Birmingham City Council
COMMISSIONERS

23 October 2025

Dear Secretary of State,

This report summarises Commissioners' assessment of progress at Birmingham City Council (the Council). It is the third such report, as required by the Intervention Directions, and covers the period since our last update in January 2025.

This is my first report since taking over as Lead Commissioner, following Max Caller's retirement. I have taken on this role almost two years after the start of the intervention, and with three years remaining before the statutory directions expire in October 2028.

As we set out in our last report, the Council has begun to move in a positive direction. Notably, it now has a permanently appointed Corporate Management Team of high-quality officers. It has also become more determined and resilient in its political direction and is making progress towards the restoration of sound decision-making and in the feasibility and sustainability of objectives set.

Statutory interventions necessarily start with the immediate objectives of preventing the emergence of further problems, restoring order to decision-making, and beginning to address the accumulation of challenges that had led to that intervention. With these fundamentals either addressed or well under way, now is the right time to take stock of what is required to achieve the full range of improvements necessary to bring the Council back into line with its Best Value Duty, to establish a programme and maintain a culture of continuous improvement and to set out the means by which the intervention can be brought to a close within the timeframe set.

The vehicle for this work will be an Exit Plan, the delivery of which will enable us to make a judgement as to whether the Council is meeting its Best Value Duty and will continue to do so. That in turn should put us in a position at the appropriate time to make a recommendation to you in respect of the statutory intervention's end. This will be the Commissioners' Plan, but we will work closely with the Council to secure its agreement to it and to ensure it is complementary to the Council's existing Improvement and Recovery Plan. This Exit Plan will give absolute clarity to the Council, and to you, on the actions that must be completed and the operating behaviours and culture that must be in place and embedded by October 2028; and it will provide the structure for future Commissioners' reports. It will also allow me, as Lead Commissioner, to assess the skills and capacity required in the Commissioner team to support the Council in the delivery of that plan. I intend to have this plan produced by January.

Tony McArdle OBE, Lead Commissioner

Executive Summary

Since our last report, there have been signs of enhanced resilience and improved performance in some areas, but substantial risks and persistent challenges continue to affect the Council's ability to operate fully effectively as a corporate body.

The Council has demonstrated impressive indicators of resilience over this period. There is genuine grip and steady progress in some key service areas, notably in housing, children's, and adult's services. Additionally, there has been progress in key corporate activity in:

- Reaching a framework agreement on Equal Pay – this is an encouraging development for the Council. It is an opportunity for the Council to limit further costs and to positively reset its relationship with its staff.
- Producing a Corporate Plan for the period 2025-28 and making procedural progress in the establishment of a tangible vehicle through which to deliver its existing Improvement and Recovery Plan (IRP), the Improvement and Recovery Board (IRB); these are developments that are beginning to bear fruit. We welcome the Council's work to refresh the IRP, but its continuing development will require underpinning through strong corporate leadership. The IRB will also need to ensure that the Plan fully reflects the corporate approach to transformation as this is further developed.

The Council continues to face four substantial and specific high-profile risks:

- **Waste dispute:** This continuing strike has had a destabilising effect on corporate capacity, delaying progress in transformation and in making improvements in finance.
- **Equal Pay:** There has been progress in this space, with a framework agreement having recently been signed by the Council and Trade Unions, despite the obstacles presented by the waste dispute. However, the financial liability remains a significant risk.
- **Finance:** While budget planning has improved, the Council remains financially fragile. The asset sales programme is progressing, but the scale of the challenge is immense, and transformational savings are still lacking.

- **Oracle:** This implementation has made good progress and remains on track to meet the planned timelines. It is essential that this momentum is maintained. There remain significant risks in meeting the date and ensuring implementation is fully successful, including: completing user acceptance testing to schedule and to the required quality; cleansing poor quality data; embracing ‘best practice’ processes; and re-building capabilities amongst staff to operate those processes.

While these risks may be specific, sustaining successful outcomes to them after any initial resolution will depend – as does the Council’s future as a whole - on the Council’s ability to address more persistent challenges in governance, culture and in the delivery of transformation across the Council:

- The Council is not yet fully functioning as a coherent corporate entity.
- Strategic grip is underdeveloped, and cultural change is not yet embedded.
- Governance reform is underway but remains fragile and is so far necessarily focused on structural and process changes, and while political maturity is improving it is unevenly so.
- Regeneration efforts, while ambitious and with some new, skilled, staff in place continue to suffer from the need to address historic failings and fill capacity gaps.
- Expanding engagement and work with other key agencies in the City is one that would enable the Council’s objectives to be more comprehensively addressed and would be welcomed by key partners. The approach to partnership with others remains underdeveloped.
- Transformation across procurement and commercial functions is slow as the Council moves from its traditionally distributed set of core functions to consolidating these functions centrally.
- There is significant work to be undertaken to fully embed transformation into the wider Council culture by developing and delivering a Council-wide integrated transformation programme reaching beyond that delivered within some core services.

These significant risks and persistent challenges, together with the expected churn of councillors and natural uncertainty of outcome in the impending election, mean that Commissioners must continue to provide general and targeted support and oversight. The next phase of endeavour must be on embedding corporate resilience, progressing the positions on Equal Pay and service transformation and ensuring the Council begins to independently command its own improvement journey by resolving structural governance issues.

Introduction

In our previous letter of 31 January, we observed that *"The Council faces significant challenges on finances, Equal Pay, culture, governance, services and transformation"* and that *"the path to stability…remains long and demanding".* In expanding upon the difficulties that the Council faced in addressing these challenges, we concluded that *"If they are able to weather these storms, the next period should see significant progress along the road to exiting intervention".*

This letter reports on that *"next period"* in respect of each of those *"significant challenges".*

We are pleased to record that progress is being made on a number of these fronts as a result of the determination and resilience being demonstrated by the political leadership and the sense of purpose being embedded in the organisation by the Managing Director and the management team that she has assembled. We are also transitioning the approach to the intervention towards a balanced partnership whereby the Council takes a stronger leadership role in driving its own recovery, with Commissioners supporting these endeavours through early engagement in the decision-making process.

We must also report, however, that since March the Council has been absorbed in dealing with a dispute in respect of its waste collection service and its plans to transform this service. While restoration of service continuity has been achieved following a period of severe disruption, the dispute remains unresolved, with much of the workforce having been on strike for seven months. Efforts made both in managing the consequences of the strike on the streets of the City, and in seeking, as yet unsuccessfully, to move to a position that will enable the transformation of the service to take place have necessarily consumed considerable attention, energy and cost. The diversion that this has presented has also had an impact on the corporate teams' overall capacity, which has naturally constrained progress in other areas.

All of the issues identified as challenges in our last report therefore remain as such, but with good progress in some areas and with the real possibility of resolution of certain specific issues of concern in the coming months. Most critically, however, the Council still has work to do to operate to full effect as a corporate body and the strategic grip being deployed has yet to consistently translate to bringing about operational improvement. A strong focus on further developing and embedding an effective corporate core is a priority, and we need to see the emerging elements of improved culture and behaviour becoming more sustained throughout the organisation.

It is quite normal for an organisation requiring the scale of change needed at Birmingham to make steady progress in specific functional areas, but vital that it recognises that alongside this it takes time for the improved culture and behaviours needed to underpin change to take root and become embedded. The staff of the Council have been treated to a merry-go-round of senior staff changes over many years, and they need to see longevity, consistency and the modelling through leadership of good behaviours become norms in order to believe that change is real and to fully reflect it in their own endeavours. There is no short cut to this. Sustained cultural improvement will take time and it requires an evidence base to be built throughout that time. Now that the permanent leadership team is complete and in place, we expect to see its members working effectively together over the next reporting period, and to support them in doing so, in order to address the corporate weaknesses outlined below and to accelerate progress in specific key areas.

The formal vehicle for comprehensive improvement in the Council is the Improvement and Recovery Plan. This is set out as a long-term endeavour, but which includes some short-to-medium term objectives. As Commissioners, we are fully engaged in the governance and oversight of this Plan. We expect it, and its successor in due course, to be a continuing manifestation of the Council's drive to achieve Best Value. It is important, however, that the Council is clear on what it has to achieve specifically within the remit of the intervention – to become a Council that, albeit not perfect, is nonetheless no longer exhibiting the characteristics of the past and has firmly adopted the discipline of continuous improvement. To this end our intended Exit Plan will be a clear and measurable expression of our expectations for the Council's progress, and which will enable us to be in a position to advise you of the intervention's successful conclusion in October 2028 – or earlier should the Council be successful in achieving the aims of the Plan in advance of that date.

Governance and Culture

Governance

We observed in our last letter that *"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…will be confidently sustained without root and branch culture and governance improvement, for both officers and members".*

It is fundamental to addressing this in the first instance that procedural enhancements to governance structures and mechanisms are put in place. These must be actively understood, owned and followed by the organisation, both officers and members, acting properly and professionally in their respective roles.

Politics

The Council has, after a hesitant start, largely embraced the intervention. However, progress will accelerate with more widespread acceptance of the necessity of partnership with Commissioners in the improvement journey, and wider recognition that the change in the political management of the Council that is needed for Birmingham to address its problems is largely rooted in past sub-optimal behaviours, rather than in contestable party-political issues.

There are signs of growing maturity and professionalism in the conduct of politics in the Council, including in member-officer relations and group conduct, but some past, poor behaviours have been entrenched, and the concept of good governance as business as usual is not yet fully embedded, including in opposition groups. This is not to criticise traditional adversarial politics, which has its natural and rightful place, and is likely indeed to be even more in evidence in the run-up to the full Council election in May 2026. Rather, it is to observe that it would be helpful to the City if all political groups more energetically and commonly embraced the need for a shared agenda of behavioural and cultural change, recognising that the ‘rough and tumble’ of debate must nonetheless exist within a framework of good governance.

The coming election, with its uncertainties exacerbated by the sheer number of serving councillors who will not be standing for re-election, comes at a critical time in the intervention. We are working with members, officers and political groups to produce a comprehensive programme of member training and induction. The Council is also engaging in active liaison with political parties to seek to ensure that any post-election administration is alive to the challenges the City faces and the expectations that are placed on members.

We have been utilising the mechanism of a Governance Board as an important part of the exercise of our responsibilities. This having been hitherto chaired by Commissioners, its leadership has, by mutual agreement, recently transferred to the Leader and Managing Director as a mark of the significance of this work and the need for it to be wholly owned by the Council. After a slow transition this new arrangement is beginning to develop momentum. This is underpinned through the new Monitoring Officer properly taking personal accountability for large elements of the technical agenda for changed governance arrangements and for driving that work harder and faster than has been the case previously.

This has included the development of reforms around the structures and process of Governance arrangements, such as:

- A full review of the Constitution which will be conducted and instituted in the next six months;
- A revised member-officer protocol;
- The role and management of the Council’s scrutiny function;

- A new member development framework;
- A new Code of Conduct for members.

It is widely understood that it is critical for this work to be progressed and promulgated in advance of the May elections. Incorporating best practice in all of these areas will greatly facilitate the improvement of governance through common understanding, clear responsibilities, and will work as a platform for sound relationships between members and between members and officers.

Management

In parallel, but so far generally outside the direct focus of the Governance Board, the Managing Director and the new Corporate Leadership Team are working to establish a range of changes and introduce improved behaviours in the operating culture of the organisation as an employer and service deliverer. This has included a substantial amount of 'benchmarking' through surveys and other means, to gauge how it feels to work in the Council. The challenge for officer and political leaders, with the support of Commissioners, will be to knit together the various strands of governance improvement with the organisational culture change work so as to deliver authentic transformation.

The Monitoring Officer is leading efforts, with the support of the other statutory officers, to establish a clear expectation that ownership of good governance in the management of the Authority runs from the Corporate Leadership Team through the organisation as a whole, and it is necessary to complement this with similar developments in the member arena.

Improvements to the quality and timeliness of advice given by officers to enable political decision-making remains another area where there has been progress but with more to do to develop consistency. One specific area of governance work that is key, and illustrative, is the continuing challenge of basic report writing and subsequent decision-making in the Council. The information put before Members for decision-making is not consistently meeting the standards of accuracy, timeliness and clarity that are necessary for such decisions made to be properly well-informed. While there have been some improvements, it remains frustratingly and stubbornly below par and inconsistent. The Council recognises this and is putting in place requirements for training and development of the necessary skills and competencies. Included in this must be a clear ethos of ownership at corporate director level of the recommendations and advice that members receive.

The work on good governance sits alongside and is interwoven with the programme for cultural change.

Cultural Change
Changing an organisation's operating culture is always difficult, and the inevitably slow pace of such change is a consequence of behaviours being deeply entrenched. It remains unclear that all parts of the Council yet fully recognise the extent of change needed.

Getting this cultural change right is critical to the successful conclusion of the intervention. This change needs to be owned, led and embedded in the organisation's behaviours and processes, as past failures have been fundamentally rooted in unaddressed poor culture and governance. Some aspects of this work are more readily measurable than others, but all are fundamental to any future judgement not just about how the Council has improved, but, crucially, what is the level and basis for confidence that these improvements will sustain, and not regress as has happened so often in Birmingham's past.

Governance of companies, charities and traded services
Over decades the Council has established and operated and/or holds an interest in over 400 companies and over 50 charities. Governance and control arrangements have been regularly minimal in nature leading to significant risk to the Council of not fully understanding and managing the financial, legal and contractual exposures that this has created.

The Council has now established a full register of the companies it has interests in. It has commenced a risk-based programme of work to strategically review the larger trading companies, to close dormant companies and those companies where no value is being added and to improve the governance and its control over those companies that remain. Though we expect significant progress in undertaking this work over the next six months, appropriate resourcing with specific skills and management focus will be required to be made to give effect to this.

The weak governance of Council-administered charities, highlighted in our last report, is being addressed. Annual Accounts have been correctly submitted for the vast majority of these charities. The Council now needs to assess the viability of some of the very small charities it administers, to merge charities where objectives align and where they wish to continue with charities to introduce appropriate controls and oversight and governance arrangements.

Services

Overview
As was noted in the last report, service delivery is improving in a number of areas within the Council, including support for children with Special Educational Needs and Disabilities (SEND) which has improved significantly. Improvements and elements of service transformation are successfully taking place; however, this is occurring

largely in silos within directorates at present. It is our shared view that this needs to become a norm across the Council, and that a stronger central transformation strategy and associated narrative will be needed to fully realise that.

Housing

The Council has made sustained and measurable progress across its housing management, in health and safety, in compliance with the Decent Homes Standard, in its management of homelessness and temporary accommodation and in partnership working to deliver more affordable homes in the City. A strong, stable, experienced and resilient housing leadership team is in place, supported by new staffing structures which are designed to address previously acknowledged and long-standing service weaknesses and to consistently meet the needs of tenants and leaseholders. These structures are embedding well, supported by a dedicated Housing Directorate which is providing clear focus and grip on both landlord and non-landlord housing functions. In recognition of the progress made, the chairing of the Commissioner Housing Sub-Board moved in September 2025 from the relevant Commissioner to the Housing Cabinet Member.

In May 2023, the Regulator of Social Housing concluded that the Council had breached the Home Standard and the Tenant Involvement and Empowerment Standard, creating potential for serious detriment to tenants. The resultant breach notice remains in place, and the Council continues to work closely and collaboratively with the regulator as it remedies these breaches and works hard to strengthen assurance, compliance, and resident engagement. It is evident that the breach notice acted as a catalyst for reform and improvement. Landlord Health and Safety compliance is now operating as a business-as-usual function, with all testing programmes exceeding 90% compliance. Asbestos and low-rise Fire Risk Assessments have each risen from around 30% in May 2023 to over 98% and 99% respectively. Overdue Fire Risk Assessment actions have reduced by 422, and Electrical Installation Condition Report remedials more than 365 days old have fallen from 1,200 to just over 400. Complaints performance has remained stable at over 85% service level agreement compliance, and the number of Housing Ombudsman maladministration findings have halved. This performance must be maintained.

Decent Homes compliance has increased to 42%, up from 36% in 2024/25. Stock condition surveys now cover 48% of the portfolio, providing an evidence base for informed major capital investment. Expenditure has increased from £158 million in 2023/24 to £236m in 2024/25 and is expected to remain above £230m annually through 2026/27. While progress is good, around 58% of homes remain below the Decent Homes Standard, and delivery of the large-scale investment programme will require consistent leadership, effective contract management, and excellent resident engagement through to 2032/33.

Homelessness prevention remains a strength, with over 60% success rates and the number of families in bed and breakfast accommodation for more than six weeks reduced to 558 from 657 in April 2025. The Council remains among the top three core cities for prevention performance. However, it remains the case that while the numbers are reducing in line with the trajectory agreed with MHCLG, families will continue to be in bed and breakfast for more than six weeks until the July 2027 target date is achieved. The Council continues to explore access to more suitable, innovative, and affordable temporary housing.

Following a period since 2019 of under delivery in the city, 2024/25 saw the delivery of 1,091 affordable homes, including 500 for social rent, with 213 new homes at Perry Barr. The Council has developed an Acquisition Strategy which will underpin the delivery of affordable homes in the City; this is recommended for approval at November 2025 Cabinet. Key milestones have been achieved on housing regeneration schemes: at Ladywood, the Council and Berkley St Josephs have signed a Development Agreement and at Druids Heath, a preferred partner has been chosen subject to Cabinet approval in February 2026.

This renewed and sustained clarity of purpose, accountability, and leadership has been key to driving improvement. However, the Council recognises that it has no room for complacency. With 58% of stock not yet meeting the Decent Homes Standard and requiring a large-scale, long-term and well managed investment programme to address this; the mobilisation of new repairs and maintenance contracts in 2026 and the continuing challenge of preventing and managing homelessness and obtaining affordable and suitable temporary and permanent accommodation; all present material risks that will have to be managed with vigilance. Sustaining delivery, maintaining grip, and ensuring that improvements translate into visible, tangible benefits for residents must remain the Council's overriding focus in this service area. The conditions for success are now in place and the Council's commitment is clear, however there remains much to do and this will continue to require, over the long-term, a strategic and dedicated housing directorate and a skilled stable senior leadership team to achieve housing consumer standards and to make good the commitments the Council has made to Birmingham's residents.

Children's

The most important and tangible signal of progress in children's services is that the SEND Joint Area Review (Ofsted and Care Quality Commission (CQC) inspection) delivered a highly positive report, published in August 2025. These services had been failing badly since at least 2018 with an exceptional intervention and Department for Education Statutory Direction imposed on the Council in 2021. Whereas the inspection outcome is set at the middle, 'inconsistent services' grade, the progress that has been made is nonetheless substantial and is evidenced, with the highly positive tone of the report recognising this progress, especially in the quality of service leadership. The report also acknowledges vastly improved joint working between the NHS, schools and the Council and in particular a strong approach to listening to the voice of children and families. This is an important signal to the wider Council given that the SEND crisis in Birmingham had been indicative of the wider corporate crisis.

The SEND Statutory direction is likely to be stood down imminently (subject to Department for Education ministerial approval) but some level of external oversight will be retained at least until early 2026. The SEND leadership team is rightly ambitious for further improvement.

Elsewhere in children's services, equivalent progress is in evidence, with far more stable and effective political and officer leadership of people and structures. That said, in the context of one of the most complex and largest school systems in the country, the Council is having to recruit again to the role of Director of Education and Skills. It will be important that the next appointment is an effective one.

Birmingham Children's Trust continues to provide effective children's social care and safeguarding services. There have been inevitable complex cases, subject to formal review, but these are to be expected given the size and scope of the service. A further full Ofsted Inspection of Local Authority Children's Services is anticipated in the next 6 to 12 months. A youth justice inspection is also imminent. This more specialist service sits with the trust but there are concerns about its own pace of progress which will be tested in that inspection.

Financially, the services remain under pressure with some savings unlikely to be delivered and an in-year overspend forecast for the current year. The next stage of managing demand as a key aspect of the programme will be testing, and dependent upon work that draws upon external support and the implementation of the DfE national transformation programme, Families First. It remains a risk.

Adult's Social Care

A new and experienced Director of Adult Social Services took up post during the summer and is making a strong and impressive impact. Previously, these services had been well-led over some time but in a way that was held as isolated from the wider corporate problems of the Authority. A very early pilot CQC inspection had been well managed three years previously. There is now a strong agenda developing for modernisation of the service in anticipation of a further, but full CQC review which will commence towards the end of the current calendar year.

The new Director has achieved agreement (including with Commissioner support) for a careful restructuring which should break down some silo working in the department and also link well into future NHS (and children's services) neighbourhood models of working. There is some further senior recruitment required to finalise the new structure but there will be succession opportunities also for developing internal senior managers. This should be welcomed.

The services are managing relatively stable finances with a small underspend forecast this year. It is notable that the transformation of a former dysfunctional enablement service is finally being achieved, having previously been regarded as something of a totem of inefficiency and resistance to change. The service indeed achieved an underspend in the last financial year but caution is needed in light of the relative size of that underspend and the volatility of demand.

Public Health

As with adult's social care, public health in Birmingham is 'under new management' with a new Director of Public Health replacing a long-standing predecessor. The new appointee has an unusually strong corporate background and is already shaping an agenda for stronger internal and external joint working, while not disrupting the professional public health disciplines and standards already established.

The public health function has been moved to be a component part of the adults' services directorate, and this change (which has a clear rationale) appears to have been progressed seamlessly. The Director is a member of the senior Corporate Management Team, and we are confident that there is no threat to the strong established joint working with children's and early help services and that this move will also strengthen wider impacts on health and wellbeing through other directorates such as housing, regeneration and place.

Financially, these services have appeared to be well resourced through the Office for Health Improvement and Disparities grants, and, while they had made some contributions to broader corporate initiatives, they also appear to have been well defended from some of the wider financial challenges in the Council, as evidenced by some exceptional public health reserves. The new Director of Public Health is bringing a welcome and refreshing approach to financial leadership in applying additional but legitimate flexibilities in a manner that delivers against Public Health priorities through support to the corporate whole.

Growth and regeneration

Our previous reports have raised a range of significant issues with the Council's approach to regeneration. There have previously been major failings on large schemes that stem from having insufficient capacity and capability in commercial skills, poor business cases, and a culture of the Council doing things itself when better options were available to it.

These failings have had a major impact on the Council's financial standing as well as in slowing the pace of development. There are a number of very significant schemes at various stages of development: Smithfield (the single biggest urban regeneration project in the country and possibly in Europe), Paradise, Druids Health and Ladywood; plus a range of smaller schemes, all of which pose risks as well as opportunities for the Council.

It is positive that the Council now recognises a change of approach is required, and that the focus must be on enabling development. In addition, the Council recognises its lack of capacity and capability in certain areas and is moving to address this.

There have been some improvements to the quality of business cases produced for major schemes, although further improvements remain necessary, including ensuring a join up with services provided across the Council. Significant further work is required before these and other improvements are fully implemented and embedded. This will include the recruitment of people with the right skills to key roles, and a focus on establishing a more commercial and performance-orientated approach. We will be keen to see this progress in a structured manner as these skill sets are recruited and deployed in the coming months.

Waste services and the waste dispute

Significant foundational work has been undertaken to modernise the waste service. Benchmarking against sector leaders has contributed to an ambitious and comprehensive service review, staffing redesign, and the establishment of new routes and performance targets aligned with industry norms. This is intended as groundwork for lasting improvement. It has been supported by substantial investment in new vehicles, containers, and IT systems designed to deliver an efficient, reliable, and customer-focused service.

This long-awaited and much-needed transformation of this essential service has been delayed as a result of the much-publicised waste dispute which began in January 2025, in large part resulting from the Council's efforts to end the historical Equal Pay liabilities it has incurred. As Commissioners noted in my predecessor's letter to the Managing Director in July, following his issuance of a formal Direction to the Authority, *"the Council has worked hard to achieve resolution.*" Despite this, the dispute is not yet resolved and has been notably challenging throughout this period with consequences for the wider improvement journey of the Council. This has been an exceptionally difficult period for the Council, with a high level of media exposure and intense national political attention throughout the spring and summer, particularly at times where waste accumulation was occurring in households and on the streets. Negotiations with the trade union representing the strikers, Unite, proved to be a frustrating process, with much external attention and fractious and contentious discourse, often played out publicly. Negotiations on the dispute came to an inconclusive end in July.

The Council had initial contingency plans, but it took time to establish robust contingency arrangements on the ground. Following the declaration of a major incident the Council succeeded in implementing and has thereafter maintained reliable weekly collections, supported by mutual aid and effective partnership working across the Council and with external partners, including Birmingham's registered housing providers. Productivity among the non-striking workforce has increased significantly, with staff demonstrating commitment, professionalism, and resilience in very challenging circumstances.

With no negotiations taking place, and no credible basis for any being evident, the Council has moved to resolve the matter by offering alternative arrangements to the workforce. The majority have accepted one or other of these alternatives, but compulsory redundancy has had to be pursued in three cases. Maintaining this direction has required commendable fortitude in the face of frequent criticism and regular protest. We have been supportive of this approach, and it remains in our view the only viable option open to the Council.

The strike nonetheless persists, and the Council will have to formulate robust proposals to implement the service's transformation plans over the coming months while also continuing to seek to resolve matters with those who remain on strike.

As we noted in our letter to the Council in July, *"Commissioners believe weak internal governance structures hampered progress being made"* and as a result we set out *"five areas where improvement is necessary: strategic planning, timely meeting of deadlines, adherence to due process, governance and data management"*. This included a *"decision to step up their governance arrangements, to ensure the Council can successfully deliver in these key areas".* Since then, we have observed improvements in the Council's governance processes and ways of working, resulting from better joint-working between the three statutory officers; and the important lessons learned from the early management of the dispute and settlement negotiations. The Streetscene Transformation Board, Equal Pay Board and IRB are ensuring those lessons continue to be embedded and are sustained. The Council is strengthening governance to ensure that all project, programme, and dispute resolution business cases receive early input from Finance, Legal, HR, and operational colleagues. This will ensure that any wider corporate and Equal Pay risks are identified and managed in any future disputes. This governance framework—linked to the Council's emerging Corporate Programme Management Office (CPMO) arrangements must ensure that financial, legal, reputational, corporate, and emergency planning (EP) risks are identified, managed, and mitigated at the earliest stage, enabling informed and risk-aware decision-making.

As an essential frontline service that every household relies upon, the effective delivery of waste and recycling services is fundamental to residents' confidence in the Council. Rebuilding trust in the redesigned service will be critical to long-term success. In preparation for the re-establishment of a full recycling service and the introduction of a new food waste collection service, implementation must be well planned and resourced, clearly communicated, and be responsive to local neighbourhood conditions. There is clear evidence of residents' desire and willingness to recycle, and this should be harnessed, with early, targeted, and ongoing resident engagement, through clear messaging, reliable delivery, and visible performance improvement. These changes must be introduced successfully and without detriment to current service standards.

In preparation for the end of the dispute, the Council is developing a reintegration plan for striking workers to ensure their return is managed sensitively and effectively. This should support workforce cohesion, rebuild trust, and reinforce the long-term transformation of the service. The Streetscene Transformation Board should likewise provide the robust governance, integration, and strategic oversight necessary to embed operational improvements, support corporate recovery, and deliver sustainable, high-quality services that meet both resident expectations and regulatory standards.

The Council will also need to revise and strengthen its consultative framework, which is led by senior officers and includes elected members, maintaining meaningful, consistent and frequent two-way feedback and dialogue with all employee representative groups. This will facilitate the Council’s direction of travel in its improvement journey, with the challenges and opportunities being better understood by the entire workforce. The Council will need to spend more time socialising the change ahead and creating a shared vision with its workforce.

There is much learning that has been gained from the waste dispute. This includes organisational learning for the Council on the management of risks and programmes, as well as workforce relations. Lessons learned are being embedded corporately through improved cross-departmental coordination, earlier risk escalation procedures, strengthened business continuity planning, and enhanced programme reporting - fully consistent with the approach being developed under the Assurance and Governance Framework. For example, closer alignment between the waste service, Finance, HR, and Legal teams has improved visibility of operational risks and mitigations across all high-risk frontline services. Consistently in the future, the Council will need to ensure that the appropriate governance arrangements for management of industrial disputes forms part of its business continuity plans and are regularly reviewed.

Equal Pay

We have been highly supportive of the negotiations towards resolving the Equal Pay claims upon the Council and to extinguish as far as possible the risk of exposure to future liabilities. The failure to resolve Equal Pay over many years has cost this Council dearly. The recently signed framework agreement presents a real opportunity for the Council to limit further costs and to positively reset its relationship with its staff. It’s an encouraging development, and one of which key officers and their teams should be rightly proud.

The Council's response to the waste services industrial dispute, which is detailed above, has had a direct impact on the timescale and process for securing this Equal Pay settlement. The all-out strike action left the Council unprepared for the level of disruption generated. The Council's attempts to reach a negotiated settlement on the dispute caused the main litigant Trade Union (GMB) to seek to re-open the in-principal Equal Pay negotiation settlement, claiming that any settlement with their Equal Pay comparators would require further financial compensation.

Consequently, progress in the Council achieving final settlement on the Equal Pay claims stalled for at least four months and only recommenced in earnest in early August, when the Council and Commissioners made the decision to cease further conciliation talks with Unite following several rejected offers of settlement.

With both GMB and Unison back at the Equal Pay negotiating table, the Council has regained the momentum in progress towards arriving at a settlement framework agreement that all parties have signed up to and which was formalised on 10 October.

During the period in which the Equal Pay negotiations were stalled the Council was nonetheless able to maintain steady progress in the other critical Equal Pay workstreams. There are two underpinning workstreams which assist the assurance of the final EP settlement:

- The joint job evaluation programme has continued, and the Council has now completed 39.9% of roles. This is good progress, and depending on resource capacity the Council can expect to complete job evaluation by the end of March 2026 as programmed. However, there remains a level of risk in reaching agreement with Trade Unions in the outcome of moderated roles.

- The Council progressed negotiations with all Trade Unions on the revised Pay and Grading Framework. In early September the Council reached an in-principle collective agreement to adopt the new Pay & Grading framework, without the recourse to impose these into existing contracts of employment. This is a significant step forward in the mitigation of future Equal Pay claims.

Overall, and despite the turmoil of the ongoing waste dispute, the Council's Equal Pay programme remains resilient. While the programme is still susceptible to further delay subject to the prevailing industrial climate, it should be acknowledged that improved industrial relations between the Council and local and branch trade union representatives have facilitated open and pragmatic dialogue to continue.

Finance

Overview

The Council is making progress, but its finances remain fragile and there is much yet to do before they can be considered stable. For the first time since the intervention commenced the Council has met its budget timetable and has produced a Medium-Term Financial Plan for consideration by Cabinet in October. This is an important milestone that should be commended. The position shows relatively small budget gaps through to the end of the three-year plan, but the Council must continue to develop its delivery plans for some projected savings if these are to be achieved with confidence.

Significant weaknesses in the finance function remain, and the Council still has areas of acute financial risk that go beyond those experienced in other Councils. Equal Pay remains the largest financial risk with an estimated liability of £760m in the latest annual accounts. The Council has plans to settle for less than this liability. We remain concerned, however, about the risks associated with this strategy especially given that the Council's approach to the waste dispute has undoubtedly increased the financial pressure in this area.

Budget and Medium-Term Financial Plan

In the financial year 2024/5 the Council required £225m in asset sales to balance the budget. This reduced to £11m in 2025/6. Additionally, budgeted savings of £150m and £149m were required in 2024/5 and 2025/6 respectively. The Council has made reasonable progress delivering the budget, with 82% of savings achieved in 2024/5 and the delivery of a small revenue budget underspend. In the current year, the forecast position is more challenging, with savings delivery of 74% forecast and a 'quarter two' forecast overspend of £14m. This overspend is principally due to non-achievement of savings and the impact of the waste dispute.

The 2026/27 Medium-Term Financial Plan (MTFP) remains challenging, although this may be eased by the anticipated Fair Funding reforms to Local Government Finance. The Council has improved its approach to the early stages of its budget-setting cycle by tightening the corporate grip on the process. For the first time in a number of years the Cabinet considered an early draft of the MTFP, including savings, in October. There is more work to do on the Plan, but there is progress. The Council will need to continue to make efficiencies, and it must make sure it plans for the medium-term and transforms its operating methods, making services as efficient as possible. This has been a key theme of the intervention, and the Council must make further headway.

Capital programme

The Council is fully aware of deficiencies in the way it plans and delivers the Capital Programme, and Commissioners are supportive of the work in place to improve in this area. However, this is a major task that requires real focus and discipline to make the required progress in business case development, prioritisation, monitoring and delivery. In 2024/5 less than 50% of the non-housing capital programme was delivered.

Finance Modernisation

The Council is starting to make progress with the establishment of a new and well-planned senior structure, but there is a lot to do to modernise systems and practices. This modernisation will take a long time and will be dependent on the successful implementation of the Oracle system and the permanent appointments to the new structure – together with the planned changes to the Council's overall operating culture. There is, in the meantime, effective senior leadership of the finance function, which is a positive starting point; however, the structure below the Director still has a significant number of temporary staff and there are capability deficiencies in some key functions. The Council has a plan to address these staffing inadequacies, and it is important that this is resolutely applied. To demonstrate the scale of the task, one area that requires modernisation is in respect of 'accounts receivable'. Debt levels remain high at c.£650m and whilst there is a programme to improve the position, the long legacy of poor or non-existent debt collection in some service areas means that this will be a resource-intensive multi-year programme.

Financial Assurance

The Council has made recent good progress in clearing the backlog of prior year Statements of Accounts, albeit this means these accounts have not been audited. It will be a long road to recovery, with the prospect of unqualified financial statements not likely until at least 2027/8, mainly as it will take some time for Oracle legacy issues to be addressed. The Council has a good understanding of the improvements required to both its risk management and internal audit services. Progress in risk management has been delayed due in part to resourcing issues. Risk Management must remain a key focus for the Council.

The financial awareness and competency of non-finance professionals across the Council is improving, but this remains a weakness. There continue to be examples of major projects and programmes where the Council had insufficient understanding of the resource implications of important decisions. These come to the attention of Commissioners through their involvement in the waste dispute, service improvement programmes and review of Committee reports.

Asset sales and Exceptional Financial Support (EFS)

The Council is financing the cost of Equal Pay, meeting previous budget deficits and undertaking re-structuring through asset sales. The original plan was to target sales of £750m, however, due to the increased risks around Equal Pay this was stepped up to £1 billion last year. This will be an extremely stretching target which based on current evidence will be difficult to achieve. This emphasises the importance of managing the Equal Pay Programme, waste dispute and associated risks to reduce the need for additional asset sales beyond the original £750m envelope.

Officers in the Property Service are to be congratulated on the asset sales programme which has achieved sales to date of £320m. It is conceivable that the £750m target may be reached by late 2026 but only if the current focus and approach is maintained, and dependent upon market conditions. This will require significant discipline by officers and resolve by members in the run up to the May 2026 elections. It is imperative that members continue to support the asset sales programme. The alternative, of borrowing more, would have a far greater detrimental impact on services for Birmingham residents. Asset sales will continue to be an area that Commissioners focus on given the risks the programme holds to the financial stability of the Council.

In 2023/4 the Council received an in-principal allocation of £1.25 billion in Exceptional Financial Support. It has always been the intention of the Council to not utilise this facility in full because of the difficulty of financing this through asset sales, and this remains the plan.

Transformation

Overview

Commissioners recognise demonstrable evidence of successful transformation in service delivery in some areas of the Council and in key cross-Council programmes such as Oracle Brindley. There remains, however, a significant gap in terms of a central strategy and the accompanying narrative of transformation at corporate level that is critical to embedding a culture of transformation such as has been seen across other successful councils. In a similar vein, the corporate level relationships and associated joint vision and ambition with key partners in the City is underdeveloped in comparison to other successful areas. Whilst relationships with key partners such as the NHS, Police and Fire may be strong at service and directorate level, the City's future depends on developing strong joint endeavour between the Council, other statutory bodies and the wider public and private partners that are crucial to its success.

Oracle Brindley (Fusion) Programme, Income Management System (IMS) and Digital Transformation

We acknowledge the commitment and extensive efforts of the Oracle Brindley programme team and its strategic suppliers in driving progress in an environment where there are many other challenges that have understandably drawn focus and resource from the programme.

We are pleased to report that the relationship between officers, the programme team, and members has, in the main, significantly improved supported by effective programme governance and controls, frequent and constructive engagement and the transparency of reporting. We have high confidence in programme governance and reporting. However, there remains some lack of member trust in timely and transparent programme reporting which is understandable based on the behaviours displayed in the previous implementation.

Since our last report, the programme has completed its design phase – signed off by the Cabinet, adhering to the 'adopt not adapt' principle, and has completed System Testing where a working system is configured. The programme encountered lower than expected quality of build requiring re-testing and re-work during System Testing. This slower than planned progress over the summer period has consequently delayed the programme's transition to User Acceptance Testing to mid-October. While this is pressurising the programme's schedule the Council rightly continues to focus on an April 2026 implementation. There remains risk in completing User Acceptance Testing to this tighter schedule and achieving a satisfactory level of quality which would place additional pressure on the current planned implementation date.

We are also focusing the Council on achieving an appropriate quality of data cleanse and migration and its readiness for the business change, including new operating models which the new system will deliver. These factors will be critical to a successful re-implementation.

We continue to work closely with the Council, the Senior Reporting Officer and the programme team to ensure correct and timely decisions are being made and that the appropriate quality of deliverables is maintained.

The design and development of a new IMS (Income Management System) to replace the failed bespoke system deployed in 2022, which is running alongside the re-implementation of the Oracle Brindley system, has moved into its testing phase. The new system will introduce local authority best practice to the management of the Council's income streams. The new system introduces significantly improved revenue management processes, controls and management information. Implementation is currently planned for November 2025. We are ensuring that the Council focuses on quality over speed of implementation in this key financial area.

The Council has built a digital transformation capability within its technology unit enabling them to work in an agile, rapid way to deliver localised digital driven change. However, we are actively challenging the Council to use both this digital capability and capabilities/products of technology partners to drive innovative change more widely, for example across Waste Collection, Debt Management and Collection and Customer Contact Channels. This will be a key focus over the next 12 months.

Corporate Core Services and Citizen-Facing Directorates' Target Operating Models

The Council has developed and the Executive signed-off, Target Operating Models that deliver the 'strong core services' strategy and operating models for the Council directorates with forward-facing citizen services. Implementing these TOMs will deliver operational efficiency, increased controls and improved citizen service delivery. They are the foundations for greater transformation as the Council leverages its new technology, people skills and re-designed processes. We have been strongly supportive of this strategy. However, progress has been slower than we would have wished, and in some areas have proved more complex than was originally thought.

We see considerable risk in the Council resourcing these new models, particularly, the core services (HR, Commercial/Procurement and Finance) as the operationalisation of these models is essential in enabling the Council's core services adoption of the best practice processes and controls that the re-implementation of Oracle Brindley can deliver. Permanent recruitment has commenced, however more rapid recruitment of interim specialists is mitigating some of the risk. We expect the Council to speed up recruitment where required across core service areas.

More work is now required at a strategic level for the Council to assess what services it wants to deliver, and how they are delivered. This top-down approach needs to align to optimise the core operational models that are being implemented. We will continue to work collaboratively and supportively with the Council as it works to ensure that:

- The new Target Operating Models for the core central services in the scope of the Oracle Fusion re-implementation are in place and operational early in 2026 for final Oracle Fusion testing and go live.
- The implementation of Target Operating Models for other parts of the Council are implemented, resourced and operational at pace.

- Council staff know ‘how’ to operate the new processes and system, understand the ‘why’ – the context of the changes and ’care’ about adopting the new ways of working.

Corporate Programme Management Office (CPMO) and the Transformation Programme

The Council has established a CPMO to manage and report on the wider change programme. The CPMO reporting material now forms the basis of the Improvement and Recovery Board’s agenda and discussions. Though now fully resourced, Commissioners and the Council recognise that the CPMO is still growing in capability and maturity. It is critical for the Council, or any large organisation undertaking this level of transformation to establish a high functioning CPMO and recognise that this is not just for the intervention and recovery of the Council; it is a critical component for the Council’s longer-term strategic improvement programmes, its sustainability into the future and its delivery of the MTFP.

Further development of the CPMO is required. The Council must build on the foundations and grow its capability to:

- Proactively identify dependencies between change programmes and the impact of programme slippage on other programmes.
- Significantly improve risk management and reporting across the portfolio of change programmes.
- Develop a ‘Business as Usual’ performance management reporting capability to align with Council KPI’s and outcome measures.
- Demonstrate sustainability post the intervention to enable the Council to continue to effectively manage its on-going change programmes.

Workforce, Human Resources and Organisational Development

The Council’s plans for development of the workforce have received less attention than hoped for over the last six months because of the distraction of the Waste Services industrial dispute. Human Resources & Organisational Development services continue to strengthen in capacity and leadership; however, progress has been limited on the development of its medium to long term plans for governance, cultural change, performance management, leadership and management development and in strategic workforce planning. The Council must over the next six months endeavour to establish detailed plans for these areas of workforce strategy in order to sustain the recovery that it has made so far.

Notwithstanding the limitations imposed, progress has been made on aspects of the Council’s workforce recovery plans:

- Senior Recruitment and Service Reviews*:*

The focus has remained on building leadership capacity in the recruitment of permanent senior officers to first to third tier posts and in reviewing the organisational design structures for each of the Council's distinct service areas. City Operations and Corporate Services require the most change but are at early stages of review, however, Corporate Services now benefit from the recent appointment and arrival of a new Executive Director Finance & S151 and the Director of Law & Governance (Monitoring Officer).

This work remains foundational rather than transformative and as a result the Council's anticipated plans for consolidation of core corporate services and the strategic transformation to its overarching target operating model, are yet to be developed. This is unlikely to materialise until this foundational work is completed alongside the Oracle Brindley platform - currently due to be implemented in spring 2026.

- Human Resources & Organisational Development Services and employee engagement:
  This activity has maintained momentum. Senior leadership visibility and engagement with the workforce has increased and there are two notable highlights for this period:
    - the Council has initiated and is progressing its first Council wide cultural change activity the 'Lean in Culture Programme'; and
    - it has completed the scope for a new Leadership and Talent pipeline.

  These are key diagnostic activities that will support the delivery of more sustainable medium to long term workforce plans.

The Council must now refocus its attention to strategic workforce planning. While it's current programme of Service reorganisations will in part go some way to addressing resourcing requirements, over the next period the Council will need to make further inroads in reducing its reliance on agency and interim resources and in creating workforce resourcing plans that are aligned to an agreed target operating model and Medium-Term Financial Plan.

A new workforce strategy is currently under development, which it is planned will address many of these concerns and with which we will engage with interest during the next period. We are encouraged by the baseline information established through the colleague engagement survey and the efforts being made by the Council to further engage staff via roadshows and webinars.

Commercial and procurement

The Council hollowed out its core commercial and procurement capability over many years, federating it across disparate directorates. As a result, the Council has had little strategic direction, governance, grip or operational control of this key function.

This resulted in repeated contract renewal waivers/extensions being made, poor contractual agreements being reached and in not achieving Best Value. The intervention has assisted the Council in refocussing its basic procurement and commercial activity with a strategy to re-build a central, professional procurement function. A Contracts Register and a forward-looking Contracts Pipeline is now in place. These management constructs supported by a very recently launched Commercial and Procurement Board chaired by the Finance Director will enable the Council to begin to reduce the number of forced contract extensions and deliver better value e.g. consolidating procurements, early market engagement and improved commerciality/oversight.

In addition to adopting best practice commercial and procurement practices the Council has designed a new consolidated operating model for the function. In-year investment has been committed to resource this operating model. There are, however, significant challenges ahead, not least the need for management commitment to complete the transformation, embedding new, best practice processes and governance arrangements across the Council, and in recruitment of permanent procurement/commercial professionals to populate the new model.

Digital Technology and IT

The Council has reviewed its IT operating model, its resources and technology platform. As a result, it has achieved more efficient IT spend, contributing savings to the Medium-Term Financial Plan.

The Council has drafted a new digital and data strategy and, using its 'Digital Foundry' approach, is employing this strategy to begin transforming small, focussed, processes / services delivering more efficient department operations and better citizen services. The Council is at an early stage but there is an increasing awareness that it can gain value from becoming a data driven organisation, seeing data as a strategic asset to achieve higher performance. Commissioners will work with the Council to identify more opportunities to use quality data, Artificial Intelligence, automation and mobile technology to drive efficiencies and better services.

Conclusion

The Council has made progress since our last report. That it has done so in the face of the considerable difficulties it has experienced in respect of the waste dispute is commendable.

We are encouraged by the improvements that are being put in place to deliver against the key specific challenges of Equal Pay, Oracle implementation and in embedding budgetary discipline and we expect these to continue in the next period.

We acknowledge that maintaining course towards the delivery of Waste Transformation will rely on concluding the waste dispute and are encouraged at the resolve being shown by the Council in doing so in the face of continuing challenge.

We welcome the progress being made, and that which is planned for, in respect of enhancements to the Council's governance, its operating culture and in a range of operational service efficiency improvements. We will continue to work with the Council to realise the benefits of these changes as quickly as possible, but acknowledge that these are medium- to long-term programmes.

As referred to in the introduction, all of the areas for improvement previously identified continue to require more work before the Council can be considered 'out of the woods'. Plans are in place that will take the Council some way in that direction. It is critical that the Council establishes a corporate plan for transformational activity that learns from what has already been achieved, from best practice elsewhere, and that optimises the value of the resources that it has well-assembled and continues to put in place.

We will now produce a Commissioners' Exit Plan that gives clarity to our expectations for the next three years and will seek the Council's active delivery of that in our future work. It will be evident from this letter as to what some of the core elements of that Plan will be, and we are encouraged that our engagement with the Council on the subject has been positive and that the necessary ambition is shared in principle. We look forward to reporting on progress in this direction in our next letter to you.