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| Meeting: | Audit and governance committee |
| Meeting date: | Tuesday 30 July 2019 |
| Title of report: | NMiTE assurance review |
| Report by: | Chief finance officer |

Classification

Open

Decision type

This is not an executive decision

Wards affected

(All Wards);

Purpose and summary

A briefing to enable the committee to provide assurance on the adequacy in regards of the risk framework on the measure the council is taking as the accountable body for the new model in technology & engineering (NMiTE) and the milestone payments from the Department for Education (DfE).

Recommendation(s)

That:

- (a) the committee having regard to the assurance provided and actions proposed to mitigate any risks, can 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 the 14 December 2017 Cabinet agreed that the council would act as the accountable body for public funding allocated to the new Hereford University, NMiTE, during its establishment phase.
3. Accountable body status means that the council will be accountable for funding allocated to the new university project by central government. Accountability involves receiving funds from central government, ensuring those funds are allocated and spent in accordance with any funding conditions specified, and providing reports on that 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 DfE, to enable the milestone payments to be passed on the NMiTE.
5. The council's head of management accounts and NMiTE's head of financial management discuss and review on a monthly basis the management accounts that are presented to the NMiTE board, review the cashflow position, select a sample of invoices for review, and seek assurance on the development of the finance function and audit controls.
6. The Section 151 Officer attends to the Finance and infrastructure board meetings as an observer. The section 151 officer and SWAP have agreed with NMiTE the management accounts pack required which includes the management accounts, weekly cashflow, payables, receivables and capital expenditure.
7. South West Audit Partnership have been engaged to complete quarterly audits and to provide an annual letter of assurance on the DfE grant which has been sent to the DfE. The latest of these covering the period to 10 July 2019 (attached at appendix A) provides partial assurance. The audit work undertaken to inform the letter of assurance provided a low partial assurance opinion. Internal audit made seven recommendations regarding the development of policies, procedures and templates to support consistent record keeping and reporting of information; these recommendations are to be implemented and their effectiveness will be assessed as part of the next assurance review.
8. The auditors of NMiTE, Thorne Widgery accountants are completing a quarterly review under NMiTE's instruction on the grant funding assurance review (March 2019). SWAP and Thorne Widgery are meeting independently to discuss their findings, they are able to take some assurance for this report, and will seek to evidence progress on the report's recommendations. NMiTE has also provided an executive milestone monitoring document, which sets out the fundraising strategy to achieve the matched funding required.
9. The milestone payments for 2019 totaled £5,379,000, the payment has been split payable in two tranches based on the conditions being met, payments have been made and are planned as set out below, if a partial assurance is provided again then the milestone payment due to be paid in September may not be possible.

| Date | Amount £s |
|-----------|-----------|
| 29/3/2019 | 4,035,000 |
| 2/9/2019 | 1,344,000 |

Further information on the subject of this report is available from
Audrey Clements, email: audrey.clements@herefordshire.gov.uk

Community impact

10. Acting as the accountable body is helping to support 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.
11. 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.
12. 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.

Equality duty

13. 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.
14. 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.

Resource implications

15. No council funds will be payable to NMiTE, however the management of the flow of funds between the accountable body and NMiTE and the discharging of the obligations of being an accountable body and project accountable body requires resourcing. The staffing is provided through current resources. The cost of resourcing these additional operational tasks is to be financed from a share of the grant allocation.

Legal implications

16. Before taking the decision to be the accountable body the cabinet sought the views of the General Scrutiny Committee. One of the scrutiny recommendations was to put in place a robust and appropriate governance framework to supervise the discharge of its responsibility as the accountable body.
17. 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

18. 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 claw-back is being managed / mitigated by ensuring compliance with the grant funding terms through the monitoring and reporting obligations that are in place.
19. These risks are identified and monitored by the section 151 officer within the corporate finance risk register.

Consultees

20. None.

Appendices

Appendix A – SWAP Auditors Report and Opinion

Background papers

NMiTE Milestone monitoring document: exempt from publication in accordance with the Access to Information Rules being: information relating to the financial or business affairs of any particular person