposed corporate weakness which effectively was only really escalated in 2009;
- Although the Commissioner phase was largely successful, the transition from the Recovery Board to Commissioners could have enabled more of their knowledge to be passed on. Also milestones and timescales could have been set as part of the initial framework for the Commissioners (rather than having to be set by them), or the Council might have been required by the Minister or the Commissioners to set milestones and timescales, so building them in from the outset. More significantly, some aspects of governance in the Commissioner phase were not very clear, and especially during the period when the education intervention was running at the same time as the Commissioners.

- Further, like the Recovery Board members, the Commissioners were initially unsure of their roles and powers. Interestingly (and unlike the Recovery Board) there was no ‘lead’ Commissioner or ‘chair’ but they quickly worked out a division of roles and *modus operandi* which is seen as having worked very well. More shape to the initial governance might have taken some of the risk out of that process, and made it less reliant on the complementarity of the working styles of the individual Commissioners. It also became clear that the legal powers available to the Welsh Government depended on evidence that was not readily available. Influence (and ultimate control) over the planning process by the Commissioners had to be negotiated, for example, even though planning issues had often been at the heart of Anglesey’s troubles, because there had not been sufficient evidence of problems in this quasi-judicial area of local government law.

7.16 The parallel education intervention also revealed some significant gaps, and especially given that one of the Commissioners had been appointed with specific education expertise and ‘responsibility’. There are at least four levels at which multiple interventions could have been coordinated in relation to the Anglesey interventions – at the Ministerial, officials’, regulatory, and operational levels. The evidence suggests that there was some exchange at each of these levels but relatively little and not sufficient to connect them up properly. The most persistent efforts were made at the operational level, including an attempt explicitly to map the governance and accountability relationships, but in practice that was not given full effect. Had the Commissioner intervention continued beyond May 2013 the lack of coordination might well have come to the fore and been more problematic.

7.17 The impacts of Anglesey were not confined to the immediate actors. The intervention was high profile, and watched closely by others. Even though Anglesey was perceived as an ‘outlier’ in Welsh local

government ('basket case' was a typical epithet), the determination and persistence of the intervention meant that there were wider impacts. Most of all, the Welsh Government was seen to have shown that it had the 'bottle' to intervene even in the core democratic process of a local authority, and this was a decisive moment which gave a clear signal that the relationship between the Welsh Government and Welsh local government was becoming one of greater accountability and challenge. The Welsh Government was asserting its own democratic mandate to ensure that things were working well enough, and that it was important to step in when necessary.

7.18 We have therefore also considered the Local Government Support and Intervention Protocol which the Welsh Government has published jointly with the WLGA. It is a strong document that sets out some helpful principles and goes a long way to developing a shared approach or theory of improvement across central and local government. However, the protocol could be developed in the following areas:

- Paras 7.13-7.17 take a binary approach to 'supportive' and 'directive' approaches to intervention. Our analysis of what worked well in the Commissioners' approach was their ability to combine directive and supportive approaches, with both hard and soft power. Clearly not all interventions will require the same level of hard power, but it may be worth developing a more nuanced description of the possibilities which captures the interrelatedness of different approaches in any one intervention.
- Para 7.18 says that "where intervention involves external appointment, e.g. to advisory boards, this will be done on the basis of agreed criteria before possible candidates are approached. It will normally be neither possible nor necessary to follow a full public appointments procedure. However, all such appointments will be made on the basis of standard terms and conditions which regulate conduct in line with the Nolan principles." In the Anglesey case, non-

publication of the 'agreed criteria' until forced to do so under Freedom of Information requirements lacked exemplary transparency and opened the Welsh Government and the Commissioners to unnecessary suspicion and criticism.

- A related point concerns the processes for the various appointments. It appears that they were selected in part by informal recommendations and existing knowledge. A number of senior local government executives and politicians considered that the process and selection of the people and of the intervention method were unclear. Clearly this did not prevent (and indeed may have been central to) the appointment of very senior, capable and experienced people. However whilst a traditional public appointment process may well not have been appropriate, a more systematic and transparent process may widen the pool of potential candidates.
- The protocol could more explicitly address the need to coordinate separate interventions (e.g. corporate and service based, or multiple service based interventions) and the need for the interventions to have a shared approach with complimentary and interrelated action plans (i.e. the equations of change should ideally be mutually supportive, and certainly not in contradiction). In the Anglesey case the question arises as to why in education there was one model of intervention, while in corporate interventions there was another. Senior local government interviewees questioned whether it was right that there should apparently be different models and different directions of travel across Wales. For example whilst in Anglesey the direction was from a Recovery Board to Commissioners, elsewhere it was from (Education) Commissioners to a Recovery Board. It is unclear if this was fully evidence based or dependent more on policy preferences. It would not be right to impose a universal template, but clarity as to the basis for differences in approach would be helpful, and would help assuage the concern that without a clear protocol,

intervention may be ad hoc and open to charges of political opportunism.

## **Broader lessons**

7.19 There are also three broader lessons which we draw out.

7.20 **A framework for designing interventions:** When contemplating interventions the Welsh Government and its officials ought to consider the following as almost a formal framework to apply:

- A ‘whole system’ approach is needed which provides for a clear statement of the standards required to be met by a local authority, detection and assessment of the standards which are not being met, and a design for the means to effect the necessary change.
- An explicit theory of how improvement is to be achieved, and an equation of change which applies it to the situation.
- Governance and accountability relationships between key actors need to be spelt out, and the key actors chosen to lead the intervention need to have the qualities, capabilities and capacities to deliver the equation of change.
- Clear timescales, performance/progress measures, and milestones which are not self-defined need to be put in place.
- Together with an explicit escalation strategy should it be necessary, and appropriate exit arrangements.

7.21 This is not an abstract framework. It is a strongly practical one, capable of helping the Welsh Government (and others) to apply the learning from the Anglesey Intervention. In some ways much of this learning has already taken place. For example one senior official in the Welsh Government has already reflected on the Anglesey experience and developed what he has termed the ‘diagnostic’ approach, in contrast to

the 'mechanistic' and the 'problem solving' approaches. His diagnostic framework involves assessment of the nature and extent of the difficulties, and the attitude of the council concerned. This represents the beginnings of the kind of framework that we would wish to encourage. It is especially important because officials move within the Welsh Government, and may take such learning with them. It needs, therefore, to be documented and made available as a resource to be drawn on. Whilst this evaluation itself may provide a continuing resource of that kind, the framework we envisage would be one developed and fully owned by the Welsh Government in the context of the Intervention Protocol and any wider considerations of central/local government relationships.

7.22 One important aspect which that framework will need to address is whether the diagnostic framework applied by the regulators needs to be revised. In relation to Anglesey they were working with a well-established diagnostic approach which highlighted how corporate problems lead to service failure and/or to a failure to improve services. According to their analysis as reflected in audit and related reports Anglesey services were adequate even though it was in corporate difficulty. However, the Commissioners found real problems in education and social care. Ironically this vindicated the regulators' assessment but also raises real doubts about their ability in terms of the 'detection' function. One explanation offered by an interviewee who was almost uniquely qualified to make the judgement, was the services in Anglesey were reasonable after 1996 but only because they were relying on the depleting legacy of the good quality services they had inherited on re-organisation. This may well be right, but either way it is necessary for the regulators to interrogate their own diagnostic framework and revise it to take account of the Anglesey experience. This will be especially important if Welsh local authorities go through further major change in the period ahead.

**7.23 Theory of improvement and equation of change:** We have emphasised throughout the importance of clear problem analysis and diagnosis, followed by the development of an explicit theory of how to achieve improvement, and the elaboration of an equation of change which applies that theory to the intervention situation in hand. Of course, one can overemphasise the extent to which clear theories of improvement and change are possible. Decisions to intervene are always based on a less than complete diagnosis, even when supported by the most comprehensive regulatory reports and other evidence. This means that no intervention can be designed in every detail at the outset. Anglesey is a good case in point, where the initial diagnosis focused heavily on member conduct as almost the sole source of failure but where wider problems eventually came to light. Thus flexibility of approach, resilience, and determination will all play an important part in being successful. Nonetheless, whilst the development of a clear theory of improvement does not guarantee success in intervention, without that clear and disciplined thinking the prospects for getting it right inevitably reduce.

**7.24** The equation of change will be a combination of relatively practical and immediate aspects of a given situation and the forces at play within it. Elements include the role of any interim chief executive and the approach which s/he brings to the situation, and the powers to be given to the intervention actors. But they also include the attitudes of Councillors and officers, and their potential for change. Often the awareness in a Council that it has problems and needs to change is the critical factor both in whether intervention is needed, and how best to do so, such that ‘cognition’ becomes the key differentiator between a Council needing support or intervention. The notion that cognition is so important also places great emphasis on modelling new behaviours and mentoring councillors and officers within a given situation so that they

have the opportunity to understand how things can be organised differently and what behaviours are most appropriate.

7.25 The role of political parties and electoral arrangements also needs to be addressed within the operating theory of improvement, if only because political parties can themselves be positive and important agents of change.

7.26 A further theme concerns the extent to which interventions should always follow a ladder of escalation, with each step being more intrusive than the previous one, and against a general principle that one should always make the least possible intervention. In Anglesey, the conclusion of most of our interviewees was that a tougher intervention from the outset would in fact have been desirable, and they may be right. In any event, the issue should be less one of following a 'least intrusive' principle than having clarity of what the character of the problem is, and how best to tackle it, albeit against the backdrop that muscular intervention should ideally be a last resort.

7.27 Another important part of the equation of change is that where there is an intervention which removes functions of powers from a council there is a need to consider carefully what they are actually replaced with. In Anglesey, what was actually removed was the executive role of councillors. Potentially, the Commissioners could have all been people who occupied a similar role to those whose powers they were given to exercise. That is, they could have all been people who were executive councillors, or who could be geared up to play that role. This would have left the officer structure within Anglesey to play its role in relation to those substitute executive councillors, but this was not the approach that was taken. In the event, the Commissioners appointed had a strong element of executive capacity at an officer level. This meant that in practice the Commissioners were running the authority, or at least



providing a degree of supervision and oversight which had a significant officer as well as councillor component.

7.28 This almost certainly had implications for the kind of chief executive who would be appropriate, because otherwise there would have been two 'chief executives' in the same situation. In the event in Anglesey, one had a very clear leadership role and the other adopted a complementary approach. Otherwise, things might have been difficult. This may have been a factor in the way in which the roles of the Commissioners were themselves questioned by some other actors. They were, for example, asked the question as to whether they were actually running the Council or whether they were only there to ensure better corporate governance.

7.29 Finally it is important to note that when change is imposed and driven by an external actor with the legal authority to do so but without consensual support, then there will likely not be acceptance of the 'theory' being applied. Rather, it will be disputed, even at the most fundamental level of whether any improvement and change is required. This is where robust evidence and democratic exchange need to play their part, so that even if the respective local and central democratic mandates take differing positions, they can be exposed and tested in a wider public arena of accountability.

7.30 **Small Country Governance:** Perhaps the most important lesson from the Anglesey Intervention is what it indicates about the relationships between the Welsh Government and local government, and the extent to which it provides an example of 'small country governance' working both well, and perhaps not so well also. The reluctance to intervene harder earlier may have been due to the relative warmth, and even 'cosiness', which existed between the Welsh Government and the WLGA at the time, as may the regulators' reluctance to take a harder line in the early noughties when it was clear that there were problems.

7.31 In 2006 the Beecham Report concluded that Wales was not at that time taking advantage of the opportunities afforded by small country governance. In its response the Welsh Government saw the need for more consistency in public services and more effective performance management, and the need for more engaged leadership from the Welsh Government. Since then, the relationship between the Welsh Government and local authorities has become more demanding, and the Welsh Government has been much more willing to hold local authorities to account for their performance. In part this reflects a maturing of the devolution settlement, and the growing confidence and capacity of the Welsh Government such that Wales can more readily benefit from small country governance through effective cooperation and collaboration between key actors, when hitherto that closeness may actually have inhibited the decisive action which may sometimes be required. Indeed, the lengthy period before 2009 in which Anglesey was widely regarded as having major problems but in which little action was taken perhaps reflected those inhibitions.

7.32 Either way, the Anglesey Intervention brought together all the key players in a close and collaborative effort which was ultimately successful, and in a way which it is difficult to imagine happening in a much larger jurisdiction. The close working between the Welsh Government and the WAO, and between the Minister and his appointed commissioners, and the sheer intensity and frequency of those levels of working, could hardly be contemplated other than in a context of small country governance. In this way, the Anglesey Intervention perhaps also points to some wider lessons for the governance of Wales as a whole.

7.33 One important way in which small country governance could work to advantage would be in building capacity 'upstream' in local authorities both politically and managerially. This could reduce the risk that local authorities get into a state (either corporately, politically and/or in terms of the performance of services) where there is a need for external

support/intervention. Intervention is expensive, and it undermines local democratic accountability, so it ought to be a last resort. There is a current of opinion that Welsh councils fail because they are too small, although some of the biggest councils have had their own failures and some small councils are seen as excellent. The prospect of mergers of Councils may provide an important opportunity to build more capable councils.

7.34 Such a prospect should be founded in part on a full and clear assessment of how the overall approach to both ensuring and assuring local authority effectiveness in Wales. This evaluation does not provide the evidential or analytical base to frame what that should be. But there are two features of any overall 'design for governance' which stand out to us from this study as needing to be addressed. The first is the perennial issue of the interplay of the respective democratic mandates of local authorities and of central government when local authorities are in difficulties. The second, and related issue, is to identify `which institutions and processes will perform the key roles of 'director', 'detector', and 'effector' within the system. In particular, how far local government itself is able to take lead responsibility for performing them will be a good measure of realising a greater degree of local self-government.

## **Bibliography and References**

Below we list some key references and sources of further material which we have drawn from. They represent a selection of the many sources we examined during the course of the study, and are not presented as a comprehensive bibliography of source material. Where Wales Audit Office, Welsh Assembly or Welsh Government material is cited in the text, the particular documentary material is cited below. In Annex One will be found a fuller list of the documentary sources we reviewed during the evaluation.

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## Annex One: Documentary sources

Document	Source	Date	Link as of March 2013
Audit and inspection reports	From WAO website	2002-2008	<a href="http://www.wao.gov.uk/reportsandpublications/localgovernment_695.asp">http://www.wao.gov.uk/reportsandpublications/localgovernment_695.asp</a>
2009 Corporate Governance Inspection	From WAO website	July 2009	<a href="http://www.wao.gov.uk/assets/englishdocuments/Anglesey_corp_governance_eng.pdf">http://www.wao.gov.uk/assets/englishdocuments/Anglesey_corp_governance_eng.pdf</a>
Anglesey Recovery Board minutes	Provided by WG	October 2009- January 2011	
2010 Corporate Governance Inspection	From WAO website	September 2010	<a href="http://www.wao.gov.uk/assets/Local_Reports/Isle_of_Anglesey_County_Council_Preliminary_Corporate_Assessment.pdf">http://www.wao.gov.uk/assets/Local_Reports/Isle_of_Anglesey_County_Council_Preliminary_Corporate_Assessment.pdf</a>
Chair letter to members	Provided by WG	October 2010	See original word document.
Annual Improvement report 2011	From WAO website	January 2011	<a href="http://www.wao.gov.uk/assets/Local_Reports/Anglesey_AIR_2011_english.pdf">http://www.wao.gov.uk/assets/Local_Reports/Anglesey_AIR_2011_english.pdf</a>

Special Inspection: Corporate Governance Re-inspection	From WAO website	March 2011	<a href="http://www.wao.gov.uk/assets/englishdocuments/162A2011_IoA_CC_Corporate_Governance_Re-inspection.pdf">http://www.wao.gov.uk/assets/englishdocuments/162A2011_IoA_CC_Corporate_Governance_Re-inspection.pdf</a>
Commissioner reports	First Quarterly Report	July 2011	<a href="http://www.anglesey.gov.uk/Journals/2011/08/15/Quarter-1-Report-final.pdf">http://www.anglesey.gov.uk/Journals/2011/08/15/Quarter-1-Report-final.pdf</a>
Ministerial letter	Letter in response to Commissioner report	August 2011	<a href="http://www.anglesey.gov.uk/Journals/2011/08/31/ministers-letter.pdf">http://www.anglesey.gov.uk/Journals/2011/08/31/ministers-letter.pdf</a>
Commissioner reports	Second Quarterly Report	December 2011	<a href="http://www.anglesey.gov.uk/Journals/2011/12/16/Quarter-2-report-to-Minister-1.pdf">http://www.anglesey.gov.uk/Journals/2011/12/16/Quarter-2-report-to-Minister-1.pdf</a>
Annual Improvement Report 2012	From WAO website	January 2012	<a href="http://www.wao.gov.uk/assets/englishdocuments/Anglesey_AIR_2012_English.pdf">http://www.wao.gov.uk/assets/englishdocuments/Anglesey_AIR_2012_English.pdf</a>
Commissioner reports	Third Quarterly Report	February 2012	<a href="http://www.anglesey.gov.uk/Journals/2012/02/13/Quarter-3-report-final.pdf">http://www.anglesey.gov.uk/Journals/2012/02/13/Quarter-3-report-final.pdf</a>
Commissioner reports	Fourth Quarterly Report	May 2012	<a href="http://www.anglesey.gov.uk/Journals/2012/05/10/commissioners-reports-quarter-4.pdf">http://www.anglesey.gov.uk/Journals/2012/05/10/commissioners-reports-quarter-4.pdf</a>

Commissioner reports	Fifth Quarterly Report	September 2012	<a href="http://www.anglesey.gov.uk/Journals/2012/09/14/commissioners-report-quarter-5.pdf">http://www.anglesey.gov.uk/Journals/2012/09/14/commissioners-report-quarter-5.pdf</a>
Improvement Letter 1	From WAO website	September 2012	<a href="http://www.wao.gov.uk/assets/Local_Reports/IAL1_AngleseyCC_English.pdf">http://www.wao.gov.uk/assets/Local_Reports/IAL1_AngleseyCC_English.pdf</a>
Improvement Letter 2	From WAO website	January 2013	<a href="http://www.wao.gov.uk/assets/Local_Reports/IAL2_Anglesey_English.pdf">http://www.wao.gov.uk/assets/Local_Reports/IAL2_Anglesey_English.pdf</a>
Commissioner reports	Sixth Quarterly Report	February 2013	<a href="http://www.anglesey.gov.uk/Journals/2013/02/22/om/h/Commissioners-Sixth-Progress-Report.pdf">http://www.anglesey.gov.uk/Journals/2013/02/22/om/h/Commissioners-Sixth-Progress-Report.pdf</a>
Annual Improvement Report 2013	From WAO website	March 2013	<a href="http://www.wao.gov.uk/assets/englishdocuments/Anglesey_AIR_English.pdf">http://www.wao.gov.uk/assets/englishdocuments/Anglesey_AIR_English.pdf</a>
Commissioner reports	Seventh Quarterly Report	April 2013	<a href="http://www.anglesey.gov.uk/Journals/2013/05/23/m/r/p/seventh-commissioners-report.pdf">http://www.anglesey.gov.uk/Journals/2013/05/23/m/r/p/seventh-commissioners-report.pdf</a>