

haysmacintyre

NATIONAL GOVERNING BODIES

BENCHMARKING SURVEY REPORT 2019

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Welcome from the editor

Welcome to the fifth annual UK National Governing Bodies (NGBs) benchmarking survey from haysmacintyre.

Based on detailed responses from 24 organisations across the sector, our survey offers detailed management information against which NGBs can benchmark themselves, that reveals trends both in financial performance and governance, and highlights what the sector perceives to be key threats for the future.

The report covers key areas of income, expenditure, governance and risks. This year we have introduced a change in methodology over the expenditure section to provide more detailed benchmarking. In addition, we have looked at new areas from commercial partnerships to flexible working arrangements.

We see another slight uplift in commercial income in the sector, potentially pointing to a resurgence in corporate sponsorship opportunities for NGBs, revenue that has been notoriously difficult to secure over recent years. Another reason is that our figures show pay rises have been common for staff at all levels in the sector this year. However, we see a decline in bonus payments together with payments to non-executive directors, a trend in line with previous years.

Our figures for BAME representation on boards are not positive and although many organisations have been working hard to make changes, it is clear that the sector will need to reconsider how best to move forward in this area. This was the subject of a recent report by UK Sport and Sport England and should be an area of continued focus.

We asked NGBs to specify the issues they consider the biggest threats for the future, it is no surprise that many flagged in top position potential loss of funding. This year, safeguarding and failure to meet medal targets were also high up the list.

As ever, we hope you will find our report a useful resource for your management teams. Our sample spans very large NGBs with significant budgets, through to smaller organisations, a point worth bearing in mind when comparing your own data to our averages.

Looking ahead, if you would like to suggest topics for us to examine in our 2020 report, please don't hesitate to get in touch.



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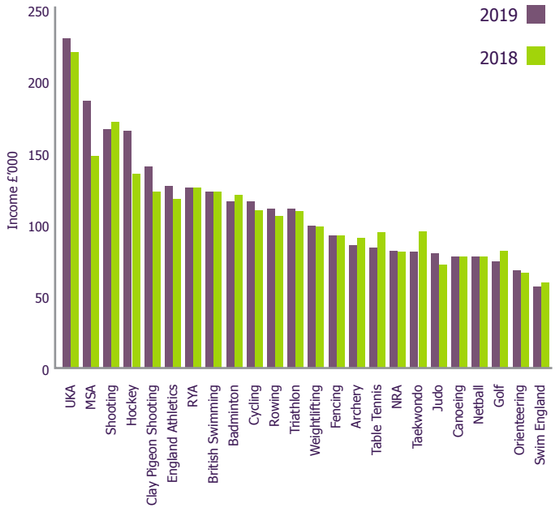
Income

This year income amongst our respondents ranged from organisations reporting a figure of more than £33m per year, down to those reporting under £1m, or between £1-2m. The largest income source for the sector is grants given by UK Sport and Sport England making up 44% of revenue. In our 2017 and 2018 report we flagged a slight downwards shift in grant-based income amongst our sample, a trend we have seen continue this year to a lesser extent with a 1% decrease in the amount of income received from UK Sport and Sport England funding.

Again, this year we are seeing higher revenue from commercial sources of 14%, most often sponsorship, than in 2018 when the figure was 13%. While we would caution against reading too much into these slight shifts, as income can vary according to the flow of the funding cycle, there does seem to be grounds for optimism with an increase of 3% from 2017.

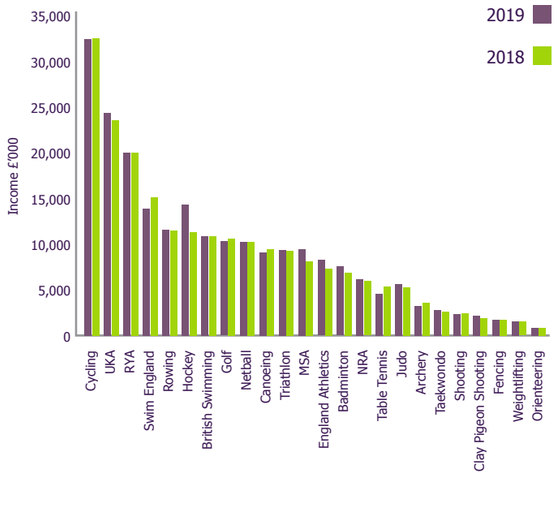
Income per employee

Income per employee £'000



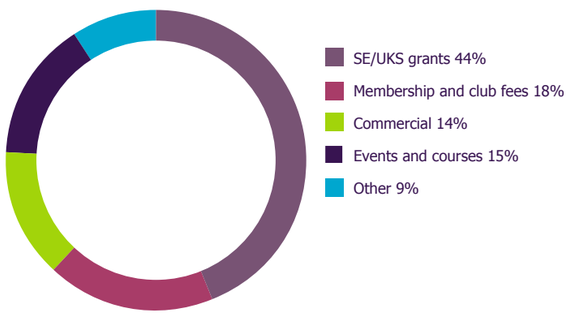
Income by organisation

Income by organisation £'000



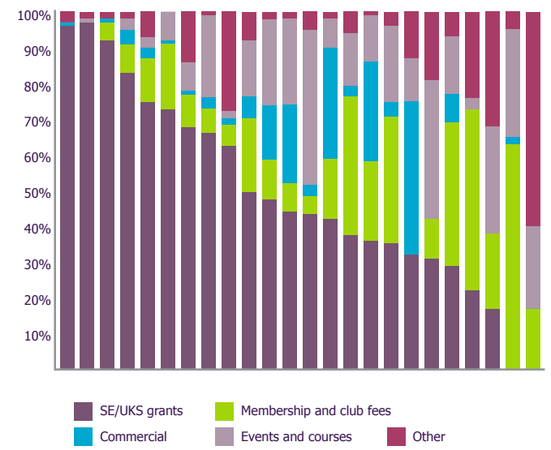
Total income by type

% of respondents



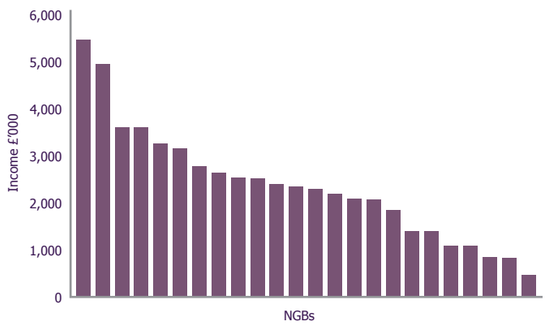
Income by type

% by source



Income per finance employee

Income per finance employee £'000



There are wide differences in the group as some NGBs are specifically set up to run Olympic programmes, where others are more holistic bodies covering aspects from membership to participation to elite performance and more. This therefore gives wide differences in income bases.

This news is welcome for the sector, which understands public funding is unlikely to continue at current levels for the longer term, and we hope this bodes well for the future as organisations try to diversify their income. Recent trends show sponsors are drawn to sports that are making strides in development and participation. We commented last year on large corporates beginning to see sports sponsorship as a potential corporate social responsibility contribution, and as a useful way to engage and motivate their employees and this appears to be continuing.

We asked for the first time about commercial partnerships and these appear buoyant with several organisations reporting multiple commercial partnerships. These come with various benefits from cash sponsorships to value in kind arrangements. The interesting point here was the amount of partnerships organisations had doesn't correlate to size of organisation.

The income per employee figures can vary significantly and are generally based on the ability to host major events or commercial revenue. Those with large elite programmes and events usually have a higher rate for this measure.

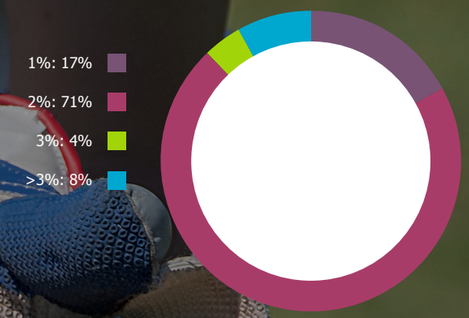
Turning specifically to the figure for income per finance employee, nearly half our respondents reported a figure in the central band of £2-3m, which in our view is an appropriate weighting for the size of the finance function relative to the rest of the organisation.

Expenditure: foreign currency spend and staff costs

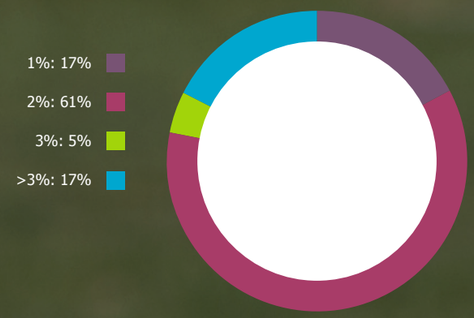
NGBs across the sector must tackle the challenge of planning ahead for spend around the world, whether for training or elite competition, which means currency fluctuations can be a significant variable when it comes to calculating final costs. Across our sample £8.3m was spent in foreign currency in the period under review. As a sector, this is a significant potential cost issue with limited hedging occurring. This is particularly the case if there are large payments due for international events for example. It is worth the sector considering whether there could be any kind of shared purchasing arrangement in this area.

> “Even without this, organisations should shop around as the best exchange rate isn’t usually with high street banks.”

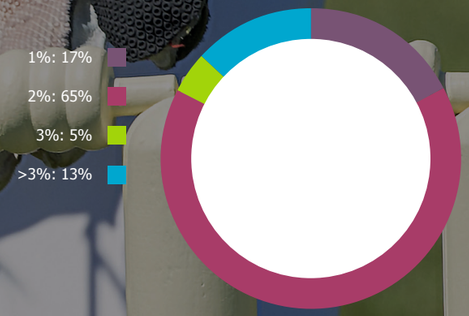
Pay rise to senior management
%



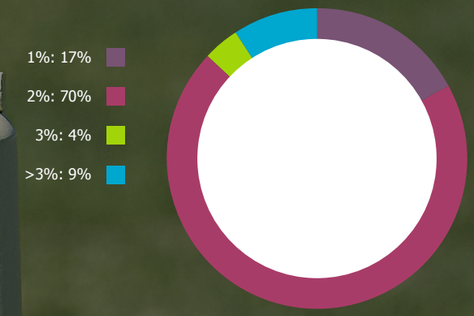
Pay rise for performance staff
%



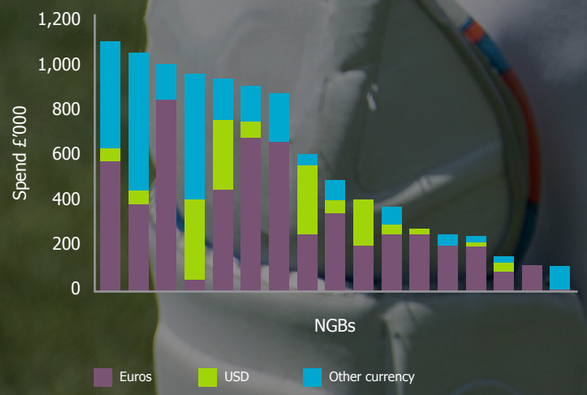
Pay rise to other programme staff
%



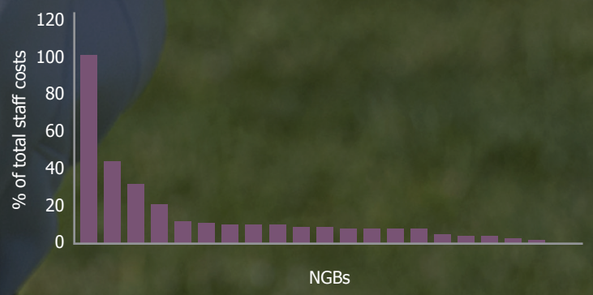
Pay rise for administration staff
%



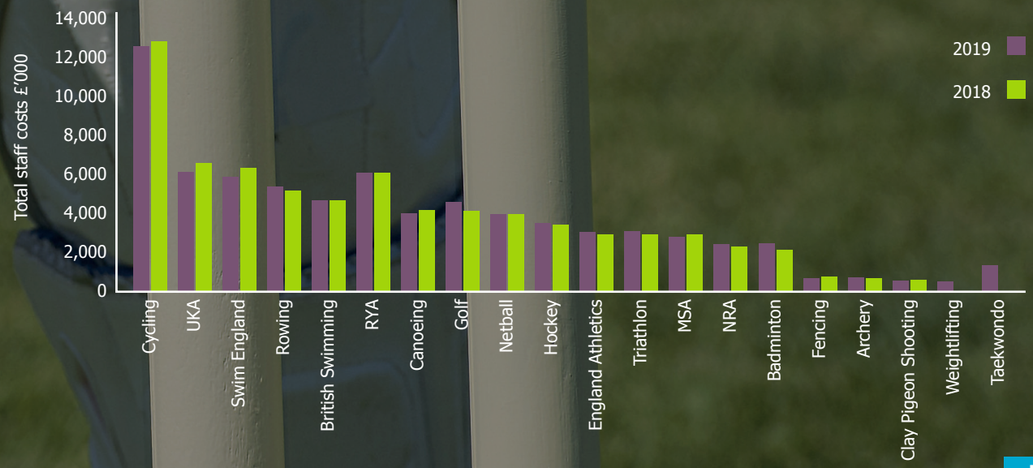
Spending in foreign currency
Spend £’000



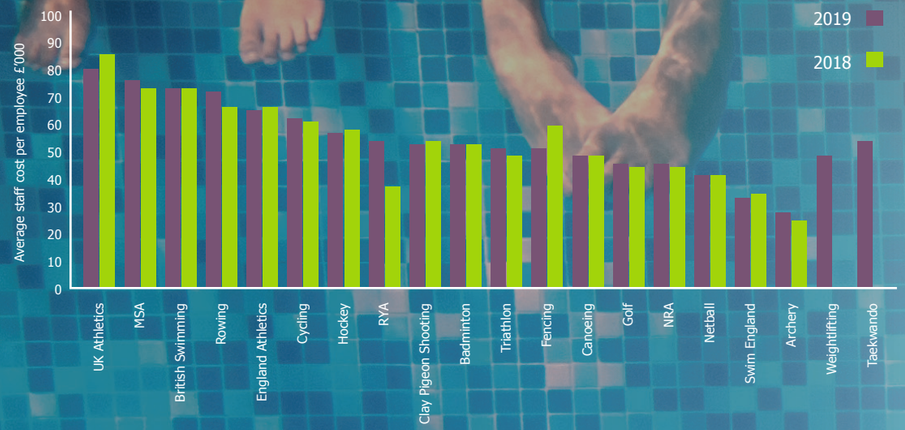
Self employed contractor costs as proportion of total staff costs
% of total staff costs



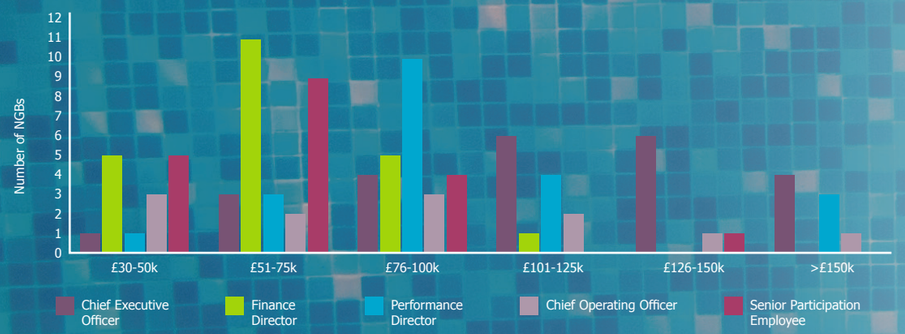
Total staff costs
Costs £’000



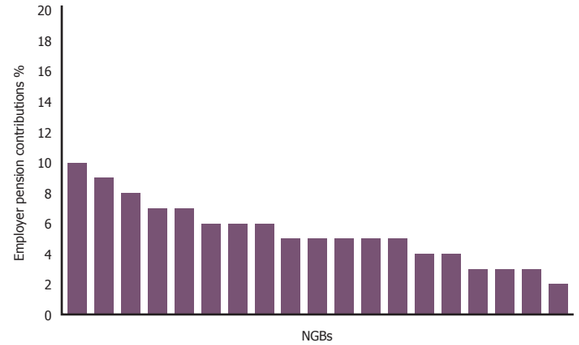
Average staff cost per employee
Costs £'000



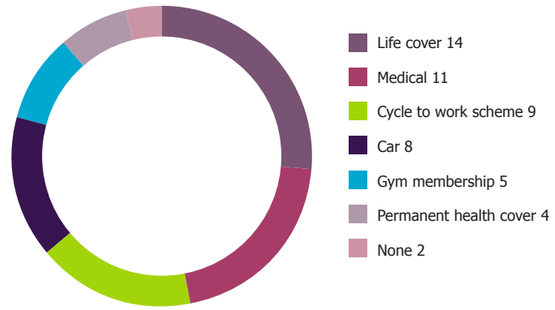
Key management salary bandings
Number of NGBs



Employer pension contributions
% contribution



What other salary sacrifice benefits do you provide to staff?
Number of NGBs



On staff costs, anecdotally over the year the feeling has been that salaries are going up across the sector and our figures bear this out. Across the categories of senior management, performance, programme and administrative staff, 2% pay rises were most frequently reported by respondents and this year our sample indicated staff costs were up from 2018. Higher average costs tend to sit with those organisations who are more performance focused as those on the performance side of operations tend to earn more than the sector average.

In slight contrast, at the top end of the pay scale, our respondents reported more key management personnel in the highest two salary bands (£126,000-150,000 and >£150,000), this is noticeable in the CEO and COO roles.

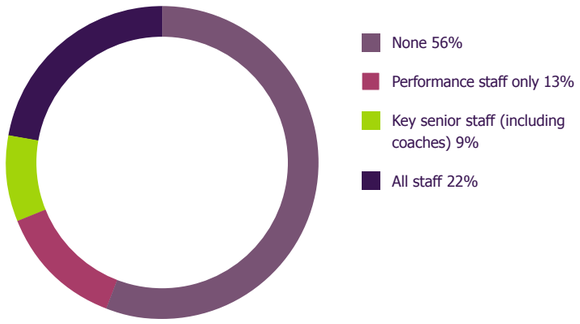
In 2019 employer pension contributions have remained static similarly to the prior year, with nearly half of respondents reporting contributions of between 4 and 6%, the impact of auto enrolment with increased contributions appearing to be passed onto employees.

This year the types of salary sacrifice schemes offered by NGBs to employees have remained broadly split in the same proportion as 2018 across pensions, cycle to work and childcare, but car benefit appears to be on the decline.



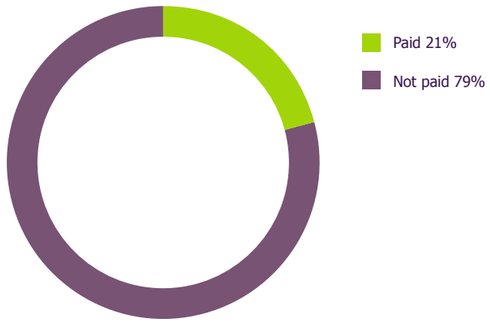
Bonuses

%



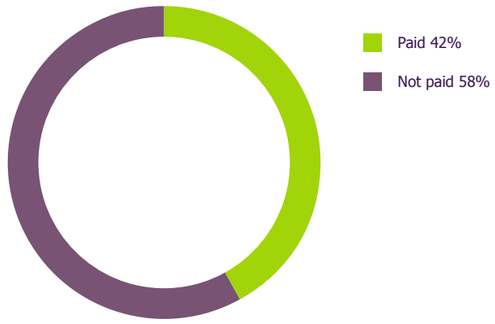
Proportion of independent NEDs paid

%



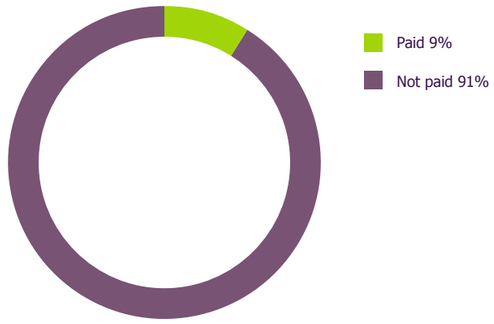
Chair of the board paid?

%



Proportion of paid NEDs from membership

%



> “We believe there is less perceived risk of a management failure which could disuade able candidates.”

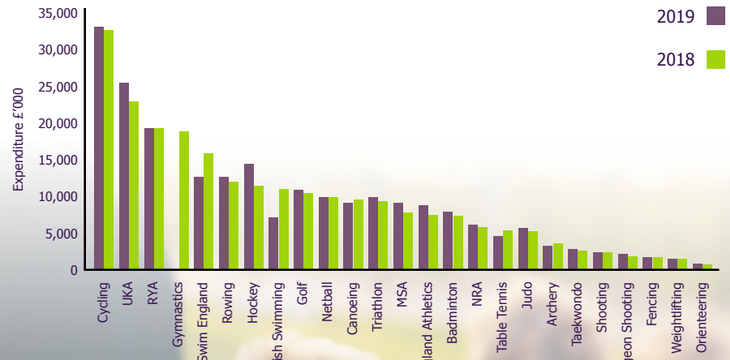
For 2019, 33% of NGBs are paying bonuses, a significantly lower figure than the 46% who reported doing so in 2018. It is possible that this figure could relate to a cultural change or just the fact that we are outside of an Olympic year.

We have this year asked organisations about the shift towards agile and flexible working and the sector appears to be adapting to this cultural change with 19 out of 24 reporting an element of flexible hours or working from home arrangements. We are certainly seeing this trend across the wider business sector.

Looking to the proportion of board members drawing a salary, this year sees a reduction in board members of all types (chairs, non-executive directors and those drawn from membership) being paid by NGBs. Organisations in the sports world are now considered extremely well managed and governed – and have become more attractive to senior executives seeking out non-executive roles as a result. These individuals have the skills that NGBs are looking for and may well be willing to take on board roles for reasons of career development. We believe there is less perceived risk of a management failure which could disuade able candidates.

Total expenditure

Expenditure £’000





Expenditure: IT spend

This year there has been a slight uplift in IT spend per employee, but not as much as we would expect.

This was of course the implementation year for General Data Protection Regulation (GDPR). There is significant amount of member data held at organisations and this is likely to be an area of focus for NGBs. Our sense is that NGBs have managed the implementation of GDPR well and there have been no headlines of major breaches of the regulations in the sector. In terms of IT security and the need for NGBs to be well protected, our experience is that organisations are increasingly aware of the threat of cybercrime and the potential for knock-on damage to their reputation should there be a failure in security. However, this is not borne out by the figures on the number of NGBs that report achieving a relevant kitemark, either 'Cyber Essentials' or similar, which is pretty static.

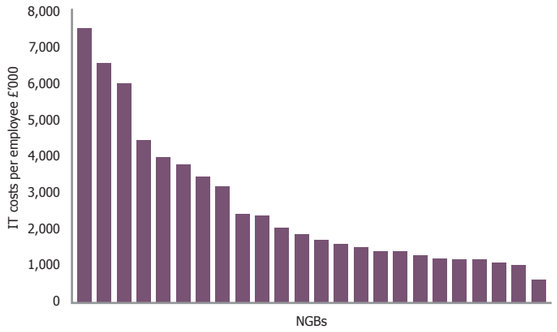
In a related field, this year our survey reveals that a significant number of NGBs have received Subject Access Requests (SAR). While the right for individuals to access data held on them by organisations existed pre-GDPR, the rules around how the process works, what information they retain, and how they can collate and compile it have now been tightened-up.

NGBs must now have a greater awareness of what their responsibilities are in this area. Our figures indicate that nearly a third of NGBs polled had received at least one request, and one NGB received as many as eight. The likelihood is that any NGB that has not yet had to deal with SAR is very likely to receive one. NGBs are high-profile organisations, working in pressured environments, with staff and athletes who might be in the public eye. As such, without the correct procedures in place, they could easily open themselves up to the potential for a negative comment amongst the media and wider public.

We asked organisations this year about investment in digital transformation projects and over half of respondents said they had interest in this area. Most popular projects included website development, staff efficiency and data warehousing.

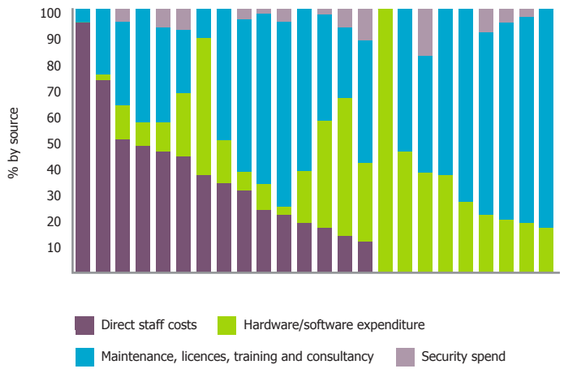
IT costs per employee

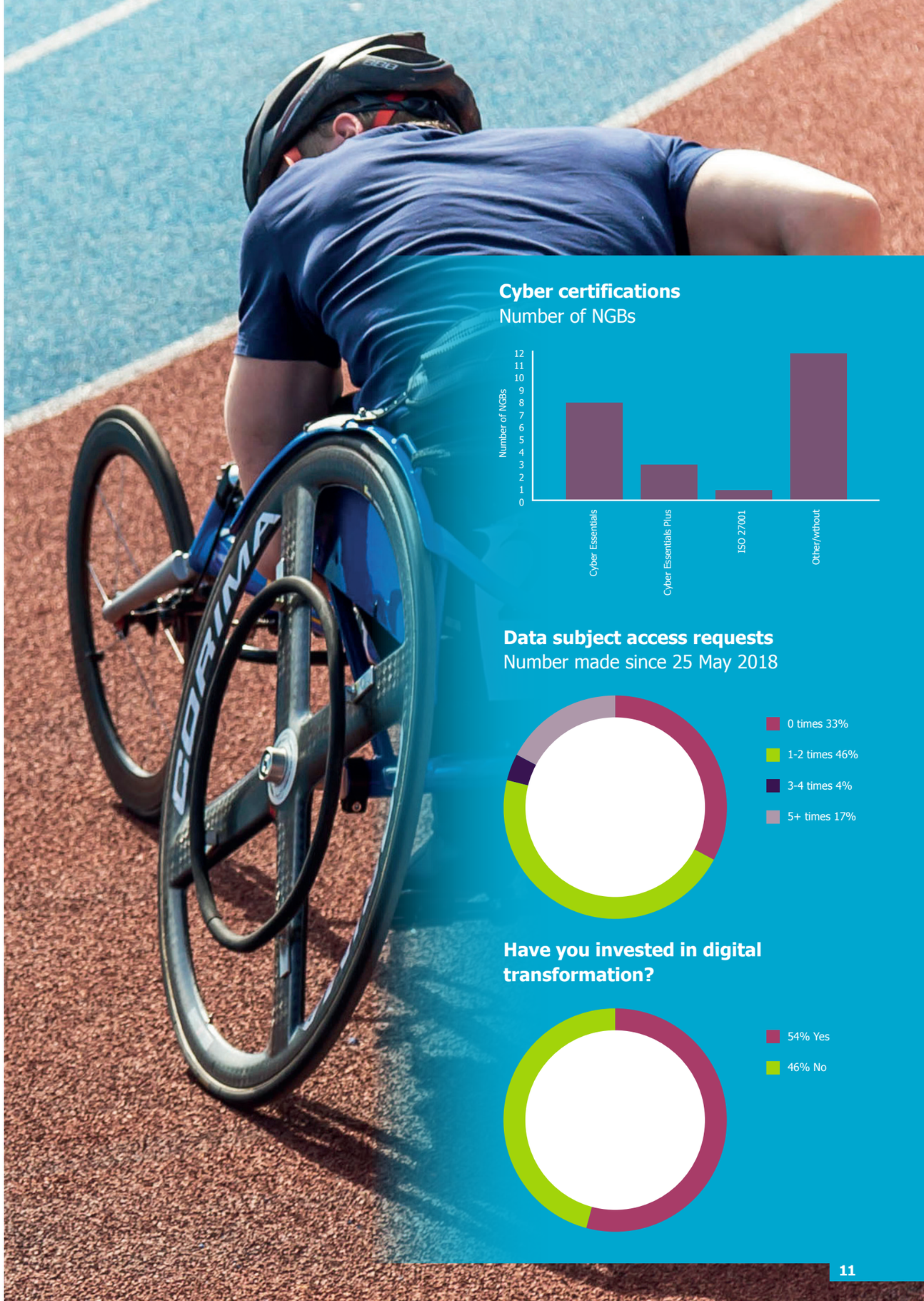
£'000 per employee



IT spend split

% by source





Cyber certifications

Number of NGBs

Data subject access requests

Number made since 25 May 2018

Have you invested in digital transformation?

Governance

There is much to celebrate with positive progress on gender diversity at board level, but work to do for other under-represented groups.

The trend towards greater balance in terms of gender representation on NGB boards continues to be positive this year and the average figure for female representation on boards sits at 38% (a slight increase on the figure of 36% in 2018). Looking at progress over the last three years, the jump towards more gender balance in the sector has been marked – when we polled NGBs in 2016 female representation sat at 30%.

Turning to indicators for ethnic diversity, there has been less progress, with the split between black and minority ethnic board members and non-black and non-minority ethnic board members remaining at 4% to 96%, the same figure since 2017. The contrasting progress in these two areas raises the question of whether the application of a quota is an effective way to create momentum.

UK Sport and Sport England recently have released their own research in this area. There is likely to be further focus from the funding bodies across more diversity measures.

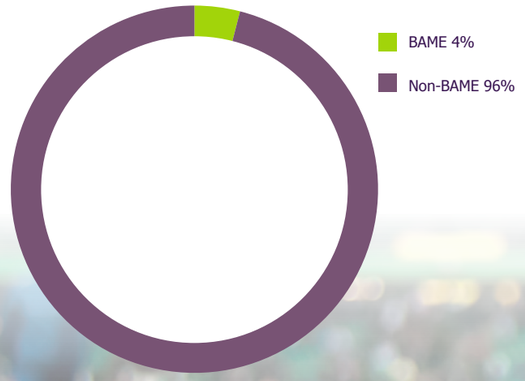
This year, like in 2017, we see that the vast majority of NGBs have a gifts and hospitality policy in place (79%, versus 73% in 2018). While this is positive it bears emphasising that it is not sufficient to simply have a policy in place. Compliance with the spirit as well as the letter of the policy is key if the reputations of both organisation and senior staff are to be properly protected.

Turning to board effectiveness, the Code requires that NGBs carry out regular reviews of how well the board is achieving against its aims – analysis they should undertake internally every year, and externally at least every four years. More than one third of NGBs appear not to have conducted such a review since 2017. This is a concern but could point to an underlying issue, namely that many in the sector feel that NGBs need better information on what exactly is expected of them in this area.

We looked at VAT recovery rates and there are significant variations in the sector, due to a whole range of reasons. This is interesting because it is a sector in which VAT is complicated and made all the more so when NGBs are staging major events. Any NGB which experiences a change in income stream, for example through a new sponsorship agreement, needs to review its VAT treatment. Even where there have been no big changes in income patterns, semi-regular reviews of VAT treatment are worthwhile to check that no planning opportunities are being missed.

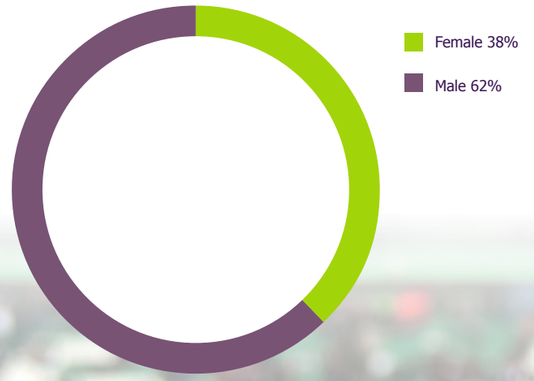
Average ethnic composition of boards

%



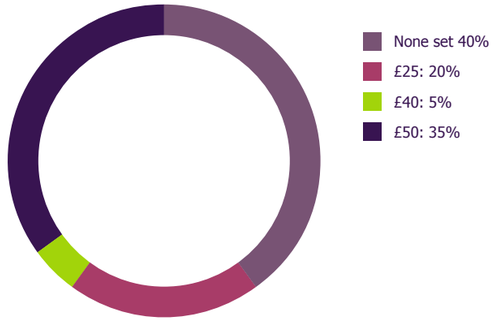
Gender composition of boards

%



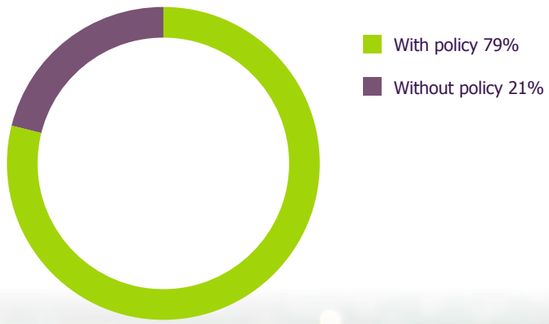
De-minimus gifts and hospitality levels

%



Gifts and hospitality policy

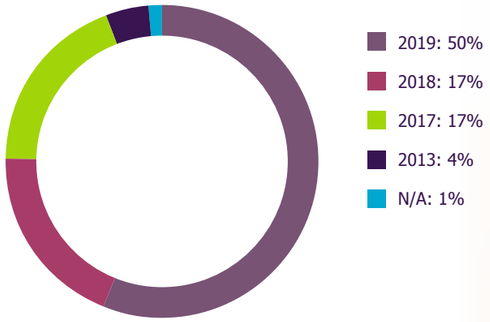
%



Reserves are an interesting point of discussion across the sector and the majority of NGBs have a policy based on six months operating expenses. This is a relatively old fashioned approach, and many organisations are considering moving to a more risk based approach to reserve planning.

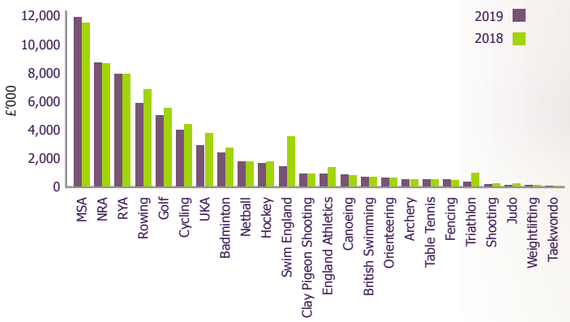
Year of most recent review of reserves policy

%



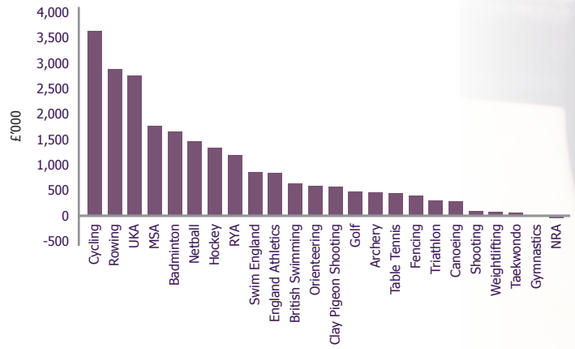
Net assets

£'000



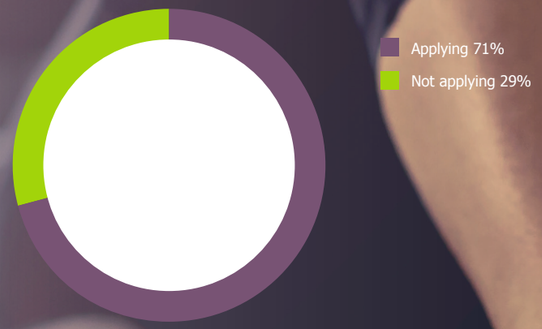
Free reserves

£'000



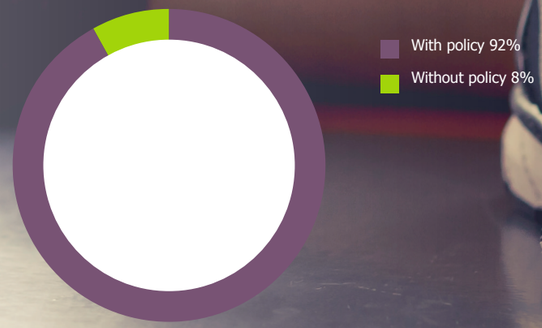
Standard method for partial VAT exemption

Proportion of NGBs applying



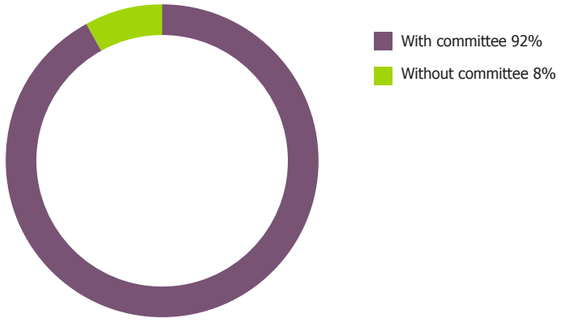
Reserves policy

%



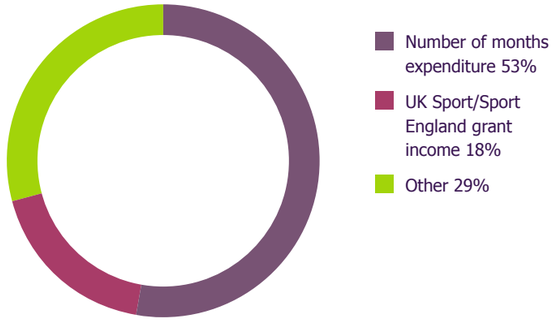
Proportion of NGBs with an audit committee

%



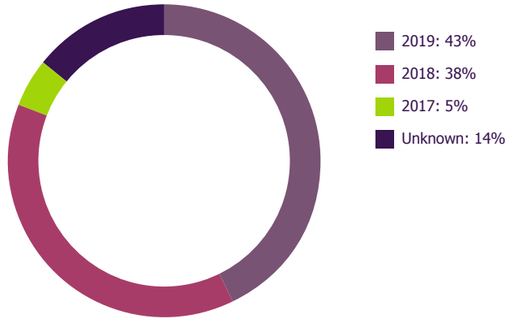
Basis of reserve policy

%



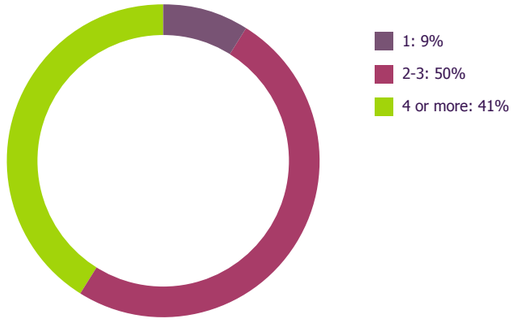
Year of most recent internal controls review

%



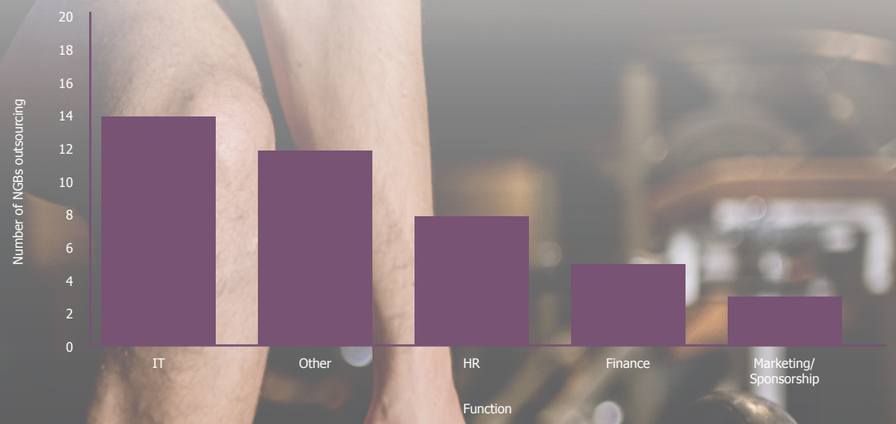
Frequency of audit committee meetings per year

%



Outsourcing

Number of NGBs



Risk

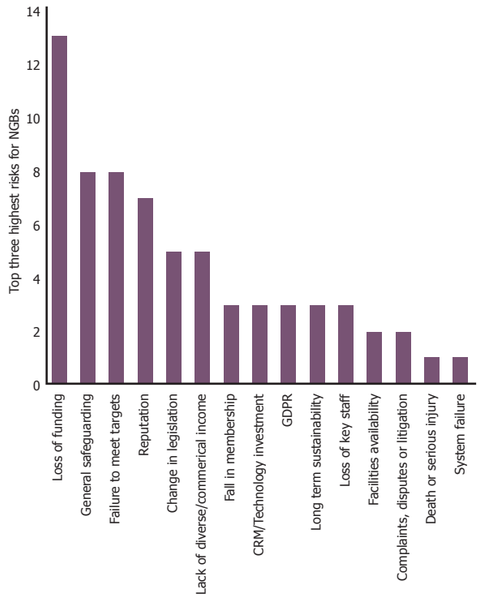
As ever, loss of funding is the major risk factor identified by NGBs.

We asked NGBs to identify the biggest threats they currently face.

As in 2018, loss of funding was the major preoccupation for our respondents. Linked to loss of funding, respondents cited the difficulty they have creating diverse commercial income streams, as well as not meeting targets, both participant and elite, impacting on future income.

NGBs cited reputational risks as a key concern and safeguarding. We have seen in the last few years that NGBs, as high-profile organisations very much in the public eye, are held up to exceptional scrutiny. Other areas such as code compliance, good governance, how they manage data, and how they look out for the welfare of their staff and athletes also are linked to this. The result is that they are under pressure to meet very high stakeholders expectation, without always the requisite resources.

Key risks





> “Linked to loss of funding, respondents cited the difficulty they have creating diverse commercial income streams as well as not meeting targets, both participant and elite impacting on future income.”

haysmacintyre and sport

haysmacintyre has been acting for National Governing Bodies for over 25 years, providing a range of services to the sector, including external and internal audit, corporate tax, VAT, employment tax, outsourcing and structuring.

Survey methodology

The fifth annual National Governing Bodies Benchmarking Report has been compiled from two sources.

Firstly, from the statutory accounts for 24 organisations that ended in the year to 31 March 2019. This may include accounts for the year ending 31 October 2018, the year ending 31 December 2018 and the year ending 31 March 2019. Where information has been taken from the statutory accounts, then the organisation has been named in the survey.

Secondly, we issued a survey for completion by NGBs. This is a confidential survey and the 24 organisations who participated are identified by a specific number throughout the survey. Not all organisations whose statutory accounts information has been included participated in the survey, and some of those that participated in the survey did not complete all the questions.

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Winner: Audit Team of the Year



Winner of the Bronze Award for 2018 and 2017

Charity Financials
Wilmington Insight

Top adviser to the top 5,000 charities, Charity Financials' league table 2019

CharityFinance

Top ten by audit fees in the 2019 Charity Finance Audit Survey