

LGA Membership Subscriptions 2018-19

Purpose of Report

For decision.

Summary

This paper sets out the current position in relation to LGA subscriptions. It proposes three possible approaches to setting subscriptions for 2018/19 and seeks the Leadership's Board decision on their preferred approach.

Recommendation

That the LGA Leadership Board agrees the basis of calculating subscriptions for 2017/18, based on the options in paragraph 12.

Action

Subject to Leadership Board decision, officers will notify all councils of their 2016/17 subscription and begin work on membership packs.

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LGA Membership Subscriptions 2018-19

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 2017/18, subscription income stands at **£9.4 million**. This is an overall reduction of 33% since 2009/10 and includes:
 - 2.1 2.5% prompt payment discount for payment by 30 June.
 - 2.2 2.5% loyalty discount, for councils not on notice to withdraw from the LGA.

Authority type	2009-10 subs (£000)	2017-18 subs (£000)	Reduction (£000)	Reduction	Average sub 2017-18 (£)
Shire Districts	2,569	1,852	717	28%	9,300
Counties	2,650	1,938	712	27%	71,800
London	1,876	1,120	756	40%	37,300
Mets	2,605	1,730	875	34%	48,000
Unitaries	3,147	2,231	916	29%	39,800
Total English Councils	12,847	8,871	3,976	31%	25,400
Single Service (e.g. Fire)	845	330	515	61%	9,700
Welsh LGA	337	211	126	37%	211,400
All Authorities	14,029	9,412	4,617	33%	24,500

3. This year's subscriptions must be seen in the broader context of the proposal to establish an incorporated LGA, agreed by General Assembly in July 2017, which will require member councils to sign up to join the new unlimited company. Given changes in the structure of the LGA, it is not proposed to undertake any review of the subscriptions base at this time.

Benefits of membership

4. A tailored benefits pack is sent to every member of every member council in February/March each year setting out the benefits of LGA membership, including.
 - 4.1 Lobbying and influencing on financial and policy decisions affecting councils
 - 4.2 Pressing for devolution of powers and funding
 - 4.3 Collective legal actions.
 - 4.4 Promoting and defending the sector in the media

- 4.5 Supporting councils to drive innovation and improvement, and sharing best practice
 - 4.6 Acting as national employer to negotiate pay deals and offer workforce advice
 - 4.7 Political support through the four group offices
5. Alongside this, a breakdown of specific policy wins and funding secured for each authority as a result of LGA activity is included.
6. In recent years, collective legal actions co-ordinated by the LGA have become an increasingly important membership benefit, with legal costs a fraction of those that an individual council would pay. Current major actions include co-ordinating claims against charges levied by Visa/Mastercard and against large vehicle cartels in respect of alleged price fixing.

Current membership position

7. Four councils are currently out of membership – London Boroughs of Bromley, Wandsworth and Barnet and Gosport Borough Council. A further nine are on notice.

Authorities on notice	
East Staffordshire Borough Council	London Borough of Richmond
Essex County Council	Southend Borough Council
Hartlepool Borough Council	Surrey County Council
Leicestershire County Council	West Sussex County Council
Lincolnshire County Council	

Financial context

8. At the current level, subscription income represents 46% of budgeted income for the LGA as a standalone entity in the current financial year. 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.
9. 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.
10. Each 1% increase in subscription levels would generate just under £100,000 additional income. 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.
11. Against this are set the continuing financial challenges facing member authorities and the commitment of Leadership Board to keep subscriptions as low as is practically possible.

LGA subscriptions 2018/19 - options

12. In the light of the financial position, this paper suggests 3 options for 2017/18.

Option 1 - No change

12.1. Would maintain income at **£9.4 million**, with £516,000 at risk if the seven member authorities currently on notice were to withdraw from membership.

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

12.2. 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.

Option 3 – % increase to arrest the continued real terms decline in value

12.3. This would represent a departure from recent practice. Given the current funding challenges facing councils, this is likely to prove unpopular with our memberships at a time when the political leadership is keen for councils to sign up to the new incorporated Association.

Welsh LGAs and Fire and Rescue Authorities

13. Blaenau Gwent Council has now formally withdrawn from the WLGA's corporate subscription and receives no further membership benefits from the LGA. Neath Port Talbot did not pay a subscription in 2016/17 but the new leader had indicated his intention to rejoin in 2017/18. However despite chasing no subscription has been received and in line with the Constitution, all legal and other support has now been withdrawn. Together these represent a reduction of £19,000 in the Welsh LGA's corporate subscription.

14. Whilst the APCC has decided not to enter into a corporate LGA membership on behalf of PCCs nationally, discussions with some PCCs about regional or individual LGA memberships are continuing. For those PCCs who take on responsibility for Fire and Rescue, we would propose that the current FRA subscription is transferred, with an additional sum to cover additional PCC specific support. The outcome of discussions will be reported to Leadership Board in due course.

Summary

15. Members are invited to consider whether they wish to

15.1 hold subscriptions at current levels; or

15.2 increase either with or without a corresponding increase in loyalty discount.

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 £7,965 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.