

SESplan

The Strategic Development Planning Authority
for Edinburgh and South East Scotland

SESplan

Unaudited Annual Accounts 2020-21

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MANAGEMENT COMMENTARY

INTRODUCTION

Four strategic development planning authorities (SDPAs) were designated by Scottish Ministers in May 2008 under Section 4 of the Planning etc. (Scotland) Act 2006. SESplan is the Strategic Development Plan for Edinburgh and South East Scotland and covers six Council areas including City of Edinburgh, East Lothian, Midlothian, West Lothian, the Scottish Borders and the southern half of Fife. SESplan works in partnership with the six member authorities to prepare the strategic vision for the region for the next 20 years. The Strategic Development Plan is used to inform local development plans.

The first strategic development plan (SDP1) was prepared in response to the Planning etc. (Scotland) Act 2006 and was adopted in June 2013 with supplementary guidance setting housing targets for the member authorities being adopted in November 2014 (the housing targets covered 2009 – 2024).

Strategic development planning authorities (SDPAs) are required by section 4(1) of the Act to prepare and review strategic development plans (SDPs), and submit these to Scottish Ministers within four years of the approval of the existing plan (section 10(8)). SESplan complied with this requirement.

On 26 June 2017 the SDP2 Proposed Plan was submitted to the Scottish Government's Directorate of Planning and Environmental Appeals (DPEA) for Examination. The Examination commenced in August 2017 and the report of Examination was published on 20 July 2018. Following consideration of the report the Minister issued his decision letter on SDP2 on 16 May 2019. The letter advised that SDP2 had been rejected. The rejection of SDP2 by the Minister results in the current SDP (SDP1) remaining the adopted strategic development plan.

Whilst Section 13(1) of the Planning Act (the Town and Country Planning (Scotland) Act 1997 (as amended)) provides for rejection of a Plan by the Minister, such occurrences in terms of SDP preparation are unprecedented.

In September 2015, an independent panel was appointed by Scottish Ministers to review the Scottish Planning System with the objective of bringing together ideas to achieve a quicker, more accessible and efficient planning system. The report of the panel "Empowering Planning to Deliver Great Places" was published 31 May 2016. Scottish Ministers published their response to the report on 11 July 2016 which included a commitment to consult on a White Paper outlining proposed reforms to the Planning System with the ambition of enabling a Planning Bill to be brought forward late in 2017. The Planning (Scotland) Bill was introduced to the Scottish Parliament on 4 December 2017. The Planning Bill progressed through three stages of scrutiny and was approved by the Scottish Parliament on 20 June 2019. The Bill received Royal Assent on 25 July 2019 and thereafter becomes the Planning (Scotland) Act 2019, hereafter referred to as the 2019 Act. The 2019 Act amends the primary planning legislation, The Town and Country Planning (Scotland) Act 1997. The 2019 Act sets out the purpose of planning "to manage the development and use of land in the long term public interest". The 2019 Act sets out the principal changes to the Planning System and has taken effect immediately. However, the Scottish Government needs to draft secondary legislation/regulations to implement the changes and to set out transitional arrangements. The Act removes the requirement to prepare strategic development plans and introduces a requirement for regional partnerships to prepare regional spatial strategies.

The SESplan core team has been disbanded in response to the Planning Act. In the interim (since January 2019) the SESplan function has been provided by officers from the six member authorities with the East Lothian Team Manager, Policy and Strategy currently acting as the SDP Manager. These management and resource arrangements will be subject to review as the Planning Act is implemented. The decision to reject SDP2 and the adoption of the Planning Act which removed the requirement to produce future SDPs has brought all work on the SDP to an end during 2019-20.

In response to the 2019 Act SESplan has considered its future role and has committed to continuing to work in partnership to deliver a regional spatial strategy and to work closely with the Edinburgh and South East of Scotland City Region Deal partnership to provide a strategic planning context to the City Deal programme. The SESplan Joint Committee will begin to be integrated into a City Deal Oversight Committee in 2020-21 but will remain as a formal committee until the approval of the National Planning Framework 4 (NPF4) which, due to the impact of COVID-19, has been delayed and will not now be approved until 2022. At this time SESplan will cease to exist.

This management commentary is intended to provide a brief narrative on SESplan's financial position, as presented in these annual accounts for the financial year 2020-21.

The financial results for 2020-21 are set out in the following pages along with the accounting policies that have been adopted to ensure that the accounts present a true and fair view of the Authority's financial performance.

No remuneration report has been prepared because no persons have received remuneration in financial year 2020-21.

FINANCIAL PERFORMANCE

The Comprehensive Income and Expenditure Statement shows that there was a deficit of £18,082 during 2020-21, which reflects the resources consumed during the year against the income generated. The expenditure in the year was £18,148, and related mainly to I.T costs. This was funded from balances held and interest on these balances of £66.

During the year SESplan achieved an underspend on budget of £65,918. This was due to savings of £65,852 on supplies & services, mainly consultants fees (delays in the Scottish Ministers reaching a decision on SDP2 resulted in SESplan not commissioning further cross boundary transport modelling work or progressing other Supplementary Planning Guidance). Normally the activities of SESplan are cyclical which means that the organisation needs to use the reserve to cushion the impact of uneven cash flows although this risk is dissipated by the lack of activity on future SESplan work. The cumulative surplus for the usable reserve is carried forward to 2021-22 and would be used to support any activities of the Authority. Due to imminent winding up of SESplan the remaining budget will either be returned to the constituent authorities and possibly then transferred to the South East Scotland City Deal Joint Committee for future regional planning work. A decision on the preferred course of action will be made in 2021.

The Balance Sheet as at 31 March 2021 shows a net asset position of £111,694.

ANNUAL GOVERNANCE STATEMENT 2020-21

GOVERNANCE ARRANGEMENTS

The designation order which formally constituted the Edinburgh and South East Scotland Strategic Development Planning Authority (SDPA known as SESplan) came into force on the 25 June 2008. Paragraph 1.1 of the SESplan Constitution sets out that: 'The following planning authorities comprise the Strategic Development Planning Authority for the Edinburgh city region: the City of Edinburgh Council, East Lothian Council, Fife Council, Midlothian Council, Scottish Borders Council and West Lothian Council.' This group of authorities has a statutory duty under Section 4 of the Planning etc. (Scotland) Act 2006 to work together, prepare and keep under review, a Strategic Development Plan (SDP) for the Edinburgh City region. The 2019 Act sets out the principal changes to the Planning System and has taken effect immediately. However, the Scottish Government needs to draft secondary legislation/regulations to implement the changes and to set out transitional arrangements. The Act removes the requirement to prepare strategic development plans and introduces a requirement for regional partnerships to prepare regional spatial strategies.

SESplan is made up of a Joint Committee comprising two Elected Members from each of the six member planning authorities, a Project Board (one Senior Manager from each member authority) and supported by an Operational Group (one Manager/Team Leader from each member authority) and a series of project teams as required, which include resources from each of the member authorities. Representatives of the key agencies also contribute to some work streams as required.

The Joint Committee meets no less than twice per year to make decisions on the content and preparation of the SDP/Regional Spatial Strategy as well as the governance and finance of SESplan. In recognition of issues arising from the COVID-19 pandemic, Joint Committee meetings are to be held, for the foreseeable future, as virtual meetings. The Committee is convened by one member authority, rotated every two calendar years. Current convener is Midlothian Council with vice convener East Lothian Council. A report on the rotation of convener for the Joint Committee was considered and approved at the November 2019 meeting.

As described in the SESplan Constitution, all major decisions will require to be ratified by each of the six member authorities. The level of delegated authority to the Joint Committee is governed by a separate Scheme of Delegation.

The Project Board is responsible for the direction and management of SESplan including the programme of work of the SDP Manager, agreeing reports for consideration by Joint Committee and ensuring that the decisions of the Joint Committee are implemented.

SESplan is responsible for ensuring that its business is conducted in accordance with the law and proper standards, that public money is safeguarded and properly accounted for and used economically, efficiently and effectively. SESplan also has a duty under the Local Government in Scotland Act 2003 to make arrangements to secure continuous improvement in the way in which its functions are exercised. In discharging this responsibility, elected members and senior officers are responsible for putting in place proper arrangements for the governance of SESplan's affairs and facilitating the effective exercise of its functions which includes the management of risk.

The SESplan governance arrangements and financial rules were subject to review in 2018, with resulting amendments being approved by the Joint Committee at its meeting in June 2018 and each member authority ratifying the decision thereafter.

In discharging this overall responsibility, SESplan has adopted practices which are consistent with the principles and reflects the requirements of the CIPFA/SOLACE (Chartered Institute of Public Finance & Accountancy/Society of Local Authority Chief Executives and Senior Managers) Framework "Delivering Good Governance in Local Government".

SESplan has put in place appropriate management and reporting arrangements for the management of risk and a report on risk management is considered by Joint Committee at the end of each calendar year. An update on risk management was considered by the Joint Committee at its meeting in March 2020.

It should be noted that a sound system of Corporate Governance and internal control provides only reasonable, but not absolute, assurance that SESplan will not be hindered in achieving its objectives or in the orderly and legitimate conduct of its business by circumstances which may reasonably be foreseen. A system of Corporate Governance and internal control cannot provide protection with certainty against an organisation failing to meet its objectives or material errors, losses, fraud, or breaches of laws or regulations.

Purpose of the governance framework

The governance framework comprises the structure; systems and processes, and culture and values by which the authority is directed and controlled and the activities by which it accounts to and engages with its customers and the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.

Key elements of good Corporate Governance include honesty, trust, integrity, openness, performance focus, responsibility, accountability, management of risk, mutual respect and commitment to the organisation. To that end the system of Corporate Governance and internal control in SESplan is based on a framework that includes:

- SESplan Constitution;
- Scheme of Delegation;
- SESplan Standing Orders;
- SESplan Financial Rules;
- SESplan Joint Committee Work Plan;
- Comprehensive training and development arrangements for councillors and employees;
- Comprehensive budgeting systems;
- Regular planning and performance management reports;
- Biannual finance reports which indicate actual and projected financial performance against budget;
- Setting and monitoring targets for financial and other performance;
- Embedding risk management within SESplan; and
- Other formal programme and project management disciplines as appropriate.

Fife Council is the organisation through which SESplan records all expenditure. SESplan, as a result, also adheres to the Parent Authority's Code of Conduct for Councillors.

The Internal Audit function is provided by the Audit and Risk Management Services Division of Fife Council. It operates in accordance with the Public Sector Internal Audit Standards. The Division undertakes an annual programme of work approved by Fife Council's Standards and Audit Committee based on a five year strategic audit plan. The strategic audit plan is based on a formal risk assessment process and is amended on an ongoing basis to reflect evolving risks and changes within the Council. SESplan was last reviewed as part of this plan in 2017-18.

SESplan uses the corporate financial systems of Fife Council, which are subject to review by both the Council's internal audit service and its external auditor. There were no significant lapses in data security.

Effectiveness of Arrangements/Assurances

The Governance arrangements have operated effectively, with decision being made at the appropriate level of authority - these arrangements have not been challenged by any of the SESplan partners or an external body or individual. The arrangements are fit for purpose subject to modification in response to the 2019 Planning Act - arrangements are likely to change over the coming year in response to secondary legislation/regulations being published by the Scottish Government.

Significant Governance Issues

There have been no significant governance issues in 2020-21.

STATEMENT OF RESPONSIBILITIES

THE AUTHORITY'S RESPONSIBILITIES

The Authority is required:

- to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs (section 95 of the Local Government (Scotland) Act 1973). In this authority, that officer is the Treasurer.
- to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- to ensure the annual accounts are prepared in accordance with legislation (the Local Authority Accounts (Scotland) Regulations 2014), and so far as is compatible with that legislation, in accordance with proper accounting practices (section 12 of the Local Government in Scotland Act 2003).
- to approve the annual accounts for signature.

RESPONSIBILITIES OF THE TREASURER

The Treasurer is responsible for the preparation of the authority's Annual Accounts in accordance with proper practices as required by legislation and as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Accounting Code).

In preparing the annual accounts, the Treasurer has:

- selected suitable accounting policies and then applied them consistently
- made judgements and estimates that were reasonable and prudent
- complied with legislation
- complied with the local authority Accounting Code (in so far as it is compatible with legislation).

The Treasurer has also:

- kept adequate accounting records which were up to date
- taken reasonable steps for the prevention and detection of fraud and other irregularities .

I certify that these accounts give a true and fair view of the financial position of the authority at the reporting date and its income and expenditure for the year ended 31 March 2021.

Eileen Rowand MBA, CPFA
Treasurer

MOVEMENT IN RESERVES STATEMENT

EXPLANATORY NOTE

This statement shows the movement in the year on the different reserves held by the organisation, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure) and unusable reserves. The (Surplus) or Deficit on the Provision of Services shows the true economic cost of providing the organisation's services, more details of which are shown in the Comprehensive Income and Expenditure Statement.

	Usable Reserves £	Unusable Reserves £	Total Reserves £
Balance at 31 March 2020 carried forward	(129,776)	0	(129,776)
<u>Movement in Reserves during 2020-21</u>			
(Surplus) or deficit on provision of services	18,082	0	18,082
Other Comprehensive Expenditure and Income	0	0	0
Total Comprehensive Expenditure and Income	18,082	0	18,082
Adjustments between accounting basis & funding basis under regulations	0	0	0
Decrease in Year	18,082	0	18,082
Balance at 31 March 2021 carried forward	(111,694)	0	(111,694)

	Usable Reserves £	Unusable Reserves £	Total Reserves £
Balance at 31 March 2019 carried forward	(178,251)	0	(178,251)
<u>Movement in Reserves during 2019-20</u>			
(Surplus) or deficit on provision of services	48,475	0	48,475
Other Comprehensive Expenditure and Income	0	0	0
Total Comprehensive Expenditure and Income	48,475	0	48,475
Adjustments between accounting basis & funding basis under regulations	0	0	0
Decrease in Year	48,475	0	48,475
Balance at 31 March 2020 carried forward	(129,776)	0	(129,776)

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

EXPLANATORY NOTE

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices.

2019-20 Gross Expenditure £	2019-20 Gross Income £	2019-20 Net Expenditure £	Notes	2020-21 Gross Expenditure £	2020-21 Gross Income £	2020-21 Net Expenditure £
(1,462)	0	(1,462)	Employee Costs	0	0	0
30,000	0	30,000	Rebates paid to Member Authorities	0	0	0
20,976	0	20,976	Supplies & Services	18,148	0	18,148
49,514	0	49,514	Cost Of Services	18,148	0	18,148
0	(1,039)	(1,039)	Financing & Investment Income & Expenditure	0	(66)	(66)
0	0	0	Requisitions from Member Authorities	0	0	0
		48,475	(Surplus) or Deficit on Provision of Services	18,148	(66)	18,082
0	0	0	Other Comprehensive Income & Expenditure	0	0	0
		48,475	Total Comprehensive Income & Expenditure	18,148	(66)	18,082

There are no statutory or presentation adjustments which affect SESplan's application of the funding. The presentation in the Comprehensive Income & Expenditure Statement is as reported at the SESplan Committee.

Consequently, an Expenditure and Funding Analysis is not provided in these Annual Accounts.

BALANCE SHEET

EXPLANATORY NOTE

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by SESPlan. The net assets of the organisation (assets less liabilities) are matched by the reserves held. The organisation holds only usable reserves, i.e. those reserves that the organisation may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use.

2020 Balance Sheet as at 31 March		2021
£	Notes	£
9,551 Debtors and Pre-payments	4	9,551
<u>123,185</u> Advance to Fife Council Loans Fund	7	<u>104,170</u>
132,736 Current Assets		113,721
<u>(2,960)</u> Creditors	5	<u>(2,027)</u>
<u>(2,960) Current Liabilities</u>		<u>(2,027)</u>
<u>129,776</u> Net Assets		<u>111,694</u>
(129,776) Usable Reserves		(111,694)
<u>(129,776)</u> Total Reserves		<u>(111,694)</u>

The unaudited accounts were issued on 30 June 2021.

Eileen Rowand, MBA, CPFA
Treasurer

CASH FLOW STATEMENT

EXPLANATORY NOTE

The Cash Flow Statement shows the changes in cash and cash equivalents of the authority during the reporting period. The statement shows how the authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. SESplan does not generate any cash inflow through investing or financing activities.

2019-20	Notes	2020-21
£ Operating Activities		£
Cash Outflows		
0 Cash paid to and on behalf of employees		0
52,683 Other operating cash payments		19,081
52,683 Total Payments		19,081
Cash Inflows		
(1,039) Interest received in cash		(66)
0 Other operating cash receipts		0
(1,039) Total Receipts		(66)
51,644 Net Cash Outflow-(Inflow) from Operating Activities	9	19,015
51,644 Net Decrease(Increase) in Cash-Cash Equivalents		
(174,829) Cash and cash equivalents at the beginning of the period		(123,185)
(123,185) Cash and cash equivalents at the end of the period	8	(104,170)

NOTES TO THE FINANCIAL STATEMENTS

1. STATEMENT OF ACCOUNTING POLICIES

A) GENERAL PRINCIPLES

These accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2020-21. The accounts are prepared in accordance with the fundamental accounting principles in terms of the characteristics required, the materiality of the information involved and the accounting concepts underlying the preparation of the accounts. The two essential fundamental characteristics are that the financial information is relevant and is a faithful representation of the authority's financial performance. The desirable qualitative characteristics of the financial information are that they are comparable, verifiable, timely and understandable. Every attempt has been made to ensure these characteristics have been achieved. In compiling these accounts underlying assumptions have been made. These are that the accounts should be on the accrual basis; that the organisation is a going concern, and the primacy of legislation.

In calculating relevant figures for the accruals suitable estimation techniques have been used, using previous years' experience, relevant data and the guidance contained within the Code.

Fife Council is acting as the lead authority for the financial matters in relation to SESplan, therefore, the accounting policies and concepts applied are consistent with those of Fife Council. Those which are relevant for SESplan are detailed in this document.

B) ACCRUALS OF INCOME & EXPENDITURE

In accordance with the Code, the annual accounts have been compiled on an accruals basis. Accruals are made for all material debtors and creditors within the accounts. Accruals have been made for supplies and services where they have been received or consumed within the financial year, for interest due and payable on external borrowings and for customer and client receipts due and receivable in the period to which they relate.

The main accrual bases used are as follows:

Supplies and Services: Based on purchase ordering and goods receipting information held in the Council's financial systems and by SESplan.

Interest: Based on Fife Council's Investment and Banking team's records of external and internal loans.

C) CASH AND CASH EQUIVALENTS

Cash and cash equivalents are defined as cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours.

D) PRIOR PERIOD ADJUSTMENTS, CHANGES IN ACCOUNTING POLICIES AND ESTIMATES AND ERRORS

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. There have been none for this period.

E) EMPLOYEE BENEFITS & PENSION COSTS

There were no staff directly employed by SESplan.

F) VALUE ADDED TAX

VAT is included within the relevant revenue or capital accounts only to the extent that it is not recoverable from HM Revenue and Customs. Fife Council manages VAT on behalf of Sesplan.

G) RESERVES

SESplan has a usable reserve which is the accumulated surplus of income received less expenditure incurred.

2. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set out in Note 1, the authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgement made in the annual accounts is that there is a high degree of uncertainty about future levels of funding for local government. As SESplan is wholly funded through contributions from the six local authority members, this has implications for the levels of funding available to SESplan in future years. However, the authority has determined that this uncertainty is not yet sufficient to provide an indication that its assets might be impaired as a result of a need to reduce levels of service provision.

3. AUDIT COSTS

The authority has agreed the following fees in respect of the audit work relating to the respective financial years:

2019-20		2020-21
£		£
2,900	Fee for Appointed Auditors	3,040

This is included in the Supplies & Services line of the Comprehensive Income & Expenditure Statement.

4. DEBTORS

2019-20		2020-21
£		£
9,551	Non-Government Entities & Individuals	9,551
<u>9,551</u>		<u>9,551</u>

5. CREDITORS

2019-20		2020-21
£		£
2,960	Other Entities and Individuals	2,027
<u>2,960</u>		<u>2,027</u>

6. ANALYSIS OF INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS

2019-20		2020-21
£		£
174,829	Balance at 1 April	123,185
(51,644)	Advance to other accounts	(19,015)
<u>123,185</u>	Balance at 31 March	<u>104,170</u>

This is an advance to Fife Council's Loans Fund. Fife Council manages the cash on behalf of SESplan.

7. RECONCILIATION OF (SURPLUS)/DEFICIT ON INCOME AND EXPENDITURE TO THE CASH FLOW STATEMENT

2019-20		2020-21
£		£
48,475	Deficit on the Comprehensive Income and Expenditure Statement	18,082
43	Increase or (Reduction) in Debtors	0
3,126	Reduction in Creditors	933
<u>51,644</u>	Net Cash Outflow From Operating Activities	<u>19,015</u>

8. RELATED PARTY TRANSACTIONS & BALANCES

SESplan is required to disclose material transactions with related parties i.e. bodies or individuals that have the potential to control or influence it or to be controlled or influenced by it. Disclosure of these transactions allows readers to assess the extent to which the authority might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the authority.

For SESplan, these related parties are the 6 local authorities which are the members of the organisation, i.e. East Lothian Council, City of Edinburgh Council, Fife Council, Midlothian Council, Scottish Borders Council and West Lothian Council. During the year SESplan did not pay or receive any contributions to/from these related parties (2019-20 reimbursed £5,000 to each of the above related parties).

Fife Council manages SESplan's cash reserves. More details relating to this can be found in Note 6.

There were no amounts due to or from related parties at 31 March 2020 or 31 March 2021.

11. EVENTS AFTER THE BALANCE SHEET DATE

Events after the reporting period are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the annual accounts are authorised for issue. Two types of events can be

- those that provide evidence of conditions that existed at the end of the reporting period - the annual accounts are adjusted to reflect such events.
- those that are indicative of conditions that arose after the reporting period - the annual accounts are not adjusted to reflect such events, but where a category of events would have a material effect disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the annual accounts.

There were no events after the reporting period relevant to SESplan.