

Leader of the Council

Cllr David Hingley



Cherwell

**DISTRICT COUNCIL
NORTH OXFORDSHIRE**

The Rt Hon Angela Rayner
House of Commons
London
SW1A 0AA

39 Castle Quay
Banbury
Oxfordshire
OX16 5FD

www.cherwell.gov.uk

Please ask for: Cllr David Hingley

Direct Dial: 01295 221555

Email: david.hingley@cherwell-dc.gov.uk

Our Ref:

Dear Secretary of State

Fair Funding 2.0 Consultation

As Leader of Cherwell District Council, I am writing to you alongside my council's response to the Fair Funding 2.0 consultation, in order to draw out some of our principal concerns around those proposals and the anticipated business rates reset.

In previous correspondence, I have confirmed to government that this council is keen to work together to drive the positive and lasting changes needed at a local level for achieving success on the national stage, and across all sectors. This position is unchanged, and for a number of years, Cherwell has sought to ensure that this government and those before it have been equally aware of the perilous financial impacts for us of a potential financial "cliff edge" as a result of a business rates reset. Unfortunately, this is now compounded by the potential redirection of resources retained by Cherwell suggested by the Fair Funding review.

The outcome of the Fair Funding 2.0 consultation and future distribution of local government funding, along with associated safeguard protection for local authorities that will lose resources, is consequently of critical concern for us. Independent analysis of the consultation proposals by the Institute for Fiscal Studies¹ indicates that Cherwell would be one of the most impacted authorities without protection, such that losses to Cherwell could exceed 25% of funding. Furthermore, my council's Section 151 Officer has been contacted by MHCLG civil servants, who have confirmed that Cherwell has been identified

¹ <https://ifs.org.uk/publications/fair-funding-review-20-impacts-council-funding-across-england>

as one of the most impacted authorities from the proposals, whose current share of funding is furthest from its proposed new share of funding.

While my Finance Team has submitted our consultation response through the official channels, I have appended this for your information and wanted to take the opportunity to highlight some key considerations for your attention.

Funding Floor

It is very welcome that the Government has recognised that phasing funding changes of the scale proposed over three years is unrealistic for a sector that is under immense pressure. Accordingly, the consultation refers to placing local authorities on a “cash floor of 0%” – meaning that the maximum financial impact that would be felt from the changes is no reduction in cash (a real terms reduction).

However, we have been informed by civil servants that Cherwell may not be eligible for a cash floor of 0% and instead may be impacted by a cash floor of -7% - a real terms reduction of around 10%. This implies that the group of local authorities that are in need of the protection provided by the 0% floor are being expected to take an even larger reduction in funding. Our estimates are that a -7% cash floor would be of the order of £2.1m for Cherwell. Whilst less than the full impact of transitioning over 3 years, this would still be a considerable challenge for the council to address.

Given the impacts this would have on service delivery, I would consequently urge you to consider applying one floor position for all authorities in line with the consultation of a 0% cash floor.

Funding Baseline

In order for the Government to introduce a floor, it needs to have a baseline from which it can determine the floor position. The current proposal for a baseline is for an adjusted 2025/26 Spending Power position, which would include an assessment of retained growth in business rates.

However, authorities that have chosen to pool together retain a further element of business rates, which will be lost as soon as a reset is implemented. It is critical that this element of funding is also included in the baseline so that appropriate floor reductions can be calculated.

In Cherwell we are budgeting on receiving £3.8m from pooling in 2025/26. If this is not included in the baseline position and a -7% floor is applied, then Cherwell will receive a loss of funding as a result of these proposals of around £5.9m from an anticipated base of c£30m. This would amount to a near 20% reduction in funding for Cherwell.

I therefore suggest it is critical that Government collect appropriate data to allow it to make adjustments to the baseline for funding that is currently received as a result of pooling.

I am grateful to you for your attention to these concerns and look forward to hearing your response to the Fair Funding 2.0 consultation, as well as to understanding how you propose to implement the changes in a fair, sustainable way for all authorities. My officers and I stand ready to work with the Government on designing an appropriate approach to identify retained pooling income across business rates pools.

Yours sincerely

A solid black rectangular box used to redact the signature of David Hingley.

David Hingley
Leader, Cherwell District Council