
Subject: **EXPLORING THE MERGER OF THE FIVE EAST KENT DISTRICT COUNCILS**

Meeting and Date: **Council - 20 July 2016**

Cabinet – 25 July 2016

Report of: **Nadeem Aziz, Chief Executive**

Portfolio Holder: **Councillor Paul Watkins, Leader of the Council**

Decision Type: **Key Decision** (in respect of those decisions which are for the Cabinet)

Classification: **UNRESTRICTED**

Purpose of the report: To seek approval in principle , to explore the merger of the five East Kent District Councils of Ashford, Canterbury, Dover, Shepway and Thanet

Recommendation: Council is recommended to resolve:-

- 1 To provide £20,000 funding from general reserves to support the preparation of a business case.
- 2 That the formulation 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 the full council pursuant to Article 4.01 (a)(ii) of the Constitution of the Council.

Cabinet is recommended to:-

- 1 Adopt the Leader's statement of intent on behalf of the Council.
 - 2 Explore the merger of the five East Kent district councils.
 - 3 Authorise the Chief Executive to develop and agree work streams in consultation with the Leader.
 4. Authorise the Chief Executive to arrange for the engagement of appropriate professional advisors to support (1) above.
 5. Identify and specific points and issues they would like to be considered as part of the specification of work to be covered by the Business Case.
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1. **Summary**

- 1.1 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.

2. **Reasons For Recommendations:**

- 2.1 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.

3. **Background**

National Picture

- 3.1 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.
- 3.2 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.

The Local Picture

- 3.3 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.
- 3.4 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;

- a) the possibility of the merger of the five councils into one larger district; and
 - b) the opportunity to distribute powers and functions more logically in the two-tier area.
- 3.5 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:
1. The **art of the possible** –what could be achieved for East Kent and why;
 2. The **exploration of the preferred option** and considered dealbreakers and how we could achieve this option.
 3. **Engagement with KCC as a key stakeholder** to consider the opportunity to redistribute powers in the two tier area.
- 3.6 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).
- 3.7 In addition, East Kent is continuing to work with Kent & Medway in many areas of commonality and mutual benefit.

4. How did this Position Come About?

- 4.1 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).
- 4.2 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.
- 4.3 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) and delivery;
 - East Kent Local Highway Maintenance;
 - Skills and employment opportunities;
 - Health & Wellbeing agenda; and
 - Rationalising organisational structures.
- 4.4 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.
- 4.5 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.
- 4.6 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.
- 4.7 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

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.

5. Next Steps and Indicative Timescales

- 5.1 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.
- 5.2 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.

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

6. Risk Management Issues

6.1 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.

7. Legal/Financial and Other Controls/Policy Matters

7.1 Comments of the Solicitor to the Council

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 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.

5.2 Comment from the Section 151 Officer

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.

6. Diversities and Equalities Implications

There are no diversity and equalities implications arising from this report.

6. Contact Officers and Background Documents

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

Nadeem Aziz, Chief Executive, 01304 872400

Appendices:

Appendix 1: Statement of Intent for East Kent

Appendix 2: Preparing the Business Case