



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

Sent by email

20th July 2015

Dear Secretary of State,

The Panel's July Assessment of Birmingham City Council's Progress Towards Improvement

We were established as a Panel in January 2015 as recommended by Lord Kerslake in his December 2015 report *The way forward: an Independent review of the governance and organisational capabilities of Birmingham City Council*. Our role is to provide robust challenge and support to Birmingham City Council, and to provide regular updates on progress to you and the City's residents.

In March this year I provided your predecessor The Rt Hon Sir Eric Pickles MP with the Panel's first report and confirmed that we had signed off Birmingham City Council's improvement plan as a reasonable basis for moving forward. In our report we outlined some encouraging signs and 'green shoots' of progress. We also outlined some key risks facing the Council for the more difficult task of implementation ahead. These risks related to senior management capacity; development of the Council's long term financial strategy; the interdependence of elements of the improvement plan; and the need to develop a proactive communications strategy including a consistent and compelling narrative about how the Council is responding to the Kerslake Report. Embracing all these was the key risk of failing to provide consistent political leadership for the improvement plan.

On 23rd March I also wrote to Sir Albert Bore, Leader of Birmingham City Council, outlining the Panel's concerns about these risks. Since then we have continued meeting with elected members and officers of the Council to encourage and support its improvement work, to

provide challenge and monitor progress. We have worked closely with the two children's services commissioners appointed by the Department for Education (DfE) - Lord Warner, who has now completed his term of office, and Sir Mike Tomlinson who has fully endorsed the contents of this letter.

Lord Kerslake specifically asked the Panel to report to you in July 2015 to provide the Panel's assessment of progress. This letter fulfils that request.

Birmingham City Council published its own progress report at the end of May. On 11 June the Panel held its first public meeting in Birmingham at which Birmingham City Council's Leader, Deputy Leader, opposition party leaders, and the Chief Executive responded to questions from the Panel and members of the public.

Taking account of the Council's own assessment of its progress to date, our work with the Council and the information provided via the public meeting, the Panel's main findings relating to progress and improvement are outlined below.

Summary assessment

The Panel is pleased to report that progress is being made in a number of areas. But key risks and challenges remain relating to political leadership, communication and engagement and the pace of change. While elements of the plan are on track there are a number of key areas where there has been less progress than expected. While the Panel commends the energy and commitment demonstrated by the Chief Executive and his team, there remain questions about whether the senior political leadership of the Council fully understands the scale of change required. We are not yet seeing the radical shifts necessary to address the starkest of Lord Kerslake's criticisms relating to the Council's culture.

The Panel's most serious concerns relate to slow progress, in particular in these three areas: developing a City Partnership and an agreed vision for the City; developing the long term financial strategy required to balance the Council's books in the period 2016/18; and securing the senior management capability required for the size of the Council and the scale of the task.

The pace of change certainly needs to be accelerated if sufficient impact and assurance about the sustainability of any progress is to be evident by December 2015 – the date Lord Kerslake set for Birmingham City Council to publish a further report setting out how it has implemented his recommendations, which will be assessed by the Panel.

A City Partnership and an agreed vision for the City

A key element of Lord Kerslake's recommendations was that the Council needed to engage widely with partners to develop and agree a clear vision and objectives for the City. The concern we expressed in March about this key development was that progress was limited. Very recently there have been more encouraging signs of progress and we hope that the successful partner event held in early July will herald the start of a new and transformed relationship between the Council and its partners across the City.

Political leadership for this work needs to be active and consistent if the willingness of partner organisations to work effectively with the Council is to be maintained over the long term.

Long term financial strategy

In response to the Kerslake recommendations the Council has embarked on the development of a long term financial strategy, intended to address the shortfall of revenue funding in the period 2016/18 (some £250m over the two years). The approach that the Council is taking to this is thorough and professional. It is encouraging that the Council does not want to address its financial challenges through a 'salami-slicing' approach and intends to take a strategic approach. It has recently agreed the design principles and methodology for a new operating model. The new approach will require each Council function to identify and address the key drivers of demand for its services, consider the widest possible range of policy choices and involve partners and residents in developing options for change and delivery. The Council has recently got back on track with the challenging timetable and recognises the intensity of effort now required to achieve the planned multiyear programme of service reform in order to prevent the need for future rounds of 'salami slicing' cuts.

Boosting senior management capacity

In a letter to Sir Albert Bore, Leader of the Council, dated 23 March 2015 I raised the Panel's concerns about the lack of senior management capacity. I noted that senior management was extremely stretched and that there could be a severe risk to the delivery of the improvement plan if the Council did not address this for the longer term, and ensure a senior management structure appropriate to England's largest council, serving 1.1 million people. At that time the Panel received assurances from the Leader that this would be addressed urgently. Both opposition leaders also gave their support to boosting senior management capacity, including specific support to the Chief Executive. However three

months later the roles had still not been advertised. Since the public meeting at which the Panel raised this issue with the Leader of the Council yet again, I have been advised that the new senior strategic posts will be advertised this month.

The approach to improvement planning

It is encouraging that the Council's improvement plan for implementing the Kerslake recommendations has been incorporated into a comprehensive change programme for the whole Council – the Future Council Programme. This will help to bring coherence and the approach taken demonstrates that the Council's senior management team has a good understanding of the complexity and challenging nature of the task ahead. The plans are still, however, at a high level. More detail is needed about how the Council will define success, and how it will track its progress and, most importantly, measure its impact on its communities. It will also be vital that the Council demonstrates for all its programmes how it will ensure sustainability of improvements over the longer term.

An element of the Future Council Programme encompasses the development of a new workforce plan that will reshape and re-size the Council's workforce. The aim is to ensure that Birmingham City Council has the skills, capability and capacity required for the future. Interim lead officers for Human Resources and Organisational Development are in place, while decisions are being made around the future operating models for support services. Progress is being made but early work has focused primarily, and understandably, on support to Children's Services to create and deliver its workforce strategy. Underpinning details about costs, benefits and implementation for the wider workforce plan are still in development.

A proactive communications strategy - a compelling narrative for the City

A comprehensive communications strategy is a vital component of the Future Council Programme to engage and inform both internal and external stakeholders. The Panel has been informed that this will not be ready until September. Such delay does not inspire sufficient confidence that the Council's key stakeholders will be, or will feel, involved and informed. The Council's stated commitment to transparency as part of a new approach to communicating with its residents and partners needs to be translated from words into action.

Political leadership for the improvement plan

Progress has been made by the Council in relation to Lord Kerslake's recommendations about the Council's culture; notably the changes to Member roles and responsibilities concerning employment and human resources matters, bringing the approach into line with other major councils. District Committee responsibilities have been reworked in line with the recommendations and the number of Scrutiny Committees significantly reduced. The Leader's Policy Statement this year aligns well with the Future Council programme. The Leader gave an optimistic speech to full council on 9 June - the day the policy statement was published. He referred to it being a time to be bold, accept the need for rapid change, turn the page and write a new chapter in the history of the City Council. A member development plan has been agreed and implementation is underway with support from the Local Government Association (LGA) and we are encouraged that a number of Cabinet Members are taking up the opportunities provided by the LGA's Leadership Academy.

However, our concerns about the senior management capacity issue reflect a wider concern. Namely that the senior political leadership of the Council, in spite of assertions to the contrary, may still not understand the scale of the task facing the Council, and the enormous culture change needed right across the organisation by politicians and staff at all levels if the residents of the City are to be well served. We continue to observe a Council where the politicians with most influence are focusing too much on the inner political workings of the authority rather than engaging widely and enthusiastically with external partners and the communities of Birmingham. There are many very able and committed councillors and staff who welcome the potential for radical change. The so far unmet task is for the Council to consistently provide the kind of political leadership that actively encourages challenge, innovation, energy and enthusiasm – a form of leadership that will enable all staff and councillors to take forward the change programme at pace, in a way that unifies everyone across the Council and throughout the City.

Establishing a Combined Authority

As you are aware the City Council is currently engaging collaboratively and effectively with neighbouring local authorities, Local Enterprise Partnerships and partner organisations and has developed a 'Prospectus' that outlines the potential for a Combined Authority. Questions have understandably been raised about whether the Council's capacity to transform itself could impact on its ability to be an effective contributor to this venture, which is vitally important both for the City's residents and those of neighbouring areas. The Panel's view is that the Council is quite capable of doing both but it needs to demonstrate this right now by providing consistent political leadership for all aspects of the Council's own improvement programme.

Next steps

The Future Council Programme is a good vehicle through which the Council can deliver the improvements recommended by Lord Kerslake. In order to provide the Panel with assurance that the Council's commitment to transformation is both robust and sustainable we have asked the Council to extend its 2015/16 delivery plan for the Programme to also cover 2016/17. For each element of the Programme the Council will need to define what successful outcomes it is seeking to achieve for residents, partners, staff and elected members and how it will evaluate its progress and impact. We will also expect the Council to commit to funding the Programme over at least the same period to ensure the drive for and investment in improvement is sustained. We will be holding the Panel's second public meeting in September at which the Panel and the residents of the City will hold the Council to account for its progress.

The Panel will continue to offer challenge, advice and support to the Council over the coming months particularly in relation to the need for consistent political leadership for the improvement plan and increased pace of activity. In view of our concerns about the Council's rate of progress in implementing its improvement plans we will report to you again in early autumn, as well as in December.

I should be very pleased to meet with you to discuss the Panel's assessment.

Kind regards

Yours sincerely

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

J R A Crabtree
Chair