

HAMPSHIRE COUNTY COUNCIL

Decision Report

Decision Maker:	Executive Member for Culture, Recreation and Countryside
Date:	16 September 2014
Title:	Proposed New Governance Arrangements for the Sport Hampshire and Isle of Wight Team
Reference:	6073
Report From:	Director of Culture, Communities and Business Services

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1. Executive Summary

1.1. The purpose of this paper is to consider new governance arrangements for the Sport Hampshire and Isle of Wight Team which is hosted by Hampshire County Council. The report sets out the background to the current arrangements and suggests that a move to an independent organisation would be the best way forward, subject to more detailed work being undertaken.

2. Background

2.1. Sport Hampshire and the Isle of Wight (SHIOW) is one of 45 County Sport Partnerships which operate across England. It is responsible for developing specific programmes which increase participation in sport and physical activity and it does this by working with a wide range of organisations. These include local authorities, schools, local universities, Sport England, Public Health and the National Governing Bodies of Sport.

2.2. SHIOW was set up in 2000 and has always been hosted by Hampshire County Council. It is one of the largest County Sports Partnerships in the country (based on population size) and is highly regarded by Sport England. Whilst day to day management of SHIOW comes from within the County Council, SHIOW also has an Advisory Board which it uses to inform its work. The Assistant Director for Community sits on the Advisory Board.

3. Finance

3.1. SHIOW has a turnover of about £1.3m per annum. Sport England is the largest contributor, providing £240,000 core funding a year and a further £410,000 in 2012/13 to deliver its specific programmes.

- 3.2. When SHIOW was set up in 2000, the County Council already had its own Sports Development service. The team was amalgamated into SHIOW, although the revenue budget (currently £210,000) is managed separately to the SHIOW budgets. In 2012/13, the County Council provided a further £214,000 to SHIOW to deliver specific County Council programmes such as the Talented Athlete Scheme, Workplace Activities and the Olympic Legacy work. The County Council is the second largest financial contributor to SHIOW.
- 3.3. In addition, as the host authority, the County Council also incurs the usual 'below the line' costs for the SHIOW team of HR, Finance, Legal and office accommodation costs. SHIOW makes an annual contribution of £18,500 towards these costs which are estimated to be between £50-100,000 a year.
- 3.4. There are 15 local authorities in the area covered by SHIOW, 13 of which, including the County Council, pay £5,125 a year to SHIOW to support the general activities of the partnership.

4. Current Situation

- 4.1. When County Sports Partnerships were set up 14 years ago, nearly all were hosted by a local authority or university. Over the last five years this arrangement has changed significantly and now nearly 50% of the County Sports Partnerships are constituted as independent organisations. There are a number of reasons this has happened, including:
 - a desire to act with more freedom and independence
 - economic pressures being experienced by the host
 - a desire to capture new income generating opportunities, unavailable through a hosted relationship
- 4.2. Sport England, SHIOW's largest financial contributor, has recently asked all the County Sports Partnerships to reduce their reliance on Sport England funding to 50% of turnover by 2017. This is arguably more difficult for SHIOW to do when it is fully hosted by the County Council as it has no formal legal status and cannot enter independently into legal contracts. It is more difficult for SHIOW to be 'fleet of foot'.
- 4.3. At the same time the County Council, whilst strategically committed to sport and physical activity, has concerns about return on the considerable investment put into SHIOW (set out in paragraphs 3.2-3.3) and the difficulty of maintaining the same levels of financial commitment over the medium term.
- 4.4. In response to all these factors, the County Council and SHIOW commissioned an outside consultant to make recommendations regarding SHIOW's future governance. Oaks consultancy company was appointed to undertake this work and started in November 2013.
- 4.5. The brief for the work required Oaks to investigate a number of options for the future governance arrangements for SHIOW. These were:
 1. Continuation of current hosted agreement
 - 2.

2. Move to an alternative host
 3. Transition into an independent organisation
 4. Develop some form of hybrid solution
- 4.6. In order to consistently evaluate the options set out in 4.5, Oaks developed an assessment of the current arrangements for SHIOW. Oaks then evaluated each of the four options against the current arrangements, using a range of 'assessment filters'. Having identified Option 3 (transition into an independent organisation) as the preferred solution, Oaks undertook an evaluation of potential independent governance models. At the conclusion of this work, Oaks identified two options for SHIOW that stood out from the rest. These were:
- A Company Limited by Guarantee with Charitable Status
 - Charitable Incorporated Organisation
- 4.7. Oaks felt that as a Company Limited by Guarantee with Charitable status was more costly and difficult to set up, the best solution for SHIOW was a Charitable Incorporated Organisation. The summary from Oaks' report is attached – Appendix 1.
- 4.8. Oaks made the following recommendations:
- i. SHIOW transitions from its current Hampshire County Council hosting relationship, to a Charitable Incorporated Organisation.
 - ii. The transition is managed as a collaborative process between Hampshire County Council and SHIOW.
 - iii. The new organisation is established and in operation during 2015/16.
 - iv. The County Council commission SHIOW to continue to deliver certain elements of its sports development programme.
 - v. The County Council support the SHIOW transition, ensuring it is capable of operating in an independent fashion and sustainable in the long term.
- 4.9. A representative from Oaks presented their findings to the Culture and Communities Select Committee on 2 September 2014.

5. Conclusion

- 5.1. The work undertaken by Oaks has been very thorough and it was discussed at length at SHIOW's most recent Advisory Board meeting. Charitable Incorporated Organisations were only formally launched by the Government less than two years ago to develop not for profit making activity, and only a few have been set up to date. Whilst Oaks have recommended that SHIOW transition into a Charitable Incorporated Organisation, it is felt that more work needs to be done to understand all the implications of this and a further review of a Company Limited by Guarantee with Charitable status before any final decision is made on the future governance of SHIOW.

5.2. The Culture and Communities Select Committee considered the proposals in this report at its meeting on 2 September 2014 and, after discussion, endorsed the recommendations set out below.

6. Recommendations

6.1 That the Executive Member for Culture, Recreation and Countryside:

- i. Endorses the work undertaken so far on the future governance arrangements for SHIOW.
- ii. Asks that a report on the viability of options for SHIOW, based on the preferred governance model, be presented to a Culture and Communities Select Committee in 2015. Following discussion and recommendations from the Select Committee, the report would be considered by the Executive Member for a final decision to proceed.

CORPORATE OR LEGAL INFORMATION:**Links to the Corporate Strategy**

Hampshire safer and more secure for all:	no
Corporate Improvement plan link number (if appropriate):	
Maximising well-being:	yes
Corporate Improvement plan link number (if appropriate):	
Enhancing our quality of place:	no
Corporate Improvement plan link number (if appropriate):	

Section 100 D - Local Government Act 1972 - background documents

The following documents discuss facts or matters on which this report, or an important part of it, is based and have been relied upon to a material extent in the preparation of this report. (NB: the list excludes published works and any documents which disclose exempt or confidential information as defined in the Act.)

DocumentLocation

None

IMPACT ASSESSMENTS:

1. Equality Duty

- 1.1. The County Council has a duty under Section 149 of the Equality Act 2010 ('the Act') to have due regard in the exercise of its functions to the need to:

Eliminate discrimination, harassment and victimisation and any other conduct prohibited under the Act;

Advance equality of opportunity between persons who share a relevant protected characteristic (age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, gender and sexual orientation) and those who do not share it;

Foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

Due regard in this context involves having due regard in particular to:

The need to remove or minimise disadvantages suffered by persons sharing a relevant characteristic connected to that characteristic;

Take steps to meet the needs of persons sharing a relevant protected characteristic different from the needs of persons who do not share it;

Encourage persons sharing a relevant protected characteristic to participate in public life or in any other activity which participation by such persons is disproportionately low.

1.2 Equalities Impact Assessment:

A full Equalities Impact Assessment will be undertaken as part of the Business Case.

2. Impact on Crime and Disorder:

- 2.1. This will be considered as part of the Business Case.

3. Climate Change:

- a) How does what is being proposed impact on our carbon footprint / energy consumption?

Not applicable.

- b) How does what is being proposed consider the need to adapt to climate change, and be resilient to its longer term impacts?

Not applicable.

Executive Summary from Oaks' Report

Sport Hampshire & IOW, (SHIOW) is a highly successful and respected County Sport Partnership. Since its inception in 2000, it has consistently provided a high quality of service to its constituent partner organisations, comprising Hampshire County Council, 11 District and Borough Councils, 3 Unitary Authorities and a wide range of statutory and third sector sports and physical activity organisations operating within the county and the southern region.

SHIOW is currently hosted by Hampshire County Council, as a consequence it has no formal legal status and cannot independently enter into legal or commercial contracts. In essence, it could be viewed as an integrated department operating within the County Council. Whilst this has provided a very effective environment for SHIOW, a consistently changing sport and physical activity landscape has stimulated the need to fully investigate alternative corporate structures. In response to this need, Hampshire County Council and SHIOW commissioned Oaks Consultancy to fully investigate this issue and to make recommendations regarding SHIOW's future governance.

This executive summary provides a brief overview of the report's key findings, conclusions and recommendation. For ease of reference this summary follows the report structure.

1. **Potential governance options** – To provide a framework for the report's investigation, Oaks began by identifying the potential governance options available to SHIOW. These being as follows: (a) Remain within the same host organisation (b) Continue to operate within a hosted environment but secure an alternative partnership (c) Transition into an independent organisation, (d) Develop a hybrid solution which combines the best qualities from each of the above options.
2. **Identification of benchmark performance** – In order to consistently evaluate each of the options identified above, Oaks began by developing a benchmark assessment of the current governance arrangements. This process was structured around ten assessment filters. In summary this evaluation clearly demonstrated the very positive impact of the historic hosted arrangements and concluded that if things could remain exactly the same there would be little need for change.
3. **Option evaluation** – Using the benchmark performance as a consistent reference point, Oaks then evaluated each of the four options. Again this was structured around the ten assessment filters. The summary outcome of this evaluation was as follows:
 - a) **Continuation of current hosted agreement** – Whilst Hampshire County Council continues to have a strategic desire to develop sport and physical activity, concerns relating to return on investment and Sport England's challenge to County Sports Partnerships (CSPs) to diversify future income, together with future budget pressures,

makes the continuation of the current hosted arrangements more challenging. The County Council's preferred approach is for SHIOW to be independent. To achieve this it is important to emphasise Hampshire County Council's desire to safeguard the longevity of departing services through a phased and progressive transition. It is also important to mention the County Council's desire to invest in the commissioning of activity rather than the ongoing maintenance of delivery organisations.

- b) **Movement to an alternative host** – Albeit the initial theory of this approach appears to mirror many elements of the benchmark performance and therefore represent a logical alternative to the current hosting arrangements, the evaluation identified that the issues which impede Hampshire County Council's ability to continue the hosting arrangements would more than likely have the same effect on an alternate host. As a result this option was not seen to provide a viable or appropriate future solution.
 - c) **Transition into an independent organisation** – Although Option 3 is probably the most complex to establish and will initially challenge the organisation's skills and capacity, the evaluation demonstrates that it represents the most positive option. Whilst there is a level of risk associated with the development of an independent organisation, this is understood and manageable, particularly given the County Council's commitment to support the transitional process. In addition, the proven examples achieved by other CSPs provide excellent case studies for SHIOW.
 - d) **Develop some form of hybrid solution which combines the best qualities from each of the above opportunities** – Given that the evaluation identified a suitable option, from the three identified above, the report evaluated that there was no immediate need to explore the development of a hybrid solution as this approach should only be deployed when there is no clear option available.
4. **Identification of preferred governance model** – Having identified option 3 as the preferred solution, Oaks undertook a detailed evaluation of 10 potential independent governance models. At the conclusion of this exercise, Oaks identified a Charitable Incorporated Organisation as the most appropriate vehicle for the future development of SHIOW.
5. **Recommendations** – Following the detailed analysis and evaluation undertaken within this report, Oaks made the following recommendations:
- a) SHIOW transitions from its current Hampshire County Council hosting relationship, to a Charitable Incorporated Organisation.
 - b) The transition is managed as a collaborative process between Hampshire County Council and SHIOW.

- c) The new organisation is established and in operation during 2015/16. This window of transition provides a target but also allows for unpredictable challenges associated with the movement to an independent organisation.
- d) The County Council commission SHIOW to continue to deliver certain elements of its sports development programme.
- e) The County Council support the SHIOW transition ensuring it is capable of operating in an independent fashion and sustainable in the long term.