Cornwall Manufacturers Group: Non Domestic Rates
April 2016

Introduction

The members of the Cornwall Manufacturers Group were surveyed in March 2015 as to the size of their premises and the amount of Non Domestic Rates (NDR) they paid. This was a follow up to the Economic Contribution survey and report which determined how much they put annually into the Cornish economy.

The reason for the Rates survey and now this report is a feeling of unease both about the current rating system and any changes being proposed which seem to be focussing on the effect on retail in town centres. Given the state of government finances – both local and national - it seems likely that changes will be income neutral at best but possibly will increase the NDR burden and might put a greater burden on manufacturing companies in order to support other areas identified in the growth strategy and Smart Sectors.

Since our survey we have learned that government is sticking with a property based tax as the lesser of evils.

CMG members have approximately 225,000 square metres of buildings in use and pay £2.25m in non-domestic rates every year – a mean average of £10 per square metre. The median is £19.36. This hides a large amount of variation between companies. The lowest reported to me is £2.46 psm and the highest is £37.69.

Current Situation

In looking at this we must remember the difference between Rateable Value (RV) and Rates Paid (RP). Cornwall has premises with a RV approx. £430m. However almost £100m of this is in premises with a RV of less than £12k which is the threshold the Chancellor announced in the Budget at which landlords start being liable for NDR. The current £6k threshold costs the Council £47m. Given the premises size of CMG members, very few, if any are affected by this.

There is some talk that the threshold might be raised to £15k which would affect up to 80% of premises, be very costly, and put even more pressure on the remaining eligible premises if compensation did not fully cover it. It also, of course, cuts the Council's room for manoeuvre by limiting the RV base. That brings the mayoral question into play as while there was no mention of a mayor in the current devolution proposals, elsewhere in the country the ability to increase NDR by up to 2% depends on a mayor in place for the appropriate area.

To maintain the status quo the Council has to find that money from somewhere, though the Chancellor did also say that Councils would be fully compensated. No details are yet available except the 4 year local government finance settlement will not be cut for those areas that want it. How that squares with the intention to devolve 100% of NDR to Councils is unclear. Even though government has announced that the Revenue Support Grant will be phased out by 2020/21 in favour of 100% devolution and new responsibilities (unspecified) that will bring budgets with them – some also will be taken away - compensation for those taken out of charges would seem to imply that some sort of rate support mechanism will stay.

On the top of that the Council has backdated appeals; the NHS asking for special consideration and the impact of the Enterprise Zones to consider where of course one of the attractions is not having to pay NDR. If all schools become Academies (government policy) and have charitable status then what difference might that make also.

To put manufacturing in context the main RV sectors include-

Shops of all types including banks	£108m
Camp sites; hotels, caravan parks etc	£56m
Superstores	£46m
Factories & Workshops	£37.5m
Schools, museums, libraries, local government	£32m
Offices	£28m
Pubs and clubs	£23m
Construction	£13m
Restaurants & cafes	£10m
Energy/renewables	£4m

In the same way that RV is not the same as RP the Council does not keep all the rates collected. Taking into account the £12k threshold we have a retention figure for RV of about £330m with another £30m deducted from the other areas listed above bringing it to about £300m. In terms of Rates Paid (RP) this amounts to approximately £190m but the Council only keeps 50% (£95m) and is compensated for the other 50% by a RSG of around £20m.

On the face of it therefore the Council will be £75m better off by keeping all of the NDR. However the uncertainty over what might be taken away and what might be devolved means this figure is very likely a chimera.

Conclusion

The way forward is opaque with any sensible conclusions unable to be drawn at present. It is therefore vital that the Council, as it learns more about possible options and outcomes, involves business including the CMG in its consultation so when the final picture emerges we feel we have been involved and consulted and not just having a pre agreed outcome imposed on us.

Disclaimer

I am grateful to Stephen Horscroft; Cornwall Council's Economic Planning and Strategy Officer; for some of the numbers in this report and an indication of the issues to be considered. However the use of those statistics and information; questions raised and conclusions drawn are entirely mine and nothing written here should be imputed either to him or the Council.

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