

LGSS LAW – DELEGATION AND EXERCISE OF SHAREHOLDER RIGHTS

To: Council

Date: 24th March 2015

From: LGSS Director Law, Property and Governance

Purpose: Council is asked to consider the changes required to the Council's Constitution to enable the exercise of its rights as a shareholder in LGSS Law Ltd, and to appoint a representative shareholder.

Recommendation: Council is recommended to:

- a) nominate as its shareholder representative the Council's Monitoring Officer, who shall exercise the delegated authority in consultation with the elected member for the time being holding the post of Chairman/woman or Vice-Chairman/woman of the Local Government Shared Services Joint Committee
- b) delegate to that Officer all and any rights associated with the ownership of the shares and authorise that Officer to exercise those rights subject to the following conditions and reservations:
 - i. The Monitoring Officer shall at all times exercise the delegated rights in accordance with the ten Solicitors Regulation Authority (SRA) Principles and Code of Conduct. If in doubt as to the requirements of the SRA Principles and Code of Conduct, the Officer shall take appropriate independent legal advice before exercising the delegated authority.
 - ii. The Monitoring Officer shall exercise the delegated authority under this provision in accordance with the Code of Conduct for Officers and elected members of NCC/CCC and with all other relevant policies to the extent that those do not conflict with the Solicitors' Regulation Authority (SRA) Code of Conduct and in circumstances where a conflict between the SRA Code of Conduct and any other Code shall arise, the SRA Code of Conduct shall take precedence.
- c) in the event that the Chairman/woman or Vice-Chairman/woman of the LGSS Joint Committee is unable for any reason to take up the role of Consultee Member for their council, authorise the Joint Committee to nominate another elected member of the same council to undertake that role.

- d) agree the addition to Part 3 of the Council's Constitution (Responsibility for Functions) of a section Part 3E, Delegation and Exercise of Shareholder Rights in LGSS Law Ltd, as set out in Appendix A
- e) authorise the Monitoring Officer, in consultation with the Chairman of the Constitution and Ethics Committee, to make any other minor or consequential amendments to the Constitution necessary for, or incidental to, the implementation of these proposals.

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1. BACKGROUND

- 1.1 LGSS Law was formed in 2010 through the merger of the in-house legal teams within Northamptonshire County Council (NCC) and Cambridgeshire County Council (CCC) as part of the broader Local Government Shared Services (LGSS) project. The two legal teams were rapidly merged and subsequently have been operating as a single traded service which has been successful in making significant efficiency improvements and attracting new clients from outside the two host authorities.
- 1.2 As a result of its success, LGSS Law considered whether its current operating model would continue to be appropriate, and the LGSS Management Board concluded that LGSS Law should be re-configured into a local authority owned trading company. In the legal context this model is usually referred to as an Alternative Business Structure (ABS) due to the description in the enabling legislation (the Legal Services Act 2007); unlike a traditional law firm, an ABS is owned and/or managed by non-lawyers. The vision for LGSS Law Ltd was of a law firm wholly owned by the two founding local authorities; the model constituted a hybrid form of legal services provider filling the gap between the fully in-house public sector team and the privately owned commercial firms.
- 1.3 At its meeting on 18th September 2014, the LGSS Joint Committee considered the proposal for the establishment of an ABS for the provision of legal services, noting that LGSS Law Ltd would be established as a company limited by shares, with the Director of Law Property and Governance as its one nominated director, and that the founding authorities, CCC and NCC, would jointly own the company by their holding of an equal number of ordinary shares which together would constitute the entire allocation of shares in the company. The Joint Committee resolved to agree to the proposed establishment of a legal ABS to be jointly owned by NCC and CCC in equal shares.
- 1.4 At its meeting on 20th November 2014, the LGSS Joint Committee endorsed the content of the Articles as agreed by the LGSS Managing Director in consultation with the Chair and Vice Chair of the Joint Committee, LGSS Finance and the Director of People, Transformation and Transactions, and noted that the target date for LGSS Law Ltd to commence trading was the start of April 2015.
- 1.5 The LGSS Joint Committee comprises three CCC elected members and three NCC elected members. It is chaired on an annual basis by a member from one authority, with the other authority appointing the Vice-Chairman/woman; the chair rotates between the authorities each year.

2.0 APPOINTMENT OF REPRESENTATIVE SHAREHOLDER

- 2.1 Under the governance arrangements for the ABS, CCC and NCC must each identify one member to act as their Council's representative shareholder. Because the LGSS Joint Committee currently holds delegated authority for the oversight of LGSS as a whole, the proposal to Council is that the appropriate person to exercise CCC's shareholder rights in LGSS Law Ltd is the Monitoring Officer in consultation with the Chairman/woman (in a year when the chair is held by a CCC member) or the Vice-Chairman/woman (in a year when a CCC member holds that position) of the LGSS Joint Committee.

- 2.2 At its meeting on 3rd March 2015, the Constitution and Ethics Committee considered a report proposing that Cambridgeshire County Council delegate the exercise its shareholder rights in LGSS Law Ltd to the Chairman/ woman or the Vice-Chairman/ woman of the LGSS Joint Committee. Northamptonshire County Council, which retains the Cabinet system of governance, is expected to make a similar delegation. The proposed Cambridgeshire delegation has subsequently been reviewed, and – as there is no mechanism under a Committee system of governance for delegation to an individual elected member – the recommendation to Council is that the delegation should be to the Monitoring Officer in consultation with the Chairman/woman or the Vice-Chairman/woman of the LGSS Joint Committee.

3.0 CONSEQUENTIAL CHANGES TO THE CONSTITUTION

- 3.1 The Council's Constitution needs to be amended by the addition of a further section to Part 3, Responsibility for Functions, namely Part 3E, Delegation and Exercise of Shareholder Rights in LGSS Law Ltd, as set out in Appendix A.

Source Documents	Location
CCC Constitution	http://www.cambridgeshire.gov.uk/info/20050/council_structure/288/councils_constitution
Minutes of the LGSS Joint Committee	http://www2.cambridgeshire.gov.uk/CommitteeMinutes/Committees/Committee.aspx?committeeID=23
Report to and minutes of the Constitution and Ethics Committee	http://www2.cambridgeshire.gov.uk/CommitteeMinutes/Committees/Meeting.aspx?meetingID=974