

# DECISION NOTICE



For office use :  
Notice and report e-  
mailed to EMT,  
Democratic  
Services, Comms  
Team and Report  
Author , on 27  
December 2017

## NOTICE OF DECISION MADE BY PORTFOLIO HOLDER DECISION: PORTER 1:17

---

(To be made available at the main offices of the Council and sent to all members of the Council within 3 working days of the decision.)

The Council's Constitution (Standing Order 28 – Recording of Executive Decisions; Part 3 Section D4 – Delegations to Cabinet members; and Part 4 D Access to Information Procedure Rules) requires that when any decision is made by an individual Portfolio Holder a record of the decision, including a statement of the reasons for it and any alternative options considered and rejected, must be prepared and published normally **within 3 working days**.

In accordance with this requirement notice is hereby given that The Lord Porter CBE, being the Leader of the Council, made the decision detailed below on 21 December 2017. This decision is not a key decision.

### **This notice is published on 27 December 2017.**

In respect of recommended decisions 2 and 7, and in accordance with the terms of the Constitution (Part 3 Section D – Overview and Scrutiny (including Call-In Procedures)), the decision detailed below will come into force, and may then be implemented, on Friday 5 January 2018 (i.e. following the expiry of 5 working days following the date of publication of this notice) unless during that period a notice, where either a Ward Representative (in relation to a matter in their ward) or two members of the Performance Monitoring Panel or any three members formally request in writing (requests for Call-In must be given on a form designed for that purpose, and must be signed by each subscriber to the call-in) to the Senior Legal Officer (or such other officer as is nominated by the Senior Legal Officer) before the end of the five clear Working Day period specified in the above paragraph in relation to a particular decision by the Leader, a Cabinet Member or Cabinet, a Sub-Committee of Cabinet or an officer, then that decision shall be referred to the Performance Monitoring Panel. Such request must contain a justifiable reason for the reference and one or more of the signatories to the reference must forward to the Senior Legal Officer at least five clear Working Days before the date of the Committee which is to consider the matter a brief explanation or statement as to the concerns of the signatories in the matter, and what

---

Please ask for Democratic Services: Telephone 01775 764451  
e-mail: [demservices@sholland.gov.uk](mailto:demservices@sholland.gov.uk)

alternative decision(s) that member/those members consider should be taken. (The call-in period expires at 5pm on the 5<sup>th</sup> working day following publication of this notice, or 4.30pm if the 5<sup>th</sup> working day is a Friday.)

The remaining decisions of the Portfolio Holder are recommendations to full Council and the call-in procedure therefore does NOT apply.

**Matter to which decision relates**

Compass Point Business Services Options – To consider the actions necessary to implement the preferred option for the future of Compass Point Business Services (“CPBS”)

***DECISION (IF URGENT PROVIDE REASONS)***

To the extent that they are executive decisions, the Leader approves and to the extent that they are non-executive decisions the Leader recommends to Council

- 1) That, subject to (3) and (4) below, and subject to the agreement of the CPBS Board and East Lindsey District Council, the contractual arrangements with CPBS and East Lindsey District Council be terminated and new contractual arrangements be entered into for an initial period of five years from 31 July 2018, with an option to extend for a further five years;
- 2) That Eversheds be instructed to prepare the necessary paperwork (including changes to the Shareholder Agreement) to effect the extension and any other necessary changes as a result of this and any subsequent decisions of the Council;
- 3) That in accordance with the Grant Thornton reports CPBS be required to deliver a level of efficiency savings, and resulting reduced cost base, to the satisfaction of both councils;
- 4) That CPBS be required to submit a business case for transformation, by 31 May 2018, for consideration by both councils;
- 5) That, from 31 July 2018, the governance arrangements be amended by:
  - a. the addition of two non-voting advisors (finance and strategy) to the Company Board
  - b. the establishment of a Partnership Group, comprising the appropriate portfolio holders from both councils, and supported by senior officers, to consider key strategic issues from the councils’ perspectives
  - c. the establishment of Joint SHDC and ELDC Client Officer meetings (and the CPBS Head of Operations where required) to ensure consistency at an operational level, with any intractable issues escalated to the Partnership Group

- 6) That the Terms of Reference for the Partnership Group and the Joint Client Officer meetings be approved as per the appendix to this report
- 7) That the Head of the paid Service be removed from the Board with effect from 31 July 2018 and that the Executive Director for Place be appointed as a Director from the same date;
- 8) That, going forward, no statutory officer shall be appointed to the Board of Directors.

#### ***ALTERNATIVE OPTIONS CONSIDERED AND REJECTED***

The principle of extending the arrangements with East Lindsey District Council and CPBS was approved by Council at its meeting on 1 November 2017.

The Council may approve the recommendations in this report, or may approve the same with amendments.

#### ***REASON OR REASONS FOR THE DECISION***

To agree arrangements for the continued delivery of Council services by CPBS beyond the timeframe of the current agreements which expire in 2020.

#### ***Conflicts of interest declared by an executive member, relating to the decision, and any dispensations granted***

None known.

### **REPORT**

- |   |  |                  |
|---|--|------------------|
| 1 | Compass Point Business Services Options -<br>To consider the actions necessary to implement the preferred option for<br>the future of Compass Point Business Services ("CPBS") | (Pages<br>1 - 6) |
|---|--|------------------|

This page is intentionally left blank

## SOUTH HOLLAND DISTRICT COUNCIL

**Report of:** Councillor Nick Worth, Deputy Leader of the Council  
Councillor Malcolm Chandler, Deputy Leader of the Cabinet

**To:** Leader Decision (for recommendation on to Council)  
South Holland District Council Wednesday, 17 January 2018

**(Author:** Mark Stinson Executive Manager - Governance)

**Subject** Compass Point Business Services Options

**Purpose:** To consider the actions necessary to implement the preferred option for the future of Compass Point Business Services (“CPBS”)

### **Recommendation(s):**

To the extent that they are executive decisions, the Leader approves and to the extent that they are non-executive decisions the Leader recommends to Council

- 1) That, subject to (3) and (4) below, and subject to the agreement of the CPBS Board and East Lindsey District Council, the contractual arrangements with CPBS and East Lindsey District Council be terminated and new contractual arrangements be entered into for an initial period of five years from 31 July 2018, with an option to extend for a further five years;
- 2) That Eversheds be instructed to prepare the necessary paperwork (including changes to the Shareholder Agreement) to effect the extension and any other necessary changes as a result of this and any subsequent decisions of the Council;
- 3) That in accordance with the Grant Thornton reports CPBS be required to deliver a level of efficiency savings, and resulting reduced cost base, to the satisfaction of both councils;
- 4) That CPBS be required to submit a business case for transformation, by 31 May 2018, for consideration by both councils;
- 5) That, from 31 July 2018, the governance arrangements be amended by:
  - a. the addition of two non-voting advisors (finance and strategy) to the Company Board
  - b. the establishment of a Partnership Group, comprising the appropriate portfolio holders from both councils, and supported by senior officers, to consider key strategic issues from the councils’ perspectives
  - c. the establishment of Joint SHDC and ELDC Client Officer meetings (and the CPBS Head of Operations where required) to ensure consistency at an operational level, with any intractable issues escalated to the Partnership Group
- 6) That the Terms of Reference for the Partnership Group and the Joint Client Officer meetings be approved as per the appendix to this report
- 7) That the Head of the paid Service be removed from the Board with effect from 31 July 2018 and that the Executive Director for Place be appointed as a Director from the same date;
- 8) That, going forward, no statutory officer shall be appointed to the Board of Directors

## 1.0 BACKGROUND

1.1 At its meeting on 1 November 2017, the Council considered a report from the Deputy Leaders which set out future options for CPBS. The options, identified by Grant Thornton on behalf of this Council and East Lindsey District Council, were:

- a. To continue the company arrangement as currently in place
- b. To continue the arrangement and consider any recommendations to update the arrangements and further improve outcomes
- c. To disestablish the company and consider an alternative shared service model of provision.

1.2 Council approved (b) above. This option will therefore see the company continue to deliver the contracted services to both councils, but will also see a number of changes to the way the company is operated and managed:

- Governance changes in terms of board membership and how the councils engage with the company at both strategic and operational levels
- Changes to organisational design intended to drive efficiencies and reduce the cost base of the company.
- Working capital injection which will tie in closely with the organisational design work mentioned above.

1.3 East Lindsey District Council has also approved option (b) at 1.1 above. Since the Council meeting in November, senior members and senior officers of both councils have met to discuss next steps. This report sets out a proposed approach based upon those discussions.

### Governance Changes

1.4 A number of changes to the governance arrangements are proposed in order to ensure that management of the company is as effective as possible and in order to ensure that the two councils are co-ordinated when it comes to setting out our expectations for the company and the services it delivers. The proposals comprise:

- Adding two non-voting advisors to the Company Board who will specialise in finance and strategy. Having independent advisors will assist the company in shaping its business and delivering the required efficiency savings and resulting reduction in base costs.
- Each council will make their own Board appointments as they see fit, but subject to the appointing authority being satisfied that the appointments they make do not result in a significant risk of conflict of interest.
- The establishment of a Partnership Group, comprising relevant Portfolio Holders, which will ensure a joined up strategic approach by both councils – looking at key issues such as risks, service failures and the future of the arrangements. These issues will be viewed from the councils' perspectives, in order to ensure that services are being delivered to the satisfaction of the councils.
- Introduction of an 'Intelligent Client' function to ensure that the councils work together, where possible and practical, to ensure a joined-up operational approach. These meetings will be between Client Officers and (where

appropriate) CPBS's Head of Operations. This will ensure that CPBS are not instructed to do similar but slightly different things for each council. There will be areas that this may not be possible (where, for example, this Council has an agreement with Breckland Council to have a consistent approach – such as their shared HR policies). Any intractable issues will be escalated to the Partnership Board.

- 1.5 It is proposed that the size of the Board of Directors remains unchanged (six Directors; three from each Council; and at present comprising two elected members and one officer from each council), though two non-voting advisors will assist the current Board, bringing with them business knowledge and experience in the areas of finance and strategy. It is for each council to determine its own director appointments, but each council needs to be mindful so as to avoid potential conflicts of interest when appointing certain senior member and officer directors. It is proposed that South Holland's appointments should no longer include any statutory officer (Head of the Paid Service, Monitoring Officer or s151 Officer). These officers have certain statutory obligations to the Council. If those officers are appointed as Board Directors, they will owe their first duty to the Company – and there is therefore a risk of conflict of interest. In addition, it may be difficult for these officers to hold the Company to account if they directors of that company.

#### Organisational Design

- 1.6 Members will recall that the Grant Thornton advice concluded that CPBS should be able to reduce its base costs by around 12%. There will, however, need to be a comprehensive business case for transformation, prepared by CPBS, to confirm that this is a realistic target and to ensure that the councils are comfortable with whatever is proposed to achieve this. CPBS will also need to address any outstanding historical issues, such as pensions, as part of this business case.
- 1.7 There will, in due course, be a need to agree whether the efficiency savings are to be delivered up-front, or whether they will be staged over an agreed period. There will also be a need to agree whether, in future years, there should be provision for inflationary increases in the contract price.
- 1.8 Once CPBS has produced a business case for transformation to the satisfaction of both councils, a third report will be brought to the Council which will identify key contractual changes that may be required. It is anticipated that this report will be brought to Council in May or July 2018.

#### Capital Investment

- 1.9 Again, members will recall that this was proposed by Grant Thornton as part of the recommended option to continue the arrangements with CPBS. No assessment can be made, at this stage, about the likely level of investment required nor how the investment should be used. This will again flow from the business case for transformation that CPBS will need to prepare on an 'Invest to Save' basis.

#### Contract Extension

- 1.10 It is proposed that, subject to the production of a business case for transformation that is acceptable to both councils, the contractual arrangements between the councils and CPBS

be brought to an end and revised contractual arrangements entered into for a period of five years from 31 July 2018 with an option to extend for a further five years.

- 1.11 In advance of the proposed contract extension date, and whilst work is undertaken on the organisational design and capital investment elements of the project, it is proposed that (subject to compliance with all necessary contract procedures) the councils instruct Eversheds to start drafting the necessary paperwork (Eversheds drafted the original paperwork and all subsequent amendments thereto, and also provide company secretarial support to CPBS).
- 1.12 As the arrangements are subject to a tri-partite agreement, the CPBS Board will also need to approve the final arrangements.

## 2.0 **OPTIONS**

- 2.1 The principle of extending the arrangements with East Lindsey District Council and CPBS was approved by Council at its meeting on 1 November 2017.
- 2.2 The Council may approve the recommendations in this report, or may approve the same with amendments.

## 3.0 **REASONS FOR RECOMMENDATION(S)**

- 3.1 To agree arrangements for the continued delivery of Council services by CPBS beyond the timeframe of the current agreements which expire in 2020.

## 4.0 **EXPECTED BENEFITS**

- 4.1 There are a number of benefits:

- It enables forward planning by the Council
- The company and its staff will have uncertainties removed with regard to future intentions – helping to reduce difficulty with retention and recruitment
- Continuing one of the original objectives of establishing arrangements as a local and wholly owned enterprise and retaining jobs at the local level – thus making a valuable contribution to the local economy
- Improved co-ordination and governance
- Reduced base costs

## 5.0 **IMPLICATIONS**

In preparing this report, the report author has considered the likely implications of the decision - particularly in terms of Carbon Footprint / Environmental Issues; Constitutional & Legal; Contracts; Corporate Priorities; Crime & Disorder; Equality & Diversity/Human Rights; Financial; Health & Wellbeing; Reputation; Risk Management; Safeguarding; Staffing; Stakeholders/Consultation/Timescales; Transformation Programme; Other. Where the report author considers that there may be implications under one or more of these headings, these are identified below.

## 5.1 Constitutional & Legal

The CPBS arrangements are underpinned by both a Shareholders Agreement and Management Agreement that have been in place for a number of years, as agreed by both Councils. Any changes to these documents require the further agreement of both Councils and CPBS, and accordingly will be the subject of a further report(s) where changes are required to reflect an agreement to extend current arrangements beyond 2020.

The significant recommendations of this report are reserved to the Council by the Council's constitution at part 2, Article 4 and Part 3. Operational matters, such as the appointment of Board members and legal representation are executive functions.

## 5.2 Contracts

The proposals will result in a number of contractual changes. Further contractual changes will be considered in future reports.

## 5.3 Financial

A number of financial implications were set out in the report to Council on 1 November 2017. In addition, there will be a number of costs associated with the proposals set out in this report – including legal costs and (if required) remuneration for Board advisors. It is likely that any cost associated with remunerating Board advisors will need to be met by the Company.

## 6.0 WARDS/COMMUNITIES AFFECTED

6.1 All

## 7.0 ACRONYMS

7.1 CPBS – Compass Point Business Services (East Coast) Limited

---

Background papers:-	None – but please refer to the Council report of 1 November 2017 which included copies of the Grant Thornton advice.
---------------------	--

---

### Lead Contact Officer

Name and Post:	Mark Stinson Executive Manager - Governance
Telephone Number	
Email:	mark.stinson@breckland-sholland.gov.uk

**Key Decision:** N

**Exempt Decision:** N

**This report refers to a Mandatory Service but how they are delivered is discretionary**

**Appendices attached to this report:** None

## Appendix

Terms of Reference:

### Partnership Group:

- Composition is portfolio holders for each council, supported by Chief Officers or their representatives.
- Meets 2-3 times per year.
- Holds the Board to account on behalf of the shareholders through strategic oversight of performance, risks, and service failures.
- Ensures a joined up approach to development of future requirements to be placed on the company.
- Deals with any operational issues that are escalated to it by the Client Officer Meeting

### Client Officer Meetings:

- Composition is the Client Officer for the time being appointed by each of the councils and (where appropriate and at the invitation of either Client Officer) the CPBS Head of Operations
- Meets as agreed by the Client Officers
- Ensures client co-ordination on matters that require CPBS support/services
- Holds CPBS to account at the operational level in respect of service performance
- Escalates any intractable issues to the Partnership Group.

Page 6

