

January 2010

**Intention to levy a business rate supplement to finance the  
Greater London Authority's contribution to the Crossrail project**  
Final Prospectus





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# Mayoral Foreword

Dear Non Domestic Ratepayer

This prospectus sets out the final arrangements for an annual business rate supplement (BRS) which will be introduced from April 2010 to finance £4.1 billion of the Greater London Authority's (GLA) contribution towards the costs of the Crossrail project.

After considering the responses received from the business community, London boroughs, individual ratepayers and other stakeholders to our initial prospectus, we have reached what I believe to be the most suitable arrangement for the BRS to ensure Crossrail's funding package remains intact.

I am acutely aware of the effect of the current economic climate on businesses' bottom lines. The arrangements outlined in this prospectus reflect my concern not to inflict unnecessary hardship on London's ratepayers. But Crossrail's funding package - so carefully pieced together with business agreement - must be protected.

For at least the first five years of the BRS (2010-11 to 2014-15) it is our intention that the supplement will be raised at a rate of 2p on non-domestic hereditaments in London with rateable values of over £55,000 (subject to any general business rates reliefs which may apply). The supplement is expected to apply for a period of between 24 and 31 years although the exact term will depend on how long it takes to repay the debt the GLA will raise.

I cannot overstate the importance of this rail project. And not just for the more obvious



beneficiaries along the route in west, central and east London. All of London will feel the effects of Crossrail. The entire city's tube and rail network will heave a huge, collective sigh of relief as breathing room is created on previously packed to capacity commuter lines.

Once completed in 2017, the link will add 10 per cent to London's rail capacity and substantially reduce congestion on the Tube, DLR and national rail services by providing high frequency, high capacity services. It will be by far the largest single investment in London's infrastructure for a generation or more. But, more than simply adding much needed space on the transport network, it will support journeys from across London and beyond to high value jobs in central London. Canary Wharf and the Isle of Dogs will be able to offer around 100,000 extra jobs as a result. Up to 14,000 people will be employed on the project at the peak of construction, creating new employment and skills opportunities for many Londoners.

Crossrail is key to the future growth of London's economy. With it, London can remain a leading world city for years to come, continuing to attract business investment and the accompanying jobs. By 2026, Crossrail is expected to generate £1.24 billion of benefits for the London economy annually. The increased earnings - from new employment opportunities and transport time savings - will benefit businesses right across London and help make the capital a more attractive city for commuters, visitors, residents and shoppers alike.

The funding package for Crossrail, which my predecessor agreed with the Government, requires me to levy a business rate supplement to finance around £4.1 billion of the expected £15.9 billion project construction costs.

Introducing new taxes on business is never ideal. However, no matter how challenging the economic climate, there are some economies we cannot afford to make. That includes large infrastructure projects such as Crossrail and the upgrade of the tube system, vital to the future competitiveness of this city.

In reaching a decision to set the rateable value threshold for the BRS at £55,000 rather than the minimum level of £50,000, I have decided to target relief at small and medium sized businesses. This will remove around 4,000 properties from liability to the supplement saving their ratepayers an average of around £5,000 each over the next five years.

We remain concerned to minimise the impact on business as well as public sector and charitable organisations, while meeting our Crossrail obligations. We will keep the operation of the BRS under regular review over its lifetime and provide regular updates on its progress to ratepayers with their annual rates bills.



Boris Johnson  
**Mayor of London**



# Executive Summary

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The Greater London Authority (GLA) and Transport for London (TfL) will contribute approximately £7.7 billion towards the estimated £15.9 billion gross costs of the Crossrail project.

The GLA is expected to contribute around £4.1 billion of this using income generated from a new business rate supplement (BRS). Powers were granted to the GLA to introduce this under the Business Rate Supplements Act 2009 (the 'BRS Act').

Before implementing its BRS for Crossrail the GLA is required by statute to issue both an initial and final prospectus setting out its proposals and details of the final scheme. This document is the final prospectus. The initial prospectus was published in July 2009.

The Crossrail BRS will be used to finance £3.5 billion worth of borrowing by the GLA and the repayment of this sum after the end of the Crossrail construction period. A further £0.6 billion (the estimated Crossrail BRS income over and above that required to finance the interest on the £3.5 billion of borrowings between 2010 and 2016) will be applied to fund the Crossrail construction and financing costs.

The Mayor, relying on the provisions of section 27 of the BRS Act, has not held a ballot of non domestic ratepayers before introducing the Crossrail BRS. This conforms with the principle outlined in the Crossrail funding package agreed in 2007 that London's non-domestic ratepayers would contribute towards the project as they will be amongst the biggest beneficiaries from the scheme.

The GLA has set an annual basic Crossrail BRS multiplier (or tax rate) of 2p per pound of rateable value on each individual hereditament or assessment in London with a rateable value of over £55,000 (i.e. £55,001 or more) from April 2010. It is estimated that applying a threshold of £55,000 rather than the £50,000 minimum will exempt just under 4,000 hereditaments from the Crossrail BRS in 2010-11.

The GLA expects the Crossrail BRS will run for a period of between 24 and 31 years until its £3.5 billion of borrowing is repaid, with a target end date of 2037-38. The actual end date is dependent primarily on the interest rate payable on this borrowing and the level of the taxbase over the lifetime of the Crossrail BRS. The GLA will seek to minimise the overall liability but it is estimated that £8.1 billion will need to be collected through the Crossrail BRS over its lifetime once financing costs are included.

Some categories of ratepayer or hereditament will be entitled to full or partial relief on their Crossrail BRS contributions. 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. However, no transitional relief shall apply for the Crossrail BRS for at least the first five years. Section 8 of this prospectus explains the potential reliefs which will or may be granted for the Crossrail BRS.

The GLA does not intend to exempt empty properties (i.e. section 45 ratepayers) as a class from the Crossrail BRS although hereditaments or ratepayers eligible for empty property relief under the National Non-Domestic Rates system ('NNDR') will receive the same relief treatment for the Crossrail BRS. The GLA also does not intend to apply a lower multiplier or offset against the Crossrail BRS for businesses which are also paying levies to Business Improvement Districts.

The collection and enforcement of the Crossrail BRS will operate in parallel with annual NNDR billing arrangements in the interests of efficiency in administration.

# Section 1

## INTRODUCTION AND SCOPE OF THIS PROSPECTUS

---

### **Introduction**

This section summarises the contents of the final prospectus.

The final prospectus contains almost all the material in the initial prospectus published in July 2009, with the exception of the descriptions of the consultation process and arrangements. It updates the information on the Crossrail project, its structure and its finances where appropriate; these particular changes are mostly minor.

There are some revisions to the financial estimates in Section 5. Section 7 contains a summary of the responses to the initial prospectus, an analysis of the impact of the 2010 revaluation on the projected taxbase for the BRS over the next five years and a consideration of the key Crossrail BRS policy options available to the GLA.

Section 8 confirms the final policies for the Crossrail BRS with a changed rateable value threshold of £55,000 and further detail on the planned exemptions and reliefs having regard to the arrangements in place for NNDR; there is also a subsection on the administrative arrangements between the GLA and billing authorities. Section 9 sets out arrangements for making any future variations to the BRS should this need arise and how ratepayers can expect to receive information from the GLA on the progress of the Crossrail BRS over its lifetime. Section 10 outlines the timetable for the implementation of the Crossrail BRS in 2010-11.

### **Background and Structure of the Initial Prospectus**

The BRS Act, which received Royal Assent on 2 July 2009, grants the power to the GLA to levy a supplement on non domestic ratepayers to finance projects which promote economic development across the capital. The BRS Act only permits the GLA to levy a BRS in the Greater London Authority area. For the purposes of the Crossrail BRS the Mayor will act on behalf of the GLA in line with the provisions of the Greater London Authority Act 1999 (“the GLA Act”).

In line with the requirements of Section 4 of the BRS Act, the GLA is required to issue both an initial and final prospectus setting out the proposed arrangements for any BRS which it is intending to levy. The initial prospectus was published by the GLA on 30 July 2009. The GLA was required to consult on the initial prospectus with those non domestic ratepayers whom it considered would or might be liable to pay the Crossrail BRS, with local authorities in the capital in their role both as NNDR billing authorities and other key stakeholders it considered appropriate. Section 7 and Appendix C contain summary analyses of the responses received.

This document meets the requirement to issue a final prospectus under the BRS Act. It sets out the GLA’s final policies for the Crossrail BRS.

Under the BRS Act and related regulations the supplement may only be imposed on non domestic ratepayers occupying premises where the rateable value is over £50,000, and the maximum permitted multiplier (or tax rate) is 2p per pound of rateable value per annum.

However, a levying authority has the discretion to set a lower rate than 2p or to have a higher threshold than £50,000.

Rateable values are determined by the Valuation Office Agency (VOA) and further information can be found in the business rates section of their website at [www.voa.gov.uk](http://www.voa.gov.uk).

Crossrail has a headline projected gross cost of £15.9 billion and will provide a new, modern railway across London connecting the outer suburbs to the City and West End as well as linking the capital's major financial, business, shopping and entertainment districts directly with Heathrow Airport. Overall TfL and the GLA have agreed to provide a total contribution of around £7.7 billion towards the funding of Crossrail, excluding interest costs.

The GLA is intending to introduce the Crossrail BRS from April 2010, to finance £4.1 billion of the GLA's agreed contribution towards the Crossrail project. The £4.1 billion GLA contribution comprises £3.5 billion financed through borrowing by the GLA, and a further £603 million representing the projected amount by which the Crossrail BRS income exceeds the interest costs on this borrowing and any administration costs during the first six years of the construction phase (2010-16) of the project. Including financing costs it is projected that the GLA will now need to collect around £8.1 billion via the Crossrail BRS were the supplement to end in 2037-38 on the basis of current projections and assumptions. The GLA, however, will seek to minimise the length and total contribution via the BRS where possible.

Crossrail, which is due for completion by 2017, will:

- provide a vital new railway across the capital between Abbey Wood and Shenfield in the east to Heathrow and Maidenhead in the west, running through Canary Wharf, the City of London and the West End;
- alleviate pressure on existing Underground and rail lines by increasing rail capacity in London by around ten per cent, benefiting millions of commuters, tourists and shoppers alike each year;
- generate estimated annual economic, employment and transport benefits of £1.24 billion per annum by 2026; and
- give a kick start to London's construction industry which has suffered during the economic downturn, and provide direct employment for up to 14,000 people at the peak of construction. Around 1,000 individuals are expected to work on the rail link once it starts running in 2017-18.

Further information on the project and the project management arrangements are set out in sections 2 and 3.

The project is co-funded by the Department of Transport (DfT) and TfL in partnership with the GLA. Contributions have also been agreed with other partners (such as the British Airports Authority and the Common Council of the City of London). Canary Wharf Group will part-fund the new station at Canary Wharf and Network Rail will undertake and finance the works on the existing national rail lines at the eastern and western ends. Additional funding is being sought

from Section 106 charges on certain new office developments in the Central London Activities Zone and in the northern part of the Isle of Dogs, and potentially from a new Community Infrastructure Levy (or CIL). Section 5 sets out the funding package for Crossrail in more detail.

Section 6 explains why the Mayor has not held a ballot before introducing the Crossrail BRS.

Section 7 sets out the developments which have taken place since the publication of the initial prospectus and how this has affected the final policy determination for the Crossrail BRS as set out in this final prospectus. The developments addressed include:

- a The impact of the 2010 rates revaluation and the implications for the Crossrail BRS tax take from 2010-11 to 2014-15
- b The responses submitted by stakeholders to the initial prospectus.
- c Updated information on entitlements to relief against the Crossrail BRS provided by billing authorities.
- d The discretion which the GLA has in relation to the BRS having regard to relevant legislation and regulations.

The Crossrail BRS will be levied at a rate of 2p per pound of rateable value on properties with a rateable value of over £55,000 for at least the first five years of the supplement. Some categories of ratepayer, however, will or may be entitled to full or partial relief on their Crossrail BRS contribution (e.g. charities and community amateur sports clubs) which, as a minimum, will be at the same percentage rate as that applying

under the NNDR system; but no transitional relief (as applies under NNDR) will apply to the Crossrail BRS at least for the first five years. The GLA also has the power to grant certain additional reliefs in specific circumstances. The GLA's final policies for the Crossrail BRS are set out in more detail in section 8.

Section 9 sets out the GLA's policies on making variations to the Crossrail BRS and details on how it will communicate with ratepayers during its lifetime.

### **The target audience for the Prospectus**

The target audience for this prospectus includes individual non domestic ratepayers, business representative bodies (including Business Improvement Districts), the 32 London boroughs, the Common Council of the City of London, London Councils and other key stakeholders.

### **Further information**

Further information on the Crossrail BRS can be obtained by writing to the following address

Greater London Authority  
Finance Division (6th floor)  
City Hall  
The Queen's Walk  
London SE1 2AA  
Public Liaison Unit Tel: 020 7983 4100  
Email: crossrail-brs@london.gov.uk

Or alternatively online at: [www.london.gov.uk/crossrail-brs](http://www.london.gov.uk/crossrail-brs). An electronic copy of this prospectus can also be found at this link.



# Section 2

## WHAT IS CROSSRAIL?

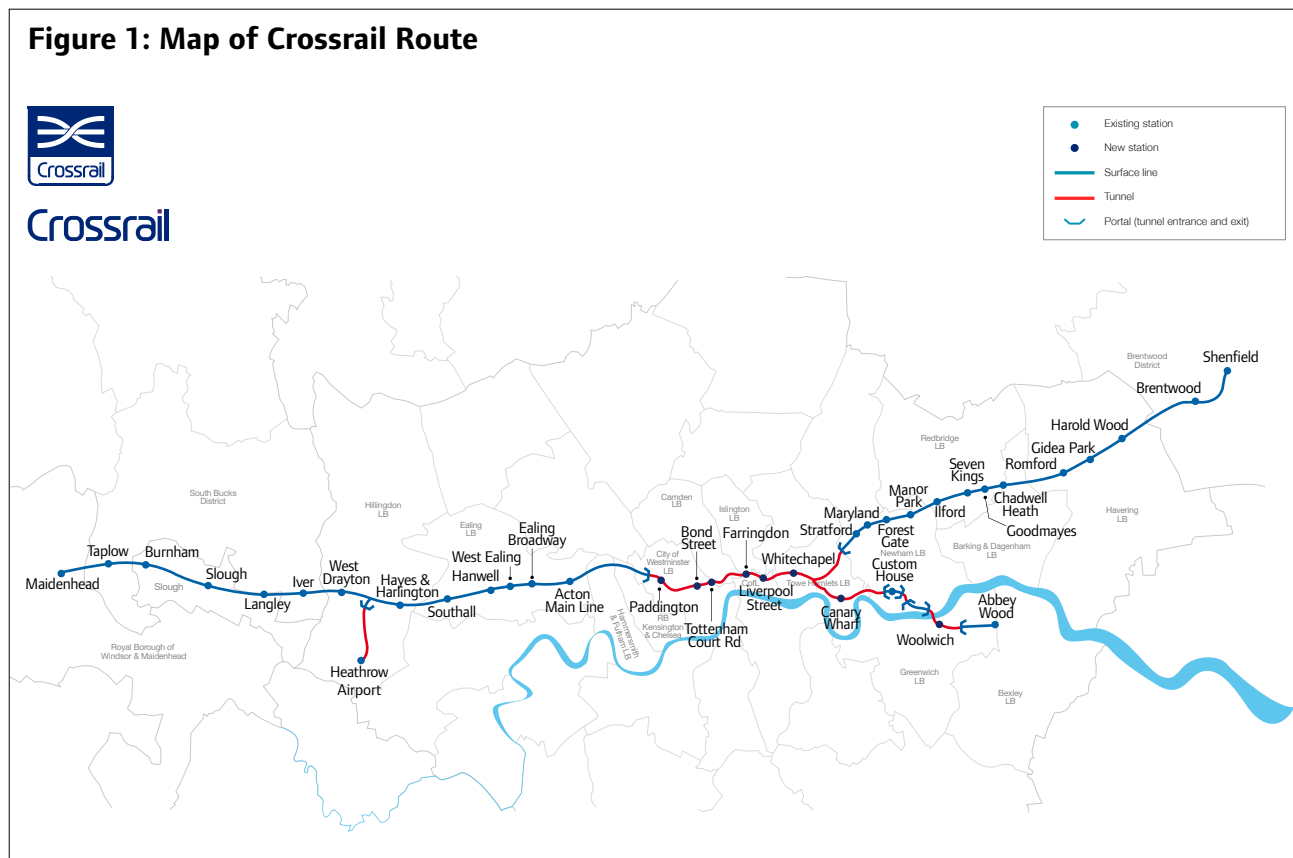
This section explains what the Crossrail project is and what it will deliver. It also explains how its construction is essential to both the long-term economic growth of London and to delivering a sustainable transport infrastructure which can cope with the expected growth in the capital's population over the next 15 years and beyond. Further information on the expected benefits is provided in section 3.

### Introduction

Crossrail is a new railway that will run from Maidenhead and Heathrow in the west to Shenfield and Abbey Wood in the east. It will provide a new, modern railway across London

connecting the outer suburbs to the City, Canary Wharf and the West End as well as linking the capital's major financial, business, shopping and entertainment districts directly with Heathrow Airport. In the central part of the line between Paddington and Whitechapel, 24 trains an hour made up of ten air conditioned carriages will run in each direction, delivering vastly improved capacity on London's rail network. Figure 1 shows the planned Crossrail route.

**Figure 1: Map of Crossrail Route**



Note: In May 2009 the Isle of Dogs station was renamed 'Crossrail Canary Wharf' station.

In summary Crossrail will:

- increase rail capacity in London by ten per cent and alleviate pressure on rail, tube, Docklands Light Railway (DLR) and London Overground services;
- bring new journey opportunities and connections with multiple interchanges with key tube, DLR, London Overground and national rail routes at Liverpool Street, Paddington, Stratford, Woolwich, Tottenham Court Road, Bond Street, Whitechapel, Farringdon, Custom House, Ealing Broadway, Heathrow and Canary Wharf;
- connect Heathrow, the West End, the City and Canary Wharf on a single transport link;
- cut journey times and help reduce road congestion; and
- deliver up to 14,000 jobs at the height of the construction phase from 2013 to 2015.

The Crossrail project has three key objectives:

- to support the development of London as a world city, and its role as the financial centre of Europe and the United Kingdom;
- to support the economic growth of London and its regeneration areas by tackling congestion and the lack of capacity on the existing rail network; and
- to improve rail access into and within London.

It will achieve these objectives by:

- addressing problems of inadequate capacity on the National Rail and London Underground networks;

- improving accessibility to regeneration areas; and
- providing transport capacity for the growth expected for London over the next ten to 20 years.

### **The history of the Crossrail project**

Crossrail was one of three new projects proposed in the Central London Rail Study of 1989, along with a line from Wimbledon to Hackney via Chelsea (now sometimes known as the 'Chelsea – Hackney Line' or 'Crossrail 2') and the Jubilee Line Extension. Crossrail was initially taken forward as a private bill (promoted by British Rail and London Underground) in 1991, but the onset of the recession in the early 1990s, the subsequent reduction in employment and passenger numbers, and the constraints on public finances at that time caused Parliament to reject the Bill. The estimated cost of the Crossrail project at that time was £2.6 billion.

The Crossrail route was safeguarded nonetheless, to ensure that no future development would prevent the scheme from going ahead. It was widely agreed, subsequently, that postponing the scheme because of the recession at that time was a mistake and that it was precisely the type of pump priming project which should be progressed as a mechanism for promoting long-term economic growth in an otherwise challenging economic climate.

In 2000, in the face of growing congestion on the London Underground and rail services into London, the London East West Study resurrected the Crossrail project, and development funding was allocated in the Government's 2002



Spending Review. In the 2004 Spending Review no direct funding was provided; however the Government committed to introduce legislation to enable Crossrail to proceed, and undertook to work closely with TfL and wider stakeholders to develop a funding and financing package. This funding package was developed on the principle that contributions would be provided by Central Government, TfL and the business community.

Following extensive lobbying by TfL, the then Mayor and London's business community, funding was agreed in the 2007 Comprehensive Spending Review as part of a ten-year funding settlement for both the Department for Transport (DfT) and TfL. A key element of the Crossrail funding package was a commitment by Government to introduce legislation that would allow the GLA to introduce a business rate supplement, following the Lyons Inquiry into Local Government Finance, in order to part-finance its contribution towards the scheme.

In November 2007, the DfT and TfL as joint Sponsors signed the Crossrail Heads of Terms ('HOT'), which set out the proposed financing and funding arrangements for the Crossrail project (including the respective contributions to be made by TfL and DfT), and an outline of the governance arrangements under which the Project would be taken forward by Cross London Rail Links ('CLRL') – which was renamed Crossrail Ltd ('CRL') at the end of 2008. The Sponsors Agreement between TfL and DfT, which formalised the project management and funding arrangements, was signed in December 2008.

The enabling Crossrail Act, which received Royal Assent in July 2008, provided the legal framework which allowed the project to move into the construction phase. Construction began in May 2009, when the building of Canary Wharf station commenced. Copies of the Crossrail Act may be obtained from the Stationery Office (TSO).

### **Assessing the feasibility of the Crossrail project**

In 2002 the government underscored its commitment to the project at a level of principle by providing £154 million of funding for carrying out feasibility work, including the preparation of a business plan, and acquiring the necessary parliamentary powers. The resulting Crossrail Business Case was presented to the Secretary of State for Transport on 11 July 2003.

Sir Adrian Montague broadly endorsed the business case for Crossrail in 2003. A copy of his report was available at the following link in January 2010:

[www.dft.gov.uk/pgr/rail/pi/crossrail/archive/reviewofthecrossrailbusinesscase](http://www.dft.gov.uk/pgr/rail/pi/crossrail/archive/reviewofthecrossrailbusinesscase).

The Crossrail business case on which the financing package was developed was published in February 2005. The business case will be updated over time to take into account changes in demand, revenue forecasts, operating, maintenance, renewal and capital costs which will all have an impact on the transport and wider economic benefits generated by Crossrail.

### What will the Crossrail project deliver?

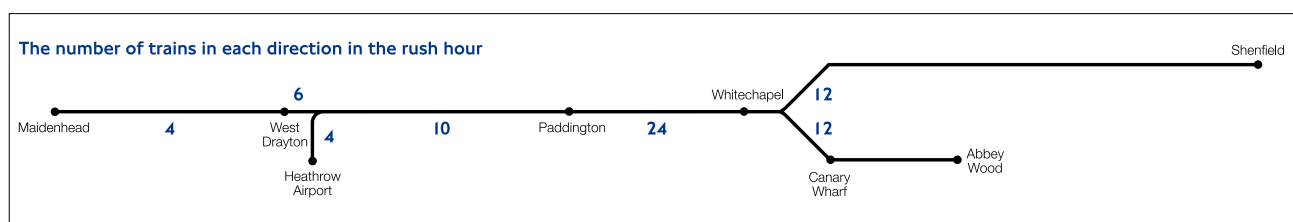
Crossrail will be one of the largest postwar rail construction projects undertaken in the UK and will be Europe's largest civil engineering project. It comprises four distinct elements, encompassing both construction and operations, which indicate the work which will be carried out:

- the **Central Section construction**, including:
  - 21km of new twin-bored tunnels from Royal Oak, near Paddington, to Pudding Mill Lane, near Stratford;
  - a south eastern branch, extending the central tunnel from Whitechapel to Custom House (via Canary Wharf), and construction of a further tunnel from Custom House to Plumstead;
  - eight new underground stations (six in central London and two on the south eastern branch);
  - five permanent ventilation, intervention and escape shafts; and
  - railway systems and signalling for the above.
- the **On-Network** works: enhancements to existing infrastructure on Network Rail's network at both ends of the line (the '**On-Network Section**'), including:

- major works to over 90km of surface railway, with track remodelling, electrification west of Heathrow Junction and four new siding locations;
- upgrades to 28 existing stations on the network, including 11 major reconstructions;
- remodelling of existing track and construction of a short stretch of new track adjacent to Network Rail's existing railway, from Plumstead portal to Abbey Wood.
- a **Rolling Stock** project that will deliver new trains able to operate up to 58 peak period services along the route, together with new depot facilities at Old Oak Common west of Paddington; and
- the establishment of **operating and maintenance** arrangements for the new or enhanced infrastructure and train services.

Services are scheduled to begin in 2017 and phased in over a 12 month period. It is intended that Crossrail will operate with new ten car trains, with up to 24 trains per hour in each direction within the central part of the route (Paddington to Whitechapel), and up to 12 per hour operating to various destinations on the On-Network Section, as shown in Figure 2 below.

**Figure 2: Estimated Rush Hour Train Frequencies (per hour) Along Crossrail Route**



### **Crossrail fares**

Crossrail fares will be integrated with the rest of the TfL network based on the zonal structure in place at that time, and TfL will retain the revenues. It is intended that pay as you go Oyster cards, travelcards, freedom passes and season tickets (or their equivalents) will be valid on the Crossrail route for the appropriate zones which they cover within the GLA boundary. A premium fare will be charged to passengers using Crossrail to travel to Heathrow Airport.

### **Legal powers to construct the Crossrail project**

Delivering the Crossrail project, in terms of construction and funding, has required new legislative powers and both the Secretary of States ('SoS') for Transport and Communities and Local Government have promoted new Acts of Parliament to provide these powers.

The powers which allow the Crossrail project itself to proceed are set out in the Crossrail Act 2008 which came into force on 22 July 2008 ("the Crossrail Act"). The Crossrail Act confers a range of powers to construct and maintain the Crossrail project, including the power to acquire compulsorily the land needed for these purposes.

Nominated Undertakers ('NUs') have been appointed to take forward construction according to the terms within the Crossrail Act. The Secretary of State for Transport has appointed Crossrail Ltd ('CRL') and London Underground Limited ('LUL') for certain works. CRL is the delivery agent for the whole project, managing the programme and partners and is a

subsidiary of TfL. A Joint Sponsor Team provides oversight.

The Crossrail Act imposes a new objective upon the Office of Rail Regulation ('ORR') to facilitate the construction of Crossrail and to report against that objective. Other provisions in the Crossrail Act require owners of interfacing infrastructure (e.g. Network Rail and the British Airports Authority) to co-operate by entering into agreements with CRL, other than in respect of matters within the regulatory remit of the ORR.

### **Legal powers to levy the Crossrail BRS**

The BRS Act received Royal Assent on 2 July 2009 and gives the GLA the powers to levy a BRS to finance around £4.1 billion of the GLA's contribution to the Crossrail project. The Mayor will act on behalf of the GLA in line with the provisions of the GLA Act.

### **Planning permission and land acquisition**

The GLA is confident that the necessary planning permissions will be secured in order to enable the Crossrail project to proceed as planned.

The Crossrail Act grants CRL, acting on behalf of the Secretary of State, the power to construct the Crossrail link and secure any other consents – including any additional planning consents – necessary to allow the project to proceed. Under section 10(1), planning permission under Part 3 of the Town and Country Planning Act 1990 is deemed to be granted for development authorised to be carried out under the Crossrail Act.

Section 10(6) of Schedule 7 to the Crossrail Act establishes a mechanism under which local planning authorities consider applications from nominated undertakers for approvals of certain reserved matters of detail for permanent works and construction arrangements which are specified therein. Schedule 7 specifies the grounds upon which a local planning authority can refuse to approve or impose conditions upon the plans and specifications. It makes provision for appeals by NUs aggrieved by a decision of a local planning authority on a request for approval under the relevant part of Schedule 7.

Planning permission for the Crossrail project was deemed to be granted on the date that the Crossrail Act received Royal Assent, i.e. 22 July 2008.

TfL and the GLA will work closely with the London boroughs through which the Crossrail route will pass, and with CRL and DfT to ensure all planning and environmental impact-related issues meet agreed standards and practices.

DfT, TfL and CRL have agreed the following principles in respect of land rights in connection with the Crossrail project:

- DfT will acquire land required for the entire route (other than specified parcels of land already owned by TfL or its subsidiaries or other stakeholders) through its powers under the Crossrail Act. CRL shall act as DfT's agent for the purposes of carrying out such land acquisition;
- DfT will then subsequently transfer (by way of statutory transfer scheme) all title which the DfT holds in the Central Section land and certain other specified parcels to TfL, and all title which the DfT holds in the On-Network Section land to Network Rail;
- During the construction phase, TfL shall grant CRL a licence to occupy the land required for the purposes of procuring the construction of the Central Section; and
- Prior to the completion of construction, TfL shall grant CRL a 150-year lease of the tunnels and tunnel subsoil.

### **Commencement of construction on the Crossrail project**

Under section 27(2) of the BRS Act, a levying authority may impose a BRS for the purpose of raising money for expenditure on a project beginning before section 1 of the BRS Act comes into force only if the chargeable period for the proposed Crossrail BRS commences prior to 1 April 2012 and the levying authority's area is in England.

On 15 May 2009 the construction of the Crossrail project officially began with the start of building works at the Canary Wharf station. Other key milestones achieved include:

- A memorandum of Understanding signed with the Port of London Authority on 30 September 2009 confirming Crossrail's commitment to the use of barges and ships along the Thames to move its excavated materials;
- The commencement of work at Farringdon Station to create an integrated ticket

hall facility for Crossrail and Thameslink passengers and;

- The award of the contract to redevelop Tottenham Court Road tube station including an enlarged ticket hall for use by Crossrail and London Underground passengers and preparatory work for the construction of the new Crossrail station.

The construction programme will commence at more sites during 2010, with the actual tunnelling planned to begin in 2011.

The GLA therefore has the power to introduce a BRS to finance the Crossrail project in 2010-11 as the Crossrail project started prior to the commencement of the BRS Act. The chargeable period is planned to start on 1 April 2010 and the GLA's area is in England.

### Key completion stages for the Crossrail project

The construction of Crossrail is planned to be completed in 2017 with train services introduced over the following 12 months.

As detailed design and development of the scheme progresses there will be increasing certainty over the exact times that works will start and finish at each location. At some locations enabling works (such as the diversion of utilities like gas mains, and demolition of existing buildings) will need to take place before the main works can begin. The sites may also be required after the main works, for example to support fitting out of stations and tunnels.

Figure 3 shows the expected start dates for the construction (main civil contract works) at the main stations, and also when the required enabling works begin. At some of these stations there will be separate sites (e.g. two entrances or

**Figure 3: Major Station construction works (Provisional Timescales as at January 2010)**

Location	Enabling Works start	Construction starts	Works Complete
Bond Street	January 2010	Mid 2011	2016
Canary Wharf	December 2008	May 2009	2016
Custom House	Early 2012	Mid 2012	2014
Farringdon	July 2009	August 2010	2017
Liverpool Street	February 2010	Late 2011	2016
Paddington	September 2009	Mid 2010	2016
Tottenham Court Road	January 2009	Early 2010	2016
Whitechapel	January 2010	Early 2011	2016
Woolwich	Early 2010	Early 2011	2016

ticket offices) where the phases of the work may be undertaken at different times within these parameters.

Figure 4 shows the expected start dates for the key tunnelling works and also the start dates for the tunnel boring machines launch dates. The completion dates shown in Figure 4 refer to the completion of the tunnels. Fit out will take place beyond these dates. The current and 3 month prediction of the progress of the tunnel boring machines will be able to be tracked on the Crossrail website in due course.

### On-Network works

Work on stations and tracks on the existing surface railway which will be served by Crossrail

will be carried out by Network Rail. These works are expected to start in mid 2010. The exact start and duration will vary by location. More detail on the programme will be published when it is available.

### Conclusions

This section has described the history of the Crossrail project, summarised the feasibility work undertaken to assess the business case, set out the legislative and planning framework which will guide its delivery, and outlined the headline costs.

**Figure 4: Key Tunneling works (Provisional Timescales as at January 2010)**

Location	Works Start	Tunnel Boring Machine Launch	Works Complete
Royal Oak to Farringdon	Early 2010	October 2011	Spring 2013
Limmo Peninsula to Farringdon	Late 2010	April 2012	Spring 2014
Stepney Green to Pudding Mill Lane	Early 2011	July 2013	Spring 2014
Limmo Peninsula to Victoria Dock Portal	Late 2010	July 2014	Late 2014
Plumstead to North Woolwich	Early 2011	September 2012	Late 2014

# Section 3

## CROSSRAIL PROJECT MANAGEMENT ARRANGEMENTS

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This section summarises the governance, legal and operational arrangements for the Crossrail project and the respective roles of the Mayor, TfL, the DfT, CRL and others.

### Crossrail project structure

In November 2007, TfL and DfT signed the Crossrail Heads of Terms ('HOT'), which set out proposed financing and funding arrangements for the Crossrail project, an outline of the governance arrangements under which the Crossrail project would be taken forward and the intention to develop the HOT into a suite of detailed project agreements (the 'Core Agreements'). The Crossrail Heads of Terms can be found at the following link: <http://www.dft.gov.uk/adobepdf/165234/302038/headsofterms.pdf>.

The HOT established the following roles and responsibilities for the Crossrail project:

- DfT and TfL would be Sponsors of the Crossrail project ("the Sponsors") throughout the construction phase, responsible for setting requirements for the overall scope and programme (the "Sponsors Requirements");
- CRL would be the single purpose delivery vehicle for the construction of the Crossrail Project. CRL was originally a 50/50 joint venture company between TfL and DfT, but transferred to 100 percent TfL ownership following the signing of the Core Agreements (see below); and
- TfL would be responsible for procuring Crossrail train services, unless agreed otherwise by the Sponsors or under certain

defined circumstances. CRL will have no active role once the Crossrail Project is operational.

The Core Agreements comprise the key legal agreements that govern the Crossrail Project:

- the **Project Development Agreement** between DfT, TfL and CRL, which governs the relationship between the Sponsors and CRL which set out CRL's obligations to deliver the Crossrail Project to meet the Sponsors Requirements; and,
- the **Sponsors Agreement** between DfT and TfL which governs the relationship between DfT and TfL .

The Core Agreements were signed by TfL, DfT and CRL in December 2008.

A summary of the Sponsors Agreement was available at the following link in January 2010: <http://www.dft.gov.uk/pgr/rail/pi/crossrail/fundingandgovernance/sponsorsagreementssummary>.

In addition, CRL is entering into a number of other agreements in order to deliver the Crossrail Project, as follows:

- the **'Industry Partner Agreements'**, which set out the role of two wholly owned TfL subsidiaries – London Underground Limited ('LUL') and Docklands Light Railway Limited ('DLR') – and certain private sector stakeholders involved in the Crossrail project (e.g. Network Rail and Canary Wharf Group), and CRL's role in managing these aspects of the Crossrail project;

- the '**Delivery Partner Agreements**' under which CRL has appointed two Delivery Partners – Bechtel, as Project Delivery Partner working on the central tunnelled section, and Transcend (a consortium of AECOM, CH2M Hill and Nichols Group) in the wider role of Programme Partner (the 'Delivery Partners'); and
- the '**Delivery Contracts**', which CRL will enter into with contractors ('Delivery Contractors') and through which CRL will manage the delivery of the design, construction and commissioning of the Central Section of the Crossrail project.

Once the Crossrail Project has been delivered and commissioned:

- Crossrail passenger services will be procured through an operating concession let by TfL via its wholly owned subsidiary Rail for London Limited ('RfL'), which will be responsible for securing the Crossrail passenger services through the appointment of a train operating company (the 'Crossrail TOC') to provide such passenger services to TfL's specification;
- Network Rail will be the Infrastructure Manager for the 'On-Network Section' (the existing parts of the national rail network at either end of the Central Section already owned by Network Rail on which Crossrail services will operate) and the Central Section;
- London Underground Limited (LUL) will be Infrastructure Manager for the joint Crossrail/LUL Stations (i.e. Bond Street, Tottenham Court Road, Farringdon, Liverpool Street and Whitechapel);

- RfL will be the Infrastructure Manager for Paddington, Canary Wharf, Custom House and Woolwich Stations; and
- TfL will retain legal ownership of the Central Section.

There are detailed arrangements between the Sponsors for how they are to discharge their role. These include:

- provisions for a phased approvals process with key milestones at which the Sponsors determine whether to continue with the project (Review Points);
- a Joint Sponsor Board, supported by a Joint Sponsor Team and an independent technical adviser;
- regular reports from CRL to the Joint Sponsor Board; and,
- intervention rights based on forecast costs. These provide the mechanism for the Sponsors to control Crossrail Project costs and are contained within the Intervention Points mechanism in the Core Agreements, which provides the Sponsors' main protection against cost overruns.

There will be a Review Point prior to the start of the main procurements and a further Review Point once the result of the procurement is known and before the start of the main construction works programme. The Joint Sponsor Board is now in place, with support from the Joint Sponsor Team and the Project Representative, Jacobs. There is significant work being undertaken by CRL with its Delivery Partners on the detailed procurement strategy



for Crossrail. As part of this CRL is undertaking market consultation with interested parties.

The Intervention Points are set at specified cost levels which are commercially sensitive and are not therefore disclosed in this prospectus. This structure does however provide important safeguards to the Mayor and TfL:

- At Intervention Point 0, TfL can require a remedial plan from CRL to take action to bring the project back on agreed budgetary and delivery targets;
- At Intervention Point 1, TfL acquires rights to take such action in relation to the implementation and management of the project as TfL decides is necessary, with DfT consent required in some circumstances; and
- At Intervention Point 2, DfT has a right to take control of CRL (the call option) and TfL has a right to require DfT to take control of CRL (the put option).

The Sponsors also have arrangements in place relating to contingency funding. TfL has a defined contingency amount, which it starts to contribute after Intervention Point 1, and so takes the lead on the project. Once that contingency is exhausted, TfL has the right to pass the project back to the DfT. This limits the GLA and TfL's financial exposure.

The agreements also allocate certain funding streams and cost items to particular sponsors. This again provides protection to TfL by making it clear that the Government is responsible for putting any relevant legislation in place (e.g. for

the Community Infrastructure Levy) and for cost overruns on the Network Rail works.

### **The Management and Administration of the Crossrail BRS Income**

The Crossrail BRS will provide a new revenue stream for the GLA which will enable it to borrow £3.5 billion during the Crossrail construction phase – a level of prudential borrowing which was also agreed by the previous Mayor with the Government as part of the 2007 Comprehensive Spending Review. The proceeds of this borrowing, along with any surplus income from the Crossrail BRS after servicing the GLA debt during the construction phase – subject to a limit of £603m – will be available to TfL to fund part of its contribution to Crossrail.

This prospectus sets out the way the Crossrail BRS will be implemented by the Mayor and GLA in more detail in section 8. The GLA will act as levying authority for the purposes of the BRS Act. The supplement itself will be collected by the 32 London boroughs and the Common Council of the City of London, which are the NNDR billing authorities for the capital. In the first instance ratepayers will be expected to contact their local borough council in relation to annual Crossrail BRS billing and enforcement enquiries.

The BRS Act allows the Secretary of State to make regulations which may authorise billing authorities to use a prescribed portion of the sums they collect in respect of a BRS to meet expenses they incur in its collection or recovery.

The GLA will make payments required to CRL via TfL to meet its agreed contributions towards the cost of the scheme. Section 3(5) of the BRS Act allows the GLA to make arrangements with TfL as a functional body for the sums received in respect of the BRS to be used by TfL for expenditure on a project to which the BRS relates.

The BRS Act requires that the GLA, TfL and each billing authority must maintain a ring-fenced Crossrail BRS account which, subject to accounting regulations, will be presented as a note to their annual statement of accounts. This will provide transparency for Crossrail BRS ratepayers, who will have certainty that the applications of their annual contributions will be subject to independent external audit.

The GLA, however, is committed to providing information to business ratepayers annually in relation to the Crossrail BRS. The GLA's proposals on this are set out in more detail in section 9.

## Conclusions

This section has set out the project management structures for the Crossrail project and the administrative arrangements which will be put in place within the GLA group relating to the income received from the Crossrail BRS.

# Section 4

## WHAT ARE THE BENEFITS OF CROSSRAIL AND HOW WILL THE CROSSRAIL BRS IMPACT ON NON DOMESTIC RATEPAYERS?

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This section sets out the importance of Crossrail and the benefits that will flow from the project to London, and particularly its business community. The potential impact of the Crossrail BRS proposal on those ratepayers likely to be required to pay it is also addressed in this section. The impact is compared to the potential benefits expected to flow from the Crossrail scheme post-completion.

### **How Crossrail will help to maintain London's prominence in the global market**

The whole of London can only thrive if its business environment is competitive, nationally and globally. This is vital not only to help multinationals, but all London businesses; from large firms and small- and medium-sized enterprises (SMEs) to sole traders, whether they serve their local community or sell across London, the UK or the world. With key parts of London's economy operating in the global market place, it is essential that its competitiveness compares favourably to other world cities. Having a competitive business environment is crucial given how large the size of the private sector is in London; it accounts for around three quarters of employment in London's economy (of which half is in SMEs) with a further seven per cent in the third sector.

Crossrail will be by far the largest single investment in London's infrastructure for a generation or more and will have major economic development implications. It supports access from across London and beyond to high-value economic activity in central London; connects key areas of productivity (the Isle of

Dogs, the City of London, the West End and Heathrow); and opens up parts of East and West London to regeneration, including by increasing the future jobs capacity of Canary Wharf and the Isle of Dogs by around 100,000. The benefits of Crossrail will be felt across the whole of London's transport network and the project will make London a more attractive place in which to live, work and do business.

### **How Crossrail will help meet the challenges of London's growing population**

London's population is projected to grow by over one million over the next two decades. The location of these increases, as well as the magnitude of any population and job growth, is important in assessing infrastructure requirements. Thirty-one per cent of London's workforce is currently concentrated in just two per cent of its geographical area, i.e. the central activities zone covering the City, Canary Wharf and the West End, which are home to high value jobs in financial and business services. Almost ten per cent of all jobs in London are located in just two electoral wards (St James and West End) within the City of Westminster.

This trend is set to continue because of the strong agglomeration benefits experienced by businesses that cluster together. The increased productivity caused by clustering together of economic activity in central London is crucial to the UK's global comparative advantage. In contrast to job growth, population growth will be more dispersed across the Greater London area. As a result pressure on London's radial transport links into central London will increase

leading to a need for the sort of additional rail capacity which only a major new project like Crossrail can deliver.

### **How Crossrail will address the increasing demands on London's transport infrastructure**

Demand for public transport into and within central London is nearing capacity, with increasing overcrowding on Network Rail services and on London Underground and DLR routes towards central London (i.e. the West End and the City) and Canary Wharf. Employment growth envisaged in the London Plan will further increase demand, with employment in the West End, the City and Canary Wharf alone projected to grow by about 415,000 by 2026.

The result is likely to be a 40 per cent increase in demand for peak hour public transport by 2025, particularly on radial routes into central London. On certain limited areas of the network, passenger flows are predicted to be higher than could be supported in reality, with consequential constraints on demand arising. Increasing congestion on London's rail network therefore poses a threat to achieving the projected growth in jobs and economic activity.

Crossrail will address these challenges by reducing current levels of congestion on the Underground, particularly in the central area. It will also reduce overcrowding on some National Rail services (particularly those serving the main terminuses at Liverpool Street, Paddington, London Bridge, Charing Cross and Cannon Street) and the DLR. In addition direct links to north and south London will be provided

through connections to the London Overground (via the East and North London lines) and Thameslink at Stratford, Whitechapel and Farringdon.

In summary Crossrail will add ten per cent to London's rail capacity and significantly reduce journey times. Crossrail will play a key role, therefore, in addressing the problem of how to transport people to productive jobs in central London and across the capital.

### **How Crossrail will contribute to economic growth and job creation**

Crossrail is a strategic project that will bring significant economic benefits to the whole of London, primarily because it will provide the transport capacity increases needed to enable the concentration of economic activity in central London to continue.

Research estimates undertaken for DfT and TfL have suggested that Crossrail will add from £20 billion to £36 billion to UK GDP respectively over 60 years on a net present value basis, through reduced journey times, job growth and increased productivity. It has been estimated that every year's delay in the implementation of Crossrail incurs costs of more than £1.5 billion per annum (or £4 million per day) to the London economy.

The Crossrail project is exactly the kind of strategic infrastructure project that will boost demand in the short-term and strengthen the UK's economic position in the long-term. Up to 14,000 people will be employed on the project at the peak of construction in 2013-15,

thus securing an important contribution to an ongoing pool of skilled workers.

The project is also essential to delivery of the strategic objectives of the Mayor's London Plan, particularly accommodating London's growth within its boundaries without encroaching on open spaces. It will also make London a more prosperous city with strong and diverse economic growth and improve London's accessibility.

Crossrail stations will lie within eight opportunity areas and areas for intensification identified in the Mayor's London Plan. Together, these areas have spatial capacity for 216,000 new jobs (over half of which are planned for the Isle of Dogs and the wider Docklands area) and 85,000 new homes (over one third of which are located in and around Stratford). Crossrail will also act as a catalyst for regeneration in places along the route. Accessibility improvements through shorter journey times will mean Crossrail has the potential to transform areas around the stations along the route, increase land values, support high quality development and attract significant private sector investment.

Examples of the direct regeneration benefits include:

- the promotion of regeneration in east London (Whitechapel, Custom House, Woolwich and Stratford), further enhancing the 2012 Olympic and Paralympic Games legacy;
- supporting the growth of the financial and business services sectors in the Isle of Dogs and the wider Docklands area – where there

is market demand for additional development – by providing a 50 per cent increase in rail capacity to the area;

- making a vital contribution to improving the accessibility and attractiveness of the Thames Gateway to the east of the Isle of Dogs, through its cross-river link to south-east London and its links to the east including an interchange with the DLR at Custom House. Crossrail will therefore help to open up some of the most deprived areas of London with the greatest capacity for new housing growth;
- providing much-needed additional transport capacity to the West End, and particularly Oxford Street, supporting the future development of that area as London's premier retail and leisure location;
- improving links to Heathrow from the City, West End and Canary Wharf thereby supporting connections for London's global businesses; and
- generating development opportunities around Heathrow and at Hayes, West Drayton and Southall which will assist in supporting west London's network of town centres.

However, significant indirect benefits will flow to areas of the capital not on the route. Combined with Crossrail's operational jobs, the employment figure as a direct result of the project could reach 40,000 in central London. Around 1.3 million more people will lie within an hour's commute of the City (300,000), the West End (420,000), and Canary Wharf (600,000) following the completion of the rail link.

Londoners securing new and better paid jobs will spend their increased earnings in the areas

in which they live, including main suburban town centres such as Bromley, Croydon, Enfield, Harrow, Kingston, Sutton and Uxbridge which do not lie directly on the Crossrail route.

In summary, Crossrail will help London maintain its position as a global financial centre by providing new transport infrastructure which will help to facilitate a highly competitive environment for businesses to operate in. These benefits will be cascaded to all London's businesses whether they are located in central, inner or outer London and irrespective of whether they are major multinational companies or sole traders serving their local communities.

### Quantifying the benefits of Crossrail

In February 2009 CRL published a major economic study by consultants Colin Buchanan, which sought to quantify how these transport and economic benefits enabled by the new railway would be distributed across London. The study identified the substantial economic benefits that Crossrail will deliver for the whole of London and the South East after the new railway opens in 2017. The benefits are allocated to the borough in which beneficiaries live – where they will spend the bulk of any additional income generated – rather than to the location of their employment.

When the results are modelled for just one year – 2026 – the annual economic benefit across all of London's boroughs is estimated at £1.24 billion (at 2008 prices). The paper highlights that every London borough is projected to benefit by at least £14 million per annum by 2026 in terms of wider economic,

employment and transport benefits for local residents, with one quarter of boroughs benefiting by over £50 million per annum (including £99 million for Newham and £84 million for Greenwich).

Even boroughs located furthest geographically from the route are projected to benefit significantly, such as Barnet (£31 million per annum), Bromley (£29 million), Croydon (£30 million) and Enfield (£28 million). The benefits of Crossrail are therefore spread across all boroughs, not just those on the Crossrail route.

The benefits to Londoners by borough of residency are summarised in Figure 5. The assumptions underpinning these figures are set out in more detail in the benefits document which is available on the Crossrail website ([www.crossrail.co.uk](http://www.crossrail.co.uk)).

There are specific benefits to boroughs in terms of improved access to jobs in the area, for example public transport 'time savings by borough'. Figure 6 identifies those boroughs which will benefit the most from public transport time savings. As would be expected, these all contain one or more stations on the Crossrail route.

**Figure 5: Estimated Annual Economic and Transport Benefits from Crossrail for Londoners by Borough of Residency (2026 at 2008 prices)**

Borough rank and name		Total Annual Transport & Earnings Benefits (£ million)	Borough rank and name		Total Annual Transport & Earnings Benefits (£ million)
1	Newham	99.8	19	Croydon	29.5
2	Greenwich	84.5	20	Bromley	28.6
3	Camden	64.0	21	Enfield	27.5
4	Lambeth	61.0	22	Hounslow	26.6
5	Hillingdon	58.5	23	Hackney	26.1
6	Southwark	58.4	24	Wandsworth	25.8
7	Bexley	58.3	25	Hammersmith & Fulham	23.3
8	Ealing	56.9	26	Richmond upon Thames	21.0
9	Tower Hamlets	51.8	27	Kingston upon Thames	18.3
10	Redbridge	48.9	28	Barking and Dagenham	16.7
11	Westminster	47.6	29	Harrow	16.2
12	Havering	43.3	30	Waltham Forest	15.4
13	Islington	40.9	31	Merton	14.3
14	Kensington & Chelsea	35.2	32	Sutton	13.6
15	Lewisham	34.7	33	City of London	4.7
16	Haringey	32.6		Total	1,245.8
17	Brent	31.5			
18	Barnet	30.5			

NB Benefits and earnings are distributed according to where beneficiaries live, which is why the City of London receives a low value, due to its small resident population. In practice a significant number of the new jobs created will be within the City's boundaries.

Source Crossrail Distribution of Benefits Paper, CRL February 2009

**Figure 6 Highest Annual Public Transport Time Savings (destinations) by Borough (£ million) by 2026**

Borough	£ million
Westminster	90
Tower Hamlets	34
City of London	33
Camden	32

The Buchanan report not only outlines the benefits to the capital, the South East and the wider UK but reaffirms that the scheme is critical to the major increase in development planned for major economic centres such as Canary Wharf and the Thames Gateway, which in turn will support the creation of high-value jobs.

### **Relationship between beneficiaries from Crossrail and location of Crossrail BRS ratepayers**

Under the BRS Act it is not possible for the GLA to apply different multipliers or policies for the Crossrail BRS in different parts of London or to different business sectors depending on the extent to which businesses benefit from Crossrail. However there is a close correlation between those areas seeing the greatest benefits from Crossrail and the concentrations of businesses likely to be most liable to pay the Crossrail BRS.

Businesses in central London and Canary Wharf will be the primary beneficiaries of Crossrail, through improved infrastructure and job creation. This is recognised in the fact that more than 50 per cent of the annual income from the Crossrail BRS is expected to be collected from ratepayers in Westminster, Camden, Tower Hamlets and the City of London. Indeed based on the new 2010 rating list ratepayers in Westminster are projected to contribute more via the Crossrail BRS over the period 2010-11 to 2014-15 than those in all twenty outer London boroughs combined. In reality, however, those accessing jobs in central London will reside in boroughs right across the capital. The increased earnings are likely to be spent across London,

particularly within the retail sector in outer and central London.

Figure 7 demonstrates the strong correlation between the greatest concentrations of businesses likely to pay the Crossrail BRS and the Crossrail route itself. This data is based on the 2005 rating list and uses a £50,000 threshold as the GLA has not had access to sufficient information to enable this to be recreated for the 2010 at date this final prospectus was published. The 2010 revaluation suggests that the concentration of ratepayers liable to the Crossrail BRS in central London (particularly in Camden and Westminster which include the West End area) relative to outer London will actually increase from April 2010. This is illustrated by the fact that Crossrail BRS contributions from ratepayers in Camden and Westminster as a percentage of the London total is projected to rise from 30 per cent (on the 2005 list) to 38 per cent on the 2010 list.

Figure 7 illustrates that hereditaments with rateable values above the statutory minimum threshold for the BRS (£50,000) on the 2005 ratings list tend to be concentrated in the City, West End and Canary Wharf and around Heathrow.

The GLA estimates that in the first five years of the Crossrail BRS, around 70 per cent of the revenue raised will be generated from ratepayers in boroughs with a station on the Crossrail route. The Crossrail BRS contribution made by businesses not on the Crossrail route is justified by the knock-on effects of high-productivity job creation, which will be dispersed across London.



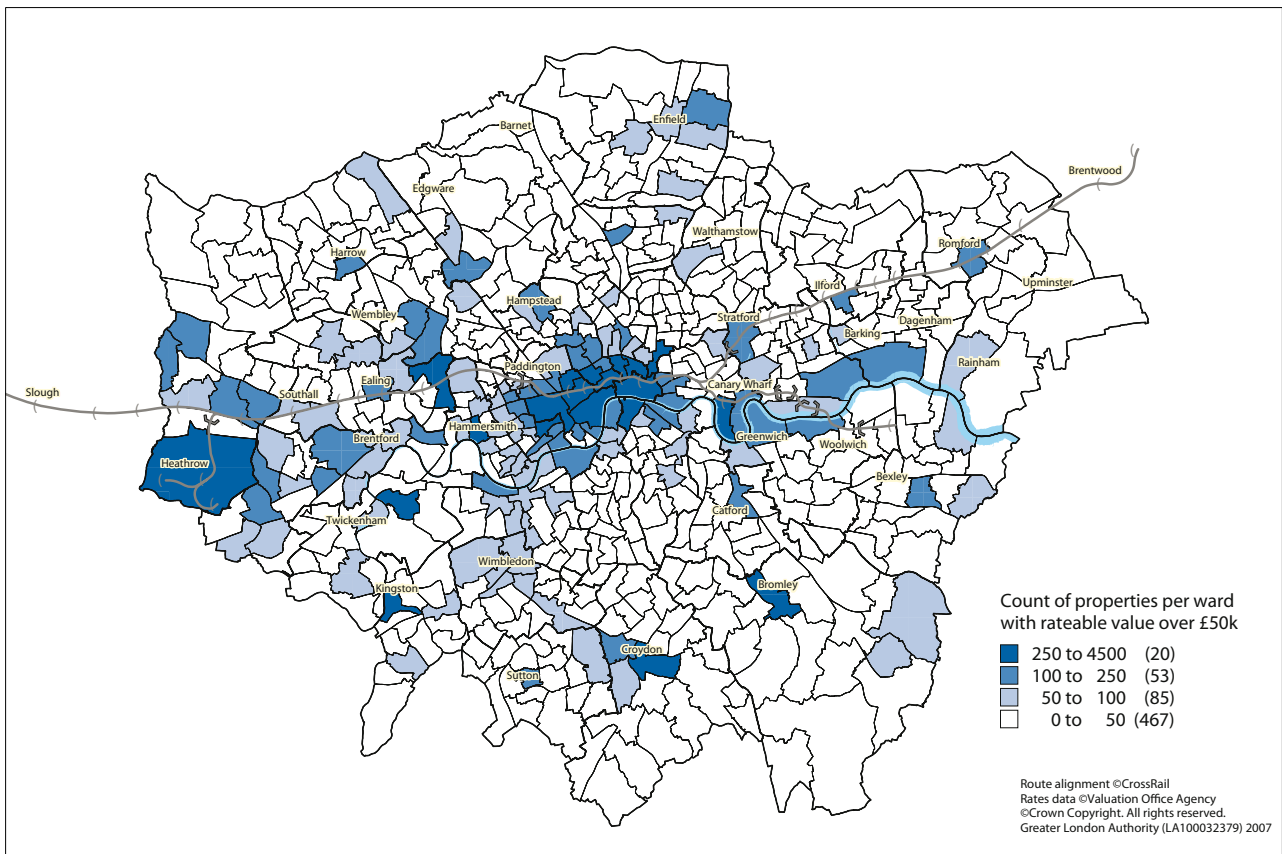
### Specific impact of BRS on business ratepayers

Around 82 per cent of London's non domestic hereditaments have rateable values below £50,000 on the draft 2010 rating list. This means that (subject to valuations remaining unchanged) they could not incur liability to the BRS under current legislation before 2014-15 at the earliest. A higher £55,000 rateable value

threshold, for example, would result in over 83 per cent of hereditaments across London being exempted from the Crossrail BRS - rising to 87 per cent for the 20 outer London boroughs combined.

The impact of the Crossrail BRS will not be widely felt therefore amongst the vast majority

**Figure 7: Illustrative Concentration of Business Premises Most Likely to be Liable to pay the Crossrail BRS and Their Correlation With the Crossrail Route(2005 Ratings List – Properties with rateable values above £50,000)**



N.B. The data used to compile the above map is based on the 2005 rating list and uses a £50,000 rateable value threshold. The GLA has not had access to sufficient information to enable this map to be recreated for the 2010 rating list at the date this prospectus was published.

of small- and medium-sized businesses outside central London, who will not be required to pay the supplement due to the minimum rateable value threshold set down in the BRS legislation.

#### *Impact by size of business*

By and large, rateable values serve as a proxy for the scale and attractiveness of the business being carried out on the premises. A London business with a rateable value of at least £50,000 (the minimum possible for a BRS under regulations) has – on average – a turnover of at least £1.1 million. The maximum annual BRS a hereditament just above this value could be liable for – if this were the threshold set – is around £1,000.

The only group for whom the impact of rates is significantly greater than average are companies with a turnover of less than £100,000 or for the retail sector where the turnover generated per pound of rateable value is likely to be lower than average. Due to the impact of the rateable value threshold in place a greater share of the total BRS contribution, however, will be made by businesses occupying (or entitled to occupy) properties with the highest rateable values. Over 37 per cent of the income from the Crossrail BRS on the 2010 ratings list is projected to be generated from properties with a rateable value of over £1 million even though this group accounts for less than 4 per cent of all hereditaments likely to pay the supplement in the capital (and only around 1 per cent of all London non domestic properties).

#### *Impact of the Crossrail BRS on the retail sector*

Sectors where property costs make up a large proportion of turnover, costs or profit (e.g. retail) could be expected to receive the greatest proportion of the impact of any change in rates. However, although the occupier is likely to be affected by the impact of any increase in the business rates in the short term, a significant portion, generally, is passed on to the landlord in the longer term through rent adjustments.

Retailers are less likely to be owner-occupiers in many parts of London and should therefore incur a smaller proportion of the eventual cost. Furthermore, Crossrail passes through main retail areas like the West End as well as major outer London shopping centres such as Romford, Ilford, Stratford and Ealing Broadway which will benefit from faster journey times and high capacity services.

Retail businesses in the rest of London will benefit from the £1.24 billion generated annually for the London economy following the completion of the project, as a result of the extra jobs and earning capacity generated by the new rail link.

#### *Other impacts*

The Crossrail project has been subject to the required statutory impact assessments. A copy of these were available at the following link in January 2010: <http://www.dft.gov.uk/pgr/rail/pi/crossrail/seccrsrailimpass/>.

No impacts have been identified as arising from the proposed introduction of the Crossrail BRS in relation to health, race, disability, gender and

other equality issues; sustainable development; carbon assessments or environmental health. By virtue of the minimum possible £50,000 threshold prescribed by regulations the vast majority of small businesses in London are highly unlikely ever to be liable to pay the Crossrail BRS – particularly given the GLA's commitment that this threshold will be reviewed after each revaluation taking account of the average percentage change in rateable values across the capital.

Any reliefs applying to the Crossrail BRS will be subject to the same arrangements for NNDR where responsibility lies with billing authorities to promote take-up. The GLA also does not consider that the Crossrail BRS will directly or indirectly limit the range or number of businesses operating in its area or reduce competition. Indeed for the majority of ratepayers the Crossrail BRS will equate to between 5 to 10 per cent of their total rates bill payable in 2010-11 although there will be some ratepayers which face higher or lower relative liabilities.

Article 1 of the First Protocol of the European Convention provides that everyone is entitled to the peaceful enjoyment of his or her possessions, and may not be deprived of them except in the public interest and subject to the conditions provided for by law and by the general principles of international law. The second provision is Article 14 of the Convention which provides that the enjoyment of the rights and freedoms set out in the Convention shall be secured without any discrimination. The Crossrail BRS does not contravene these articles

in the GLA's view as it is being applied on a consistent basis across London area and is being introduced by the Mayor in the public interest in a proportionate way.

## Conclusion

This section has set out the significant benefits the Crossrail project will bring and highlighted the correlation between likely contributors to the Crossrail BRS and resulting beneficiaries. Through its direct impact on job creation, Crossrail will provide an important demand injection at this current time of economic difficulty. The construction jobs created will increase demand across London, with the benefits dispersed among London's businesses. Despite the challenges due to the recession the Mayor considers that the benefits of Crossrail to London's business community more than outweigh the impact of the Crossrail BRS over the medium to longer term.



# Section 5

## WHAT CROSSRAIL WILL COST AND HOW IT WILL BE FINANCED

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### Introduction

This section looks at what Crossrail will cost, and how it will be funded and financed. It then focuses on the contribution from the Crossrail BRS and how that will operate, during the construction period and afterwards. It addresses the requirements of Section 5 and Schedule 1 to the BRS Act, having regard to the subsequent guidance issued by the Government that information on the costs and financing of the project should be disclosed in both the initial and final prospectus.

### The approach used to determine the costs of Crossrail

The costs and funding sources for the Crossrail project can be presented in a number of different ways depending on how assumptions around factors such as financing costs, contingencies, operating expenses and allowances for optimism bias are treated.

The analysis presented in this prospectus starts with the approach adopted in the Sponsors Agreement. It then adapts the financial information to address the requirements of 'Business Rate Supplements guidance: additionality and ballots' in relation to the presentation of the Crossrail project costs – the relevant guidance issued by HM Treasury in May 2009 ([www.hm-treasury.gov.uk/d/business\\_rate\\_supplements\\_guidance\\_pu736.pdf](http://www.hm-treasury.gov.uk/d/business_rate_supplements_guidance_pu736.pdf)).

The costs presented are in cash terms and therefore include an allowance for inflation. The forecasts for this have been built up especially for CRL, including estimates of the cost

escalation increases likely in the construction industry up to 2017.

CRL and the Sponsors have also considered the appropriate provision for risk and contingency. With a project as complex as Crossrail, it is common to express estimates of project cost at a percentage cost level. Such estimates are typically built up from a 'point estimate' of actual cost, together with a provision for risk based on detailed modelling of identified risks. So an 80 per cent confidence estimate, usually expressed as P80, implies a one in five chance that costs will be higher than this. The CRL numbers have been prepared to a P95 basis, implying there is only a one in 20 chance that this level will be exceeded, or a 95 per cent chance the actual result is less. It is clearly important that the Sponsors have access to sufficient funding to ensure the project is completed in all but the most exceptional circumstances.

There are some issues around the scope of the Crossrail project, the time period over which costs are measured, and whether or not financing costs should be included. The information presented in this section is based on the approach used by the Sponsors in the Sponsors Agreements, with adjustments then shown where necessary. The information in this section was accurate as at 31 December 2009.

## The Projected Costs of the Crossrail Project

The headline construction cost of the Crossrail project as agreed by the Sponsors and CRL is £15.9 billion. This only covers the period up to opening in 2017 and is a P95 cash figure. The breakdown, updated for later information, is summarised in Figure 8.

**Figure 8 Key Components of Crossrail Project Expenditure**

Crossrail Limited (CRL) Direct Capital Expenditure	£billion
Central Tunnels, central stations and railway systems	9.1
Land and Property	1.0
Indirect CRL costs and project management	2.4
<b>Sub total direct expenditure</b>	<b>12.5</b>
<b>Other CRL Expenditure</b>	
Payment to Canary Wharf Group for Isle of Dogs Station	0.6
Other	0.1
<b>Total CRL Expenditure</b>	<b>13.2</b>
<b>Other costs</b>	
Depot costs	0.5
On Network Works	2.3
<b>Total P95 Funding Requirement (cash)</b> Numbers may not sum due to rounding	<b>15.9</b>

Crossrail's £13.2 billion of direct expenditure (as set out in Figure 8) will be funded by the Sponsors on a fixed schedule between 2009 and

2018. The Sponsors will transfer the funds to a ring-fenced bank account managed by TfL which can only be utilised for funding Crossrail project costs. CRL will benefit from interest earned on surplus funds in this account which will be spent on the delivery of the project.

The cost of the On-Network works will be financed by Network Rail, while the depot for the Crossrail trains is expected to be leased.

## Related Crossrail costs not included in the Heads of Terms

The £15.9 billion capital costs in the Heads of Terms excluded some items, generally because a third party had agreed to fund them or because in the case of rolling stock the assets would be leased. These other costs (totalling £2.1 billion), which are outside the core construction expenditure, include financing costs during construction.

In addition, the Sponsors expect that the bulk of the costs of Woolwich station will be financed during the construction period by the private sector, and that there will be a £0.15 billion additional contribution to the cost of the Canary Wharf station from Canary Wharf Group.

## GLA and TfL contributions towards the financing of Crossrail

The GLA and TfL have agreed to contribute around £7.7 billion towards the construction costs of the Crossrail project. There are a number of distinct funding sources for this contribution:

### *Crossrail BRS (£4.1 billion)*

The largest element of the GLA contribution will be financed by the Crossrail BRS. The Crossrail BRS will finance around £4.1 billion of the project costs. This comprises £3.5 billion of borrowing and a further capped sum of £0.6 billion representing the estimated Crossrail BRS income not needed to service the GLA's debt financing costs on this loan during the seven-year planned construction period. The arrangements for the Crossrail BRS are set out in more detail later in this section and also in section 8.

The £4.1 billion is not hypothecated to any element of the Crossrail project but is expected to be applied to part-finance the central stations, central systems and tunnelling works.

### *Community Infrastructure Levy (up to £0.3 billion)*

The Sponsors Agreement indicated that the Mayor might contribute £300 million raised through the proposed Community Infrastructure Levy (CIL). The CIL will be a sum paid by developers which local planning authorities can choose to set to help fund infrastructure needed to support the development of their area. The Government has indicated that in London, the Mayor will be able to raise a CIL. The powers to introduce the CIL are contained in the Planning Act 2008, and the Government is currently preparing regulations dealing with the detailed implementation of the CIL, which they intend will be ready to come into force in April 2010.

While CIL is shown in the Agreement to be a GLA item, it is a government responsibility to

provide the powers or alternative funding. The Mayor has not so far committed himself to raise a CIL, but if he decided not to, Government would not have to provide equivalent funding.

### *Section 106 Contributions (£0.3 billion)*

The Mayor is also committed to provide £300 million to be raised from developer contributions through use of planning obligations under section 106 of the Town and Country Planning Act 1991 or through any similar system that might replace them. It is proposed that these contributions will primarily be sought from developments involving new office space in Central London and the northern part of the Isle of Dogs, having regard to relevant legislation and government guidance. This approach has been taken in order to focus on those developments and locations which contribute most significantly to the problems of congestion that Crossrail will help relieve.

Seeking these contributions requires making alterations to the Mayor's London Plan. It is proposed that new and amended policies in the Plan will set out the broad principles involved, and the details of the contribution policy (such as the sums to be sought and the types of development and locations from which they should be sought) will be dealt with in supplementary planning guidance.

As required by legislation, two rounds of consultation were carried out on draft alterations. The first - which primarily involved the London Assembly and wider GLA Group - took place between December 2008 and February 2009. The opportunity was also taken

to engage extensively with representatives of the development industry and with local authorities at this stage. The second was a twelve week public consultation on draft alterations, accompanying draft supplementary guidance setting out the details of the proposed contributions and an integrated impact assessment (IIA).

A public examination of the proposed alterations took place between 14-18 December 2009. The Panel which conducted the examination is expected to report to the Mayor in February 2010, and it is anticipated that the alterations will be formally published later in the year. Further details can be found on the Greater London Authority website.

#### *Direct TfL contribution*

TfL expects to raise £2.4 billion through prudential borrowing, as part of its wider borrowing programme. In the past TfL has borrowed from three sources: the Public Works Loan Board (PWLb), the European Investment Bank (EIB), and the capital markets through three bond issues. TfL agreed a £1 billion loan facility with the EIB in September 2009 to be drawn down over six years.

Under the Local Government Act 2003, all TfL debt ranks equally. It is up to TfL to consider when any borrowing is prudent. When Crossrail is operational, the incremental operating surplus (net farebox less operating costs) which is received by TfL will provide funds to meet its debt servicing related to the Crossrail borrowing.

The Crossrail cost budget provides for £1 billion of expenditure on land and property. At the end of construction, surplus land can be sold, and over-station development is possible at some of the stations. These receipts will come to TfL, and will contribute to funding the TfL contribution. Clearly both acquisition costs and future sale receipts will be dependent on the state of the property market at that time.

#### **DfT and other funding**

DfT has agreed to contribute £5.1 billion to the Crossrail project directly. The bulk of the DfT funding will be paid to CRL as a grant contribution. DfT is also responsible for underwriting the contributions from the Common Council of the City of London and from BAA plc. There is also a potential additional contribution from businesses in the City of London.

Works on the national rail network associated with Crossrail (the On-Network works) will be financed and delivered by Network Rail. It is intended that Network Rail should recover its investment through track access charges paid by the Crossrail operator, over an extended period once services commence.

A regulatory protocol has been established between DfT, CRL and Network Rail to provide the governance framework for these works – the terms of which shall be enforced by the Office of Rail Regulation. CRL will be responsible for paying financing costs to Network Rail for the On-Network Works during the construction phase. It is currently expected that the rolling



stock and depot will be leased to the Crossrail operator during the operational period.

Figure 9 gives a breakdown of the expected timing of the payments by TfL and shows the expected borrowing by the GLA which forms part of this contribution.

**Figure 9: Planned Contributions towards Costs of Crossrail Project by TfL during Construction Phase**

Year Ended 31 March	TfL base contribution £bn	Of which financed by GLA borrowing £bn <sup>1</sup>
2009	0.5	
2010	0.5	
2011	0.8	0.8
2012	0.8	0.7
2013	0.8	0.7
2014	1.2	0.8
2015	1.1	0.5
2016	0.8	
2017	0.5	
2018	0.6	
Total	7.7	3.5

1. Financing and repayment of this contribution funded by the Crossrail BRS

Figures may not sum due to rounding

### What happens if the costs rise or fall?

The Core Agreements recognise the uncertainties about major projects such as Crossrail and make a number of provisions about what happens if the forecast costs change:

- there are review points to manage changes before the tunnel construction starts;

- there are provisions that make TfL or DfT take responsibility for particular costs where that Sponsor has more influence;
- the intervention points, discussed in section 3, link with a requirement for TfL to make available certain contingency funding to the scheme and then an ability for TfL to make the DfT take over the responsibility for the scheme (the 'put option'), or for DfT to opt so to do. If costs fall, then there are arrangements for the Sponsors to share that benefit after 2017.

TfL has taken a prudent approach in considering the potential uncertainties around the Crossrail project. The TfL Business Plan assumes that TfL will pay its contingency in full, but that it will receive the external funding expected in the Sponsors Agreement, including both the Crossrail BRS borrowing and the direct contribution. So additional funding should not be required for an outcome at around the P95 level.

The Sponsors have continued to monitor CRL's cost forecasts carefully since the Heads of Terms were signed. CRL are currently undertaking a major scope, cost and programme exercise as required under the Sponsors Agreement. The Joint Sponsor Team and the Project Representative are monitoring this closely on the Sponsors' behalf. TfL is confident that the overall effect will not be significant and that the £15.9 billion headline construction cost estimate (i.e. P95) therefore remains a reasonable one.

The intervention points and provisions above give the GLA a very high level of confidence

that it will borrow no more than the agreed £3.5 billion. The P95 estimate suggests that there is only a one in twenty probability that the costs will be higher than £15.9 billion, and even if the outcome exceeded this there are provisions in place which would make it unlikely that there would be an additional call on the GLA and business ratepayers. The expectation is that the GLA's borrowing will be repaid between 24 and 31 years from the commencement date of the Crossrail BRS in April 2010, with an expected end date of 2037-38.

### **What is the GLA's policy in the event it borrows more than £3.5 billion or the period of the loan is more than 31 years?**

In the unlikely event that the final level of borrowing required by GLA exceeded £3.5 billion, or the period of the loan were to be extended beyond 31 years, the GLA would consider whether there was a case for issuing a revised prospectus as set out in section 10 of the BRS Act to advise ratepayers of the revisions and the potential effects on Crossrail BRS bills.

### **What is the GLA's policy in the event it borrows less than £3.5 billion or the period of the loan is less than 24 years?**

The GLA also considers it is unlikely that the final level of borrowing required would be lower than £3.5 billion, or that the period of the loan is likely to be less than 24 years, given the terms of the agreed funding package and its assessment of expected Crossrail BRS cash flows and interest rates. If the final GLA loan was less than £3.5 billion due to lower project costs this could reduce the lifetime of the Crossrail

BRS and thus the amount of the Crossrail BRS payable by business ratepayers. Similarly an earlier repayment of the GLA's borrowing – in other words sooner than 24 years – would be likely to have a similar effect.

The GLA would agree with the Sponsors how any savings arising from any reduction in its final contribution (leading to a lower level of GLA borrowing) would be dealt with and, where applicable, passed on to ratepayers through refunds or revisions to the Crossrail BRS multiplier from then onwards. This would not arise, however, until after the end of the construction period in 2017 when there will be certainty about the final project costs.

In relation to the above scenarios there are no provisions for the Crossrail BRS to be adjusted if Crossrail costs rise or fall. The multiplier cannot be increased above 2p, and this 2p rate is expected to apply for the lifetime of the Crossrail BRS. In any case the GLA will seek to keep the length and amount collected via the Crossrail BRS to a minimum.

### **How much will be raised from the Crossrail BRS?**

The GLA has estimated that the BRS will raise around £219m in its first year from April 2010 based on the policies set out in this final prospectus and is assuming that this figure will remain constant for each of the five years up to the next expected revaluation in 2015. This figure is an estimate, and the actual result could be lower or higher, and is likely to vary slightly from year to year depending on various factors

and variables as well as the wider economic situation.

The projection is based on the draft 2010 rating list issued by the Valuation Office Agency in October 2009 and updated information from London's 33 billing authorities on entitlements to reliefs. The GLA's analysis has used the following assumptions:

- the NNDR and BRS relief rates in place at October 2009 will remain broadly unchanged over the lifetime of the BRS in each billing authority;
- administration costs (including set up costs) are incurred by billing authorities as specified in regulations referred to in the BRS Act.
- an annual 5 per cent reduction in the total received to cover collection losses (e.g. bad debts), refunds due to successful valuation list appeals and other variable factors. This is in line with the contingency allowance billing authorities are required to withhold for such eventualities in line with the provisions of the Business Rate Supplements (Transfers to Revenue Accounts) Regulations 2009 (the "Transfer to Revenue Accounts" regulations); and
- no net increase in the gross rateable value of hereditaments with rateable values over the proposed threshold in London prior to the next revaluation. This reflects the current uncertainty in the commercial property sector and the possibility that there could be a higher than expected level of successful valuation appeals in those parts of the capital which have seen the largest increases in rateable values in the 2010 revaluation.

The GLA and TfL have also forecast the income stream going forward over the expected lifetime from 2010-11 and beyond, based on a multiplier (or tax rate per pound of rateable value) of 2p on properties with rateable values exceeding the final minimum threshold for the Crossrail BRS (as set out in section 8). The income is based on the draft 2010 rating list and it has been assumed that the taxbase will increase by just over 6 per cent at the expected next revaluation in 2015 (covering 2015-16 to 2019-20). This has regard to the fact that the 2010 valuations were taken in April 2008 (i.e. prior to the full impact of the economic downturn in late 2008 and 2009).

From the 2020 revaluation onwards step rises of around 15 percent are assumed every five years in the taxbase to account for inflation and any real increase in rateable values. This is in line with historic trends prior to the 2010 revaluation.

The forecast annual Crossrail BRS income to be generated by 2035-36 (the expected final revaluation date before the Crossrail BRS is projected to end) is around £413 million in cash terms on the basis of these assumptions.

### **How will the GLA raise the debt?**

The £3.5 billion of GLA borrowing will be undertaken under the Prudential Borrowing regime and classified as on balance sheet public sector borrowing. The GLA could borrow from a number of lenders, but expects to secure most of the £3.5 billion from the PWLB. PWLB lending rates are based on Government gilts, with a small additional margin.

The precise terms of GLA borrowing (e.g. tenor or length, interest rate and repayment profile) will not be known until each tranche is taken out. Given the uncertainty of market rates and conditions, the GLA's borrowing policy will need to be kept under review, and may need to be revised if circumstances change. At all times the GLA's borrowing will need to be prudent and comply with CIPFA's Treasury Code and best practice. Any decisions will be informed by advice obtained from the GLA's independent treasury advisers.

The long-term interest rate on the GLA borrowing was assumed in the Heads of Terms to be 6 per cent. While long-term rates in December 2009 were under 5 per cent, long-term rates could move significantly before 2015, and therefore an average interest rate of 6 per cent has been assumed for modelling purposes throughout the lifetime of the Crossrail BRS.

The GLA does not currently expect to start repaying any of the debt until after the end of the construction phase (i.e. 2018-19) which is in line with normal practice for major construction projects. It may review this were an earlier repayment arrangement deemed appropriate to minimise financing costs and the level of BRS payable by ratepayers.

While the form and tenor of the debt are still to be confirmed, the repayment profile will need to take account of an uncertain, but growing and hypothecated, income stream. Hypothecation means that future ratepayers are taking the risk of any mismatch between borrowing terms and

the emerging Crossrail BRS cash flow. The GLA will seek to minimise this risk.

The GLA's financial modelling estimates that the debt will be repaid in a period of between 24 and 31 years from the Crossrail BRS commencing (i.e. 2010) with the first principal repayment expected to occur after the end of construction. The model used in the initial prospectus which has now been updated was independently tested by a company specialising in financial modelling and review and was deemed to be robust for the purposes for which it is being used. The current best estimate is that the debt will be repaid by 2037-38 (i.e. up to 28 years from commencement of the Crossrail BRS) but this is dependent on various factors including the actual level of interest rates paid on the GLA's borrowing and the level of the Crossrail BRS tax base during its lifetime. The sensitivity of these figures to the tax base and interest rate is set out at the end of this section.

The GLA has an AA+ credit rating from Standard and Poors (S&P). Recent S&P reports suggest it is likely to take significant comfort from the relatively stable nature of the BRS revenues and, more importantly, the ability of the GLA to levy the supplement for as long as the debt remains outstanding – as such it is not expected that the GLA debt will lead to any material change to the GLA's credit rating.

The GLA will ensure that any borrowing package secures the best value for money outcome for business ratepayers while protecting the interests of the council taxpayer. Oversight will also be undertaken by the London Assembly

through its committee scrutiny structure and by the TfL Board.

In summary, the GLA therefore expects to borrow mostly from the PWLB but will not know the precise terms until each tranche of borrowing is undertaken. The detail of the approach to borrowing will therefore be kept under review until the full £3.5 billion is drawdown by 2014-15 and regularly thereafter and the GLA will seek to keep any financing costs to a minimum.

### **What will happen to the Crossrail BRS not required to fund the GLA's interest costs during construction?**

Given the uncertainties around the timing and level of the Crossrail BRS income due to the effect of revaluation and the current economic position, it would not be prudent to borrow assuming the maximum Crossrail BRS income materialises. Thus the GLA needs to take a prudent view of the Crossrail BRS income and debt servicing costs – to ensure that the debt service amounts are less than the assumed Crossrail BRS income. Furthermore, as the borrowing occurs in instalments over a five year period, the financing costs in the early years will be lower than the taxtake from a 2p rate. This excess will vary depending on the actual Crossrail BRS collected from ratepayers and on the interest costs of servicing the debt. Modelling has shown it is sensitive to small changes.

The Sponsors have agreed that the GLA should pay any of the Crossrail BRS not required to finance the GLA's borrowing during the construction period, over to TfL to support TfL in meeting the financing costs incurred on the

project, and managing the risks associated with its share of the Crossrail funding. This is referred to as the direct contribution. Subject to the discretion of the Mayor to vary this in future it is envisaged that this direct contribution will be capped at a maximum level. It will be spent by TfL on the debt service of TfL debt raised for Crossrail, or passed across for CRL to spend on the project.

The Initial Prospectus gave an estimate for the direct contribution of £600 million (rounded from £603 million) and said that if it was more than £600 million – and the actual amount would not be certain until at least 2015-16 – then the options available to the Mayor and GLA at that time would include paying the excess to TfL to fund its financing costs for Crossrail or using the funds to shorten the lifetime of the Crossrail BRS through an earlier repayment of the GLA's borrowing.

TfL revised its estimates for the direct contribution, and for its other Crossrail funding in its 2009 Business Plan. Early indications from the revaluation and from changes in interest rates were that the direct contribution might be higher than £603 million. Other Crossrail funding streams, however, had reduced forecasts, particularly in the early years.

The approach agreed with the Mayor was for the direct contribution to be capped at £603 million. Should that figure be reached during the construction period, any further funds would be used to reduce the level of the borrowing. If the £603 million is not achieved, then TfL will have to make other adjustments to non Crossrail

expenditure and income in its future business plans. On current estimates, the £603 million figure will be reached in 2015 or 2016. The GLA will seek to minimise the cost to ratepayers when determining the exact mechanisms by which it will meet the projected cash flow commitments in the prospectus.

The GLA, at the latest, will cease to pay any in-year excess (relative to its own financing requirements) on the Crossrail BRS to TfL once Crossrail becomes fully operational. Crossrail services commence in 2017 with a phased operation over the next 12 months.

Following the end of the construction phase (and potentially from 2015-16), all net funds raised under the Crossrail BRS will be hypothecated to pay down the interest costs on the GLA's debt and also from 2019-20 the repayment of the principal.

This approach to the direct contribution provides certainty to ratepayers as to what they will pay – i.e. no more than 2p per pound of rateable value on hereditaments where the rateable value exceeds the minimum the threshold for the Crossrail BRS. It protects them from the risks around the level and timing of BRS income and around the actual long term interest rate. Under the Sponsors Agreement, it gives CRL certainty of the income available for the project.

### **What is the total amount of Crossrail BRS that will be paid by ratepayers?**

The figure of £15.9 billion cost for Crossrail is the capital cost of construction and includes £3.5 billion of GLA debt and the £0.6 billion of the Crossrail BRS income used as direct financing. The cost of financing the GLA's borrowing (estimated at £4.0 billion) is not included in the overall cost of the project set out above and nor are the financing costs of TfL.

Based on the assumptions in the GLA's Crossrail BRS model, the total amount estimated to be raised from Crossrail BRS before the GLA's debt is repaid is £8.1 billion in cash terms between 2010-11 and 2037-38, or £3 billion on a discounted cash flow basis (assuming a 6.3 per cent discount rate as will be outlined in the next section). This figure – as explained previously – is an estimate and will vary depending on interest rates and the Crossrail BRS taxbase (including the impact of changes in reliefs arising from changes to NNDR legislation).

This £8.1 billion cash sum comprises:

- £3.5 billion of principal repayment of the GLA's borrowing between 2018 and 2036;
- £4.0 billion representing the interest payable by the GLA on its borrowing; and
- £0.6 billion BRS during construction phase used as direct financing for the project.

These figures now reflect the GLA's analysis of the 2010 revaluation, as detailed earlier in this section.

Appendix A summarises the expected cashflows between the GLA and TfL and expected income receipts during the lifetime of the Crossrail BRS (i.e. the effective annual movements on the GLA's Crossrail BRS account) assuming that the GLA's debt is repaid in 2037–38. It also sets out the expected Crossrail BRS income annually over its lifetime on both a cash and a discounted basis and includes an annual profile of the direct contribution.

### **What happens to the GLA debt repayment time and the amount of the Crossrail BRS paid if different assumptions are used?**

The GLA's funding projections for the Crossrail BRS assume that the interest rate payable on its borrowing will be 6 per cent and the eligible Crossrail BRS tax base could increase by 6 per cent in 2015 and an average of 15 per cent at every five year revaluation post 2020 (these figures are below the historic patterns of growth in London's NNDR tax base).

It is projected under our modelling that if the average interest rate payable on the GLA's borrowing were 5 per cent (i.e. 1 per cent lower) the BRS might last for 25 years, all other things being equal. The amount collected in the Crossrail BRS as a result over its lifetime could fall to £7.3 billion in cash terms.

Alternatively under our modelling, if the average growth in the eligible BRS tax base every five years from 2020–21 were ten per cent rather than 15 per cent (a five per cent lower growth rate) the lifetime of the Crossrail BRS might be in the region of 31 years, all other things being

equal. The total amount collected in BRS could rise to around £8.5 billion, all things being equal, due to the resulting higher interest payments.

The GLA will ensure that borrowing costs are monitored to ensure the burden on ratepayers and length of the BRS is kept to a minimum having regard to the need to deliver the Crossrail project and its agreed funding package.

### **Conclusions**

This section has set out the current estimates of the costs of the Crossrail project and explained how it is planned to be financed. It also explained how the GLA will finance its £4.1 billion contribution to the project from the income from the Crossrail BRS, and set out the revised assumptions that underpin the estimated 24 to 31 year lifetime of the supplement.





# Section 6

## THE MAYOR'S DECISION ON WHETHER TO HOLD A BALLOT

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This section will consider two tests set out in the BRS Act:

- a additionality under section 3(1) of the BRS Act; and
- b whether the Crossrail BRS will contribute more than one third of the project costs (section 7(1)) – the test which determines whether or not a ballot is mandatory under the general provisions of the Act.

These matters do not technically need to be addressed by the GLA under section 27 of the BRS Act but are presented, for information only, in the interests of transparency to taxpayers. This section will also confirm the GLA's decision not to hold a ballot of ratepayers before introducing the Crossrail BRS and the reasons for this.

### Introduction

Section 3(1) of the BRS Act specifies that levying authorities must ensure that BRS revenues are only used on the project to which the BRS relates, and for expenditure that the levying authority would not otherwise have been incurred ('the additionality test').

Section 7 of the BRS Act requires that in circumstances where the BRS revenues will be more than one third of the total costs of the project a ballot must be held prior to the imposition of the BRS. Similarly section 10 requires a ballot to be held in the same circumstances where a BRS is proposed to be varied. In circumstances where the ballot requirements are not met, sections 7 and 10 specify that the levying authority may,

nevertheless, hold a ballot in relation to the imposition of the BRS.

Section 27(6) of the BRS Act, however, disapplies the additionality and ballot tests for a BRS proposed to be levied by the GLA in relation to a project which (a) commenced prior to the commencement date of section 1 of the BRS Act and (b) for which the chargeable period of the BRS will begin before 1 April 2011. The Crossrail project had already started prior to the commencement of the BRS Act and it is intended that the Crossrail BRS will commence on 1 April 2010. On that basis the Crossrail BRS satisfies the requirements of section 27 and consequently is exempt from both the additionality test and ballot requirements specified in sections 3, 7 and 10 of the BRS Act.

Section 27(6) provides certainty for Crossrail, which is already under construction, and the Mayor has had regard to this exemption in relation to his decision on whether or not to hold a ballot before introducing the Crossrail BRS. Nevertheless, the Mayor has decided to address the additionality and ballot tests in this prospectus order to provide transparency to business ratepayers and other stakeholders. In the GLA's view, Crossrail does represent additional expenditure and the Crossrail BRS raises less than a third of the project expenditure as set out in the government's related guidance.

### The additionality test

Section 3(1) of the BRS Act specifies that the levying authority must ensure that the BRS revenues are only used for expenditure:

- a on the project to which the BRS relates; and
- b that the authority would not have incurred had the BRS not been imposed (“the additionality test”).

While section 27 of the BRS Act exempts the Crossrail BRS from the additionality test, Schedule 1 of the BRS Act requires levying authorities to provide an explanation in the initial and final prospectus of how the additionality test would be satisfied.

HM Treasury and the Department for Communities and Local Government issued ‘Business Rate Supplements Guidance: Additionality and Ballots’ in May 2009 (‘the Guidance’) which provides guidance to levying authorities on how to address the additionality and ballot tests contained in the BRS Act.

The Guidance states:

‘In practice, the additionality requirement means that local authorities cannot use revenues from supplements to deliver on existing spending plans and commitments. The revenue should therefore either be spent on new projects or to add something extra to a project already underway, i.e. to spend money which otherwise would not have been spent.

In relation to a project that the authority proposes to fund entirely through a BRS, the local authority should be able to demonstrate that no expenditure would be incurred in the absence of the BRS. In relation to a project that the authority proposes to part-fund

through a BRS, i.e. as part of a wider funding package, the authority should be able to demonstrate how the BRS would add to existing available funding to make the project viable or to extend its scope.’

The Guidance also makes reference to the effect of section 27:

‘Clause 27 of the Bill makes provision for a BRS to be raised for expenditure on projects begun before the power to levy a BRS in clause 1 of the Bill comes into force, providing the BRS is levied on or before 1 April 2012. In those circumstances it will be necessary to demonstrate how the levying of a BRS would add to the existing project plans. For example, it could be used to deliver something extra that could not be achieved in the absence of the BRS.’

Section 5 of this prospectus sets out the costs and funding for the Crossrail project. On the Crossrail Heads of Terms definitions, the Crossrail BRS will finance £4.1 billion over the construction period of the project costs. This represents 26 per cent of the £15.9 billion total project costs. It is more than 50 per cent of the TfL and GLA contribution, and is larger than the budget line for the construction of the Crossrail stations in central London.

It is the GLA’s view that the Crossrail project could not proceed on its current scope without the Crossrail BRS income. The loss of the Crossrail BRS could not be addressed by changes of phasing or by removing a single branch. It would require a fundamental re-examination of

the Crossrail project. Consequently the Crossrail BRS is supporting additional expenditure. The GLA and TfL will be setting up accounting arrangements which will allow the GLA to show that Crossrail BRS revenues will only be spent on Crossrail and related debt servicing.

### **Sections of the BRS Act relating to ballot provisions**

Section 7(1) of the BRS Act specifies when a BRS ballot is required and sets out how the one third threshold for triggering a ballot should be calculated subject to the specific introductory provisions in section 27 of the Act which apply to the GLA.

‘(1) There must be a ballot on the imposition of a BRS if—

- a A is more than one third of B, or
- b the initial prospectus states that, even though paragraph (a) does not apply in relation to the BRS, the levying authority nevertheless thinks that there should be a ballot on the imposition of the BRS.

(2) For the purposes of subsection (1)(a)—“A” is the amount specified in the initial prospectus as the amount the authority expects to raise from the imposition of the BRS, and “B” is the amount specified in the initial prospectus as the amount the authority estimates as the total cost of the project to which the BRS relates’.

Similarly section 10 requires a ballot to be undertaken where there is a proposal to vary a BRS, which would mean that the amount of the BRS raised is more than one third of the

project costs. While section 27 (6) of the BRS Act exempts the GLA from the requirement to hold a ballot if its BRS commences before 1 April 2011, Schedule 1 of the BRS Act still requires levying authorities to provide a statement in the prospectus as to whether or not they intend to hold one.

### **Calculating the Crossrail project costs for the illustrative ballot test**

The Guidance specifies the costs which should be considered to be project costs for the purposes of calculating whether a ballot is required:

‘The definition of what should be included in project costs will vary depending upon the nature of the project. For example, some projects may include a construction phase or the procurement of assets that will be used for the delivery of a public service over a subsequent operating phase. Where a project includes both construction and operating phase(s), project costs may include both the upfront capital costs, the cost of assets essential to the delivery of the scheme, and ongoing running costs over the project life.’

The Guidance also specifically refers to how project costs should be calculated where external borrowing is likely to be raised:

‘Some projects, in particular those with significant upfront capital costs, are likely to raise external borrowing to fund ANY upfront costs. This borrowing may be raised against the BRS and/or other future revenue streams. In this case, the assessment of ongoing

running costs should include the financing costs associated with externally raised debt. Financing costs are a component of the whole life costs of delivering a project where debt is to be raised to fund the project.'

The Guidance is clear that the project costs should be calculated on a present value basis, applying HM Treasury's Green Book methodology to calculate the present value of both the project costs and the BRS to be raised (i.e. both numerator and denominator). This presents a potential 'double count' with the inclusion of financing costs.

The discount rate incorporates the public sector cost of finance. Where there is external financing at a likely higher interest rate (e.g. for rolling stock leasing), the differential finance cost should be included in the assessment of total project costs. The total project costs used for the calculation having regards to the Guidance will exclude the differential cost of finance.

Finally the Guidance makes references to the use of contingency costs and optimism bias:

'For the purposes of assessing project costs and the one third requirement, optimism bias adjustments and contingency costs, as they can be most accurately defined at the point of assessment, should be included within the total project cost figure.'

Applying the terms of the Guidance to the Crossrail project requires the cost and funding figures presented in Section 5 to be restated as follows.

In relation to 'A' (the amount the GLA expects to raise in Crossrail BRS revenues), the figure is not the headline contribution of £4.1 billion as this does not include financing costs as required under the Treasury's guidance. Instead the measure is the total Crossrail BRS raised over the 28 year expected life but discounted at the standard public sector real terms discount rate, adjusted for estimated inflation. The discount rate applied for the Crossrail BRS test is 6.29 per cent, which equates to the Social Time Preference Discount rate of 3.5 per cent as set out in the Treasury's Green Book, adjusted for assumed inflation of 2.70 per cent calculated as follows (in line with the inflation rates used for the modelling of the costs of Crossrail):

$((1+0.0350) \times (1+0.0270))$  equals a discount rate of 6.29 per cent.

'A' for the purposes of the one third test is therefore £3.0 billion (applying the 6.29 per cent discount rate taking the base year as 2007-08 when the first eligible capital expenditure was incurred on the Crossrail project by CRL), or £8.1 billion on an undiscounted basis. The calculation of the Crossrail BRS total income on a cash and discounted basis is presented in Appendix A.

This £8.1 billion cash sum would be collected over the expected life of the Crossrail BRS and comprises:

- a the repayment of £3.5 billion principal borrowed by the GLA;
- b the £0.6 billion paid to TfL between 2010-2018 (on construction); and

c £4.0 billion of interest payable on the GLA's borrowing

In relation to 'B' the HM Treasury Guidance makes clear that this estimate should include the following components discounted on the same basis as used for the calculation of 'A':

- an appropriate allowance for contingency and optimism bias;
- all items being funded or financed by third parties including the additional cost of external finance; and
- costs in both the construction and operating phase;

For a project the size of Crossrail, this produces a complex recalculation of costs. Before making these adjustments, it is worth noting that the discounted equivalent of £15.9 billion is £11 billion, giving a result of 27 per cent (£3 billion for 'A' divided by £11 billion), i.e. less than 33.3 per cent from the start.

Starting from the £15.9 billion total, the first adjustment is to consider the allowance for contingency and optimism bias. Given the HM Treasury involvement in development of the Crossrail costs and funding negotiations, the GLA assumption is that the P95 figures presented in section 5 do incorporate the appropriate allowances for optimism bias and contingencies, and that it is reasonable to use those figures.

The next step is to add to the £15.9 billion, the items being funded or financed by third parties. These amount to £1.3 billion (£737 million on

a discounted basis) and include the cost of the rolling stock and the private sector contributions to the Woolwich and Canary Wharf stations.

In addition, the financing costs associated with third party finance should be included. To avoid double counting when the costs are discounted, the assumption is that this refers to external financing costs greater than the rate at which the public sector can borrow – the margin for external finance. This would include the Network Rail works, rolling stock and depot costs and the plans for the stations at Woolwich and Canary Wharf.

As in most cases this financing is still to be arranged (i.e. the terms and conditions are unknown), or the details are commercially sensitive, a simple assumption has been used that a margin of 2 per cent needs to be financed for 20 years (a bullet repayment is assumed after 20 years) in order to inform the calculation of 'B'.

The operating costs – which will ramp up upon completion of the Crossrail project – are taken from estimates prepared by TfL with assistance from CRL and external advisers. They include the operating costs, the variable track access, and an estimate for the maintenance of the new railway for a period up to 2037 (for consistency with the period covered for the calculation of 'A').

The guidance does not explicitly require any account to be taken of passenger revenue, which is effectively funding from a source which does not directly relate to the project. These costs are then discounted. As related capital works on the project were incurred in 2007-08

this is taken as the base year against which the discounted cash flows are calculated.

Figure 10 shows the estimated costs of Crossrail on a discounted and undiscounted basis having regard to the above assumptions.

**Figure 10**  
**Cost of Crossrail Project in Construction and Operating period (on discounted and undiscounted Basis)**

	Undiscounted (Cash) £ billion	Discounted (‘B’) (6.3% - 2007 price base) £ billion
Core construction costs incurred by CRL (P95)	15.9	11.0
Third party expenditure	1.3	0.7
Third party financing	1.2	0.5
Add costs during the first 20 years of the operating period	7.3	2.2

As a result ‘B’ (the cost of the project) for the purposes of the illustrative one third test were it to be applied to Crossrail is estimated to be £25.7 billion or £14.4 billion on a discounted basis.

### Applying the One Third Test Calculation (A/B) to the Crossrail BRS

The GLA estimates that A is £3.0 billion and B is £14.4 billion for the purposes of the one third test set out in section 7 of the BRS Act.

A divided by B as represented by the calculation

$$3.0(A)/14.4 (B)$$

gives a result of 21 per cent i.e. less than one third.

### The Mayor’s Decision on Whether a Ballot should be Held for the Crossrail BRS

Paragraph 20 of schedule 1 to the BRS Act requires the levying authority to set out in its final prospectus whether or not it has held a ballot on the imposition of the BRS. If no ballot was held the authority is also required to explain why it thought there should not be one.

Section 27 (6) of the BRS Act contains the following wording:

‘Sections 3(1)(b), 7(1) and 10(7) do not apply to a BRS that the Greater London Authority proposes to impose, or imposes, in reliance on subsection (2) if the chargeable period of the BRS begins on or before 1 April 2011.’

This section has the effect of negating the one third test ballot threshold (section 7(1)) for any BRS levied by the GLA, providing this commences before 1 April 2011.

However even if the GLA was to have been subject to the one third ballot threshold test under section 7(1) of the BRS Act the GLA's analysis suggests that the Crossrail BRS would fund less than one third of the total costs of project. Consequently the Crossrail BRS would, on the basis of this analysis, not have required a mandatory ballot under section 7(1) before its introduction, irrespective of whether the exemption provisions granted to the GLA by section 27(6) of the BRS Act had been included.

In the wider long term interests of London, the GLA considers that it and TfL must proceed as planned with the Crossrail project in line with the funding arrangements agreed with the Government. In order therefore to provide certainty to the project and allow Crossrail to be completed on schedule and without delay the Mayor therefore intends to rely on the provisions of section 27(6) of the BRS Act.

The key reasons why the GLA considered that there should not be a ballot are:

- Crossrail was first envisaged almost forty years ago and has been subject to extensive debate and discussion since the project was resurrected in its current form. The funding package agreed in November 2007 was endorsed at the time by the majority of the major business representative bodies in the capital;
- The Crossrail project has already commenced and works are already advanced at both the proposed Canary Wharf and Tottenham Court Road Crossrail stations;
- The Crossrail project is jointly sponsored by the DfT and TfL acting on the direction of the Mayor. It is therefore a major infrastructure project of significance to both the national and the London economy;
- The Crossrail project enjoys widespread support from the main political parties, London boroughs and the major business representative bodies in the capital. Without the income from the Crossrail BRS – which will finance over 20 per cent of the total costs – the project would be unable to proceed as agreed;
- The provisions of section 27 of the BRS Act relating to the ballot exemption for the GLA received cross party support in both the Commons and the House of Lords;
- Based on the ballot test set out in section 7 of the BRS Act and having regard to the associated government guidance and regulations the supplement will finance less than one third of the costs of the Crossrail project. So even if there were no exemption provisions in section 27 the Mayor would not have been required to hold a ballot before introducing the Crossrail BRS;
- Any ballot could have created delays and uncertainty in relation to the financing and delivery of the project. This could have placed the delivery of the entire project at risk within the agreed funding package and timetables.

**The Mayor therefore confirms that he relies on the exemption contained in section 27(6) and that he has not held a ballot pursuant to section 7(1)(b) in relation to the Crossrail BRS. It is also the Mayor's intention that, in circumstances where there is a proposal to vary the Crossrail BRS (as set out in section 10 of the BRS Act), a ballot will not be held.**

## **Conclusion**

This section has assessed the costs and financing of Crossrail against the additionality test and the 'one third' ballot test set out in sections 3 and 7 respectively of the BRS Act. These tests do not apply to the Crossrail BRS under section 27(6) of the BRS Act provided that it is introduced before April 2011, but the Mayor and GLA have included them in this final prospectus order to provide transparency to business ratepayers and other stakeholders. This section has confirmed the Mayor's decision not to hold a ballot prior to the commencement of the Crossrail BRS or if there is a variation to the Crossrail BRS and the reasons for this.



# Section 7

## DEVELOPMENTS AND VARIATIONS SINCE THE INITIAL PROSPECTUS

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This section considers the developments which have taken place since the initial prospectus and how these have influenced the GLA's final policy decisions on the Crossrail BRS. The three key developments addressed are:

- The consideration of responses submitted to the initial prospectus;
- The changes to the profile of the £603m direct contribution to the construction costs which accelerate its draw down; and
- The publication of the draft 2010 valuation list and resulting changes to the projected income from the Crossrail BRS over the next five years

Having regard to these and other factors this section also considers the various possible policy options for the Crossrail BRS set out in the initial prospectus and the BRS Act in terms of affordability, fairness and desirability. In each case it concludes by setting out the reasons for the final policy decisions for the Crossrail BRS. Section 8 sets out the final policies for the BRS in totality in more detail.

### **Responses submitted to the initial prospectus**

Following the publication of the initial prospectus in July 2009 the GLA circulated copies to key stakeholders including the main business representative bodies in London, each Business Improvement District in the capital and the 33 London NNDR billing authorities. A summary of the prospectus was also mailed out to the ratepayers of the estimated 62,000 hereditaments on the 2005 rating list (as at July 2009) which had rateable values of £30,000 or

more. This lower threshold was used to allow for the possibility that hereditaments immediately below the statutory minimum threshold of £50,000 could potentially become liable to the BRS following the 2010 revaluation or at some time in the future.

The GLA received 139 responses to the prospectus either via the dedicated on line response form made available on its website or in writing either via letter or e-mail. This included 78 responses from individual business ratepayers (including rating agents acting on their behalf), 18 from business representative bodies (including professional associations), 11 from Business Improvement Districts in the capital and 21 public sector bodies (predominantly London boroughs). The remaining responses were from a mixture of other organisations including state and independent schools, waste authorities, individual councillors and private individuals.

### **London Boroughs**

Fourteen London boroughs (including two acting jointly) responded directly to the prospectus. An additional submission was also made on behalf of the Leaders of the seven boroughs which are members of the South London Partnership (of which four boroughs had submitted separate individual responses).

Generally borough responses focused on the following issues focusing both on the wider policy issues as well as their role as NNDR billing authorities for the capital:

- The majority of respondents addressed the general collection and enforcement issues associated with the Crossrail BRS and the need to ensure parallel operation with NNDR to minimise administration costs and simplify its implementation;
- Several boroughs asked the GLA to consider the impact of introducing a new business rate supplement in the current economic climate. They explicitly highlighted the need for the GLA to consider the impact of the 2010 rates revaluation and thus potentially set a lower multiplier than 2p or a higher threshold than £50,000;
- Only one borough explicitly supported an exemption from the Crossrail BRS for all empty properties. Twelve considered that the relief treatment of empty properties should operate on the same basis as for NNDR i.e. only ratepayers or hereditaments eligible for empty property relief would be exempt under current legislation. Two borough respondents suggested that there was arguably a stronger case for requiring landlords to pay the Crossrail BRS on empty properties relative to NNDR as Crossrail is a strategic infrastructure project will tend to benefit property owners through higher rents and occupancy rates over the long term;
- Four responses (including the South London Partnership) explicitly supported applying a lower rate for the BRS (or alternatively an offset) for businesses in business improvement districts although one borough expressed concerns about the practicalities associated with the administration of a BID offset;
- Several outer London respondents argued that a differential multiplier should be applied across London to reflect the relative benefit ratepayers would receive depending on their proximity to the Crossrail route. Concerns were also highlighted about the lack of correlation between those boroughs in outer London benefiting the most from Crossrail compared to the relative levels of any Crossrail BRS payable;
- Three respondents expressed the view that businesses outside London in areas served by the Crossrail route should contribute towards costs of the rail link; and
- One borough also specifically highlighted concerns about the fact that the Crossrail BRS will be levied on schools – although in practice the GLA has no flexibility to exempt public sector bodies as a class from any BRS it levies.

### NHS and Other Public Sector Bodies

Responses were received from three primary care trusts and two NHS hospital trusts. These responses argued that NHS properties should be exempt from the Crossrail BRS as the supplement would redirect resources away from front line NHS services at a time when budgets were becoming increasingly constrained. Four of these respondents also explicitly favoured an exemption from the Crossrail BRS for all empty properties.

Transport for London responded stressing the importance of Crossrail to the capital and its commitment to deliver the project on time and to budget in line with the agreed funding package.

## Business Representative Bodies

Eighteen business representative bodies responded to the prospectus.

The Association of Charity Shops argued that the Mayor should consider mechanisms which would maximise the level of relief for the Crossrail BRS for charity shops and charitable premises.

British BIDs argued for a lower multiplier or BID offset to be applied for ratepayers who are also contributing to a business improvement district and for the first five years of the Crossrail BRS this should be set in a way which delivers the equivalent of a 0.25p relief (i.e. an effective multiplier of 1.75p).

The British Property Federation considered that empty properties as an entire class should be exempt from the Crossrail BRS as the removal of 50 per cent empty property rate relief in April 2008 had had, in its view, a damaging impact on business and the economy.

The British Retail Consortium expressed reservations about the agreed funding package for Crossrail as the BRS element would in its view impact disproportionately on the retail sector. It also considered that a ballot should be held before the introduction of the Crossrail BRS, expressed support for an exemption from the BRS for all empty properties, argued for a lower rate than 2p to be applied in 2010-11 and asked the Mayor to reconsider his decision not to grant an offset against the BRS for BID levy payers.

The Canary Wharf Group, the City of London Property Association and the Inter Bank Forum expressed support for an exemption for empty properties from the Crossrail BRS.

The CBI also supported an exemption for all empty properties and considered that in the light of the outcome of the 2010 revaluation the GLA should set a lower multiplier than 2p for the next five years. It argued this would provide support to ratepayers in the current economic climate and particularly to those also facing large increases in NNDR bills following the 2010 revaluation.

The Federation of Small Businesses supported the provisions in the BRS Act which would exempt properties with a rateable value below £50,000 from the supplement. It also supported a return to the relief arrangements which existed prior to April 2008 for NNDR which would allow the Mayor to charge 50 per cent of the Crossrail BRS multiplier for empty properties.

The London Chamber of Commerce and Industry (LCCI) and London First considered that in the light of the outcome of the 2010 revaluation the GLA should set a lower multiplier than 2p for the next five years – for example 1.7p. LCCI also agreed with the GLA's proposal to review the rateable value threshold for the Crossrail BRS after each revaluation starting in 2015.

The North London Strategic Alliance expressed concerns about the potential impact of the BRS on business ratepayers in north London and argued that consideration should be given to applying a differential multiplier across London

to reflect the relative benefit ratepayers would receive depending on their proximity to the Crossrail route

South London Business submitted a technical response and a separate written submission outlining the results of a survey of 370 local ratepayers on the proposals for the Crossrail BRS. Of these 70 per cent were opposed to paying the supplement because of the already high burden caused by business rates and also because they considered that the benefits would fall disproportionately to those areas on the route and less so to south London. The response also reflected concerns about the effect of having to pay increased rates burdens in the current economic climate and indicated that a slight majority of businesses surveyed supported exempting empty properties from the Crossrail BRS.

Wandsworth Chamber of Commerce expressed opposition to the Crossrail BRS in principle.

Two professional bodies also responded to the prospectus. The Royal Institute of Chartered Surveyors considered that in the light of the outcome of the 2010 revaluation the GLA should set a lower multiplier than 2p for the next five years. It also opposed an exemption for empty properties and asked the Mayor to reconsider his decision not to grant an offset against the Crossrail BRS for BID levy payers.

The Rating Surveyors' Association expressed concerns about the principle of using a business rate supplement to finance major infrastructure projects such as Crossrail. This was because

most of the contributions to the Crossrail BRS, in its view, would be paid by tenants rather than property owners even though they are less likely to benefit in the longer term from the link. It therefore did not support an exemption for empty properties as any BRS liability for these premises would fall predominantly on property owners.

The Institute of Optometry expressed concern about the impact of the BRS on charitable organisations and asked that consideration be given to exempting these and other non profit making bodies entirely from the supplement.

### **Business Improvement Districts (BIDs)**

Eleven London BIDs – in addition to their representative body British BIDs – responded asking either for a phasing in of the 2p rate or more explicitly in some cases for a 0.25p discount. They expressed a common concern that there was a risk that the impact of the Crossrail BRS and the wider impact of the 2010 revaluation on NNDR bills could affect the results of future BID renewal ballots.

### **Individual Business Ratepayers**

Of the 78 individual business ratepayers who responded directly – the majority were small and medium sized enterprises which were generally opposed to the principle of the Crossrail BRS, considered that it could not be justified in the current economic climate or did not see the case for being required to pay it as they were located some distance from the Crossrail route.

Responses were also received from a number of larger national companies such as Arcadia, Kingfisher, the Financial Times, Tesco and

Ladbroke's. With the exception of Arcadia these companies all supported an exemption for empty properties from the Crossrail BRS. Tesco, Arcadia and Kingfisher also expressed concern that retailers would pay a disproportionate contribution through the BRS. Tesco also argued that greater certainty should be provided on the expected end date of the Crossrail BRS.

One rating agent responded on behalf of a number of its telecommunications clients as did a number of individual ratepayers raising concerns about the potential inconsistent treatment of telecommunications networks in relation to the Crossrail BRS. They highlighted that under existing regulations some telecommunications networks are allocated to the central rating list whereas others are allocated to local billing authority lists in London even though some of the associated network is actually located in other parts of the country. This, it was argued, has the potential to create competition issues as similar ratepayers were being treated differently depending on whether their networks were allocated to the central or to local borough ratings lists in London as a result of historic treatments under NNDR regulations. The former would be exempt from liability to the Crossrail BRS under current legislation.

### Other Responses

Responses were also received from 11 other organisations and individuals not falling into the above categories. This included several schools who expressed the view that they should not be directly liable for the Crossrail BRS. The City Parochial Foundation supported a full exemption from the Crossrail BRS for empty properties

as did the Western Riverside Waste Authority which also argued that a lower rate should be applied in those boroughs not directly served by Crossrail

London South Bank University responded arguing that charitable organisations located in south London should not be required to pay towards the BRS. It also supported a full exemption for empty properties.

A numerical analysis of the answers given by them in relation to the seven specific questions set out in the initial prospectus is set out in Appendix C.

Questions 1 to 3 in the initial prospectus related to the collection and enforcement of the Crossrail BRS (i.e. cost of collection allowance, the apportionment of rates payments between NNDR and BRS and the billing arrangements). The regulations which have or will be issued by the Government constrain the GLA's ability to set its own local policies on these matters. Having regard to these regulations the proposed policies on these issues are explained in more detail in section 8. Questions 4 and 5 dealt with the treatment of empty and partly occupied properties which are addressed later in this section and in section 8. Question 6 addressed the issue of the format and nature of annual communications to ratepayers about the progress of the BRS which is considered in section 9.

Finally question 7 was an open ended one offering respondents the opportunity to raise general comments on the Crossrail BRS. The

comments from a number of respondents to this question are highlighted above. These affect the wider policy issues associated with the BRS including the setting of the multiplier and rateable value threshold – the final policies for which are confirmed in section 8.

### Impact of 2010 Non-Domestic Rating Revaluation

The projections in the initial prospectus estimated that on the current 2005 ratings list the Crossrail BRS would have generated around £183m net of automatic reliefs applying under NNDR and after allowing for potential collection costs, collection losses and refunds due to successful valuation appeals. The initial prospectus also estimated that in 2010 the BRS would generate £211m net of automatic reliefs and other deductions – a projected 15 per cent increase compared to the 2005 list.

The draft 2010 ratings list published by the VOA in October 2009 suggests that the aggregate sum of the rateable values of all hereditaments in London above £50,000 will be in the region of £12.9 billion.

In practice over 80 per cent of the net increase in the gross BRS taxtake compared to the 2005 ratings list data used for the initial prospectus is accounted for by hereditaments located in the City of Westminster, Camden, Hammersmith & Fulham (due in part to the impact of the inclusion of a full set of rating assessments for the new Westfield shopping centre) and Kensington and Chelsea. Westminster alone accounts for almost 60 per cent of the entire net increase for London as a whole.

It is not, however, the gross rateable value taxbase over the Crossrail BRS threshold which solely determines the level of income projected to be receivable by the GLA in 2010–11. The GLA's BRS income before any optional reliefs (i.e. over which it has discretion) will be determined by various factors – most notably:

- the parallel automatic NNDR reliefs which must be granted by billing authorities under the BRS Act and other legislation
- the level of collection losses due to bad debts,
- billing authority administration expenses and
- the potential reduction in the taxbase due to successful valuation list appeals.

In order to estimate the net taxbase for the Crossrail BRS the GLA invited the 33 London billing authorities to provide estimates of the likely reductions due to the granting of automatic reliefs under NNDR (i.e. 80 per cent mandatory reliefs for charities and amateur sports clubs, any discretionary relief for these groups and other non profit making bodies, hardship relief and where applicable empty property relief) on the draft 2010 rating list.

Based on these responses, valuation list data provided by the Valuation Office Agency and a review of budget data supplied by billing authorities to the Department for Communities and Local Government the GLA has estimated that these automatic reliefs will reduce the Crossrail BRS taxtake by between 8 to 9 per cent or around £22 million. Of this around 4.5 per cent relates to mandatory relief for charitable bodies and community amateur sports clubs and a further 4 per cent estimate for automatic empty

property relief (e.g. for newly empty properties, listed buildings and those owned by charities).

There is significant variability in the proportion of the BRS taxbase eligible for automatic reliefs between boroughs. This variation reflects different concentrations of universities, museums, independent schools and cultural venues entitled to mandatory charitable relief as well as differences in the proportion of empty properties eligible for automatic NNDR relief for example listed buildings which tend to be disproportionately located in parts of central London.

The GLA has allowed for 5 per cent losses due to bad debts, refunds on successful valuation appeals and other losses in line with the contingency allowance provided for in the Transfers to Revenue Accounts Regulations. A further 0.5 per cent has been allowed for ongoing billing authority collection costs annually and £1.4m (falling to £0.4m after year 1) for their set up costs such as software. The amounts allowable for administrative expenses may vary over the lifetime of the BRS depending on the regulations in force in any financial year.

Assuming a 2p rate and a £50,000 threshold the GLA has estimated that the Crossrail BRS would generate net income of around £222m in 2014-15 after applying all automatic NNDR reliefs, the 5 per cent contingency and the allowance for billing authority costs. This is estimated to be reduced to £208m if all empty properties were exempt from the Crossrail BRS.

The most significant reason for the smaller increase in the projected 2010-11 net taxtake compared to the 2005 list data used in the initial prospectus relates to the impact of using more up to date reliefs data. The estimated reliefs data provided by boroughs indicates that the proportion of the taxbase eligible for automatic reliefs has increased compared to the 2005 ratings list data used in the initial prospectus – due in part to apparent increases in the number of empty properties in the last 2-3 years. This has depressed the estimated net Crossrail BRS collectable after automatic reliefs are granted by up to £11 million relative to what might have been assumed based on the initial prospectus information.

Some of the largest differences arise in boroughs seeing the greatest increases in their BRS taxbases relative to the 2005 list data set out in the initial prospectus e.g. Camden and Westminster. These two boroughs also tend to have a higher proportion of listed buildings compared to the London average which are eligible on a long term basis for empty property relief.

As a result the GLA has relatively limited flexibility in terms of granting optional reliefs for the Crossrail BRS or to set a lower threshold despite the headline growth in the gross 2010 taxbase over £50,000. The estimated net increase in the BRS taxtake in 2010-11 compared to the initial prospectus assumptions – and before the granting of any optional BRS reliefs – is only around £11m or 5 per cent (i.e. £222m vs £211m).

## Variations to the Crossrail BRS Funding Profile

The GLA has revised downwards its expected financing costs on the £800m of borrowing it will undertake in 2010-11 from £24m to £12m in light of interest rate expectations and the timing of its drawdown. This means that the Crossrail BRS will need to generate at least £214m in 2010-11 to meet the revised contribution profile (including the £202m direct contribution estimated by TfL in its Business Plan). This will increase to £224m in 2011-12 (with the estimated financing costs on the GLA borrowing rising to £57m and the direct contribution declining to £168m), fall slightly to £220m in 2012-13 and then remain broadly constant in 2013-14 and 2014-15 (see Appendix A).

The revised direct contribution profile will allow a greater proportion of the Crossrail BRS income collected after 2015-16 to be directed towards the financing of the £3.5 billion of borrowing – and after 2019-20 – the repayment of the principal.

## CONSIDERATION OF CROSSRAIL BRS POLICY OPTIONS

### Policy Proposals Where GLA Has No Discretion Under Legislation

A number of respondents to the initial prospectus raised policy proposals for the Crossrail BRS which the GLA does not have the flexibility to implement having regard to the constraints of the BRS Act and any associated regulations. These are addressed below.

### Applying Different Policies on the Crossrail BRS Across London

The GLA is required to apply policies on the Crossrail BRS on a consistent and uniform basis across its area under the requirements of the BRS Act. It therefore has no flexibility to exempt particular business sectors from the supplement or to apply different multipliers depending on a ratepayer's proximity to the Crossrail route or the extent to which they are perceived to benefit from the project. Even if the Mayor had such flexibility he does not consider that applying differential policies across London would be appropriate for this BRS given the wider economic benefits for the capital's businesses which Crossrail will provide.

### Applying an Offset to Existing Business Improvement Districts Only

The GLA again has no flexibility to restrict any relief or offset to Business Improvement Districts which were operational before the Crossrail Business Rate Supplement was proposed or implemented. If an offset or relief were granted under section 16 of the BRS Act it would have to be applied consistently and uniformly to all business improvement districts in operation during that financial year.

### Exempting Charities and Other Non Profit Making Bodies from the Crossrail BRS

The GLA indicated in the initial prospectus that if it had the power to do so it would have wished to grant a full exemption from the BRS to registered charities and community amateur sports clubs i.e. in addition to the statutory 80 per cent relief applying under NNDR. The BRS Act requires mandatory and discretionary reliefs



to be applied on the same basis and at the same percentage rate as NNDR having regard to local billing authority decisions on the latter. This will of course result in inconsistent treatments between billing authorities for what is a London wide tax but is not an issue over which the GLA has any discretion.

### **Levying the BRS Outside the GLA Area**

The GLA has no power under the BRS Act to levy a supplement on hereditaments outside its area. It is a matter for the Secretary of State and the relevant local authorities through which the Crossrail route runs outside London to determine whether they wish to levy a BRS or other charge on local businesses to part finance the project. However at the current time there are no plans for them to do so.

### **Applying Partial Relief to Empty Properties**

Some respondents supported a return to the relief arrangements which existed prior to April 2008 for NNDR which would require the Mayor to charge 50 per cent of the BRS multiplier for empty properties. The Mayor is unable, however, to apply a lower BRS multiplier for empty properties independently of the treatment for this class under existing NNDR legislation. Empty property relief for a BRS must be applied on the same basis in each financial year as applies for the billing of national business rates. Were a 50 per cent relief for all empty properties to be re-introduced under NNDR by the Government then ratepayers (where not eligible for empty property relief) would be liable potentially to pay 50 per cent of the full BRS multiplier (e.g. 1p if the full multiplier were 2p).

### **Exempting Telecommunications**

#### **Assessments from the BRS By Reallocating them to the Central Ratings List**

Under the BRS Act the GLA may only charge BRS on ratings assessments on the local lists of the 33 London billing authorities. It is unable to levy the supplement on those assessments on the central list even where all or part (e.g. London Underground assessments) are located in the GLA area.

Only the Secretary of State may transfer assessments from a local to a central list following an application by a ratepayer. Any ratepayers who consider that their assessment should be included on the central rating list should therefore make representations to the Department for Communities and Local Government. The GLA will liaise with the Department for Communities and Local Government on an ongoing basis to discuss how this and other issues associated with the relationship between the central and local rating lists will affect the operation of the Crossrail BRS.

### **Policy Proposals Where the GLA Has Discretion Under Legislation**

This sub section examines the flexibility which the GLA has to grant additional reliefs over the next five years having regard to its committed funding profile for Crossrail. It therefore only addresses those reliefs or policy treatments over which the GLA has discretion under the BRS Act and other relevant rating legislation.

The Mayor has the discretion to apply the following reliefs or variations to the Crossrail BRS – which are considered in turn below:

- Apply different multipliers at different rateable value ranges above £50,000
- Exempt ratepayers of all empty properties as a class (i.e. section 45 ratepayers under the Local Government Finance Act 1988) from the Crossrail BRS (i.e. in addition to those eligible for empty property relief under NNDR such as newly empty properties or listed buildings)
- Apply an offset for ratepayers liable to the BRS who are also paying a Business Improvement District levy (including where applicable ratepayers contributing to a BRS-BID levy as prescribed by Schedule II of the BRS Act).
- Set a lower multiplier than 2p in any year
- Set a higher rateable value threshold than £50,000

The potential affordability, impact and practical implementation issues associated with each of these optional relief treatments is set out below.

### **Applying Different Multipliers At Different Rateable Values Above £50,000**

The option of applying different multipliers at various rateable value thresholds (e.g. 1p from £50,000 to £200,000 and 2p from £200,001 and above) is available to the GLA under section 15 of the BRS Act. It is therefore required to consider it even though it was not suggested as a proposal by respondents to the initial prospectus.

This policy option was rejected in the initial prospectus as it would add complexity to the Crossrail BRS and be more difficult to explain to ratepayers. It would also create cliff edges

e.g. in the scenario presented above a £1 rise in rateable value (£200,001 vs £200,000) could lead to a £3,000 rise in Crossrail BRS liability annually.

**The reasons stated in the prospectus for rejecting a differential multiplier at various rateable value thresholds remain valid. This option would be administratively complex, create artificial cliff edges at each threshold and would be potentially confusing to ratepayers.**

### **Exempting Empty Properties As A Class From The Crossrail BRS**

The GLA has the power to exempt all empty properties as a class from the Crossrail BRS (in addition to those eligible for automatic empty property relief under NNDR). If the Mayor does not grant an exemption these are liable for the full multiplier of 2p under current legislation. The GLA cannot simply apply a different multiplier (e.g. 1p) to this class of ratepayer – however if the government were to restore the 50 per cent empty relief which applied prior to April 2008 for NNDR the Mayor would also have to provide 50 per cent relief on the BRS multiplier for eligible empty properties.

Respondents to the initial prospectus expressed varying views on the appropriateness of an empty property exemption – with the business community and NHS bodies generally being supportive. London boroughs, however, stressed the desirability of the Crossrail BRS operating on parallel basis to NNDR where no exemption applies for those ratepayers ineligible for automatic empty property relief.

Amongst business representative and professional bodies 56 per cent of respondents favoured a full exemption whereas only 11 per cent of those who expressed a view were opposed. Some respondents, however, made the argument that an exemption was not desirable as landlords (who are liable in the majority of cases for paying rates on empty properties) were more likely to benefit from Crossrail in the longer term (in terms of higher rental values and occupancy rates) than tenants who will pay the supplement on occupied hereditaments.

Based on the reliefs data provided by billing authorities and the GLA's own assumptions it is estimated that exempting empty properties (i.e. section 45 ratepayers as a class) would reduce the taxtake by around £13m-£14m or 6 per cent assuming the relative proportion of empty properties remains the same as was the case in late 2009. However the cost of the exemption will vary annually depending on the strength of the commercial property market and the eligibility which different classes or ratepayer or property may have for automatic empty property relief under NNDR. Therefore there is significant uncertainty about the potential cost of granting a full empty property exemption for the BRS.

If an exemption for all empty properties were granted the GLA's BRS account would risk operating at a deficit for the period 2010-11 to 2014-15. For example in 2010-11 the GLA would only generate an estimated tax take of around £208m – compared to the £214m revised funding contribution profile set out in Appendix A.

Having regard to the above factors **the Mayor does not propose to exempt empty properties as a class from the BRS**. The reasons for this are set out below:

- Unlike NNDR the Crossrail BRS is financing a long term infrastructure project rather than the day to day running of local authority services (which companies consume daily as a fact of being in business);
- Crossrail is arguably as likely to benefit landlords (in terms of higher rental values and occupancy rates) as tenants – and it is landlords who are liable, generally, to pay empty property rates;
- Newly empty properties will receive an automatic exemption for the first 3 or (for industrial properties 6 months) as will listed buildings and those owned by charities – thus providing relief for a significant proportion of ratepayers;
- A high proportion of empty properties liable to the Crossrail BRS (as a percentage of taxbase) but not eligible for automatic relief appear to be located in Camden, Westminster and the City of London. These are also those boroughs where a large proportion of ratepayers will benefit from their proximity to the Crossrail route. A certain proportion of empty properties in this area are likely to be being held solely for investment purposes; and
- The estimated £13m to £14m cost of this relief would be unaffordable in years 1-5 of the BRS if the revised Crossrail funding contribution profile is to be achieved.

### **Applying An Offset For Business Improvement District Levypayers**

The GLA received responses from 11 London BIDs to the initial prospectus as well as British BIDs. Generally BIDs asked for a phased introduction of the BRS or a lower multiplier (or offset) to be applied to BID ratepayers.

The ability for the GLA to grant reliefs to ratepayers liable to BID levies is set out in section 16 of the BRS Act. The BRS Act does not permit the GLA to apply a lower multiplier for the Crossrail BRS for BID levy payers nor does it allow different treatments for different BIDs. Section 16 provides that the GLA could make rules allowing the BRS levy to be offset from the BID levy in a specified manner.

The GLA could not therefore apply a lower BRS multiplier to businesses paying a BID levy (e.g. levy 1.75p instead of 2p). In practice billing authorities would have to charge ratepayers the full BRS multiplier (e.g. 2p) and then net off the amount they are paying separately through their BID levy or a fixed percentage thereof (depending on the GLA's policy determination) on their annual bills so that they would only pay the difference.

The majority of BIDs in London levy a charge of around 1p – with some charging up to 2p – with many raising their multipliers annually in line with inflation. The GLA would, in principle, have the discretion to offset say 25 per cent of the BID levy in each case – resulting in relief against the Crossrail BRS equivalent to 0.25p in the pound for most BIDs in London with the benefit

for those charging a 2p levy being equivalent to around 0.5p.

In some central London boroughs containing BIDs, however, the rateable values of many hereditaments will rise substantially in 2010 with increases of over 100 per cent in a number of cases. Their BID levy – at least until renewal – will be based in most cases on the 2005 rating list. For a small number of London BIDs their levy threshold is higher than the BRS statutory minimum of £50,000. As a result those companies in the BID area not paying a BID levy (i.e. the smaller businesses) would still be liable to pay the full 2p in BRS i.e. the relief would only benefit larger ratepayers in these areas.

The extent of the benefits from any relief on the Crossrail BRS will therefore vary from BID to BID and business to business even if the relief were applied uniformly (e.g. an offset equivalent to 25 per cent of the BID levy) as is required under legislation.

The GLA has – provisionally – estimated that granting BID ratepayers a relief of 0.25p (a proxy for an offset equivalent to 25 per cent of BID levies) as requested by British BIDs – would cost between £3m to £3.5m in year 1 of the Crossrail BRS. It is estimated that around half of the benefit would accrue to the five BID areas in Westminster (£1.7m) which will be served directly by or be close to the Crossrail link. The total cost of any offset could increase over time if more BIDs were introduced in London. It is estimated that a 100 per cent offset for BID levies would reduce the London-wide Crossrail

BRS taxtake by upwards of £15 million for the existing London BIDs in 2010-11.

The initial Crossrail BRS prospectus set out a number of reasons for not granting an offset of BID levies against BRS liabilities. These arguments remain valid, in the GLA's view:

- any BID offset would provide an incentive to establish BIDs solely for the purpose of getting a relief on the Crossrail BRS as the GLA is unable to restrict any relief to BIDs in operation at the start of the Crossrail BRS. There would be nothing for example to stop local borough councils setting up a BID for their entire area to ensure funds were retained locally rather than being paid towards the Crossrail project;
- BIDs contribute towards local projects, such as street cleaning, security, and public realm improvements. These are items of expenditure unrelated to Crossrail and it would be mistaken to offset funding for one against the other; and
- there are many voluntary business associations, which are not formally set up as BIDs that will not benefit from any offset provided to BIDs.

The GLA has considered the views expressed by respondents to the initial prospectus but is of the view that a BID levy offset for the Crossrail BRS would not be appropriate. This is on the basis that all London businesses irrespective of locality should be treated consistently and uniformly in relation to the Crossrail BRS given the strategic and London-wide benefits the rail link will offer. Any offset would also create an

incentive to set up a BID solely to reduce liability to the Crossrail BRS as an offset could not be restricted to existing BIDs.

**The GLA does not therefore intend to exercise its powers under section 16 of the BRS Act to offset BID or BRS-BID levy contributions against liability to the Crossrail BRS. However, the Mayor is committed to supporting London's BIDs and will announce measures during 2010 to provide greater support to them.**

#### **Setting a Lower Multiplier than 2p In 2010-11 (and potentially up to 2014-15)**

A number of respondents to the initial prospectus made the case that there would be merit to phasing the impact of the BRS in over one or more years for example by setting a lower rate than 2p in light of the impact of the 2010 rating revaluation. This option was supported by many of the key business representative bodies in London such as London First, the London Chamber of Commerce and Industry, the Federation of Small Businesses and the British Retail Consortium.

Our analysis of the impact of the 2010 rates revaluation has indicated that the estimated net level of BRS collectable in 2010-11 (and thus available to finance Crossrail) assuming a £50,000 threshold and 2p rate is in the region of £222m. This is just over £10m higher than the amount assumed in the initial prospectus. Our revised projections for the 2015 revaluation (see Appendix A) would lead to the net BRS collectable income projected for the period 2015-16 to 2019-20 being £11m lower per annum (£233m) than the £244m assumed in the

initial prospectus. Even these estimates for the 2015 revaluation would require rateable values to be 6 per cent higher on average than was the case in April 2008 when the 2010 valuations were set. The effect is to limit the flexibility which the GLA has to vary the BRS multiplier for the early years of the supplement in light of the BRS funding profile.

If the Crossrail BRS multiplier were set at 1.9p this would reduce the gross Crossrail BRS taxtake in 2010-11 by around £13m (£11m net of reliefs and contingencies) or 5 per cent. A ratepayer for a property with a rateable value of £100,000 would see their Crossrail BRS liability reduced from £2,000 to £1,900.

A 1.5p multiplier would reduce the taxtake (after reliefs) by almost £60m (compared to 2p) and a 1.75p multiplier would reduce the taxtake (after reliefs) by almost £30m. Neither of these would be affordable on the agreed planning forecasts i.e. they would lead to projected deficits next year on the GLA's Crossrail BRS account of around £50m and £23m respectively. The GLA cannot budget reasonably for a deficit on its BRS account of this magnitude.

Even with only a 0.1p reduction in the multiplier there is a risk that this option could result in GLA and TfL having insufficient resources to meet their Crossrail funding commitments (i.e. there would potentially be a shortfall of up to £5m in 2010 on the GLA's BRS account) and fail to provide sufficient cushion for unexpected eventualities (e.g. a higher than expected level of successful valuation appeals). The GLA has therefore determined that it would not therefore

be financially prudent to set a lower multiplier for the BRS than 2p between 2010-11 and 2014-15.

**Having regard to the revised funding profile for the direct contribution and the projected net income from the Crossrail BRS the GLA is intending to confirm its intention to set the multiplier at 2p for at least the first five years of the supplement.**

**Set a Higher Rateable Value Threshold than £50,000**

The majority of responses to the initial prospectus were from small and medium sized businesses expressing concerns about the impact of the Crossrail BRS on their company – particularly in the current economic climate. Following the 2010 revaluation many small businesses have found that their property now has a rateable value above the statutory minimum BRS threshold of £50,000 when they could not reasonably have predicted this in advance.

The Mayor and GLA have therefore considered how best to target reliefs on the Crossrail BRS in a way which would do most to assist small and medium enterprises. The most obvious way to do so is to raise the rateable value threshold at which the BRS applies as smaller companies will tend – on average – to occupy hereditaments with lower valuations.

Table B2 in Appendix B sets out the potential impact on the number of hereditaments liable to pay the Crossrail BRS were the rateable value threshold for the BRS to be set at £55,000 rather than £50,000. This is based on an analysis

of the draft 2010 rating list issued by the VOA in October 2009.

The data in Appendix B shows that a £55,000 threshold would reduce the number of properties liable to the Crossrail BRS by almost 4,000 (8 per cent) compared to £50,000. It is estimated that this threshold would reduce the net annual tax take by around 1.6 per cent (or up to £4m). This threshold would remove an estimated 761 properties from liability to the Crossrail BRS in Westminster and 299 in Camden (the largest reductions by number) and up to 16 per cent of properties in Haringey and 14 per cent in Lewisham (the large percentage reductions) compared to a £50,000 threshold.

Over one third of boroughs are projected to see a drop of 10 per cent or more in the number of hereditaments liable for the Crossrail BRS with the largest reductions (over 10 per cent) proportionately being seen in Barnet, Hackney, Haringey, Lewisham, Redbridge, Sutton, Waltham Forest and Wandsworth.

The GLA has also estimated that around 7,400 hereditaments would be exempt from the Crossrail BRS if the threshold were set at £60,000 although this would reduce the projected taxtake by £8m.

Setting a £55,000 or a £60,000 threshold would:

- Be straightforward to administer and implement
- Be very predictable in its cost and impact

- Have a manageable cost implication at £55,000 (up to £4m net of reliefs) but a less affordable impact at £60,000 (up to £8m)
- Remove around 4,000 properties from liability to the Crossrail BRS in the first five years (and as many as 7,410 on a £60,000 threshold)
- Target relief on small and medium sized ratepayers – particularly in proportionate terms in some of the most deprived boroughs in the capital (e.g. Haringey, Hackney and Lewisham) or in numerical terms in those areas which have seen the highest increases in rateable values on the 2010 rating list (e.g. Camden and Westminster); and
- Deliver on the Mayor's commitment in the initial prospectus to consider the impact of the 2010 revaluation before deciding the Crossrail BRS policy for 2010-11 by exempting properties which might not reasonably have expected to be liable to pay Crossrail BRS prior to the revaluation – particularly in those parts of the capital which have seen substantial increases in rateable values.

In the GLA's view, having regard to the wider funding position, this relief option has the most merit in terms of the cost and the nature of the beneficiaries concerned. It would also be straightforward to administer and offer a high level of predictability in terms of its cost and impact.

A £55,000 threshold would only reduce the potential taxtake by £3m - £4m per annum and there is a positive cashflow balance for the GLA on current assumptions. The GLA considers that the rateable value threshold set in the initial prospectus should be increased to this level.

**The GLA has determined that the rateable value threshold for the BRS should be set at £55,000 for the period 2010-11 to 2014-15.**

A £60,000 threshold is estimated to reduce the taxtake by up to £8m and would exempt an additional 3,400-3,500 properties from the BRS. There is, however, a risk that the GLA's BRS account would operate at a deficit for the first five years of the supplement. Having considered the financial impact the GLA has decided that it would not be prudent to raise the threshold to £60,000 at this time. Should there be scope to provide additional relief on the Crossrail BRS the GLA will consider raising the threshold to £60,000 as a priority.

## **Conclusion**

This section has considered the developments which have taken place since the initial prospectus was published and the responses received to the consultation on the initial prospectus. It has also outlined the factors which have been taken into account before formulating the final policy proposals for the Crossrail BRS.



# Section 8

## FINAL POLICIES FOR THE CROSSRAIL BRS

### Introduction

This section sets out and explains the GLA's final policies for the Crossrail BRS. It confirms the proposed annual BRS multiplier and the rateable value threshold at which the supplement will be payable. The section also sets out what full or partial reliefs will or may be applied to the Crossrail BRS for certain specified categories of ratepayer having regard to the BRS Act and other relevant legislation.

It also considers how the Crossrail BRS will operate and be administered by the GLA and the 33 London billing authorities. Finally illustrative examples are provided of the potential Crossrail BRS contributions payable by specific categories of ratepayer or hereditament in the first year of the operation of the supplement (i.e. 2010-11)

The final policies have regard to the regulations which have been made under the BRS Act and related legislation for NNDR in place at the date this prospectus was published. It is expected that further regulations will be made prior to the commencement of the Crossrail BRS in particular in relation to the arrangements for the collection and enforcement by the billing authorities and their administrative expenses. This final prospectus includes detail of the arrangements expected to be included in those regulations. However in any single year the Crossrail BRS will be administered in accordance with arrangements specified in the regulations applying at that time – which may differ over the supplement's lifetime.

A summary of the key policies for the Crossrail BRS is set out below.

### Summary of Key Policies for the Crossrail BRS

The GLA intends to set a basic BRS multiplier of 2p for each year of the Crossrail BRS commencing in April 2010. This multiplier will be reviewed at least every five years following each rating revaluation but may be revised more frequently having regards to the variations provisions set out in section 9 of this prospectus.

The chargeable period for the Crossrail BRS is expected to be 24 to 31 years with a target end date of 2037-38;

The GLA will apply a minimum rateable value threshold of £55,000 for the Crossrail BRS. This will be reviewed at least every five years having regard to the average movement in rateable values in London following each non domestic rating revaluation. The next review of the threshold is expected to be made in 2015-16 assuming the next revaluation takes place in 2015.

As a minimum, ratepayers will receive at least the same level of reliefs at the same percentage rate for the Crossrail BRS as those for which they are eligible under NNDR. This includes mandatory and discretionary NNDR reliefs, hardship relief and, where applicable, empty property relief. However, no transitional relief (as under NNDR) will apply to the Crossrail BRS at least for its first five years;

The Mayor intends to 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 under NNDR would be liable for the full 2p BRS multiplier in 2010-11. The multiplier for empty properties will be designated as the 'empty property BRS multiplier'.

Irrespective of the Mayor'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 to which the ratepayer may be entitled. In practice these will be the same for 2010-11 (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 which have a parallel impact on any BRS.

The Mayor does not intend to exercise his powers under section 16 of the BRS Act to fully or partly offset levies (including BRS-BID levies) paid by eligible ratepayers to BIDs against their Crossrail BRS contributions.

## WHEN WILL THE CROSSRAIL BRS BE INTRODUCED AND OVER HOW MANY YEARS WILL IT BE COLLECTED?

**The GLA will levy the Crossrail BRS from April 2010 onwards for a period of between 24 and 31 years, with the current target end date being during the financial year 2037-38.** The precise length of the Crossrail BRS within this range will vary depending on the interest rate payable on the GLA's borrowing and the level of the business rates taxbase annually and following each five year revaluation. The Crossrail BRS will end once the GLA has repaid the £3.5 billion of borrowing which it will draw down between 2010-11 and 2014-15 to finance its contribution towards the Crossrail scheme.

With the exception of the final year of the Crossrail BRS it is intended that the annual chargeable period will be 365 days (or 366 in a leap year).

As has been stated in section 5, were the chargeable period to appear likely to be longer than 31 years or less than 24 years in the future the GLA and the Mayor would consider whether to issue a revised prospectus setting out the effects of the change on ratepayers at that time.

## THE SPECIFIC POLICIES AND RELIEFS FOR THE CROSSRAIL BUSINESS RATE SUPPLEMENT

The specific policies for the Crossrail BRS are set out below having regard to the requirements of the BRS Act and the existing arrangements for NNDR in place as January 2010. Where future legislation or regulations affect general NNDR reliefs or other variables the policies for the Crossrail BRS will be revised to mirror these.

### What will the level of the BRS multiplier be?

Under section 14 of the BRS Act the GLA is required to set an annual multiplier for the BRS representing the effective tax rate for that financial year (the basic BRS multiplier or 'B' as specified by the Act) before the application of any reliefs to which certain categories of ratepayer may be eligible. Section 14 specifies that this may be no greater than 2p and the BRS Act is clear that the multiplier must be applied at the same rate across the levying authority's area.

**The basic BRS multiplier or tax (or 'B' as defined by section 14(3) of the BRS Act) set by the GLA for 2010-11 and future years will be 2p. This may be revised by the GLA having regard to the variations provisions set out in Section 10 of the BRS Act and Section 9 of this prospectus. However it is not envisaged that there will be any variation to the BRS multiplier before the next revaluation - expected in 2015-16 - at the earliest.**

### What rateable value thresholds will apply for the Crossrail BRS?

The rateable value threshold below which no Crossrail BRS will be chargeable on a hereditament (the 'minimum BRS threshold') may be varied annually but may not be lower than £50,000 as prescribed by the Business Rate Supplements (Rateable Value Condition) (England) Regulations 2009.

Before finalising its policies for the threshold the GLA has had regard to the following factors:

- a the impact of the 2010 revaluation on the potential taxbase for the Crossrail BRS in 2010-11;
- b the effects of the revaluation more generally on business rates bills – particularly on small and medium sized businesses;
- c the GLA's limited flexibility for granting reliefs under the revised profiling of the £603m direct contribution; and
- d the particular concerns expressed by small and medium sized business ratepayers about the impact of the Crossrail BRS on this section of the business community

As a result the GLA has decided that any optional reliefs granted for the Crossrail BRS should focus – in the first instance – on those hereditaments with rateable values closest to the statutory minimum threshold of £50,000. This would mean reliefs being targeted at small and medium sized businesses who are less likely to be able to manage the impact of year on year increases in rates bills.

It is estimated that rateable value increases in London following the 2010 revaluation were around 10 per cent higher than the national average for England as a whole. By increasing the rateable value threshold for the Crossrail BRS by 10 per cent in line with this (from £50,000 to £55,000) the number of hereditaments liable to pay the Crossrail BRS in the first five years would be reduced by an estimated 3,900 to 4,000 (i.e. around 8 per cent). This would exempt a number of hereditaments for which the ratepayer could not reasonably expected they could be liable to pay the Crossrail BRS for on the basis of the 2005 rating list valuations allowing for the higher relative increases in rateable values in London compared to the rest of England.

It is estimated that setting a £55,000 threshold would reduce the Crossrail BRS taxtake (relative to £50,000) by less than £4 million per annum after automatic NNDR reliefs in 2010-11 – a level of relief which would permit the GLA to meet its funding commitments to the Crossrail project without the material risk that its BRS account would operate in deficit. The GLA therefore considers that there is a clear case for increasing the proposed rateable value threshold for the BRS to £55,000.

**The GLA intends to apply the Crossrail BRS to all eligible hereditaments with rateable values of over £55,000 (i.e. £55,001 or more) from April 2010, except where certain categories of hereditament or ratepayer are or may be entitled to 100 per cent relief as set out in this section.**

The minimum BRS threshold will be reviewed, at least as frequently, as each national non domestic rating list revaluation to ensure it remains responsive to movements in the wider NNDR taxbase in London. It is the GLA's intention to adjust the minimum BRS threshold in line with the average percentage change in rateable values in London at each revaluation. This could mean that the threshold could rise - or potentially fall - at each revaluation subject to the minimum threshold not falling below the statutory minimum which is currently set by regulations at £50,000.

Figure B4 in Appendix B illustrates the income expected to be generated using a 2p multiplier applied on properties with rateable values of at least £55,000 on the draft 2010 rating list by billing authority.

### Transitional arrangements for the Crossrail BRS

Transitional arrangements exist to soften the impact that each five year revaluation can have on individual NNDR bills if there are dramatic changes in the rateable value of a non domestic property. They are generally used to limit the percentage by which a bill can increase or decrease each year so that the changes are made more manageable by being phased in.

For the 2010 revaluation period the Department for Communities and Local Government will apply a transitional relief scheme which will cap year on year increases in NNDR bills to a maximum of around 11 per cent in 2010-11 – followed by further year on year real terms caps of 17.5 per cent in 2011-12, 20 per cent in

2012-13 and 25 per cent in 2013-14 and 2014-15 for ratepayers with large increases in rateable values who are not eligible for small business rate relief.

There are no powers in the BRS Act which would allow the GLA to provide parallel transitional relief for the BRS. There are other practical difficulties as the Crossrail BRS is new and there is no baseline against which a transitional scheme might operate. The GLA will consider at the time of the next revaluation whether there should then be a transitional relief scheme - subject to this being permitted by the legislation and regulations relating to the Crossrail BRS in place at that time.

### **What reliefs may be available to ratepayers for the Crossrail BRS?**

The GLA and the 33 London NNDR billing authorities are required to determine whether certain categories of ratepayers should be exempt from all or part of their gross Crossrail BRS contribution. The relevant and respective powers, which differ for different categories of ratepayer and hereditament type, are set out in sections 11-16 of the BRS Act. As a minimum, ratepayers will receive at least the same level of reliefs as they are eligible for under NNDR.

The following categories of ratepayer or hereditament have been identified as those which may – subject to the GLA's or their billing authority's determination having regard to the requirements of the BRS Act and the Local Government Finance Act 1988 ("the Local Government Finance Act") – be granted

full or partial relief from their Crossrail BRS contribution:

- charities and community amateur sports clubs
- other non profit making bodies
- businesses in difficulty granted Hardship relief under NNDR
- empty properties
- partly occupied properties (e.g. properties where part is unoccupied and therefore eligible for empty property relief)
- businesses entitled to small business and rural rate relief and
- hereditaments located in Business Improvement District areas

Section 15(3)(c) of the BRS Act prevents the Mayor from varying the multiplier for different industry types (e.g. applying a lower rate for hereditaments used for manufacturing or retail purposes). In addition he may not apply a different rateable value threshold for different categories of ratepayer or hereditament.

### **Charities and community amateur sports clubs (CASCs)**

Section 13 of the BRS Act – having regard to Sections 43 & 45 of the Local Government Finance Act 1988 – requires that charities and community amateur sports clubs receive mandatory relief of at least 80 per cent on their BRS bill where they occupy a hereditament (or part of one) where the rateable value is over the minimum threshold. Section 11 of the BRS Act alongside existing NNDR legislation exempts these categories of ratepayer entirely from their BRS liability where the hereditament (or any applicable part thereof) they own or are

next entitled to occupy is empty and is thus designated eligible for empty property relief under section 45 of the Local Government Finance Act.

The qualifying criteria for these categories of ratepayer having regard to sections 43(5) and 43(6) of the Local Government Finance Act are that:

- the ratepayer must be a charity or a trustee(s) for a charity or a registered community amateur sports club, and
- the property must be wholly or mainly used for charitable purposes or for the purposes of the club or other registered clubs and
- if the property is unoccupied it must appear that when next used it will be wholly or mainly for charitable purposes or for the purposes of the club or other registered clubs.

For the purposes of these reliefs a charity is defined as follows:

‘A charity is an institution or other organisation established for charitable purposes only or any persons administering a trust established for charitable purposes only. Charitable status is usually established by reference to an entry in the register of Charities maintained by the Charity Commissioners under the Charities Act 1960. This evidence is conclusive of an organisation’s charitable status. However, the absence of an entry in the register does not necessarily mean that the organisation concerned is not a charity’

Some organisations are excluded from the above requirement to register with the Charity Commissioners. These “excepted” charities include organisations such as:

- the Church Commissioners and any institution administered by them
- registered societies within the meaning of the Friendly Societies Acts
- units of the Boy Scouts or Girl Guides Associations and
- voluntary schools within the meaning of Education Acts

Sports Clubs that are formally constituted and that meet certain requirements are able to register as community amateur sports clubs and thus qualify for mandatory relief on their business rates and BRS.

They must be:

- open to the whole community (e.g. their fees are not too high and membership is open to all without discrimination) and be organised on an amateur basis and
- have as their main purpose providing facilities for, and promoting participation in one or more eligible sports

Sports Clubs will not qualify generally for any mandatory NNDR and BRS relief if:

- the relevant sports councils do not recognise the sport in which the club is engaged,
- the facilities are controlled by a Limited Company, which is separate from the sports

club (then only the underlying sports club can register),

- they do not have their own membership,
- they provide facilities for others, but do not promote and encourage the sport for their own membership,
- their main purpose is not the provision of facilities for and promotion of participation in an eligible sport.

Eligible charities and community amateur sports clubs may also be granted a further relief under NNDR of between 80 and 100 per cent at the discretion of their local billing authority. Under section 13 of the BRS Act the rate of discretionary relief on any liability for BRS must be the same as that for NNDR. In other words, if a billing authority grants this class of ratepayer 90 per cent relief on its NNDR bill in line with its powers under the Local Government Finance Act, the ratepayer will also receive 90 per cent relief on its BRS bill (i.e. it would only have to pay the equivalent of ten per cent of the basic BRS multiplier or 0.2p).

Under NNDR, billing authorities have to finance 75 per cent of the costs of any additional relief granted above the 80 per cent mandatory amount for charities and CASCs which creates affordability issues and therefore different treatments between boroughs. No such cost issues would arise for boroughs in relation to the Crossrail BRS as the GLA would absorb the cost through a reduction in income.

These differences in policies will mean that similar charities and amateur sports clubs in different billing authorities may be liable to

pay a different share of the BRS multiplier depending on the local policies on discretionary reliefs. Had the BRS Act granted him the power to do so the GLA would have wished to award 100 per cent relief from the Crossrail BRS to all eligible charities and community amateur sports clubs. Unfortunately the GLA does not have the power to grant such a blanket relief.

**In line with the requirements of section 13 of the BRS Act the 33 London billing authorities will apply the same rates of relief for each individual eligible charity and community amateur sports club (CASC) as they do under NNDR. All eligible charities and CASCs will therefore be entitled to mandatory relief of at least 80 per cent on their Crossrail BRS bill and the same level of discretionary relief (from 80 per cent to 100 per cent) as they are granted by their billing authority under the NNDR system.**

### **Non profit making bodies (excluding charities and CASCs)**

Section 47 of the Local Government Finance Act provides a discretionary power for billing authorities to grant rate relief in respect of a non-domestic hereditament occupied by certain bodies not established or conducted for profit. As with the mandatory provisions, discretionary rate relief can also be considered in respect of Empty Property Rates due on an unoccupied non-domestic hereditament.

Each billing authority will set its own policies in respect of non profit making bodies but

generally they will be required to meet the following criteria:

- a) meet local needs in the area and benefit local people – where the premises in question are used to provide or administer services of a national or regional nature the billing authority will not normally grant discretionary rate relief.
- b) provide a valuable service to the community – services provided should be complementary to those provided or supported by the authority or relieve the authority of the need to provide such services
- c) are open to all sections of the community generally or have restricted access by providing for a specific sector of the community for justifiable reasons such as addressing inequality
- g) local general stores, post offices, or shops that provide the only business of that nature within the local area
- h) sports clubs and other organisations providing recreational facilities not eligible to qualify as community amateur sports clubs
- i) theatres and dramatic societies (90 percent maximum relief under NNDR and BRS)

Examples of groups which might be eligible for non profit making relief include organisations providing some or all of the following:

- a) support for disadvantaged groups e.g. disabled, unemployed, the elderly and young people or those with health, drug or alcohol misuse problems
- b) support with housing needs
- c) provision of education & training opportunities
- d) advice on debt & financial management
- e) facilities for scouts, guides, and youth clubs or groups
- f) community centres

**For the Crossrail BRS each billing authority in London will determine which organisations qualify for non profit making relief in line with their policies in place under the NNDR system.**

**Under section 13 of the BRS Act each London billing authority is required to apply the same rates of relief on the BRS multiplier for each organisation or ratepayer they determine is eligible for non profit making relief as they are granted under the NNDR system.**

Unlike under NNDR – where the costs of granting relief are shared between the billing authority and central government – 100 per cent of the costs of granting this relief will be borne by the GLA as levying authority for the Crossrail BRS.

### Hardship Relief

Section 49 of the Local Government Finance Act gives a billing authority a discretionary power to reduce or remit the payment of non-domestic rates by granting Hardship. Whilst the authority can consider an application for Hardship Relief from any ratepayer who satisfies the qualifying



criteria, applications are most often granted to ratepayers in respect of the following categories of properties:

- Village Shops and small specialist shops unique to an area
- Starter Units
- New ventures filling gaps in the market
- Areas facing a decline in trade
- Neighbourhood shopping parades.

The billing authority – which must absorb 25 per cent of the costs of any relief granted under NNDR – must also be satisfied that:-

- the ratepayer would sustain hardship if the Council failed to grant Hardship Relief, and
- it is reasonable to grant Hardship relief having regard to the interest of the persons subject to Council Tax locally (e.g. employment prospects in an area would be worsened by a ratepayer going out of business, or the amenities of an area might be reduced by, for instance, the loss of a neighbourhood shop)

**For the Crossrail BRS each billing authority will determine which organisations qualify for Hardship Relief in line with their policies in place under the NNDR system. Each London billing authority will apply the same percentage rates of relief for each ratepayer they determine is eligible for Hardship Relief as they are granted under the NNDR system in line with the requirements of section 13 of the BRS Act and the Local Government Finance Act.** Such relief may also apply in relation to empty properties for this category of ratepayer

if so granted by the billing authority. Unlike under NNDR where the costs of granting relief are shared between the billing authority and central government, 100 per cent of the costs of granting this relief will be borne by the GLA as levying authority for the Crossrail BRS.

### Empty property relief

Under section 11(3) of the BRS Act the GLA has the power to exclude all empty properties (section 45 ratepayers as defined by the Local Government Finance Act ) from liability for the business rate supplement. If it does not exclude empty properties from the Crossrail BRS the same rules apply to the application of BRS liability as to NNDR liability.

Since 1 April 2008 empty properties no longer receive relief from NNDR as a discrete class and are therefore liable to pay 100 per cent of the basic occupied NNDR multiplier – prior to this date they were eligible for 50 per cent relief. The government has the power to vary the rate payable by empty properties through regulations.

However some categories of empty properties receive 100 per cent relief from NNDR and will therefore also not be liable for the Crossrail BRS under current legislation irrespective of whether the Mayor makes empty properties as a class liable for the Crossrail BRS. These include:

- properties that have been empty for less than three months – or, in the case of industrial properties, for less than six months
- those owned by (or likely to be next used by) eligible charities and Community Amateur

Sports Clubs in line with the Rating (Empty Properties) Act 2007

- listed buildings and those with a statutory protection are permanently exempt whilst their properties remain empty
- empty properties owned or held by companies which are in administration
- in 2010-11 any empty business property with a rateable value of up to £18,000. This relief may be extended or revised in future years at the government's discretion but will not affect liability for the Crossrail BRS where the threshold can be no lower than £50,000.

Discretionary rate relief can also be granted by billing authorities in respect of Empty Property Rates due on an unoccupied non-domestic property held by a ratepayer eligible for non profit making or Hardship Relief in line with sections 47 and 49 of the Local Government Finance Act.

**Under the requirements of the BRS Act, wholly empty properties that are automatically exempt from liability for NNDR will also not be liable for BRS as long as they retain their automatic relief status under NNDR.**

Section 11(3) of the BRS Act grants the GLA the power to exempt other section 45 ratepayers not automatically entitled to 100 per cent relief under NNDR. The GLA has decided not to exempt empty properties from the Crossrail BRS for the following reasons:

- Unlike NNDR income, the Crossrail BRS is financing a long term infrastructure project

which is not due for completion until 2017-18 rather than the day to day running of local authority services (which companies consume daily as a fact of being in business). As the benefits are derived in the long term there is a much stronger argument for not exempting empty properties from the Crossrail BRS;

- Crossrail is more likely to benefit landlords (in terms of higher rental values and occupancy rates) than tenants – and it is landlords who are liable to pay empty property rates generally;
- Newly empty properties will receive an automatic exemption for the first 3 or (for industrial properties) 6 months as will listed buildings and those owned by charities and amateur sports club. So a significant proportion of empty properties – in many cases those owned by the not for profit sector – will not be liable for the Crossrail BRS;
- There is a strong case – on the grounds of administrative efficiency, understandability and consistency – for applying the same policies to the Crossrail BRS as exist under NNDR for empty properties given that both charges will be raised and collected in parallel.

Empty properties not eligible for empty property relief will therefore be liable for the full 2p BRS multiplier in 2010-11 and beyond where these have a rateable value exceeding the £55,000 threshold. The BRS multiplier applying to empty properties (if applicable) will be designated by the GLA as the 'empty property BRS multiplier'. Therefore the empty property BRS multiplier for 2010-11 and – subject to relevant NNDR legislation not changing and any variations made under section 10 of this prospectus – for 2011-12 to 2014-15 will be 2p.

The Secretary of State has the power to make an order under Section 45(4A) of the Local Government Finance Act, to reduce the liability to national non-domestic rates of the owners of empty properties to less than 100 per cent of the basic liability. If such an order were to be made under that Act, reducing NNDR liability for empty properties to, say, 50 per cent then the same level of relief would apply to the Crossrail BRS (where – as is proposed – empty properties are not exempt from the Crossrail BRS as a class).

As a matter of policy the Mayor opposes the change introduced by the government in April 2008 which made empty properties subject to the full NNDR multiplier except for those categories of ratepayer receiving automatic relief as set out above. Prior to that date empty properties were eligible for relief of at least 50 per cent on their NNDR bills. The Mayor would support restoring this 50 per cent relief to ensure that a balance is struck between the need to incentivise the use of empty properties for productive purposes and the adverse impact on ratepayers not currently conducting a business of being required to pay 100 per cent of the NNDR multiplier under the government's new policy.

**Under schedule 1 of the BRS Act, the GLA is required to provide a statement in the final prospectus as to whether section 45 ratepayers (i.e. those owning or entitled to occupy empty properties) should be liable to pay the Crossrail BRS.**

**The GLA has decided to include section 45 ratepayers as a class within the Crossrail**

**BRS. Under current legislation this would mean empty properties not entitled to automatic empty property relief under NNDR would be liable for the full 2p BRS multiplier in 2010-11 and future years subject to the £55,000 rateable value threshold.**

### **Partly occupied premises**

If a hereditament is only partly occupied, billing authorities have the discretion to request that the valuation officer apportions the hereditament's rateable value between its occupied and unoccupied parts. This is subject to the provisions of Section 44A of the Local Government Finance Act, as amended by Schedule 1 to the Rating (Empty Properties) Act 2007. If the authority agrees to use its discretionary powers under Section 44A it should ask the Valuation Office to determine the rateable values of the occupied and unoccupied parts. This has a particular impact for the BRS as set out below due to the rateable value threshold in place.

At present, broadly speaking, the empty property rate under NNDR applies to the empty part of an apportioned building and the occupied business rate multiplier applies to the occupied part. From 1 April 2008, as a consequence of the reforms to empty property relief, the empty part receives a complete exemption from rates for the first three months it is empty (or, if it is an industrial property, for the first six months).

After the initial rate-free period expires under NNDR, in most cases the apportionment will

cease to have effect and the occupied business rate will apply to the whole property. This is designed to ensure that ratepayers can benefit from any occupied business rate reliefs for which they are eligible – such as small business rate relief – on the whole of the property, not just the occupied part. However, if the hereditament would qualify for a zero rate (e.g. where the property is owned by a registered charity or a community amateur sports clubs) or for an exemption from rates when empty (e.g. a listed building), the apportionment will continue to have effect and the owner will not be liable for rates on the empty part.

In line with the requirements of the BRS Act the GLA is required to apply the same treatment for the Crossrail BRS as for partly occupied premises under NNDR.

As the GLA has decided not to exempt empty properties from the Crossrail BRS the GLA would apply the BRS multiplier to the occupied part and the empty property BRS multiplier to the empty part. No BRS liability would apply unless the combined rateable value of the occupied and empty part is £55,000 or greater, or in relation to the empty part where a ratepayer has automatic exemption under NNDR empty property relief (e.g. a charity or for a newly empty property). If the ratepayer is eligible for empty property relief then no BRS will be payable if the occupied part of the property concerned has a rateable value of £55,000 or less as long as this relief entitlement remains in place.

Under current legislation both these multipliers would be set at the same level (currently

planned to be 2p) but this may not always be the case throughout the lifetime of the Crossrail BRS if the Secretary of State exercises his/her powers set out in section 13(6) of the BRS Act to reduce the empty property liability under NNDR to below 100 per cent.

If the GLA were at a future date to decide to exempt empty properties from the Crossrail BRS, the GLA would only levy the full BRS multiplier on partially occupied properties where the rateable value of the occupied part exceeds the threshold – the remainder being eligible for empty property relief and subject to a zero BRS multiplier. In any case the VOA acting on a request from a billing authority will need to undertake a separate assessment for partly occupied properties to determine whether the rateable value of the occupied part exceeds the minimum BRS threshold (proposed for 2010-11 to 2014-15 at £55,000).

### **Rural rate and small business rate relief (SBRR)**

Both rural and small business rate reliefs are unlikely to apply to premises liable to the Crossrail BRS, given the proposed £55,000 rateable value threshold. Irrespective of the threshold no settlements within London are in any case eligible for rural rate relief under current legislation. Similarly the upper threshold for small business rate relief in 2010-11 is £25,500 in London which is well below the level at which Crossrail BRS would be payable on any hereditament. In the unlikely event, however, that any ratepayers eligible for these either of these two NNDR reliefs were also to be liable to the Crossrail BRS for the same hereditament

they would receive the same rate of relief as they would for the NNDR element of their rates bill.

### **Business Improvement Districts**

The GLA does not intend to exercise its powers under section 16 of the BRS Act to offset levies paid by ratepayers to BIDs (either via BID or BRS-BID levies) against their Crossrail BRS liability. The key reasons for this as follows:

- BIDs contribute towards local projects, such as street cleaning, security, and public realm improvements. These are items of expenditure unrelated to Crossrail and it would be mistaken to offset contributions for one against the other;
- This would create a strong incentive to establish BIDs for the purpose of reducing liability to the Crossrail BRS because any offset could not be restricted to existing BIDs in place at 1 April 2010
- there are many voluntary business associations, which are not formally set up as BIDs that would not be permitted under legislation to receive relief against their Crossrail BRS liability if a section 16 offset were applied;
- the majority of those BID areas where ratepayers are expected to make the largest Crossrail BRS contributions are located in central London or in outer London town centres. Several contain proposed Crossrail stations within their boundaries. These areas are also most likely to be located close to the tube, DLR, tramlink national rail and the overground network and therefore benefit disproportionately from any investment in the

wider public transport infrastructure network in the capital.

- finally there is the wider argument on the grounds of fairness and consistency. In the GLA's view all ratepayers liable to the Crossrail BRS should be treated consistently and uniformly across London in relation to the operation of the Crossrail BRS subject to any relief treatments granted under national rates legislation. It would be difficult for the GLA to justify to a ratepayer in London some distance from the Crossrail route why a BID levypayer located in the immediate locality of a Crossrail station should pay a lower rate for the Crossrail BRS.

The Mayor welcomes Schedule II to the BRS Act which allows property owners in BID areas to contribute formally to Business Improvement Districts from April 2010. If utilised this could allow BID levies to be reduced for local business tenants who are subject to a Crossrail BRS levy. The GLA will work with boroughs and the business community to ensure that wider business rates burdens do not impact on the viability of existing and future BIDs in the capital.

The Mayor is committed to supporting London's BIDs and will announce measures during 2010 to provide more co-ordinated support and advice to them.

### **Section 15 Reliefs**

Section 15 of the BRS Act grants the GLA the power to apply specific reliefs to the BRS e.g. variable multipliers to different rateable value ranges above the minimum threshold. These

would have to be applied consistently and uniformly to all categories of ratepayer not entitled to reliefs under NNDR across London. The GLA could not therefore apply different multipliers to different boroughs, industry types or categories of ratepayer.

The GLA does not intend to introduce any other optional reliefs under section 15 of the BRS Act as it considers that they are likely to add additional complexity to the Crossrail BRS and create extra uncertainty for ratepayers.

### **Jointly occupied premises**

Section 17 of the BRS Act deals with jointly occupied premises (as specified by section 50 of the Local Government Finance Act) and indicates that regulations may be brought forward to deal with the treatment of hereditaments in this position. These regulations may make the same provision that may be made under section 50 of the Local Government Finance Act in relation to NNDR, or amend or apply (with or without modification) regulations made under that section. The expectation is that joint occupiers will be jointly liable for any Crossrail BRS due. However the GLA recognises there may be potential enforcement issues which will need to be considered by billing authorities in relation to jointly occupied premises.

## **WHAT ARE THE EXPECTED ANNUAL CROSSRAIL BRS CASH FLOWS?**

The GLA's financial modelling assumes that the Crossrail BRS will generate around £219 million on a comparable basis in 2010-11. This is after allowing for collection costs and losses and

expected reliefs and assuming that the basic BRS multiplier is levied at a rate of 2p on eligible properties with rateable values of £55,001 and above (the net collectable amount). This is consistent with an average rise in the BRS taxbase (net of reliefs) following the 2010 revaluation of around 20 per cent compared to the comparative 2005 list figures used in the initial prospectus and allows for reasonable costs, refunds due to successful valuation appeals and other losses on collection.

An annual equivalent sum (allowing for lower annual ongoing set up costs such as software updates) is also assumed to be receivable from 2011-12 to 2014-15. The taxtake is then assumed to rise by around 6 per cent to £233m following the next expected revaluation in 2015 and then by 15 per cent at each subsequent five year valuation until the Crossrail BRS ends.

These assumptions would suggest that the annual funds generated by the Crossrail BRS will increase to around £413 million in cash terms by 2035.

Appendix A contains estimated BRS income profiles for the Crossrail BRS over its planned lifetime, commencing in 2010-11 and ending in 2037-38 based on the above assumptions, the revised profiling of the £603 million direct contribution and an assumed interest rate on the GLA's borrowing of 6 per cent.

## **COLLECTION AND ENFORCEMENT OF THE CROSSRAIL BRS**

This section addresses the collection and enforcement of the Crossrail BRS. The BRS Act

allows the Secretary of State to make regulations which may authorize billing authorities to use a prescribed portion of the sums it collects or recovers in respect of a BRS to meet expenses it incurs in the collection or recovery. These regulations had not been laid at the date this prospectus was published.

### How will the Crossrail BRS be collected?

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

- 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;
- Billing authorities will transfer Crossrail BRS funds directly to GLA and not via central government. As required by the Transfer to Revenue Accounts Regulations 2009 payments from billing authorities to the GLA will be made in 12 monthly instalments with the precise payment dates subject to agreement between both parties;
- The GLA is committed to meeting reasonable set up costs (e.g. software) incurred by billing authorities in relation to their administration of the Crossrail BRS. The arrangements for billing authorities to recover ongoing collection and enforcement costs are prescribed by regulations. The quantum

for allowable collection costs is expected to equate to 0.5 per cent of the net Crossrail BRS taxtake in 2010-11 although this may vary over the lifetime of the supplement; and

- Information on the multiplier being applied each year and any reliefs applying to the Crossrail BRS will be set out in a communication to ratepayers as part of the annual NNDR billing round. This may be a separate communication or included as part of each billing authority's supporting documentation to the NNDR demand notice at the discretion of each billing authority (see section 9).

## POLICIES ON TRANSFERS OF CROSSRAIL BRS FUNDS BETWEEN BILLING AUTHORITIES AND THE GLA

### Estimating the budgeted amount of Crossrail BRS payable annually to the GLA by billing authorities

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. when the GLA notifies boroughs formally 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 requirements of the regulations the GLA will request that each billing authority submit what will be designated the 'BRS1' 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 payable allowing for eligible reliefs, collection costs and losses and the 5 per cent contingency. The submission dates for this return will be agreed between the GLA and billing authorities.

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

Under the 'Transfer to Revenue Account' Regulations, billing authorities may vary their provisional amount 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
- 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 will be designated as the 'BRS2' variation return in line with the corresponding arrangements for the NNDR2 form for national business rates.

#### **Final outturn (BRS revenue) for the financial year**

Under the Transfer to Revenue Account Regulations billing authorities are required to submit a final 'outturn' return to levying authorities by 31 May of the following financial year (e.g. 31 May 2011 for 2010-11). The final level of Crossrail BRS will effectively allocate the total sum collected in 'business rates' pro rata between NNDR and BRS adjusting for in year refunds and prior year adjustments. This return will be designated as the 'BRS 3' return in line with the NNDR3 outturn form for national business rates.

Billing authorities are entitled to receive a refund where the amounts paid over during the year to the GLA exceed the amount actually collected in Crossrail BRS as per the final return. Similarly where the amount collected is higher than the instalments paid by the year end the GLA is entitled to be paid the difference. In the



former case the GLA is allowed to reduce future instalments due in the following year. This would mean any refund due to billing authorities would be repaid via a reduction to the next monthly Crossrail BRS instalment due (normally by 30 June if a BRS 3 is submitted by the deadline of 31 May each year) although if this is higher than the next monthly instalment the GLA will issue a payment for the difference.

#### **Interest payments (e.g. due to late payment of instalments by billing authorities)**

The Transfer to Revenue Account Regulations require (a) billing authorities to pay interest where their instalments are late and (b) levying authorities to do the same if they fail to make a repayment to a billing authority by the agreed dates. Any interest will be calculated on the same basis as applies to late payments in respect of the GLA's council tax precept. There is no provision in the regulations for interest being chargeable by billing authorities for overpayments due to refunds caused by a Valuation List change (which include both an NNDR and BRS credit) as applies for NNDR. The GLA would not, however, rule out agreeing to such an arrangement where any overpayments are, in its view, material in monetary and cash flow terms, cover a significant time period and this is permissible under relevant legislation and regulations.

#### **Payment of instalments to the GLA by billing authorities**

In line with the provisions of the Transfer to Revenue Account Regulations any BRS revenues shall be paid by billing authorities to the GLA in 12 monthly instalments (subject to

any in year variations) subject to agreeing the specific payment dates with billing authorities. The Transfer to Revenue Account Regulations however, place no restrictions on when monthly instalments must be paid over – apart from the stipulation that they must be paid by the last day of the month.

#### **Costs of collection**

The GLA will agree the mechanisms with billing authorities by which they may recover their set up costs (e.g. procuring updated software and updating accounting systems). Regulations are expected to prescribe guidelines for the amount billing authorities may charge for ongoing collection, enforcement and administration having regard to the parallel operation of the supplement with NNDR billing.

Where BRS and NNDR billing is undertaken jointly at the start of the year it is expected regulations will set a cap on the billing authority cost of collection allowance. This is expected to equate to 0.5 per cent of the Crossrail BRS taxtake in the levying authority area for 2010-11 although this may vary in the future. It is anticipated that the GLA wide allowance will be apportioned to billing authorities in proportion to their share of the total number of hereditaments with a rateable value over the threshold set for the Crossrail BRS – although again the policies in each year will have regard to the regulations in place at that time. The total allowance, on this basis, would be expected to increase at each revaluation in cash terms assuming the taxbase increases.

If the Crossrail BRS were to be billed for after the start of the financial year or a rebilling needed to be undertaken due to in-year variations in policies for the Crossrail BRS a different cost of collection allowance would operate. The allowance for each billing authority, in this circumstance, is expected to equate to their total NNDR cost of collection allowance multiplied by the proportion of the hereditaments in their area liable to the Crossrail BRS. This higher allowance would reflect the additional costs associated with rebilling on a per hereditament basis.

The GLA is also permitted to charge administration costs to its BRS account although it is anticipated that these will be relatively low - this may include the costs of any treasury management advice obtained as part of the process for ensuring the most appropriate borrowing and financing arrangements for the £3.5 billion debt are secured. It also intends to work closely with billing authorities to ensure that overall administration costs are kept to a minimum in the interests of ratepayers.

### **Variability in the BRS Taxbase between financial years**

In the first three years following each revaluation there is likely to be volatility in the BRS taxbase due to the impact of appeals leading to refunds on payments to ratepayers. For example in London, total rateable values fell by four per cent in the 30 months from April 2006 to December 2008 but with wide variations between billing authorities. This – along with the impact of the 2010 revaluation – illustrates why the expected BRS tax take for some billing authorities in 2010-11 has fallen compared to

the illustrations in the initial prospectus based on the 2005 ratings list (Figure B5 in Appendix B). This potential variability in the taxbase will be addressed through the use of the 5 per cent contingency factor provided for in the BRS regulations.

### **Losses on collection**

Even if a billing authority has made proper arrangements for securing efficiency and effectiveness in relation to the Crossrail BRS, an allowance will still need to be made for bad and doubtful debts (i.e. debts written off and debts for which collection is uncertain and a provision is set up).

The GLA considers that for budgeting purposes billing authorities should assume the same rate of collection losses for the Crossrail BRS as they are required to for their NNDR 1 submissions. In practice losses on collection are likely to be lower for the Crossrail BRS than for NNDR as the vast majority of small ratepayers – who are more likely to experience difficulties in meeting their rates bills – will not be liable to pay the former so there may be a case for a lower percentage rate of losses to be used. The potential variability in the BRS taxtake due to losses on collection will be allowed for by the GLA through the use of the 5 per cent contingency factor provided for in the Transfer to Revenue Accounts Regulations.

### **Payment of refunds due to ratepayers**

Any refunds due to ratepayers (e.g. arising from successful appeals against valuations) will be made in line with the arrangements in place for NNDR having regard to the local policies in place in each billing authority.

The mechanism for any reimbursement of ratepayers shall be decided by each billing authority and may at their discretion be offset against any NNDR income due from eligible ratepayers in that year. Any policies on interest payable on refunds will be a matter for each billing authority although the GLA considers that the same treatment should apply locally as for refunds on NNDR.

Any unallocated BRS income after the final year of the Crossrail BRS not required to finance the final repayment of the £3.5 billion of borrowing will be repaid by the GLA to billing authorities in line with each billing authority's share of the total Londonwide Crossrail BRS contribution at that time. Similar arrangements would apply were the Crossrail BRS or the Crossrail project to be terminated early.

### Part payment of bills

Having regard to the relevant legislation where a ratepayer makes a part payment of their

rates bill the income shall be allocated pro rata between NNDR and the BRS based on their relative shares on the annual (or most recent) demand notice.

### 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 proposals set out in this prospectus having regard to the requirements of the BRS Act.

The rateable value figures quoted would be based on the new 2010 ratings list and the analysis assumes that the ratepayer occupies or has rights to occupy the property for a full chargeable year (1 April 2010 to 31 March 2011), that the basic BRS multiplier for the year is set at 2p and the minimum BRS rateable value threshold above which the Crossrail BRS is payable is set at £55,000

### Illustrative Examples Of Potential Level of Crossrail BRS Payable By Different Categories Of Ratepayer in 2010-11 Under the GLA's Final Policies

*A company occupies premises with a rateable value of £50,000*

- No Crossrail BRS would be payable for this property because its rateable value is below the £55,000 threshold.

*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 registered 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 registered 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 2010 and are likely to remain empty until at least 31 March 2011.*

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 2010 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 2010-11 (pro rata for the period 1 October 2010 to 31 March 2011).
- No Crossrail BRS would be payable on the non industrial property until 1 July 2010 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 2010-11 (pro rata for the period 1 July 2010 to 31 March 2011).

*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 2010 and is expected to remain so until at least 31 March 2011. 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 2010-11. For the first three months (April to June 2010) 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 £55,000. For the remaining nine months (July 2010 to March 2011) the ratepayer is liable for Crossrail BRS on a pro rata basis of £1,500 (i.e.  $2p \times £100,000 \times 9/12$ ) because rate relief on the empty part has ceased.

## Summary of proposed GLA policies for Crossrail BRS

This section has set out the policies on thresholds, multipliers and reliefs which it is proposed will apply to the Crossrail BRS having regards to the requirements of the BRS Act, the Local Government Finance Act and other relevant legislation and regulations.

The proposed 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 in April 2010. This may be varied this subject to the variation provisions set out in Section 9.
- The chargeable period for the Crossrail BRS is expected to be 24 to 31 years with a target end date of 2037-38;
- The GLA will apply a minimum threshold of £55,000 for the Crossrail BRS. This will be reviewed automatically every five years having regard to the average movement in rateable values in London following each five year revaluation. The next review is expected to take effect from 2015-16 or the implementation of the next revaluation after 2010 which ever is the sooner;
- 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 at least for its first five years;
- 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 deemed eligible for Hardship Relief and non profit making body relief under NNDR by their billing authority will receive the same rate of relief on their Crossrail BRS liability;
- The GLA intends to 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 2010-11. This is consistent with the current treatment for NNDR. The empty property BRS multiplier will therefore be 2p in 2010-11 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 2014-15;
- 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 will be the same for 2010-11 (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) to BIDs to pay the full basic BRS multiplier (if the valuation of their hereditament(s) exceeds £55,000 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.

## Conclusion

This section has explained how the Crossrail BRS will operate and be administered. The next section will examine how ratepayers will be kept informed of developments during the lifetime of the Crossrail BRS.

# Section 9

## DEALING WITH VARIATIONS TO THE CROSSRAIL BRS AND COMMUNICATING WITH RATEPAYERS

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### Introduction

This section sets out the GLA's policies, as levying authority, for dealing with variations to the Crossrail BRS which have not been addressed previously within sections 5 and 8. It also explains how ratepayers will be kept informed about the progress of the Crossrail BRS and any revisions to it (including variations to the multiplier and or thresholds applied having regard to the limits set in the Act).

### The GLA's Policy for the Crossrail BRS if the Cost of the Crossrail Project Rises or Falls

TfL will be the "lead Sponsor" with respect to the Crossrail Project and has general responsibility for monitoring Cross London Rail Link's implementation of the project, without impeding CRL's general authority and discretion to deliver and manage the Crossrail Project. Any increases in the Sponsors' agreed funding contributions (as outlined in section 5), or the approval of a change to the Sponsors' Requirements, require approval of both Sponsors through the Sponsor Board (as outlined in section 3). The Sponsor Board must also approve recommendations for the Chair and the Chief Executive Officer of CRL.

The Core Agreements between the DfT, TfL and CRL recognise the uncertainties about major projects such as Crossrail and make a number of provisions about what happens if the forecast costs change.

The gross cost figure of £15.9 billion is a P95 estimate which means that it is projected that there is only a one in twenty chance that the

costs will be higher. There are provisions that make partners take responsibility for costs where that sponsor has more influence. There are also intervention points as discussed in section 3 which link with a requirement on TfL to make available certain contingency funding to the scheme and then an ability for TfL to make the DfT take over the responsibility for the scheme (the 'put option'), or for DfT to opt so to do where costs overrun.

If costs fall, then there are arrangements for the sponsors to share that benefit after construction ends in 2017. The GLA would agree with the Sponsors how any savings arising from a lower project cost would be shared amongst the partners – and if applicable with ratepayers through refunds or revisions to the BRS multiplier – after the end of the construction period in 2017.

In the event that the costs rise the GLA would consider whether there was a case for issuing a revised prospectus as set out in section 10 of the BRS Act to advise ratepayers of the revisions and the potential effects on Crossrail BRS bills. TfL has, however, taken a prudent approach in considering the potential uncertainties around the Crossrail project and is confident that additional funding will not be required for an outcome at around the P95 level. In any case ratepayers are protected by the requirement in the Act that the BRS multiplier cannot be higher than 2p in any year.

### **The GLA's Policy for the Crossrail BRS if the Crossrail Project takes less or more time to complete**

As explained in section 2 the construction of Crossrail is planned to be complete in 2017-18 with train services being phased in over a 12 month period. Both TfL and DfT have designed the project and the funding package to mitigate against the risk of delays.

While no-one can predict every single situation, event or possibility and then detail what would be the most appropriate action at that time, what the agreements and funding package do provide is strong and robust oversight and project management arrangements which will allow this important new rail link to be completed on schedule. This should provide comfort and confidence to the London taxpayers, passengers and businesses and the country at large.

The GLA does not consider that variations in the completion date should directly impact on the Crossrail BRS given the protections and intervention policies set out in the Sponsors Agreement. Were the construction phase to extend beyond 2017-18 the GLA does not envisage paying any further Crossrail BRS income thereafter towards the project in any case as the Crossrail BRS thereafter will be committed to finance the interest on the GLA's borrowing and the repayment of the loan. Indeed the vast majority of the £0.6 billion expected excess will be generated in the first four years of construction and there is no practical possibility of the link being completed before 2014. There would be no immediate

impact on the Crossrail BRS from any delay or earlier completion of the Crossrail project unless this led directly to a variation in costs – as addressed earlier in this section.

In the event that the length of the construction period extended beyond 2017-18 and this affected the project costs to a sufficient degree to affect the chargeable period for the Crossrail BRS the GLA would consider whether there was a case for issuing a revised prospectus as set out in section 10 of the BRS Act to advise ratepayers of the revisions and the potential effects on Crossrail BRS bills.

In case of the abandonment of the Crossrail project, the Sponsors will be released from providing further funding to CRL and the parties will co-operate to implement an orderly cessation of the Crossrail Project. This will include, if practical, reimbursement to ratepayers via billing authorities of any residual unapplied Crossrail BRS income which will not be required for use on the project.

### **Other Variations in the Arrangements for the Crossrail BRS**

This prospectus has set out the GLA's intention to levy a 2p BRS for a period of between 24-31 years with a target end date of 2037-38. It has also been made clear that due to the uncertainty around interest rates and the level of the BRS taxbase over the supplement's lifetime it is not possible to provide a more definitive end date at this time. The GLA do not consider at this stage that there is likely to be sufficient flexibility to allow a lower multiplier than 2p to be levied during the lifetime of the Crossrail



BRS. It is therefore expected that this will be fixed over the lifetime of the Crossrail 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.

Sections 5 and 8 have addressed the Mayor's policies for varying the multiplier and the chargeable period. The Mayor has no plans to make other variations at this stage to the Crossrail BRS. In making his final decision on whether or not to make variations to the Crossrail BRS at a future date the Mayor would take in account the following factors:

- the economic position at that time,
- the level of reliefs applying for different categories of ratepayer at that time under NNDR (which might also impact on the Crossrail BRS). The GLA's projections at this stage assume rates of relief will remain broadly constant over the lifetime of the Crossrail BRS.
- the impact of each five year revaluation on London's NNDR taxbase
- 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
- the views of London's business community, the 33 London billing authorities and other non domestic ratepayers

### **Communicating With Ratepayers over the Lifetime of the Crossrail BRS**

The Mayor is committed to providing annual communications to ratepayers throughout the lifetime of the Crossrail BRS. This was endorsed by 90 per cent of those respondents to the initial prospectus that expressed a view.

Any update on the Crossrail BRS will, as a minimum, include details on: the progress of the Crossrail project, material changes to its expected costs, the proposed reliefs, threshold and multipliers applying for the Crossrail BRS for that year, the expected total level of income to be generated from the supplement in that year and any revisions to the expected end date for the supplement having regards to the repayment profile for the GLA's borrowing.

This communication may be a separate publication or included as part of a billing authority's supporting documentation to the NNDR demand notice at the discretion of the billing authority using text supplied by the GLA. More detailed information will also be made available on the GLA's website ([www.london.gov.uk](http://www.london.gov.uk)).

CRL will publish updated information on the Crossrail website ([www.crossrail.co.uk](http://www.crossrail.co.uk)) on the progress and expected costs of the project. Crossrail's progress will be subject to regular monitoring by the Sponsors and independent audit. This will provide a further degree of transparency for business ratepayers.



# Section 10

## NEXT STEPS AND CONCLUSIONS

### Next steps

Figure 11 below sets out a list of key milestones prior to the planned implementation of the Crossrail BRS in April 2010.

Figure 11: Key Milestones for Crossrail BRS in 2010-11

Key Milestone	Date
GLA publishes final Crossrail BRS Prospectus and confirms final BRS multiplier, rateable value and other policies for 2010-11	End January 2010
London Assembly considers final GLA budget (followed by Mayoral confirmation of budget if unamended)	11 February 2010
Billing authorities issue 2010-11 NNDR & BRS Bills to ratepayers which will include information on the Crossrail BRS	By end March 2010
Mayor agrees final borrowing limits for the Greater London Authority and Transport for London	By end March 2010
Billing authorities submit first monthly Crossrail BRS instalments to GLA	30 April 2010
GLA formally confirms final Crossrail BRS information to 33 billing authorities for 2011-12	End January 2011

### Conclusions

The GLA will continue to monitor the implementation of the Crossrail BRS during its first year and on an ongoing basis thereafter.



# Appendix A

## ESTIMATED INCOME OVER THE LIFETIME OF THE CROSSRAIL BRS AND ITS APPLICATION

This section presents information on the:

- a the expected annual income flows from the Crossrail BRS on a cash and discounted cash flow basis
- b the expected annual cash flows through the GLA's ring fenced Crossrail BRS account
- c the revised profile of the £603m direct contribution

### **Expected annual income flows from the Crossrail BRS**

The GLA has modelled the expected Crossrail BRS income stream from the draft 2010 rateable base (which was based on rental values in London in April 2008).

It is projected that the Crossrail BRS will generate around £219 million (assuming a 2p rate and a rateable value threshold of £55,000) after reliefs, collection costs and losses and refunds on appeals in 2010-11.

The GLA has remodelled estimated Crossrail BRS cash flows over the expected 24 to 31 year lifetime of the supplement (see Figure A1). The key assumptions in this modelling are:

- Revaluations of the rateable base occur every five years, and are assumed to lead to an average 15 per cent rise in rateable values resulting from a combined real terms increase in the value and volume of London property from each expected revaluation starting in 2020. For the expected 2015 revaluation, however, a lower rise of 6 per cent is assumed on the 2010 base having regard to the outcome of the 2010 revaluation;
- The £55,000 threshold is assumed to rise at each revaluation (from the next expected revaluation in 2015 onwards) to ensure this is responsive to movements in the wider NNDR taxbase in London

It has been assumed that the taxtake will be broadly uniform within each five year period although it is recognised that due to the impact of valuation appeals the income in the fifth year will generally be lower than in the first although this trend will vary between different business sectors and each of the 33 London billing authorities.

It is assumed for modelling purposes that the combined effect of losses on collection and refunds due to successful valuation appeals will reduce the sums collected by around 5 percent per annum.

### **Expected cashflows on GLA Crossrail BRS account**

The second table (Figure A2) provides details on the expected cashflows between billing authorities, the GLA and TfL during the lifetime of the Crossrail BRS (i.e. the effective annual movements on the GLA's Crossrail BRS account). This combines the expected Crossrail BRS tax take and borrowing repayment profiles with the interest payments and the timing of the additional Crossrail BRS contribution of £0.6 billion to TfL during the construction phase.

Until the final years of the Crossrail BRS, year end balances will be maintained on the GLA's account to allow for the possibility of sums having to be repaid to ratepayers due to the impact of appeals and refunds, as a safeguard against higher than anticipated financing costs and also due to the phasing of the expected interest payments.

The projections in this Appendix are intended to be illustrative and the BRS and financing arrangements will be reviewed on an ongoing basis to ensure that the length and level of ratepayer contributions are kept to a minimum.

### **Revised Profile of Direct Contribution**

The third table (Figure A3) compares the profile of the £603m direct contribution – as set out in the initial prospectus – with the revised planning forecasts used for this final prospectus (on both an accruals and a cash flow basis).

**Figure A1: Expected Business Rate Supplement Income Collectable per annum  
Cash and discounted cash flow basis using discount rate of 6.29% and assuming an end date of 2037-38**

	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Assumed net BRS income collectable (cash)	219	219	219	219	219	233	233	233	233	233	269	269	269	269	269
Discount rate of 6.29%	0.831	0.782	0.735	0.691	0.650	0.611	0.575	0.540	0.508	0.478	0.449	0.423	0.397	0.374	0.351
<b>BRS Income (Discounted at 2007 prices)</b>	<b>182</b>	<b>172</b>	<b>161</b>	<b>152</b>	<b>143</b>	<b>143</b>	<b>134</b>	<b>126</b>	<b>119</b>	<b>112</b>	<b>121</b>	<b>114</b>	<b>107</b>	<b>101</b>	<b>95</b>

	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	2034-35	2035-36	2036-37	2037-38	TOTAL
	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	2010-2037
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Assumed net BRS income collectable (cash)	311	311	311	311	311	358	358	358	358	358	413	413	311	8,094
Discount rate of 6.29%	0.330	0.311	0.292	0.275	0.258	0.243	0.228	0.215	0.202	0.190	0.179	0.168	0.158	
<b>BRS Income (Discounted at 2007 prices)</b>	<b>103</b>	<b>97</b>	<b>91</b>	<b>85</b>	<b>80</b>	<b>87</b>	<b>82</b>	<b>77</b>	<b>72</b>	<b>68</b>	<b>74</b>	<b>69</b>	<b>49</b>	<b>3,014</b>

N.B. The 6.29% Discount rate used combines the real terms Social Time Preference Discount rate of 3.5% as set out in the Treasury's Green Book adjusted for inflation of 2.70%. As capital expenditure on Crossrail commenced in 2007-08 this is the base year for the discount calculation (see Section 6).

Figures may not sum due to rounding to the nearest £m.

Figure A2: Expected Cashflows Through GLA Business Rate Supplement Account (2010-2024)

	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
<b>Balance on GLA BRS Account at start of year</b>	<b>0</b>	<b>5</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>15</b>	<b>38</b>	<b>62</b>	<b>64</b>	<b>62</b>	<b>64</b>	<b>61</b>	<b>60</b>
Net BRS Income in year	219	219	219	219	219	233	233	233	233	233	269	269	269	269
Financing and interest costs	-12	-57	-101	-144	-190	-210	-210	-210	-210	-208	-206	-203	-199	-194
Direct BRS contributions to Crossrail (during construction)	-202	-168	-119	-75	-30	-9	0	0	0	0	0	0	0	0
Repayment of £3.5bn borrowing	0	0	0	0	0	0	0	0	-21	-27	-60	-69	-72	-76
Net cash flow in year	5	-5	0	0	0	15	23	23	2	-2	3	-3	-1	-1
<b>Balance on GLA BRS Account at year end (allowance held back for variability of and phased payment of interest costs)</b>	<b>5</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>15</b>	<b>38</b>	<b>62</b>	<b>64</b>	<b>62</b>	<b>64</b>	<b>61</b>	<b>60</b>	<b>59</b>

Figures may not sum due to rounding



**Expected Cashflows Through GLA Business Rate Supplement Account (2024-2037)**

	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	2034-35	2035-36	2036-37	2037-38	TOTAL
	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	2010-2037
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	
<b>Balance on GLA BRS Account at start of year</b>	59	58	61	57	55	53	9	9	9	9	9	9	0	0	
Net BRS Income in year	269	311	311	311	311	311	358	358	358	358	358	413	413	311	8,094
Financing and interest costs	-190	-184	-177	-168	-160	-145	-132	-119	-104	-89	-73	-54	-32	-11	-3,991
Direct BRS contributions to Crossrail (during construction)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	-603
Repayment of £3.5bn borrowing	-81	-124	-138	-144	-153	-210	-226	-240	-254	-269	-286	-368	-381	-300	-3,500
Net cash flow in year	-1	3	-4	-2	-2	-44	0	0	0	0	0	-9	0	0	
<b>Balance on GLA BRS Account at year end (allowance held back for variability of and phased payment of interest costs)</b>	<b>58</b>	<b>61</b>	<b>57</b>	<b>55</b>	<b>53</b>	<b>9</b>	<b>9</b>	<b>9</b>	<b>9</b>	<b>9</b>	<b>9</b>	<b>0</b>	<b>0</b>	<b>0</b>	

Note: 1 Figures may not sum due to rounding

2. The projected BRS income is after applying a contingency of 5% of the BRS tax take after reliefs to allow for losses on collection and refunds due to successful valuation appeals and other adjustments. This provides an estimated annual contingency cushion of £11m from 2010-11 to 2014-15 increasing at each revaluation thereafter.

**Figure A3 Direct contribution Towards Construction Costs (Revised Profile) in £m**

Year	Initial Prospectus	Final TfL Business Plan (Accrued)	BRS Cash flow profile (Cash basis)
2010-11	163	202	202
2011-12	144	168	168
2012-13	106	129	119
2013-14	63	86	75
2014-15	34	18	30
2015-16	28	0	9
2016-17	31	0	0
2017-18	34	0	0
<b>Total</b>	<b>603</b>	<b>603</b>	<b>603</b>

1. The cash flow profile allows for the fact that part of the direct contribution will be collected after the year end.

# Appendix B

## ILLUSTRATIVE CROSSRAIL BRS CONTRIBUTIONS BY BILLING AUTHORITY AREA

This Appendix illustrates the level of Crossrail BRS income which the GLA estimates will be collected by each London billing authority in 2010-11 based on the draft 2010 rating list issued by the Valuation Office Agency in October 2009. The actual number of properties liable to the Crossrail BRS and the taxtake in 2010-11 will differ marginally as billing authorities will use an updated final list for the issuing of 2010-11 rates bills. The level of automatic NNDR reliefs for the Crossrail BRS may also vary annually and during the course of each financial year – particularly in relation to empty property relief. For modelling purposes it has been assumed that the current relative rates of relief will remain broadly unchanged for the life of the Crossrail BRS.

The tables on the following pages illustrate for 2010-11 to 2014-15:

- the estimated number of hereditaments estimated to be liable to pay the Crossrail BRS by borough based on the agreed £55,000 rateable value threshold (Figure B1)
- the difference between the number of hereditaments estimated liable to the Crossrail BRS (assuming a £55,000 threshold) and the numbers which would have been liable had the threshold been set at the statutory minimum of £50,000 as proposed in the initial prospectus (Figure B2)
- how the projected net taxtake of £219m projected to be available for investment in Crossrail in 2010-11 has been calculated. This takes into account the estimated impact of granting automatic reliefs under NNDR, billing authority set up and ongoing collection costs and an assumed 5 per cent contingency for the effect of losses on collection and refunds due to successful valuation appeals (Figure B3)
- the estimated contribution via the Crossrail BRS from ratepayers in each borough (Figure B4)
- a comparison between the estimated tax take in 2010-11 – based on the draft 2010 rating list and using a £55,000 threshold – compared to the estimates set out in the initial prospectus – based on the 2005 rating list using the £50,000 threshold proposed initially – by borough (Figure B5).

### ASSUMPTIONS

#### Crossrail BRS reliefs (aligning to NNDR)

The reliefs data used is based on estimates provided by billing authorities and GLA projections using a snapshot of the draft 2010 rating list. Overall the proportionate reduction in the BRS tax take due to automatic empty property relief is estimated at 4 per cent, for mandatory relief for charities and sports clubs at 4.5 per cent and for other discretionary reliefs at 0.2 per cent of the total.

The estimated percentage reduction in the taxtake due to automatic reliefs varies significantly between boroughs depending on the number of properties eligible for charitable relief (e.g. certain independent schools, universities, cultural venues and museums registered as charities) and the number of empty properties eligible for empty property relief (e.g. listed buildings). The automatic relief proportions ranging from less than 2 per cent of the taxbase in some boroughs to over 10 per cent in others. For the City of London it is

assumed that the taxbase will be reduced by 10 per cent due to empty property relief.

### Collection costs

The equivalent of 0.5 per cent of the projected taxtake net of reliefs has been assumed to be required to finance billing authority ongoing collection costs including enforcement and administration of the BRS. This is in line with the requirements of the collection and enforcement regulations for the BRS issued by the Secretary of State for Communities and Local Government in January 2010.

### Set up costs

A total of £1.4m has been set aside for billing authority set up costs in 2010-11. The majority of this will relate to the development and testing of the updated software systems which will be required to administer the BRS. This sum is assumed to be reduced to £0.4m per annum from 2011-12 to 2014-15 – allowing for annual upgrades and adjustments to software packages.

### Contingency for refunds on appeals and losses on collection

A 5 per cent contingency for losses on collection (e.g. bad debts) and potential refunds due to successful valuation appeals has been set aside. It has assumed that this will not be collectable and will therefore not be available to be applied to finance Crossrail. This 5 per cent contingency equates to the sum billing authorities are required to hold back under the Business Rate Supplements (Transfers to Revenue Accounts) (England) Regulations 2009 during the financial year for such eventualities.

## SUMMARY OF ANALYSIS

This analysis indicates that on the draft 2010 rating list based on the final policies set out in section 8:

- Just under 17 per cent of non domestic hereditaments across London (around 46,500) are estimated to be liable to pay the Crossrail BRS (before reliefs) in 2010-11. This ranges from 35 per cent in Westminster and 30 per cent in Kensington & Chelsea to less than 10 per cent in nine boroughs.
- The number of hereditaments estimated to be liable to pay the Crossrail BRS (before reliefs) ranges from over 11,700 in Westminster to less than 450 in Harrow, Lewisham, Sutton and Waltham Forest.
- Ratepayers in the Westminster (£67m p.a.) are projected to contribute a higher contribution via the Crossrail BRS than those all 20 outer London boroughs combined (£60m p.a.) between 2010-11 and 2014-15
- Around 70 per cent of the Crossrail BRS income in 2010-11 is expected to be contributed by ratepayers in boroughs with a station on the Crossrail route.
- Of the projected Crossrail BRS income total for outer London almost 40 per cent is estimated to be contributed by ratepayers in Bexley, Ealing, Hillingdon, Newham and Redbridge – the five outer London boroughs whose residents are estimated to derive the greatest monetary benefits from the Crossrail project.

**Figure B1**  
**Estimated No of Hereditaments Liable to the Crossrail BRS and Proportion Liable by London Borough – Final Prospectus Proposals**  
**(Properties With Rateable Value Over £55,000 - Draft 2010 rating list)**

Borough	Estimated No of Hereditaments With Rateable Values Above £55k	Estimated No of hereditaments liable to BRS as percentage of London Total	Estimated Proportion of Hereditaments in Borough Projected Liable to BRS
<b>Inner London</b>			
City of London	4,329	9.3%	28.2%
Camden	3,639	7.8%	23.0%
Greenwich	539	1.2%	10.7%
Hackney	744	1.6%	7.9%
Hammersmith and Fulham	1,465	3.2%	18.0%
Islington	1,690	3.6%	15.8%
Kensington and Chelsea	2,350	5.1%	29.5%
Lambeth	850	1.8%	10.3%
Lewisham	338	0.7%	5.6%
Southwark	1,453	3.1%	14.0%
Tower Hamlets	1,542	3.3%	11.2%
Wandsworth	938	2.0%	10.1%
Westminster	11,729	25.2%	35.4%
<b>Outer London</b>			
Barking and Dagenham	466	1.0%	11.3%
Barnet	782	1.7%	9.9%
Bexley	512	1.1%	9.9%
Brent	828	1.8%	10.6%
Bromley	780	1.7%	11.0%
Croydon	991	2.1%	11.7%
Ealing	1,303	2.8%	14.3%
Enfield	792	1.7%	11.6%

Borough	Estimated No of Hereditaments With Rateable Values Above £55k	Estimated No of hereditaments liable to BRS as percentage of London Total	Estimated Proportion of Hereditaments in Borough Projected Liable to BRS
Haringey	545	1.2%	7.8%
Harrow	441	0.9%	8.8%
Havering	620	1.3%	11.2%
Hillingdon	1,335	2.9%	17.8%
Hounslow	1,231	2.6%	19.1%
Kingston upon Thames	719	1.5%	15.7%
Merton	811	1.7%	15.1%
Newham	722	1.6%	10.5%
Redbridge	466	1.0%	7.7%
Richmond upon Thames	683	1.5%	12.1%
Sutton	404	0.9%	9.8%
Waltham Forest	431	0.9%	6.5%
<b>London Total</b>	46,468	100.0%	16.6%
<b>Inner London Total</b>	31,606	68.0%	20.6%
<b>Outer London Total</b>	14,862	32.0%	11.7%

**Figure B2**

**Estimated Reduction in Number of Hereditaments Liable to the Crossrail BRS from Using £55,000 Rateable Value Threshold Rather Than £50,000**  
**(Draft 2010 rating list for both thresholds)**

Borough	Estimated No of Hereditaments With Rateable Values Above £50k (statutory minimum)	Estimated No of Hereditaments Liable to BRS Above £55k (Final policy)	Reduction in No of Hereditaments Liable to BRS	% Change in No of Hereditaments Liable to BRS
<b>Inner London</b>				
City of London	4,545	4,329	-216	-4.8%
Camden	3,938	3,639	-299	-7.6%
Greenwich	592	539	-53	-9.0%
Hackney	831	744	-87	-10.5%
Hammersmith and Fulham	1,580	1,465	-115	-7.3%
Islington	1,871	1,690	-181	-9.7%
Kensington and Chelsea	2,560	2,350	-210	-8.2%
Lambeth	927	850	-77	-8.3%
Lewisham	393	338	-55	-14.0%
Southwark	1,604	1,453	-151	-9.4%
Tower Hamlets	1,677	1,542	-135	-8.1%
Wandsworth	1,063	938	-125	-11.8%
Westminster	12,490	11,729	-761	-6.1%
<b>Outer London</b>				
Barking and Dagenham	513	466	-47	-9.2%
Barnet	884	782	-102	-11.5%
Bexley	556	512	-44	-7.9%
Brent	913	828	-85	-9.3%
Bromley	847	780	-67	-7.9%
Croydon	1,070	991	-79	-7.4%
Ealing	1,422	1,303	-119	-8.4%
Enfield	875	792	-83	-9.5%

Borough	Estimated No of Hereditaments With Rateable Values Above £50k (statutory minimum)	Estimated No of Hereditaments Liable to BRS Above £55k (Final policy)	Reduction in No of Hereditaments Liable to BRS	% Change in No of Hereditaments Liable to BRS
Haringey	648	545	-103	-15.9%
Harrow	486	441	-45	-9.3%
Havering	677	620	-57	-8.4%
Hillingdon	1,425	1,335	-90	-6.3%
Hounslow	1,360	1,231	-129	-9.5%
Kingston upon Thames	784	719	-65	-8.3%
Merton	880	811	-69	-7.8%
Newham	782	722	-60	-7.7%
Redbridge	519	466	-53	-10.2%
Richmond upon Thames	757	683	-74	-9.8%
Sutton	454	404	-50	-11.0%
Waltham Forest	483	431	-52	-10.8%
<b>London Total</b>	50,406	46,468	-3,938	-7.8%
<b>Inner London Total</b>	34,071	31,606	-2,465	-7.2%
<b>Outer London Total</b>	16,335	14,862	-1,473	-9.0%



**Figure B3**  
**Calculation of Estimated BRS Collectable in 2010-11 and Available to Finance Crossrail Investment**  
**(Draft 2010 rating list) Figures in £m**  
**Inner London boroughs**

Borough	Estimated Total Rateable Value over £55k	Gross taxtake assuming 2p BRS (before reliefs and other adjustments) <sup>1</sup>	Estimated reduction in BRS taxtake due to automatic NNDR reliefs <sup>2</sup>	Estimated reduction in taxtake due to contingency for losses and appeals refunds (5%) <sup>3</sup>	Estimated Net BRS tax take in 2010-11
<b>Inner London</b>					
City of London	1,549.3	31.0	-3.1	-1.4	26.5
Camden	997.7	20.0	-2.6	-0.9	16.5
Greenwich	107.5	2.2	-0.3	-0.1	1.8
Hackney	122.3	2.4	-0.2	-0.1	2.1
Hammersmith and Fulham	355.3	7.1	-0.6	-0.3	6.2
Islington	324.5	6.5	-0.5	-0.3	5.7
Kensington and Chelsea	558.8	11.2	-0.8	-0.5	9.8
Lambeth	215.8	4.3	-0.5	-0.2	3.6
Lewisham	69.6	1.4	-0.1	-0.1	1.2
Southwark	385.9	7.7	-0.8	-0.3	6.5
Tower Hamlets	662.7	13.3	-1.1	-0.6	11.6
Wandsworth	156.5	3.1	-0.2	-0.1	2.8
Westminster	3,787.8	75.8	-5.7	-3.5	66.6

Figure B3 (continued) – Outer London Boroughs

	Estimated Total Rateable Value over £55k	Gross taxtake assuming 2p BRS (before reliefs and other adjustments) <sup>1</sup>	Estimated reduction in BRS taxtake due to automatic NNDR reliefs <sup>2</sup>	Estimated reduction in taxtake due to contingency for losses and appeals refunds (5%) <sup>3</sup>	Estimated Net BRS tax take in 2010-11
<b>Outer London</b>					
Barking and Dagenham	98.4	2.0	0.0	-0.1	1.9
Barnet	177.9	3.6	-0.3	-0.2	3.1
Bexley	112.9	2.3	-0.1	-0.1	2.0
Brent	171.7	3.4	-0.3	-0.2	3.0
Bromley	140.3	2.8	-0.3	-0.1	2.4
Croydon	211.4	4.2	-0.4	-0.2	3.6
Ealing	238.8	4.8	-0.4	-0.2	4.2
Enfield	175.3	3.5	-0.3	-0.2	3.1
Haringey	81.0	1.6	-0.1	-0.1	1.5
Harrow	71.7	1.4	-0.1	-0.1	1.3
Havering	125.3	2.5	0.0	-0.1	2.3
Hillingdon	713.6	14.3	-1.2	-0.7	12.4
Hounslow	278.6	5.6	-0.2	-0.3	5.1
Kingston upon Thames	149.5	3.0	-0.2	-0.1	2.6
Merton	146.1	2.9	-0.4	-0.1	2.4
Newham	169.6	3.4	-0.4	-0.2	2.9
Redbridge	77.0	1.5	-0.1	-0.1	1.3
Richmond upon Thames	136.6	2.7	-0.2	-0.1	2.4
Sutton	86.1	1.7	-0.1	-0.1	1.5
Waltham Forest	75.1	1.5	-0.1	-0.1	1.3

**Figure B3 (continued) – London Totals**

	Estimated Total Rateable Value over £55k	Gross taxtake assuming 2p BRS (before reliefs and other adjustments) <sup>4</sup>	Estimated reduction in BRS taxtake due to automatic NNDR reliefs <sup>5</sup>	Estimated reduction in taxtake due to contingency for losses and appeals refunds (5%) <sup>3</sup>	Estimated Net BRS tax take in 2010-11
<b>Inner London Total</b>	9,293.9	185.9	-16.6	-8.4	160.8
<b>Outer London Total</b>	3,436.9	68.7	-5.4	-3.2	60.1
<b>London Total</b>	12,730.8	254.6	-22.0	-11.6	221.0
Cost of collection (0.5%) <sup>4</sup>					-1.1
Set up costs (e.g. software) <sup>5</sup>					-1.4
<b>Projected Net BRS tax take in 2010-11</b>					<b>218.5</b>

Figures may not sum due to rounding

Notes

1. This represents the gross taxtake before automatic NNDR reliefs and other adjustments.
2. The reliefs data is based on estimates provided by billing authorities and GLA estimates adjusted for the impact of the £55,000 threshold.
3. This represents the contingency sum held back for losses on collection and refunds due to successful valuation appeals.
4. This represents the estimated allowance for billing authority ongoing collection costs.
5. This equates to the estimated aggregated set up costs (e.g. software and training).

**Figure B4 Estimated Crossrail BRS Income and Proportion of London Total For Each Borough (Excluding Billing Authority Collection Costs)**

Borough	Estimated Net BRS tax take in 2010-11 £m	Income as % of London total
<b>Inner London</b>		
City of London	26.5	12.0%
Camden	16.5	7.5%
Greenwich	1.8	0.8%
Hackney	2.1	1.0%
Hammersmith and Fulham	6.2	2.8%
Islington	5.7	2.6%
Kensington and Chelsea	9.8	4.4%
Lambeth	3.6	1.6%
Lewisham	1.2	0.5%
Southwark	6.5	3.0%
Tower Hamlets	11.6	5.2%
Wandsworth	2.8	1.3%
Westminster	66.6	30.1%
<b>Outer London</b>		
Barking and Dagenham	1.9	0.8%
Barnet	3.1	1.4%
Bexley	2.0	0.9%
Brent	3.0	1.3%
Bromley	2.4	1.1%
Croydon	3.6	1.6%
Ealing	4.2	1.9%
Enfield	3.1	1.4%
Haringey	1.5	0.7%
Harrow	1.3	0.6%
Havering	2.3	1.1%
Hillingdon	12.4	5.6%

Borough	Estimated Net BRS tax take in 2010-11 £m	Income as % of London total
Hounslow	5.1	2.3%
Kingston upon Thames	2.6	1.2%
Merton	2.4	1.1%
Newham	2.9	1.3%
Redbridge	1.3	0.6%
Richmond upon Thames	2.4	1.1%
Sutton	1.5	0.7%
Waltham Forest	1.3	0.6%
<b>London Total</b>	221.0	100.0%
<b>Inner London total</b>	160.8	72.8%
<b>Outer London total</b>	60.1	27.2%
<b>Income from boroughs with a Crossrail station</b>	153.5	69.5%

Note: This data does not adjust for billing authority collection and set up costs which are estimated to be around £2.5m in 2010-11. The net London-wide amount payable to the GLA is estimated to be £219m (£218.5m rounded upwards) after adjusting for these costs.

**Figure B5**  
**Comparison of Estimated Net Crossrail BRS Tax Take for 2010-11 (draft 2010 list)**  
**vs Initial Prospectus (2005 list)**

Borough	Estimated Net BRS tax take in 2010-11 (Final prospectus) £m	Estimated Net Tax Take 2005 List (Initial Prospectus) £m	Change £m	Percentage Change
<b>Inner London</b>				
City of London	26.5	29.3	-2.8	-9.7%
Camden	16.5	12.0	4.5	37.2%
Greenwich	1.8	1.6	0.2	12.3%
Hackney	2.1	1.6	0.6	35.9%
Hammersmith and Fulham	6.2	3.9	2.3	57.2%
Islington	5.7	5.4	0.3	5.1%
Kensington and Chelsea	9.8	7.3	2.5	34.0%
Lambeth	3.6	2.9	0.8	26.7%
Lewisham	1.2	1.2	0.0	3.8%
Southwark	6.5	5.1	1.5	29.6%
Tower Hamlets	11.6	10.5	1.0	9.9%
Wandsworth	2.8	2.4	0.4	17.1%
Westminster	66.6	44.0	22.5	51.2%
<b>Outer London</b>				
Barking and Dagenham	1.9	1.6	0.3	16.9%
Barnet	3.1	2.8	0.3	10.7%
Bexley	2.0	1.9	0.2	8.1%
Brent	3.0	2.6	0.4	15.6%
Bromley	2.4	2.4	0.0	0.8%
Croydon	3.6	3.9	-0.3	-7.6%
Ealing	4.2	3.9	0.2	6.0%
Enfield	3.1	2.7	0.4	14.0%
Haringey	1.5	1.2	0.3	24.3%
Harrow	1.3	1.4	-0.1	-8.7%

Borough	Estimated Net BRS tax take in 2010-11 (Final prospectus) £m	Estimated Net Tax Take 2005 List (Initial Prospectus) £m	Change £m	Percentage Change
Havering	2.3	1.8	0.5	28.3%
Hillingdon	12.4	11.5	1.0	8.7%
Hounslow	5.1	5.5	-0.3	-5.7%
Kingston upon Thames	2.6	2.6	0.0	1.5%
Merton	2.4	2.2	0.2	6.8%
Newham	2.9	2.5	0.4	16.4%
Redbridge	1.3	1.1	0.2	18.9%
Richmond upon Thames	2.4	2.2	0.2	10.8%
Sutton	1.5	1.5	0.0	1.5%
Waltham Forest	1.3	1.0	0.3	32.3%
<b>London Total</b>	221.0	183.1	37.9	20.7%
<b>Inner London Total</b>	160.8	127.1	33.7	26.5%
<b>Outer London Total</b>	60.1	56.0	4.2	7.5%
<b>Income From Boroughs With Crossrail Station</b>	153.5	125.2	28.3	22.6%

Note: The Initial prospectus estimates were based on a £50,000 threshold using the 2005 ratings list whereas 2010-11 estimate uses the proposed £55,000 rateable value threshold based on the draft 2010 ratings list issued in October 2009. Figures are net of reliefs and other collection losses but before estimated collection costs of £2.5m. Figures may not sum due to rounding.





# Appendix C

## ANALYSIS OF RESPONSES TO CROSSRAIL BRS INITIAL PROSPECTUS QUESTIONS

The analysis below summarises the responses made on a numerical basis to the questions set out in the initial prospectus. The GLA has sought to accurately reflect the views of respondents where practical although in some cases judgements have been made in cases where the comments made could have been interpreted in more than one way.

1. Do you agree that the Crossrail Business Rate Supplement should be subject to the same payment dates and enforcement arrangements as National Non Domestic Rates, in line with the policies in place within each individual billing authority (the 32 London boroughs and the Common Council of the City of London)?

### Response by Number

	Yes	No	No opinion	Total
Individual Business Ratepayers	15	23	40	78
Business Representative Bodies	9	1	8	18
Business Improvement Districts	6	0	5	11
Public Sector organisations	14	2	5	21
Other (including schools)	3	4	4	11
TOTAL	47	30	62	139

### Response by Percentage

	Yes	No	No opinion	Total
Individual Business Ratepayers	19%	29%	51%	100%
Business Representative Bodies	50%	6%	44%	100%
Business Improvement Districts	55%	0%	45%	100%
Public Sector organisations	67%	10%	24%	100%
Other (including schools)	27%	36%	36%	100%
TOTAL	34%	22%	45%	100%

2. Do you consider that a limit should be set on the maximum amount which the 33 London billing authorities may charge in collection costs for the BRS?

Response by Number

	Yes	No	No opinion	Total
Individual Business Ratepayers	28	4	46	78
Business Representative Bodies	8	0	10	18
Business Improvement Districts	5	0	6	11
Public Sector organisations	8	6	7	21
Other (including schools)	3	2	6	11
TOTAL	52	12	75	139

Response by Percentage

	Yes	No	No opinion	Total
Individual Business Ratepayers	36%	5%	59%	100%
Business Representative Bodies	44%	0%	56%	100%
Business Improvement Districts	45%	0%	55%	100%
Public Sector organisations	38%	29%	33%	100%
Other (including schools)	27%	18%	55%	100%
TOTAL	37%	9%	54%	100%

3. Where a business ratepayer pays only part of its business rates bill, do you agree that billing authorities should allocate this income pro rata between central government and the GLA in line with the respective shares of National Non Domestic Rates and the Business Rate Supplement on the ratepayer's annual bill?

Response by Number

	Yes	No	No opinion	Total
Individual Business Ratepayers	20	11	47	78
Business Representative Bodies	8	0	10	18
Business Improvement Districts	5	0	6	11
Public Sector organisations	12	4	5	21
Other (including schools)	3	1	7	11
TOTAL	48	16	75	139

## Response by Percentage

	Yes	No	No opinion	Total
Individual Business Ratepayers	26%	14%	60%	100%
Business Representative Bodies	44%	0%	56%	100%
Business Improvement Districts	45%	0%	55%	100%
Public Sector organisations	57%	19%	24%	100%
Other (including schools)	27%	9%	64%	100%
TOTAL	35%	12%	54%	100%

## 4. Do you consider that empty properties should be exempt from paying the Crossrail BRS?

## Response by Number

	Yes	No	No opinion	Total
Individual Business Ratepayers	23	14	41	78
Business Representative Bodies	10	2	6	18
Business Improvement Districts	4	1	6	11
Public Sector organisations	4	11	6	21
Other (including schools)	4	2	5	11
TOTAL	45	30	64	139

## Response by Percentage

	Yes	No	No opinion	Total
Individual Business Ratepayers	29%	18%	53%	100%
Business Representative Bodies	56%	11%	33%	100%
Business Improvement Districts	36%	9%	55%	100%
Public Sector organisations	19%	52%	29%	100%
Other (including schools)	36%	18%	45%	100%
TOTAL	32%	22%	46%	100%

5. Do you consider that there are any practical administrative or enforcement difficulties which will arise from levying the BRS on partially occupied properties where the combined rateable value is £50,000 or more?

Response by Number

	Yes	No	No opinion	Total
Individual Business Ratepayers	14	18	46	78
Business Representative Bodies	2	5	11	18
Business Improvement Districts	0	4	7	11
Public Sector organisations	6	8	7	21
Other (including schools)	2	2	7	11
TOTAL	24	37	78	139

Response by Percentage

	Yes	No	No opinion	Total
Individual Business Ratepayers	18%	23%	59%	100%
Business Representative Bodies	11%	28%	61%	100%
Business Improvement Districts	0%	36%	64%	100%
Public Sector organisations	29%	38%	33%	100%
Other (including schools)	18%	18%	64%	100%
TOTAL	17%	27%	56%	100%

6. Do you agree that the Mayor and GLA should provide a written update for inclusion with annual NNDR bills setting out the progress on the Crossrail project and the Business Rate Supplement, including details on the multiplier(s), reliefs and thresholds to be applied for the BRS for that year and an update, if applicable, on the expected end date for the supplement?

Response by Number

	Yes	No	No opinion	Total
Individual Business Ratepayers	30	6	42	78
Business Representative Bodies	10	0	8	18
Business Improvement Districts	6	0	5	11
Public Sector organisations	16	0	5	21
Other (including schools)	4	1	6	11
TOTAL	66	7	66	139

## Response by Percentage

	Yes	No	No opinion	Total
Individual Business Ratepayers	38%	8%	54%	100%
Business Representative Bodies	56%	0%	44%	100%
Business Improvement Districts	55%	0%	45%	100%
Public Sector organisations	76%	0%	24%	100%
Other (including schools)	36%	9%	55%	100%
TOTAL	47%	6%	47%	100%

7. Are there any issues not addressed in the initial prospectus which the Mayor and GLA should have regard to before finalising the policies and administrative arrangements for the BRS?

## Response by Number

	Yes	No	No opinion	Total
Individual Business Ratepayers	68	4	6	78
Business Representative Bodies	15	2	1	18
Business Improvement Districts	11	0	0	11
Public Sector organisations	20	0	1	21
Other (including schools)	7	1	3	11
TOTAL	121	7	11	139

## Response by Percentage

	Yes	No	No opinion	Total
Individual Business Ratepayers	87%	5%	8%	100%
Business Representative Bodies	83%	11%	6%	100%
Business Improvement Districts	100%	0%	0%	100%
Public Sector organisations	95%	0%	5%	100%
Other (including schools)	64%	9%	27%	100%
TOTAL	87%	5%	8%	100%



# Appendix D

## GLOSSARY

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**Appeal** The appeal process is available to all ratepayers who feel that their rateable value is incorrect. There are other options open to ratepayers before initiating an appeal, which can often be a long, drawn out process. The Valuation Office Agency is available to deal with any queries about the rateable value and should be the first point of contact.

**Billing Authority** The tier of local government which is empowered to collect and enforce payments of NNDR and BRS. In London this power rests solely with the 32 London boroughs and the Common Council of the City of London.

**Business rates (see also NNDR)** The way businesses and other non-domestic property contribute towards the cost of local authority services.

**Business rate supplement** An additional rate which may be applied by a levying authority on certain categories of business ratepayer in its area in addition to NNDR. These powers are granted under the Business Rate Supplements Act 2009 which received Royal Assent on 2 July 2009.

**Business Rate Supplements Act 2009** The Act which received Royal Assent on 2 July 2009 and grants levying authorities – the GLA in London – to levy a supplementary business rate to finance economic development projects. It is described as ‘the ‘BRS Act’ in this prospectus.

**Central List** The central rating list contains the rating assessments of the network property of major transport, utility and telecommunications undertakings and cross-country pipelines.

There is a single entry in the rating list for each company named in The Central Rating List Regulations 2005. Rates on central rating list hereditaments in England are paid direct to the Secretary of State for Communities and Local Government, The GLA is not permitted to levy the BRS on hereditaments/assessments on the central rating list irrespective of whether they are located within the GLA area.

**Crossrail Act** The legislation which received Royal Assent in July 2008 which grants the relevant powers to undertake the construction of the Crossrail project and any associated works or land purchases. It is described as ‘the Crossrail Act’ in this prospectus.

**Department for Communities and Local Government** The government department (or its successor) responsible for local government finance and business rates policy including related legislation and regulations.

**Department for Transport (DfT)** The government department (or its successor) sponsoring the Crossrail project.

**Empty Property Relief** An empty property currently is not liable to BRS or NNDR for the first three months (six months for certain specified properties used for industrial purposes) after it becomes empty. With the exception of premises owned or entitled to be occupied by certain designated bodies (e.g. eligible charities and community amateur sports clubs) or for certain categories of hereditament (e.g. listed buildings), after this exemption period the owner will be required under the rules in place for 2009/10 to

pay 100 per cent of its NNDR bill (subject to any exemption thresholds set by regulation). Empty properties may be exempted entirely from a BRS at the discretion of the levying authority. The GLA has decided not to exempt empty properties as a class from the BRS.

**Greater London Authority (GLA)** The strategic authority for London headed by the Mayor and scrutinised by the London Assembly which has responsibility for policing (outside the City of London), fire, transport and other strategic London wide services. The GLA is scrutinised by the 25 member London Assembly and will act as the levying authority under the BRS Act for the Crossrail BRS. The powers under which the GLA acts are set out primarily in the Greater London Authority Act 1999 (“the GLA Act”).

**Hardship Relief** At the discretion of the relevant authority certain business ratepayers determined to be in hardship may receive discretionary relief for all or part of their NNDR or BRS bill having regard to section 49 of the Local Government Finance Act 1988. Eligibility for Hardship Relief shall normally be determined by the billing authority.

**Hereditament** Defined for the purposes of this prospectus as being any individual rating list assessment which may or may not be a physical ‘property’. Only hereditaments on the rating lists of the 33 London billing authorities are eligible to pay the BRS subject to the rateable value threshold in place.

**Levying Authority** The tier of local government which is empowered to levy a BRS. In London this power rests solely with the GLA.

**Local authority** Public body responsible for local administration of services. In London the GLA is the strategic local authority with local services provided by the 32 London boroughs and the Common Council of the City of London. The City of London has its own police force.

**Multiplier** A key factor in the calculation of the business rates bill as it represents the rate of tax payable. For NNDR it is set annually by central government and determines the percentage (expressed as pence in the pound) of the rateable value of each hereditament that is paid in business rates subject to reliefs and other adjustments. It is also referred to as the Uniform Business Rate, or poundage. A lower rate is applied to ratepayers eligible for small business rate relief. For the BRS the multiplier is set by the levying authority – in London the GLA – and may be no higher than 2p per pound of rateable value.

**NNDR** NNDR or national non-domestic rates are collected by billing authorities on behalf of the government (Department for Communities and Local Government). The government sets the tax rate and tax policies with the exception of certain discretionary reliefs which are determined locally having regard to the Local Government Finance Act 1988 (the legislation setting out how NNDR works). NNDR is pooled centrally and distributed back to local authorities in line with need – as determined by the government – through the local government finance settlement.



**Non-domestic hereditament** The term to describe business and other properties that are not used solely for domestic purposes (i.e. residential houses) as well as other ratings assessments (e.g. underground cabling, parking spaces and mobile phone masts) on the ratings list. Domestic properties pay council tax and are valued differently based on estimated prices in 1991.

**Rateable value** The value assigned to a non-domestic hereditament. It is based on a professional assessment of the annual rent of a hereditament if it was available to let on the open market on a fixed valuation date. The fixed valuation date for the 2005 list was 1 April 2003 – the corresponding date for the new list to be introduced in 2010 is 1 April 2008.

**(Annual) Rates bill** This is calculated and sent out by billing authorities each year, between February and April. It shows the amount payable for the coming year and how that figure has been worked out. Payment is normally requested in a number of instalments. The bill shows the amount of each instalment and the dates on which payment should take place.

**Rates liability** The total amount on the rates bill is sometimes referred to as the rates liability – how much the ratepayer is liable for.

**Rating list** The rateable value of all business and non-domestic property appears in rating lists published by the Valuation Office Agency. The new 2010 list is based on notional rental values in April 2008 and is expected to determine liability for NNDR and BRS from 1 April 2010 to 31 March 2015. Rating lists

are available at Valuation Offices, on the VOA website and in some public libraries.

**Reliefs** Reliefs give reductions on the rates liability and there are a number of different reliefs available. Eligibility is based on meeting certain criteria and these vary depending on the relief in question. The different types of reliefs are addressed elsewhere in this glossary and in section 8 of this prospectus.

**Reliefs for Charities** Designated charities as specified by section 45 of the Local Government Finance Act 1988, clause 13 of the BRS Act and related regulations are entitled to receive mandatory relief of at least 80 per cent on both their NNDR and BRS bills. At the discretion of their billing authority they may receive discretionary relief for all or part of the residual 20 per cent of their NNDR and BRS bill. Charities owning (or entitled to occupy) empty properties under section 45 of the 1988 Act shall be entitled to 100 per cent exemption from their NNDR and BRS bill.

**Reliefs for Community Amateur Sports Clubs (CASCs)** Registered community amateur sports clubs as specified by section 45 of the 1988 local government finance act, clause 13 of the BRS bill and related regulations are entitled to receive mandatory relief of at least 80 per cent on both their NNDR and BRS bills for properties they occupy. At the discretion of the relevant authority they may receive discretionary relief for all or part of the residual 20 per cent of their NNDR or BRS bill having regard to section 47 of the 1988 Act. CASC's owning (or entitled to occupy) empty properties under section 45

of the 1988 Act shall be entitled to 100 per cent exemption from their NNDR and BRS bill.

### **Reliefs for Non Profit Making Bodies**

At the discretion of the relevant authority certain non profit making bodies may receive discretionary relief for all or part of their NNDR or BRS bill having regard to section 47 of the 1988 Act. Eligibility for non profit making relief shall normally be determined by their local billing authority.

**Revaluation** Revaluation is a reassessment of the rateable values of all business and non-domestic hereditament in Wales and England. The revaluation is carried out by the Valuation Office Agency every five years. The next revaluation is due to be introduced in April 2010 based on valuations at 1 April 2008. The VOA issued the draft 2010 list in October 2009 and wrote to the majority of ratepayers at that time to inform them of their draft valuation.

**Rural Rate Relief** Certain types of properties in rural settlements with populations of 3,000 which are designated by the government as being rural may receive mandatory reliefs of 50 per cent on their NNDR bill and up to 100 per cent at the discretion of their billing authority. No rural rate reliefs may be granted on hereditaments with rateable values exceeding £14,000. No areas of London meet the criteria of being rural settlements and the BRS threshold is well above the maximum level for rural rate relief so this relief is unlikely ever to apply to the Crossrail BRS. Were it to apply in London at any time in the future any such relief for the BRS would be granted at the same rate as under NNDR.

**Small Business Rate Relief** This is a new relief that came into effect on 1 April 2005. The relief is currently available to certain businesses occupying properties with a total rateable value of less than £21,500 in 2009-10 in London (although this will rise to £25,500 from April 2010). The scheme is funded by a supplement on the rate bill of those businesses not eligible for the relief which is built into the NNDR multiplier. Due to these thresholds business premises entitled to SBRR are unlikely to be subject to the BRS where the minimum threshold under regulations is £50,000.

**Summary valuation** A summary valuation explains how the rateable value of a business hereditament contained in the rating list has been calculated. Summary valuations were sent out in October 2009 for the new list coming into operation in April 2010.

**Transitional arrangements** Transitional arrangements exist to soften the impact that revaluation can have on the rates bill if there are dramatic changes in the rateable value of a non domestic hereditament. Transitional arrangements limit the percentage by which a bill can increase or decrease each year so that the changes are made more manageable by being phased in. No transitional arrangements will be applied to the Crossrail BRS at least for the first five years or the next revaluation after 2010 whichever is the sooner. However the GLA has the power to vary the BRS multiplier in any year.

**Transport for London (TfL)** A functional body of the GLA and one of the Sponsors of the Crossrail project.

**Valuation date** The valuation date is the fixed date on which assessments of rateable values are based. Under current legislation this date is set two years prior to a revaluation coming into effect. For the 2005 valuation list the valuation date was 1 April 2003 – for the 2010 revaluation the corresponding date is 1 April 2008.

**Valuation Office Agency** The government agency which values domestic and business properties for council tax and business rates purposes ([www.voa.gov.uk](http://www.voa.gov.uk)).

**Valuation tribunal** Valuation tribunals are independent of both the Valuation Office Agency and local authorities and deal with appeals about business rates and council tax valuations.







## Other formats and languages

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### Chinese

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### Vietnamese

Nếu bạn muốn có văn bản tài liệu này bằng ngôn ngữ của mình, hãy liên hệ theo số điện thoại hoặc địa chỉ dưới đây.

### Greek

Αν θέλετε να αποκτήσετε αντίγραφο του παρόντος εγγράφου στη δική σας γλώσσα, παρακαλείστε να επικοινωνήσετε τηλεφωνικά στον αριθμό αυτό ή ταχυδρομικά στην παρακάτω διεύθυνση.

### Turkish

Bu belgenin kendi dilinizde hazırlanmış bir nüshasını edinmek için, lütfen aşağıdaki telefon numarasını arayınız veya adrese başvurunuz.

### Punjabi

ਜੇ ਤੁਹਾਨੂੰ ਇਸ ਦਸਤਾਵੇਜ਼ ਦੀ ਕਾਪੀ ਤੁਹਾਡੀ ਆਪਣੀ ਭਾਸ਼ਾ ਵਿਚ ਚਾਹੀਦੀ ਹੈ, ਤਾਂ ਹੇਠ ਲਿਖੇ ਨੰਬਰ 'ਤੇ ਫ਼ੋਨ ਕਰੋ ਜਾਂ ਹੇਠ ਲਿਖੇ ਪਤੇ 'ਤੇ ਰਾਬਤਾ ਕਰੋ:

### Hindi

यदि आप इस दस्तावेज की प्रति अपनी भाषा में चाहते हैं, तो कृपया निम्नलिखित नंबर पर फोन करें अथवा नीचे दिये गये पते पर संपर्क करें

### Bengali

আপনি যদি আপনার ভাষায় এই দলিলের প্রতিলিপি (কপি) চান, তা হলে নীচের ফোন নম্বরে বা ঠিকানায় অনুগ্রহ করে যোগাযোগ করুন।

### Urdu

اگر آپ اس دستاویز کی نقل اپنی زبان میں چاہتے ہیں، تو براہ کرم نیچے دئے گئے نمبر پر فون کریں یا دیئے گئے پتے پر رابطہ کریں

### Arabic

إذا أردت نسخة من هذه الوثيقة بلغتك، يرجى الاتصال برقم الهاتف أو مراسلة العنوان أدناه

### Gujarati

જો તમને આ દસ્તાવેજની નકલ તમારી ભાષામાં જોઈતી હોય તો, કૃપા કરી આપેલ નંબર ઉપર ફોન કરો અથવા નીચેના સરનામે સંપર્ક સાધો.

