



Department for Levelling Up,
Housing & Communities

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**Department for Levelling Up, Housing
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Andrew Lewis
By email

www.gov.uk/dluhc

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Dear Andrew,

LIVERPOOL CITY COUNCIL – PROPOSED MOVE TO A STATUTORY ASSURANCE AND IMPROVEMENT BOARD

I wish to invite your Authority, if it wishes, to make representations to the Secretary of State about the proposed extension to the statutory intervention, following receipt of the Commissioners' fifth report in March 2024, which the department is publishing today, together with the government's response.

The Commissioners wrote to the Secretary of State on 15 March 2024 with their fifth report ("the Report"), about the best value intervention in Liverpool, including their assessment of progress against the Commissioners' strategic improvement indicators. The Report highlights that Commissioners consider the Authority now benefits from strong officer and political leadership and they are confident that the underlying failures that led to the original Best Value Inspection and the subsequent intervention, have been fully identified, owned, and improved by the Authority. The Report outlines significant improvement, particularly since May 2023, but recognises this is from a very low base and follows a slow start to the intervention. The Commissioners conclude that the Authority is yet to fully meet its Best Value Duty. It is still working towards stability in some areas.

The Secretary of State has considered carefully the Report and other evidence available, including the Liverpool Strategic Futures Advisory Panel's final report (published 21 March 2024), the Authority's performance against the March 2024 Directions and against the instructions issued by Commissioners on property dated 4 December 2023, and the Best Value guidance in place. He recognises the significant progress which the Authority has made and the leadership's commitment to continue this. Given the range of issues still needing improvement, including ensuring such improvement is embedded fully throughout the Authority, he is satisfied that your Authority is failing to comply with the requirements of Part I of the Local Government Act 1999 (the "1999 Act"), namely the Best Value Duty. The Secretary of State is therefore proposing to use the powers of direction in section 15 of the 1999 Act in relation to your Authority to secure its 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.

In summary, he is minded to extend the statutory intervention at your Authority up to and including 31 March 2025. He considers that this should be smaller in scope than the current intervention, and is minded to appoint members to a statutory Assurance and Improvement Board that will provide oversight, advice, and challenge to the Authority, underpinned by new statutory Directions to the Authority, the proposed form of which is attached. Unlike the Commissioner model, the Board members would not be able to exercise any functions of the Authority. This proposal is subject to the Authority continuing to have a general positive improvement trajectory, securing Cabinet approval for a resourced Property Improvement Programme, and successfully implementing procedures that will ensure the quality and compliance of decisions in Property, which Commissioners will confirm by exception in mid-May 2024.

He is now seeking representations from your Authority or any interested party by Monday 13 May, before he takes a final decision on how to proceed. If, after having considered the representations and any other information, the Secretary of State decides to proceed as he is currently minded, it is his intention to make new Directions which would come into effect immediately after the current March 2024 Directions expire on 9 June 2024. The current Commissioners' appointments would also expire on 9 June 2024 and all functions currently being held by Commissioners would return to the Authority. He would also make appointments to the Assurance and Improvement Board and announce these, recognising the need to provide expertise and experience to support the Authority's transition towards the end of the statutory intervention. The Secretary of State's expectation is that Board members will be sufficiently engaged with Liverpool City Council to maintain a strong understanding of emerging issues, opportunities and risks.

The Secretary of State recognises the importance of providing clarity on the appointments he would intend to make if the final decision were to move to a statutory Board. He is considering the need to provide the appropriate experience and expertise as well as a level of continuity. He is therefore minded to appoint Mike Cunningham QPM CBE as the Board Chair. He is considering the other appointments he would make if he confirms the proposed Board approach.

The proposal to adopt a statutory Assurance and Improvement Board represents a significant change and reflects the positive progress made by the Authority so far. You will wish to reflect on the impact the proposed intervention package could have on your improvement plans moving forward and the way you would work with the Board, if they are appointed.

Your Authority is now invited to make such representations as it wishes about the Report and the Secretary of State's proposal to issue Directions (which are set out in the Annex) to your Authority under section 15(5) and (6) of the 1999 Act. For the avoidance of doubt, the new Directions would come into force immediately after the current March 2024 Directions expire on 9 June 2024. 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 up to and including Monday 13 May 2024. As you are aware from conversations with us and the Commissioners, the period for representations is shorter than we would have been able to provide if the timing of local elections were not as close to the end point of the current Directions. All representations will then be considered carefully by the Secretary of State before

a final decision is taken and announced. Ministers are clear that their expectation is that the Authority will continue to work with Commissioners to make the necessary improvements until a final decision is made.

The political and officer leadership in your Authority have demonstrated a strong commitment and capability thus far but have not had sufficient time to demonstrate to Commissioners that improvement is embedded throughout the Authority. Commissioners have shared that they have considerable confidence in the leadership team, and that you have the appetite and ability to drive the improvement needed. If appointed, the Board will need to see concrete evidence of a well-set trajectory in order to be confident that the Authority is 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.

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

Yours sincerely,

Max Soule
Deputy Director, Local Government Stewardship

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, the final report from the Liverpool Strategic Futures Advisory Panel (published on 21 March 2024), the Authority’s performance against the March 2024 Directions, performance against the instructions issued by Commissioners on property dated 4 December 2023, and the Best Value guidance in place. The Secretary of State is satisfied that your Authority is failing to comply with the requirements of Part I of the Local Government Act 1999 (the “1999 Act”), namely the Best Value Duty.
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 March 2024 (“the Report”), highlights that Commissioners consider the Authority now benefits from strong officer and political leadership. They are also confident that the underlying failures that led to the original Best Value Inspection and the subsequent intervention, have been fully identified, owned, and improved by the Authority. The report outlines significant improvement, particularly since May 2023 when the new leadership team was formed, however, this is from a very low base and follows a slow start to the intervention. The department is, today, publishing the Report.
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’ fifth Report, published today, the final report from the Liverpool Strategic Futures Advisory Panel, published on 21 March 2024, the Best Value Guidance, and the instructions in the letter issued by Commissioners on property dated 4 December 2023. The Secretary of State has noted Commissioners have considerable confidence in your Authority’s political and officer leadership team and the appetite and ability to drive the improvement needed. Various plans are in place or being developed for the functions and services which need improvement. However, the breadth of the improvement activity will be a considerable challenge to deliver. Your leadership team has strong commitment and capability but have not had sufficient time to demonstrate that improvement is embedded throughout the Authority. The combination of these required improvements provides a significant challenge to the Authority.

5. The Secretary of State considers, given the evidence in the Reports, a number of changes should be made to the intervention. The proposed changes to the intervention package would enable the Authority and Board, if appointed, to focus on the improvements across the Authority and provide assurances on continuous improvement needed to meet the Best Value Duty.
6. The Secretary of State is minded-to exercise his powers under section 15 of the Local Government Act 1999 (the 1999 Act) to extend the intervention until 31 March 2025.
7. The Secretary of State is also minded-to exercise his powers under section 15 of the 1999 Act to adopt a different model and appoint members of a statutory Assurance and Improvement Board.
8. The Secretary of State is also minded-to exercise his powers under section 15 of the 1999 Act to appoint Mike Cunningham as Chair of the Board. This is to provide an element of continuity in personnel between the Commissioner team and the Board.
9. Finally, the Secretary of State is minded-to exercise his powers under section 15 of the 1999 Act and issue new Directions to the Authority in terms of the draft attached. These include broad directions that that requires the Authority to take advice and challenge from the Board on areas relating to relevant aspects of improvement the Board considers necessary, alongside more specific directions focused on the specific service areas that are of concern in property, finance, risk management, procurement, performance management, culture change and regeneration that need to be addressed to secure its compliance with Best Value Duty requirements.
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.

Actions for the Authority

11. The proposed Directions require your authority to take certain actions:
 - A. Allow the Assurance and Improvement Board to provide advice and challenge to the Authority, as they see fit on all areas of work related to any relevant improvement indicators.
 - B. To continue to improve the performance and management of the property function to the satisfaction of the Assurance and Improvement Board, including:
 - a) Implement the property improvement plan, ensuring full compliance with the instructions in the letter issued by Commissioners on property dated 4 December 2023 and as a minimum:
 - i. Following mobilisation, establish effective value for money client management of external property partner by 31 July 2024.
 - ii. Improving data and performance management to agreed best practice targets by 31 December 2024.
 - iii. Complete and implement service review and new organisational structure by 31 October 2024.

- iv. Make progress towards the implementation of a strong, integrated Corporate Landlord function delivering efficient and agile use of assets, to be in place by the end of 2026.
 - v. Development of a clear, evidenced-based strategic asset management plan by 30 November 2024.
 - vi. Improve the collection of rent and other sources of income, to agreed best practice targets with quarterly performance from 30 September 2024.
 - b) Continue to demonstrate clear and objective property decision-making in line with best value guidance.
- C. To continue to progress improvement and transformation work in line with any relevant improvement indicators across the Authority to the satisfaction of the Assurance and Improvement Board, this may include or draw upon improvement or action plans prepared before the date of these Directions, and as a minimum:
 - a) Continue to rebuild the regeneration function, including ensuring capacity and capability to deliver the required improvement and transformation, and to support the agreed ambitions set out in the final report by the Liverpool Strategic Futures Advisory Panel and to ensure alignment with other relevant strategies.
 - b) Continue to progress with the implementation of the finance improvement plan, including strengthening the capital programme, improving risk management, and further embedding the business partnering model.
 - c) Improve procurement by embedding the new target operating model and strengthening strategic planning.
 - d) Continue to progress with the implementation of the culture and performance management programme including the focus on recruitment, managing performance and employee engagement.
- D. To report to the Assurance and Improvement Board on the delivery of the improvement work at regular intervals, the frequency of which will be determined by the Board.
- E. To undertake any action that the Assurance and Improvement Board may reasonably require with respect to the relevant improvement indicators and its implementation, or to avoid incidences of poor governance or financial mismanagement that would, in the Board's reasonable opinion, give rise to the risk of the Authority failing to comply with its Best Value Duty.
- F. To allow the Assurance and Improvement Board at all reasonable times such access as appears to the Board members 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.
- G. To provide the Assurance and Improvement Board, at the expense of the Authority, with such reasonable amenities and services and administrative support as the Board may reasonably require from time to time to undertake their responsibilities under these Directions.

- H. To pay the Assurance and Improvement Board reasonable expenses, and such fees as the Secretary of State determines are to be paid to them.
- I. To provide the Assurance and Improvement Board with such assistance and information, including any views of the Authority on any matter, as the Assurance and Improvement Board may reasonably request.
- J. 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

12. These proposed Directions would commence from 9 June 2024, after the March 2024 Directions have expired, and would continue to remain in force up to and including 31 March 2025 unless the Secretary of State considers it appropriate to amend or revoke them at an earlier date.