

Birmingham City Council Report to Cabinet

4th April 2024



Subject:	Draft Improvement and Recovery Plan (IRP)
Report of:	Graeme Betts – Acting Chief Executive
Relevant Cabinet Member:	Councillor John Cotton, Leader of the Council Councillor Sharon Thompson, Deputy Leader
Relevant O&S Chair(s):	Councillor Albert Bore – Co-ordinating O&S Committee
Report author:	Paul Clarke, Assistant Director (Programmes, Performance, and Improvement)

Are specific wards affected?	<input checked="" type="checkbox"/> No
Is this a key decision?	<input checked="" type="checkbox"/> No
Is the decision eligible for call-in?	<input checked="" type="checkbox"/> No
Does the report contain confidential or exempt information?	<input checked="" type="checkbox"/> No

1 Executive Summary

- 1.1 The Intervention Directions issued to the Council under Section 15(5) and (6) of the Local Government Act 1999 require the preparation and agreement of an Improvement Plan. The Plan needs to be developed within six months of the Directions with resources allocated accordingly.
- 1.2 This report seeks the Cabinet's consideration of a draft Improvement and Recovery Plan (IRP). The IRP provides the basis for improvement and change required, and will help provide assurance to citizens, councillors, officers, partners, commissioners, and other stakeholders that the Council is taking steps to improve its financial sustainability and the way it operates to deliver the services and outcomes the city and its citizens need.
- 1.3 The draft IRP document attached at Appendix 1 summarises the key priorities and actions that will address the immediate and most significant issues for improvement. It brings together programmes already underway and planned, as well as new projects and programmes which have been initiated in response to the more recent reviews and judgements provided – such as the review of governance by the Centre for Governance and Scrutiny (CfGS).

2. Recommendations

2.1 Cabinet is asked to:

- (a) Consider the draft Improvement and Recovery Plan (IRP) (attached at **Appendix 1**) as the overarching document that summarises the key programmes, projects, and activity the Council needs to deliver improvement.
- (b) Agree the Aims, Outcomes, and Priorities of the Improvement and Recovery Plan (IRP).
- (c) Note the Improvement and Recovery Plan (IRP) will be reviewed and refreshed to reflect new priorities and the further development of delivery plans for new programmes.
- (d) Recommend that the City Council approve the Improvement and Recovery Plan (IRP).

3. Background and context: the need for improvement and change

3.1 A series of reviews and judgements provide evidence of significant and systemic failure at the Council, and highlight exceptional financial, governance and cultural challenges. These reviews and judgements have been a catalyst for the Government's Intervention Directions issued on 5th October 2023, and the arrival of Commissioners, and include:

3.1.1 Governance and service delivery concerns raised by the Local Government and Social Care Ombudsman, the Housing Ombudsman, and the Department for Education's Commissioner for SEND in several reports.

3.1.2 The findings from an independent review of governance by the Centre for Governance and Scrutiny (CfGS), commissioned in view of the issues above, identifies significant governance challenges requiring attention, including culture and behavioural issues. Many have been cited previously and are arguably the root causes of some of the current challenges.

3.1.3 External Auditor Statutory Recommendations issued on 29th September 2023 which include 12 recommendations focused on improvements needed in financial management, practice, and governance.

3.1.4 Internally, two Section 114 Notices and a Section 5 Notice were issued during September 2023 which reflect the exceptional financial position and severity of budget challenges. The potential equal pay liability, and implementation of the Oracle ERP system were major contributing factors to these Notices.

3.2 The Intervention Directions themselves reference concerns about financial governance and systemic failings over several years including weak governance, poor culture, a challenging relationship with trade unions, and ineffective service delivery, which have been exacerbated by churn at senior officer level.

4. The IRP: Overview

- 4.1 The Council is required to prepare, agree, and implement an IRP within the first six months of intervention. The Plan should set out the Council' response to the intervention and the identified challenges and failures. A draft IRP has been developed and is attached at **Appendix 1** for consideration.
- 4.2 The IRP has a focus on three overall aims:
- (1) **Financial Sustainability:** building on the initial financial recovery response, including ongoing work to address external auditor statutory recommendations, to ensure its long-term financial sustainability. The delivery of budget savings and a solution to equal pay issues remain the most immediate issues to address, as well as re-setting the foundations for the medium and longer term.
 - (2) **Improving how the Council is run:** The significant cultural and governance challenges facing the Council need to be addressed, and the IRP sets out the steps we are taking to address these, to become a better functioning organisation, with modern practices, and improved working relations based on high levels of trust, respect, openness, and transparency. This will better enable the Council to deliver its citizen facing services.
 - (3) **Citizen Services:** The Council has historic issues with several key services, and they will be the initial focus. The Council needs to improve and restore public trust across all its services, ensuring clear service standards and customer focus. An improved financial position and better run organisation will enable this to happen.
- 4.3 The IRP is about resetting the culture of the organisation. It will improve levels of trust and respect, increase levels of openness and transparency, move away from a blame culture, enable more corporate and less siloed working, and ensure there is appropriate accountability and responsibility. The Council needs a consistent and positive organisational culture, with clear roles, responsibilities and expectations of elected members and staff. It needs to be an organisation that is member-led, officer-run, and citizen focused.
- 4.4 At the heart of the IRP is a programme focussed on future organisational design and culture change. But other projects and programmes within the IRP will embed the change in culture and behaviours needed. The programmes focussing on Governance and Relationships, Employee Relationships and People Management, and Programme Management, Performance & Risk will all play a role resetting the culture of the organisation.
- 4.5 It is important to note the Council's improvement and recovery journey does not start with the agreement of the IRP. Many of the programmes and projects within the

IRP have been initiated in response to issues and challenges as they have come to light. Key improvement programmes already in progress include Oracle, Job Evaluation Programme, improved compliance with Regulator for Social Housing Consumer Standards, and SEND improvement.

4.6 It should also be noted that there has been improvement and recovery activity initiated since the Commissioners arrival to develop proposals for budget savings, and responses to the External Auditor Statutory recommendations and the CfGS Governance Review.

4.7 The IRP includes the following content:

Section	Content
Foreword	Introduction from the Leader and Chief Executive.
Introduction	Sets out the context for our improvement including the need to change and improve, and the challenges that have led to Government intervention.
How We Will Improve	Summarises the phases of our improvement and the journey to an improved future council, including the underpinning principles that will drive and shape all our change moving forward.
Immediate Recovery and Stabilisation	Sets out the immediate recovery and stabilisation period and progress the Council has achieved between the Directions being issued in October 2023 and the development of the IRP.
IRP Priorities	Sets out the overarching themes, priorities and structure used to organise the improvement programmes, projects and activities that are in the Plan. The overall outcomes that will be achieved by the delivery of the Plan are also set out.
Governance, Assurance and Monitoring	Sets out how we will provide assurance on delivery of the Plan, including the governance model, approach and the reporting and monitoring mechanisms. Also explains how we will manage risks and dependencies.
Engagement and Communication	Outlines our communications and how we will keep citizens, councillors, staff, and other stakeholders informed of progress and delivery. It also summarises the engagement that has informed the development of the Plan.
Enabling and Supporting Delivery of the IRP	Summarises how we will ensure there is the required capacity, capability, and resource to deliver the programmes, projects, and activity in the IRP.
Appendices	Priority Programme Activity Summaries Key Performance Indicators Response to the External Auditor Statutory Recommendations Response to the CfGS Governance Review: Stabilisation Plan Risk and Dependency Management

5. Delivery of the IRP: governance, assurance, and resources

- 5.1 Robust governance and assurance arrangements have been put in place to oversee the delivery of the improvement programmes and budget savings proposed by the IRP. Section 5 of the draft IRP attached sets out the arrangements for robust and comprehensive governance which includes elected member oversight.
- 5.2 The Corporate Portfolio Management Office (CPMO) will provide independent corporate assurance to a Transformation & Improvement Board (officers) and elected members. It will provide visibility of programmes and savings initiatives and the associated benefits through robust and transparent monitoring and reporting practices. The scale of the challenges facing the Council is considerable and the CPMO function is being strengthened to reflect this. There will be a bi-monthly assurance report presented to the Commissioner's Improvement and Recovery Board.
- 5.3 The IRP will be refreshed and renewed as improvements are delivered, and new programmes of work need to be developed. Not every element of the Council's improvement can be plotted at the start. The draft IRP is an initial Plan. It sets out the priorities and the focus for the next 12-18 months. But some of the delivery plans for the programmes in it will need to be further scoped, developed, and resourced over the forthcoming months, informed by baselining and further engagement.
- 5.4 Significant and sustained investment is required to deliver the scale and pace of change that is required across the organisation. Without directing the right resources to delivering those programmes the Council will not be able to achieve the necessary changes or deliver required budget savings. While most improvement activities will be funded from within established Directorate/Service budgets, the delivery of the IRP, including budget saving proposals, will require capacity and expertise over and above business-as-usual resources. Section 7 of the IRP sets out our approach to resourcing the IRP.

6. Options considered and Recommended Proposal

- 6.1 Do nothing. This is not an option as there is a Statutory Direction on the council to produce an IRP within 6 months of the intervention starting.
- 6.2 Recommend approval of the IRP. This provides assurance to the Government, commissioners, and Birmingham citizens that we understand the scale of recovery and improvement and have a robust, achievable plan in place to deliver what is needed.

7. Consultation and engagement

- 7.1 The IRP has been informed by engagement with a range of officers, elected

members and with commissioners. Engagement has taken place at different levels and through different forums throughout the process of developing the IRP. The Plan has been informed and shaped through engagement with Corporate Leadership Team, Directors and Assistant Directors, Cabinet Members, Leaders of Political Groups, Overview and Scrutiny Committees, council staff, and Commissioners. We will continue to ensure there are good levels of awareness and understanding of the IRP programmes and projects across the organisation.

- 7.2 The Best Value duty under the Local Government Act 1999, requires local authorities to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness. There is a duty to consult on how to do that, and there will be plans and proposals arising from the IRP programmes we will need to consult citizens and service users on.
- 7.3 Consultation on improvement priorities more generally will be undertaken over the summer of 2024 as part of a planned '*Shaping Birmingham's Futures Together Commission*' which will include a programme of engagement with partners and citizens. This will provide input on the priorities for the city, but also the future direction, role, and purpose of the Council.

8. Risk Management

- 8.1 Approach to risk management, and the overall risks to the delivery of the IRP are set out in Section 7 of the attached IRP. Clear mitigation plans and actions will be proactively reviewed and owned by Responsible Delivery Leads (RDLs) and Senior Accountable Officers (SAOs), and consistently reported to the Transformation and Improvement Board. The governance layers put in place, alongside specific tools such as RAID Logs, will ensure that there is proactive management of risks and dependencies across all workstreams.

9. Compliance Issues

- 9.1 The development of the IRP is required to comply with the Intervention Directions issued to the Council under Section 15(5) and (6) of the Local Government Act 1999. It is also likely to form the basis of a Productivity Plan that local authorities are requested to develop which will set out how they will improve service performance and reduce wasteful spending.

10. Legal Implications

- 10.1 The IRP is a requirement of the Intervention Directions issued to the Council under Section 15(5) and (6) of the Local Government Act 1999.

11. Financial Implications

- 11.1 Delivering financial stability is one of the IRP's three overarching aims. The delivery

of budget savings and balancing the budget is a priority within the IRP. Achieving a balanced budget over the next two years will require savings in the region of £300m. This can only be achieved through significant change that improves the way we operate and how we deliver services.

11.2 Significant and sustained investment is required to deliver the IRP and the scale and pace of change that it requires across the organisation. Without directing the right resources to deliver those programs, the Council will not be able to achieve the necessary changes or deliver the required budget savings. While most improvement activities will be funded from within established Directorate/Service budgets, the delivery of the IRP, including some of the 2024/25 and 2025/26 budget saving proposals, will require capacity and expertise over and above business-as-usual resources.

11.3 A budget provision of £20m has been included in the 2024/25 budget that has been approved at Full Council on 5th March to fund the additional capacity and resources required to support the improvement and change detailed in the IRP.

12. Procurement Implications (if required)

12.1 Procurement activity may be necessary in some programmes included in the IRP.

13. Human Resources Implications (if required)

13.1 To achieve the £300m reduction, some budget savings involve workforce savings and relevant HR policies will guide the approach to that.

13.2 Some workstreams included within the IRP focus on the People Services function and our approach to people management and employee relations.

14. Public Sector Equality Duty

14.1 Senior Accountable Officers (SAOs) will be responsible for ensuring Equality Impact Assessments are completed on programme activity included in the IRP where it is required.

15. Appendices

Appendix 1: Draft Improvement and Recovery Plan.

16. Background Documents