

Business Case - Single East Kent Council

Full Council	22 March 2017	
Report Author:	Madeline Homer, Chief Executive	
Portfolio Holder:	Cllr Chris Wells Leader of the Council	
Status:	For Decision	
Classification:	Unrestricted	
Key Decision	No	
Reasons for Key	Policy and Budget Framework	
Wards:	All	
Previously Considered by	Extraordinary Cabinet	16 February 2017
	Extraordinary Overview and Scrutiny Panel	02 March 2017
	Cabinet	09 March 2017

Purpose of report:

Formal consideration of the independent business case for establishing a new single district council in East Kent.

Recommendation(s):

Recommended that Council resolve:

1. That having considered the business case it becomes the policy of this Council to explore further the abolition of the local government district areas of Canterbury, Dover, Shepway and Thanet and the constitution of a new local government district area of East Kent comprising the areas of those districts.
2. That the unspent balance of the £20,000 previously agreed by the Council to fund the preparation of the business case be made available to fund a consultation and public engagement exercise.
3. That the Cabinet be requested to ensure an appropriate consultation and public engagement exercise is undertaken to ascertain views on the proposal set out in 1 above.
4. That a further report be submitted to the Council prior to the making of any submission to the Secretary of state.

For completeness the Cabinet decisions of the 16 February 2017 are set out below:

1. Request that Canterbury City Council undertake a public and stakeholder consultation and engagement exercise to ascertain views on the proposal set out in 1 above that can be taken into account by the Secretary of State for Communities and Local Government in deciding to make regulations under the Cities and Local Government

	Devolution Act 2016.
2.	Agree that the Council will contribute to Canterbury City Council one quarter of the cost of undertaking the consultation referred to in 2 above.
3.	That the Leader be requested, to establish the proposed governance structure for the project, as set out in Section 5 (Management Case) in the business case.

CORPORATE IMPLICATIONS	
Financial and Value for Money Section 151 Officer	<p>Thanet S151 Officer</p> <p>Thanet has plans in place to deliver the savings required in the Medium Term Financial Strategy and the efficiency plan, in accordance with the Government four-year financial settlement. However, the creation of a single East Kent council has the potential to make an even greater contribution to the savings required over the six year period to 2024/25, which is common to all East Kent districts. The larger size of the new authority also offers greater scope to manage risks, increased capacity to invest strategically and a greater voice at the local, regional and national level.</p> <p>Generic Financial Implications</p> <p>Each S151 Officer provided the raw data for the financial case and supports the conclusions drawn from the financial outputs in the business case. The detailed workings were carried out by consultants and have not been independently reproduced or checked, but overall, the S151 Officers judge the level of savings to be realistic and achievable, subject to the due diligence work which will be completed before the final go/no go decision.</p> <p>The financial modelling has tried to anticipate the pathway to harmonisation of the four districts' Council Tax levels. It will be for the new Council to decide Council Tax from April 2020 onwards. Also any harmonisation that results in variable levels of Council Tax according to geography (i.e. the old districts) within a single authority is not normally permitted; such an arrangement would need to be subject to legal advice and, if permissible, the agreement and correct implementation by DCLG. The current Council Tax Reduction Schemes in operation across the new Council area will need to be aligned.</p> <p>Future Government funding has been assumed to be neutral, whether the four districts remain separate, or if they form a new single district (with aggregated funding). Whilst there should be more capacity for the East Kent Authority to access and bid for external funding, there is a risk that central government funding could amount to less than the sum of its parts, if the Government deems that efficiencies have been achieved by the formation of a single entity.</p> <p>The assumptions regarding transition costs are based on the best available information, however as there has never been a similar attempt to merge four districts, there is some uncertainty as to these costs. Merging four districts is a large and challenging project, so some transition costs may be understated. If they were to be exceeded, this would diminish the financial benefits, but the revised transition costs alone would not change the fundamental case for the creation of an East Kent Authority.</p> <p>The quantum of estimated savings is considered to be realistic, and there could be scope for greater savings in the longer term as a result of transformational change. The risk regarding savings is related to their timing:</p>

	<p>some 75% of the annual savings have been assumed to be delivered in 2019-20, with the remainder in 2020-21 and thereafter. To deliver the 2019-20 savings, organisational change processes will need to have started in 2018-19 within the existing districts. This could have a negative impact on staff morale, capacity and retention. There will be the “business as usual” workload and the need to access skills and knowledge to manage the process of transition (beyond the forward-focused work of the transition team). These represent significant risks either to the successful implementation of the change, or the timing of delivery of savings. Some of these risks can be managed by good governance and transitional management arrangements, although concerns regarding transition cost estimates should be noted.</p> <p>Whilst the business case makes a strong case for an East Kent Authority, modelling of future savings, costs and income streams for a new authority can only be illustrative. The assumptions behind the calculations are generally sound, but a relatively small change in assumptions can have a large impact on the numbers.</p>
Legal	<p>There are two statutory routes which can be used to effect structural change in local government:</p> <ul style="list-style-type: none"> • The procedures under the Local Government and Public Involvement in Health Act 2007 – the relevant one of which is a 'Merger Review' through a 'Principal Area Boundary Review'; or • Under Section 15 of the Cities and Local Government Devolution Act 2016 by regulations of the Secretary of State <p>Discussions to date with the Deputy Director of Governance Reform and Democracy Unit at DCLG have been on the basis that that the Cities and Local Government Devolution Act route will be followed.</p> <p>The business case addresses the legal and governance issues at a high level and it is recommended that legal advisors are engaged to advise further at the appropriate times.</p>
Corporate & Risk Management Issues	<p>In addition to the benefits which the creation of a new council can deliver, and the additional opportunities for growth, there are also significant risks. Appendix D of the business case contains a table that provides an initial list of key risks in relation to the creation of a new council.</p>
Equalities Act 2010 & Public Sector Equality Duty	<p>Members are reminded of the requirement, under the Public Sector Equality Duty (section 149 of the Equality Act 2010) to have due regard to the aims of the Duty at the time the decision is taken. The aims of the Duty are: (i) eliminate unlawful discrimination, harassment, victimisation and other conduct prohibited by the Act, (ii) advance equality of opportunity between people who share a protected characteristic and people who do not share it, and (iii) foster good relations between people who share a protected characteristic and people who do not share it.</p> <p>Protected characteristics: age, gender, disability, race, sexual orientation, gender reassignment, religion or belief and pregnancy & maternity. Only aim (i) of the Duty applies to Marriage & civil partnership.</p>

	Please indicate which aim is relevant to the report.	
	Eliminate unlawful discrimination, harassment, victimisation and other conduct prohibited by the Act,	
	Advance equality of opportunity between people who share a protected characteristic and people who do not share it	✓
	Foster good relations between people who share a protected characteristic and people who do not share it.	
<p>The East Kent district councils share a number of common issues related to location, the need to build the local economy, jobs, housing, infrastructure, better tackle deprivation and are keen to build on social cohesion across the area.</p> <p>The business case is a high level document and currently there is limited relevance to the duty and protected characteristics arising from the business case. No protected groups are 'targeted' by the business case. The business case covers the shared workforce for each of the councils which will, by the nature of the organisations, include individuals who are covered by one or more of the full range of protected characteristics, as defined within the Equalities Act 2010</p> <p>It would be for the new single district to consider how its services are organised and delivered and to consider any impact on Staff, Customers (Residents, Business & Visitors) who will similarly include individuals who are covered by one or more of the full range of protected characteristics.</p>		

CORPORATE PRIORITIES (tick those relevant)✓	
A clean and welcoming Environment	
Promoting inward investment and job creation	
Supporting neighbourhoods	

CORPORATE VALUES (tick those relevant)✓	
Delivering value for money	✓
Supporting the Workforce	
Promoting open communications	✓

1.0 Introduction and Background

- 1.1 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.
- 1.2 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.
- 1.3 Councillors from all five East Kent authorities agreed in July 2016 to explore the advantages and disadvantages of a merger and examine how a single East Kent council could operate. Each council approved a joint Statement of Intent, which set out the purpose of a potential merger.

- 1.4 The Local Government Association and Local Partnerships were commissioned to prepare an independent 'Five Way Business Case' for each council to consider, before any formal commitment is made by each council to progress the idea further. Key stakeholders were engaged during the development of the business case.
- 1.5 The Business Case uses an adapted HM Treasury five case model considering the case for change through a number of different perspectives including strategic, economic, financial, commercial and management cases, and includes:
- The feasibility of a new single council and how it could operate;
 - The level of savings that could be achieved;
 - The potential impact on Council Tax;
 - The economic and commercial opportunities;
 - The potential for improvements to service delivery;
 - The likely set up costs.
- 1.6 Following Ashford Borough Council's decision to exit the discussions, an independent 'Four Way Business Case' was commissioned by the remaining four councils and is attached to this report as Annex 1.
- 1.7 Each council is asked to consider the four way business case, before any formal commitment is made, in relation to the creation of a single East Kent district council.

2.0 Thanet District Council Perspective

- 2.1 East Kent has an emerging coherence as an economic unit and recent work has identified that overall the East Kent economy has performed relatively well compared to the rest of Kent and the South East. A single larger district would have the scale to build on this positive trend through a more coherent approach to its economic assets and deliver economic outcomes more effectively. A single East Kent council would enable a strong strategic leadership, with greater influence at both a national and regional level and provide the scope to take advantage of both growth and external funding opportunities.
- 2.2 It is easy for places like East Kent to be overshadowed by the big cities like London and for them to drop down the government's list of priorities which means we need a really strong voice to make an impact on the national stage and secure the support and resources we need to make life better for the people living and working in East Kent.
- 2.3 In East Kent there is a long history of councils working together but subject to the four separate councils taking their own decisions. This could be an opportunity to create one unified council, with councillors enabled to influence more effectively on behalf on the whole of East Kent.
- 2.4 Thanet has plans in place to deliver the savings required in the Medium Term Financial Strategy and the Government four-year settlement requires an efficiency plan. However, the creation of a single East Kent council has the potential to make an even greater contribution to the savings required over the six year period to 2024/25, which is common to all East Kent districts.
- 2.5 If there was no new council and Thanet carried on as a separate council, we estimate that of the £13m to £21m of savings by 2024-25 needed for four councils, Thanet's projected savings are in the order of £3.9m to £6m a year by 2024-25. In the absence of the opportunity to make savings in senior management, member's allowances and support, premises, etc afforded by the creation of a new single council, alternative

measures would have to be considered. These could include reducing services, terminating services the council does not have to provide by law, and significant increases in fees and charges.

- 2.6 A larger single district is likely to have greater scale to borrow and increase investment in our priority areas, as well as reduce competition between the current East Kent districts when exploring income generation opportunities.
- 2.7 Whilst important, the financial and commercial positions are only two aspects of the case for change. For example, a single council would provide greater capacity to undertake transformational activity and improve service delivery for our customers.

3.0 East Kent Devolution

- 3.1 Discussions have continued to take place between all Kent councils to identify the most appropriate and fitting response to the Government's 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.
- 3.2 The 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. In response to this, the districts have been engaging in further complimentary activity with the county, to explore devolution options around; Highways, Public Health and Community Safety. Strategically, a single East Kent district could enable the development of strong, strategic leadership at all levels throughout East Kent, offering economies of scale, greater resilience and the capacity and capability to further enhance and improve the value for money and quality of the services delivered, placing East Kent in a stronger position as the discussions progress.

4.0 Consultation

- 4.1 There are no legal requirements to consult on the proposals. However, the East Kent councils have agreed to procure a shared public and stakeholder consultation and engagement exercise, spanning all four districts, to ascertain views on the proposal that can be taken into account by the Secretary of State for Communities and Local Government in deciding to make regulations under the Cities and Local Government Devolution Act 2016. Details of the consultation and engagement methodology are provided in Annex 3.

5.0 Overview and Scrutiny Panel Recommendations

- 5.1 On the 2 March 2017 the Overview and Scrutiny Panel considered the Cabinet's initial proposals of the 16 February 2017., and made the following recommendations to Cabinet:
 - 1. In the timetable for implementing the merger project, where it refers to the 'Executive decision by cabinet of each council to proceed with project for a new East Kent Council (July 2017);' that decision should be made by Full Council;
 - 2. In the timetable for implementing the merger project (Autumn 2017), the 'Final Decision' should be made by Full Council;
 - 3. If there was an early recognition that the timescale for implementing the project was slipping, an early decision should be made by each of the

participating councils to seek permission from the Department of Communities and Local Government (DCLG) to extend the current administration by a year;

4. The Overview & Scrutiny Panel be given an opportunity to review the process at the decision points highlighted in the timetable.

5.2 On the 9 March 2017, Cabinet considered the recommendations by the Overview and Scrutiny Panel and the Cabinet response was:

5.3 Cabinet can confirm that with respect to recommendations 1, 2 and 4, in accordance with the Council decision of the 14th July 2016, the strategy to implement any proposed merger is part of our budget and policy framework and therefore a final decision will be made by Full Council. In addition the Overview and Scrutiny Panel forms a vital part of the budget and policy framework procedure and must be given the opportunity to look at and make recommendations on the final report prior to it being considered by Full Council. Therefore, the generic timetable for Thanet will be amended accordingly;

5.4 And whilst not specifically referred to in the report Recommendation 3 which states that 'If there was an early recognition that the timescale for implementing the project was slipping, an early decision should be made by each of the participating councils to seek permission from the Department of Communities and Local Government to extend the current administration by a year' is accepted and will be taken on board in future discussions by Officers and the Leader moving forward;

5.5 The Overview and Scrutiny recommendations, where appropriate, have been actioned on this report.

6.0 Options

6.1 Agree the report recommendations.

6.1.1 Creating a single new council is a logical next step that is in line with the direction of central government and would provide a stable and sustainable long-term solution for the locality. Offering economies of scale, greater resilience and the capacity and capability to further enhance and improve the value for money and quality of the services delivered.

6.2 Continue with the current status quo.

6.2.1 Alongside the rest of local government, the East Kent districts are under considerable financial pressure. In response, all have reduced staff numbers which has inevitably led to loss of both capacity and capability, with some areas affected more than others (in order to preserve front-line services as far as possible). For this reason to maintain the status quo is not a preferred option.

7.0 Next Steps

7.1 If the decision is to proceed with the creation of a single East Kent district, an indicative timetable for progressing has been set out below (subject to further confirmation from the Department of Communities and Local Government):

Activity	Indicative Timings
Engagement with DCLG on draft business case	Early 2017
Each council to agree to proceed with business case subject to any engagement required / agreed	22 March 2017
Public consultation and engagement period	24 March – 19 May 2017
Decision by each Council whether to proceed with project for a new East Kent Council	July 2017

From the July decision, these dates are subject to change through discussions with DCLG and the Boundary Commission. However, they give an indication of the process based on conversations to date with DCLG and the Boundary Commission:

<i>Proposals to create a new council submitted to DCLG (demonstrating clear political commitment from Districts involved)</i>	<i>July 2017</i>
<i>DCLG works with East Kent councils to formulate the Order</i>	<i>July to Autumn 2017</i>
<i>Secretary of State agrees order for formal approval by the four Council's</i>	<i>Autumn 2017</i>
<i>Final Decisions by Secretary of State</i>	<i>Autumn 2017</i>
<i>DCLG to prepare necessary statutory instruments modifying existing legislation where required (in order to establish new organisation, wind up the old ones and make transitional arrangements)</i>	<i>Autumn 2017</i>
<i>Each council invited to give formal consent to creation of the new entity</i>	<i>Autumn 2017</i>
<i>New entity considered by Houses of Parliament</i>	<i>Autumn 2017</i>
<i>Secretary of State decision</i>	<i>Autumn 2017</i>
<i>Boundary Commission undertake electoral review (NB this is optional but preferred approach of DCLG – alternative is an Order that creates a new council, using temporary wards as basis for the first election, and subsequent election boundaries considered by Boundary Commission).</i>	<i>Autumn 2017 to Autumn 2018</i>
<i>Establish Implementation Executive or similar body (which will be the decision making body until members of the new authority are elected)</i>	<i>Nov / Dec 2017</i>
<i>Agree initial structure for the new council</i>	<i>Dec 2017</i>
<i>Likely TUPE consultation period commences (to be confirmed on the basis of legal advice)</i>	<i>Dec 2017 / Jan 2018</i>
<i>Implementation Executive commences recruitment of senior posts (externally advertised)</i>	<i>Early 2018</i>
<i>Implementation Executive agrees Council tax harmonisation</i>	<i>2018</i>

<i>discretionary order with DCLG</i>	
<i>Implementation Executive sets first year budget for the new authority and council tax rate</i>	<i>Late 2018/ early 2019</i>
<i>First year budget for the new authority and council tax rate confirmed by all Councillors</i>	<i>Late 2018/ early 2019</i>
<i>New council legally takes effect (Vesting Day)</i>	<i>April 2019</i>
<i>Elections to new council</i>	<i>May 2019</i>

8.0 Negotiations with DCLG

- 8.1 Discussions have been held through this process with DCLG and the four East Kent district Leaders will be recommending the following (if agreed to proceed post July):
1. As part of the Order, to propose to DCLG that a new East Kent Council should be based on a committee system and include local area working for planning and licensing, as a minimum.
 2. That DCLG be asked to support this project through a contribution towards the transition costs for the project to reduce the impact on the Council tax setting for a new council.

Contact Officer:	Madeline Homer, Chief Executive
------------------	---------------------------------

Annex List

Annex 1	Full Four Way Business Case https://www.thanet.gov.uk/media/3689570/A-business-case-for-the-potential-creation-of-a-single-new-council-from-.pdf
Annex 2	Four Way Equalities Impact Assessment
Annex 3	Consultation and Engagement Methodology

Background Papers

Title	Details of where to access copy
Cabinet, 9 March 2017	Agenda of 9 March 2017 Cabinet
Extraordinary Overview and Scrutiny Panel, 2 March 2017	Agenda of 2 March Extraordinary Overview and Scrutiny Panel
Extraordinary Cabinet, 16 February 2017	Agenda and Minutes of 16 February 2017 Extraordinary Cabinet
TDC Full Council 14 July 2016 - Single District Statement of Intent – report	TDC Full Council 14 July 2016

East Kent Leader's Statement of Intent	Statement of Intent
Full Five Way Business Case	Five Way Business Case
Five Way Equalities Impact Assessment	Email: Carol.cook@thanet.gov.uk

Corporate Consultation

Finance	Tim Willis	Director of Corporate Resources & S151 Officer
Legal	Tim Howes	Director of Corporate Governance Services