

ITEM 9 – FINANCE

Report by: Alice Miles, Acting SDP Manager

Purpose

This Report presents an update on the SESplan Operating Budget for 2016 / 2017 and 2017 / 2018 following the discussions at the SESplan Joint Committee on the 24 November 2016.

Recommendations

It is recommended that the SESplan Joint Committee:

1. Note the updated forecast expenditure against the approved Operating Budget for 2016 / 2017 set out within Appendix 2 to this Report;
2. Approve the updated Operating Budget for 2017 / 2018 set out within Appendix 2 to this Report;
3. Note that member contributions for financial year 2017 / 2018 have been reduced and are set at £44,000 (excluding VAT) per authority (as set out within Appendix 2 to this Report), payable to Fife Council by the 30 April 2017;
4. Note that member authorities are required to ratify the decisions above and to make their required contributions subsequently; and
5. Note that an Operating Budget for 2018 / 2019 will be brought to the November 2017 meeting of the SESplan Joint Committee.

1. Background

- 1.1 The SESplan Financial Rules set out that Operating Budgets for the next financial year should be proposed by the SDP Manager, approved by the SESplan Joint Committee and that decision ratified by the member authorities by the end of December. In compliance with these rules, the SESplan Joint Committee at its meeting on the 24 November considered:

- Expenditure against the approved Operating Budget for 2016 / 2017 up to October 2016;
- Total forecast expenditure against the approved Operating Budget for 2016 / 2017; and
- Operating Budget for 2017 / 2018 and indicative Operating Budgets for 2018 / 2019 and 2019 / 2020.

1.2 The SESplan Joint Committee agreed to approve the Operating Budget for 2017 / 2018 in principle and that a review of SESplan expenditure and future budgets would be brought to the next meeting in March 2017.

2. SESplan Operating Budget 2016 / 2017

2.1 The SESplan Joint Committee considered the latest position on the Operating Budget for the financial year 2016 / 2017 as at October 2016 (see Appendix 1). The latest position as at February 2017 is included as Appendix 2.

2.2 The largest spend by SESplan is on staffing. As set out in Appendices 1 and 2, the total forecast for staffing at October 2016 was estimated at just over £197,000. The position as at February 2017 is just under £205,000. The increase in staffing over the period October 2016 – March 2017 is related to the publication of the Proposed Plan and preparation for Submission. Tasks have included running events through the period for representations, logging all representations received by email and letters, summarising all 802 representations, preparing the summary of unresolved issues within 25 Schedule 4s and preparing for Joint Committee. From publication of the Proposed Plan in October 2016 to reporting the SESplan responses to the representations received in the Schedule 4 format to the SESplan Joint Committee will have taken 19 weeks. Across the member and other strategic authorities, this process has taken on average 41 weeks.

2.3 The approved Operating Budget 2016 / 2017 includes a total staffing budget of just over £227,000. Therefore whilst the updated position shows an overspend in staffing on the estimates reported to Joint Committee in November, overall when the latest February 2017 position is compared with the approved Operating Budget for 2016 / 2017 there is a saving in staffing of just under £23,000.

- 2.4 The Operating Budget for 2016 / 2017 also includes other fixed costs relating to accommodation, audit fees (professional fees), IT software and hardware, training and travel. The forecast considered by Committee in November 2016 was a spend in these areas of just under £33,000 (see Appendix 1). The updated forecast at February 2017 (See Appendix 2 for more detail) is a spend in these areas of just over £32,000.
- 2.5 Overall at November 2016, it was estimated that there would be a saving across all fixed costs of around £34,200. The final position at February 2017 is that there will be an underspend of around £27,600. This is some £6,600 below the position reported to the Joint Committee, however the final underspend still represents a 10% saving on the fixed costs in the approved Operating Budget for 2016 / 2017.
- 2.6 The approved 2016 / 2017 Operating Budget also includes an allowance of £22,000 for variable costs. The largest spend in 2016 / 2017 was related to the Transport Appraisal of SDP2. This was estimated at £16,000 with final costs around £13,000, an underspend of just over £3,000. This spend was partially spent in financial year 2015 / 2016, with the balance of around £8,900 paid from financial year 2016 / 2017. There has been an overspend in printing / photocopying of the Proposed Plan. The approved Operating Budget did not include costs for sending hard copies of the Proposed Plan to each of the 257 community councils within the SESplan area. This additional printing therefore incurred additional costs. Overall, the position reported to Committee in November was an overspend in variable costs of £5,500. The updated position at February 2017 now shows an underspend in variable costs against the approved Operating Budget of around £1,800.
- 2.7 Across the entire Operating Budget for 2016 / 2017, the updated position as at February 2017 is not markedly different from that reported to Joint Committee in November 2016. The updated position at February 2017 is that there will be an overall underspend on the approved SESplan Operating Budget 2016 / 2017 of around £29,400. This represents a 10% saving.

3. SESplan Operating Budget 2017 / 2018

- 3.1 Table 1 below provides an outline summary of the Work Programme for financial year 2017 / 2018.

Table 1 – Core Team Summary Work Programme 2017 / 2018

Task	Period	Weeks
<p>Submission of SDP2</p> <ul style="list-style-type: none"> - Final format all Schedule 4s as per DPEA requirements - For all Schedule 4s (in hard copy and electronic format) - Prepare Contents Page, Source relevant extract of Representee and Authority Supporting Documents and highlight relevant text and Compile relevant Representations any supporting information. - Compile Core Documents - Set up Contacts List - Draft Advert for Notification of Submission - Draft Letter requesting Examination - Mail out to all Representees advising of Submission 	<p>13 Mar – 2 Jun 2017</p>	<p>12 Weeks</p>
<p>Examination of SDP2</p> <ul style="list-style-type: none"> - Assessment of Compliance with Report of Conformity - Examination formally commences - Examination / Period for Further Information Requests - Hearing - Target Date for Report of Examination - Ministers consider Examination Report and Approve, Modify or Reject the Plan - Edit and publish final SDP2, Prepare Post Adoption SEA Statement for submission to SEA Gateway and Habitats Regulation Appraisal for submission to SNH and Publish Action Programme 	<p>2 Jun – 14 Jul 2017 14 Jul 2017 Jul 2017 – Mar 2018 Dec 2018 Mar 2018 Mar – May 2018 May – Aug 2018</p>	<p>6 Weeks 33 Weeks 4 Weeks 8 Weeks 12 Weeks</p>
<p>Supplementary Guidance</p> <ul style="list-style-type: none"> - Cross Boundary Developer Contributions Framework - Cross Boundary Green Network Priority Areas <ul style="list-style-type: none"> > South East > Edinburgh and West - Heat (TBC through SDP2 Examination) - Minerals (TBC through SDP2 Examination) - Wind (TBC through SDP2 Examination) 	<p>Preparation of Draft x 3 (x 6) Joint Committee Approval – Mar 2018 Consultation Apr – May 2018 Joint Committee Approval of Modified Guidance (if Required) – Sept 2018 Submit to Scottish Government – Dec 2018</p>	<p>24 Weeks 6 Weeks</p>

Task	Period	Weeks
Evidence Gathering <ul style="list-style-type: none"> - Monitoring Statement - Housing Need and Demand Assessment - Identifying Housing Supply Targets - Spatial Strategy Assessment 	Project Plan – Jan 2018	
Other Workstreams <ul style="list-style-type: none"> - Development Plan Scheme 10 - Finance (Unaudited and Audited Accounts, Monitoring Reports, Annual Audit, Operating Budget 2018 / 2019) - Annual Report / Planning Performance Framework - Risk Management - Joint Committee Work Plan - Annual Housing Land Update 	Feb – Mar 2018 Jun, Sep and Nov 2017, Mar 2018 Jul 2017 Nov 2017 Nov 2017 Nov 2017	8 Weeks 4 Weeks 4 Weeks 4 Weeks 4 Weeks

- 3.2 Over the first two months of the 2017 / 2018 financial year, the Core Team will be focussed on preparing the Submission package for Examination. On the basis of the TAYplan and CLYDEplan Examinations it is anticipated that Further Information Requests will begin to be received around mid-October 2017, with a Hearing in mid-December. The Report of the Examination is anticipated to be received around the beginning of March 2018, with approval of SDP2 in May 2018.
- 3.3 The Proposed Plan states that Supplementary Guidance will be required to be prepared on Cross Boundary Developer Contributions Framework and Green Network Priority Areas for Key Areas of Change South East and Edinburgh and West. The response on the Proposed Plan from Scottish Government advised that further work is required on heat, wind and minerals and that this work should also take the form of Supplementary Guidance. SESplan disagrees that further Supplementary Guidance is required in these areas; however the requirement to prepare this additional guidance is dependent on the outcome of the Examination. The Reporter may be so minded to require Supplementary Guidance is prepared. Any Supplementary Guidance will be required to be approved within one year of Plan approval i.e. no later than May 2019.
- 3.4 The staffing assumptions reported to Joint Committee in November 2016 remain the same; however it is anticipated that savings will be made in staffing over the 2017 / 2018 financial year (the Planner post for example will be vacant from April 2017). These savings will be fed into the SESplan reserves where it is anticipated that significant savings both in the Operating Budget and member contributions will be made in financial year 2018 / 2019 (see Section 4 below).
- 3.5 For other fixed costs within 2017 / 2018, costs remain largely the same (assumed at £32,500 in November 2016, updated to £33,300 in February 2017). The training budget has been reduced in line with spend in previous years and the IT software and maintenance costs have been slightly increased to more accurately reflect the spend required. The largest spend on IT is for Objective and the online SESplan Consultation Portal at £11,000. A £1,000 saving has been negotiated with Objective for the next financial year. Costs for accommodation in West Lothian Civic Centre remain the same.

- 3.6 The variable costs within the Operating Budget are slightly reduced from the position in October 2016. Printing / photocopying costs have been reduced from £4,000 to £1,000 reflecting that SDP2 will be approved within financial year 2018 / 2019 and will therefore not require to be printed in this financial year. All other costs remain the same, with a £90,000 allowance for consultancy fees. This includes £30,000 for the Examination into SDP2. Costs for the Examination are estimated and are subject to change dependant on the length and complexity of the Examination. It is prudent to allow a contingency within the variable costs should the costs increase.
- 3.7 The remaining variable budget of £60,000 is for background appraisal to inform the Supplementary Guidance on Developer Contributions. Again exact costs for this work cannot be identified at present as the background appraisal will build on the Cross Boundary Study currently being undertaken by Transport Scotland. The scope of the appraisal will identify which transport interventions we may wish to fund through developer contributions and the subsequent geographies as to where those developer contributions will be sought from. The scope of the appraisal will be confirmed once the Study is published and will also review resources available in-house ensuring minimal spend on consultancy fees where possible.
- 3.8 As detailed in Appendix 1, the Budget for 2017 / 2018 approved in principle in November set out total expenditure of just under £302,000. This was to be met by contributions of £46,550 from each member authority. The updated position at February 2017 is total expenditure of just over £299,000, a saving of around £2,500. Using the reserves built up in 2016 / 2017 and on the assumption that significant savings will be made within the 2018 / 2019 Operating Budget and member contributions, it is proposed that the contributions per member authority for 2017 / 2018 are reduced to £44,000, a saving of £2,550 per member authority.

4. SESplan Operating Budget 2018 / 2019 Onwards

- 4.1 Into 2018 / 2019 and following the conclusion of the Examination in early 2018, with approval of SDP2 in May 2018, SESplan will statutorily be required to finalise SDP2 for printing and publication and commence work on the post adoption SEA statement, Habitats Regulation Appraisal and Action Programme. SESplan will also be required to continue progress on corporate workstreams including audit, finance, risk management and performance.

- 4.2 Ordinarily, a timeline for the next SDP, SDP3 would now be identified as the programme for SDP2 comes to an end. However the consultation on the future of the Scottish planning system ([Places, People and Planning](#)) was published in January 2017. This sets out that strategic development plans should be removed from the system so that strategic planners can support more proactive regional partnership working. The remit and role of the proposed Regional Working Partnerships has not yet been identified.
- 4.3 The work of SESplan in 2018 / 2019 other than the statutory requirements referred to above is therefore unknown. On that basis indicative Operating Budgets for 2018 / 2019 and 2019 / 2020 are not shown in Appendix 2. Operating Budgets in these years will be required to be reviewed against the outcome of the ongoing planning review in terms of transitional arrangements, with new finance arrangements agreed as part of the establishment of any Regional Working Partnership. This will continue to be reviewed as the Planning Bill is published and further details are known.
- 4.4 Nevertheless as set out in paragraph 3.4 above it is anticipated that savings will be made in the 2017 / 2018 financial year. These savings will be fed into the SESplan reserves where it is anticipated that significant savings both in the Operating Budget and member contributions will be made in financial year 2018 / 2019.

5. Next Steps

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- 5.1 It is requested that member authorities ensure that contributions will be in place by the start of the next financial year and note that an Operating Budget for 2018 / 2019 will be brought to the November 2017 meeting of the Joint Committee.

Report Contact

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Appendices

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- 1 Updated Operating Budget 2016 / 2017 and Operating Budget 2017 / 2018
- 2 Operating Budget 2016 / 2017 and Operating Budget 2017 / 2018 Updated at February 2017

Appendix 1

Operating Budget 2016 / 2017 and Operating Budget 2017 / 2018 Approved in Principle at 24 November SESplan Joint Committee

Appendix 1 - SESplan Operating Budget 2016 / 2017 and Three Year Operating Budget to 2019 / 2020

DESCRIPTION	16/17 Budget	Actual spend Sept- 16	16/17 Forecast	16/17 Variance	17/18 Budget	18/19 Budget	19/20 Budget
SINGLE STATUS BASIC PAY incl Agency	227,199	96,591	197,294	-29,905	160,931	163,969	190,186
TRAINING COSTS	1,000	520	1,000	0	2,000	2,000	2,000
RENTS PAYABLE, incl service charges	9,613	7,376	7,376	-2,237	7,487	7,599	7,713
TRAVEL EXPENSES	5,100	1,611	4,200	-900	4,200	4,200	4,200
IT HARDWARE	0	0	500	500	0	0	0
IT SOFTWARE	16,000	7,200	13,500	-2,500	13,703	13,909	14,118
IT MAINTENANCE	0	684	684	684	0	0	0
MOBILE LINE RENTAL	524	55	200	-324	203	206	209
PROFESSIONAL FEES	3,400	0	3,400	0	3,400	3,400	3,400
EVENT COSTS	0	411	411	411			
MISCELLANEOUS EXPENSES	1,500	0	1,500	0	1,500	1,500	1,500
Fixed	264,336	114,448	230,065	-34,271	193,424	196,783	223,326
Technical Support							
PRINTING/PHOTOCOPYING COSTS	2,500	135	4,000	1,500	4,000	4,000	4,000
CROSS BOUNDARY TRANSPORT PROJECT EXAMINATION	16,000	8,434	16,500	500	60,000	0	0
TECHNICAL SUPPORT					30,000	0	0
POSTAGES/FRANKING	500	0	500	0	0	20,000	30,000
ADVERTISING/MARKETING	1,000		4,000	3,000	500	500	500
OTHER SERVICES (Contingency 10%)	2,000		2,500	500	4,000	4,000	4,000
Variable	22,000	8,569	27,500	5,500	108,350	31,350	42,350
Expenditure	286,336	123,017	257,565	-28,771	301,774	228,133	265,676
INCOME-OTHER LOC AUTH(VAT)	-279,300	-279,300	-279,300	0	-279,300	-279,300	-279,300
SALES-PLANNING	-250	0	0	250	0	0	0
INCOME-INTEREST ON REV BALANCE	-1,000	0	-500	500	-500	-500	-500
Income	-280,550	-279,300	-279,800	750	-279,800	-279,800	-279,800
Net	5,786	-156,283	-22,235	-28,021	21,974	-51,667	-14,124
(TAKE FROM)/ADD TO RESERVES	-5,786		22,235	28,021	-21,974	51,667	14,124
NET TOTAL	0		0	0	0	0	0
Usable reserve balance	-36,889		-64,910	-28,021	-42,936	-94,603	-108,727
Usable reserve balance at 1/4/16	-42,675						
Usable reserve as % of expenditure			-25.2%		-14.2%	-41.5%	-40.9%

SUBJ	DESCRIPTION	16/17 Budget	16/17 Forecast	16/17 Variance	17/18 Budget
610201	SINGLE STATUS BASIC PAY incl Agency	227,199	204,519	-22,680	160,931
614405	TRAINING COSTS	1,000	1,000	0	1,000
620305	RENTS PAYABLE, incl service charges	9,613	7,376	-2,237	7,487
630401	TRAVEL EXPENSES	5,100	4,200	-900	4,200
640805	IT HARDWARE	0	0	0	0
640810	IT SOFTWARE	16,000	11,000	-5,000	12,800
640815	IT MAINTENANCE	0	2,807	2,807	2,755
640830	MOBILE LINE RENTAL	524	100	-424	102
640701	PROFESSIONAL FEES	3,400	3,400	0	3,400
	EVENT COSTS	0	900	900	
641505	MISCELLANEOUS EXPENSES	1,500	1,500	0	1,500
	Fixed	264,336	236,802	-27,534	194,175
	Technical Support				
640605	PRINTING/PHOTOCOPYING COSTS	2,500	5,500	3,000	1,000
640702	CONSULTANT FEES	16,000	8,434	-7,566	90,000
640845	POSTAGES/FRANKING	500	500	0	500
641030	ADVERTISING/MARKETING	1,000	1,716	716	4,000
640707	OTHER SERVICES (Contingency 10%)	2,000	3,500	1,500	9,550
	Variable	22,000	19,650	-2,350	105,050
	Expenditure	286,336	256,452	-29,884	299,225
502001	INCOME-OTHER LOC AUTH(VAT)	-279,300	-279,300	0	-264,000
506001	SALES-PLANNING	-250	0	250	0
504002	INCOME-INTEREST ON REV BALANCE	-1,000	-200	800	-200
	Income	-280,550	-279,500	1,050	-264,200
	Net	5,786	-23,048	-28,834	35,025
90939	(TAKE FROM)/ADD TO RESERVES	-5,786	23,048	28,834	-35,025
	NET TOTAL	0	0	0	0
	Usable reserve balance	-36,889	-65,723	-28,834	-30,698
	Usable reserve balance at 1/4/16	-42,675			
	Usable reserve as % of expenditure		-25.6%		-10.3%

From 2016/17 Sesplan could maintain a target of having at least one month's operating costs in reserves