UTTLESFORD DISTRICT COUNCIL

Felsted & Stebbing Ward

District Councillors Sandi Merifield & John Evans

DISTRICT COUNCILLORS' REPORT: FEBRUARY 2022

Cllrs Sandi Merifield and John Evans are pleased to present their Monthly Report to the Parish Council.

COUNCIL TAX AND BUDGET FOR 2022/23

We hope that this following account will be of interest and provide an objective and informative analysis of the financial position of UDC. We apologise for its length but we do consider that it is a subject worthy of detailed treatment.

The annual budget and five-year financial forecast will be presented to council members for approval on 22 February 2022 first having passed through the Scrutiny Committee for their objective input. A balanced budget has been presented which means that incomes and expenditures are balanced within the year. It is to be found in a rather weighty collection of papers in the following link:

https://uttlesford.moderngov.co.uk/documents/s26497/AA_Medium%20Term%20Financial%20Strategy%20and%20Budget%20Proposals%20-%202022.23.pdf

In short, however, on the revenue side, the proposal is for UDC's share of council tax to rise by £5 pa on Band D properties. As will be recalled, UDC collects the tax for five preceptors, of which the share collected for Essex County Council is by far the greatest. For comparison purposes, the **UDC £5** increase rise is **3.09% pa**, the **Essex Police and Fire Commissioner** increase is **4.79% pa** and amounts to **£10** a year and the **Essex CC** increase is **4.49% pa** amounting to **£60** a year (all based on Band D properties).

Council house rents are proposed to increase by 4.9%, which is in line with government policy, being at an increased rate set by reference to Consumer Price Index + 1%. This increase has been agreed by the Tenants' Forum. It will take the average rent to £107 a week. Council house finances are kept entirely separate from the rest of the council General Fund and are required to be self-financing. The total rental income across the housing portfolio is forecast at £16.8m and expenditure at £13.4m which, with a small draw on reserves, leaves £3.6m to be transferred to the capital account which will provide for the construction of additional/new housing stock

EFFECT OF CHANGES IN ACCOUNTING RULES ON UDC

UDC has an external funding requirement of about **£16.8m** a year while council tax raises only **£6.4m** pa towards it. This stark funding gap reality is often not understood by residents. We are permitted to retain

Uttlesford District Council, Council Offices, London Road, Saffron Walden, Essex CB11 4ER

e-mail contacts: cllrmerifield@uttlesford.gov.uk and cllrevans@uttlesford.gov.uk

only a small percentage of the business rates to add to the council tax income stream (the balance is paid to HM Treasury) and in addition, for the coming year only, there is a one-year settlement of “New Homes Bonus” and some additional government finance too.

However, the largest component of council income, comes from our highly successful commercial property investment portfolio upon which we have reported previously. Its purpose was to enable UDC to be self-sufficient and not dependent on external financial support (for the necessity explained further below).

This portfolio is now valued at some **£40m** more than the properties cost since they were bought by UDC (with borrowing assistance of course) during the past two years. In 2022/23, the rental roll is forecast to bring in, net of borrowing/interest cost, just under **£9m** pa, being a yield of some 4.8%. All the tenants in the commercial properties concerned are “first class” names and are considered to be good tenant risks.

However, changes to accounting rules recently imposed in December 2021 on all local authorities by the government, and their external accounting agency for this purpose, CIPFA, now significantly restrict the use by local authorities of the rental/investment income arising from the letting of their commercial properties. The previous opportunity using such income to support council services is to be curtailed. This unwelcome interference in UDC’s carefully laid out plans unfairly prevents us from using income from the investment portfolio in the most efficient manner and it also requires borrowed capital to be repaid to lenders in a more accelerated fashion than was considered necessary or prudent.

Most of the council’s investment properties are new build premises, well located on UDC owned freehold land, state of the art, with tenants holding their interest on long term leases, with automatic upward only rent reviews. It is to be emphasised that the investments have been in land and not in the businesses themselves (often household names) which occupy the premises. The investment strategy at the outset was to sell the properties in an orderly fashion, with the benefit of several years remaining to run under the leases, providing any buyer with a foreseeable income stream, but prior to any substantial repair or upgrade work being required on the part of UDC as the holding landlord. The vision would (in many years hence and for the benefit of future generations) have then been to reinvest in further prime investments, as the Council would be advised at that time.

The new CIPFA rules, however, by and large prevent sale and reinvestment, and would now mean holding the properties in perpetuity resulting in the building up of huge unusable and unnecessary reserves which in the interim would have to be deployed to pay off 100% of the capital borrowing sooner than strategically needed. This means that in decades to come the council will be enjoying large capital gains, which because of other (perverse to our way of thought) government rules prevent their use being applied meanwhile on council running costs. That is the last thing our administration wanted since UDC’s need is to fill the income gap described above, and not to seek capital gains. The investments were never made for the purpose of participating in the commercial property market in the hope that assets would appreciate in way of capital value but in order to meet a shortfall in income needed to meet UDC’s running costs, which has arisen given the reduction in recent years of central government funding support..

The strategy had been to sell each of our properties at the optimal timings and market positions, enabling UDC to further enhance income by further reinvesting in the future, all the while without building up unusable capital gains.

Uttlesford District Council, Council Offices, London Road, Saffron Walden, Essex CB11 4ER

e-mail contacts: cllrmerifield@uttlesford.gov.uk and cllrevans@uttlesford.gov.uk

Unfortunately, it appears the government has no understanding of the prudence of what UDC has done in regard to its commercial property investments. It seems to want to apply strict rules on all local authorities, irrespective of how prudent they might have been, in order to address what appears to have been unwise or extravagant commercial investments by some other local authorities (including in failed energy companies, excessive exposure to retail premises in the high street and lack of portfolio diversification).

In 2017, the Government advised that it would put local government finance on a long-term sustainable system of financing, but since then, while it has kept promising, it has failed to do anything apart from remorselessly cutting central funding. This is why many local authorities felt compelled to make investments in commercial property for income generation, but few did perhaps as successfully as UDC. Sadly, we are to be penalised despite this success.

GOOD NEWS

Immediately following the new CIPFA rule announcements in December 2021, UDC senior finance staff worked - through the Christmas break, including cancelling booked holiday - in order to evaluate as many different financial options as to plan for and to make the best of the new rules as could be devised. The initial view was that we could contain the finance shortfall to a level of £4m pa in four years' time. However, the five-year Medium Term Financial Strategy, just published as part of the budget papers (as above) has an updated commercial strategy which, if agreed, will cut the required shortfall to £2.6m pa. This is still a challenge but as has been reported in the past, this administration has shown that it is good at finding solutions. It will be necessary to adapt ways of working however and continue to innovate so that UDC can continue to meet the needs of its residents. Further strategies towards the commercial property investment portfolio will be examined by the Investment Committee as necessary.

A detailed report coming before the Investment Committee on 2 February 2021 (which contains summaries of the property investments, tenants, rent roll and other material information) is to be found here:

https://uttlesford.moderngov.co.uk/documents/g5939/Public%20reports%20pack%2002nd-Feb-2022%2018.00%20Investment%20Board.pdf?T=10

THE ARTS, CULTURE AND THE MUSEUM

You will be receiving (if not already arrived) particulars of assistance available from Essex CC towards support for the arts and culture etc. The ECC Arts and Cultural Fund has opened and will offer artists and cultural organisations grants from £2,500 to £30,000 to deliver projects to help support and rejuvenate the Essex arts and culture sector, as well as the county's towns and city high streets.

The fund will support projects, which will contribute to ECC's **Everyone's Essex**: The Plan for Essex 2021-2025 within the music, theatre, dance, visual arts, literature, combined arts, including festivals and carnivals, museums and the wider creative sectors.

Given the range of vibrant and enthusiastic organisations within the Parish, several might wish to have early notice of this worthwhile initiative and applications may be made via:

https://ca1-exe.edcdn.com/Arts-and-Cultural-Application-Form.pdf

While we appreciate that Saffron Walden Museum might not, given the distance to travel from the Parish, be the most obvious place for adult residents and their children to visit, we are pleased to remind all concerned of its value and qualities. UDC are providers of substantial support to it and we hope that readers of this report may enjoy learning more about it and its current activities. Further development work at the Museum is expected in the future, which it is to be hoped will enjoy external funding too as to which we will keep you advised.

https://saffronwaldenmuseum.swmuseumsoc.org.uk

BIODIVERSITY IN PLANNING - FAQs

We know that several of your members are interested in this topic and given its relevance in planning considerations in the future also, we thought that this guide would be of value to your Planning Sub-Committee in particular, of interest to others and perhaps conveniently kept as a ready reference:

https://www.local.gov.uk/pas/topics/environment/biodiversity-net-gain/biodiversity-net-gain-faqs-frequently-asked-questions

PLANNING AND LOCAL PLAN

We have, of necessity, in our recent reports included sections relating to planning and the local plan preparation. We sensed however, at your last meeting that you might welcome a break from the planning diet which we had been providing, so we will resume our updates next month! However, suffice it to say that the officers continue to evaluate the locations put forward in the Call for Sites exercise and the Local Plan Leadership Group will be meeting to review further technical evidence and conducting workshops to assist its members further in their work.

OUR ASSISTANCE

While COVID limitations continue in terms of use of the URC Hall during the Winter months, we will not hold a person to person surgery but as ever, of course, we would be very happy to hear from any parish councillors or residents by email or phone and of course to meet them should there be anything they think we can help with or answer any questions both they or you may have on our report.

Cllr Sandi Merifield Cllr John Evans

Uttlesford District Council, Council Offices, London Road, Saffron Walden, Essex CB11 4ER

e-mail contacts: cllrmerifield@uttlesford.gov.uk and cllrevans@uttlesford.gov.uk