



# **Report of the Birmingham Independent Improvement Panel**

**2 April 2019**

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We do not intend to replicate the Council's *Stocktake Report*. Our report provides a summary of the key matters we believe it is appropriate to highlight.

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## 1 Progress since June 2018

- 1.1 We agree with the Council that there has been meaningful progress over the last ten months. We recognise the huge amount of work that Birmingham City Council is doing to get itself on the right track and tackle deeply entrenched problems and outdated ways of working.
- 1.2 The Council has worked hard over the last year and made considerable progress on many fronts.

### Managerial leadership and partnership working

- 1.3 Dawn Baxendale, Chief Executive, with the assistance of her mainly new corporate management team, is rapidly developing improved relationships with local partners. In that regard she is appropriately building on the platforms put in place by the interim Chief Executive who preceded her and the Council's current interim Corporate Director of Adult Social Care and Health.
- 1.4 The new Children's Strategic Board, the strengthening of The Community Safety Partnership, both of which the Council's Chief Executive chairs, and the Council recently taking a pro-active leadership role across the region are welcome developments. The successful launch of the Children's Trust, on time, and the latest Ofsted inspection results are also encouraging

signs. The recent setting up of the City Partnership Board is important and the Board is clearly identifying the priority outcomes that City partners can work on together, and intending to take a pragmatic and action-focused approach.

- 1.5 The Chief Executive's 'hands-on' approach and her clearer direction have been welcomed and are appreciated by the Council's senior staff and leadership teams. The developing corporate management team now has much more of the capability and experience that the Council so desperately needs. The team is, when able, focusing on the right things. It is seeking to bring stability to an ever-changing set of complex challenges. And to put in place stronger foundations on which it can build further improvements, with ever-greater confidence.
- 1.6 Promotion of a 'one council' approach is better and the organisational restructure and many of the new ways of working are helping to break down the silo working that has held the Council back for years. This, too, is encouraging.
- 1.7 The Council approved its Community Cohesion Strategy last year. It was the product of effective engagement and a good understanding of the issues. The Council is taking an approach that entails championing local best practice, facilitating challenging discussions on sensitive topics and commissioning preventative activity. It set out alongside its Strategy how each of its main services contributes to community cohesion. We have said to the Council that it could develop its action plans even further, by making clearer how the Council will continuously enhance all its own contributions to this agenda, over time.
- 1.8 The Council's leadership teams have shown concerted determination and coordinated their efforts while seeking to address the Council's refreshed priorities for improvement, which are clearer and better aligned.

### **Political leadership**

- 1.9 Notwithstanding a recent resignation, the new Cabinet, we are assured, operates more like a team. Cabinet members tell us that they appreciate the change in leadership style, which, they say is more encouraging of debate and joint working. The Leader and Deputy have cooperated with the Panel over the last year and the Deputy, in particular, has taken a keen role in shaping and driving improvements in the Council's governance. Previously she took a lead political role in driving forward many of the improvements in children's services that are now bearing results.
- 1.10 The relationships between senior officers and senior elected members are currently constructive. They have met regularly and worked together effectively on a series of complex and sensitive issues since the May 2018 elections, including on budget setting. Their emphasis on working as a 'single team' is important to them.
- 1.11 The Secretary of State will be aware, however, that political leadership issues and the existence of tensions in the relationships between elected members have featured recently in the local and national press.
- 1.12 The Panel recognises that the political leadership understands the need for bold decisions. Also that the Council's political leadership has been affected and constrained by the political and industrial relations climate it is operating in. We believe, however, that in spite of the

difficulties, the political leadership could have gone further in setting out a clear narrative and reinforcing and promoting the messages it set out in its 2018 Stocktake report and associated plans, about what the Council must change, and why.

- 1.13 The Council has made progress over the last year in strengthening its scrutiny functions. It undertook a review and increased the number of scrutiny committees. When Lord Kerslake recommended that the Council reduce the number of scrutiny committees he did so in the context of recommending and expecting that much of the scrutiny needed would be delivered locally instead. But development of locally-based scrutiny was never effectively implemented. It is right, therefore, that the Council has increased the number of committees. But, what will really matter is the quality of the scrutiny undertaken. And that will begin with all scrutiny members consistently turning up to the meetings they have a responsibility to attend. The new Scrutiny Chairs provided balanced feedback to us, at one of their meetings we attended. They said that some things were better and recognised that they have a huge way to go to embed effective self-challenge in the Council.
- 1.14 The picture is similar for other elements of the Council's self-challenge. The Audit Committee is facilitating better discussions, but it is early days. The Standards Committee has recently been reconfigured and is yet to demonstrate that it is working effectively.
- 1.15 This same story extends to some elements of the Council's self-support. After years of promising such support, the Local Government Association assisted the Council last summer to identify mentors for each of the Council's Cabinet members. This was a welcome development, and one that we thought should have been in place immediately following the Kerslake review. The Council is intending to continue with its mentoring arrangements and co-ordinating the approach. We hope that members will continue to draw as much value as they can from working with their mentors.
- 1.16 Overall cross-party working is respectful. Opposition parties have been supportive of the recent changes to Cabinet meeting protocols and co-operated with the reviews of Overview and Scrutiny and Full Council. Although opposition parties continue to express concern about important issues related to, for example, transparency and the lateness of reports.
- 1.17 We have seen, too, examples of good cooperation between the Council, the West Midlands Combined Authority and the region's Mayor.

### **Financial control**

- 1.18 The Council has, over the last year, achieved a tighter grip on its finances and improved its financial analysis and capital and revenue budget monitoring. Changes to the Council's finance teams and arrangements resulted in improved financial reporting for most months of 2018/19.

### **Organisational culture**

- 1.19 The Council knows, and recently has said openly, that it must modernise how it conducts its industrial relations. The well-publicised industrial disputes and strikes over recent months brought this issue, again, into sharp focus. The Council knows it must address this issue in order to mitigate its equal pay and other financial risks. Also to pave the way for it to bring

about the organisational cultural change and service transformation which need to be in place if the Council is to survive and thrive. The Council's heightened self-awareness, better diagnosis and greater willingness to be clear about its risks, are good signs of progress.

- 1.20 The Council's management team is readily and actively promoting learning from others. For example, it has worked with Leeds City Council to review its own confidential reporting arrangements. The Council's list of examples of useful learning and engagement with other local authorities is growing. This is creditable.

### **Governance and managing performance**

- 1.21 The Council has made concerted efforts to improve important aspects of its governance. Its Corporate Governance Improvement Plans (CGIP) for 2018/19 and 2019/20 set out the main issues that it has attended to, and still needs to take action on and/or deliver impact for. The Council has been focusing on the most pressing priorities, including the matters that relate to the external auditor's 2018 statutory recommendations. The Council and the Panel have regularly reviewed the Council's progress in implementing its 2018/19 CGIP, and has recognised where it has been successful in moving forward. For example, it has addressed some of the long-standing concerns we raised in the past about its report-writing and decision-making. It is also offering better induction and development opportunities to elected members. With induction being recently extended to new staff.
- 1.22 While there is still much to do, the Council's performance management is more outcome-focused. The Council is at last putting its performance into a context by reporting its own performance against best and comparative performers. This has provided the much-needed wake-up calls for officers and members about how poor many aspects of the Council's service provision really are. As the Council has told us, two thirds of its services are in the bottom quartile. The Council is planning to continue to improve how it manages and uses its performance information. In particular, it understands it must improve its use of insight, intelligence and trend analysis to better inform its improvement strategies and track its impact.
- 1.23 Until recently many elected members and too many staff didn't know or accept how far behind the times and poorly performing their services were. The Council's shift to producing reports that are more balanced in their analysis, and its shift to being less defensive in response to critical inspection reports - both long advocated by the Panel - are helping the Council to drive better self-awareness. This is enabling staff and elected members to work better together to develop realistic and meaningful strategies and action plans. Success in achieving this is particularly notable in the case of adult social care. The inspection findings for SEND services in the local area (Special Educational Needs and Disability) confirmed that, while a stronger emphasis on prevention and on resident choice is beginning to emerge, the shifts in performance have been from a shockingly low base. Health and life expectancy differences in the City are stark. It should long have been a top priority of the Council to work effectively with partners to address the gaping inequalities in the City's health outcomes. It is doing this now.
- 1.24 Currently the Council's performance reporting places a great deal of emphasis on monitoring performance against targets. We have queried how those targets are set and whether they are all sufficiently robust, relevant and useful. The Council assures us that it will review its

targets in the coming year.

### **Other positive developments**

- 1.25 Important improvements in aspects of adult social care, from a shockingly low base, are notable. We particularly are aware of the directorate's improved strategy, better partnership working, new emphasis on preventing problems and their escalation, deeper understanding about the need to focus on outcomes and service-users' needs. There has been a shift in its work culture. These developments are creditable.
- 1.26 The Council's *Stocktake Report* refers to its efforts to tackle difficult decisions and it cites as an example of this consulting on, agreeing and beginning to implement its Clean Air proposals.

### **Tracers**

- 1.27 We sought to trace for three cross-cutting services whether they were on an Improvement journey that would show tangible positive outcomes for Birmingham residents. Also we assessed to what extent any improvements to the Council's governance, financial controls and organisational culture were being embedded. The results showed a mixed picture. Performance management, as set out above, is showing signs of improvement from a low base and needs to continue its development if it is to be equal to the best councils. The skills agenda has not progressed far enough, despite it being a key priority which impacts on many of the Council's priorities. And it was highlighted in the Kerslake Report over four years ago. Structural changes have been implemented recently and the Council appointed a senior officer lead in early 2019, a few months later than initially planned. She will, hopefully, help to bring co-ordination and coherence to an agenda that until very recently has been fragmented. The City faces a huge challenge in tackling homelessness. It has a clear strategy with tangible actions that have and will bring improvements. The Council has taken on leadership roles for the regional programme, is engaging well with a wide range of partners across all sectors, and has a good understanding about what it must do to refocus its efforts on preventative activities.

## **2 Caveats, setbacks and disappointments during the last year**

- 2.1 The Secretary of State will need to take account of the fact that much of the progress set out above and in the Council's latest *Stocktake Report* is new. As a result, few of the improvement plans can yet demonstrate that the desired outcomes and impacts have been achieved or that the recent progress, while commendable, is sustainable.
- 2.2 For example, the Council understands that its partnerships are new in their current form and makes clear this is a '*fairly fragile phase for partnership working in the City*'. One partner recently said to us that Birmingham partners are 'in the foothills' of their partnership journey. We believe that this description has wider application to the Council's improvement journey.
- 2.3 The Council rightly refers to its understanding that it will take time for it to deliver its

ambitions and that the culture and unhelpful behaviours that persist in the Council make delivery challenging. The Council understands that its improvement journey to get to a stable, resilient and consistently good position is likely to span many years.

- 2.4 The challenging legacy that the Council is grappling with and the current context inevitably means that the journey will continue to be arduous.
- 2.5 We agree with the external auditor's opinion set out in his letter that the amount of progress made recently should not be underestimated. But, have we seen as much improvement as we, and the Council, expected to see or would have liked to see over the last year? Unfortunately we have not. While progress has been made in putting many improvement foundations in place there have been set-backs, disappointments and slippages.
- 2.6 Due to the enormous challenges encountered in the last year and still being experienced the pace of improvement continues to be slower than everyone involved would want.

### **Industrial relations**

- 2.7 Industrial relationships are a major issue and the Council formally registers them as such.
- 2.8 The Council acknowledges that it has been unable to quickly close down disputes arising from its attempts to improve the effectiveness and efficiency of its services.
- 2.9 But for the industrial disputes we believe the Council could have achieved far more progress.
- 2.10 The Secretary of State will be aware of the Council's industrial relations problems, including this year's waste service strikes and enablement service strike. The recent major industrial action relating to waste collection, the second in just 15 months, has only just ended. Sadly, it resulted, again, in significant costs and inconvenience to the city's residents.
- 2.11 The total cost of the two major disruptions to the waste collection service is estimated to be £14m with no discernable improvement in the service to justify the expenditure. In addition, the Council's Cabinet reports draw our attention to the risk of 'contagion'. The suggestion is that how the recent waste dispute was settled could lead to similar demands and industrial disputes in other services. The potential impact, if this did arise, could be significant, so increasing the Panel's concern about risks to the Council's ability to implement its improvement plans.
- 2.12 At the time of writing the dispute in the service that provides support to elderly people - the Enablement service – continues. While recognising that this dispute came about as a result of the Council seeking to make improvements to the service, the dispute has been running for 15 months.
- 2.13 Also the TUPE transfer of the Early Years and Wellbeing service staff, planned for January 2018, is still not implemented. This delay is costing the Council £750,000 a year.
- 2.14 The latest INLOGOV study that the Council references in its *Stocktake Report* is instructive. It refers to a 'culture of fear' around the nature of industrial relations. The issue clearly stands out as a continuing major concern of staff and elected members alike, and this has wide-ranging negative impacts. The findings underline, again, the need for the Council to modernise its industrial relations if it is to make the improvements to service provision that

are needed.

- 2.15 Unusually the Leader and Cabinet members have been directly involved in day-to-day negotiations with Trades Unions which presents the risk of a return to the position at the time of the Kerslake report, when blurring of member and officer roles was a key cause of concern. If union representatives will enter into negotiations only when the Council's political leadership is personally involved in meetings, this further demonstrates an inappropriate industrial relations approach, and the Council recognises this.
- 2.16 As the Council recognises too, the disputes and related distractions have caused the Council at times to have to revert to 'fire-fighting'. They have diverted both leading members and senior officers away from taking a strategic perspective, which has resulted in slippages and deferments in the delivery of planned improvements. The Council acknowledges that it has not yet started delivering the major transformation projects that it wanted to initiate sooner. Such as the implementation of, or detailed planning for, the local model that forms a major part of its agreed *property strategy*.
- 2.17 The industrial disputes not only distract attention and critical resources they demonstrate the challenge the Council is facing to put the interests of the City's residents first. A well-performing council will be a good employer and fair to its employees, but this aspect of its behaviour should not take precedence over its primary duties to address the needs of its residents and provide services that represent value for money.
- 2.18 At times, by way of example, the Council's Chief Financial Officer has spent the majority of his working hours in mediation and talks with unions and colleagues about industrial disputes. This is by no means a criticism of him, far from it. We understand why he was asked to take a lead role for one of the most important and urgent risks facing the Council. But this has led to us querying whether the Council has all the capacity and capability that it needs at the top of the organisation.
- 2.19 Permanent changes in the Finance team's work culture and capability are urgently needed. The Council knows this and it has been working with Cipfa to identify how to drive forward improvement. Yet while the Council has been pro-active in making progress on this and also many aspects of the Council's financial control and reporting agendas, we do believe that the pace of that progress has been compromised due to the Chief Financial Officer having to shift so much of his attention to resolving industrial relations emergencies.

### **External auditor's statutory recommendations**

- 2.20 The Council's *Stocktake Report* sets out the Section 24 statutory recommendations that the Council's external auditor sent to the Council last summer. The Council has been addressing these since September 2018 and the external auditor has confirmed that the Council has been making good progress in a number of areas in delivering against those recommendations. But, despite that progress, in March 2019 the external auditor issued additional statutory recommendations. He did this while noting that the recent progress should not be underestimated. Also while stating that it would be unrealistic to expect a relatively new management team and the new team of officers and members to be able to address overnight the deep-seated problems that have dogged the Council for over a decade. These were the third set of statutory recommendations sent to the Council in three years. Receiving any is unusual for a local authority and to receive a third set in so short a



time is exceptional, possibly unprecedented.

- 2.21 The latest recommendations relate to governance, the waste service, and finance. His recommendations, made under paragraph 2 of Schedule 7 of the Local Audit and Accountability Act 2014 are attached.

### **Independent waste inquiry**

- 2.22 Following the events of the 2017 waste service strike the Council commissioned an independent inquiry. The inquiry's findings were published in December 2018. That it took so long for the report to be published is regrettable. This is in spite of us urging the Council to do more to prevent so long a delay. Effectively the report questions if the Council made any progress at all up to 2017 in addressing Lord Kerslake's recommendations about the Council's organisational culture.
- 2.23 We believe that the Council has not taken every opportunity available to it over the last year to move to, and rigorously demonstrate and promote, its promised ways of operating. Yes, many aspects of the Council's culture that act as barriers to effective governance are being addressed. But many of the changes of the last year need still to gain sufficient reach and be embedded as the default and normal way of working, for everyone in the Council's leadership, at all times.

### **Staff feedback**

- 2.24 It is disappointing that while anecdotal staff feedback about, for example, the Chief Executive's weekly newsletter is positive, the results of the Council's staff surveys over many years have not shown improved results.
- 2.25 It is not clear to us what the Council is doing to address the findings from the most recent staff survey, nor the extent to which each directorate has progressed with developing action plans and implementing them. Meanwhile, recent performance reports suggest that the Council's sickness levels are high, and rising, and staff morale features in the Council's most recent corporate risk register.

## **3 Looking forward: opportunities and risks**

### **Opportunities**

- 3.1 Birmingham City Council's context is one of enormous opportunities.
- 3.2 The main point of the Kerslake review, Lord Kerslake's recommendations and our role has been to help the Council to be in a better position so that it can readily grasp, and enable its residents to benefit from, all the opportunities available to it.
- 3.3 How the Council grasps and manages its opportunities is almost as important as how well it mitigates and manages its risks.
- 3.4 The Council's preparation for, and potential legacies from, the Commonwealth Games, HS2

and other major City commercial developments align with just a few of numerous opportunities available. The Council's leadership has worked hard over recent years to build support for these major projects.

## Risks

- 3.5 The Council has set out its main risks, relating to, for example, industrial relations, equal pay, the Commonwealth Games, Paradise Circus and its Amey contract. External auditor reports align with the Council's views and set out in detail the significant risks that the Council is currently facing and could potentially face. In his latest Section 24 report the Council's external auditor notes that the Council faces '*a unique level of one-off risks*'.
- 3.6 The Council states that it is '*alive to the delivery, financial and reputational risks associated with the Games*' and that it has active risk management and programme management arrangements in place that will enable it to promptly resolve issues. This is helpful. But the extent of these risks is significant. The potential for escalation of costs is a serious risk.
- 3.7 Some of the issues that were associated with setbacks this last year also represent risks for the future.
- 3.8 There are risks inherent in the newness of much of the Council's progress. Many of the improvements are not yet fully embedded. So inevitably there will be fragilities. The resilience of some of the improvements and newer relationships are yet to be tested. The Council is aware of this and alludes to some of these risks in its *Stocktake report*.
- 3.9 We understand that the Chief Executive is being supported by the political leadership to build the capacity and capability she believes the Council needs. But we frequently see the Council's leadership team members appearing overstretched. We have drawn this to the attention of the Council's leadership at our regular meetings and have continued to question the Council's assertions on this point.
- 3.10 The risks relating to the Council's industrial relations persist and could erupt again. And if they do, potentially repeatedly, it will be very costly and put at risk many of the Council's improvement and delivery plans.
- 3.11 The biggest risk is if a number of these key risks coincide. The Council's Financial Plan 2019+ outlines both the extent of the financial risks facing the Council and its level of reserves. The financial risks include demographic pressures, capital project overruns, major contract disputes, potential changes to the business rates regime, the Commonwealth Games and Equal Pay. It is clear that if all the Council's risks that have detrimental financial implications were to come together the Council's financial resilience would be sorely tested.

## 4 The financial position and the medium term financial strategy

- 4.1 From early 2018 the Council started to grip the financial challenge and improved its control of its revenue and capital budgets. This year the Council has, at last, grasped the task to bring its spending into line with its revenue. But due to the delays in achieving this, the Council will have used £170m of its reserves to support its revenue budget in the four-year

period ending 31 March 2019.

- 4.2 Cabinet members and senior officers demonstrated in the current financial year much improved budget oversight for both capital and revenue budgets. There is now better senior elected member engagement with the finance agenda.
- 4.3 The Council's 2018/19 revenue budget was approved on the basis that £30m reserves would be required. The Council expects to remain within this budget with £9.7m of savings not achieved being covered by other underspends. As the Council understands only too well, any non-delivery of savings targets in one year will increase the savings needed in future years.
- 4.4 It is a move in the right direction that the Council's budget for 2019/20 does not rely on the structural use of reserves. But this means that the Council will need to deliver £46m of further savings that year. Achieving this will not be easy. Nor will meeting the medium term savings targets be easy. The Council's medium term financial plan for 2019/20 to 2022/23 requires total savings over the period of £86m.
- 4.5 What is worrying is that the Council has not yet clearly articulated the nature of the transformation of services, beyond Children's Services and Adult Social Care, that will be needed to deliver these savings, and so achieve financial sustainability. As the Council indicates in its *Stocktake Report*, the leadership of the Council had intended to be much further forward with this work, but was seriously diverted by the industrial disputes.
- 4.6 In its *Stocktake Report* the Council says that 'transformative work in areas such as assets, workforce, fleet and SEND (Special Educational Needs and Disability services) need further development before savings can safely be realised and form the bedrock for future financial resilience'. The report also acknowledges that some of the implementation plans, in support of these savings, are not as advanced in their depth and with assurance regarding capacity to deliver as would be ideal.
- 4.7 We are concerned that the Council is still a long way off having clear narratives about what its transformation strategies will really entail. We understand why, but the fact remains that it has not yet produced solid and detailed implementation plans. And it is not clear to us if, for each of its transformation programmes, the Council has all the capacity it will need to initiate then deliver them *in time*. This places delivery of the Council's Medium Term Financial Strategy at risk.
- 4.8 A particularly significant risk to the Council's medium term financial plans is that relating to the Commonwealth Games. In December 2017 the Council committed to providing £145m capital (of which £75m would be provided by partners) and £40m revenue to support the delivery of the Commonwealth Games. This represents 25% of the cost of the project with the government contributing 75%. In addition the Council is responsible for delivering the Commonwealth Games Village. So far none of the sources of external funding put forward in December 2017 as potential contributions to the Council's costs – including a temporary airport levy, hotel tax or workplace parking levy – appear likely to come to fruition. As a result the Council has had to provide for all its contributions in its forward capital and revenue plans, further increasing the risk to the delivery of its medium term financial strategy. In addition, the Council recently reported that some £30m of planned partner contributions is at risk of non-delivery.

## 5 Overall conclusions and reflections

- 5.1 We have reviewed the Council's updated *Stocktake Report* and had the opportunity to comment and assist with earlier drafts. We agree with much of its analysis and have drawn attention to some key aspects of the Council's progress. We have also highlighted where we do not fully concur with the Council.
- 5.2 We agree, in particular, that the Council still has a long way to go to deliver its ambitions. And we believe its onward journey will continue to be difficult and hazardous for some time yet. The Council's industrial relations issues, political and financial context and demanding work programmes, represent immense challenges.
- 5.3 The Council at last recognises how poor many aspects of its performance, financial planning and governance have been. It acknowledges it has a long way to go to get many of its functions and key services up to acceptable modern standards in terms of effectiveness and efficiency.
- 5.4 Years of the Council's public denial, defensiveness and push-back about the extent of its problems, risks and challenges, and its focus on ridding itself of Government intervention as quickly as possible, almost at any cost, has prevented the Council taking all the necessary steps to deliver real and lasting change.
- 5.5 Will this year's progress be sustained and further progress made in the years ahead? That remains to be seen. The situation with regard to industrial relations, in particular, is precarious. The resilience of much of Council's progress is yet to be tested.
- 5.6 The Council has done much in the last year to clarify its priorities and strategies. But at crucial times we could not elicit from all the stakeholders we spoke to a shared and coherent story about the Council's vision. Similarly key stakeholders could not explain clearly how the Council will meet the huge financial challenges in the years ahead. Nor was it always readily clear to us to how the Council will engage the City and its residents in meaningful and honest ways to explore all the feasible options for shaping its major modernisation programmes. At times the messaging to the public has been inconsistent.
- 5.7 We cannot say that the Council is now fully grasping and delivering on, as much as it should or could, all the opportunities available to it to ensure its citizens benefit from the economic renaissance the City is seeing.

## 6 Next steps

- 6.1 To enhance its chances of success in the future the Council will need to fully and consistently embrace challenge and be rigorously self-critical and non-defensive. It will also need to continue its improvement journey with unrelenting courage, focus and diligence. All its improvement actions will need to be entirely authentic attempts to bring about lasting positive change.

- 6.2 Consistent with the advice we have given to the Council, we believe that the Council must set out, relentlessly repeat and reinforce a clear, simple narrative. That narrative should be crystal clear about the Council's vision for its future and what the Council will change and when. Crucially it should set out the benefits that transformation and modernisation could bring.
- 6.3 As part of setting out its broad vision and priorities in 2018 the Council reaffirmed its values: We put citizens first, We act courageously, We are true to our word, We achieve excellence. The Council must be always true to these values. In particular, the political and managerial leadership need to consistently, and in a complementary way, demonstrate bold and authentic leadership.
- 6.4 We note that the Council plans to develop its transformation plans later this year. But, given the level of the Council's general reserves, we consider that the Council should be developing realistic and detailed plans for all aspects of its Medium Term Financial Strategy savings targets and transformation agendas without further delay.
- 6.5 Also in keeping with our advice since we began, and in spite of progress in this area, we still believe that the Council needs to improve its external communications. Particularly given its history and challenges it needs to be consistently fleet of foot, and on the front foot about its vision, ambitions, intentions, narratives and plans. Also it needs to be the first to publically acknowledge its mistakes, failures, limitations, learning, constraints and risks. As well as publically celebrating its successes and achievements.
- 6.6 Vitally, the Council should honour its commitments to be more open and transparent. We would like to see the Council committing to an ambition, or making a pledge, to be the most transparent and most open Council in the country. It must end its over-reliance on, and preferences for, keeping its reports private and its over-use of confidentiality agreements. These continue to create as many problems as they resolve and the impression of secrecy damages the Council's reputation. The Council must do all it can to build trust with its staff, partners, local residents and other stakeholders.
- 6.7 As the Council recognises, '*...to modernise the Council's approach to industrial relations ways of working will absolutely take time and concerted effort...a huge amount of work will be required over a number of years to rebalance that approach for the benefit of the citizens of Birmingham.*' (BCC Stocktake Report, 2019). We would add that sustained political courage and a stronger political narrative to help drive and shape the transformation will be needed above all. The Council says there is a need '*to refine a coherent and cohesive Council-wide narrative which is aligned to the Council Plan and its priorities as well as the long-term vision for the city....*'. We consider that, having advocated for years that the political and managerial leadership address this *personally*, this should be a top priority for the Council and it should address this without further delay, misplaced caution or prevarication.

## 7 The Panel

- 7.1 It is over four years since Lord Kerslake published his report about Birmingham City Council, and the then Secretary of State, Rt Hon Sir Eric Pickles MP set up the Birmingham Independent Improvement Panel. Our role has been to monitor and report to the Secretary of State on the Council's progress, and to provide to the Council support, advice and strong

external challenge.

- 7.2 We will be leaving the Council at the end of March 2019 with it in a better position than it was when we arrived in 2015.
- 7.3 We believe that this particular form of challenge, support, and advice has run its course and so brought our role, in the existing format, to a close on 31 March 2019.
- 7.4 We have done as much as we can to encourage the Council to ensure that it has the appropriate officer capability.
- 7.5 To address key challenges and risks to its transformation the Council will need to make bold *political* choices. And the Panel does not have the powers or legitimacy to push for particular political choices, even if these would be likely to help the Council achieve better value for money.
- 7.6 It is only stable, courageous and creative political leadership that will enable the Council to make the further progress it needs to make.
- 7.7 The implementation of Lord Kerslake's recommendation that the Council move to four-yearly all-out elections has given the Council the opportunity it needed to provide for such political stability.
- 7.8 In any event, we believe we would be out-staying our welcome if the Panel were to remain in place in its current form. The Chief Executive has made clear her wish that the Council's collaboration with the Panel should last up to 12 months. At times we provided, perhaps, more challenge than the Council wanted us to.
- 7.9 The Council is right to say in its *Stocktake Report* that a shift to collaborative working between the Panel and Council, made possible due to relatively recent changes in the senior management teams and the political leadership, '*heralded the requisite honesty around the scale of the challenge and sense of strategic purpose to start the improvement process in earnest*'. It feels to us that the Council is beginning only its second year of focused, earnest improvement while it is in fact in its fifth year since Lord Kerslake's review.
- 7.10 As the Council says, collaborative working between the Council and Panel was not possible in the first three years of its existence. We had to step back on two occasions to give the Council the opportunity to show whether its own assessments, strategies and tactics – which we did not entirely agree with - were right or not.
- 7.11 It is of no comfort to us that our concerns on a number of counts, that the Council emphatically refuted, turned out to be well founded. For example, despite our continuously urging the Council to be entirely transparent about all aspects of Council expenditure, its risks and issues, some of the worst problems of the last year related to the Council failing to be open previously about its mistakes. We did not know about the GMB payment or the mistake that led to it, until allegations were set out in the local press.
- 7.12 For the last year there has generally been improved and more effective collaborative working and more open sharing of information. But we would not wish to overstate this. We had to push to receive the Waste Inquiry findings, when we made clear that these should have been published at the earliest opportunity.

- 7.13 We are of the view that the Council has benefited from rigorous external independent challenge, and also support and advice, during its recent history.
- 7.14 Have we been able to assist as much as we were prepared to? The answer to this question is sadly 'No'. Intervention is rarely warmly welcomed. Yet, when it is, the benefits that can flow from it will be greater.

### **Recommendation to the Secretary of State**

- 7.15 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 the Secretary of State should put in place external independent challenge and support, additional to that proposed by the Council, to replace the Panel.

## **8 The Panel's evidence and work to inform our conclusions**

- 8.1 Members of the Panel are John Crabtree OBE (Chair), Frances Done CBE (Vice-chair), Cllr Keith Wakefield OBE, and Steve Robinson. The Panel's adviser is Sally Hammond. The Children's Commissioner for Birmingham City Council is an ex-officio member of the Panel.
- 8.2 The Panel and its adviser have regularly met with the Council's Leader, Deputy Leader, Chief Executive, Assistant Chief Executive, Corporate Director for Finance and Governance, City Solicitor and Monitoring Officer, and MHCLG representatives. The formal minutes of our joint meetings have been circulated to all the Council's elected members and are available on the Council's website. We trust that the Panel web pages will be maintained and readily available for the foreseeable future.
- 8.3 Panel members and the Panel's adviser have over the last year met:
- All elected members of the Council's Cabinet
  - Senior scrutiny members, the Chair of Audit Committee, the Chair of the Standards Committee
  - The Council's Opposition Leaders
  - Senior officers of the Council's corporate management team
  - Local partner representatives
  - Senior staff who are leading the Council's major transformation programmes and service modernisation programmes
  - Senior staff and elected members with responsibilities for financial management, governance, organisational cultural change, workforce strategic planning and performance management improvements
  - Officers who are working on homelessness, the skills agenda, community cohesion

and other 'tracer' cross-cutting agendas

- 8.4 Some of our meetings, as set out above, were one-off. Many have been frequent and/or regular – such as, quarterly or monthly.
- 8.5 The Panel and its adviser also regularly reviewed the Council's Cabinet papers and other important reports, its corporate management team agendas and reports and many of its new and updated strategies and plans – both during their production and following publication.
- 8.6 The Panel and its adviser attended or remotely observed many important Council meetings, including, for example, meetings of the Cabinet, full Council, Resources Overview and Scrutiny, and Audit Committee.
- 8.7 A Panel representative and the Panel's adviser held detailed discussions on a number of occasions with Council staff regarding three areas of activity, namely homelessness, skills and performance management. The aim was to establish whether these services were on an Improvement journey that would show tangible positive outcomes for Birmingham residents. Also to what extent any improvements to the Council's governance and organisational culture were being embedded in 'sample' cross-cutting agendas.
- 8.8 The Panel has published annually a high level summary of its activity and costs and these are available on the Improvement Panel section of the Council's website.

## **9 Appreciation**

- 9.1 We wish to thank the Council's officers and elected members for their collaboration, cooperation, frank exchanges, assistance and patience during our time in Birmingham.
- 9.2 We would also like to thank for their candour, honesty, enthusiasm, engagement and assistance the many other stakeholders we have communicated with and met over the years. Including staff, elected members, local partners, regulatory and inspection staff, and government representatives, past and present.