

Auditor's Annual Report (Final Draft)

Mansfield District Council – year ended
31 March 2021

February 2022



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Section 01: **Introduction**

1. Introduction

Purpose of the Auditor's Annual Report

Our Auditor's Annual Report (AAR) summarises the work we have undertaken as the auditor for Mansfield District Council ('the Council') for the year ended 31 March 2021. Although this report is addressed to the Council, it is designed to be read by a wider audience including members of the public and other external stakeholders.

Our responsibilities are defined by the Local Audit and Accountability Act 2014 and the Code of Audit Practice ('the Code') issued by the National Audit Office ('the NAO'). The remaining sections of the AAR outline how we have discharged these responsibilities and the findings from our work. These are summarised below.



Opinion on the financial statements

We issued our audit report 4 December 2021. Our opinion on the financial statements was unqualified.



Value for Money arrangements

In our audit report issued we reported that we had not completed our work on the Council's arrangements to secure, economy, efficiency and effectiveness in its use of resources and had not issued recommendations in relation identified significant weaknesses in those arrangements at the time of reporting. Section 3 confirms that we have now completed this work and provides our commentary on the Council's arrangements.



Wider reporting responsibilities

We have not yet received group instructions from the National Audit Office confirming their requirements in relation to the Council's Whole of Government Accounts. We are unable to issue our audit certificate until this is formally confirmed.

The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of the Council and to consider any objection made to the accounts. We did not receive any questions or objections in respect of the Council's financial statements.

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Section 02:

Audit of the financial statements

2. Audit of the financial statements

The scope of our audit and the results of our opinion

Our audit was conducted in accordance with the requirements of the Code, and International Standards on Auditing (ISAs).

The purpose of our audit is to provide reasonable assurance to users that the financial statements are free from material error. We do this by expressing an opinion on whether the statements are prepared, in all material respects, in line with the financial reporting framework applicable to the Council and whether they give a true and fair view of the Council's financial position as at 31 March 2021 and of its financial performance for the year then ended. Our audit report, gave an unqualified opinion on the financial statements for the year ended 31 March 2021.

Qualitative aspects of the Council's accounting practices

We reviewed the Council's accounting policies and disclosures and concluded they comply with the 2020/21 Code of Practice on Local Authority Accounting, appropriately tailored to the Council's circumstances.

Significant difficulties during the audit

During the course of the audit we had full cooperation of management. The audit was again carried out remotely but there were no significant difficulties in carrying out our normal audit procedures and obtaining audit evidence required to complete the audit. We are grateful for the cooperation and support provided by management.

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Section 03:

Commentary on VFM arrangements

3. VFM arrangements – Overall summary

Approach to Value for Money arrangements work

We are required to consider whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out and sets out the reporting criteria that we are required to consider. The reporting criteria are:

- **Financial sustainability** - How the Council plans and manages its resources to ensure it can continue to deliver its services
- **Governance** - How the Council ensures that it makes informed decisions and properly manages its risks
- **Improving economy, efficiency and effectiveness** - How the Council uses information about its costs and performance to improve the way it manages and delivers its services

At the planning stage of the audit, we undertake work so we can understand the arrangements that the Council has in place under each of the reporting criteria; as part of this work we may identify risks of significant weaknesses in those arrangements.

Where we identify significant risks, we design a programme of work (risk-based procedures) to enable us to decide whether there is a significant weakness in arrangements. Although we describe this work as planning work, we keep our understanding of arrangements under review and update our risk assessment throughout the audit to reflect emerging issues that may suggest there are further risks of significant weaknesses.

Where our risk-based procedures identify actual significant weaknesses in arrangements, we are required to report these and make recommendations for improvement.

The table below summarises the outcomes of our work against each reporting criteria. We did not identify any risks of significant weakness, or actual significant weakness, in the Council’s arrangements. On the following pages we outline further detail of the work we have undertaken against each reporting criteria, including the judgements we have applied.

Reporting criteria	Commentary page reference	Risks of significant weaknesses in arrangements identified?	Actual significant weaknesses in arrangements identified?
Financial sustainability	9	No	No
Governance	11	No	No
Improving economy, efficiency and effectiveness	13	No	No

3. VFM arrangements – Financial Sustainability

Overall commentary on the Financial Sustainability reporting criteria

Background to the Council’s operating environment in 2020/21

The Council entered 2020/21 at the start of the national lockdown, and faced a significant operational impact from the effects of the pandemic. In response to the Covid-19 pandemic, central government made a series of policy announcements, a number of which have impacted on local authorities such as Mansfield District Council. During the 2020/21 year the Council dealt with a wide range of issues to support local residents and businesses.

Some of the Government’s initiatives in response to the Covid-19 pandemic have been backed by additional funding, and the Council received a range of government grants during 2020/21 to either support local businesses/individuals or meet the Council’s own costs. The Council received £2.09m of Covid-19 Response funding to cover the Council’s extra costs. The Council also received around £1.254m relating to income compensation scheme for the sales, fees and charges income lost during the lockdown periods.

2020/21 Financial statement performance

We have carried out a high level analysis of the audited financial statements, including the Comprehensive Income and Expenditure Statement, the Balance Sheet and Movement in Reserves Statement.

The Council's balance sheet does not give us cause for concern relating to financial stability. Net current assets have increased from £31.4m to £53m, with short term creditors increasing from £11.5m to £27.8m which as at other councils this year is largely due to deferred Covid-19 government grants. The level of total year-end Cash and Cash Equivalents rose from £4.9m to £8.7m this was in line with cash flow forecast and requirements.

The most significant change in the balance sheet relates to movements in the Council's share of the pension fund net liability (being a deficit position) of £135.6m, up from £109.3m in the prior year. It is not unusual to see material movements in the net pension liability and this is consistent with our experience at other local authorities. The deficit position is not unusual and is a recognised area of financial challenge for local authorities.

The Council's useable reserves have increased from £72.7m to £86.6m in 2020/21, with:

- General Fund and Earmarked Reserves of £26.8m, up from £16.5m in 2019/20;
- Capital Receipts Reserves of £8.1m, up from £7.7m in 2019/20; and
- Housing Revenue Account Balances of £27.7m, down from £28.5m in 2019/20.

These reserves provide some mitigation against future financial challenges, and will assist in addressing future volatility and support savings and efficiencies plans. The Council will need to continue to ensure that any use of reserves to smooth the financial position over the next few years is properly planned and the use of reserves cannot be relied on to provide a long term solution to funding gaps. Notwithstanding this, our work has not highlighted a risk of significant weakness in the Council’s arrangements for ensuring financial sustainability.

Financial planning and monitoring arrangements

In January 2020 the Council set balanced General Fund and Housing Revenue Account budgets for the 2020/21 financial year. During the year the Council reported its financial position through quarterly financial performance reports, and carried out an early in-year review to reflect the impact of Covid-19 on budgets and financial performance.

We noted that budget monitoring was reported to the Overview and Scrutiny Committee (Corporate Resources) on a quarterly basis. We reviewed the final report covering the whole year and outturn that was received by the Overview and Scrutiny Committee (Corporate Resources) in September 2021 and the reports contain detail on any significant variances to budget and an update on performance against targets. The reports also contain information on progress against the approved capital programme and reasons for over or underspends against the budget profile to provide adequate scrutiny and oversight. The Council reported the final revenue outturn position for the 2020/21 year showing the General Fund had favourable variance of £1m against the budget, and the Housing Revenue Account had a favourable variance of £3k.

We have considered the arrangements in place in respect of budget management as part of the Governance criteria on page 11 and not identified any significant weaknesses in the Council's arrangements..

3. VFM arrangements – Financial Sustainability

Overall commentary on the Financial Sustainability reporting criteria (continued)

Arrangements for the identification, management and monitoring of funding gaps and savings

We confirmed a Medium Term Financial Strategy (MTFS) is in place to cover 2021/22 to 2023/24 and that it supports the Council's priorities communicated in its strategy "Towards 2030; A Strategy for Mansfield", and identifies its financial implications. It shows the approach the Council will take in order to deliver its services and priorities within its financial constraints and in doing so, how it will look to provide value for money.

A key part of the strategy is to highlight the budget issues that will need to be addressed by the Council over the coming financial years, by forecasting the level of available resources from all sources and budget pressures relating to both capital and revenue spending as well as assessing sufficient reserves and provisions are held for past and unknown events which may impact on the Council's resources. There is a process in place for challenging any growth items and agreeing the achievability of planned savings.

Arrangements and approach to 2021/22 financial planning

The arrangements for the 2021/22 budget setting process have largely followed the arrangements in place for 2020/21 but with a better understanding based on the experiences during the year of the impact of Covid-19 on the Council's services. There were still though a number of unavoidable uncertainties regarding likelihood and impact of any future lifting of restrictions or lockdowns, and the availability of any further government support.

Balanced General Fund and Housing Revenue Account budgets for 2021/22 were approved at the February 2021 Council meeting with any required savings expected to be covered by actions in hand.

We reviewed the Council's budget to actual performance as presented in the financial statements. The Council has a track record of spending within the net budget to within an immaterial variance in both 2018/19 and 2019/20 with General Fund revenue outturn positions against budget of £108k surplus and £812k surplus respectively. As the underlying arrangements for financial planning and control have not significantly changed for 2020/21, there is no indication of a significant weakness in arrangements for financial forecasting and financial planning.

We have reviewed the MTFS and supporting reports to Council in March 21 and are satisfied that it adequately

explained the financial risks and that the main financial assumptions were not unreasonable.

Within the MTFS was a fully funded capital programme of £77m, split £15m on general fund and £62m on the Housing Revenue Account. The majority of expenditure falls to existing schemes, such as Fire Risk Assessments, Community Heart Bellamy Road, Centenary Road as well as newer schemes such as the Town Centre and Other Development. We have discussed the Council's approach to capital planning, including Town Centre schemes such as the White Hart regeneration and have not identified any significant weaknesses in arrangements.

There was an acknowledgement in approving the MTFS that the roll over of the Local Government Funding Settlement meant that some of the expected changes in the Fair Funding Review and in relation to New Homes Bonus and any Business Rates reset were not enforced. Changes in these areas were regarded as a risk through expected loss of funding so their deferral represented a gain to the Council's immediate financial position.

The continuing uncertainty does make though strategic financial planning difficult for Councils, particularly in relation to its General Fund services. The MTFS forecasts a balanced budget for 2021/22 however, to meet the balanced budget, £1.92m in corporate transformational savings will need to be attained. For 2022/23 and 2023/24, the Council has forecast a deficit on the General Fund of £851k and £929k respectively, with these sums to be met from useable reserves. As set out on page 9, General Fund and Earmarked Reserves were £26.8m as at 31 March 2021. In the context of the level of useable revenue reserves, the £1.78m deficits and the aforementioned £1.92m transformational savings target do not present an immediate risk of significant weakness in the Council's arrangements for financial sustainability, action does need to be taken to ensure savings plans are robustly planned and delivered.

Based on the above considerations we are satisfied there is not a significant weakness in the Council's arrangements in relation to financial sustainability.

3. VFM arrangements – Governance

Overall commentary on the Governance reporting criteria

Risk management and monitoring arrangements

The Council has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of effectiveness, economy and efficiency. In doing this it is responsible for putting in place proper arrangements for the governance of its affairs, effective exercise of its functions and arrangements for the management of risk.

The Council has an established risk management framework and systems in place which are built into the governance structure of the organisation. There is an updated and approved Corporate Risk and Opportunity Management Strategy which includes the Council’s approach to managing risk, guidance, the Council’s risk appetite and roles and responsibilities.

We have met with officers regularly during the year and made specific inquiries regarding risk management arrangements, including examples of the Council putting risk mitigation actions into place and reporting those to the Corporate Leadership Team and Members. We have reviewed the Strategic Risk Register and determined it is adequate for the Council’s purposes and consistent with sector norms.

The Governance and Standards Committee is responsible for overseeing the effectiveness of the Council's risk management arrangements, and challenging risk information. The Committee is presented with the risk register on a regular basis and provides challenge as part of the process. The Corporate Leadership Team consider the Committee’s minutes and summary reports and then determine appropriate risk appetite, risks and opportunities. These arrangements are consistent with what we would expect at a local authority and are adequate for the Council’s purposes.

The Annual Governance Statement is a critical component of the Council's governance arrangements. It is an evidenced self assessment by the Council on the Council’s governance, assurance and internal control frameworks for the financial year. As such, those who are responsible for those arrangements must approve it. The Annual Governance Statement formally signed by the Joint Chief Executive and the Leader of the Council. This emphasises that the document is about all corporate controls and is not just financial controls. We reviewed the Annual Governance Statements as part of our work on the financial statements with no significant

issues arising.

To provide assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud, the Council has an in house Internal Audit function. The annual Internal Audit plan is agreed with management at the start of the financial year and is reviewed by Governance and Standards Committee prior to final approval. The audit plan is based on an assessment of risks the Council faces and is designed to ensure there is assurance on the overall adequacy and effectiveness of the Council’s framework of governance, risk management and control. The planned work can be supplemented if necessary by ad hoc reviews in respect of suspected irregularities and other work commissioned by Officers and Members of the Council where relevant to respond to emerging risks and issues. We have reviewed the Internal Audit plans for 2020/21 and 2021/22 and confirmed they are consistent with the risk based approach.

Internal Audit progress reports are regularly presented to the Governance and Standards Committee meeting including follow up reporting on recommendations from previous Internal Audit reports. From our attendance at meetings, we are satisfied this allows the Committee to effectively hold management to account. At the end of each financial year the Head of Internal Audit provides an Annual Report including an opinion, based on the work completed during the year, on the overall adequacy and effectiveness of the council’s control environment. For 2020/21 the Corporate Assurance Manager concluded that they are satisfied that the Council has the following in place: adequate and effective governance arrangements; adequate and effective risk and opportunity management arrangements; and adequate and effective internal control processes

Throughout the year we have attended Governance and Standards Committee meetings. Through attendance at these meetings we have confirmed that the Committee receives regular updates on both internal audit progress and risk management. We have seen active Member engagement from the Committee who challenge the papers and reports which they receive from officers, internal audit and external audit.

3. VFM arrangements – Governance

Overall commentary on the Governance reporting criteria (continued)

Arrangements for budget setting and budgetary control

The Council has an established set of arrangements in place for budget setting and control. The process is set out and approved through the Constitution, which encompasses the budget setting rules and financial procedures. The framework includes:

- Clear responsibilities, including the role of the Cabinet and drawing up initial proposals; the Overview and Scrutiny Committee providing consultation; and the Council in making the final decision on whether to adopt the proposals.
- Close working between the finance team and with external advisors and neighbouring councils to agree the key budget assumptions, which are challenged and agreed through the budget review process by Management, Overview and Scrutiny Committee and Council.

Following approval of the budget, budget monitoring commences to monitor progress against targets. Budget monitoring responsibilities of budget holders are documented and they are supported in this role by the finance team. Budget monitoring reports are produced and there are regular meetings held, including finance team members, to discuss the financial performance and forecasts. There are rules in place regarding the reporting of budget variances and budget changes. There are similar processes and controls in place for development and control of the capital programme alongside the revenue budget setting. The Treasury Strategy reports are approved at the same time as the revenue budgets and monitored and reported on throughout the year.

We have reviewed minutes of meetings and the year end reports presented to the Cabinet during the year as well as the and narrative statement to the financial statements. In addition, we have reviewed capital expenditure as presented in the financial statements with no issues arising from our testing of additions.

Decision making arrangements and control framework

The Council has an established governance framework in place which is set out within its Annual Governance Statement (AGS). The governance framework, as described in the AGS includes the Council's Code of Corporate Governance, the Constitution and the scheme of delegation which shows the levels of authority

required for all key decisions, and the Council's Corporate Strategy.

The Council's Code of Corporate Governance sets out the governance principles which the Council are committed to and within which the Council conducts its business and affairs. The Code identifies the arrangements in place to enable the Council to meet the good governance principles identified. The Constitution is kept under review and updated as required. The Constitution sets out how the Council operates, how decisions are made and the procedures to support the Council's aims of being transparent and accountable. The Constitution includes the Budget and Policy Framework Rules, Contract Procedure Rules, Member and Officer codes of conduct.

The Council has a scrutiny function in place with arrangements shaped to reflect Council priorities. The Governance and Standards Committee provides further focus on risk, governance and control matters. The Overview and Scrutiny Committees have work programmes in place to steer their coverage of services and key decisions. We have reviewed the Scrutiny Committees' minutes throughout the year and not identified any concerns.

The Council has purchased a number of investment properties over the past few years and the approach was reviewed as part of our work on the 2018/29 and 2019/20 value for money conclusion, with no concerns reported in 2019/20, providing assurance that there are no significant weaknesses in the arrangements in place brought forward into 2020/21. Arrangements are unchanged in 2020/21.

Regulators

There are few external regulators for district councils and we have not identified any matters that indicate significant weaknesses in the Council's governance arrangements.

Based on the above considerations we are satisfied there is not a significant weakness in the Council's arrangements in relation to governance.

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3. VFM arrangements – Improving Economy, Efficiency and Effectiveness

Overall commentary on the Improving Economy, Efficiency and Effectiveness reporting criteria

Performance Management

The Council’s Corporate Strategy “Making Mansfield: Towards 2030” sets out the Council’s priorities and objectives for the period covered by the Strategy, including the values which underpin the overarching vision of ‘Grow an ambitious, vibrant and confident place’. The core themes in the Strategy are: a plan for place; a plan for growth; a plan for aspiration and a plan for wellbeing. Each of the themes have a detailed delivery plan in place with specific indicators to measure success.

The Council produces a Themes update on an annual basis that summarises how far the Council has progressed in meeting the priorities set in the Corporate Strategy. We reviewed the 2020/21 Themes report and noted that for all of the themes an action plan has been developed, with measurable success criteria and an indicator of direction of travel. This allows the Council to monitor successful delivery and identify any areas where corrective action is required.

We have reviewed a sample of the performance reports and the Cabinet and Scrutiny Committee’s minutes which show member challenge of the reported performance. The reports demonstrate that performance has been managed throughout the 2020/21 year and there were no major unexpected gaps in performance at the year end. The process has continued in the first half of 2021/22.

Partnerships

The Council has a number of partnership arrangements in place, through which the Council works to deliver services in line with its ambitions and priorities. These include:

- Mansfield Community Partnership who seek to engage with communities, provide education, information and reassurance about crime, and work to help reduce anti-social behaviour;
- Mansfield Townscape Heritage Project delivered in partnership with Mansfield BID, Vision West Nottinghamshire College and Nottinghamshire County Council this is a 5-year project to refurbish the properties that make up the Mansfield Townscape Heritage Area and an archive of each building’s unique story; and

- D2N2 one of the largest Local Enterprise Partnerships (LEPs) in England. Its purpose is to lead and support economic growth across Derby, Derbyshire, Nottingham and Nottinghamshire

We do not consider these to be significant in relation to our VFM commentary.

Mansfield Town Deal

On 6 September 2019 the Government invited 100 places to develop proposals for a Town Deal, as part of the £3.6 billion Towns Fund.

The list 100 towns was drawn from deprivation information from the Office of National Statistics then a review by officials from the Ministry of Housing, Communities and Local Government (MHCLG, but now called the Department of Levelling Up, Housing and Communities) to consider factors such as strategic alignment with government priorities, the presence of investment opportunities and different indicators of need. Judgements were made by Cities and Local Growth Unit experts to build these factors, apply weightings and produce a ranking. The Towns Fund Prospectus was published on 1 November 2019.

The Council created a Making Mansfield Place Board to develop, support and oversee the Mansfield Town Investment Plan. We have confirmed there are arrangements in place for oversight, including a code of conduct and formal minuted meetings of the Board.

The Town Investment Plan for Mansfield’s Town Deal was submitted to the Ministry of Housing, Communities and Local Government (MHCLG), setting out the short, medium and long term plan for regeneration investment in Mansfield. Notification of £12.3m funding was received on 3 March 2021

Our review of the above mentioned documents and discussions with officers has not identified a risk of significant weakness in arrangements.

3. VFM arrangements – Improving Economy, Efficiency and Effectiveness

Overall commentary on the Improving Economy, Efficiency and Effectiveness reporting criteria

Procurement

The Council has a Procurement Strategy and set of Contract Procurement Rules which outlines how the procurement of goods, works and services is achieved. These documents take into account latest legislative and operational changes at the Council, and provide a corporate framework for the procurement of goods, works and services. There are also controls in place designed to ensure that all procurement activity is conducted with openness, honesty and accountability.

Our work on the financial statements has not identified any significant internal control deficiencies.

Based on the above considerations we are satisfied there is not a significant weakness in the Council's arrangements in relation to improving economy, efficiency and effectiveness.

04

Section 04:

**Other reporting responsibilities and
our fees**

4. Other reporting responsibilities and our fees

Matters we report by exception

The Local Audit and Accountability Act 2014 provides auditors with specific powers where matters come to our attention that, in their judgement, require specific reporting action to be taken. Auditors have the power to:

- issue a report in the public interest;
- make statutory recommendations that must be considered and responded to publicly;
- apply to the court for a declaration that an item of account is contrary to the law; and
- issue an advisory notice.

We have not exercised any of these statutory reporting powers.

The 2014 Act also gives rights to local electors and other parties, such as the right to ask questions of the auditor and the right to make an objection to an item of account. We did not receive any such objections or questions.

Reporting to the NAO in respect of Whole of Government Accounts consolidation data

We have not yet received group instructions from the National Audit Office confirming their requirements in relation to the Council's Whole of Government Accounts. We are unable to issue our audit certificate until this is formally confirmed.

4. Other reporting responsibilities and our fees

Fees for work as the Council's auditor

We reported our proposed fees for the delivery of our work under the Code of Audit Practice in our Audit Strategy Memorandum and Audit Completion Report presented to the Audit Committee in February 2021 and November 2021. We expect our final audit fees to be as follows.

Area of work	2019/20 fees	2020/21 fees
Scale fee in respect of our work under the Code of Audit Practice	£41,996	£41,996
Additional testing as a result of changes arising from increased audit quality expectations involving the work on the valuation of land and buildings and on the local government pension scheme	£7,952	£7,952*
Additional testing as a result of the implementation of new auditing standards	-	£2,892*
Additional testing as a result of a new significant audit risk relating to Covid-19 grants	-	£1,188*
Other additional testing - additional testing and reporting in 2019/20 on uncertainties in key estimates as a result of Covid-19	£5,032	-
Additional work as a result of the new Code of Audit Practice and VFM reporting	-	£9,293*
Additional testing required for group accounts	£2,000	£2,016*
Total fees	£56,980	£65,337*

* Fee variations subject to approval and confirmation by Public Sector Audit Appointments Limited.

4. Other reporting responsibilities and our fees

Fees for other work

We confirm that we undertook the following non-audit services for the Council in the year.

Pooling of Housing Capital Receipts Return	£3,350
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