

# Corporate Peer Challenge

## **Newcastle City Council**

12<sup>th</sup> to 15<sup>th</sup> March 2012

Report

# 1. Background and scope of the peer challenge

It was a pleasure and privilege to be invited in to Newcastle City Council to deliver the recent corporate peer challenge. The team very much appreciated the efforts that went into preparing for the visit, and looking after us whilst we were on site and the participation of elected members, staff and partners in the process.

This was amongst the first corporate peer challenges delivered by the Local Government Association as part of the new approach to sector led improvement. It is testimony to the council that Newcastle commissioned the peer challenge so early on.

Peer challenges are managed and delivered by experienced elected member and officer peers. The peers who delivered the Newcastle peer challenge were:

John Mothersole, Chief Executive, Sheffield City Council
Councillor Catherine West, Labour Leader of the London Borough of Islington
Tom Stannard, Director of Policy and Communications, Blackburn with Darwen Council
Anna Turley, Associate Consultant
Jamie Wike, Performance and Improvement Manager, Barnsley Metropolitan Borough Council
Chris Bowron, Local Government Association

It is important to stress that this was not an inspection. Peer challenges are improvement-orientated and tailored to meet individual councils' needs. Indeed they are designed to complement and add value to a council's own performance and improvement focus. The peers used their experience and knowledge to reflect on the evidence presented to them by people they met, things they saw and material that they read.

The guiding questions for all corporate peer challenges are:

- ❖ Does the council understand its local context and has it established a clear set of priorities?
- ❖ Does the council have a financial plan in place to ensure long term viability and is there evidence that it is being implemented successfully?
- ❖ Does the council have effective political and managerial leadership and is it a constructive partnership?
- ❖ Are effective governance and decision-making arrangements in place to respond to key challenges and manage change, transformation and disinvestment?
- ❖ Are organisational capacity and resources focused in the right areas in order to deliver the agreed priorities?

Within this Newcastle were keen for the team to focus their efforts on the following:

- ❖ To consider the extent to which the budget reflects the political priorities and how well understood the priorities are within the council and amongst partners
- ❖ To look at how effectively the Cabinet is providing political leadership of the authority, both within individual portfolios and across the council as a whole, and what more can be done to raise the profile, visibility and influence of Cabinet members within the council and the city
- ❖ To consider how effectively the council is influencing wider regional and national policy
- ❖ To look at whether the authority has the strategic capacity to respond to the dual challenge of financial pressures and a rapidly changing policy environment

This report sets out the team's findings, building on the feedback provided on the final day we were in Newcastle and, in particular, expanding upon those areas highlighted as likely to benefit from some further attention. .

## **2. Executive summary**

Newcastle City Council is a successful council delivering good and excellent services. It has well-planned finances and a clear savings strategy which it has delivered robustly going in to 2012/13. The council has many strengths. However, it is important to ensure that it has all the strengths necessary to succeed in the future. This will require the authority both to harness its current strengths in pursuit of future priorities and to introduce new ingredients to provide the right balance. If it does not address this then its existing strengths could become blocks on progress.

The council can be pleased with what are some very positive initial steps to developing a better understanding of the issues affecting local people and the Administration has created the opportunity for debate on key challenges facing the city. Partner organisations are key to addressing many of these challenges. The council benefits from good partner engagement and relationships, which will stand the city in good stead. The Administration has established a clear set of high level political priorities that demonstrate real ambition and are extremely widely recognised, both within and beyond the organisation.

Newcastle City Council has highly committed and hard working staff and elected members. Many people talked about the council working ever harder and faster as it seeks to take the priorities forward. However, the connection between the new Administration and what is being delivered needs to be stronger than it currently is. The solution is to work smarter not harder. The council has been very successful delivering what it has traditionally done, but the immediate future provides a set of challenges that require both the council, and people within it, to provide a different response – to operate in a way that is less familiar. Central to all of this is a clear definition and vision of the role of the council and the priorities for the city going forward so that the organisation can accurately focus on the right change. Change needs to be transformative. There is the capacity to deliver that change but that capacity needs to be harnessed and pointed in the right direction. The organisation needs to be clear about what is being sought and what to

change into – clearly stated outcomes for the people of Newcastle need to inform and drive that by informing the future role of the council and the shape and nature of the organisation required to fulfil it.

We found many strengths in the current leadership and strategic direction of the council, but also found that these could be better honed and finessed to properly equip the organisation and the city for the substantial challenges it now faces. The strong, clear and determined political leadership demonstrated by the Leader of the council is very much a strength of the organisation. The council is widely seen as a well-managed authority, with the Chief Executive being well-regarded both internally and externally. To take Newcastle and the council to the next level, though, requires their relationship to also move to a new level, becoming closer and demonstrating this internally and externally.

There is also differentiation in the quality of relationships between Portfolio Holders and Executive Directors. These relationships need to be given the opportunity to grow and develop. There is a need for Cabinet members and the Leader to share the workload more amongst themselves, taking the lead on different agendas. It is important for Cabinet members to be given the opportunity to develop in their roles, with the council needing to identify and put in place the most appropriate means by which to achieve this. Cabinet members also need to be amongst the key beneficiaries of the additional support that we believe is necessary for all elected members.

In respect of all of the above the coming months are crucial as the Administration moves into its second year. At this point it will cease to be seen as 'new' and so the existing momentum needs to be exploited and frustrations need to be remedied. We recognise that many of our suggestions will take time to mature but we see no reason why changes cannot now be accelerated, with energy.

Newcastle City Council has a growing national profile and influence. We are aware that, regionally, there are lingering discussions around status and relationships within the North East which we regard as unproductive and create what one partner described as a 'deficit of regional coherence'. In response, we encourage the council to be known as a generous partner and good collaborator. Newcastle is a strong and high profile city that has a vital role in the North East and we feel it should be confident of this position, exercised in partnership with the wider North East region.

### **3. Detailed findings**

- Newcastle City Council is a high performing unitary council with a prominent position in the North East. Most of the council's core services are seen to be good or excellent and the authority has a proven track record and national reputation for solid service delivery and sound financial management. Its leading role in the Newcastle City Region and the North East Local Enterprise Partnership (LEP) is well established. The council serves an increasingly diverse population of just under 300,000 and is the fortieth most deprived local authority area in the country – consequently it experienced a disproportionately higher share of the national budget reductions across local authorities.

- Politically, the council changed control in 2011 from a Liberal Democrat to a Labour Administration and the new leadership has approached this task with vigour and energy, setting new clear strategic priorities for the council and seeking a significant change of direction towards an over-arching 'Cooperative Council'.
- The peer challenge was undertaken against this backdrop and necessarily focused on a number of the challenges now facing the city and the council since the national budget reductions and the change of political control.
- In this section we reflect, in greater detail, the successes and challenges outlined by the team in the feedback they delivered on the final day of the peer challenge.

### **3.1 Strengths can be weaknesses**

- Our primary theme is that Newcastle City Council has a number of impressive strengths. It is, however, important to ensure that it has all the strengths necessary to succeed in the future. This will require the authority both to harness its current strengths in pursuit of future priorities and to introduce new ingredients to provide the right balance. If it does not address this then its existing strengths could become blocks on progress.
- Newcastle City Council is in many respects a successful council delivering good and excellent services within budget and with a loyal and committed workforce. It values stability. This is a very good starting point as the senior leadership does not have the distractions involved in needing to attend to a poorly performing organisation. The immediate future, though, provides a set of challenges that require both the council, and people within it, to provide a different response – to operate in a way that is less familiar than that which they have traditionally done. Central to all of this is a clear definition and vision of the role of the council and the priorities for the city going forward so that the organisation can accurately focus on the right change.
- The council both demonstrates and benefits from a number of strengths. However, it needs to be mindful of the fact that such strengths, where they are over-played or too heavily relied upon, can have negative consequences and potentially turn into weaknesses.
- The strong, clear and determined political leadership demonstrated by the Leader of the council is very much a strength - with virtually everybody we spoke to within and beyond the organisation commenting in a positive way on the impact Councillor Forbes has had in the ten months since he assumed the role. The council is also widely seen as a well-managed authority and the Chief Executive is well-regarded both by people within the organisation and by external partners. He is credited by many people for driving the organisation forward in the time since he was appointed, instilling rigour, robustness and a performance and delivery culture. The impressive performance and delivery of services by the organisation in such areas as adults' and children's services, as externally judged, bears witness to this.

- Thus both the Leader and Chief Executive are seen to be benefitting the council. However, there are elements of their respective approaches that need to be considered carefully in order to ensure their strengths don't tip over into becoming weaknesses for the authority.
- With a strong and determined Leader there is a risk that the political ambition for the council out-paces the ability of the organisation to respond and frustration ensues. Whilst we heard a few references to occasions when there was a firm response from the Leader to a frustrating situation we do not regard the current situation as being problematic – indeed we are of the view that people need to know where they stand in terms of success or 'room for improvement'. We do believe though that this could generate a certain degree of wariness amongst some people, which is not conducive to openness and may de-motivate people. We regard this issue as one to be mindful of moving forward. The leadership style that the Leader demonstrates is seen as different to that which the authority has experienced and many people that we spoke to cited (positively) the Leader's style as being the main difference since May 2011. The council needs to avoid the risk that this difference in leadership style comes to be the principal way in which the new Administration is defined. However, any such risk will dissipate as and when the Leader's ambitions for the city are successfully responded to by the council.
- The Chief Executive is seen to have established a very strong corporate centre and this has been integral to the driving forward of the authority in recent years referred to above. Many of the people we spoke to within the organisation though saw the corporate centre as being a very sizeable and significant force within the council and there is clearly a view that, whilst this may have been necessary in the past and has delivered benefit, changing circumstances require a different approach. We are aware that the Chief Executive is already addressing this issue and has significantly reduced the size of the corporate teams over the last two budgets whilst aiming to maintain an appropriate balance between what is driven from directorates and what comes from the corporate centre. In continuing to reduce its size, attention also needs to be given to establishing a new culture that defines the organisation's relation to the centre as there were a number of people who used language such as the 'corporate machine', perceived as sometimes over-bearing as well as a significant resource.
- Attention also needs to be paid to whether resources within the organisation have, as yet, been sufficiently shifted and refocused to reflect the new policy and political priorities. The Leader has put a clear emphasis on tackling inequality, on health and wellbeing and on early intervention. More work needs to be done to ensure the make-up and focus of the organisation reflects these new priorities. There is also a new style of engaging with local communities. The 'Let's Talk' and 'Cooperative Council' agendas aim to shift the culture of the council to one which is more outward-facing and engages more directly with local people. Further progress will need to be made to integrate these approaches and encourage this shift in style and culture throughout the council, rather than seeing them as distinct initiatives.
- To take Newcastle and the council to the next level requires the relationship between the Leader and Chief Executive to also move to a new level. For many of the people that we spoke to they have no clear basis upon which to determine the

nature of the relationship although all recognised that a top-performing council needs a strong and productive relationship at the top. Whilst it isn't apparent to many people we spoke to, our own observations were that the relationship isn't as close yet as it needs to be and there could be a deeper mutual understanding of the way each other operates. There would also ideally be a shared expression of a leadership vision for the city and the council.

- One thing that is very much in the organisational consciousness is the open letter sent from the Leader to the Chief Executive immediately after the change in Administration. The outlining of the intentions and ambitions of the Administration to the Chief Executive in this high profile way was something new to the council, although it is not new to local government. We see a need to more clearly and more strongly define the relationship between the Leader and Chief Executive and demonstrate to people what it is. They need to be seen as two people working in tandem on the same agenda, adding value to each others' efforts.
- In a similar way, whilst some relationships between members of the Cabinet and Corporate Management Team are very good, others are less developed and with some remaining tensions. Thus we see a need for people within these two groups to get to know each other and develop together. The process to create a corporate plan will provide an excellent opportunity over the coming few months to address these issues and strengthen working relationships around a common endeavour.
- In delivering success in recent years, the authority can also be seen to have adopted well-established approaches to both service delivery and the way in which it manages. Compared to the average of local government, service delivery is more strongly weighted towards in-house models; with some obvious exceptions in areas such as social care and the Arms Length Management Organisation (ALMO) 'Your Homes Newcastle' which has responsibility for the housing stock and is seen to operate successfully. The authority's intention to develop a 'Cooperative Council' approach, entailing services being delivered in cooperation with communities and with the maximum degree of community ownership, signals an adaptation of this model that will require people within the authority to adjust to a different future.
- In terms of management style, the council is seen by many internally to operate a model of strong management control – although they acknowledge this was the right approach given where the authority found itself previously. We believe that there should now be a shift to a more empowered style that enables and celebrates different approaches and cultures. The current style starts with the Corporate Management Team and so any change equally needs to start there, including taking steps to address the fact that the team is all white and all male. We do not advocate a tokenistic change nor do we feel that there should be any criticism of the team for its current make-up. It is a fact, however, that decision-making in the team is not based on as wide a range of perspectives as it could be and also that the perception fits the bill for those that regard the culture in a negative way. We are also aware that one person's view might see appropriately rigorous management whilst another person's view will see tough and 'macho', but we think it is important now to signal a change that enables a consistent view to be formed that is based on the appropriate qualities.

- We would encourage the authority to consider its way of operating and its management approach and the need to shift both to reflect changed circumstances. The corporate centre has now instilled the necessary rigour. In the future, the way it operates, combined with the appropriate management style, needs to be conducive to developing the innovation, creativity, risk-taking and responsiveness to on-the-ground/locally-identified needs that the future requires of local authorities. The authority should be confident as a result of what it has achieved and now feel able to give permission to people to act and think differently, including the ability to challenge perceived wisdom or traditional approaches. We do not, however, underestimate the scale of the cultural and structural shift that all this entails and recognise it will take time.
- The well-established ways of operating within the authority are reinforced by the fact it is a very stable organisation, with very little turnover in staff and many people spending large parts, and sometimes the entirety, of their career working there. This is an element that many people within the organisation are proud of and we recognise the value that stability can bring. However, where things are so stable it generates a set of challenges in terms of the council demonstrating freshness and diversity and encouraging, developing and implementing new ideas. It can also make it difficult for people who are new to the organisation to break into established networks within the organisation.
- Newcastle City Council has highly committed and hard working staff and elected members. Many people we spoke to talked about the council working ever harder and faster on the back of the new Administration coming in as it seeks to take forward the new political priorities. There was a sense that people measured their success by how hard they worked and the speed with which they did it. Indeed there is a lot of hard work that people within the council have undertaken and the organisation has demonstrated that it can deliver at pace, as with the establishment of the 'Let's Talk' series of consultation activities and work around initiatives such as the Fairer Housing Unit, the Newcastle Future Needs Assessment (NFNA) and the setting up of the Wellbeing for Life Board. However, the connection between the new Administration and what is being delivered needs to be stronger than it currently is. A key issue here is the need for staff to pause, reflect on what the Administration is asking for, engage informally with elected members to 'reality check' that interpretation and then agree an appropriate response. This is about working smarter not harder.
- Many aspects of what is outlined above represent a set of organisational development and cultural challenges for the authority to address. Combined with similar issues that we touch on later, we see the need for the council's organisational development strategy to underpin the changes that the organisation is going to need to deliver.

## 3.2 Lost in translation?

- The new political Administration has established a clear set of high level political priorities that demonstrate real ambition:
  - ❖ Working city – creating a new generation of good quality jobs, in a range of sectors, and helping local people develop the skills to do them
  - ❖ Decent neighbourhoods – working with local communities to look after each other and the environment
  - ❖ Tackling inequalities – tackling discrimination and inequalities which prevent people and communities fulfilling their true potential
  - ❖ Fit for purpose council – a council which leads the city by enabling and empowering others to achieve
- Councillor Forbes is widely seen as providing the main leadership and drive around many of the key challenges facing the city. Examples include his leadership of the schools and education agenda, as shown at the monthly ‘Think About’ Policy Cabinet which we attended, and chairing the Wellbeing for Life Board as the principal partnership body for the city focused on the complex social issues in Newcastle. However, some of the partners that we spoke to didn’t see an equivalent strength and clarity of leadership being shown by the authority around the economic and housing agendas. The council has proven strengths nationally and sub-regionally on its economic and ‘City Deal’ visions and has launched a consultation on its ‘Working City’ priority. Partners in these fields are keen to engage with the council to develop these strategies in the context of the work being pursued on the ‘City Deal’. Some partners encourage the council to be clearer about the leadership of the economic agenda, whilst recognising that the LEP is in its infancy. They aren’t necessarily looking for the council to assume that leadership role, but it is important that the authority helps to establish the vision and provide clarity on its own role and that of other partners.
- The housing agenda in Newcastle, in terms of the need to enhance the scale and quality of housing, is felt by some partners to be “adrift”. It was put to us that the challenges now being seen are felt to be the result of more than thirty years of avoidance of difficult decisions by the council. The council has made progress over the last year in consulting on a new planning framework for housing growth – in the form of a Local Development Framework. This was a controversial process and has generated a number of lessons learned by the council. As part of the response, a new £25million Future Homes Fund will support brownfield development. Progress is also now visible in areas of housing market renewal, particularly Scotswood. The council needs to build on this by establishing a vision for the future of housing. Achieving this will require tremendous strength of leadership and distributed leadership.
- The Administration deserves credit for having created the opportunity for debate on key issues facing the city. The discussions on a wide range of subjects including the Local Development Framework, the 2012/13 budget, the role alcohol plays in the city and the future of education are some examples under the ‘Let’s Talk’ consultation initiative. The setting up of the Fairness Commission, the commitment

to advocate a 'living wage' for people working in the city, the thinking going on around the 'Cooperative Council' concept and the consultation activity around decent neighbourhoods standards provide further examples of the way in which key issues are being considered in order to inform future direction and activity. It is important for action and change to follow as a result of these initiatives.

- Partner organisations are key to addressing many of the challenges facing the city and the council benefits from good partner engagement and relationships. We met with a wide range of partners and all of them are clearly deeply committed to Newcastle, share many of the same aspirations and ambitions and hold the political and managerial leadership of the council in high regard. As an example, the council's health transformation agenda, and commitment to public health integration and prevention, is extremely well regarded, with partners expressing a good deal of confidence in the council's grasp of the challenges in implementing the health reform agenda across the city.
- The new priorities of the council are extremely widely recognised, both within and beyond the organisation, with virtually everybody we met being very familiar with them. However, with the priorities themselves being rather broad, and without a corporate plan to turn them in to organisational action, they can be seen to have been left open to interpretation by people within the organisation. This manifests itself in many functions in the council being able to define their activity as integral to delivering the council's ambitions. There is no sense of any functions or services feeling less significant than they did previously. This is reinforced by the fact that the shifting around of resources to reflect the political priorities has yet to happen on a significant scale, with the emphasis in the budget preparations for the financial year 2012/13 being on widespread budget reductions rather than a focus on disinvestment in some areas and investment of the freed up resource in other areas.
- Similarly, each council function appears able to justify the continuation of their existing activities and ways of operating through 'retro-fitting' them to the priorities. A phrase that we heard several times from officers was them:
  - ❖ "Using the priorities as a hook to hang our activities on".
- In one sense we saw this as positive as all staff that we met want to deliver in accordance with the priorities. However, the need to change has been subsumed into an approach that tends more to re-articulate previous work in a new way. This is in our view a prime example of the energy of the organisation needing to be harnessed to achieve new and different things.
- There is clearly, in some areas, something getting lost in translation and the connection between the new Administration and what the Cabinet requires to be delivered and how the organisation is responding clearly needs a closer alignment. A key question that kept on arising within the peer challenge team was where are the outcomes, values and principles underpinning the priorities? It is our view that definition and articulation of these is necessary, to avoid disconnect, leaving the priorities open to interpretation, creating a lack of clarity amongst officers about the ways in which the Administration wishes them to operate and leaving politicians

frustrated. There is a need to ‘hard wire’ the priorities into how the organisation thinks and plans by determining the outcomes being sought by the political leadership for the people of Newcastle and the values and principles of the Administration.

- We understand that the authority intends to produce a corporate plan this autumn. This seems to us to be a key activity, with the plan representing one of the main means by which to overcome the translation difficulties, through the provision of a clear focus for the authority which is unambiguous and not requiring interpretation and, equally importantly, defines the way in which the council needs to operate. In addition to this benefit we see a further positive aspect – that of providing members of the Cabinet and Corporate Management Team with the opportunity to work together in developing the plan and, through this, go some way to addressing the need we outlined earlier of getting to know each other, understand one another better as individuals and collectively and develop together. The conversation between Cabinet and Corporate Management Team to develop an effective corporate plan is as important, if not more so, as the final product. Our earlier comment on engaging informally and productively with elected members over the development of this plan will be fundamentally important to this process.
- Left unaddressed, a disconnect between what the new Administration is seeking and some of what is being delivered could become an increasing source of tension at the senior levels politically and managerially. As we have already outlined, the council has been very successful delivering what it has traditionally done – but the immediate future provides a set of challenges that require a different response. Change needs to be transformative. There is the capacity to deliver that change but that capacity needs to be harnessed and pointed in the right direction. The organisation and people within it need to be clear about what is being sought and what to change into – clearly stated outcomes for the people of Newcastle need to inform and drive that by informing the future role of the council and the shape and nature of the organisation required to fulfil the role and secure the desired outcomes.

### **3.3 People not percentages**

- Whilst it may have come about inadvertently, the statement by the Leader that “it’s people not percentages that matter” has become common currency within the council and officers have very clearly taken on board the message that the consideration of residents and their needs must sit at the heart of everything they are undertaking.
- The ‘people focus’ principle has been heard loud and clear and it has been interpreted as also relating to staff, in terms of the council needing to value its employees, as well as to residents. We touch on this in more detail later.
- One of the key factors underpinning the council’s success in recent years has been the performance focus engendered by the Chief Executive and the corporate centre. The evidence-based decision-making and performance management approach demonstrated by the authority has been entirely appropriate and reflects

that adopted by the vast majority of local authorities. It has resulted in the council having a strong focus on measurement and numbers. This needs to change with the emphasis on evidence-informed discussion, followed by outcome-based decisions and assessment of impacts. The desire of the Administration for the council to develop a robust intelligence base shared with partners has resulted in the development of the NFNA which, whilst in its infancy, represents a positive start. However, it also represents a key test of the ability of the authority to shift from a measurement and numbers focus to something more rounded in that, as it develops, it needs to inform rather than determine policy and decisions. It must not just be used to feed a desire for data. It needs to be supplemented by qualitative information and the 'lived experience' of residents and elected members. Numbers and percentages cannot determine and drive things in isolation. Political judgement must play a role in the interpretation of the NFNA contextualised by the political priorities of the Administration and more informal engagement between the Corporate Management Team and Cabinet may prove the best way to surface this.

- Elected members are also looking for officers to deliver short and succinct analysis and briefings, whether that is verbally or through written material. Some councillors typified this as "I asked for the five key issues or messages and got five pages". This may be accurate or slightly over-emphasised but either way it is acting as a source of frustration for the Administration. Being able to focus in on an issue and get to the nub of it is a skill and represents a prime example of what we mean by working smarter not harder. Increased and improved dialogue rather than weight of written briefing is again part of a culture to encourage this development.
- With the 'people focus' principle now being well established within the authority, the council can be pleased with what are some very positive initial steps to developing a better understanding of the issues affecting local people. Many people we spoke to cited the 'Let's Talk' brand of consultation and engagement initiatives as one of the key changes they had seen resulting from the change in Administration. The range of initiatives includes 'WalkABOUTs' by Cabinet members and ward councillors, 'Talk About' consultation events, 'Decide About' sessions at ward committee level and 'Think About' Policy Cabinets. This offers a rich seam of insights and enables local people to feel involved and the authority is clearly keen to continue building on it.
- The council's communications function is well regarded by elected members and partners for its role in managing many of these processes. It displays strengths for the organisation in engaging frequently and informally with councillors over these high profile initiatives and also on the management of day-to-day media risks affecting the council's reputation.
- The authority takes pride in its development and undertaking of Equality Impact Assessments (EIA) as a means of understanding and anticipating the consequence of potential decisions. The Administration provided a very clear steer that budget proposals for the financial year 2012/13 should clearly identify the anticipated impact on residents, particularly the vulnerable, and EIAs played a central role in this. Such Assessments as they are delivered in Newcastle go beyond the requirements of the Equalities Act, incorporating a wider analysis of impact on social and economic inequality and community cohesion.

- Despite the strengths of the EIA process, the council's vision and strategy on community cohesion needs to be clearly stated given the increasingly diverse nature of the city's population, particularly in Newcastle's school age populations. The city has recently experienced cohesion challenges from the far right and there is the potential for some of these challenges to be repeated. However, the team saw encouraging examples of positive and very productive street-level community engagement programmes and initiatives, in particular on our visit to Byker ward and the new Byker Estate Community Housing Trust – an asset transfer delivery model with good potential for positive improvements on wider agendas including engagement and cohesion.
- Newcastle's voluntary and community sector is strong and generally works well. They hold the council in high regard and the sector is particularly proud of the fact that the Newcastle Fund, with small to medium sized grants, was introduced at a time when many councils were cutting back on such resources. Charities describe generally positive relationships with the new GP Commissioning Consortia on the health reform agenda, although this will require constant attention as the new commissioning arrangements take effect. The sector is also very well engaged in many grassroots community initiatives from the 'Let's Talk' programme to the Byker Trust.
- However, the council will need to consider where transformation in this sector will now come from given the continued downward pressure on resources. Like many areas of the North East the local sector, despite bidding, has not benefitted from the 'Transforming Local Infrastructure' funding round. It will be important for the council to encourage transformation in this sector both through new collaborations and commissioning arrangements (such as consortia working between local charities and national players in the city) and ensuring strong engagement of the sector in the transformation challenges facing its larger commissioning budgets – particularly in relation to health. The opportunity here is strong given the track record of good relationships.

### **3.4 Challenge or vision**

- Having outlined the issues of the historic and current management style of the council and the need for a corporate plan to articulate the outcomes for local people being sought by the Administration and the values and principles to guide the work of the council, the budget-setting process for the new financial year provides a good example of the manifestation of current approaches. Middle and senior managers talked to us about their experiences of putting forward budget proposals to the Corporate Management Team that they had developed in line with their interpretation of the corporate priorities and them being put into a system that was in effect a challenge process. There is some negativity about this approach which we believe is rooted both in the inevitable disappointment in seeing a worked-up proposal being rejected and the inherent inefficiency in putting time and effort into proposals that are not 'right first time'. This is best illustrated by one of the major proposals being presented to elected members being roundly and robustly rejected as not being in line with priorities and values. Whilst the challenge-led nature of the

process has been successful in achieving savings and setting a balanced budget for 2012/13 we believe that it isn't appropriate for the future – either in terms of the effort it absorbs or the tensions that it generates. With the advent of the corporate plan and what it will outline in terms of outcomes, values and principles, the authority has the opportunity to switch, from next year onwards, to vision-led proposals being jointly developed by Cabinet and the Corporate Management Team in what should feel like a much more constructive process.

- Looking more widely at the issue of finance and budgets, the council has well-planned finances and a clear savings strategy which it has delivered robustly going in to 2012/13. The budget for 2012/13 features savings of £30million and the medium term financial plan projects further savings totalling £54million. The council has agreed to develop a new medium-term financial strategy for the next three years following an initial one year budget introduced after the change of political control. The taking of bold decisions by the Administration will be vital in achieving these savings. However, the authority can take confidence from having delivered £80m of savings in recent years.
- The Director of Finance and Resources is well regarded across the local government sector and, with the council's policy unit, has led work on the production of 'heatmaps' that has directly influenced the national lobbying narrative on the inequitable distribution of budget cuts across deprived local authority areas. This kind of activity and profile continues to be a strength in extending Newcastle's national influence.
- As with many councils, Newcastle must be mindful that delivering cuts alone in future years is unlikely to deliver the scale of ambition that we would anticipate the council's new corporate plan to reflect – there must be a corresponding vision and delivery mechanism for transformation, as well as a linked strategy for delivering cuts.

### **3.5 It has gone smoothly – but is it different?**

- One of the key things that we were keen to explore in line with the brief agreed for the peer challenge was the way in which the first ten months of the new Administration had progressed and what people saw as the key changes that had come about since the election. When asked this, people consistently highlighted the different leadership style of Councillor Forbes and the implementation of the 'Let's Talk' initiatives. However, they also regularly used phrases such as:
  - ❖ "It has been a smooth transition because nothing much has changed" or
  - ❖ "Nothing bad happened"
- These are interesting perspectives to have emerged given the stated ambitions for the city of the new Administration, the drive of the Leader and the very different approach that the politicians are seeking in terms of the 'people focus' and the way the organisation operates. It suggests that parts of the organisation have not yet come to understand what is being sought and reinforces our earlier point about the need for staff to pause, reflect on what the Administration is asking for, engage

informally with elected members to ‘reality check’ that interpretation and then agree an appropriate response. We believe that parts of the organisation felt that success with the change of Administration was a smooth transition rather than pursuing new priorities. That said, we did not detect any resistance to change.

- In asking the senior political and managerial leadership of the council about their experiences of the organisation in terms of ‘surprises’ it had given them, they placed more of an emphasis, perhaps understandably because of their impact, on the ‘nasty surprises’. The episode experienced a few months ago in relation to the Local Development Framework proposals, which saw significant public opposition to ideas around housing development on green belt land that clearly caught the organisation out, was the highest profile of these. However, taking that as an example, there was pleasure in what was seen as the organisation having taken action to put things right and learning from mistakes. The Chief Executive felt the organisation had managed its way through this, and other less high-profile situations, without a re-emergence of the blame culture that he felt existed previously within the organisation.
- To inform and support the delivery of the ambitions of the new Administration, it has established a number of key initiatives. The most high profile amongst these is the ‘Let’s Talk’ initiative. Others include the initiation of a shift to a ‘Cooperative Council’, the Fairness Commission and consultation on decent neighbourhood standards. These initiatives have been established smoothly and are playing their part in enabling the debate to take place around key issues facing the city and the council that we touched on earlier in this report. The significance of these initiatives is that they embody a more substantial shift in the priorities, roles, responsibilities and working style of the council. They must not be seen as superficial, time-limited initiatives but instead as mechanisms to kick-start a fundamental shift in the way the council delivers services and works together with its communities. They are designed to enable a move towards a more co-designed and co-produced approach to service delivery and resource allocation. This approach has to be integrated within the organisation if they are to make any impact and deliver outcomes.

### **3.6 Pedalling harder or a different route?**

- The staff and elected members of Newcastle City Council are extremely committed and it is obvious how hard they are working. However, as we have already indicated, despite officers working harder the Administration hasn’t always received what it is seeking. The development process that will lead to a new corporate plan represents an opportunity to have a productive, open and challenging dialogue on this, which will enable officers to shift from working harder to working smarter and for the organisation to define its future role and ways of operating.
- The politics in Newcastle since the change of Administration are more overt than they have been previously – either under the previous Liberal Democrat Administration or the former Labour Administration. This is new to Newcastle but not unusual in local government: the impact of the politics and approach now being experienced by officers is the norm in many councils. There were references in some of our discussions with elected members to officers being ‘scared’ of politics. We don’t believe this to be the case but there is something about officers needing to

become more comfortable operating in a more political environment with a strongly member-led approach. Because of the nature of their past experience, some officers are unfamiliar with this dynamic and will need to adapt to it. The organisation needs to help them with this challenge.

- As a consequence of what we have outlined here and elsewhere in this report, there are some frustrations, with some remaining tensions apparent. This is less overt at middle management levels. As we have outlined, some of the relationships between senior officers and Cabinet members are very good. However, this clearly isn't universal and some relationships appear to be more strained. We hope aspects of what we have outlined in this report provide those concerned with the means by which to understand the drivers for this and address them. We reinforce here the need for people within Cabinet and the Corporate Management Team to get to know each other and develop together. We see a real need for relaxation, warmth and humour at this and other senior levels, along with recognition of the respective positions of one another and the successes that have been achieved. Developing a culture that expects ready, easy, accessible and frequent Corporate Management Team and Cabinet dialogue, both formally and informally, will be essential to this development.

### **3.7 Newcastle's place in the world**

- Newcastle City Council seems at times overly concerned with its regional position – something that we both observed for ourselves and had shared with us by external partners. We are aware that there are lingering discussions around status and relationships within the North East. There is a debate about both the status of the city within a North East which comprises a number of other important cities and places and that of the council as one of several councils from the region with a high profile in local government nationally. We regard these debates and discussions as unproductive. They create what one partner described as a 'deficit of regional coherence' – which cannot be good either in terms of drawing inward investment to the North East or the region seeking to influence national government thinking and policy. In response, we encourage the council to be known as a generous partner and good collaborator. Newcastle is a strong and high profile city that has a vital role in the North East and we feel it should be confident of this position, exercised in partnership with the wider North East region.
- Newcastle City Council has a growing national profile and influence. The Leader is engaging effectively with national government and leading figures in local government, including amongst the 'Core Cities'. Some senior officers, notably the Director of Finance and Resources and the Director of Policy, Strategy and Communications are also well connected and influential. Other senior officers have also built impressive reputations for the recent improvement track record in their services, such as the Director of Children's Services. This is the start of something rather than a position to be settled for, with the potential for other politicians and officers to seek to achieve the same and, through this, secure profile and benefits for the city and the council through their activities and influence.

- Newcastle's 'City Deal' with government represents a tremendous opportunity for the city on a range of levels. The authority needs to be mindful, however, of the capacity challenge that such a huge venture will create if it secures the go-ahead. The significant capital investment that the council has made in the city in recent years reflects the economic situation facing the city, and the drive of both the former and current Administration to move the city forward. However, there is a danger that the council feels it needs to drive investment itself rather than acting as a facilitator and enabler of investment by others. The authority will need to be vigilant to ensure this active role is accompanied by strong business cases for individual investments, balanced against the need to avoid too great a strain in terms of its borrowing capacity.
- Local private sector partners in the city are keen to engage further with the council on the development of the visions for the city – balancing the need to pay attention to high profile national initiatives with the needs of the local business base. The finalisation of the 'City Deal' will provide a strong basis for renewing and refreshing this engagement.

### **3.8 Organisational development**

- As we touched on earlier, the Administration's 'people focus' message has been interpreted within the council as relating to staff as well as residents. Whilst it is unclear whether or not this was intended there is of course something of an artificial divide between the two anyway given the proportion of council staff who are residents in the city and the fact a valued workforce, and therefore a better motivated one, benefits residents through its actions.
- We were struck by how many references there were, both in the reading material provided to us and our discussions whilst in Newcastle, regarding the positive industrial relations that the council has with trades unions. This is clearly a source of pride and rightly so – provided that this doesn't come at the expense of the organisation having to take difficult decisions further down the line regarding the future role of the council, its structure, ways of operating and models of service delivery. When having to take difficult decisions around such matters the authority needs to ensure that the considerations of the council tax payer and residents outweigh other considerations, even if this challenges what are perceived as historic strengths.
- The organisational changes, including redundancies, which have taken place to date are seen by staff to have been well managed. The desire to avoid compulsory redundancies and the effort that has gone into achieving this is testimony to that.
- More generally, people within the organisation feel well communicated with. However, there is a sense that the cascading of messages from the 'top-down' has tended to be relied upon as an approach. The internal element of the 'Let's Talk' activities has challenged this but consideration of the future role of the council, including the notion of the 'Cooperative Council', and changing the way the organisation thinks and operates, as sought by the Administration, needs to be founded on more two-way engagement. Council staff also spoke to us about the visibility of Cabinet members within the organisation, with a number of examples of

them taking the time to visit services and spend time with officers getting to understand issues. The people who had experienced this appreciated those efforts on the part of Cabinet members.

- What we have outlined above, added to the need and desire to shift to being a different organisation and the challenges posed by low staff turnover, represent a set of organisational development and cultural challenges for the authority to address. We see the need for the council's organisational development strategy to underpin the transition involved in addressing these challenges. The council clearly recognises this, given the reference in the position statement produced in preparation for the peer challenge, to produce a workforce plan alongside the new corporate plan.

### **3.9 Governance**

- The council's position statement highlights the 'rationalisation' of both the overview and scrutiny function and officer support to elected members generally. During our discussions a range of people highlighted their concerns to us regarding the extent to which this streamlining has taken place and the negative impact it potentially has on good governance and the ability of elected members to fulfil their roles to full effect. The concerns around overview and scrutiny exist on a cross-party basis and appear to be acknowledged by the council's senior managerial and political leadership. We therefore trust action will follow. As part of this, the organisation needs to develop clarity about the role of overview and scrutiny as part of good governance.
- Prompted by what had been said to us, we undertook a high level comparative analysis of officer support to elected members generally and concluded that elected members are under-resourced in the support available to them. Again, this appears to be recognised by the senior leadership and we understand there is now an intention to address it.
- We have already touched a couple of times on the differentiation in the quality of relationships between Portfolio Holders and Executive Directors and the fact that they need to be given the opportunity to grow and develop.
- Whilst the number of Cabinet members has been reduced as part of the Administration's efforts to speed up decision-making, increase political accountability, reduce the bill for councillors' allowances and cut away unnecessary bureaucracy, the creation of Deputy Cabinet members has not been without its difficulties. Officers would welcome further clarity about the respective roles of senior politicians.
- Similarly, amongst Cabinet members themselves, given their directorate-focused remits rather than cross-cutting ones, there would sometimes appear to be a lack of certainty about who is leading agendas. We see a need for Cabinet members to share the workload with the Leader. We highlighted the issue earlier in this report of the Leader's strong leadership of certain key agendas contrasting sometimes with the leadership of other agendas.

- All of this needs to be worked through, including more clearly defining the respective roles and remits of Cabinet members and, in turn, their roles and remits relative to those of their Deputies. It is also important for Cabinet members to be given the opportunity to develop in their roles, with the council needing to identify and put in place the most appropriate means by which to achieve this. Cabinet members also need to be amongst the key beneficiaries of the additional support that we have highlighted as being necessary for all elected members. It is entirely appropriate for the council to mould itself around the changed circumstances of Cabinet members' working lives.

We have sought to highlight the many positive aspects of Newcastle City Council through the peer challenge process but we have also outlined some difficult and challenging messages. It has been our aim to provide some detail on them through this report in order to help the council consider them and understand them. Much of what we have said requires a thoughtful response. The council's senior managerial and political leadership will therefore undoubtedly want to reflect further on the findings before determining how they wish to take things forward.

There is also the need to consider communication of the findings of the peer challenge with many people the team met expressing a strong interest in learning of the outcomes of the process.

Members of the team would be happy to contribute to any further improvement activity in the future and/or to return to the authority in due course to undertake a short progress review. Mark Edgell, as the Local Government Association's Principal Adviser for your region, will continue to act as the main contact between Newcastle and the Local Government Association, particularly in relation to improvement. Hopefully this provides you with a convenient route of access to the organisation, its resources and packages of support going forward.

All of us connected with the peer challenge would like to wish the council and the city every success in the future.