
Liverpool City Council Commissioners

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Dear Secretary of State,

We are writing to update you on the progress of the intervention in Liverpool City Council (LCC). With less than a year left on the original timescale, we hope this letter provides clarity on our expectations for the future of the intervention.

Since our last report, there have been significant changes at LCC. The interim Chief Executive and interim Section 151 Officer have been replaced with permanent appointments, the Mayoral model of governance has been abolished, and a new leader of the Council has been elected.

We set out in our last report that significant changes such as these presented some risk to the pace of change that had been established, but we are pleased to report that the organisation has adapted well, and pace of improvement has continued. The cautious optimism we expressed in our last report in March has proved to be justified. The new leadership, at political and officer level, have shown the focus, energy and commitment needed for the organisation to continue to improve. There has been a discernible, and welcome, change in approach from the Council's leadership. The direction of travel is positive, but significant challenges remain. When we first came to the Council, we found the corporate core to be hollowed out, and many services to be drastically underperforming. LCC's improvement journey started from a low base. Therefore, despite the substantial progress made to date, there is still much work to do before residents feel a tangible difference in the services the Council provides.

Commissioners currently hold powers across a range of functions in the Council. As a result of the confidence we have in the leadership of the Council, we believe some of those powers can be returned before June 2024. We recommend the following changes to the intervention:

- a. A return of the powers of appointment at tiers 1-3. We recommend that we retain the power over the directors of property, HR/OD and statutory officers.
- b. A return of finance powers to the Council in March 2024, with some continued oversight of improvements in financial processes beyond that date.
- c. A return of Transport and Highways executive powers to the Council in March 2024.

These recommendations will be subject to continued progress from now until March. In March, we will make a recommendation on the remaining powers we hold, including regeneration and property. We expect significant parts of the intervention, as currently structured, to conclude in June 2024. We expect some form of government intervention to be required for a limited period post June 2024, which will most likely be on a statutory footing. There are a variety of models of intervention that could take place. However, it is our current view that any

arrangements we recommend will be at a significantly reduced scope, Commissioner presence, and cost to the Council. We will work with the Council over the next six months to assess what the most appropriate arrangements are and to come to a recommendation.

Since our last report, we have developed some key indicators of a stable and improving Council. Our report will analyse the progress the Council has made, and the risks that remain, against these indicators.

The Council's Chief Executive and the Leader of the Council are aware of this report; they have both reviewed a draft copy for factual accuracy.

Mike Cunningham, Joanna Killian, Neil Gibson, Deborah McLaughlin & Stephen Hughes

Commissioners for Liverpool City Council

Introduction

2. There have been significant changes in the political and officer leadership of Liverpool City Council since our last report. In May 2023, Cllr Liam Robinson was elected as the new Leader of the Council to work with a newly elected Cabinet: a change from the previous directly elected Mayoral model. Andrew Lewis took up the role of Chief Executive in May. There is now a complete and permanent Corporate Leadership team in place. This new leadership presents a significant opportunity for Liverpool City Council to continue to improve; the early indications are that the new leadership recognise this opportunity, understand what needs to be done, and are resolute about making the progress rightly expected from the people of Liverpool.
3. As a Commissioner team, we entered Liverpool City Council in June 2021. There is now less than a year left on the original timescale of the intervention, initially envisaged to end in June 2024. In our last report, we believed we had reached a tangible turning point in the improvement trajectory of LCC. The interim Chief Executive, and the continued dedication of the public servants and Councillors who work for LCC, had given us cause for cautious optimism that the Council could improve at a satisfactory pace.
4. Our optimism has continued over the past six months. The significant changes in leadership risked disruption to the pace of improvement. Instead, the new leadership of the Council have been able to grip the challenges to continue to make improvements. Commissioners, the Leader, and the Chief Executive have a shared understanding of what has been achieved to date and the scale of the challenge that remains. Cllr Liam Robinson has demonstrated positive leadership; he and his Cabinet are united and are committed to making the necessary improvements and have engaged openly and constructively with Commissioners.
5. Significant improvements have been made in the last six months:
 - a. Progress has been made on the Council's restructure of the senior team. The corporate leadership team is now complete and significant progress has been made in completing the tier 3 appointments, with 85% of tier 1-3 posts filled;
 - b. All out elections to new boundaries were well run and the political transition from a Mayoral model to a Leader and Cabinet model has been extremely smooth;
 - c. The budget cycle is in a far better place than it has been in previous years. The Council passed a balanced budget for 23/24 and are looking forward to the next financial year in a much more organised and rigorous fashion;
 - d. There is a more professional and considered approach to decision making. The Council have agreed a robust Council plan that incorporates the leadership's political ambitions and Council priorities across a four-year period, and a new constitution is in place;
 - e. The engagement with commissioners and understanding of the challenge at hand has significantly improved;

- f. Some of the service areas in intervention have improved at pace and are on track to achieve stability.
6. Commissioners welcome these improvements. The direction of travel is positive, but significant challenges remain. In June 2023, following an inadequate Ofsted judgement for children's social care services in May 2023, the Department for Education (DfE) issued LCC with an improvement notice. DfE appointed an improvement advisor to support LCC to address the failings. Although children's social care services is not an area under direct intervention, how LCC respond to the challenge of the Ofsted judgement will be a test of whole Council leadership, and Commissioners will support LCC with this. An improvement board with an independent chair has been established and Commissioners are ensuring that the wider Council improvements support this vital work. The Council must ensure that this improvement priority has the right resources and corporate support to improve at pace.
7. Historically, the services delivered by LCC to residents have been below standard. Over the course of the intervention, LCC has continued to underperform on the delivery of many of its services. Resident satisfaction is still poor, as the positive changes happening at the corporate core are yet to filter down into on-the-ground improvements. An insufficient customer focus in the culture at LCC has compounded this issue and needs to continue to be addressed as a central part of the Council's culture change programme. The economic climate facing many Councils across the country, including LCC, is challenging. However, LCC provides services less efficiently than other comparable authorities; the Council could be delivering its services more effectively at a lower cost. Strong leadership on the ongoing transformation programme will be key to enabling the Council to achieve best value.
8. Commissioners need to be satisfied that the leadership of the Council has the grip, capability and drive necessary to ensure services continually improve, resident satisfaction increases, and lower costs are achieved over a sustained period. The Best Value Duty, established in Part 1 of the Local Government Act 1999, is a statutory duty for authorities to "make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness." To help us come to this judgement in Liverpool, we have developed indicators of a stable and improving Council against which LCC's progress is tracked. Across each of these indicators, and across the areas of intervention Commissioners will need to be satisfied that a) the area is stable, and: b) the improvement trajectory is well set. Evidence which allows for positive assessments in each of these areas will inform any recommendation to end the Commissioner-led intervention.

Chapter One: Assessment against macro indicators of stability

10. As a Commissioner team, we have developed nine indicators against which to assess Council improvements, and which will provide evidence for any recommendations we will make to you. Our indicators of a stable council are as follows:
- a. Strong Leadership
 - b. Clear Priorities and Policy
 - c. Robust Financial Strategy and Budget Delivery
 - d. Strong Decision Making and Governance
 - e. Audit and Risk Management
 - f. Capacity and Capability
 - g. Culture
 - h. Performance Management
 - i. Service Area Improvement
11. In addition, we have developed service level improvement indicators, which will determine the scope and nature of the intervention in priority service areas during the intervention period.

Strong leadership

The Council must demonstrate strong political and managerial leadership of the Council and the city. This includes strong relationships with key partners in the city.

12. Strong leadership is the indicator that will give Commissioners the clearest indication that the Council is on a stable footing, and that the improvement trajectory is well set. The political and officer leadership of the Council has made a strong start and they have given us confidence that they will be able to make necessary difficult decisions. However, they have not yet had the time to fully demonstrate this or their leadership of continuous improvement.
13. There have been very significant changes in leadership within the Council. As well as the appointment of the Chief Executive, Ian Williams was appointed as Corporate Director of Finance and Resources, joining LCC from the London Borough of Hackney, in August 2023. We have confidence that these newly filled statutory roles as Head of Paid Service, and Section 151 Officer, sitting alongside the incumbent Monitoring Officer, will provide the strong experience, expertise, and independence the Council needs.
14. All vacant roles in the Corporate Management Team (CMT), have now been filled and this provides the Council with the potential for more stability, certainty, and much needed capacity and capability. The CMT is still in its infancy as a new group. Whilst each individual brings knowledge, and a wide range of experience, it is their collective impact as a strong, collaborative team, that will make the difference in the long term. We will look for this impact as the intervention proceeds and will comment on this in the next report.

15. There has been significant progress in appointing to senior roles but there are still some vacancies in important areas, such as HR and property management. Recruitment to these roles remains a priority.
16. The new Leader has been clear in setting out his priorities and ambitions for the city on behalf of his Group. He has a strong understanding of the change that is still needed in the Council to deliver these objectives, and his role in delivering them, with his Cabinet and other Members. The Leader is significantly engaged with Commissioners, and the intervention, and demonstrates invested, authentic behaviours, and a willingness to take advice and seek learning from others. This has been recognised by Commissioners and Council partners.
17. Cllr Robinson and the Chief Executive, have been open, inviting, honest and clear in their first joint engagement sessions with staff. Their messages about the future have been well received and staff have commented on how refreshing it feels to be seen as assets of the Council. A new style of formal Cabinet meeting has been put in place which provides for a more open, inclusive, and discursive model. This is a recent improvement that signals an intent to be more open and transparent.
18. The Leader and Chief Executive have responded positively to some early challenges. The Council's Children's Services received an Ofsted 'inadequate' judgement in all but one key judgement area in April 2023.¹ There has been a prompt, controlled and effective response to this finding by the Council. A new Director for Children's Services was appointed in July, joining from Birmingham Children's Trust. She began in the role in early August. An improvement plan is being confirmed and resources set aside to fund the change programme.
19. The Ofsted inspection outcome widens the already significant improvement programme the Council is managing. It provides another opportunity for the organisation to demonstrate that it can put corporate and political leadership behind a clear set of priorities. A weak, dysfunctional corporate centre has previously hindered service delivery. Going forward, all support functions must enable improvement in this crucial area. This includes services across the Council, such as property services providing quality office accommodation for children's teams, and a more robust Human Resources delivering the workforce plans needed to recruit and retain social workers.
20. The Council has not yet addressed the requirement to fundamentally reform the Property function. This was a driver for the original Best Value Inspection. Addressing the deep-seated challenges in this function is a test for the leadership in the coming months.
21. Addressing the significant in year budget pressures and setting robust revenue and capital budgets for future years will provide tests for the new Council leadership. The scale of change that is needed to meet budget targets, transform under-performing, high-cost services and meet income goals is significant.
22. The new Leader and Chief Executive are demonstrating visible, positive, and collaborative leadership to external partners. They recognise the importance of the Council better

¹ Ofsted (2023) [Inspection of Liverpool local authority children's services](#)

engaging with partners from the public and private sectors to meet the ambitions they have for residents, communities, and the economy of the city. Plans are in place to develop a new City Vision with partners and residents. They both understand the need to boost confidence in the Council as a partner and recognise that there is much to do. The Leader and Chief Executive have engaged with and influenced the Strategic Futures Advisory Panel since May. We look forward to observing the Council playing an active role in the next phase of the Panel's work.

23. Overall, there is early evidence of stability in leadership. We expect to see more evidence of strong leadership over the next six months to give us confidence that the improvement trajectory is well set. This confidence will be fundamental to any recommendation to end the intervention. The new leadership team are well placed to deal with the challenges ahead but now require the time and opportunity to demonstrate that potential.

Clear priorities and policy

There must be a discernible golden thread between the actions of the Council, the outcomes to partners, stakeholders and residents. The Council must provide clear direction for leaders and staff to deliver towards shared goals. This means agreeing fundamental priorities for the organisation to work towards.

24. Commissioners welcome the recent agreement of a new Council Plan, which was approved by the Council within 100 days of the new administration coming into office. However, LCC does not yet have the comprehensive suite of strategies and plans it needs to provide evidence of stability. Currently, due to a lack of underlying plans such as economic, housing, or homelessness strategies, or a refreshed City Plan, LCC are making decisions without the direction of overarching strategies. Commissioners will look for these plans being approved within the timescales established by the Council.

Robust Financial Strategy and Budget Delivery

The Council must set a deliverable budget for the period up to 2027-28, covering both capital and revenue, reconciled with the ambitions set out in the Council Plan and City Plan. Assumptions underpinning the budget must be robust and, where necessary, the Council must demonstrate the ability to take difficult choices to deliver the envelope, while exploiting funding streams and other available opportunities. Crucially, budget holders across the organisation must feel accountable for their budgets and manage variance appropriately with transparency.

25. Commissioners have confidence in LCC's potential to deliver a robust financial strategy, and to deliver their budget, but key risks to both remain.
26. The interim Section 151 Officer provided strong leadership of the finance function from March to August 2023. The new permanent Section 151 Officer gives Commissioners confidence that strong leadership in finance will be continued. Substantial improvements have been made to the finance team's capacity as a whole and cross-council accountability for performance is also improving. However, there remains capacity gaps in key areas such as procurement, audit, and capital. LCC have made efforts to improve governance by initiating a new Capital Board. However, it is too soon to judge the success of these new

governance arrangements. There is a cross-Council leadership responsibility to address this through the transformation programme.

27. Commissioners expect that the next period of the intervention will provide evidence that the Council has a grip on the current risks associated with their financial strategy and budget delivery. The Council is due to refresh its MTFS, alongside a budget reset, at the end of October. The budget reset will set out mitigations to £14m service pressures. These include adults and children's social care, home to school transport, building capacity across the Council to support improvement, investing in key services such as cleaning the environment, housing services and offsetting slippage in savings and the transformation programme.
28. The assumptions underpinning the MTFS are being revised and the consequences will be presented to Members. These assumption revisions include: changes to estimates on pay and inflation; demographic and other service pressures; implementation of Manifesto pledges; revised estimates of cost for transformation; changes in resource levels and other factors. At the same time, a new savings pipeline is being developed.
29. The MTFS and the budget reset will prove to be tests of the political and officer leadership. The outcome should be the basis for consultation on the 2024/25 budget and beyond. They will require the officer leadership to conduct potentially challenging discussions with Members. Political management on the part of the leaders will be crucial to the success of these discussions.

Strong Decision Making and Governance.

Making sure the Council has the technical architecture to make safe, lawful and sufficiently ambitious decisions, that the governance is clear and that the people know how to operate within it. The Council must demonstrate a clear forward look of decisions, supported by a strong corporate planning process so that effective decisions are made at the appropriate point.

30. In May 2023, all out elections were held. For the first time, 85 seats were contested in a new pattern of ward boundaries, with a Leader and Cabinet model replacing the Mayoral model that had been in place from 2012. The election was very well planned, and it was delivered in a professional, efficient manner. Officers, including the interim Chief Executive, should be congratulated for this planning and delivery. It was a complex programme at a time when the Council was also supporting events to mark the coronation as well as providing inspirational leadership to the delivery of a successful Eurovision Song Contest. Strong governance and excellent leadership came together during May 2023 and the Council, with partners, should be proud of their achievements.
31. The new Leader and Cabinet have been clear about their roles and responsibilities, including in relation to senior officers and the working relationship with officers are professional and effective. A clear ambition for the Council has been set out, in the recently agreed Council Plan. This ambition now needs to be translated into concise strategies, plans and a financial envelope so the Council can prioritise action, funding and investment.
32. The Leader has expressed a commitment to member development and he and the Cabinet have established an impressive programme for their own continuous development. All

cabinet members now have an individual LGA mentor, and an independent performance plan linked to the Council Plan.

33. Following the elections, a comprehensive induction and training programme has been implemented and has been taken up by most, but not all Councillors. Ideally, this training would be mandatory to ensure attendance from all Councillors. The Councillor development programme has been linked to roles and supports the new requirements of the Constitution.
34. Six new Scrutiny Committees are in place, to a model agreed in September 2022, and have appropriate forward plans agreed. The first cycle of work has been completed and there is optimism about the potential for more effective scrutiny. Training plans for committee members are resourced. Audit Committee continues to be chaired by a member of the Opposition, which is positive. A new Constitution is in place. In some areas, revised Delegations are in place to enable senior officers to transact the operational business of the Council more efficiently.
35. The Council has continued to develop a much stronger Forward Planning process, and awareness about its function and necessity is much stronger. This is supported by an improving corporate business planning process. However, it is also true that more work needs to be done to improve the quality of advice and analysis in all Cabinet and Committee reports, and to improve the recording and justification of delegated decisions. The Council has been managing a significant volume of FOIs. It has struggled to deliver timely responses, in part because there is still a reluctance by some officers, outside the corporate centre, to prioritise inputs. The Information Commissioner issued a practice recommendation on this matter in August 2023. and this should be a further call for action. In contrast, the Local Government and Social Care Ombudsman (LGSCO) has been positive about the progress the Council is making on the management of complaints. Whistle-blowers still need to feel confident that their concerns will be actioned in a timely and proportionate way.
36. The Council have produced agreed a robust and frank Annual Governance Statement which is of a high standard. This represents a significant milestone, as the previous years have been statements have been of a lower quality and transparency than we would expect. It is critical that the Council now deliver the ambitions set out in the statement.
37. In summary, much progress has been made and a number of the requirements of the original Directions have been met in this area. The governance framework is technically sound and the compliance culture is improving, but not all safeguards or mitigations are in place. The Chief Executive and S151 officer know that risk management must be strengthened, that the Audit function must be resourced, and a holistic assurance framework needs to be in place. Underpinning all that, a performance management and compliance culture needs to be embedded so that staff, members, and partners recognise the value of good governance and the efficiency and effectiveness that comes with that.

Audit and risk management

The Council assess, manage and mitigate risk appropriately if it to achieve sustainable improvement. This includes strategic and operational risks assessment and a corporate team which readily digests this information and acts upon risk in a reasoned, timely and proportionate way.

38. Audit is an area that is improving at the Council. LCC now have an audit plan in place and are in the process of delivering it. There have been improvements in closing out outstanding audit recommendations. There are still capacity and capability issues in the wider audit team, but the Director recognises this as an issue. Procurement of additional resources is in progress for external resources so the audit plan can be delivered. To be assured of stability in the service, Commissioners need to see the audit plan recommendations be implemented and be assured that 'lessons learnt' exercises are consistently undertaken.
39. While there has been progress in audit, strategic risk management remains inadequate. The strategic risk register is incomplete and not up to date, and the assessment of residual risk is superficial. This requires grip and focus from CMT. Risk registers exist for service areas, but it is unclear how well developed they are and how they are used to better manage the service. The Director of Audit is tackling these deficiencies with vigour and engaging with CMT and Department Management teams to drive improvement. The Council has recruited a dedicated risk management resource which will increase capacity. Commissioners have observed corporate directors managing risk well in their day-to-day roles, but much more must be done to report on and manage risk consistently from the corporate centre.

Capacity and capability

The Council needs the appropriate skills, resources and clarity of roles to deliver the agreed priorities. Service areas have the appropriate resource to deliver their core offer. Where there are resource gaps, there must be evidence that each department has a very clear resource plan. This must demonstrate how the Council is building capacity, including how it will train and develop existing staff. There must be ongoing plans to invest in systems and structures to support continuous improvements.

40. The Council have done well to improve capacity and capability in the senior management team. Significant progress has been made recruiting to tier 3. However, it is crucial that capability and capacity is built throughout the organisation at all levels. The budget reset must meet the Section 151 officer's intentions to resource areas that are currently significantly lacking in capacity, such as housing, property, and regeneration. This will go some way in giving us assurance that the Council is adequately prioritising capacity across the whole of the organisation.
41. Capacity and capability issues are particularly pressing in Property Services. LCC have struggled to recruit to the vacant Director of Property post. Administrative issues, as well as a challenging market, have contributed to this. The Council have agreed to procure a strategic partner to provide additional expertise and resource in the Property Service as a

whole. Leaders have not been able to grip the process to deliver this with enough pace. As a result, a strategic partner still has not been procured, prolonging the Property Service's capacity and capability issues.

42. The Council also need to embrace new ways, beyond recruitment and procurement of consultants, to build capability and capacity in LCC. For example, LCC's digital capability is lacking. Officers are still working within systems that are not compatible with each other; this is inefficient and compounds capacity issues within teams. Data and insight could be better utilised to inform business planning and effectively deploy resource where it is most needed in the organisation. Adopting more modern ways of working across the organisation will be key to maintaining adequate capacity and capability over time. A newly appointed Director of Information Technology and Digital is now in post and we hope to see improvement in this area.
43. To indicate a well-set trajectory of improvement, LCC also need to be able demonstrate their change capacity. LCC have begun to evidence skills transfer from the strategic partners the Council has relied upon into its permanent staff. LCC have recruited significant internal transformation capacity to support this, including a dedicated director. We will continue looking for evidence that officers are learning how to client effectively, and that budget management skills have become embedded.

Culture

Liverpool has a high-performance culture where staff and partners are proud of the services they are delivering. Officers and members must understand their respective roles and work collaboratively to build a high-performance culture where staff and partners are proud of the services they are delivering. This includes brokering disagreements in a mature, reasoned way, and adhering to the Nolan principles. The Council must have the tools and guardrails in place to manage and escalate any issues where necessary.

44. Commissioners recognise that changing the culture of an organisation is always the most demanding and lengthy part of change management. There are improvements in culture change at LCC but improvement is not yet stable and there is currently not enough evidence of a well-set improvement trajectory. There are positive signs such as the LCC response to the staff survey and the ongoing development of a People Plan. The Council recognise the scale of the task at hand and the continuous nature of culture change in an organisation. Capacity is currently a risk to the pace of the culture change programme. Further capacity is required to take forward this programme of work with the support of the Chief Executive and CMT. This should produce the evidence needed to assure Commissioners of a stable culture change. There are also signs of change in the political culture of the Council. As well as getting a new leader and cabinet in May, the leader of the opposition in the Council has also changed. Members have so far displayed enthusiasm towards learning and development opportunities. The Council's continued support and facilitation of this will build Commissioners' confidence in the stability and trajectory of LCC's improvements on culture.

Performance Management

The Council must demonstrate a shared understanding of active performance management, at all levels of the organisation and take active steps to achieve this. This is crucial to delivering high quality services for residents, in two key areas:

- *A development culture with frameworks of personal performance management that all staff can benefit from.*
- *The Council must maintain a corporate understanding of qualitative and quantitative performance data to inform decision making and drive improvements in service delivery.*

45. Performance management has historically been poor at LCC. The Council has for many years failed to maintain a consistently high standard of performance objectives, appraisals, and targets for individual staff and teams. This was inconsistent from senior management all the way through to front line staff. Progress is being made to improve this:

- a. LCC recently demonstrated a marked improvement in formal appraisals completed. The 2023 final figure is 81.6%, a significant jump from previous years. LCC must build on this progress, and improve the quality of appraisals, as well as the quantity.
- b. The Chief Executive has agreed a set of personal objectives in a collaborative and productive way with the Commissioners and the Leader of the Council. We hope to see this cascade through to his direct reports, and the wider senior team.

46. As well as individual performance management, the Chief Executive has recognised the need to be a more performance-focused and evidence-based organisation. The Council does not yet have consistently high-quality reporting on service area performance to CMT and Cabinet. Performance management culture, systems and reporting needs to become fully embedded across the Council before Commissioners can be assured of stability in this area, and a well-set trajectory of improvement.

Service Area Improvement

Outside intervention: Assurance that LCC have robust improvement plans and stable relationships with partners and stakeholders.

47. For those areas of the Council that are outside intervention, Commissioners have less direct involvement. However, services such as Adult Social Care, Childrens, and Neighbourhoods have a significant impact on the governance and finances of the Council as a whole. We are therefore keen to observe those services exhibiting evidence of stability and continuous improvement.

48. Adults Social Care (ASC) services in Liverpool are currently undergoing a significant transformation programme to modernise the service and deliver substantial budget savings. LCC have resourced a transformation team to deliver the programme. Additional

support, through the Council's transformation partner, is in place until the end of October, with potential to extend until early 2024.

49. There are risks to the delivery of the transformation programme. ASC services across the country are under pressure. In Liverpool, these pressures are heightened as they are undergoing a complete shift of delivery model. Additionally, the Council's corporate resources are stretched to cover the breadth of service improvements, including 'Inadequate' Children's Service and areas of the Council under direct intervention. Because of this, the transformation programme in ASC is delayed, despite the extra resource LCC has put into it. This is a risk to the modernisation of the service and the delivery of budget savings. LCC showed a welcome transparency by inviting an LGA peer review of ASC services in July 2023. The review will support the service in preparing for an expected CQC inspection in the medium term.

Chapter two: Service areas under intervention

Finance

50. The Leadership of the Finance function has significantly improved. They have a good grasp of the issues that need to be tackled and a commitment to make the improvements the Commissioners have been seeking. There are acknowledged capacity and cultural issues which are holding back the pace of improvement, and in some areas, improvement has not yet been evidenced. The cultural issues are council wide and are a focus of the culture and change Board.
51. Most of the Leadership team is now in place and is committed to implementing the changes required. Overall, the leadership of finance is good and morale within the service is improving. There is a good sense of direction, and there is clear capability to deliver the improvement trajectory:
- a. The new permanent Section 151 has considerable experience and demonstrates excellent competence. Other Directors in the finance team also bring substantial experience from other councils. The Deputy Section 151 Officer is an interim appointment but has shown considerable commitment towards Liverpool and provides added strength to financial management in particular.
 - b. The Director of Financial Improvement is providing interim leadership alongside the Head of Procurement to provide additional support to the Procurement Improvement plan.
52. The main constraints to rapid improvement remain the capacity of some parts of the service to deliver, and the culture of financial management across the Council. There are capacity constraints in Audit, Risk Management, Procurement, and in the financial improvement function. Both recruitment and resource issues cause this and are being addressed.
53. The cultural issues are more deep-seated. Service areas need to take more responsibility for delivering their budgets, developing procurement plans, managing risk, and collecting

income than has traditionally been the case. The development of the business partnering model is the quickest way of making improvements. Whilst clear plans are being developed to tackle improvements in finance, these constraints need to be eased to make significant improvements.

54. There has been a marked improvement across the Council in financial management dating back to last autumn. The process of developing a balanced budget for 2023/24 and a robust MTFS led the way, culminating in the decisions made in March this year. Since then, there have been regular financial monitoring reports which have been increasingly more informative and transparent. A key test is now the presentation of the budget reset and the revised MTFS both due at the October Cabinet meeting.

55. While leadership and financial management are stable, there remain significant workstreams within financial improvement at various stages of maturity:

a. **Business Partnering.** Implementation of the Business Partnering approach to Financial Management is an important complementary process to improve the robustness of finance and help the wider culture change needed to improve other financial functions. The Council is now rolling that out across all directorates at once. It has developed a good plan and is drawing on support from CIPFA and others to help deliver the training and other needs to both finance staff and budget holders. There is evidence of this having a positive impact on monitoring of finances and Departments' response to the needed changes. It will take some time yet for the business partnering model to be properly implemented and embedded. Improvements will need to be monitored well beyond March next year. There are plans to have a further finance Peer Review and to reassess the function against the CIPFA model. The outcome of those tests will give some further assurance for this area as well as other parts of finance.

b. **Capital.** One area of continuing difficulty remains getting a robust capital programme in place. Improved Governance has been put in place including a Capital Board that takes overall responsibility for the programme and reports directly to CMT. Supporting the Capital Board are groups taking responsibility for gateway assessments, property matters, growth and regeneration and delivery. The weakness remains the lack of comprehensive strategies for both services and assets which will provide a coherent context for identifying capital needs and helping to develop a multi-year programme appropriately prioritized. A pragmatic approach has been developed to move this forward over a three-year period. While the strategies and data needed to produce an effective capital programme are not going to be available to inform the 2024/25 budget, they will be built into a rolling budget process as they are developed. Funding has been identified to support major strategy development across the Council. Work is continuing to address this gap such as procuring an asset condition survey. Capital will need to be part of a continuing improvement programme beyond this financial year.

c. **Audit and Risk Management.** Audit represents a stable service with a good improvement trajectory. Risk Management is under resourced and immature as a service, which the Director of Audit recognizes and is taking action to address gaps

and speed improvement. This needs focus and priority by the Council's leadership to make the needed changes.

- d. Procurement.** This remains a concern. Many of the short-term improvement proposals have been implemented, including new contract standing orders, and there is significant improvement in management of data. However, there have been setbacks in the implementation of the new Target Operating Model (TOM). There remain weaknesses in management of the procurement pipeline and in the quality of decision-making reports. As consequence, a revised model is being constructed and there will be a delay in implementation until approximately July 2024. This delay will impact delivery of improvements to procurement. However, it is a mature decision that will provide better outcomes in the longer term. There is still insufficient engagement by service areas with their procurement needs. Although there is a comprehensive data base of contracts, procurement can only act to replace expiring contracts with clear instructions from service areas. They assess that, in a considerable number of cases, information arrives too late to provide an assured value for money outcome. Steps are being taken to address this with improved engagement by Procurement with Directors and Divisional Heads. Commissioners have seen improvements in the quality of reports to Cabinet and in Delegated Authority Reports. However, there are still some that are poor, and there is a need to provide consistency in approach to bring them all up to the highest standard. The key ask is that Departments get a better grip on their procurement needs so the service can do a better job servicing them. Commissioners expect this service to require some form of oversight post June 2024.
- e. Income Collection.** Although there has been an improvement plan for income collection for well over a year, improvements in collection have been slow to materialize. Some changes in process (such as payment in advance for some services) have been implemented. In terms of the key areas of concern; there have been improvements in collection of Council Tax and Business Rates but more work needs to be done; foundation work has been done with adult social care charges but improvements have not yet materialized; while property remains weak. There are improvements needed to data management to give more regular up to date assessments of income collection. It is feasible for significant improvements to be made over the next six months as it is clear what actions need to be taken. The assessment at present, though, must be that the improvement trajectory is not yet established, and continued oversight post June 2024 may well be required.
- f. Systems.** The Council has a strategy of replacing its current major finance systems (Oracle and SAP) with a best of breed suite of replacement applications. Stability has been provided to the existing systems with new support arrangements, although they will have a limited life. This replacement project is likely to take several years to implement. Progress has been slower than expected as there were delays in acquiring external specialist procurement support to help the process, now in place. This should not prove critical as it is a long-term project. This is a project with many significant risks associated with it. The route to market, the choice of products, and the implementation process all have potentially major complications. As other Councils have demonstrated, it is possible to take a long time, spend a lot of money and still have a suboptimal outcome. The intervention cannot follow the entire process. Instead,

Commissioners need to be assured that there is a good process in place, with adequate assurance built in capable of delivering good outcomes. To address this the ERP (Systems) Programme Board is now the same status as other corporate portfolio boards and its membership strengthened.

- g. Companies.** The Directions require assessment and a forward plan in phase one for the four wholly owned companies and in phase two for a range of other holdings. Progress since the start of the intervention has been much slower than anticipated. The Council now have a plan for most Companies. For LFH (Liverpool Foundation Homes, a company owning a small number of homes), there is a resolution being implemented. The Company is selling its assets and being wound up. The current challenges of the housing market are making this more difficult than expected. For Liverpool Streetscene Services Ltd (LSSL), the Council have taken a decision in principle to bring street scene and waste collection services back into the direct control of the Council. LCC are due to take proposals to Cabinet on School Improvement Liverpool Ltd (SIL) and Arena and Convention Centre Liverpool Ltd (ACCL) in coming months. The phase 2 companies are much smaller holdings. The Council is using an expert interim accountant to analyse these holdings and is getting closer to making recommendations. Resolution of these companies was part of the original Directions, and it is disappointing that they remain substantially outstanding, even now.

Conclusion

56. The Council's finances are being managed well. While there were some poor decisions in the past, the financial consequences of these have largely all been resolved, and none were of a scale that threatened the viability of the Council.

Recommendation: Subject to a satisfactory engagement with Members over the budget, the MTFs and the consultation on both, Commissioners recommend handing back Section 151 powers to the Council in March 2024.

57. There remain concerns about some other parts of the improvement plan. There needs to be more evidence of improvement for risk management, procurement, and income collection. There must be a plan for systems. There needs to be resolution on the future of companies. Constraints on capacity, capability and culture need to be tackled. There is likely to be a need for oversight of some improvements outside financial management beyond March 2024. We will come to a recommendation on this point in the next report.

Service Area Judgement – Transport & Highways (T&H)

58. The 2021 Best Value Inspection (BVI) concluded that LCC's T&H service had: no coherent business plan, direction or forward vision; weak foresight of health & safety and works planning leading to excessive compensation events and claims; a lack of structure and processes between core highways services; and capital works and confused lines of leadership within the Service.
59. At the outset of the intervention, Commissioners set a clear framework for improvement, with a shared goal to achieve service stability by December 2022. In our third report, we

reported that whilst the service had not reached this goal, we were optimistic that stability would be achieved in 2023. This optimism was underpinned by a clear improvement trajectory, steady progress being made, and a clear shift from firefighting to creating a foundation for service stability.

60. This year, we revised the trajectory of the improvement targets to achieve service stability and a foundation for continuous improvement by September 2023. The agreed improvements were grouped under 4 strategic themes: Strategy & Policy, Finances, Service to Customers, and People.
61. Enhanced interim programme management and senior leadership capacity has been deployed to strengthen governance and bring pace to the improvement journey. Core to this has been the service's "Direction of Travel Improvement Statement" (DOTIS), the Council's self-assessment of progress against each improvement ask. This is supported by key performance indicators, and provides a shared understanding between Commissioner and service on improvement progress.

Service Stability

62. The following are extracts from the latest DOTIS, to illustrate progress to stability.

Strategy & Policy

63. The Transport Plan has been prepared, assessed by Scrutiny, and went to September Cabinet. The City Centre Mobility Strategy (CCMS) is in progress with "quick wins" identified and funding requested from the Liverpool City Region Combined Authority (CRCA) to meet their deadlines, albeit in advance of a formal strategy approval scheduled for December. Key internal stakeholder/member discussions have informed both strategies, but wider external engagement with Liverpool community and businesses has yet to be undertaken. Until the service's 2024/25 business plan and staff appraisals are complete, it is too early to say whether the outcomes and targets of both strategies are embedded in the operational and investment priorities of the service.
64. Whilst a robust Highways Asset Management Plan underpinned by accurate asset and condition data will not be complete in 23/24, steady progress is being made. July Cabinet authorised £2m to undertake a comprehensive asset data review, and to retain external support. Work is also underway to develop a "plan on a page" for Asset systems and data, supporting policies and processes. Consequently, investment decisions made as part of the 24/25 budget process will be on partial rather than complete asset understanding. Nonetheless, this is an improvement on previous years.

Finances

65. The 2022-24 business plan contains some service indicators, and there is some evidence that it is providing operational context for prioritising budgets, and service/project delivery. Performance management and risk management frameworks, with clearer accountabilities, are now being developed from a low base. The service has joined, and is proactively working with the Future Highways Research Group to benchmark its performance and value for money. The initial assessment in April verified the Council's self-assessment, and

a reassessment is planned in November. Individual performance accountabilities should be clearly agreed in the current appraisal round, but have yet to be quality assessed.

66. P5 monitoring indicates the service's 23/24 revenue spend/income targets are on track to be delivered. Although the mobilisation of the Moving Traffic Enforcement regime is now delayed and may affect Penalty Charge Notice (PCN) income this year, the service advises it can mitigate this. The approved 23/24 capital programme was significantly reduced in year to make it more deliverable. The Highways Improvement Programme Phase 1 (HIP1) programme has progressed well, with clear evidence that the service has taken learning in both its procurement and delivery, into the mobilisation of HIP2. Overall, the grip the service is getting on its finances has shown a marked improvement. In the absence of the business partner model being rolled out, the service has worked well with finance to deliver budget training and to represent budgets in line with the service review and new budget holder responsibilities.
67. The decision to procure a new Target Operating Model for highway maintenance was agreed in July with the procurement starting in September. The final decision is scheduled in December with mobilization by the start of 24/25. This is a challenging timeline.
68. The joint service/Central Procurement Unit (CPU) review of whether the new Professional Services Framework (PSF) is achieving best value and the non-financial benefits anticipated has yet to be undertaken with no firm timeline. Work is underway on developing a clear pipeline of new and extended contracts to be embedded in the service forward plan of decisions.

Service to Customers

69. This is the least developed of the four improvement themes and the service has yet to fully demonstrate it has a clear deliverable plan to realise its business plan goal to put its customers at the heart of service delivery. The first phase of Engage Communicate and Facilitate (ECF) recommendations have yet to be fully implemented. This is largely due to capacity being focussed on completing the service review.
70. Nonetheless, a diagnostic of service contact has been completed, a high level 'plan on a page' and operating model to improve customer service has just been produced, customer journey workshops are planned, work is about to begin on web content improvement, and the phased introduction of on-line payments has begun.

People

71. This theme has made steady progress. The Service Review has been concluded and went live on 1st September, with existing posts assimilated. A top-down recruitment exercise is now underway to fill the significant number of vacant posts. This remains a considerable risk to the pace of improvement delivery. Tier 4 recruitment has progressed well, and roles are expected to be occupied by January. Tier 5 recruitment is underway.
72. An assessment of core competencies has been undertaken with necessary training and development for eligible staff, but further training will be required following staff appraisals and recruitment to fill vacant posts. Staff appraisals are underway and the importance of

these has been communicated and guidance provided on the key considerations and supporting information for the process.

73. The 2023 staff survey showed a positive shift in the change readiness and engagement of some of the H&T staff. Almost half (49%) of staff indicated a high level of engagement and the percentage indicating a high level of change readiness has increased from 16% in 2021 to 38% in 2022. A staff survey action plan has been developed to address improvement areas identified by staff, and is being actively monitored and reviewed by service leadership.

Improvement Trajectory

74. The service has an overall plan to achieve stability and has aligned permanent and interim capacity and budgets to scope, mobilise and deliver these improvements. Whilst some improvements are more advanced than others, these have been proactively prioritised. It is a credible plan to achieve stability. In the period to March 2024, this needs to evolve into a plan to drive ongoing improvement, not a plan in response to intervention.
75. Adequate capacity and capability is present but it is stretched and there is still a heavy reliance on interim and consultancy resources in both operational delivery and improvement activity. The service review is now complete and funded, but some 50% of the new establishment are filled by non-permanent staff or are vacant. The tier 4 / tier 5 posts are in active recruitment and should be occupied by the end of the year, with wider recruitment continuing as necessary.
76. The lead member and permanent service leadership is demonstrating clear ambition to improve and seek service excellence in the coming years. There is clear evidence that staff are becoming more trusting of service leadership, and more are proactively embracing change. The service is developing a more open culture, with evidence of both internal and external learning and willingness to emulate best practice from the sector.
77. Relationships with supply chains are strengthening and there is some evidence that contractors who have historically chosen not to work in Liverpool may now be doing so. The relationship and trust with the LCRCA and other key partners in the city are improved and provide a much firmer foundation for future collaboration and co-production.

Summary

78. Whilst the service is not yet considered to be fully stable, and is not yet able to fully demonstrate that it is providing value for money services to the residents of Liverpool, it is on the cusp of stability. The intent and energy clearly demonstrated by the leadership of the Council and service to improve at pace is evident. Clear and steady progress continues to be made by the service across its broad improvement agenda, supported with enhanced interim and consultancy capacity. The recent appointment of the permanent Corporate and Service Directors, the current recruitment of permanent T4 and T5 posts, and the recent positive shift in the change readiness and engagement of some of the staff, are key to embedding service stability and sustaining continuous improvement.

Next Steps

79. The service is on the cusp of stability and, when it achieves this, it is likely to have also laid solid foundations for its continuous improvement. This is about 'when' and not 'if'.

Recommendation: It is Commissioners' view that the Highways powers held by the Commissioner can be returned to the Council before the end of the intervention, in March 24. If evidence is received contrary to that judgement in the intervening period, we will write by exception.

80. Since the last report, the Commissioner has had less need to be 'hands on', to direct improvement, and challenge the robustness of decision making. The focus has shifted more to checking & challenging the robustness of DOTIS delivery to achieve stability, and to support the new leadership team in laying the firm foundations for continuous improvement. On the current improvement trajectory, it is envisaged that the return of Transport and Highways executive powers to the Council could take place in March 2024.

Service Area Judgement – Property Services

81. Since the last report, the senior property team continues to be led by interim staff. The Council are in the process of recruiting to the Director of Property following a review of the job description and salary. Property services continues to underperform, and remains an area of acute concern for the Commissioners, as improvements have been slow to materialise:

- a. The new structure has not yet been approved,
- b. the corporate landlord function agreed by Cabinet in 2021 is yet to be implemented,
- c. the strategic asset management plan is not yet developed. Currently, the Council has insufficient understanding of its the asset base.

82. However, following cabinet approval officers have now taken steps to appoint external consultants to undertake asset condition surveys, which will enable more effective asset management and inform capital investment decisions.

83. There is now a better understanding of the scale of the challenge and some operational improvements are in train, including data cleansing of records, further implementation of IT systems, and the appointments of external support to prioritise and address some of the backlog of work. Previous improvement commitments have not been delivered and proposed savings have not materialised.

84. Following concerns raised by the Commissioner Team about insufficient progress, the Commissioner team and Chief Executive agreed to adopt a different operating model and appoint an external strategic partner to drive forward improvement; address the skills, capability and capacity gaps and introduce best practice. Until such a partner is in place, the Commissioners cannot be confident the service is stable, or be satisfied with the trajectory for improvement. Commissioners require greater focus and pace in the procurement and appointment of a strategic partner.

85. The Council recognise the challenges presented by an underperforming property service. The Chief Executive has undertaken to establish a property improvement board, bringing in external advice to oversee improvements in this area. We welcome this, and welcome the Chief Executive and Leader's commitment to view property and asset management as a "whole council" challenge – that requires priority and focus from the leadership of the organisation. We will set out progress towards this in the next report, and provide a recommendation about whether powers in this area can be returned to the Council.

Service Area Judgement – Regeneration

86. The Council has continued to make steady progress with several high-profile legacy projects. A new project management approach is in place to manage these projects more effectively, with corporate oversight provided by the newly established Capital Delivery Board.
87. In terms of addressing the capacity and capability shortfall in this area, the appointment of an experienced Director of Development and Investment is a welcome addition to the team and will now enable the Council to move forward to rebuild the regeneration function, albeit significantly behind schedule. The Director is in the process of developing a team structure which she expects to be implemented in by December 2023, with new external new appointments on boarded by March 2024.
88. Alongside new appointments, existing team members will have access to a development and training programme to develop their skills further. The first phase of this is scheduled to be delivered by December 2023.
89. However, it remains the case that, there continues to be a significant risk to the delivery of regeneration in Liverpool. The capability and capacity gaps still remain, the development of a sustainable economic growth strategy to increase productivity and improve prosperity for residents has yet to commence. There still much to do to restart regeneration in the City and restore investor confidence.
90. Commissioners welcome the approval by cabinet to commission a Waterfront strategy, addressing the potential of one of the City's greatest asset and opportunities, this will be an important piece of work signalling the Council's ambition for regeneration.
91. The Council is also in the process of seeking Cabinet approval to commission a City Centre Development and investment strategy, it is expected that the strategy will provide a strategic framework, identify investable propositions, enable the Council to leverage finance for development thereby improving market confidence.
92. The challenge going forward is the need for additional operational capacity and expertise in both regeneration and planning teams to work with partners to maximise the potential these opportunities. The Council is working with the Strategic Future Panel and the Combined Authority to consider how best to build this capability and accelerate the pace of delivery. This is a great opportunity for the City and one which, if well executed, has the potential to transform the City's regeneration prospects.

Housing

93. The Council has made progress in approving the principle of establishing a housing directorate within the Neighbourhood Services directorate. It has appointed an interim Director of Housing who will be responsible for developing and implementing the new structure subject to a budget reset at cabinet in Oct 2023.
94. The Council is working to re-establish relationships with housing associations in the City and the creation of a Registered Providers Group has been welcomed by partners. The group is supporting the Council in addressing issues such as homelessness and allocation and nominations. The Council has committed to produce a Housing strategy in collaboration with stakeholders by March 2024.
95. The interim Director of Housing has undertaken a review of homelessness and has developed a plan to reduce the number of people in B&B and Temporary accommodation. He has identified significant numbers of people in temporary accommodation for whom the Council has no statutory duty, which he is addressing urgently. The implementation of the plan is predicted to achieve significant savings for the Council, and the development of the homelessness prevention strategy will ensure the necessary interventions are in place to reduce incidences of homelessness.
96. Alongside the development of the Neighbourhood model, the Council need to review its private sector housing enforcement functions to better align to local neighbourhood plans and improved local service delivery.

Conclusion

97. Liverpool City Council is the most stable it has been since the intervention began. There is a permanent, experienced officer team supporting an engaged and professional political leadership. The Council has clarity on its objectives over the next four years and has the determination to follow this through. We believe the right people are in place to address the challenges the City faces. The scale of the challenge remaining is very significant and will need focussed attention long after Commissioners leave the Council. As a result, our confidence in the leadership to continuously improve must be cast-iron. To achieve this, we need more time to evidence difficult decision-making and strength of leadership.
98. We have confidence that the Council has the right leadership to continue to improve at pace. We can therefore recommend some significant changes to the intervention:
 - a. A return of the powers of appointment at tiers 1-3, as soon as is practicably possible. We reserve the power over the directors of property, HR/OD, and statutory officers.
 - b. A return of finance powers to the Council in March 2024, with some continued oversight of improvements in financial processes beyond that date.
 - c. A return of Transport and Highways executive powers to the Council in March 2024.

99. The above recommendations are subject to continued progress from now to March. Should there be any concern that the current trajectory is not met in the intervening period, we will write by exception to alter this recommendation.
100. It is too early to come to a recommendation on return of powers in regeneration and property. We need to see significant improvements between now and March when we will submit our next report. We are working with the Council to ensure transparency on requirements for these service areas.
101. In March, we will recommend what post-June arrangements are required. We will be using the Best Value legislation to anchor this judgement. Core to this is the Council's ability to make arrangements to secure continuous improvement. To help us oversee and support areas that we believe are not meeting this duty, we believe it is likely to be a requirement for some form of statutory intervention post June. We expect this to be very different from our current intervention. This will be at a reduced scope, cost and Commissioner presence. Our hope is that this will be for a limited period and with a narrower scope and we will work with the leadership of LCC to shape the nature of continued support. We will write to you in March with more detail establishing that recommendation.