



Cabinet
12 November 2018

**Report from the Director of
Performance, Policy and
Partnerships**

Changes to Local Government Association Membership

| | |
|--|---|
| Wards Affected: | All |
| Key or Non-Key Decision: | Non Key |
| Open or Part/Fully Exempt: (If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act) | Open |
| No. of Appendices: | None |
| Background Papers: | None |
| Contact Officers: | <p>Peter Gadsdon Director of Performance, Policy and Partnerships Email: Peter.Gadsdon@brent.gov.uk Tel: 020 8937 6095</p> <p>Tom Welsh Head of the Chief Executive's Office Email: Tom.Welsh@brent.gov.uk Tel: 020 8937 6607</p> |

1.0 Purpose of the Report

- 1.1 The London Borough of Brent is currently a member of the Local Government Association (LGA), which is a member subscription organisation. It has been constituted as an unincorporated association since its inception in 1997. On 4 July 2017, the LGA General Assembly, passed a resolution to create a new incorporated LGA, set up as an unlimited company, in place of the unincorporated association.
- 1.2 The purpose of this report is to set out the background to this decision and to seek Cabinet approval for the Council to participate in the new arrangements.

2.0 Recommendations

- 2.1 That Cabinet agrees to the council being a member the new Local Government Association Unlimited Company.
- 2.2 That Cabinet authorises the council's Chief Executive to provide formal written agreement to the Local Government Association (LGA) to dissolve the

unincorporated Local Government Association at such date thereafter as the LGA Leadership Board shall determine.

3.0 Detail

Background

- 3.1 The LGA is a politically led, cross party organisation which works on behalf of councils providing a range of services from training, leadership programmes, peer challenge, support to councillors and ensuring that local government has a voice within central government. The LGA General Assembly meets once a year, and at its meeting on 4 July 2017, agreed to set up a new incorporated LGA to take on the activities, assets and liabilities of the existing LGA. It was also resolved that the existing unincorporated LGA would remain in place until member councils had formally agreed to join as founding members of the new incorporated entity.
- 3.2 The new company came into effect on 1 April 2018, with the current unincorporated structure also still in existence as planned.
- 3.3 In a follow up report at its 2018 meeting on 3 July this year, the General Assembly resolved to initiate the envisaged process of transferring staff, contracts, assets and liabilities to the new LGA Company. It is planned for the incorporated LGA to become fully operational as the membership body for the Local Government Association from 1 April 2019. Member councils are therefore being asked to provide formal written agreement to authorise the LGA Leadership Board to determine the date upon which the current unincorporated association is formally closed down, once it is satisfied that the transition is complete. Agreement is formally needed from two thirds of the LGA's members.

The LGA's rationale for change

- 3.4 The LGA envisages that the proposed new structures and dissolution of the former unincorporated organisation will ultimately benefit its members through assisting the LGA to become more financially sustainable and commercially agile, particularly in the face of what is a challenging economic time for local authorities.
- 3.5 In particular, as an unincorporated association, the LGA has no legal status, cannot hold property, enter into contracts or be part of a tax or VAT group. This has led to a complexity of arrangements which has seen two separate LGA companies owning LGA properties in both Westminster and Farringdon, rather than the association itself.
- 3.6 The LGA has outlined what it believes to be the prospective benefits as follows:
 - 3.6.1. An incorporated LGA would have a legal persona and would be able to enter into contracts and own properties and shares;
 - 3.6.2. The transfer of the properties within a company group would be exempt from capital gains tax;

- 3.6.3. The transfer of the properties to the LGA would mean that the income they generate would be for the purposes of meeting the objects of the LGA which, as a local authority association, would be exempt from tax on income and capital gains;
 - 3.6.4. Under the new arrangements, the value of the LGA's assets would sit between the member councils and the pension deficits with a net asset position once the refurbishments are complete;
 - 3.6.5. The proposed structure would enable the establishment of a VAT group and remove the need to charge VAT on transactions between the LGA and IDeA or any other companies in the group; and
 - 3.6.6. An incorporated entity offers greater protection to individual members of the Leadership Board and Executive against any personal liability.
- 3.7 These benefits were identified through the work of a Task and Finish Group which the LGA set up in 2016 to review the way in which the LGA and associated companies are set up, their purposes and inter-relationships and the flows and incomes to, from and between different entities.

Impact on the London Borough of Brent

- 3.8 There has been no indication that the membership package will be materially affected in future, with the LGA indicating that it is seeking to ensure that it is able to invest in services to support its membership whilst keeping subscriptions for members low. Subscriptions for members are renewed annually which provides the council with the freedom and flexibility to review its membership position in future should the membership offer change substantively.
- 3.9 The benefits package that the LGA provides to its members includes: access to support and advice for councillors through our political group offices; access to up-to-the-minute news, briefings and daily news headlines on the LGA website through our suite of subscription e-bulletins; support on national media relations including in times of crisis; access to a wide range of free or discounted events; access to legal advice, opinions and guidance on complex issues; opportunities to join one of our many special interest groups and use of facilities at Local Government House, including free meeting room hire.
- 3.10 It is expected that all of the processes preparatory to the operation of the new incorporated membership body will have been completed by 1 April 2019, and that the unincorporated LGA would be dissolved at the appropriate moment after this point.

4.0 Financial Implications

- 4.1 The council's 2018/19 subscription, including discounts, is £43.079, the same as the 2017/18 level.

- 4.2 At present it is unknown if the subscription amount will increase as a result of the new arrangements. However the position will be reviewed annually and the LGA have indicated that the amount will be kept low for members.

5.0 Legal Implications

- 5.1 As a member of an unincorporated association, the council is liable for a share of the Association's assets and liabilities if dissolved. This is stated in Section 21 of the LGA's Constitution. Being a member of the new unlimited company puts the Council in the same position under the proposed Articles of Association. The new Articles replicate the current Constitution with amendments to reflect the new underlying corporate structure.
- 5.2 The council will be able to appoint up to 4 councillors as Member Authority Representatives to attend the General Assembly. The council will be able to terminate its membership of the new company on 12 months' notice terminating on 31 March in any year.
- 5.3 The council's Constitution requires that Cabinet take any decision which will result in the setting up of a company.

6.0 Equality Implications

- 6.1 The public sector equality duty requires public bodies to pay due regard to the need to:
- Eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Equality Act 2010;
 - Advance equality of opportunity between people who share a protected characteristic and those who do not;
 - Foster good relations between people who share a protected characteristic and those who do not.
- 6.2 The Equality Act 2010 and the Public Sector Equality Duty (outlined above) cover the following nine protected characteristics: age, disability, marriage and civil partnership, gender reassignment, pregnancy and maternity, race, religion or belief, gender and sexual orientation.
- 6.3 There are not thought to be any direct equalities implications arising from the report at this stage.

7.0 Consultation with Ward Members and Stakeholders

- 7.1 None.

Report sign off:

PETER GADSDON

Director of Performance, Policy and Partnerships