



The Strategic Development Planning Authority
for Edinburgh and South East Scotland

A virtual meeting of the SESPLAN
JOINT COMMITTEE will be held at
2.00pm on Monday 28th June 2021

BUSINESS		FOR
1.	Apologies for Absence and Substitutions	-
2.	Order of Business and Any Urgent Matters	-
3.	Declarations of Interest	-
4.	Minutes of the SESplan Joint Committee 29th October 2020	DECISION
5.	Matters Arising	-
6.	SESplan Unaudited Accounts 2020/21	DECISION
7.	AOCB	
8.	Close	

NOTE:- Members are reminded that, if they have a pecuniary or non-pecuniary interest in any item of business coming before the meeting, that interest should be declared prior to commencement of discussion on that item. Such declaration will be recorded in the Minute of the Meeting.

Membership of Committee

City of Edinburgh Council – Cllr M Child and Cllr N Gardiner

East Lothian Council – Cllr J Goodfellow and Cllr N Hampshire (Vice Convener)

Fife Council – Cllr J Beare and Cllr A Craik

Midlothian Council – Cllr R Imrie (Convener) and Cllr P Smail

Scottish Borders Council – Cllr S Bell and Cllr S Mountford

West Lothian Council – Cllr D McGuire and Cllr C Muldoon

Please direct any enquiries to Mike Broadway, Clerk to the SESplan Joint Committee,
Telephone 0131 271 3160, Email - mike.broadway@midlothian.gov.uk

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MINUTE of MEETING of the SESplan JOINT COMMITTEE

held via Microsoft Teams

on Thursday, 29 October 2020 at 2.00 p.m.

Present: Councillor Russell Imrie, Midlothian Council (Convener)
Councillor Norman Hampshire, East Lothian Council (Vice Convener)
Councillor Maureen Child, City of Edinburgh Council
Councillor Jim Goodfellow, East Lothian Council
Councillor John Beare, Fife Council
Councillor Altany Craik, Fife Council
Councillor Stuart Bell, Scottish Borders Council
Councillor Cathy Muldoon, West Lothian Council

Apologies: Councillor Neil Gardiner, City of Edinburgh Council
Councillor Peter Smaill, Midlothian Council
Councillor Simon Mountford, Scottish Borders Council
Councillor Dom McGuire, West Lothian Council

In Attendance: Peter Arnsdorf, Midlothian Council
Robin Edgar, East Lothian Council
Iain McFarlane, City of Edinburgh Council
Pam Ewen, Fife Council
Ian Aikman, Scottish Borders Council
Karen Farquhar, Scottish Borders Council
Fiona McBrierty, West Lothian Council
Craig McCorriston, West Lothian Council
Patricia Fraser, Audit Scotland
Mike Broadway, Midlothian Council (Clerk)

1. **ORDER OF BUSINESS AND ANY URGENT MATTERS**

The Convener confirmed that he was not aware of any urgent business and that the order of business was as per the agenda.

2. **DECLARATIONS OF INTEREST**

None.

3. **MINUTES OF THE PREVIOUS MEETING HELD ON 21st SEPTEMBER, 2020**

The minute of meeting of 21st September 2020 had been circulated.

DECISION

The Committee APPROVED the minute as a correct record, subject to the addition of Councillor Simon Mountford, Scottish Borders Council to the list of those present and the removal of Councillor Tom Miers, Scottish Borders Council, also the inclusion, under item 7 - Audit of SESplan and Accounts 2019/20 of there having been a presentation by Patricia Fraser, Audit Scotland on the Auditor's report on the Annual Accounts.

4. **MATTERS ARISING**

There were no matters arising from the previous Minutes.

5. **AUDITED ACCOUNTS 2019/20 AND 2019/2020 ANNUAL AUDIT REPORT**

There had been circulated a report by Robin Edgar, East Lothian Council presenting the SESplan Audited Accounts 2019/2020 and the 2019/20 Annual Audit Report for the Joint Committee's consideration and approval.

Having heard from both Robin Edgar and Patricia Fraser, the Joint Committee in considered the Audited Accounts 2019/20 and 2019/2020 Annual Audit Report, discussed how the Joint Committee's future work and governance arrangement would be supported and financed, given the pressures currently being experienced by local government. It was suggested that these issues, together with a breakdown of the current audit fee, might be best addressed by way of a further report

DECISION

After further discussion, the Joint Committee AGREED –

1. to APPROVE the SESplan audited accounts 2019/2020 attached as Appendix 1 to the report; and
2. to APPROVE the 2019/20 Annual Audit Report, attached as Appendix 2 to the report
3. to SEEK a further report on the future work and governance arrangements, including a breakdown of the current audit fee.

6. **AOCB**

None.

The meeting concluded at 2.22 p.m.

ITEM 6 – UNAUDITED ACCOUNTS 2020/2021 AND ANNUAL AUDIT PLAN 2020/2021

Report by: Robin Edgar, East Lothian Council

Purpose

This report presents the SESplan Unaudited Accounts 2020/2021 and the 2020/2021 Annual Audit Plan for SESplan Joint Committee approval and noting.

Recommendations

It is recommended that the SESplan Joint Committee:

1. Approves the SESplan Unaudited Accounts 2020/21, attached as Appendix 1; and
2. Notes the 2020/2021 Annual Audit Plan, attached as Appendix 2.

Resource Implications

As set out below.

Legal and Risk Implications

As set out below.

Policy and Impact Assessment

The report is not proposing a change in policy and therefore a separate impact assessment is not required.

1. Audited Accounts 2020/2021 and Annual Audit Plan 2020/2021

- 1.1 The Local Authority Accounts (Scotland) Regulations 2014 state that best practice is for the Unaudited Accounts to be considered at Committee prior to the 30 June or no later than the 31 August each year.

- 1.2 The Unaudited Accounts were prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2016 - 2017 and the Service Reporting Code of Practice 2016 - 2017. They are uploaded to the SESplan website.
- 1.3 The Unaudited Accounts were considered by the Convenor, Chair of the SESplan Board and the SESplan Treasurer in May 2021.
- 1.4 The Accounts will be audited by Audit Scotland. They will assess risks and the functioning of the current SESplan processes using the methods set out in the Annual Audit Plan. (Appendix 2 to this report).
- 1.5 The Audited Accounts require to be considered by the Joint Committee by the 30 September each year with the Local Authority Accounts (Scotland) Regulations 1985 requiring that they be laid before a meeting of the authority within two months of receipt of the documents. The deadline has been extended to 30 November 2021 due to the impact of Covid-19.
- 1.6 The unaudited accounts show no income from the SESplan authorities and the only expenditure being on audit fees and the costs of technology hosting such as the SESplan website. This leaves a remaining balance of just over £111,000.
- 1.7 In addition, changes were made to the management commentary in the unaudited accounts to reflect the potential 'winding up' of SESplan and the continued reduction in workload brought about by the non-inclusion of Strategic Development Plans in the 2019 Planning Act.
- 1.8 The Unaudited Accounts 2020/2021 and Annual Audit Plan for 2020/21 are included as Appendices 1 and 2 to this report and are available on the [SESplan website](#).

Appendices

Appendix 1: SESplan Unaudited Accounts 2020 / 2021

Appendix 2: SESplan Annual Audit Plan 2020 / 2021

Report Contact

Robin Edgar, Team Manager, Policy and Projects, East Lothian Council

SESplan

The Strategic Development Planning Authority
for Edinburgh and South East Scotland

SESplan

Unaudited Annual Accounts 2020-21

Contents	Page
Management Commentary	1
Annual Governance Statement	3
Statement of Responsibilities	5
Movement in Reserves Statement	6
Comprehensive Income and Expenditure Statement	7
Balance Sheet	8
Cash Flow Statement	9
Notes to the Financial Statements	10

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 28th 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		19,015
(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.

Edinburgh and South East Scotland Strategic Development Planning Authority

Annual Audit Plan 2020/21

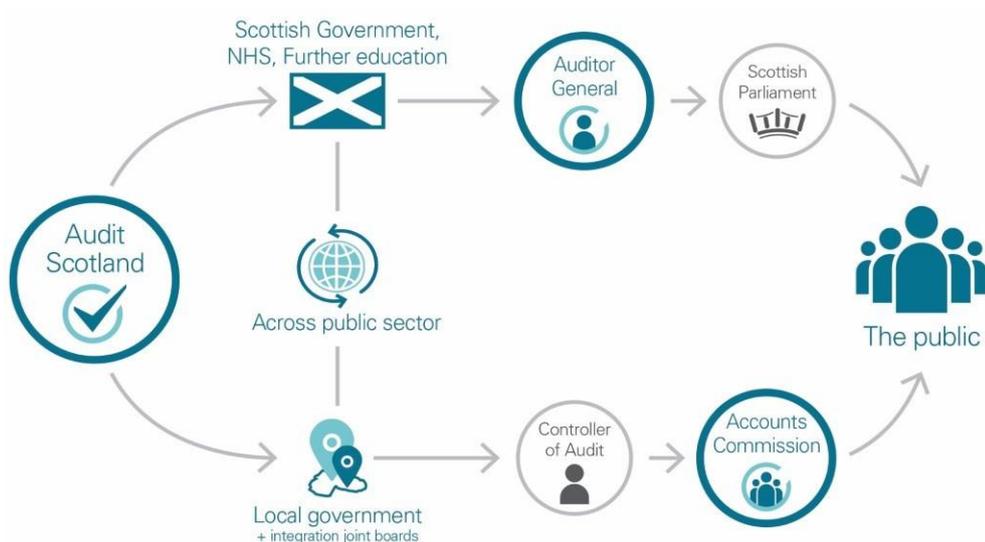


Prepared for
May 2021

Who we are

The Auditor General, the Accounts Commission and Audit Scotland work together to deliver public audit in Scotland:

- The Auditor General is an independent crown appointment, made on the recommendation of the Scottish Parliament, to audit the Scottish Government, NHS and other bodies and report to Parliament on their financial health and performance.
- The Accounts Commission is an independent public body appointed by Scottish ministers to hold local government to account. The Controller of Audit is an independent post established by statute, with powers to report directly to the Commission on the audit of local government.
- Audit Scotland is governed by a board, consisting of the Auditor General, the chair of the Accounts Commission, a non-executive board chair, and two non-executive members appointed by the Scottish Commission for Public Audit, a commission of the Scottish Parliament.



About us

Our vision is to be a world-class audit organisation that improves the use of public money.

Through our work for the Auditor General and the Accounts Commission, we provide independent assurance to the people of Scotland that public money is spent properly and provides value. We aim to achieve this by:

- carrying out relevant and timely audits of the way the public sector manages and spends money
- reporting our findings and conclusions in public
- identifying risks, making clear and relevant recommendations.

Contents

Risks and planned work	4
Audit scope and timing	8

Risks and planned work

- 1.** This annual audit plan contains an overview of the planned scope and timing of our audit which is carried out in accordance with International Standards on Auditing (ISAs), the [Code of Audit Practice](#), and guidance on planning the audit. This plan sets out the work necessary to allow us to provide an independent auditor's report on the annual accounts and meet the wider scope requirements of public sector audit including the audit of Best Value.
- 2.** The wider scope of public audit contributes to assessments and conclusions on financial management, financial sustainability, governance and transparency and value for money.
- 3.** The public health crisis caused by the coronavirus disease 2019 (COVID-19) pandemic has had a significant and profound effect on every aspect of Scottish society. Public services have been drastically affected, requiring immediate changes to the way they are provided. The impact on public finances has been unprecedented, which has necessitated both the Scottish and UK governments providing substantial additional funding for public services as well as support for individuals, businesses and the economy. It is likely that further financial measures will be needed and that the effects will be felt well into the future.
- 4.** Public audit has an important contribution to the recovery and renewal of public services. The Auditor General, the Accounts Commission and Audit Scotland are responding to the risks to public services and finances from COVID-19 across the full range of audit work including annual audits and the programme of performance audits. Audit Scotland views 2020/21 as another challenging year and in January 2021 published [Covid-19: What it means for public audit in Scotland – update](#) which restates the key principles for our response to Covid-19. It also provided an update on the financial and performance audit programmes. The well-being of audit teams and the delivery of high-quality audits remain paramount. Maintaining a pragmatic and flexible approach will enable change at short notice as new issues emerge, or current risks change in significance. Where this impacts on annual audits, an addendum to this annual audit plan may be necessary.

Adding value

- 5.** We aim to add value to the Edinburgh and South East Scotland Strategic Development Planning Authority (SESplan) through our external audit work by being constructive and forward looking, by identifying areas for improvement and by recommending and encouraging good practice. In so doing, we intend to help SESplan promote improved standards of governance, better management and decision making and more effective use of resources.

Audit risks

- 6.** Based on our discussions with staff, attendance at joint committee meetings and a review of supporting information we have identified the following significant risks for SESplan. We have categorised these risks into financial statements risks and wider dimension risks. The key audit risks, which require specific audit testing, are detailed in [Exhibit 1](#).

Exhibit 1

2020/21 Significant audit risks

Financial statements risks

<p>1 Risk of material misstatement due to fraud caused by the management override of controls</p> <p>International Auditing Standards require that audits are planned to consider the risk of material misstatement in the financial statements caused by fraud, which is presumed to be a significant risk in any audit. This includes the risk of fraud due to the management override of controls.</p>	<p>Owing to the nature of this risk, assurances from management are not applicable in this instance.</p>	<ul style="list-style-type: none"> • Detailed testing of journal entries. • Review of accounting estimates. • Focused testing of accruals and prepayments. • Evaluation of significant transactions that are outside the normal course of business.
<p>2 New financial systems</p> <p>During 2020/21, Fife Council introduced new general ledger and accounts payable systems. The systems went live in July 2020.</p> <p>The new systems will be used to produce the 2020/21 financial statements, and, as with any major change in financial systems, there is an increased risk of misstatement in the figures and balances.</p>		<ul style="list-style-type: none"> • Service auditor assurances will be obtained from the auditors of Fife Council over the completeness, accuracy and allocation of balances, and income and expenditure.

Wider dimension risks

<p>3 Future operations and structure of SESplan</p> <p>Changes in legislation (Planning (Scotland) Act 2019) have impacted on the future operations and structure of SESplan. Arrangements are still being developed and finalised, however, it is expected that the developments could result in the winding down of SESplan in 2021 as its functions are expected to transfer to the Edinburgh and South East of Scotland City Region Deal.</p>	<p>Meeting of the Joint Committee to be convened in June 2021 to agree procedures and timescale for winding down of SESplan.</p>	<ul style="list-style-type: none"> • Review of updates and papers reported to the Joint Committee. • Discussions with management about developments impacting on the future operations and structure of SESplan.
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Source: Audit Scotland

7. As set out in ISA(UK) 240, there is a presumed risk of fraud in revenue recognition. There is a risk that income may be misstated resulting in a material misstatement in the financial statements. We have rebutted this presumed risk in 2020/21 because we do not consider this to be a significant risk as there are limited opportunities to manipulate the way income is recognised.

8. In line with Practice Note 10, as most public-sector bodies are net expenditure bodies, the risk of fraud is more likely to occur in expenditure. We have rebutted

the risk of material misstatement caused by fraud in expenditure in 2020/21 as there are limited opportunities to manipulate the way expenditure is recognised.

Reporting arrangements

9. Audit reporting is the visible output for the annual audit. All annual audit plans and the outputs as detailed in [Exhibit 2](#), and any other outputs on matters of public interest will be published on our website: www.audit-scotland.gov.uk.

10. Matters arising from our audit will be reported on a timely basis and will include agreed action plans. Draft management reports will be issued to the relevant officers to confirm factual accuracy.

11. We will provide an independent auditor's report to SESplan, and the Accounts Commission setting out our opinions on the annual accounts. We will provide the Accountable Officer and the Accounts Commission with an annual report on the audit containing observations and recommendations on significant matters which have arisen during the audit.

Exhibit 2 2020/21 Audit outputs

Audit Output	Target date	Committee Date
Annual Audit Plan	30 April 2021	June 2021
Independent Auditor's Report	30 November 2021	TBD – by 30 November 2021
Annual Audit Report	30 November 2021	TBD - by 30 November 2021

Source: Audit Scotland

Audit fee

12. The proposed audit fee for the 2020/21 audit of SESplan is £3,040 (2019/20: £2,960). In determining the audit fee we have taken account of the risk exposure of SESplan, the planned management assurances in place and the level of reliance we plan to take from the work of internal audit. Our audit approach assumes receipt of the unaudited annual accounts with a complete working papers package by 30 June 2021.

13. Where our audit cannot proceed as planned through, for example, late receipt of unaudited annual accounts, a supplementary fee may be levied. An additional fee may also be required in relation to any work or other significant exercises out with our planned audit activity.

Responsibilities

The Joint Committee and Treasurer

14. Audited bodies have the primary responsibility for ensuring the proper financial stewardship of public funds, compliance with relevant legislation and establishing effective arrangements for governance, propriety and regularity that enable them to successfully deliver their objectives.

15. The audit of the annual accounts does not relieve management or the Joint Committee as those charged with governance, of their responsibilities.

Appointed auditor

16. Our responsibilities as independent auditors are established by the 1973 Act for local government, and the Code of Audit Practice (including supplementary guidance) and guided by the Financial Reporting Council's Ethical Standard.

17. Auditors in the public sector give an independent opinion on the financial statements and other information within the annual accounts. We also review and report on the arrangements within the audited body to manage its performance and use of resources. In doing this, we aim to support improvement and accountability.

Audit scope and timing

Annual accounts

18. The annual accounts, which include the financial statements, will be the foundation and source for most of the audit work necessary to support our judgements and conclusions. We also consider the wider environment and challenges facing the public sector. Our audit approach includes:

- understanding the business of SESplan and the associated risks which could impact on the financial statements
- assessing the key systems of internal control, and establishing how weaknesses in these systems could impact on the financial statements
- identifying major transaction streams, balances and areas of estimation and understanding how SESplan will include these in the financial statements
- assessing the risks of material misstatement in the financial statements
- determining the nature, timing and extent of audit procedures necessary to provide us with sufficient audit evidence as to whether the financial statements are free of material misstatement.

19. We will give an opinion on whether the financial statements:

- give a true and fair view in accordance with applicable law and the 2020/21 Code of the state of affairs of SESplan as at 31 March 2021 and of its income and expenditure for the year then ended
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union, as interpreted and adapted by the 2020/21 Code of practice on local authority accounting in the UK.



Statutory other information in the annual accounts

20. We also review and report on statutory other information published within the annual accounts including the management commentary, annual governance statement and the remuneration report. We give an opinion on whether these have been compiled in accordance with the appropriate regulations and frameworks in our independent auditor's report.

21. We also review the content of the annual report for consistency with the financial statements and with our knowledge. We report any uncorrected material misstatements in statutory other information.

Materiality

22. We apply the concept of materiality in planning and performing the audit. It is used in evaluating the effect of identified misstatements on the audit, and of any uncorrected misstatements, on the financial statements and in forming our opinions in the independent auditor's report.

23. We calculate materiality at different levels as described below. The calculated materiality values for SESplan are set out in [Exhibit 3](#).

Exhibit 3

Materiality values

Materiality	Amount
Planning materiality – This is the figure we calculate to assess the overall impact of audit adjustments on the financial statements. It has been set at 1% of net assets at 31 March 2020 based on the 2019/20 signed accounts.	£1,300
Performance materiality – This acts as a trigger point. If the aggregate of errors identified during the financial statements audit exceeds performance materiality this would indicate that further audit procedures should be considered. Using our professional judgement, we have calculated performance materiality at 75% of planning materiality.	£970
Transactions performance materiality - This is a lower specific materiality that has been set at 75% of 1% of gross expenditure for the year ended 31 March 2020 based on the 2019/20 signed accounts.	£160
Reporting threshold (i.e., clearly trivial) – We are required to report to those charged with governance on all unadjusted misstatements more than the 'reporting threshold' amount.	£100

Source: Audit Scotland

Timetable

24. To support the efficient use of resources it is critical that the annual accounts timetable is agreed with us to produce the unaudited accounts. We have included an agreed timetable at [Exhibit 4](#).

Exhibit 4

Annual accounts timetable – target dates

 Key stage	 Date
Consideration of unaudited annual accounts by those charged with governance	31 August 2021
Latest submission date of unaudited annual report and accounts with complete working papers package	30 June 2021
Latest date for final clearance meeting with Treasurer	29 October 2021
Issue of Letter of Representation and proposed independent auditor's report	16 November 2021
Agreement of audited unsigned annual report and accounts	16 November 2021
Independent auditor's report signed	30 November 2021
Issue of Annual Audit Report to those charged with governance	30 November 2021

Internal audit

25. Auditing standards require internal and external auditors to work closely together to make best use of available audit resources. Internal Audit is provided by Fife Council's Audit and Risk Management Services (ARMS). We seek to rely

on the work of internal audit wherever possible to avoid duplication, however there are no planned internal audit reviews for SESplan this year.

Audit dimensions

26. Our audit is based on four audit dimensions that frame the wider scope of public sector audit requirements as shown in [Exhibit 5](#).

Exhibit 5 Audit dimensions



Source: Code of Audit Practice

27. Our standard audits are based on four audit dimensions that frame the wider scope of public sector audit requirements. These are: financial sustainability, financial management, governance and accountability and value for money.

28. The Code of Audit Practice includes provisions relating to the audit of small bodies. Where the application of the full wider audit scope is judged by auditors not to be appropriate to an audited body then the annual audit work can focus on the appropriateness of the disclosures in the governance statement and the financial sustainability of the body and its services. In the light of the volume and lack of complexity of the financial transactions, we plan to apply the small body provisions of the Code to the 2020/21 audit of SESplan.

Financial sustainability

29. As auditors we consider the appropriateness of the use of the going concern basis of accounting as part of the annual audit. We will also comment on financial sustainability in the medium term (two to five years). We will carry out work and conclude on:

- the effectiveness of financial planning in identifying and addressing risks to financial sustainability in the short, and medium term
- the appropriateness and effectiveness of arrangements in place to address any identified funding gaps.

Governance and transparency

30. Governance and transparency is concerned with the effectiveness of scrutiny and governance arrangements, leadership and decision – making and transparent reporting of financial and performance information. We will review, conclude and report on:

- whether SESplan can demonstrate that the governance arrangements in place are appropriate and operating effectively
- whether there is effective scrutiny, challenge and transparency on the decision-making and finance and performance reports
- the quality and timeliness of financial and performance reporting.

Independence and objectivity

31. Auditors appointed by the Accounts Commission or Auditor General must comply with the Code of Audit Practice and relevant supporting guidance. When auditing the financial statements auditors must also comply with professional standards issued by the Financial Reporting Council and those of the professional accountancy bodies. These standards impose stringent rules to ensure the independence and objectivity of auditors. Audit Scotland has robust arrangements in place to ensure compliance with these standards including an annual “fit and proper” declaration for all members of staff. The arrangements are overseen by the Director of Audit Services, who serves as Audit Scotland’s Ethics Partner.

32. The engagement lead (i.e. appointed auditor) for SESplan is Patricia Fraser, Senior Audit Manager. Auditing and ethical standards require the appointed auditor to communicate any relationships that may affect the independence and objectivity of audit staff. We are not aware of any such relationships pertaining to the audit of SESplan.

Quality control

33. International Standard on Quality Control 1 (ISQC1) requires that a system of quality control is established, as part of financial audit procedures, to provide reasonable assurance that professional standards and regulatory and legal requirements are being complied with and that the independent auditor’s report or opinion is appropriate in the circumstances.

34. The foundation of our quality framework is our Audit Guide, which incorporates the application of professional auditing, quality and ethical standards and the Code of Audit Practice (and supporting guidance) issued by Audit Scotland and approved by the Auditor General for Scotland. To ensure that we achieve the required quality standards Audit Scotland conducts peer reviews and internal quality reviews. Additionally, the Institute of Chartered Accountants of Scotland (ICAS) have been commissioned to carry out external quality reviews.

35. As part of our commitment to quality and continuous improvement, Audit Scotland will periodically seek your views on the quality of our service provision. We welcome feedback at any time and this may be directed to the engagement lead.

SESplan

Annual Audit Plan 2020/21

If you require this publication in an alternative format and/or language, please contact us to discuss your needs: 0131 625 1500 or info@audit-scotland.gov.uk

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