

Independent governance review

Produced for Birmingham City Council

Main report

Centre for Governance and Scrutiny

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1. Introduction

1. In July 2023, the Centre for Governance and Scrutiny was selected by Birmingham City Council to carry out an independent governance review through a competitive tender process. The Council commissioned this work in response to a request by DLUHC.
2. The review's purpose was to summarise key governance issues and assess current and planned action to respond to them with an aim to;
 - support the continued improvement of governance at Birmingham City Council;
 - help the Council provide assurance to a range of stakeholders (internal and external) that it has an understanding and grip of the governance issues cited in recent external reviews; and
 - has appropriate actions (current and planned) to address these issues.

It was designed to cover the following themes and areas of focus:

Theme	Areas of focus
1. Leading effective governance	<ul style="list-style-type: none">• Clarity of vision and priorities• Understanding of roles and responsibilities• Culture and understanding
2. Enabling and supporting good governance	<ul style="list-style-type: none">• Robustness of processes and practice• Support services and functions• Levels of assurance and compliance
3. Financial Governance	<ul style="list-style-type: none">• Capacity and skills• Financial management and budget oversight• Financial risk management
4. Improving governance and decision making	<ul style="list-style-type: none">• Customer focus• Stakeholder engagement• Learning from external review and challenge

3. Since the work was commissioned the landscape for improvement at the Council has changed significantly. On the 5th September the interim Director of Finance (and Section 151 Officer) issued a section 114 notice. On the 19th September 2023 the Secretary of State wrote to the Council's Chief Executive, notifying her that he was minded to intervene in the Council's management through the appointment of Commissioners. Finally, on the 21st September 2023 the Monitoring Officer issued a section 5 report, which triggered a second Section 114 notice.
4. This report does not seek to provide a running commentary on these events. Instead, it attempts to understand the nature of improvement in governance at Birmingham through a focus on answering a comprehensive set of questions as set by the Council's original specification.
5. Through exploring those questions, we have been able to identify both symptoms and root causes of the Council's current governance challenges and chart a path towards improvement.

About the people carrying out this work

6. The Centre for Governance and Scrutiny (CfGS) is a charity that provides support, advice and guidance to a range of public and private sector organisations on matters relating to local governance. CfGS has a particular specialist practice in carrying out detailed governance reviews and evaluations of local authorities in England, and in creating and helping to implement plans for improvement in councils experiencing failure or serious governance challenges.

The structure of this report

7. This main report comprises a summary of what we have learned from our evidence-gathering exercise and is organised to reflect the four main themes that we have been asked to investigate.
8. The report supports a stabilisation plan – which focuses on practical actions that can be undertaken between now and April 2024, and which has developed by CfGS and the Council together.

Acknowledgments

9. We would like to thank those people who we interviewed, one to one and in focus groups, for their frankness and candour.
10. We would also like to thank the Birmingham City Council officers who supported us in carrying out this work, during a period of exceptional unpredictability – in particular, Paul Clarke, Amerdip Kaur, Michelle Webb and Georgia Bough.

2. Methodology

1. This review was designed to investigate Council governance – the internal systems and processes which exist to support effective decision-making by members and officers, and the oversight of that decision-making. The review was not a general one of Council effectiveness. It was not designed as a broader exercise to explore the Council’s wider improvement challenges, although it is closely connected to that work. The methodology for the work has therefore reflected that focus.
2. Our plan for undertaking the work consisted of 5 stages:
 - **Stage 1 - Insight conversations** - initial orientation and diagnosis through insight conversations with a range of officers and members, and a detailed desktop review of evidence drawing from a wider range of internal and external documentation.
 - Over 80 conversations took place, either through one to ones, or in focus groups discussions.
 - Our desktop research involved looking at the external reports, evaluations and interventions that Birmingham has had in recent years (the most influential of these having been the Kerslake Review in 2014). We also carried out a review of plans, policies and processes and observations of council meetings. Documents included past and present improvement plans, internal procedures, as well as the agendas, minutes and reports and observing several recent Council meetings, via webcast
 - **Stage 2 - Governance journey mapping** - exercises for Oracle implementation, equal pay, housing improvement, and the Council’s approach to SEND. This has involved reviewing; the steps taken through the formal governance system, who has made decisions, and what information has been shared with members to facilitate the making of those decisions.

This exercise has not been a substantive review of the decisions themselves but an investigation into the specific governance issues involved in those matters. This stage also included developing a “theory of action”, which we explain in more detail in section 3.
 - **Stage 3 - Reviewing behaviour change** - exploring what change and any actions to improve, will look like. Informed by action learning activities undertaken with a range of officers and members. This involved the production of a “blueprint for change”, which reflects our theory of action and which is set out in section 3.
 - **Stages 4 and 5 - Improvement planning** - drafting of plans for improvement and their implementation.

Triangulating evidence

3. We have gathered a large amount of evidence as part of this review. An important part of the exercise has been to triangulate this evidence. When someone told us something in an interview, or when we read something in a document, we have tried to find separate evidence (ideally, from multiple sources) to corroborate that evidence.

4. A lot of the focus of our work is on behaviour and culture, which means that a lot of the evidence relating to this is subjective – it is about people’s responses, reactions and perceptions of things. Just because a lot of people think something does not necessarily make it true. We have used our own judgement, based on a significant amount of research and through having carried out similar work in other councils, to reach conclusions about how evidence best fits each other.
5. In carrying out this work, we also have been aware that others are also actively overseeing work to stabilise and improvement governance at the Council.
6. The process of evidence gathering was, by necessity and design, limited to individuals within the Council. We expect that the planned “local inquiry”, being developed by DLUHC, will provide an opportunity to gather evidence from a wider range of local stakeholders.

The form that our recommendations take

7. We have worked with the Council to produce a stabilisation plan. This is presented as a separate document. It is informed by the theory of action and blueprint for change set out in section 5 of this report.
8. The Council is currently confronting several challenges that warrant strategic actions, tailored to two distinct timescales. We are proposing a structured, two-phase approach to navigate through these challenges:
 - **Stabilisation Phase:** Effective immediately until April 2024. The plan, set out in section 4, is focused on this phase.
 - **Improvement Phase:** Commencing post-April 2024. We consider that improvement activities for the medium and long term will need to be developed, over the coming months, as part of the wider exercise to build an Improvement Plan for the Council.

Stabilisation Phase (From now till April 2024): Ensuring Stability and Balance

This period is a period of stabilisation where the emphasis will be on the delivery of a balanced budget in 23/24, the preparation of a balanced budget for 24/25, and the agreement of that budget and a Medium-Term Financial Strategy.

There is also the need for the Council to develop and agree an Improvement Plan, which will need to be in place six months following the arrival of Commissioners.

Actions undertaken during this period will need to lay the groundwork for future improvements through;

- a. **Risk Management Reform:** Refine systems for identifying, managing, and escalating risks.
- b. **Enhanced Member Oversight:** Increase the precision and impact of member oversight practices to assure proportionality and focus.
- c. **Addressing Behavioural Issues:** Initiate strategies to challenge and rectify poor behaviours among officers and members.
- d. **Setting Cultural Foundations:** Begin instilling foundational shifts to pave the way towards an evolved organizational culture.

Improvement Phase (Post-April 2024): Charting the Path Forward

Active improvement at the Council – long term improvement – can only begin once the current crisis has been overcome. This is why our more extensive actions are ones that

we consider can only be taken in spring 2024. This is when the Council's deeper improvement journey will begin.

Both phases are integral to navigating through the current challenges and steering the Council toward a stable and improved future. This approach ensures that immediate pressures are managed efficiently while setting a solid foundation for consistent, long-term enhancement in the subsequent phase.

Clearance and accountability

9. We have shared emerging findings from this work with the Council at key points in the evidence-gathering process – usually at the end of each stage. Our findings remain our own. The Council, and people within it, have made no attempt to influence or change those findings, other than to correct errors of fact. Any errors that do remain are the authors' own.

3. Overview

1. This report is the product of an independent governance review into Birmingham City Council. It is focused on four specific areas, which we treat in depth in the next section.
2. Birmingham City Council is in an exceptionally difficult situation. The immediate challenge continues to be dealing with the shocks to its finances which emerged in the spring and summer of 2023. This high-profile evidence of crisis is a symptom of a wider and more fundamental set of issues around;
 - how decisions get made by the Council,
 - how members and officers work together to make those decisions and – critically
 - how information and insight is used to support that decision-making.
3. As it attempts to tackle these more fundamental issues, the Council needs to assure itself, and its partners, that it has the grip on the immediate steps that it has to undertake to act on matters on which previous governance issues have emerged, often through previous external reviews.
4. External assurance has in particular been sought on action to recover from issues highlighted in three main areas, into which we have conducted “journey mapping” exercises, intended to review how, in what form and by whom certain decisions have been made:
 - Oracle, where procurement of a new enterprise resource planning (ERP) system for the authority has suffered a significant failure;
 - Equal pay, where substantial new liabilities for the Council emerged earlier in 2023;
 - Housing, where significant, adverse regulatory findings from Government earlier in 2023 arose from failures in housing repairs, and in dealing effectively with complaints.
5. The extent to which the Council has been able to put in place arrangements to recover and improve these issues demonstrates its potential capability in tackling its wider improvement needs. We have therefore used these issues as case studies to inform our judgement on those wider issues, as well as determining whether adequate arrangements are in place to improve on these matters specifically. In carrying out this work we note that the Council’s external auditor Grant Thornton is undertaking its own review of some of these issues, and that the planned “local inquiry” instigated by Government is also planning an in-depth review on the same matters. As such, while our findings are informed by research into these issues, we are not presenting detailed standalone analysis on them.
6. Overall, the Council is aware of its weaknesses. It has been subject to a range of both corporate and service-specific reports and evaluations over the course of many years. In the main these interventions have had limited impact on the root causes of the Council’s governance issues. The Kerslake Review highlighted these weaknesses in 2014, and an Independent Improvement Panel (BIIP) was put in place by Government. This remained in Birmingham for just over four years, monitoring the council’s implementation of Lord Kerslake’s recommendations.
7. Birmingham’s current governance, and financial challenges have not been caused by any single issue. The impact of more than a decade of funding cuts has had substantial effects on the Council’s ability to adapt to new needs and realities. On its own, however, austerity cannot explain how and why Birmingham is in this critical position. Similarly, other factors, highlighted to us in interviews as key causes of the Council’s current situation, do not tell the

whole story. The Council's size, the failure to effectively implement Oracle, its lack of awareness of its equal pay liabilities, and its hosting of the Commonwealth Games are all relevant considerations – but no specific one of these present a root cause of failure.

8. Problems cannot, either, be put down solely to difficult relationships between the Council and trades unions, or tensions in member-officer relationships. All those issues, significant though each of them is, combine with others to create the very serious conditions facing the Council today. The multifaceted nature of the causes, and symptoms, of Birmingham's corporate governance failures make the Council's situation unique – this distinctiveness will demand a unique solution on governance stabilisation and improvement.
9. These issues we reflect are symptoms of a wider problem relating to governance and accountability – which, to date, remains largely unaddressed even though the Council, and others, have been aware of it for some time. It is at its core a problem of culture and behaviours – a failure of individual and collective accountability and responsibility.
10. The result is that the Council does not function as one organisation. While recent improvements in the capacity and capability of the “corporate core” have helped to provide a sense of common purpose at the top of the organisation, the Council largely continues to operate as a collection of individuals, and groups of individuals, holding motivations and objectives which sometimes align with the corporate interest of the authority, but frequently do not. Team working exists – and there is some productive, cross-cutting work in some areas. However, as a norm, there is not a “whole council” approach to identify priorities for the authority, to manage expenditure, to understand and manage risk, and to ensure that the right people are involved in decision-making and oversight, in the right way and at the right time. It has long been known that the Council has a “silo working” culture, and substantial work has been undertaken recently to strengthen the capacity and capability of the Council's corporate core. But more profound cultural, and behavioural, change is necessary for these efforts to be sustained.

What do we mean when we talk about the “corporate core” of the organisation?

Much of this report focuses on the current and future role of the “corporate core”, or “corporate centre” of the organisation. For us, this means:

- Legal services;
- The finance team;
- Officers working in democratic services and scrutiny;
- Officers carrying out corporate, and corporate-facing, activity around:
 - project and programme management;
 - performance management;
 - equality, diversity and inclusion;
 - data and analytics;
 - community engagement, participation and consultation;
 - organisational development;
 - digital services (including attitudinal and culture facets to the Council and local people's relationship with technology, rather than operational ICT provision);
 - communications, both internal and external.

These functions should all be considered strategic functions of the authority, and as tools by which the Council can effect change.

Some of these services are provided within the Strategy, Equalities and Partnerships (SEP) Directorate. Our comments and recommendations should not be seen as a suggestion that

the Council should reorganisation or restructure these services, or that the only place that some of this corporate activity is – or should be – in the corporate centre. But these functions have a key role in supporting service departments to set and model effective behaviours and good governance – and in developing awareness and capability in these corporate issues themselves. Thereby embedding an understanding of these disciplines within service departments, rather than assuming that it is the corporate core's exclusive duty and responsibility to drive new behaviours in these areas.

Change is happening...

11. There is an understanding that governance needs strong grip, and at pace, to improve. Arrangements are being put in place to bring about that improvement. There is progress on systems such as the prioritisation of work, and there is a stronger focus on the use of data and information to build the Council's corporate capacity.
12. Some of these improvements are recent, so have had little time to bed in – for example;
 - spend controls that have only been in place for a matter of months – and which will be temporary, meaning that the need to rebuild strong financial systems is critically important;
 - more effective ways of working for Corporate Leadership Team (CLT), which has adopted a more rigorous approach to performance assurance;
 - an improved framework of operation for both the Audit Committee and the Council's overview and scrutiny committees, which suggest a shift in the right direction but need to be further expanded and developed;
 - improvements such as to project and programme management at a corporate level, that have been in place for less than two years and are beginning to have some impact.
13. Many of the changes that we see happening are focused on the corporate core, and the upper levels of management in the organisation.
14. There is now better understanding that some of the historic issues, are deep and systemic – and are not solved with one big idea, one team or an isolated plan. Therefore, these recent, positive changes will all contribute to the next steps taken to stabilise, and improve, the Council's governance.

...But needs to go further

15. As it stands, action to improve is only going so far. The Council currently lacks the capacity and capability to do more, and to do it more quickly, delivering the change that everyone knows is needed. The pressure to maintain council services in the here and now, in the face of immediate financial and other challenges, is taking up a substantial amount of headspace for councillors and officers.
16. This means, too, that the prospects for sustained improvement on the issues identified by our three journey mapping exercises is also uncertain. Credible plans exist for recovery and improvement. In another authority, and in another context, we would agree that they look credible and robust. We cannot point to deficiencies in how recovery plans have been designed and on the rigour of the management systems in place to provide oversight and accountability. In fact, we note that recent actions by the Council, led by CLT, to assert more grip over project and programme management, and on improvement overall, gives rise to an expectation that sustained improvement may be possible in a way that has previously eluded the Council.

17. But the general weakness in the Council's culture around improvement, and its limited capacity overall, cast doubt on whether those plans can be delivered without further action to change, and change fundamentally, the way that the Council operates. The same is true of the risk of similar significant problems occurring in the future. We have confidence that some of the most profound flaws in the management of issues relating to Oracle, equal pay and housing may have been mitigated had the Council's recently-established arrangements for programme and project management, and performance management, had been fully in place at the outset of those projects. But even so, problems with culture and attitude would still have placed their delivery at significant risk.
18. This is in part because the current structure and processes in place to manage stabilisation and improvement, and to facilitate good governance overall, are not sufficient. They do not take enough account of the challenges and complexity the council faces and, some of the poor behaviours, in respect of culture and practice, that surround aspects of decision making and oversight. Solutions will need to reflect how people, culture and processes interact. The Council, corporately, is beginning to understand this complexity and its ramifications, but has further to go. We have drafted a stabilisation plan which, we consider, reflects a realistic approach on what should be possible, and what is possible. This, and a wider blueprint for change, is informed by a "theory of action" on Council improvement.

The reality of today

19. The Council has a range of overlapping cultures, some negative and some positive. We set out what we consider some of the most prominent to be in section 3 of this report. For the purposes of this overview we would set some of the key cultural challenges as being:

Low levels of trust

20. Trust, between members, between officers, and between members and officers, is low. The Council is beginning to understand the scale of the "organisational development" challenge that it faces, which may result in a sense of common purpose and direction. But there remains a deep-seated blame culture at the Council which limits frank, candid conversations about emerging risks, and which encourages an aversion to change. This blame culture is accentuated by poor behaviour across the board, and a lack of individual and collective commitment to basic principles of probity and good conduct.

A difficulty in speaking up and about, and hearing, bad news

21. Part of this is about the Council's history of information management. There is confusion and disagreement about who owns and "controls" data, and who controls what that data says. In a defensive culture, there is little incentive for officers to pass "bad news" up through the organisation, for members and more senior officers to consider and resolve. This has also hindered the Council's ability to meaningfully respond to external review, challenge and scrutiny. When bad news is escalated, its urgency is often diluted, and downplayed (by both members and officers), with the focus being to reassure the wider organisation (and external stakeholders) than to take clear actions to mitigate problems. The prevailing assumption is that risk can be minimised through increased activity – more reports, more meetings – rather than by the questioning of assumptions and bringing in a broader range of insights and perspectives into the decision-making process.

Unproductive member focus on operational activity, which has developed into actively negative behavioural trends around member-officer relationships

22. This tendency may be part of the reason why many members consider that they cannot trust officers to reliably report emerging concerns to them. But members also have a responsibility

to make their objectives clear and to specify the right ways that they expect to oversee and direct. As things stand, members' tendency to focus on operational detail means that they are absent from the strategic spaces that they ought to be occupying. It also creates an oppressive environment for many senior officers, who find that their freedom to carry out their operational duties is circumscribed by heavy member direction and oversight.

23. The situation connects with the practice of both officers and some members, past and present, circumventing the correct and proper approach to decision-making and governance by discussing and agreeing highly operational actions, out of the view of senior officers and in a way that acts in direct defiance of the constitution. While this practice is not widespread, it is a substantial presence, resulting in a confused decision-making atmosphere, and an environment in which basic standards (and conventions around roles and responsibilities) are significantly undermined. This is compounded by unorthodox formal systems for member and officer delegation in the constitution. It is further exacerbated by the poor relationship between the Council and trades unions, which we discuss in more detail below.

Unwritten rules trumping corporate processes.

24. For members, attempting to oversee large areas of council operation will be a frustrating experience. The Council has heavy processes, systems and policies around the management of performance, finance and risk – and for project and programme management. Governance systems around major projects are exceptionally vigorous and appear to contain many fail safes. However, these systems are inconsistent and are only as reliable as the data provided and the people who operate them. This has meant that some historic change and transformation activity has been unable to make a difference to underlying cultures and behaviours. Furthermore, that change activity has not engaged with the significant problems that exist on member behaviours, and member-officer relationships.
25. These problems have had serious consequences in the realm of financial governance, despite attempts to reassert grip on spending controls and to rebuild the control environment.
26. This reality – and the presence of the cultures set out in this section and in more detail in section 4.1 below – is what gives us doubt that the Council will, without further significant change, be in a position to meaningfully recover its position on Oracle, equal pay and housing repair. Quite apart from anything else, the scale of the Council's current financial challenge means that it has very limited capacity; dealing with one problem of this magnitude would be a challenge. The urgency and scale of all three present real difficulties.

Solutions

27. It is telling that some of the challenges we have identified were also identified by the Kerslake Review nearly a decade ago – challenges which a wide spectrum of actions undertaken over several years were meant to have eliminated.
28. The solutions that the Council adopts will need to be ones that are framed around changes to culture and behaviours. This is because effective behaviours are key to good governance, and improvements to governance will not be possible unless and until those behaviours are addressed. For this reason our recommendations for change will be informed by the seven characteristics of good governance which form part of the CfGS/Localis "Governance risk and resilience framework".
29. Solutions will need to reflect Birmingham's distinctive context – as England's largest local authority, with delivery responsibilities, and service complexity, which is an order of

magnitude greater than most other councils. This report sets out what some of those changes should be.

30. We think that changes, when agreed and put in place, will be able to lead to a situation where a pathway to sustained improvement on Oracle, equal pay and housing repair can be found. This will not be about dramatically changing the structures and systems involvement in those plans for improvement, but changing the attitude, mindset and mentality of people across the Council in coming together to tackle what are cross-Council problems. This “whole council” approach is currently beyond the Council’s capabilities, but it is within the Council’s grasp, if the approach it takes towards the improvement needed is sufficiently meaningful.
31. The chapter below breaks some of our high-level findings down into more detail, ordered by each of the four themes we were asked to investigate.

4. Findings

This chapter is divided into four parts, each reflecting one of the four themes which we were asked to investigate. Our subheadings are derived from the specific questions that we were asked to answer in our agreement with the Council.

4.1 Leading effective governance

This part of our work looked at:

- Clarity of vision and priorities
- Understanding of roles and responsibilities
- Culture and understanding

4.1.1 Clarity of vision and priorities.

1. The Council (both members and officers) have a strong sense of the authority's vision and priorities. The Council has a Corporate Plan and the usual systems for delivering that plan, against which performance indicators and delivery milestones (which form part of a Corporate Performance Report) are regularly reported to Cabinet, and other bodies such as scrutiny. The Corporate Plan is "mission-led" – it sets out six "grand challenges" that the Council is seeking to address and frames the response to those in the form of five strategic outcomes.
2. It is a clear vision, and an ambitious one. Our interview evidence has highlighted that Birmingham suffers from an optimism bias in how it goes about its business. It sets itself tough tasks – often based on a clear-eyed assessment of local need – but sometimes lacks the member and officer leadership, and organisational capacity and capability, to deliver those tasks. As a council, Birmingham finds it difficult to prioritise – in part because there is no clear sense of collective purpose within the organisation. Prioritisation involves making tough choices about what the Council can, and cannot, do. This is a strategic activity that should be, but is not currently, led by members.
3. In a council with a strong grip on prioritisation and focus, a mission-led model for identifying key priorities can provide a foundation for transformative change. Where this focus does not exist, the breadth and long-term nature of missions can make it easy to conceive of everything as a priority.
4. The Council is often unable or unwilling to make hard choices. Members are unwilling to make the strategic decisions that would provide clarity on priorities – officers are focused on day-to-day delivery of a range of complex services, and often lack the headspace and time for reflection that would allow them to make an active contribution to these high-level issues.
5. There is a strong sense, shared by many of our interviewees, that the organisation's focus, direction and vision had improved recently. In the past two years, the Council has undertaken work to enhance the capability of its corporate core. But, as we will go on to set out, without wider "whole council" action on change it will be difficult to effect transformation, and a rigorous approach to prioritisation, from the centre.
6. The Council's primary focus, as it stabilises its work, will need to be on ensuring safe, legally compliant and fairly delivered services to local people. This will need to be informed by the missions in the current Corporate Plan.

4.1.2 Understanding of roles and responsibilities

1. A confusion in mutual roles and responsibilities between members and officers has led to an environment where responsibility and accountability have become diffuse. In this environment, individual and collective responsibility – the sense that key people hold specific duties within a governance framework that consistently assigns ownership and responsibility to the right people at the right time – are weakened.
2. This presents itself through:
 - **A lack of effective member leadership on high profile, business-critical issues.** In some cases, decisions are made, but are not stuck to by the Council as there may not be the right kind of member, or officer, buy-in at the right level. This has, historically, led to a degree of drift in some projects and priorities. For example, efforts to modernise and improve the Council’s finance functions and processes lost momentum after the Council secured its 3* CIPFA finance rating; additionally, the embedding of culture change through the Council 2018-2022 Workforce Strategy was not followed through effectively. Now, the Council has in place more rigorous programme and project management functions within the corporate core, which have brought accountability and oversight to the highest profile work. In a more general sense, Cabinet meetings involve heavy agendas and many decisions, resulting in very little time being taken by members in interrogating the matters they need to interrogate. Meaningful strategic discussions have been largely absent – although we recognise that these do sometimes happen in more informal spaces. Importantly, where strategic conversations do happen, they seem to happen in a way that is disconnected from operational reality;
 - **A lack of effective member oversight on these issues.** In a strong and effective governance framework, we would expect to see the Audit Committee, the Standards Committee and overview and scrutiny committees collectively contributing to a culture of robust oversight – of member-led activity, and of officer-directed delivery to local people. We would expect strong Cabinet grip on these matters as well. While there is some evidence of forensic work being carried out by some members – and by probing questions being asked in some spaces – difficulties in the access and use of information by these bodies, and the scattergun nature of their work, minimises the impact of this important oversight, regulatory and scrutiny activity. Scrutiny committees, in particular, are not focused and co-ordinated in how they develop their work programmes – although there is evidence of good work, too much activity is poorly aligned with the organisation and the wider community’s needs;
 - **Poor quality member-officer relationships.** We were told by a large number of interviewees that “top table” relationships were poor. In some areas, and in respect of certain key statutory matters, member-officer relationships have functionally broken down, although action is being taken to arrest this trend. The situation has been exacerbated by the Council’s recent financial challenges, but there has for some time been a sense of mistrust between officers and members, even at the highest levels. We discuss this in more detail in the next section;
 - **Poor information flows.** Because the questions of “who has oversight”, “who leads” and “who decides” have opaque and inconsistent answers, it means that the clear management of information to support decision-making and oversight roles is not always present. Improvements have been recently made through the expansion in capability of the SEP Directorate (including the work of the Programmes, Performance and Improvement (PPI) Division), whose capacity has been augmented to exert grip on major

projects, and to put in place a more consistent and holistic performance framework. However, the Council's cultural challenges mean that:

- information gathered through these new mechanisms is not always reliable, or is of low quality, or are not the most pertinent metrics or measures
 - information gathered may tell only a partial story, which may be subject to an optimism bias on the part of reporting officers (see below);
 - where information is made available that presents a narrative that could be seen as negative, there is a risk that service departments or others with lead responsibility can explain this away. Where this could be challenged (for example, by members) often the skills and capabilities have not been in place that would allow the evidence-based challenge of these narratives.
- **Access to information by members is inconsistent.** Often, members do not receive the information they need in the right way at the right time. This is partly due to members not clearly articulating their needs and expectations and being proactive about those needs. It is also partly due to an unreasonable member appetite for large amounts of information on operational detail – and the use of that information as a way to attribute blame for perceived failure. This has led to a defensive attitude within the organisation about the way in which members are provided with information, and a tendency on the part of officers to want to control that information flow.

4.1.3 Culture and understanding

Cultures present in the organisation

1. There are multiple cultures in place at the Council. Many people, for example, told us about the presence and perception of a “blame culture” – something which the Kerslake Review identified in 2014 and which still persists. Some of the more negative cultures and behaviours are:
 - **A blame culture.** Where problems, or failures, occur, the fault for these failures are placed on single individuals. Where this coincides with these individuals leaving the organisation, it provides the Council with an opportunity to claim that, with the departure of those individuals, the problem has been resolved. More worryingly, the acknowledged presence of a blame culture can often lead to poor behaviour or conduct not being called out, because people do not want to be seen as part of the blame culture. This situation is exacerbated by the tendency to focus unduly on the individual accountabilities of key individuals, which we discuss below;
 - **Focus on the individual accountabilities of key people.** Key people – especially at corporate level – are seen as having unique individual responsibility and grip on matters of critical organisational importance. Exclusive personal ownership of projects and programmes is common. This attitude is seen as an important element of accountability, but it serves to load responsibility onto individuals when it should be recognised that a wide range of people hold collective and interdependent responsibilities – particularly for cross-cutting issues. This attitude also influences the role of Cabinet members. Cabinet members hold leadership on issues within their portfolio, but are generally less aware than they ought to be of the matters on which their colleagues lead, making the identification of cross-cutting issues more difficult. Overall this leads to a fragmented environment for political accountability. A focus on the capabilities and roles of a few individuals – particularly at senior member and officer level – removes agency and responsibility from officers working in service departments. It also creates problems for business continuity (and ownership of major projects over time), because when important individuals leave the organisation or change roles, progress can falter through lack of

leadership. Overall, this attitude has given rise to the impression that – if and when things go wrong – it should be down to the individual “in charge” to resolve those issues – working against the need for people in large organisations to collaborate. Finally, it serves to give the impression within the organisation that certain tasks and projects are simpler than they are (which connects to the Council’s optimism bias, discussed below);

- **A corporate core disengaged from services.** Birmingham is an unusually large council; its corporate core is proportionately smaller than that at other councils, despite recent investment. There has been improvement in the past two years, with the creation of a more dynamic corporate centre, particularly in respect of functions such as corporate strategy, performance, programme and project management. But the work of these services is significantly hindered by the disconnect between these corporate functions and the Council’s service departments. Service departments – and many Assistant Directors (ADs) – do not feel a sense of “whole council” responsibility – so long as their services are, in their view, being delivered well. There is little sense of mutual support – and challenge – to improve. We consider that the key strategic functions within this core will in some instances need to be retooled as “changemaking” functions, supporting and challenging the rest of the organisation to improve, and for this to happen will require a widespread shift in attitude that will be challenging to deliver;
- **Silo working.** The Council does not operate as an “organisation” in the sense of being a group of people with a shared purpose. Instead, it is a selection of individuals, and groups of individuals, with overlapping priorities and objectives. In recent months, the capacity and capability of CLT to recognise and grip these issues has increased, but the scale of the task is significant. It has been identified (by Kerslake and other external reports, as well as by the Council itself) that the authority operates as a collection of silos. It has been a central theme for a lot of recent change activity, including successive iterations of the Workforce Strategy.
- **Optimism bias.** We have noted that the Council – particularly when planning major pieces of work, and major projects – will undertake detailed planning and research in support of its plans for change. This often results in plans which are over-optimistic. The Council does not take account of external factors or the risk of unexpected issues in how it works, and consistently overestimates the capacity and capability of its staff to effect change. This means that swift improvement in services can be possible – and has been delivered in certain places – but that improvement often proves difficult to sustain in the face of other pressures. This attitude has proven particularly corrosive with regard to long-term, systemic pressures facing the Council, such as equal pay and Oracle;
- **The tendency to wish to control and minimise bad news.** This links with the Council’s optimism bias. As and when things go wrong, the prevailing attitude held by officers – and by members in leadership positions - is to reassure and minimise the presence of problems. This was a particularly visible feature of the Oracle implementation. Often, this is because people in positions of responsibility think, in good faith, that the situation can be recovered. When failure becomes impossible to ignore, the organisation quickly sets out a plan for improvement and recovery, designed to provide the organisation (and members in particular) with reassurance that the matter is being managed and controlled. However, this immediate move to demonstrate proactivity can prevent the Council considering the lessons it needs to learn from the experience. This attitude has contributed to members’ general mistrust of officers, and the information that officers bring them. It has been a feature in recent member interactions on Oracle, equal pay and housing, where members consider that previous officer advice has minimised the existence of problems;

- **Dismissive culture and behaviour around performance and finance.** All of the above issues influence and inform how the Council uses information on performance, finance and risk to inform its work. Corporately, there is a maturing understanding of the need for reliable and high quality management information – systems are in place to provide oversight over major issues. We think it likely that if those current arrangements had been in place historically, serious concerns around Oracle, and housing repairs, in particular would have been identified and arrested sooner. However, culture and behaviour in respect of performance, finance and risk still do not exist in a way that is supportive of those new processes. There should be greater consistency around the way that concerns on these matters from councillors and officers at all levels in the organisation are gathered, understood and escalated. Members have contributed to a degradation of the environment on these issues through a disjointed approach to their oversight on highly operational issues, which takes the organisation’s focus away from a more systematic, evidence-based view of performance across all the Council’s services. The poor quality of member audit has also contributed to an environment where there has been little meaningful member ownership of the Council’s financial challenges;
- **Lack of ownership and leadership on risk.** Members (including members of Cabinet and members sitting on the Audit Committee) do not understand, own, manage or oversee risk effectively. Some individual members are aware of the need for risk to be more central to their approach, but across the member cohort more generally this understanding is absent. While the authority’s corporate systems and approaches for assessing risk, and escalating concerns, have been poor, there has also been an lack of curiosity on the part of members on risk issues, and a lack of proactivity in articulating basic expectations of what members’ strategic roles should be in respect of risk management. In our view this connects to members’ overall tendency to focus on operational matters, without understanding the cross-cutting links between those matters that may reveal the presence of systemic risks. By acting in this way, the importance of risk as a strategic framework within which the authority can properly understand its pressures and constraints has become minimised;
- **A disregard for probity and ethics around the relationships needed for good governance.** This attitude is not nearly as prevalent as the others we have mentioned but is much more challenging. We have heard about significant member overreach into matters of operational detail – sometimes formally, and sometimes informally. In particular, we have heard credible evidence from multiple sources of individual members from across the Council seeking to directly instruct junior officers on the delivery and management of operational services, without the knowledge of more senior managers and in defiance of agreed priorities, in a way that significantly undermines the governance framework. We have heard that because of their personal connection to key councillors, some officers are considered “untouchable”, able to work and operate as they please – something which has caused huge problems for officer-officer relations. We have also heard that the relationship between the Council and its recognised trades unions is particularly poor – both because of challenges over equal pay but also a fundamental difference in assumption and attitude around the proper role that trades unions should have in the life and work of the authority, leading to substantially different practices around governance and decision-making in different parts of the council. We consider these comments credible because they came from a very large number of interviewees, spontaneously and without prompting.

2. There are examples of the presence of more positive cultures within the authority.

- **Self-awareness.** Most of those to whom we spoke had a clear sense of the Council's weaknesses. Individually, people could articulate those weaknesses and failures – and felt a sense of personal responsibility for them. The past few months seem to have been transformative for many individual attitudes – although we are in no doubt about the scale of the cultural and behavioural task ahead;
- **The beginnings of more meaningful cultures of collaboration.** Although much of the evidence that we have gathered has described an organisation that is atomised, in terms of attitude and behaviour, there are signs of internally-led cross-cutting working to achieve change. The members of CLT works better together, thanks in part to external support. Corporate systems are becoming stronger – although significant work is needed for them to more meaningfully inform work across the Council;
- **A will to improve.** The reality of intervention has catalysed a will to improve. In some councils at this stage on the intervention and improvement journey, a sense of fatalism can become dominant – and both members and officers can feel overwhelmed with the scale and nature of the needed change. At Birmingham there is a clearer sense of the need to improve, and a sense of hope about improvement. That hope must however be tempered with realism about the scale of the task ahead, and in particular the scale of the Council's cultural challenges – given the Council's optimism bias;
- **A commitment to local people.** There is a profound commitment on the part of both members and officers to local people. Part of the problem that the Council has experienced is that the Council has been trying to do a great deal to support local residents – its ambition has (as we note above) been palpable and the issue has been that it has lacked the capacity and capability to deliver on this ambition.

How these cultures have informed the relationship between the Council and trades unions

3. A significant barrier to good governance is the poor relationship between the Council and trades unions. The Council, corporately, is unable to manage these relationships. In part this is because at an operational level Council-TU links appear to operate as a variety of personal connections, rather than as formal Council-union dialogue. TUs' relationship with councillors, in particular, present a significant barrier in the Council's ability to take clear and consistent management action.
4. It is right that unions play a robust role in advocating for their members' interests and supporting them to exercise and articulate their rights as employees. However, it is not reasonable for trades unions to expect that they will play an active part in ordinary management processes, such as granular work on the development of job descriptions, and job evaluation. Previous attempts at service restructures have been derailed both because the Council and Unions relationships are so poor and because there has been an expectation from some quarters that TUs should be consulted formally on even the smallest changes, leading to inertia where important business change activity has needed to be carried out.
5. The relationship between the Council and trades unions is highly variable at both a corporate and service level. In recent years, structures for TU-Council dialogue have been put in place which are atypical for a local authority, and which impinge significantly on effective operational, managerial decision-making. Arrangements at both corporate and directorate level have seen an unusual breadth of TU involvement in a range of management decision-making.
6. More recently, the Council has sought to limit the operation of these structures and arrangements. The Council has recognised that TUs – although important representative bodies – are not a substitute for the need for management-led engagement with staff, particularly given that not all staff are union members. The Council has established separate

arrangements for staff engagement (with a particular view to engaging staff holding protected characteristics).

7. This is a rational and justifiable approach. It has however caused problems with the ongoing TU relationship. TUs see themselves as having been disenfranchised by a restriction in communication and engagement, which they see as limiting their rights to represent their members effectively.
8. In part, this is because the Council has been unwilling to formally articulate that it wants to redesign structures for TU consultation and engagement because it fears the response. This dynamic is closely connected to the erosion of the Council/TU relationship as a result of ongoing equal pay negotiations.
9. Many senior officers feel that trades union activists, or officials, subject them to sustained pressure, in some cases amounting to intimidation, on matters such as discipline, conduct and working practices, and that close relationships between unions and certain members are used to enforce this.
10. We have not seen evidence that this behaviour is led by or sanctioned by individuals in leadership positions in union branches, but we do consider these views to be credible given that some of this intimidation has happened at formal council meetings in a way that has been publicly visible, and also because these concerns were raised with us spontaneously by a broad range of officers.
11. We also note that there is a significant amount of fear on the part of officers in taking corporate or directorate action which could be seen as limiting the role and influence of TUs. This is, in part, driven from a legitimate worry that TUs will seek to use the connection they enjoy with some councillors to pressure officers to back down.
12. This situation is exacerbated by the fact that many individuals involved and active in TU campaigning, and as workplace representatives, have a long history of working at the Council. This gives them an operational advantage over managers, of which there has been a regular churn in recent years, with large numbers of interim staff leading to a disjointed approach the relationship. Lacking in confidence and in their own organisational memory, new and short-term staff in management roles find themselves at a substantial disadvantage in dealing with TUs with a significantly greater understanding of council processes and systems. This has caused frustration for TUs, who experience this churn in the form of a series of sometimes choppy and difficult relationships, providing little time to build a shared understanding of expectations before people move on.
13. Given the erosion of trust and climate of fear around Council/TU relationships, a formal reset of relationships is now the only way to meaningfully address the situation – a redesign of the structures present for consultation and engagement, and of other formal processes, informed by some of the broader work we mention in this report on culture and behaviour.
14. While this is pressing, we think it is unlikely to be something that the Council will be able to act on immediately – it is more likely that this fundamental reset can only happen in the context of the wider Improvement and Recovery Plan. A reset will have to be based on the principle that productive, transparent TU and Council collaboration on employment matters is critical, and that avenues of communication need to work properly and be well defined, without the operation of informal mechanisms for influence and direction that currently exist. A reset will also need to provide clarity and realism on where it is appropriate for the Council to consult TUs on its action, and where it is appropriate to engage and inform, and the difference between these three concepts.

How these cultures have informed the Council's historic action on change and improvement

15. An important element of this review has been a consideration of how the Council has been able to act on external reviews – and to provide assurance to stakeholders on its improvement work.
16. We have in particular needed to understand these dynamics as they are likely to inform how the Council responds to our own findings and proposals for improvement. This is the reason why we have developed a “theory of action” – a description of how we think the Council currently takes action to change. This can be found in section xxx. The theory of action is built primarily on the cultural findings set out in this section.
17. The Council's action on change is often provoked by external pressure. In recent years, the Council has demonstrated a limited ability to recognise and act on risk and failure on its own terms. The recognition often arrives too late, and the Council finds itself in need of external assistance and direction in bringing about recovery.
18. When this happens, we consider that the Council has been good at embedding certain aspects of improvement – structural elements in particular – but has failed to take account of the cultural aspects that make that improvement stick. At times the Council really has improved – that improvement was not an illusion. However, the framework has not been in place to make that improvement permanent, and a redirection of corporate focus means that the prospect of sustained change, and the emerging good practice connected to it, slips away. We consider that this raises risks about the ability of the Council to take meaningful improvement action on Oracle, equal pay and housing repair.
19. This supports to us a view that the Council has engaged in improvement work in good faith, and has provided evidence to others in a way that fits with that behaviour. The Council has not corporately sought to mislead its internal and external stakeholders about the pace and nature of change. However, it has underestimated the sustained work that it needs to do in order for change to become fully embedded, and has interpreted temporary improvements as lasting change without considering the risks set out above.

The Council's corporate values framework, and “best in class”

20. The Council does have a set of corporate values – but the cultural elements described above are deep-set, and work to eradicate them will need to be framed effectively to uproot them.
21. The approach that the Council has taken towards its aspiration to be “best in class” might provide part of the answer. The prevailing sense from interviewees was that the “best in class” aspiration was hubristic and reflects the Council's unrealistic ambition – an ambition that is now being tempered to focus efforts on ensuring that Council services are safe, compliant, effective and meet residents' needs. But in our view the value-led elements of “best in class” should – with amendment – remain. These involve the creation of new spaces for dialogue, communication and collaboration between council officers – cross-functional activity to increase awareness of other services, and corporate issues, across the Council. This offers a mechanism, already partially in place, for the Council to plan and deliver deeper and more meaningful cultural improvement.

How things will need to change

22. The Council will need to begin work to reframe its values, and expected behaviours, in light of our findings.

23. We consider that a key mechanism to break down barriers and silos within the organisation will be the establishment of cross-functional teams formed of officers at different levels of management seniority and with different professional specialisms, to take forward early culture change activity. This is work that will feed into the Council's Improvement and Recovery Plan, and connects with our recommendation that the Council's "best in class" activity be retooled to focus on this stabilisation activity. It also connects with our comments on the EI&P Programme, on which we comment in section 4.4.
24. The Council has made attempts to establish such cross-functional and cross-directorate conversations before, most prominently as part of the 2018-22 Workforce Strategy. As with other ambitious measures on culture change, these efforts were not ones that the Council sustained, owing to a combination of the cultural issues we have explored earlier in the section.
25. Establishing these groups, and making them central both to the development of the Improvement Plan and the Council's ongoing service delivery, is in our view a crucial component of improvement within the officer cohort. We consider that, if understood and treated with the central importance that it deserves, and therefore sustained over time, the form of collaboration promoted through these groups will become a natural way of working.
26. This work will need to inform an understanding of behavioural standards held collectively by members and officers. We consider that work to develop a new Member-Officer Protocol can act as a starting point for a fundamental re-evaluation of members' and officers' roles, informed by a review of member attitudes being overseen by the Standards Committee. Both members and officers will need to make formal commitments to new ways of working.

4.2 Enabling and supporting good governance

This part of our work looked at:

- Robustness of processes and practice
- Support services and functions
- Levels of assurance and compliance

4.2.1 Robustness of processes and practice

1. Processes and functions at the Council are, generally, in place – but this demonstrates the mismatch between culture, "custom and practice", and the rules that the Council articulates to members and officers about how they should conduct their work. The level of dysfunction at the Council is evidenced by the gap between these processes and rules, and the extent to which they are – or are not – acted on.

Informal systems, including members' oversight and direction on operational matters

2. The overall accountability framework at the Council contains a mix of formal and informal systems. Informal systems sometimes complement, but often seek to subvert, the way that formal decision-making happens. We have been told that by multiple interviewees that back-channels exist by which members seek to influence operational decision-making – close relationships between members and junior staff result in members purporting to "direct" those staff in how they make operational decisions. We have been told that there is no understanding amongst those members as to the inappropriateness of these discussions and directions. This is surprising, because it seems fundamental that members should understand the basic principles that govern how they, and officers, should work together. The power dynamics involved in these "directions" places the obligation at the door of

members to change their behaviours. Such activities mean that formal governance systems are significantly weakened, as the exercise of proper, accountable systems for effective decision-making – especially those relating to delegation – are undermined.

3. In making these comments we recognise that it will often be legitimate for members to have an interest in the operational delivery of services. Birmingham's councillors represent a very large number of local people. Members are held to account by local people on operational matters, and on those matters it is correct that there be lines of communication to officers, to ensure that operational issues impacting on residents can be resolved, and that more systemic matters can be properly escalated. Dealing with ward issues, and constituents' concerns in respect of those matters, is fundamental to being a member.
4. The issue, then, is for these questions, concerns and issues to be managed effectively, rather than reliant for their resolution on two-way conversations on which others are not sighted. While there is currently a member enquiries system, it is not consistently used by members. It is likely that a more consistent, transparent and reliable system for member enquiries – a system that members can trust because they have had a part in designing it – will reduce the burden on members from community complaints and concerns, ensuring that those issues are passed to the right officer in the right way following a mechanism that benefits from proper management oversight. Such a system would also give other members confidence that officers are dealing well with members' concerns overall.

Control arrangements generally

5. Key processes are provided for in the Constitution, which follows the standard "model" constitution put in place by councils in 2000, with the necessary amendments and updates. The scheme of delegation in the Constitution is, again, fairly standard; the member code of conduct is the latest version of the LGA Model Code.
6. As is common with traditional Constitutions, readability and navigability of the document is difficult, and there are parts that have the potential to cause confusion. Drafted well, a constitution can provide a framework for consistent, well-understood relationships between key actors in the governance framework. Drafted badly, it will frustrate attempts to provide clarity and introduce uncertainty and duplication.
7. For this reason, although one of the main challenges with the Constitution is the extent to which it is meaningfully acted on – and the extent to which it is ignored, or sidestepped, when inconvenient – the document itself does need to be reviewed, and revised, to ensure that it can provide this framework.
8. As things stand – absent the Council's ongoing spend controls – we do not think that the Council can assure itself that expenditure is being made that conforms with the scheme of delegation of decision-making principles in the Constitution. In our view the practice noted in 4.1, of some operational choices, and decision-making, being "directed" by councillors, beyond the view of senior officers, means that it is possible that in the recent past some operational decisions have been made that have sat outside the budget and policy framework and/or which do not conform with the Best Value duty. This is an extremely serious matter, for which councillors hold responsibility, and on which the Council currently has no assurance. The control environment is such that, whatever the processes and systems in place may say, the Council cannot reliably assure itself that expenditure is being incurred appropriately. Section 114 spend controls will have brought a temporary halt to this weakness – but permanent remediation will need to be put in place.

4.2.2 Support services and functions

1. The Council's support and enabling functions form part of its corporate core, a part of the Council in which significant investment has been made in the very recent past. The stabilisation and improvement of the authority depends on this ongoing work to enhance the capability of the corporate centre to continue – allied with these functions of the Council being retooled to more explicitly act as “changemakers”, supporting and challenging the rest of the organisation to improve. Some of the specific support functions are described in more detail in the section below.
2. Building upon a foundation of limited capabilities, the Council has implemented new procedures for project and programme management, the utilisation of data and insights to bolster policymaking, performance management enhancements, and increased oversight and assurance in key governance functions.
3. The continued strengthening and integration of these systems are vital components of the authority's journey towards stabilisation and improvement. However, without a corresponding shift in the organisational culture, there is a potential risk of perpetuating negative, undesirable behaviours. We consider that attitudinal factors raise the risk of an “us and them” mentality arising in respect of the corporate core's relationship with the wider authority, which could be exacerbated where – as we recommend – the corporate core's role is more specifically recognised as a changemaking function.
4. The Council will need to take action to put in place new risk and information management arrangements, with an initial focus on member accountability. A more sophisticated understanding is needed of where gaps in information exist, and of the individual responsibilities of specific officers, and members, with regard to risks.

4.2.3 Levels of assurance and compliance

1. Assurance and compliance should be provided for through several mechanisms:
 - The work and role of the Monitoring Officer (MO). It is vital that the MO has the credibility and respect within the organisation needed to carry out their role. Birmingham's current MO is the eighth in ten years – reflecting a wider senior officer churn over that period, but still troubling from the perspective of the need for organisational memory on key legal and compliance issues. Across legal services, there is little capacity, which presents a significant risk factor for organisational stability and improvement, particularly in the face of the Council's substantial and complex work around equal pay. Statutory recommendations made by the Council's external auditor, and accepted by Council on 12 October 2023, proposed that the Council should commission an independent review of the process for receiving and considering legal advice. In our view this is a pressing requirement, given the Council's cultural challenges and capacity difficulties within legal services;
 - The work of the section 151 officer. The Council has a comparatively new, and interim, s151 who has been working to put in place more robust systems and arrangements for assurance since her arrival. This work has been hindered by the need to lead on remediation work for Oracle. There is still the sense that the “finance function” of the Council is a support service rather than as a strategic enabler, and notwithstanding the presence of spend controls, on the officer side, there is no sense of wider collective ownership of the Council's financial position beyond the s151 and CLT;
 - The work of the principal statutory officers together as a “golden triangle”. The position here demonstrates more strength than it has done in the recent past, but in the absence of a strong governance framework to back up the role of the golden triangle (the phrase used to denote the Head of Paid Service, Monitoring Officer and Chief Finance Officer of

a council), and visibility and respect for the formal roles of these individuals, their impact will be lessened. While necessary, we consider that the issuing of the s114 notices, and the s5 report, will have added to uncertainty at the Council about the role of the golden triangle, and their duties in respect of the authority's effective operation, which will probably need to be clarified (especially with members);

- The work of CLT. CLT is now working significantly more effectively, but suffers from the wider cultural challenges of the authority, in that its work to co-ordinate and manage delivery across the board does not reach down into the organisation as much as it should. It is still too easy for officers, including officers at AD level, to pay little heed or attention to CLT's work or priorities, even though those officers should have a sense of ownership through membership of ECLT (extended CLT). CLT is carrying out specific work on performance and assurance whose impact is, for the moment, limited. We consider this work, and the wider performance framework within itself, represents a strong foundation, but at the moment that the quality of the information within the framework, and organisational participation with it, means that it cannot function as it should. Overall, CLT's approach provides a model for different forms of behaviours amongst managers more generally, including a collective responsibility for probity and assurance;
- The work of CLT and Cabinet together. Cabinet should provide an important mechanism for the exertion of political accountability but the relationship between it and CLT appears poor, with no immediate prospect of improvement. It was in fact suggested to us by a number of people that Cabinet/CLT relationships is deteriorating. There have historically been wider "EMT" meetings incorporating Cabinet members and CLT, but these meetings have not generally been seen as effective – multiple interviewees described them as a space in which members were briefed, and informed, on work underway, rather than as spaces for active discussion on work and priorities. Individual Cabinet members have bilateral meetings – including assurance meetings styled as "Star Chambers" (monthly performance management sessions which began in around 2018, and which continue). However, aligned with the evidence we have gathered that Cabinet Members do not, in the round, have regard to Council business that comes under their direct purview, there is a question mark over the effectiveness and visibility of these bilateral conversations (and the degree of mutual challenge that takes place in those spaces). The nomenclature of these bodies is unhelpful if the Council is seeking to build a collaborative (though mutually challenging) atmosphere in which member-officer relationships can thrive;
- The work of member functions such as Audit (and, to an extent, the scrutiny function). The role and capability of the Audit function (comprising the Audit Committee and the internal audit team) is something that we cover in more detail in section 3.

2. Overall, these overlapping and mutually complementary arrangements should be described, and critiqued, in the Annual Governance Statement. Following review we have found that AGSs, over a number of years, are of poor quality; they do not accurately reflect the complexity of the Council's actual governance arrangements or engage with the cultural components of those challenges. The AGS appears to have been drafted as a desktop exercise without having benefited from the insight of a wider range of people from across the Council, and from year to year the content of the AGS seems very similar.
- 3 This reflects interview evidence we have gathered, where a small number of interviewees expressed concern about the quality of the AGS.
4. Apart from in the formal signoff of the document, there is no meaningful Audit Committee involvement in the preparation of the AGS, and the contents of the AGS do not appear to

have influenced or informed either the work programme of the Audit Committee or the programme of activity undertaken by internal audit. Neither have the contents of the AGS informed, in any meaningful sense, the content of the Council's risk registers or the risk heatmap. This is a significant failure in the Audit Committee's oversight role.

Member scrutiny as a mechanism for assurance and improvement

5. The Council's scrutiny function has a vital contribution to play to the stabilisation and improvement of the authority. As it stands, while the scrutiny function delivers some good work it does not provide the kind of critical oversight and contribution to emerging, complex policy issues (or the delivery of services subject to particular risk around performance and finance) in the way that it ought to.
6. An eight-committee model for scrutiny places Birmingham towards the top end when compared to other large authorities; if this structure is to be maintained there likely needs to be more focus on co-ordinating mutual work programmes, and in co-ordinating work between scrutiny and the Audit Committee. As is common in other authorities, there is not necessary a clear member-officer understanding on the role, priorities and focus of the scrutiny function, and its contribution to the governance framework more generally.
7. We consider that the scrutiny work programme should be reframed to focus on the Council's stabilisation priorities. This will not involve the need to revisit the entirety of the current work programme – we recognise that there is critical ongoing work that must continue. But the Council will need to move to ensure that scrutiny is able to play a central role in assurance on improvement alongside the other mechanisms we discuss above. In particular, we think that scrutiny will be able to play a valued role in:
 - Oversight of delivery of "life and limb" services such as children's services and adult social care;
 - Analysis of critical performance issues emerging "by exception";
 - The consideration of equality and equity issues arising from the development of the Council's developing financial plans;
 - Wider plans for cultural and behaviour change, bringing challenge to the authority's aspirations and capabilities on this major area of priority.
8. A separate review is currently underway to modernise systems and practices in Scrutiny and Committee Services, which will help with these objectives.

4.3 Financial governance

This part of our work looked at:

- Capacity and skills
- Financial management and budget oversight
- Financial risk management

4.3.1 Capacity and skills

1. The finance team still lacks the capacity and capability to act as an effective enabling and control function for the Council. The finance team should not be expected to perform this role alone. Officers in service departments should recognise their collective responsibility for action on finance, and there should be a mutually supportive atmosphere that recognises that prudent spending and the careful management and oversight of public funds is everyone's duty.

2. At the moment, this is not the case. It means that the finance team have, in recent years, been expected to perform an almost impossible task – shouldering the burden of responsibility for financial governance for the bulk of the organisation that does not take those responsibilities especially seriously. This is reflective of the cultural challenges across the authority that we highlighted in section 1.
3. The Council was subject to a review of its financial governance by CIPFA in 2021, when the Council received a 3 star rating. CIPFA concluded that financial governance had improved substantially since they reviewed the Council in 2019, when the Council was given a 1 star rating.
4. This judgement reflects Birmingham’s success – and failure – in “managing” external oversight in recent years, by being able to successfully undertake action that looks very like change and transformation without that activity having any meaningful impact on the way that the organisation functions. We consider that this activity has happened in good faith – officers and members consider that improvement is happening, and in some instances, improvement does begin. However, the organisation’s ability to sustain that change has been limited by some of the deep-set cultures and behaviours that we have mentioned, and by the Council’s failure to commit the resource and effort needed to sustain change in the long term. In particular, it reflects an environment in which member direction and oversight is absent from these spaces, and so progress drifts; it connects to members’ lack of ability to focus on strategic matters, of which this is one. In addition, systems that have been built around the Council’s control environment have obscured the Council’s extremely challenging financial situation for some years, despite external auditors having periodically flagged their concerns.
5. The 3 star rating was a major target for the Council, which invested a significant amount of time and resource in financial governance improvement and transformation over the course of 2020. Despite its significant corporate and strategic importance, this work seems to have been managed and led entirely by officers, in particular the then-s151 officer, without significant member direction and oversight. The focus on 3 star status did, in our view, distract the Council from a more holistic focus on a “whole council” approach and attitude to finance, and embedded the idea that responsibility for financial governance sits with a comparatively small function sitting in the corporate core. This will inevitably have influenced planning assumptions about corporate capacity, and about the skills mix necessary to providing financial support across the organisation.
6. From a capacity and capability perspective, evidence we have gathered leads to serious concerns about the internal audit function, as we set out in more detail below.

4.3.2 Financial management and budget oversight

1. As a whole, the organisation has little sense of its expenditure, or its overall financial position. Reports have frequently come to Cabinet (most notably in respect of Oracle) to authorise large amounts of additional spending without any sense of how it contributes to the organisation’s priorities or to the improvement of services. The volume of decision-making reports submitted to Cabinet and the lack of meaningful oversight either at Cabinet or Audit on financial issues combine to create an environment where the visibility of core elements of the budget, and its delivery, are not visible to members. This is not helped by the variable quality of reports prepared by officers to support decision-making. Reports on the council’s financial position, and financial monitoring information provided (particularly to Audit, in the form of monthly monitoring) is inconsistent in content.

2. This is particularly surprising, given the fact that in 2018 the authority was in a financial position widely acknowledged to be challenging, and from which it thought it had recovered. Since then officer reports have sought to reassure members of this strong recovery of the budget position and of a new rigour in financial management.
3. Weaknesses in budget oversight have become apparent given the Council's introduction of spending controls. At the time of writing (November 2023) the Council has a substantial task to develop an emergency budget to save, in year, a total of £87 million. To pass a credible budget with this level of savings will require a fundamental redesign and reprioritisation of certain key services, in a manner which the council has not been able to previously accomplish through numerous attempts to find savings. Challenges in accuracy of financial information cast doubt on the authority's ability to manage budgets with this degree of grip, even taking into account the spend controls currently in place.
4. External auditors submitted a set of statutory recommendations to the Council, which were considered at a meeting on 12 October. These statutory recommendations reflect external auditors' findings on a number of weaknesses associated with financial management. The Council will need to ensure that action on these recommendations integrate with wider plans on governance stabilisation and improvement.
5. An urgent task now exists for the Council in putting in place robust arrangements for the development of the 24/25 Budget, and the MTFs. In particular, member oversight of those plans is important. Steps have been taken to put in place a Budget Task Group, as part of the scrutiny function, but in our view further work needs to be done with all members.
6. In particular, arrangements for 24/25 will need to be designed in the context of the need for members to test the resilience and reliability of the Budget itself – and to identify and bring scrutiny to the most critical areas where savings are planned.

4.3.3 Financial risk management

1. The Council is minimally aware of emerging risks – either on finance, or more generally. There is a risk management framework, and the corporate core is developing more capability to secure timely information about performance and risk. But those systems are not yet as reliable as they could be. Without a corporate mindset about where and how matters should be escalated, and the candour that should accompany that escalation, corporate “grip” feels like it will be difficult to achieve.
2. Much of this is about the rigour, or otherwise, of systems to escalate complex, cross-cutting risk – which is far less visible to the authority than risk to services operated by departments. The organisation lacks of capability to analyse and effectively “treat” / mitigate these cross-cutting risks because of its comparatively weak corporate core – hence equal pay and Oracle only, suddenly, appearing as very high/severe risks on the corporate risk “heat map” midway through 2023.
3. The Council will need to take steps to revise the risk management framework of the authority, and to raise the profile of risk issues amongst members.
4. Effective risk management begins with members. Along with Cabinet, which holds a role in leadership, the Audit Committee should be an important mechanism for the Council to use to manage its exposure to financial risk. However, the committee lacks the capability and capacity to carry out its work properly. Members do not understand how to challenge the content of reports; reports themselves are generally of poor quality, and are not drafted on the basis of an understanding of Audit's regulatory role. There have been some recent attempts to address some of these challenges, but more needs to be done.

5. The internal audit function is unable to support the Committee to carry out its regulatory role, and is also unable to carry out its own responsibilities effectively. The activities of internal audit, in providing assurance, seem disconnected from other Council functions, suggesting a lack of corporate leadership and direction on the function and its place in the governance framework overall. As it stands, audit planning (although purportedly based on risk) does not seem to engage with the wider performance, finance and risk escalation/exception framework being built by the Council, particularly around the oversight of major programmes.
6. The need for work to support the improvement of the Audit Committee is seen as urgent. Ongoing work by the Council's external auditor will inform this activity. However, we consider that the committee will need to offer immediate support to the Council's stabilisation. The imminent revision of the committee's terms of reference, with regard to CIPFA standards, is an important element of this but only a first step.
7. The committee will need to work to identify some of the principal strategic risks that the authority holds on finance and on governance, and to consider plans to mitigate those risks. It will also need to oversee the development of systems to identify new, emerging risks – and a new methodology for internal audits.

4.4 Improving governance and decision-making

This part of our work looked at:

- Customer focus
- Stakeholder engagement
- Learning from external review and challenge

4.4.1 Customer focus

1. The Council is able to deliver a wide range of services to a city that is demographically, culturally, socially and economically extremely diverse. This review has not investigated the quality of service delivery in depth, but has sought to understand the way that the Council engages and relates to customers by having regard to its actions on housing repair. We have also looked at the Council's approach to improvement around SEND services. While there has been serious and recognised failure in both of these services, making an assessment about where and how the risk of failure exists in other service areas of the Council sits beyond the purview of our work. Given the way that internal systems relating to performance operate, and our concerns about the cultures and behaviours that sit around those systems, it will be difficult for the Council to understand where the risk of failure might be present.
2. The Council is moving away from a position of regarding its citizens primarily, or partly, as "customers". Recently it has developed an Early Intervention and Prevention (EI&P) Programme, which has sought to radically shift the Council's operating model to one that is more focused on empowering local people. The EI&P Programme is extremely ambitious, pointing towards a wholesale shift in culture and approach at the authority towards one focused on prevention and proactive change – this, in turn, is focused on having a more acute sense of local people's needs, and ensure that the organisation is capable of understanding how those needs develop over time.
3. A new approach to what might be described conventionally as "customer services" is one element in this wider plan.

4. EI&P is still in the early stages of development and implementation. Its business case was only agreed by Cabinet in April 2023. While it has the potential to make transformative changes to the Council's approach to local people there remains the risk that the wider cultural challenges identified in our report will limit its impact, as they have limited the impact of other change programmes.
5. We consider that further work on EI&P – which may need to be reprofiled in line with the Council's current challenges – presents an opportunity to shift the Council's approach to local people, if aligned with wider culture change activity. It is likely that this realignment will need to occur during the period that the Improvement Plan is being developed, with the EI&P Programme subsequently dovetailing with that plan.
6. While – handled productively – this sets a positive direction for the future, it remains the case that existing performance programmes highlight historic deficiencies in decision-making in instances where the Council has had little to no understanding of local people's needs and concerns.
7. The Council's approach to housing repair is a useful case study for an approach to customers/citizens that has sought to elide emerging problems rather than to understand and address them. This is despite repeated reports being submitted to scrutiny committees, in particular, on customer complaints, housing repairs, and complaints on housing repairs specifically. Performance issues have a long history (failures on Decent Homes, identified in the Government's Regulatory Notice of 24 May 2023, will have been of long standing) but headline data provided to members focuses on volume and throughput of complaints and repairs rather than quality.
8. This is suggestive of an environment in which the main objective was to create data showing improvement, rather than addressing improvement needs themselves. The quality of this data (as presented to formal council committees, particularly during the period 2018 to 2022) should have sparked concern at senior levels and should certainly have provoked more, and more detailed, questioning by councillors.

4.4.2 Stakeholder/partner engagement

1. Partnership working at Birmingham is in a state of flux. Some partners see in the Council an institution that wants to partner on its own terms, and that does not necessarily live up to its promises. There is worry and concern about the Council's current political and financial position and the impact that is having on the wider city.
2. Some of those to whom we spoke felt that the Council has retreated from the partnership space, with the Combined Authority now more active as a "placemaker" and partnership convenor for the city. We do not think that this is the case, but the presence of the perception raises risk that the Council does not see strong, effective partnership working as part of its future, and as a key mechanism for it to stabilise and improve its services.
3. The Council is aware that it has work to do to rebuild its relationships and is currently actively engaged in activity to do this. A programme of work is being implemented to understand partners' needs, roles capacity and capability. Partnership engagement infrastructure is also being developed to strengthen the Council's approach.
4. However, these arrangements do seem quite officer-led. Although some members are active in the partnership space, they are not at strategic level. There is in any case a mismatch between the quality of relationships at strategic and operational level.

5. We consider that these activities will need to quickly evolve to incorporate member leadership on partnership, and to wider consideration of how active partnerships can contribute to service redesign. We consider that the role of partners will be pivotal to the Council's improvement, and expect that this work will therefore feed into the Improvement and Recovery Plan.

4.4.3 Learning from external review and challenge

1. The Council has experienced oversight and support from a wide range of external bodies over the course of more than a decade.
2. The way that the Council has, and continues to, respond to this external pressure and provocation to change is part of the reason for its failure. Since Kerslake, the Council has developed a strong capability in building formal systems to present itself as strong and well-governed, without those systems having any meaningful impact on the way that the authority has been run.
3. We have looked at a number of examples of external review in carrying out this work – interventions from the external auditor, from the Local Government and Social Care Ombudsman (LGSCO), from the Housing Ombudsman, from Kerslake, from Government, from the Birmingham Independent Improvement Panel and from others.
4. The evidence we have gathered suggests that the Council has been good at embedding certain aspects of improvement – structural elements in particular – but has failed to take account of the cultural aspects that make that improvement stick. At times the Council really has improved – that improvement was not an illusion. However, the framework has not been in place to make that improvement permanent, and a redirection of corporate focus means that the prospect of sustained change, and the emerging good practice connected to it, slips away.
5. This, in our view, accounts for the views and opinions of a range of external actors who have, at various points, satisfied themselves that Birmingham was making the changes that they expected. The Council was, but did not have the capacity and capability to sustain that work. This is, we consider, a unique set of circumstances which has not presented in this manner in other councils which have failed, and which presents a real challenge to current efforts to stabilise and improve the authority.
6. We consider that this presents risk factors for improvement in current high-profile issues such as Oracle, equal pay and housing.

5. Theory of action and blueprint for change

We and the Council are setting out a **stabilisation plan** for the Council that focuses on practical actions that can be undertaken between now and April 2024. We have chosen this timescale because:

1. The Council is obliged to produce a longer-term Improvement and Recovery Plan by April 2024. The Stabilisation Plan will help it to get there, without pre-empting the content of the Improvement Plan ;
2. The Council has three major structural/organisational challenges between now and April 2024 – the preparation for a major organisational redesign, the agreement of a balanced budget for 24/25, and the delivery of a balanced budget for 23/24. The immediacy of these connected challenges requires a practical response that will help the Council, now, to put in place the short-term governance improvements both to manage those challenges, and to lay the foundations for a longer-term and more considered response to the Council' broader strategic pressures;
3. Over the next six months there is inherent uncertainty, and instability, around the ongoing roles, responsibilities, functions and bandwidth of key individuals, which means that the Council's capacity and capability to take forward improvements has to be a key factor in the design of any plan. Given this uncertainty, a short horizon is justified.

The stabilisation plan has been developed by us and the Council together – reflecting the fact that the authority must have ownership of the process that follows.

To ensure there can be a transition between the stabilisation plan, and a longer-term plan for governance (which sits as part of the Improvement and Recovery Plan) we have created a blueprint for change. This blueprint informs our stabilisation, and also suggests the basis on which meaningful, long-term culture and behaviour change for good governance can be made.

5.1 Theory of action

The blueprint for wider change is built on our “theory of action” for the Council. This can be summarised as follows:

- **The Council is good at undertaking action that looks like change**, in order to demonstrate to itself and to external stakeholders that it is improving. It carried out this work in good faith, with the active intention to improve, **but often lacks the sustained capacity and capability to deliver improvement that is anything more than temporary**. This is because improvement and change action tends to focus on structures and process, rather than shifts in behaviour;
- **The Council has some corporate capacity, but it remains very limited**, and limits the authority's capability in delivering more cross-cutting, complex projects, particularly ones that are aimed at delivering sustained changes in behaviour. There is therefore a limited extent to which corporate activity can influence change at the Council;
- **There is low trust** throughout the organisation, **making collaborative working difficult**, particularly on corporate priorities that do not connect directly to a visible, tangible service delivered to local people. A low trust environment is ;

- Beyond the corporate centre, **there is little sense of a “whole council mindset”** at the authority, which means that actions agreed and taken forward centrally often end up not being effectively actioned, because they are treated as a low priority by the rest of the organisation. This is as much an issue of member leadership and prioritisation as it is about officer working practices;
- **Optimism bias** has been a persistent feature in how the Council undertakes corporate activities, which is understandable for motivating and setting a clear direction of travel. However, its dissonance with officers’ and members’ experiences means that it leads to assumptions that centrally-directed plans for change have a greater impact than they do, or than is possible;
- **Individuals at the Council are self-aware, but institutionally, the Council is not** – this leads to a lack of predictability in how action to change is managed and delivered.

5.2 Blueprint for change

To achieve the deep and long-term change required, the Council needs cultural, and behavioural shifts, and intentional actions that actively disrupt the current ways of working.

5.2.1 Prerequisites for cultural change

Cultural change:

- will need to be built on the creation, and revision, of existing structures, systems and processes – for example, formal roles and responsibilities for members and officers as set out in the Constitution and elsewhere, information access and sharing arrangements for members, the remit and terms of reference for key officer functions in the corporate core, and so on. While getting these structures and systems right is only part of the story, they are important in providing a clear and consistent framework within which better relationships and behaviours can be built. Our stabilisation plan is focused on building up these foundations;
- will need to be informed by an understanding that the Council needs to fundamentally reappraise itself – what it considers important (and what it understands of what is important to local people) – and how it values and uses the (limited) resources at its disposal, including things like the value of individual officers’ time through meetings, makework etc;
- will need to be centred on a set of consistent, universally-applied values, with clearly explained behaviours, which are practically understandable, and understood, in terms of people’s day to day work. These will need to be focused on the creation of approach which can deliver strong internal challenge to practices, behaviours and performance – peer-led activity that is supportive and constructive, and that breaks through the Council’s prevailing blame culture This set of values will need to derive from several sources:
 - What we have learned about the cultures already prevalent in the organisation, as we have set out in our main report;
 - Our articulation of those cultures, in the form of our “theory of action”;
 - The Council’s existing “best in class” values and behaviours, which, amended, can form the basis for this new model of working;

5.2.2 Dependencies for culture change

Culture change will sit alongside, and will be facilitated by:

- The Council’s forthcoming organisational redesign;
- The development of the 24/25 Budget. There are aspects of this process that we consider can act as a testbed for wider cultural change;

- The development, and implementation, of the Council's Improvement Plan. This, too, can provide a way of testing approaches to change;

5.2.3 Facilitating and resourcing culture change

Initiatives – for which foundations are laid in our stabilisation plan, but on which further action will be needed in the development of the Improvement Plan – will need to take action to:

- Articulate what new / evolved values and behaviours for the Council will be, informed by action learning (delivered through cross-functional teams and communities of practice which, while set up for this purpose, we expect will become a permanent part of the governance ecosystem);
- Make arrangements to cascade understanding and action on those issues through work on member conduct, staff appraisals, the development of the Annual Governance Statement and, in particular, expectations around financial governance. On activity of corporate importance, this will involve making responsibility, and ownership clear across the Council – ie, that individuals in service departments have an equal responsibility for delivering against corporate priorities

We consider that in the short and medium term the best way to do this will be to create cross-functional teams and communities of practice between officers across the organisation to:

- carry out action learning activity, which will build, and take forward, the wider culture change activity which we talk about – to build and sustain a broader sense of ownership of this work;
- take forward cultural change activity in the short term, including assuming a degree of ownership and leadership for some of the activities set out in the stabilisation plan;
- review past practice – including the findings from our report – to take an active 'lesson learned' approach, reflecting on what worked and what hasn't worked, and drawing on recent performance and delivery challenges within services. This will help to further understand symptoms and causes of issues and any successes, and will identify models and approaches for improvement. This will add nuance to our overall findings and make them more real for service areas.
- Bring constructive internal challenge by creating an environment of listening and challenge which, because it is managed in a structured and predictable way, will help to break down blame culture.

The Council already has plans and arrangements in place – though not universal, and comparatively new in nature – for cross-functional teams and communities of practice on key areas of work. While similar mechanisms have not worked in the past, we consider that their use alongside a wider programme of cultural change – and founded on a strong foundation of structural renewal – offers the best prospect possible for meaningful and sustained improvement.

5.2.4 Extending and embedding culture change

We consider that wider organisational development plans – currently planned – will help to facilitate the embedding of these changes. The contribution of internal and external communications functions will also be crucial. This is not just about broadcasting messages about new expectations from the corporate centre, but facilitating a more meaningful dialogue focused on learning from experience.

- Internal communication will be critical, in order to:
 - Explain the overall process of change;

- Highlight and explain the expectations of change for all staff and members – through clearly articulated values and behaviours which are consistently applied at all levels of the organisation, and which apply equally to officers and members;
- Support dialogue, in particular action learning conversations;
- External communication with partners will also be critical – particularly with the Council's partners, who have an important role to play in support the Council's improvement, where the Council is able to bring both humility and strategic intent to these relationships;
- External communication and dialogue with the public will be an important part of a blueprint for improvement. Although these conversations can only meaningfully start once the council has done more to stabilise itself

5.2.5 Limiting tolerance for deviation from new norms

The blueprint for change will also need to be typified by an internal, institutional intolerance for actions that are misaligned from these objectives. There needs to be an understanding that this will be difficult, that there will be disagreements, and that this approach will make the organisation a poor cultural fit for staff who have become used to different ways of working. This drive will need to be leavened with positive dialogue about the benefits of new behaviours, otherwise poor behaviours will persist, but will be hidden from corporate view.