

11<sup>th</sup> March 2025

KEY DECISION? YES/NO

REPORT NO. FIN2507

**DISCRETIONARY RATE RELIEF POLICIES – 2025/26**

**SUMMARY:**

The Government has announced two changes to business rates liabilities:

- The business rates paid by retail, hospitality and leisure businesses has been reduced since 2014. This has been extended to 2025-26 but the relief is less generous than in previous years.
- Private schools will no longer receive any mandatory relief.

This report is intended to amend the Council's existing Discretionary Business Rate Relief Policies to reflect these changes.

**RECOMMENDATIONS:**

Cabinet is recommended to:

- a) Approve the amendment to the Retail, Hospitality and Leisure Rates Relief Policy as set out in Appendix A of this report; and
- b) Approve the amendment to the Discretionary Rate Relief Policy for charities, not for profit organisations and other specified organisations under the Localism Act 2011, to exclude private schools receiving Discretionary Rate Relief as set out in Appendix B of this report.

**1. INTRODUCTION**

1.1. The purpose of this report is to amend the existing Discretionary Business Rate Relief policies to give effect to changes to business rates relief announced by Government.

1.2. The Government has announced two changes in business rates liabilities:

- The business rates paid by retail, hospitality and leisure businesses have been reduced since 2014 – this has been extended for a further year but is less generous than in previous years; and

- Private schools will no longer receive any mandatory relief.

## **2. BACKGROUND**

- 2.1. The Government does not often change the legislation regarding business rates discounts and reliefs. Instead, it generally requests that local authorities use their discretionary powers to give effect to additional measures. In return for this, Government commits to fully reimburse local authorities for the cost of granting these various discretionary reliefs.
- 2.2. In situations where the Government does alter legislation or requests local authorities to use their discretionary powers to deliver new rate relief schemes, discretionary relief policies need to be amended accordingly.
- 2.3. This report outlines the changes to the council's discretionary business rate relief policies in line with the Governments changes.

## **3. DETAILS OF THE PROPOSAL**

### **General**

- 3.1. The proposed policies are contained in Appendix A (Retail, Hospitality and Leisure Rates Relief Scheme) and Appendix B (Discretionary Rate Relief Policy for charities, not for profit organisations and other specified organisations under the Localism Act 2011).
- 3.2. In the Autumn Budget on 30<sup>th</sup> October 2024, the Government announced its intention to extend the existing Retail, Hospitality and Leisure Relief for an additional year to cover the 2025/26 financial year. The value of relief has been reduced from 75% to 40% of the rate liability. The scope of properties covered by this relief has not been altered.
- 3.3. The Government has introduced the Non-Domestic Rating (Multipliers and Private Schools) Bill, to remove 80% mandatory rate relief eligibility from private schools from 1<sup>st</sup> April 2025. It is proposed that the Discretionary Business Rate Relief Policy for charities, not for profit organisations and other specified organisations under the Localism Act 2011 is amended to exclude private schools from receiving discretionary relief to mirror the mandatory relief removal. The amendment to the policy is outlined in paragraph 3.2 of Appendix B.
- 3.4. The two schools affected by removing the 80% mandatory relief are Salesian College and Farnborough Hill Covent School.
- 3.5. The business rates liability for Salesian College will therefore increase to £187k from £36k and for Farnborough Hill Covent, an increase to £246k from £40k, factoring in, inflation.

## **Alternative Options**

- 3.6 An alternative option would be to allow private schools to apply for Discretionary Business Rate Relief. However, this would come at a financial cost to the council which is outlined in Paragraph 4.9 and 4.10 of this report.

## **4. IMPLICATIONS**

### **Legal Implications – Retail Hospitality and Leisure Business Rates Relief Scheme**

- 4.1. Local Authorities are expected to deliver the Retail, Hospitality and Leisure discount using their discretionary powers under Section 47 of the Local Government Act 1988.
- 4.2 The issue of some discretionary rate reliefs and discounts are considered as qualifying as “subsidy” and is of some significance.
- 4.3 Broadly, any awards of discretionary rate relief or discounts are subject to Subsidy Control. The Subsidy Control Act 2022 allows a business to receive £315,000 in a three-year period (consisting of the current financial year and the two previous financial years).
- 4.4 Therefore, any organisation or business, who is automatically awarded the Retail, Hospitality and Leisure Relief, will be issued with a letter advising the organisation/business about “Subsidy Controls” and on a self-assessment basis, inform the Business Rates Team if they are in breach subsidy control limits.

### **Legal Implications – Private Schools**

- 4.5 The Non-Domestic Rating (Multipliers and Private Schools) Bill has been introduced to remove 80% Mandatory Relief eligibility from private schools.

### **Financial Implications - Retail Hospitality and Leisure Rates Relief Scheme**

- 4.6 If all organisations identified are awarded the Retail, Hospitality and Leisure Relief, the total value of the award will be approximately £2.7m benefitting 395 businesses.
- 4.7 Government will reimburse billing authorities awarding this relief within the rates retention scheme for the actual cost of this relief. The amount to be reimbursed will equal the total value of the relief awarded.

- 4.8 Therefore there would no financial impact on the council and would have a benefit to certain ratepayers within the borough.

### **Financial Implications – Private Schools**

- 4.9 If the proposed changes were not agreed, and private schools could receive discretionary rate relief, if the criteria were met, this would lead to an award of £433k in rate relief.
- 4.10 Under the Business Rates Retention Scheme, the cost to the council of granting any Discretionary Rate Relief is most reliably estimated at being 40% of the value of the relief granted. If full rate relief is awarded, the financial effect on the Council would be £173k loss in business rates income.

### **Resource Implications - Retail Hospitality and Leisure Business Rates Relief Scheme**

- 4.11 Any award of Retail, Hospitality and Leisure Relief would be automatically applied to eligible businesses and therefore there would be no resource implications on the business rates team.

## **5 CONCLUSIONS**

- 5.1 In conclusion, Cabinet are asked to approve the revised Retail, Hospitality and Leisure Relief policy as laid out in Appendix 1 of this report.
- 5.2 The Retail, Hospitality and Leisure Relief will be delivered under Section 47 Local Government Finance Act 1988 and the council will be reimbursed for all reliefs awarded under this scheme.
- 5.3 Cabinet are asked to approve the amendment to the Discretionary Business Rates Relief Policy for charities, not for profit organisations and other specified organisations under the Localism Act 2011, to exclude private schools from receiving discretionary rate relief to mirror the mandatory relief removal eligibility for private schools, as laid out in Paragraph 3.2 of Appendix 2 of this report.

### **LIST OF APPENDICES/ANNEXES:**

Appendix 1 – Retail, Hospitality and Leisure Relief Scheme Policy.

Appendix 2 - Discretionary Rate Relief Policy for charities, not for profit organisations and other specified organisations under the Localism Act 2011

### **BACKGROUND DOCUMENTS:**

Section 47 Local Government Finance Act 1988

Non-Domestic Rating (Multipliers and Private Schools) Bill

**CONTACT DETAILS:**

**Report Author** – David May / [david.may@rushmoor.gov.uk](mailto:david.may@rushmoor.gov.uk) / 01252 398330

**Head of Service** – Peter Vickers / [peter.vickers@rushmoor.gov.uk](mailto:peter.vickers@rushmoor.gov.uk)