



The Rt Hon James Brokenshire MP  
Secretary of State for Housing, Communities and Local Government  
2 Marsham Street  
London  
SW1P 4DF

**Sent by email**

2 April 2019

Dear Secretary of State,

**Birmingham City Council's Improvement Progress**

The Leader of Birmingham City Council, Councillor Ian Ward, and I wrote to you in June 2018. In our letter we set out the following:

- a) The Council acknowledged that it had not sufficiently gripped the improvement challenge set by Lord Kerslake and was committed to do so from thereon with vigour;
- b) The Council acknowledged that it had failed to align its revenue expenditure with the available resources and had been using substantial reserves each year since 2015/16 to balance its budget, including 2018/19;
- c) The Council pledged to address this crucial issue and confirmed it was committed to taking the early action necessary to prevent overspending in 2018/19 and to approve a revenue budget for 2019/20 that did not resort to further use of reserves; and
- d) The Council said it understood that getting its finances under control would mean taking and implementing very difficult decisions without delay.

My letter and the Panel's attached report provide a summary of the progress that the Improvement Panel has observed since that last letter, together with our overall conclusions and reflections from our four years in Birmingham.

Fuller information about the Council's progress is set out in the Council's latest *Stocktake Report* and this is also attached. The report has benefitted from the Panel's and Council's collaborative working. We agree with much of its analysis. But there are some matters on which the Panel does not entirely concur with the Council's assessment. The most important of these are set out in our report, along with other important information that we wish to highlight. We continue to advise the Council to stay true to its commitments to be fully transparent and open. We continue to advise the Council to avoid overstating its progress or being over-optimistic about what it can achieve in the hugely challenging context it is working in. It takes time to embed genuine change.

The Panel stood itself down on 31 March 2019. The reason being that we believe we have done all that we can within our existing terms of reference and powers, and in the current context in which the Council is operating, to provide robust challenge, support and advice. The Council now, we

believe, needs to heed our advice and muster the strongest political courage and managerial capacity it can to follow through on its commitments to deliver services that are fit for the 21<sup>st</sup> century. It must be consistently true to its values and promises, always put the interests of Birmingham's citizens first and provide services that represent value for money. This will entail the Council fully implementing its improvement plans, and comprehensively addressing the statutory recommendations of its external auditor. These are set out in his latest report, which refers to the Council facing a unique level of one-off risks.

There are many significant and exciting opportunities available to the City and the Council, not least the Commonwealth Games and HS2. As Lord Kerslake rightly said in his 2014 review *'Birmingham is a great City.'*

However, the Council's financial position remains immensely serious. The risks to its financial resilience, which it must intensively manage, are considerable. Crucially, progress has been badly impacted by industrial disputes and poor industrial relations and the Council remains in the foothills of its improvement journey. In this situation the Council needs courageous and creative political leadership if it is to succeed.

The Council is intending to maintain constructive and critical challenge through internal scrutiny and sector-led arrangements. It understands that it requires third-party assistance and has commissioned elements of this already. But, in the light of the exceptional risks that the Council is facing and particularly its industrial relations context, we consider that this type of challenge will be insufficient. We therefore recommend that you should put in place external independent challenge and support, additional to that proposed by the Council, to replace the Panel.

Yours sincerely



J R A Crabtree

Chair