

Business Rates Reset – Cherwell Impact – Local MP Summary May 2025

Background

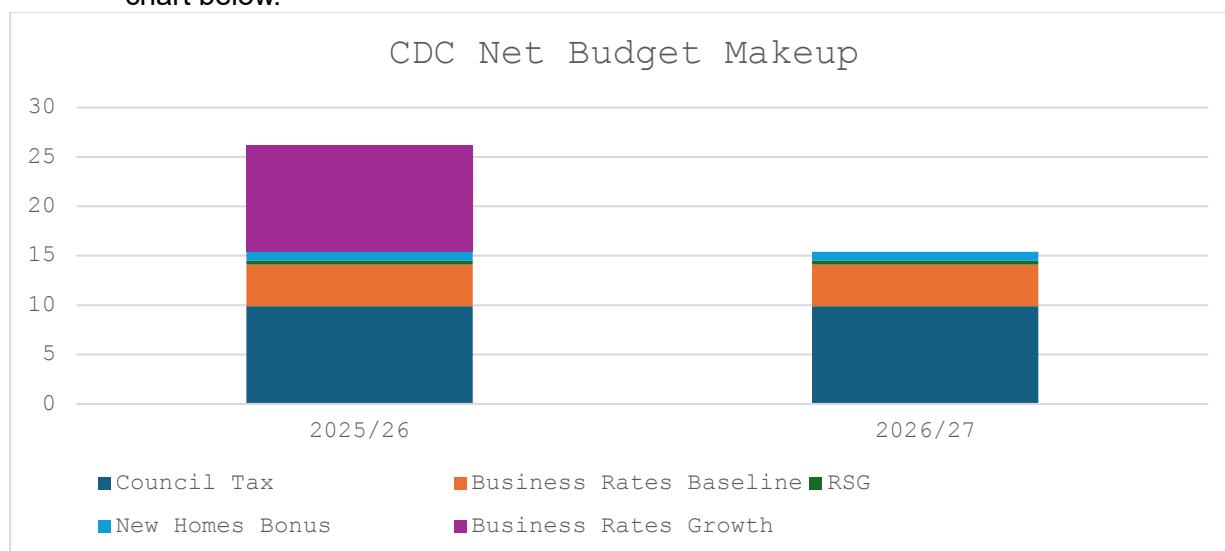
- The business rates retention scheme was introduced in 2013/14 as a direct policy approach to incentivise local authorities to grow their local business rates.
- Local authorities were able to retain a proportion of growth in their area above a baseline assessment.
- Cherwell has been incredibly successful from this scheme and retained c£12m over the baseline position from growth related to business rates.

Business rates reset

- A “business rates reset” will take growth achieved locally and transfer it to the central pot to be redistributed nationally based on the latest government distribution formula.
- There has always been provision in the scheme for a reset; however consultations never reached a conclusion on whether this should be a full reset (i.e. redistribute all growth) or a partial reset (e.g. redistribute some of the growth, or a rolling reset allowing growth relating to a particular year to be retained for a set number of years).

Government’s proposed approach to business rates reset

- The Government has stated that it intends to do a **full business rates reset** from 1 April 2026.
- This will reduce the council’s resources by c£12m in 2026/27 (42% of the Council’s net budget of £26m).
- The Government has indicated that the combined impact of all financial changes introduced from 2026/27 would be phased over a period of 3 years.
- If this were to be applied to the impact of the reset then it would mean annual reductions in funding in each of the next three years of c£4m.
- The Council does not expect to receive much money back from redistribution as Cherwell’s retained growth is significantly above the national average.
- The visual impact of the full reset on the Council’s net budget can be seen in the chart below.



- NB the RSG and New Homes Bonus Funding are also at risk for 2026/27.
- If this is implemented as described then this will put Cherwell in an incredibly challenging financial situation and it will be highly likely that there will be **significant reductions in the level of services provided to its residents**.

Alternative Reset Approaches

- In order to facilitate business rates growth, capital expenditure may be required by Council's which has longer pay back periods.
- Therefore an option could be to allow a "rolling reset"
- This would see Council's retain growth achieved in one year for a period of time (say 10-15 years)
- Following this period the growth could go back into a central pot to be redistributed.
- This would be a happy compromise that
 - avoids cliff edges in funding,
 - allow the redistribution of resources based on need
 - allows certainty of funding to meet fixed capital costs