

# BEST VALUE COMMISSIONERS

26 April 2024

**Dear Secretary of State,**

This report summarises Commissioners' assessment of progress at Birmingham City Council (BCC). It is the first of our six-monthly reports, as required by the October 5 Directions.

## **Executive Summary**

This report sets out the scale of the challenge facing the Council and the depth of Best Value failure to date. The Council has a major improvement journey ahead. This report focusses on five key themes:

- The financial challenge facing BCC cannot be overstated. The Council has a two-year path to achieve financial stability: It must deliver difficult budget savings; manage an orderly asset disposal programme; and permanently resolve its equal pay liabilities.
- Though financial challenges dominate its focus, at the root of the Council's problems is poor governance. The Council has begun a programme to address some procedural improvements, but until the organisation embraces root and branch reform of its culture and governance, these improvements will be at risk.
- The organisation must rebuild its corporate core, consolidate key services, and transform its target operation model. Key to doing this successfully is fixing the mess created by BCC's disastrous attempt to implement Oracle. There are early signs of progress in this programme, but it will be some years before the Council regains full control of its accounts.
- Many of the Council's core services are significantly below the standard that residents expect. Waste and street scene services require fundamental overhaul and the Council has consistently under-invested in its Housing stock, leading to poor outcomes for residents. The Council has a plan to improve these services, but this will require experienced leadership to see through. Childrens' and Adults services are on firmer ground, but both are impacted by the wider instability of the Council.
- On numerous fronts, the Council has failed to properly manage its workforce. Equal Pay issues have not been adequately dealt with, Human Resources is under resourced, and the Council is spending vast sums on interim and agency staff. The Council requires a robust and well-embedded workforce strategy.

There are many talented and hard-working officers at every level of the Council and the organisation has welcomed challenge from Commissioners over the last six months. However, at this stage, the Council lacks the capacity and capability to take the necessary steps to address its problems without external support. BCC requires determined, transformative leadership, both officer and political, to get it through the next phase. Commissioners will continue to support the Council through this period.

### **The Commissioners:**

Max Caller CBE, John Coughlan CBE, Chris Tambini, Pam Parkes FCIPD, Jackie Belton, Myron Hrycyk, Lord John Hutton, John Biggs.

## Introduction

1. Commissioners commenced the intervention at Birmingham City Council (BCC) on 5th October 2023. We wrote to you after three months to stress the importance of the budget process and the fragility of the Council in managing its finances. This first six-month report provides a more fulsome assessment of the Council's position, and the work required to get BCC back on its feet. Directions were imposed for a five-year term, and we have not yet seen any evidence to suggest that this timeline can be shortened. The path to recovery is long, but it is also narrow. BCC must take very careful steps, in a deliberate order, before it first secures financial stability. There is then a long journey to meet its Best Value duty.
2. Commissioners have been provided with significant powers by the Secretary of State. We have chosen not to use these powers to their fullest extent, and instead aimed to steward the Council and support it to take the right decisions. However, we stand ready to take a more interventionist role if the Council fails to take the necessary steps.
3. Through the course of this report, we have set out the challenges the Council faces: on budget and financial management; on governance and leadership; on transformation of its services and the management of its people. Underpinning all these challenges, and indeed dictating many of BCC's choices, is the stark financial position facing the organisation.
4. BCC has been buffeted by concurrent financial crises which have threatened the long-term viability of the organisation, not least: an equal pay liability arising from a set of deliberate decisions, the consequences of which were not addressed; a colossal failure of a crucial IT implementation; disingenuous and dysfunctional budgeting, and a fundamental inability to identify and mitigate strategic risk. This has left BCC with a major financial challenge that it must take urgent and deliberate steps to address over the next two years, namely:
  - a. It must resolve its equal pay liability, by providing a fair settlement to workers who have been discriminated against and implementing a comprehensive and rigorous job evaluation to address the conditions that gave rise to the discrimination in the first place.
  - b. It must both identify and deliver a savings programme to reduce its budget by c.£300m, which transforms services and protects outcomes for the citizen.
  - c. It must release assets to sell to realise £500m in the next 12 months and a further £250m in the subsequent year, in an orderly, stable manner to achieve best value to fund the Exceptional Financial Support.
5. If the Council fails on any of these three challenges, BCC's viability as an organisation will be in doubt. All three deliverables are in the Council leadership's gift to achieve. However, this will require iron-clad discipline and determined, ambitious political and officer leadership. If the will of the leadership falters on any of these points, Commissioners will step in to exercise their full powers to secure services to citizens.
6. The Council has made some progress to address its challenges since Commissioners have been in post:

- a. The Council agreed a 2024/25 budget, a significant first step to financial stability.
  - b. They have developed and agreed an Improvement and Recovery Plan (IRP) which sets out workstreams of activity to address the challenges the organisation faces.
  - c. They have made a strong start on the asset disposal programme, with capital receipts beginning to land.
  - d. In key areas of failure, the Council has begun to get a grip of improvement, notably on the Oracle programme, SEND and housing.
  - e. Throughout, officers have engaged well with Commissioners, and welcomed challenge and guidance.
7. However, too much of the progress that has been made, in all areas of the Council's improvement, has been under the close supervision and direction of the Commissioners. There are some outstanding and capable officers at BCC and the commitment of elected Members to serve the City in the best way they can is not in question. However, on its own, this will not provide sufficient assurance that the past and deep-seated failures can be remedied. BCC's historic failure to manage its finances and operations in a way the people of Birmingham have a right to expect, points to a systemic failure of oversight and good governance to which officers and politicians alike must take responsibility. To remedy these chronic defects will require clearer, stronger political leadership and officer engagement, allied with a far greater shared sense of urgency than has been demonstrated to date. This is fundamental to the successful transformation of the Council into a well-run and efficient organisation. If BCC is to achieve its best value duty, it must make progress on its own terms. We need to see this as the intervention matures.
8. The state that BCC finds itself in is of its own making. All local authorities in the country are facing financial challenges but that does not explain or excuse Birmingham's failure. The unique difficulties BCC faces is the clearest possible evidence of a serious problem in its strategic planning and decision-making functions, its ability to recognise this and take corrective action. These problems are long standing and yet by the time Commissioners had been appointed, the Council had neither begun a process of addressing these problems in a serious way or even properly acknowledged them as principal factors that led to the issuing of the Section 114 notices and the statutory intervention.

### **Financial management**

9. The budget process for 2024/25 was hugely challenging. When Commissioners arrived in October 2023, BCC neither knew the approximate scale of the budget gap nor had it undertaken any meaningful budget preparation, unlike any other Council in Commissioners' experience at this late stage in the calendar year. Work was started immediately, and this identified a gross gap of £390m for 2024/25. Even taking account the late start, the initial savings documentation was poor and basic due diligence highlighted major issues with many of the budget proposals.
10. The resulting approved budget for 2024/25 is difficult, but deliverable. However, to do so will require major improvements in the arrangements for the delivery of savings. This includes governance, monitoring and project management arrangements and also a

change in organisational culture where successful delivery of change and savings is valued, and problems overcome rather than hidden. There is also a real need to ensure BCC recruits, retains and invests in people with the right skills and knowledge to undertake this work. There is an over-reliance on interim staff and consultants. BCC has been too slow to improve savings delivery arrangements, and Commissioners require significantly more assurance in this area to be convinced that BCC will deliver its savings proposals in full. BCC has received authority to spend up to £1.25bn in Exceptional Financial Support (EFS) from the Department. The majority is to cover for the Equal Pay liability. In total £240m is available to address the 2024/25 budget gap.

11. The narrow path to financial sustainability is dependent on the revenue budget being balanced by the end of the financial years 2024/25 and 2025/26. This means that over this period reoccurring revenue savings of nearly £300m must be made, of which £230m are set out in the budget. If this cannot be delivered the Commissioners have serious concerns that the BCC asset base will not be large enough to support a further request for EFS with a consequent major impact on services.
12. The size of gap reflects both that the approved 2023/4 budget was based on assumptions that were impossible to justify, and a very poor track record of savings delivery in this and previous years. Serious questions must now be asked about statutory roles, including the legality of a section 25 statement that was written for a budget that provided limited room for inflation, failed to adequately provide for the equal pay liability, and a meagre provision for an Oracle implementation that was in freefall.
13. As well as delivering this budget effectively, BCC needs to work on the 2025/26 to 2028/29 Medium Term Financial Plan by identifying and starting to implement savings to address the overall budget gap. Commissioners believe a far higher proportion of savings in this second year can be generated through efficiencies. This will require a far more considered approach to identification of savings and major changes to how BCC operates. These proposals need to be shaped by a coherent vision of what the smaller, more effective, BCC will offer its citizens and businesses and how it will lead the place.
14. This financial plan must be a genuine four-year plan and work needs to be undertaken at a pace that is currently not evident.

#### *Internal Control and Financial and Management Accounts*

15. The Council's management and financial accounts are in an alarming state. The impact of the disastrous Oracle implementation is significant and will have major consequences for some years to come. This is a failure of BCC's implementation and will be covered in detail later.
16. The 2020/21 and 2021/22 financial statements have not been signed by the auditors and there remain outstanding queries. In addition, the 2022/23 financial statements have not been audited and seem extremely likely to either be timed out under the proposed backstop arrangements and/or have a disclaimed audit opinion. Given the current Oracle position it is likely the same would apply to the 2023/24 and later years financial statements. Given the c.£4bn of public expenditure undertaken by BCC each year, this is clearly a major concern and alternative assurance models are being explored.

17. Management accounting information is also completely inadequate with no budget monitoring information being reported during the financial year 2023/4. The 2022/3 outturn has also not been reported.
18. The system of internal control and assurance completely failed in the run up to the S114 notice issued in September 2023. This includes the operation of internal audit and risk management and the surrounding governance framework including the Audit Committee.
19. The recently approved Improvement and Recovery Programme (IRP) sets out how these important elements of financial control will be improved. In this respect, both the Oracle programme and the Finance improvement programme are key. There are hardworking officers in the finance function who have the ability and commitment to make the required improvements provided they are effectively directed but the scale of effort required cannot be underestimated.
20. Too often, the Council does not focus on value for money. There are many examples in this report of a real lack of focus on getting the best value from taxpayers funding. The Council has limited awareness of its productivity and how unit costs benchmark against others. Culturally, BCC must learn to focus on value for money with this being hard wired into organisational decision making.

#### *Asset Sale Programme*

21. The EFS, of up to £1.25bn, granted to allow BCC to set a lawful balanced budget is only affordable if it is underpinned by a programme of asset disposals. BCC's balance sheet records an asset base of c.£2.4bn which includes assets such as schools, parks and highways which are clearly unsellable. However, it is also clear that much of these holdings are valued on a historic cost basis so true value in the market is not easily determinable. Commissioners have set a target of delivering capital receipts received of £500m in year 1 and a further £250m in year 2.
22. After a slow start, progress is now being made in achievement against this goal, substantially by a single sale to enable the development of Birmingham City Football club. BCC has historically been perceived as being unwilling to dispose of its assets and the required change of position has recently encouraged leaseholders to come forward with offers where the Council has not recorded assets having any significant value. The process has also shown up the backlog of rent reviews and arrears that a more commercial approach will resolve. However, BCC has not taken steps to rationalise its operational land holdings and can make significant savings, in both revenue and capital, by substantially accelerating the introduction of the Corporate Landlord model. Delivery in this area is a key area for action.

### **Governance & leadership**

#### *Leadership*

23. Commissioners noted in their first update letter that BCC had been slow to appreciate and respond to the scale of the financial challenge that they were facing. At officer level, this can be partially explained by the number of interims in place through the period in the top tiers of the organisation, followed by the departure of the Chief Executive in March 2024. However, the organisation struggles to be totally focussed on delivering the key tasks at pace and being able to work out what the absolute priorities and drivers are to ensure a successful change programme. This is echoed in the political leadership. Commissioners

have urged that a Cabinet Member be given sole responsibility for performance and delivery, rather than this sitting as part of another portfolio, and that BCC sets out a more clear articulation about what the organisation will do and what it will not do for the future. Whilst this guidance appears to be accepted as the right approach, turning acceptance into action requires continued reminders and specific target setting. It has been necessary, throughout the first 6 months to formally set short term targets to ensure programmes and goals remain on track. The absence of clear consistent leadership and direction risks failure in detail, particularly ensuring that the industrial relations landscape is traversed whilst minimising risk and securing outcomes.

### *Governance*

24. While there are clearly financial and performance problems, at the root of BCC's difficulties lie problems of poor governance. These are well described in the Centre for Governance & Scrutiny's (CfGS) Independent Governance Review, published in November 2023,<sup>1</sup> whose findings were accepted in full by the Council. These findings are, in essence, a repeat of those of the Kerslake Review<sup>2</sup> ten years previously, which were also accepted by the authority at that time. Very similar issues were reiterated by the SEND Commissioner in 2022 following which BCC made what turned out to be another empty commitment to review its governance.
25. That previous actions were not apparently implemented or embedded in behaviour indicates a prolonged or cultural reluctance to accept the need for or difficulty in implementing change. The scope of the governance challenges ranges from the more technical, such as the roles and responsibilities of audit and scrutiny, through to more abstract but at least as important issues around organisational behaviours and culture. These include poor officer-member relations, inappropriate personal and professional behaviours, a failure to sustain a consistent view of leadership and its demands and priorities both between members and officers and between officers, and a failure to follow through policies once agreed.
26. Cultural issues have also included challenging relationships with sections of staff and their trade unions at critical points. At such points, questions have been asked about the transparency of the extent of union influence upon the political leadership of BCC, ranging from the individual sponsorship of individual councillors through to the determination of key strategic decisions. Effective staff representation and engagement is a pre-requisite of any healthy organisation. But the purpose of any local authority is to serve its citizens, not its staff. That extends into the wider issue of the management and execution of conflicts of interest in the Council. Going forward, Commissioners will work with trade unions constructively to ensure staff needs are well represented in the appropriate channels.
27. Following the Council's acceptance of the CfGS report, a 'stabilisation plan' has been agreed and is being implemented by BCC as the initial response to the Governance review. It forms part of the IRP. There are two concerns Commissioners would like to share: first, that the historic pattern of agreeing actions and not following through implies

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<sup>1</sup> Centre for Governance and Scrutiny. (2023) Independent governance review. [Document.ashx \(cmis.uk.com\)](https://www.cmis.uk.com/Document.ashx)

<sup>2</sup> Kerslake, B. (2014) Birmingham City Council's governance and organisational capabilities: an independent review. Retrieved at: <https://www.gov.uk/government/publications/birmingham-city-councils-governance-and-organisational-capabilities-an-independent-review>

a high risk that this might extend to the most recent agreed governance improvement actions; and second, that to ensure this doesn't happen the Council needs to follow through this short-term stabilisation plan with a further and prolonged governance improvement plan, with regular feedback and review, if it is to achieve sustained change. This longer-term plan is presently unwritten and needs to be developed with priority and collective integrity.

28. Commissioners are especially concerned that a major block to governance reform in Birmingham is the BCC's deep sense, politically and administratively, of the Council's and the city's uniqueness. It implies that external bodies cannot understand the exceptional characteristics and problems of the city: from size to demography; the nature of the economy; the scale of deprivation and the complexity of racial diversity. This mantra becomes a well-argued excuse arguing that ordinary rules do not and will not apply. There is a tacit understanding that this unique city should continue to develop its unique approach to governance. In reality, every place and every Council is unique, which is the very reason for having fixed and robust frameworks and rules for doing things properly and fairly.
29. It is vital that for a successful intervention clear and sustained governance and behavioural improvements must be entrenched in BCC. These must be owned and sustained by the Council and embedded in it and its members' and officers' behaviour. They must also be led with relentless and visible determination by all leaders – politically and organisationally.
30. Commissioners have instituted a Governance board to scrutinise this area of work. However, this cannot become a substitute or proxy for the Council, members, and officers, developing and delivering their own programme of improvement in these areas. Contributing to the risk of achieving the goals of this programme are the interim status of the Chief Executive and Monitoring Officer. For the changes required to be fully embedded, these roles should be held by permanent members of staff.
31. The conduct of committee meetings suggests that many members do not take a detailed interest in the reports they are presenting or debating. The quality of committee reports is mostly adequate although the underlying performance and professional advice has been lacking at critical times.

#### *Culture*

32. The approved IRP commits the Council to a full-scale review of its Constitution, member/officer protocol and its HR policies and practices. This will provide a documentary base setting out how the Council is expected to act. However, changing and embedding the culture to give life to these reviews and ensuring compliance is crucial and does not appear to be a driving force.
33. In the first 6 months, Commissioners have witnessed concerning behaviours from Members which goes unchallenged, received whistleblowing complaints about the way in which grievance, sickness and discipline processes are managed and partiality in appointments. Following an early whistleblowing complaint, Commissioners have requested a statement setting out the number of outstanding grievance claims and statistics on the average and longest times taken to bring these processes to a conclusion. To date, it has not been possible to consider a Council-wide picture, because the organisation does not hold this data centrally. Managing sickness shows huge variations

across the Council, with allegations that this is treated as an addition to leave entitlements. This points to a set of major weaknesses which will only start to be addressed with the appointment of a Head of Paid Service who will be able to set clear expectations, and both officer and member leaders sharing a determination to get this right. The Council will not be able to exit intervention until culture change is evident.

### *Politics*

34. It is for the political groups in the Council to determine their priorities and direction, and to exercise their leadership and challenge through appropriate political and decision-making governance structures. However, it is of legitimate concern to the Commissioners that political power is exercised properly and in line with the Council's constitution, with appropriate rules, checks, and balances and recorded decision-making, including appropriate receipt of and reflection on advice.
35. The reality is that there has been a culture of unrecorded informal decision-making and a failure to follow through properly made decisions. This has created a climate in which political activity, across the Council, is often performative and not structured within decision frameworks or linked to action. It has also created and embedded a culture of mistrust and cynicism between members and officers on a number of critical issues. This is not purely a matter of member behaviour but is fundamentally about appropriate and proper member-officer relationships.
36. There has in a number of areas also been a lack of clarity about declarations of member interest, or of conflicts in those interests. This affects political decision making and is formally to be addressed through the governance work programme but its relationship to past political group conduct and accepted norms is a concern. These concerns are being addressed but remain a work in progress. The Commissioners Governance Board will continue to monitor and guide performance and behaviour improvement, and this will include a proper framework for decision making and recording.

### **Change and Transformation Programme & Capability**

37. The Council is heavily siloed with very limited sharing of services or alignment of goals. There are significant opportunities to drive out inefficiencies, improve services and reduce expenditure but the changes needed will require breaking down the silos and developing a culture of collaboration across the leadership team and departments.
38. The Council is ill-equipped to deliver the breadth and depth of change needed to create a sustainable, effective, and efficient organisation. A permanent experienced and committed senior leadership team is required to drive the necessary changes. The first iteration of the IRP has been developed to rapidly address the budget gap; however, a clear and well-articulated vision and strategy must be developed to correctly align the current improvement plan and deliver a sustainable Council for the future.

### *The Oracle Fusion Programme*

39. After relying on SAP for many years, BCC chose to deploy an Oracle-based 'Enterprise Resource Programme' or ERP system. In theory, this would have helped centralise the management and streamlining of critical operational areas, including financial accounting, payroll and human resources.



40. However, the Oracle implementation in April 2022 is the poorest ERP deployment Commissioners have seen. Commissioners entered BCC eighteen months on from this implementation. At that point, BCC had not tactically stabilised the system or formulated clear plans to resolve the system issues and recover the operation. A serious lack of trust had developed between members and officers driven by the failed implementation and subsequent lack of progress to resolve the situation.
41. Following the Commissioner intervention in October 2023, BCC has structured a recovery strategy that:
- a. delivers initial stability enabling a sub-optimal operation to be run with incremental improvements in a series of phased short term improvements through 2024,
  - b. has assessed, selected and is procuring an “off the shelf” Income Management System that, when implemented, will correctly capture and process income streams initially integrating with the current Oracle solution,
  - c. acknowledged the need to re-implement the core Oracle system and adopt the standard processes/configurations offered and not, as previously done, adapt the system to legacy ways of working. The re-implementation approach will drive further operational efficiencies, improved controls and deliver accurate performance reporting.
42. The intervention identified a lack of effective governance and control of the Oracle programme, a severe lack of Oracle skills, experience and capabilities across the council, with a lack of direction and ineffective leadership compounding the problems. As a result BCC needs to establish clear executive sponsorship, rebuild the implementation team, deploy appropriate programme governance and develop a programme recovery plan.
43. There are early signs of progress. The programme has an improved structure and milestones for the on-going stabilisation work, selection and procurement of a packaged Income Management System and the Council are starting to build the re-implementation programme team, including engaging an experienced partner to bring specific Oracle technical knowledge to the programme.
44. High level plans have been compiled which, currently show a two-year re-implementation timeframe. The Income Management System should be delivered within a year - this needs to be planned in detail. The tactical short-term fixes will continue where immediate operational benefits can be delivered. Proposals are yet to be presented to the Cabinet for approval. A serious lack of trust still exists between members and officers. Trust will only be built through accurate, timely programme updates and quality delivery of milestones.
45. The Oracle programme now has in place an SRO (Senior Responsible Officer), programme leadership and governance processes. However, BCC is coming from a very weak base and there remains a significant amount of work ahead to establish a programme that will successfully deliver a new system. Commissioners remain concerned about the ability of BCC to dedicate and assign sufficient operational resources to the programme to develop requirements, assess the design and test the system before going live. Commissioners will provide guidance and support as BCC move through the phases of the programme.

46. BCC will require strong change control mechanisms, evidenced delivery of milestones, comprehensive testing, training, and detailed preparation for go live. Commissioners will ensure BCC focusses on these aspects of the re-implementation.
47. BCC is fixed in its traditional ways of working, which was one of the key factors that caused the Oracle implementation to fail in 2022. BCC must recognise this is not just a technology implementation but the implementation of new working processes, improved operational controls and will require a step change in how people work and operate Council functions. These issues need to be effectively addressed to ensure a successful re-implementation and the delivery of improved operational efficiency.
48. Next Steps
  - a. Complete the re-build of the Oracle Fusion implementation team.
  - b. Finalise the Cabinet proposal and gain approval to proceed.
  - c. Mobilise Council colleagues across Finance, HR and Procurement to join/support the programme.
  - d. Secure an implementation partner.
  - e. Complete the procurement of the Income Management System package.
  - f. Produce a detailed resourced plan and commence the project.

#### *Procurement Capability*

49. BCC's procurement function comprises a central category management team with procurement professionals federated across the directorates. As a result, the operating model lacks focus and Council-wide strategic control. There is limited consistency in procurement processes and practices across BCC. Procurement governance and risk management is weak.
50. The intervention has highlighted the lack of procurement/contract data, weak governance of disparate procurement activity giving rise to urgent contract extensions, routine waivers, failed procurements and missed opportunities to drive cost efficiencies. BCC is under-utilising its procurement function/approach and missing opportunities to drive cost efficiencies and service improvements. BCC's procurement pipeline lacks clarity creating a re-active, rushed approach to procurement.
51. Commissioners believe significant Council-wide cost savings can be achieved by deploying strategic procurement planning, improved contract negotiation, optimising performance/contract and market data and building a high performing procurement function. There has been turnover in the leadership and a permanent procurement director is being recruited to develop, deploy, and own BCC's procurement strategy, processes, and resources. This will deliver the professional focus to enable BCC to strategically exploit procurement cost saving opportunities. Investment into procurement resourcing has been allocated from the IRP fund to specifically deliver service contract savings.
52. Next Steps
  - a. Recruit a permanent procurement director to develop and own the council's procurement strategy.

- b. Implement a procurement governance model to consolidate duplicated procurements and leverage BCC's purchasing power.
- c. Mobilise procurement to drive their contribution to the 24/25 efficiencies.
- d. Build a procurement operating model that more effectively integrates with departments across the Council and delivers control and strategy.
- e. Establish pipeline analysis to get ahead of procurement timelines to minimise reactive contract extensions/procurement waivers to ensure visibility of new procurements enabling a proper market evaluation, service modelling and procurement process.

*Managing and Delivering the Transformation Programme*

53. BCC has lacked the capability to manage strategic change programmes across the organisation. It has recognised the need to establish a CPMO (Corporate Programme Management Office) to co-ordinate its transformation activity. This is in process, using an experienced third party to establish the structure and provide the underpinning tools. The CPMO will be critical to the success of the wider transformation programme and delivery of savings.
54. The Council must develop a corporate services' "target operating model" based on the consolidation of services. There are, however, significant immediate opportunities to consolidate services across BCC, creating cross-cutting savings and improving services to customers. These are factored into the 2024/25 budget. The intervention has created momentum to identify these opportunities, develop business cases and build change programmes. A first wave of service consolidation has been identified including contact centre activity, debt management/recovery, integration of transport/vehicle management and print/mail services. A Commissioner-chaired Transformation Board has been established to support the officers with the implementation of these programmes.
55. These consolidation programmes are challenging the culture of independent directorates owning their own services. It will require BCC officers to work closely as one team to support these initiatives and erode the silos that have built up over years. The next six months will challenge the executive team to work together to support and deliver the consolidated services. The leadership must now identify a 2<sup>nd</sup> wave of consolidation. This will contribute to reducing the 2025/26 budget gap. BCC has a poor track record of delivering change, so the Council must demonstrate it has the leadership and capability to ensure the "waves" of essential consolidation programmes are delivered. Next steps:
- a. Develop a clear and well-articulated vision and strategy for the Council.
  - b. Build and deploy BCC's CPMO unit and management processes.
  - c. Structure, mobilise and commence the delivery of the transformation programmes underpinning the IRP.
  - d. Introduce Council-wide programme metrics to measure progress and delivery of savings.
  - e. Complete the assessment of highest spend contracts to drive spend reductions.

## **Council Services**

### *Adults' Social Care*

56. Adults' Social care is arguably, the one large service department to have a sustained record of relative success and stability over a period of some years. This is partly because of the continuity and strength of officer and member leadership over several years now that has managed to focus on effectiveness and efficiency and, to some extent at least, protect itself from some of the worst effects of the wider malaise in BCC. The single best measure of this has been the recent CQC pilot inspection (a forerunner to the new national framework for adults' services inspection) which has rated the services as "Good".
57. There remain risks common to the rest of BCC. The long-standing Director of Adult Social Services has been moved to act as interim CEO with an internal act-up replacing him on an interim basis. That, in itself, brings new disruption to a senior team, alongside some interim arrangements at Lead member level. Moreover, there is a serious HR issue adding to the new instability in the department.
58. Meanwhile, the department must lead the implementation of its savings programme for 24/25 against a backdrop of this being one of the areas where the delivery of previous savings proposals has been undermined. There is a key proposal for the re-provision of an existing enablement service which has symbolic significance following the withdrawal of an equivalent proposal some years previously.

### *Children and Families*

59. Children's services in Birmingham have been in disarray for some years, justifying the establishment of the Birmingham Children's Trust (BCT). The city has only begun to retrieve Children Act 2004 compliance in the past two years. There are signs now of consistent improvement, most notably, in 2023, Children's Services with BCT achieved a Good Ofsted rating for children's social care which is a very positive outcome in the conditions. SEND is finally starting to improve as described in the February 2024 report – but it needs to be stressed that these are important but fragile improvements following many years of abject failure. There is a strengthening senior management team supporting the established DCS and a strengthening formal partnership.
60. Particular mention should be made of the Council's relationship with schools and school communities. Even by current standards and in light of the local history, these are under considerable strain – not least through the SEND challenges. Those strains are now likely to be exacerbated as it has become clear through the work on the Oracle reimplementation that there is no sensible solution for schools who previously accessed the former SAP system and for whom Oracle cannot provide a similar functionality. This will require some challenging activity to re-provide various support services and systems to schools which should have been part of the original concept. That said, an increasing number of school leaders are welcoming a more involved and strategic approach to leadership from the local authority led by the now established DCS and team.
61. The scale of the children's share of savings does present an undeniable risk to the newfound stability and progress – with particular emphasis on significant programmes around early help and especially home to school transport. The necessary protection to BCT's social care activity has placed unavoidable pressures elsewhere. There is, however, an established board oversight mechanism for the savings programme and it

will be the basis of the reporting into the IRB. The departmental leaders are confident in this year's proposals but have expressed early concerns about 25/26 and beyond.

#### *Commercial & companies*

62. BCC undertakes a number of functions via a company structure and also has holdings in a series of other commercial undertakings. These are governed at political level, by a Cabinet sub-committee.
63. However, it has proved difficult for BCC to give effect to the good practice guidelines promoted by Local Partnerships and to ensure that officers produce effective and timely advice in accordance with Member decisions. It is not yet possible to determine whether trading activities deliver value for money and effective services and whether the contracts they operate under are properly managed. In addition, there are other trading operations which could best be contained in a company wrapper to ensure that investment decisions are taken using the correct criteria. Addressing these matters is an undeveloped stream of the IRP.

#### *IT and Digital*

64. BCC's IT unit was insourced back from Capita during 2019. The technology is a mixture of older on-premises systems and a newer Cloud service. The Council is faced with the challenge of modernising its platforms and moving more to the cloud where appropriate and cost effective. When the Council moved away from SAP to Oracle the SAP resource left but were not replaced with corresponding Oracle capabilities. Oracle skills are largely provided through 3<sup>rd</sup> parties. These 3<sup>rd</sup> parties remain supporting the current Oracle implementation at significant cost to the Council and cannot be a long-term solution.
65. The Council must stabilise and strengthen the IT leadership and the wider technology team after a period of significant churn. The Council has started its transformation to digital services, but it is a slow start and remains at a very early stage with a few specific customer services digitised.
66. There is substantial opportunity to digitise a majority of the Council's customer channels and in doing so significantly reduce the number of websites, call centres and improve its digital channels. There is opportunity to exploit AI, automation, chat bots, mobile apps to both increase the level of service to customers, improve central functions and specialist services and reduce operational costs.
67. Next Steps
  - a. Recruit a permanent IT and Digital Director and stabilise the management team.
  - b. Align a digital/IT strategy to the new Council vision and strategy and drive IT cost efficiencies to contribute to the Council's transformation/IRP.
  - c. Develop a pragmatic, cost effective digital strategy to digitise customer interactions.
  - d. Assess the potential for AI and process automation to streamline processes and lower operation costs supporting both the immediate cost reduction goals and the longer-term Council vision.

- e. Develop a TOM (Target Operating Model) to deliver the in-house Oracle Fusion capability for both the programme and to support the system when live.

### *Housing*

68. BCC has embarked on a necessary and urgent housing transformation programme, which must address the significant concerns raised, as part of the Social Housing Regulator's (SHR) breach notice and the Housing Ombudsman's critical report on the Council's poor performance on complaints handling and a wider range of improvements required across the department. BCC is working closely with the SHR, and the Housing Ombudsman and it is important that this continues, so that trust and confidence is developed and strengthened in BCC's ability, structure, systems, and processes, to make sustained improvements against the urgent required actions.
69. The January 2024 Cabinet approved a number of key strategic documents including the HRA Business Plan, the Asset Management Strategy, and the award of interim Repairs and Maintenance contracts while confirming its intention to commence the procurement strategy for the award, in two years' time, of the long-term, more tenant focused contracts, designed to attract a wider range of suitably experienced bidders. The approval of these strategies proved a key milestone for BCC and are necessary and important foundations required to support BCC's ability to respond proactively to changing legislative requirements and to achieve BCC's housing improvement and transformation journey. The scale and challenge cannot be underestimated and will require close, focused, and sustained political and officer oversight to achieve.
70. With the recent appointment of the Assistant Director for Housing Management, there is a permanent second tier management team in place. However, further urgent progress is required to implement the new staffing structures and associated changes in approach required across the directorate to deliver the transformation programme at the pace required.
71. BCC now accepts that there has been significant under-investment in their housing stock of circa 59,000 homes over an extensive period, with c.38% of their homes non decent. This, in part, has led to the high levels of upheld complaints and tenant dissatisfaction. BCC owns 204 high-rise and 5,266 medium rise residential buildings, many of which require extensive improvements and repairs. This will require significant financial expenditure on day-to-day and planned maintenance expenditure, while the plan to achieve decency is fully developed, agreed, resourced, and delivered for all BCC housing stock.
72. BCC is now undertaking an extensive programme of stock condition surveys, reviews of its data and establishing assurance arrangements. This better understanding of its assets and the costs involved in making its stock safe and compliant will inform the annual review of the HRA Business Plan and its procurement of the revenue and capital works programmes.
73. Priority actions over the next six months, include: achieving health and safety Compliance; strengthening the quality and accuracy of its asset data through implementation of the True Compliance system; effective contract management of their interim repairs and maintenance contractors; and developing a route to decency; while ensuring that existing performance levels improve, which should result in fewer complaints and more timely resolution.

74. Further detailed work, option appraisal, engagement and communication with tenants, councillors and partners is required on BCC's estate regeneration plans. This will need to be closely monitored over the next six months and the work undertaken to allow informed and risk aware decisions to be taken in determining the way forward.
75. BCC must respond fully to the Tenant Participation Advisory Services (TPAS) review and deliver an improved structure for tenant and resident involvement across the city and build trust and confidence that they are consistently focusing on tenants' concerns, issues, and opinions.
76. More recently, BCC has re-engaged with its Registered Providers. These are important relationships necessary to drive up the urgently needed delivery of affordable housing across the city. Current and recent delivery of affordable housing is too low and must increase significantly, in line with the BCC's Housing Strategy, to better meet housing need and reduce the use of temporary accommodation.
77. Progress on all priority actions is required, will be closely tracked, and must be clearly evidenced in the next six months. This will be subject to significant monitoring and scrutiny by the regulator, councillors, and officers through strengthened governance arrangements.

#### *Waste and Streetscene*

78. The scale of the transformation required in the waste service and across other street-scene services cannot be underestimated. The challenge is not yet fully known, understood or accepted by BCC. Improvement and transformation in these important resident facing services will be a crucial element of BCC's overall improvement and recovery journey.
79. The current performance delivery is not good enough. The service is too expensive and is not fit for purpose. Every aspect of the services must be modernised, transformed, and improved to achieve and sustain industry norm levels of delivery and standards. This requires: comprehensive transformation of staffing and management arrangements, including permanent recruitment; a focus on conduct and capability; consistent operational delivery; management of operational and strategic risks; effective procurement of fleet and ancillary services; quality assurance arrangements established and effective programme management to be in place. The transformation programme will require contributions and commitment from across BCC. There is a history of poor and unacceptable performance, lack of accurate performance data and a culture of non-compliance resulting in very poor services for residents.
80. Recent senior management appointments bring external experience to the Council, and further urgent recruitment of sector experts is now taking place. BCC is starting to develop a credible transformation plan that addresses the significant and unacceptable weaknesses in the services. Over the next six months, urgent progress on the current and emerging priority areas must be evident and the governance arrangements strengthened. Waste and Streetscene services are areas of high risk, operationally, financially, and reputationally for BCC. This transformation programme must be addressed consistently and concurrently as there are significant financial savings and operational improvements to be gained. The five key strands of this programme are: Waste, Fleet, Street Management, Parks and Green spaces and Managing Well.

## People

### *Human Resources (HR)/Organisational Development (OD) Capability*

81. BCC has limited HR/OD capacity and resources to meet the professional support and delivery demands of their emergent Transformation, Budget Efficiency and Equal Pay programmes. In the absence of an agreed and resourced workforce strategy the Council's limited Human Resources capacity is mainly focused on reactive operational activities, that occurred because of outdated workplace practices with inconsistent line management and employee compliance and understanding.
82. BCC has an over-reliance on agency and interim resourcing and will need to quickly develop its strategic workforce plans as part of budget and business planning over the next 6 months. A reduction in the peripheral workforce and the stabilisation of its core workforce will reduce cost and build capacity for its medium and long-term recovery plans.
83. BCC is dealing with a myriad of Employee Relations (ER) cases the volume of which is still to be quantified. Unresolved ER cases and whistleblowing complaints continue to be escalated to Commissioners and indicates the organisation does not have a grip of this area. Recent progress on revising HR policies will facilitate the prevention of future disputes, however, a programme of line management training in handling ER will be required to embed the changes. BCC must prioritise the formulation of a plan to baseline, categorise and process outstanding cases.
84. There does not appear to be a corporate OD approach. The Council must develop this over the next 3 - 6 months. There is an urgent need for interim programmes as well as additional capacity in the areas of Change and Performance Management. There are obvious overlaps and challenges between these activities and the work on governance in the establishment of a stronger and better organisational culture.
85. Commissioners are encouraged by the recent permanent appointment of the HR director in October 2023, who is providing capable HR & OD leadership and has made considerable progress in diagnosing and scoping the requirements needed going forward. There are now satisfactory outline plans to resource and deliver 4 areas of focus:
  - Equal Pay Programme
  - HR&OD support to Budget Efficiency Programme
  - HR & OD services transformation
  - Workforce Strategy programme

### *Equal Pay Programme*

86. BCC has made some progress in tackling their Equal Pay liability and its root causes, but from a very low base. In October 2023, Commissioners arrived to find the Council ill-equipped, unprepared, and grossly under-resourced to carry out the volume of work required. In addition, BCC were in dispute with Trade Unions on the job evaluation process and with no coherent plan to resolve the changes required to bring the historical and continuing Equal Pay Liability to closure. The relationships between Trade Union representatives and BCC officers were adversarial, with both parties lacking in trust of each other. Commissioners were able to bring both parties back to the negotiation table to arrive at an agreement to move the position of job evaluation forward and the working



relationships between Trade Unions and officers are now on a more even keel. BCC will need to maintain and further improve clear lines of engagement and communication with Trade Unions going forward to work through this complex and extensive programme of work.

87. The Equal Pay Programme has capable leadership through the HR Director and the Council's Interim Monitoring Officer. Both have undertaken thorough assessment of the work that was completed before their arrival and have formed logical plans to create an integrated programme and timeline, that could feasibly be completed by 2025/26.
88. BCC has now developed an integrated programme covering four workstreams:
  - Job Evaluation
  - Pay & Grading Framework
  - Terms and Conditions
  - Litigation Management
89. There is a revised and workable Equal Pay Programme governance framework in place that includes Council Members, Officers and Trade Union Officials. These arrangements are at the preliminary stages of formation and are yet to be tested to resolve any future disputes.
90. BCC has steadily increased capacity and expertise in all four workstreams. However, there is still some way to go before these are all fully resourced and have made sufficient progress to assure Commissioners that the necessary foundational work is complete and work plans can securely move to implementation options. At present all workstreams are mainly impeded because of the lack of human resource capacity in some work streams and the inability to rely without manual intervention on robust data from the inadequate human resources information system which is part of the failed Oracle implementation.
91. The prioritisation of the Equal Pay programme is now the collective focus of the Management team. Senior Officers now have a better understanding of the relationship between the areas of work contained within this programme and the efficiency and transformation programmes. It is less evident that there is a similar level of understanding from the wider workforce, at Heads of Service and Team Leader level. As the workstreams become more developed over the next reporting period, BCC will need to develop careful engagement and communication plans to keep line managers and wider workforce informed of progress and any options under consideration.
92. Commissioners expect that by the end of the next reporting period BCC will be able to have outline options and more reliable quantum estimates for all four workstreams for consideration in next year's budget modelling.

## **Conclusion**

93. This Best Value intervention commenced without the benefit of an Inspection report. As a consequence, this first formal report, required under the Directions, has been extensive and sets out the scale and depth of the Best Value failure. Even so, Commissioners are under no illusion that more issues will be uncovered as the process of review and improvement takes place. There are no quick fixes to this, just steady determined focussed improvement designed to bring every element of BCC that will continue into the mainstream of good practice and value for money.

94. Every Council is under financial pressure but that cannot and does not, excuse the position that this Council finds itself in. The city may well have delivered a magnificent Commonwealth Games but in terms of day-to-day activity it lets its citizens down in so many areas. With clear and effective political and managerial leadership, which will not settle for mediocrity and waste and knows what it will do, what it will get others to do and what it cannot do, it will be possible to restore the position. This first 6 months has really been spent in understanding quite how bad parts of BCC are. Until this is acknowledged by every Member and Senior Officer and that they have played a part in this, the improvement journey will not develop critical momentum.
95. There are signs that the political leadership recognise this and want to take control of the Council's destiny. When they are partnered by a Head of Paid Service committed to seeing through the changes over the period of the intervention, progress will be made. It will not be delivered by grand projects but painstaking attention to detail and following up on every misstep and failure to redirect efforts to deliver success. Commissioners are committed to helping BCC regain its place in well-functioning local government.