

Agenda Item No: 18
Report To: Cabinet
Date: 14th July 2016
Report Title: EXPLORING THE MERGER OF THE FIVE EAST KENT DISTRICT COUNCILS
Report Author: Chief Executive, Tracey Kerly
Portfolio Holder: The Leader of the Council, Cllr Clarkson



Summary:

The report seeks approval in principle, based on the jointly agreed Statement of Intent attached as Appendix 1, to explore the merger of the five East Kent District Councils of Ashford, Canterbury, Dover, Shepway and Thanet. This is in response to financial challenges facing local government and the opportunity to drive improvements and growth in the East Kent area.

Key Decision: YES

Affected Wards: All

Recommendations: **The Cabinet be asked to:**

- 1. Receive and note the report**
- 2. Consider and approve the Statement of Intent (outlined in Appendix 1);**
- 3. Agree to the recommendation that the five councils explore the merger of the East Kent district councils based on the following arrangements:**
 - a) That the Chief Executives of the councils jointly commission work to prepare a Business Case to examine the advantages, disadvantages and potential mechanism of a merger of the five East Kent district councils;**
 - b) The provision of up to £20,000 funding, from each council, to support the preparation of the Business Case (background information is provided in Appendix 2 for developing the draft Business Case).**
 - c) The delegation to the Councils' Chief Executives, in consultation with the Leaders to agree the specification and management of the Business Case**

4. **If recommendations 2 and 3 are agreed, for each Council to raise specific points and issues they would like to be considered as part of the specification of work to be covered by the Business Case.**
5. **That the final version of the Business Case should be reported back to each council once completed before any formal commitment is made to any further decisions or process.**
6. **That Cabinet recommends to Council that the formulation and agreement of any plan or strategy to implement any proposed merger of the East Kent district councils be a matter of Policy Framework and be reserved for the consideration of Full Council pursuant to Article 4.01 (a) of the Constitution of the Council.**

Policy Overview: Council is asked to agree the recommendations set out below because:

- a) Local Government in England faces the combined challenges of increased demand for services coupled with further downward pressure on funding.
- b) Local councils have the opportunity through the Cities & Local Government Devolution Act 2016 to take the steps required to make services more efficient, local government, transformed and redesigned around a new model.

Financial Implications: The financial resource required is up to £20K per authority to undertake the business case. The business case itself will consider the feasibility, and a clear priority for the consideration of an East Kent district is the savings that will be made from such a move. This information will be brought back to Council when complete and for each council to decide if it is supported.

Legal Implications This report merely seeks authority to explore the merger of the five East Kent District Councils of Ashford, Canterbury, Dover, Shepway and Thanet. It does not seek any commitment beyond this.

Legal mechanisms which could be used to enable a merger to take place are already incorporated within local government legislation. Any analysis of how these legal mechanisms would operate in an East Kent context and of the legal implications of engaging them is beyond the scope of this report. This analysis would be undertaken at a later date in the light of any specific proposals that emerge from the exploratory work envisaged by this report.

Risk Assessment As included in the body of the report

Equalities Impact Assessment There are no diversity or equalities issues arising from this report

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Purpose of the Report

1. To seek approval in principle, based on the jointly agreed Statement of Intent attached as Appendix 1, to explore the merger of the five East Kent District Councils of Ashford, Canterbury, Dover, Shepway and Thanet. This is in response to financial challenges facing local government and the opportunity to drive improvements and growth in the East Kent area.

Issue to be Decided

2. Cabinet is asked to consider the information provided within the report and
 - a. approve the Statement of Intent
 - b. commission the production of a Business Case in order to further explore the possibility of merging the five East Kent districts. The Business Case will be brought back to each Council for formal consideration.

Background

3. THE NATIONAL PICTURE
4. Local Government faces the combined changes of increased demand for services coupled with further downward pressure on funding. In order to take the steps required to make services more efficient, local government may need to be transformed and redesigned around new models. Furthermore, the Government has announced that by 2020, local authorities will be entirely dependent upon the income from local taxation (business rates and council tax) for their core funding, as core grant funding from central Government will be phased out.
5. Debates on the structure of local authorities and the viability of the two-tier system are nothing new, but they have been re-energised by the prospect of devolution, public sector reform and long-term changes to local government financing.
6. THE LOCAL PICTURE
7. Discussions have taken place between all Kent councils to identify the most appropriate and fitting response to the Governments invitation. There are separate conversations taking place across the whole of Kent on the possibility of making a bid to Government for the devolution of powers and funding from Government to the public sector in Kent. The five East Kent district councils, whilst being party to these discussions are also keen to build on the economic and social cohesion of the area of East Kent.

8. Separate conversations have therefore been taking place between the Leaders of the five East Kent district councils, and latterly the Leader of the County Council, to explore;
9. a) the possibility of the merger of the five councils into one larger district; &
b) the opportunity to distribute powers and functions more logically in the two-tier area.
10. In order to assist with this, the five East Kent districts jointly commissioned consultants (Grant Thornton & Bevan Brittan) to facilitate three workshops. These looked at:
11. 1. The art of the possible –what could be achieved for East Kent and why;
12. 2. The exploration of the preferred option and considered deal-breakers and how we could achieve this option.
13. 3. Engagement with KCC as a key stakeholder to consider the opportunity to redistribute powers in the two tier area.
14. The Statement of Intent is the result of this work and we are seeking endorsement to that Statement as the basis for further work to explore the possibility of an East Kent district (see Appendix 1).
15. In addition, East Kent is continuing to work with Kent & Medway in many areas of commonality and mutual benefit.

How did this position come about?

16. The Kent Council Leaders meeting asked all District Leaders to consider the appetite for devolution and to bring back their position for open discussions in the New Year (2016).
17. The Leaders and Chief Executives of the five East Kent authorities (Ashford, Canterbury, Dover, Shepway and Thanet) with the support of Swale (attending as observers) have worked with Grant Thornton and Bevan Brittan to consider the possibilities and to bring us to this point. There is provisional evidence to suggest that creating an East Kent district could deliver savings as well as reinforcing the ability of local Government to provide better outcomes for the residents, businesses and visitors to the area. Historically, East Kent has worked well collaboratively on such issues and this work seeks to build on these relationships for the benefits of our communities.
18. The drivers for the potential East Kent arrangement were agreed by the Leaders as:
 - Cohesive Economic Development, growth & regeneration
 - Housing Growth (affordable and total care for an ageing population) & delivery
 - East Kent Local Highway Maintenance;
 - Skills and employment opportunities;
 - Health & Wellbeing agenda; and
 - Rationalising organisational structures.

19. With the aim to deliver:
 - A more effective local government that is lean and commercial in its approach;
 - A reduction in the numbers of different management structures;
 - Clarification of governance for clear decision for each level of powers;
 - Upwards and downwards devolution of services in order to achieve best fit and most logical and effective outcomes.
20. The result of these discussions has led to consensus to explore the benefits and savings that could be achieved through the establishment of a merger of the five East Kent district councils, into a single district authority.
21. In addressing the question of re-organising the powers and functions of the two tier system, Leaders have also identified that an exploration of opportunities to consider the distribution of powers between a new District and the Town/Parish Councils contained or created within its boundaries should be looked at in the Business Case.
22. As said above, as part of the Business Case, we would seek to specifically consider what powers and functions currently held by either Kent County Council or the district councils could benefit from being redistributed or co-commissioned, should an East Kent district be deemed viable. Preliminary discussions with Kent County Council have identified the following services and functions that should be investigated further as part of the Business Case:
 - Health & Social Care (including CCGs)
 - Waste collection and disposal managed by the same authority
 - Environmental Health, Trading Standards
 - Housing – supporting independence
 - Community and leisure facilities including libraries
 - Transport Policy – particularly as it connects to Local Planning
 - Operational Highways, including environmental and road maintenance e.g. potholes, verges, roundabouts etc.
23. This list is by no means exhaustive, however, it identifies areas that could benefit from greater collaborative working with partners and could fit well with a larger district, such as East Kent.
24. NEXT STEPS AND INDICATIVE TIMESCALES
25. The five East Kent districts are seeking approval in principle to explore the advantages, disadvantages and mechanisms of a potential merger of the current five districts into one East Kent District Council.
26. If moving towards an East Kent district council is viable and all five district councils agree to pursue this and the Business Case provides compelling evidence that this option will produce savings and economies of scale, the indicative timescale is to have the new East Kent authority in place before the next Local Elections in 2019.

27. Once completed, the Business Case will be brought back to Council for formal consideration.

Risk Assessment

28. The risk management issues are summarised below:

Perceived risk	Seriousness	Likelihood	Preventative action
Reputational	4	3	To work closely with members and other neighbouring authorities in the ongoing discussions and debate.
Financial	3	3	To consider and grasp opportunities for financial savings and efficiencies through selected proposals.
Legal	5	2	To ensure any proposals are robust and follow legislative procedures, working closely with key Government Departments.

Portfolio Holder Comments:

The Portfolio Holder is the Leader, Councillor Clarkson, who has commented as follows:

Discussions between the five East Kent districts are still in the very early stages: the agreement that we should explore the potential benefits and savings through closer collaboration - and a possible merger - of the five councils will need proper investigation and review work in order to ascertain the validity of progressing along this route.

We shall need a broad range of options to be evaluated before consultation can take place, and there are many external factors which will need to be taken into account before any solutions can be considered.

In a time of change, where the government is strongly promoting devolution, it is right to explore options which look to the future and *may* result in great benefits for local government and for East Kent.

Contact: Councillors with any questions arising out of this report should contact the Chief Executive prior to the meeting

Email: Tracey.kerly@ashford.gov.uk

Statement of Intent

To examine a merger of East Kent District Councils



Summary

The Leaders of Ashford, Canterbury, Dover, Shepway and Thanet District Councils have undertaken a series of discussions to examine options for closer collaboration, leading to a shared view **that a merger of the five East Kent districts merits further serious consideration.**

This Statement of Intent confirms the Leaders' thinking on the purpose of a merger and the principles that would underpin evaluation of the business case.

Purpose of a potential merger

The preferred option for further investigation is the merger¹ of the **five** East Kent district councils. East Kent leaders believe that the purpose of a potential merger would be to:

1. Deliver opportunity and prosperity for all in East Kent

- Work together to enhance the economic competitiveness of East Kent with a shared focus on jobs and housing
- Build on and market key sub-regional strengths such as a high-quality natural environment and a unique Europe-facing position
- Achieve better strategic influence over infrastructure and transport decisions
- Attract younger residents who are economically active

2. Achieve better social outcomes and reduce inequality

- Improve quality of life for all residents
- Tackle deprivation and inequality throughout East Kent
- Better coordination of efforts to improve health outcomes especially for the ageing population, exploring new models of health and social care provision with partners

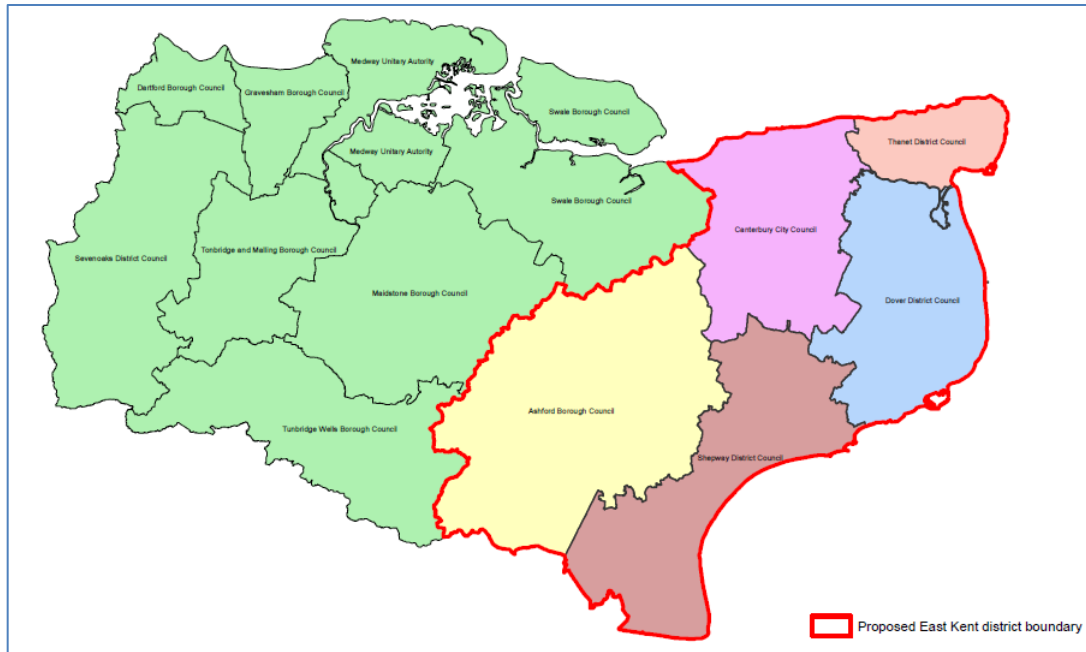
3. Improve value for money and consistency of core services

- Pool resources to achieve greater consistency, quality and value for key services such as leisure, waste collection, public realm and environmental health
- Deliver an East Kent local plan
- Achieve more resilient services through increased scale

4. Empower communities and create a platform for further innovation

- Speak with a single and louder voice with business, communities, partners and central government
- To improve democratic representation and accountability at every level by strengthening the role of town and parish councils
- Explore more commercial approaches to income generation and alternative delivery models
- Enable further service integration with partners

¹ The creation of a new unitary council for East Kent is **not** under consideration



Principles for examining the business case

Discussions between Leaders have established a number of principles that will underpin the evaluation of any business case. These are:

- Decisions about East Kent must be taken at the right level to maximise engagement and empowerment of local communities, whilst also ensuring that strategic issues are considered at the right scale. East Kent expects meaningful involvement in devolution discussions between Kent County and central government.
- Any merger would proceed hand in hand with the opportunity for devolution of appropriate responsibilities to town and parish councils to the greatest extent that is possible, practical and legally permissible.
- The identity, civic responsibilities and heritage of the districts, towns and parishes of East Kent must be respected and protected under any new arrangement.
- Further careful examination of the implications for local council tax would be required.

We recognise that any potential business case will need to satisfy the evidential requirements of the Secretary of State and / or the Boundary Commission depending upon the preferred legal route. In either case these will include;

- The need to secure effective and convenient local government
- Reflecting the identities and interests of local communities
- Community support for proposals
- Financial clarity over the implications
- Clarity on proposed changes to electoral arrangements
- Implications for town and parish Councils

27 June 2016

Preparing the Business Case

If agreed, the draft scope for the Business Case will be prepared by the five East Kent Chief Executives, in consultation with the five district Leaders.

The Business Case will be based on the [Treasury's Five Case Model Approach](#) that states:

“Policies, strategies, programmes and projects will only achieve their spending objectives and deliver benefits if they have been scoped robustly and planned realistically from the outset and the associated risks taken into account.

The business case, both as a product and a process, provides decision makers, stakeholders and the public with a management tool for evidence based and transparent decision making and a framework for the delivery, management and performance monitoring of the resultant scheme.”

The business case therefore must evidence:

- That the intervention is supported by a compelling **case for change** that provides holistic fit with other parts of the organisation and public sector– the “strategic case”;
- That the intervention represent best **public value** – the “economic case”;
- That the proposed Deal is attractive to the market place, can be procured and is **commercially viable** – the “commercial case”;
- That the proposed spend is **affordable** – the “financial case”;
- That what is required from all parties is **achievable** – “the management case”.

Therefore a draft Business Case to examine the merger of five East Kent districts will need to contain:

- **Strategic case** – to measure the 'strategic fit' for each partner, measured against the demands of an increasingly integrated and locally driven public sector alongside the potential risks and benefits of regional or national collaboration on a wider scale.
- **Economic case** – to evaluate the high level cost-benefit of each option, focusing on value to the public. This will be on a consistent basis, savings potential and the ability to manage financial risk.
- **Commercial case** – to review the evidence and financial analysis to viability of each option, considering staff and asset transfer (where applicable), and to provide a high level analysis on the ability to manage the transfer of the precept in consideration of existing local government legislation and enabling options under the new Cities and Devolution Act.
- **Financial case** – to undertake financial analysis to consider how the options would be funded, including investment needs and working capital considerations and the sources of funding for these aspects.

- **Management case** – to consider the implications for operational management and governance under each option to ensure that the preferred option has effective processes and controls to ensure successful on-going delivery, that performance can be effectively monitored and benefits can be tracked.

Specifically, the Business Case will be asked to consider:

- Financial savings that could be achieved through an East Kent district
- Protecting democratic representation within East Kent and the role of Town & Parish Councils
- The shift in powers and functions between three tiers of local government
- Maintaining council tax levels to the lowest within East Kent (Ashford)