

Appendix A

PROPOSED SECTION 18 NOTICE TO THE SECTION 151 OFFICERS AS DESIGNATED UNDER THE LOCAL GOVERNMENT ACT 1972 (I.E. THE DIRECTOR OF FINANCE OR BOROUGH TREASURER) OF THE 32 LONDON BOROUGHES AND THE CHAMBERLAIN OF THE COMMON COUNCIL OF THE CITY OF LONDON
– KEY EXTRACTS

CROSSRAIL BUSINESS RATE SUPPLEMENT POLICIES FOR 2016-17

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 2016-17 financial year to finance its contribution to the Crossrail project (the “Crossrail BRS”).

The policies for 2016-17 are identical to those for 2015-16. 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).

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) and explanatory notes (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) 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) - 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

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 2016 to 31 March 2017. 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 2016-17.

Crossrail BRS chargeable period

The Crossrail BRS is to be levied for the period from 1 April 2016 to 31 March 2017 inclusive. It will therefore operate for the entire 2016-17 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 2016-17 is **£55,000**. This means that only hereditaments on each local rating list with a rateable value of £55,001 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.

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 2016-17.

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 £55,000.

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 2016 to 31 March 2017. 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.

Impact of Government Funded Discretionary Announced in the 2013, 2014 and 2015 Autumn Statements on BRS

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. The Chancellor announced a number of temporary new reliefs in the 2013, 2014 and 2015 Autumn Statements – some of which will end during 2016-17. The majority of these have either applied only to small businesses or to retail premises with a rateable value of below £50,000 – which would not ordinarily be liable for the Crossrail BRS.

It is anticipated that only two temporary reliefs affecting the 2016-17 financial year are likely to apply widely to properties liable to the BRS. The first is retail reoccupation relief which provides a 50% business rates discount for 18 months for businesses moving into previously empty retail premises between 1 April 2014 and 31 March 2016, up to the State Aid De Minimis limits. This 50 per cent relief, if granted, would also apply therefore to their BRS liability. In addition the business rates relief for newly built properties for up to 18 months – again subject to state aid limits – introduced in 2013-14 for properties completed by 30 September 2016 will also continue to apply in 2016-17 in respect of NNDR and 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 Appendix B and are in line with those used in previous years.

ADDITIONAL INFORMATION

(NOTE THE APPENDICES LISTED BELOW ARE NOT INCLUDED AS AN ATTACHMENT TO THIS DECISION APART FROM APPENDICES D AND E AS THEY ADDRESS THE MORE DETAILED ADMINISTRATION ARRANGEMENTS)

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

Appendix 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 and the policies for 2016-17 are consistent with this.

Appendix 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.

Appendix 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 2016-17.

Appendix D: Estimated number of hereditaments liable to the Crossrail BRS and estimated amount collectable for 2016-17 by billing authority

This provides details on the expected number of properties liable to pay the BRS and the expected tax take (net of reliefs and a 5% contingency but before billing authority collection costs) by billing authority area. It is consistent with the provisional returns submitted by billing authorities for the 2015-16 financial year.

Appendix E: Proposed supporting explanatory text on Crossrail BRS for non domestic ratepayers

(see Appendix B of this Mayoral Decision)

Appendix F: Provisional BRS cost of collection allowances

This appendix sets out the provisional 'BRS cost of collection allowances' we estimate each billing authority will be entitled to in 2016-17 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 0.2% of the estimated 2016-17 Crossrail BRS net tax take (i.e. the share permitted for the sixth year of a BRS) of £223.5 m (forecast BRS revenues gross of 2015-16 administrative expenses) in proportion to each billing authority's estimated share of the number of hereditaments liable to the Crossrail BRS across the GLA area.

Proposed Supporting Explanatory Information on the Crossrail BRS for NNDR ratepayers

Appendix E (attached as Appendix B to this decision) 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 2016-17 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 2016-17 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. Further information may be found in the Crossrail BRS final prospectus which is available at www.london.gov.uk/crossrail-brs

Provisional Return for 2016-17 (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 2016. 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 2015-16. The introduction of business rates retention has had no direct impact on the Crossrail BRS or reporting arrangements.

The deadline for returning the 2016-17 BRS 1 form is Thursday 31 March 2016. The return should be based on the information from the actual 2016-17 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 2015-16.

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 2016-17.

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 2016-17.

Contact for Further Information

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

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Yours sincerely

Martin Clarke

Executive Director Resources

Appendix A

ADDITIONAL INFORMATION

Estimated No of Hereditaments Liable to the Crossrail BRS and Proportion Liable by London Billing Authority in 2016-17

(Properties With Rateable Value Over £55,000)

| Billing Authority | Estimated No of Hereditaments With Rateable Values Above £55k | Estimated No hereditaments liable to BRS as percentage of London Total | Estimated Proportion of Hereditaments Liable to BRS in Billing Authority Area |
|------------------------|---|--|---|
| INNER LONDON | | | |
| City of London | 4,644 | 10.1% | 27.0% |
| Camden | 3,690 | 8.0% | 22.2% |
| Greenwich | 543 | 1.2% | 10.9% |
| Hackney | 674 | 1.5% | 6.8% |
| Hammersmith and Fulham | 1,428 | 3.1% | 15.5% |
| Islington | 1,611 | 3.5% | 14.8% |
| Kensington and Chelsea | 2,260 | 4.9% | 26.9% |
| Lambeth | 845 | 1.8% | 10.0% |
| Lewisham | 334 | 0.7% | 5.6% |
| Southwark | 1,421 | 3.1% | 13.2% |
| Tower Hamlets | 1,540 | 3.3% | 10.4% |
| Wandsworth | 897 | 1.9% | 10.1% |
| Westminster | 11,392 | 24.7% | 32.5% |
| OUTER LONDON | | | |
| Barking and Dagenham | 469 | 1.0% | 11.3% |
| Barnet | 745 | 1.6% | 9.0% |

| | | | |
|----------------------|--------|--------|-------|
| Bexley | 508 | 1.1% | 9.3% |
| Brent | 847 | 1.8% | 10.1% |
| Bromley | 767 | 1.7% | 10.4% |
| Croydon | 935 | 2.0% | 10.3% |
| Ealing | 1,264 | 2.7% | 13.2% |
| Enfield | 768 | 1.7% | 10.9% |
| Haringey | 522 | 1.1% | 7.7% |
| Harrow | 407 | 0.9% | 7.4% |
| Havering | 614 | 1.3% | 10.9% |
| Hillingdon | 1,295 | 2.8% | 15.9% |
| Hounslow | 1,228 | 2.7% | 17.5% |
| Kingston upon Thames | 723 | 1.6% | 15.0% |
| Merton | 814 | 1.8% | 15.0% |
| Newham | 981 | 2.1% | 13.7% |
| Redbridge | 425 | 0.9% | 6.8% |
| Richmond upon Thames | 676 | 1.5% | 11.3% |
| Sutton | 396 | 0.9% | 9.5% |
| Waltham Forest | 400 | 0.9% | 6.2% |
| LONDON TOTAL | 46,063 | 100.0% | 15.7% |
| INNER LONDON TOTAL | 31,279 | 67.9% | 19.4% |
| OUTER LONDON TOTAL | 14,784 | 32.1% | 11.1% |

Source: Estimates Derived from BRS 1 returns for 2015-16 and CIPFA Finance and General Statistics

Estimated Crossrail BRS Income and Proportion of London Total For Each Billing Authority

(Net of Forecast Billing Authority Collection Costs)

| Borough | Estimated Net BRS tax take in 2016-17 £m | Income as % of London total |
|------------------------|---|--------------------------------|
| INNER LONDON | | |
| City of London | 31.0 | 10.1% |
| Camden | 17.2 | 8.0% |
| Greenwich | 2.0 | 1.2% |
| Hackney | 2.0 | 1.5% |
| Hammersmith and Fulham | 6.0 | 3.1% |
| Islington | 5.8 | 3.5% |
| Kensington and Chelsea | 9.3 | 4.9% |
| Lambeth | 3.7 | 1.8% |
| Lewisham | 1.3 | 0.7% |
| Southwark | 6.7 | 3.1% |
| Tower Hamlets | 12.2 | 3.3% |
| Wandsworth | 2.5 | 1.9% |
| Westminster | 64.6 | 24.7% |
| OUTER LONDON | | |
| Barking and Dagenham | 1.8 | 1.0% |
| Barnet | 2.9 | 1.6% |
| Bexley | 2.0 | 1.1% |
| Brent | 3.0 | 1.8% |
| Bromley | 2.3 | 1.7% |
| Croydon | 3.4 | 2.0% |

| | | |
|---|-------|--------|
| Ealing | 3.6 | 2.7% |
| Enfield | 3.1 | 1.7% |
| Haringey | 1.4 | 1.1% |
| Harrow | 1.2 | 0.9% |
| Havering | 2.1 | 1.3% |
| Hillingdon | 12.3 | 2.8% |
| Hounslow | 5.0 | 2.7% |
| Kingston upon Thames | 2.5 | 1.6% |
| Merton | 2.5 | 1.8% |
| Newham | 4.1 | 2.1% |
| Redbridge | 1.2 | 0.9% |
| Richmond upon Thames | 2.1 | 1.5% |
| Sutton | 1.4 | 0.9% |
| Waltham Forest | 1.3 | 0.9% |
| LONDON TOTAL | 223.5 | 100.0% |
| Provision set aside for appeals/refunds (2%) | -4.5 | |
| FORECAST BRS INCOME AVAILABLE | 219.0 | |

Note: This data is net of billing authority collection costs estimated at £0.45 million and represents the forecast amounts to be paid to the GLA. The forecast BRS income gross of billing authority collection costs is £224 million.

Source: Estimates Derived from BRS 1 returns for 2015-16