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**Report of the Chief Executive**

**Executive Board**

**Date: 19<sup>th</sup> April 2006**

**Subject: Dissolution of Yorkshire and Humber Association of Local Authorities and formation of Local Government Yorkshire and Humber**

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**Electoral wards affected:**

All

**Specific implications for:**

Ethnic minorities

Women

Disabled people

Narrowing the gap

Eligible for call In

Not eligible for call in

(details contained in the report)

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**Executive Summary**

1. This report seeks formal Executive Board approval to the dissolution of the Yorkshire and Humber Association of Local Authorities, and the formation of a new regional government body – Local Government Yorkshire and Humber – by the merger of the ALA with the Local Government Management Board (LGMB) in the region. In principle agreement has been given to these changes, which now require formal endorsement by Executive Board.
2. The new regional structure provides a simplified and strengthened voice for local government in the region, enabling better links to the Yorkshire and Humber Assembly. This process represents the final outcome of a review of the regional structures undertaken in 2005. As part of this review, local authority contributions to the regional structures will now be channeled through the new organisation.

## 1.0 Purpose of this report

1.1 To seek formal approval to dissolve the Yorkshire and Humber Association of Local Authorities (ALA), and to establish Local Government Yorkshire and Humber (LGYH). This requires two formal decisions by the council, which under the council's constitution, must be referred to Executive Board:

- An agreement to dissolve the Association of Local Authorities, and establish Local Government Yorkshire and Humber –this is based on agreeing a number of resolutions, set out in para 3.2 below;
- An agreement to endorse the new draft constitution of the new LGYH – this is required to formally recognise the merger of the ALA with the LGMB.

## 2.0 Background information

2.1 Despite the abandonment of proposed referendums on regional elected assemblies in the UK, a great deal of activity is still ongoing at a regional level. This includes not only the main bodies of the Government Office, Regional Assembly and Regional Development Agency, but also a series of other structures set up to take forward particular aspects of work across the region.

2.2 In this region the roles of the Yorkshire and Humber Assembly (YHA) and the local government element of this - the Yorkshire and Humber Association of Local Authorities (ALA) – were reviewed in 2005. The review focused on the most appropriate structures, functions and funding of regional structures.

2.3 The main outcomes of the review were that:

- the YHA and ALA should be de-merged, and that a new regional local government organisation should be established by the merger of the ALA with the Local Government Management Board (LGMB) in the region. This new strengthened local government body – *Local Government Yorkshire and Humber* (LGYH) – would provide a stronger role for local government in the region
- local authority subscriptions to the new regional organisations would be held at around 50% of the 2004/05 contribution level (for Leeds this has meant a reduction from £227,557 in 2004/05 to £113,779 in 2005/06, with this same level in 2006/07 – subscription levels are based on population).

2.4 The Formation of LGYH puts into effect the decisions of Leaders in the review of regional structures to separate the Assembly and the local government functions at a regional level, and to strengthen the local government role by merging with the LGMB. Each organisation will therefore now have separate business plans, budgets and management which will lead to greater accountability.

2.5 LGYH have developed a draft business plan, which sets out the objectives of the organisation around a number of key themes:

- **Community, engagement and leadership**  
Enabling local government leadership to be better engaged on key regional issues, and to develop a better voice in Europe
- **Devolution and the future of local government**

Ensuring local government in the region is well placed to respond to the potential challenges and opportunities of the proposed Local Government White Paper, Lyons Review of local government finance etc

- **Employment**  
Taking forward the range of functions formerly carried out by LGMB, including organisational flexibility, leadership, a high performing workforce
- **Capacity building**  
To manage the delivery of the regional capacity building strategy (Item 6 refers)
- **E-region plan**  
To develop the e-region plan

2.6 LGYH will operate as an unincorporated association, based on the existing legal structure of the LGMB. This will retain its status as a separate independent entity. It has therefore developed new constitution, which draws together the old ALA and LGMB constitutions into a new constitution for the new organisation. Policy and Legal officers from the council have been consulted on the drafting of the constitution, which has been prepared with advice from Eversheds solicitors, and are satisfied that it is a workable and appropriate document.

2.7 In addition to the levy for the new regional structures as outlined in para 2.3 above, each local authority will also be required to maintain its funding for the national Employers Organisation and for the Improvement and Development Agency. These levies will also be channeled through LGYH. The total funding from Leeds City Council for 2006/07 will therefore be in the region of £142,958.

### 3.0 Main issues

3.1 Local Authorities have agreed, through the existing regional arrangements, to the principle of dissolution of the ALA and the formation of LGYH. However, two formal decisions are required from the council, which must be referred to Executive Board for formal endorsement:

- An agreement to **formally dissolve the ALA and establish the new LGYH**;
- A decision to **formally approve the new amended constitution** - as required by the Employers' Forum constitution (the umbrella group for the LGMB). The amended constitution was approved unanimously the LGMB on 1<sup>st</sup> March. It is now necessary to ballot constituent councils and fire and rescue authorities to seek their approval of the amended constitution and put into effect the merger decision made by local authority leaders last year.

#### Formally dissolving the ALA and establishing the new LGYH

3.2 A meeting of the ALA on 16<sup>th</sup> March was due to have considered this issue, though the meeting was inquorate. Individual member authorities are therefore being asked, via email, to formally agree the following resolutions:

- To transfer the operations of the YHALA on 1 April 2006 when the LGYH comes into being and subsequently to dissolve the ALA. Formal approval from two thirds of the members is needed to effect this change.

- To transfer the small group of staff identified as working on YHALA functions to LGYH. This transfer will take place under TUPE-like arrangements.
- To transfer funds and assets of YHALA and its potential liabilities, including those associated with staff, to LGYH with effect from 1 April 2006. There are no other significant assets on the LGMB side. It is likely that a small quantity of furniture and ITC equipment will be transferred with staff from ALA. West Yorkshire Pension Fund actuaries have estimated the pension deficit for LGMB at £660,000. This will transfer to LGYH. The potential deficit for staffing from ALA is likely to be significantly lower, probably between £50,000 and £100,000 and this will also transfer to LGYH.
- To expand the Employers Forum to form Local Government Yorkshire and Humber, with substantially the draft constitution to be adopted at the first meeting of the organisation and to be effective from 1 April 2006.
- To agree levies to LGYH for the year 2006/07. Levies will be collected by LGYH for funding elements for LGYH, YHA and IDeA/EO and distributed according to agreed principles. For all local authorities, the regional levy has remained frozen at 2004/05 levels
- To agree priority work areas for LGYH during 2006/07 as in the draft Business Plan as outlined in para 2.5 above.

Formally approving the draft constitution of the new organisation, as required by the Employers Forum

3.3 An approval of the new draft constitution is required to formally endorse the merger of the LGMB with the ALA to create the new organisation. The changes to the constitution fall into three categories:

- It has had a plain English review and updating of layout and legal format by Eversheds.
- It incorporates the Leader governance arrangements of ALA, whilst retaining in full the Employers' Forum arrangements (Employers' Forum now becomes Employers' Committee), including existing representation arrangements.
- It harmonises notice and other provisions.

3.4 Officers are satisfied that the new constitution, based largely on the old ALA constitution, is a 'fit for purpose' document, and that there are no new implications for the council. The process set up for this requires a formal vote on the issue to be taken by member authorities. Executive Board is therefore asked to authorise the Leader of the Council to respond to a ballot paper issued by the LGMB endorsing these changes.

#### **4.0 Implications for council policy and governance**

4.1 The new arrangements represent a simplification and strengthening of the regional voice of local government, and have been supported by the Leader at meetings of the ALA. The governance relationship between LGYH and YHA remains as it was under ALA. LGYH will nominate leaders to represent local government on the YHA, local government will continue to chair YHA and serve as members of YHA Regional Executive Board. As a member of the new organisation, the council will

need to formally agree its representation on the new body via a report to the Member Management Committee, though no changes to the existing arrangements are proposed – Leeds will be represented by the Leader or Leader’s representative, and will be entitled to 15 votes, as at present.

- 4.2 A new committee of the new organisation will also be established, the Employers Committee. This will replace the current Local Government Management Board / Employers Organisation led Employers Forum. Leeds will have 3 places on this new committee.

## **5.0 Legal and resource implications**

- 5.1 LGYH will act as the conduit for local authority contributions to all regional structures. All Leeds contributions will therefore be paid to LGYH, and then be distributed as appropriate. Budget provision has been made for all elements of this contribution – there are no additional financial implications of these proposals.

## **6.0 Conclusions**

- 6.1 The formation of the new regional body for local government has been agreed at meetings of the YHA and ALA as the best way forward for regional structures. These proposals were recommended in the review of regional structures undertaken by the regions’ Chief Executives in 2005.
- 6.2 Leeds has been supportive of these changes and has given in principle support.

## **7.0 Recommendations**

- 7.1 Executive Board is requested to:
- 1) Formally endorse the resolution to dissolve the Association of Local Authorities, and form Local Government Yorkshire and Humber;
  - 2) Authorise the Leader of the Council to endorse the new constitution.