

Governance Appraisal:

Report

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1. INTRODUCTION

- 1.1 Black Country Consortium Limited (BCC), on behalf of Active Black Country (ABC), commissioned Campbell Tickell (CT) to conduct an appraisal of ABC's governance arrangements. BCC is the accountable body to Sport England for ABC, which is the County Sports Partnership (CSP) for the area covering Dudley, Sandwell, Walsall and Wolverhampton. The ABC Board provides the strategic leadership for physical activity for the Black Country and advises BCC on its policy, direction, funding and impact. BCC is ultimately responsible for ABC. ABC is not a separately constituted body.
- 1.2 ABC's Board membership comprises an independent Chair and eight other independent members. There are two further nominated members. BCC is a not for profit company limited by guarantee, set up by four local authorities, Dudley MBC, Sandwell Council, Walsall Council and City of Wolverhampton Council. ABC's Director is a member of BCC's Leadership Management Team.
- 1.3 All CSPs are working against a background of change which requires them to assess how well their governance meets new standards and expectations of Boards in the sports and physical activity sector.
- 1.4 This background includes
- a new Sport England strategy "Sporting Future – a New Strategy for an Active Nation"¹ launched by the Sports Minister Tracey Crouch in December 2015;
 - an independent appraisal of CSPs on the back of this strategy that is likely to lead to a different kind of primary purpose and funding offer on the table for CSPs; and
 - a new Code for Sports Governance in the sports sector, with CSPs in the Tier 3 category (the category for significant investment partners for Sport England, as a result of which the mandatory requirements are more extensive than for the other two tiers).
- 1.5 More locally, there has been a significant shift in the strategic and infrastructural landscape, signalled by the establishment in June last year of the West Midlands Combined Authority (WMCA), which has among its constituent members Birmingham, Coventry and Wolverhampton City Councils, and Dudley, Sandwell, Solihull and Walsall Metropolitan Borough Councils and, among its non-constituent members, the Black Country Local Enterprise Partnership (LEP) (of which Stewart Towe is the Chair and Sarah Middleton the Chief Executive). (See Appendix 3 for the pattern of membership.) It is intended that the WMCA has responsibility for economic growth, jobs, skills, transport and homes, as well as some aspects of mental health services and youth justice.
- 1.6 Towards the end of our review, the Partnership Director of ABC (Simon Hall) was seconded to work for the WMCA for two days a week.
- 1.7 This paper highlights some of the key issues facing ABC, the implications of the integrated operating model that is in place and areas where improvements can be made.

¹ www.gov.uk/government/uploads/system/uploads/attachment_data/file/486622/Sporting_Future_ACCESSIBLE.pdf

2. BRIEF AND METHODOLOGY

- 2.1. BCC and the ABC Board have already identified that the integrated operating model has both benefits and drawbacks. Benefits identified include access to influencers, knowledge of the strategic direction of the Black Country and the integration of business planning and team structures. However, this approach does not sit comfortably with Sport England's hosted or incorporated CSP models and both ABC's Board and Sport England recognise that there is room for improvement around clarity, visibility and costs.
- 2.2. This appraisal, however, was not asked to consider whether the current governance model is the right one, but was asked to consider the added value (the "CSP +"), brought about by this way of working with local partners, to draw out innovations and improvements to the existing approach and identify how steps can be taken to remedy any drawbacks.
- 2.3. Specifically, ABC commissioned the appraisal to:
 - Identify areas of added value or improvement;
 - Assess the impact and costs of the integrated operating model (i.e. the relationship that ABC has with BCC); and
 - Assess compliance with Sport England's Governance code requirements.
- 2.4. ABC has provided CT with access to a range of information (see Appendix A), although some of the information we expected to see was not available (for example, certain governance documents) or was in rudimentary form.
- 2.5. Our approach to the review comprised:
 - An assessment of compliance with the Code for Sports Governance – we attach a separate compliance assessment but the principal findings of that review are set out in Section 3
 - An attempt to carry out benchmarking with a sample set of other CSPs – this was not hugely successful. It took some time for the sample set to be secured, one of the CSPs approached eventually communicated its unwillingness to participate, and there was some nervousness from the other CSPs about sharing data. In the end we decided upon a route through the County Sports Partnership Network (CSPN), which collects annual data for a finance survey. We received this in anonymised form but with the CSPs who had embraced participation being identified and we have used that as the basis of our benchmarking – again this is set out in Section 5
 - A range of meetings and interviews with key stakeholders identified, although not all responded to requests to participate.
- 2.6. As a result of some of the research methods proving less successful than others, we have not used up the original intended resource programme of allocated consultancy days. We have agreed with ABC that this time is best utilised in supporting the organisation to implement next steps arising from this review to ensure that the momentum around strengthening governance is continued. As a consequence of that, we also attach separately the outline contents pages for a governance handbook.

3. INTERVIEW FINDINGS

The current model and Active Black Country's relationships with partners

- 3.1. The current structure of relationships was generally felt by interviewees to offer the potential for exploiting some natural synergies between health and well-being and economic activity. We were told that the model was initially established for pragmatic reasons in that BCC already existed and so it was easier to 'add' the CSP to BCC rather than set up a new, separate, organisation. There was no enthusiasm for moving away from the model and it was seen as a logical arrangement.
- 3.2. That said, some Board members struggled to articulate the merits of the model and they didn't seem to have a shared understanding or position on how they would measure or delineate its value – there was opacity about benefits and costs. They also found it difficult to describe the structuring of relationships: the role of ABC as an organisation and the role of ABC's Board within the umbrella of BCC needs to be clarified for some members, as well as the overall accountabilities and delegation of duties.
- 3.3. Generally, BCC was viewed as supportive of ABC. However, we were told that, historically, the Consortium had paid little attention to the CSP, with no active stake in its performance or impact, and that as a result ABC had been a little 'rudderless'. Over the past year or so, this has changed and BCC has become more engaged, and there are signs of good progress in the development of the relationship between ABC's Chair and the BCC Chief Executive. In practical terms, the ABC Director is accountable to both the ABC Chair and BCC, in effect having a line of reporting to two people; it was recognised that, though clearly there are line management responsibilities for the BCC Chief Executive, these kinds of dual accountability relationships need proper discussion and clarity about respective responsibilities alongside some kind of formalised communications.
- 3.4. There is a question (which is almost too early in the establishment of the WMCA to answer) as to whether access to the WMCA is facilitated or hindered by being mediated through the Consortium. Board members did question how the relationship between ABC and local authorities and the WMCA would develop, given that the WMCA has a large remit covering such diverse areas as transport and mental health. There is a view that partnership working is in flux and that structures such as the LEP may be less important in the future. This may challenge the delivery of ABC's strategy and raise questions about the continued value of the CSP being positioned within the Consortium.
- 3.5. With regard to the LEP itself, some of the feedback is that the stakeholders from the LEP actually know little about the CSP – technically the CSP has some accountability to the LEP, but the LEP has acted rather as a rubber stamping body. The Chair currently has a slot to report annually to the LEP.
- 3.6. There are also concerns about the limitations of the Consortium's reach into business partners and employer-led initiatives (both with SMEs and with the large scale employers such as Jaguar/Landrover), and whether ABC has sufficient strategic leadership capacity to make inroads into such areas, and into working with the right kinds of networks (e.g. the Chambers of Commerce).
- 3.7. Some of the people we interviewed thought that all the other CSPs in the regional area should meet on a regular basis and establish a working relationship.

The relationship with Sport England

- 3.8. There was confidence in ABC being able to navigate the changes in the Government's and Sport England's strategy if there was sufficient time given to develop a more comprehensive understanding of what it means in practice for ABC's future strategy and the support required from BCC's Executive to achieve it. However, interviewees also recognised that the quality of the dialogue was also beholden on Sport England clarifying its attitude towards the CSPs' future relationships, models and funding.
- 3.9. More specifically, some interviewees felt that Sport England needed to improve its understanding of the considerable challenges inherent in the socio-economics of the area and the deficit of skills. Longer term, community leadership skills can be developed and achieve a great deal, but in the short-term results will be much harder to demonstrate. A significant investment in building the capacity of local organisations was seen as needed, and Sport England (SE) needed to appreciate this.
- 3.10. We heard varying comments about the quality of the relationship with Sport England. Because Sport England is such a key stakeholder, actively managing the relationship, and keeping the Board apprised of the state of that relationship, will therefore be key.

ABC objectives and impact

- 3.11. ABC's objectives have been described as promoting the take-up of physical activity, and providing support to enable health and well-being, among the region's population. This includes:
- Developing a strategy within Sport England's Active Nation Programme
 - Encouraging all four local authorities within ABC's geographical remit to develop local strategies (we understand that three of the four local authorities have undertaken this work)
 - Work with partners and through partner programmes
 - Developing skills and infrastructure for the sector
- 3.12. We were told that, essentially, ABC is trying to get the *average person* motivated to become more active, which will in turn help and improve the economy. We were told that achieving this objective is more challenging for ABC, compared with some other CSPs, because the population is less physically active than the UK population as a whole, in part due to the population's socio-economic profile, and also because of the historic under-representation of some Black Country communities in sporting or physical activity. We were also told that promoting a wider definition and range of physical activities, such as walking and litter collection, as well as developing 'leaders' within under-represented communities, could be ways of increasing the proportion of active people in the region.
- 3.13. What we've understood to be the (real, quantifiable rather than notional) benefits of the relationship with BCC are partly about access to other resources, such as access to BCC's Chief Executive; to the Economic Intelligence team at the Consortium, who have provided support in relation to performance measurement; as well as access to financial management and governance support.
- 3.14. There are some bigger strategic gains in which ABC has played some part, but it is not entirely straightforward to disaggregate the efforts of BCC from those of ABC and perhaps properly to track the CSP's real influence and involvement.

- 3.15. Certainly, strategically, BCC sees a clear connection between sport, physical activity and economic growth, and this is promoted by ABC. Within BCC, its LEP considers the sport and physical activity sector as one of its integral priority sectors to deliver economic growth.² It recognises the importance of growing the economy and ensuring that its workforce is well skilled, motivated and fit for business.³
- 3.16. ABC has also had input into the draft WMCA Black Country Walking and Cycling Strategy and Implementation Plan 2016, which looks to promote cycling and walking through training, maps and the use of Smarter Choices behaviour change initiatives to remove barriers, whether perceived or real, and assist in creating a strong and sustainable cycling and walking culture.
- 3.17. Because the LEP's investments are channelled through BCC, and because ABC is technically a child of the Consortium, it is important to note that there have been revenue streams that the CSP cannot bid for (such as Talent Match, Building Better Opportunities, ESF, City Deal) because in a sense it is part of the accountable body administering those funding streams. This might have affected Sport England's perception of the merits of the model, when the organisation was encouraging CSPs to diversify their sources of income. Given the new direction of Sport England's strategy, which appears to encourage CSPs not be in the role of delivery but rather as independent, strategic brokers, it may be that this constraint is no longer of any huge significance.
- 3.18. We also learned from our interviews that, although ABC objectives are getting clearer, the CSP needs to prioritise and focus on what it can do and with whom it needs to work. In particular, ABC will need to work with partners to deliver the strategy as it only has a limited executive resource. We were also told that, if it is to be successful in delivering its new strategy, ABC needs to work with new partners, such as NHS and health related bodies, commercial sports organisations, housing associations etc.
- 3.19. ABC has had mixed success in achieving its current objectives, with greater success in delivering its mainstream programmes, albeit with an emerging challenge of how to sustain these programmes given the changing focus of Sport England's investment streams. Geographical location is also an important consideration. We were told that some programmes in the more affluent areas of the region will be easier for groups to self-sustain than those in more deprived areas such as Tipton and Wednesbury.
- 3.20. We learnt that ABC's success has also been linked to the receptiveness of individual local authorities, and that this receptiveness is dependent, in part, on ABC's ability to demonstrate the added value of an active workforce to the various local authorities and employers. One

² The governance for the delivery of the infrastructure and other measures in the Strategy and Implementation Plan will be provided through the Black Country LEP. The strategy sets out that:

"The four local authorities of the Black Country have, with their Public Health colleagues, Transport for West Midlands, Black Country consortium, national governing bodies of sport such as British Cycling and local cycle lobby groups, undertaken and continue to deliver a wide range of initiatives, activities and promotions to promote walking and cycling and encouraging more active and healthier lifestyles. The partnership between public health and transport is strengthening and the pursuit of their common objectives will be vital to the achieving walking and cycling. Cycle and pedestrian friendly routes are generally also wheelchair friendly and running /jogging friendly and will vastly improve general accessibility for the whole population."

As an example of its funding in promoting physical activity, the Black Country LEP Growth Deal invested nearly £5million in 'managing short trips', which looks to improve walking and cycling connections between residential, employment and education hubs, using canal tow-paths as well as on-road cycle routes.

³ See <http://www.activeblackcountry.co.uk/upload/Ross/Sport%20and%20Physical%20activity%20Sector%20Skills%20Plan.pdf>.

interviewee stated ABC should invest more resource into translating available data into accessible information that can demonstrate ABC's potential impact and influence.

- 3.21. Board members thought that ABC's impact was, at present, good in parts and largely dependent on what SE funds.
- 3.22. In terms of the CSP's capabilities, there was some feedback about staff culture through our interviews. There is a concern about the quality of focus and follow through in the organisation, and it is perhaps felt that the quality of direction has not always been as strong as it needs to be. Some Board members expressed concern about high staff turnover.
- 3.23. Board members felt that the website needed to be improved and that there needed to be a marketing plan with a clear role for the executive in delivering it. This would impact on what kinds of staff would be employed at ABC as some consideration is needed around the capacity for fundraising, marketing and, especially at executive level, strategic thinking. This has also impacted on the relationships ABC has with other organisations and community groups and how these can be exploited to benefit the CSP and allow it to deliver more and build on the successes it has had.

ABC Board

- 3.24. We were told that, since the arrival of the new Chair, a greater degree of clarity of purpose has been brought to the work of ABC. There is a new strategy, around which Board members feel aligned. Interviewees said that the Chair has a strong grasp of what good governance is and has brought a range of improvements to how the governance of ABC operates – including a stronger focus on the Board role (there had been some confusion before about why certain people are on the Board), staff accountability and strategic Board agendas. The Chair has strengthened the representation from Leaders and Chief Executives.
- 3.25. Interviewees stressed how much the Chair has the support of the Board and there was strong respect for her overall management of the Board. Two years ago, interviewees reported, the Board didn't have an identity and togetherness. The Chair has clearly done a lot to foster a better dynamic and sense of cohesion at the Board and this was acknowledged by some members, although as the Board only meets sporadically and attendance has been patchy.
- 3.26. Sub-committees have been formed, and one interviewee felt this has improved the overall effectiveness of the Board. There is scope for these to evolve, for example, for the Impact Committee to assess value and impact rather than assure the Board that delivery is happening.
- 3.27. Interviewees described diverse and different skill sets around the Board table, for example financial, sports, industry, HR and policy albeit in some cases the experience was not 'current' or from younger working age people. Two members referred to the ABC Board composition as somewhat ad hoc, although one stated it has evolved over the last 12 months and attracted some good people despite the unstructured approach to appointments. One member felt that the voluntary nature of the Board membership has impacted on recruitment. The new Chair and SE's emphasis on governance is now influencing and changing this but there was a view that the composition is still not matched to strategic needs.
- 3.28. While it was said that the gender balance is good and the BME balance is reasonable, it was also suggested that more could be done to consider different diversity aspects (the skills assessments were described by one interviewee as 'tokenistic'). It was suggested that a proper assessment of diversity, skills and Board composition is needed since, in the past, Board composition had been heavily shaped by nominations and the representative role of

some members. It was underlined, however, that current Board nominees do speak from a position of the best interests of the CSP.

- 3.29. While Board members are clear about the CSP's purpose and how it connects with wider strategies, how it might actually deliver was less clear in the mind of interviewees, and some members felt that the Board and executive delved into the operational or transactional matters too often and needed to have more strategic discussions.
- 3.30. There are differing views about the role of the Board and about the expectations of Board members. It was said for example that:
- "We are all volunteers and all have competing priorities – we have our own paid work to deliver"
 - "Do we all understand the role in the same way? Do we all embrace the strategy in the same way? The role of a Board member shouldn't just be rocking up to a meeting"
 - "There are blurred lines in our approach to governance – in other NED roles, there is a line between the executive and non-executive, whereas here it feels we get drawn into executive type roles – how far does the ambassadorial element of the role stretch?"
- 3.31. There are some administrative issues that might benefit from discussion and an agreed way forward. Some members felt that the timing of meetings at around 3pm is awkward for those with children or who work full time. One person suggested that there could be lengthier and fewer meetings. There doesn't seem to be enough time on the agenda to progress Board development work.
- 3.32. It is clear from the evidence that we have seen that the quality of agendas and papers in the past has been poor. There has been – and, to some degree, remains – frustration about Board agendas being changed at the last minute, and the Board consequently not getting through the topics it needs to discuss. Liaison with the Board has been poor in this respect in the past.
- 3.33. Paperwork is improving but needs to be more strategic in content and some discipline introduced on version control and timeliness of despatch. Members acknowledged an improvement in the overall management of the Board and that continuous improvement on agenda management, quality of minutes, focus on strategy and having the right staff at Board meetings and awaydays was a priority.
- 3.34. In terms of making the Board more effective, it was suggested that the Board could discuss specific issues as part of learning and development including good Boardroom practice.

Probity

- 3.35. A number of members noted that the nature of the relationships with other organisations had led to some potential conflicts of interest, including the awarding of contracts to some Board members.
- 3.36. The Code for Sports Governance's requirements in relation to managing conflicts of interest are attached (see Appendix 2). Where someone might personally gain from a contract, they should be excluded from any pertinent debates about that contract so that they cannot influence the decision-making, and there needs to be appropriate declaration and recording of their interests – as and when they arise (so not just on a one-off basis). This is fairly standard stuff in codes of governance, irrespective of whichever sector is under scrutiny. There is also a less formal test that organisations sometimes apply which is to be mindful not

just of whatever the facts are, but how things might appear were they to be made public and to be alive to these reputational risks.

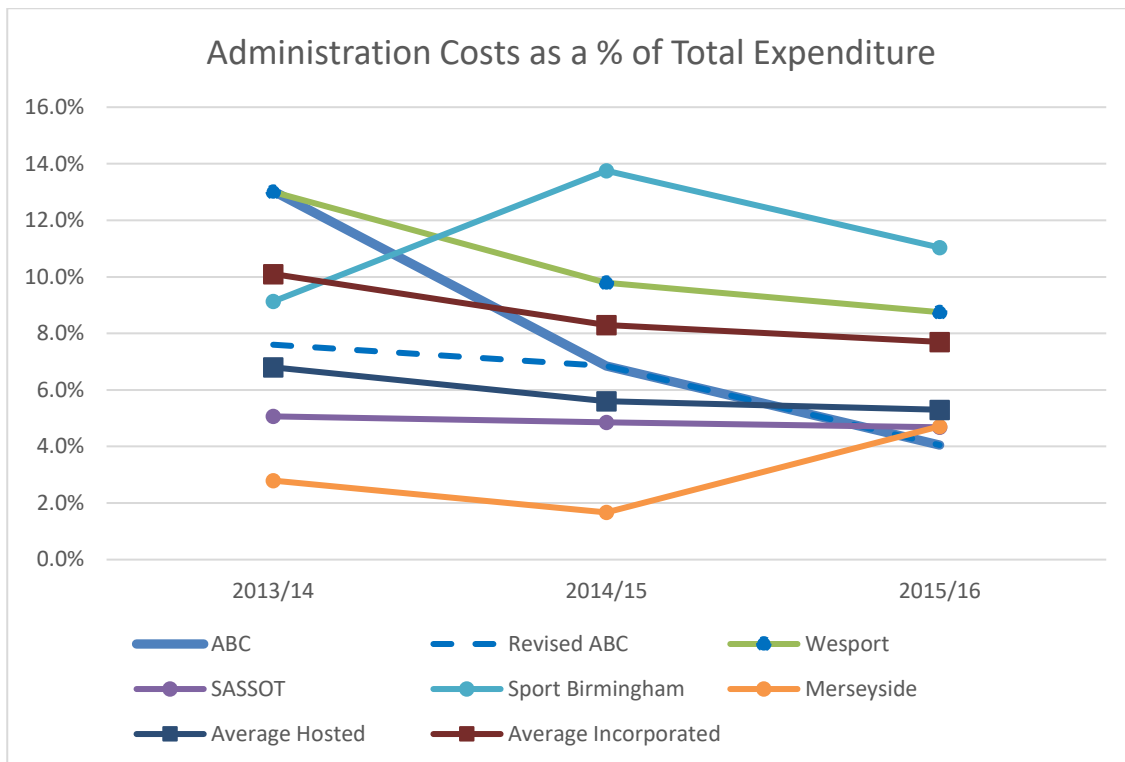
- 3.37. The question of whether a conflict is so entrenched that someone needs to step off the Board is really one of quantum and one of frequency – there is no hard and fast rule here, but if someone were having to declare themselves compromised in every other Board meeting on certain decisions, it starts to make less sense for them to be on the Board, or if the scale of personal gain is considerable, then this is incompatible (in the public eye at least, if not the subject's) with putting the organisation's interests before one's own.
- 3.38. We did consult with Sport England about whether they take a particular perspective on this matter, beyond what is now expressly their position via the Code. They were very clear that, if there has been inconsistent or poor practice across the network of CSPs in the past, this doesn't really constitute a defence for continuing to operate in that way.

Code for Sports Governance

- 3.39. Although some of the rationale for a Code was questioned by one or two interviewees who also expressed some frustration about applying corporate sector standards to sports-related organisations, there was also recognition that a Code is much needed and that some of the values it underlines (such as transparency to partners) are hugely welcome.
- 3.40. Interestingly, members felt that ABC is close to meeting all of the requirements of the Code (though our own findings about compliance described in Section 5 would suggest otherwise).

4. FINANCIAL AND OTHER COMPARISONS

- 4.1. As part of the appraisal we attempted to undertake some financial benchmarking to compare against four benchmark sites. Initially we tried to get financial information to derive a view on the cost base for ABC and each site, but it quickly became apparent that this would entail a much deeper exercise to derive standardised comparators for each site than was within scope for this appraisal.
- 4.2. We therefore requested and used anonymised CSPN financial key performance indicator (KPI) data to undertake this analysis. However, some data inconsistency (in terms of cost classification for example) is still apparent within this data so it must be treated with caution. We used the following organisations as comparators: Wesport (independent charity), Merseyside (hosted by Liverpool City Council), SASSOT (a CSP in Staffordshire and Stoke on Trent hosted by Stafford Borough Council), and Sport Birmingham (independent charity).
- 4.3. The most relevant KPI to assess the financial "efficiency" of the ABC business model is the administration costs as a percentage of total expenditure key performance indicator (KPI). This is shown below, across the period of three years, and compared with the four benchmark sites as well as the average administrative costs (as a percentage of total expenditure) for hosted and incorporated organisations across the CSP network as a whole.



- 4.4. ABC's administration costs percentage falls from 13% in 2013/14 to 4.1% in 2015/16. Our understanding of this change is that, after the first year of producing the KPIs (2013/14), ABC was contacted by Sport England about the inconsistency of ABC's approach compared with other CSPs. ABC then allocated support staff to management and projects rather than having them all in administrative costs, hence the fall in the headline KPI. If the 2013/14 number is adjusted to be on the same basis of subsequent years, then the figure is 7.6% (shown by the blue dotted line above).
- 4.5. The allocation is very much judgmental in terms of the % of staff allocated. This contrasts with Sport Birmingham for example, where the costs are not split out into programmes so the percentage looks higher. Sport Birmingham has about the same resource on finance and admin but markedly different KPI results.
- 4.6. In terms of other operational costs (premises and running costs), a proportion of the total costs for BCC are allocated to ABC based on the proportionate headcount – this results in around 25% of the total costs being allocated.
- 4.7. The benefits of scale are obvious here. The incorporated entity, Black Country Consortium, has income of £3m, so ABC has access to various back-office services such as finance and governance; the true cost of which can be spread right across the Consortia. This means that ABC benefits from lower overheads as a result.
- 4.8. Overall the costs involved in governance and admin appear reasonable and proportionate, albeit that the different KPI allocations may be inconsistent between CSPs (which means that any benchmarking needs to be treated with a little caution).

Other considerations

- 4.9. In terms of some other comparisons with the CSP sample set, it is perhaps important to note the balance of skills on the Wesport Board. Wesport was established in 2006 as a registered charity (a company limited by guarantee). It is the CSP for the West of England, championing sport and physical activity across the four unitary authorities of Bath and North East Somerset, Bristol, North Somerset and South Gloucestershire. It has a Board of seven trustees, with the Chair being the CEO of a multi-academy trust. Among the other skills on the Board are: international sports experience; marketing; legal and commercial; accountancy.
- 4.10. The websites for CSPs should be an important source of information about: governance, strategy, and impact and influence. In reality, the ones that we've examined are somewhat fitful in terms of meeting the kinds of requirements expected by the Code for Sports Governance.⁴
- 4.13. The last link for ABC Board meetings is for September 2016 on the website; the last published annual review is 2014-15 (which did list a whole array of metrics), but the link to priorities on the website is completely out of date (it would probably be better to remove it). We understand that ABC is currently reviewing and updating its website, which is helpful.

5. ASSESSMENT AGAINST THE GOVERNANCE CODE

- 5.1. A thorough assessment was made of the CSP's compliance with Sport England's new Code requirements. This assessment has identified a number of key areas where work is required to meet the Code, in particular around transparency, clarity of roles and responsibilities and expectations of Board members.
- 5.2. The current governance approach does not meet the first key code requirement for the Board to be the ultimate decision making body for the CSP (requirement 1.1). The Articles of Association for BCC do not list ABC as a formal partner, so ABC has no automatic right to attend BCC's partnership meetings.
- 5.3. Another key issue arising from the assessment against the Sport England Governance Code is that the terms of reference for the ABC Board do not include a quorum for Board meetings (requirement 1.11). The Governance Code states that "No one individual on the Board may have the unfettered ability to take a decision". This is in place to avoid a situation where one individual alone is able to unduly influence or make a decision. Although in practice, it appears that the ABC Board operates a quorum of one third of members, this is not stated and because of this, potentially, decisions could be made by a small number of people or one individual.
- 5.4. The Governance Code requires individuals to provide a declaration of good character to the organisation before appointment (requirement 2.10). ABC does require new and renewing Board members to sign up to the rules relating to the conduct of members and officers of the Board and to comply with BCC's Corporate Safeguarding Policy. However, the concept of "good character" in the code goes wider than this, covering issues such as whether someone

⁴The high-level messages about Wesport for example via the website (and available on the home page of the website) are: this is a charity (rather than a CSP) passionate about helping people to get physically active; the organisation is supporting other organisations to access funding opportunities; and the organisation is promoting chances for people to try a new sport or get back into old ones. The tabs on the home page are about: getting active; active community; active education; and active workplace. While the website has limited metrics reported, there is some information available from the last annual report (2015/16). Sport Birmingham has its 2015-20 strategy on the website but again there is very little in terms of metrics regarding strategic ambitions. Sport Birmingham has a tool on its website whereby browsers can search for activities or organisations with a certain geographical radius specified by the browser themselves.

is bankrupt, or has been barred from holding certain offices. The aim of this requirement is to provide an organisation with information concerning an individual's conduct which enables them to determine if a candidate is suitable for appointment.

- 5.5. Another area of the Governance Code that ABC needs to work on is around terms of reference and statements of responsibilities (requirement 2.11). The Code requires each Board member to be given a written statement of their responsibilities when they are appointed. This is not yet in place. All Board members need to have a clear understanding of their collective and individual responsibilities in order to perform effectively.
- 5.6. The Governance Code includes an expectation that organisations carry out an annual staff survey and that the results are acted upon and data made available to Sport England (requirement 3.5). We understand that BCC is unable to disaggregate findings that are relevant to ABC from its staff surveys.
- 5.7. The Governance Code also requires organisations to prepare accounts that comply with legal requirements, are audited and disclose and account for income received from public investors (requirement 5.4). BCC's annual accounts and half-yearly financial statements provide a breakdown of ABC's expenditure and the accounts are externally audited. However, there is no separation in the accounts of income from Sport England.
- 5.8. A key aspect of the Governance Code is the need for accountability and transparency. The Code requires organisations to publish accounts on their website. At the moment this does not happen for ABC.

6. CONCLUSIONS

- 6.1. This review has taken place at a time of significant change for Active Black Country. There is a reasonably new Chair, some changes to Board membership and the secondment of the MD to the West Midlands Combined Authority. A reworking of the relationship with Black Country Consortium is also in its early stages.
- 6.2. With the benefit of hindsight, it may be fair to conclude that the CSP has lacked firm leadership and strategic direction in the past, in part because the Consortium has left it to its own devices perhaps, in part because the Board may have strayed into being overly operational and in any case may have not felt entirely glued as a Board because of its composite membership, and in part because the Director may have been missing the kind of vision and high challenge, high support culture that an effective Board provides and that can help to drive excellent performance.
- 6.3. There has been a lack of clarity across several areas – who is managing whom, who is accountable to whom, what exactly is being paid for, how much time is spent on various types of business etc. There has been no rationale that's been made explicit about how the CSP is using its positioning within the Consortium to any advantage, whether with the LEP, the participating local authorities, the broader regional economic agenda, or indeed with other types of partners. Where there has been some involvement in bigger strategic initiatives, the profile of ABC is fairly hidden. It is important that there is a proper strategic narrative about the structuring of relationships and what ABC is looking to achieve from them in terms of impact and outcomes.
- 6.4. We note that there are potential capacity and capability issues among ABC's Board and staff, and that ABC's pace of change is inevitably constrained by its critical mass; this will need some further reflection about how ABC targets its efforts, and who best undertakes the kind of strategic networking needed to engage partners in a meaningful way.

- 6.5. We have seen no information to suggest that the Consortium hosting relationship doesn't provide value for money to ABC, certainly in relation to average hosted and average incorporated finance and administration costs, but there clearly need to be some sharper lines drawn around exactly what ABC pays for and around how Sport England investment is accounted for.
- 6.6. There is a clear message that the Board needs to focus on more strategic issues and that this includes senior staff too. Not only are more strategic conversations needed at Board level but the administration needs to support this: agendas and the role of the Chair in agenda management, papers, having an appropriate committee structure to support the Board and add value to it.
- 6.7. There is an acknowledgement by members interviewed that Board skills and competencies need review to assess how relevant they are for the organisation now and in the future, the diversity of the Board, including diversity of thought and age as well as gender and ethnicity.
- 6.8. A declaration of interest policy and form for all Board members to sign up to is a priority and this should be included in a code of conduct.
- 6.9. Consequently, we make the following recommendations:

Strategy positioning

- a) ABC develops a clear and compelling narrative about the merits of its model of governance and structure and how it best delivers outcomes for physical activity, including:
- Value for money
 - Strategic positioning with partners
 - Ability to promote physical activity on a wide range of infrastructural agendas.
- b) ABC includes greater transparency about the organisation's governance, strategy, activities and financial position on its updated and refreshed website. This will also help ABC meet Governance Code requirements.

Black Country Consortium

- c) That a Service Level Agreement is drawn up to express the nature of the relationship between BCC and ABC, and how co-operation is enacted in practice. Such a SLA should include:
- a review date
 - obligations on both sides
 - schedule of services and costs
 - rights to be represented and/or be invited to attend (perhaps on a periodic basis) the respective boards.

Relationship to the West Midlands Combined Authority

- d) That BCC continues to broker a role for, and input by, ABC into the emerging priorities of the West Midlands Combined Authority and, if required, assist ABC in facilitating a discussion between the West Midlands CSP Chairs to build networks within the new Authority area.

Meeting Governance Code requirements

- e) ABC introduces a proper referencing system for all of its key governance documents. Again, this will help the organisation demonstrate compliance with the Governance Code.
- f) That additional steps are taken to address the other areas of non-compliance with the Code for Sports Governance, including:
- Producing updated Terms of Reference for the Board (to include quorum arrangements, eligibility to reapply for Board membership following expiry of tenure)
 - A programme of review for the various sub-committee Terms of Reference on an annual basis and, more immediately:
 - BCC be requested to update its Audit Committee's terms of reference to formally include a nominee from ABC's Board on the Committee (i.e. to formalise the current 'custom and practice'. This will help ABC meet SE's Governance Code requirement 1.23)
 - Drawing up a schedule of matters reserved to the Board and the roles and responsibilities of the Board and senior staff
 - Updating the role descriptions for the Chair and for Board members (and the latter should include Board member responsibilities)
 - Producing a more detailed Board members' code of conduct
 - Developing an induction process for new Board members
 - Preparing a Board handbook (to include the role descriptions, appointments process for the Chair, separation of roles, Board composition, provision for Vice Chair to be SID, expectations for running Board meetings and behaviours, succession planning for Board and senior management – see the draft outline separately provided.)
 - Refreshing the Board Members' Letter of Appointment, to include meeting 'good character' requirements
 - Producing a refreshed and comprehensive skills matrix
 - Reviewing the information about ABC that is available on the website and its accessibility, including greater transparency about the 'hosted' model; the Board's composition; availability of Board agendas and minutes; and statement of how diversity is fostered on the Board
 - Producing a clear statement of how diversity is promoted and considered at leadership level
 - Updating the Conflicts of Interest policy
 - Producing evidence to show that BCC's overarching remuneration policy covers ABC's employees
 - Consideration of how ABC might carry out regular staff surveys either on a stand-alone basis, or as part of BCC's staff surveys with the results then disaggregated
 - Collating evidence to show that financial policies and procedures are in place, including:

- Financial regulations and levels of delegated authority to help demonstrate the financial controls that are in place
 - Asking BCC's Audit Committee to include a periodic internal audit of the financial arrangements relating to ABC's expenditure within its internal audit programme.
- Listing the income that BCC receives, on behalf of ABC, from Sport England as a separate line of income within BCC's financial statements.
- Reviewing the effectiveness of ABC's risk management system and, more specifically, updating the risk policy that accompanies ABC's new Strategic Framework to describe the role of ABC's Finance Sub-Committee in the risk management process
- Timetabling an external evaluation of the board within the next three years (to meet the Code's four-year requirement).

A. DOCUMENT AND INTERVIEWEE LIST

List of documents

Board papers

Agendas and minutes of the meetings held on:

- February 2016
- July 2016
- September 2016
- November 2016
- February 2017

Strategic Framework, Business Plans and Financial reports:

- Towards an Active Black Country Strategic Framework 2017-2033 (Draft)
- BCC 2015/16 Company Financial Report
- BCC Ltd Business Plan 2017
- BCC Ltd Funding streams spreadsheets 2016/17 and 2017/18
- ABC Budget 2017/18

Performance Monitoring information

- Quarterly updates for Sport England
- Performance dashboard reports to ABC's Board

Other Governance items:

- Board Structure
- Non-executive Board member advert
- Letter of Appointment for Board member
- ABC Skills and Knowledge Matrix linked to 'Towards an Active Black Country' (January 2017)
- Matrix Skills and Knowledge 2016
- ABC Sport Reserves Policy (May 2016)
- ABC Finance Sub-Committee Terms of Reference
- BCC Audit Committee Terms of Reference (undated)
- ABC Impact Sub-Committee Terms of Reference (September 2016)
- BCC Procurement Policy (undated)
- Towards an Active Black Country Strategic Framework 2017-33 Risk Management Policy
- BCC Risk Management Policy
- BCC's Risk Register

List of interviewees

Board members:

Deborah Williams (Chair)

Arwyn Jones

Richard Callicott

David Bassett

Carol Brown

Simon Kirkland (Vice-Chair)

Amanda Tomlinson

Staff:

Sarah Middleton, CEO BCC

Simon Hall, Director, ABC

Hywel Ruddick, BCC Secretariat

Stakeholders:

Dr Kay Biscomb, HE Sector Adviser (and attendee at ABC Board meetings)

Stewart Towe, Chair of Black Country LEP

Ed Sandham, Sport England

Shimul Haider, Sport England regional Adviser

B. CODE FOR SPORTS GOVERNANCE: EXTRACT ON CONFLICTS OF INTEREST

Requirement 3 Conflicts of interest are recognised, managed by the chair and recorded. At least three of the people on the committee are unrelated or non-cohabiting.

“A committee member would have a conflict of interest if they (or their family) would be set to benefit personally from a committee decision. This could arise, for example, where a trustee/director of a not for profit organisation is also a director/owner of a for-profit enterprise, which wishes to supply goods or services to the not-for-profit organisation, as the trustee/director (or their family) could personally gain. It is important that any conflicts of interest are recognised, managed effectively, and recorded to ensure committee members are not able to unduly influence a decision to their benefit (or their family’s benefit) rather than being the best value decision for the organisation. In the example given above, the chair would normally exclude the relevant trustee/director from any debate on the decisions to award or manage the contract, and may list the number or value of those contracts.

If a committee member thinks they may be conflicted they should raise this ahead of the relevant discussion or decision and the chair should manage the process for how this is handled. The organisation may find it helpful to maintain a register of interests for committee members.

Relationship of committee members

People who are related to each other or cohabiting can sometimes have a commonality of interests and viewpoints. The Requirement to have at least three committee members who are not related or cohabiting helps to ensure there are sufficient checks and balances on the committee resulting in better and more rounded decisions.

Integrity 4.4

Each organisation shall adopt a mandatory directors’ code that, amongst other things, requires all directors to act at all times, with integrity, in a forthright and ethical manner and in accordance with their organisation’s conflicts policy.

Conflicts of interest 4.6

The chair shall proactively address and manage conflicts of interests amongst the directors. No director may participate in the discussion of, or vote in respect of, a matter in which they have a material conflict of interest.

Conflicts of interest can arise where there is a conflict between the interests of the organisation and either the director’s personal interests or those of another body with which the director is involved. The organisation may find it helpful to maintain a register of interests. Acting in the best interests of the organisation includes disclosing to the Board (and in the annual report) any other significant commitments that might impede a director’s ability to participate or make decisions without bias. This obligation is on-going, and conflicts must be reported if they arise subsequent to appointment.

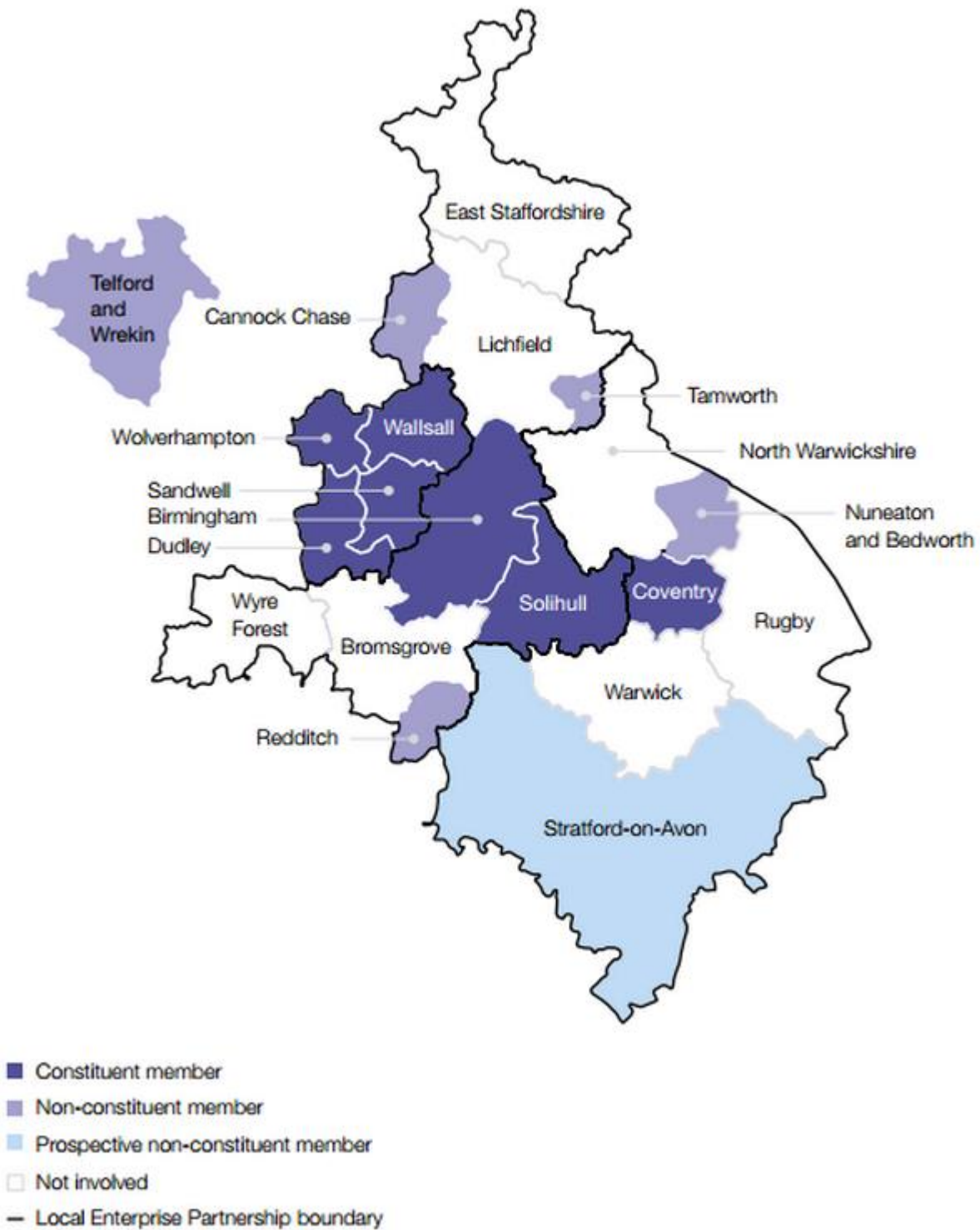
Listed in appendices of the Code for Sports Governance:

Charity Commission’s Conflict of Interest Guidance (2014),
www.gov.uk/government/publications/conflicts-of-interest-a-guide-for-charity-trustees-cc29/conflictsof-interest-a-guide-for-charity-trustees

C. WEST MIDLANDS COMBINED AUTHORITY MEMBERSHIP

Figure 8

West Midlands' devolution deal is based on a new combined authority with a complex geographical and administrative configuration



Source: National Audit Office analysis of West Midlands Devolution Deal, November 2015