

Corporate Peer Challenge **Folkestone and Hythe District Council**

13 -15 June 2018

Feedback Report

1. Executive Summary

Folkestone and Hythe District Council (FHDC) is an ambitious council that sets out its vision clearly in its corporate plan (2017 - 2020). This ambition is exemplified in the council's proposals for Otterpool Park, a new town with a potential for up to 12,000 homes and up to 8,000 jobs, and other key development projects.

The council has made other bold decisions in implementing a new operational model, supported by a transformation project, which has resulted in a new senior management structure that better fits the council's ambition. A two year programme of transformation of all services was launched in February 2018. Despite some early challenges caused by the change in consultancy advisers, the work appears to be progressing at pace and with good staff involvement.

On the 1 April 2018 the council changed its name from Shepway District Council to Folkestone and Hythe District Council (FHDC). The new name better reflects the demography of the district, as the majority of the population live in either Folkestone or Hythe. The council is confident that this name change will give a stronger identity and will help the council promote the district, deliver its regeneration plans and reflect Folkestone's growing international arts/creative industries reputation.

The council is led by an executive consisting of the Leader, Deputy Leader and eight Portfolio holders. The Corporate Leadership Team (CLT) is made up of a newly appointed Head of Paid Service and two corporate directors. One of the new director posts (Place and Commercial Services) reflects the council's ambition to deliver on its key projects and to make the organisation more commercial. The new arrangements have been in place since April 2018, and seem to be having a positive effect on staff morale and are welcomed by councillors and stakeholders.

The council's finances are in a relatively good position, this year's balanced budget includes a modest use of reserves. The council has a sufficient level of reserves to meet the deficit and any other unanticipated expenditure. Like many councils, FHDC is seeking to manage the difficult challenge of reducing revenue and delivering an extremely ambitious investment/capital programme. The Medium Term Financial Strategy (MTFS) and the assumptions underpinning it need some work to agree consensus around the likely financial requirements as government grants runs out. A number of assumptions around capital receipts creating revenue streams and the anticipated savings from the full implementation of the transformation project of up to £1.8 million per year are risks. The challenge is to convert the various plans into delivery in very ambitious timescales. We recommend that the risk management arrangements within the council are reviewed as a priority.

The council has identified capacity as a challenge as it strives for continuous improvement. The council has afforded a degree of protection to front line services. To date this approach has worked well with some excellent award winning services (Revenues and Benefits, Customer Service and Business Support teams) thriving in this environment. Despite the distraction of the big new projects the council is committed to maintain a focus "on the day job". However there are some difficulties in retaining staff and reskilling staff in a changing environment. Although the transformation project may resolve this gap, it would

be useful for the council to be pragmatic in its efforts to retain key staff, look internally at the skills the council has at its disposal and to recruit new staff to vacant key positions. Flexible pay and terms and conditions are being applied to a positive effect, although the continuing role of the Personnel Committee in what appears to be minor decision making requires review. We would expect to see the council consider further delegation to the Head of Paid service in recruitment and retention decisions.

The council is increasingly seeking to become more commercial in its approach to meet its growth agenda. Initially its focus was on the requirement to bridge the funding gap, and pursue some planned and some opportunistic investments. However the council has now resolved to make a step change and pursue a far more aggressive and explicit set of commercial activities. The peer team were impressed by the range of key developments and the sheer scale of ambition, which is unusual for a district council. However we have concerns around managing expectations, capacity to deliver to timescales and knock on effect to the other services within the council. We were assured that these risks are being factored into the delivery plans for these projects, but as this is work in progress we were unable to assess the viability of the future planning within a risk framework.

The governance arrangements of the council and scheme of delegation require further review to ensure that officers and councillors can act in a timely way to ensure competitive advantage is achieved in trading and investment activities. The current arrangements are not conducive to rapid and effective responses to market opportunities. This review will need to align with an investment in commercial skills training for appropriate councillors and staff, and a renewed focus on proactive risk management. This needs to be combined with the appropriate checks and balances that demonstrate that suitable governance arrangements are in place.

The peer team was impressed by the “can do” attitude of the staff and councillors, and the goodwill and appetite for collaboration demonstrated by stakeholders, partners, neighbouring districts and county. This augurs well for future joint working. The council needs to consider how to maximise the benefit of these relationships for the good of Folkestone and Hythe residents.

2. Key recommendations

There are a range of suggestions and observations within the main section of the report that will inform some ‘quick wins’ and practical actions, in addition to the conversations onsite, many of which provided ideas and examples of practice from other organisations. The following are the peer team’s key recommendations to the Council:

- 1. The council should align vision, priorities, business and delivery plans and communicate them to councillors and staff.** The council has a very clear high level vision, as set out in the corporate plan (2017 - 2020). Some further work needs to be given to joining up the vision and showing how it links to council priorities, and other related plans. This should be underpinned by a refreshed Medium Term Financial Strategy (MTFS), and complemented by a clear performance and risk management framework to help ensure its delivery.

2. **The Council needs to promote the good things it is doing in a more strategic way.** The council should consider how to better promote itself, as a leader of place, a service delivery organisation and strategic partner. The council should clarify its role in promoting Folkestone and Hythe, the place.
3. **The Council should explore the potential for more strategic partnership working and Place Shaping.** The opportunity exists to explore the potential for more strategic partnership working and place shaping. The recent renaming provides a suitable vehicle to review the approach to promoting Folkestone and Hythe as a place to live, conduct business and visit. However resources will need to be identified by FHDC to ensure that it maintains its credibility as a partner organisation.
4. **The Council's medium term financial position needs to be agreed and necessary detailed action plans put in place, as a matter of urgency.** The peer team identified that assumptions underpinning the Council's MTFs are not currently agreed by all. A coming together and refreshed approach going forward is necessary to deliver to the MTFs and to ensure that the council remains in a position to continue to deliver its services and to have resources in place to develop its key projects.
5. **The Corporate Leadership Team (CLT) need to clearly communicate the objectives of the Transformation project and be seen to be driving and clearly communicating the benefits of its delivery.** The council has undertaken a number of transformative organisational projects in the recent past, with varying degrees of successful outcomes. Not all staff are clear about the objectives of the current programme. In particular there is a need to manage expectations, as to the likely staffing requirements in the "transformed" organisation.
6. **The Council should put in place training for appropriate councillors and officers to ensure they have the skills to meet future financial and commercial challenges.** The changing focus of the council to a more commercially oriented organisation, requires a different approach to staff/councillor training and development. In particular expertise in commercial skills, risk management and the consequences of decisions taken will need to be addressed. The LGA offers a range of commercial skills training and support, visit www.local.gov.uk/commercialisation to find out more.
7. **Risk management arrangements have lapsed and need to be reviewed and adopted as soon as possible.** The council is aware that its risk management arrangements require renewed focus, especially as the council manages its MTFs and extends its ambition through the continuing implementation of its key projects. We understand that the council's corporate risk policy will be refreshed during the first half of 2018/19 and this will be followed by a comprehensive review of the risk register to ensure that it is fit for purpose and aligned to corporate priorities. We recommend that this work is undertaken as a priority action.
8. **Governance arrangements should be reviewed to reflect more dynamic and flexible delivery of the Council's priorities.** Some aspects of the current arrangements are hindering the aspiration to be a "fleet of foot" commercial organisation. The current arrangements are not providing the freedoms and flexibility

that is required to retain staff and to exploit commercial possibilities, such as tendering for work. This approach will require renewed governance arrangements.

9. **The Council needs to develop strategies to underpin commercial investments, risks and decision-making to enable effective monitoring of progress and accountability.** The council needs to create an investment framework from which it can take commercial decisions in an agile yet prudent manner. This framework should profile acceptable risk and return against individual asset categories and performance metrics alongside return on investment. The council should put in place processes to facilitate compliant decision-making within market timescales, to hold to account contracts and business plans and a mechanism to stop projects that consistently and significantly fail to meet targets or contractual obligations. If projects fail to perform to projected potential, analysis should be shared to inform future project proposals. Strategies should be regularly reviewed to ensure they appropriately support the council's commercial purpose.
10. **The council should clarify its approach to commercialisation, with the scope including new income streams while retaining its focus on land and property projects.** The council has been very successful in maximising its land and property portfolio. It would be prudent to consider the potential of other opportunities, continue to review alternative operating models achieving net cost reductions, and assess the potential for joint commercial endeavors with neighbouring councils and other partners.
11. **The council needs to agree an order of priority for future projects and retain a focus on current work.** In delivering its ambitious programme the council needs to harness capacity and to focus on its absolute priority projects. Some work around consensus is required to alleviate the current disparity of view and ensure a consistency of approach across the council.
12. **The council requires a renewed and consistent focus on staff recruitment and retention.** The deliverability of the council's aspirations is dependent on a number of key individuals, and it is necessary to ensure that they remain with the council. Additionally as the requirements of the new challenges of the transformed commercial organisation become more visible then different skill sets will be necessary to ensure deliverability of both the key projects, and to ensure that the essential service delivery continues to improve.

3. Summary of the Peer Challenge approach

The peer team

Peer challenges are delivered by experienced elected councillor and officer peers. The make-up of the peer team reflected your requirements and the focus of the peer challenge. Peers were selected on the basis of their relevant experience and expertise and agreed with you. The peers who delivered the peer challenge at Folkestone and Hythe District Council were:

- Councillor Peter Fleming OBE – Leader Sevenoaks District Council
- David Marchant – Chief Executive, Castle Point Borough Council
- Vic Allison – Deputy Managing Director, Wychavon District Council
- Stephen Hill – Strategic Director, Dorset Councils Partnership
- Helen Hull – Commercialisation Adviser, LGA
- Mark Harrison – Peer Challenge Manager, LGA.

Scope and focus

The peer team considered the following five questions which form the core components looked at by all Corporate Peer Challenges. These are the areas we believe are critical to the councils' performance and improvement:

1. Understanding of the local place and priority setting: Does the council understand its local context and place and use that to inform a clear vision and set of priorities?
2. Leadership of Place: Does the council provide effective leadership of place through its elected councillors, officers and constructive relationships and partnerships with external stakeholders?
3. Organisational leadership and governance: Is there effective political and managerial leadership supported by good governance and decision-making arrangements that respond to key challenges and enable change and transformation to be implemented?
4. Financial planning and viability: Does the council have a financial plan in place to ensure long term viability and is there evidence that it is being implemented successfully?
5. Capacity to deliver: Is organisational capacity aligned with priorities and does the council influence, enable and leverage external capacity to focus on agreed outcomes?

In addition to these questions, you asked the peer team to consider, review and provide feedback on commercialisation. The council feels it is the right time to take stock of its commercialisation plans, especially as the new corporate director (place and commercial) has recently joined the council.

The peer challenge process

It is important to stress that this was not an inspection. Peer challenges are improvement focussed and tailored to meet individual councils' needs. They are designed to complement and add value to a council's own performance and improvement. 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 for the peer challenge 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 three days onsite at Folkestone and Hythe during which they:

- Spoke to more than 120 people including a range of council staff together with councillors and external partners and stakeholders.
- Gathered information and views from more than 50 meetings, visits to key sites in the area and additional research and reading.
- Collectively spent more than 200 hours to determine their findings – the equivalent of one person spending more than 5 weeks in Folkestone and Hythe District Council.

This report provides a summary of the peer team's findings. It builds on the feedback presentation provided by the peer team at the end of their on-site visit 13 -15 June 2018. In presenting feedback to you, they have done so as fellow local government officers and councillors, not professional consultants or inspectors. By its nature, the peer challenge is a snapshot in time. We appreciate that some of the feedback may be about things you are already addressing and progressing.

4. Feedback

4.1 Understanding of the local place and priority setting

The council has a very clear high level vision, as set out in the corporate plan (2017 - 2020). Some further thought and work needs to be given to joining up the vision with the council priorities, embedded in strategy and described in (SMART) delivery plans. Although current priorities appear to be agreed, they are sometimes interpreted differently between councillors and officers. This situation should be improved once policies and delivery plans are realigned with the council's vision.

There is a clear and generally shared understanding between FHDC and its partners of the challenges and opportunities facing the district. The context for this is set out in the council's corporate plan 2017 - 2018, and is expanded upon in the associated delivery plan. This vision plays out in the council's ambitious plans for key development projects, including those for Otterpool Park new town. The council will need to further consider its absolute priorities for delivery in the context of capacity and expertise shortfalls. Clarity about the longer term revenue position of the council and the current work on developing an overall investment strategy and related delivery plans is timely. The rationale for prioritisation for achieving the desired outcomes requires further focus by the council. The council's recent approach in developing a more strategic and business-like approach to asset management may provide assistance in developing this work.

Environmental services, grounds maintenance and street scene services are a priority and appear to be delivered well. These services maybe suitable for further commercial focus, and staff should be encouraged to explore opportunities once the council's approach to commercialisation has been agreed.

Community services are undertaking some excellent multi-agency work. If these services remain a priority for the council then consideration should be given to allocate additional resources. One source maybe through the potential of developer contributions following from Otterpool Park. The council will need to intervene to act as a catalyst for the new Otterpool Park community, and assist to develop coherence, help it start to look after itself and to achieve the attributes of a settled town. The preparation of a strategy for the long term stewardship of assets will be helpful in this regard.

The developing integration of planning and enforcement services is producing a more coherent approach to this service. Officers anticipate that work will be better managed through a, soon to be adopted, model of area based officers managing some locality based services. The council may also wish to consider developing a resourced Community Safety Unit to raise profile and better engage, at both operational and strategic levels, with appropriate partners.

As a consequence of the desire to modernise services through a process of continuous improvement and delivering a very ambitious key development programme while continuing to deliver the basic services, the council has started a

transformation project. This was launched in February 2018, following the development of a blueprint late in 2017, and aims to ensure that the council is fit and able to meet the expectations of residents and to achieve the political aspirations of the council. The intention is that a new operational model is developed, implemented and fully mobilised by early 2020. The council is being assisted in this work by public sector consultants iESE, who have very recently (April 2018) been engaged by the council to support this work. This refreshed approach appears to have had a positive impact on the majority of staff who now seem more fully engaged, and feel able to affect the outcome of the change process. It appears that some services have already improved and are working very well. We would advocate that these service areas are reviewed in the context of their success in interaction with their customer and congruence with the essential features of the new operating model. We saw the high level and indicative implementation plan for the project, and recommend that a more detailed plan be developed, agreed and communicated with staff as a priority action.

The peer team identified some confusion around the objectives of the transformation work currently underway and inconsistencies of ownership at senior officer level as a result of the modified approach and change in consultant team. The council intends to develop a communication plan to ensure complete understanding of the objectives of the transformation programme. This will help individual staff and councillors to identify their contribution to its successful delivery and to recognise tangible outcomes.

A refreshed and well resourced (compared to other district councils) communications team, with a supportive Portfolio Holder focus appears to be working well, and importantly is very aware of its central role in promoting the council's work and promoting Folkestone and Hythe, the place. The recent renaming (1 April 2018) has provided impetus for the council to become more outward looking in its communications. The future ambitions of the council, and especially the key development projects are supported through good quality documentation, much of which is available on the council's website. Current proposals to upgrade the intranet will be useful, in ensuring that all staff are kept aware of the redesign work and its alignment to the achievement of the council's objectives. The recent changes in the senior management team and their focus on transparency and open communication with staff, are appreciated and welcomed by staff. There is the potential to further engage with partners to ensure that the council is seen to be more aware of the possibilities of promoting the district. The peer team talked with a number of organisations that share a mutual interest in promoting the district as a venue for arts and culture. Folkestone, in particular benefits from the work of the Creative Foundation and Sir Roger de Haan's charity. Although relationships are good, the opportunity exists for the council to raise its game in promoting the district to a wider audience.

Consultation arrangements appear to be disparate and require routing through a corporate framework. The key development projects present an opportunity for learning across the council as to date, they appear to demonstrate exemplars of meaningful consultation with public and stakeholders.

The council needs to promote the good things it is doing in a more strategic way. The council should consider how it defines itself as a more commercially oriented organisation, and to clarify its role in promoting Folkestone and Hythe, the place. The opportunity exists to explore the potential benefits of more strategic partnership working and place shaping.

4.2 Leadership of Place

The council appears to coordinate well with, and contribute to, local partnerships and regional structures. The peer team met with a number of partners and relationships appear to be productive. The council plays an active role and is able to take the lead when called upon. This is evident in the community safety partnership, where the council works closely with partners to deal with anti-social behaviour and crime, thereby supporting the health and wellbeing agenda.

The council is able to clearly articulate its vision, and provided a number of examples to demonstrate this e.g. Otterpool Park Garden Town and Local Plan policies. The peer team were impressed by the breadth of vision demonstrated in the key development projects. There appears to be good political and managerial buy-in and leadership of the agenda within the council. The clarity of the vision/ambitions of the council will need a relentless focus to ensure that the narrative is understood and shared across the council and with stakeholders.

The impact of these key built developments and forming new communities is still “work in progress”, and time/resource will need to be set aside for further planning and client/project management in order to ensure deliverability and that current service provision is not adversely affected.

The council seems to exhibit good engagement with other service providers at a strategic level, for example, the Service Transformation Plan Board and the Health and Wellbeing Board (HWB) are good examples of this. The HWB intends that community-based services will be designed and delivered around local people in four localities (Deal, Dover, Folkestone, and Hythe & Rural).

At a local level there is evident and successful engagement with local businesses. There is a programme of regular dialogue with key businesses, through the Business Engagement Programme, which looks at opportunities for new business accommodation, the supply of which would encourage businesses to relocate in FHDC, and possibly provide an income stream for the council.

The council understands and engages positively with local stakeholders.

Some consideration needs to be given to further strengthen certain relationships, one example is the Clinical Commissioning Group, with a view to continue to address the healthy places agenda. We noted that the Community Services team has been reduced, and has restricted capacity to work with partners. This situation may well be reviewed within the scoping and service redesign implicit in the council’s transformation project.

The deployment of new communities as a consequence of the Otterpool Park development will require additional consideration and resource allocation to ensure the social fabric of the new town. The council continues to give consideration as to the infrastructure necessary to support the new residents of Otterpool and existing adjacent communities. A strategy to guide the long term community stewardship of the town is in preparation.

If enforcement activity (Public Space Protection Orders, homelessness and Anti-Social Behaviour), is to remain a priority for the council, then further consideration, about skills and resources, should be given to ensure that enforcement activity is robust and consistent across the district.

The council needs to clarify its role in promoting Folkestone and Hythe, the place. The opportunity exists to explore the benefits for more strategic partnership working and place shaping. The recent renaming provides a suitable vehicle to review the approach to promoting Folkestone and Hythe as a place to live, to do business and visit. The sheer scale of the seafront development, the creative industries and digital presence all provide opportunities to reprofile the district.

4.3 Organisational leadership and governance

The Leader and senior councillors demonstrate a clear and collective ambition for the growth of Folkestone and Hythe and this has enabled difficult decisions to be made. The peer team was provided with concrete examples of strong leadership, in dealing with austerity through organisational review, investment in key projects and digital infrastructure in order to continue to meet resident needs. The implication of these changes is still working its way through the organisation and careful attention will need to be maintained to ensure staff remain engaged and supportive of the process. The council is developing a communications plan to strengthen its position in this area.

The recent appointment of the new Head of Paid Service and two Corporate Directors is well regarded by councillors, staff and external partners. It is early on in the new managerial arrangements, and time for review and evaluation should be built into the transformation delivery plan. Whilst it is early days, changes to the management structure have resulted in a positive change of culture and style and this is encouraging a more inclusive approach to transformation. This is welcomed by many of the staff, and they are seeking reassurance that they will continue to be actively involved in service redesign and implementation of the new structure.

The Corporate Leadership Team (CLT) has become more visible, is actively listening and keeping staff better informed about the transformation agenda. This is important in maintaining staff confidence. The council has however had successive restructures which has been a drain on resources. This has led to some unintended consequences, such as the loss of key personnel. The transformation agenda, in previous iterations, has a mixed record of delivery and some staff affected have lost confidence in the process and this has adversely affected morale.

Corporate risk management arrangements have lapsed and councillors and senior managers need to be able to assess the risk and the impact of their individual decisions on the Council. This situation requires immediate attention, as councillors continue to consider recommendations from officers on key service and development projects, commercial opportunities and partnerships. We understand that the council corporate risk policy will be refreshed during the first half of 2018/19 and this will be followed by a comprehensive review of the risk register to ensure that it is fit for purpose and aligned to corporate priorities. The council's Head of Finance will undertake this review with Heads of Service actively embedding risk management within service delivery.

The council has a standard model constitution (adopted 2002). This is consistent with the CIPFA/SOLACE framework "Delivering Good Governance in Local Government". The scheme of delegation was recently reviewed, despite this it appears that officers still have to seek formal authority for minor decisions. Governance arrangements should be reviewed to reflect a more commercial, dynamic and flexible approach to the delivery of the council's priorities.

The role of Overview and Scrutiny Committee in making commercial decisions is clear, it forms part of the annual programme of work. The committee has considered Otterpool Park and other key development projects. The committee's views/recommendations are communicated to Cabinet.

4.4 Financial planning and viability

The council is seeking to manage the difficult challenge of reducing revenue and an extremely ambitious investment/capital programme. The council has a current revenue budget of £14.364 million net, and a five year capital expenditure budget of £23.583 million.

The council has consistently planned its finances on a medium term basis and has retained sufficient revenue reserves to allow flexibility over the medium term. The council's relatively good financial position provides a good base to maintain its services and to progress its ambitious growth agenda.

The peer team met with the finance team at the council. They are highly regarded and financial management processes are robust. The latest MTFs shows an annual deficit of over £3m by 2021/22 resulting from increased costs and reduced central government funding. However the peer team identified that assumptions underpinning the council's MTFs are not universally agreed by all. A coming together and joint approach going forward is necessary to deliver the MTFs, ensuring that the council remains in a position to continue to deliver its services and to have resources in place to develop its key projects.

To help address revenue challenges the council has identified opportunities to generate income and explore different operating models and these are currently being explored by the council.

The council has also decided to achieve its corporate plan objectives (more jobs and homes) and to increase revenue through its ambitious capital key development projects. Both Otterpool Park and Princes Parade are examples of this approach. These developments have significant potential to bring funds to the district as well as increasing housing and employment but there are downsides if the risks are not managed appropriately. The proposals may require significant borrowing, and this will require careful treasury management and robust financial planning. In the case of Otterpool Park where the generated funds are likely to be in the form of capital receipts, the council intends that the receipts will be invested to generate ongoing revenue returns.

Historically, there is evidence of quite large year end budget variances and potential improvements to the budget management process have already been identified as an area for priority action by officers. It is important to rectify this, as service redesign will require a clear understanding of service costs and overheads, and any capacity can be redirected to priority areas.

The intention is that the council will adopt a multistrand approach to address its budget challenges. Key to this is the service transformation programme, which is projected to save up to £1.8 million per annum by 2020/21. The service transformation programme and its delivery is integral to the sustainability of the council's finances and its ability to deliver new projects and to deal effectively with the continuous changes required of councils. However current plans for addressing the financial shortfall, including but not limited to the service transformation programme, lack the necessary detail to provide a high level of confidence that the required savings can be delivered, at this early stage.

The service transformation programme and its delivery is integral to the sustainability of the council's finances and its ability to deliver new projects and to deal effectively with the continuous changes required of councils. It is predicted that the full year effect of the programme will eventually save the council up to £1.8 million.

As the council adopts a more commercial approach in some of its activities, the skills of certain officers and councillors will require refreshing. A number of councillors and officers will need to have sufficient commercial financial expertise to make the decisions that lie ahead and to have the governance framework that supports this.

4.5 Capacity to deliver

The organisational health of the council seems good and improving, with reduced staff absence, improved morale/satisfaction (as evidenced in the annual Employee Engagement Survey 2016 - 17) and currently an absence of forced redundancy. Staff have identified key areas of concern, and as a consequence the council is taking proactive action to improve its (internal) communications, culture, IT and benefits package.

The council recognises it has capacity issues in some teams, and knows that tactical action is required now to avoid service disruption and delayed delivery of corporate projects. The required short term approach will be pragmatic and will aim to retain existing key staff and to recruit to necessary key positions, prior to the full implementation of the transformation project. This will be achieved through a combination of bespoke salary and benefits packages and staff development and talent management. The council has a demonstrable track record of investment in staff. Their offer includes Institute of Leadership Management (ILM), diplomas and certification, e-modules, bespoke training and team building facilitation in a considered strategy of “growing your own” staff. Much of this is provided in-house in a cost effective and appropriate way. The People Development Strategy is currently under review and aims to better reflect the changing requirements for staff. This is in recognition of the need to be flexible in staff recruitment, retention and development. The peer team were apprised of proposals to review the current people strategy and recommend that commercial skills, in the appropriate teams, are developed and recognised, as one of the outcomes of this review.

The implementation of the transformation project, and realignment to ensure that the organisation is fit for purpose is in recognition of the council’s intention to become more resilient and efficient through streamlined processes and better use of ICT. Some ‘transformation fatigue’ is evident in the organisation and concerns, from staff, will need to be addressed through the proactive engagement of CLT and at appropriate times the political leadership of the council.

The council has a proven track record of delivery of projects, but the peer team expressed concern and urged caution about the sheer scale of ambition of projects, e.g. Otterpool Park. The current proposals need to be realistic about expectations for Otterpool Park Town development regarding the timescales of financial benefits to the Council. This observation leads us to recommend a review of all current capital projects against a set of criteria that relate to the corporate objectives of the council. This is because there needs to be agreement on the order of priority for existing and future projects and a renewed focus on continuing to improve existing and non-traded services. The council has the potential to develop the approach as set out in the asset management strategy, which sets out a route to determine key principles in managing its key project development and a methodology for determine what an asset is and where it sits in the scheme of things. The council should take stock of progress made in exploring the commercial viability of services and find a way of sharing the learning and incorporating it into the transformation project. There remains a need to agree the order of priority for future projects whilst retaining a balance on continuous improvement in existing services.

The peer team suggest there is mileage in further collaboration and cross organisational working (e.g. is there the potential and opportunity to explore joint commercial activity with other public sector bodies within the district/region). Opportunities have been identified to extend FHDC services, such as Lifeline to other areas and for other applications (such as identification and assistance to lone athletes), but this will initiative will require additional officer time and some start up resources to assess its viability. It is clear that strong partnerships are

already in place with neighbouring districts, through the East Kent Growth Board, it may be that these councils have similar commercial aspirations that could be explored for mutual benefit.

We were impressed with the range of back office support provided to front line services. However we question whether the back office (including HR and legal) is equipped to support the increasing commercial activity of the council. As the council develops commercially, thought should be given as to how these back office services will balance commercial activity with statutory/non-income generating work.

4.6 Commercialisation

The council demonstrates a positive commercial ambition: “what the Council has done is brave; it is the right thing to do – a business partner”. This is exemplified in the move towards a new operating model, improving traded services and key development projects. This approach is having a significant impact across the council, as the effects of a new commercial approach permeate the organisation. There is a disparity of skills levels and ability to work in the new commercial environment. Some are very comfortable with it and embrace the concept, but others are anxious and feel ill-equipped to deal with the changing environment. CLT appear to be sensitive to this and the staff engagement aspects of the transformation project will need to be carefully and sensitively managed to ensure that staff are not disadvantaged.

The council is aiming to achieve stability, which is one of the corporate objectives, through a commercial and collaborative approach. The approach to date appears to be both planned and opportunistic. The council has its own regeneration and housing company; Oportunitas. The peer team were pleased to see that the council’s key development projects consider big picture benefits – e.g. regeneration, job creation and quality of life outcomes. The council is aware that it wishes to derive capital receipts to further enhance services and to reduce the revenue funding gap. Therefore it has resolved to become involved in a far more explicit set of commercial activities in pursuit of its aims.

The recent renaming to Folkestone and Hythe District Council identifies a clear geographic brand, providing a solid foundation for local, national and international work. The district already has significant activity as a gateway to Europe, a centre for the digital and creative arts, a location for festivals such as the internationally renowned Folkestone Triennial. The council will need to identify a way/resource to maximise these opportunities, to improve its profile.

The peer team were told by a stakeholder “We are impressed with Folkestone and Hythe’s approach to agile working – unusual for a council”. This is to be commended and further emphasises the need to review arrangements for decision making, to ensure that commercial opportunities are properly considered and decisions made in a timely manner, in order not to adversely affect competitive advantage.

The Council has a strong asset base, providing a good foundation for commercial activity. A series of detailed plans are in development and these will help to underpin commercial investments, risks, and decision-making and to enable effective monitoring of progress and accountability.

We think that greater clarity and consistency is required regarding purpose and outcome for commercial investments. Therefore new acquisitions, disposals, traded activities and assessment of new business opportunities will require a framework for decision-making. Currently some officers are uncertain as to their powers to dispose of sites, for example, leading to potential disadvantage in maximising financial benefit to the council. A review of the constitution, in this area, would be beneficial.

5. Next steps

Immediate next steps

We appreciate the senior managerial and political leadership will want to reflect on these findings and suggestions in order to determine how the organisation wishes to take things forward.

As part of the peer challenge process, there is an offer of further activity to support this. The LGA is well placed to provide additional support, advice and guidance on a number of the areas for development and improvement and we would be happy to discuss this. Kate Herbert, Principal Adviser is the main contact between your authority and the Local Government Association (LGA). Kate's contact details are: kate.herbert@local.gov.uk / 07867 632404.

In the meantime we are keen to continue the relationship we have formed with the Council throughout the peer challenge. We will endeavour to provide signposting to examples of practice and further information and guidance about the issues we have raised in this report to help inform ongoing consideration.

Follow up visit

The LGA Corporate Peer Challenge process includes a follow up visit. The purpose of the visit is to help the Council assess the impact of the peer challenge and demonstrate the progress it has made against the areas of improvement and development identified by the peer team. It is a lighter-touch version of the original visit and does not necessarily involve all councillors of the original peer team. The timing of the visit is determined by the Council. Our expectation is that it will occur within the next 2 years.

Next Corporate Peer Challenge

The current LGA sector-led improvement support offer includes an expectation that all councils will have a Corporate Peer Challenge or Finance Peer Review every 4 to 5 years. It is therefore anticipated that the Council will commission their next Peer Challenge before 2023.

