

Norfolk Business Rates Pool

Summary:	This report reviews the opportunity to continue the Norfolk Business Rates Pool into 2023-24 under the same governance arrangements as the current year.
Options considered:	To remain in the Norfolk Business Rates Pool for 2023-24 or not.
Conclusions:	The continuation of the Norfolk Business Rates Pool offers the potential to retain business rates growth income within Norfolk for re-investment back into the local area.
Recommendations:	That Cabinet resolves to: Continue in the Norfolk Business Rates Pool for 2023-24 with the same governance arrangements as the current Pool
Reasons for Recommendations:	To retain the NNDR income within Norfolk for re-investment to support economic regeneration.

LIST OF BACKGROUND PAPERS AS REQUIRED BY LAW

(Papers relied on to write the report, which do not contain exempt information and which are not published elsewhere)

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Cabinet Member(s) Cllr Eric Seward	Ward(s) affected N/A
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1. Introduction

- 1.1 Since 2013 within the existing Local Government Finance Act, local authorities are able to set up Business Rates Pools for a local area where all authorities agree to do so. There have been ongoing discussions for many years now about a further review of the Business Rates system and the Fairer Funding review for local government finance, however at this time these changes have not been completed and the timescales remain unclear.
- 1.2 By forming a Business Rates Pool it allows the Pool to retain the levy payment on all business rates growth within the local Pool, rather than paying this amount to central Government. The levy payment is currently 50% of all growth achieved by individual authorities above the base line set as part of

the Local Government Finance Settlement for each authority. Norfolk has operated a business rates pool since 2013 and North Norfolk District Council and the wider Norfolk authorities have benefitted from these arrangements. In 2021-22 the Norfolk Pool was dissolved due to the potential risks and uncertainty surrounding business rates income following the Covid-19 pandemic and the Norfolk Pool was then re-established for 2022-23.

- 1.3 On 18 August 2022 the Department for Levelling Up, Housing and Communities (DLUHC) issued an invitation to authorities for preferred Pooling arrangements for the 2023-24 financial year. At this stage there have been no policy decisions by Ministers around business rates pooling and these are not expected until the provisional local government finance settlement in the late autumn, therefore this invitation is an in-principle invitation until the policy decisions have been made.

The DLUHC have set a deadline for responses from Pools of 22 September 2022, it will not be possible for Pool membership arrangements to change after this date. However as in previous years there is a 28-day period following the publication of the provisional local government finance settlement in which any authority can choose to revoke a Pool, the option at this stage is only to revoke the Pool in its entirety not to make any changes.

2. Norfolk Business Rates Pool Proposal 2023-24

- 2.1 The proposal for 2023-24 is to continue the Norfolk Pool with the same membership and governance arrangements as the current year, with Norfolk County Council continuing to be the lead authority. The aim of the Pool is to maximise the retention of locally generated business rates and to ensure that it supports the economic regeneration of the wider Norfolk area.

The Norfolk Pool MoU was updated in 2022-23 and the distribution of the business rates income from the Pool was changed from the previous project bidding system to a more straightforward distribution of funding:

- One third to Districts shared equally
- One third to the County Council
- One third to be distributed to Districts based on actual growth achieved, after an allocation of one third to the County Council

- 2.2 Forecasts for the current year predicted a potential gain of circa £5.9 million for the whole Norfolk Pool, resulting in that funding being retained in Norfolk, of which around £560k would be distributed to North Norfolk DC. Draft results from 2021-22 also show that all Norfolk authorities were in a business rates income growth position. In 2020-21 North Norfolk received £675k share from the 2020-21 Pool.

No forecasts have yet been produced for 2023-24 for Norfolk, however based on previous years performance it would appear to be beneficial to continue the Norfolk Business Rates Pool. If all Norfolk authorities agree in principle to continue the Norfolk Pool then forecasts will be produced through the budget setting process and reviewed by the Norfolk S151 Officers, allowing time to revoke the Pool if it is deemed too risky.

- 2.3 There are financial risks associated with Pooling. Where an authority's business rates income falls below 92.5% of their baseline funding position they qualify for a safety net payment from Government, however if that authority is part of a Pool and the Pool in its entirety is above the combined safety net threshold, then the Pool must cover this safety net payment, resulting in less retained growth for distribution locally. To help protect against this event, the Norfolk Pool has a £1m volatility fund set aside.

3. Corporate Plan Objectives

- 3.1 Any income received from the Norfolk Business Rates Pool can be used to support economic regeneration in Norfolk, either through individual local projects or joined up projects with other Norfolk authorities, thus supporting the Councils corporate plan themes in those areas such as Boosting Business Sustainability and Growth.

4. Medium Term Financial Strategy

Any income received from the Norfolk business rates pool will help to support future economic regeneration of the area.

5. Financial and Resource Implications

Forecasts have not yet been produced for the 2023-24 year, these will be produced through the budget setting processes and reviewed by the Norfolk S151 Officers to determine if the Norfolk Pool remains beneficial.

By continuing the Norfolk Business Rates Pool the income is retained in the local area, rather than being paid across to Government.

6. Legal Implications

None as a direct consequence from this report

7. Risks

There is a risk that a major business in the county could close or receive Business Rates relief (i.e. through a major fire), resulting in lower income for the Pool.

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8. Sustainability

None as a direct consequence from this report.

9. Climate / Carbon impact

None as a direct consequence from this report.

10. Equality and Diversity

This report does not raise any equality or diversity issues.

11. Section 17 Crime and Disorder considerations

This report does not raise any crime and disorder considerations

12. Conclusion and Recommendations

The continuation of the Norfolk Business Rates Pool offers the potential to retain business rates growth income within Norfolk for re-investment back into the local area. If no Pool is formed this income would be paid across to Government instead and lost from the Norfolk area.

It is recommended to continue in the Norfolk Business Rates Pool for 2023-24 with the same governance arrangements as the current Pool.