

## HAMPSHIRE COUNTY COUNCIL

### Decision Report

<b>Decision Maker:</b>	Executive Member – Policy and Resources
<b>Date:</b>	13 December 2012
<b>Title:</b>	Transfer of Funding to iESE Ltd
<b>Reference:</b>	4479
<b>Report From:</b>	Director of Resources – Corporate Services

**Contact name:** Rob Carr

**Tel:** 01962 847508

**Email:** rob.carr@hants.gov.uk

#### 1. Executive Summary

- 1.1. IESE (Improvement and Efficiency South East) is one of nine regional improvement and efficiency partnerships that were created in April 2008 to build on the achievements of the Regional Centres of Excellence and Regional Improvement Partnerships. The intention being to provide an integrated and sector-led approach to improvement and efficiency at the regional, sub-regional and local levels.
- 1.2. They represent partnerships of local authorities working together on shared improvement and efficiency priorities. The regional partnerships use local connections and local knowledge to help councils, fire and rescue services and their partners to improve services and become more efficient.
- 1.3. Government funding was provided to help the work of the partnerships and Hampshire County Council currently acts as the accountable body in respect of funding provided to iESE.
- 1.4. Following the creation of iESE Ltd earlier this year (the successor body to the partnership) many of the functions have already been transferred along with the relevant staff to iESE Ltd. However, there is still funding held by the County Council on behalf of the Government and the purpose of this report is to seek formal approval to close down the accountable body role of the County Council and to transfer remaining funding to iESE Ltd.

#### 2. Contextual Information

- 2.1. iESE has been operating since 2008 providing improvement and efficiency resources such as procurement, waste management and social care efficiency to a large number of local authorities and public bodies in the South East Region.

- 2.2. Initial pump priming funding was provided by the Government in order to kickstart certain initiatives associated with improvement and efficiency programmes. However expectations have always been that the regional improvement and efficiency partnerships would become self-sustaining in the longer term.
- 2.3. Initiatives that have been introduced have therefore been on the basis that users would (sometimes) pay to utilise the facilities provided and that this would provide a regular income stream to the partnership in the future. It was envisaged some services would be provided but not charged.
- 2.4. Following the creation of iESE Ltd earlier this year, functions have been transferred to the new company along with the relevant staff and some funding has already been directed to the company as they have taken on responsibility for the functions from partner lead authorities.
- 2.5. Hampshire County Council as accountable body (with the Chief Executive being the named accountable officer) for iESE has been working with iESE staff to close down the accounts of the old partnership and to assist in the transfer arrangements to the new company. One of the last stages of this is to transfer the last two remaining members of staff (currently employed by the County Council) and to seek approval to pay the balance of grant funding over to the new company.

### **3. Funding Position**

- 3.1. The County Council currently holds just under £5.5 million of Government funding that was provided to support the improvement and efficiency partnership. As part of closure of the partnership, it is proposed to transfer this funding to iESE Ltd subject to certain conditions as set out in this report being met. Approval has already been sought and received from DCLG in respect of the transfer of funding subject to the County Council as accountable body being satisfied that certain conditions have been met.
- 3.2. In addition, funding was also provided to Hampshire County Council as a lead authority to put in place construction frameworks that could be used by partner authorities. Income is received by Hampshire County Council from contractors under the frameworks but this is currently paid to iESE and staff time involved in running the frameworks is claimed against the original funding during the year.
- 3.3. As part of the transfer arrangements, Hampshire County Council will keep ownership of the framework agreements, and will be responsible for maintaining them, the costs of which will be covered by the income received from contractors. There remains a balance of £606,452 of the funding originally given to Hampshire County Council for the construction framework workstream and the County Council is still in discussion with iESE Ltd in respect of how this funding might be used in the future. This report therefore requests delegated authority for the Chief Executive to continue those discussions and agree the future use of this funding with iESE Ltd.

#### **4. Transfer Arrangements**

- 4.1. In order For Hampshire County Council acting as accountable body to be satisfied that all of the appropriate arrangements are in place prior to the transfer of funding there are certain issues and conditions that need to be satisfied, namely:
- That the new company is properly constituted and that its aims and objectives are in line with the original purposes of the improvement and efficiency partnerships.
  - That the accounts of the partnership prior to transfer were in good order and that money provided to the partnership has been spent and accounted for appropriately
  - That arrangements are in place to ensure the efficient and effective use of resources by the new company
  - That any funding given to iESE Ltd is protected in the future should the company be wound up or dissolved.
- 4.2. Taking each of these issues in turn, the County Council has looked at the constitution and relevant documentation of iESE Ltd and, subject to final assurance being given by the company on some minor points, it would appear that the company has been properly constituted and its aims and objectives are in line with the original purposes of the improvement and efficiency partnerships.
- 4.3. The accounts for 2011/12 have been audited by Hampshire County Council's internal audit section and no major issues have been identified, although there are still a few outstanding queries that the Audit Team are following up that will need to be finalised before any transfer of funding takes place.
- 4.4. In terms of efficient and effective use of resources, the original partner authorities responsible for iESE continue to exercise control as owners of iESE Ltd through the appointment of Directors and the approval of the business plan. Those that own the company cannot take profits out of it and the role of the Board is to exercise direction and control for the company and to hold it to account in terms of performance.
- 4.5. In the event that the company were to be wound up and dissolved, then the company's Articles of Association provide that any net assets must be applied directly for the objects of the company or transferred to another non-profit distributing organisation (whether a public or private body) with restrictions attached to the transfer to provide that the net assets are used in accordance with the company's objects of advancing the improvement and/or efficiency of local public services.

- 4.6. Given this position, subject to the finalisation of a few outstanding queries, the Chief Executive as accountable officer is satisfied that appropriate arrangements have been put in place for the governance of the new company and that the existence of the Board which consists of original partner authorities (Test Valley Borough Council is the only authority in Hampshire that is part of the Board) will ensure that the direction of the company and the funding that has been provided will be used for the purposes for which it was originally intended.

## **5. Recommendations**

- 5.1. That subject to the final sign off of outstanding queries that approval be given to transfer the balance of £5.5M of Government funding to iESE Ltd.
- 5.2. That the remaining two staff currently employed by Hampshire County Council are to be transferred to the new company at the point of transfer of the funding.
- 5.3. That delegated authority be given to the Chief Executive to agree and implement any necessary agreements and arrangements in respect of the transfer of funds and staff to iESE Ltd.
- 5.4. That delegated authority be given to the Chief Executive to continue discussions with iESE Ltd on the balance of funding for the construction frameworks paid to Hampshire County Council and to enter into any agreements in respect of its future use with iESE Ltd.

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

<b>Hampshire safer and more secure for all:</b>	no
Corporate Improvement plan link number (if appropriate):	
<b>Maximising well-being:</b>	no
Corporate Improvement plan link number (if appropriate):	
<b>Enhancing our quality of place:</b>	no
Corporate Improvement plan link number (if appropriate):	
<p><b>This proposal does not link to the Corporate Strategy but, nevertheless, requires a decision because:</b>  Enterprise M3 Local Enterprise Partnership is not a legal entity and therefore, as Hampshire County Council is the Accountable Body for the Growing Places Fund, it must have robust governance arrangements in place to minimise any potential risks and liabilities.</p>	

**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. Equalities Impact Assessment:**

- 1.1 It is considered that the issues covered by this report will not have impacts requiring further specific actions by the Council above those already established in its existing policies and working procedures.

### **2. Impact on Crime and Disorder:**

- 2.1. It is considered that the issues covered by this report will not have impacts requiring further specific actions by the Council above those already established in its existing policies and working procedures.

### **3. Climate Change:**

- a) How does what is being proposed impact on our carbon footprint/energy consumption?
- b) How does what is being proposed consider the need to adapt to climate change, and be resilient to its longer term impacts?

It is considered that the issues covered by this report will not have impacts requiring further specific actions by the Council above those already established in its existing policies and working procedures.