



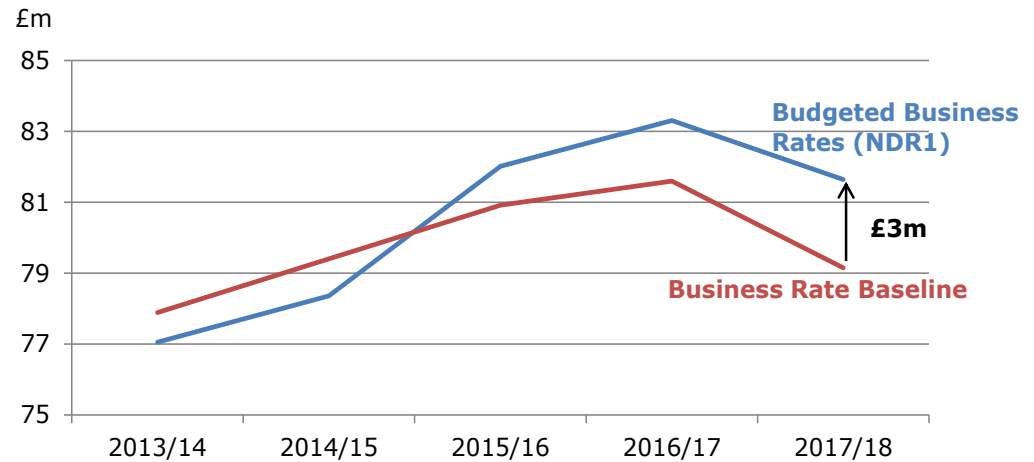
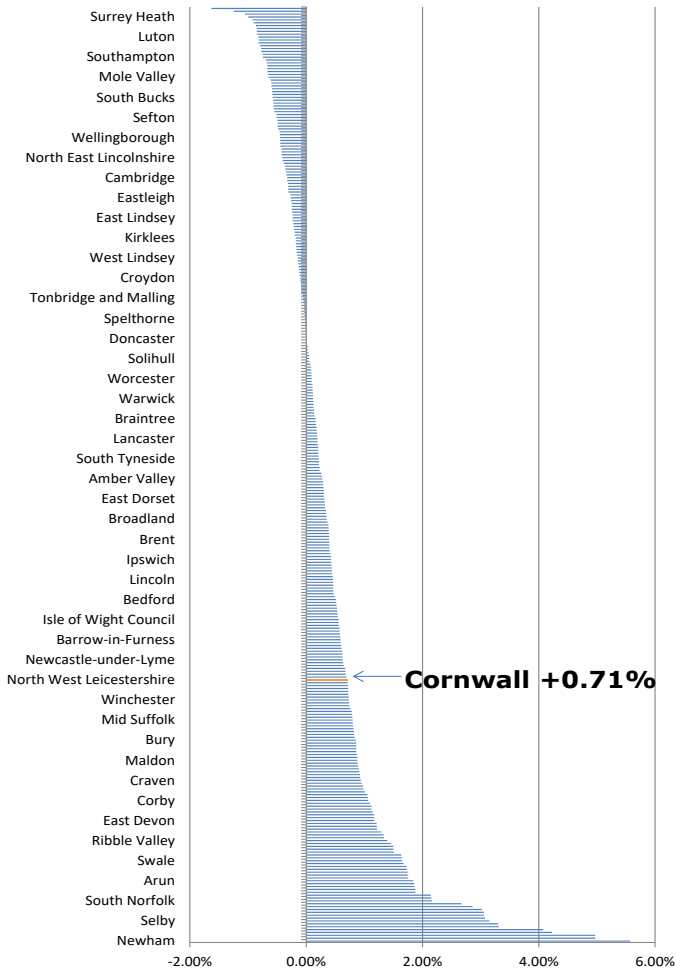
Rural Services Network

100% Business Rate Retention - Cornwall Council Pilot

5th September 2017

Business Rates in Cornwall – 50% BRR

Average Annual Movement in RV
(5 yrs 2010/11 - 2015/16)

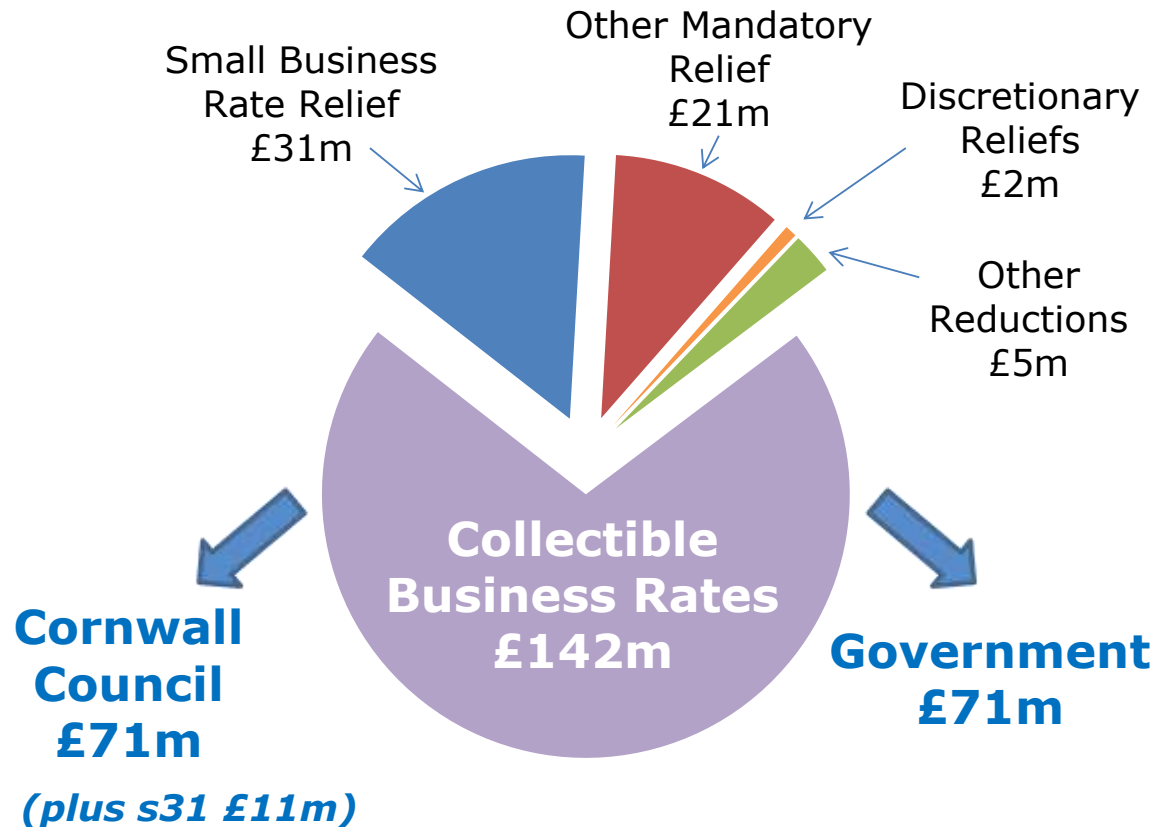


Cornwall's economy performing reasonably well in recent years:

- Growth @ 0.7% p.a.
- Retained business rates, including s31 grants, of **c£82m** in 2017/18; nearly £3m more than the Government's Business Rate Baseline (*Settlement*)

Business Rates in Cornwall – 50% BRR

As for many other rural authorities, a significant proportion of rates lost to Small Business Rate Relief:



Engagement with DCLG

In the 2016 Budget, the Chancellor announced pilot BRR schemes in Manchester and Liverpool and that the Government would consider applications to other areas with ratified devolution deals.



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Our Ref: 2305355

Z1 June 2016

Thank you for your letter of 6 April about the possibility of Cornwall piloting 100% rates retention.

In announcing, at the most recent Budget, that Liverpool and Manchester would pilot approaches to 100% rates retention ahead of its full implementation, we said that we would be prepared to extend the pilots to other areas that had ratified devolution deals.

I agree that the 100% rates retention needs to work in rural areas as well as in city regions and that Cornwall's participation in the pilots might enable us to explore the challenges faced by rural councils. In the first instance, I suggest that our officials discuss what a pilot in Cornwall might look like and how it might differ from the pilots that have already been announced. Your officers should contact Mark Barnett on 0303 44 44217 (e-mail: mark.barnett@communities.gov.uk) to kick-off discussions.

RT HON GREG CLARK MP

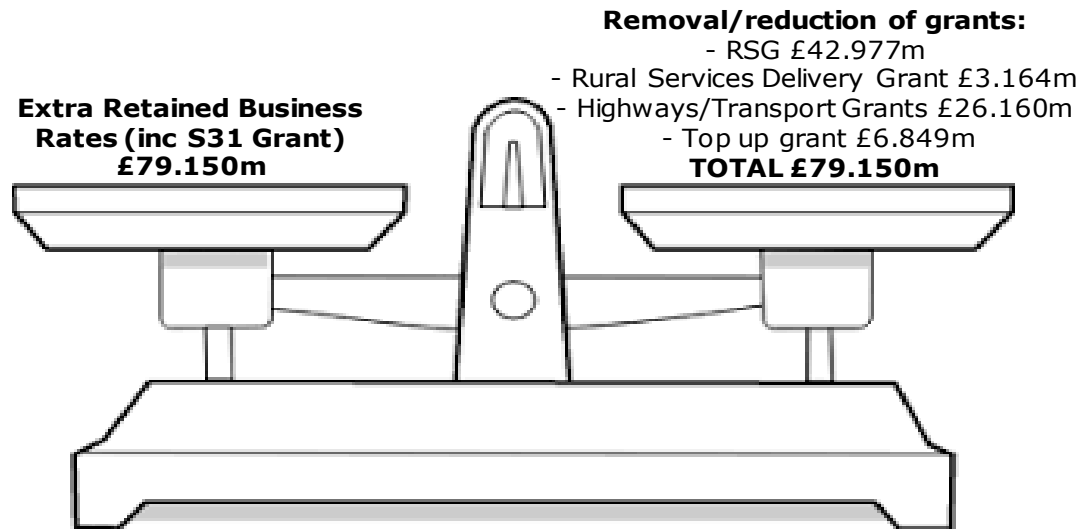
- Letter to Greg Clark (SoS for Communities & Local Government) seeking support for a pilot in rural Cornwall
- Bring forward a proposal
 - speed of the essence to make the provisional settlement.
 - keep it simple – straight funding mechanism 'switch'
 - work closely with DCLG

Problems encountered:

- Competing priorities at DCLG (Brexit)
 - Turnover of staff
 - Slow turnaround

Cornwall 100% BRR Pilot – Model

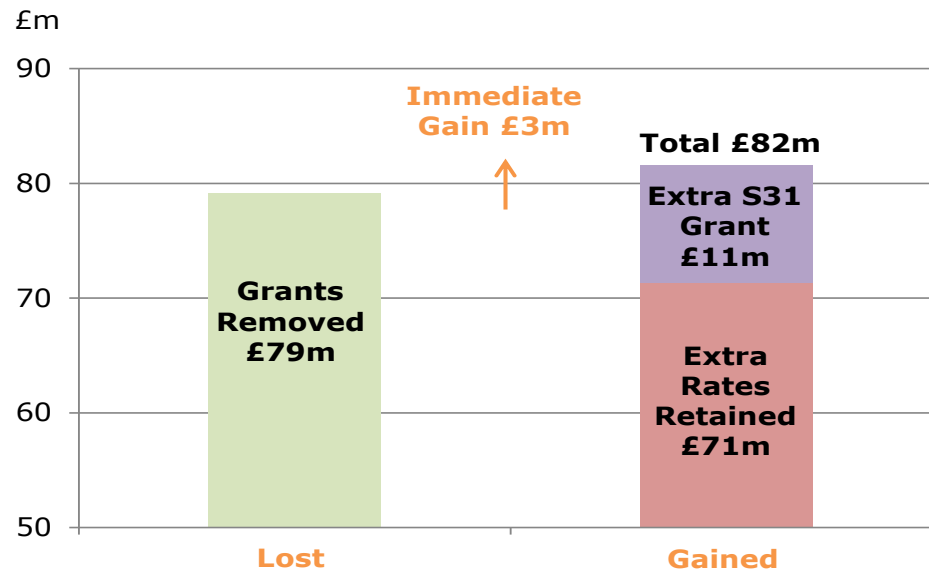
- Effective from **1st April 2017** and expires “on the national introduction of full business rates retention”
- Cornwall Council will **retain 100% of business rates** plus **S31 grant for 100% of lost income** as a result of Government announcements.
- **Cost neutral** by removal of other Government grants and an adjustment to the top up.



- **‘No detriment’** – Cornwall Council cannot be worse off than it otherwise would have been without the pilot
- Agreement to work with Cornwall to **extend the pilot** further going forward

Cornwall 100% BRR Pilot – Gains

Because the pilot uses the Government's Business Rate Baseline figure for determining the value of grants removed, this means that by moving to 100% Business Rate Retention Cornwall achieved an immediate gain of c£3m.



But also ...

- Retains 100% of Collection Fund surplus for 2017/18
- Greater **flexibility** of Highways / Transport Capital Grants; now funded through business rates, and can be used for wider revenue preventative works

Cornwall 100% BRR Pilot - DCLG site visit

Research team visited Cornwall in July - 3 months into the pilot

A fact finding mission for DCLG to understand impacts so far:

- **little has changed** so far
- key issues facing Cornwall e.g. geography, significant number of small businesses, difficulties in attracting major business/industries that would provide significant growth
- need for **greater flexibilities and freedoms**, particularly around reliefs, that will help to draw in new business to Cornwall along with supporting the existing base
- need for **clarity and certainty** around the pilot going forward – what other grants could be rolled-in?

Cornwall 100% BRR Pilot – The future

Under current agreement “Government is committed to work with Cornwall Council to develop and deepen the pilot for 2018/19”:

- Roll-in of further grants and funding streams
- Support growth by adjusting the operation of the pilot e.g. greater powers over reliefs

But since then ...

- **General Election**; dropping the local government finance bill
- No mention of BRR in **Queen’s speech**
- **Watered down** manifesto pledge that a Conservative government would “continue to give local government greater control over the money they raise”

Creating a degree of **uncertainty** when, or indeed even if, reforms would be introduced – and the impact on Cornwall’s pilot.

National Roll Out of 100% BRR

On Implementation

- Services/grants rolling in
 - Link between new responsibilities and economic growth (e.g. infrastructure)
 - No rational reason why transfers are limited to the quantum of rates.
- Should not increase financial risk
 - Need to be able to control demand for services or delivery criteria
 - Continuation of safety net system
 - Oppose removal of levies
 - Appeals risk shared and funded centrally
- Integrity
 - No further cuts to grants 'rolling in'
 - Fair to all; provides same flexibilities and opportunities to local authorities regardless of structure i.e. should not favour combined authorities or those with elected mayor

Going Forward

- Partial resets
 - Incentive for growth
 - Undertaken on a regular (5 year) basis; protects from rates volatility
- Business rate growth retained by the sector
- Fairly compensates rural authorities, like Cornwall, most significantly affected by reliefs

Any Questions?

