



The Rt Hon Sajid Javid MP
Secretary of State for Communities and Local Government
2 Marsham Street
London
SW1P 4DF

Sent by email

4th August 2017

Dear Secretary of State,

Birmingham City Council's Improvement Progress

The Panel last wrote to you about Birmingham City Council's progress and financial position on 24 February 2017.

Since that time there have been significant changes in the Council's senior management arrangements. A new interim Chief Executive and interim Chief Finance Officer joined the Council in April. Both have considerable experience of achieving improvement and turn-around. Further changes and additions have been made to strengthen the top team, some of them on an interim basis. However, the Council intends to recruit permanently to all the remaining and newly created interim senior management posts during 2017 and early 2018.

In the context of these substantial changes in managerial leadership it has been helpful that there has been continued political stability.

The Council has provided its own assessment of its progress since it last reported in November 2016 in its June 2017 report *Priorities, persistence, progress*. The Council's report and associated evidence pack provides a helpful and credible account of the Council's current position, recent developments and future plans.

Our assessment overall is that the Council's broad direction of travel is positive. A recent assessment by Ofsted in relation to Children's Services similarly indicates a story of progress and forward momentum in many areas. Such external validation is an encouraging sign. Ofsted will return to Birmingham for a further monitoring visit in September 2017.

The Leader of the Council is demonstrating strong political leadership and is working constructively with the Interim Chief Executive. The prospects for further improvement are good. The Council has demonstrated that it recognises that it still has further to go on its improvement journey and that it will continue to face many risks and challenges, as well as opportunities, in the years ahead. The Council understands that financial pressures remain the most prominent risk, and associated with these are concerns about implementing the Council's future operating model. This is clearly the Council's highest risk savings proposal for the current year, with considerable implications for future years' savings targets as well. The Interim Chief Executive and the Interim Chief Finance Officer have reported that there is still work to be done in this area and that it has been necessary to take a little more time to get the right structures in place rather than press ahead with the proposals which had previously been agreed. They report that progress is now being made and that they are confident that the specific savings required from reorganisation can be achieved.

Financial situation

The financial situation is outlined in the Council's report. The results for the financial year 2016/17 showed an overspend of £72m on directorate controllable spend, reduced to a net overspend for the Council as a whole of £29m after taking account of corporate underspends and use of contingency provisions. In relation to the current financial year the Council has to deliver savings of £71m, and this rises to savings of £171m in the period to 2020/21.

As at June 2017 the Interim Chief Finance Officer estimated that for 2017/18 £10m (14%) of the planned savings was undeliverable, with a further £4m (6%) at risk. The corporate leadership team is therefore undertaking further work to improve this position and to identify alternative savings measures.

The Council's financial position remains extremely challenging. However we are satisfied that the Council's political and managerial leadership has gripped the task of ensuring that the current year's revenue budget is delivered without further unplanned use of reserves. The Council will also need to maintain a strong focus on achieving the substantial savings required for 2018/19 and beyond.

Priorities for the current year

The Council has recently set out its refreshed corporate vision and a clear set of priorities. It is currently formulating measurable objectives for each of these priorities and addressing any gaps and changes in accountabilities for associated programmes. All stakeholders will be keen to keep in touch with these developments so that the basis for the future evaluation of the Council's success and impact can be clear to every resident of Birmingham.

In addition the Council's recent progress report sets out a number of issues that will continue to need focused attention over coming months. Examples include:

- Ensuring that elected members and senior managers build on the recent momentum and give the necessary high priority to implementing the Children's Trust, enabling it to run in shadow form from September 2017;
- Recruiting to the permanent senior management positions highly experienced and capable senior officers;
- Maintaining a firm grip on the Council's finances and performance;
- Ensuring that the future operating model is fit for purpose and delivers effectively not only financial savings but also improvement in the quality of the Council's services to both its external and internal customers;
- Developing a strategic approach to community and social cohesion; and
- Ensuring a permanent shift in maintaining trustworthy partnership working that brings tangible outcomes for the city's residents in all its localities.

Next steps

In the light of the good prospects for improvement and bearing in mind the highly experienced capacity and capability in the current management team and the Leader's strong resolve to continue to make the necessary changes that will promote good governance we suggest that the Panel should suspend its current operation with only the Vice Chair and the Panel's adviser staying in touch with the Council.

It would be helpful if the Council was to produce a focused progress report in December 2017.

We agree with the Council that there then should be a more in-depth review and public report about the Council's overall position and progress within twelve months. It is the robust evidence of positive and sustained impact and of embedded effective management of the Council's risks and opportunities that is awaited.

Conclusion

The Council continues to operate in highly demanding circumstances. As the Council recognises in its latest progress report "*There is still a great deal of 'catch up' work to do for the Council to function with fully effective corporate governance and major change programmes to modernise its key services over the next five years*". However we recognise that progress has been and continues to be made. The political leadership is working with the new corporate leadership team to refocus improvement efforts, reframing the Kerslake principles to fit the current context and seeking to fully grip and co-ordinate the Council's transformation and financial sustainability agendas. A style is being nurtured which emphasises open information-sharing, constructive working together, challenge and clarity about actions.

The Council faces substantial risks, including its very serious financial position and the implementation of the Council's new future operating model. The Council currently has in place highly experienced senior managers with impressive track-records and a political leadership which has made clear its commitment to decisive and timely action to confront these risks.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'J R A Crabtree', written in a cursive style.

J R A Crabtree
Chair