

**Meeting Birmingham Independent Improvement Panel and
Birmingham City Council**

Friday 23 November 2018 12noon to 2pm

Gowling WLG offices, Snow Hill, Birmingham

Attendees

Panel: John Crabtree, Chair of BIIP and the meeting; Frances Done, BIIP Vice-chair; Councillor Keith Wakefield, Panel member; Sally Hammond, adviser to the Panel

BCC: Councillor Ian Ward, Leader of the Council; Councillor Brigid Jones, Deputy Leader of the Council; Dawn Baxendale, Chief Executive; Jonathan Tew, Assistant Chief Executive; part of meeting by phone: Clive Heaphy, Corporate Director Finance and Governance

MHCLG: Alex Powell, Deputy Director, Local Government Stewardship; Joanne Allison, Lead – Local Government Intervention and conduct

1. **Welcome and apologies:** John welcomed everyone to the meeting and noted the apologies received from Steve Robinson, Panel member; Kate Charlton, City Solicitor and Monitoring Officer; and Clive Heaphy, Corporate Director Finance and Governance, relating to not being able to attend in person.
2. **Minutes:** The minutes of the last meeting 22 October 2018 had been agreed outside the meeting to enable their swifter distribution and publication.
3. John Crabtree opened the meeting by confirming that just two main agenda items would be discussed today. Namely, the finances of the Council and progress reporting in March 2019.
4. **The financial position and BCC's medium term financial strategy**
5. John Crabtree said that the Panel had reviewed the financial papers and budget consultation papers that the Council had recently published. He asked whether the Council considered that the current budget proposals were sufficient, given the longer-term financial reductions that the Council would need to meet.
6. Dawn Baxendale explained that the Council's current priority was to try to get the organisation into a stable position and move away from the downward spiral it was in, in terms of its finances.
7. Clive Heaphy confirmed that BCC is at the stage where the Council is trying to get the basics in place and to build an organisational focus on the finances to ensure the numbers are delivered. He said that BCC is looking to achieve a stabilised position and working hard to get everyone involved to be more transparent. He confirmed that the Council's Year 1 proposals are less transformative than he had hoped for and that he shared Dawn's description of the 2019-20 budget consultation representing a 'stabilisation budget' following excessive use of reserves in previous years. He confirmed that the Council's Medium Term Financial Strategy will be clearer about how staffing numbers would be reduced to meet the financial targets over the medium term. He agreed that while BCC knows that it needs to improve the efficiency of its use of properties, having agreed the Property Strategy 2018-2024 at

Cabinet at the 13 November 2018 meeting. Details regarding the implementation of this strategy, how this will be achieved and what it will mean in practice will need to align with future budget strategy. He said that BCC needed to bring in new skills to achieve the more radical changes necessary. He agreed that the Council's approach to fees and charges would need a more thorough review in 2019/20. Also, he said that the 'consolidation' agenda for big opportunities to make BCC's fleet and support services more efficient needed further focused attention to get the plans to a stage of being ready for delivery.

8. Clive Heaphy said that BCC understood that it didn't yet have a fully transformative budget yet but he said that he thought BCC had all the ingredients needed to develop one. He reminded the meeting about the transformative plans in adult social care and for travel assist which, he said, were at later stages of development and already enabling the Council to profile significant savings in 2019-20 and beyond.
9. He agreed with the Panel that BCC would need to tell its story about what would be different and addressed much more effectively by the time they engage people about its medium-term and longer-term plans. He said that the Council could not have an over-reliance on financial technical issues to balance its budget and that BCC had gone to the limit of what those could do in relation to the 2019/20 budget.
10. Dawn Baxendale said that the Council had made some brave decisions to get to where it was. She confirmed that The Leader and Cllr Brett O'Reilly had reinforced the message that the Council can't keep using reserves and that BCC had reduced its reliance on reserves in the draft 2019/20 budget. She said that the Council couldn't move from a failing position to an excellent position in just 9 months. Dawn Baxendale continued to say that a property strategy was available and had been approved by Cabinet. The Travel Assist proposals, she continued, will go to the Cabinet in December. These, she said, will be radical, and it will be a challenge to implement the changes needed.
11. Dawn Baxendale said that aspects of the 'consolidation' agenda were underway. The Programme Management Office, she said, had already been set up, and she and Clive were making adjustments to the finance team to ensure it had better experienced and more senior people in it. The Council, she said, had commissioned Cipfa to help it assess its financial resilience and develop a 'SWOT' analysis to inform decision about what the Council should change.
12. Clive Heaphy said that on the company side of things, noting that half of BCC's spending goes through BCC related companies, the Council had identified problems relating to transparency, financial management and attitudes towards risk. It was therefore, he said, reviewing its Boards' effectiveness and finding ways to detect problems early. It was also adjusting governance arrangements. There had, he said, been enthusiastic member engagement on this, led by Cllr Jones.
13. Cllr Ian Ward talked about how the progress on the budget was fitting in politically. He said that BCC had been repeatedly telling the Panel that the Council had moved the budget discussions and consultation forward this year. Next year, he said, BCC will set a genuinely longer-term budget. He said that the Council needed to bring people with it and take them on a journey. Cllr Ward cited some examples, about concerns relating to Council Tax increases, online servicing and changes to support for benefits recipients. He said that the Council had to do a lot of work to help colleagues understand why these changes were necessary. He said he didn't want to

make the mistakes that were made in the past whereby unrealistic numbers were in the budget to make all the decisions easier, only for failings to occur in delivery.

14. Cllr Ward went on to cite more difficult decisions that the Council were taking. He said that Birmingham needed to get people on to bikes and out of cars in the city. So, he said, the Council are reducing car parking spaces in places in the city. In Perry Barr, he said there had been pushback because people are worried there will be gridlock if the flyover is taken away, but we are assessing and considering this option carefully to facilitate public transport improvements. But, he said, we have to get people out of cars by 2020 or there will be gridlock more widely. There was lots of resistance, he said, to fees and charges going up. The same applied for Travel Assist. But, he said, we know we have to change things to enable the financial position to be stable.
15. The proposals about adult social care, Cllr Ward said, are transformational, but in the past BCC didn't make the effort to raise colleagues' awareness about the issues and bring them with us. BCC got stuck, he said, when it was about to make decisions or implement them because colleagues didn't have the full knowledge about the proposals and had no answers when people raised concerns. He said that the Council's new top team(s) don't want to make the same mistakes as they change and transform the rest of the Council. He said, that BCC will have to make changes to the services provided by the Place directorate. To do this the Council will need to bring people on board and talk about changes to libraries, leisure centres, youth centres and other much-appreciated buildings in the city. He reiterated that 'we need to bring our colleagues with us'.
16. Dawn Baxendale said that officers worked well in meetings with councillors and the teams ended up raising reservations about a relatively small number of proposals because the political work had been done before the main meetings.
17. Cllr Keith Wakefield, said he recognised that it can sometimes be easy for a political group to get through proposals about saving substantial sums then fail to gain agreement about a small sum associated with a sensitive change.
18. Cllr Wakefield talked about his experience of Leeds city council and the journey they took to be able to talk about and implement radical changes. He asked what was it that was stopping BCC talking about big changes? And being clear about the size of the challenge?
19. Cllr Ward said that the old BCC narrative was about 'the jaws of doom', but the basis of this analysis wasn't explained well to the wider group so there are issues that still don't feature in the understanding of many people.
20. John Crabtree said that he had great empathy and sympathy for the Council's position but he said that the Panel's narrative about the Council's progress had to reflect where it really was at. He said that the Panel had heard before BCC's promises about it planning to make the hardest decisions in upcoming years. He continued to say that the Panel's concern is that in the past BCC hadn't delivered the difficult decisions or if it had, decisions had sometimes been delayed or sometimes not implemented at all. He said that, if the Council is not clearer in its narrative about its longer term plans then that position will have to be reflected in the Panel's letter to the Secretary of State in March 2019.

21. Cllr Ward said that he didn't think it fair for the Panel to imply that difficult decisions haven't been taken in the last year. He said that the Council is taking decisions now that it hasn't in the past. He cited a report about day nurseries and day centres that would be going to the Cabinet. Frances Done replied that the Panel understood that reports were going forward and proposals were being developed, but the Panel was most interested to see what was being achieved in terms of **actual** implementation. She asked what was the Council doing to develop the proposals and narratives with partners for longer-term change and modernisation?
22. Cllr Ward said that by March the Panel will begin to see that the Council will start to talk about the transformative change. He said that BCC was being firm about the reasons the Council had to do things, and about the priority being about the interests of the city's residents.
23. Dawn Baxendale said that the day nurseries position was a good illustration of how the Council and unions were working differently on an individual service proposition.
24. Frances Done said that by March the Panel wanted to be able to cite evidence of change happening, such as the Early Years and Wellbeing staff secondment issue being resolved, rather than having limited examples of BCC taking decisions but then not implementing them.
25. Dawn Baxendale referred to the issue of the waste dispute being resolved with the MOU having been implemented and now all the employees were working a 5 day week.
26. Frances Done said that her concern was that all the longer-term planning was still private. And if BCC's contention was that it had to take things slowly and could not be bold and upfront about what had to be different to achieve financial resilience, the Council could not credibly say it had a Medium Term Financial Strategy (MTFS). She said that the Property Strategy that went to Cabinet was very general and did not set out the likely impact on jobs and buildings-based services. She said that examples from other councils across the UK who are ahead of BCC in consolidating use of premises could have been cited to begin the necessary conversations about what the future options might be. Frances continued to say that it was not clear to her why the Council had included the proposals to Invest to Save in relation to the Property Strategy in a private Cabinet report. She said that the Panel wanted to be able to say that the Council had a clear view about where it would be going over the longer term. But the delays in the Council beginning its conversations with residents and other stakeholders about the realistic possibilities for the longer-term was making this difficult.
27. Frances said that the main table in the Council's budget consultation paper was hard to fathom. She said that she accepted that additional information might be available elsewhere in service-based strategies and more detailed service-based documents. But, she said, many people would only see the main document and should expect to get the basic information about what the financial strategy over the medium term would mean in practice from that.
28. Frances Done went on to talk about the detail of the Council's finances and budget proposals. She said that it was good that this year's overspend was down to £8.8m. She said she recognised this must have taken a lot of work. But, she said, the consultation document says that in addition to £30m reserves being used in

2018/19 there are £24.9m worth of costs being covered by using one-off mitigations. This means, she said, that BCC would be rolling into 2020, on the face of it, with a £54m deficit. So how can the Council, she asked, bridge the gap with only £18m of savings proposed for 2019/20? She expressed concern that the budget for 2019/20 might not really be balanced.

29. Clive Heaphy said that all budgets take account of one-off pressures and one off savings but that the in-year reduction in use of reserves and planned budget profile for 2019-20 reflect a genuine, pragmatic reduction in the structural deficit alluded to by Frances. He offered to work through the detail of MTFS projections and any transitional issues with Frances separately to provide reassurance. He agreed that the Council needs to find a better way to convince the reader that the Council knows what will enable it to balance the budget over a number of years, not just one. It's not a sprint, said Clive, managing the budget is more like a 10k run. And to begin with, we need to make sure that the culture of focusing on reducing spending and being accountable for financial implications is fully embedded. This is part of the culture change programme arising from the workforce strategy.
30. Taking Clive's offer, Frances Done said that thinking ahead to what the Panel and Council would need to report in March, it would be helpful for the Panel to see as soon as possible a full budget reconciliation between 2018/19 and 2019/20.
31. Cllr Keith Wakefield asked who has seen the budget consultation document so far?
32. Cllr Brigid Jones confirmed that the proposals had gone to stakeholders, including members of the public and was on the Council's website. She went on to say that people can ask for a hard copy but that the Council was finding that most responses would come from social media and sessions on that, rather than the traditional public meetings. She said that the Council had held one session so far. She said that it was possible to trace the shift in impact from the changes in the Council's consultation approach. She said that BCC had experienced low engagement with face to face meetings but had received more responses from web information and social media. The demographics that we've engaged with has changed significantly, she said, due to these shifts in approach.
33. Cllr Ian Ward said that had attended a meeting in Shard End and no-one had pushed back on the Council Tax increase proposals. He said that the Council wanted to hear from young people about the budget and their ideas about what the Council should focus on. It's not, he said, a consultation just about the numbers.
34. Frances Done clarified that she agreed that producing an MTFS was not just about the numbers. She said it was fundamentally about how the Council would transform what it did and how it delivered. She said that the Panel had been talking for a very long while to the Council about the importance of it having a vision and a narrative about the extent of the changes that it would need to make. She continued to say that by March 2019 the Panel would want to see a clear narrative about how the Council intended to transform its services beyond Children's Services and Adult Social Care and how it would change how it used its property assets.
35. To clarify further Frances Done said that the Panel will need to see the reconciliation, and see clear statements from the Council about what the budget shortfall is and then we would expect the Council to make public statements about how the (big) gap will be addressed together with a narrative about the steps the Council will take to achieve the changes over the medium term. Currently, she said,

there was no overall story at all that brought together the financial information and the overall longer-term vision about what will need to change.

36. John Crabtree said that the Panel recognises the progress that the Council is making and the incremental steps it is taking. He said that with the Panel expecting to leave at the end of March 2019 it was especially important that the Council had a clear a narrative in place by then.
37. Cllr Brigid Jones said that she thought the Council was drastically underselling what it had achieved in the last few years. She said that the entire Children's directorate is unrecognisable and it's a third of the budget. She said that the Council had transformed its early years and children's wellbeing model, and that the SEND transformation work is under way. Also that while the Council might need to accelerate it in the light of Travel Assist, much had been achieved. Adult Social Care, she said, is being rebuilt and there are transformation plans for the entire service.
38. Frances Done said that the Panel accepted and had acknowledged in the papers for the meeting and previously all the progress that had been made in the last year and the progress that was still taking place. She said that what you, on behalf of the Council, are saying is that there is a clear plan. But what we as the Panel is saying is that there is no clarity about the operating models and plans for the rest of the Council's budget and that there is still a huge shortfall of money that isn't addressed in existing plans and financial analysis.
39. Frances continued and repeated that by March 2019 the Panel is asking that BCC can tell that story. The Panel will need to be able to assess to what extent the overall narrative and planning is credible, publicly shared with residents, employees and partners, is being delivered and will be sustainable.
40. Cllr Brigid Jones said that the list of issues that the Council had tackled was longer than the Panel seemed to realise. She repeated that she thought that BCC was massively underselling the picture of what has gone on before. IT, she said, had been significantly changed and the Council are in the midst of insourcing CAPITA services – potentially Britain's public sector insourcing project. Also, she said, the Council has just opened the BRUM account and won international awards for this work. HR and communications are being reviewed and Revenues and Benefits, as well as the Contact Centre, have been brought in-house and transformed. The Council has piloted an innovative approach to homelessness and have worked with partners to transform our approach to child poverty, community cohesion and regional agendas around skills and devolution. The leisure service has been remodelled into the Wellbeing Service with innovative elements such as the Active Wellbeing Society 'spun-out' and starting to leverage external funding and new models of delivery. BCC has a mixed economy of providers and services such as education improvement working to a new delivery model, Prevent has been championed by the Home Office as a national exemplar, Emergency Planning re-energised and the Council has brought in new ways of working in neighbourhood and locality arrangements. We will endeavour to provide the BIIP and MHCLG with clear evidence of the fact that most aspects of the Council have undergone (or are undergoing) very significant and transformational change and that, whilst fragile, these changes are starting to demonstrate performance improvement.
41. Frances Done said that the Panel did realise the extent of the work going on and the amount already achieved but, she said, the impact of all this effort had to link to the overall financial figures, and the Council's reserves position.

42. Cllr Keith Wakefield said that he recognised the huge effort going in and the progress being made. He praised the work and progress that was set out in the Council's Corporate Governance Improvement Plan.
43. Cllr Ian Ward said that there is further evidence of progress that BCC would share in due course. He said there was evidence about how the Council are driving through the changes in adult social care in the face of strong opposition.
44. Frances Done reiterated that the Panel were not underestimating the amount that was being progressed. But, she said, it was important that the Council understand that the Panel would have to take a view on focused on the big risks that applied to the Council's financial position and the context of the council's underlying deficit.
45. Clive Heaphy said that BCC hadn't produced a risk analysis for the reserve position and financial position before, and the team was now going through the methodology to look at the Council's exposures and how to mitigate them. This, he said, is a new culture for BCC finance staff but the methodology results will be there in time for February.
46. Dawn Baxendale said that the Council would be holding a special cabinet meeting soon about equal pay.
47. Frances Done said that the points being made linked to the need to update the Panel's schedule that it was using to log the main progress the Council had made and listing what it hoped to see by March 2019 so that when the Panel left there were no queries about what needed still to be done and what the key risks would be from then on.
48. In response to queries Sally and Jonathan described the background to the schedule that had been circulated, including that it was a 'starter for ten', had been produced to inform a Panel informal meeting in early November, and would be refined over the coming months as BCC and the Panel worked together on it. Sally explained that the Panel was using the schedule to log its own views and to highlight the evidence it already had about progress. And that it wished to be transparent about its views so that the Council had the chance to inform them and constructively challenge them.
49. Jonathan explained that BCC had recently started populating the final column of the Panel's schedule to set out the Council's responses to the Panel's assessments and to enable the Council to identify what it was planning to do in 2019/20 to address any residual risks and action plans.
50. Dawn Baxendale said that the Council would respond in December and clarify what it agreed with, what it disagreed with and what other evidence sources and additional risk mitigation the Panel should be made aware of.
51. Frances Done raised in the context of discussing risk whether BCC believed it would have enough senior management capacity to do all that it needed to, come the end of the year. Cllr Ian Ward said he was content to listen to the views of the CEO on what capacity was needed. Dawn Baxendale ran through the current recruitment and management structure changes and confirmed that she had support from politicians for building the capability and capacity she believed the Council needed.

52. Noting any formal advice of the Panel: The Panel did not provide any formal advice at this meeting.

53. Any other business

- **Industrial relations:** Cllr Ian Ward provided an update about the current situation with regard to industrial relations and there was a discussion about recent experience in Birmingham and other large local authorities.
- Dawn Baxendale confirmed that she was still sending out a weekly newsletter about what BCC could celebrate, any news and what next will be done.

54. Meeting close: John Crabtree closed the meeting.

55. Next meeting: 19 December 2018 11.30am to 1.30 pm.