

The Rt. Hon Michael Gove, M.P.
Secretary of State for Levelling
Up, Housing and Communities
Department of Levelling Up,
Housing and Communities
2 Marsham Street
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Councillor Emily Smith
Leader of the Council

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Dear Mr Gove,

I am writing on behalf of Vale of White Horse District Council to bring to your attention our medium-term financial position and specifically the impact that a low council tax, and the current thresholds around council tax referendums are having on our finances. In summary, we are a low cost, high performing authority whose medium-term financial sustainability is, based on our assessment of future local authority funding, threatened by its low council tax. We believe that the current council tax referendum limits are restrictive and contrary to the principles of local decision making and wish to propose an alternative option to HM Government.

The Vale is a lean and efficient council which uses its resources to provide value for money for our residents, keeping costs low while providing high quality services throughout the district. We have used work by LG Futures, as part of a wider exercise to review our financial position, they produced benchmarking reports to compare our costs with those of our near neighbour councils with similar economic and social characteristics and the English average. This work confirmed that in 2021/22 the Vale's revenue cost per resident was £120.03, this compared against a near neighbour average cost per resident of £136.45 and an English average of £133.41.

In 2021/22, the Vale had the fifteenth lowest average Band D council tax in the country at £142 (the average for a shire district is £199). This is despite being recognised as an expensive area to live in. This is not a recent phenomenon; over the last twenty-five years we have had amongst the lowest rates of council tax of any shire district in England. At the same time there have been large increases in demand on our services while we continued to provide high service standards at low cost to residents. During most of this period, we were not restricted by an arbitrary cap on council tax increases. The Vale showed, however, that it is responsible with residents' money with consistently low council tax rates. In this vein we believe that

the Vale, and other low tax councils, should be trusted with greater freedoms and flexibility when setting the annual council tax rate.

The current business rates system is also having an adverse impact on the financial sustainability of the Vale. Many authorities are currently benefitting excessively from the business rate system. Unfortunately, the Vale is not one of them, and we would welcome a full baseline reset.

The closure of our biggest hereditament (Didcot A Power Station) on the day before the business rates retention scheme started has meant that we have been unable to grow our business rates to above our safety net level. Further, one of our largest hereditaments was awarded charitable status after the new retention scheme had started, also affecting our collectible business rates. These changes have had a significant impact, as other neighbouring councils have benefitted considerably from the scheme, whereas we have received no benefit.

Another significant part of Vale's "core revenue spending power" is New Homes Bonus (NHB), the future of which is uncertain, with significant changes proposed to reduce the value of the bonus to councils, either by reducing the years over which tranches are paid, or to reduce the value of the bonus per property. Despite the number of council tax hereditaments growing in the district for 21/22, NHB funding (combined with settlement funding) received for 21/22 from HM Government has reduced to the 2nd lowest level the Vale have received in the last seven years.

The threat of NHB changes without other substitute government funding or greater council tax flexibility will inevitably lead to some of our valued services to our residents being reduced or ceased. We do not want to reduce all our services to statutory minimums as that is not a good outcome for residents and will hinder us in supporting the government with its objectives and strategic challenges, particularly providing affordable homes, levelling up, economic recovery and net zero through our services as we do currently.

We have recently commissioned CIPFA to undertake a further benchmarking exercise for us, having previously undertaken a similar exercise in 2019. We have previously used the LGA's benchmarking data and nationally published government data to confirm that the Vale is a low cost high performing council. Further, during our ongoing work with the LGA and councils that have recently merged or are considering merging, they have identified our shared service arrangement with South Oxfordshire District Council in a case study as potentially the best developed arrangements for working together and driving savings. Even with our low-cost base, we continue to review our budgets to identify savings opportunities while still maintaining our services to residents. We have also recently undertaken a strategic property review, to assess the future viability of all our assets, with a view to disposing of any remaining surplus assets in order to improve our financial health, but this will not materially impact our medium-term financial position.

Regrettably, we have now been left with no option but to balance our budget by drawing on diminishing reserves for 2021/2022. We are budgeting that we may need to draw on reserves by £3.2 million. Our Medium-Term Financial Plan currently shows that, based on our estimates of future local government funding, by 2025/26 we will have used up all of our revenue reserves. This will have a detrimental impact

on the services that we are able to provide to residents. This is a position we want to avoid and we want to find solutions that we can implement, as a council, to alleviate the problem.

In our opinion, councils should be accountable for their own financial affairs. The Vale has been proactive in highlighting concerns around financial viability and have engaged with auditors, Senior Civil Servants, CIPFA and the LGA. We continue to liaise regularly with the team at the Department of Levelling Up, Housing and Communities and have recently appointed a CIPFA consultant to assist with reviewing future ways forward.

We do not want to wait to act in years to come when Vale faces financial distress. We wish instead to propose solutions that can be applied now, not only by Vale but other low council tax authorities and create a stable financial future.

An option we wish to propose is giving shire districts with historically low council tax levels and a low-cost base the ability to set an incremental rise of council tax above the current limits. This would, for example, include a phased implementation for the Vale over the next three to four years taking us at the end of that period to slightly lower than the current national average, rather than the fifteenth lowest in the country. We would note that if the Vale had a Council Tax of just below the national average in 2021/22, we would have been able to set a balanced budget without a need to draw on reserves.

We believe this approach to be balanced and considered and shows that as a Council we are dedicated to continuing to provide high performing services, while managing our finances responsibly and taking action. The Conservative manifesto in 2019 set out that councils will need solid and convincing reasons to increase taxes further. We believe that acting in a fiscally prudent manner to mitigate the risk of future financial distress, committing to keep the tax level below the national average and continuing to provide value for money to our communities and supporting the delivery of HM Government priorities provides HM Government with a solid and convincing reason to allow this.

HM Government has made numerous commitments and pledges about giving greater powers to local areas and revitalising municipal government. Given this, it would seem consistent if high performing shire districts with historically low council tax levels and which have a low-cost base were also given the freedoms and flexibility to set their own council tax rates, where solid and convincing reasons, such as the ones set out in this letter, were given.

We are, therefore, requesting that you reconsider the current “£5/2 per cent” referendum threshold and review our proposal regarding the setting of incremental rises amongst high performing shire districts with historically low council tax levels to protect and restore the financial viability of council services over the next three to four years. In doing so, the Vale will gladly continue to work with CIPFA and your civil servants to develop this plan to ensure it can be implemented equitably by those councils that may be affected.

I look forward to receiving your response.

Yours sincerely

A handwritten signature in black ink that reads "Emily Smith". The signature is written in a cursive style with a large initial 'E' and 'S'.

Councillor Emily Smith
Leader of the Council