

Funds of the Association of District Councils

Purpose of report

For decision.

Summary

This report seeks the Leadership Board's approval for proposed arrangements for the management by the LGA of funds it is anticipated will shortly be received from the liquidation of ADC Trustees Ltd, the company that has overseen the liquidation of the property assets of the Association of District Councils.

Recommendations

Members are asked to:

- approve arrangements for a support payment of £217,945 p.a. to be made to the District Councils Network in 2011-12 and for the next nine years after that; and
- authorise the Resources Panel to determine an appropriate subscription discount arrangement to provide broadly similar benefits for unitary councils that were formed from, or took over the functions of, non-metropolitan District Councils.

Action

Group Finance Director

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Background

1. In 2008 the Association of District Councils (Properties) Ltd, the company that owned the former property of the Association of District Councils, was put into liquidation. The surplus from the liquidation, after paying off the company's debentures and other borrowings, amounts to just over £3m. This cash is held by the liquidator and will in due course pass to A.D.C Trustees Ltd, the ultimate parent company. A.D.C Trustees Ltd is a non-trading company limited by guarantee, whose six guaranteeing members are councillors of authorities in membership of the LGA. The members are drawn from both English and Welsh authorities and from councils that are now unitaries, as well as from English shire districts.
2. The Memorandum and Articles of Association of A.D.C. Trustees Ltd prohibit the direct disbursement of these monies to the former Members of the Association of District Councils, stipulating instead that it should be given or transferred to some other local authorities or local authority association sharing similar objectives to the Association of District Councils. As such, the LGA and the WLGA are the obvious recipients, and the members of the Company, after consulting with all present and former non-metropolitan District Councils in England and Wales, are minded to make distributions of the anticipated liquidation proceeds accordingly.
3. Assuming a distributable amount of £3 million, it is intended that £295,043 is paid to the Welsh LGA and that the LGA should receive the balance of £2,704,957. It is expected that these funds will become available in June 2011.
4. The issue for the Leadership Board therefore concerns the utilisation of that sum.

Proposed use of former ADC funds

5. The drafting of the governing documents of A.D.C Trustees Ltd makes clear that the Association of District Councils intended that, in the event it ceased to exist, its property should be transferred to a body or bodies with similar objects, and not simply distributed amongst members. It is therefore appropriate that any transferee organisation should seek to utilise any funds received to benefit the particular interests of the original set of authorities that contributed those funds.
6. A consultation held earlier this year with present and former District councils showed broad support for a scheme under which:

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- 6.1 a single payment was made to the Welsh LGA to reflect the interests of Welsh authorities and the balance of funds was passed to the LGA;
 - 6.2 the LGA used part of those funds to make a yearly payment, for ten years, to support the District Councils Network; and
 - 6.3 the LGA used the remainder of the funds to provide a membership discount (in perpetuity) for non-metropolitan authorities in England that were at one time Districts, or have succeeded to the functions of Districts.
7. There were originally 333 non-metropolitan Districts in England and Wales. Of these, 37 were Welsh, and became the present 22 Welsh authorities at the time of the local government reorganisation in Wales. Of the original 296 English non-metropolitan Districts, 201 are currently Shire Districts in two-tier areas. The remaining 95 have either become unitary authorities or have ceased to exist, with their functions taken over by unitary authorities.
8. It is considered that a scheme under which (out of a total of £3 million) £295,043 is transferred to Welsh authorities, £1,836,812 is invested and used to provide a support payment of £217,945 p.a. to the District Councils Network for ten years (only), and the remaining £868,145 is used to provide a membership discount in perpetuity for non-metropolitan unitary authorities would provide equivalent value to each of the three groupings. The calculations of these amounts reflect a 6% discount rate and an assumption that funds can be invested to earn a return of 4% p.a. over the long term.
9. In the consultation with present and former District authorities, whilst most Shire District respondents supported the proposed payment to the DCN, opinion was somewhat more divided amongst the unitary authorities about how their discount should operate. Various options are available. In principle, though, a discount arrangement would give a similar result to the arrangement now in place for former members of the Association of Metropolitan Authorities. It is therefore suggested that the Resources Panel is asked to determine the appropriate discount mechanism when it reviews subscriptions for 2012-13.
10. The Leadership Board is therefore recommended to:
 - 10.1 approve arrangements for a support payment of £217,945 p.a. to be made to the District Councils Network in 2011-12 and for the next nine years after that; and
 - 10.2 authorise the Resources Panel to determine an appropriate subscription discount arrangement to apply from 2012 and provide broadly similar benefits for unitary councils that were formed from, or took over the functions of, non-metropolitan District Councils.