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# Liverpool City Council Commissioners

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15 March 2024

Dear Secretary of State,

We are writing to update you on the progress of the intervention in Liverpool City Council (LCC). This is our fifth and final report to you within the initial intervention period of 10 June 2021 - 9 June 2024.

The Council has made substantial improvements since the intervention began. The poor governance, insularity, and leadership failings we found at the Council in June 2021 are now in the past. Our confidence in the Council's political and officer leadership has continued to grow over the past 6 months and they have remained committed to ensuring further improvements are made. We believe LCC now has solid governance foundations on which to build, and we have confidence that it will soon meet its Best Value duty. We would like to take this opportunity to thank officers and members at LCC, who have worked hard to effect the changes seen in the organisation.

These improvements have come from a low base and, while the Council has made considerable progress, there is more to do. Both Commissioners and the Council leadership agree that the transformation journey still has real risks to its delivery, that the Council will need continued support to implement its ambitious change programme, and that more progress needs to be made on slow-to-improve areas such as Property. Ultimately, there is still work to do to ensure LCC is delivering best value for the people of Liverpool.

In our last update to you, we suggested that it was likely that some form of reduced statutory intervention would be required post June. In coming to our recommendation for this report, we have considered that any post-June model would need to provide you with adequate levers to influence change and provide sufficient assurance that LCC is continuing to improve. At the same time, it should be proportionate to the level of support LCC still require. On this basis, we recommend that the current Commissioner model of intervention is replaced with a statutory Improvement Panel from June 2024. This recommendation is subject to specific conditions outlined in this report.

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. We have listened carefully to the representations of the Council in coming to our recommendation.

With thanks

**Mike Cunningham, Joanna Killian, Neil Gibson, Deborah McLaughlin and Stephen Hughes**

## Commissioners for Liverpool City Council

### Introduction

1. In this report, we will discuss Liverpool City Council's (LCC) progress since our last report, offer our views about progress overall, and set out our recommendations about how the Council might be best supported to deliver their Best Value duties into the future. Coming to our recommendation has been a long process of careful considerations. We have charted a narrow course between recognising the significant improvements made by LCC, while assessing their need for continued support, and the requirement to offer assurance on their improvement trajectory.
2. LCC has come a long way since the start of the intervention. Historically, it is a Council that has faced complex challenges and has been let down by its leaders. More recently, it has faced accusations of criminality and fraud at the highest levels, leading to the Best Value Inspection in December 2020. The Best Value inspection report detailed the Council's failure to comply with its Best Value Duty in multiple areas and called for a whole Council reset. As a result, the Secretary of State appointed Commissioners to exercise powers in Property, Regeneration, Highways and their associated governance, as required, for a minimum of three years. The intervention, underpinned by legal Directions on the Council, began on 10 June 2021.
3. For the first 18 months of the intervention, progress was slow. The problems the Commissioners encountered were worse than originally anticipated: the Council and the Commissioners were not aligned on their analysis of the scale and scope of the improvement required, and the leadership of the Council lacked grip. Commissioners found the Council's financial situation to be stark, with LCC's budget gap to 2025/26 estimated at £98.2m, and no structured plans to address it. These findings cumulated in Commissioners recommending an extension of the intervention to include a Finance Commissioner, executive control over the finance functions, and control of the senior appointments; this was confirmed in November 2022. Following this extension, and a change to the leadership, in March 2023, we were able to report on a step change in the urgency and grip demonstrated by the Council.
4. In our last report, dated October 2023, we said that LCC was the most stable it has been since the intervention began. We introduced our 'macro improvement indicators' of leadership, plans and priorities, financial strategy and budget delivery, decision making and governance, audit and risk management, capability and capacity, culture, performance management, and service improvement. These were agreed with the Council, and we have used them as a tool to measure LCC's progress. We have been looking for evidence of stability and a well-set improvement trajectory in these indicators, and in the services areas under

intervention. This would give us confidence that LCC was meeting its Best Value Duty. In our report, we concluded that the new leadership had the capability to continue to improve the Council, that Commissioners and Council leadership were aligned on priorities, and that there had been sufficient progress for us to recommend an early hand back of our powers in Transport and Highways, Finance, and senior appointments. Beyond this recommendation, we felt more time was needed to evidence that LCC's improvement trajectory was well set, and that stability had been reached in all areas.

5. Six months on, we are confident that the underlying failures that led to the original Best Value Inspection, and the subsequent (and then expanded) intervention, have been fully identified, owned, and improved by the Council. Our overall assessment of LCC, at this time, is that it is a well-governed, improving organisation, with ambitious leaders who are committed to long term change. If LCC continues on this path, it will soon be a Council that can achieve the value for money, good quality services the people of Liverpool have a right to expect for many years to come.
6. We have been particularly impressed by the improvement in financial management, especially in the way officers and members have worked together and made difficult decisions to set the budget for 2024/2025. A large transformation programme is in train, which influences almost all aspects of the Council's work. The programme is well led, is regularly reviewed to reflect priorities, and is now resourced almost entirely from internal capacity. The Transport and Highways function is now stable, and it has the leadership, core plans and increasing capacity and capability to continue its improvement journey. We are confident to hand back our powers in these areas at the end of March.
7. Despite the progress that has been made, we feel that the Council is yet to fully meet its Best Value Duty. It is still working towards stability in some areas, particularly in Property Services. There are challenges ahead: LCC need to find solutions to address the intense financial and human impact of rising homelessness and continue to improve the quality of Children's Services. These are challenges for any council, but especially for one that is re-establishing itself as a competent, trusted organisation. There is also more to do in terms of people management functions, procurement, delivery of plans, and risk management practice. We are increasingly satisfied that the Council now benefits from strong officer and political leadership. However, the new leadership has been in place for less than a year, meaning that more time would give greater assurance that they can continue to deliver a well-set improvement trajectory in all areas. There is early evidence that improvements are beginning to be felt by the residents, users, and taxpayers of Liverpool, but more time is needed for the progress we have seen at the core of the Council to fully embed and manifest outwardly.

8. As a result, we believe the Council will require further statutory support post June 2024. In our judgment, this support does not need to be in the form of Commissioners with powers; LCC could make the required improvements with ongoing oversight and assurance from a statutory Improvement Panel, reporting regularly to the Secretary of State, and underpinned by strong statutory Directions. We believe this model recognises the progress LCC has made so far, and the confidence we have in the leadership, while still providing ongoing assurance and support, as LCC embed improvements and continue their work to achieve Best Value in all areas.

## **Assessment against macro indicators<sup>1</sup>**

### **Leadership**

9. We are increasingly satisfied that the Council now benefits from strong political leadership, supported by confident and professional officers, who give clear, robust advice to tackle a range of complex issues.
10. Both the leader, Cllr Liam Robinson, and Chief executive, Andrew Lewis, are nine months into their respective roles. In the last period, they have demonstrated that they understand what needs to be done to improve and are resolute about making the progress rightly expected from the people of Liverpool. They have built a strong respective Cabinet and Corporate Management Team (CMT), enabled by capable Strategic Directors (tier 2) and Service Directors (tier 3).
11. Cllr Liam Robinson continues to demonstrate positive and professional leadership, and he and his Cabinet remain united and committed to making necessary improvements. They have agreed actions in difficult areas, such as the provision of leisure centres and future of local markets. A revised scheme of delegations signals an increased level of trust between members and officers and will help streamline governance. With credit to all party leaders, the atmosphere in the Council Chamber has markedly improved, allowing for robust debate and discussion in a courteous manner.
12. LCC has invested in CMT capacity after years of atrophy. The team is now of a strong officer calibre. The political and officer leadership of the Council have continued to engage openly and constructively with Commissioners, and we have maintained a shared understanding on the overall positive trajectory of improvement, and the scale of the challenge remaining. Throughout the course of the intervention, we have found that a shared and honest understanding of the challenges facing the Council is one of the most important factors to being able to

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<sup>1</sup> Commissioners 'macro' indicators: <https://liverpool.gov.uk/media/uzapofrt/commissioners-improvement-strategy-indicators-june-2023.pdf>

make progress.

13. In CMT, the Monitoring Officer has moved on to a new role to support another council in intervention - the recruitment for a permanent replacement is due to be completed in April. Otherwise, the stability in Cabinet and within the senior leadership team is an asset. There are early signs of a wider collective impact, such as the collaborative work to agree the 2024/25 budget, or the cross Council working group to develop the housing strategy. However, further time is needed to allow the team the opportunity to continue to develop.
14. The wider officer leadership team is almost fully resourced on a permanent basis: the People and Organisational Change Director started in February and the Director of Property will start in April. The Council has reviewed its tier 4 (Divisional Managers) structure, bringing much needed uniformity to the grade, as well as additional capability and capacity across the Council once all roles are filled.
15. Collectively, the leadership have prioritised reform in Children's Services. There is still a long way to go before the service, which is outside this intervention, is stable. However, as Ofsted reported following their monitoring visit in December 2023, LCC have made positive steps on its improvement journey since their 'inadequate' judgement, and corporate services are now supporting this work. As the Children's improvement work moves into its, arguably, more challenging second phase, it is vital that the cooperation and support demonstrated so far is maintained, and that changes result in improvements in the quality of care. Ofsted's second monitoring visit is planned for the end of March. It will be important for LCC to respond and adapt plans, at pace, based on Ofsted's feedback.
16. The Council is now more outward looking than it has been in the past. Cabinet Members and officers have greater engagement with partners and the relationship with the Combined Authority is unrecognisably better. Positive outward engagement is key to improving the national perception of Liverpool. The Cabinet are actively using their mentors and learning from other organisations. The leader and executive leadership team have continued to demonstrate proactive and collaborative leadership to external partners; there are early signs that relationships are beginning to progress from good will, or support in emergencies, towards sustained partnership work.
17. Improvements in the Property function have been slow and more limited than in other areas. A Chief Executive-chaired Property Improvement Board has been established and met for the first time in December. A new director of Property has been appointed, and the Council is in the process of appointing a strategic partner to add capacity and capability. We believe that these changes will provide a platform for a more positive improvement trajectory in the next period. However, the

absence of a well-functioning service, with a stable structure and clear strategies, is currently impeding the delivery of the Council's wider ambitions. This is a corporate Council priority that has begun to be gripped but the pace of progress must now improve.

18. Overall, in the last six months, we have been shown further evidence of stability and determination in the leadership of the Council, and we have firm confidence in the leaders' commitment to improve. We would like further assurance that this can be sustained over a longer period of time, particularly that agreed plans and policies are implemented and that further improvements are made in Property Services.

### **Plans and Priorities**

19. In our last report, we concluded that this indicator was not yet stable, due to the Council's lack of comprehensive strategies and plans. It is vital that plans are in place as they inform priorities and underpin further improvements across the other indicators.

20. There has been progress in preparing key plans that set out whole-Council priorities, such as the Council plan, core policy specific strategies, such as, the Housing or Highways plans, as well as, internal plans, such as, the People plan. Specific achievements include:

- a) A refreshed and expanded Liverpool Strategic Partnership that met for the first time in December. From spring, it will work towards co-producing a new City Plan with the Council.
- b) The Council Plan for 2023-2027 is now being embedded and it is helping to determine the Council's priorities. It is complemented by a comprehensive set of service plans across all directorates, that are feeding into individual performance targets. Performance against the Council Plan is reported to Scrutiny Committee and to Cabinet.
- c) New policy strategies for areas such as Audit, Housing, Transport and Leisure services are in development.
- d) There is a new People Plan, Wellbeing Plan, and a strong Medium Term Financial Strategy in place.
- e) The Council has taken initial steps to implement a uniform business-planning approach across the Council.
- f) The Council has started to implement its plans for a new Neighbourhood Model for delivery of local services. This will be key to improving waste management and recycling, as the Council significantly under performs in this area.

21. The Council is committed to updating its full suite of over 80 plans - this includes growing capability in the Council to draft or commission them. There has been some slippage in this. However, it is often for good reason, such as, to allow more

time for greater stakeholder engagement.

22. Overall, more time is needed for the Council to fill the current gaps in plans and strategies. It is vital that these plans continue to be developed to provide a strategic vision for the City, to further improve decision making and prioritisation, and to bring LCC in line with the plan portfolios of other local authorities. Specifically, we would take assurance from seeing progress in the development of a new City plan that is measured and links to resource planning. We would also like to see further evidence of cross-directorate working to ensure all plans complement each other and are delivered.

#### *Transformation programme*

23. We have examined LCC's transformation programme in depth due to its scale and, as with all transformation work, the inherent risks to delivery. Since July 2023, LCC has phased out external transformation support so that it is now almost entirely resourced with an internal team. The team is well led and is now well placed to tackle issues. They have created a robust plan that is regularly reviewed and takes into account of the full breadth of the transformation programme. We were pleased to see good practices being embedded into the programme and individual service area transformation plans. For example, LCC undertook a lessons learned exercise following the first stage of transformation in the Adults Social Care Directorate, and have fed their findings, particularly around the need for additional HR support, into the transformation programme. This has resulted in the investment of further resource and the reprioritisation of work to cater for resource pressures. The Council need to continue their focus on transformation work. We would like to see how LCC's plans develop and adapt so that they are able to deliver and achieve budget savings, and that continued prioritisation of corporate resources takes place to support the Council's transformation programme.
24. The insourcing of Liverpool Street Services Limited (LSSL) is a key strand of the transformation programme and is part of the Companies Governance Review. We had been concerned about the initial fast pace of this because it did not allow adequate time to fully assess the risks, or the capacity needed, to deliver such a complex transition. We are pleased that, through the governance of the transformation programme, the Council has agreed to extend the timeframe of the insourcing and they are taking risk management seriously. However, the risks are such that, in the Commissioners' view, the Council needs to consider what external independent assurance it needs.
25. Adult Services and Homelessness, which we address later in the report are other key strands of the Transformation programme. Adult Services account for over 40% of LCC's net revenue expenditure. While geo-social factors contribute to significant demand the level of spend is relatively high compared to comparable councils for

similar levels of satisfaction. The service underwent a peer review in June 2023 and has subsequently developed an improvement programme. The trajectory of improvement positive but it is vital that improvements are seen through in preparation of any CQC assessment and to relieve budget pressures.

#### *Liverpool Strategic Futures Panel*

26. The Council has been working with the Liverpool Strategic Futures Panel (LSFP) to agree the next stage of their work. LSFP was established in 2022 to support the development of a long-term economic strategy for Liverpool and to support the rebuilding of the Regeneration function in the Council. The Council has positively engaged with the Mayor and Combined Authority, the Department for Levelling up, Housing and Communities (DLUHC) and Homes England on the Panel's work and have contributed to its final report. It is important that LCC remains committed to working with the regional Mayor to implement the panel's recommendations.

### **Financial Management**

27. A main area of concern for the intervention has been the development and delivery of the annual budget, including the capital programme. The last two budget cycles have demonstrated transformational change in the way the Council deals with budget issues. Because of this, we were confident to recommend handing back our finance powers in our last report.
28. The revenue budget for 2024/25, including a medium-term financial strategy (MTFS) for years to 2027/28, has been managed well. Officers and Members have collectively endeavoured to understand the financial pressures the Council faces and agree a joint approach to managing them. This includes creating a sustainable plan for dealing with the 2023/24 overspend, developing robust estimates for spending and service pressures in 2024/25, allocating resources for capacity building and transformation, developing realistic saving plans, and setting out a process for balancing in future years. The Council recognises that there are still challenges, including the planning and delivery of its capital programme, the identification of further pressures for 2025/26 and beyond, and the development of further savings programmes. These are not untypical of the issues many Councils face; LCC has acknowledged the outstanding issues and has a credible plan to tackle them.

### **Strong decision making and governance**

29. The Council has made changes to improve its governance procedures. In last six months, pre-decision scrutiny reports for scrutiny committees have increased in number and LCC has reformed its pre-decision engagement with Cabinet. This has enabled Cabinet Members to better understand and contextualise the decisions



they are making. The Council has also updated its forward planning procedures, which has improved workflow and strategic timing of decisions. LCC is now in the process of adopting new software to improve the recording of decision making. Delegation levels were lowered following the Best Value Inspection, to prevent further poor decisions from being made. In May 2023, they were restored to more standard levels, demonstrating the trust the Cabinet now have in officers. The Council has committed to restoring the livestreaming of Cabinet meetings. This should be introduced to further increase transparency and public trust.

30. The quality of Cabinet and delegated decision reports has continued to improve from a low base. Officers have attended training to improve their report writing and reports are more consistent in their presentation. As a result, reports are easier to understand and now consistently set out options to aid Cabinet Members in their decision making. Further work could be done to ensure reports clearly articulate the wider strategic context decisions are being made in; this is something the Council is aware of and is considering actions to improve.

31. When the intervention began, the Council's Freedom of Information (FOI) performance was very poor: response rates were slow, and the public had lost trust in the handling of FOIs. As a result, the Information Commissioners Office (ICO) issued LCC with a Practice Recommendation in August 2023, for consistent poor performance. Since then, LCC has taken steps to be more transparent, rebuild public confidence, and reform processes to better handle their FOIs and backlog. In February 2024, the ICO confirmed they were satisfied with the actions the Council had taken in response to the Recommendation. The Council are now responding to 87% of FOIs within the statutory timeframe, up from 53% when the Recommendation was issued. Their historic backlog has also now been cleared. It is our view that the element of the Directions related to FOIs has now been met.

32. By focusing on getting the basics right and improving processes, core governance at LCC is working more effectively. There is now an increased consistency in decision making, decision-makers are better informed, and there is stronger scrutiny of decision making. The Council has shown it can be proactive about implementing improvements from feedback, as demonstrated by the progress in FOI handling. There is always room for further improvement, which will need to be driven by an experienced new Monitoring Officer. However, we have confidence in the Council to continue to build from the solid improvements they have made so far.

### **Audit and risk management**

33. The Audit function is now stable and is on a solid improvement trajectory. There is a complete audit plan in place, which has been effectively resourced and is being

delivered. While there are still capacity constraints, these are being effectively managed and they are not compromising the delivery of the plan. The Audit function has been given support from the Chief Executive and the S151 Officer. In consequence, there is now demonstrable improvement in closing outstanding audit recommendations.

34. The Council has strengthened its capacity to support risk management across the Council since the last report, but there remains much to do. The Corporate Strategic Risk register is now a credible document that captures all the key risks. However, more work is needed to define risk appetite, to identify inherent risk and residual risk, and to catalogue and check that controls and management actions are adequate. Equally, Directorate risk registers could be further improved. Audit is engaging effectively with Directorate Management Teams to improve risk management, and Commissioners are assured that this programme of work should result in improvement over the next few months. Overall, we are confident in this improvement programme, but it is an area we would recommend further monitoring of in the future.

### **Capability and Capacity**

35. The 2021 and 2022 Directions required the Council to produce a fully costed plan for restructuring the organisation. We previously reported on the development of the plan and significant progress in the recruitment of senior managers (tier 3). The Council has now budgeted to build resource in key areas, has unified their middle manager (tier 4) structure, and will imminently start to recruit to vacant positions. It has also increased its transformation capacity and is using its Transformation Board to assess resourcing needs and deploy staff to priority areas.

36. Commissioners welcome the recent appointments of a new People and Organisational Change Director and Director of Property, and the work to bring in additional resource to the procurement teams. Service reviews, in several areas, are underway and service directors are facilitating more learning and development opportunities for officers. Some teams still require investment in capability and capacity, particularly HR, given its importance in supporting resourcing improvements across the organisation.

37. The Council has invested time in developing new plans to support increases in capacity and capability. A new People Plan was launched in December 2023 and a customer experience programme has been developed to help bring a renewed focus across the Council on residents. Also, the ICT strategy has been updated to standardise the technology offer and reduce complexity. These plans are important to bringing the Council in line with other local authorities.

38. The Council has done well to agree a new, fully costed, senior structure and to build capacity throughout the organisation.

### **Culture change**

39. There is now a full culture change programme in place, underpinned by delivery plans, which LCC has started to achieve milestones on. This has been possible because of the investment LCC has made in culture change capacity over the last period. This increased capacity has been supported by the People Plan and key HR policies, that have been updated to have more of a focus on performance and development across the organisation.

40. The stability in leadership will help accelerate culture change progress further by providing consistency. We have heard from staff and partners that the Council feels different to how it has in the past: this is particularly evident in the way Officers and Members are now working together. For example, officers are now engaging with Members on Cabinet reports much earlier on in the process. This is not only more efficient, but it has also improved quality of decision making. Communication is much better between Directorates, which has reduced siloed working.

41. Culture change is a long process and further time is needed for the new ways of working to permeate through all grades in the Council. This is supported by the March 2023 staff survey results, that found that there were no significant upticks in culture change being recognised at a team or organisational level. However, a subsequent pulse staff survey did show improvements, particularly in visibility of leadership and uptake of performance appraisals. The leadership of the Council could do more to strengthen communication of the Council's improvement narrative across the organisation, and to provide opportunities for all Officers and Councillors to engage with the improvement journey.

42. The culture change programme is approaching a stable footing. However, to provide assurance that progress is sustainable, we would like to see the culture change resulting in changes of practice that is felt by service users, particularly in the priority transformation areas of Adults, Children's and Homelessness.

### **Performance management**

43. Performance management culture, systems and reporting are improving from a low base. However, there is more to do to fully embed good practice across the organisation. Commissioners welcomed the new quarterly performance reporting against recognised Key Performance Indicators (KPIs). Reports were received by Cabinet in November 2023 and February 2024. The February report showed progress from June – September 2023 and confirmed that 45% of the Council's

KPI's were on are target to me met and over 50% were on a positive trajectory. The Council has committed to developing action plans to increase these percentages.

44. As highlighted in our last report, the Council has successfully increased the number of staff that receive an annual performance appraisal, with reviews at mid-year or more frequently. In Transport and Highways, for example, annual appraisals and reviews have been completed for all eligible staff and quality checks have been undertaken. The appraisals have fed into an assessment of training and development needs across the service. This good practice is, however, not yet uniform across the whole Council. The Chief Executive's personal objectives have been cascaded at the senior leadership level, and the recent People Plan aims to do this across the organisation.
45. Important performance management foundations are now in place, but we would like to see continued improvements in the numbers of appraisals being completed, and in their quality and consistency, before we can give full assurance that recent changes are sustainable.

## **Service areas under intervention**

### **Finance**

46. A Finance Commissioner was appointed in November 2022 because Commissioners had identified serious failures in financial management (including no coherent plan to deal with a potential £98m spending gap), and other key financial functions including audit and risk management, procurement, income collection, and failing IT systems. There were also concerns about how the Council's companies and investments were being managed and, a poor culture and lack of effective collaboration between Finance and other departments. There has been very substantial progress since then, with a new and effective leadership team appointed who recognise of the need for improvement. Not all necessary improvements have been completed yet, but there are clear plans in place, and we are confident that progress will be maintained.

### *Business Partnering*

47. Introducing a business partner model was seen as an essential change to tackle poor culture of collaboration between Finance and service areas, which had led to siloed working and areas of weakness. There have been positive improvements in business partnering but it is still a work in progress. With support from the Finance Improvement Function, effective relationships are beginning to develop with departments. There has been good engagement around the preparation of the budget, and income collection. The model needs to be properly embedded, however, which requires time, and there is still work to be done in allocating budget

responsibilities. There appears to be a growing maturity in the relationship between Finance and Departments, leading to a developing understanding that issues need to be tackled jointly, and that responsibilities are inevitably blurred in complex organisations. There is a positive trajectory, but business partnering and how finance works with other services should remain a focus for improvement.

### *Capital*

48. There have been improvements in the governance of the capital programme, and LCC has taken step to fill the information gaps; its commitment to make improvements is clear.
49. The programme for 2023/24 was significantly reduced during the year and, even then, was underspent. A large part of the final underspend was related to the uncertain timings of large transactions led by City Development.
50. The capital programme for 2024/25, and subsequent years, is made up of the continuing programme for highways and schools, and commitments from the existing long term development programme, with a contingency for new projects. There is a certain inevitability about a lack of a strategic capital programme while fundamentals like an asset condition survey are incomplete. It results in a large, planned expenditure in 2024/25 and a long tail for subsequent years. Given the Council's track record, there are risks to the delivery of the 2024/25 plan. However, so far, the finance team have given us reason to believe that the necessary improvements will occur, but they will take time to become manifest.

### *Procurement*

51. Improvements in procurement are occurring, but they are taking longer than originally anticipated. There is now a new "Target Operating Model" (TOM) out for consultation, and the leadership of the function is being resolved. Implementing the TOM will increase the capacity of the Corporate Procurement Unit (CPU) and will put in place an approach better suited to the complexities for Liverpool. We would like the assurance of the TOM being fully operational.
52. There is now better engagement between CPU and Departments. There is joint work being done on identifying future requirements and planning routes to market which has replaced the previous mutual blame for failures. Those previous weaknesses still result in significant time pressures on current procurement processes, that may be leading to sub-optimal outcomes. This is manifested in continued examples of contract extensions where new procurements would be preferable, too many procurements where there is only a single bidder, and procurements that don't build in enough time for effective market engagement. There have been improvements in the presentation of procurement decision making reports, although there is still scope for further improvement. Once the basics are

under control, there will be capacity for improved strategic planning and management of the procurement programme, contract monitoring, resulting in better value for money.

53. In the Commissioners' view, whilst there are clear improvements and plans for further development, procurement remains an area of risk that needs to be kept under close review whilst the intervention continues.

#### *Income Collection*

54. There have been big improvements in the collection of business rates (in year collection is forecast to be 97% compared to 95.6% in 2022/23), and signs of improvements in collection of Council Tax (in year collection forecast to be 86% compared to 84% in 2022/23), which are the two largest areas of income collection for the Council. The new Director of Transactional Services is bringing energy and new ideas; they are also leading engagement with other parts of the Council. Together with the Finance Improvement function, this should result in material improvements over the next few months.

55. In specific service areas, Adult Social Care has shown some improvement. Outstanding non-residential debt has reduced by £900k or 8.4%, and outstanding residential debt is no longer increasing, but there is more to do. In other areas, there is engagement and plans for improvement, but there has not yet been significant evidence that routine income collection, for example in Property, is on a sound and efficient basis. In some areas, there have been improvements in methods, such as charging at the point of use. There needs to be continual review of income collection whilst the intervention continues, until there is clear evidence of sustained improvement.

#### *Systems*

56. The Council is committed to replacing its SAP and Oracle systems to support its finance and HR functions. It has stabilised the existing systems and is beginning the procurement process for replacements. The plans for this look effective. However, there is a high potential for plans to slip or implementation to go wrong, increasing costs and impeding on the Council's ability to deliver. We recommend that the Council puts in place adequate independent assurance of both the procurement process, and the subsequent implementation, to mitigate against the risks.

#### *Companies*

57. The Council was directed to review the case for all wholly owned Companies, to create a plan for Company closure and to strengthen the governance of each continuing Company in phase one of its Companies Review. They have now met this Direction. The Council has plans in place to deal with the future of their four

wholly owned companies. With respect to Liverpool Foundation Homes and Arena and Convention Centre Limited, the plans are well advanced. There is still work to be done regarding the destination of Liverpool Street Scene Ltd (LSSL) and School Improvement Liverpool. These plans are not risk free and will require careful monitoring and proper due diligence. However, the Council is aware of these risks and should be able to manage them, but they may want to bring in external assurance as additional support.

58. The second phase of the Companies review consisted of examining a range of different investments of variable significance. The Council has now identified a future strategy for all these, which has been approved by the Corporate Management Team and endorsed by Cabinet members. Individual decisions will be made in due course and under the appropriate scrutiny.

## **Transport and Highways**

59. We concluded in our last report that the Transport and Highways service should be stable, with robust plans in place for further improvements, by 31 March and that our powers in this area could be returned to the Council. Over the past six months, the service has achieved this. The leaders of the service have done so by having a clear improvement plan, the full backing of the Cabinet Member and senior executives, and the determination of the service, with key support services, to improve.

60. A full review of the service's structure and functions in 2023 has led to a major recruitment exercise – this should be largely complete by March 2024. This will significantly improve leadership and operational capacity and capability, enabling a better pace on improvement.

61. Performance data shows that the total expenditure on Transport and Highways Services per head of population has increased but is still well below comparator Councils. It also indicates that the Council has a high percentage of roads in need of maintenance. The Service is aware of this and is working to improve its asset management planning.

62. Over the intervention, we have worked with LCC to develop a Transport and Highways improvement plan, which is grouped into four themes: Strategy and Policy, Finance, Service to Customer, and People. Progress has been monitored against each theme:

- a) Strategy and Policy – The Liverpool Transport Plan, written in collaboration with the Liverpool City Region and the Department for Transport, has been

approved. It provides an overall vision for the city and lays out a coherent road map for its implementation.

- b) Finance – Grip of the service’s revenue and capital budgets has improved, with clearer governance and budget accountabilities within the service, and training provided for budget holders. Significant revenue budget challenges have been faced in Financial Year 2023/24. These have been proactively managed and mitigated by the senior management team, leading to a forecast budget variance now close to zero. The service has demonstrated it can plan and deliver an annual £45m capital programme, with improvement in spend profiling, cost control and the contract management of its supply chain. A new, robust governance and gateway process, and setting a realistic capital programme, have been instrumental in achieving this. The service review provides enhanced commercial and programme management capacity, enabling an anticipated £60m Capital budget in 2024/25.
- c) Service to Customers- New online payment processes in 2023 have delivered benefits for users and the Council since their introduction. They have simplified and streamlined the process for users. This has resulted in a significant increase in revenue from licences and backlog clearance for the Council.
- d) People – Key to improvement against this theme has been the shift in the service’s collective appetite for change. From a low base of disengagement and a lack of trust, the service’s interim, and now permanent, leadership team have made good inroads. Staff surveys since the start of intervention have shown a steady increase in change readiness and engagement. In 2023, all eligible staff had an appraisal with personal targets set and individual training and development needs assessed. The service Business Plan for 2024-27 has been co-produced with staff through workshops, securing a shared understanding of the ongoing improvement journey.

63. The new Service Leadership Team have articulated their wider improvement priorities in their 2024-27 Business Plan. The Business Plan will be used to assess progress and provides project deliverables against the broader Council ambitions. It sets out the service’s plans for continuous improvement and focuses on delivering value for money for the taxpayer and increasing numbers of its paying customers.

64. While there remains much to do for the service to benchmark with best practice in the sector, and to demonstrate excellent value for money, it now has a firm basis upon which to build, with a clear post-intervention improvement plan, and a senior leadership with the desire and capability to continuously improve.



## Property

65. LCC has a property portfolio that sits mainly within its boundaries, with a rent roll of approximately £14m per annum. It is an essential, cross cutting service in the Council and failures within the Property function contributed heavily to the need for the Best Value Inspection in 2020. However, the nature of the Council's portfolio means that it does not carry the same risk to the finances of the Council compared to other local authorities that use a significant commercial portfolio to generate revenue.
66. The Property function has persistently underperformed throughout the intervention, and it remains an area of acute concern. On the 5 December 2023, we issued a letter of Property Instructions to the Leader and Chief Executive, noting our deep concerns regarding grip and pace of improvement. The letter outlined the corporate role Property plays in supporting other services, the changes needed, and a timetable for delivery for the Council to establish a stable and improving service. The Council is committed to implementing the instructions but progress against plans, until recently, has been slow.
67. Some progress has been made in Property since the start of the intervention. The Council now have robust processes in place to scrutinise, approve and record delegated decisions and it has appointed a Director of Property, who is due to start in April 2024. This is a significant milestone in the improvement journey of the Property service and expectations are high. In addition, since our last report, the Council has:
- a. established a monthly Property Improvement Board, chaired by the Chief Executive and with external members. It met for the first time in December. It is positive that the Board has been established, but there is further work to do to ensure it operates at its full potential.
  - b. progressed work to procure a strategic property partner, albeit after some delay.
  - c. brought in external project management expertise to help respond to the property instruction, develop an improvement plan, and prepare the ground for the strategic property partner.
  - d. started to address the legacy of non-payment and debts from some tenants.
  - e. agreed a new Tier 4 structure for the Service.
68. The Council acknowledges that, historically, it has not kept an adequate and consistent record of its assets, including the condition of its estate. LCC has instigated a programme of work to improve the quality of its data, increase debt recovery, and strengthen financial governance and controls. We welcome the support provided to the property team by the corporate finance teams over

recent months to adopt a new approach to income collection and address the £10m debt.

69. Despite this recent progress, Property Services has continued to underperform and has lacked effective leadership to deliver transformation. It is not yet stable, nor are there the robust plans, or sufficient resources within the team, that would give us assurance that an improvement trajectory is well set. At present, the Service is impeding the delivery of the Council's wider ambitions to achieve income maximisation, regeneration, and effective asset management. The new Director starts on 2 April; it is our experience from other services that, with stable and permanent leadership in place and the right corporate support, the pace of improvement can accelerate.
70. To provide Commissioners with assurance on the stability of the service and improvement trajectory by mid-May, Commissioners have asked the Council to prioritise property improvement and invest in capacity to support the new Property Director. Commissioners also require a robust, realistic and resourced improvement plan to be approved, which sets out how the Council will meet the requirements of the December Property Instructions. The plan needs to have Cabinet Member oversight and include performance measures. Finally, the Council needs to demonstrate improvements in the quality of delegated decision reports, showing that they can independently and consistently make decisions that are legally compliant, in accordance with Council policy, and demonstrably Best Value. Commissioners will provide written assurance to the Secretary of State that this has been achieved in May 2024. These conditions, if met, will give Commissioners confidence to recommend returning the Property function to the Council from June.
71. To ensure the necessary support and oversight post June, we would recommend strong and precise Directions on the Council relating to Property. Specifically, we want to see the implementation of the corporate landlord function, the development of a clearly articulated Strategic Asset Management Plan and recruitment to the new structure including building a client function to manage the relationship with the external strategic partner, once appointed.

## **Regeneration**

72. The Directions required the Council to rebuild its regeneration function. Over the course of the intervention, the Council has reset its relationships with stakeholders, LCC has established a developers' forum, which has improved communication and demonstrates its new proactive and appropriate engagement.
73. In terms of rebuilding capability and capacity LCC a new, experienced Director

was appointed in 2023. LCC is currently running a consultation on its proposed structure and will shortly commence its service review in June. It is vital that this is executed and the remaining resource gaps in the service are filled on a permanent basis. LCC has invested in commercial training and strengthen their commercial approach, for example, by adding financial options analysis to all business cases. They have recently brought in additional project management resource. They will help the Council to set up internal and external project governance for all projects by the end of March 2024.

74. LCC has done well to progress legacy projects and revitalise stalled sites. However, more time is needed to evidence that the Council can successfully develop new projects to best practice standards and that the impact of regeneration interventions on the City's economy is fully considered. The Service would also benefit from strengthened performance monitoring from internal and external sources to allow the service to continually improve.
75. The Council is currently developing a City Centre Development and Investment Strategy, to be approved in summer 2024. When complete, we expect the strategy will ensure alignment between transport, housing, regeneration and place making. It should also identify a pipeline of development opportunities. The strategy will play a vital role in engaging investors and providing market confidence in LCC.
76. LCC has been working with the Liverpool Strategic Futures Panel (LSFP) to scope its recommendations, which were issued in November 2023 and further developed in the Panel's final report, due to be published in March 2024. Implementing the recommendations of the Panel's work is key to rebuilding the regeneration service so that it is fit for a core city. The Council has already received £31 million in government funding for an initial suite of regeneration projects. In consultation with the Combined Authority, Homes England and DLUHC, the Council has agreed to establish a private sector led regeneration vehicle with new legal powers to accelerate regeneration in the City. This would be supported by resources from Homes England. This is a good example of the way the service is now engaging with external partners collaboratively and productively. The success of this vehicle depends on the Council delivering their own plans to develop additional internal capacity, expertise and support to the pre-agreed timescales.
77. The Regeneration function in Liverpool is on a clear path to stability; the team has strong leadership, improved and appropriate relationships with the market, growing capability and emerging plans in place for the future. It should, however, remain a focus area for improvement. To provide assurance that Regeneration's improvement trajectory is well set, Commissioners would like

to see a fully resourced team, clear strategies in place and further evidence of the Council's ability to advance new schemes, to best practice standards and with clear economic benefits.

## **Planning**

78. At the start of the intervention, the Planning team was under resourced, it had a considerable backlog of planning applications that constrained development in the city and generated significant customer complaints. It also lacked strategy documents and supporting policy frameworks.
79. The Planning service has significantly improved. It is now adequately resourced, and the Planning team have implemented new, more efficient processes, such as a validation checklist for applications. This has enabled them to reduce the backlog of applications from 4,622 in Q1 of 2022, to 1,141 in March 2024 and increase their productivity. They have also established quarterly meetings with planning agent partners, which has brought expenditure down to a level that is in line with other core cities.
80. The service has a new, fit for purpose business plan and has plans in place to make decisions quickly, and on a sound strategic footing. The Council has also made significant progress in updating their planning policy framework for the city's growth and regeneration. In January 2022, a new Local Plan for the City was approved, supporting the decision-making process and giving greater investor confidence. A Tall Buildings Supplementary Planning Document (SPD) and a Public Realm Strategy SPD have also been adopted, and a Quality Residential Design Guide SPD and a Heritage Strategy are in the pipeline. In July 2023, work started on their next Local Plan.

## **Housing**

81. Previously, improvements in the Housing service have been hampered by limited capacity, a lack of strategies, and a lack of collaboration with key partners. Progress has now been made on developing a new permanent structure bringing together dispersed teams and, subject to the Council formalising its budget, the new structure is expected to be in place by summer 2024. Positive progress has been made in recent months with the development of the Council's Housing Strategy, which the Council instructed consultants to write. The draft document is now complete and ready for consultation before final approval in Summer 2024. The Council has strengthened its relationships with Registered Providers. This has resulted in the providers increasing their housing nomination offers and greater collaboration to support asylum seekers and refugees. It has also enabled the Council to discuss

with provides options to bring some of their long-term empty properties back into use.

82. The Council recognises that housing, and particularly tackling homelessness, is one of its key challenges. Alongside other local authorities, the Council is experiencing significant increases in homelessness and temporary accommodation costs. The Council has developed an action plan to address increasing homelessness, including adapting their approach to homelessness assessment to ensure those with the greatest need, and for whom the Council has established a duty, are prioritised for support. Tackling Homelessness is a transformation priority, it is important that this continues and that recommendations from the recent DLUHC Homelessness Advice and Support Team's (HAST) review are acted upon swiftly.
83. Key challenges for the housing service over the next 12 months will be to develop and resource a plan, alongside stakeholders, to implement the housing strategy, to increase housing supply, and to focus on homelessness prevention. Commissioners welcome the early work with stakeholders to produce empty property strategy and to develop an approach and necessary tools to bring private sector empty properties back into use.

## **Conclusion**

84. Over the last three years, we have worked with the Council to address the deep failures that led to the original Best Value Inspection, as well as the issues that led to a widening of the scope of the intervention in 2022. Overall, LCC has made considerable improvements since the intervention began in June 2021.
85. Significant achievements throughout the intervention include, but are not limited to:
- a) The smooth and successful shift from a Mayoral governance model to a Leader and Cabinet.
  - b) Structural governance reform, including a new constitution and reformed scrutiny process, have improved accountability in decision-making. Improvements have been made in report drafting, with more openness and transparency in the writing itself and in the reduction of exempt reports.
  - c) Political leaders are now showing the kind of maturity in decision-making that has too often been lacking at Liverpool City Council. Members are conducting their roles with professionalism, have embraced external challenge and proactively sought development opportunities.
  - d) Recruiting an impressive and experienced leadership team. Leaders are committed to continued improvement for the Council, have demonstrated more open communication, and they have reduced siloed working.

- e) Implementing a series of regular staff, councillor, and resident surveys, to benchmark progress and feed into the culture change programme.
- f) Setting a credible budget for 2024/25, in a national context that has seen other Councils struggle to control their finances.
- g) Developing a robust transformation plan to deliver on its long-term budget.
- h) Transforming relationships with external partners. Its relationships with external partners are now numerous and productive.

86. Over the last six months, our confidence has grown in the Council's ability and commitment to deliver change. Meeting the Best Value Duty is now within the Council's grasp and, with further statutory support, will be achieved in the near future.

87. It is important to note that not all areas of the Council have improved at the same rate over the course of the intervention. The Property function was identified as being particularly dysfunctional in the 2021 Best Value Inspection report, has taken longer to improve than other areas of intervention, and is the furthest away from meeting Best Value Duty. Because of this, we are wary of handing our powers back in this area. To account for this, our recommendation to end the role of all Commissioners will be dependent on progress being made in specific areas of Property between now and mid-May. We view the persistent issues in the management of the Property function to be an issue for the corporate leadership of the Council to fix.

88. Overall, the positive progress we have continued to see in leadership and governance, and the increasing stability we have observed throughout the organisation, has given us confidence to recommend a reduction in the intervention from June. However, we believe a statutory intervention is still needed because the Council is not yet meeting its Best Value Duty in all areas. Moving to a statutory Improvement Panel would restore democratic accountability, while offering the oversight and focus that the Council needs to cement their improvement trajectory. The leadership's stability and commitment to improvement, as well as our shared understanding of the challenges that remain, provides a solid platform for this model to work. We recommend the next phase of the intervention to be in place until March 2025, to allow time for another budget cycle, and we believe it would benefit from continuity that the current Lead Commissioner could provide.

89. To make a recommendation to remove statutory support in the future, we would need further assurance and evidence that LCC's improvement trajectory is well set. To achieve this, LCC must continue to make progress against the macro improvement indicators, they must continue to build their capability and capacity in key areas, such as HR, and they must demonstrate the

implementation of more of their plans. Further assurance would also be taken from evidence that culture change has permeated throughout the organisation, and that improvements are further felt by residents and partners.

## **Recommendation**

90. Subject to LCC 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 will be confirmed by exception in May, we recommend:

- Returning all functions currently held by Commissioners (Property, Regeneration, performance management, appointment of statutory officers) to the Council.
- Ending the appointment of all Commissioners as of 9 June 2024 and appointing a Statutory improvement Panel in their place.
- Extending the intervention for 9 months until the end of March 2025
- For the Panel's work to be underpinned by a new set of carefully crafted statutory Directions, consisting of a mix of broad Directions setting out the scope of the Panel's remit and specific process Directions on areas of concern.
- For there to be an element of continuity in personnel between the Commissioner team and the Panel.