

## SOUTH HOLLAND DISTRICT COUNCIL

**Report of:** Deputy Leader of the Cabinet and/or Executive Director - Commercialisation (S151 Officer)

**To:** South Holland District Council – Wednesday, 20 January 2021

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

**Subject** Public Sector Partnership Services Limited (“PSPS”)

**Purpose:** To consider a proposal to admit a third shareholder and to agree associated changes to the Joint Venture Shareholder Agreement (“JVSA”)

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

To the extent that these are non-executive functions, the Council approves the following and, to the extent that the same are executive functions, the Council recommends to the Leader

- 1) That, subject to approval of East Lindsey District Council (“ELDC”) and the Board of PSPS, and subject also to (2), (3), and (4) below, the Council approves admitting Boston Borough Council (“BBC”) as a Shareholder in PSPS with an allocation of 240 shares.
- 2) That legal due diligence is conducted to establish whether there are any extraordinary risks to the Council and delegated authority be granted to the Executive Director – Commercialisation (s151 Officer), in consultation with the Deputy Leader of the Cabinet, to determine whether the level of risk is acceptable
- 3) That the JVSA together with any associated contractual documents be amended or created as necessary, including the making of provision for a potential future fourth Shareholder, and that delegated authority be granted to the Executive Director – Commercialisation (s151 Officer), in consultation with the Deputy Leader of the Cabinet, to approve and sign such revised or new documentation
- 4) That the Leader completes any necessary company shareholder decisions required under the Companies Acts.

### **1.0 BACKGROUND**

1.1 PSPS is a local authority trading company that is wholly owned by South Holland and East Lindsey District Councils. The company was established in 2010 and the arrangement has very recently been extended by a further ten years (but with provision to review after five years). The company delivers financial, human resources & payroll, customer contact, revenues and benefits and ICT & Digital services.

1.2 It was always anticipated that a third shareholder might join the company, and provision was made for this in the JVSA by way of ‘C’ shares (ELDC holding ‘A’ shares and SHDC holding ‘B’ shares). BBC has indicated a desire (subject to formal decision) to become a shareholder in PSPS and has also indicated that, if all parties agree, it would like to aim for a joining date of 1 April 2021. Given the recent transformation plan investment made by

both ELDC and SHDC, for investments such as the new finance system, the new HR system, and so on, BBC would be required to make an initial financial investment related to the current transformation plan and also other expenses (such as legal costs). SHDC and ELDC will continue to benefit fully from the existing transformation plan and associated savings that have been identified.

- 1.3 BBC will also be required to sign up to the terms already agreed between SHDC and ELDC in respect of the JVSA. This includes the existing review/potential exit point in five years' time. Bringing in a third shareholder will deliver efficiency savings for the Council, details of which are set out in the Appendix to this report and in the Financial Implications section at paragraph 5.4.1.
- 1.4 At present, the shareholdings are SHDC (37%) and ELDC (63%). Each Council has three directors on the Board and the company's governance arrangements mean that ELDC and SHDC have equal power when it comes to decision-making. If BBC is admitted as a shareholder it will receive 240 shares, and shareholdings will become ELDC (48%), SHDC (28%) and BBC (24%). BBC will be able to appoint two directors to the Board. However, certain key shareholder decisions will be reserved to SHDC and ELDC as the 'founder shareholders' (an example being 'deadlock' decisions).
- 1.5 Various legal formalities will be required if BBC does become a shareholder – such as changes to the JVSA, changes to the company Articles, and various formal decisions/resolutions by the Board and shareholders.
- 1.6 Informal consultation took place, on 7 January 2021, with members of the Policy Development and Performance Monitoring Panels. Feedback was positive, and the following issues were identified:
  - Local Government Review – SHDC, ELDC and BBC will be sharing back office services but this may not match the geographical area of any future structural arrangements. It was noted, however, that PSPS already supports local authorities outside of the current SHDC/ELDC area (Breckland Council).
  - Resilience – members felt that a third partner would improve resilience and there would be the potential for further efficiencies.
  - The challenges in proceeding with such a project, and at such pace, were acknowledged given the current circumstances.
  - It was important to maintain service levels during on-boarding of BBC.
  - It was noted that there has, for a long time, been an ambition for PSPS to be open to further business and seek new opportunities.

## 2.0 **OPTIONS**

- 2.1 Approve the proposal – which will result greater efficiency savings and closer working with partner authorities.
- 2.2 Approve the proposal but on different terms – not recommended as discussions have been going on for some time to reach the current position.
- 2.3 Do nothing – in which case the existing arrangements will remain in place and the additional efficiency savings will be foregone.

### 3.0 REASONS FOR RECOMMENDATION(S)

- 3.1 To extend local external partnership arrangements and to generate efficiency savings whilst maintaining service levels.

### 4.0 EXPECTED BENEFITS

- 4.1 Increased business, resilience and efficiency for our company, PSPS, together with a resulting reduction in cost of service to the Council, and closer working with another Lincolnshire authority which may assist in any future proposals for local government review in Lincolnshire. Further benefits are also identified on the appendix to this report.

### 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; Data Protection; 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

- 5.1.1 The Council has already established the company, which it did with specialist legal advice. Subsequent changes to the company arrangements have been made with specialist legal advice. Any changes to the arrangements in admitting BBC will also be subject to specialist legal advice from the same external provider.
- 5.1.2 A number of decisions will also be made by the company (through its Board and shareholders) in accordance with the Companies Acts.

#### 5.2 Contracts

- 5.2.1 If approved, the changes will result in an amended JVSA.

#### 5.3 Corporate Priorities

- 5.3.1 PSPS provide a number of key back office functions which support all of the Council's corporate priorities.

#### 5.4 Financial

- 5.4.1 The current and revised contract prices are detailed in the table below. This demonstrates an increased saving of £181k, before any additional investment, could be achieved if the proposal is accepted. Additional information is also provided in the appendix to this report.

SHDC Original MTFS	2021/22	2022/23	2023/24	2024/25	2025/26
Opening Contract Price	3,142,934	3,142,934	3,099,094	3,038,147	2,849,017
Annual Costs		38,501	39,568	40,072	40,585
Savings		82,341	100,515	229,202	41,634
Closing Contract Price	3,142,934	3,099,094	3,038,147	2,849,017	2,847,968

Opening Contract Price as @ 1st April 2021	3,142,934
Cumulative Costs (Yrs 1 to 5)	158,726
Cumulative Savings (Yrs 1 to 5)	453,692
Closing Contract Price as @ 31st March 2026	2,847,968

Contract Price Reduction by 31st March 2026	294,966
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SHDC Revised MTFS with Boston Impact	2021/22	2022/23	2023/24	2024/25	2025/26
Opening Contract Price	3,198,434	3,086,469	3,042,630	2,912,516	2,723,386
Annual Costs		38,501	39,568	40,072	40,585
Savings	111,965	82,341	169,681	229,202	41,634
Closing Contract Price	3,086,469	3,042,630	2,912,516	2,723,386	2,722,338

Opening Contract Price as @ 1st April 2021	3,198,434
Cumulative Costs (Yrs 1 to 5)	158,726
Cumulative Savings (Yrs 1 to 5)	634,822
Closing Contract Price as @ 31st March 2026	2,722,338

Contract Price Reduction by 31st March 2026	476,096
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Cumulative Savings Growth by Yr 5	181,130
Additional Contract Reduction by Yr 5	181,130

## 5.5 Risk Management

5.5.1 The risk to existing shareholders is considered to be relatively low, but it is proposed to seek an assessment of legal risk from external legal advisors who will also prepare the necessary contractual documents. This will include, for example:

- Looking at the issue of decision-making with a third shareholder and additional Board directors and whether this introduces risk/difficulty for existing Shareholder Councils in terms of Board and Shareholder decisions.
- Contractual issues in respect of existing services and systems.
- Other legal risks that external advisers may identify under the proposed arrangements.

5.5.2 Non-legal risks will also be considered and managed if the proposal progresses – such as any potential impact on service delivery during the transition, potential pressure on ICT infrastructure and management of a tight timetable.

## 5.6 Stakeholders / Constitution / Timescales

5.6.1 Consultation has taken place informally between the Leaders of SHDC, ELDC and BBC. Feedback from consultation with members of Policy Development Panel and Performance Monitoring Panel is set out in paragraph 1.6.

## 6.0 WARDS/COMMUNITIES AFFECTED

6.1 All wards are affected

## 7.0 ACRONYMS

BBC – Boston Borough Council  
ELDC – East Lindsey District Council  
JVSA – Joint Venture Shareholder Agreement  
PSPS – Public Sector Partnership Services Limited  
SHDC – South Holland District Council

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Background papers:-	None
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### 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 Mandatory and Discretionary Services**

**Appendices attached to this report:**

Appendix A

Summary business case (**Exempt**)