



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

Sent by email

21 March 2016

Dear Secretary of State,

Birmingham City Council's Improvement Progress

Following receipt of your letter of 11 January 2016 the Panel has continued to engage regularly with the Council and a range of local stakeholders. We have focused our conversations on the four issues you set out in your letter. These are important because, if addressed effectively, together they could signal significant progress and deliver positive impacts for the city. These include seeing the new Leader's clear commitments translated into action; seeing a real change in the way the Council works with partners – taking a genuine transparent and collaborative approach; the Chief Executive and corporate leadership team grasping the opportunity to fully manage the delivery of agreed policies and plans; and gaining agreement to a credible long-term financial plan.

The change in the Council's political leadership in December 2015 marked a significant point in the Council's ability to move forward with its improvement programme. In the few months since then the new leader, Cllr Clancy, has actively engaged with a wide range of partners, articulating the Council's new approach to city-wide partnership working and this has been widely welcomed across the city. The leader has also adopted a positive and proactive approach to cross-party engagement and has received the co-operation of the two opposition party leaders. He is leading discussions with members across all parties to develop new approaches to local leadership designed to enable Councillors to focus more on engaging with their communities. Importantly too, the new Leader continues to reinforce his message about giving the Chief Executive and the corporate leadership team the space and responsibility to manage and see through the Council's transformation agenda.

The recently strengthened corporate leadership team, with three new permanent team members in place since January, is continuing to establish the much-needed foundations for future improvement. The Chief Executive and the Strategic Director for People have embarked on a series of local partnership meetings designed to explore and enable closer working across health and social care. The corporate leadership team has also begun to

grasp the new opportunities it now has to turn the Council into a modern, agile, empowering, engaging, learning and listening council, in keeping with its values and in pursuit of its Future Council vision.

The Panel asked the Council to develop its own assessment not only of what had been achieved so far (as set out in its December 2015 progress report), but also what more it needs to do in the next six months to, for example, achieve the necessary change in culture and swiftly modernise its governance. The Chief Executive and corporate leadership team responded positively to this request. They produced an honest assessment of where the Council is on its improvement journey and have articulated what priority actions they will take, together as a team, to ensure that further progress is maintained. This 'gap analysis' has been published on the Council website.

The main messages from the Council's own assessment echo those of the Panel. Much has been done to take forward the improvement agenda, many important milestones have been reached, many of the right foundations are in place and many of the right messages have been set out. But, regrettably, feedback from staff and partners, while encouraging and positive in many respects, makes clear that the impact is, as yet, less than was planned for. This is partly because some important elements of the transformation programmes are not yet implemented or not yet fully integrated into normal working, or are very new. For example, a new communications strategy, which reflected the conclusions and recommendations of a robust LGA Peer Challenge, was agreed only this month.

Many of the priorities for action in the council's 'gap analysis' relate to opportunities that the Panel is keen for the corporate leadership team to grasp. These include:

- The political leadership working with the Chief Executive urgently to take opportunities to ensure elected members focus on their important strategic and representational roles, and improve how members and council staff work together and relate to each other. Recent research by INLOGOV, commissioned by the Council, which explored relationships between local partners, staff and elected members will inform this work;
- Further development and embedding of the encouraging and constructive cross-party engagement that is so crucially important for the Council and the city;
- The implementation of an improved performance management framework designed to make a positive difference to the quality of people's lives and outcomes for communities;
- The corporate leadership team working on its own development to ensure it becomes a confident, collaborative leadership team that more visibly role-models the behaviours promoted by the Future Council programmes;
- The Council taking full advantage of partners' eagerness to see what the new narratives about partnership working will mean in practice and for the long-term;
- The development, with partners, of a community cohesion strategy for the city;
- Ensuring rapid implementation of the recommendations that flow from the recent LGA Peer Challenge report about communications;
- The Council delivering on its commitment to sweep away all residual, over-complex, old-fashioned, time-consuming and risk-averse processes that are continuing to stifle creativity and which sap the capacity and energy of managers and staff; and

- Above all, there is a need to eliminate the silo-based working that is so strongly embedded and replace this with shared corporate ownership and accountability for delivering the Council's priorities and long-term financial plan.

In summary, much has been done, progress continues to be made, the pace of change is picking up, but the required impact is not yet sufficient. The Panel is hopeful about the prospects for further improvement, but the robustness, resilience and sustainability of the Council's progress is yet to be evidenced.

Long Term Financial Strategy

You asked the Panel to comment on the Council's setting of its long-term financial strategy.

In the face of an enormously challenging financial position during 2015 the Council set about preparing, for the first time, a long-term financial plan. Following public consultation, on 1 March 2016, the Council approved the Business Plan and Budget 2016+.

The Council's planning was informed by a programme of work aimed at developing a better understanding about what drives, and what could be done to better manage, demand for public services. In the light of this it identified opportunities for how services might be more effectively delivered, including with partners. Evolving from the Council's draft 2020 Vision the Council has identified opportunities to reduce costs and achieve better outcomes around six themes:

- Preventing family breakdown
- Maximising the independence of adults
- Sustainable neighbourhoods
- Economic growth and jobs
- The changing workforce
- Council wide changes

The Council's four-year financial plan sets out the need for reductions of £251m in its annual revenue costs from 2016/17 to 2019/20. The Council is aware that achieving these reductions will be extremely difficult. While it has a good track record of balancing its budgets, during 2015/16 it has been unable to achieve approximately 14% of its budget reduction proposals. The Council is expecting to be able to balance its budget for 2015/16 through other means, but the task of achieving budget reductions in future years will continue to be challenging.

The 2017/18 element of the plan gives the Panel some cause for concern. The budget reduction requirements include two particularly challenging proposals, which together represent about 64% of the overall savings set out for 2017/18:

- Workforce cost reductions of £18m, which entail proposed changes to employment terms and conditions; and
- Adult Social Care cost reductions of £30m – based on redesigning and integrating services across the local health and social care economy. While the Council has initiated the necessary conversations with its key partners about how they might together put in place better arrangements, joint planning is at a very early stage.

The Council has some reserves set aside to enable it to manage the transition to new approaches, but if reductions cannot be made in the timescale envisaged there is a clear risk to delivery of the 2017/18 plan.

The Chief Executive and corporate leadership team have given an assurance that they intend to provide strong corporate leadership for the achievement of the long-term financial plan, and will be accounting to the Cabinet regularly. Given the transformational nature of the key proposals for budget reduction it will be a serious test of both the political and managerial leadership of the Council to deliver the plan successfully over the coming years.

In conclusion, the Panel is encouraged by the political and managerial leadership's commitment to its improvement programmes. It is regrettable that the long delays in building senior management capacity and in initiating and seeing through some of the major changes needed has resulted in the Council being unable to demonstrate widespread positive impact fifteen months after the Kerslake Review was published. However, the Panel believes it would now be appropriate for the political and managerial leadership to be given the chance to work together and demonstrate the Council's ability to deliver the actions outlined in the Council's recent gap analysis, without the current level of intervention. The Panel therefore considers it should stand back for a period, undertaking a review of further progress in the autumn, drawing again on feedback from residents, partners, elected members and staff. If you agree with this proposed approach then the Panel would cease to meet for the time being but I and the Panel's adviser would remain closely engaged with the Council, providing advice and support as it continues to implement the improvement programme.

Attached to this letter are three appendices. Appendix 1 - a list of the Kerslake recommendations and a summary of progress on each; Appendix 2 - a note outlining the Panel's activity since our appointment in January 2015 and related costs; and Appendix 3 - the Panel's terms of reference for completeness.

Kind regards,

Yours sincerely

A handwritten signature in black ink, appearing to read 'J R A Crabtree', written over a horizontal line.

J R A Crabtree
Chair