Structure of the Local Government Association

**Purpose**

For decision

**Summary**

The LGA is currently constituted as an unincorporated association. At the last meeting on 4 July 2017, the General Assembly agreed, in the interests of its members, to set up a new incorporated LGA to take on the activities, assets and liabilities of the existing LGA, with the Chairman and Vice- Chairs of the Association as its Board of Directors.

The new company came into effect on 1 April 2018 and the majority of member council have now signed up to join or are in the process of doing so. This report seeks General Assembly approval to begin the process of transferring staff, contracts, assets and liabilities to the new company with a view to its becoming fully operational as the membership body for the LGA from 1 April 2019.

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| **Recommendations**That the General Assembly resolves: 1. To initiate the process of transferring the staff, contracts, assets and liabilities of the unincorporated LGA to the new incorporated company with a view to the new LGA Company becoming the membership body for the LGA from 1 April 2019 and the unincorporated LGA being dissolved at such point thereafter as the LGA Leadership Board shall determine in accordance with resolution 2.
2. Subject to resolution 1 being passed at the General Assembly, put to all members for decision via an electronic or postal vote and being agreed by at least two-thirds of members from full member authorities, to delegate to the LGA Leadership Board the authority to determine the date upon which the current unincorporated Association is formally closed down, once they are satisfied that the transition is complete.

That the General Assembly notes:1. The amendment to article 30 of the Articles of Association to include definitions covering the City of London Corporation.
2. The addition of a provision for the LGA’s Associate scheme in the Governance Framework, which includes fire and rescue authorities, police and crime commissioners, combined authorities and elected mayors, town and parish councils and others.
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Structure of the Local Government Association

**Background**

1. In 2016, the LGA Leadership Board established a Task and Finish Group to undertake a comprehensive review of the LGA and its associated companies their purposes and inter-relationships and the flows of income and expenditure to, from and between the different entities. The recommendations of the Group were accepted by the LGA Leadership Board and Executive and commended to the General Assembly.
2. On 4 July 2017,the General Assembly agreed that in the interests of its members, the LGA should regularise its organisational structure as follows:

2.1 A new incorporated LGA is set up as an unlimited company to take on the activities, assets and liabilities of the existing LGA, with the Chairman and Vice- Chairs of the Association as its Board of Directors.

2.2 The existing unincorporated LGA remains in place until member councils have formally agreed to join as founding members of the new incorporated entity.

2.3 LGA Properties Ltd (LGAP) and Local Government Management Board (LGMB) are converted to unlimited companies with share capital, with the shares issued to the new Incorporated LGA.

2.4 The new Incorporated LGA forms a tax group with LGMB and LGAP and a VAT group with LGMB, LGAP and the IDeA.

**The current position**

1. The new LGA company came in effect from 1 April 2018, with the Leadership Board taking on the role of the Board of Directors. Directors’ details and the Articles of Association have been lodged with Companies House and a supporting governance framework agreed by the Board. Both have been published on the LGA website.
2. In March 2018 invitations to join the new company were sent to all member councils, along with a copy of the Articles of Association. Of the current LGA’s 345 full member councils, along with the Welsh LGA, only one has so far resolved to defer a decision on joining the new company, with the majority of completed applications now received.
3. Alongside the new company, the current unincorporated LGA remains in place, pending transfer of staff, contracts, assets and liabilities.

**Planned transition**

1. With a critical mass of councils now signed up, preparatory work has begun on the transition of the main LGA business to new LGA company. This includes:
	1. Consulting with staff in preparation for their TUPE transfer
	2. Novating contracts
	3. Transferring leases and licences
	4. Transferring the LGA’s interest in joint ventures and other companies
	5. Transferring pension schemes
	6. Notifying all statutory agencies
	7. Managing all tax implication in conjunction with HMRC
	8. Changes to financial and payroll systems
2. Alongside this we will begin work to convert the property companies - LGA Properties Ltd (LGAP) and the Local Government Management Board (LGMB) - to unlimited companies with share capital, and issue the shares to the new incorporated LGA.
3. Finally, the new Incorporated LGA will form a tax group with LGMB and LGAP and a VAT group with LGMB, LGAP and the IDeA.
4. At their next meeting on 18 July 2018, the LGA Leadership Board will be invited formally to accept the applications for membership received from councils. In view of the complexity and financial and tax implications of the associated business changes, and to allow sufficient time to enable them to be completed effectively, it is proposed that:
	1. the new LGA comes into full effect as the membership body from 1 April 2019
	2. responsibility for agreeing the date upon which the existing unincorporated Association is closed down after that date is delegated to the LGA Leadership Board.
5. In line with the current Constitution, actual dissolution will be subject to **resolution 1** (see recommendations) being passed at the General Assembly, put to all members for decision via an electronic or postal vote and being agreed by at least two-thirds of members from full member authorities.

**Other issues**

1. The City of London Corporation has highlighted that the Corporation is not included under the definition of “principal councils” in various local government acts, including the Local Government Act 1972. To redress this, an additional definition under article 30 of the Articles of Association is proposed. Subject to new LGA Board approval, amended articles will be submitted to Companies House and posted on the LGA website.

**Article 30 – Additional definitions**

*“Principal councils” shall include all principal councils in England and Wales as defined in the Local Government Act 1972 and the City of London Corporation.*

*“Unitary councils” are all single tier authorities, London boroughs and the City of London Corporation.*

1. The Governance Framework has been amended to include provision for the LGA Associate scheme, currently included in the Constitution of the unincorporated Association. Under the new company Articles “members” are principal councils and all others are defined as “associates” and included in the Governance Framework.
2. The Associate scheme provides for fire and rescue authorities, police and crime commissioners, combined authorities and their elected mayors, town and parish councils and others whose applications are approved by the LGA Leadership Board. An amended Governance Framework has been posted on the LGA website.