
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). We last wrote to you in April, to update you on the decision to delay our second report by two months. Since then, we have gathered further evidence and can now set out our considered judgements on the current position of LCC.

The report provides an assessment of progress and the scale of the improvement challenge remaining. LCC has achieved some important tactical milestones through the hard work of many Councillors and officers. However, we have identified systematic, whole-council weaknesses. The areas that require improvement stretch beyond the functions identified in the Directions; the services that support the running of the Council are failing. We have found that:

- The **financial** situation LCC faces is stark. LCC's estimated budget gap to 2025/26 is £98.2m. Very little progress has been made to address structural weaknesses. Core functions that support the management of public money, notably procurement, are under-resourced and under strain.
- The Council has gaps in **workforce capacity and capability** across vital services and functions. The plans to manage these gaps have been inconsistent.
- The processes and culture for rigorous, transparent **decision making** in LCC are not in place. Too often, the Council does not take decisions in a strategic, considered way, and the Cabinet are not sufficiently sighted on urgent and risk-bearing issues.
- The **risk management** culture is weak and must improve.
- The **managerial leadership** of the Council has not displayed sufficient pace, urgency, or grip to tackle the issues identified in the Best Value Inspection and by Commissioners.

Overall, the Council is not meeting its statutory duty to provide Best Value and LCC must take urgent, whole-Council action to progress on their improvement journey. To achieve this, we recommend expanding the scope of the intervention to include: a Finance Commissioner, executive control over the finance functions, and control of the senior appointments. We are confident that, with this change in approach, the Council can make the improvements set out in the Strategic Improvement Plan and achieve Best Value for the residents of Liverpool.

The Council Chief Executive and Mayor are aware of this report. They have both reviewed a draft copy, for fact checking purposes, and have been kept aware of the issues raised in the report by way of regular meetings with us over the past six months.

We want to thank the civil servants from your Department and the LCC team who support us for their continued outstanding work facilitating this intervention. We look forward to discussing the contents of the report, and our next steps, with you.

Yours sincerely

Mike Cunningham, Joanna Killian, Neil Gibson & Deborah McLaughlin
Commissioners for Liverpool City Council

1. Introduction

- 1.1. The Commissioners were appointed to work with LCC on 10 June 2021. We wrote to you on 5 October 2021 to report on the first five months of the intervention. In this, our second report, we will deal with the first year of the intervention, with particular emphasis on the period from October 2021 to May 2022. We will set out the progress made and provide an assessment of the scale of the challenge that remains for LCC to address the problems identified in the Best Value Inspection and in the subsequent review activity. We discuss five key themes to demonstrate this challenge: managing public money; capacity and capability; governance and decision making; risk management; and leadership.
- 1.2. This report will be a critical commentary on vital elements of the Council's improvement journey. At the outset, we want to make explicit our thanks to the many diligent staff in LCC who are working on behalf of the people of Liverpool. Addressing the challenges set out in this report will generate a better environment for staff to succeed.
- 1.3. Throughout the last year, we have worked with the Council to achieve some important milestones. However, whole-council challenges have been identified, and, as evidenced in this report, progress across the Council been insufficient. We are concerned about the arrangements the Council has in place to secure continuous improvement and achieve Best Value for the residents of Liverpool.
- 1.4. The remit of our intervention is defined in the Directions made under the Local Government Act 1999 on 10 June 2021.¹ The Commissioner team has the executive powers of the Council in the functions identified in the Best Value Inspection as requiring urgent intervention: regeneration, highways, and property management. However, the former Secretary of State made clear that he expected the team to support the Council more broadly on its improvement journey.
- 1.5. We are not confident that the Council can progress on this journey without immediate further intervention. It has become clear that the areas requiring improvement stretch beyond those functions identified in the Directions. The much-publicised situation regarding the lapsing of the electricity contract is representative of systemic failings in the Council. An independent investigation will report on this fully, and we will not prejudge the outcome of that report here.
- 1.6. Most acutely, key aspects of the corporate core of the Council - the services that support the running of the organisation - are failing and require urgent reform. On current performance, services such as finance, procurement and audit limit the Council's ability to operate at a crucial time. The Council faces a funding gap of an estimated £98.2 million for the period up to 2025/2026, and tough decisions will need to be made. This represents a major threat to stability, in the context of a changing political environment as the Council looks forward to all out elections in 2023. Addressing these challenges requires a whole-Council response, with all service directors taking responsibility for their functions, and with the corporate core providing help, not hindrance.

¹ [Liverpool City Council: Directions made under the Local Government Act 1999, June 2021](#)

- 1.7. Our judgement is that the Council is not meeting its statutory duty to provide Best Value. Therefore, we are requesting a widening of the remit of the executive functions, and further Directions, to support the improvement journey, including the appointment of a Finance Commissioner (full detail set out in the recommendations section below). Urgent improvement is required in vital areas, and our assessment is that this cannot be achieved under current operating principles.
- 1.8. It is important to note the milestones achieved. The Council has made several notable achievements in this period, including addressing some of the Directions set out by the Secretary of State at the outset of the intervention. This would not have been possible without substantial hard work on the part of many Councillors and officers (full list of progress against the Directions set out at Annex A). Achievements include:
- As mandated by the Directions, the Council has made submissions to the Local Government Boundary Commission of England (LGBCE) recommending a reduction in the number of Councillors and an increase in the number of single-member wards. This required political leadership from the Mayor and the Cabinet, and hard work from many officers.
 - A Council Plan, outlining the organisation's contribution to delivering the vision and ambitions contained within the City Plan, has been developed and agreed.²
 - A Strategic Improvement Plan³ (SIP) has been developed by the Council and approved by Commissioners. A Commissioner Oversight and Assurance Board has been established to provide the required governance. This is a foundational piece of work.
 - A whole Council staff survey (the first for over ten years), a Councillor's survey, and a resident's survey have been undertaken by an independent agency.
 - A successful Sector Led Improvement Partnership (SLIP) review into Children's Services has been undertaken with the support of Hertfordshire County Council and the Department of Education (DfE). This review was welcomed by LCC Children's Services. This demonstrates a refreshingly open approach to external challenge, set against a history of significant overspending, and an ongoing Ofsted rating of 'Requires Improvement'. The recent Ofsted inspection on SEND (Special Educational Needs and Disabilities) provision indicated an improvement in quality.
 - The Highways & Transportation (H&T) Directorate commissioned an external organisation to conduct a baseline review of their capital programme delivery and governance processes. This showed a self-awareness of the need to transform the H&T scheme delivery model.
 - The Council have been able to appoint some high-quality senior staff, wider capability and capacity issues notwithstanding.
 - There are constructive and effective individual relationships between Commissioners and the Mayor and Cabinet, Councillors, and senior officers.

² [Liverpool City Council Plan 2022-2025 - Liverpool City Council \(March 2022\)](#)

³ [Strategic Improvement Plan - Liverpool City Council](#) (Dec 2021)

2. Managing public money

- 2.1. The financial situation LCC faces is stark. LCC will have an increasingly difficult year ahead unless urgent action is taken across the organisation. The Council has not addressed the challenges that have been identified with sufficient pace or urgency. The resignation of the Section 151 Officer is a further barrier to tackling these challenges. The Council has recently acted at pace to bring in interim financial capacity, bolstering the finance team, but the absence of a S151 Officer (also the Director of Finance and Resources) comes at a difficult time. Urgent stewardship of the finance function is required.
- 2.2. In June 2021, the Council commissioned the Chartered Institute of Public Finance and Accountancy (CIPFA) to undertake a review of financial management arrangements. The Council accepted the report, that indicated significant weaknesses in the way that the Council manages its resources, in October 2021. The report points to an organisation-wide culture where people do not feel accountable for managing public money, an out-dated system that relies on top-down budget setting with limited ownership of resources by individual budget holders, and poor-quality data to track spend and commitments. LCC scored two out of five on CIPFA's score of financial management capability.
- 2.3. In July 2021, Commissioners requested that the Council engage CIPFA to conduct a review of financial resilience. After unnecessary delay, the work began in September 2021 and reported in December 2021. The CIPFA report on resilience indicates that the Council is exhibiting many of the symptoms associated with financial stress and stated that 'there needs to be a step change in how the Council manage its resources and an urgency if it is to build financial resilience for likely pressures ahead.' The report flagged a range of risks, weaknesses and areas for urgent action. These included the need to set a more robust Medium Term Financial Strategy (MTFS) to: address the core drivers of persistent overspends (for example, Children's Services has overspent by £24.4m in the last 3 years, the service also received a COVID-19 emergency grant totalling of £8.7m), develop a set of strategic business cases to address long standing cost pressures, and tackle the failure to collect income due to the Council. LCC has been consistently in the bottom quartile for Council tax/business rates collection and its performance was the lowest in the country in 2020/2021.
- 2.4. Both reports, and their recommendations, were accepted by the Council at the Commissioners' Oversight and Assurance Board (COAB) in December 2021. Some steps have been taken by LCC to address the areas of concern: recommendations to develop an MTFS and deliver a more prudent reserves strategy were expressed in the budget in March 2022. A high-level programme plan was offered to COAB in March. While that was welcome, the lack of finance capacity and capability was flagged as a major risk. The Council did not present a mitigation plan to prioritise resource and offset this risk.
- 2.5. The inaugural Finance Improvement Board, in place to oversee delivery, was held at the end of April 2022, with the welcome inclusion of sector advisors and experts. The Board recognised the scale of change required, and the need for prioritisation. However, there has been no substantial progress since then. Six months on from adoption of the CIPFA

recommendations, and 11 months on from the recognition of the need to review the financial management arrangements, it is hard to point to the core foundations being put in place.

- 2.6. The budget set in March 2022 included more engagement with Councillors and had greater scrutiny at Cabinet level than budgets of recent years. However, it is not yet at the standard required. The budget was a top-down plan with insufficient engagement from senior managers, who need to identify, own and deliver efficiencies and savings. The capital component was under-developed. The budget process itself was not part of a well-planned corporate planning model. A process should have been in place, led by the Chief Executive, to govern all aspects of the strategic planning process especially understanding the capacity and prioritisation issues that would so obviously be a brake on delivery of not only the budget, but the overarching improvement goals. The Council Plan was in development at the time the budget was set, and that introduced some clearer priorities, but it was produced too late to inform the totality of the corporate planning process and how all resources might be allocated. On the whole, the budget process felt unstructured. Too much of it was held by the Director of Finance and Resources, including drafting reports to unrealistic deadlines. For next year's budget, the preparatory work on business planning should now be well underway. We are not confident this is happening, due to capacity within the finance and senior leadership team.
- 2.7. The corporate planning process, and the budget component, requires direct stewardship and clear managerial leadership of the Council. This was not sufficiently evident in this year's budget. The Chief Executive accepted the systemic weaknesses exposed by the budget setting process, and the backstop interventions that had to be made by Commissioners. Senior leaders have committed to addressing the threats posed by these issues in the wider improvement plan.
- 2.8. The MTFs and annual budgets should express the political will of the Mayor, her Cabinet, and the Council. Wide, inclusive consultation was led by the Mayor and that generated a good response from the City. The Mayor and Cabinet made difficult decisions. Going forwards, there needs to be greater political control and influence earlier in the process, so that there is a shared view and ownership of the challenges and opportunities facing the Council. Senior officers must facilitate that, and support an outcome that leads to clear strategic action. This is particularly important given the very significant financial pressures the Council faces. The role of scrutiny also needs to be better built into processes. Recently, the Mayor has taken the finance portfolio into her leadership and has appointed an Assistant Mayor to support the budget planning process. This is an unusual arrangement. The Assistant Mayor is not a full Cabinet Member, and Commissioners need reassurance about the focus that will be required to improve financial resilience.

The financial challenges facing LCC over the next few years are significant. When the budget was set in March, the cumulative gap to 2025/6 was estimated to be around £86.7m. As of June 2022, this has risen to an estimated £98.2m. In light of the significant additional inflationary pressures the Council faces, and the impact of the electricity contract renewal, CIPFA have now been invited to review the planning assumptions behind this estimation. Officers intend to seek Cabinet agreement to revised planning assumptions at the end of June 2022. This is late, given the scale of issues the Council faces, and the weak capacity it has to both build, and execute, its strategic business plans. Urgent action is now needed

to agree how the financial gap might be addressed, in the context of an organisation that has not historically been able to prioritise and focus effectively. Commissioners need to see more urgency and grip in how the budget gap will be tackled. If the estimated budget gap is correct, it will mean a fundamental, deep shift in what the Council does and how it does it. We welcome the adoption of a clear target operating model and principles. However, a fundamental re-design of services and investment ambitions will need to be developed at pace if the ambition of the Council Plan is to be delivered with a smaller revenue and capital budget envelope.

- 2.9. The Sector Led Improvement Partnership (SLIP) review into the practice model in Children's services presents an opportunity to move to an ambitious model of prevention and early intervention. However, this is against a background of significant historic overspends. This transformation needs to be a corporate priority and resourced accordingly. The service has commissioned a financial diagnostic to address some of the wider cost drivers because the costs are currently too high. This will report in July. Together, these pieces of work will contribute to better outcomes and cost avoidance, but only if there is pump prime funding and support from the wider Council.

Procurement

- 2.10. We consider procurement to cover all the processes and decisions that enable the Council to: translate a decision to commission; buy or partner with a third party; or, enter into a robust tender process, with timely evaluation of options and benefits that deliver Best Value through the life of the contract. The Council's procurement function previously sat within the Chief Executive's group; it passed to the strategic Director of Finance and Resource's group at the end of 2021. The service was led by a Tier 4 officer throughout, but, due to insufficient capacity, they were not well supported to deliver the demands of the function. The failings in procurement are a whole-council challenge. As well as reform of the procurement function, any solution requires direct responsibility of the service directors to own the improvement and awareness in their areas.
- 2.11. The Council has made no significant progress in improving the way it manages its contracts, or the mechanisms it has in place to purchase goods and services. Processes to develop commercial partnerships to ensure they offer Best Value show little improvement. The Council does not have the elemental tools it needs to track the benefits it gets from its contracts, nor does it have robust systems to manage execution, extensions, renewals or impact in a systematic way. This is evidenced by the number of contracts that are extended at short notice and without full, timely evaluation of options, cost, and risks. An example of this is the extension of the Oracle software partnership, a system required for the Council's payroll operation, two days before expiry. Other contracts or grant agreements, such as the telecare service, have been allowed to expire, often unwittingly, and the Council puts itself at risk in these scenarios.
- 2.12. The electricity contract management and renewal example is the subject of an independent review, but it illustrates the failure of having mixed accountabilities in procurement decision making across the Council. This is not a sustainable or effective model. The organisation needs to build a single centre of excellence, with a strong enabling ethos, to ensure that the Council can maximise the impact it has in the markets it operates in. Directorates need to be much clearer about their commissioning plans, and the requirements they have, so that

a robust forward plan of market testing, tendering, award, and contract management is delivered. The procurement team has not had the capacity to deliver an effective core service, which has been compounded by delegation levels that mean even small, low risk purchases need to navigate a complex bureaucratic system. This adds to the sense of stasis and is a block to improvement. The Council has taken too long to prioritise, shape and grip an improvement plan. Sponsorship has moved between senior officers; a decision needs to be made, soon, on the appointment of an external partner to review the current approach across the Council. At Commissioner request, the tier three structure now provides for a new role of Chief Procurement Officer. This is a key role and needs to be filled on an interim basis, ahead of a permanent appointment being made in a competitive environment. Vacancies in the team have been a significant issue. Morale is low. Capacity in the form of public or private partnerships may be required to address the backlog and delays in transactional services. The Council needs to bring a number of high value tenders to the market, for example the delivery of a large school capital programme and the delivery of significant property improvement schemes. Some of the significant cost drivers in Children's Services, for example, are the purchase of high value placements in social care and SEND. The Council needs to manage the market for these in a more effective way, and this means more agile working between the service and the procurement function. Moreover, the weakness of the current procurement function means that it has not played a key role in influencing the design of commercial partnerships to deliver the Council's regeneration and infrastructure ambitions. This needs to be corrected.

- 2.13. In conclusion, the financial resilience of the Council is challenged. The progress towards the recommendations set out by CIPFA has not had the pace and urgency required. Support functions that need to perform well to support financial and organisational transformation are under-resourced and under strain – for example, procurement. This makes the execution of required change even more fragile. The absence of the Director of Finance and Resources is a major risk in terms of capacity, leadership and control. However, the financial aspect of the improvement plan should be a whole Council response, not just the purview of the Director of Finance and Resources. Clear leadership is required by the senior team in the Council to address this.

Case study: Managing money in property management

Overall property debt level

During 2021/2022, the overall property debt level increased from £9.9m to £10.2m. It is not clear whether there is a strategy in place to recover this debt or who is responsible for debt collection.

Lease/Rent review

From April 21 – March 22, the backlog of lease/rent review has increased from 10% to 14% of leases. In effect 36% (£4m of the rent roll) has an outstanding rent review. Failure to understand income streams prevent effective budget management.

Corporate Landlord Function

In October 2020, CIPFA proposed the Council should establish a corporate landlord function to more effectively and efficiently manage the Council's operational estate. The Council has not yet successfully implemented this function and, therefore, has not realised the potential significant savings across the Council. In addition, the lack of stock condition information prevents efficient property maintenance and timely capital investment, resulting in an over reliance of responsive rather than planned maintenance.

3. Capacity and Capability

- 3.1. The Council has gaps in workforce capacity and capability across vital services and functions. The plans to manage these gaps have been inconsistent. Until recently, there has been no joined up cross-organisation thinking to address these issues in an efficient and cost-effective way. The Council will not achieve its improvement aims if it does not take steps to address these gaps. The challenge facing the Council is threefold: first, senior leaders must understand the scale of the challenge and prioritise resources to the gaps that are most acute; second, plans are required to recruit, train and retain staff to fill these gaps; and third, the provisions to manage and develop existing staff and resources must be improved to build capability alongside recruitment. There are talented and committed people across the organisation, who are working hard for the people of Liverpool. Adjustments to the way that capacity and capability is managed at the Council would have significant benefit to those staff, as well as improving outcomes for the City as a whole.
- 3.2. The development of the Council Plan, the Strategic Improvement Plan, the ongoing service reviews, and the recent budget-setting process, have brought the Council's workforce challenges into sharp focus. The Council must now be clear about the priority roles that must be filled and, if not, which ambitions need to be reviewed. Through the course of the intervention, it has become clear that the area where the capacity gaps have been left unaddressed for longest is the corporate centre. The services that support the running and management of the Council have been hollowed out over the last decade, notably: finance, procurement and audit. Rather than supporting the progress of essential services, the LCC corporate centre often slows the rest of the Council down. As well as headcount vacancies, many core skills are lacking. Urgent work is required to build capability and capacity in these crucial areas. Capacity gaps are not solely defined in terms of staff. In many areas, there are outdated systems, processes and physical IT that require renewal. If the Council is to improve, the core corporate services require substantial support.
- 3.3. Across key areas of the Council, there are too many vacancies and too many people in temporary roles. Recruitment challenges are not unique to LCC, but more can be done to bring in new talent. Effective leadership of functions is essential to addressing capacity issues. Over the last year, there has been successful recruitment of several senior leaders who are bringing much needed capability into the Council, including Chief Operating Officer, City Solicitor and Director of Adult Services. However, the process to recruit to key senior posts requires improvement. The process is often out-dated with lengthy and repetitive job information packs and little HR involvement. The Council needs a more streamlined process with better strategic HR leadership to improve the speed and quality of recruitment of key posts.
- 3.4. To address the concerns identified in corporate services, the Council has put together a plan to bring in 'surge capacity' in essential areas, for example for finance, HR and programme management. However, this has been too slow. The plan has been beset by challenges. The proposed model to bring in surge capacity was not appropriate, and the method to secure Best Value in the procurement of these services was not clear. This is now changing, but the Council needs to source and deploy these additional resources with care and effectiveness at pace.

- 3.5. As well as recruitment, the Council must improve the support and management of existing staff. The development of the workforce requires a new approach, set in the context of a coherent and consistently applied performance framework, which is currently lacking. The new approach should include values-based performance appraisals and clear staff development as part of a more strategic long-term workforce plan. The lack of a consistent performance management framework and target setting at many levels, including the senior team, may explain lack of prioritisation, focus and pace. At the request of Commissioners, the introduction of performance appraisal has recently begun for the senior leadership team. Commissioners were disappointed not to be included in the initial appraisal process and would want to be engaged in the future.

Case study: Highways and Transportation (H&T) capacity and capability

Despite H&T making good progress in responding to the Directions over the past 12 months, the ongoing stabilisation and improvement of the service will be hampered by a lack of capability and capacity both within it, and in support of it.

H&T leadership has made some in-roads in enhancing both capacity and capability, which has enabled them to deliver immediate improvements. This has included two additional interim divisional managers and an upskilling of their current workforce. With the support of the Commissioner and HR, H&T have also taken other active steps to:

- look outwards and learn from other organisations
- bring in agency and consultancy support
- implement an interim structure for the service
- understand the change capacity of the team
- begin a recruitment campaign to fill vacant posts
- develop a training and succession plan.

However, despite the measures taken, the service's leadership team is still made up of predominantly interim staff and it is carrying significant vacancies. Whilst the planned service review will seek to address the employment of permanent staff, a competitive marketplace means a more radical and hands on approach to staff retention and recruitment from the Council will be needed for this service. Failure to fill the vacancies will leave H&T open to significant risk of progress made not being embedded and built upon. More urgency and a proactive response from the Council's senior leadership is needed to strategically address this challenge.

Case study: Regeneration capability

The previous report highlighted the Council's need to improve its skills base in regeneration, particularly around commercial skills and place making. The team has responded positively with a broad take up of training in technical skills, allowing quality through development to be obtained. There is some evidence of improvement in structuring major projects well - recent proposals for Pall Mall and King's Dock adhere to good practice - but further improvement is necessary. Independent legal advice on key priority schemes has highlighted weakness in structuring projects, resulting in delays and, without Commissioner intervention, suboptimal results.

4. Governance and decision making

- 4.1. The governance and decision-making functions in Liverpool City Council still require significant improvement. The processes and culture for rigorous, transparent decision making are not in place. Too often, the Council does not take decisions in a strategic, considered way, and the Cabinet are not sufficiently sighted on urgent and risk-bearing issues. Cabinet papers are often late and of varying quality. This, combined with the absence of a robust forward plan, impacts on Councillors' ability to effectively scrutinise decisions. Transparency and openness have been lacking in some reports until challenged by Commissioners. The Council have been slow to adopt governance changes.
- 4.2. As recommended by Commissioners, from April 2022, the Council moved to a pattern of monthly Cabinet meetings and introduced a new forward look process. The previous model was a two-weekly cycle of Cabinet meetings, which led to an unstructured set of arrangements with insufficient strategic planning on the part of the Council. The new arrangement allows for greater scrutiny of decision making and is in line with the norm across the sector. While some teething issues are expected at such a change, it is frustrating that lessons have not been learned from the preparation of the budget papers. In both April and May 2022, the Cabinet were asked to consider late reports. Beyond the change to reporting cycle, there is much to do to ensure that officers are truly accountable for developing proposals for decisions and working alongside the Mayor and Cabinet Members. It is essential that more effort is expended, by accountable service officers, to develop the options and rationale for any considerations. Where necessary, this should be supported by an effective business case and with a clear understanding of the financial implications of the options being presented. It is essential that this process is done in a timely, open, and accurate way. It is clear there is a weak culture of forward planning in some parts of the Council. This must be addressed and led from the top for the changes to be successfully implemented.
- 4.3. The quality of report writing is not improving at sufficient pace. There were initial improvements after the provision of training. However, out of over 150 reports that the Commissioners have reviewed, the majority have been sent back for improvements, often multiple times. The reasons for this include: inadequate financial comments, budget inaccuracies, incorrect legal comments, a lack of quality assurance, and a failure to reflect the Nolan Principles.⁴ Commissioners have had to intervene to ensure reports are in the public domain and not exempt. Quality must be embedded through a cultural change programme, and better oversight by the Council's leadership, to ensure that Cabinet are served with correct, high quality information with which to make decisions. All service directors must provide clear ownership of the quality and accuracy of reports from their functions. Having clear, efficient, and reliable governance procedures will only become more important in the context of all-out elections in 2023, and a potentially changing political environment.

⁴ [The Seven Principles of Public Life \(1995\)](#).

Governance and decision-making case study: Everton Football Club (EFC) Loan

Between 2016-2019, the Council incurred significant expenditure to investigate the possibility of a loan to EFC without any formal approval and without any budget provision approval. The Council also failed to adequately manage costs, some of which are now irrecoverable, or secure a cost indemnity to protect its position on fees.

In the Commissioners' view, this is a significant and corporate failure of governance. In the drafting of the EFC report, the Commissioners had to step in to improve the quality and ensure information was reported accurately in the public domain.

At the Commissioners' request, the Council has undertaken a basic lessons learned review. This review was inadequate, as it did not consider any wider impacts of mistakes made on the organisation. Commissioners have had to request a more thorough, independent and comprehensive exercise.

5. Risk Management

- 5.1. Risk management is crucial to ensuring the strategic, cost effective, and safe running of the Council. At a basic level, effective risk management should allow LCC to identify the threats the Council faces, and embed the controls, actions and assurance plans needed to mitigate or manage them. Overall, the Council does not currently manage its risks effectively. Core tools and processes need further development: the risk management strategy needs clarity and ownership; a robust and corporate risk register needs to be written; succinct directorate-based registers should be developed.
- 5.2. The risk management culture is weak. An effective audit function, and the robust capacity to run lessons learned exercises, are not valued or resourced adequately in LCC. In turn, this means that unintended and avoidable risks are sometimes taken in the Council, leading to a failure to achieve Best Value. The lack of maturity, when it comes to risk management at LCC, means that officers and Councillors are often not well supported in their efforts to manage risk. The lack of awareness of risks has led to overly ambitious plans: for example, the improvement programme had not properly factored in capacity and capability risks.
- 5.3. Risk management needs to improve at LCC to ensure the Council's responsibility to residents is met. LCC's lack of effective risk management has manifested in ways that threaten the safety of some of the services, for example, the statutory position of an independent chair of the adults Safeguarding Board has remained vacant since June 2021.

Internal Audit

- 5.4. The Internal Audit function should be a crucial part of the Council's overall governance, control and assurance framework. The Directions set out by the Secretary of State asserted that LCC needed to strengthen its Audit Committee within the first 12 months of the intervention (see Annex A for details).
- 5.5. The Internal Audit function has been the subject of a peer review by Bristol City Council, testing compliance to the public sector internal audit standards (PSIAS). This reported in May 2022. The report flagged the dedication and focus of the small team, and the leadership provided by the head of the group. However, the review is clear about the need for the

Internal Audit function to modernise and to focus on current and future risks, rather than the serious issues of recent history. The team is small and carries a number of vacancies, 30% of which have not been filled, despite a series of recruitment campaigns. This has meant that the team has not been able to deliver a comprehensive audit programme, in line with the risks the Council faces. A corporate risk register is now in place, but risk management across the Council is still in development, and needs embedding as part of the culture change programme. The Council cannot be assured that the overarching governance framework is effective and that the necessary controls, culture and good practice are in place. Audit is, therefore, not currently fulfilling its crucial function and is failing to provide the necessary assurance to Commissioners.

- 5.6. At the request of the Commissioners, a new post of Chief Internal Auditor has been approved and will soon be recruited. A new operating model for the function needs urgent design and agreement. It seems unlikely that the Council will be able to populate its revised structures, so a mixed model of audit delivery may be required.
- 5.7. Multiple reviews have been commissioned in response to mistakes made within the Council. Reviews are a useful tool when lesson learning. However, these reviews have mostly been at the request of the Commissioners, rather than senior leaders at LCC. This demonstrates a lack of internal drive and curiosity within LCC to find out how and why mistakes were made. There are examples of positive practice: Commissioners commend the work within the Highways and Transportation Directorate to learn lessons from the Liverpool City Centre Connectivity scheme (LCCC1) and bring in additional HR resource to map capacity and readiness for change. However, many areas are slow to seek challenge: the procurement review requested in our last report is yet to be started; the forensic audit requested by the external auditor in December 2021 is yet to begin. In sum, the Council is not currently learning from its mistakes. This is a significant challenge which requires major cultural change.

Learning lessons

Experience tells us that an organisation needs an approach to learning lessons which is self-critical and honest. We have seen a number of areas where the Council's approach has not had these characteristics, causing the Council to make costly mistakes. These problems are not solely confined to legacy projects. Unless LCC learns from its mistakes, the Council will not improve, and residents will have to continue bear the costs of these systemic failures.

Three key examples of this are:

Epstein Theatre

A report was presented to Cabinet in July 2021, requesting approval to pay administrator's fees of £685,816.26 (including VAT) after the closure of the former operator. The Council had previously entered into a management agreement that placed unacceptable risk and liabilities upon LCC which, when realised, required the Council to fund significant expenditure. Officers produced a draft report seeking approval for expenditure that lacked transparency and further proposed that the report should be exempt from public scrutiny. Following intervention from the Commissioners, the report was made partially exempt and we required a lessons learned exercise to be undertaken and reported to the Audit Committee. Eleven months later, the Council has failed to examine the case, produce a lesson learned report, or report to Audit Committee.

Arena & Convention Centre (ACC) Liverpool

The Council entered into a management agreement with ACC to regularise operational responsibilities at the ACC. The agreement was for a term of 25 years, from December 2007. It was originally intended to execute a commercial property lease, to sit alongside the management agreement. This would place responsibility for repairs, maintenance, and capital investment with the operator rather than LCC. To date, the lease has still not been completed. This is despite a renewed commitment by officers to Cabinet in July 2021, when they requested £5.7m for repairs. Commissioners requested a lesson learned exercise in July 2021 and early completion of commercial leases. No lessons learned exercise has been conducted and the leases have not been completed. Officers reported that completing these leases was difficult and time consuming, and cited changes in personnel as a challenge.

Insurance / contracts renewal

There have been several contracts, including electricity and insurance, that the Council have allowed to expire, thereby limiting their ability to re-procure effectively and achieve Best Value. Since our last letter, some contracts have expired without timely intervention to secure Best Value. In August 2021, Commissioners required a working group be put in place to address these issues, a lessons learned exercise be carried out, a robust process be put in place to deal with renewals, and a flag system to ensure sufficient time in the process for market testing and re-procurement. Although a group was established, no lessons learned exercise was conducted and the Council has continued to fail in its duty to achieved Best Value with contract renewal, as exemplified by the recent electricity contract.

6. Leadership

- 6.1. The managerial leadership of the Council has not displayed sufficient pace, urgency, or grip to tackle the challenges identified through the Best Value inspection and subsequently by Commissioners. Although some positive milestones have been achieved, the journey to many of them has been contested, challenging, and often required significant effort on behalf of the Commissioners to see through. The leadership lack the required urgency and prioritisation to drive change. At times, they demonstrate defensiveness, reactivity and a lack of long-term strategy. This has been evidenced through inconsistent engagement in the budget and planning process and significant delays providing information the Commissioners have requested, including on the Council restructure.
- 6.2. To support the improvement journey, the Council needs the right senior team in place, and an organisational restructure must be agreed. It has taken too long for the Council to come forward with a credible set of proposals for the senior structure of the Council. It has taken a year to agree a second and third tier structure. The Council's current processes means that it will take a further six to nine months to populate the structure, unless changes are made to the policies it uses. This delay is hindering progress in improvement. Early iterations of the structure proposals for finance were inadequate and failed to reflect the scale of issues to be resolved. The decision to allocate a wide-ranging set of Deputy Chief Executive accountabilities to an over stretched Finance and Resources Director was not thought through and was against the advice of Commissioners. Senior leaders require clarity of roles and expectations, and the blurring of responsibilities between the Deputy Chief Executive and the Chief Operating Officer has been unhelpful.
- 6.3. We recognise that plans are now in hand to establish a robust transformation programme to enable the Council to deliver its corporate change priorities. There has been more rapid progress on this since the start of 2022. Officers recognise the scale of the task ahead of them, including a massive change in culture, and have deployed specialist external support to help them build a programme and develop the skills and capabilities needed to execute it. A set of programme boards have been established to track design, progress, benefits and delivery. Whilst this is very welcome, it is important that the Council keeps the system lean and simple, minimising superfluous bureaucracy.
- 6.4. Overall, there are good relationships between officers and Cabinet. However, there is a lack of demonstrable support and challenge by officers to the political leadership to assist them with their professional development. The recent Councillor survey highlighted a general concern about the communication between Cabinet Members and the wider Councillors of the Council. To further strengthen relationships, additional work is required to clarify what a Councillor-led Council looks like.

Complaints procedure

- 6.5. Since the beginning of the intervention, we have received over 300 items of unique correspondence. 20% has been sent to Commissioners following delays in the Council's own processes or because correspondents are unhappy with the Council's response to them. Over 50% of correspondence is to alert Commissioners to past and present concerns that members of the public feel the Council will not deal with. The Commissioners have also

received a number of whistleblowing complaints about two separate topics. It is clear that there is a lack of trust in the Council's complaints procedure. Concerns have also been raised by the public about LCC's ability to deal with Freedom of Information requests (FOIs) and whistleblowing complaints. LCC has a significant backlog of FOIs, caused by a lack of capacity and poor record keeping across the organisation. This is negatively impacting on the Council's duty of transparency and obligation to provide the public with information to which they are entitled.

6.6. The Local Government and Social Care Ombudsman recently conducted an external review into the Council's complaints procedure, at the Council's request. Commissioners fully support the report's recommendations. The draft report concluded:

- The customer journey is often convoluted, and insufficient steps are taken to place the person complaining at the heart of the process.
- Good practice is generally the result of individuals taking the initiative rather than a coherent, coordinated approach to handling complaints.
- There is limited oversight of complaint handling from senior leaders, and no structured approach to ensuring quality in complaint handling or ensuring learning from complaints is used to improve services.

7. Conclusion

7.1. It is important to restate that Commissioners recognise the commitment of very many hard-working members of staff across Liverpool City Council, who are dedicated public servants. The required improvements we have set out in this report will enable them to better serve the people of Liverpool. There is a significant amount of work to do in the next 12 months. This will be a substantial challenge for the leadership to deliver and will require whole-council improvements at every level of the organisation. Given the evidence set out across the five areas in this report, we have come to the conclusion that the Council's improvement journey is at risk. If the Council are to achieve the goals set out in the SIP and be on track to achieve the Directions set out by the Secretary of State following the Best Value Inspection, there needs to be a significant step change in approach. If the Directions are not met, this would have significant negative consequences for the people of Liverpool. To achieve that step change, we recommend expanding the scope of the intervention to include a Finance Commissioner, executive control over the finance functions, and control of the senior appointments. The full detail is set out in the recommendations below. We recognise that expanding the Directions at this stage of the intervention is a significant step, and do not take the decision lightly. Ultimately, we believe this is what is required to achieve progress in the interests of the people of Liverpool. We are confident that, with this change in approach, the Council can make the required improvements set out in the Strategic Improvement Plan and achieve Best Value for the residents of Liverpool.

8. Recommendations

8.1. In order to secure compliance with the Best Value duty, to ensure that effective and convenient services are in place, and to increase the pace of change within Liverpool City Council, we recommend the Secretary of State:

8.1.1. Appoints a Commissioner with finance expertise to oversee improvements in the Council's approach to managing its financial resources. We recommend that the Commissioners are provided the ability to exercise the requirement, from section 151 of the Local Government Act 1972, to make arrangements for the proper administration of the Authority's financial affairs, and all functions associated with the strategic financial management of the Authority.

8.1.2. For the remainder of the Direction period, require:

- a. Liverpool City Council to obtain the prior agreement of the Commissioners before taking any staffing decisions relevant to officers in senior positions, such as appointment, dismissal and suspension. By senior positions, we mean direct reports to the Chief Executive and their direct reports (tiers 2 & 3).
- b. that Commissioners have a role in the performance appraisal for the Chief Executive and any direct reports to the Chief Executive (tier 2).

8.1.3 Require Liverpool City Council:

- a. to have a finalised and fully costed plan for restructuring the organisation, down to service managers (tier 4), within 9 months, to the satisfaction of Commissioners, with significant progress, including the design of some functions, within 6 months.
- b. to adopt any recommendations of the Commissioners with respect to the restructure plan, and its implementation, for the life of the intervention.
- c. to develop a workforce plan to the satisfaction of Commissioners within 6 months.

8.1.4 Require the Council to have designed and embedded a new audit model (this could be staff or delivery partnership based) and to have implemented an overarching governance framework within the next 12 months.

8.2. On appointment, we were asked to support the Council on broader service delivery, insofar as they raise concerns for the Council's wider improvement journey. As part of this task, we intend to examine the effectiveness of adult social care in our next report.

8.3. We recommend, over the next period, Liverpool City Council:

8.3.1 Design and embed a clear corporate planning process to ensure the Council can deliver its ambitions with the resources it has over the next 3 years.

8.3.2 Strengthen financial resilience and management of the Council, ensuring budget holders are fully accountable for their savings and expenditure, and wider use of Council resources, to achieve Best Value.

- 8.3.3 Update and agree a robust and balanced medium-term resource strategy to 2025/26, as well as provide assurance, by end of August, that in year pressures are being managed to achieve a balanced in year budget.
- 8.3.4 Ensure that there are robust plans in place by October 2022 to drastically improve income collection.
- 8.3.5 Invest in further prioritisation, creating a clear list of actions that is understood across the organisation and is used to structure activities and programmes, and as part of performance appraisals.
- 8.3.6 Finalise the Council's transformation programme, allocating sufficient funding to pump prime key programmes, and begin to implement a robust benefits tracking system.
- 8.3.7 Complete the diagnostic review of the procurement function and, at pace, implement recommendations. This includes embedding end to end systems that will capture expiring contracts as a priority and allow for more integrated, planned working between services and the procurement function.
- 8.3.8 Bring together the different strands on the culture change work into one programme that seeks to:
- a. embed a culture of forward planning as part of a wider push on improving corporate effectiveness, so decisions are made in a timely, controlled and considered way.
 - b. improve the quality of formal reports and delegated decision documents, ensuring they are well written, structured and compliant with legislation and best practice standards.
 - c. build a culture where genuine learning, challenge and peer support is valued as a mechanism to improve outcomes for residents.
 - d. implement a consistently applied performance framework based on values-based performance appraisals.
 - e. Development of a clear, practical long-term workforce plan which addresses the people, recruitment, retention and culture issues.
- 8.3.9 Ensure that, in a push to deliver improvements, the Council only sets up the programme and project boards it needs, minimising the proliferation that might stall progress; develop a single programme management model to aid this.
- 8.3.10 Build a strong, single, integrated corporate assurance framework so the Council can manage the risks and opportunities it has.
- 8.3.11 Have a clear plan to facilitate the all-out elections in 2023, including supporting a robust induction process and embedding a new governance model, if approved, with appropriate adjustments to the Constitution.

- 8.3.12 Are clear about the accountabilities/duties of the Deputy Chief Executive and how the Council, in consultation with Commissioners, might assign or allocate them to another Tier 2 role, including agreement to a selection process, if required.
- 8.3.13 Seek to rebuild trust with residents by implementing the recommendations in the Local Government and Social Care Ombudsman's report and improving FOI performance as soon as practicable.
- 8.3.14 Move forward with service level recommendations, as outlined in Annex B.

Annex A – Progress of Liverpool City Council Against Directions and Secretary of State requests.

Item	Direction	Progress
1	To prepare and implement an Improvement Plan to the satisfaction of the Commissioners (which may include or draw upon improvement or action plans prepared before the date of these Directions), with, as a minimum, the following components.	Met The Council have created a Council Plan and Strategic Improvement Plan which have been approved by the Commissioners. The Strategic Improvement plan was approved by the Council on 8 December 2021 and the Council Plan was approved on 1 March 2022. Work to date by the Council has been foundational, with progress beginning on the implementation of these plans.
2	In the first 12 months, review and implement changes to the Council's constitution, which will:	Partially Met & Requires Implementation The constitution has been reviewed in full and will be agreed as part of the scrutiny and improvement plan in July 2022. A full revision will not however, be implemented until at least September 2022 when there is clarity of the governance model. Streamlining scrutiny, focusing on key priorities, and providing the appropriate level of officer support will be vital to ensuring successful change. See further details below on specific sections.
2a	Improve the ethical governance framework to best practice, incorporating the Local Government Association model code and a fully functioning Standards Committee;	Requires Implementation An improved corporate governance framework has been implemented and the Council created a standalone Standards & Ethics Committee in 2021. The Committee includes independent members. Officer support for the Committee is stretched.
2b	Constitute the Audit Committee as a stand-alone committee with a direct reporting line to full Council and a right to have its recommendations considered by the Executive Mayor and Cabinet, with either an independent Chair or an Independent Technical Advisor;	Requires Implementation As of 2021, the Council has implemented a standalone Audit Committee which reports to the full Council. The Committee has two independent members and a chair from an opposition party. In addition, the Audit Committee has created a dedicated sub-committee to oversee the Council's Subsidiary Companies review and the governance of the Council's joint ventures. Resourcing levels to support the Committees is an issue, as per the Standards Committee, the Audit Committee has a small pool of officer support. Additionally, the Council Internal Audit team is small and is carrying a number of vacancies, which is impacting the Committee's capacity to undertake a comprehensive audit programme.

2c	Re-establish Scrutiny activity in line with Statutory Guidance, ensuring that Councillor leadership of the activity is on a cross party basis and with appropriate officer support;	Requires Implementation The Council has been working with the Centre for Governance and Scrutiny (CfGS) to evaluate scrutiny within the Council. The CfGS have submitted a report with recommendations to the Council. These recommendations were accepted by the Council in May 2022. The Council will look to create a Scrutiny and Improvement Plan which will be submitted to Council in July 2022.
2d	Introduce best practice Standing Orders and Regulations for contracts and property disposals;	Requires Implementation An external legal service has assessed the Council's Contract Standing Order and produced a written report. The report was endorsed by full Council in May 2022. The Council will make amendments to improve the accuracy of the Council's Contract Standing Orders and ensure the rules are easier to follow. The removal of delegated authority, the lack of risk assessments and the presence of complex rules are factors that have impacted contract renewals within the Council. The Council is reviewing these processes, as well as undertaking an in-depth review of its rules, in line with its review of the Council's Procurement Service.
2e	Review the scope, content and reporting of all delegated powers;	Requires Implementation The Council have begun their review of the scope, content and reporting of delegated powers. Inadequacies in these areas have contributed to recent failures of contract renewal within the Council. The Council reviews have included assessment of the Council, committee and delegated decision templates and pathways. Review of this work is to be completed and a programme of implementation developed.
2f	Establish a specific code of conduct for all Councillors in connection with Planning and Licencing matters;	Met In May 2021, the Council implemented a code of practice for elected Councillors and officers in relation to applicant and developer engagement. The code related to the Planning, Development, Building Control, Licencing, and Environmental Functions. The Code builds upon other codes of conduct within the Council's Constitution, including, Code of Conduct for Elected Representatives, The Employees Code of Conduct, the Member-Officer Protocol and the Anti-Fraud and Corruption Strategy.
2g	Require mandatory training of Councillors in key activities, including behaviours, before participation in Council activities other than full Council; and	Requires Implementation Councillors have been given in-person training on Decision Making; Standards and Ethics (Code of Conduct); Effective Scrutiny; and Fraud Bribery. The vast majority of Councillors have attended the training courses. The remaining Councillors, for valid reasons, were unable to attend the training and have been contacted to undertake

		training online. At present, no details have been provided on the impact the training has had on Councillors. New Councillors are provided with induction packs. They also receive introductory briefings on conduct with the City Solicitor and Head of Democratic Services. Regular briefings are also provided on key skills and knowledge, focussing on decision-making, scrutiny, ward representation, and making representations to regulatory committees. This will be tested following Council elections in 2023, when new Councillors will potentially be elected to the Council.
2h	Improve the content and updating of declarations of interests, gifts and hospitality, for both Councillors and officers.	Requires Implementation The Council has made some steps to improve Councillors' and officers' declarations of interests, gifts and hospitality. Councillors and officers are required to update the Council on declarations every six months and a regime of regular reminders is now in place. Members' interests will form part of a regular ethical update report to the Standards & Ethics Committee
3	To consider and consult upon a new submission to the Local Government Boundary Commission for England as part of the current boundary review. The submission should include consideration of a proposal to reduce the number of Councillors to those consistent with elections on a predominantly single member ward basis, completed to the satisfaction of, and approval by, the Commissioners.	Met Since the last Commissioners' report, the Council has submitted a proposal to the Local Government Boundary Commission for England (LGBCE), outlining the number of Councillors that should be elected to serve the residents of the City. On 31 March, the LGBCE announced their initial recommendations: a Council size of 85 represented through 71 wards (41 more than now), with all ward boundaries changing. LGBCE are consulting on their proposals and a new ward pattern is due to go to Parliament in Autumn 2022. The Council is beginning the programme of work in anticipation of implementing these changes.
4	To obtain the consent of the Commissioners before the Authority, at either Councillor or Officer level, agree Heads of Terms for any property transaction and subsequent consent before any legally binding commitment is entered into;	Met The Council have presented the Head of Terms to Commissioners for property transactions before any legally binding commitments are enacted.

5	To review, in the first 24 months, the roles and case for continuing with each subsidiary company of the Authority. For those companies that it is agreed to continue, ensuring that the Directors appointed by the Authority are appropriately skilled in either technical or company governance matters to ensure each Board functions effectively under the terms of an explicit shareholder agreement and a nominated shareholder representative. For those companies which it is determined not to continue with in this form, to establish a plan to internalise, close or sell as appropriate;	Not Met – once agreed, there will be some actions to implement This work is currently ongoing. The Council have commenced the review for the continuing use of its wholly owned subsidiary companies. All Company reviews are in final draft form and have yet to be fully completed to the satisfaction of the Council's Management Team and Commissioners. In parallel, the Council have used external legal advisers to review company governance arrangements. These include new governance documentation, articles of association, and handbooks to guide all involved. These new arrangements have been reviewed by a new Companies Governance sub-committee and were approved by Cabinet in April 2022 but have yet to be fully implemented.
6	To consider and approve a suitable officer structure for the Authority which provides sufficient resources to deliver the Authority's functions in an effective way, including the Improvement Plan and its monitoring and reporting within 6 months;	Partially Met & Requires Implementation It has taken a year for the Council to bring forward a credible second and third tier structure which Commissioners can support. The Council is undertaking Service Reviews across its functions to inform its officer structure. However, the Service Reviews have not been signed off by Councillors and funding for new structures has not been assigned. Commissioners have not received a suitable officer structure and resource plan. It should be noted that a number of senior roles are currently interim and several functions suffer from insufficient resources. The Council is taking steps to address these issues.
7	To oversee a detailed structure and strategy for the Highways function in short and medium-term as set out in the Highways section of the [Best Value] Report;	Requires Implementation The Council's Highways and Transportation function is implementing a transformation and improvement plan. The short-term priorities have been achieved or are on track. The detailed structure and strategy for the Highways and Transportation function, in the medium term, has yet to be finalised and implemented. These workstreams include: the functions service review; transport policy preparation; re-procurement of maintenance contracts; and financial improvement plan.
8	To establish a plan to deliver an effective file management system so that the Authority can more easily comply with its statutory and managerial responsibilities;	Met A programme of work has been implemented to improve the records management within the Council. This programme is in the first of an expected three-year programme.

9	To devise and implement a programme of cultural change which ensures both Councillors and officers understand their respective roles and the way in which the Authority and its activities are regulated and governed, and the way in which this is monitored, and breaches rectified;	Requires Implementation The Council has completed activity to baseline the culture change required, such as conducting its first comprehensive whole Council staff survey and Councillor survey in 10 years. This work needs to be brought together into a structured programme and must include work to embed values-based performance appraisals within the organisation.
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Direction items 10 to 14 relate to the Council providing administrative support to the Commissioners. The Council has complied with these Directions.

Commissioners were asked to specifically support the Council on the Council's LGBCE submission; the Council's governance referendum; the financial position of the Council; and broader service delivery insofar as they raise concerns for the Council's wider improvement journey.

Update on LGBCE submission

An update on the LGBCE submission can be found against Direction 3, detailed in the table at the beginning of Annex A.

Finance position of the Council

An update has been provided in the main body of the report.

Broader service delivery

An update has been provided in the main body of the report.

Council's governance referendum

The City of Liverpool (Scheme of Elections and Elections of Elected Mayor) Order 2021 moved the Council to a model of all out elections every four years, starting in 2023, and moved the election for the City Mayor to coincide with Councillor elections cycle. On 20 January 2021, prior to the conclusion of the Best Value Inspection, the Council resolved to hold a referendum on its governance model. On 26 January 2022, the Council resolved to consult residents rather than hold a standalone vote on reform to the governance model for Liverpool City Council. The Consultation will run until June 2022 and allows residence to vote for one of three options: maintain a mayor, move to a leader and cabinet model, or move to a committee system. The Consultation will inform a decision in September 2022. Commissioners will continue to monitor and update on progress.

Annex B – update on the work of property, regeneration and highways teams

The Regeneration Directorate has been renamed the City Development Directorate. It currently incorporates the Highways and Transportation, Building Controls, Car Parking Services; Strategic Housing; Planning; and the Development functions of the Council.

The Director of City Development has cultivated good working relationships with Commissioners and has shown strong leadership in kick starting service reviews across the Directorate's functions. To be successful, the reviews must be supported within the Council and consideration must be given as to how each element of the Directorate will operate as a coherent whole.

A short comment on each of the teams' progress, and areas to focus on in the next period, is below.

Regeneration / City Development

Progress made in the **Development team**:

- The team have implemented a series of learning sessions to increase commercial skills.
- Cabinet has now approved the next phase of the Littlewoods project and a new design lead approach to Kings Docks redevelopment.
- The team have made progress procuring a masterplan for the Upper Centre scheme aligned to the City Centre Mobility Strategy.
- The Council has agreed, in principal, to establish a Project Review Group, including external membership, to periodically review major projects to ensure outcomes are on track to be delivered. The group has yet to meet.

Independent legal advice on key priority schemes has highlighted weakness in forming projects effectively from the outset. This has resulted in delays and expenses as the projects have progressed and has required that Commissioners step in to prevent suboptimal results and ensure projects have been compliant with Council standing orders. Recent proposals for Pall Mall and King's Dock adhere to good practice and show some green shoots improvement.

In the next period, the Commissioners expect progress in the following areas:

- progress to be made on the Festival Garden development opportunity;
- key milestones agreed for progressing Littlewoods schemes;
- progress made on the Kings dock procurement of a design partner.

Highways and Transportation

An effective working relationship has been cultivated between the Commissioner, the Highways and Transportation (H&T) leadership team, and the lead Cabinet member. Key progress has been made in the following areas:

- An overarching H&T transformation plan has been agreed and is being managed by the Council's new City Development Board. The plan combines outstanding Best Value improvement actions with overarching Strategic Improvement Plan goals.
- Work on developing a broader 2022-26 Business Plan has commenced.
- Staff engagement in change is improving.
- Forward planning & decision making is stronger. However, it is still not as robust as it needs to be.
- Project delivery is strengthening, however, staffing levels to support delivery remains a concern.

Prior to the next report, the function is expected to make progress in the following areas:

- Transport policy – the mobility strategy for the city centre to be completed.
- Service review – an overhaul of the H&T service to ensure it has the organisational capacity and capability foundations to deliver a forward agenda.
- Investment in leadership, people and accountabilities – roles and accountabilities to be made clear, quality staff appraisals to take place, and improved change readiness to be evidenced through ongoing staff pulse surveys.
- Supply chain and procurement – the new professional services framework to be implemented. Procurement options for the delivery of core reactive and planned highway asset maintenance to be developed (within the context of a robust asset condition survey and management plan).
- Delivery – delivery of the 2022/23 Highways Investment Programme to have commenced, and the new capital governance processes to be embedded.
- Performance framework and management – evidence of financial and non-financial performance, and of management becoming embedded in the way H&T does its business. Clear benchmarking and target setting to be part of this.
- Customer focus – an assessment to be done of what H&T need to do to put the customer at the centre of its thinking and delivery.

Planning

LCC has increased the **Planning services** operating budget, adopted a new operating model, improved IT software, implemented Councillor training, and has taken first steps to reengage with key stakeholders. The new Liverpool local plan also received approval in January 2022. Taken together, this tends towards sustained improvement and it is critical that support for the service review be maintained to embed a more proactive, positive planning service.

Housing

The Council still lacks a housing strategy and a focal for housing services. An interim housing statement has been prepared and the Council has begun to re-engage with Registered Providers operating in the City. There has been a lack of capacity to address the housing challenges facing the residents of Liverpool, and it is a requirement of the revised structure that these shortfalls are addressed.

Property

The **Property Team** currently sit within the Finance and Resources Directorate.

Since the last report to the Secretary of State, the Property function within the Council have made progress in the following areas:

- The Council has started to adopt a more commercial approach to land disposals, moving away from agreeing nominal rent levels. To continue to support community groups, the Council is currently developing a new grant allocation.
- The Council are consulting on a new structure which will change the department. The Council have an opportunity to utilise this service review to build the commercial, investment and place-making skillset in the team, both through recruitment and training.
- An interim head of Corporate Landlord has been appointed, however, the implementation of the corporate landlord has been significantly delayed.

The case study on page 7 of the report highlights some of the current challenges faced by the Property Team.

Over the next period, the Commissioners expect to see:

- The service review of the property function to be completed, with a view to align functions in the appropriate directorate.
- A completed and resourced Property Improvement Plan and for implementation to have commenced.
- A more developed systematic approach to assessing when overage is owed to the Council, and collections of amounts in a timely manner.
- Implementation of a property computer system.
- A full stock survey to be undertaken.
- Necessary resources allocated to deliver corporate landlord.
- The Capital Programme amended to reflect the requirement of the property portfolio. It should consider the levels of delegation in property transaction to facilitate speedier decision making.
- Backlog of lease / rent reviews addressed.