

DEVELOPMENT CONTROL FINANCE

Finance Advisory Group – 23 April 2013

Report of the: Chief Executive Designate

Status: For Information

Key Decision: No

Executive Summary: This report provides information on the Development Control budget and its management, including consideration of efficiency savings.

This report supports the Key Aim of effective management of Council resources.

Portfolio Holder Cllr. Ramsay

Head of Service Group Manager Planning – Alan Dyer

Recommendation to Finance Advisory Group: That the report be noted.

Introduction

- 1 This report responds to an invitation to Development Control to report to the meeting. Members wished to focus on plans for the budget given that the service was demand-led. The Chairman wanted to explore any plans to streamline and cut costs, for example by minimising unnecessary work carried out by specialist staff.

Budget and Actual Expenditure

- 2 **Table 1** below shows total expenditure on Development Services for the last two years and the budget for this year, broken down into the main categories of expenditure.
- 3 In the last financial year Development Services expenditure overall was within budget. The main areas where there were variations against the budget were as follows:

Staff Costs

- 4 There was a saving due to management restructuring which involved replacing the Head of Service with the Group Manager and recruitment of the Development Control Manager post which was not filled until late August.

Planning Application Fee Income

- 5 There were substantial variations in fee income on a month by month basis but at the end of the year there was a small surplus against the budget.

<u>Development Services Summary</u>							
<u>2011/12 to 2013/14</u>							
	2011/12			2012/13			2013/14
	Budget	Actual		Budget	Provisional EOY		Budget
	£'000	£'000	() = Unfav	£'000	£'000	() = Unfav	£'000
Pay	1,792	1,750	42	1,847	1,798	49	1,870
Supplies and Services	199	183	16	170	119	51	231
Income	(615)	(525)	(90)	(719)	(674)	(44)	(696)
	<u>1,376</u>	<u>1,408</u>	<u>(33)</u>	<u>1,299</u>	<u>1,243</u>	<u>56</u>	<u>1,405</u>
Note	2012/13 Figures are only provisional @ 10/04/13						
	Figures excludes support services						

Table 1

Pre Application Fee Income

- 6 There was a shortfall in income despite the fact that fees increased during the year.

S106 Monitoring Income

- 7 There was a shortfall in income.

Legal Fees

- 8 There was an overspend on legal costs for appeals though this was offset in part by an underspend on the consultants budget for appeals.

Managing Uncertainty in the Budget

- 9 Significant aspects of income and expenditure in Development Control are dependent on the level and nature of activity in the development industry within the District. This is outside the Council's control and is influenced by the general state of the economy, but in addition large developments can have a disproportionate impact on income and expenditure and their progress will be largely due to individual decisions by landowners and developers which the Council may not be able to anticipate far in advance. For example we currently have two applications for large food store developments, by Sainsbury and Tesco in Edenbridge that were both submitted in the last quarter of 2012/3. Together they have yielded a fee income of over £30,000 and they have also created a requirement for consultancy work costing £6,500 to date. We had no prior

knowledge of these proposals until a few months before they were submitted and they could not have been anticipated at the start of the 2012/3 financial year.

- 10 As a result of the above factors there is an underlying uncertainty in the budget setting process for income and expenditure on planning applications, which also extends to appeals. The section below looks at the more uncertain aspects of the budget and how they are managed.

Planning Application Fees

- 11 **Table 2** below shows the income from planning application fees over the last three years

<u>Development Control</u>				
<u>Planning Fees</u>				
<u>2010/11 to 2013/14</u>				
Year	Actual	Budget	Variance	
	£'000	£'000	() = Unfav	
2010/11	529	502	27	
2011/12	456	502	(46)	
2012/13	585	567	18	
2013/14	-	597		
Note				
12/13 Provisional EOY @11/4/13				

Table 2

- 12 The level of planning fees is set nationally and is thus outside the Council's control. There was an increase in 2008 and then there was no change until 2012 when fees rose by 15% in November. The announcement at that time gave no indication of any increase this year.
- 13 The Government consulted on local fee setting in 2010 and there was a long period after that when there was no announcement. It is known that there was considerable opposition from the development industry to local fee setting and the Government's announcement last year did not suggest local fees would be introduced soon.
- 14 The long term savings plan included an increase in fee income from planning applications and pre application fees of £100,000 from 2012/3. It was envisaged that the bulk of this increase would come from planning application fees, either due to local fee setting or an increase in the national rate, and the budget for planning application fees was increased by £65,000. The delay in the Government announcement meant that there was no increase until more than half way through last year.

15 Despite this delay fee income during the year slightly exceeded the budget. The monthly breakdown of income illustrates the uncertainty in forecasting planning fee income on a short term basis (see **Table 3**). Income exceeded the budget in the first few months of the year but then there was a substantial downturn in the summer and early autumn, leading to an expectation that there would be a significant shortfall at year end. A surge in income late in the year, much greater than could be explained by the fee increase, brought total income back just above the budget.

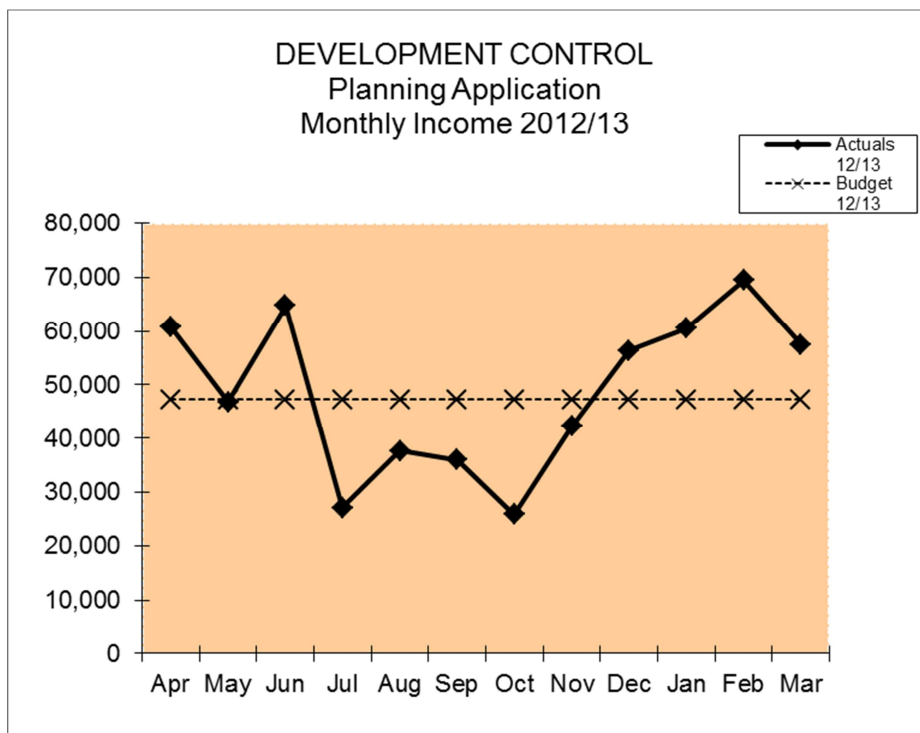


Table 3

16 Looking back to previous years there is no established pattern in monthly variations in income. For example in both 2010/11 and 2011/2 fee income in the last quarter was well below average whereas last year it was significantly above.

17 The biggest single factor explaining these variations, though not the only one, is the timing of large applications that carry a substantial fee. The timing of these applications is dependent on individual developer decisions, over which the Council has no control. It should be noted that, for accountancy purposes, fee income on large applications is profiled over several months to reflect the period over which work is carried out on them. This means that for a few applications submitted in March some of the fee income will be carried forward to this financial year.

18 For this year we do not expect any change in the level of fees. Given that this will be the first full year with the fee increase in place, we can reasonably expect income to be higher than in 2012/3. If, however, the Government introduces its proposed changes to permitted development rights there will be some loss of fee income resulting from developments no longer needing permission. The actual impact will be monitored but at this stage it is not anticipated that the impact on

income will be so severe as to justify reducing the budget. The uncertainty highlighted previously must always be acknowledged.

- 19 Planning application fee income does not cover the full cost of dealing with applications. Government control over the level of fees prevents an increase to cover costs fully and in addition there are significant categories of application, including repeat applications, for which the Council is not allowed to charge. These restrictions are not likely to change in the foreseeable future. Provisional information for 2012/3 shows that of 2,579 applications received during the year 1,184 did not require a fee.

Pre Application Fees

- 20 Fees for pre application advice were introduced in 2008 and remained unchanged until June 2012 when increases and some broadening of the scope were agreed. These fees can be set locally though the Council is not allowed to charge more than the cost of providing the service.
- 21 In 2012/3 £35,000 of the £100,000 savings in increased fee income was allocated to pre application fees. Unfortunately despite the increase there was a substantial shortfall of £45,000 against the budget of £78,000. This was in part due to the changes only coming into place in the second quarter of the year but mainly due to a lower than anticipated take up of the service during the year.
- 22 Pre application advice is an important part of the service provided to customers. It enables potential issues to be addressed and resolved before planning applications are submitted, avoiding unnecessary refusals. Regardless of the fee income there is a case for promoting the service more widely. The following actions are now in place to further promote the service:
- upgrade of the relevant web site pages to focus more on the benefits of the service;
 - highlighting of the service by planning duty officers;
 - promotion to planning agents through the agents forum;
 - promotion through an In Shape article
- 21 The impact on take up of the service is being monitored and it is anticipated that income will be significantly improved this year. A budget of £50,000 has been set for next year, the reduction on the budget for 2012/3 being offset by an equivalent increase in the budget for planning application fees.

S106 Monitoring Fees

- 23 A charge was introduced for monitoring compliance with S106 agreements in 2011/2 with an anticipated income of £50,000. It has become apparent that this figure is too optimistic and the income last year was only just over £10,000.

- 24 Given the number of legal agreements with monitoring fees signed on developments that have been permitted but have not yet started, it is reasonable to expect income to increase this year.
- 25 The budget income for monitoring fees has been reduced for 2013/4 to the more realistic figure of £25,000.

Planning Appeals: Legal Fees

- 26 A reduction in the budget of £10,000 for legal fees and £6,000 for consultant fees in planning appeals was introduced in 2011/2. The resultant budget for 2012/3 was approximately £5,000 and £8,000 respectively. This was justified on the basis of experience in 2010/1 but the legal fees element has proved to be insufficient in the last two years. Expenditure last year was approximately £18,000.
- 27 The biggest contributor to expenditure on legal fees is public inquiries. Legal representation will almost always be required for inquiries to ensure that the Council's case is properly represented and the appellant's case properly challenged.
- 28 Inquiries vary in frequency and complexity meaning that actual expenditure is very difficult to predict, but the budget of £5,000 would barely be sufficient to fund legal representation at a single average-size inquiry.
- 29 It is difficult to set a budget for an area where expenditure can be expected to vary substantially from year to year but £5,000 was clearly too low. An increase in the budget from this year of £20,000 has been agreed which should be sufficient to cover expenditure in all but exceptional years going forward.
- 30 In contrast to legal fees the reduced budget for consultancy fees, required where the Council needs to obtain specialist advice or use an expert witness to support its case, has proved sufficient.

Efficiency and Cutting Costs

- 31 Significant savings have been made to staffing costs. In 2008/9 a staffing reduction achieved a saving of £41,000. In 2010/1 a review of structure and processes achieved a further reduction of £131,000. This involved deleting posts, including a team manager, and reducing the number of teams from three to two. Last year further savings were made with the replacement of the Head of Service by the Group Manager. The new Chief Officer will have a specific task of reviewing the structure of the service within the existing budget.
- 32 Planning staff deal with applications that vary in complexity and contentiousness. The planning team needs to have staff with a variety of levels of skills and experience to match the variety of applications.
- 33 In Development Control there is a career grade scheme for planning officers that enables them to develop their competencies and progress to more senior levels, dealing with more complex applications as they gain skills and experience. To

avoid the team becoming “top heavy” recruitment is often towards the bottom end of the career grade. For example in 2011 a principal and a senior officer left and both were replaced by more junior planning officers to achieve a better balance.

- 34 In addition the two teams both have technicians who are not qualified planners but have been trained to deal with routine applications. In 2012/3 the two technicians, who also have other duties, together dealt with 109 applications. Care does though need to be taken in allocating smaller scale applications, such as extensions, as these can be contentious and may need consideration by a qualified planner.

Key Implications

Financial

- 35 The body of the report covers financial issues.

Community Impact and Outcomes

- 36 Planning decisions have an impact on the community and it is important to maintain the quality of decision making to ensure that the impacts are positive and that negative impacts are avoided where possible.

Legal, Human Rights etc.

- 37 The continuing need for legal advice is covered in the main body of the report. Failure to obtain sound advice could lead to successful challenges to Council decisions.

Risk Assessment Statement

- 38 The Council has implemented proper financial control preventing a material error occurring in the statement of accounts and a qualified opinion being issued by the Council’s external auditors.

Background Papers: None

Contact Officer(s): Alan Dyer Ext. 7196

Dr. Pav Ramewal
Chief Executive Designate