

Committee:	Date:
Policy and Resources Committee Court of Common Council	7 June 2018 21 June 2018
Subject: Local Government Association - Reconstitution	Public
Report of: The Town Clerk	For Decision
Report author: Angela Roach, Assistant Town Clerk and Director of Members Services	

Summary

The Local Government Association (LGA) is the national membership body for over 400 local authorities in England and Wales. It is a politically led, cross-party organisation that works on behalf of councils and the City Corporation by, amongst other things, liaising with national government on matters of mutual interest. It has recently undertaken a comprehensive review of its governance and constitution in order to become more tax efficient, take more advantage of best value and keep member authority subscriptions to a reasonable level. Having considered a number of options which, amongst other things, included seeking charitable status, creating a community interest company and a company limited by guarantee, the Association concluded that its best option would be to change from an unincorporated Association to an incorporated unlimited company. As a result, member authorities of the current LGA are required to formally apply to become members of the new company (also called the Local Government Association (11177145)) which was incorporated on 30 January 2018 and to which the assets and liabilities of the LGA are intended to be transferred.

The LGA is of the view that, in addition to the tax benefits “an unlimited company best replicated current arrangements, enabling it to continue to share assets and liabilities between its member councils according to the proportion of subscriptions paid and allowing it to continue to be treated as local authority by its pension trustees”. The LGA have advised that, on a practical level, there will be no change for member authorities and that local authorities will be better off as the new constitution enables it to maximise the income available to support its work with councils. It has also advised that 10% of the councils, who are current members of the LGA, have yet to apply for membership of the new company. Its overall aim is for all previous members to apply for membership. Further information relating to the incorporation arrangements (an FAQ sheet) is attached as an appendix to this report and the new Articles of Association are available on request.

The City of London Corporation has been a member of the LGA since its inception in 1997. The LGA is a useful source of information and best practice and all Members have access to its services e.g. free or discounted events, leadership training, the receipt of publications and updates on key announcements, etc., The cost of this year’s subscription to the LGA is £12,202, excluding VAT. At present the Chairman of this Committee and Alderman Sir David Wootton represent the City Corporation on the current LGA’s principal governing body, its General Assembly.

The LGA have requested a response in time for the existing LGA's General Assembly of all the membership on 3 July 2018.

Recommendation

Members are asked to recommend to the Court of Common Council that:-

- the City Corporation applies to become a member of the new incorporated body, the Local Government Association (11177145);
- subject to its consent, the Chairman of this Committee (for the time being) or his or her representative and Alderman Sir David Wootton serve as the City Corporation's representatives on the new LGA company's General Assembly and, should they be elected or appointed by the new company, the also serve as Directors of the new company or on any other governance structure it is agreed should be adopted. This is subject to the terms of their authority being made clear so that they act within their remit whilst serving on this outside body; and
- Until such time as the existing unincorporated Local Government Association is dissolved, the Chairman of this Committee (for the time being) or his or her representative and Alderman Sir David Wootton serve as the City Corporation's representatives at the General Assembly or in any other capacity within the Association to which they are elected or appointed.

Main Report

Background

1. The Local Government Association (LGA) is the national membership body for over 400 local authorities in England and Wales. It is a politically led, cross-party organisation that works on behalf of councils and the City Corporation by, amongst other things, liaising with national government on matters of mutual interest. It works to ensure that local government has a strong, credible voice and supports councils in developing policies, driving innovation and improvement, sharing best practice and ensuring that they are promoted accordingly.
2. The LGA has recently undertaken a comprehensive review of its company status. It is currently run as an unincorporated Association. Legally it cannot enter into contracts or own property. As consequence its two properties (Layden House in Farringdon and 18 Smith Square in Westminster) are owned by separately established property companies. In order for the LGA to become more tax efficient, take more advantage of best value and keep subscriptions from member authorities to a reasonable level, the Association has reviewed its company status and constitution. Whilst several options were examined as part of this, e.g. seeking charitable status, creating a community interest company and a company limited by guarantee, the LGA concluded that its best option would be to change from an unincorporated Association to an incorporated, unlimited, company. A new company, also called the Local Government

Association (11177145) (the LGA Company), was incorporated on 30 January 2018.

3. The LGA is of the view that, in addition to the tax benefits “an unlimited company best replicated current arrangements, enabling it to continue to share assets and liabilities between its member councils according to the proportion of subscriptions paid and allowing it to continue to be treated as local authority by its pension trustees”. Establishing a new incorporated, unlimited, company to take on the activities, assets and liabilities of the current LGA, would also enable the Association to convert the two property holding companies to unlimited companies with share capital, and to issue their shares to the new LGA Company. The LGA property would then effectively be transferred without the need to pay capital gains tax or stamp duty. The LGA Company would also be able to form tax and VAT groups with the property holding companies to maximise their tax efficiency.
4. The LGA have advised that on a practical level there will be no change for member authorities and that local authorities will be better off as the new arrangements will enable it to maximise the income available to support its work with councils.
5. It has also advised that 10% of councils, who are current members of the LGA, have yet to apply for membership of the new LGA Company. Its overall aim is for all previous members to apply for membership the new LGA Company given that its ability to lobby and influence successfully is rooted in speaking on behalf of the whole sector. Whilst it is anticipated that a decision to proceed will be conditional on reaching a certain total, currently no threshold for moving forward has been set. The LGA’s Leadership Board is meeting this day to consider this, with the final decision of whether to proceed being taken by the LGA’s General Assembly on 3 July 2018.
6. If a decision is taken to proceed, there will be a transition period (to settle staffing matters e.g. any TUPE arrangements) in the lead-up to the current membership body being closed down and the assets and liabilities of the LGA transferred to the new LGA Company. Services to those authorities who haven’t signed up will cease when the existing LGA is dissolved.
7. Further information relating to the incorporation arrangements (an FAQ sheet) is attached as an Appendix to this report and the new Articles of Association are available on request. The City Corporation has requested some minor amendments to the current Articles to correct some omissions in the drafting as they affect the City’s interests.
8. The City Corporation has been a member of the LGA since its inception in 1997 and the cost of this year’s subscription to the organisation is £12,202, excluding VAT. The Association is a useful source of information and best practice and all members have access to its services e.g. leadership training, the receipt of publications and updates on key announcements and legislation, briefings and seminars, and other free or discounted events.

9. Membership enables the City Corporation to participate in the LGA's democratic process and become more involved with other aspects of its work. The City Corporation is allocated two votes at the current LGA's General Assembly (this is based on population bands ranging from two votes for populations of between 1-100,000 to 17 votes for unitary authorities with a population of 800,001 and over). The Chairman of the Policy and Resources Committee and Alderman Sir David Wootton currently represent the City Corporation on the LGA's principal governing body, the General Assembly. Sir David Wootton is also Chairman of Local Partnerships, a joint venture between HM Treasury and the LGA.
10. Each Member Authority of the new LGA Company will be able to appoint up to four representatives to serve on its General Assembly. A Member Representative must be a democratically elected local representative of that Member Authority. Representatives, should they be elected or appointed by the LGA Company's General Assembly, may also serve as Directors on the new LGA Company's Board of Directors (also to be known as the Leadership Board), or otherwise serve on any other governance structure the LGA Company adopts. The allocation of votes will continue to be based on population bands determined by the LGA Company's Leadership Board and the City Corporation will therefore continue to be allocated two votes.
11. It is proposed that the Chairman of this Committee (for the time being) or his or her representative and Alderman Sir David Wootton serve as the City Corporation's representatives on the LGA Company's General Assembly and, should they be elected or appointed, also serve as Directors on the LGA Company's Leadership Board or on any other governance structure. This is subject to the terms of their authority being made clear so that they act within their remit whilst serving on this outside body. Until such time as the existing unincorporated Local Government Association is dissolved, it is proposed that the Chairman of this Committee (for the time being) or his or her representative and Alderman Sir David Wootton continue to serve as the City Corporation's representatives at the General Assembly or in any other capacity within the Association to which they are elected or appointed.
12. The LGA has confirmed that its insurance company has been fully briefed on the planned governance changes and that Directors and Officers' liability insurance has been in place for the LGA Company from its incorporation. We have been advised that the LGA company should have the same level of cover as that currently in place for the unincorporated LGA. Once the two property companies (referred to earlier) are folded into the new LGA Company structure, insurance levels will be increased as necessary.

Conclusion and Corporate & Strategic Implications

13. The City Corporation is committed to working in partnership to improve local communities, the quality of life, and increase the capacity, of the wider London community. Membership of the new LGA Company, which is intended to replace the existing unincorporated Association, will continue to assist in supporting this as well as the City Corporation's strategic aims to provide:-

- modern, efficient and high quality local services, including policing, within the Square Mile for workers, residents and visitors; and
 - valued services, such as education, employment, culture and leisure, to London and the nation.
14. It also ensures that the City Corporation is kept up-to-date on emerging issues affecting local communities across the nation and allows the City Corporation to shape policies and be aware of best practice.
15. The Chamberlain and Comptroller & City Solicitor's Departments have been consulted and their comments have been incorporated into the Report.

Appendices

- Appendix – Incorporating the LGA - FAQs

Background Papers

- Articles of Association of the Local Government Association (Private Unlimited Company)
- Report to the Court of Common Council on 3 December 2015.

Angela Roach

Assistant Town Clerk and Director of Members Services

T: 020 7332 3685

E: angela.roach@cityoflondon.gov.uk