

Leader of the Council
Councillor David Hingley



Rt Hon Angela Rayner
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Dear Secretary of State

Local Government Funding and Business Rates Reset Implications

As the newly elected Leader of Cherwell District Council, I would like to take this opportunity to congratulate you on your appointment. The council looks forward to working with you to drive the positive and lasting changes needed at a local level for achieving success on the national stage, and across all sectors.

I would imagine this is just one of a sea of letters you will receive from local authority leaders expressing their concerns over the financial challenges and uncertainties facing their authorities. Cherwell is no different in that respect, except that its financial cliff edge has, by and large, been as a result of its emphasis on delivering economic growth.

There are however some clear solutions for easing the financial pressure on the sector that would benefit all local authorities in providing long term security and in delivering better outcomes for our communities as well as the country as a whole.

Current Local Government Funding arrangements:

Government grants

In recent years, local government has received significant one-off funding in the form of Funding Guarantee Grant and New Homes Bonus. For Cherwell this financial year, these two grants amount to **£4.8m**, which has contributed significantly to our ability to balance our books. We are hugely grateful for this funding, however the challenge for the sector is



not knowing year to year whether we will receive this support. Given where we are in the year, and that there have been no further announcements about how local government will be funded beyond 2024/25, we are optimistically assuming there will be another “roll forward” of last year’s settlement in December 2024 so that this funding will be available in 2025/26.

As there is however no current certainty of these grant streams continuing in the future, like other local authorities we are assuming this funding will fall out from 2026/27 onwards. Given how lean local authorities have had to become over the years to reflect incremental reductions in central funding, this would have a significant impact on the communities we serve, particularly our most vulnerable residents, with our ability to provide the conditions for economic, health and climate change success, to name a few, becoming severely limited. The collective effect across the sector will be felt nationally, particularly around reducing the burden on the health and wellbeing sectors.

Business Rates Reset

This is another area of great uncertainty for Cherwell and the sector as a whole. A lack of clarity on the timing and form of a business rates reset is having a destabilising effect on local authorities. Cherwell took up the incentive scheme introduced in 2013 by driving growth across the district to become one of the top 10 Local authorities with retained growth above the business rates baseline (according to CIPFA’s Resilience Index). However, our embrace of this scheme makes Cherwell one of the authorities at greatest risk of losing significant resources if a full reset of retained business rates growth is implemented. Again, as there has been no update on the implementation of a business rates reset, Cherwell is assuming there will be no reset in 2025/26, but the possibility of such a development hangs large over the medium term.

Cherwell estimates that if a full reset were introduced for 2026/27 then it could face a reduction of **£10.6m** based on current growth projections, or a **57%** reduction in our net service budgets. This is in addition to the grant losses above and expenditure pressures being placed on our services due to cost-of-living impacts. If cuts of this scale were to be implemented in one go, or phased over a number of years, the corresponding impact on services would be devastating.

In essence, having to assume cuts in funding of this scale makes it impossible to plan sustainable council services for the future.

Potential Business Rates Reset Solution

Instead of introducing a full reset, one option the Government could consider would be to implement a rolling reset. This would see growth from year 1 of the scheme returned centrally to be redistributed across local government based on need. Growth in the next financial year would be retained by the local authority and this approach would continue into future years. This approach would have the dual benefits of:

- Removing the possibility of cliff edges in resources, such that forecasting resources available from business rates would become far more certain – if a local authority continued to grow at the same rates it has historically then it would not lose any business rates resources;
- Growth would begin to be redistributed across the country based on the needs formula adopted by the Government.

A similar suggestion to this was included in the last significant consultation on the Business Rates Retention Scheme, which took place in December 2018.¹ Cherwell's finance officers recently met with civil servants from your Department and this was one of the topics discussed. We would be very happy to continue that conversation.

Combined Funding Uncertainty

Taking into account the potential impact of a full reset of retained business rates growth of £10.6m, and the potential loss of one-off funding announcements of £4.8m, the council currently has uncertainty around funding of **£15.4m** from its net budget of £27.0m in 2024/25.

So, if we were to ask what might be the one thing that could radically improve the financial prospects for Cherwell and the sector as a whole, a significant response would be to commit to funding agreements of at least three years, if not for the life of the Parliament.

My officers and I stand ready to work with the Government on designing fair changes to the business rates scheme which avoid penalising economically focussed authorities such as Cherwell, but which instead work for all local authorities through finding an appropriate balance between reward for business rates growth and business rates redistribution.

Yours sincerely



David Hingley
Leader, Cherwell District Council

¹ [Business Rates Retention Reform Sharing risk and reward, managing volatility and setting up the reformed system](#), Para 2.2.8, December 2018