Appendix 1

Business Rates Reset Consultation – Cherwell District Council Response

Question 1: Are there matters related to the reset that you believe should be covered in future reset engagement which are not mentioned in this consultation?

Yes

Consultation on whether there should be a Full Business Rates Reset
The Government has indicated that it has already taken a decision and "intends to deliver a 'full' reset from 2026/27." The introduction of a form of reset was always in built as part of the scheme design, but there were two options suggested (Full and Partial), with no consultation or decision ever taking place over which should be applied.

There are significant disadvantages of a full reset which the Government is not taking into account. If Local Authorities are not given the certainty of income for a period of time then they could make sub optimal decisions for economic development in the area as there would not be certainty of income to repay the debt financing costs that may have been required for capital schemes necessary to facilitate the business rates growth. As a result, this approach could put authorities that have assumed they will retain business rates income to repay debt into financial hardship. Furthermore, it may reduce the amount of economic growth supported by local authorities in the future.

Taking the decision to simply redistribute funding will not solve the challenges in local government funding. At best it will "shuffle the deck chairs" and place other local authorities into significant financial difficulties.

Alternative Reset Approaches
The Government has not consulted on alternative approaches to a full reset. It could have considered a "rolling reset" which was the preferred option in the 2018 consultation. This would see growth achieved in one year retained for a period of time, giving financial certainty, removing funding cliff edges, but crucially, also redistributing growth across local government.

Period of Transition
There is no period of transition included in this consultation. The Government has indicated that it will consider all of the financial impacts of changes and they will be phased over a 3 year period. The period of transition fails to take account the scale of the impacts that could be felt for some authorities that have been particularly successful in growing their business rates income and so be punished severely by the introduction of a full reset.

For an authority such as Cherwell, the full implications of a reset, including loss of retained pooling income, are around £12m, or around 62% of Core Spending Power (CSP). Phased over three years (assuming zero impact from other funding changes), this would be an annual reduction of around £4m or 21% of CSP. If the Government wants to ensure funding changes are sustainable then it should ensure that there is no annual reduction in resources of between 5% and 10% of an authority's CSP.

Future Approach and Frequency of Resets
In order to achieve an element of stability in future years, and the ability to plan, the Government should give a clear indication of its plans for the future approach to resets and the frequency. As stated above, local government needs the certainty of being able to retain growth delivered in a particular year over a number of years. Without this local government may not be able to provide the resources for the necessary infrastructure to be put in place in order to drive the necessary growth in future years, which is a key government policy.

Perverse Incentives
The Government's current proposal to reset all growth achieved up to and including 31 March 2026 creates a perverse incentive for local authority's. As they will not benefit from even 1 year's growth, there will be a lack of intensity to ensure growth is delivered before 1 April 2026 at a time when Government is looking to deliver growth as a key objective.

Timing of Information
There is a significant amount of uncertainty in the timing of information that the Government expects to provide which is going to lead to all councils planning budgets based on their own worst case scenarios. Late announcement of budget information will not significantly affect budgets that are substantially complete by December 2025. Therefore, the Government will not achieve it's objective of resource distribution having a significant impact on 2026/27 budgets. Therefore, providing information on a timely basis that is broadly accurate in time for changes in 2027/28 would be preferential.

Lack of Data Availability
Given the lack of data available and the uncertainty of the data, would it make more sense to delay the reset until April 2027 so that the information can be quantified and forecast with greater levels of certainty?

Question 2: Do you agree that provision should be built into the reset delivery process in year 2 to retrospectively adjust baselines to improve accuracy via a bespoke data collection in the summer of 2026?

A business rates revaluation coincided with the last three year settlement local government received. And on that occasion the "fine tuning" of the outcome of the revaluation resulted in the three year "fixed" settlement having different values in each of the three years. The Government's proposal appears to be proposing to repeat this.

By implementing in this way the Government is ensuring that the three year settlement will be as uncertain as in previous years.

Instead the Government should ensure that any figures quoted in the settlement should be the minimum that a local authority will receive. That way local authorities will be able to plan with a degree of certainty, knowing that the financial implications of the settlement will not get worse.

Question 3: Do you agree with the government's proposal to determine GRP using draft VOA list data and SCat codes in 2026-27 and to update this measure for local authority data in 2027-28?

No.

SCat codes are not currently fit for purpose for this task. They are not up to date and will see resources assumed for the purposes of baselining in the wrong place. As a result, there is a significant risk that baseline assumptions will be wrong and result in local government planning for significantly more or less resources than they are able to retain.

The consequences of this are

- for a local authority identified to generate significantly more business rates than it can:
    - will not receive the Government support required of it.
    - will have made its own estimates of business rates income and recognised it will generate less.
    - set a budget based on the resources it anticipates it will receive and make far greater cuts because the data was inaccurate
    - this may be adjusted in future years, but an authority cannot plan for that and as such will have to plan for significant cuts in future years as well.
- For a local authority identified to generate significantly less business rates than it can:
    - Will receive a greater level of government support than it should.
    - It will then plan based on the settlement for a higher level of government support.
    - When the settlement is adjusted, it will have to make additional cuts at short notice.

The impact of the adjustments require from resolving the inaccuracies of SCat codes is not guaranteed to be "net nil". Therefore there is a real risk that the total amount of business rates forecast to be retained by local government is greater than will be possible. If this happens, how will the Government plug the overall gap between this and the settlement? Or will this result in a further cut to local government?

Question 4: Do you agree that the government should not make a deduction for reliefs when setting new baselines, instead compensating for reliefs separately via s.31 grant? Do you see any issues with this approach?

Yes.

However, it is very difficult to answer this with certainty without the Government providing exemplifications of what this would mean for individual local authorities.

There could also be unforeseen consequences from greater baselines and hence lower top ups/greater tariffs:

- Will there still be an incentive for local government to pool?
- Will the majority of growth now be subject to a tariff?

Retaining business rates based on GRP also means that local authorities are no longer worried about whether business are subject to reliefs or not. Will this mean that less attention is paid to whether a business should be in receipt of empty property relief? That is unclear. Also, there is currently a clear financial incentive for local authorities to encourage businesses over charities to their high street. If this proposal is adopted there would not be. Would that mean that high streets may have greater growth in charity shops, which would result in less economic growth in line with the Government's priorities?

Income from business rates is accounted for through the collection fund. However, S31 grant compensation for items including reliefs is received through general fund. This results in timing differences between when income can be recognised in the accounts. This can result in significant challenges in terms of the presentation of accounts, even if your overall forecast of gross business rates is accurate. All of these challenges could be resolved if the transactions for tariffs, top ups, levy payments and compensating S31 grants all went through Collection Fund as they are business rates income related transactions.

Question 5: Do you agree that the government should use the estimate of future losses on the list used to set business rates multipliers at revaluations, as the sector aggregate quantum, for provisions for appeals?

No.

There are a number of more radical options that the Government could introduce to insulate local government from the impact of appeals and improve stability of the system:

- The 2018 Business Rates consultation proposed an “alternative model” for business rates. This offered a solution that would have removed the volatility of appeals.
- The government could hold a central pot to fund appeals nationally.

However, if the Government is not looking to introduce a more radical solution then the one suggested is familiar to local government; but there will be significant winners and losers.

Question 6: Do you prefer a bottom-up approach using local authority-specific data or a top-down approach using a local authority-average fixed percentage to account for bad debt?

Adopt a top down approach so that those local authorities with high collection rates are rewarded for this. And those with lower rates are incentivised to increase their rate.

Question 7: Do you have any comments on the approach to the cost of collection allowance in setting new BRBs?

The real cost of collection should be established and distributed across billing authorities. This should then be increased for inflationary costs annually.

It does not matter whether this is paid as a grant or a deduction from business rates income, so long as it is visible.

Question 8: Do you agree with the government's proposal to deduct an amount from collectible rates for designated areas?

The legislation around designated areas requires that the income within those areas is retained by the local authority for a specified period above a baseline level of business rates income. The amount retained is not then adjusted by a tariff or top up to reflect the impact of a revaluation.

If a designated are previously retained its net rates payable above a baseline level (inflated annually) then if allocations are now done on gross rates payable then each designated area should receive a tariff equivalent to the value of the reliefs and S31 grant to compensate.

Question 9: Do you agree with the government's proposal to deduct an amount from collectible rates for amounts retained in respect of renewable energy projects?

No

See earlier answers. The Government should delay the reset until it has sufficient data to implement properly.

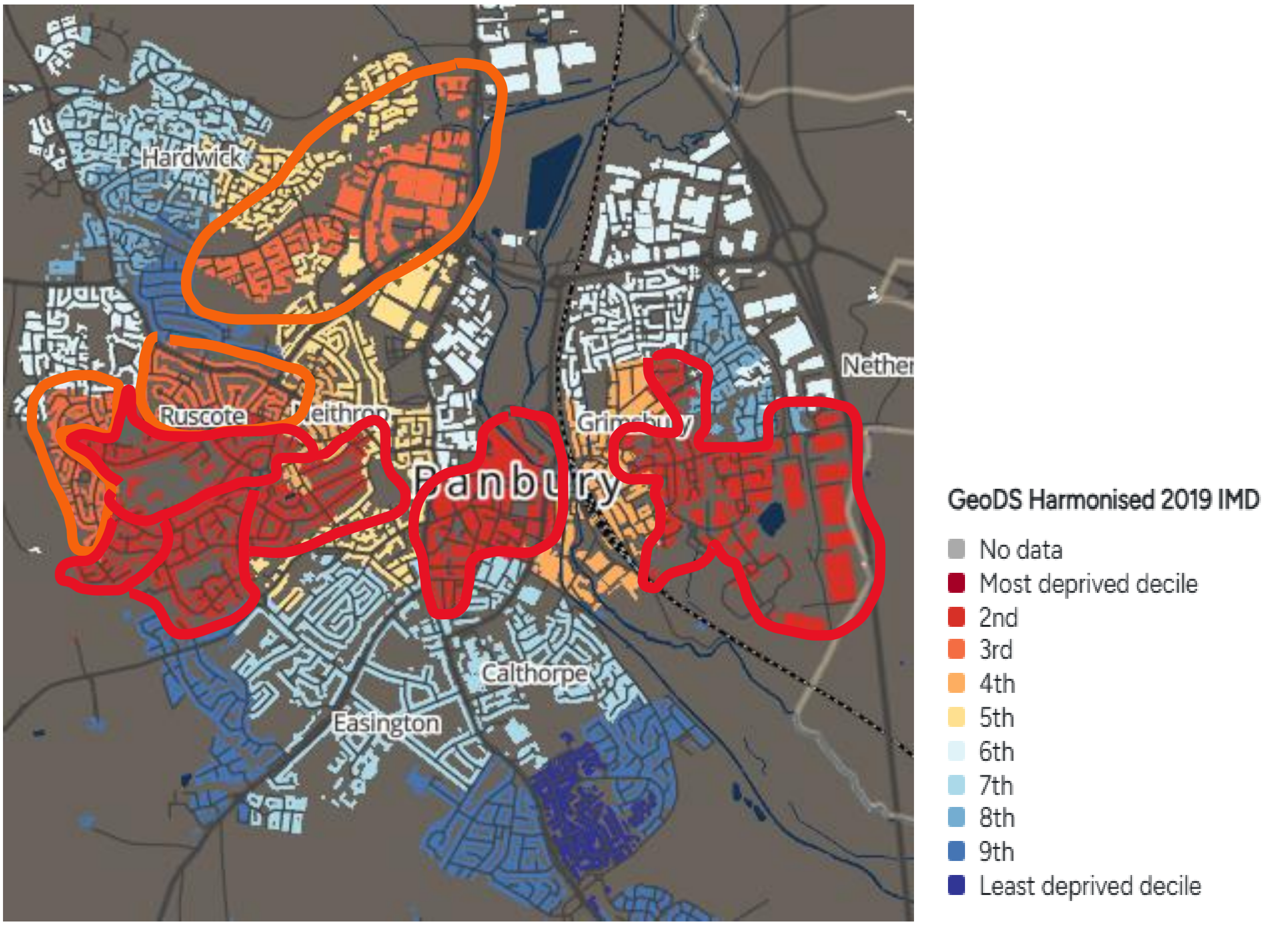
Question 10: Do you have any views on the potential impacts of the proposals in this consultation on persons who share a protected characteristic?

Yes.

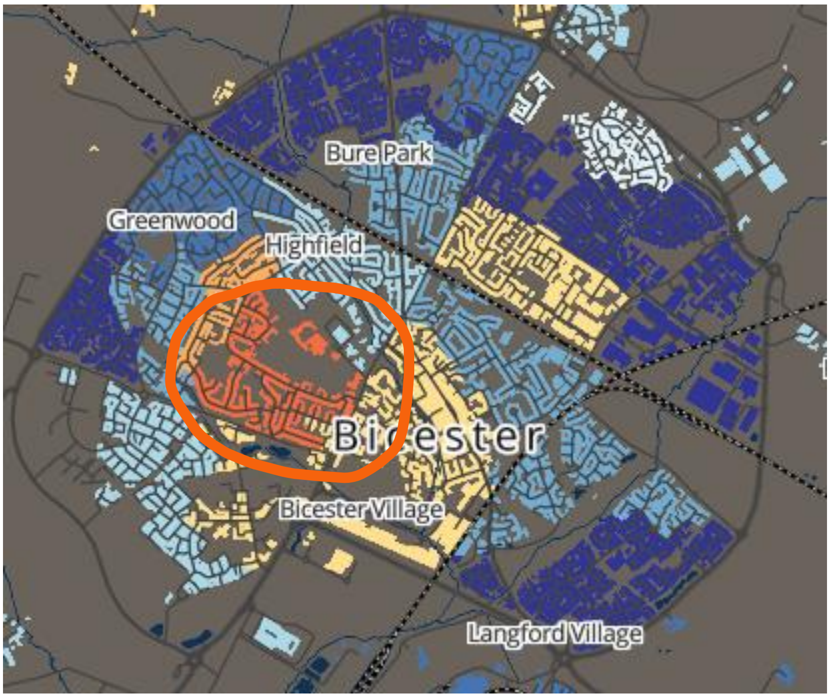
The proposal to implement a full reset with no consultation will have significant on those in receipt of services across Cherwell. By definition, those in receipt of services are generally those most in need and with the highest levels of deprivation in Cherwell.

According to the 2019 Index of Multiple Deprivation Cherwell has a number of Lower Super Output Areas in the top 20% and top 30% of deprivation within Banbury and within the top 30% in Bicester, two of its main urban centres. Any significant removal of resources is likely to result in savings required by the council which will disproportionately impact on those living in these areas. It is generally accepted that high levels of deprivation are a proxy for protected characteristics and as a result, the impact of the Government's proposal, **if set out as proposed with a full reset**, is highly likely to have a significant impact on protected characteristics.

Appendix 1



Hardwick
Ruscote
Neithrop
Banbury
Grimsbury
Nether
Calthorpe
Easington
GeoDS Harmonised 2019 IMD
No data
Most deprived decile
2nd
3rd
4th
5th
6th
7th
8th
9th
Least deprived decile



Bure Park
Greenwood
Highfield
Bicester
Bicester Village
Langford Village