

Agenda

LGA Leadership Board: Supplemental Agenda

Wednesday 17 October 2018

1.00 pm

Smith Square 1&2, Ground Floor, 18 Smith Square, London, SW1P 3HZ

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LGA Membership Subscriptions 2019-20

Purpose of Report

For decision.

Summary

This paper sets out the current position in relation to LGA subscriptions, including changes as a result of the forthcoming reorganisation in Dorset, Somerset and Suffolk. It proposes three possible approaches to setting subscriptions for 2019/20 and seeks the Leadership's Board decision on their preferred approach.

Recommendations

That the LGA Leadership Board agrees the basis of calculating subscriptions for 2019/20, based on the options in paragraph 13.

Action

Subject to Leadership Board decision, officers will notify all councils of their 2019/20 subscription and begin work on membership packs.

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LGA Membership Subscriptions 2019-20

Background

1. The current structure of membership subscriptions, introduced in April 2010, is based broadly on population, with formulae applied for two tier areas and county councils with responsibility for fire and rescue. At the time, rather complex calculations were adopted to minimise the number of authorities who would see a substantial increase in their subscriptions, with protection for the small number of authorities that would still be disadvantaged. A summary of the current scheme is attached at **Appendix A**.
2. In 2018/19, subscription income stands at **£9.35 million**. This is an overall reduction of 33 per cent since 2009/10 and includes:
 - 2.1 2.5 per cent prompt payment discount for payment by 30 June.
 - 2.2 2.5 per cent loyalty discount, for councils not on notice to withdraw from the LGA.
 - 2.3 The latest 5 year increase in discount paid to former councils of the AMA.

Authority type	2009-10 subs (£000)	2018-19 subs (£000)	Reduction (£000)	Reduction	Average sub 2018-19 (£)
Shire Districts	2,569	1,852	717	28%	9,300
Counties	2,650	1,935	715	27%	71,700
London	1,876	1,086	790	42%	36,200
Mets	2,605	1,689	916	35%	46,900
Unitaries	3,147	2,230	917	29%	39,800
Total English Councils	12,847	8,792	4,055	32%	25,800
Welsh LGA	337	222	115	34%	221,800
Associate members	845	335	510	60%	8,000
All Authorities	14,029	9,349	4,680	33%	23,900

3. From April 2019, new local authorities will come into effect in Dorset, Somerset and Suffolk. The collective impact of these reorganisations will be a reduction of £22,265 (assuming the application of relevant discounts).
4. Associate membership has brought in a total of £335,061 in 2018/19, the majority of which comes from fire and rescue authorities.

Current membership position

5. Four councils are currently out of membership – London Boroughs of Bromley, Wandsworth and Barnet and Gosport Borough Council. All other member councils have been accepted into membership of the new incorporated LGA, with the exception of Lincolnshire, who are currently reconsidering their position. In addition, the following councils are on notice to leave:

- 5.1. East Staffordshire Borough Council
 - 5.2. Southend Borough Council
 - 5.3. London Borough of Richmond
 - 5.4. Leicestershire County Council
 - 5.5. West Sussex County Council
 - 5.6. Norfolk Broads National Park Authority (Associate member)
6. In relation to the forthcoming reorganisations in Dorset, Somerset and Suffolk, legal advice is that we will not need to seek fresh applications to join the LGA company from the successor councils but can instead confirm their membership by notice.

Welsh LGAs and Fire and Rescue Authorities

7. Following Neath Port Talbot's decision last year to rejoin the WLGA's corporate scheme, all Welsh councils are in membership with the exception of Blaenau Gwent Council.
8. New arrangements for fire and rescue came into effect from this year in some parts of the country. London and Greater Manchester now fall under the respective deputy mayors for fire, but have continued to pay their LGA subscription and to be actively involved with us. Essex PCC has taken over responsibility for fire and joined the LGA associate scheme for combined fire, police and crime commissioners. It is likely that Northamptonshire will follow suit – the Northants PCC application to join the associate scheme is included on this agenda. Discussions are also underway with the Shropshire and North Yorkshire PCCs, both of whom have applied to take over fire and rescue.

Financial context

9. In 2018/19 subscription income represents about 46% of budgeted income for the LGA as a standalone entity. The targeted increase in levels of commercial income over the current and next two financial years will help meet unavoidable cost increases driven by inflation and pension deficit repayments.
10. The LGA's revenue expenditure over this timeframe has been forecast in the 3 Year Financial Strategy to remain reasonably stable, with the opportunity to use part of the £1,705k placed into the Risk and Contingency Reserve to cover budget gaps, until the revenue income from the property developments begins to make a significant contribution to LGA costs from 2018/19. However, the financial strategy continues to be dependent on substantial, albeit reducing levels of funding from Government and there is a degree of risk associated with the projected increases in commercial income.
11. Each 1% increase in subscription levels would generate just under £100,000 additional income before any discounts. This may seem insignificant on a single year basis but small annual increase over a period of years would contribute to the Association's financial sustainability.
12. Set against this are the continuing financial challenges facing member authorities and the commitment of Leadership Board to keep subscriptions as low as is practically possible.

LGA subscriptions 2019/20 - options

13. In the light of the financial position, Leadership Board might wish to consider three options for 2019/20.

Option 1 - No change

13.1. Would maintain income at **£9.327 million** (including reduction as a result of restructures in Dorset, Somerset and Suffolk), with a further £277,000 at risk if the authorities currently on notice were to withdraw from membership. Of course, there is a small reduction in income in real terms in each year when subscription levels are frozen.

Option 2 - Fixed 1% increase offset by corresponding increased loyalty discount.

13.2. The increase in subscription would be offset by a corresponding increase in loyalty discount so there would be no impact on those councils not on notice. The benefit would be to create a greater incentive for councils not to serve notice although still risks being perceived as an increase in subscriptions.

Option 3 - Percentage increase to arrest the continued real terms decline in value

13.3. For example a 2% increase would generate about £170,000 extra income and reflect the 2% pay increase awarded to staff this year. However this would represent a departure from recent practice and given the current funding challenges facing councils, would risk more councils serving notice.

Summary

14. Members are invited to consider their preferred approach to 2019/20 subscriptions.

Appendix A: LGA subscription calculations

Type of authority	Subscription
Shire District	A basic subscription of £11,000, subject to a discount of £100 for every 1,000 population below 105,000
Single Tier and County Councils	A basic subscription of £82,000, subject to: <ul style="list-style-type: none"> • a supplement of £80 for every 1,000 population above 400,000 • a discount of £200 for every 1,000 population below 400,000 • an additional discount of £37,000 for smaller counties in two-tier areas – withdrawn at £250 per 1,000 population above 850,000 • a maximum subscription of £112,500 • a normal minimum subscription of £22,000; but • in the cases of the Isles of Scilly and Rutland County Council, subscriptions calculated so as to give an average per resident equal to that for other non-metropolitan unitary authorities.
Welsh LGA	A corporate subscription of 40% the average per resident subscription for non-metropolitan unitary authorities calculated as above, multiplied by the population of Wales.
Non-metropolitan unitary Councils (formerly in ADC membership)	An additional discount of 1.5% of the subscription calculated as above and: <ul style="list-style-type: none"> • continuing transitional protection for two non-metropolitan unitary authorities that would otherwise pay higher subscriptions than in 2011–12, covering the additional amount that would otherwise be payable in the absence of the new 1.5% discount
Metropolitan District Councils, London Boroughs and the City of London	As for single tier authorities (above) but subject to <ul style="list-style-type: none"> • discount of £9,156 in recognition of interest-free investment in Local Government House by the former AMA.
Fire authorities	A basic subscription of £9,950 subject to: <ul style="list-style-type: none"> • a supplement of £3.00 for every 1,000 population over 1 million • a discount of £7.25 for every 1,000 population below 1 million
Town and Parish councils	Single corporate subscription of £2,375 via National Association of Local Councils for 5 larger town and parish councils
All authorities	A prompt payment discount of 2.5% on subscriptions paid on or before 30 June in the membership year
Associate members	Subscriptions calculated according to size of organisation and level of support offered.

References to populations are to Office of National Statistics mid-year estimates.

