

LGA/LG Group – structure and name

Purpose of report

For decision.

Summary

On 1 June this year we moved to an operational model that saw the LGA and four of the five central bodies – LGID, LGR, LGE and LG Leadership – brought together as a single integrated organisation under the name of the LG Group. However, behind this, the LGA remains as the membership body, and the company boards continue to exercise their respective remits. Whilst this ensures that good governance is maintained, use of the LG Group brand has led to confusion amongst the LGA's membership, members, staff, partners and those we are trying to influence.

The LGA Leadership Board discussed the issue at their Awayday on 14 September. This paper sets out their proposal for simplifying the structure and ensuring a strong brand for the organisation.

Recommendation (of the LGA Leadership Board)

That the LG Group Executive

1. Endorses the proposal to move to an integrated board structure where:
 - a) The LGA becomes the dominant front-facing brand for the LG Group.
 - b) The LGID (IDeA) company becomes the trading/service delivery arm, under the name of "LGA Services" (or something similar to be determined)
2. Invites the LGA Leadership Board to oversee the legal and operational changes associated with the integration

Action

Officers to implement in line with the LG Group Executive decision

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LGA/LG Group – structure and name

Background

1. In 1997 the LGA was established as an unincorporated association. It is essentially a membership club, operating in accordance with its Constitution, which can be changed by formal resolution. It carries unlimited liability on behalf of its members who stand behind it in the event of the distribution of assets or liabilities on dissolution.
2. The LGA is linked to a series of companies (**Appendix A**), each with its own Memorandum and Articles of Association. The documentation is fairly standard and can be changed if necessary. The majority of directors on each Board are appointed or removed by the LGA, but some are appointed by other bodies. Strictly speaking each company, through its Board of Directors, operates independently and each director is under a duty to act in the best interests of his/her company.
3. On 1 June this year we moved to an operational model that saw the staff of the LGA, LGID, LGR, LGE and LG Leadership - brought together into one integrated organisation. Most activities formerly carried out by the individual organisations continue in the new Group but no longer in separately defined units. Improvement is central to the work of teams across the Group, regulation is integrated into the work of the Programme Teams and leadership development (formerly undertaken by the Leadership Centre and LGID) is combined into a single unit.
4. However, whilst we are using the name “LG Group” to describe the new collective, it does not exist as a legal entity.
 - 4.1 The LGA remains the membership arm of the Group. Member council subscriptions are paid to it; its General Assembly meets annually and it appoints members to all LG Group governance structures.
 - 4.2 The company boards of the former central bodies remain, along with their boards of directors, or in the case of the Leadership Centre for Local Government, which is a registered charity, board of trustees.
 - 4.3 To minimise potential tax and pension-related liabilities, staff continue to be paid via the organisation by whom they were previously employed.
5. Until 2010/11, RSG topslice was paid to the individual companies. From April 2011, with the agreement of the Secretary of State, topslice is paid in a lump sum via the LGID (IDeA) Board and then distributed to the company boards to cover operational and overhead costs. If all employment contracts were held

by the LGA and LGID, distribution of topslice funding to LGE and LGR would no longer be necessary.

The issue

6. Whilst we now have a streamlined and affordable organisation, there is confusion amongst the LGA's membership, members, staff, partners and those we are trying to influence about what the LG Group is and what it is not. Member councils are unclear about the distinction between the LG Group and the LGA, and whether LGID, LGE, LGR or LG Leadership still exist (compounded by the fact that the company boards still carry the names of the original central bodies).
7. At their meeting on 14 September, the LGA Leadership Board considered
 - 7.1 Whether to move to an integrated company structure for the former central bodies (excluding 4Ps, which is subject to separate arrangements) recognising that the LGA is an unincorporated association, the Leadership Centre is a registered charity and LGID, LGE and LGR are companies limited by guarantee.
 - 7.2 Whether to return to the LGA brand as the dominant front facing brand.
8. They concluded that both were now timely. They also agreed that the two property companies should remain to avoid unnecessary costs such as stamp duty.

The proposal

9. The LGA, as the membership body, would become the dominant, front facing brand nationally and with the sector.
10. LGID, as the largest trading unit by far, and already the recipient of topslice, would be the vehicle responsible for delivering the Association's service responsibilities. This is the most pragmatic solution and would not significantly increase our exposure to liabilities for tax and pensions. To avoid confusion it would be possible to change the company name, or to trade under a different name - eg LGA Services or something similar - subject to certain legal requirements being met.
11. The change would need careful handling internally and externally, with clarity over the distinction between subscription and RSG topslice funded activities. The underlying structure of the LGA and its associated organisations would need to be clearly stated on the website, and in other key documents for legal, contractual and other formal purposes.

Implications for the remaining companies

12. To complete the transition, we should at some stage transfer all remaining staff and activity to the LGA and LGID, without generating adverse consequences for our pension contribution or tax liabilities. There are some potentially tricky technical issues to be overcome to put us in a position to make this change and work on these is in hand. In the meantime, the current agreement between the LGA and the Secretary of State for LGA to have all topslice funding being paid via the LGID company has been helpful.
13. Separately, the Resources Panel have instructed The Director of Finance & Resources to undertake work that would minimise potential costs associated with the group's overall pensions liabilities. Initial officer-level discussions that have taken place on this have been positive, although there is still some way to go.
14. The current position with the remaining central body companies is:-
 - 14.1 LGE – potentially in a position to be wound up, subject to Board approval. All business already handled through the Workforce Programme Board.
 - 14.2 LACORS – with agreement of the LG Group Executive, activities formerly carried out by the LACORS board can be transferred to the Safer Stronger Communities Programme Board. Meetings are taking place with NILGA and CoSLA, who are currently represented on the LACORS board and receive support for regulatory services, to ensure they are fully engaged in any change. Would require Board approval to wind up the company.
 - 14.3 Leadership Centre - charity still in place and not controlled by the LGA, so it will be for them to decide how they want to proceed.

Implications for our brand

15. Phasing out use of LG Group and returning to the LGA as our front facing brand would be relatively straightforward and inexpensive to achieve. The brand is already well known in the sector and with government. Existing supplies of LG Group stationery can be used up (much of this is held electronically and can be easily changed) and replaced with the LGA logo, already in existence.

Conclusion and next steps

16. Subject to the Executive's decision, the LGA brand can be promoted as the dominant brand with immediate effect. Integration of the company board structure is subject to a longer legal process, and regular reports will be brought to the LGA Leadership Board.

Appendix A

LG Group Companies

The following are all **companies limited by guarantee** unless otherwise stated:

“Central bodies”

1. Improvement and Development Agency for Local Government [LGID]
2. Local Authorities Coordinators of Regulatory Services [LACORS]
3. Local Government Employers [LGE] (registered as “Employers Organisation for Local Government”)
4. Leadership Centre – registered charity

5. Public Private Partnerships Programme [4ps]
6. 4Ps Ltd (dormant company) – **company limited by shares**

Property companies

7. Local Government Association (Properties) Ltd (owns Local Government House)
8. Local Government Management Board [LGMB] (owns Layden House)

Other

9. Local Government International Bureau [LGIB]
10. Local Partnerships – limited liability partnership - joint venture between LGA and HM Treasury
11. GeoPlace LLP – limited liability partnership between Ordnance Survey and LGID
12. Local Government Information House Ltd [LGIH]
13. LGA Support Services (dormant company)

Associated

14. Centre for Public Scrutiny [CfPS] (registered charity whose funding is paid via LGID. Staff contracts are also held by LGID)