

# GREATER LONDON AUTHORITY

## REQUEST FOR MAYORAL DECISION – MD2225

### Title: Crossrail Business Rates Supplement – Approval of Policies for 2018-19

#### Executive Summary:

This proposal asks the Mayor to approve the policies for the Crossrail Business Rate Supplement (BRS) for 2018-19 including the multiplier (or tax rate) and the rateable value threshold above which it will apply having regard to the contents of the final prospectus for the BRS published in January 2010. The proposed policies for 2018-19 are the same as applied in 2017-18. The rateable value threshold above which the BRS will apply will remain at £70,000 and the multiplier will be 2p.

The Crossrail BRS is collected by the 32 London boroughs and the Corporation of London on behalf of the GLA. The Mayor is also asked to authorise the Executive Director, Resources to issue a notification to each London billing authority under section 18 of the Business Rate Supplements Act 2009 ('the BRS Act') setting out the final policies for the Crossrail BRS in 2018-19 and the supporting explanatory text for ratepayers. This will enable billing authorities to make the necessary arrangements for the inclusion of the Crossrail BRS on 2018-19 non domestic rates bills which are due to be issued in March 2018.

The Crossrail BRS is projected to raise just under £275 million in 2018-19 from ratepayers before losses due to appeals. The GLA will apply an estimated £117.3 million of BRS income in 2018-19 on interest payments and is scheduled to repay £140 million of its outstanding £3.2 billion of Crossrail related debt.

#### Decision:

The Mayor approves the following policies for the Crossrail BRS for the 2018-19 financial year:

- the Crossrail BRS will apply for the full 2018-19 financial year across the entire GLA area;
- the Crossrail BRS multiplier (or tax rate) shall be set at 2p per pound of rateable value
- the rateable value threshold above which the Crossrail BRS applies shall be £70,000. This is the same threshold as in 2017-18; and
- any reliefs for the Crossrail BRS will continue to apply on the same basis at the same percentage rate as for National Non Domestic Rates (NNDR) having regard to the local policies in place in the 33 London billing authorities and those set by central government. Section 45 ratepayers (that is, those owning or entitled to occupy empty properties) will not be exempt from the Crossrail BRS as a class. The same automatic empty property reliefs will apply, however, at the same percentage rate to the Crossrail BRS as for NNDR. The GLA will not exercise its powers under section 16 of the BRS Act to apply an offset for eligible ratepayers liable to pay a levy towards a Business Improvement District.

The Mayor authorises the Executive Director, Resources to issue a notification of the above policies to the 33 London billing authorities as required by section 18 of the BRS Act and the explanatory note for non domestic ratepayers for 2018-19 as set out in Appendix A.

#### Mayor of London

I confirm that I do not have any disclosable pecuniary interests in the proposed decision, and take the decision in compliance with the Code of Conduct for elected Members of the Authority. The above request has my approval.

Signature



Date

23/1/18

## **PART I - NON-CONFIDENTIAL FACTS AND ADVICE TO THE MAYOR**

### **Decision required – supporting report**

#### **1. Introduction and background**

- 1.1 The GLA and Transport for London (TfL) agreed with the Government in November 2007 to provide a total of £7.7 billion of funding towards the then planned £15.9 billion cost of the Crossrail project. As a result of the revised Crossrail funding package agreed as part of TfL's settlement in the 2010 Comprehensive Spending Review the total project costs were reduced by approximately £1 billion to £14.5 billion and it was agreed that the project would be delivered on its agreed route albeit with a projected one year delay in its scheduled completion date.
- 1.2 Of the GLA and TfL contribution, £4.1 billion (around 25%) has been financed by a business rate supplement on non domestic ratepayers in London ("the Crossrail BRS"). This contribution has comprised two elements: around £3.3 billion of borrowing by the GLA (the interest on and repayment of which is being financed by the revenues from the BRS) and an estimated additional £0.8 billion direct contribution to the project. The remainder of the £7.7 billion GLA Group contribution includes around £0.6 billion to be financed through section 106 and community infrastructure income with the majority of the remainder being borrowing undertaken by TfL financed by future fare revenues.
- 1.3 By 31 March 2016 the entire £4.1 billion BRS financed contribution had been transferred by the GLA to Transport for London. The entire sum raised via the BRS is therefore now used to fund the financing and repayment of the GLA's outstanding Crossrail debt.
- 1.4 This Decision asks the Mayor to approve the Crossrail BRS policies for 2018-19.

#### **2. Objectives and Expected Outcomes**

- 2.1 The GLA now estimates that in order to finance the GLA's agreed contributions to Crossrail and the repayment of its borrowing for Crossrail it will need to generate between £5.5 billion to £6.0 billion in revenues via the BRS (i.e. £3.3 billion to repay the GLA's associated borrowing, up to £1.9 billion in interest and financing costs on this borrowing and £0.8 billion for the direct contribution made towards the project construction costs between 2010 and 2016). It is estimated that by 31 March 2018 over £1.8 billion of BRS revenues will have been collected since the supplement was introduced in 2010-11. The BRS is expected to end for Crossrail 1 during the 2030s with a current estimated end date of 2033-34 – although this could be earlier or later depending on the change in the taxbase at future revaluations including the next one which is currently expected in April 2022.
- 2.2 The power for the GLA to levy the Crossrail BRS was granted under the Business Rate Supplements Act 2009 ("the BRS Act"). Under the BRS Act and associated regulations, the GLA may only levy the Crossrail BRS on hereditaments on the 33 local rating lists in London where the rateable value exceeds £50,000 – although a higher qualifying threshold can be set – and charge a multiplier (or tax rate) of no more than 2p.
- 2.3 This report asks the Mayor to approve the proposed policies for the Crossrail BRS for 2018-19 having regard to the final prospectus issued in January 2010: 'Intention to levy a business rate supplement to finance the Greater London Authority's contribution to the Crossrail Project – Final Prospectus' ("the Final Prospectus").

- 2.4 The policies may be varied annually having regard to section 10 of the BRS Act and the variations policies set out in section 9 of the final prospectus. The policies proposed to apply in 2018-19 are consistent with those set out in the final prospectus and those in place for 2017-18 which were updated to reflect the impact of the revaluation of non domestic properties which took place in April 2017. Following the 2017 revaluation the qualifying threshold was increased from £55,000 to £70,000 in line with the average change in rateable values for properties liable to the BRS – this being the variation policy set out in the final Crossrail BRS prospectus in a revaluation year. This threshold is expected to be maintained for the length of the 2017 rating list in line with the policy set out in the final prospectus. The Government has stated that the next revaluation will take place in April 2022. The reasons for this decision are set out in section 4.
- 2.5 The Decision asks the Mayor to agree the following policies for the Crossrail BRS in 2018-19:
- The Crossrail BRS will apply for the full 2018-19 financial year across the entire GLA area;
  - The Crossrail BRS multiplier (or tax rate) shall be set at 2p per pound of rateable value for the 2018-19 financial year;
  - The rateable value threshold above which the Crossrail BRS shall apply in the 2018-19 financial year will be set at £70,000. This represents a relief granted by the GLA under section 15 of the BRS Act as the proposed threshold exceeds the minimum £50,000 rateable value threshold specified in the Business Rate Supplements (Rateable Value Condition) (England) Regulations 2009;
  - Any reliefs for the Crossrail BRS will apply on the same basis and at the same percentage rate as for National Non Domestic Rates (NNDR) having regard to any national policies set by the Secretary of State and any discretionary local policies in place in the 33 London billing authorities;
  - Section 45 ratepayers (that is, those owning or entitled to occupy empty properties) will not be exempt from the Crossrail BRS as a class. However, the same empty property reliefs and exemptions for certain categories of ratepayer or property (e.g. the majority of listed buildings, empty properties occupied by registered charities and newly empty properties for between 3- 6 months) will apply at the same percentage rate to the Crossrail BRS as for NNDR; and
  - The GLA will not exercise its powers under section 16 of the BRS Act to apply an offset for eligible ratepayers liable to pay a levy towards a Business Improvement District (BID).
- 2.6 The Mayor is also asked to agree that the Executive Director, Resources be authorised to issue a formal notification of the above policies to the 33 London billing authorities as required by section 18 of the BRS Act (Appendix A). The Mayor is also asked to agree the proposed communication to non domestic ratepayers for 2018-19 as set out in Annex F to that notification. This will either be circulated to ratepayers alongside their 2018-19 rates bills or alternatively made available on billing authority websites depending on the mechanism by which the authority has decided to communicate explanatory supporting information using their discretion under the Non Domestic Rating (Collection and Enforcement) (Local Lists) Regulations 1989 (as amended by the Non Domestic Rating (Electronic Communications) (England) Order 2012).
- 2.7 The GLA expects to apply £117.3 million of the BRS revenues to fund interest due on its estimated £3.2 billion of outstanding Crossrail debt as at 31 March 2018 and around £140 million to repay part of that debt. The balance of the BRS income collected will be applied to finance the repayment of debt in future years.

### **3. Equality Comments**

- 3.1 Public authorities such as the GLA must have 'due regard' to the need to eliminate unlawful discrimination, harassment and victimisation as well as to the need to advance equality of opportunity and foster good relations between people who share a protected characteristic and those who do not, under section 149 of the Equality Act 2010. This involves having due regard to the need to removing or minimising any disadvantage suffered by those who share a relevant protected characteristic that is connected to that characteristic, taking steps to meet the different needs of such people; and encouraging them to participate in public life or in any other activity where their participation is disproportionately low.
- 3.2 The "protected" characteristics and groups are: age, disability, gender reassignment, pregnancy and maternity, race, gender, religion or belief, sexual orientation and marriage/ civil partnership status. Compliance with the Equality Act may involve treating people with a protected characteristic more favourably than those without the characteristic. The duty must be exercised with an open mind and at the time a decision is taken in the exercise of the GLA's functions. Conscientious regard must be had that is appropriate in all of the circumstances.
- 3.3 The Crossrail BRS is applied on a consistent basis across the Greater London Authority area and is subject to the provisions of the BRS Act and parallel national non domestic rating legislation. In 2018-19 the BRS will only be levied on large assessments on the local non domestic rating list with a rateable value above £70,000. As a result, 85 per cent of non domestic hereditaments – including the vast majority of premises occupied by small and medium sized enterprises – in London will be exempt from the supplement. It is considered that the proposed BRS policies are consistent with the GLA's statutory duties and non domestic rating legislation. Given that the BRS is restricted to larger business premises only, is applied consistently across the GLA area, amounts to an average of only 5 per cent of affected ratepayers total business rates bill and is collected and enforced through existing non domestic rating legislation no specific and additional adverse equalities impacts are considered to arise from it.

### **4. Other Considerations**

#### **Links to Mayoral Strategies**

- 4.1 The importance of the Crossrail project to the capital was highlighted in the Mayor's transport vision for London 'Way to Go' published in November 2008, the Mayor's Transport Strategy published in May 2010 and the draft Transport strategy published in June 2017. Crossrail will bring huge economic benefits to the whole of London and the UK in the long term. It will provide additional transport capacity to enable the concentration of highly productive economic activity in central London to continue to grow and add 10 per cent to London's rail capacity. Research estimates have forecast that Crossrail will add at least £20 billion with some estimates as high as £36 billion to UK GDP over 60 years through faster journey times, job growth and increased productivity. London's growth aids the national economy, not least through the taxes generated for the Exchequer.
- 4.2 The Crossrail BRS, either directly or to support the financing and repayment of GLA borrowing, has funded £4.1 billion of the costs of the Crossrail project. Without the funding provided through the BRS it would not be possible to deliver the entire Crossrail project on its agreed route.

#### **Impact Assessments and Consultation**

- 4.3 Under the BRS Act the GLA may only levy the Crossrail BRS if:
- (a) it has published a document that sets out the proposal for the imposition of the BRS ("the Initial Prospectus");

(b) it has consulted the relevant persons on the proposal;

(c) where there is to be a ballot on the imposition of the BRS, the ballot has been held and the imposition of the BRS approved; and

(d) it has published a document that sets out the arrangements for the imposition of the BRS ("the Final Prospectus").

- 4.4 The Initial Prospectus for the Crossrail BRS was published in July 2009. A summary of the Initial Prospectus was also sent to named ratepayers of all 62,000 business premises with a rateable value of £30,000 or higher on the London rating list at that time on the basis that properties below the £50,000 statutory minimum could have become liable for the BRS following the 2010 rating revaluation or at some time in the future.
- 4.5 The Final Prospectus for the Crossrail BRS - 'Intention to levy a business rate supplement to finance the Greater London Authority's contribution to the Crossrail Project' - was published in January 2010. In developing its policies for the Final Prospectus the GLA had regard to the following factors:
- the responses submitted to the Initial Prospectus;
  - the agreed contributions to be made by the GLA to the Crossrail project and its financing costs associated with those contributions;
  - the publication of the draft 2010 draft valuation list of non domestic properties in London and the resulting changes to the projected income from the Crossrail BRS over the period of the next revaluation; and
  - the BRS Act (and any regulations laid or expected to be laid in relation to it) and relevant existing business rates legislation and regulations.
- 4.6 One material change to the proposals in the Initial Prospectus which was included in the Final prospectus for the Crossrail BRS was to raise the rateable value threshold for the Crossrail BRS from the statutory minimum specified in the Business Rate Supplements (Rateable Value Condition) (England) Regulations 2009 of £50,000 to £55,000 using the reliefs powers granted to the GLA under section 15 of the BRS Act. The effect of this change was to exempt around 4,000 properties on the 2010 rating list from the Crossrail BRS thus targeting relief mainly at small and medium sized businesses as well as smaller not for profit assessments such as nurseries and primary schools. This meant only hereditaments with a rateable value of £55,001 or more would be liable for the Crossrail BRS. The Final Prospectus made clear that it was the GLA's intention to retain the same policies until the next revaluation of non domestic rating assessments. Following the 2017 revaluation the threshold was increased to £70,000 in line with the average change in rateable values for properties liable to the BRS in line with the variations policies set out in the prospectus in a revaluation year.
- 4.7 The GLA did not hold a ballot prior to the introduction of the Crossrail BRS. This decision was taken having regard to section 27(6) of the BRS Act which provided an exemption from the ballot requirements for a BRS introduced prior to 1 April 2011. Section 68 of the Localism Act 2011, which amended the BRS Act to make ratepayer ballots mandatory before a BRS could be introduced, does not apply to the Crossrail BRS as it has no retrospective effect provided that any changes the GLA makes to the BRS policies are made in compliance with variations policies set out in section 9 of the final prospectus. If variations are made which are not in compliance with these policies ratepayers are required to approve these changes before they can be implemented. A revised prospectus would also need to be published - this being the proposal ratepayers would reject or approve in the ballot.
- 4.8 The Final Prospectus made clear that the reliefs policies for the Crossrail BRS would apply on the same basis as for National Non Domestic Rates ("NNDR") as required under the BRS Act. This also applies on a pro rata basis to any discretionary relief powers introduced under the legislative changes made



through section 69 of the Localism Act. The Localism Act amended section 47 of the Local Government Finance Act 1988 to permit billing authorities to grant discretionary relief to any ratepayer subject to state aid rules including those reliefs, if applicable, which the Government has committed to fund the costs of in 2018-19 in respect of retained business rates. In respect of the BRS the GLA bears the losses via reduced levels of income.

- 4.9 The final prospectus also confirmed that section 45 ratepayers (i.e. those occupying or entitled to occupy empty properties) would be liable for the BRS except where they were eligible for empty property relief under NNDR (e.g. newly empty properties, certain listed buildings and those where the ratepayer is a registered charity). The Final Prospectus stated that the GLA would not exercise its powers under section 16 of the BRS Act to apply an offset for eligible ratepayers liable to pay a levy towards a Business Improvement District (BID). It was considered that this would be inequitable as many of the largest Business Improvement Districts are directly on the Crossrail route or close to it.

#### Varying the Crossrail BRS in a Revaluation Year

- 4.10 The final Crossrail BRS prospectus published in 2010 set out the policies for revising the BRS at each revaluation and 2017 was the first revaluation which has occurred since the supplement was introduced.
- 4.11 The prospectus wording committed the Mayor to uprate the £55,000 qualifying rateable value threshold 'in line with' or 'having regard to' the average percentage change in rateable values in a revaluation year. The estimated average increase in rateable values for all properties with a rateable value above £55,000 – those potentially liable to the BRS – was estimated by the GLA to be 27 per cent based on the draft rating list published on 30 September 2016 compared to the updated 2010 list published one week before.
- 4.12 Uprating £55,000 by 27 per cent delivered a threshold of £69,850 – which in line with convention that the threshold should be rounded to the nearest £1,000 – resulted in a revised threshold for the 2017 rating list of £70,000. It was therefore agreed by the Mayor – in compliance with the prospectus and having regard to any ballot risks – that the qualifying threshold be set at £70,000 – £15,000 higher than the level in 2016-17 (the final year of the 2010 rating list). This revised threshold would apply from 2017-18 until 2021-22 assuming there is no change to the existing BRS legislation on ballots or a revaluation held beforehand. For this reason the threshold is proposed to be maintained at £70,000 in 2018-19.
- 4.13 Annex D to the draft section 18 notice at Appendix A sets out the estimated number of properties which will be liable to the BRS in 2018-19 using the £70,000 threshold. It is estimated that around 47,000 properties would be liable to pay the BRS in 2018-19 – equivalent to 15 per cent of non domestic assessments on the current rating list.
- 4.14 An estimated 85 per cent of assessments are therefore forecast to be exempt from the BRS across London in 2018-19 ranging from 68 per cent in Westminster to 94 per cent in Lewisham, Redbridge and Waltham Forest.
- 4.15 The prospectus also states in (section 9) that while it is the intention to apply a 2p rate throughout the life of the BRS *'It is not, however, impossible that if interest rates were to be lower than expected or the BRS taxbase higher than expected following a future revaluation the GLA could levy a lower multiplier than 2p in one or more (five year) valuation period'*. Page 96 of the prospectus outlines the six factors that the GLA will take into account when deciding to make variations to the BRS policies. Under section 10 of the BRS Act any variations made to the policies for the BRS which are not made in accordance with the final prospectus would require the GLA to hold a ballot of ratepayers to approve the changes. These six factors are:

- (a) the economic position at that time
- (b) the level of reliefs applying for different categories of ratepayer at that time under NNDR (which might also impact on the Crossrail BRS).
- (c) the GLA's projections at this stage assume rates of relief will remain broadly constant over the lifetime of the Crossrail BRS
- (d) the impact of each five year revaluation on London's NNDR taxbase
- (e) variations to the length of the Crossrail BRS arising from changes in interest rates, the cost of the project and the taxbase where this meant that the chargeable period would be less than 24 years or more than 31 years and
- (f) the views of London's business community, the 33 London billing authorities and other non domestic ratepayers

- 4.16 In considering the above criteria in determining whether to vary the policies for the BRS in 2018-19, the GLA notes the significant increase in national non domestic rating bills which many ratepayers in London have faced following the 2017 revaluation. There is no provision, however, for a transitional relief scheme to be applied for the BRS under existing legislation and therefore a ratepayer's BRS liability increases or decreases proportionately in line with their change in rateable value following each revaluation. In determining the final BRS policies for 2018-19 the Mayor has again had to balance the impact on ratepayers against the need to ensure that the GLA's Crossrail debt is financed and repaid in line with the agreed profile set out in the final prospectus.
- 4.20 The GLA estimates that a 2p BRS multiplier will raise approximately £275 million in 2018-19 based on a rateable value threshold of £70,000. This represents the sum expected to be collected from ratepayers during the financial year. This figure falls to £274.6 million once billing authority administrative expenses are allowed for. The apportionment of this by billing authorities is set out in Annex E to Appendix A. This is the sum that is estimated to be billed in 2018-19.
- 4.21 Unlike National Non Domestic rates (NNDR) where provisions are applied for expected appeals BRS income in each financial year operates on a cash receivable basis with refunds arising from successful appeals being accounted for in the year in which they occur. After applying an assumed 5 per cent loss on the 2017 rating list in line with the Government's estimate and a provision for outstanding appeals on the 2010 list in line with billing authority estimates for NNDR the GLA estimates that the actual sum which will ultimately be received in respect of 2018-19 net of appeals will be only £254 million - £20 million less than the sum which it is estimated will be collected during the year.
- 4.22 Alternative options for the multiplier have been examined but in light of the potential uncertainty around rateable value growth at future revaluations, the two year delay in the 2017 revaluation and the need to ensure the GLA's Crossrail debt is repaid as soon as practical within the time horizons set out in the final prospectus it would not be prudent at this stage to vary the multiplier and lower the 2p rate in 2018-19. The Mayor will of course need to keep the policies for the BRS under review each year as the final prospectus permits the multiplier to be varied in any financial year.

#### Other Relevant Information Relating to the Billing and Administration of the BRS

- 4.23 The Crossrail BRS is collected and enforced in parallel with NNDR bills. NNDR is collected on behalf of central government by lower tier (district) authorities. In London, these are the 32 London boroughs and the Common Council of the City of London. Both charges are included on the same bills which, for 2018-19, will be sent out to Non Domestic ratepayers by the 33 London billing authorities before the end of March 2018. The BRS is administered in line with regulations issued by the Secretary of State for Communities and Local Government under the BRS Act.
- 4.24 Billing authorities are permitted to recover ongoing collection and recovery costs (their further administrative expenses) for each year that the Crossrail BRS is levied subject to any limits which may

be prescribed by the relevant BRS regulations i.e. the Business Rate Supplements (Administrative Expenses) (England) Regulations 2010 (the 'administrative expenses' regulations).

- 4.25 Billing authorities further administrative expenses for the ninth year of the BRS (2018-19) will equate to 0.15 per cent of the BRS income collectable by the GLA (provisionally estimated at £0.44 million across all 33 authorities) as prescribed by the BRS administrative expenses regulations. For 2018-19 only it is proposed that GLA guarantee that no billing authority receives a collection allowance below £6,000 to provide additional capacity to billing authorities with low taxbase – the costs of which are met by the GLA. Billing authorities deduct any ongoing collection costs from the sums they pay to the GLA during the course of the financial year in equal monthly instalments.
- 4.26 Under section 18 of the BRS Act the GLA is required to issue a formal notification to each billing authority setting out the final policies, including the information specified in the BRS Act, for the BRS by 1 March although in practice this must be published by mid February to facilitate billing. This will enable billing authorities to make the necessary arrangements for the inclusion of the BRS on 2018-19 rates bills which are due to be circulated to ratepayers from early March 2018. The proposed text for this notice is set out at Appendix A.
- 4.27 The Mayor is also asked to authorise the proposed explanatory note for non domestic ratepayers as set out in Annex F to the proposed section 18 letter at Appendix A. At the discretion of each billing authority this will either be circulated to all non domestic ratepayers in London as part of the communications supplied with their initial rates bill for 2018-19 or alternatively made available for inspection on that authority's website. It will also be placed on the Crossrail BRS homepage on the GLA website: [www.london.gov.uk/crossrail-brs](http://www.london.gov.uk/crossrail-brs).

#### Risks

- 4.28 The potential risks associated with the BRS are addressed in the final prospectus published in January 2010. Section 9 of the final prospectus addresses the implications for the BRS of the Crossrail project being delayed or the costs increasing above those budgeted and set out the circumstances under which the BRS policies may be varied. As Section 10 of the BRS Act as amended by the 2011 Localism Act requires the Mayor to hold a ballot of ratepayers to approve variations made outside the scope of the prospectus there are also potential risks of challenge if a change to the BRS policies is made which cannot be justified within these parameters.
- 4.29 The GLA has contributed £4.1 billion towards the Crossrail project through the BRS. Of this £0.8m was a direct contribution from BRS revenues towards the project cost and the remaining £3.3 billion has been met through borrowing. In 2018-19 the BRS is being used to finance and repay this borrowing.
- 4.30 The GLA is forecast to incur £117.3 million in interest costs on its accumulated Crossrail related borrowing during 2018-19 which will be financed via the BRS and will also repay an estimated £140million of its Crossrail debt. The remainder of the BRS collected will be set aside to meet the future repayment of the GLA's residual £3.1 billion of Crossrail debt. The interest costs financed by BRS revenues are equivalent to 36 per cent of the GLA's gross revenue expenditure in 2018-19 on services (i.e. excluding tariff and levy payments under the business rates retention scheme). Therefore the successful ongoing implementation of the Crossrail BRS is critical to the GLA's medium term planning.
- 4.31 The GLA is actively managing its Crossrail debt portfolio and monitoring its BRS revenues from London billing authorities to ensure the risks to the GLA budget arising from this are mitigated. As identified above the GLA will also set aside a proportion of the expected BRS revenues for 2018-19 – currently estimated at £20 million – to manage future risks in relation to rating appeals during the period of the 2010 rating list.



## **5. Financial Comments**

- 5.1 The income raised through the Crossrail BRS in the 2018-19 financial year net of billing authority administrative expenses and rating reliefs is estimated at this stage to be £274.6 million before appeals and £253.6 million after an allowance for appeals. As outlined above, £117.3 million of this million is expected to be used to finance the GLA's estimated interest costs on debt it is forecast to hold by the end of March 2018 and £140 million applied to repay part of its £3.3 billion of Crossrail debt. Any unallocated sums will be retained to finance future debt repayment. The actual sums collectable in 2018-19 taking into account reliefs and losses on collection will be forecast by London billing authorities before the end of March 2018.
- 5.2 It is estimated that the BRS for Crossrail will run for a period of at least 24 years until the GLA's borrowing is repaid – with a current target end date of 2033-34. Over its lifetime it is estimated that between £5.5 billion to £6.0 billion may need to be collected via the BRS to meet the expected repayment profile and financing costs – the former figure being on the presumption that the GLA's Crossrail debt is repaid in 2033-34 and the latter if the repayment date is up to five years later.

## **6 Legal Comments**

- 6.1 The GLA was granted the power to levy a Business Rate Supplement (BRS), for purposes such as Crossrail, under section 1 of the Business Rate Supplements Act 2009 (the BRS Act). Section 3 of the BRS Act provides that the 32 London boroughs and the Common Council of the City of London – as the billing authorities for national non domestic rates in the capital – are required to collect the Crossrail BRS following a direction from the GLA.
- 6.2 The GLA introduced the Crossrail BRS, commencing in April 2010, in accordance with the conditions under section 4 of the BRS Act as it then was (and section 7 as modified by section 27 of the BRS Act).
- 6.3 The Final Prospectus (required under the BRS Act) published in January 2010 set out the proposed policies for the Crossrail BRS in more detail. In preparing those policies the GLA had regard to: the BRS Act and the relevant applicable secondary legislation.
- 6.4 The GLA is required to comply with the requirements of the abovementioned legislation and ensure consistency with the policies contained in the Final Prospectus when setting the policies that will apply to the Crossrail BRS in 2018-19.
- 6.5 The GLA is required to issue a formal written notification under section 18 of the BRS Act to the 33 billing authorities in London, authorising them to collect a BRS on its behalf. This report asks the Mayor to agree to this formal notice being issued. The proposed text for the section 18 notice – including supporting Annexes and the ratepayer communication – is set out at Appendix A.

## **7 Corporate Investment Board**

- 7.1 The GLA under the previous Mayor committed to contributing up to £4.1 billion towards the cost of the Crossrail project to be financed by a business rate supplement as part of the revised funding package agreed with the Government in October 2010. This reaffirmed the decision taken by the then Mayor at the time of the original Crossrail agreement in November 2007 and the proposals approved by the previous Mayor in the final prospectus for the Crossrail BRS – 'Intention to levy a business rate supplement to finance the Greater London Authority's contribution to the Crossrail project – Final prospectus' (January 2010) in Mayoral Decision 540.
- 7.2 These decisions were taken prior to the inception of the Corporate Investment Board. If the BRS were not to continue in 2018-19 the GLA would be unable to finance the £3.2 billion of borrowing it has

already undertaken to finance the Crossrail funding package including the £117.5 million of interest payments scheduled. As this proposal reaffirms policy decisions taken prior to the institution of the Corporate Investment Board, it represents expenditure which the GLA is committed to make. The expenditure is therefore non discretionary and has not been considered as a new initiative by the Board but this Decision has been agreed by it. The matter for decision by the Mayor is simply to confirm the multiplier, rateable value threshold and related policies.

## **8 Planned Delivery and Next Steps**

- 8.1 The 2018-19 BRS policies will be formally notified to billing authorities through the issuing of the section 18 notice required under the BRS Act. The statutory deadline for issuing this is 1 March but in practice this must be issued by the end of January in order that they can make the necessary arrangements for billing. Those authorities will then issue bills to ratepayers during March 2018 for 2018-19 on which the Crossrail BRS liability due – if applicable – will be set out.
- 8.2 Billing authorities will also provide forecasts of the actual income they expect to collect in 2018-19 by 31 March 2018. These forecasts will represent the instalments paid to the GLA during the year net of a 5 per cent contingency as required by the BRS regulations. The actual amounts collected in 2018-19 will be confirmed by billing authorities by 31 May 2018 after which a reconciliation adjustment will be made

## **9 Background/supporting papers**

'Proposal to levy a business rate supplement to finance the Greater London Authority's contribution to the Crossrail project – Initial prospectus' (GLA July 2009) – Available at [www.london.gov.uk/crossrail-brs](http://www.london.gov.uk/crossrail-brs)

'Intention to levy a business rate supplement to finance the Greater London Authority's contribution to the Crossrail project – Final prospectus' (GLA January 2010) - Available at [www.london.gov.uk/crossrail-brs](http://www.london.gov.uk/crossrail-brs)

MD 2069 - Crossrail Business Rates Supplement - Final Policies for 2017-18

Proposed Section 18 Notice Under the BRS Act 2009 to the Director of Finance/Borough Treasurers of the 32 London Boroughs and the Chamberlain of the City of London Corporation (Appendix A)

**Public access to information**

Information in this form (Part 1) is subject to the Freedom of Information Act 2000 (FOI Act) and will be made available on the GLA website within one working day of approval.

If immediate publication risks compromising the implementation of the decision (for example, to complete a procurement process), it can be deferred until a specific date. Deferral periods should be kept to the shortest length strictly necessary. **Note:** This form (Part 1) will either be published within one working day after approval or on the defer date.

**Part 1 Deferral:**

**Is the publication of Part 1 of this approval to be deferred? NO**

If YES, for what reason:

Until what date: (a date is required if deferring)

**Part 2 Confidentiality:** Only the facts or advice considered to be exempt from disclosure under the FOI Act should be in the separate Part 2 form, together with the legal rationale for non-publication.

**Is there a part 2 form – NO**

**ORIGINATING OFFICER DECLARATION:**

Drafting officer to confirm the following (✓)

**Drafting officer:**

Martin Mitchell, GLA Group Finance Manager has drafted this report in accordance with GLA procedures and confirms the following:

✓

**Sponsoring Director:**

Martin Clarke, Executive Director Resources has reviewed the request and is satisfied it is correct and consistent with the Mayor's plans and priorities.

✓

**Mayoral Adviser:**

David Bellamy, Chief of Staff has been consulted about the proposal and agrees the recommendations.

✓

**Advice:**

The Finance and Legal teams have commented on this proposal. The proposal originates from Finance.

✓

**Corporate Investment Board**

This decision was agreed by the Corporate Investment Board on 22 January 2018

**EXECUTIVE DIRECTOR, RESOURCES:**

I confirm that financial and legal implications have been appropriately considered in the preparation of this report.

**Signature**

**Date**

*[Signature]* 22.01.18  
Tom Middleton on behalf of Martin Clarke

**CHIEF OF STAFF:**

I am satisfied that this is an appropriate request to be submitted to the Mayor

**Signature**

**Date**

*[Signature]*

22/1/2018

PROPOSED SECTION 18 NOTICE UNDER THE BUSINESS RATES SUPPLEMENT ACT 2009 TO THE SECTION 151 OFFICERS (I.E. THE DIRECTOR OF FINANCE OR BOROUGH TREASURER) OF THE 32 LONDON BOROUGHs AND THE CHAMBERLAIN OF THE COMMON COUNCIL OF THE CITY OF LONDON

**CROSSRAIL BUSINESS RATE SUPPLEMENT POLICIES FOR 2018-19  
NOTICE TO BILLING AUTHORITIES UNDER SECTION 18 OF THE BUSINESS RATE SUPPLEMENTS ACT 2009**

In line with the provisions of section 18 of the Business Rate Supplements Act 2009 (the "BRS Act") I am writing to notify your authority that the Greater London Authority (GLA) is levying a Business Rate Supplement for the 2018-19 financial year to finance its contribution to the Crossrail project (the "Crossrail BRS").

For 2018-19 the Mayor is maintaining the rateable value condition (or threshold) for the BRS at £70,000 – the same level as in 2017-18. In other words only hereditaments on the local rating list in London with a rateable value above £70,000 will be liable for the BRS in 2018-19 subject to eligible reliefs. This will ensure that London wide the number of properties liable will remain broadly unchanged in 2018-19 compared to 2016-17 albeit there are significant changes at billing authority level.

The BRS multiplier also remains unchanged at 2p.

The policies have been agreed by the Mayor of London having regard to the Final Prospectus for the Crossrail BRS (Intention to levy a Business Rate Supplement to finance the Greater London Authority contribution to the Crossrail project) which was published on 29 January 2010 on the GLA's website ([www.london.gov.uk/crossrail-brs](http://www.london.gov.uk/crossrail-brs)).

**POWERS FOR THE GLA TO LEVY THE CROSSRAIL BRS**

The powers to levy the Crossrail BRS are being exercised by the GLA under section 1 of the BRS Act. The GLA has complied with the conditions for imposing a BRS under the BRS Act, including the publication of a Final Prospectus:

(<http://www.london.gov.uk/sites/default/files/finalprospectus.pdf>)

In preparing this notice, the GLA has also had regards to regulations issued under the BRS Act at the date of this letter i.e.

The Business Rate Supplements (Administrative Expenses) (England) Regulations SI 134 2010

([http://www.opsi.gov.uk/si/si2010/uksi\\_20100134\\_en\\_1](http://www.opsi.gov.uk/si/si2010/uksi_20100134_en_1)) and explanatory notes

([http://www.opsi.gov.uk/si/si2010/em/uksiem\\_20100134\\_en.pdf](http://www.opsi.gov.uk/si/si2010/em/uksiem_20100134_en.pdf)) – the "Administrative Expenses" regulations;

Business Rate Supplements (Transfers to Revenue Accounts) (England) Regulations SI 2543 2009

([http://www.opsi.gov.uk/si/si2009/pdf/uksi\\_20092543\\_en.pdf](http://www.opsi.gov.uk/si/si2009/pdf/uksi_20092543_en.pdf)) as amended by the Non Domestic Rating and Business Rate Supplements (England) (Amendment) Regulations 2011;

<http://www.legislation.gov.uk/uksi/2011/255/contents/made> – the "Transfer to Revenue Accounts" regulations as amended;

The Business Rate Supplements (Rateable Value Condition) (England) Regulations SI 2542 2009

([http://www.opsi.gov.uk/si/si2009/pdf/uksi\\_20092542\\_en.pdf](http://www.opsi.gov.uk/si/si2009/pdf/uksi_20092542_en.pdf)) – the "Rateable Value Condition" regulations and

The Business Rate Supplements (Collection and Enforcement) (England) Regulations SI 187 2010

[http://www.opsi.gov.uk/si/si2010/pdf/uksi\\_20100187\\_en.pdf](http://www.opsi.gov.uk/si/si2010/pdf/uksi_20100187_en.pdf)

## THE PURPOSE OF THIS NOTIFICATION

Section 18 of the BRS Act requires the GLA (as the levying authority) to give written notice to each billing authority in its area prior to the financial year for which it intends to impose a business rate supplement. It is for this purpose that your authority is being notified of the GLA's decision to levy the Crossrail BRS for the period from 1 April 2018 to 31 March 2019. As a billing authority, your authority has a duty under the BRS Act to collect and enforce the Crossrail BRS on behalf of the GLA.

## FORMAL NOTIFICATION REQUIRED UNDER THE BRS ACT

The formal notification required under section 18 (2) of the BRS Act is set out below:

### Purpose of the BRS

The Crossrail BRS will be levied by the GLA to finance the Crossrail project as set out in "Intention to levy a business rate supplement to finance the Greater London Authority's contribution to the Crossrail project - Final Prospectus" published on 29 January 2010. Only one BRS will therefore be levied by the GLA in 2018-19.

### Crossrail BRS chargeable period

The Crossrail BRS is to be levied for the period from 1 April 2018 to 31 March 2019 inclusive. It will therefore operate for the entire 2018-19 financial year and commence on the first day thereof.

### Crossrail BRS multiplier

The multiplier for the Crossrail BRS (or chargeable amount) or "B" under section 14(3) of the BRS Act will be **2.0p** per pound of rateable value. The multiplier will apply to the entire rateable value for all hereditaments exceeding the rateable value condition subject to any automatic reliefs which the ratepayer may be entitled to under National Non Domestic Rates ("NNDR").

### Rateable value condition

The **rateable value condition (or threshold) above which the Crossrail BRS will be chargeable** in 2018-19 is **£70,000**. This means that only hereditaments on each local billing authority rating list within the GLA's area with a rateable value of £70,001 or more shall be liable for the Crossrail BRS. The GLA has exercised its powers under section 15 of the BRS Act to apply a higher threshold than the £50,000 statutory minimum prescribed by The Business Rate Supplements (Rateable Value Condition) (England) Regulations 2009.

### Automatic NNDR reliefs applicable to the Crossrail BRS

The same level of reliefs applying to NNDR will also apply to the Crossrail BRS at the same percentage rate, having regard to the local policies of each of the 33 billing authorities in London and relevant legislation. This is consistent with sections 13 to 14 of the BRS Act. The costs of any discretionary relief granted in respect of NNDR which also applies on a pro rata basis for the BRS will be borne by the GLA through a reduction in BRS revenue and will not be apportioned with billing authorities and CLG as applies under business rates retention. No transitional relief scheme shall apply for the Crossrail BRS for the 2017 Revaluation as there is no statutory provision for one to be applied under the BRS Act.

### Section 45 ratepayers

Section 45 ratepayers under the Local Government Finance Act 1988 (i.e. the owners of - or those ratepayers next entitled to occupy - empty properties) will be included as a class in the Crossrail BRS. Under current legislation, this would mean ratepayers of empty properties not entitled to automatic empty property relief under the national Non Domestic rating system, will be liable for the full 2p Crossrail BRS multiplier in 2018-19.

## Section 15 Reliefs (BRS Reliefs)



The GLA does not at present intend to exercise its discretion to grant any BRS specific reliefs under section 15 of the BRS Act with the exception of setting the rateable value condition (or threshold) at £70,000 which is £20,000 higher than the statutory minimum of £50,000 prescribed by regulation.

### **Section 16 interaction with BID levy**

The GLA does not intend to exercise its powers under section 16 (1) of the BRS Act to offset any Business Improvement District (BID) or BRS-BID (as defined by schedule II to the Act) levy contributions against ratepayers' Crossrail BRS liabilities for the period 1 April 2018 to 31 March 2019. No rules shall therefore apply under that section. BID and BRS-BID levypayers will therefore be treated on the same basis as all other ratepayers for the purposes of the Crossrail BRS.

### **Government Funded Relief Schemes or Local Relief Schemes Approved by Billing Authorities**

In line with the BRS Act all other mandatory and discretionary rates reliefs whether funded by the Secretary of State or introduced locally by billing authorities apply equally to the BRS on a pro rata percentage basis. This includes any reliefs granted under the local discretionary and pub relief schemes announced in the March 2017 budget which will continue in 2018-19 where they apply to ratepayers liable to the BRS.

If the total value of any business rates reliefs granted to private companies exceed state aid limits any cap should also be applied on a pro rata basis taking into account the relative NNDR and BRS liabilities.

Since 1 April 2014 ratepayers have had the automatic right to pay their bills in 12 monthly instalments. Billing authorities have paid their instalments over to the GLA over 12 months - net of a 5 per cent contingency allowance - since the BRS was introduced in 2010-11 so this change has no impact on the BRS. The proposed BRS instalment dates are set out in the section 18 notice in Appendix A and are in line with those used in previous years.

### **ADDITIONAL INFORMATION**

Additional information and policies for the Crossrail BRS are set out in the following Annexes:

#### **Annex A: Summary of policies for the Crossrail BRS**

This sets out the policies for the BRS set out in the Final Prospectus in more detail. The text is consistent with the summary in section 8 of the Final Prospectus updated for the 2018-19 policies.

#### **Annex B: Administration collection and enforcement of the Crossrail BRS**

This provides guidance on the administration arrangements for the BRS focusing on funds transfers between GLA and billing authorities, administration costs and the submission of the proposed BRS 1 (provisional BRS estimate), BRS2 (in year variations) and BRS 3 (outturn) returns to GLA.

#### **Annex C: Illustrative examples of impact of Crossrail BRS on different categories of ratepayer**

This provides illustrative examples of the amount payable in BRS by different categories of ratepayers having regard to the GLA's final policies and relief treatments for the BRS in 2018-19.

#### **Annex D: Estimated number of hereditaments liable to the Crossrail BRS**

This provides details on the expected number of properties liable to pay the BRS in 2018-19 and the expected tax take by billing authority area.

#### **Annex E Estimated amount collectable for 2018-19 by billing authority**

This provides details on the expected tax take by billing authority area. It is consistent with estimates prepared by billing authorities for 2017-18. Billing authorities will provide the GLA forecasts of the actual income they expect to collect in 2018-19 by 31 March 2018 (in practice Thursday 29 March due to the Easter holiday weekend).

Annex F: Proposed supporting explanatory text on Crossrail BRS for non domestic ratepayers  
This should either be circulated alongside bills or made available on your websites.

#### Annex G: Provisional BRS cost of collection allowances

This sets out the provisional 'BRS cost of collection allowances' we estimate each billing authority will be entitled to in 2018-19 having regard to Regulation 4 of and paragraph 3 of Schedule 1 to the Business Rate Supplements (Administrative Expenses) (England) Regulations 2010 (the "Administrative Expenses Regulations"). The table apportions 0.15% of the estimated 2018-19 Crossrail BRS net tax take (i.e. the share permitted for the eighth year and subsequent year of a BRS) of £275.8 million in proportion to each billing authority's estimated share of the number of hereditaments liable to the Crossrail BRS across the GLA area subject to guaranteeing that no billing authority receives a lower allowance than £7,500.

#### **Proposed Supporting Explanatory Information on the Crossrail BRS for NNDR ratepayers**

Annex F contains the proposed supporting explanatory text in respect of the Crossrail BRS for non domestic ratepayers. The supporting explanatory text provides specific information to ratepayers on the operation of the Crossrail BRS in London. It therefore serves a different purpose to the Mayor's communication to council taxpayers on his budget and precept and the separate explanatory note required to be included on the BRS under regulations as set out below.

This information should either be circulated to ratepayers alongside their 2018-19 rates bills or alternatively made available on billing authority websites depending on the mechanism by which your authority has decided to communicate explanatory supporting information using its discretion under the Non Domestic Rating (Collection and Enforcement) (Local Lists) Regulations 1989 (as amended by the Non Domestic Rating (Electronic Communications) (England) Order 2012). If the communication is issued directly with bills it should ideally be included within your general leaflet to NNDR ratepayers or alternatively as a separate doubled sided A5 insert (including the GLA logo at the top).

#### **Explanatory Notes for Crossrail BRS Required By Regulations**

Billing authorities were advised by CLG in Business Rates Information letter 1/2010 issued in January 2010 of the proposed format for presenting BRS information in the explanatory notes to bills (see <http://webarchive.nationalarchives.gov.uk/20120919132719/http://www.communities.gov.uk/documents/localgovernment/pdf/1449044.pdf>). This wording remains valid for the 2018-19 billing round and is set out below.

#### ***"Business Rate Supplements – Statutory Explanatory Note***

*The Business Rate Supplements Act 2009 enables levying authorities – county councils, unitary district councils and, in London, the Greater London Authority – to levy a supplement on the business rate to support additional projects aimed at economic development of the area.*

*Business Rate Supplements (BRS) are not applicable to properties with a rateable value of £50,000 or below, and authorities have discretion to increase that threshold. The total maximum BRS which may be levied by a levying authority is 2p per pound of rateable value. Levying authorities have the power to apply such reliefs to the BRS as they think appropriate and in such cases must include an explanation of the rules for the application of those reliefs in the final prospectus for the BRS.*

*The business rate supplement applicable in London is being levied by the Greater London Authority in relation to the Crossrail project. The rateable value threshold in 2018-19 for the Crossrail BRS is £70,000. Further information may be found in the Crossrail BRS final prospectus which is available at [www.london.gov.uk/crossrail-brs](http://www.london.gov.uk/crossrail-brs)*

**Provisional Return for 2018-19 (BRS 1) and recovery of billing authority administrative expenses**  
The GLA will circulate proformas and guidance for the BRS 1 'provisional return' form during February 2018. This is the Provisional Return that billing authorities are required to submit to a levying authority under section 2 of the Business Rate Supplements (Transfers to Revenue Accounts) (England) Regulations 2009 after receiving a notice under section 18 of the BRS Act. These will adopt broadly the same format as for 2017-18. The introduction of business rates retention has had no direct impact on the Crossrail BRS or reporting arrangements.

**The deadline for returning the 2018-19 BRS 1 form is Thursday 29 March 2018.** This is the last working day before the statutory deadline of 31 March due to the timing of the Easter weekend in 2018. The return should be based on the information from the actual 2018-19 billing run in order to minimise the potential for billing authorities to have to submit in year variation requests during the year.

The BRS 1 forms will be accompanied by a guidance note which will be similar in format to that used for the equivalent return for 2017-18.

Under the Administrative Expenses Regulations, initial administrative expenses (i.e. set up costs) can only be recovered by billing authorities for expenses associated with the first year of a BRS. This means that it will not be possible for GLA to reimburse any initial administrative expenses relating to the collection of the BRS in 2018-19.

#### **BRS Collection and Enforcement**

The Collection and Enforcement regulations – which allow for the collection and enforcement of a BRS – were laid by the Secretary of State in February 2010 and remain valid for 2018-19.

#### **Contact for Further Information**

Further enquiries on the contents of this letter should be addressed to:

Martin Mitchell  
GLA Group Finance Manager  
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Greater London Authority  
4<sup>TH</sup> Floor Post Point 19c  
City Hall  
The Queens Walk  
London SE1 2AA  
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Fax: 020 7983 4241  
Email: [martin.mitchell@london.gov.uk](mailto:martin.mitchell@london.gov.uk) or [GLABudget@london.gov.uk](mailto:GLABudget@london.gov.uk)

Yours sincerely

**Martin Clarke**  
Executive Director Resources

## SUMMARY OF POLICIES FOR THE CROSSRAIL BRS IN 2018-19

The policies and arrangements for the Crossrail BRS are summarised below:

- The GLA intends to set a basic BRS multiplier of 2p for each year of the Crossrail BRS commencing on 1 April 2010;
- For 2018-19 the BRS shall apply for the full financial year i.e. 1 April 2018 to 31 March 2019;
- The chargeable period for the Crossrail BRS is expected to be 24 years with a target end date of 2033-34 although this could be up to 5 years later depending on the BRS income received in future years following each revaluation;
- The GLA will apply a threshold of £70,000 for the Crossrail BRS i.e. only hereditaments on the local rating list with a rateable value of £70,001 or more will be liable for the supplement. This is the same level as in 2017-18;
- As a minimum, ratepayers will receive at least the same level of reliefs for the Crossrail BRS as they are eligible for under NNDR. However, no transitional relief will apply to the Crossrail BRS;
- Charities and community amateur sports clubs will be entitled to a mandatory 80 per cent relief on their Crossrail BRS contribution as applies under NNDR. If they are granted discretionary relief on all or part of the remaining 20 per cent of their bill under NNDR by their billing authority the same treatment (i.e. rate of relief) will apply for the Crossrail BRS;
- Ratepayers awarded Hardship Relief under section 49 and discretionary relief under section 47 of the Local Government Finance Act 1988 (as amended by the Localism Act 2011) by their billing authority will receive the same rate of relief on their Crossrail BRS liability; [N.B. The costs of granting discretionary relief for the BRS fall on the GLA i.e. as lost BRS revenue – they are not apportioned between the GLA and billing authorities as is the case for NNDR];
- The GLA will include section 45 ratepayers (i.e. those owning or next entitled to occupy empty properties) in the Crossrail BRS. Under current legislation this would mean ratepayers of empty properties not entitled to automatic empty property relief will be liable for the full 2p BRS multiplier in 2018-19. This is consistent with the current treatment for NNDR. The empty property BRS multiplier will therefore be 2p in 2018-19 and subject to there being no change to existing business rates legislation affecting this class will continue to apply at the same rate until at least 2018-19;
- Irrespective of the GLA's decision to include section 45 ratepayers within the Crossrail BRS the same empty property reliefs (e.g. related to the category of ratepayer, hereditament type or the length of time the property has been empty) will apply at the same percentage rate to the Crossrail BRS as under NNDR;
- Where a hereditament is partly occupied the basic BRS multiplier shall apply to the occupied part and the empty property BRS multiplier to the unoccupied part, notwithstanding any other reliefs (e.g. empty property relief) to which the ratepayer may be entitled. In practice these are the same for 2016-17 (i.e. 2p) and will continue to be so unless there is a national change to the treatment of empty properties under the NNDR system;

- The GLA will require eligible ratepayers liable to pay levies (including BRS-BID levies payable under schedule II to the BRS Act) to Business Improvement Districts to pay the full basic BRS multiplier (if the valuation of their hereditament(s) exceeds £70,000 and notwithstanding their eligibility for any other reliefs). No full or partial offset will therefore be provided against the Crossrail BRS for BID levy contributions i.e. no reliefs will be applied under section 16 of the BRS Act; and
- Any other discretionary reliefs granted using billing authorities' Localism Act 2011 powers or as a result of the measures announced by the Government in the 2017 March and November Budgets shall – if applicable to the hereditament or ratepayer – also be applied on a pro rata basis to the Crossrail BRS element of the ratepayer's bill subject to state aid limits. The GLA will absorb the associated cost through a reduction in BRS revenues received in respect of the BRS proportion of the relief granted.



## ADMINISTRATION COLLECTION AND ENFORCEMENT OF THE BRS IN 2018-19

The planned arrangements for administering, collecting and enforcing the Crossrail BRS in 2018-19 are summarised below:

### General Information

- The Crossrail BRS will be collected by the 32 London boroughs and the Common Council of the City of London (as the NNDR 'billing authorities' in London) on behalf of the GLA;
- The Crossrail BRS will be collected in parallel with NNDR. It will be included on the same bill and be subject to the same payment schedules and recovery procedures as determined locally by each billing authority for its ratepayers;

### Proposed Instalment Dates for 2018-19

- Billing authorities will transfer Crossrail BRS funds directly to GLA and not via central government. Payments from billing authorities to the GLA will be made in 12 monthly instalments as specified by paragraph 4(2) of the Business Rate Supplements (Transfers to Revenue Accounts) (England) Regulations 2009. It is intended that for 2018-19 the instalment dates will be the last full working day of the month except for the December 2018 instalment - which is the Friday of the last full working week before the Christmas holiday period - and the final payment in March 2019.
- The proposed payment dates for 2018-19 are set out below – with the exception of the dates in bold these are the last working days of each calendar month:

30 April 2018 (Monday)  
 31 May 2018 (Thursday)  
 29 June 2018 (Friday)\*  
 31 July 2018 (Tuesday)  
 31 August 2018 (Friday)  
 28 September 2018 (Friday)  
 31 October 2018 (Wednesday)  
 30 November 2018 (Friday)  
**17 December 2018 (Monday)**  
 31 January 2019 (Thursday)  
 28 February 2019 (Thursday)  
**15 March 2019 (Friday)**

- \*The instalment due on 29 June 2018 will be adjusted to allow for amounts due to the GLA (where the amount actually collected is greater than the instalments already paid) or repayable by the GLA (where the amount actually collected is lower than the instalments already paid) as a result of the reporting of the 2017-18 outturn information through the BRS 3 return (see 'Final outturn for the financial year' section below).
- Billing authorities will be liable to pay interest on any instalments not paid by the due date. As the monetary amounts involved are normally minimal the GLA will recover any interest on the late payment of BRS instalments via an offset on the year end BRS 3 outturn return. This simplifies the administration and collection of interest penalties for both billing authorities and the GLA.

### **Further Administrative Expenses (Ongoing Cost of Collection Allowances)**

- The quantum for further administrative expenses (i.e. the cost of collection allowance) will be 0.15 per cent of the estimated aggregate amount the GLA will collect through the BRS in 2018-19 in line with the provisions of section 3 of The Business Rate Supplements (Administrative Expenses) (England) Regulations 2010. The 0.15 per cent multiplier represents the proportion allowable for the eighth and subsequent year of a BRS. The aggregate amount is estimated at £275.0 million (gross of collection allowances). In order to guarantee that each billing authority has sufficient resources to manage the additional workloads arising from the 2018-19 revaluation the minimum collection allowance will be set at £6,000 for all authorities with the additional cost being borne by the GLA. As a result the total collection allowance for 2018-19 has been set at £0.44 million. This will be apportioned to billing authorities in proportion to their share of hereditaments liable to the BRS across the GLA area subject to this minimum allowance of £6,000.
- The provisional collection allowances which should be used for budgeting purposes by billing authorities are set out in Annex G – however the actual allocations will be confirmed in April 2018 following the submission of the BRS 1 returns in March 2018 subject to maintaining the £6,000 minimum allowance.

### **Annual BRS Communications to Ratepayers**

- Information on the multiplier being applied each year and any reliefs applying to the Crossrail BRS must under the BRS Act be set out in a communication for ratepayers.
- It is for billing authorities to determine how they comply with the requirement to communicate this information to ratepayers having regard to the Non Domestic Rating (Electronic Communications) (England) Order 2012' ([http://www.legislation.gov.uk/ukxi/2012/25/pdfs/ukxi\\_20120025\\_en.pdf](http://www.legislation.gov.uk/ukxi/2012/25/pdfs/ukxi_20120025_en.pdf)) which allows billing authorities for the 2018-19 billing round to supply their NNDR ratepayer communications electronically or on their websites rather than having to include them alongside the bill sent in the post. However billing authorities should adopt the same approach for the Crossrail BRS communication as they do for their NNDR communications to ratepayers. If billing authorities intend to place the ratepayer information on their website they should use the print ready pdf version circulated separately and supply that version to ratepayers on request.
- A copy of the text for 2018-19 which has been approved by the Mayor is enclosed with this notification at Annex F. If copies are being circulated alongside bills then the text should be sent to ALL NNDR ratepayers with their bill and not just to the ratepayers liable for the Crossrail BRS in 2016-17.

## **Estimating the budgeted amount of Crossrail BRS payable annually to the GLA by billing authorities (The "Provisional Amount")**

- Section 2 (1) of the 'Transfer to Revenue Account' Regulations requires billing authorities to submit a return to levying authorities setting out the amount of Crossrail BRS they expect to transfer to them during the next financial year. This must be actioned upon receipt of a direction from the levying authority under section 18 of the BRS Act (i.e. this letter which formally notifies billing authorities of the BRS multiplier, rateable value thresholds and reliefs policies which will apply in the next financial year).
- The amount to be shown in the provisional return is set at 95 per cent of the amount the billing authority expects to collect during the year (A). The 5 per cent (B) held back is deemed to be a contingency for refunds on valuation appeals, bad and doubtful debts and other factors. The billing authority must also provide an explanation of how it has calculated 'A' (the amount it expects to collect in Crossrail BRS). This is consistent with the contingency allowed for by the GLA in its BRS income estimates.
- In order to comply with the requirements of the regulations the GLA will again request that each billing authority submit what is designated the 'BRST' return (i.e. a simplified equivalent of the NNDR 1 return billing authorities submit to CLG in relation to NNDR) showing how it has calculated the estimated Crossrail BRS it expects to collect allowing for eligible reliefs, collection costs and losses and the 5 per cent contingency. The format of this return for 2018-19 will be similar to that used for 2017-18. The GLA will circulate the proforma to billing authorities during February 2018 for completion and return by Thursday 29 March 2018 (the last working day before the 31 March deadline stipulated in the regulations). This return should be prepared using data from the actual NNDR and BRS billing run for 2018-19.

## **Variations to the budgeted amount of Crossrail BRS payable annually to the GLA by billing authorities in year**

- Under paragraph 6 to the 'Transfers to Revenue Accounts' Regulations, billing authorities may vary their provisional amount ('BRS 1') calculation during the year. Any variation submitted by a billing authority must specify:
  - (a) the amount it has transferred from its collection fund to the relevant levying authority's revenue account during the year;
  - (b) the total amount it expects to transfer from its collection fund to the relevant levying authority's revenue account during the financial year; and
  - (c) the difference between a and b
- Billing authorities:
  - may not submit a variation more than once in any quarter (e.g. 1 April to 30 June and so on);
  - must provide an explanation to support their revised calculations; and
  - can only submit a variation where the amount expected to be collected is lower than the budgeted amount in their BRS 1 return.
- The associated return billing authorities will be required to complete is designated as the 'BRS2' variation return in line with the corresponding arrangements for the NNDR2 form for national business rates. The BRS 2 return proforma is available from the GLA on request.

## **Final outturn for the financial year**

- Under section 7 of the Transfers to Revenue Accounts Regulations billing authorities are required to submit a final 'outturn' return (designated by the GLA as the 'BRS 3 return') to levying authorities by 31 May of the following financial year (e.g. 31 May 2018 for 2017-18). The final level of Crossrail BRS due to the GLA is calculated by allocating the total sum collected in 'business rates' pro rata between NNDR and BRS adjusting for in year refunds and prior year adjustments.
- The BRS 3 outturn return for 2017-18 is expected to be circulated in late March 2018. The statutory deadline for returning this is Thursday 31 May 2018 but subject to agreement with billing authorities we intend to bring this forward to Friday 27 April to facilitate the earlier 2017-18 statement of accounts closure. The format of the return is expected to be broadly unchanged from the 2016-17 version as no amendments to the BRS regulations affecting this have yet been published by CLG.
- Any additional payments required from billing authorities or refunds due from the GLA following the submission of the year end (BRS 3 returns) will be made in compliance with section 8 of the Transfers to Revenue Accounts regulations. Wherever practical the GLA will request that billing authorities adjust for any such sums through an amendment to the next – (i.e. the 29 June 2018) BRS monthly instalment payable to the GLA. If, however, the amount refundable by the GLA (i.e. where the amount collected during the previous financial year is lower than the instalments already paid over) exceeds the monetary value of the June instalment then the GLA will pay the excess to the billing authority by BACS by 29 June 2018.

## **Certification of Returns**

- In line with paragraph 9 of the Transfer to Revenue Accounts regulations all BRS 1 (provisional amount), BRS 2 (in year variation) and BRS 3 (outturn) returns will need to be certified by each billing authority's Chief Finance Officer (i.e. the section 151 officer designated under the Local Government Act 1972). Instructions on this process will be provided in the guidance notes for each return.

## ILLUSTRATIVE EXAMPLES OF IMPACT OF CROSSRAIL BRS ON DIFFERENT CATEGORIES OF RATEPAYER

The following scenarios provide illustrative examples of the level of Crossrail BRS payable by different types of ratepayer based on the GLA's final policies for the BRS in 2018-19 having regard to the requirements of the BRS Act and the contents of the Final Prospectus.

The rateable value figures quoted would be based on the 2017 rating list and the analysis assumes that the ratepayer occupies or has rights to occupy the property for a full chargeable year (1 April 2018 to 31 March 2019) unless stated otherwise, that the basic BRS multiplier for the year is 2p and the minimum BRS rateable value threshold above which the Crossrail BRS is payable is £70,000.

### **Illustrative Examples Of Potential Level of Crossrail BRS Payable By Different Categories Of Ratepayer in 2018-19 Under the GLA's Final Policies**

*A company occupies premises with a rateable value of £60,000*

- No Crossrail BRS would be payable for this property because its rateable value is below the £70,000 threshold.

*A company occupies premises with a rateable value of £70,000*

- No Crossrail BRS would be payable for this property because its rateable value is not above £70,000

*A company which is not entitled to any reliefs under NNDR occupies premises with a rateable value of £150,000.*

- The company would be liable to pay Crossrail BRS annually of £3,000 (£150,000 RV x 2% i.e. applying the 2p multiplier).

*A charity (or community amateur sports club) occupies all of a property with a rateable value of £150,000 and receives 90% relief on its NNDR bill (80 % mandatory relief and a further 10% discretionary relief awarded by its local borough council).*

- The charity would pay Crossrail BRS annually of £300 (£150,000 RV x 2% i.e. the BRS 2p multiplier x 10% i.e. due to it being granted 90 % relief under NNDR).

*A non profit making body - which is not eligible for automatic relief as a charity or sports club but is granted discretionary relief of 50 % of its NNDR bill by its local borough council - occupies premises with a rateable value of £150,000.*

- The non profit making body would be required to pay Crossrail BRS annually of £1,500 allowing for the 50 % relief on their bill to which they are entitled under NNDR (£150,000 RV x 2% i.e. the 2p BRS multiplier x 50% i.e. due to it being granted 50 % relief under NNDR).

*A charity or community amateur sports club owns a property (or has rights to occupy a property) which is empty.*

- No Crossrail BRS would be payable because charities and community amateur sports clubs will not be liable to the Crossrail BRS on empty properties they own or have rights to occupy, in line with the system for NNDR.

*A company which is in administration owns a property (or has rights to occupy a property) which is empty and this position is expected to remain so.*

- No Crossrail BRS would be payable because companies in administration will not be liable for the supplement on properties which they own or have rights to occupy which are empty under current NNDR regulations.



*A company owns an industrial property with a rateable value of £100,000 and a non industrial property with a rateable value of £200,000. Both these properties will become empty on 1 April 2018 and are likely to remain empty until at least 31 March 2019.*

Because empty properties will not be exempt from the Crossrail BRS as a class:

- No Crossrail BRS would be payable on the industrial property until 1 October 2018 as it would be automatically entitled to empty property relief under NNDR for the first six months. Thereafter the company would be liable to an annual Crossrail BRS bill for this property of £2,000 (£100,000 RV x 2% i.e. 2p) but would only be liable for £1,000 in 2018-19 (pro rata for the period 1 October 2018 to 31 March 2019).
- No Crossrail BRS would be payable on the non industrial property until 1 July 2018 as it is automatically entitled to full relief under NNDR for the first three months it is empty. Thereafter the company would be liable to an annual Crossrail BRS bill of £4,000 (£200,000 RV x 2% i.e. 2p) but would only be liable for £3,000 in 2018-19 (pro rata for the period 1 July 2018 to 31 March 2019).

*A ratepayer occupies 50% of the area of non industrial property with a total rateable value of £100,000 and owns or is entitled to occupy the other 50% (i.e. the currently empty part) and has made a successful application for section 44a relief. The rateable value of the empty part is therefore £50,000 and the occupied part also £50,000. The empty part became empty on 1 April 2018 and is expected to remain so until at least 31 March 2018. The ratepayer is not a charity or amateur sports club and the hereditament is not a listed building (i.e. the ratepayer is not eligible for empty property relief).*

Because empty properties will not be exempt from the Crossrail BRS as a class:

- The total Crossrail BRS liability on this property will be £1,500 in 2018-19. For the first three months (April to June 2018) when the empty part is eligible for empty property relief in line with the NNDR system no Crossrail BRS would be payable on the property as the occupied part has a rateable value below £70,000. For the remaining nine months (July 2018 to March 2019) the ratepayer is liable for Crossrail BRS on a pro rata basis of £1,500 (i.e. 2p x £100,000 x 9/12) because rate relief on the empty part has ceased.

*A new commercial development with a rateable value above £70,000 is completed and becomes capable of occupation on 30 September 2016. It remains unoccupied until 31 March 2019. Under the new build empty property relief scheme the ratepayer is not liable to pay non domestic rates during 2018-19 on that property and the monetary level of relief granted is below state aid limits.*

- The Crossrail BRS payable will be zero – as the ratepayer receives the same discretionary rate of relief as applies to its non domestic rates bill for a period of 18 months subject to state aid limits not being exceeded.

*A ratepayer of a property with a rateable value of £100,000 receives a 5 per cent reduction on its 2018-19 NNDR liability as a result of the authority's local discretionary relief scheme which is funded by central government.*

- The Crossrail BRS payable will be £1,900 – the full liability of £2,000 (2p x £100,000) net of a 5% discount. This is the same discount applicable for the BRS as for NNDR at the same percentage rate.

Estimated No of Hereditaments Liable to the Crossrail BRS and Proportion Liable by London Billing Authority in 2018-19

	Estimated no of properties liable to BRS in 2018-19 (above £70k RV)
Barking and Dagenham	416
Barnet	685
Bexley	446
Brent	762
Bromley	695
Camden	3,867
City of London	5,330
Croydon	935
Ealing	1,095
Enfield	654
Greenwich	550
Hackney	934
Hammersmith & Fulham	1,423
Haringey	488
Harrow	363
Havering	563
Hillingdon	1,196
Hounslow	1,095
Islington	1,999
Kensington and Chelsea	2,252
Kingston	641
Lambeth	965
Lewisham	367
Merton	634
Newham	993
Redbridge	381
Richmond	606
Southwark	1,645
Sutton	324
Tower Hamlets	1,862
Waltham Forest	390
Wandsworth	653
Westminster	11,581
<b>London total</b>	<b>46,790</b>

Estimated Percentage Share of Properties Liabie in each Billing Authority and Authority Share of London total in 2018-19 Assuming a £70,000 Rateable Value Threshold

	Percentage of properties in authority area on local rating list liable to BRS	Authority share of all properties liable to BRS across London
Barking and Dagenham	9%	1%
Barnet	8%	1%
Bexley	8%	1%
Brent	9%	2%
Bromley	10%	1%
Camden	23%	8%
City of London	27%	11%
Croydon	10%	2%
Ealing	11%	2%
Enfield	10%	1%
Greenwich	11%	1%
Hackney	9%	2%
Hammersmith & Fulham	15%	3%
Haringey	7%	1%
Harrow	7%	1%
Havering	10%	1%
Hillingdon	14%	3%
Hounslow	15%	2%
Islington	18%	4%
Kensington and Chelsea	26%	5%
Kingston	14%	1%
Lambeth	11%	2%
Lewisham	6%	1%
Merton	12%	1%
Newham	14%	2%
Redbridge	6%	1%
Richmond	10%	1%
Southwark	14%	3%
Sutton	8%	1%
Tower Hamlets	11%	4%
Waltham Forest	6%	1%
Wandsworth	9%	2%
Westminster	32%	25%
<b>London total</b>	<b>16%</b>	<b>100%</b>

Estimated BRS Taxtake in 2018-19 by Billing Authority Before Appeals Provision and (in aggregate) After GLA's Appeals Provision  
Figures in £m

	2018-19 Forecast Income
Barking and Dagenham	1.6
Barnet	2.8
Bexley	2.0
Brent	3.3
Bromley	2.4
Camden	21.7
City of London	42.5
Croydon	3.1
Ealing	4.3
Enfield	3.1
Greenwich	2.7
Hackney	3.2
Hammersmith and Fulham	8.2
Haringey	1.6
Harrow	1.1
Havering	2.1
Hillingdon	12.5
Hounslow	6.5
Islington	8.6
Kensington and Chelsea	11.9
Kingston	2.5
Lambeth	4.9
Lewisham	1.9
Merton	2.4
Newham	4.0
Redbridge	1.2
Richmond	2.3
Southwark	9.5
Sutton	1.4
Tower Hamlets	15.3
Waltham Forest	1.6
Wandsworth	2.0
Westminster	80.7
<b>Total collected from ratepayers</b>	<b>275.0</b>
Less Billing authority collection allowance	0.4
<b>Total sum received by GLA</b>	<b>274.6</b>
Less Estimated Appeals losses	-21.0
<b>Total after assumed appeals losses</b>	<b>254.6</b>

Note: The data by billing authority is gross of collection costs estimated at £0.43 million. A 5% appeals loss is assumed for the 2017 rating list and allowance is also made for outstanding challenges on the 2010 list in line with existing forecasts for NNDR. These sums are deducted from the total before appeals losses to generate the income expected to be received by the GLA on an accrued basis net of these appeals provisions in the last row.



PROPOSED SUPPORTING EXPLANATORY TEXT ON CROSSRAIL BRS TO EITHER BE CIRCULATED WITH 2018-19 RATES BILLS TO ALL NNDR RATEPAYERS OR PLACED ON BILLING AUTHORITY WEBSITES IN LINE WITH THE LOCAL POLICY ADOPTED IN RESPECT OF RATEPAYER COMMUNICATIONS

## GREATER LONDON AUTHORITY

### **What is Crossrail and how will it benefit your business?**

Crossrail will connect the outer suburbs and Heathrow airport to the West End, City and Canary Wharf. It is vital to the future of London's economy. The increased earnings it will bring – from new jobs and quicker journeys – will benefit businesses across London. It will be named the Elizabeth line upon full opening in honour of Queen Elizabeth II.

The single largest investment in London's infrastructure for decades, it has employed up to 14,000 people at the peak of construction. The new Crossrail trains are currently in operation on a section of the route from Liverpool Street to Shenfield. Furthermore a significant milestone has been reached as the permanent track for the Elizabeth Line has been completed. Crossrail services are due to commence through central London by the end of 2018 with full opening of the line by December 2019.

To find out more, visit [www.crossrail.co.uk](http://www.crossrail.co.uk), call the Crossrail 24 hr Helpdesk on 0345 602 3813 or email [helpdesk@crossrail.co.uk](mailto:helpdesk@crossrail.co.uk).

### **Developments in the construction and financing of Crossrail**

The Mayor of London agreed a settlement with government in October 2010 for the Crossrail route and secured investment to upgrade the Tube. Crossrail is now being built at its key sites across London.

In April 2012 the Mayor introduced a community infrastructure planning (CIL) levy on new developments in London to finance Crossrail. This is paid for by the developer.

Find out more at: [www.london.gov.uk](http://www.london.gov.uk)

### **How will London's businesses help fund Crossrail?**

The Crossrail BRS has been used to finance £4.1 billion of the costs of the project. Of this, around £3.3 billion has been borrowed with the remaining £0.8 billion being funded directly using BRS revenues. It will need to be levied until the GLA's borrowing is repaid. This is expected to be some time in the 2030s.

### **Does my business have to pay the Crossrail BRS?**

Your rates bill makes clear if you are liable to pay the BRS. Since April 2017 the Crossrail BRS is applied only to assessments (for example business and other non domestic premises) with a rateable value of over £70,000 on the local rating lists of the 32 London boroughs and City of London Corporation. Around 85 per cent of non domestic properties in London will be exempt from the BRS in 2018-19 due to this threshold.

### **How much do I pay if my property's rateable value is above £70,000?**

The Crossrail BRS multiplier for 2018-19 remains at 2p per pound of rateable value. Reliefs for the Crossrail BRS will apply on the same basis and at the same percentage rate as for your National Non Domestic Rates (NNDR) bill. However no transitional relief is provided for the BRS.

### **Keeping you up to date**

We will give ratepayers an annual update over the lifetime of the BRS.

### **Contact for more information**

020 7983 4100 ♦ [crossrail-brs@london.gov.uk](mailto:crossrail-brs@london.gov.uk); [www.london.gov.uk/crossrail-brs](http://www.london.gov.uk/crossrail-brs)  
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PROVISIONAL ESTIMATE OF BRS COST OF COLLECTION ALLOWANCES FOR 2018-19  
(FURTHER ADMINISTRATIVE EXPENSES AS DEFINED BY PARAGRAPH 3 OF THE BRS ADMINISTRATIVE  
EXPENSES REGULATIONS 2010)

BOROUGH	Estimated Share of Hereditaments Liable to BRS (Rounded)	Provisional 2018-19 Cost of collection allowance £
Barking and Dagenham	0.9%	6,000
Barnet	1.5%	6,039
Bexley	1.0%	6,000
Brent	1.6%	6,718
Bromley	1.5%	6,128
Camden	8.3%	34,112
City of London	11.4%	46,993
Croydon	2.0%	8,244
Ealing	2.3%	9,669
Enfield	1.4%	6,000
Greenwich	1.2%	6,000
Hackney	2.0%	8,235
Hammersmith and Fulham	3.0%	12,636
Haringey	1.0%	6,000
Harrow	0.8%	6,000
Havering	1.2%	6,000
Hillingdon	2.6%	10,570
Hounslow	2.3%	9,749
Islington	4.3%	17,767
Kensington and Chelsea	4.8%	19,855
Kingston upon Thames	1.4%	6,000
Lambeth	2.1%	8,508
Lewisham	0.8%	6,000
Merton	1.4%	6,000
Newham	2.1%	9,042
Redbridge	0.8%	6,000
Richmond upon Thames	1.3%	6,000
Southwark	3.5%	14,504
Sutton	0.7%	6,000
Tower Hamlets	4.0%	16,417
Waltham Forest	0.8%	6,000
Wandsworth	1.4%	6,000
Westminster	24.8%	102,107
<b>LONDON TOTAL</b>	<b>100.0%</b>	<b>437,295</b>

Note 1: Allocations will be revised following receipt of BRS 1 forms and (if changes material). Allowance will be offset against instalments and spread equally across the financial year.

2. Figures assume aggregate amount collected in BRS by GLA will be £275 m before collection costs and that 0.15% of the tax take can be recovered by billing authorities in further administrative expenses in the eighth year of a BRS in line with the BRS Administrative Expenses Regulations subject to guaranteeing that no billing authority receives an allowance below £6,000 to recognise the fixed costs which all incur in administering the BRS.

