

BEST VALUE COMMISSIONERS

31 January 2025

Dear Secretary of State

This letter summarises Commissioners' assessment of progress at Birmingham City Council (BCC – the Council). It is our second report, as required by the Intervention Directions and is provided at this time as requested by Minister McMahon in his letter to us of 22 October 2024. The report sets out the position nearly 16 months after the commencement of the Intervention.

Executive Summary

The Council faces significant challenges on finances, Equal Pay, culture, governance, services and transformation. While many of the challenges and best value failure identified in the first report persist, in recent months the Council has shifted towards a better understanding of the work required for recovery. Commissioners have seen considerable hard work and dedication from the Leader and Cabinet, the recently appointed Managing Director (MD), senior officers and Council staff since our last report. The Council has a major improvement journey ahead and has started to make progress, but the organisation is not yet effecting change at the pace needed. Progress, although more evident in some areas, is fragile, and the path to stability – to become confident that improvements are embedded and sustainable – remains long and demanding.

Significant milestones have been achieved -

- On building a strong, corporate team – the Council have appointed, to permanent posts, a Managing Director, Deputy Managing Director, Section 151 Officer, Director of Adult Social Services, Executive Director of Place, Prosperity and Sustainability and there is further recruitment underway. Commissioners are encouraged by the emerging joint vision of the MD and Leader for the Council to have a strong corporate core built on a competent and permanent team, facilitated by effective and robust central services. Permanent and local Commercial/Procurement and IT/Digital Directors have also been appointed.
- On Equal Pay - the Council have worked with Trade Unions to achieve an agreement to settle the litigant claims on Equal Pay. Linked to this is the extensive

The Commissioners:

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

and long overdue transformation of the Council's waste service and revised grading and pay structure, which will not only improve services for residents but also bring pay inequality at the Council to an end. Whilst reform of the Council's waste service has been well-planned and thorough, it is still capable of being derailed, and implementation through 2025/26 will be challenging. Accordingly, the Council will need to remain steadfast in driving change in both this and the other associated street-based services. This progress shows significant achievement given the Council's history (although delivery through 2025/6 will be challenging and substantial risk remains).

- On Oracle – the Council have developed a reimplementation strategy and realistic plan to both re-implement Oracle and deploy a new Income Management System. The Council are working positively with Oracle on this. The programme has stabilised but remains fragile and will require very close Commissioner attention through 2025 towards the planned implementation date of April 2026.
- On governance – the Council has implemented many of the actions and recommendations of the Centre for Governance and Scrutiny's (CfGS's) Independent Review of Governance Report 2023.

However, substantial risks threaten to destabilise this progress -

- On finances – The Council's 2024/25 budget was set and is forecast to be largely delivered, but the medium-term financial plan (MTFP) is not transformational. The 2025/26 budget-setting process has not been pursued with sufficient urgency, being characterised by a repeated failure to meet key budget milestones. This has led to Cabinet not seeing the Council's budget report until February and very late changes to proposals, limited opportunity for robust due diligence and a consequent risk to the implementation processes.
- On governance and culture – while some procedural governance changes have been implemented, these do not remedy the deeper, cultural dysfunction that led to the Council's failure. The Council remains deeply wedded to old ways of working. The diagnosis that root and branch improvement in governance and culture is needed – particularly in the quality of option appraisals and committee reports and the subsequent timely implementation of decisions – is now, largely, accepted. Such improvement is crucial if progress is to be embedded and sustained.
- On performance management - the absence of an embedded, effective performance management framework – at both an organisational and individual level – and lack of benchmarked informed target-setting and regular performance monitoring, has resulted in the Council not having sufficient knowledge or

corporate grip on the issues it has faced or the scale of those issues. The history of corporate culture at the Council has led to a highly defensive and siloed management approach in many areas. There has been progress in most areas where Commissioners are actively involved but Commissioners have not yet seen the Council self-initiating improvement in areas where Commissioners have not taken a personal role. Some areas have performed well specifically due to individual officers and despite the lack of organisational grip. The new MD has begun the journey to improve corporate performance oversight and has established a performance management framework with corporate KPIs which is to be implemented in April 2025 and should lead to an increase in corporate oversight of performance both at an individual and organisational level. It is a task for the new corporate team to lead the Council out of its entrenched way of working and to a place where it is honestly reporting, actively monitoring and managing its performance and risk.

- On service improvement – key service areas remain below acceptable standards and the Council’s ability to provide high-quality, financially sustainable services whilst delivering a transformation of core functions remains a central challenge in its recovery. There have been some important first steps in stabilising services but delivering savings whilst improving service outcomes is a complex balancing act and, in many cases, planned efficiencies have not been realised. For example, improved data in housing has revealed that 70% of the Council’s homes are now recorded as failing the Decent Homes Standard which is far higher than previously recorded and a completely unacceptable level of performance. Services in some areas are well managed despite the Council’s issues, but improvement in all areas is hindered by a lack of processes and procedures, sound data, an inability to self-assess and learn from mistakes and a lack of commercial capability. These issues are further compounded in an organisation where financial control and management is poor and significant cultural and governance reform is necessary. The fragility of the improvements that have been made to date and a lack of pace in progress on companies and procurement, necessitates continued external oversight as risks and possible BCC liabilities, remain extremely high.
- On the waste dispute - Ministers will be aware that the Council and Unite (the Union, Trade Union) are currently engaged in a dispute relating to the refuse collection service. Commissioners are working in partnership with the Council to promote a resolution to this dispute which is essential for service transformation.

The nascent progress gives reason for cautious optimism in the Council’s understanding of the scale and depth of the challenge. However, the Council, currently, still lacks the ability and self-awareness to deliver timely, sustainable reform at the pace required

without substantial support and direction to see the intervention be brought to an earlier conclusion.

Introduction

It is now nearly 16 months since the start of the Intervention. We recorded in our first letter the slow acceptance of the need to change, rather than follow the past failed Birmingham approach of not really taking action but hoping that change might not really be required. This was particularly true during the period surrounding the General Election. It appeared that much effort was devoted and time wasted to speculation about potential national change which might 'rescue' Birmingham rather than local leaders improving the governance of the Council and the offer to the citizen.

The current political leadership of the Council is committed to making the changes necessary to put BCC onto the right footing for the future and, for the most part, are starting to take the wider membership with them. Unfortunately, some elements of the interim officer leadership in place pending the arrival of the Managing Director did not follow the pace required by the elected Leadership. This has now changed, and progress is starting to be made on a number of fronts due to the drive and sense of purpose being engendered by the Managing Director. This will be further embedded as the new Executive Directors recently appointed arrive and work under her direction and alongside the retained team.

It has, however, shown that within the officer group as a whole, as well as various poor working practices, there are gaps in the quality of professional oversight, advice and practice which need to be urgently addressed. This has contributed to the slow progress on the improvement journey as the organisation struggles to establish what good looks like in BCC and implement a robust plan to achieve it.

In many senses, therefore, the past year has set the foundations for improvement, which indications suggest will now be taken forwards with greater pace and clearer direction under a committed political leadership working with a new, highly experienced Managing Director and refreshed management team. This report should be read in that light.

Finances

Budget

There has been some progress, but the Council's finances remain in a very fragile condition. At the time the 2024/5 budget was set, the budget gap was £375m. The reasons for this huge gap are set out in our previous letter and relate to a culture of very poor financial management. The gap was addressed through a £150m savings programme, with the residual gap of £225m financed from asset sales following approval of Exceptional Financial Support. These figures exclude the equal pay liability.

The latest forecast indicates that there will be a small underspend on the 2024/5 budget and savings of £127m will be achieved, with the balance being met through contingency and mitigation. Compared to previous years this is a good performance, but it is notable that the Council has struggled to deliver more politically sensitive savings in the originally planned timescales relating to areas such as Libraries and Reablement. These services have previously been subject to transformation by many other councils, their programmes have achieved significant efficiencies and savings, new operating models and service improvements, BCC should systematically apply this learning from their local government peers.

The Council has produced a 2025/26 MTFP (subject to approval by full Council). The draft MTFP shows a balanced position in 2025/6 based on savings proposals totalling £148m. The budget gap increases from £80m in 2026/7 to £148m in 2028/9. Commissioners have encouraged the Council to produce a MTFP that truly supports the Council's modernisation journey and integrates both capital and revenue expenditure but still are not seeing a sufficiently robust transformational MTFP which results in multi-year savings. This is still fragile, and depends on the political leadership setting out a viable vision for the council. The Council has not met its own budget timetable and does not yet have the corporate discipline necessary to operate the key budget setting process effectively. Future years budgets need to be balanced with a greater emphasis upon service transformation and efficiencies. The Council also needs develop a credible strategy on capital that is consistent with its current financial position.

The focus of the savings is still too short-term, and efficiencies have not been maximised through service transformation. All services need to identify how service transformation savings will be delivered. The progress the Council has made on cross-cutting and corporate savings such as corporate landlord, energy, fleet consolidation, companies etc. has been too slow. The Council has also found it difficult to understand and articulate the capital pressures it faces and reflect these in a robust and funded capital programme.

Commissioners remain concerned that the Council will struggle to fully deliver the planned 2025/6 and 2026/7 savings proposals not least because the Council still lacks the corporate capacity and capability, and basic working practices, to support such a large programme of work. The savings also carry significantly higher, cumulative delivery risks compared to the 2024/5 savings which in many cases focused on more straightforward actions, such as the deletion of vacant posts.

The overall financial position has been improved by the local government finance settlement focusing limited resources on more deprived areas. Without it, BCC would still be struggling to identify sufficient deliverable savings to achieve a balanced budget. If the Fair Funding review delivers this funding on a more permanent basis this will clearly

help the financial position. However, there will be a need to continue to deliver significant savings over the medium term and the Council needs to remain focused on stabilising its finances. As well as the savings delivery risk, the Council continues to face significant service demand pressures in social care and housing. This will require tight and effective management. Equal Pay, despite recent progress also remains a key financial risk. The Council remains on target to manage within the provisionally agreed Exceptional Financial Support of £1.25bn.

Senior Finance Leaders are working under unenviable workloads and have worked hard to ensure the budget is produced. It is worth recognising that the intervention was triggered by the finance function highlighting financial frailties nearly two years ago.

Equal Pay

Since the last reporting period, BCC has made significant progress in tackling its equal pay liability and its root causes. The relationships between Trade Union (TU) representatives, BCC officers and political leadership have remained stable sufficient to progress all workstreams within the Equal Pay Programme.

The Equal Pay Programme has capable leadership through the Human Resources Director (HRD) and the Council's Monitoring Officer who are now joined in this endeavour by the newly appointed MD.

The equal pay issues are challenging for the Council, but they are fixable. Commissioners are satisfied that the current strategy provides a clear path with which to resolve the liability once and for all, for the benefit of workers that have lost out as well as for wider residents of Birmingham who will benefit from service transformation.

The prioritisation of the Equal Pay Programme remains the collective focus of the Management team. Under Commissioner direction, the Council has developed a programme to manage its equal pay issues in a consolidated strategy, by settling the claims at the same time as ending the causes of the liability.

Commissioners have put on record to the Council their recognition of the efforts of all the officers involved which has led to this position. Commissioners note that when this approach was first promoted in October 2023 at the start of the intervention there were many predicting its failure and questioning its lawfulness which is belied by the present agreement and signifies how far the Council has come in managing and eradicating its equal pay issues.

The Commissioners' view is that although an important milestone has been met, further detailed work is still necessary. Over the next 6 months Commissioners will seek regular and detailed assurance on the deployment of the settlement scheme, that the

outstanding risks are being managed and that the strategy for implementation of the Equal Pay Programme is managed within a fair and affordable envelope.

Exceptional Financial Support (EFS)

The in-principle EFS of £1.25bn included £815m to meet the potential equal pay liability. This excludes a Housing Revenue Account equal pay liability of £52m so the total liability was estimated at £867m. The Council has reached a high-level settlement with the trade unions of £250m. As the section above notes, there remains considerable risk around the delivery of the Equal Pay settlement including the mitigation of risk from non-union staff members. It is also worth noting the Council needs to agree the equal pay liability that relates to schools and other dedicated schools grant funded services with the relevant Government departments.

Whilst the minded-to allocation is £1.25bn, Commissioners only initially required the asset sales target to be set at £750m. Given the risk that the funded level of EFS might be exceeded, but not the overall figure, Commissioners and the Council agreed that a third year of asset sales be prepared in the sum of £250m. At this stage, it would not be necessary to commence the sale process but instead to ensure that sites could be brought forward and realised in the third year so that additional borrowing is not required.

Asset Sale Programme

To meet the EFS funding requirements, noted above, Commissioners initially instructed that an asset sale programme be implemented to generate capital receipts of £500m in year 1 and a further £250m in year 2.

The Council has made good progress toward meeting these targets. The majority, by value, of those disposed in the initial stages, comprised sites already approved by the Council for disposal. Commissioners have overseen improved processes designed to bring completions to a conclusion much faster than previously achieved. In addition, underperforming assets held in the commercial portfolio have been disposed of by a variety of methods, all certified as meeting best consideration requirements. Most notable amongst the major disposals is the sale of the Wheels site to Knighthead Capital to provide a new home for Birmingham City Football Club generating £50m which has been received and the sale of two blocks on the Perry Barr site to Legal and General Affordable homes delivering 487 homes together with one block acquired by the Housing Revenue Account resulting in a total of 700 units newly available in the city for affordable and social housing.

As of the end of December 2024, total sales completed have generated £259.9 m, with a further £27.6m exchanged and £81.9m under offer. £130.6m remains to be identified.

The process has been aided by the establishment of a Cabinet property sub-committee to ensure detailed Member oversight and the accelerated introduction of a corporate landlord function.

Future activity is directed at rationalisation of the operational estate to reduce revenue costs in addition to generating receipts together with a ward-by-ward review of holdings which will consolidate and release - for early action - small and medium sites capable of being developed by a range of Registered Providers adding to the affordable housing stock in the city. Two sites – previously held by the Council’s housebuilding function – Birmingham Municipal Housing Trust have already been disposed of, which has generated a capital receipt and will deliver more affordable housing with nomination rights at no further cost to the Council.

The programme of asset disposals has focused on assets that deliver no or little income to the Council. The current programme of property sales disposed of sites that only produced a very low-income yield of under 2%.

The issues regarding corporate grip and culture at the Council are evident in this area. The Council have work to do to establish a corporate landlord methodology throughout the organisation as the Council learns to take a more commercial approach to its management of property.

The property team has commenced an area-based review of the Council’s assets. This is welcome but has been slow to get started and Commissioners are yet to see tangible results. If this can be achieved at pace, it will deliver a comprehensive view of the Council’s overall portfolio, identifying where significant liabilities and opportunities exist.

Financial Management (and non-financial budget issues)

The Council’s finance function remains in a delicate state as the Council has been slow to establish a credible modernisation programme. Although there have been recent signs of progress, the area requires a real focus in 2025. The appointment of a permanent Section 151 Officer will help, and this needs to be quickly followed with the appointment of a permanent senior finance team.

Further information on the Council’s finances is provided in the Appendix.

Culture, Governance and People

Commissioners are of the strong collective view that culture and governance at the Council have become incrementally and deeply dysfunctional over many years and none of the other remedial work of the intervention – from Equal Pay, to Oracle, to the overall finances – will be confidently sustained without root and branch culture and governance improvement, for both officers and members.

There is some tacit, if inconsistent, recognition of that point across the political and officer leadership, but Commissioners are not persuaded that the depth and scale of the necessity for this work has yet been properly absorbed or addressed by the organisation. The Council has commissioned a constitution review by Professor Colin Copus – but this work has not been embraced or embedded in the wider context of Council improvement and reform.

The current dysfunctional culture of the organisation is embedded and pervasive in the majority of business areas within the Council. As the Council works through course correcting and/or rebuilding the service areas identified in the Improvement and Recovery Plan (IRP), it will need to develop and embed the required operating environment, behaviours and ways of working (organisational culture) that will build, maintain and sustain new standards of delivery and performance in line with local government norms. There are several building blocks to focus on when creating what should be the “understood” culture of the organisation, and these building blocks should, if properly entrenched, persist as part of the Council’s “DNA”. The Council have taken some early steps including conducting a staff survey, the Council’s first for 5 years and will need a clear action plan for further cultural change.

Leadership and Change Management Capacity

Consistent and high-quality leadership and management within BCC is still fragile and fragmented. Increased quality of leadership and management capacity through tiers 1-3 is needed with clear expectations of leaders in these levels regarding their people, finance, governance, performance, change and service delivery management. It will be these tiers that will, by example, articulate and drive organisational standards and crucially reject and deter behaviours and ways of working that do not align with the agreed operating environment. BCC has made some headway in establishing the new corporate leadership team and must remain focussed in building the full team at Tiers 1-3, under Commissioner supervision. The expectations of strong and effective leadership and management should be explicit in recruitment and selection, through standardised leadership and management development. These expectations should also be reinforced by the corporate and political leadership, regularly bringing cohorts together to continuously reaffirm and evaluate and assess alignment to the operating environment. These 3 Tiers that will be responsible and accountable for driving the desired and required organisational culture change. This will also enable the many competent and capable people at lower tiers at the Council to do a better job for the city.

Values and Behaviours

Many organisations, when setting out to change their organisational culture, will expend a lot of energy in creating a new set of organisational values.

The Council has a track record of repeatedly creating value statements and slogans regarding organisational culture, from which the workforce is disengaged as they are perceived as meaningless when they are not lived in practice or enforced, especially by the top of the organisation. That said, it is important for the Council to signal a change in behaviours and re-engagement and collaboration with the workforce in establishing a set of organisational behaviours that align to the new operating environment, to which everyone can engage with and be accountable for. The alignment of the Governance Board with the Cultural Change Programme gives the opportunity for the Council to reset their approach to the Nolan Principles which should be the lynchpin for new organisational behaviours that apply to and are role modelled by both officers and members.

Corporate Culture and Subcultures

Over the last nearly 16 months of the intervention, Commissioners have observed countless examples of organisational failure as a result of “federated” services, silo mentality in delivery and a weakened corporate core. Commissioners are confident that these features have been prevalent in the Council for many years. In trying to correct this there is a risk that BCC will attempt to develop a “one size fits all” culture for the organisation but this would be difficult to achieve and counterproductive in an organisation where there is a necessity for appropriate subcultures to exist for particular services – e.g. Social Care. The Council should focus its attention on developing the overarching guiding corporate culture principles that the subcultures cannot work against, and these should be the foundation for each subculture.

Political Roles

Commissioners make no comment on political membership or leadership policy. However, the process of rebuilding confidence in Birmingham requires a strengthening of the culture, rules, conventions and behaviours across the organisation which embraces both members, and officers, and their relationships and rules for engagement with each other.

The political leadership and, broadly, the opposition groups appear to accept, subject to normal political challenge, the programme of changes required and facilitated by the intervention. The constitution is under revision with some changes already in place, including an independent chair for the Audit Committee and a stronger leadership from the Council’s Cabinet, but there is more to do.

A performance monitoring framework, sitting alongside effective budget monitoring and driven by the corporate plan priorities, will strengthen and formalise executive

accountabilities and performance monitoring against targets by members of officers and clarify the objectives of members, in a more professional and consistent manner. This will, over time, facilitate a much-needed improvement in the definition and understanding of the boundaries between roles and duties of members and officers and the respective appropriate behaviours required by all. The Council's improvement for the good of Birmingham residents needs to be the responsibility of the whole membership, not just the Leader and the Cabinet.

A short-term budget strategy is in place and owned by the leadership and changes to working practices and employment terms, including the need to resolve the equal pay challenge, are broadly supported. However, these are pieces of a bigger jigsaw. Embedding and further refining these changes and developing a programme of culture change for the whole organisation, are continuing works in progress. The history of failure at BCC must mean that the durability of performance and cultural change, including by politicians, will remain under scrutiny. The process remains fragile – the more rigorous and corporate approach taken to embedding the necessary changes, both by members and officers, the less likely a repeat of past failures will become. Too early an end to this work would jeopardise success.

Officer to Member Reporting

An ongoing issue is the way the Council conducts its business in the flow of information via reporting from officers to members and in how decisions are made. Commissioners are regularly having to require authors of reports to provide explanations, justifications or further information where this is lacking and even, sometimes, repeatedly, correct factually incorrect information. The Council is now arranging for learning and development to be undertaken to improve report-writing skills but the planning, thinking and preparation behind the reports is significantly poor in places – including on some prominent and expensive decisions on investment proposals and business case papers – resulting in members taking decisions without knowledge of the full implications. It is a concern that the Council does not have sufficient process, governance and oversight in this area and that Commissioners are needing to be the challenge and filter to ensure officers have a paper that can reasonably be presented to Cabinet for discussion and sound decision-making. This also relates to the generally weak understanding and approach to the role and authority of scrutiny in the Council. Commissioners will be looking to see a material improvement in both the quality of reports and the report production process in the coming months.

Governance and Culture Change

A Governance Board has been put in place chaired until now by Commissioners, supported by the Monitoring Officer, and generally well attended, especially by cross party-political leaders. The board has so far tended to focus on a range of important but

technical and process issues, such as amending the constitution and member-office protocols. These are in line with a “sustainability” plan that has addressed the shorter-term recommendations of the recent CfGS report. These process changes are essential but are not actually yet affecting the cultural norms and behaviours of the organisation, among both officers and members, which are at the heart of the Council’s dysfunctionality. These two strands need to be brought together and corporately owned. Commissioners intend to re-constitute the Governance Board, in close partnership with the political leadership and the new Managing Director, who together should take collective direct control of the Board as its agenda widens to include both Governance and Organisational Culture. The MD’s direct role alongside the Leader will be very significant. While BCC’s direct leadership of the new board is essential, so too will be the continuing close monitoring of progress by Commissioners.

This future work on governance, led by the Council, must more profoundly address and change old behaviours, introduce a culture of confident, professional advice, and practice consistent processes and expectations of behaviour if the organisation is to change. This will include constitutional and behavioural standards but also a system of good decision making, monitoring and oversight, acting as one Council, and governed through a corporate plan with proper member and officer accountabilities and oversight. The BCC Corporate Plan has, following the intervention, been replaced by the IRP. The impending new iteration of the IRP will include a greater emphasis on the cultural and organisation change that will underpin recovery and transformation.

Cultural change is an organisation-wide process, involving all staff, achieved through both the introduction of consistent organisation-wide HR and employment practices and broader organisational development. The capacity and resources of BCC’s HR and OD functions have steadily improved, as reported elsewhere. While their focus has been on the more immediate operational requirements of transformation, efficiency and the Equal Pay Programme, they will increasingly play a role in helping managers to define and transform the future organisational culture of BCC.

Workforce

BCC HR/OD capacity and resources have steadily improved since the last reporting period to meet the professional support and delivery demands of their Transformation, Budget Efficiency and the Equal Pay Programme.

The Human Resources Director (HRD) appointed in October 2023, has made considerable progress in developing and delivering on the outline plans agreed to resource and deliver on the Equal Pay Programme. This includes, providing HR/OD support to the budget efficiency programme, services transformation and the workforce strategy programme and recruitment into permanent positions within the HR/OD team staff with professional expertise and capacity in employee and industrial relations, HR

policy and procedure and HR service centre. These areas of practice have made sufficient headway over the last 6-8 months but will require continued focus and support to ensure the changes that they are facilitating are continuously improving, established and embedded. The HR/OD function is now able to manage strategically and operationally with a backlog of outdated workplace practices and historical industrial relation cases but there is still some way to go in eradicating inconsistent line management and embedding employee compliance and understanding. Whilst the Council's working relationships with recognised Trade Unions have improved, they cannot yet be considered mature or settled. The function is increasingly needed to support line management and leadership in sensitive and complex industrial negotiations with recognised Trade Unions to bring about the necessary change needed in the Council. The function will need to establish, with the leadership, a set of core principles for these negotiations that move from a reliance solely on tactical negotiations in the moment to seek to instil the culture to which the Council aspires, to sustain healthy relationships with Trade Unions as well as the confidence of the workforce and managers that the outcomes are sustainable and fair to the majority.

BCC still has an over-reliance on agency and interim resourcing and now needs to develop and deliver – as part of budget and business planning over the next 6 months - a strategic workforce plan to shift this reliance. A reduction in the peripheral workforce and the stabilisation of its core workforce will reduce cost and build capacity for the Council's medium and long-term recovery plans. BCC now has better insight on its workforce data but is still yet to bring this insight into agreed workforce plans.

There is still a requirement for the Council to increase its capacity and resources to support the development of its workforce organisational and development plans. There remain overlaps and challenges between the necessity for the Council to maintain momentum on providing consistent HR practice and procedure whilst broadening its attention to the necessary work on governance and the establishment of a stronger and better organisational culture.

Commissioners are encouraged that the new MD is already making headway with the HRD to complete a full diagnostic of current organisational and employee culture to inform the BCC workforce strategy.

The Council must ensure that its continued work on organisational governance transformation is fully integrated with its workforce strategy, organisational development plans and service delivery responsibilities. The MD has an opportunity to utilise the capacity and leadership of the newly appointed leadership team in their delivery.

Services

The Council has taken some important first steps towards stabilising services and is progressing with several major transformation programmes across key service areas. However, the scale of this process involves substantial change and ongoing corporate support. Significant challenges and risks remain.

Waste and Street Scene

The Waste Transformation Programme, if delivered to agreed milestones, will introduce improved and consistent collection performance, new recycling services and reduced costs, all of which is targeted to be achieved in 2025/26. Successful transformation requires sustained and consistent leadership and workforce stability to achieve savings and operational targets, but there is also a need to rebuild public trust and confidence.

At the time of writing, industrial action in waste services at the Council is ongoing. Commissioners have emphasised that ongoing Council-Trade Union dialogue to end the strike must find a resolution that is legal, avoids any future equal pay challenge, and avoids setting a precedent that could disrupt the waste transformation programme in the upcoming 12 months. The final settlement needs to provide a foundation which assists planned transformation in other street-based services.

The wider Street Scene programme consists of Fleet, Street Management, Parks and Green Space and Managing Well. In 2025/26, the Council must ensure the entire transformation programme aligns with the delivery of required savings, drives transformation from service re-design and optimises new ways of working supported by technology and data.

A critical component of sustaining service improvements and embedding cultural change in both waste and street scene transformation will be equipping managers with the skills, authority and support to implement and maintain new, industry standard working practices effectively. Cultural change within operational teams has been historically slow, and there is a risk that without continued focus and attention, old inefficiencies could persist and re-emerge.

Housing

Since July 2023, housing services have been under intervention from the Regulator of Social Housing. The Council has worked hard and made good progress throughout 2024, albeit starting from a low base, to improve the quality of the inaccurate and unreliable stock condition data it holds. This has resulted in improved data accuracy and an implemented new compliance system, but 70% of housing stock remains non-decent

and requires substantial capital investment and improved housing and tenant engagement.

The Council must increase the pace of improvement against housing standards and ensure these new ways of working continue to be prioritised, safeguarded and embedded across all services. To achieve sustained compliance, the Council must maintain and embed a programme of continued work, effective contract management, a skilled workforce and continued corporate prioritisation and ensure sustained effort in improving data accuracy as business as usual. The Council has committed to £1.8bn of investment in its housing stock over the next seven years to achieve the Decent Homes Standard, with over £200m spent in 2024. This investment is on track, making 4,000 homes compliant with legal standards. Over 30% of the housing stock has now had a physical condition survey.

The ongoing priority to reduce the circa 700 households with dependents living in bed and breakfast accommodation for more than six weeks continues, with the Council working closely with central government and Commissioners to continue to review their allocation policy, increase homelessness prevention and increase the supply of temporary and permanent accommodation stock.

Children's Services

The Council in its partnership with Birmingham Children's Trust (BCT) has maintained its 'Good' Ofsted rating and is managing a challenging savings programme, though SEND services remain under separate, statutory intervention and face what will be a pivotal inspection in the next year, following at least six years of failing services. Through that separate intervention the Council is rediscovering its role as a children's services authority, including as a corporate parent, with a stronger officer leadership team including regarding the improving oversight of education and schools.

Adults Services

Adults' Social Care, despite historical stability, is entering a period of transformation under new leadership with a new Director of Adults Social Services (DASS) arriving in Spring 2025. The service is largely on track to meet 2024/25 financial targets but is delivering controversial decisions around enablement services and day care centres.

Public Health

Public Health continues as a high-performing service, though its ring-fenced grant limits its contribution to wider savings programmes. This grant is already a significant contributor to children's centre spending in Birmingham and is also supporting youth service transformation and that should be sustained. Across all these areas, success of the 2025/26 savings plan depends heavily on effective demand management and an

early intervention approach. These are not without risk and require focused and strong leadership.

Regeneration

Birmingham continues secure substantial external investment. The City Council is involved in the regeneration schemes including Ladywood, Druids Heath and Langley. The Council's regeneration portfolio has resulted in mixed outcomes for major projects. While the Paradise scheme has progressed, the Smithfield regeneration has seen delays and increased public investment requirements. The Perry Barr scheme has resulted in significant debt exposure of £150m and annual revenue costs of £9 million for the next 40 years. The Council must have a better understanding of what has gone wrong with previous projects before it can take a proper strategic view of its regeneration portfolio.

With HS2 and new growth zones approaching, the Council must urgently enhance its commercial capabilities and strategic approach to growth. It should also review the capacity and timeliness of planning support to major projects. Detail of these projects and the Council's capacity and capability for growth and regeneration is set out in the Appendix.

Transformation

The consolidation of core corporate services, while initiated, has not progressed at the expected or necessary pace to deliver the Improvement and Recovery Plan (IRP). The new MD supports accelerating the transformation of these federated functions, with work on the Target Operating Model (TOM) recommencing in February 2025. Key challenges remain including implementing a new, more robust leadership/organisation model to drive consolidation of services, alignment with Oracle Fusion implementation, development of a strong Commercial/Procurement function with subsequent aims to build contract and supplier management processes and capabilities. The necessary improvements will require strong executive leadership, the support of officers and members, and for the Council to develop a different mindset that sees value in engagement and collaboration with core corporate services.

Oracle Fusion and Digital Transformation

There has been significant progress in tactically resolving a series of immediate issues with the current Oracle Fusion system and developing a strategy and realistic plan to re-implement both Oracle and deploy a new income management system. Commissioners expect the system design to be formally agreed by the Executive and Management during the first quarter of 2025 but as the design phase progresses, significant challenges surrounding cultural resistance, data quality and an under-resourced programme team remain. Ensuring the system is not adapted to traditional poor, inefficient ways of working

is crucial and will require total executive, management, officer and member commitment to the strategy of adopting the processes and structures of the system. Commissioners' vigilance on this will be necessary. Commissioners and the programme team remain concerned about the success of the implementation of the new system. In addition to people and process changes required, data quality is very poor as the result of many years of weak data management, leaving the Council with system data that is inaccurate and incomplete. A data strategy and quality improvement plan are essential to ensure accurate and complete data is loaded into the new system. Commissioners expect this issue to be addressed during 2025, ahead of implementation. There is emerging 'buy-in' to adopting the new system with the Council seeing the system as theirs, and not something being 'done to them'.

The Oracle re-implementation team has worked extremely hard and made good progress under immense pressure, and the programme leadership have significantly contributed to keeping the team motivated and driven. There is significantly improved communication and sharing of programme information between Officers and elected members. There is also growing member confidence in the governance and progress of the programme and a distinct improvement in the level of informed, constructive challenge.

There appears to be a significant amount of IT spend generated in other departments, which is financially sub-optimal, can create duplication and lacks governance. The Council must remove as much "shadow IT" as possible to drive operational savings and improve governance and control over the Council's procurement of IT products and services.

The Council has a plan, appropriate governance and now the right skills and experience to continue but programmes of this scale and complexity will invariably encounter problems and issues, and significant risks remain. The programme remains fragile and requires very close Commissioner attention through 2025 towards implementation. Importantly, the Council must commit to process change and new ways of working to successfully implement Oracle Fusion and IMS. This will require a shift in mindset to do things differently and the erosion of the historic resistance to change.

Commercial and Procurement

The Council's commercial capability and procurement function falls significantly short of the level of capability, governance and control required by an organisation of the Council's size. The current fragmented, federated operating model encourages departmental, less governed commercial and procurement activity outside the core procurement function, which results in the duplication of resource and sub-optimal commercial arrangements.

The new MD's position aligns with Commissioners' views that a strong, professional, central commercial and procurement function will deliver greater levels of value, control and efficiency. Commissioners are supportive of the Council's plans – under the leadership of a newly appointed Commercial/Procurement Director - to start with getting the fundamentals right - not least to rebuild departmental confidence - before addressing the sub-optimal shadow procurement/commercial activity and develop professional contract and supplier management capabilities to drive out greater efficiencies and savings.

Companies, Charities and Traded Services

The potential scale of risk involved in the Council's lack of grip on the many companies, charitable entities and traded services arrangements that operate under the umbrella of the Council has been recognised from the outset of the intervention, but there has been no progress whatsoever in documenting the current position and producing and implementing an action plan over a sensible period to bring good order to governance and operations. The consequences of establishing the true position could have an impact on prior years' accounts and the need, in future years, to provide for identified and possibly sizeable financial risks.

Progress has not been made due to staff absences, lack of appropriate skills and a failure to prioritise this activity, despite awareness of the significant risks involved.

The Council is not currently equipped to properly operate these entities, understand their liabilities and extract the value due from them. It has been extremely slow on multiple fronts: to identify/understand these entities, to introduce appropriate governance and control where needed (either close the company, cease the service or return the operation to a Council department), and to extract value where there are opportunities e.g. dividends back into the Council.

The Council has now decided to relaunch activity in this area, commencing with a fact-finding phase. This is welcomed, but Commissioners want to see the Council renew their efforts in this area at pace, develop detailed plans and commence productive work to address this exposure during the first half of 2025. If progress cannot be made by the Council in the next reasonable period, Commissioners will consider what alternative approaches might be necessary to ensure governance and risk are properly managed.

Conclusion

The initially approved Improvement and Recovery Plan was very much a plan to have a plan. This has moved forward over the period so that for much of its improvement work, the Council is now clearer about where it wants to get to. It is less clear about how it is going to deliver the change required and that the cadre of senior officer leaders will need to overcome the silo-based mentality endemic in the organisation. Commissioners

recognise that it needed the arrival of the Managing Director to change the officer approach but in our judgement, this has been the most significant barrier to progress.

There are other major challenges ahead. Historically, BCC has rarely been able to deliver desired outcomes when faced with opposition, even if that opposition is ill-founded. The next 12 months will test the Council very hard in this area despite knowing that the current level of service is unacceptable to residents or far behind what other councils have delivered by way of transformation. If they are able to weather these storms, the next period should see significant progress along the road to exiting intervention. BCC has the ability to do this by themselves with Commissioners being there to provide expert advice and support, but the Council cannot be allowed to fail resulting in the delivery of expensive and mediocre services. In such circumstances Commissioners will need to exercise the Direction powers sparingly, with the effect of enabling the Council to meet – and demonstrate how it is meeting - its Best Value Duty.

As always, Commissioners are happy to expand or further explain any point in this update to you or your officials.

Yours sincerely

A handwritten signature in black ink, consisting of a stylized 'M' followed by a long horizontal flourish.

Max Caller CBE
Lead Commissioner
On behalf of the Commissioner Team

Appendix

Finances

Budget

The current finance team is hardworking, committed and has driven some improvement including aspects of budget setting such as due diligence of savings and incorporation of a far more prudent budget assumptions, but there is more to do. The team do have a considerable workload that includes reimplementation of oracle, the Equal Pay Programme, as well as delivering a balanced MTFP. However, faster progress needs to be made on all finance improvement activity including companies, governance, debt collection and modernisation of internal audit.

Financial management is everyone's responsibility. The well-documented failings at the Council reflect on the whole organisation. The finance improvement programme needs to drive improvement in financial management at all levels in the organisation. Senior leadership have a key responsibility and need to learn lessons from the 2025/6 budget process.

Equal Pay

Over the last 8 months, BCC has persistently worked through the issues of an integrated and complex Programme covering the workstreams of:

- Job Evaluation - delivered the job evaluation of all benchmarked roles (using the addendum agreed with TUs and Commissioners in October 2023)
- Pay & Grading Framework - shared a redesigned pay and grading model This will support greater transparency in job evaluation and mitigate the potential for future pay disparity (which the TUs have responded to positively)
- Terms and Conditions - designed a new contract of employment to modernise and standardise terms and conditions across the Council. This will end all practices of unfair or discretionary payments to certain employees and will not see a derogation of terms for the vast majority of employees at the Council. (This is still subject to consultation).
- Litigation Management - where legitimate discrimination has occurred, agree the settlement of the outstanding claims and negate the active claims against the Council that were due to be heard in court in November 2024.

The Equal Pay litigation position as of December 2024 is as follows - BCC began without prejudice negotiations with GMB and UNISON on 10 September to bring outstanding claims to a close culminating in a two-day conference on 21 and 22 November. By the beginning of December 2024, the Council and TUs reached a settlement agreement that

was approved by Cabinet in January, however, still subject to legal agreement between both parties.

Services

Waste

Over the past nine months, there has been significant progress in laying the groundwork necessary for a successful Waste Transformation Programme. If delivered to agreed milestones, the programme will bring improved and consistent performance, introduction of new recycling services, reduced costs in 2025/26 and will help rebuild public trust and confidence in the Council's ability to deliver core services effectively.

The scale of the transformation should not be underestimated and a robust programme of management, resilient leadership, changes to workforce structures, practices and processes and a dedicated transformation resource will be critical to keeping the programme on track.

Risks have and will materialise and must be managed and monitored closely throughout 2025. While the pace of change to deliver agreed savings and meet performance targets has accelerated following the December 2023/January 2024 appointment of industry sector experts, delivery remains fragile due to an overreliance on short-term, sometimes uncertain capacity and resource. As the Council enters the implementation and transformation phase, there must be an urgent focus on recruiting, developing and retaining the long-term management and workforce needed to sustain momentum and deliver this scale of transformation. BCC has recognised that waste has been an inefficient and underperforming service for many years, plagued by low productivity, non-industry standard working practices, excessive reliance on agency staff, poor industrial relations and an aging, unreliable fleet. These issues have resulted in a low 23% recycling rate, high levels of missed bin collections and frequent and often unresolved customer complaints. Challenges are compounded by a history of reviews and failed reform attempts, leaving residents frustrated with a service which has consistently fallen short of their reasonable expectations.

In the summer of 2024, BCC approved a much needed and long delayed £30m capital investment in new, more efficient and reliable waste collection vehicles alongside a further c£6m, in new bins and technology. This investment will support, in 2025/26, the introduction of a new recycling service, the transition to fortnightly collection for residual waste and the introduction of optimised collection routes.

Transformation is a necessary precursor to delivering consistent, high-quality services in line with normal sector standards, achievement of the agreed MTFP financial savings and increased customer satisfaction.

With approximately 470,000 properties – including 340,000 kerbside dwellings and 130,000 flats above shops and multiple occupancy high rise flats – every resident will be affected by this scale of transformation and necessarily complex and parallel logistics of change.

Key priorities for the service are the increase in productivity through new routes, the delivery of circa one million new containers (commencing in April 2025 and completing by November 2025), receipt and deployment of the fleet of 151 new vehicles (expected to be operational by July 2025), and the implementation of a sector standard ICT platform to support real-time service management. These priorities will reduce missed bin collections, support increased productivity and help deliver improved customer satisfaction.

Housing

Since July 2023, the Council has been subject to intervention with the Regulator of Social Housing, following receipt of a breach notice of the Consumer Standards (Home Standard & Tenant Involvement & Empowerment Standard). Compliance with the new Consumer Standards, in alignment with the Social Housing Regulation Act, is mandatory for all social housing providers, and formal, monthly monitoring meetings are taking place to ensure that the Council is working systematically and taking corrective actions. The Council has worked hard to fully implement all of the recommendations of the Housing Ombudsman's Special Report, published in January 2023, and this led to formal engagement with the Housing Ombudsman ceasing in February 2024. The progress the Council made in improving complaint handling has been sustained.

The Council must increase the pace of improvement and ensure that these new ways of working continue to be prioritised, safeguarded and embedded across all services. New ways of working will drive the delivery of improved tenant and leaseholder services and satisfaction, health and safety standards, Decent Homes compliance, an effective, reliable assurance and reporting framework. This delivery will begin the necessary and urgent improvement that will help the Council to prepare for inspection and improve services. To achieve substantial compliance within the target of 12 months, the Council must commit to sustained work, effective contract management, a skilled workforce and continued corporate prioritisation.

Although the Council's baseline of 70% of its housing stock as non-decent is worse than expected, the figure represents progress as BCC now has improved data, knowledge and understanding to better inform its decision-making. The Council has accepted the reality of the poor condition of its stock and the funding required to address the historic lack of capital investment in its housing. The improvements to data accuracy have taken time, commitment and sustained effort which must be maintained and embedded into business as usual. BCC has implemented *True Compliance*, a compliance management

system and are reporting that they have, for the first time in recent years, data assurance on all workstreams apart from gas safety which is due to be provided by January 2025.

While financial planning and data improvement have strengthened the Council's position, the challenge is now execution of these commitments. Priority actions for the next six months include achieving and maintaining data accuracy, assurance for all workstreams and achievement of health and safety compliance. The Council must also complete the procurement of long-term tenant focused contracts configured to attract a wide range of suitably qualified and experienced contractors and put in place a robust mobilisation plan for the new contract, managing and mitigating the risks for residents. Urgent, permanent recruitment and appointment to key roles in the new structures is necessary, particularly within Assets, and the Council must ensure that improvements to date are sustained, and new ways of working are delivered at pace. Further, management and cleanliness of communal areas are inconsistently dealt with and in some cases, expected services are absent or inadequate, which indicates that significant work is required to deliver consistent, effective tenancy management services across all of BCC's stock. BCC, through its new operating model is committed to being more present on estates, to undertake regular tenancy visits and to work more closely with residents' groups to address areas of concern e.g. anti-social behaviour in a timely manner.

The risks of delivering a capital programme of this size should not be underestimated and will require skilled and focused expertise, excellent programme and risk management skills and structures, and finally close working and effective communications between BCC, contractors, tenants and leaseholders to deliver decent, safe and secure homes. The delivery plan to achieve decency must be regularly reviewed and resourced appropriately. The progress on decent homes investment must be closely monitored and reported to members, tenants and leaseholders.

Children's Services and the Birmingham Children's Trust

The challenging 2024/25 savings programme is generally on track with some good programme management. The most difficult element has been the school transport changes. There have been significant public challenges, including through Scrutiny, but the programme is well-led and is largely on target, financially.

So far, Birmingham Children's Trust (BCT) has been largely protected from the worst financial impacts, but this approach is not sustainable. The 2025/26, savings plans, jointly prepared by BCT and Children's Services, is well-constructed, but the plans are heavily dependent upon effective demand management including through early help. Their success hinges on very close management and oversight given the corporate risks of any failure to deliver savings of this level. The departmental and trust leadership are working well, with political support (the departmental leadership team is stable and at full capacity for the first time in years).

Beyond immediate finances, the consolidation of BCT's 'Good' Ofsted rating, evidenced by further inspection, including more recently for their fostering service is important in light of Birmingham's previous poor performance history. This now embedded achievement should not be underestimated given its implications for vulnerable children and the wider corporate stability. That said, there are at least two serious current cases subject to Child Safeguarding Practice Reviews.

Meanwhile, SEND remains in its own statutory intervention. As separately reported, there is finally growing evidence of slow improvement, after many years of exceptionally poor performance, pending an imminent and crucial joint inspection between Ofsted and CQC. But performance remains fragile. This also involves the Council gradually reasserting itself as a children's authority in partnership with the city's schools. The NHS' role in supporting improvement, as with adults' services, will also be critical.

Public Health

The public health grant is the largest of its kind in England and OHID have stressed the need to follow the tight rules confining that grant to "eligible" spend. The longstanding, respected Director of Public Health has recently moved on; the post is currently being recruited to. The new management structure of BCC will place the role of Director of Adult Social Services as part of the Adults' management team, reporting to the DASS but with an additional reporting line to the Chief Executive. This structure is supported by the Commissioners.

Adults' Services

Adults' Social Services has historically been one of the higher performing and more stable, if insulated, areas of BCC, as evidenced by a 'Good' rating in the CQC pilot assessment in 2023. That stability has been under more threat with the departure of a long-standing DASS and other churn in the management team, coinciding with necessarily high savings targets in proportion with the size of the service budgets. Now, a strong DASS appointment, who will join BCC in early Spring 2025, will have the opportunity to establish a largely new management team to lead what is bound to be a period of service transformation to match the next stage of the financial changes.

There is strengthening confidence that 2024/25 financial targets will be met – with some minor areas of slippage offset by some early achievement elsewhere. The interim DASS deserves credit for leading this achievement.

There has been high attention on the critical enablement (home care) service savings proposal; a service that has been uniquely inefficient but has received exceptional member protection over years. Notably, members have more recently signalled their support for the full implementation of these savings proposals which is an important milestone for the service and for member-officer working.

There are two further 2024/25 programmes which are practically achievable but will still prove publicly and politically sensitive: day opportunities (centres); and care centres (residential homes). Both will require focussed leadership to deliver, operationally and politically.

Savings for 2025/26 are now defined but are increasingly dependent on controlling demand and effective early help. These should be more transformational than the current year but carry some additional risks in delivery.

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Regeneration and Growth

The Council has a long history of undertaking large and complicated urban regeneration projects. In recent years, this has predominantly been funded through the Enterprise Zone which provides a mechanism to retain 100% of business rates to invest in projects in the Zone. The largest project is the various phases of the Paradise scheme. Significant public sector investment has been undertaken with further planned. The project has delivered a significant scheme, but there have been historic issues including overspends and the next phase has major hurdles to overcome. The other major scheme is the Smithfield regeneration scheme, which is a large site close to the City Centre. This scheme was first envisaged in 2017, and progress has been very slow, with no start date planned. The scale of public sector investment has risen significantly, and the scheme is under review. A scheme that has partly delivered is the Perry Barr regeneration and housing scheme. This was originally envisaged to be an athletes' village for the commonwealth games and would be cost neutral to the Council. However, due to a host of issues not least an inadequate and very optimistic business case and poor project governance the £500m scheme has saddled the Council with debt of circa £150m and an ongoing revenue cost of c£9m per year for the next 40 years.

The Council needs to be ambitious for its residents. However, it must ensure that future schemes have robust business cases and delivery mechanisms. It must also ensure that it has the capacity and capability, especially relevant commercial knowledge, to deliver schemes to an affordable budget. The Council needs to review its approach to the growth agenda. There is a key element that relates to ensuring that its basic services that encourage and enable growth are sound such as planning and skills. There is work to do

in this area. There is also an element that relates to ensuring the Council is a 'good' partner that can deliver at pace. In this context it needs to be clear about the strategic approach it will take to regeneration. In recent years it has been interventionist and 'hands-on' without having the necessary commercial skills to fulfil this role. There is a strong case for the Council taking a more enabling role and ensuring the private sector is the key driver of growth and accepts developer risk. In terms of capacity, the Council needs to focus its limited resources on key priorities. It must recognise there is a limit to what it can deliver effectively.

Commissioners' involvement in this area of work has been focused on ensuring effective governance is in place and that schemes including two significant housing schemes at Ladywood and Druids Heath have robust and affordable business cases. Tax increment financing of schemes through business rates has continued albeit with a more commercial edge to decision making.

The lessons of the recent past are that if the Council fails to ensure it has the right capability and capacity to support its strategic approach to growth, it will continue to pay a heavy price in terms of its finances and pace of economic growth in the City. There are key new opportunities coming with the arrival of HS2 and the new growth/Investment Zones, meaning the Council needs to undertake this work urgently.

Transformation

Consolidation and Operating Model

The Council know that consolidating and strengthening core corporate services will deliver significant and sustainable efficiency and operational savings, but progress has been slow. Some initial work has been completed to develop a strategic corporate services Target Operating Model (TOM), but progress was stalled by changes in Council leadership and a focus on other key issues. Commissioners expect the Council to build on work already completed to further develop the model and implementation plan and for this work to be prioritised in 2025.

The Council has now started to tactically consolidate call handling, document printing, vehicle procurement/management and IT activity and has an ongoing Business Transformation Board, chaired by a Commissioner, which is helping the executive team to drive progress across the portfolio of change.

A recent recruitment campaign did not identify an appointable candidate for the role of Director of Corporate Services to lead this area. With Commissioner support, the Council will be returning to the market in 2025.

There is a close link between the transformation/consolidation of corporate business services and the implementation of Oracle Fusion, which brings with it standard best

practice processes and job roles. The Council will need to align the development, design and implementation of a new TOM with the development, build and deployment of the new system. This is no small task and will require robust leadership and the support of officers and members.

Oracle Fusion and Digital Transformation

In the new re-implementation strategy, the Council has committed to adopting rather than adapting to their existing processes. The programme is currently in the design phase, where Council colleagues are directly engaged in understanding how system processes operate, assessing how to move the Council's ways of working to those of the system and developing a working system and process model that can be formally agreed before the programme team builds the final system.

Oracle have brought their product knowledge and best practice skills to the programme team and Civica, through a consultancy partner, have helped the Council re-think how they manage, account for, and report their revenue income.

The Council has struggled to fully resource the programme team and this is a concern. Challenges have been caused by an overly governed recruitment and onboarding process, which has prevented finding people with the right skills. However, the Council have successfully recruited a permanent, highly experienced and local Chief Digital and Information Officer (CDIO), who is stabilising the management team and reviewing the overall shape, structure and cost base of the function, to improve operational efficiency and remove "shadow IT". This strategic review has identified significant savings, which are factored into the 25/26 and 26/27 budget. The new CDIO is developing an IT strategy that will align to the Council's business plan delivering/supporting operational efficiencies across the Council.

The Council's 'Foundry' initiative signals early progress on digital transformation and use of artificial intelligence and automation to speed up processes, increase accuracy and measurably reduce costs. Commissioners support this initiative and want BCC to accelerate their agile, pragmatic use of digital tools to drive improvements, particularly in City Operations where there are significant service benefits and savings to be gained.

The agile, inclusive and collaborative approach being adopted to deliver these digital-driven business changes are positively contributing to improving the working culture within the Council. There are potential wider opportunities here, such as the involvement of local technology businesses or the creation of apprenticeship programmes.

The next year's activities will be pivotal to success, as programme design is completed, the Council formally agrees, the full system build commences, data issues are addressed and Council colleagues are properly trained in new processes, all ahead of implementation in 2026.

Commercial and Procurement

Over time, the Council has allowed the key commercial and procurement function to evolve into a passive, low impact, federated operation (partly as a consequence of a breakdown in department confidence due to some of the abject previous performance).

The Council has recruited a permanent, Midlands-based, highly experienced Commercial/Procurement Director and has a plan for the internal re-structure and re-focus of the core Procurement team. This should stabilise the function and enable the team to design and implement a short-term and long-term improvement plan to consolidate the Council's procurement and commercial activity. This needs to focus on the base activities of professional procurement, developing and managing a contracts pipeline and building the Council's commercial and procurement capability.

A local authority of this size must have a contract pipeline to give the Council forward visibility of impending contract tenders as contracts near their end dates. A pipeline enables greater strategic procurement, including advanced consideration of how to approach the market, the preferred model of service provision, and how to meet the requirements of the UK Procurement Act 2023.

After establishing a strong core commercial/procurement foundation the Council should develop professional contract and supplier management capabilities to drive out greater efficiencies and savings. There is an opportunity here for the Council to draw on the expertise of Crown Commercial Services in the development of these skills and processes.

Initial steps are now being taken to consolidate some cross-Council procurements – e.g. energy, utilities, commodities, vehicles procurement - as part of the wider corporate services transformation but progress has been slow. Commissioners see significant savings opportunities through these initiatives and the value that a council of Birmingham's scale can achieve from the adoption and development of memorandums of understanding and frameworks.

Companies and Traded Services

Over decades, the Council has created many companies, charity entities and traded services arrangements. Consequently, BCC has interests in a wide range of bodies, some of which deliver statutory services or have been operated as though they were the Council delivering both statutory and discretionary services, even though they have a different legal status. The Council is a shareholder or member in a range of joint venture and partnership bodies, and it also operates some services on a trading basis. No trading structure or accountancy regime has been established to consistently measure value for money or viability. There is no definitive register of such bodies held within the Council. BCC does not understand, other than on a theoretical basis, what this means in terms of

control mechanisms, conflicts of interest, financial and operational risk and legal responsibilities.

The Constitution has established a Trust and Charity Committee and a Cabinet Sub-Committee to have oversight of these bodies but, because of the lack of understanding, appropriate reports have either not been provided on a regular basis or have not reflected the correct status of the body being reported on or the provenance of the report. The Council has lost fiduciary and financial control over many arrangements due to changes in management, a lack of focus and limited understanding of what is required to govern or manage these entities. Cabinet has resolved not to underwrite the financial stability of wholly owned companies for the future, but the lack of knowledge has resulted in no assessment of what this might mean for the company or the Council's balance sheet.