

## **LGA Membership Subscriptions**

### **Purpose of report**

For discussion.

### **Summary**

This paper reports on the proposed LGA membership subscription structure for the year commencing on 1 April 2012, and provides an analysis of the impact of reductions in the subscription level over recent years.

### **Recommendation**

Members are asked to note this report.

### **Action**

Director of Finance and Resources

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## **LGA Membership Subscriptions**

### **Background**

1. The LGA Leadership Board has the responsibility for setting the level of membership subscriptions, based on recommendations from the Resources Panel. The purpose of this report is to provide an update for members of the LGA Executive.
2. The current overall strategy is one of progressive reductions in the subscription level, amounting to around 20% over the period 2010-11 to 2013-14. In the first year for which this strategy applies, 2011-12, an overall subscription reduction on 2010-11 of almost 13% was delivered. Following discussion at the Resources Panel, a further reduction of more than 7% is now proposed for 2012-13, enabling the target reduction to be met one year early.
3. The proposed subscription structure for 2012-13 is set out in **Appendix A**, attached to this report. This will be presented to the LGA Leadership Board meeting on 7 December. At the proposed new subscription levels, membership subscription income will amount to £10.045 million for 2012-13 compared with £10.886 million for 2011-12.
4. These reductions follow the major reform of the subscription structure introduced for 2010-11, in which subscriptions overall were also significantly reduced.
5. The main changes for 2012-13 are that:
  - 5.1 basic subscription levels have been reduced;
  - 5.2 the discount allowed to Metropolitan Districts, London Boroughs and the City Corporation has been increased in line with inflation;
  - 5.3 a new discount has been authorised for non-metropolitan unitary authorities that were formed out of Districts that, before 1997, were members of the Association of District Councils: this change complements the new arrangement for the support of the District Councils Network and has been funded from monies received on the liquidation of A.D.C Trustees Ltd; and
  - 5.4 the subscription structure for Fire and Rescue authorities has been simplified, and subscriptions reduced.

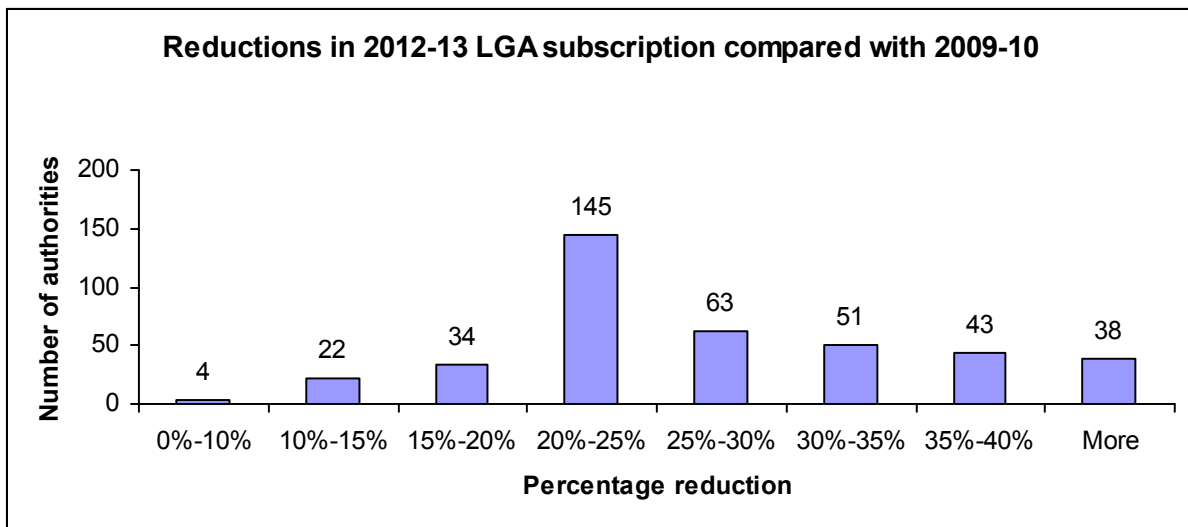
**Item 6**

**Immediate impact of subscription reductions**

6. Looking at 2012-13 subscriptions compared with those for 2011-12, and assuming that all authorities continue to avail themselves of the prompt payment discount, subscription income will reduce by around 7.7% overall.
7. Subscription reductions are relatively evenly distributed. 46 authorities will see a reduction of up to 5%. The majority, consisting of 295 authorities, will see a reduction of between 5% and 10%. A further 60 authorities will see their subscriptions reducing by more than 10%.

**Longer term impact of subscription reductions**

8. It is worth looking at the cumulative impact of subscription reductions since 2009-10. Over this period, reductions are in general much larger. The median level of reduction, comparing 2012-13 with 2009-10, is 24.6%. This reflects a distribution between authorities as shown in the Table below.



9. It can be seen from this Table that all but a handful of authorities have benefited very substantially from subscription reductions, and the overwhelming majority have seen their subscriptions reduce by more than 20% in cash terms. Taking into account actual and forecast inflation as measured by the RPI, a 20% cash terms reduction is likely to be equivalent to one of almost 30% in real terms over the period 2009-10 to 2012-13.
10. A minority of authorities have received smaller subscription reductions. This is largely the result of the major reforms to the subscription structure in 2010-11. Although the reforms delivered subscription reductions for everyone, it was not possible both to simplify the structure and deliver consistently large reductions.

**Item 6**

11. In considering the impact of the subscription reforms, members of the Resources Panel were interested in how much the subscription was per resident, and whether this figure was the same across authorities. The answer is that the 2012-13 subscription will average out at around 20p per resident in England, and around 8p per resident in Wales. Taking into account differing local authority structures in different parts of the country, there is relatively little variation in this figure across England.
12. This outcome can be compared with the level of financial benefits that the LGA regularly delivers for its member authorities. In most years, direct financial benefits run well into the hundreds of millions of pounds. For example, our success in the Icelandic banks work is worth around £470 million across the group of affected authorities. Each £100 million of additional benefit represents an extra £1.85 for each person in England and Wales. It is therefore the case that, leaving aside the wide range of non-financial benefits, the direct financial benefits of LGA membership cover the subscription many times over.

**Membership**

13. In the course of this year, Torridge District Council, King's Lynn and West Norfolk Borough Council and North Somerset Council have returned to LGA membership. This will increase subscription income by around £60,000 for next year.
14. Against that, nineteen authorities are currently on notice to leave. If every authority exercised its notice, the loss of income would be just over £600,000. However, on the basis of contact with authorities on notice, officers' present view is that the risk of loss of membership income amounts to no more than £300,000. Work is ongoing to encourage all these authorities to withdraw or roll over their notice.

**Recommendation**

15. Members are recommended to note this report.

**Financial implications**

16. At the proposed subscription levels, membership subscription income will amount to £10.045 million for 2012-13 compared with £10.886 million for 2011-12. Both these figures are net of all applicable discounts. The Resources Panel regard this as a sustainable level of income for the future and consider the potential loss of membership income from future withdrawals to be a manageable risk.

**Recommended LGA Subscriptions for 2012-13**

<b>Type of authority</b>	<b>Subscription</b>
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"> <li>• a supplement of £80 for every 1,000 population above 400,000</li> <li>• a discount of £200 for every 1,000 population below 400,000</li> <li>• an additional discount of £37,000 for smaller counties in two-tier areas – withdrawn at £250 per 1,000 population above 850,000</li> <li>• a maximum subscription of £112,500</li> <li>• a normal minimum subscription of £22,000; but</li> <li>• 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.</li> </ul>
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	An additional discount of 1.5% of the subscription calculated as above and: <ul style="list-style-type: none"> <li>• 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</li> </ul>
Metropolitan District Councils, London Boroughs and the City Corporation	An increase in the financing discount from £6,700 to £7,965
Fire and Rescue authorities	A basic subscription of £9,950 subject to: <ul style="list-style-type: none"> <li>• a supplement of £3.00 for every 1,000 population over 1 million</li> <li>• a discount of £7.25 for every 1,000 population below 1 million</li> </ul>
Police authorities	A flat rate subscription at the same level as the basic subscription for Shire Districts
Transport authorities	A flat rate subscription of £30,500
National Park authorities	Flat rate subscriptions of between £239 and £2,006
Town and Parish councils	A flat rate subscription of 20% of the basic subscription for a Shire District
All authorities	A prompt payment discount of 2.5% on subscriptions paid on or before 30 June 2012

References to populations are to Office of National Statistics 2010 Mid Year Estimates.