



RECORD OF DECISION TAKEN UNDER DELEGATED POWERS OUTLINED IN THE CONSTITUTION – Part 3 Section 16

DELEGATED
OFFICER DECISION Chief Executive
TAKEN BY:
PORTFOLIO
AREA: ALL

SUBJECT: MEMBERSHIP OF LOCAL GOVERNMENT ASSOCIATION (LGA)

1. DECISION

The Chief Executive confirms the Council's membership of the new Local Government Association from April 2018.

2. REASON FOR DECISION

To maintain membership of the Local Government Association following the LGA incorporation and new set up as an unlimited company.

3. BACKGROUND

The LGA is currently an Unincorporated Association and its Constitution is similar to any voluntary club. In law it cannot enter into contracts or own title to property. Because of this, the LGA's two properties – Layden House in Farringdon 18 Smith Square in Westminster - are owned by separate property companies. Rationalising the company structure will enable the LGA to be more tax efficient and ensure that as much income as possible is used for the benefit of member councils.

The LGA wants to become more commercial in order to offer best value to member councils and keep subscriptions low. As part of this they are redeveloping 18 Smith Square and Layden House to increase their capital value and to give the LGA a sustainable income stream. However under the current company structure:

- Commercial income would go to the property companies and would be taxable.
- The transfer or sale of either building would be subject to capital gains tax.

The LGA has considered a wide range of possibilities, including charitable status, limited liability partnership, community interest company, company limited by shares, company limited by guarantee and an unlimited company for its future structure.

It has concluded that an unlimited company best replicated the current arrangements, enabling the Association to continue to share assets and liabilities between its member councils according to the proportion of subscriptions paid, to maintain the current covenant allowing it to be treated as local authority by its pension trustees and to form a tax group with the property companies and a VAT group with the property companies and the IDeA company.

There are three parts to the proposal:-

- To establish a new incorporated LGA, set up as an unlimited company, to take on the activities, assets and liabilities of the current LGA.
- To convert the property companies to unlimited companies with share capital, and to issue their shares to the new LGA. The two properties can then be transferred to the LGA without the need to pay capital gains tax or stamp duty.
- To form tax and VAT groups between the new LGA and its companies to maximise their tax efficiency.

In 2014, the LGA undertook an extensive review of its wider governance arrangements with a view to creating a more streamlined model. However following extensive consultation, lead members concluded that as a national membership body, ensuring the active engagement of a wide number of members from across the country was more important than creating a streamlined structure. The current governance arrangements will therefore be replicated under the new arrangements.

The majority of the LGA's interests – for example its share in Local Partnerships – will be transferred to the new company. The two property companies - LGA Properties Ltd and LGMB - will be converted to unlimited companies with share capital, with the shares issued to the new Incorporated LGA. This will enable the income from the two properties to go straight to the LGA, with consequent benefits for the LGA and its membership.

The LGA has a mortgage on 18 Smith Square and this, along with the pension liabilities, will be transferred to the new company. However under current projections, their assets will exceed liabilities by the end of this financial year.

Under the current Constitution all member councils, both existing and past, must contribute to any deficit if the Association were to be dissolved. Contributions are proportionate to the levels of annual subscription paid. Conversely, member councils would also be entitled to a share of any assets. This will not change under the proposals.

4. OPTIONS CONSIDERED AND REJECTED

The Council is a longstanding member of the current LGA. The new arrangements mean there will be practically, no change for member councils. Their Boards, Fire Services Management Committee, LGA Executive and the Leadership Board will all continue to operate in the same way and they will continue to deliver the same services to their membership.

However the new arrangements will enable them to maximise income available to support their work with councils, whilst keeping subscriptions as low as possible. This means that overall, member councils will be better off under the new arrangements.


Further information is available via the following link [<https://www.local.gov.uk/>] or from the report author

5. DECLARATION OF INTEREST

All Declarations of Interest of the officer with delegation and the any Member who has been consulted, and note of any dispensation granted should be recorded below:

VERSION:	1
-----------------	----------

CONTACT OFFICER:	Harry Catherall
DATE:	12.04.2018
BACKGROUND DOCUMENTS:	LGA – New Arrangements/C.O. HR, Legal and Governance Services

Signed: 	
Chief Executive	Date: 12 April 2018

