

Meeting:	Audit and governance committee
Meeting date:	Tuesday 24 September 2019
Title of report:	NMiTE progress report
Report by:	Chief finance officer

Classification

Open

Decision type

This is not an executive decision

Wards affected

(All Wards);

Purpose and summary

To provide further assurance on the adequacy of the arrangements in regards of the risk framework on the measures the Council is taking as the accountable body for public money supporting the New Model in Technology & Engineering (NMiTE) and the milestone payments from the Department of Education (DfE).

Recommendation(s)

That:

- (a) having regard to the further assurance provided and actions proposed to mitigate any risks, the committee determine any recommendations it wishes to make to secure greater assurance.**

Alternative options

1. There are no alternative recommendations; it is a function of the committee to consider if the measures taken meet the risk management framework.

Key considerations

2. On 14 December 2017 Cabinet agreed that the council would act as the accountable body for public funding allocated to create the new Hereford Higher Education Institution, NMiTE.
3. Accountable body status means that the council will be accountable for public funding allocated to the new university project by government. The council will receive funds from government, for onward transmission to NMiTE, ensuring those funds are allocated and spent in accordance with any conditions specified and providing reports on the expenditure.
4. The purpose of the agreement between the council and NMiTE is to enable compliance with the terms of the grant determinations set by the Department of Education to enable the milestone payments to be passed to NMiTE.
5. On 13 December 2017 General Scrutiny Committee examined the proposal for the council to act as the accountable body for the NMiTE project, and in January 2018 Council confirmed that the function of supervising the discharge of accountable body duties was within the remit of the Audit and Governance Committee. The Audit and Governance Committee, at its meeting on 30 July 2019 requested that the General Scrutiny Committee be invited to consider adding a review of the effectiveness of the council's accountable body role into their work program; this request has been forwarded.
6. Officials from the Department for Education, as part of their ongoing engagement with NMiTE, have discussed the issues raised in the SWAP report extensively with both senior officers and members of the board of NMiTE, and NMiTE's plans to improve and strengthen their governance, control environment and financial reporting. They have confirmed in writing to the council that they are satisfied with assurances provided by NMiTE in respect of the issues raised in the SWAP report including the payments to subcontractors to the end of July 2019.
7. A number of meetings have been held with NMiTE, Thorne Widgery (NMiTE's external auditors) and South West Audit Partnership (SWAP) to discuss the issues in the SWAP report and to agree the way forward. Assurances have been given that a range of improvements have been made and these will be verified by SWAP and Thorne Widgery as part of their ongoing engagement with NMiTE. These meetings also reflected on the lessons to be learnt from the latest reporting round, which included the need for closer working between the respective auditors and a need for an agreed timetable for responses. A number of process improvements have been agreed to ensure that both firms of auditors can work collaboratively, sharing audit evidence as well as reducing the impact on NMiTE servicing the requests for audit information.
8. The newly appointed Finance Director, a role that the Department of Education requested be created as a condition of the grant, will oversee the relationship with the auditors.
9. The Finance Director is reviewing the monthly reporting arrangements for NMiTE and has commissioned the annual review of the triparty memorandum of understanding.
10. NMiTE has also appointed a dedicated company secretary as part of its steps to improve its governance arrangements.

11. The Department for Education has agreed a number of changes to the milestone targets as part of their normal review process; Thorne Widgery and SWAP will measure performance against these milestones as part of the section 31 grant reporting process.

Community impact

12. Acting as the accountable body is helping the establishment of NMiTE which supports the council's corporate plan priorities of giving young people a great start in life and support the growth of our economy.
13. The opportunity of attending a new university in Hereford could also help to promote the life chances of those children we, as the council, are parents to.
14. In accordance with the council's code of corporate governance effective financial management and risk management is an important element of the overall performance management system. The council's role is not to manage the performance of NMiTE, it is solely to act as the accountable body for the grant funding provided by the Department for Education.

Equality duty

15. Under section 149 of the Equality Act 2010, the 'general duty' on public authorities is set out as follows:

A public authority must, in the exercise of its functions, have due regard to the need to –

 - (a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;
 - (b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
 - (c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.
16. The public sector equality duty (specific duty) requires us to consider how we can positively contribute to the advancement of equality and good relations, and demonstrate that we are paying 'due regard' in our decision making in the design of policies and in the delivery of services. Acting as an accountable body is not expected to impact on the council's public sector equality duty, and the council expects its partners to consider their equality obligations in all that they do.

Resource implications

17. There are no resourcing implications for the council.

Legal implications

18. This committee's role is to monitor the operation of risk management and the effectiveness of the internal control systems in relation to the council's work as accountable body for DFE funding of NMiTE.

Risk management

19. Ultimately the DfE could require the council to repay the grant funding that it has received and which has been paid to NMiTE. Whilst this obligation will also be passed down to NMiTE through the flow down agreement, it is possible that NMiTE would not be able to make any required repayment, which would therefore leave the council out of pocket. The risk of any clawback is being managed / mitigated by ensuring compliance with the grant funding terms through the monitoring and reporting obligations that are in place. The Department for Education is satisfied therefore the risk is currently nil.
20. These risks are identified and monitored by the section 151 officer within the corporate risk register.

Consultees

21. None

Appendices

None.

Background papers

None identified.