

Report of the Deputy Chief Executive

Report to Corporate Governance and Audit Committee

Date: 25th June 2015

Subject: Financial Management Arrangements in the Planning and Sustainable Development Service

Are specific electoral Wards affected? If relevant, name(s) of Ward(s):	<input type="checkbox"/> Yes	<input type="checkbox"/> No
Are there implications for equality and diversity and cohesion and integration?	<input type="checkbox"/> Yes	<input type="checkbox"/> No
Is the decision eligible for Call-In?	<input type="checkbox"/> Yes	<input type="checkbox"/> No
Does the report contain confidential or exempt information? If relevant, Access to Information Procedure Rule number: Appendix number:	<input type="checkbox"/> Yes	<input type="checkbox"/> No

Summary of main issues

1. Corporate Governance and Audit Committee have requested a report which considers assurances to the committee in respect of the financial management arrangements relating to the Planning and Sustainable Development Service.
2. The Council's Responsible Financial Officer has established appropriate overarching controls for the financial management of the Council's affairs.
3. These controls are subject to a number of independent assessments. In particular Internal Audit has reviewed and given substantial assurance on the council's main financial processes, the integrity of the accounts and the accuracy of the major financial systems.
4. External Audit also gives independence assurance on the accounts and accounting practice; the Authority arrangements to ensure value for money and the controls on the Authority's key financial systems.
5. Financial Management arrangements in the Planning Service follow the established controls for the financial management of the Council's affairs as determined by the Council's Responsible Financial Officer.

Recommendations

6. Members of Corporate Governance and Audit Committee are asked to note the assurances provided that the appropriate systems and procedures are in place to ensure that the Council delivers sound financial management and planning.

1 Purpose of this report

- 1.1 Members of Corporate Governance and Audit Committee have requested assurances in respect of the financial management arrangements relating to the planning service.
- 1.2 This reports sets out the financial management arrangements in the Planning and Sustainable Development Service and aims to provide assurance to members that the arrangements are fit for purpose, embedded and being complied with.

2 Background information

- 2.1 Financial procedures and controls are put in place by the Responsible Financial Officer. The main assurance that can be given to the Committee around the appropriateness and effectiveness of financial management arrangements is that such procedures and controls are in place and followed in the Planning and Sustainable Service.
- 2.2 Budget monitoring is a continuous process which operates at a variety of levels throughout the Council. Whilst the Director of City Development is ultimately responsible for the delivery of the directorate budget, operationally these responsibilities are devolved down to individual budget holders in City Development. Responsibility for delivery of the Planning and Sustainable Development budget is devolved firstly to the Chief Officer Planning and Sustainable Development and then to the various Heads of Service as the main budget holders.
- 2.3 There is a clear line of responsibility in terms of managing the Planning and Sustainable Development budget and this is supported by the City Development Financial Management Team in terms of financial reporting and regular budget holder meetings. Within City Development the overall directorate financial position is reported and monitored on a monthly basis at the City Development Directorate meeting. This includes reviewing the financial position and discussing and agreeing appropriate actions.

3 Main issues

- 3.1 This Committee receives an annual report each September which provides assurances on the overall Financial Management arrangements across the Council. The latest such report, on the 19th September 2014, concluded that appropriate overarching financial controls were in place and the main financial processes of budget setting; budget monitoring and closure of accounts were effective. The report also identified a number of independent assurances on these financial arrangements provided by External and Internal Audit.
- 3.2 In terms of setting the budget for the Planning and Sustainable Development Service the Chief Officer and Heads of Service are involved in discussions around resource requirements and the likely trends on activity levels e.g. planning application numbers and assumptions on income. The budget is also set in the context of the Council's financial strategy and the Directorate's budget strategy

and staffing levels, income assumptions, fees and charges and other expenditure budgets are all reviewed as part of the budget setting process. Planning fee charges are set by the Government whilst building fees are set by the service.

- 3.3 The Planning and Sustainable Development budget has two key components, the cost of staffing and external income, mainly from external planning and building control fees. Income levels can fluctuate significantly between years depending on activity levels in the development and construction sectors and generally reflect the prevailing local economic conditions. These factors are considered when determining the budget requirement. A key budget consideration each year is the alignment of staffing resources to the expected level of income and workloads.
- 3.4 On a monthly basis budget holders in the Planning and Sustainable Development Service review spend and income to date against the approved estimates and against the profiled estimate. In addition, budget holders are also required to predict the end of year position which is done with the assistance of directorate finance staff. These monthly projections are reviewed by the Chief Officer and appropriate Heads of Service and any appropriate actions identified and agreed. The financial position by service is reported monthly to the City Development Directorate through a Directorate Financial Dashboard which shows the projected year end position by service, a commentary by service and also provides graphs showing monthly income for key income streams which for City Development includes planning and building fees. The Directorate dashboard is reported to the Deputy Chief Executive and reviewed and challenged by the Finance Performance Group (FPG). The projected financial position is also reported monthly to the Corporate Leadership Team and the Executive Board. The Directorate also maintains a budget risk register which is reviewed and reported on a quarterly basis. This includes a number of budget risk areas that are in the Planning Sustainable Development Service including the staffing budget, planning and building fees and the cost of planning appeals.
- 3.5 The above processes ensure that any budget issues including projected overspends and under achievement of income assumptions are identified at an early stage and action plans developed to deal any such issues. Income from planning and building fees can be volatile and difficult to predict although the trend in planning application numbers provides a reasonable guide as to income levels over the immediate period.
- 3.6 Financial management arrangements in the service are considered to fully comply with the established controls for the financial management of the Council's affairs as determined by the Council's Responsible Financial Officer.
- 3.7 The Planning and Sustainable Development Service had a net revised budget of £3,882k in 2014/15 and the service spent a net £3,731k, an underspend of £151k. The net spend in 2014/15 was also £328k less than the net spend in 2013/14. Income from planning and building fees was £134k above the budget and staffing expenditure was £34k under budget. A breakdown of the budget by each service area within Planning and Sustainable Development is attached at Appendix 1. Planning fee income is shown in the Planning Services budget and is not apportioned to other service areas such as Sustainable Development, Forward Planning and E-Planning which all have a role in the planning process. Building

Standards operates in a competitive market and fees are set taking account of market conditions.

3.8 In relation to performance, Members are asked to note the following:

- Customer Service Excellence has recently been retained for the whole service following a two-day inspection; Leeds remains one of few local planning authorities to meet this standard;
- 2014/15 saw substantial improvements across all categories of application against the key measure of speed of decision-making from the position in 2013/14, as below. We remain well ahead of the government's target for the determination of major applications (now set at 40%);

Application performance in time

Year	Majors	Minors	Others	Householders
2013/14	73.3%	70.3%	83.3%	85.5%
2014/15	88.7%	85.1%	91.8%	90.2%

- We made a total of 4119 decisions in the year compared to 3977 in 13/14. We received a total of 4511 applications in the year;
- Our appeals performance dipped slightly last year from 71% being dismissed to 66%, which is however in line with the performance in 2012/13. We remain well ahead of the government's target for appeal performance against major applications;
- Leeds supports over 30 designated Neighbourhood Forums working towards the preparation and adoption of Neighbourhood Plans. This is one of the highest workloads in the country and significantly more than other Core Cities;
- The Core Strategy was found sound by the Inspector following Public Examination and was adopted formally by the Council in 2014. Work is now well advanced on preparing the Draft Site Allocations Plan which will be considered by Executive Board in July.

3.9 The planning control service was subject to a major external review by Arup in 2014 which concluded in terms of efficiency and value for money that "the appropriateness of resources and workload volume have been assessed. Current resources appear adequate if efficiency savings can be realised although there is a need to debate the implications of corporate working in terms of other functions such as pre-application discussions, member liaison, appeals and policy-making". Overall the conclusion was that the service had improved substantially since the previous review in 2007.

3.10 Based on the above it is concluded that the planning service provides value for money.

4 Corporate Considerations

4.1 Consultation and Engagement

4.1.1 No consultation or engagement has been carried out in relation to the contents of this report.

4.2 Equality and Diversity / Cohesion and Integration

4.2.1 There are no equality and diversity implications arising from this report.

4.3 Council policies and City Priorities

4.3.1 As expressed within the Council Business Plan 2011-2015, spending money wisely is one of the Council's values, with the priority being for directorates to keep within their budgets. Ensuring that the Council has appropriate financial management systems and procedures in place is clearly a key aspect and as such this report does provide some assurances that money is being spent wisely.

4.4 Resources and value for money

4.4.1 This report concerns financial management arrangements in Planning and Sustainable Development and is aimed at providing assurance to members as to their fitness for purpose.

4.5 Legal Implications, Access to Information and Call In

4.5.1 The statutory responsibilities of the Council's responsible financial officer are defined under the Local Government Act 2007 and Accounts and Audit Regulations 2011. The report does not require a key or major decision and is therefore not subject to call-in.

4.6 Risk Management

4.6.1 A full register of all budget risks in accordance with current practice is maintained and subject to quarterly review. Any significant and new risks are contained in the budget monitoring reports submitted to each meeting of the Executive Board, together with any slippage on savings.

4.6.2 The Council's external auditors provide a risk assessment on the Council's financial resilience and the accounts process as part of their interim audit. As part of the interim report, officers are able to outline the processes put in place to mitigate these risks.

5 Conclusions

5.1 Overall, financial management arrangements in the service are considered to fully comply with the established controls for the financial management of the Council's affairs as determined by the Council's Responsible Financial Officer.

6 Recommendations

6.1 Members of Corporate Governance and Audit Committee are asked to note the assurances provided that the appropriate systems and procedures are in place to ensure that the Council delivers sound financial management and planning.

7 Background documents¹

7.1 None

¹ The background documents listed in this section are available for inspection on request for a period of four years following the date of the relevant meeting. Accordingly this list does not include documents containing exempt or confidential information, or any published works. Requests to inspect any background documents should be submitted to the report author.