

**REQUEST FOR MAYORAL DECISION – MD1305**

**Title: Crossrail Business Rates Supplement – Approval of Policies for 2014-15**

**Executive Summary:**

The Crossrail Business Rate Supplement (the 'Crossrail BRS') is financing £4.1 billion of the costs of the Crossrail project. This proposal asks the Mayor to approve the final policies for the supplement for 2014-15 including the multiplier (or tax rate) and the rateable value threshold above which it will apply having regard to the final prospectus for the BRS - 'Intention to levy a business rate supplement to finance the Greater London Authority's contribution to the Crossrail project – Final prospectus' (January 2010).

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 of Resources to issue a notification to each billing authority under section 18 of the Business Rate Supplements Act 2009 setting out the final policies for the Crossrail BRS in 2014-15 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 2014-15 non domestic rates bills which are due to be issued before the end of March 2014.

**Decision:**

The Mayor is asked to approve the following policies for the Crossrail BRS for the 2014–15 financial year:

- The Crossrail BRS will apply for the full 2014-15 financial year across the entire GLA area;
- The Crossrail BRS multiplier (or tax rate) shall be set at 2p per pound of rateable value in the 2014-15 financial year and the rateable value threshold above which the Crossrail BRS shall apply will be set at £55,000;
- 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; 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.

The Mayor is also asked to authorise 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 an explanatory note for non domestic ratepayers for 2014-15 as set out in Appendices A and B.

The proposed policies are identical to those applying to the Crossrail BRS in the 2013-14 financial year (as approved in MD1131) as no material factors have emerged which would require the Mayor to amend them. The Crossrail BRS is projected to raise £223 million in 2014-15.

**Mayor of London**

I confirm I have considered whether or not I have any personal or prejudicial interest in this matter and take the proposed decision in compliance with the Code of Conduct for elected Members of the Authority. Any such interests are recorded below.

The above request has my approval.

**Signature**

**Date**

## **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 have been reduced by approximately £1 billion to £14.5 billion and the project will 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%) is being financed by a business rate supplement on non domestic ratepayers in London ("the Crossrail BRS"). This contribution comprises two elements: up to £3.5 billion of borrowing by the GLA (the interest on and repayment which is being financed by the revenues from the BRS) and an additional £0.6 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 The GLA has estimated that in order to finance the GLA's agreed contributions to Crossrail and the repayment of its borrowing the Crossrail BRS will run for between 24-31 years and may potentially generate up to £8.1 billion in revenues (£3.5 billion to repay the GLA's loan, £4.0 billion in interest and financing costs on this borrowing and the £0.6 billion direct contribution).
- 1.4 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 assessments 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.
- 1.5 This report asks the Mayor to approve the proposed policies for the Crossrail BRS for 2014-15 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").
- 1.6 The policies proposed to apply in 2014-15 are consistent with those set out in the final prospectus and those in place for 2010-11 to 2013-14. 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 same policies, however, are now expected to apply for at least the first seven years of the Crossrail BRS (2010-11 to 2016-17) that is, until the next NNDR revaluation which has been rescheduled for 2017.

- 1.7 The Decision asks the Mayor to agree the following policies for the Crossrail BRS in 2014-15 which are identical to those for 2013-14:
- The Crossrail BRS will apply for the full 2014-15 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 2014-15 financial year;
  - The rateable value threshold above which the Crossrail BRS shall apply in the 2014-15 financial year will be set at £55,000;
  - 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.
  - 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).
- 1.8 The Mayor is also asked to agree that the Executive Director of Resources be authorised to issue a formal notification of the above policies 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 2014-15 as set out in Appendix B. This will either be circulated to ratepayers alongside their 2014-15 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 (Electronic Communications) (England) Order 2012.

## **2. Issues for consideration**

### Links to Strategies and Strategic Plans

- 2.1 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 and the Mayor's Transport Strategy published in May 2010. 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% 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.
- 2.2 Proposal 5 in the Mayor's Transport Strategy states that 'The Mayor, through TfL, and working with the DfT, Network Rail, train operating companies, freight operating companies, boroughs and other transport stakeholders, will seek to ensure that Crossrail is delivered, and that it is fully integrated with the rest of London's public transport system; that the impacts of construction on residents and businesses are minimised as far as possible; and that the future benefits Crossrail brings are monitored to ensure the rail link achieves its objectives.'
- 2.3 The Crossrail BRS, either directly or to support the financing and repayment of GLA borrowing, is funding £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 and therefore proposal 5 in the Mayor's Transport Strategy would not be deliverable.

## Impact Assessments and Consultation

- 2.4 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”).
- 2.5 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.
- 2.6 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.
- 2.7 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 of £50,000 to £55,000. The effect of this change was to exempt around 4,000 properties from the Crossrail BRS thus targeting relief mainly at small and medium sized businesses as well as 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. The Secretary of State for Communities and Local Government confirmed in October 2012 that the next revaluation would now take place in 2017 – two years later than originally planned.
- 2.8 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.

- 2.9 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 will also apply to the new discretionary relief powers introduced under section 69 of the Localism Act which permit billing authorities to grant discretionary relief to any ratepayer subject to state aid rules. The final prospectus also confirmed that section 45 ratepayers (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).
- 2.10 The Final Prospectus did make it clear, however, that it was the Mayor’s preference for all registered charities and amateur sports clubs in London to receive an automatic 100% exemption from the Crossrail BRS - in order to ensure consistent treatments for all charitable bodies across the capital irrespective of their location - rather than the 80% mandatory relief prescribed by NNDR legislation which can be topped up at the local discretion of individual billing authorities for both NNDR and BRS. The costs of granting this additional relief would be absorbed by the GLA as a reduction in revenue. It remains the Mayor’s position that registered charities should be exempt from the Crossrail BRS but this is not possible under existing rating legislation.
- 2.11 The Mayor is required by section 33(1) of the 1999 Act to ensure that in the implementation of any strategy due regard is had to the principle that there should be equality of opportunity for all. The GLA is a body which is subject to the public sector equality duty. The public sector equality duty consists of a general equality duty, which is set out in section 149 of the Equality Act 2010 itself, and specific duties which are imposed by secondary legislation. The general equality duty came into force on 5 April 2011.
- 2.12 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. The BRS is only levied on large assessments on the non domestic rating list with a rateable value above £55,000 which means that more than 80 per cent of non domestic hereditaments – including the majority of premises occupied by small and medium sized enterprises – in London are exempt. It is considered that the proposed BRS policies – which are identical to those which have applied since April 2010 - are consistent with the GLA’s statutory duties and non domestic rating legislation.

#### Other Relevant Information

- 2.13 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 this is the 32 London boroughs and the Common Council of the City of London. Both charges are included on the same bills which, for 2014-15, will be sent out to non domestic ratepayers by the 33 London billing authorities before the end of March 2014. The BRS is administered in line with regulations issued by the Secretary of State for Communities and Local Government under the BRS Act.
- 2.14 Billing authorities are permitted to recover ongoing collection and enforcement 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).

- 2.15 Billing authorities further administrative expenses for the fifth year of the BRS (2014-15) will equate to 0.3% of the BRS income collectable by the GLA (provisionally estimated at £0.7 million across all 33 authorities) as prescribed by the BRS administrative expenses regulations. 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.
- 2.16 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 for the BRS by 1 March. It is intended to issue this notification by early February 2014. This will enable billing authorities to make the necessary arrangements for the inclusion of the BRS on 2014-15 rates bills which are due to be circulated to ratepayers before the end of March 2014. The Mayor is asked to authorise the Executive Director – Resources to issue these notifications including confirmation of the provisional further administrative expenses which billing authorities are permitted to recover. The proposed text is set out at Appendix A.
- 2.17 The Mayor is also asked to authorise the proposed explanatory note for non domestic ratepayers as set out in Appendix B. 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 2014-15 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

- 2.18 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.
- 2.19 During the 2014-15 financial year the GLA is scheduled contribute £530 million towards the Crossrail project – of which it is anticipated that £157 million will be paid through the direct revenue contribution and £373 million financed using borrowing. It is also forecast to incur £121 million in interest costs on its Crossrail related borrowing during 2014-15 which will be financed via the BRS. The interest costs financed by BRS revenues are equivalent to 30 per cent of the GLA’s gross revenue expenditure in 2014-15 rising to a projected 37 per cent in 2015-16. Therefore the successful ongoing implementation of the Crossrail BRS is critical to the GLA’s medium term planning.
- 2.20 The GLA is actively managing its Crossrail investment programme and monitoring its BRS revenues from London boroughs to ensure the risks to the GLA budget arising from this are mitigated. The GLA will also set aside a proportion of the expected BRS revenues for 2014-15 to manage future risks in relation to rating appeals during the period of the 2010 rating list.

### **3. Financial Comments**

- 3.1 Of the £4.1 billion contribution towards the cost of the Crossrail project which is being financed by business rate supplement income - £3.5 billion was scheduled to be financed by borrowing and £600m through a direct contribution using BRS revenues. It is forecast that by 31 March 2014 around £3.5 billion of this contribution will have been paid to TfL. A further £530 million is expected to be paid to TfL in 2014-15 of which £373 million is expected to be funded by borrowing and £157 million via a direct contribution.
- 3.2 The income raised through the Crossrail BRS in the 2014-15 financial year net of billing authority administrative expenses and rating reliefs is estimated at this stage to be £223.1 million. Of this, £121 million is expected to be used to finance the GLA’s estimated interest costs on the £3 billion debt it is forecast to hold by the end of March 2014 – in addition to any sums drawn down in 2014-15. The GLA will use unapplied revenues from previous years in order to meet its financing commitments for Crossrail in 2014-15.

- 3.3 It is estimated that the BRS will run for a period of between 24-31 years until the GLA's £3.5 billion debt is repaid. Over its lifetime it is estimated that up to £8.1 billion will need to be collected via the BRS to meet the expected repayment profile and financing costs. An illustrative repayment profile is set out in Appendix A to the Final Prospectus.

#### **4 Legal Comments**

- 4.1 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.
- 4.2 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).
- 4.3 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 BRS Act, the Business Rate Supplements (Rateable Value Condition) (England) Regulations 2009, the Business Rate Supplements (Transfers to Revenue Accounts)(England) Regulations 2009, the Business Rate Supplements (Administrative Expenses) (England) Regulations 2010, and relevant existing National Non Domestic Rating legislation.
- 4.4 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 2014-15.
- 4.5 The GLA is required to issue a formal 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 texts for the section 18 notice - excluding supporting appendices where stated - and the ratepayer communication are set out at Appendices A and B.

#### **5 Investment and Performance Board**

- 5.1 The GLA and the Mayor committed to contributing £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 previous Mayor at the time of the original Crossrail agreement in November 2007 and the proposals approved by the current 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 MD 540. The GLA has already borrowed over £3 billion to finance its Crossrail contribution and is committed to borrowing an estimated further £373m in 2014-15.
- 5.2 These decisions were taken prior to the inception of the Investment and Performance Board and were affirmed by the Mayor in MD 1131 (January 2013). If the BRS were not to continue in 2014-15 the GLA would be unable to finance the borrowing it has already undertaken or the planned future borrowing agreed as part of the Crossrail funding package. The forecast financing costs in respect of Crossrail borrowing equate to over 30 % of the GLA's gross revenue expenditure in 2014-15 (excluding rates retention tariff payments) increasing to 37 % in 2014-15 in 2015-16. As this proposal reaffirms policy decisions taken prior to the institution of the IPB, 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.

## **6 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 1131 - Crossrail Business Rates Supplement - Final Policies for 2013-14

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

Proposed supporting explanatory text on Crossrail BRS to be circulated with 2014-15 Rates Bills to all NNDR Ratepayers (Appendix B)



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 BOROUGH AND THE CHAMBERLAIN OF THE COMMON COUNCIL OF THE CITY OF LONDON

**CROSSRAIL BUSINESS RATE SUPPLEMENT POLICIES FOR 2014-15  
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 2014-15 financial year to finance its contribution to the Crossrail project (the "Crossrail BRS").

The policies for 2014-15 are identical to those for 2013-14. 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 section 4 of 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;

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.

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 2014 to 31 March 2015. 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.

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 2014-15.

### **Crossrail BRS chargeable period**

The Crossrail BRS is to be levied for the period from 1 April 2014 to 31 March 2015 inclusive. It will therefore operate for the entire 2014-15 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 2014-15 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 2014-15.

### **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 2014 to 31 March 2015. 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 Additional Rating Reliefs and NNDR Multiplier Cap Announced in the 2013 Autumn Statement**

In the 2013 Autumn Statement the Chancellor announced that the increase in the small business non domestic rating multiplier would be capped at 2 per cent rather than the September 2013 RPI figure of 3.2 per cent. This will have no impact on the Crossrail BRS as the BRS multiplier is not uplifted annually.

In line with the BRS Act all other mandatory and discretionary rates reliefs whether implemented 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 Autumn Statement although the majority of those either apply 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 therefore that the only new additional relief for 2014-15 which will apply widely to properties liable to the BRS is the proposal that businesses that move into retail premises that have been empty for a year or more between 1 April 2014 and 31 March 2016 shall be eligible to receive 50 per cent business rates relief for 18 months. This 50 per cent relief, if granted, would also apply therefore to their BRS liability. The business rates relief for newly built properties for up to 18 months – subject to state aid limits – introduced for 2013-14 will also continue to apply in 2014-15.

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.

The Chancellor also announced his intention that ratepayers will have the automatic right to pay their bills in 12 monthly instalments from April 2014. Billing authorities already pay their instalments over to the GLA over 12 months - net of a 5 per cent contingency allowance - so this change should have 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 2014-15 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 2014-15.

Appendix D: Estimated number of hereditaments liable to the Crossrail BRS and estimated amount collectable for 2014-15 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 2013-14 financial year.

Appendix E: Proposed supporting explanatory text on Crossrail BRS for non domestic ratepayers 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 2014-15 having regard to section 3 of the Business Rate Supplements (Administrative Expenses) (England) Regulations 2010 (the "Administrative Expenses Regulations"). The table apportions 0.3% of the estimated 2014-15 Crossrail BRS net tax take (i.e. the share permitted for the fifth year of a BRS) of £223.9 m (forecast BRS revenues gross of 2013-14 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 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 will either be circulated to ratepayers alongside their 2014-15 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 (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 2014-15 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 in London is being levied by the Greater London Authority on behalf 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](http://www.london.gov.uk/crossrail-brs)*

### **Provisional Return for 2014-15 (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 2014. 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 2013-14. The introduction of business rates retention has no direct impact on the Crossrail BRS or reporting arrangements.

**The latest return date for the 2014-15 BRS 1 form is Monday 31 March 2014.** The return should be based on the information from the actual 2014-15 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 2013-14.

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 2014-15.

### **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 2014-15.

### **Contact for Further Information**

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

Martin Mitchell  
GLA Group Finance Manager  
Finance Unit  
Greater London Authority  
City Hall  
The Queens Walk  
London SE1 2AA  
Tel: 020 7983 4145 or 020 7983 4148  
Fax: 020 7983 4241  
Email: [martin.mitchell@london.gov.uk](mailto:martin.mitchell@london.gov.uk) or [crossrail-brs@london.gov.uk](mailto:crossrail-brs@london.gov.uk)

Yours sincerely

**Martin Clarke**  
Executive Director Resources

## ADDITIONAL INFORMATION

Estimated No of Hereditaments Liable to the Crossrail BRS and Proportion Liable by London Billing Authority in 2014-15

(Properties With Rateable Value Over £55,000)

Borough	Estimated No of Hereditaments With Rateable Values Above £55k	Estimated No hereditaments liable to BRS as percentage of London Total	Estimated Proportion of Hereditaments Projected Liable to BRS
<b>INNER LONDON</b>			
City of London	4,590	9.8%	28.2%
Camden	3,698	7.9%	23.0%
Greenwich	522	1.1%	10.7%
Hackney	674	1.4%	7.9%
Hammersmith and Fulham	1,462	3.1%	18.0%
Islington	1,627	3.5%	15.8%
Kensington and Chelsea	2,331	5.0%	29.5%
Lambeth	859	1.8%	10.3%
Lewisham	326	0.7%	5.6%
Southwark	1,416	3.0%	14.0%
Tower Hamlets	1,521	3.3%	11.2%
Wandsworth	907	1.9%	10.1%
Westminster	11,725	25.1%	35.4%
<b>OUTER LONDON</b>			
Barking and Dagenham	469	1.0%	11.3%
Barnet	767	1.6%	9.9%
Bexley	508	1.1%	9.9%
Brent	832	1.8%	10.6%
Bromley	769	1.6%	11.0%
Croydon	960	2.1%	11.7%
Ealing	1,327	2.8%	14.3%
Enfield	790	1.7%	11.6%
Haringey	543	1.2%	7.8%
Harrow	419	0.9%	8.8%
Havering	619	1.3%	11.2%
Hillingdon	1,319	2.8%	17.8%
Hounslow	1,217	2.6%	19.1%
Kingston upon Thames	719	1.5%	15.7%
Merton	821	1.8%	15.1%
Newham	991	2.1%	10.5%
Redbridge	440	0.9%	7.7%
Richmond upon Thames	677	1.5%	12.1%
Sutton	411	0.9%	9.8%
Waltham Forest	395	0.8%	6.5%
<b>LONDON TOTAL</b>	<b>46,651</b>	<b>100.0%</b>	<b>16.6%</b>
<b>INNER LONDON TOTAL</b>	<b>31,658</b>	<b>67.9%</b>	<b>20.6%</b>
<b>OUTER LONDON TOTAL</b>	<b>14,993</b>	<b>32.1%</b>	<b>11.7%</b>

Source: Estimates Derived from BRS 1 returns for 2013-14

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 2014-15 £m	Income as % of London total
<b>INNER LONDON</b>		
City of London	30.7	13.8%
Camden	17.1	7.6%
Greenwich	1.9	0.8%
Hackney	2.0	0.9%
Hammersmith and Fulham	6.0	2.7%
Islington	5.7	2.6%
Kensington and Chelsea	9.5	4.3%
Lambeth	3.7	1.7%
Lewisham	1.2	0.6%
Southwark	6.4	2.9%
Tower Hamlets	12.0	5.4%
Wandsworth	2.3	1.0%
Westminster	65.4	29.3%
<b>OUTER LONDON</b>		
Barking and Dagenham	1.8	0.8%
Barnet	2.9	1.3%
Bexley	2.0	0.9%
Brent	2.9	1.3%
Bromley	2.3	1.0%
Croydon	3.4	1.5%
Ealing	3.9	1.8%
Enfield	3.1	1.4%
Haringey	1.4	0.6%
Harrow	1.2	0.5%
Havering	2.0	0.9%
Hillingdon	12.3	5.5%
Hounslow	5.0	2.2%
Kingston upon Thames	2.5	1.1%
Merton	2.6	1.1%
Newham	3.9	1.8%
Redbridge	1.2	0.6%
Richmond upon Thames	2.1	0.9%
Sutton	1.5	0.7%
Waltham Forest	1.3	0.6%
<b>LONDON TOTAL</b>	<b>223.2</b>	<b>100.0%</b>
Provision set aside for appeals/refunds (1.8%)	-4.2	
<b>FORECAST BRS INCOME AVAILABLE</b>	<b>219.0</b>	

Note: This data is net of billing authority collection costs estimated at £0.7 million and represents the forecast amounts to be paid to the GLA. The forecast BRS income gross of billing authority collection costs is £223.9 million.

Source: Estimates Derived from BRS 1 returns for 2013-14

PROPOSED SUPPORTING EXPLANATORY TEXT ON CROSSRAIL BRS TO EITHER BE CIRCULATED WITH 2014-15 RATES BILLS TO ALL NNDR RATEPAYERS OR PLACED ON BILLING AUTHORITY WEBSITES IN LINE WITH THE LOCAL POLICY ADOPTED IN RESPECT OF RATEPAYER COMMUNICATIONS

**GREATERLONDONAUTHORITY**

## **CROSSRAIL BUSINESS RATE SUPPLEMENT**

The Greater London Authority (GLA) introduced a business rate supplement (BRS) in April 2010 to finance £4.1 billion of the costs of the £14.5 billion Crossrail project.

### **What is Crossrail and How Will It Benefit Your Business?**

Crossrail will connect the outer suburbs and Heathrow to the West End, City and Canary Wharf. It is pivotal to the future of London's economy and the increased earnings – from new jobs and quicker journeys – will benefit businesses across London.

It is the single largest investment in London's infrastructure for decades, employing up to 14,000 people at the peak of construction. Crossrail services are due commence on the Shenfield to Liverpool Street section in 2017 and through central London in 2018 followed by a phased introduction of services on the rest of the route.

Find out more at [www.crossrail.co.uk](http://www.crossrail.co.uk), by calling the Crossrail 24 hr Helpdesk on 0345 602 3813 or visiting Crossrail's Visitor Information Centres at Whitechapel and Tottenham Court Road.

### **Developments in the Construction and Financing of Crossrail**

The Mayor of London agreed a settlement with the Government in October 2010 for the Crossrail route and secured investment for the upgrade of the Tube. Crossrail is now under construction 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 at more at [www.london.gov.uk](http://www.london.gov.uk).

### **How Will London's Businesses Help to Fund Crossrail?**

The Crossrail BRS is being used to finance £3.5 billion worth of GLA borrowing and the repayment of this sum after Crossrail is completed. A further £0.6 billion of BRS revenues are being used to finance the construction works directly. The GLA will have contributed nearly £3.5 billion by March 2014 towards the project using revenues financed by the BRS. It expects the Crossrail BRS will run for a period of between 24 and 31 years until its borrowing is repaid. A further contribution of £530 million is forecast for 2014-15.

### **Does My Business Have to Pay the Crossrail BRS?**

Your rates bill makes clear if you are liable to pay the BRS. The Crossrail BRS is applied only to assessments (e.g. business and other non domestic premises) on the local rating lists of the 32 London boroughs and City of London Corporation with a rateable value of more than £55,000. Over 80 per cent of non domestic properties in London are therefore exempt.

### **How Much Do I Pay if My Property's Rateable Value is Above £55,000?**

The Crossrail BRS multiplier for 2014-15 is 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, although no transitional relief is provided for the BRS.

### **Keeping You Up to Date**

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

### **Contact for Further 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)  
Finance, GLA, City Hall London SE1 2AA



**Public access to information**

Information in this form is subject to the Freedom of Information Act 2000 (FOI Act) and other legislation. Part 1 of this form will be made available on the GLA website within 1 working day of approval. Any facts and advice that should not be made automatically available on request should not be included in Part 1 but instead on the separate Part 2 form. Deferment is only applicable where release before that date would compromise the implementation of the decision being approved.

Is the publication of this approval to be deferred? **No**

If yes, for what reason:

Until what date:

Is there a part 2 form - NO

**ORIGINATING OFFICER DECLARATION:**

	<i>Tick to indicate approval</i>
<b>Drafting officer:</b> Martin Mitchell, Finance Manager, has drafted this report in accordance with GLA procedures and confirms the following have been consulted on the final decision.	✓
<b>Assistant Director/Head of Service:</b> David Gallie has reviewed the documentation and is satisfied for it to be referred to the Sponsoring Director for approval.	✓
<b>Sponsoring director</b> Martin Clarke has reviewed the request and is satisfied it is correct and consistent with the Mayor's plans and priorities.	✓
<b>Mayoral advisor</b> Sir Edward Lister, Chief of Staff and Deputy Mayor for Planning, has been consulted about the proposal and agrees the recommendations.	✓
<b>Legal and Finance advice</b> The Public Law team has commented on this proposal. The proposal originates from the Finance team.	✓

**OFFICER APPROVAL**

<b>Executive Director, Resources</b>	
I have been consulted about the proposal and confirm that financial and legal advice have been taken into account in the preparation of this report.	
<b>Signature</b>	<b>Date</b>

<b>Chief of Staff</b>	
I am satisfied that this is an appropriate request to be submitted to the Mayor	
<b>Signature</b>	<b>Date</b>