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Isle of Anglesey County Council Report by the Auditor General for Wales Preliminary Corporate Assessment – September 2010



Ref: 491A2010

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Isle of Anglesey County Council has responded positively to Ministerial intervention but much work remains to implement plans and then embed the modernisation of its corporate arrangements and to assure the sustainability of improvement.

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Summary

- 1 The Auditor General is required by the Local Government (Wales) Measure (2009) (the Measure) to undertake an annual Improvement Assessment for each improvement authority in Wales, that is local councils, national parks and fire and rescue authorities.
- 2 In order to fulfil this requirement the Wales Audit Office will undertake:
 - a Corporate Assessment – an assessment of an authority’s arrangements to secure continuous improvement; and
 - a Performance Assessment – an assessment of whether an authority has achieved its planned improvements.
- 3 The approach is designed to enable a whole organisation assessment at each council to be undertaken in a standardised way. Taken together these two assessments will form the basis of an annual report to citizens, known as the Annual Improvement Report.
- 4 The Auditor General has brought together her work, that of the Appointed Auditor, and that of other relevant regulators, to inform the Corporate Assessment. As this is the first year of a new approach the assessment is a preliminary one and this report should be viewed as a progress report. The Annual Improvement Report will also serve as an update for the Corporate Assessment.
- 5 In March 2010, the Auditor General identified the scale of the financial challenge facing public services in Wales in a report to the National Assembly ‘A Picture of Public Services.’ The potential impact of spending reductions on local government has also been highlighted by the Welsh Local Government Association (WLGA), the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE). In evidence to National Assembly Public Accounts Committee in June 2010, the WLGA noted, ‘there is no escaping the fact that all parts of the public sector will have to examine current expenditure and service provision – the shortfall cannot be solved by efficiencies alone’. To meet this challenge, local authorities must fundamentally review the services they provide and how they are delivered, including considering options for working in collaboration and increasing the commissioning of services rather than their direct provision. It is in this context that the corporate assessment has been prepared.
- 6 This report sets out the findings of the Corporate Assessment only and is designed to answer the question:

‘Are the Council’s arrangements likely to secure continuous improvement?’



7 As this is our Preliminary Corporate Assessment, there are several areas where only limited work has been possible. We will continue to build on this report by monitoring progress in coming months to provide an update in our Annual Improvement Report to be issued in November.

8 The conclusion arising from our first Corporate Assessment is that:

- The Council has responded positively to Ministerial intervention but much work remains to implement plans and then embed the modernisation of its corporate arrangement and to assure the sustainability of improvement.

9 We based our conclusion on our assessment of the Council's progress over time and an analysis of the strengths and weaknesses of its arrangements to support improvement. These conclusions are explained in detail in Part 1 and Part 2 of the report respectively. We found that:

- many of the foundations are in place to address longstanding weaknesses but the sustainability of improvement remains in doubt; and
- decisive leadership is beginning to improve governance but much work remains to implement plans and then embed the modernisation of the Council's corporate arrangements.

Special inspection

10 Based on the Corporate Assessment, the Auditor General does not, at present, intend to carry out a Special Inspection of the Council under section 21 of the Measure or to recommend that Welsh Ministers should provide assistance to the Council by exercising their power under section 28 of the Measure or give a direction under section 29 of the Measure. However, the Auditor General may review this decision at any time should there be evidence that the Council's recovery has stalled. In light of the findings of this Preliminary Corporate Assessment, the Auditor General is of the view that the existing Ministerial direction should remain in force.

Recommendations

11 The Wales Audit Office Corporate Governance Report, issued in July 2009, included a number of significant recommendations. The Council has made significant progress in addressing these recommendations but much remains to be done to implement plans in full. There will subsequently need to be a period in which changes are embedded across the Council so that they result in sustainable improvement. We do not repeat these recommendations in this report but note that responding to them remains a priority for the Council. The Auditor General has not made any further formal recommendations for improvement for the Council under section 19 of the Measure.

Areas for improvement

12 Our assessment has identified areas where we propose that the Council should consider taking action. We note that the Council's 2010-11 Improvement Plan, published in July 2010, includes actions that may address some of these areas for improvement.

Exhibit 1: Areas for improvement

- P1 The Council should improve public access to its proceedings by:
- publishing on its website well in advance of each meeting the agenda and all non-exempt papers for meetings of the Council and its committees; and
 - ensuring that minutes of such meetings are published without delay.
- P2 The Council should develop and implement consistently across all services a clear approach to risk management that is linked to its performance management arrangements.
- P3 The Council, both singly and with its partners, should define clear sets of measures in order to assess more robustly its progress in addressing its improvement objectives.
- P4 The Council should better integrate the use of financial and performance information in order to provide a more comprehensive picture of service performance.
- P5 In order to ensure that those representing the Council in positions of responsibility are accountable for their performance, the Council should:
- develop and implement consistently across all services a system for the appraisal of officers; and
 - implement the emerging arrangements for the appraisal of elected members, focusing predominantly on their performance in carrying out their specific roles and more generally as committee members.
- P6 The Council should develop and implement a strategy before the 2012 elections to inform citizens about the role and responsibilities of the modern councillor and, in so doing, promote greater diversity within the Council.



Part 1: How the Council has approached improvement over time

Many of the foundations are in place to address longstanding weaknesses but the sustainability of improvements remains in doubt

13 There has been substantial progress since the publication of the Corporate Governance Inspection report in July 2009 in terms of improving the effectiveness of the Council's democratic functions, but this progress has not been smooth. The work of addressing some other key areas is only just beginning. Interruptions absorb officer time and set back the Council's real purpose, that of securing high quality services for Anglesey residents, in line with clearly defined policies. At a time of severe financial constraint, it is even more important that the Council is sufficiently settled to be able to focus clearly on the difficult choices that lie ahead.

14 The Council's political leaders and senior managers should therefore draw some satisfaction from the progress made to date, but should be under no illusion that most of the improvement agenda lies ahead; structural and cultural changes remain to be tested in taking the difficult decisions needed in order to address that agenda.

Following a long history of not being properly run, Welsh Ministers issued a direction in 2009, appointing an Interim Managing Director to lead the Council's response and a Recovery Board to monitor its compliance

15 Following a breakdown of communication and trust between the then Executive and Corporate Management Team, and a poor track record in terms of responding to previous recommendations, the Wales Audit Office conducted a Corporate Governance Inspection of the Council in 2009. The inspection found that the Council had a long history of not being properly run. The resulting report included seven recommendations to the Council, relating to longstanding issues of governance and weaknesses in corporate arrangements that the Council had failed to address over many years.

16 As a result of the inspection, and acting on the recommendation of the Auditor General, the Minister for Social Justice and Local Government issued a direction to the Council in August 2009. The direction will remain in force until September 2011, but may be extended or curtailed by the Minister. A highly experienced Interim Managing Director took up post in October and a Recovery Board, appointed by the Minister, began its work of monitoring the Council's progress.

17 Since 2 October 2009, the Recovery Board has met on seven occasions, reporting after each meeting to the Minister. The Board has also conducted individual interviews with almost all councillors, observed a range of Council and committee meetings and held discussions with senior officers. The Wales Audit Office has been represented at all Recovery Board meetings as an observer. In order to avoid duplicating the work of the Board, we have drawn heavily on the evidence submitted to it in producing this report.

18 On 30 September 2009, the Appointed Auditor issued an unqualified auditor's report on the financial statements, confirming that they had been prepared in accordance with statutory requirements and that they presented fairly the Council's transactions and its financial position.

19 In December 2009, the Auditor General and the Appointed Auditor issued an Annual Letter on the Council's financial statements, corporate arrangements and performance. The Letter drew on the findings of the earlier Corporate Governance Inspection and other work, and concluded that:

- reviews of services and corporate arrangements indicated that the Council needed to address many significant weaknesses and had a poor record in responding to the recommendations of external regulators; and
- the Council had appropriate arrangements to administer and report financial matters but did not have appropriate arrangements to secure value for money in its use of resources in 2008-09.

The Council has responded positively to the externally-imposed agenda for change and is putting in place the foundations for improvement but much work remains

20 With the support of the Recovery Board and the WLGA, the Council has begun to address systematically all the recommendations made in the 2009 Corporate Governance Inspection. In particular:

- the working relationship between the Executive and senior management has been restored; and
- procedural improvements to the work of the Planning Committee have increased the transparency of decision-making.

21 The work of addressing other recommendations is well underway; the Council has developed proposals for improvement, as required, but it is too early to evaluate the impact and sustainability of the work. In addition, the Interim Managing Director has analysed the issues the Council faces and has identified a clear programme of priorities to improve the Council's governance and management.

22 The conduct of councillors in meetings has generally improved, with less personalised animosity than in the past. Group Leaders have accepted responsibility for the behaviour of their members and have acted robustly when necessary. The action of Group Leaders introduces a necessary element of self regulation into the conduct of Council business.



23 There have also been constitutional changes, including the formation of a new scrutiny committee structure and agreement that opposition groups should chair certain committees. This agreement has the potential to reduce the 'winner takes all' culture that had previously tended to marginalise opposition groups and had contributed to the frequent realignment of political allegiances in order to gain power.

24 There have also been improvements in business planning and in beginning to clarify the Council's priorities. However, much remains to be done in completing the implementation of plans and in embedding these improvements in the Council's day-to-day work. There has been much preparatory work, for example, in order to improve the roles of corporate functions such as Human Resources (HR) and in extending the effectiveness of senior managers in terms of their corporate leadership. Further plans are in place. However, such work requires significant cultural change and it is too early, therefore, to evaluate its impact.

Tensions between councillors continue to emerge and it is too soon to be confident that the Council will make a sustainable recovery

25 While there has been progress towards improving the way in which councillors fulfil their roles, there have also been setbacks which have undermined the Council Leader's position. For the most part, these setbacks have been handled decisively, with two councillors being expelled from what was, until June 2010, the Leader's group. Other Group Leaders have supported the Leader and the improvement programme by agreeing not to accept the expelled councillors as members of their groups.

26 However, in June 2010, the largest political group within the Council broke in two, with only a small minority of its members remaining loyal to the Leader. This rift suggests that the problems of the past are not yet resolved. Thirty-six of the Council's 40 members now form six political groups, with the remaining four members being unaffiliated. Four of the six groups now comprise competing factions of independent councillors.

27 A new ruling alliance of four groups has formed but, with only 20 members, the alliance is necessarily fragile, especially in view of the Council's history of frequent political reconfigurations in the pursuit of power. Though he has retained the support of other groups within the alliance and remains in post, the Leader's group now comprises only four members.

28 The Terms of Engagement for the new political alliance set out as its key principle the wish to marginalise the type of conduct that has, in the past, hindered the Council's progress. While there is little proposed change in the Council's strategic direction, the Terms of Engagement focus heavily on the requirement of its members to put aside all historical issues, and to '...isolate those who have consistently blocked progress and, by their actions, have refused to embrace new ways of working.' The Terms of Engagement also require members of the alliance to 'publicly and robustly condemn' two named councillors by supporting the Council in reporting these members to the Public Services Ombudsman for Wales for alleged breaches of the Members' Code of Conduct.

29 These Terms of Engagement have proved controversial. Members of the opposition groups have reported that they are reluctant to express views that are contrary to those of the Executive in case they are branded as troublemakers. Opposition group leaders have received assurance that the aim of the Terms of Engagement is not to stifle legitimate political debate. However, it is too soon to be confident that these new political arrangements are sustainable. The continued oversight of the Recovery Board and the possibility of further Ministerial intervention promote stability but, without these, there is a significant risk that there would be further political changes, absorbing more officer time and deflecting the Council from addressing the issues it faces in modernising its services.



Part 2: Analysis of the Council's arrangements to help it improve

Decisive leadership is beginning to improve governance but much work remains to implement plans and then embed the modernisation of the Council's corporate arrangements

The Interim Managing Director, supported by the Recovery Board, is promoting structural and cultural improvements to the Council's governance, but it is too early to judge whether these will be sustained

30 The Interim Managing Director has brought a great deal of knowledge and experience to the role. Selected by the Minister and appointed by the Council, he is perceived as being independent and therefore removed from the Council's troubled history. Councillors and senior officers alike have acknowledged the positive role he has played in setting in motion the Council's recovery.

31 The Interim Managing Director has shown both shrewdness and tenacity in his approach to his task. Though led by the recommendations of the 2009 Corporate Governance Inspection, he has added his own analysis of the issues the Council faces and has identified a clear programme of priorities to improve the Council's governance and management.

32 The Council has established a recovery plan to address these priorities and has implemented five of the seven recommendations from the Corporate Governance Inspection report in full. However, the leadership acknowledges that considerably more work remains in order to ensure that the proposals developed in response to the recommendations are fully implemented in a way that achieves lasting impact, though many important building blocks have been put in place. The proposed timescales for some aspects may be over-ambitious, particularly in the light of the Council's financial constraints. Nevertheless, the work of improving the corporate leadership role of the Corporate Management Team has begun, with significant implications for the roles of other service managers.

33 In beginning to implement its recovery plan, the first priority has been the need to improve the effectiveness with which councillors conduct their business. The Interim Managing Director has rightly identified the need for councillors themselves to take ownership of this process if improvement is to be sustained, and that the role of the leaders of political groups in maintaining momentum is the key to success. In doing so, he has provided strong support to the comparatively inexperienced Council Leader. With this support, the Leader has taken decisive action against two of his group members and has gained the support of other group leaders to help enforce his decisions. Cross-party support for difficult decisions such as this represents significant progress in developing a Council with the capacity to regulate the conduct of its own members.

- 34** The improved group discipline has contributed to better standards of behaviour and quality of debate in the Council chamber, even on potentially controversial issues such as the agreement of the budget. However, there remains some resentment among members of the opposition. This resentment has contributed to the fracturing of the largest political group, with only a small minority remaining loyal to the Leader. As a result, a new but fragile ruling alliance has formed, as reported in Part 1 of this Preliminary Corporate Assessment. The stability and sustainability of the initial improvements therefore remain in doubt.
- 35** Members of the Recovery Board have interviewed almost all councillors and have found that many of the views and perceptions that prevailed at the time of the Corporate Governance Inspection persist. Most councillors continue to see their primary role as representing their wards rather than taking a wider, more strategic view of the island as a whole. At the time of the interviews, there remained a widespread perception that councillors were selected for positions of responsibility and the associated allowances on a 'grace and favour' basis and without due regard for their skills and experience. The subsequent decision to allocate the chair of some scrutiny committees to opposition members goes some way towards addressing this perception.
- 36** The Interim Managing Director has identified that the induction process for new councillors has been ineffective. As a result, many councillors have been unclear about committee procedures and standing orders, and chairing skills have often been weak. These weaknesses have been compounded on occasion by reluctance on the part of officers to intervene as necessary in order to ensure that meetings follow procedural protocols.
- 37** In addition to the enforcement of better discipline, the Council has also agreed constitutional and structural changes with the aim of improving the previously weak role of scrutiny and reducing the 'winner takes all' culture that has prevailed in the past. The Council has agreed a new scrutiny committee structure, increasing the number of committees from three to five. The introduction of a Scrutiny Manager has added valuable resource and momentum to the development of scrutiny and to committee members' understanding of the role.
- 38** Further steps to improve self-regulation by councillors and better governance include:
- The introduction of pre-Council meetings, in which Group Leaders meet with the Chairman before the meeting to consider how best to manage sensitive agenda items without damaging the Council's reputation.
 - An enhanced role for the Standards Committee in the process of member development. Group Leaders have now nominated councillors to be members of the Standards Committee, bringing the Committee in line with other Standards Committees in Wales.
 - The introduction of Group Leaders' meetings, chaired by the Interim Managing Director, as a means of improving information flows and, in consequence, the management of committee meetings.



39 It is too early to evaluate the long-term impact of these changes but the Council has worked with the WLGA to provide an intensive member development programme that includes a specific element designed to promote more effective scrutiny. Further training is planned, and work is in hand to develop further protocols to guide the ways in which councillors undertake key roles. Councillors' attendance at training sessions has so far been good and their feedback has been positive. In the light of this training, we suggest that elected members should develop and agree a framework against which the performance of each councillor might be assessed each year. Such a framework should focus mainly on councillors' work as committee members and in carrying out any specific responsibilities they hold rather than on their roles as ward members.

The Council generally works well with partners to deliver a wide range of services but has limited information about the costs and benefits of partnership working

40 The Council has an extensive track record of working with others in order to deliver services. For example, the Council has worked with neighbouring Gwynedd Council since 1996 to provide extensive school improvement services and services for children with Special Educational Needs. The Council also uses private sector contractors to deliver its school meals and waste collection services.

41 More recent examples of partnership work include the Council's involvement in the North Wales Regional Waste Partnership, which has secured significant Assembly Government funding to procure a facility for treating residual waste, thereby improving prospects of meeting future national targets. The Council has also agreed with Gwynedd Council to work together on the production of a Local Development Plan.

42 The Council plays a full part in Anglesey's Local Service Board which, after a slow start, is beginning to contribute usefully to its priority of tackling poverty. The Council is also making a full contribution to the North Wales Regional Partnership Board, which is taking a strong lead in delivering its vision for increased collaboration between all six local authorities in North Wales or subgroups among them.

43 Relationships with the Police, Fire and Ambulance services are positive, and there is a willingness to develop further collaboration. While the recent reorganisation of Local Health Boards has caused some uncertainty in the relationships with councils, there are good examples of 'frontline' joint working between the health service and the Council's only special school.

44 Despite the many examples of partnership working, the Council tends to promote partnerships at a departmental level rather than a corporate level. There is limited collective understanding of what the Council is trying to achieve with its partners, and of the costs and benefits of its engagement in partnerships.

The Council's policy and strategy framework is not yet sufficiently clear and consistent to support the coherent planning of staff and resources, and the introduction of better business processes

45 The Council has, for many years, failed to establish a clear and consistent set of policies and strategies that reflect the needs and aspirations of citizens and which guide decision-making and service planning. The Community Strategy similarly provides only limited sense of direction.

46 In January and February 2010, the then Executive held a number of 'road shows' across the island in order to engage with the public with the aim of establishing a set of corporate priorities in a climate of financial austerity. These events were well-run and, in some cases, reasonably well-attended. Subsequently, the Council adopted five strategic priorities. These are to:

- enhance the reputation of the Council and island;
- protect and develop the island's economy;
- build and support sustainable communities;
- promote healthy, safe and fair communities; and
- secure businesslike and affordable services.

47 These strategic priorities encompass the Council's Recovery Plan and its Affordable Priorities programme, which addresses the need to find an estimated £10 million reduction in spending over the next three years. To underpin the five priorities, the Council has defined a total of 24 broadly-defined objectives.

48 Together, the strategic priorities and their associated objectives provide a broad direction. However, they are not yet sufficiently specific and focused on outcomes to guide the planning of staff and resources within the difficult financial climate that lies ahead.

49 The engagement of the public in determining the Council's priorities represents a step forward but much remains to be done to involve citizens to a greater extent in the Council's work. Election results suggest that, like many of its councillors, the island's public also has a traditional view of local government. There are only two women among the Council's 40 members. The predominance of independent councillors grouped in increasing numbers of small factions hinders the development of a more modern view because voters have little knowledge of what the various groups stand for at election time or between elections. Voters appear to reward those councillors who have a track record of delivering benefits for their wards and for individuals within it. The Council therefore has work to do to promote the relevance and importance of local government and the role of the modern councillor, and to reinforce the fact that councillors should not be seen as an alternative to the formal channels for accessing Council services.

50 Public involvement in the Council's work is hampered by the fact that it does not routinely publish agendas and papers for Council and committee meetings on its website. Members of the public are not, therefore, easily able to find out in advance when items of interest to them will be discussed, and to consider beforehand the information contained in the papers supporting the debate. While the Council publishes the minutes of meetings, many include unnecessary



detail. Furthermore, it takes too long for the minutes of meetings to be published on the Council's website.

- 51** The Council has made significant progress in improving procedural elements in the way in which it determines planning applications. However, this progress is undermined by the absence of a clear planning policy framework. The Council has neither a Unitary Development Plan nor a Local Development Plan in place, and therefore relies on a range of outdated policies to underpin its decision making. The recent agreement, supported by a member of the Recovery Board, to work jointly with Gwynedd Council in producing a Local Development Plan offers a potential solution, overcoming the Council's limited capacity to undertake such work alone.
- 52** The Council has a comprehensive range of information security policies covering its IT systems, but these tend to ignore other areas of risk. There is no overarching information management strategy. As in many councils, information governance protocols and policies are not embedded well enough into all services.
- 53** The Appointed Auditor has concluded that the Council complied with financial reporting requirements in 2008-09 but did not have appropriate arrangements in place to secure value for money in its use of resources. Given the financial constraints that lie ahead, it is clearly especially important that the Council should secure value-for-money from its use of resources, and we shall report the Appointed Auditor's updated conclusion in November 2010.
- 54** The level of unallocated financial reserves is low, though not dangerously so. The planned use of reserves in 2009-10, lower funding settlements in future, and the financial risks associated with the implications of job evaluation across the Council and in implementing a Single Status Agreement place further pressure on reserves.
- 55** As part of its public engagement early in 2010, the Council sought the views of citizens about its budgetary priorities. In addition, the Council has launched the Affordable Priorities programme and has, as a result, determined greater clarity over its future spending priorities and better linkage between these and its improvement priorities. The Council has, for example, identified £400,000 in its 2010-11 budget to strengthen corporate capacity, in keeping with the recommendations of the Corporate Governance Inspection.
- 56** More generally, however, the Council's priorities have not yet been articulated sufficiently precisely to inform resource planning. A new business planning template now seeks to capture all activity within each service in an attempt to provide better management information to underpin future budget decisions. This represents a well-conceived attempt by the Council's leaders to gain a better understanding of the business with a view to forming a baseline for future financial planning.
- 57** The Council has now agreed a corporate asset management plan following recommendations by the Wales Audit Office and Estyn over a number of years. This is an important step forward. The plan nevertheless acknowledges that its information base about the condition of the Council's assets is out-of-date and that it lacks an adequate service-based

perspective to inform decision-making. These weaknesses reflect, in part, the lack of clarity that has existed for many years between individual services and corporate property services in terms of responsibility for the identification and prioritisation of repairs and maintenance to the Council's property portfolio.

- 58** Despite recent improvements to the Council's website, too much of its content is out-of-date and cumbersome to use for members of the public wishing to access services or to make comments or complaints on-line. The Council has identified the need to improve its website as a corporate priority.
- 59** The Interim Managing Director, with the support of the Executive, has introduced a number of changes aimed at improving the Council's business processes. In particular, he has strengthened the Council's corporate management capacity in order to introduce a standardised approach to business planning across all services. Unlike previous attempts, there are clear expectations that the new planning template should be followed, and arrangements are in place for draft plans to be reviewed and challenged before being finalised. These arrangements have helped to ensure that business plans are more likely to be comprehensive and of acceptable quality. Relevant portfolio holders are appropriately engaged in the process.
- 60** Performance and risk management remain key areas for improvement, having been highlighted in the last two Annual Letters and in the Corporate Governance Inspection report. Councillors have had only a limited grasp of the data that supports their perceptions of service quality. There has been a lack of corporate guidance

on target-setting and arrangements to support the quality of data have been weak. Though there are firm plans to improve, there is no corporate risk register and the principles of risk management are not yet embedded.

- 61** The new business planning framework provides a basis for improvement in performance management, with plans being linked to the newly determined corporate priorities. An Interim Programme Manager is in place and there are plans to increase the Council's project management capacity. Project management has been an area of weakness in the past, reflected in the slow pace of progress in work that affects most services such as asset management planning and workforce planning.

The Council acknowledges that people management is weak and is hindering improvement, and has begun to address the issue

- 62** The Council acknowledges that it has faced longstanding HR issues. Despite having made an early start in developing a Single Status Agreement, the process remains as 'work in progress'. There has been little progress on workforce planning. The staff element of performance management has been weak, with an inconsistent approach to appraisal by different services and managers.
- 63** Since the arrival of the Interim Managing Director, there have been changes in the management of the HR function. The role of councillors in the appointment of staff and in decisions as to whether or not to fill vacant posts is also clearer and more appropriate than in the past.

64 The work of developing officer capacity and capability has thus far taken second place to the need for member development. However, detailed work is now in hand to better define the role of the HR service and the roles of managers in relation to HR matters. The plans include the development of a competency framework and new performance appraisal arrangements across the Council's workforce. Such work is important in building the Council's resilience to any future return on the part of elected members to inwardly-focused personality politics.

