SHARED REVENUES AND BENEFITS JOINT COMMITTEE **28 MAY 2025**

SUBJECT:	**BUSINESS RATES UPDATE**
DIRECTORATE:	**CHIEF EXECUTIVE AND TOWN CLERK**
REPORT AUTHOR:	**EMMA-JANE BRODRICK, RECOVERY AND NNDR/BID TEAM LEADER**

1. Purpose of Report

1.1 To provide Joint Committee with an update on current issues within Non-Domestic Rates (NDR).

2. Executive Summary

2.1 This report provides Joint Committee with an update on Non-Domestic Rates, to include reference to City of Lincoln Council, North Kesteven District Council and West Lindsey District Council. The report is not intended to include Non-Domestic Rates performance matters, as this is covered in the 'Performance Update' report before this Joint Committee today.

3. Background

3.1 The report includes some of the changes that have been announced as a result of the Government's financial support provided to businesses in the form of NDR relief, as well as forthcoming changes to the NDR system.

4. Retail, Hospitality and Leisure Relief (RHL)

4.1 Eligibility criteria for the Retail, Hospitality and Leisure Relief was set out by the Department for Levelling Up, Housing and Communities (DLUHC), now called Ministry of Housing, Communities and Local Government (MHCLG) and issued to Local Authorities on 20th December 2021. No changes were made to the qualifying criteria for the year 2025/2026 This can be found here:

- NDR Information Letter 9/2021 (publishing.service.gov.uk)
- NDR Relief: 2023/24 Retail, Hospitality and Leisure Scheme - GOV.UK (www.gov.uk)

  NDR Relief: 2024/25 Retail, Hospitality and Leisure Scheme - GOV.UK (www.gov.uk)

  Business Rates Relief: 2025/26 Retail, Hospitality and Leisure Scheme - GOV.UK

This relief has been extended for the year 2025/26 – with guidance being provided by MHCLG on 16th January 2025 (Business Rates Relief: 2025/26 Retail, Hospitality and Leisure Scheme - GOV.UK).

This is expected to end on 31st March 2026, with the introduction of the RHL multipliers.

4.2 Properties that benefit from the relief for 2025/2026 are occupied hereditaments that are wholly or mainly being used:

a) as shops, restaurants, cafes, drinking establishments, cinemas, and live music venues;
b) for assembly and leisure; or
c) as hotels, guest & boarding premises, and self-catering accommodation.

4.3 MHCLG guidance provided further detailed lists of properties which fell into the above categories but made it clear that the list is not intended to be exhaustive. The list was intended to be a guide for Local Authorities (LA's) as to the types of uses that the Government considers for the purpose to be eligible for relief. LA's were required to determine for themselves whether particular properties not listed are broadly similar in nature to those above, and if so, to consider them eligible for the relief.

This 'discretion' has resulted in a number of disputes during Covid and it is therefore imperative that this definition of what is RHL is comprehensive.

Challenges against the refusal of a local authority to award a discretionary relief is via Judicial Review. (RHL is considered to be a discretionary relief)

In the case where a local authority refuses to classify a property as RHL will be capable of challenge in a Magistrates Court.

As Judicial review is expensive, few cases/companies will pursue this through the Judicial Review process. However, the costs of challenging this via a Liability Order hearing at a Magistrates court will be significantly lower, and therefore we may see an increase in the number of challenges, an increase in case law and a legal precedent being set by the Court around entitlement.

4.4 Government will reimburse LA's that use their discretionary relief powers under Section 47 of the Local Government Finance Act 1988 (amended).

4.5 In terms of Retail, Hospitality and Leisure Relief (previously known through the Expanded Retail Discount (ERD) scheme), the figures below reflect the significant reduction in the amounts awarded in the last three years.

Awarded	City of Lincoln	North Kesteven	West Lindsey	Annual reduction
2020/21	£28,002,354	£6,748,970	£5,048,076	100%
2021/22	£9,544,369	£3,890,932	£2,288,599	100% (Apr-Jun) 66% (Jul-Mar)
2022/23	£2,840,236	£1,691,974	£1,032,508	50%
2023/24 End March 2024	£4,043,245	£2,326,887	£1,423,924	75%
2024/25	£4,187,571	£2,756,827	£1,607,097	75%

End of March 2025				
2025/26 As at 10.04.2025	£1,822,787	£1,085,215	£700,351	40%

Capping applies to all years with exception of 2020/21

5. NDR Charges and Significant Reliefs/Discounts

5.1 At the Autumn Statement on 30th October 2024, the Chancellor announced that the Government would continue to provide a package of NDR measures to support businesses in England.

- The retail, hospitality and leisure relief (RHL) will continue for 2025/26 at 40% up to £110,000 per business. Although this relief is to continue, the reduction from 75% to 40% will be significant for a lot of businesses.
- The multipliers were announced for 2025/26 – the small business multiplier will be frozen at 49.9p again. The standard multiplier will be uprated by the September 2024 CPI rate to 55.5p (2024/25 54.6p).
- Going forward from 2026/27 the Government intends to introduce two permanently lower multipliers for retail, hospitality and leisure properties. This will be paid for by a higher multiplier for properties with a rateable value (RV) of above £500,000. This means that overall, there will be 5 different multipliers depending on the rateable value of the hereditament and the activities carried out at the hereditament. The details of these multipliers are not expected to be announced until the 2025 budget.
- Private schools* are to lose their mandatory charity relief (80%) with effect from 1st April 2025, subject to Parliamentary process. Private schools which are ‘wholly or mainly’ concerned with providing full time education to pupils with an Education, Health and Care plan will remain eligible for the relief.

We were instructed by MHCLG not to remove the mandatory relief until the legislation was enacted. Private schools were therefore billed with the mandatory relief still shown on their Non-Domestic Rates bills. This was removed in the first week of May and the relevant schools were rebilled. The removal of the mandatory relief was for the full year.

6. Multipliers from 2026

6.1 The most significant announcement for NDR in the budget was the announcement of alternative multipliers mentioned in paragraph 5.1, for qualifying properties from 1st April 2026.

The full details of this are not yet known as this will require changes to the legislation and more information is expected to be released as the legislation is developed.

Like most current reliefs, the RHL is currently delivered using discretionary powers found in Section 47 of the Local Government Finance Act 1988. In order to provide more certainty, the Government want to make the RHL a permanent feature of the NDR system and to level up NDR between online retailers and the high street – the changes to the multipliers may go some way to doing this.

Once this becomes part of the way the liability is calculated, it will no longer be a 'discretionary relief' under Section 47.

The five multipliers for 2026 are expected to be:

- Standard multiplier
- Small business multiplier
- Standard multiplier RHL
- Small business multiplier RHL
- Premium multiplier.

Any property with an RV in excess of £500,000 will have their rates calculated based on the premium multiplier, although properties in the RHL sector are expected to be based on either the Standard RHL or the Small business RHL. All other properties will therefore be calculated on either the standard or the small business multiplier as they are now.

6.2 Significant changes will need to be made to the current software in order for officers to be able to override the standard and small business multiplier in favour of the RHL where the activities at the property meet the RHL eligibility.

6.3 MHCLG will have to provide a methodology for compensating local government for the loss of income arising from this announcement. The amount raised from the premium charge is supposed to cover the cost of the lost income from applying the RHL multipliers, however this calculation may work at a national level, but it is unlikely to work at a local authority level.

6.4 Currently the RHL relief is capped by subsidy control and the relief threshold amount of £110,000 a business. As the new multipliers are no longer a 'relief' as it is now part of the calculation of the liability, the capping may no longer apply. Should a decision be made that the capping does apply, it would be almost impossible to implement the changes to the multipliers. The software must provide officers with the ability to apply or remove the RHL multiplier, this will help if a cap is set and will also be required for changes of use of a property.

7. Transforming NDR – Information Taken from CIPFA

This paper was published by the Treasury as part of the Budget papers. The Government wants to "create a fairer NDR system that protects the High Street, supports investment, and is fit for the 21st century".

The first step is the introduction of lower multipliers for retail, hospitality and leisure from 2026-27.

The paper invites business and other stakeholders to discuss how the government can deliver a transformed system.

The scope of the reforms and the objectives are to:

- protect the High Street
- encourage investment

- create a fairer system

The document sets out the areas where the Government wants to engage with stakeholders. Not everything in the document will be carried forward and reforms will be phased over the course of the parliament.

The impact on the local government funding system will be considered in the review of NDR which the paper acknowledges are an important source of revenue for local government. The Government wants to ensure that local government funding is not affected by these tax reforms.

The rates burden falls more heavily on property intensive sectors and the Government wants to rebalance the NDR burden and protect “the high street”.

The temporary RHL reliefs have meant uncertainty for businesses. The Government are looking to bring in more certainty by introducing a permanent reduction for retail properties with the introduction of the additional multipliers.

Other areas of reform include looking at the effectiveness of Improvement Relief, the loss of small business relief when taking on a second property, cliff edges in the system and empty property relief.

The Government will consider avoidance and evasion. It will look at whether the changes to the re-occupation rule has reduced the financial incentive to avoid NDR.

There will be consultation on a “General Anti Avoidance Rule” This was talked about prior to the general election and it was understood that a rule had been drafted but put on hold pending the election.

The Government will also look at the benefits and potential costs of shortening the gap between the Antecedent Valuation Date and the revaluation coming into effect. They will also look at increasing the frequency of valuations.

More frequent revaluations will require ratepayers to provide information to the VOA annually and changes in VOA processes.

Before these changes, there is ongoing work to make the 3 yearly revaluation cycle sustainable and on the VOA’s technology transformation.

The timetable for the information duty and phase 1 transparency which was to be implemented between 2023 and 2026 has been revised by the VOA, following consultation with ratepayers. The responses to the consultation have been published at the same time as the budget.

The Government is also going to consider the fact that overall, the rates yield does not change according to revaluations as the multiplier is altered and whether, instead, rate bills should move in line only with the value of the property itself.

The Digitalising NDR project (DBR) will provide more data and enable government to target financial support to businesses that need it most. The aim is to deliver the programme by March 2028.

The Government is also open to other suggestions for reform that fit with its overall objectives.

Views are invited especially from businesses and business representative organisations; local authorities; rating agents.

The professional bodies were not mentioned as such but are presumably included within the other categories.

There will be engagement between November 2024 and March 2025. To be involved parties had to contact transformingbusinessrates@hmtreasury.gov.uk by 15th November 2024. Our shared service officers have expressed interest in being part of this engagement, and have already been part of a national call.

8. Strategic Priorities

8.1 Both authorities look to protect those who may be experiencing financial hardship. The Revenues Team is mindful of the strategic priorities when engaging with business ratepayers as they look to recover the business rate.

9. Organisational Impacts

9.1 **Finance**

There are no direct financial implications arising as result of this report.

9.2 **Legal Implications including Procurement Rules**

There are no legal nor procurement implications as a direct result of this report.

9.3 **Equality, Diversity & Human Rights**

The Public Sector Equality Duty means that the Council must consider all individuals when carrying out their day-to-day work, in shaping policy, delivering services and in relation to their own employees.

It requires that public bodies have due regard to the need to:

- Eliminate discrimination
- Advance equality of opportunity
- Foster good relations between different people when carrying out their activities

The equality implications have been considered within this report. In bringing forward any change to the existing criteria for awarding discretionary relief, consideration will be given as to whether a full Equality Impact Assessment is required.

10. Risk Implications

10.1 A Risk Register is in place for the Revenues and Benefits Shared Service.

11. Recommendation

11.1 Members are requested to note this report.

Is this a key decision?	No
Do the exempt information categories apply?	No
Does Rule 15 of the Scrutiny Procedure Rules (call-in and urgency) apply?	No
How many appendices does the report contain?	None
List of Background Papers:	None

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