

LGA Corporate Peer Challenge

London Borough of Newham

28 November – 1 December 2023

Feedback report





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1. Executive summary

Newham Council has a bold and ambitious vision for improving the borough and tackling some of the entrenched inequalities affecting the local population. The council's political vision is set out in the organisation's Building a Fairer Newham (BaFN) corporate plan. The peer team found a high degree of buy-in from members, officers and partners to delivering this vision. The council has an aspiration for transformative change across many priority areas. Whilst commendable in the scale of ambition, the ability of the organisation to successfully deliver all the priority areas is questionable given the difficult financial climate.

Prioritisation is essential as not everything can be achieved at once. Clarity on what the top organisational priorities are is needed, in order to provide direction on where the council should focus its limited resources; both in terms of organisational capacity and financial resource. The peer team heard that at Newham *"everything is a priority. There is no functional prioritisation."* The consequence of juggling numerous priority areas is a perceived weakness in delivery. The council must confront these challenges head-on, acknowledging the need for strategic decision-making, prioritisation and then effectively communicating what the key priorities are.

The peer team saw multiple examples of good service delivery and notable improvement. The council has worked hard to improve Children's Services, with the council moving from an 'Inadequate' OFSTED rating in 2019, to a 'Good' rating in 2022, this result is testament to the commitment of all involved. The council will need to maintain this commitment to embed the progress made. It will also be important for the council to keep a grip on both the delivery and financing of the borough's ambitious growth plans, and to focus on the need to meet the ongoing pressures within Adults Services, Housing Needs and Children's Social Care.

The administration has made ambitious housing commitments, with a target of 1,500 new affordable homes by 2026. Newham have looked to deliver this ambition through starting the development of new housing, property acquisitions and through enabling other providers to develop. The council has a decent track record for the delivery of housing and has a well-established wholly owned housing company in Populo to support this agenda. Significant capital investment has been made to achieve council priorities, in particular with regards to housing and regeneration.

It is important the council closely monitors progress and affordability particularly of the large regeneration schemes, given the council's risk exposure with the heavy borrowing it is committed to and has partly already undertaken.

The council has established a number of companies to support delivery of its aims, including in relation to some of its housing delivery. Alignment of company business plans and visions with the BaFN is important, and the council needs to assure itself it has the necessary skillset to oversee and scrutinise effectively as the shareholder. The Overview and Scrutiny Committee have an important role to play. Involvement from the committee would also be helpful in securing organisational understanding (particularly amongst non-executive members) of the importance and how the wholly owned companies complement the work and delivery of council priorities. Newham need to assure itself that the company governance arrangements are robust, transparent and fit for purpose. Other measures the council has undertaken such as the appointment of high calibre non-executive directors on the Populo board is good practice, and they bring relevant experience and improve the overall governance of the company.

Newham is facing significant pressure regarding temporary accommodation. While this is true for many councils, the challenge facing Newham is particularly acute – it has the highest total number of households in temporary accommodation in the country¹. This is the single biggest issue the council faces, and if not remedied it has the potential to affect the future financial sustainability of the council. Mitigation will require the whole organisation to recognise and grip the challenge. This is a crisis and requires a collective response, both to the immediate challenge and in grasping the strategic changes that are needed to address the underlying problem. This is likely to involve some hard professional and political choices.

The best councils have strong working relationships, with clarity on roles and responsibilities, between the political and managerial leadership. The peer team did not find this in Newham. It is important delegations of responsibility across and within the Cabinet and Corporate Management Team (CMT) are reviewed and clarified. At present a high degree of expectation and responsibility rests with too few individuals, in particular the Mayor and Chief Executive. The impacts of this include an absence

¹ <https://lginform.local.gov.uk/reports/lgastandard?mod-metric=12887&mod-area=E09000025&mod-group=AllLaAndFireInCountry&mod-type=comparisonGroupType>

of collective leadership and an inefficient way of operating due to constrained capacity. The peer team were concerned with the breadth of the Mayor's portfolio responsibilities which was felt to be neither sustainable nor desirable. Cabinet members, CMT and the Senior Leadership Team (SLT) need to be trusted and empowered to take on a greater collective leadership role. In doing so capacity would be freed up and the pace of delivery can be increased due to the removal of current bottlenecks.

The peer team heard of a culture of mistrust at different levels in the organisation. This mistrust has manifested in some poor behaviours being evident which is undermining the delivery of the council's priorities. Relationships and behaviours at the senior level between politicians and senior officers, between the Mayor and Cabinet and other members, and within CMT require resetting. External facilitation and support would be helpful in defining and brokering this relationship reset. This needs to include explicit clarification of the respective roles and responsibilities of the Mayor, Cabinet, Scrutiny and Chief Officers, and this should be agreed and written down.

Officers, members and partners that the peer team engaged with spoke positively of the impact the new Chief Executive has had since joining the council in September 2023. Newham has experienced a high turnover in both senior management and Executive members in recent years. This has had a destabilising impact, affecting the governance and culture of the organisation. The council needs to understand the reasons for and tackle the causes of the high turnover and create the conditions in which a more stable leadership cohort can be established.

The council has impressive ambition for place, which is best demonstrated with the level of transformative regeneration the borough has undergone in the last 15 years. Large scale regeneration has been successfully delivered through well established strategic partnerships such as the London Legacy Development Company (LLDC), the Growth Borough Partnership and the Royal Docks Enterprise Zone.

Partners the peer team engaged with often spoke positively of working with Newham, particularly at the operational level. The council's pandemic response was highlighted as a good example of what can be achieved through effective partnership working. During this time there was an improved engagement, involvement and recognition of

the role and importance of the voluntary, community and faith sector (VCFS). This has established foundations for strengthening the council's engagement, co-production and co-delivery with the VCFS. Both the council's regeneration and statutory partners were keen for the council to enhance its strategic engagement with them, involving them at an earlier stage in the formulation of policy and plans and discussion of shared challenges.

The council published the conclusion of a Scrutiny Improvement Review in October 2023, and this identified several challenging factors which were undermining the effectiveness of the scrutiny function. Scrutiny should be a priority area for improvement and a comprehensive action plan should be developed and implemented swiftly in response to the scrutiny review.

Newham has an established member development programme, but this requires updating and resourcing. The council should consider establishing a member working group to strengthen and diversify the offer and enable members to identify their development needs. Dedicated training and support for new members, along with members in Cabinet or on committees, should be established.

It has been difficult to define a single organisational culture at Newham. The peer team heard described to them varying cultures depending on where you are in the organisation. Whilst there is not a single consistent culture, the peer team did hear examples of teams with positive cultures and a friendly working environment, particularly amongst frontline staff. The peer team heard that the council benefits from a *"courageous and passionate workforce that really understand the borough"*, who have a genuine desire to deliver the BaFN and do the best for residents.

Whilst some positive cultures were evident, the mistrust in the organisation was a prevailing theme. Some staff, at varying levels, were not confident to come forward with ideas and suggestions, *"in case they are shot down"*. An open culture which encourages challenge and constructive criticism needs to be engendered. At present too many people fear making mistakes. Following the arrival of the new Chief Executive there is an opportunity that should be seized by the political and officer leadership to set a refreshed approach and tone with the aim of delivering a more open culture. The council has an established set of organisational values – the HEART values – which are recognised across the organisation. These values should

underpin the required cultural reset.

Newham undoubtedly has positive intentions around equality, diversity and inclusion (EDI); however, the peer team were slightly surprised the agenda does not have more prominence given the demographics of the borough. There is an opportunity for the council to amplify the importance of EDI across the full range of protected characteristics and celebrate some of the good work which has been achieved such as the Tackling Racism, Inequality and Disproportionality (TRID) programme.

Newham faces a considerable financial challenge. At October 2023 the council was forecasting a £14.2m overspend and a potential budget gap for 2024/25 of £50m. The council faces a high risk of overspending in year with the most significant pressures from temporary accommodation, other housing costs, and Adults and Children's Social Care.

Given the scale of the potential budget gap for 2024/25 the council has recognised that to meet this it will require more than just service-led efficiencies, with prioritisation, spending reductions and large-scale transformation all needed. The peer team heard examples of where Newham has continued to have a high level of discretionary spend. A comprehensive review of all discretionary spend should be undertaken to ensure this is achieving the necessary value for the investment and that it is contributing to the delivery of the council's priorities.

The council's published financial plans have an unusually short-term focus when compared to other councils. Newham's current medium-term financial planning covers just two years for revenue and three years for capital. The peer team felt the council needs to develop a longer-term Medium-Term Financial Strategy (MTFS) and enhance its financial modelling. In doing so it should aim to demonstrate the future financial sustainability of the council.

Newham has £541.3m worth of useable reserves (including capital reserves), which is a decrease of £35.5m when compared with March 2022. Newham's general fund reserve (£7.1m) is low and will not sustain in the medium term, particularly if the council does not keep within its budget. In recent years, the council has been relying on reserves to balance its budget, to compensate for undelivered or late savings and service overspends, but this is not a sustainable approach going forward.

In line with the scale of the council's ambition, Newham's capital programme is very

large, with the current strategy setting out planned investments of £2bn over the next decade. Under the current administration, the council have undergone a substantial increase in the level of borrowing. In 2018/19 the council's capital financing requirement was £1bn which is forecast to rise to £1.8bn by the end of 2023/24.

The council's strategic case for borrowing to invest in priority areas, such as housing and regeneration, is well understood by the political and managerial leadership. The peer team felt though that more could be done to clearly communicate across the organisation and to partners how the level of capital expenditure being undertaken contributes to the delivery of council priorities and how it will generate social and/or revenue payback to the borough.

To improve the oversight and management of the council's capital programme, the peer team felt the council should develop a dedicated capital strategy. Alongside this the council should undertake a comprehensive review of the portfolio of assets it holds. The council should then develop an asset management strategy which should consider its future operational requirements and set the framework for decisions around both future acquisitions and disposals.

The council has introduced several approaches to monitoring organisational performance, including quarterly performance reports presented to Cabinet and Overview & Scrutiny, alongside regular Cabinet Accountability Model (CAM) meetings. It is commendable the council has such a demonstrable commitment to tracking and scrutinising organisational performance. However, there was a recognition of the need for a review. These different performance regimes are resource intensive, and the council needs to assure itself of the benefits of the approach it adopts. The review should aim to simplify and clarify roles, guarding against a blurring of member and officers' responsibilities.

It was clear to the peer team that the organisation recognises the need to change and acknowledges the importance of the organisational transformation. There was also an appreciation that the council's current transformation programme, Future Newham, which is due to conclude at the end of 2023, did not go far enough as there was a lack of a long-term internal transformation vision. The council is currently in the process of procuring a transformation delivery partner who will lead on the development and implementation of a new transformation strategy. In plotting the

organisation's transformation vision it will be important that the entire CMT jointly owns and endorses the long-term vision. The transformation programme has a crucial role to play in evolving an organisation that can successfully deliver the council's ambitious vision.

The peer team heard consistently that the organisation's infrastructure and support systems were not operating effectively, with the impact being an undermining of organisational performance. IT, HR, finance and payment systems require improvements as at present their inefficiency, and in some instances inadequacy, is causing considerable frustration. It is important the council clarifies and communicates its strategic approach to the relationship with OneSource and moves quickly to implementation. The current ambiguity and uncertainty regarding the future of OneSource is unhelpful.

The lack of a workforce strategy is something that should be addressed. This should be used as an opportunity to act on feedback from staff in relation to key areas such as recruitment, retention and organisational development (OD). The peer team were also concerned that there currently is an absence of a corporate induction programme. The introduction of such a programme would significantly enhance the initial experience of staff upon joining the council, providing them with valuable insights into the council's vision, the HEART values and the support available to them.

2. Key recommendations

There are a number of observations and suggestions within the main section of the report. The following are the peer team's key recommendations to the council:

2.1 Recommendation 1: Prioritisation

An exercise of clarifying the short-, medium- and long-term nature of the council priorities is required. This will involve making difficult choices about what the council can, and cannot, do – and then committing to the decisions. It must include a focus on getting the basics right. It will be important that this is communicated across the organisation and to partners.

2.2 Recommendation 2: Relationship reset

Relationships at a senior level between politicians and senior officers, between the Mayor and Cabinet and other members, and within CMT urgently require resetting. This should be done in such a way as to create a 'one team' culture focused on delivering the best outcomes for Newham. This should include explicit clarification of the respective roles of the Mayor, Cabinet, Scrutiny, and Chief Officers, and this should be agreed and written down. Relationships between members and officers should be strengthened by creating time and space for members and officers to interact outside of formal meetings to understand each other's roles and responsibilities and build trust.

2.3 Recommendation 3: Delegations of responsibility

Clarify and adhere to delegations in order to engender shared responsibility and to increase the pace of delivery. Cabinet members and senior managers in CMT and the SLT should be empowered to step more into the corporate leadership space.

The final phase of the constitutional review should be concluded urgently to support the governance framework, in accordance with best practice principles, and provide important clarity of the decision-making roles and responsibilities.

2.4 Recommendation 4: Medium-Term Financial Strategy

Develop a longer-term MTFS covering a minimum of three years forward look for revenue alongside longer term plans for capital. This should be accompanied by an updated Housing Revenue Account (HRA) business plan. In the whole, this should aim to demonstrate the future financial sustainability, and which is aligned to the strategic vision of the council and the BaFN.

2.5 Recommendation 5: Assets, capital and investment

The council should develop and embed mechanisms to improve oversight and management of the council's capital programme – including a dedicated long term capital strategy. This needs to clarify the risks of the existing and planned for increase in borrowing. Alongside this the council needs to develop a comprehensive asset management strategy. A review should be undertaken to ensure the council's assets are contributing to organisational priorities which should consider future requirements, acquisitions and disposals.

2.6 Recommendation 6: Culture change and workforce strategy

The council should develop a clear approach to culture change and organisational development. This should include the introduction of a new workforce strategy to address issues such as recruitment, retention, induction, EDI and performance management.

2.7 Recommendation 7: Equality, diversity and inclusion (EDI)

The council should strengthen its approach to EDI across the range of protected characteristics, including by building on the existing staff forums. This needs the full and active participation of the senior leadership team. As a minimum a dedicated strand on EDI should be included within the new workforce strategy plotting out actions to amplify the importance of EDI in Newham. This should build on the good work which has been delivered, and the council may wish to consider developing a dedicated EDI strategy. This would represent an opportunity to engage in genuine borough-wide co-production and co-development, empowering and engaging people, residents and communities in the equalities and inclusion work of the council.

2.8 Recommendation 8: Performance and programme management

Review the differing approaches to performance management across the council, including the Cabinet Accountability Model, with a view to establish a single performance and risk framework which covers key performance indicators, capital delivery, savings programme delivery and transformation programme delivery.

2.9 Recommendation 9: Scrutiny

A comprehensive action plan must be developed and implemented urgently in response to the Scrutiny Improvement Review to ensure robust governance and ensure the effectiveness of the scrutiny function.

2.10 Recommendation 10: Member development

Enhance the existing member development and induction programme. The council should consider establishing a member working group which identifies development need. Specific training and support should be commissioned, developed and offered to Cabinet members, committee chairs and committee members. It is important that dedicated member development and training provision is necessarily resourced.

2.11 Recommendation 11: Temporary accommodation

There needs to be a whole organisational ownership of the temporary accommodation challenge. This is a crisis and requires a collective response, both to the immediate challenge and in grasping the strategic changes that are needed to address the underlying problem. The council should review all the levers it has to impact positively on this crisis, including those which involve some hard professional and political choices.

3. Summary of the peer challenge approach

3.1 The peer team

Peer challenges are delivered by experienced elected member and officer peers. The make-up of the peer team reflected the focus of the peer challenge and peers were selected on the basis of their relevant expertise. The peers were:

- Lead peer: Andy Donald, Chief Executive, London Borough of Haringey
- Mayor Paul Dennett, Elected Mayor, Salford City Council
- Cath Shaw, Deputy Chief Executive, London Borough of Barnet
- Rachel McKoy, Director of Law and Governance (Monitoring Officer), London Borough of Hounslow
- Mark Maidment, Former Chief Executive and Director of Resources (S151), London Borough of Richmond and London Borough of Wandsworth
- Neisha Porter, Head of Human Resources and Organisational Development, London Borough of Sutton
- Harry Parker, LGA Peer Challenge Manager

3.2 Scope and focus

The peer team considered the following five themes which form the core components of all Corporate Peer Challenges. These areas are critical to councils' performance and improvement.

1. **Local priorities and outcomes** - Are the council's priorities clear and informed by the local context? Is the council delivering effectively on its

priorities?

2. **Organisational and place leadership** - Does the council provide effective local leadership? Are there good relationships with partner organisations and local communities?
3. **Governance and culture** - Are there clear and robust governance arrangements? Is there a culture of challenge and scrutiny?
4. **Financial planning and management** - Does the council have a grip on its current financial position? Does the council have a strategy and a plan to address its financial challenges?
5. **Capacity for improvement** - Is the organisation able to support delivery of local priorities? Does the council have the capacity to improve?

3.3 The peer challenge process

Peer challenges are improvement focused; it is important to stress that this was not an inspection. The process is not designed to provide an in-depth or technical assessment of plans and proposals. The peer team used their experience and knowledge of local government to reflect on the information presented to them by people they met, things they saw and material that they read.

The peer team prepared by reviewing a range of documents and information in order to ensure they were familiar with the council and the challenges it is facing. The team then spent four days onsite at Newham, during which they:

- Gathered information and views from more than 60 meetings, in addition to further research and reading.
- Spoke to more than 130 people including a range of council staff, members and external stakeholders.

This report provides a summary of the peer team's findings. In presenting feedback, they have done so as fellow local government officers and members.

4. Feedback

4.1 Local priorities and outcomes

Newham is one of the fastest growing, youngest, and most diverse boroughs in the country. It has a population of 351,000², of which 121,000 are under the age of 24, making Newham the second-youngest borough in London. The diversity of Newham is a central characteristic of the borough: 78 per cent of residents are Black, Asian or from ethnically diverse countries of origin or heritage, with more than 200 languages or dialects spoken.

Beyond its demographic profile, Newham has rapidly evolved into a hub of economic activity. The legacy of the London 2012 Olympics catalysed the regeneration in this area of east London and contributed to a large-scale increase in inward investment and job growth.

Alongside the international business districts in Stratford, Newham is home to London's only Enterprise Zone in the Royal Docks. The borough is increasingly the location of some of the leaders in the creative industry with organisations like the BBC, Sadler's Wells and the V&A establishing themselves in Newham.

Despite this vibrant growth and cultural significance, Newham grapples with the stark reality of social and health disparities. More than a quarter of Newham's neighbourhoods fall within the 20 per cent bracket of the most deprived areas in the entire country. This extends beyond economic challenge, with Newham residents experiencing poorer health outcomes, a shorter life expectancy and a reduced duration of living in good health. It is evident that whilst the borough thrives in various aspects there are significant disparities that warrant attention and which the political vision is firmly focused on seeking to address.

The council has a comprehensive understanding of the challenges many of its residents' face. The political vision of the council can be clearly defined and is particularly ambitious on tackling some of these entrenched issues. The political vision was translated into the council's corporate plan: Building a Fairer Newham (BaFN) which reflects the priorities from the Mayor's 2022 election manifesto. Eight priority areas were identified:

² <https://www.ons.gov.uk/visualisations/censusareachanges/E09000025>

- A healthier Newham and ageing well
- Inclusive economy to support you in these hard times
- Your neighbourhood
- Safer Newham
- Homes for our residents
- Supporting our young people
- People powered Newham and widening participation
- A campaigning council

The peer team found a high degree of buy-in from members, officers and partners to achieving the council's ambitious vision. Beneath these overarching priority areas sit 132 Corporate Delivery Plan commitments. These have also been supplemented by three in-year 'moonshot' missions: focused on 'a clean borough', 'excellent resident services' and 'robust financial management'.

The identification of these priorities is based on a clear assessment of local need. The breadth and long-term nature of many of these priority areas makes the prioritisation of these missions difficult, as members and officers can easily conceive everything to be a priority.

It is critical that progressing priority areas is done in accordance with the organisation's capacity and capability. Without doing this, insufficient progress will be made, as resources are spread too thinly which will cause frustration at perceived inaction.

The council faces a challenging situation characterised by an abundance of priority areas and a limited number of essential resources – both in terms of organisational capacity and financial constraints. This lack of functional prioritisation was a theme throughout the Corporate Peer Challenge (CPC). The prevailing sentiment of having *"everything as a priority"* in Newham has resulted in a lack of clear hierarchy and a dispersion of resources. The consequence of juggling numerous priority areas is a perceived weakness in delivery. The council must confront these challenges head-on, acknowledging the need for strategic decision-making, agreeing and sticking to priorities, and effective communication to ensure that limited resources are directed

towards the areas that matter most.

At present, there is an inadequate understanding of the short-, medium-, and long-term nature of the council priorities. Not everything can be done at once, and an exercise of clarifying the priorities is needed, strategically sequencing priority areas to enable delivery to be more achievable. This will involve making difficult choices about what the council can, and cannot, do. To address these challenges, it is imperative to create dedicated spaces for the Mayor, Cabinet and CMT to collaboratively discuss and decide what the absolute priority areas are – defining the strategic direction of the council, ensuring financial resources are aligned to support delivery alongside realistic delivery timeframes. Once determined, this clarity of organisational priorities must be communicated to the organisation.

Throughout the peer challenge the peer team saw and heard examples of good service delivery across the council. The council should recognise the progress that has been made in improving Children's Services at Newham. In 2019 Children's Services were rated 'Inadequate' by OFSTED, but through delivering a comprehensive improvement plan the service secured a notable achievement in July 2022 of an OFSTED rating of 'Good' with 'outstanding leadership'. OFSTED referenced the dedicated and highly visible senior leadership team for actively engaging with partners, fostering a 'one-council approach' that delivers vital services for children to thrive. This commendable progress now needs to be embedded and maintained going forward, and the appointment of a high-calibre permanent appointment for the Director of Children's Services position will be an important step in achieving this.

Challenges do remain in Children's Services. The council received a written statement of action for special educational needs and disabilities (SEND) in December 2021 and consistently have overspent on the SEND High Needs Block. It is positive that the council has commissioned a SEND-specific peer challenge for 2024. The council has a £17.4m dedicated schools grant (DSG) deficit, and it is imperative this is addressed. Whilst government has recently extended the statutory override to March 2026, any residual DSG deficit will revert to the council at the point the override is removed. Although the issue is a national one Newham does not yet have a costed and agreed action plan to eliminate the deficit over a reasonable period of time. The peer team were made aware that the council's DSG management

plan is in the final stages of development and is due to be submitted to the Department for Education in December 2023.

The council commissioned an LGA Adult Social Care Finance Review earlier in 2023 which identified areas where Newham was above and below the average for service spend. Given increasing demand and service pressure it is unsurprising the council's spend on adult social care has increased, though it has increased in Newham at a greater rate than the national average (22 per cent increase between 2019/20 and 2021/22 compared to the national average of 6 per cent). This can partly be explained by the council's commitment to pay the London Living Wage to the council's home care providers. The service does face a variety of challenges, including the reduction of capacity for care home beds. Presently, the borough faces no available residential care home beds, which is leading to placements either outside the borough or necessitating more costly nursing placements. Despite these challenges, the service has demonstrated adept financial management and as of October 2023 is forecast to come in within budget. With the development of the 2024/25 budget the Adult Social Care Financial Review should be used to inform savings and growth requests.

The service shared with the peer team its plans for how demand and risk can be managed through implementing an improved strength-based working approach, with the objective of improving health outcomes and the delivery of financial savings. There is a recognition though that delivering savings of this kind will take time and requires careful planning to ensure change is delivered safely.

The peer team could see how the organisation has mobilised delivery to progress priority areas, the best example of this is in relation to housing. The council can clearly articulate the housing challenge in the borough. Newham has the highest level of overcrowding among local authorities in England. According to the 2021 census, one in four Newham households were overcrowded. The demand for housing in Newham far outstrips supply with over 32,000 households on the housing register and 6,200 households in temporary and non-secure accommodation, which is the highest in the UK.

The administration has made ambitious housing commitments. As part of the Mayor's 2022 election manifesto there was a commitment for a £2bn investment in housing

delivery. A target was set to provide at least 1,500 more affordable homes by 2026. Newham have looked to deliver this ambition through undertaking the development of new housing, property acquisitions and through enabling other providers to develop. Of these homes, 1,000 will be let at social rent levels; the remaining 500 will provide long term sustainable rented housing for homeless households and will be let at Local Housing Allowance rent levels as an alternative to temporary accommodation.

The council has a decent track record for the delivery of housing and has a well-established wholly owned housing company in Populo to support this agenda. The existing house building programme has over 1,000 homes currently in development. The role and functioning of Populo was revised under the current administration with a move towards delivering a higher quantum of affordable homes. The council has invested significantly, £326.6m to date, in Populo and the company so far has built and managed nearly 900 homes. Major council housing schemes are being developed through Populo including the Carpenters Estate. Phase one of this development has achieved planning permission and will look to transform the existing 711 post-war homes into 2,300 new homes.

In 2013, Newham was the first local authority in the UK to require private sector landlords to hold a licence for their properties. This was renewed and extended in 2018, and again in 2023. This latest enhanced inspection scheme will cover temporary accommodation used by the council and looks to reinforce the council's commitment to rooting out rogue landlords and ensuring a good standard of housing for residents.

The council can also demonstrate innovation and good practice in the structuring of its housing department. The homelessness and private rented sector teams are integrated, designed to enhance homelessness preventative measures and provide a more rounded and joined up offer for residents.

The council has recognised the need to improve its landlord function particularly with the advent of the regulator for social housing. The council has a large housing stock of more than 17,000 and is aware of the pressing need to improve the condition of its homes. The council's housing stock requires significant investment and improvement to bring it up to modern standards of repair, amenity and energy efficiency.

Repairs are a key priority for council tenants and there is a dissatisfaction on the responsiveness and quality of repairs, with the council consistently missing its corporate plan performance target of 'getting repairs right the first time'. Year on year, satisfaction with repairs has declined by seven per cent – a pattern seen by many providers of social housing. The council has created a new Housing Repairs and Building Safety Division to procure, client and manage the repair and improvement work across all the council's homes. An action plan for service improvement has been developed and will require close monitoring to demonstrate progress.

The pressures associated with temporary accommodation represent the single biggest issue the council faces, and it is a fair characterisation to describe it as a crisis. To respond to the level of challenge the temporary accommodation pressure is placing on the council the whole organisation needs to be operating on a crisis footing.

Newham has the highest rate of households in temporary accommodation (48.8 per 1,000 households) in the country, the London average is 15.99 per 1,000 households³. Like all London boroughs, this number has increased substantially since October 2022. At the end of October 2023, Newham had 6,266 households in temporary accommodation. At the current rate 30 new households are entering temporary accommodation monthly and if the council is unable to offset these costs the service overspend would rise to over £23m.

All London boroughs are facing significant temporary accommodation pressures, but they are particularly acute in Newham. Several factors have contributed to this, including a historically high level of homelessness acceptances, exacerbated in recent years by the long-term economic effects following the pandemic, the removal of restrictions on evictions, pressures flowing from the asylum system, Local Housing Allowance rates frozen since 2020 and a significant contraction in the availability and affordability of the private rented sector which is driving an increased level of homeless presentation. The reduction in the availability in the private rented sector has also meant the council is increasingly reliant on the commercial hotel sector for temporary accommodation where prices have risen by over 100 per cent in the last

³ <https://trustforlondon.org.uk/data/topics/housing/?tab=temporary-accommodation-borough>

year.

The peer team heard about the good work which is ongoing within the housing, property, transformation and finance teams. The council has introduced the Homelessness Response Programme, a corporate effort to support the housing service to deliver the housing-led actions under the Homelessness and Rough Sleeping strategy. As part of this strategy the council has launched an acquisitions programme for new build blocks and Right to Buy buybacks for use as temporary accommodation. Although the challenge remains acute, some notable progress has been achieved, for example the council has managed to reduce the numbers in costly nightly paid (hotels) placements from 450 to 190.

However, given the scale of the challenge this needs to be escalated further so there is a whole organisational ownership of the temporary accommodation pressure. Members and senior officers across the council need to understand the issue and the gravity of the situation. Mitigation will require the whole organisation to recognise and grasp the challenge. This is a crisis and requires a collective response, both to the immediate challenge and in grasping the strategic changes that are needed to address the underlying problem. This is likely to involve some hard professional and political choices. Given the scarcity and cost of suitable accommodation, decisions will be required regarding the procurement of properties outside of the borough.

4.2 Organisational and place leadership

Organisational leadership

The peer team observed a genuine commitment across the organisation to delivering the council's vision of building a fairer Newham. Members, officers and partners have a high degree of buy-in to this vision, with several participants telling the peer team they wanted to come and work at the council due to its "*inspirational*" and "*laudable*" ambitions. The Mayor has evident passion and dedication for improving the borough of Newham. The council also benefits from a knowledgeable and diverse group of members which brings a real strength.

The best councils have strong working relationships, with clarity on roles and responsibilities, between the political and managerial leadership. The peer team did not find this in Newham. For the council to move to a place where it has strong and

effective working relationships at all levels a relationship and cultural reset will be required.

Of primary importance is clarifying the roles and responsibilities of the Cabinet and the CMT. Delegations of responsibility need to be reviewed, clarified and then adhered to. It is imperative these organisational leaders – both senior members and officers – are fully supported and empowered to exercise their strategic leadership roles and responsibilities. At present this is not the standard across the board.

The level of expectation and responsibility is concerning as it currently resides in too few individuals – in particular the Mayor and Chief Executive. Cabinet responsibilities should be reviewed, for example, as the breadth of the Mayor's portfolio responsibilities is not sustainable and nor is it desirable. The lack of shared responsibility is stretching the organisation's capacity to an unhelpful extent which resultingly is causing inefficiencies, uncertainty and ambiguity within the organisation.

Cabinet members, CMT and SLT need to be trusted and empowered to step more into the corporate leadership space, in doing so the council would engender a greater sense of shared responsibility and importantly would increase the pace of delivery. A common frustration the peer team heard was that bottlenecks appear due to the expectation that the Mayor needed sight of decisions, or was required to make a decision, even when there was delegated authority. This can be rectified by senior members exercising their authority to make these decisions which technically they have the responsibility for, and for this authority to be acknowledged and respected.

Newham has the directly elected mayoral model of governance. Following the current Mayor's first election in May 2018, the Mayor made the decision to delegate executive decision-making powers to Cabinet members. However, the peer team heard examples that sometimes practice does not match the delegations to Cabinet members set out in the Constitution. There remains a common perception that project and policy detail and decisions require the Mayor's involvement and sign off before they can progress. Not only does this reflect poor governance, but it is also not a practical, effective or a sustainable approach to running the council. The current scheme of delegations is not the issue, rather at present the delegations are not being followed, sometimes officers are perpetuating this situation by not adequately challenging the desire for sight and sign off. It is positive that the council has

committed to undertaking a review here, the peer team considered this a priority area for the council which requires a speedy resolution.

The peer team heard of a culture of mistrust at different levels in the organisation. This mistrust is demonstrated in some poor behaviours being evident resulting in an undermining of the delivery of the council's priorities, and potentially contributing to the high turnover of senior leaders. Whilst this mistrust is not uniform, there is a need for an environmental reset so the political and managerial leadership can communicate in a more open and collaborative fashion.

The peer team heard issues regarding a "*defensiveness*" and sensitivity when issues arise and are escalated, with some respondents describing a "*blame culture*" which discourages candid conversations about emerging risks. This needs to be remedied and linked to the previous point around an environment of trust – both officers and members need to carry out their distinct roles without a blurring of the functions of each. At present some members are engaging in the operational detail of delivery rather than remaining in a strategic frame of mind in setting the direction. Officers need to be trusted to deliver.

Relationships and behaviours at the senior levels between politicians and senior officers, between the Mayor and Cabinet and other members, and within CMT require resetting. The current state of working relationships, between member-member, member-officer and officer-officer, is having a material impact and is damaging the reputation of the council.

This relationship reset should be done to create a 'one team' culture focused on delivering the best outcomes for Newham. External facilitation and support would be helpful in defining and brokering this relationship reset. This needs to include explicit clarification of the respective roles of the Mayor, Cabinet, Scrutiny and Chief Officers, and this should be agreed and written down.

Relationships between members and officers should be strengthened by creating time and space for interaction outside of formal meetings to understand each other's roles and responsibilities and build trust. This space should be used for the political and managerial leadership to engage in strategic thinking and should be used as the forum for undertaking the prioritisation which was referenced earlier as well as horizon scanning for emerging issues.

Newham's Chief Executive joined the council in September 2023 and the impact of her arrival has been positive. Her visible and approachable style has been welcomed by both members and officers. The peer team found an energy and mindset which was open to the idea of change and making improvements. With the council now having a permanent Chief Executive for the first time in 18 months, there is a window of opportunity to galvanise the whole organisation behind the council's ambitions. These opportunities are rare in local government, and the council must seize the moment and address some of the challenges it faces whilst receptiveness is high.

Clarity is also required on the form and function of the Mayor's Office. At present it is perceived as a bottleneck in the organisation which results in delays in decision-making. This is connected to the size of the portfolio the Mayor has and the perception that the Mayor wants "*oversight over everything*".

Several officers the peer team spoke to mentioned a frustration about the lack of clear rules or processes for engagement with the Mayor's Office and there are no clear standards in terms of response times for items that are referred 'up to the Mayor's Office'. This is leading to unnecessary delays, with an example of one service area waiting for three months to receive a decision. To alleviate this issue the council should review the size and function of the Mayor's Office to ensure streamlined decision making, remove barriers and duplication elsewhere in the council.

A stable leadership team both politically and managerially is critically important. The peer team were concerned about the level of high turnover of senior staff and executive members. This is impacting on the reputation of the council as well as having a considerable downstream destabilising impact on the governance and culture of the organisation. This instability is a critical issue that demands attention. The council needs to understand the reasons behind the high level of turnover and develop an urgent plan to establish a more stable and appropriately sized senior leadership cohort which reduces the dependency on agency and interim staff.

The peer team were told that earlier this year the council introduced a six-month leadership programme (BRAVE) tailored for the CMT and Cabinet. This is good practice and OD for senior leaders is important. The council should also consider dedicated training for senior managers to develop their financial and commercial

awareness.

During the CPC the peer team heard of a perceived disconnect between the senior leadership and the frontline. Concerted effort is required from the CMT to increase their visibility and engagement with staff at all levels. There are good examples of staff engagement such as the 'Abi Answers' sessions, it would be helpful for sessions like this to be broadened to involve the wider CMT.

There is an appetite in Newham for more informal sessions where staff can freely share their ideas and challenges. Staff want to be involved in setting the future direction of the council. This is a positive position to be in and the council should look to maximise and harness this enthusiasm. Plans are currently being developed for a staff conference and a series of staff roadshows in 2024, this is something the peer team would encourage the council to do.

Place leadership

Newham has an ambitious place vision, which can be demonstrated with the level of transformative regeneration the borough has undergone in the last 15 years. There have been a series of significant large-scale current and future developments, including the Olympic Park, the Westfield Shopping Centre, Royal Docks regeneration and Canning Town redevelopment. This level of ambition for growth shows no sign of slowing down with an incredible amount of economic development and regeneration projects being developed. The peer team would though encourage the council to ensure it is clear what its organisational priorities and capacity are relating to place. The council is unable to deliver its regeneration ambition all at once, so it needs to be strategically sequenced.

Large scale regeneration in the borough has been successfully delivered through well established strategic partnerships such as the London Legacy Development Company (LLDC), the Growth Borough Partnership and the Royal Docks Enterprise Zone.

The peer team heard from large businesses in the borough who understand and support the council's ambitious place vision. They do wish though to have greater involvement in the shaping and development of the council's regeneration plans. The smaller businesses the peer team spoke to were positive about the support which is facilitated through the chamber of commerce. They want the council to enhance its

approach to its communication about the regeneration and the benefits and opportunities it can bring for existing Newham residents and businesses.

The statutory partners the peer team spoke to generally described positive working relationships with the council with good examples of effective operational working. It was suggested that more could be done to enhance strategic engagement with partners, involving them at an earlier stage in the formulation of policy and plans and in discussion of shared challenges such as population growth. Partners would also welcome a clearer sense of the council's priorities.

Given the ambitious scope of the council's priorities, it is evident that partner agencies have an important role in contributing to and helping to deliver the vision – the level of ambition the council has requires action beyond the remit of the local authority. There is significant value for the council in thinking and behaving beyond organisational boundaries to support the delivery of its priorities. This is especially true given the resource scarcity and challenges the council faces and also affords the possibility to address shared priorities with partner organisations. The peer team encourages the council - through the development of the new borough plan - to consider what its wider place leadership role is, as a convenor of partners and anchor institutions both strategically and operationally.

Newham has an impressively ambitious approach to public health, and during the pandemic this service acted as an exemplar for the local government sector. For example, the level and variety of engagement and outreach conducted regarding testing and vaccinations was excellent. The council's partners spoke warmly of the public health team and the council's commitment to the agenda.

During the pandemic there was an improved engagement, involvement and recognition of the role and importance of the voluntary, community and faith sector (VCFS) brought about through the effective partnership working. This has established foundations for working with the VCFS which should be built on to broaden and deepen these partnerships. There remains the opportunity to strengthen the strategic engagement with the VCFS with regards to co-delivery, co-production and in the decision-making of the council.

The council has strong established operational relationships with health and care partners, with evidence of effective collaboration on major programmes such as the

Better Care Fund (BCF) and the new integrated care strategy. Newham has adopted an innovative funding arrangement with partners, with a commitment to a pooled budget on the BCF which includes adult social care, public health and community health budgets. The council, along with partners, have been recognised in winning the 2022 *Municipal Journal Award for Place-Based Approaches to Health Equity* with the '50 Steps to a Healthier Newham' health and wellbeing strategy.

The peer team had concerns with the community safety partnership and the working relationship at a strategic level with the police. Given a 'safer Newham' is the council's fourth priority area, achieving a strategic and operational alignment of vision and purpose between the council, police and wider community safety partners is important.

Newham is committed to the principles of community wealth building, using the council's purchasing power and influence to keep wealth in the borough through its procurement policy and by becoming a living wage employer. The council amended its procurement policy to specify that all council contractors pay their staff the London Living Wage and support local suppliers. The council has introduced Community Wealth Building Pledges which has been adopted by more than 100 local businesses to pay the London Living Wage.

The development of an updated Local Plan is currently delayed. This is partly down to the council's effective Regulation 18 Consultation which received over 5,000 comments. Newham's successful consultation approach was recognised in winning the *award for stakeholder engagement in planning* at the 2023 Planning Awards. The administration has a stated ambition for 50 per cent affordable housing on every site, the council is aware of the challenge this could pose in meeting the statutory tests which the Local Plan must pass. A pragmatic resolution to this challenge is urgently needed for the draft Local Plan to progress to examination in public. It is particularly important this issue is resolved as the LLDC's planning powers will be returning to the council in 2024. The existing LLDC Local Plan has a lower requirement for affordable housing than the council, which unless replaced with an updated Newham Local Plan would mean lower delivery of affordable housing in the LLDC area.

The council will also need to ensure it is appropriately prepared for the transfer of the LLDC powers and the resulting resource implications for services, particularly

planning, especially around multi-phase schemes and the management of community infrastructure levy commitments.

The council's seventh priority area is 'people powered Newham and widening participation' and the council is committed to the principles of community involvement. Newham established the UK's first permanent Citizens Assembly, and this year introduced a dedicated Youth Citizens Assembly. These are positive developments, it is important though, to ensure that this work is properly embedded, as the council's aspiration for 'People Powered Places' has significant potential for the borough and in supporting the co-delivery of the BaFN.

Whilst the rhetoric the council speaks consistently of is co-production and a dedication to community engagement, the peer team heard frustration from some partners that the council often defaults to doing things *to* rather than doing things *with* communities. There are pockets of good practice of co-development, with children's services and public health highlighted, but the peer team did not get the sense there is an organisational framework for co-production and co-development. The council needs to equip staff in how to effectively empower partners to design and deliver programmes in partnership with the council.

The council recognises the need to introduce a deliverable overarching communications and engagement strategy which is aligned to the BaFN. The peer team heard examples of some disjointed communications, the council needs to guard against duplication of roles, and communications should be unified within a single Directorate. As referenced earlier, there is an appetite in the council for greater engagement with staff, innovation and variety should be encouraged with the internal communications approach.

4.3 Governance and culture

The council has recognised the need for improvements with its governance system. There is a commitment to making progress here which can be evidenced through the commissioning of several reviews such as the Internal Control Commission and the Scrutiny Improvement Review. There is further work to do to implement and imbed lessons and recommendations from these reviews.

The council should consider the future role of non-executive members. The non-

executive councillors the peer team engaged with were active community champions, who have a diverse range of perspectives and talents which is a real asset to the council. More could be done to empower non-executive councillors to maximise their connections and expertise to support the delivery of the council's agenda. The peer team felt there is latent potential amongst this cohort which can be further realised through greater involvement and engagement.

The council's Audit Committee has an independent external chair which reflects best practice. The council has an established risk framework with regular reports taken to the Audit Committee and CMT. The peer team did hear that the council's approach to managing risk could be further strengthened with more proactive engagement from CMT and including a focus on achieving value for money. A positive relationship with the external auditors was reported, with no significant weaknesses identified from the most recent signed off accounts for 2020/21.

The council publishes an annual governance statement (AGS). The peer team agree with the report carried out by internal audit that to comply with CIPFA guidance in future AGSs the council should refer to its wholly owned companies and the impact they have on the risk profile and governance arrangements of the council.

The council's governance of its companies needs to be made more explicit and visible. At present there is not a clear governance framework for the council's oversight of its companies, and in particular the exercise of shareholder responsibilities. The council needs to ensure there is effective risk management and scrutiny of the company arrangements, particularly in relation to spend against its financial plan. It is positive that Newham commissioned an external review of company governance and loan arrangements; recommended actions should be followed up on.

It is important that annual company business plans are produced and that regular reviews are undertaken by the council to ensure there is an alignment of the company's business plans with the BaFN. In recent years there has been an inconsistent production of annual company business plans which officers have acknowledged and have taken action to regularise.

The council needs to be able to assure itself its governance arrangements are robust and there is a clear separation between the fiduciary duties of the companies and the

requirements of the local authority. Members and senior officers need a clearly defined and well understood shareholder role and be equipped to guard against conflicts of interest and not fettering interests of the companies to act as commercial entities. There is room for improvement here and the council may wish to consider strengthening the training provision around the role and responsibilities as a shareholder.

The council is midway through a constitutional review, which is a necessary step in ensuring the constitution is fit for purpose, modern, accessible, clear and succinct. The first phase of the review has been adopted which focused on implementing a new code of conduct for members, incorporating the provisions of the [LGA's Model Councillor Code of Conduct](#). There have though been significant delays in concluding the final phase of the constitutional review, and this should be prioritised as it will have an important role to play in clarifying decision making roles and responsibilities.

Overview and scrutiny as outlined in the Localism Act (2011) gives provision for scrutiny of the executive, their policies and decisions and has an essential role in the overall governance health of the council. There is significant scope for improvement in how scrutiny is carried out and engaged with in Newham. The council published the findings of a Scrutiny Improvement Review in October 2023, and this identified several challenging factors which were undermining the effectiveness of the scrutiny function. These include evidence of poor behaviours and poor working relationships between members and members and officers, as well as a lack of clarity on the role and members' expectations for scrutiny members. Scrutiny should be a priority area for improvement for the council and a comprehensive action plan should be developed and implemented swiftly in response to the scrutiny review. The council may want to consider commissioning a scrutiny progress review in the autumn of 2024 to get an external view of any improvements and to maintain focus in the delivery of the action plan.

Despite the status of some working relationships, the peer team did hear of some instances of strong pieces of work carried out by scrutiny, including the call in regarding the decision on James Riley House, and the scrutiny commission looking at the relationship between black boys and the borough.

Newham has an established member development programme, but this requires

updating. The council should consider establishing a member working group to strengthen and diversify the offer and enable members to identify their development needs. Dedicated training and support for new members, along with members in Cabinet or committee roles should be established. The development programme needs to be tailored to equip members for these important roles and build their confidence in carrying out their responsibilities. The peer team would strongly encourage leading members to attend relevant [LGA 'Leadership Essentials'](#) training programmes and to seek a political mentor from outside the borough – this is something the LGA can facilitate.

It has been difficult to define the organisational culture at Newham. The peer team heard varying descriptions of the corporate culture, depending on where you are in the organisation. Whilst there is not a single consistent culture, the peer team did hear of some examples of teams with a positive and welcoming culture. Frontline staff the peer team spoke to described a friendly working environment. An underlying theme throughout the CPC was that Newham has a *“courageous and passionate workforce that really understand the borough”*, there is a genuine desire to deliver the BaFN and do the best for residents. Staff recognition is a really important factor in developing a positive organisational culture, the peer team were pleased to hear about the introduction of the annual HEART staff awards which are valued by staff.

As mentioned previously, though, a culture of mistrust was described to the peer team on several occasions. Some staff, at all levels, were not confident to come forward with ideas and suggestions, *“in case they are shot down”*. The council needs to give thought to how this can be remedied, and safe spaces are created, so staff can contribute candidly and say things without fear of repercussion. The council speaks regularly of being innovative and seeking to be ‘best in class’, but innovation requires risk taking which will inevitably lead to some mistakes. An open culture which encourages challenge and constructive criticism needs to be engendered. At present the culture described to the peer team was one where individuals feared making mistakes. The council has established its organisational ‘HEART’ values, a cultural reset is required to ensure that everyone’s experience lives up to the standards of these values.

It is positive the council carried out a staff survey for the first time in 10 years in 2022, as is the commitment to running this on an annual basis. The results from the 2022

staff survey were positive in areas of employee advocacy and loyalty. The work on equality and diversity that is being progressed was positively recognised and there was a clear ask that this is continued and broadened wider across all protected characteristics. For the questions which could be benchmarked, the responses were below the survey providers benchmark of other public sector partners. There is significant room for improvement in some of the areas of the survey for example around change management and visibility of leadership, and it is important the council communicates clearly with staff what is going to change as a result of the survey findings, and to deliver those changes. A further survey that was conducted in July 2023 highlighted that people were more positive about learning and development opportunities and how to progress their careers, however there were areas around collaboration and communication that were picked up as priorities for action and many questions had remained level indicating the need for further focused action. A further engagement survey is planned for March 2024 to measure progress.

Newham undoubtedly has positive intentions around EDI; however, the peer team were slightly surprised the agenda does not have more prominence given the demographics of the borough. There is an opportunity for the council to amplify the importance of EDI and celebrate some of the good work which has been achieved.

Newham's Tackling Racism, Inequality and Disproportionality (TRID) programme is impressive. First established in July 2020 it has delivered a number of positive initiatives such as a reciprocal mentoring programme, the Developing Diverse Leaders Programme, and the commissioning of a series of anti-racism workshops. The council's efforts to cement its ambition to be a demonstrably anti-racist organisation have been recognised in receiving the Bronze Trailblazer Status from Race Equality Matters. The council should consider further communication of the actions and impact of the TRID programme along with emphasising the importance of allyship.

There is an ambition for TRID to inspire broader work around diversity and inclusion. The council's EDI programmes should be expanded to cover a more rounded focus on all nine protected characteristics, whilst maintaining momentum on race. The council should consider whether developing a clear strategy and action plan around EDI is required, this should be aligned with the overarching workforce strategy and with necessary resourcing and support from HR and OD. During the CPC it was good

to hear the council was considering treating 'care experienced' as a protected characteristic, this is something the peer team would encourage.

It is positive the council has six staff forums with dedicated budgets made available to them. Some of the forums are underdeveloped and warrant organisational support to harness their full potential. The peer team observed a perceived disconnect between the staff forums and senior leadership, an area which requires attention. These forums have the potential to be a valuable resource for driving positive change within the organisation, but some currently feel underutilised. To unlock their potential, it is imperative to address this disconnection and ensure active participation from senior leaders. Inconsistencies in senior management sponsorship across the forums must be rectified to demonstrate the organisation's commitment to the EDI agenda.

4.4 Financial planning and management

Newham has historically had a solid approach to financial management which has enabled the council to set balanced budgets and fund council priorities in a difficult financial climate. The council has an experienced and well-regarded Section 151 Officer. Financial reporting appears to be of a good quality, monitoring reports with recovery actions are clearly set out and reported to Cabinet on a quarterly basis.

The council's net revenue budget for 2023/24 is £363m. An in-year overspend was projected at £14.2m in October 2023 and a potential budget gap for 2024/25 of £50m. The council faces a high risk that the in-year budget will overspend, with the most significant pressures from temporary accommodation, other housing costs, and Adults and Children's Social Care. Good progress has been made to reduce the in-year overspend but more needs to be done. This is particularly important given the acute temporary accommodation pressure in Newham. Following a £7.4m temporary accommodation overspend in 2022/23 the council allocated an extra £9m to the service bringing the total budget to £22m. Despite this the council is still expecting an overspend in 2023/24 by of at least £5m if demand does not reduce.

Given the scale of the projected financial gap for 2024/25 of £50m the council has recognised that this will require more than just service-led efficiencies, with prioritisation, spending reductions, and large-scale transformation all needed. Difficult decisions will be required, including working through what the council can and cannot

afford to do. There are some positives though, with the council reporting that at December 2023 it had identified between £25m - £30m worth of savings for 2024/25 which is a good position to be in. Given the remaining gap though a resolute focus is needed in achieving in year-savings and identifying further efficiencies and savings for next year. It is important there is a council-wide understanding and ownership of the ongoing financial challenges, and that they are not simply left to the finance function to sort out.

The council's published financial approach has an unusually short-term focus when compared to other councils. Newham's current medium-term financial planning covers just two years for revenue and three years for capital. Although it is understandable the reasons behind the short-term nature to the MTFs – given the level of unknowns with the future financial settlement and a business rates reset – the peer team recommend that the council needs to develop a longer-term (minimum three year) MTFs and enhance its financial modelling. In doing so it should aim to demonstrate the future financial sustainability of the council, whilst aligning financial plans to the strategic vision of the council and the BaFN. This multi-year MTFs could then provide confidence both to the organisation and to outside partners and external actors that the council has developed thinking about its future financial sustainability.

Given the scale of the challenge the council faces ahead of setting the 2024/25 budget the council should undertake a review of service delivery to determine whether the council is achieving value for money. The peer team heard that Newham has continued to have a high level of discretionary spend in some areas, whereas a lot of other councils have significantly reduced this during the austerity period. A comprehensive review of all discretionary spend should be undertaken to ensure this is achieving the necessary value for the investment and that it is contributing to the delivery of the council's priorities.

With the financial pressure the council is under, the identification and achievement of savings is critical. Monitoring of delivery should be strengthened along with embedding an organisational expectation that if a saving is not going to be achieved a replacement saving will be required. In previous years it has been possible for reserves to have been used to compensate for undelivered or late savings, but this is not sustainable for the future.

Newham has £541.3m worth of useable reserves (including capital reserves), which is a decrease of £35.5m when compared with March 2022. The revenue reserves are at a reasonable level given the size and complexity of the council. Newham's general fund reserve though is low and will not sustain in the medium term, particularly if the council does not keep within its budget. As set out in the S151 Officer's Section 25 report: *"The council's general fund reserves as of 31 March 2023 are projected to be £7.1m. This is some way short of the recommended level of approximately £17m based on 5 per cent of the net budget requirement."* A replenishment strategy for the general fund reserve has been developed, however, this is contingent on the council balancing the budget which is unlikely due to the temporary accommodation pressures.

The council cannot keep relying on reserves to balance the general fund budget. Reserves can only be spent once, and the balance will come under significant pressure if demands continue to rise, and savings are not achieved. With the reserves position being severely depleted the council will need to consider in several areas reducing provision to closer to statutory levels.

In line with the scale of the council's ambition, Newham's capital programme is very large, with the current strategy setting out planned investments of £2bn over the next decade. This includes a significant increase in borrowing, as the council's prudential indicators show in 2021/22 the ratio of General Fund financing costs to net revenue stream was 16.17 per cent, this is estimated to rise to 21.43 per cent in 2025/26. This is a very significant proportion of the revenue budget being spent on servicing debt repayments. Newham has the second greatest Capital Financing Requirement in London⁴. It is of crucial importance that there is continual monitoring of the delivery of income and other benefits associated with capital investments alongside an ongoing assessment of the affordability of accruing this level of debt.

The council's strategic case for borrowing to invest in priority areas, such as housing and regeneration, is clear and is well understood by senior officers and members. The peer team felt though that more could be done by the council to clearly communicate across the organisation and to partners how the level of capital expenditure being undertaken by Newham contributes to the delivery of council

⁴ https://lginform.local.gov.uk/reports/lgastandard?mod-metric=18623&mod-area=E09000025&mod-group=AllBoroughInRegion_London&mod-type=namedComparisonGroup#chart-8

priorities and how it will generate social and revenue payback to the borough.

The decision making about undertaking borrowing appears to be sound with business cases evident. Processes are in place with internal mechanisms and check and challenge systems established before funding is released. Senior finance officers remain confident that the council's debt costs are based on reasonably prudent assumptions. However, it is important Newham actively manages and monitors the high degree of risk the council is exposed to given the extent of its borrowing. Routine organisational assurance needs to be sought that the level of borrowing continues to be affordable.

The council has invested heavily in its wholly owned companies, with the primary driver being a vehicle for the delivery of council priorities, in particular housing and regeneration, rather than achieving a financial return. Since 2014 the council has invested £326.6m in Populo. No expectation on dividends has been built into the council's long-term financial planning, through policy decisions taken by the council it has in effect traded short-term financial benefit for longer-term social benefit, by focusing on providing more affordable housing and hence delaying any future dividend return.

In June 2022, the council commissioned a report from Grant Thornton to perform a market and risk assessment on its portfolio of housing initiatives. This report recommended the council review as a matter of urgency its working capital funding arrangements and its equity investments in Populo Living. It is important an action plan is developed and followed through on, and in particular look to provide greater clarity of responsibility around the management of risk.

To improve the oversight and management of the council's capital programme, the peer team feel the council should develop a dedicated capital strategy. This strategy should align with the BaFN and a MTFs, reflecting the council's priorities as well as assessing future strategic need.

Alongside this the council should undertake a comprehensive review of the portfolio of assets Newham holds. A mature conversation is required about the council investment and asset portfolio and whether it is delivering the necessary rate of return and/or is contributing significantly to the delivery of council priorities.

The council should develop an asset management strategy which should consider

future requirements, acquisitions and disposals. The council is a significant land holder with a large number of community assets and some large out of area assets. The peer team would encourage the council to develop its thinking about the composition of its portfolio, particularly given the stretched financial environment it is operating in. Within this asset strategy the council should build in opportunities for capital receipts through the optimisation and rationalisation of the property estate.

The council is in the process of drafting an asset disposals strategy. This presents an opportunity for the council in selling underutilised assets to raise a capital receipt which can be used to offset some of Newham's investment and potential borrowing requirements. Some difficult decisions may be required here, but the peer team would encourage the council to make these as it presents a chance to reduce the risk burden given Newham's very high level of borrowing.

More focus from senior leaders needs to be given to the council's Housing Revenue Account (HRA) which is forecast to move into deficit during 2024/25. This deficit is forecast to rise to £11.1m in 2025/26, work is required to close this deficit over the medium-term. There is considerable pressure on Newham's HRA which, in common with other councils, faces severe pressure arising from inflation, interest rate rises, the necessary improvements in condition and energy performance of the housing stock and the council's planned housing growth. The peer team identified clear indications that work was progressing on addressing this gap, but it was less clear whether the full capital programme would be affordable without a significant move towards housing developments having a substantial element of self-financing.

The HRA has a key role to play in delivering the council's ambitious future affordable housing schemes, it is important that any input from the HRA is both affordable and sustainable. The council should ensure it has a regularly updated long-term HRA Business Plan which aligns with both the MTFs and the BaFN. It is important attention is given by both CMT and Cabinet to understand the HRA's pressures, what the plans to mitigate these challenges are and to rigorously monitor the HRA to the same standards as the General Fund.

4.5 Capacity for improvement

To monitor and evaluate progress against delivering the BaFN, the council has introduced an outcomes framework alongside several performance management

regimes. There is an evidenced commitment to utilising data and performance information to drive delivery of organisational priorities. A performance framework which tracks the 132 Corporate Delivery Plan commitments, is complemented by a suite of 35 BaFN Outcomes and 35 BaFN KPIs.

Good progress has been made with the business intelligence team utilising Power BI in developing accessible and understandable ways of displaying information. Recognising this as good practice, the council should consider extending a programme of training across the organisation to equip other services with the necessary skills. This initiative aligns with the broader goal of ensuring there is data-driven decision-making and an embedded performance culture.

This performance monitoring is overseen by quarterly performance reports presented to Cabinet and Overview & Scrutiny, alongside monthly Cabinet Accountability Model (CAM) meetings. The CAM was introduced in September 2022 and are framed as constructive challenge sessions for the Mayor, Chief Executive and relevant Cabinet Member and Corporate Director reviewing delivery progress. As part of the CAM fortnightly meetings are held, for a *“line by line analysis”* of performance in portfolio areas, which have been designed for the Mayor to *“hold Cabinet members accountable for the progress of delivery.”*

It is commendable the council has such a demonstrable commitment to tracking and scrutinising organisational performance, however, there was a recognition of the need for a review. This review should aim to simplify and clarify roles and responsibilities, maximising the impact of these performance regimes. The performance reports alongside the infrastructure around the CAM is resource intensive and the council needs to assure itself of the benefits of the approach it adopts.

Whilst the existing frameworks tracks performance on the BaFN, there is scope for improvement in establishing a single unified view of performance and risk which covers BaFN progress and KPIs, delivery of capital projects, the savings programme and the transformation programme.

It is positive the council has introduced a project management toolkit, although take up is variable across the organisation. A consistent and robust methodology for project and programme management across the council would be beneficial. The

council recognises the need to improve here. This is especially important for Newham given the importance of the delivery of savings, the necessity of the transformation projects and the size of the capital programme.

During the CPC it was clear to the peer team that the organisation recognises the need to change and acknowledges the importance of the organisational transformation. The council's current transformation programme, Future Newham, concludes at the end of 2023. Some headline achievements from this programme include the optimisation of the council's office estate and the achievement of £1.7m savings. The council is in the process of procuring a transformation delivery partner who will lead on the development and implementation of a new transformation strategy.

There is a recognition that the Future Newham programme did not go far enough as there was a lack of a long-term internal transformation vision. The impact of this has been: *“departmental separation, disorganised resource use, challenges in skills development, issues with accountability, and missed opportunities for adaptation.”* It is important lessons are learned from this transformation programme. A programme review has been carried out which identifies areas for improvement, one key area was the need to have the necessary change resource to deliver the transformation projects.

The council presently has a disjointed approach to its change processes which is impacting on its effectiveness. The council's 2022 staff survey demonstrates this with only 34 per cent of respondents feeling that 'at Newham Council change is well managed'. At present change resource is split across the organisation. There is a mixture of centralised and service-based transformation officers. This contributes to a siloed approach to transformation projects; an overarching vision is needed with a 'one council' approach required to tackle some of the complex and cross cutting challenges. Integral to the success of the transformation programme will be the need to ensure any corporate core or transformation management office is operating as an effective strategic enabler.

The council is committed to being a learning organisation and has a genuine desire to improve. As well as commissioning the council's first CPC in over 10 years, Newham has signed up to several external reviews such as the Scrutiny

Improvement Review and the Adult Social Care finance review. The reviews provide the council with a diagnostic and recommendations for improvement. The council develops an action plan, but respondents informed the peer team that recommended changes are rarely implemented. Actions from the Internal Control Commission was cited as an example.

The peer team felt this spoke to a wider theme within the council where lots of focus and energy is given to initiating new projects which are not consistently followed through to delivery. This is causing a degree of frustration within the organisation. The peer team is concerned that this desire for 'newness' is at the expense of getting the basics right.

The peer team heard consistently that the organisation's infrastructure and support systems are not operating effectively with the impact being an undermining of organisational performance. IT, HR, finance and payment systems require improvements at present their inefficiency, and in some instances inadequacy, is causing considerable frustration. The peer team heard from some partners and local suppliers about not being paid on time for example, and this is having a reputational impact on the council.

It is important the council clarifies and communicates its strategic approach to the relationship with OneSource and moves quickly to implementation. The current ambiguity and uncertainty regarding the future of OneSource is unhelpful. Dependent on any decision on the future the council will need to consider potential service improvements alongside any budget implications and capacity impact, particularly in specialist and technical areas.

The peer team were concerned about the current capacity of legal support which was being made available by OneSource for Newham. Arrangements should be reviewed to ensure there is sufficient capacity, this is especially important given the council's ambitious place agenda and the risks associated with this.

A further area of concern is the quality of the council's IT and data infrastructure. These crucial systems require investment, as system outages can have a significant impact. This is something the council experienced in February 2023 where there was a near complete breakdown with the council's customer contact system. A temporary migration of system was required which severely reduced capability. There are

concerns about the business continuity and cyber security resilience of the organisation. With both identified as significant governance issues in the 2022/23 AGS. The council needs to develop an action plan to make improvements in this space and may benefit from a LGA Cyber 360 Review.

An area where Newham has looked to make progress has been with regard to how responsive the council is. Newham's residents report low satisfaction levels, with just 29 per cent satisfied with how the council runs things compared to the national average of 56 per cent according to the 2023 residents' survey⁵. The administration has made one of its in-year 'moonshot' missions to improve processes, so the council provides 'excellent resident services'. The council has developed 'our Newham Promise' which is a set of internal principles for staff and a series of external pledges to residents that are centred on providing an excellent resident experience. To achieve on these aspirations the council needs to improve its approach to resident requests, complaints and member enquiries.

There is frustration on the part of ward councillors regarding how elected member casework is progressed. This is raising questions around organisational responsiveness generally. Establishing clarity over realistic timescales for elected members to be responded to would help to manage expectations and thus remove an element of the frustration and tension that exists.

Corporate complaints data does demonstrate an improvement compared to two years' ago, with the percentage of stage one complaints responded to within timescale (20 working days) at 85 per cent, however this is below the current target of 95 per cent. Members have emphasised the importance that the council is more communicative and responsive to residents, the peer team felt more needs to be done to create and embed a customer service culture. Consideration needs to be given to how accessible the organisation is. This is especially important as Newham is developing its digital strategy, the council will be seeking to embrace a digital first approach, it will be necessary that the council reflects on the demographics of its community and in particular the importance of digital inclusion.

The location of the council's main office was highlighted to the peer team as feeling

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<https://www.local.gov.uk/sites/default/files/documents/Resident%20Satisfaction%20Polling%20Round%2036%20JH%20accessibility%20edits.pdf>

remote for residents and not entirely embedded within the immediate neighbourhoods and communities. Overcoming this challenge and perceived remoteness ought to be an area of further inquiry for the council, especially given the desire to further shift the dial on resident satisfaction with the council and its services.

The council currently does not have a workforce strategy, and this is something Newham has committed to developing. It is important that this is used as an opportunity to act on feedback from staff in relation to key areas such as recruitment, retention and OD.

A strand of the workforce strategy should focus on OD: attracting, recruiting and developing the workforce with the skills and capabilities required to achieve the council's objectives. The peer team found OD at Newham to be quite underdeveloped – there are some good pockets such as the Developing Diverse Leaders Programme, but a greater investment in this area will support the organisation in taking a more systematic approach to the employee lifecycle. This will play an important role in the recruitment and retention challenge which needs tackling.

There has been a marked increase in the delivery of annual appraisals. In 2020/21 this was concerningly low at just 29 per cent of staff having these. Whilst there has been an improvement in the take up of appraisals, there is more to do to ensure alignment with the BaFN and to ensure developmental and employee performance discussions with managers are routine.

The peer team expressed concern about the absence of a corporate induction programme. The introduction of such a programme would significantly enhance the initial experience of staff upon joining the council, providing them with valuable insights into the council's vision, the HEART values and the support available to them.

The peer team heard that the relationships between the council and the Trade Unions has improved in recent years. It is important this relationship is strategically cultivated in order to deliver positive industrial relations and avoid where possible issues escalating. The council should consider establishing structured mechanisms for engagement and liaison such as a joint committee between the Trade Unions and members with HR support.

5. Next steps

It is recognised that senior political and managerial leadership will want to consider, discuss and reflect on these findings.

Both the peer team and the LGA are keen to build on the relationships formed through the peer challenge. The CPC process includes a one-day onsite progress review, which provides space for the council's senior leadership to update peers on its progress against the action plan and discuss next steps.

In the meantime, Kate Herbert, Principal Adviser for London, is the main contact between your authority and the Local Government Association. Kate is available to discuss any further support the council requires – kate.herbert@local.gov.uk.