



Department for Levelling Up,
Housing & Communities

Max Soule
*Deputy Director, Local Government
Stewardship*

***Department for Levelling Up, Housing
and Communities***

2 Marsham Street
London
SW1P 4DF

Andrew Lewis
By email only

www.gov.uk/dluhc

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Dear Andrew,

LIVERPOOL CITY COUNCIL – PROPOSED UPDATED DIRECTIONS

I wish to invite your Authority, if it wishes, to make to the Secretary of State representations about the changes to the intervention he is proposing, following receipt of the Commissioners' fourth report in October 2023, and the letter Commissioners sent you on 4 December about property services.

The Commissioners wrote to the Secretary of State on 6 October 2023 with their fourth report on the progress on the best value intervention in Liverpool. The report outlines that Commissioner optimism, which was apparent in the third report, has continued over the past six months and that the new leadership of the Authority have shown focus as you continue to make improvements. Commissioners signal that the leadership of the Authority is well placed to deal with challenges; many of the initial Directions to the Authority have been met; and many of the improvement indicators show positive movement. Commissioners have shared their confidence in the new leadership team and have recommended that, based on their assessment of the ongoing challenges in Liverpool and subject to further review, the Secretary of State may wish to update the current intervention by returning certain functions to the Authority and updating Directions accordingly. Their report also outlines that more time is needed to observe the impact of this new leadership in driving improvement; that a number of aspects require significant improvement; and that they currently expect their March report to recommend the statutory intervention will need to extend in some form beyond June 2024.

The department is, today, publishing this report. The Secretary of State has considered it carefully, together with the letter dated 4 December 2023 from Commissioners regarding their concerns of the Authority's performance within Property Services, the 2021 and 2022 Directions and the draft Best Value guidance. The Secretary of State is minded to make a number of changes to the intervention to enable focus on the improvements across the Authority that are needed to meet the Best Value Duty.

The Secretary of State is minded to exercise his powers under section 15 of the Local Government Act 1999 (the 1999 Act) in relation to your Authority to secure compliance with the best value duty. The package of measures which he is proposing to implement through appropriate Directions is set out in the attached Annex. He is minded to revoke the current June 2021 and November 2022 Directions and issue new Directions which consolidate those Directions from 2021 and 2022 which should be continued and make other changes to respond to issues outlined by Commissioners.

I wish to invite your Authority, if it wishes, to make representations on the Report and the Secretary of State's proposed Directions. All such representations should be sent by email to interventions@levellingup.gov.uk or in hard copy to the address above marked for my attention, so as to be received on or before Tuesday 2 January. They will be considered carefully by the Secretary of State before he decides how to proceed.

Commissioners have been clear that, since the March report, there has been a change in political and officer leadership, and the new leadership team have shown the focus, energy and commitment needed for the organisation to continue to improve. However, the scale of the challenge is still significant. Commissioners need to see concrete evidence of a well-set trajectory in order to be confident that the Authority are making arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness. The Secretary of State also notes the Commissioners' view that some form of statutory intervention may be needed post-June 2024. Any decision to expand the period that Directions remain in force will be taken by the Secretary of State based on the evidence provided.

I am copying this letter to your Authority's Section 151 Officer, and to its Monitoring Officer.

Yours Sincerely,

Max Soule

PROPOSED INTERVENTION PACKAGE

1. The Secretary of State is considering further exercising his powers of direction under section 15 of the Local Government Act 1999 (“the 1999 Act”) in relation to Liverpool City Council (“the Authority”) to secure its compliance with the best value duty. He is doing so following consideration of the evidence presented in the latest Report from Commissioners and the letter to the Authority of 4 December on Property Services.
2. Liverpool City Council has been under statutory intervention since June 2021, following the Best Value Inspection. In June 2021 four Commissioners were appointed and the intervention has been amended since then. The Commissioners’ latest report, from October 2023, outlines Commissioner optimism, which was apparent in the third report, has continued over the past six months and that the new leadership of the Council have shown focus as you continue to make improvements. Commissioners signal that your leadership team is well placed to deal with challenges; many of the initial Directions on the Council have been met; and many of the improvement indicators show positive movement. Commissioners have shared their confidence in the new leadership team and have recommended that, based on their assessment of the ongoing challenges in Liverpool and subject to further review, the Secretary of State may wish to update the current intervention by returning certain functions to the council and updating Directions accordingly. Their report also outlines that more time is needed to observe the impact of this new leadership in driving improvement; that a number of aspects require significant improvement; and that they currently expect their March report to recommend the statutory intervention will need to extend in some form beyond June 2024.
3. The Secretary of State has set out his proposals in order to assist the Authority to formulate any representations it may choose to make. He acknowledges that, save in cases of urgency, the Authority has a statutory right to make representations if the Secretary of State is considering making a direction. He will consider carefully those representations in deciding whether to make any, and if so what, Directions. He specifically reserves his ability to make further or revised Directions after implementing this, or any, intervention package (if that is what he decides to do).

Overall purpose and approach

4. The starting point is the evidence, set out in the latest assessment in the Commissioners’ fourth Report and the letter dated 4 December in relation to property services. The Secretary of State has noted the Commissioner optimism and views that your leadership team are well placed to deal with challenges; many of the initial Directions on the Council have been met; and many of the improvement indicators show positive movement. He also notes the Commissioners consider that more time is needed to observe the impact of this new leadership in driving improvement; that a number of aspects require significant improvement; and that they currently expect their March report to recommend the statutory intervention will need to extend in some form beyond June 2024.
5. The Secretary of State considers, given the evidence in the Report and letter, a number of changes should be made to the intervention. The proposed changes to the intervention package would enable the Authority and Commissioners to focus enable focus on the improvements across the Authority that are needed to meet the Best Value Duty.
6. The Secretary of State is minded-to return functions associated with the S151 Finance function, Highways (each from end March 2024), and Appointments at tiers 1-3 as soon as

the Directions are made. Commissioners will continue to have oversight of improvements in financial processes through additional directions to the council, and in highways and transport through the corporate Directions. Commissioners will retain the appointment function over appointments for the directors of property, HR/OD and statutory officers.

7. The Secretary of State is also minded-to exercise his powers under section 15 of the 1999 Act and issue new directions that will enable the council to continue to progress improvement work in line with commissioner indicators, including producing vital core strategies, strengthening the capital programme, and implementing an embedded cultural change programme.
8. The Secretary of State is minded-to exercise his powers under section 15 of the 1999 Act and update existing Directions on the Council in relation to culture change and performance management, FOI performance, risk management, and property, due to concerns that these are areas still with significant risks that need to be addressed to secure its compliance with Best Value Duty requirements. The Secretary of State is also minded-to remove Directions on the Council that Commissioners have confirmed have since been met.
9. Finally, the Secretary of State is minded-to revoke the Directions of 10 June 2021 and 8 November 2022 and include all relevant Directions from 2021 and 2022 Directions in a new consolidated set of Directions.
10. The Secretary of State considers it necessary and expedient to issue these proposed changes to the Directions in order to secure compliance with the Best Value Duty requirements, as set out in Part 1 of the Local Government Act 1999.

Functions to be exercised by the Commissioners

11. Under the Secretary of State's proposals, updated Directions would enable the Commissioners to exercise the following functions:
 - A. Until 31 March 2024, all executive functions associated with highways.
 - B. All executive functions associated with regeneration and property management at the Authority.
 - C. All non executive functions in relation to the appointment, organisation and performance of persons to positions the holders of which are to be designated as statutory officers, and the designation of those persons as statutory officers:
 - a. The functions of designating a person as a statutory officer and removing a person from a statutory office;
 - b. The functions under section 112 of the Local Government Act 1972 of:
 - i. appointing and determining the terms and conditions of employment of an officer of the Authority, insofar as those functions are exercised for the purpose of appointing a person as an officer of the Authority principally in order for that person to be designated as a statutory officer; and
 - ii. dismissing any person who has been designated as a statutory officer from his or her position as an officer of the Authority.
 - D. Powers in relation to performance of staff, specifically: The right to take part in the performance appraisal of the Chief Executive and any direct report to the Chief Executive (tier two).
 - E. All functions relating to the appointment, suspension, and dismissal of director of property, HR/OD or their equivalents.

- F. Until 31 March 2024, the requirement from Section 151 of the Local Government Act 1972, to make arrangements for the proper administration of the Authority's financial affairs, and all functions associated with the strategic financial management of the Authority, to include:
 - a. the power to amend budgets where Commissioners consider that those budgets constitute a risk to the Authority's ability to fulfil its best value duty; and
 - b. providing advice and challenge to the Authority in the setting of annual budget and a robust medium term financial strategy (MTFS) for the Authority.
- G. All functions associated with the governance and scrutiny of strategic decision making by the Authority.

12. The Secretary of State considers that most decisions should continue to be made by the Authority, but with the oversight of the Commissioners: they will uphold proper standards and due process and recommend action to the Authority. The Secretary of State's intention is that the functions provided to the Commissioners be used to ensure that the Authority takes the necessary steps to achieve the best possible outcome for Liverpool residents and the public purse. The Commissioners should not hesitate to exercise their functions if they determine it to be necessary to do so.

Actions for the Authority

13. The proposed Directions also require your authority to take certain actions:
- A. To continue to progress improvement work in line with the Commissioner indicators across the Authority, and as a minimum:
 - a) Work with stakeholders to produce vital core strategies including a new city plan, capital, housing, and economic strategies and also build the operational regeneration capacity in the City to deliver the outcomes articulated in these strategies.
 - b) Continue to strengthen the capital programme, financial resilience, management and accountability.
 - c) From 31 March 2024, allow Commissioners to provide advice and challenge to the Authority on strategic decisions related to its Finance function; including advice and challenge in relation to setting the annual budget and medium term financial strategy.
 - d) Progress remaining finance improvement actions, specifically: embedding a Business Partnering Model; to be in the final stages of implementing a new Target Operating Model for procurement; develop a robust plan for finance system change; and significantly improve income collection.
 - e) Complete the review of the roles and case for continuing with each subsidiary company of the Authority. For those companies which it is determined not to continue with in this form, to establish a plan to internalise, close or sell, as appropriate.
 - f) Continue to establish and implement a cultural change programme which embeds a customer focus, performance management culture, systems and reporting across the organisation.
 - g) Continue to take steps to rebuild trust with residents in particular improve: FOI performance, report writing and systems to record delegated decisions.
 - h) Complete a review of the strategic risk management and implement a strengthened mechanism based on its recommendations.
 - i) Significantly progress the implementation of the corporate landlord model, commence the stock condition surveys to better understand the asset base, develop comprehensive asset management plans, and produced a revised structure for the property directorate.
 - B. To report to the Commissioners on the delivery of the Improvement work at three monthly intervals, or at such intervals as Commissioners may direct.

- C. To undertake any action that Commissioners may reasonably require to avoid so far as practicable incidents of poor governance or financial mismanagement that would, in the Commissioners' reasonable opinion, give rise to the risk of the Authority failing to comply with its best value duty.
- D. To allow the Commissioners at all reasonable times such access as appears to the Commissioners to be necessary:
 - a) to any premises of the Authority;
 - b) to any document relating to the Authority; and
 - c) to any employee or member of the Authority.
- E. To provide the Commissioners, at the expense of the Authority, with such reasonable amenities and services and administrative support as the Commissioners may reasonably require from time to time to carry out their functions and responsibilities under these Directions.
- F. To pay the Commissioners' reasonable expenses, and such fees as the Secretary of State determines are to be paid to them.
- G. To provide the Commissioners with such assistance and information, including any views of the Authority on any matter, as the Commissioners may reasonably request.
- H. To co-operate with the Secretary of State for Levelling Up, Housing and Communities in relation to implementing the terms of these Directions.

Duration of proposed Directions

- 14. These proposed Directions would replace those issued on 10 June 2021 and 8 November 2022, and would continue to remain in force until 9 June 2024 unless the Secretary of State considers it appropriate to amend or revoke them at an earlier date.