EXPLANATORY MEMORANDUM TO

THE NON-DOMESTIC RATING (RENEWABLE ENERGY PROJECTS) (AMENDMENT) REGULATIONS 2026

2026 No. 240

1. Introduction

1.1 This Explanatory Memorandum has been prepared by the Ministry of Housing, Communities and Local Government and is laid before Parliament by Command of His Majesty.

2. Declaration

2.1 Minister McGovern, Minister of State for Local Government and Homelessness at the Ministry of Housing, Communities and Local Government confirms that this Explanatory Memorandum meets the required standard.

2.2 Suzie Clarke, Deputy Director for Local Government Finance Stewardship, at the Ministry of Housing, Communities and Local Government confirms that this Explanatory Memorandum meets the required standard.

3. Contact

3.1 Emily Gascoigne at the Ministry of Housing, Communities and Local Government can be contacted by email at the following address with any queries regarding the instrument: BRRSA@communities.gov.uk. Alternatively, the department can be contacted by telephone: 0303 444 0000.

Part One: Explanation, and context, of the Instrument

4. Overview of the Instrument

What does the legislation do?

4.1 This Instrument amends the administrative framework set out by regulations, on which the Business Rates Retention ("BRR") system is run, enacting wider policy changes. This is necessary to ensure that the correct payments are made to, from, and between, local authorities.

Where does the legislation extend to, and apply?

4.2 The extent of this instrument (that is, the jurisdiction(s) which the instrument forms part of the law of) is England and Wales.

4.3 The territorial application of this instrument (that is, where the instrument produces a practical effect) is England.

5. Policy Context

What is being done and why?

5.1 Business rates are a tax charged on non-domestic properties and collected by local authorities. The 50 per cent BRR system was set up in 2013-14 and is a key part of local authority funding which provides for councils to receive 50 per cent, or in some cases a higher share, of the business rates income they collect, subject to redistribution based on assessed need to spend.

5.2 As part of the set-up of the BRR System in 2013-14, local authorities were allowed to retain growth in rates income in respect of eligible designated "hereditaments" – rateable units of property. The renewable energy projects scheme was set up by the Non-Domestic Rating (Renewable Energy Projects) Regulations 2013 (S.I. 2013/108) ("Renewable Energy Projects Regulations"), and these provide for growth to be retained in respect of renewable energy projects – e.g. renewable power stations.

5.3 From 1 April 2026, the amount of business rates income local authorities collect will change due to changes to the underlying tax, as three additional tax rates – or "multipliers" – are implemented. As has been longstanding government policy, the government will adjust the BRR system to ensure that as far as is practicable, local authorities' income, including income from the renewable energy projects scheme, is not impacted by these changes. This Instrument makes the necessary amendments to the Renewable Energy Projects Regulations in advance of the 2026-27 financial year.

What was the previous policy, how is this different?

5.4 The government is adjusting the way the BRR system is administered more widely from 1 April 2026, to neutralise the impact on local authorities of the changes to the multipliers from 2026-27. More information on exactly how these arrangements work was published in a policy paper in November 2025.[1]

5.5 Changes are being made to other core sets of regulations through the Non-Domestic Rating (Rates Retention and Levy and Safety Net: Miscellaneous Amendments) Regulations 2026, and are required to update the administrative framework on which the renewable energy projects scheme operates to keep it running correctly.

5.6 This Instrument updates the calculation of the amount eligible local authorities retain via the renewable energy projects scheme from 2026-27 to mitigate the impact of the new multipliers on local authority income retained through the scheme. This is to ensure that as far as is practicable, local authorities are no better or worse off because of these tax changes, and that only relevant changes in the value of the hereditament are reflected in retained income from the renewable energy projects scheme.

6. Legislative and Legal Context

How has the law changed?

6.1 The Local Government Finance Act 2012 inserted Schedule 7B to the 1988 Local Government Finance Act ("1988 Act") which set up the legislative framework for the BRR system.

6.2 The Non-Domestic Rating Act 2023 and the Non-Domestic Rating (Multipliers and Private Schools) Act 2025 made several key changes to the 1988 Act to adjust business rates tax policy. In particular this included de-linking the small business and the non-domestic rating multipliers and the ability for the government to make regulations which set additional multipliers based on prescribed factors such as rateable value.

6.3 These provisions are implemented by the Local Government Finance Act 1988 (Calculation of Non-Domestic Rating High-Value Multiplier) (England) Regulations 2026, the Local Government Finance Act 1988 (Calculation of Non-Domestic Rating Multipliers for Retail, Hospitality or Leisure) (England) Regulations 2026, and the

[1] The government published a policy paper on 20 November 2025 setting out more detail on how the business rates retention system is run from 1 April 2026. This can be found at: https://www.gov.uk/government/publications/resetting-the-business-rates-retention-system-from-1-april-2026

Local Government Finance Act 1988 (Prescription of Non-Domestic Rating Multipliers) (England) Regulations 2026. These regulations will be in force from 1 April 2026, from that point implementing three new multipliers, in addition to the small business and non-domestic rating multipliers.

6.4 The BRR system is administered based on multiple sets of regulations laid in 2013, including the Renewable Energy Projects Regulations. The Renewable Energy Projects Regulations designate classes of hereditaments in relation to which a proportion of the business rates income (calculated in accordance with the regulations) is to be retained by the local authority. This fulfilled a commitment to allow communities that host renewable energy projects to keep the additional business rates they generate. The government is amending these regulations to mitigate the impact of the new multipliers.

Why was this approach taken to change the law?

6.5 This is the only possible approach to make the necessary changes.

7. Consultation

Summary of consultation outcome and methodology

7.1 All billing and major precepting authorities with existing eligible renewable energy projects income as determined through data collection exercises since the start of the BRR system were written to by email. They were informed of the proposal to adjust the renewables energy projects scheme in response to the tax changes, and that the required changes would be made via amendment regulations. Comments were invited, with a period of 4 weeks for responses.

7.2 Three responses were received during the response period and one after the response period, which is not unexpected given the technical nature of the changes. One response was received from a local authority consultancy and three from individual local authorities, who broadly agreed or had no concerns with the proposals, noting helpful technical points on the working of the scheme, but which did not require any change in approach.

8. Applicable Guidance

8.1 The Department issues guidance to local government on the completion of associated forms which describe how to estimate business rates income.[2]

Part Two: Impact and the Better Regulation Framework

9. Impact Assessment

9.1 A full Impact Assessment has not been prepared for this instrument because it amends an existing local authority funding system. A full impact assessment was published at the outset of the 50 per cent BRR scheme in 2013-14.[3]

[2] Guidance for estimates of non-domestic rating income (NNDR1) and for calculation of end-of-year non-domestic rating income (NNDR3) can be found at: https://www.gov.uk/government/collections/local-government-finance-miscellaneous-forms

[3] This is available on gov.uk at: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/8470/2054063.pdf

Impact on businesses, charities and voluntary bodies

9.2 There is no, or no significant, impact on business, charities or voluntary bodies because this instrument does not make changes which affect them.

9.3 The legislation does not impact small or micro businesses.

9.4 There is no, or no significant, impact on the public sector because this Instrument, along with grant paid under section 31 of the Local Government Act 2003 is designed to ensure that as far as is practicable, local authorities' income is not affected by the underlying tax changes.

10. Monitoring and review

What is the approach to monitoring and reviewing this legislation?

10.1 The approach to monitoring this legislation is to adjust the original regulations to which these regulations make amendments, when and where necessary.

10.2 The instrument does not include a statutory review clause as it does not have an impact on business.

Part Three: Statements and Matters of Particular Interest to Parliament

11. Matters of special interest to Parliament

11.1 None.

12. European Convention on Human Rights

12.1 As the instrument is subject to negative procedure and does not amend primary legislation, no statement is required.

13. The Relevant European Union Acts

13.1 This instrument is not made under the European Union (Withdrawal) Act 2018, the European Union (Future Relationship) Act 2020 or the Retained EU Law (Revocation and Reform) Act 2023 ("relevant European Union Acts").