

## ITEM 8 – FINANCE

Report by: Peter Arnsdorf, Acting SDP Manager

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### Purpose

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The purpose of this report is to provide an update on the SESplan Operating Budget for 2018/2019.

### Recommendations

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It is recommended that the SESplan Joint Committee:

1. Note the updated forecast expenditure against the approved Operating Budget for 2018/2019 set out within Appendix 1 to this Report;
2. Note that an Operating Budget for 2020/2021 will be brought to the November 2019 meeting of the SESplan Joint Committee.

#### 1. Background

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- 1.1 The SESplan Financial Rules set out that Operating Budgets for the next financial year should be proposed by the Strategic Development Plan (SDP) Manager, approved by the SESplan Joint Committee by the end of December and that decision then ratified by the Member Councils as soon as practicable thereafter. In compliance with these rules, the SESplan Joint Committee at its meeting on the 26 November 2018 considered an update on the SESplan Operating Budget for 2018/2019 and approved the SESplan Operating Budget for 2019/2020.

#### 2. SESplan Operating Budget 2018 / 2019

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- 2.1 The latest position on the SESplan Operating Budget for 2018/2019 as at February 2019 is included as Appendix 1.

- 2.2 The largest spend by SESplan is on staffing. As set out in Appendix 1, the forecast for staffing at March 2019 was estimated at £47,894. The approved Operating Budget 2018/2019 includes a total staffing budget of £75,000. There is a projected saving in staffing costs of £27,106. This primarily relates to the part time SDP Manager and Lead Officer positions (both held by Alice Miles) becoming vacant at the start of January 2019. The departure of Alice Miles has resulted in there no longer being a dedicated SESplan core team of SESplan salaried staff. All SESplan functions are now being undertaken by officers within the Member Authorities.
- 2.3 The Operating Budget for 2018/2019 also includes other fixed costs relating to training, rent and accommodation, travel, IT hardware, software and maintenance and audit/professional fees. The forecast sets out underspend in all these areas with the exception of audit/professional fees. The reduction in the number of members of the Core Team over 2018/2019 has resulted in the underspend highlighted within Appendix 1. The only fixed cost that did not decrease was that of the audit/professional fees as the cost of the annual audit process undertaken by Audit Scotland has no bearing on the number of dedicated staff employed by SESplan.
- 2.4 Overall at March 2019, it is estimated that there will be a saving across all fixed costs of £38,291. This is an increase on the expected savings reported to the Joint Committee at its meeting of November 2018 which were estimated at £23,146.
- 2.5 The approved 2018/2019 Operating Budget also includes an allowance for variable costs.
- 2.6 The largest variable spend in 2018/2019 related to 'Other Services' which it is projected to spend £11,394 against an initial nil budget allocation. This spend relates to costs incurred through the examination of SESplan2. While the 'Other Services' projection is higher than the budget allocation, as Appendix 1 illustrates, all other variable costs are projected to come in on, or under budget. Overall at March 2019, it is estimated that there will be a saving across all variable costs of £56,006. This is a slight decrease on the expected savings reported to the Joint Committee at its meeting of November 2018 which were estimated at £56,540.

2.7 Across the entire Operating Budget for 2018/2019, the updated position as at March 2019 has changed from that reported to the Joint Committee at its meeting of November 2018. The forecast underspend has risen from £79,686 reported in November 2018 to the figure projected in March 2019 of £94,297.

### **3. SESplan Operating Budget 2018/2019 Onwards**

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3.1 As decided by the SESplan Joint Committee at its meeting of 26 November 2018, the underspend in the 2018/2019 financial year has enabled a nil member contribution for 2019/2020 being set for each Member Authority. At March 2019 reserves have reduced significantly less than projected as a result of the factors set out in Section 2 above. This has resulted in a projected reserve value of £169,647 which equates to 190.7% of 2018/2019 expenditure. By the end of 2019/2020 it is anticipated that reserves will be reduced to £61,547, which is 56.9% of expenditure.

3.2 The Joint Committee decision to approve the Operating Budget for 2019/2020 has been/is to be ratified by the Member Authorities as follows:

- City of Edinburgh - Planning Committee, 12 December 2018;
- East Lothian – To be considered by Full Council on the 23 April 2019;
- Midlothian – To be considered by Full Council on the 26 March 2019;
- Fife - The Fife Council contribution to SESplan is reported within the overall Service Budget which was approved at Full Council on 21 February 2019;
- Scottish Borders - To be considered by Full Council on the 28 March 2019; and
- West Lothian - Council Executive, 26 February 2019.

3.3 The work programme of SESplan in 2019/2020 and beyond into 2020/2021, other than statutory requirements, is uncertain because of the Planning Bill which is progressing through the Parliamentary process. Operating Budgets in these years will be required to be reviewed depending on the outcome of this process.

#### **4. Next Steps**

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- 4.1 It is requested that member authorities note that an Operating Budget for 2020/2021 will be brought to the November 2019 meeting of the Joint Committee.

#### **Report Contact**

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#### **Appendices**

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- 1 Operating Budget 2018/2019 Update

Appendix 1 - Operating Budget 2018/2019 Update

| DESCRIPTION                                                                 | 18/19<br>Budget | 18/19<br>Projection | 18/19<br>Variance | 19/20<br>Budget |
|-----------------------------------------------------------------------------|-----------------|---------------------|-------------------|-----------------|
| Staff                                                                       | 75,000          | 47,894              | (27,106)          | 15,500          |
| Training                                                                    | 1,000           | 0                   | (1,000)           | 0               |
| Rents Payable (Including Service Charge)                                    | 4,292           | 1,787               | (2,505)           | 0               |
| Travel                                                                      | 1,500           | 914                 | (586)             | 0               |
| IT Hardware,Software and Maintenancer)                                      | 15,500          | 15,000              | (500)             | 15,500          |
| Mobile Line Rental                                                          | 206             | 112                 | (94)              | 0               |
| Audit/Professional Fees                                                     | 3,400           | 3,400               | 0                 | 3,400           |
| Miscellaneous                                                               | 8,850           | 2,350               | (6,500)           | 0               |
| <b>Total Fixed Costs</b>                                                    | <b>109,748</b>  | <b>71,457</b>       | <b>(38,291)</b>   | <b>34,400</b>   |
| <b>Technical Support</b>                                                    |                 |                     |                   |                 |
| Printing/Photocopying Costs                                                 | 4,000           | 2,000               | (2,000)           | 1,000           |
| Consultant Fees                                                             | 65,000          | 0                   | (65,000)          | 65,000          |
| Postages/Frinking                                                           | 500             | 100                 | (400)             | 0               |
| Advertising/Marketing                                                       | 4,000           | 4,000               | 0                 | 1,000           |
| Other Services (Contingency 10%)                                            | 0               | 11,394              | 11,394            | 6,700           |
| <b>Total Variable Costs</b>                                                 | <b>73,500</b>   | <b>17,494</b>       | <b>(56,006)</b>   | <b>73,700</b>   |
| <b>Total Expenditure</b>                                                    | <b>183,248</b>  | <b>88,951</b>       | <b>(94,297)</b>   | <b>108,100</b>  |
| Contribs From Other LA'S                                                    | (60,000)        | (60,000)            | 0                 | 0               |
| Interest On Revenue Balances                                                | 0               | 0                   |                   | 0               |
| <b>Total Income</b>                                                         | <b>(60,000)</b> | <b>(60,000)</b>     | <b>0</b>          | <b>0</b>        |
| <b>Net</b>                                                                  | <b>123,248</b>  | <b>28,951</b>       | <b>(94,297)</b>   | <b>108,100</b>  |
| Take from/Add to Reserves                                                   | 123,248         | 28,951              |                   | 108,100         |
| Usable Reserve balance (at 31 March 2018 Budgeted £164,380/actual £198,598) | 41,132          | 169,647             |                   | 61,547          |
| Usable reserves as % of expenditure                                         | 22.4%           | 190.7%              |                   | 56.9%           |
| Target Reserve (1 month's operating costs)                                  | 15,271          | 7,413               |                   | 9,008           |
| (Shortfall)/Surplus on target reserve of 1month's operating costs           | 25,861          | 162,234             |                   | 52,539          |