

Proposal to levy a business rate supplement to finance the Greater London Authority's contribution to the Crossrail project
Initial prospectus



Summer 2009

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Foreword

Dear Business Ratepayer

This prospectus sets out proposals for the introduction of an annual business rate supplement (BRS) from April 2010 to finance part of the Greater London Authority's (GLA) contribution towards the costs of the Crossrail project. It is intended that the supplement will be levied at a rate of 2p on non-domestic properties in London with rateable values of £50,000 or higher (subject to any reliefs which may apply) for a period of between 24 and 30 years. The exact term will depend on how long it takes to repay the £3.5 billion of debt the GLA will raise.

Crossrail will be by far the largest single investment in London's infrastructure for a generation or more. It will support access from across London and beyond to high value economic activity in central London, and increase the jobs capacity of Canary Wharf and the Isle of Dogs by around 100,000.

Up to 14,000 people will be employed on the project at the peak of construction, thus creating opportunities for many Londoners to secure employment and gain new skills. Once it is completed in 2017 the link will add ten per cent to London's rail capacity and reduce congestion on the tube, DLR and national rail services by providing high frequency, high capacity services.



Crossrail will be key to the future growth of London's economy, enabling it to remain a leading world city over the next 20 years and beyond. By 2026 Crossrail is expected to generate £1.24 billion of benefits for the London economy annually. The increased earnings in terms of new jobs and transport time savings will benefit businesses right across London and help make the capital a more attractive place for commuters, tourists, 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. The principle that the business community should make a contribution towards the costs of the Crossrail project is endorsed by the CBI, the London Chamber of Commerce and Industry and London First.

Introducing new taxes on business is never ideal. No matter how bad the recession, however, there are some economies we cannot afford to make and that includes big infrastructure projects like Crossrail and the upgrade of the tube system, which are vital to the future competitiveness of this city.

I welcome your responses and comments on the proposals set out in this prospectus. We will consider the impact of the 2010 business rates revaluation before publishing the final arrangements for the BRS by the end of January 2010.

A handwritten signature in black ink, appearing to read 'Boris Johnson', with a long horizontal flourish extending to the right.

Boris Johnson
Mayor of London

Executive summary

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'). The GLA will exercise these powers under the direction of the Mayor of London.

Before implementing the Crossrail BRS 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 fulfils the first requirement to publish an initial prospectus.

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 BRS income during the construction phase over and above that required to finance the interest on the £3.5 billion of borrowing) will be applied to fund the Crossrail construction and financing costs from 2010 to 2017.

The Mayor, relying on the provisions of section 27 of the BRS Act, does not intend to hold a ballot of business ratepayers before introducing the Crossrail BRS. This conforms with the principle outlined in the Crossrail funding package agreed in 2007 that London's business ratepayers would contribute towards the project

as they will amongst the biggest beneficiaries from the scheme.

The Mayor intends to direct the GLA to set an annual basic BRS multiplier (or tax rate) of 2p per pound of rateable value on each individual property with a rateable value of £50,000 or more from April 2010. He will have regard to the impact of the 2010 revaluation on ratepayers before confirming the multiplier for 2010-11 in the final prospectus.

The GLA expects the BRS will run for a period of between 24 and 30 years until its £3.5 billion of borrowing is repaid, with a target end date of 2036-37. 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 BRS. It is expected that £7.9 billion will need to be collected through the BRS over its lifetime once financing costs are included.

Some categories of ratepayer or property will be entitled to full or partial relief on their BRS contributions. As a minimum, the same level of reliefs applying to National Non Domestic Rates will also apply to the BRS at the same 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 BRS for at least the first five years. Section 7 of this prospectus explains the potential reliefs which will or may be granted for the Crossrail BRS.

The Mayor is inviting views as to whether empty properties should be exempt from the Crossrail BRS. The Mayor does not intend to apply a lower multiplier to businesses in Business Improvement District Areas, as explained in Section 7.

Business ratepayers and other stakeholders are invited to comment on the proposals in this prospectus, having particular regard to the specific questions raised in the proforma response form in Appendix A. The methods by which responses may be submitted are set out in section 1. The Mayor will consider the responses to the initial prospectus before issuing his final prospectus before the end of January 2010.

1 Introduction and scope of this prospectus

Introduction

This section summarises the contents of this prospectus and outlines how business ratepayers and other interested parties may submit responses to the Mayor and the GLA by the closing date of 22 October 2009.

Background and structure of the initial prospectus

The Business Rate Supplements (BRS) Act 2009 (the 'BRS Act'), which received Royal Assent on 2 July 2009, grants the power to the GLA to levy a supplement on business ratepayers to finance projects which promote economic development across the capital. For the purposes of the Crossrail BRS the GLA will act in its role as a levying authority under the direction of the Mayor, in line with the provisions of the GLA Act 1999.

In line with the requirements of Section 5 and schedule 1 of the BRS Act, the GLA is required to issue an initial prospectus setting out the proposed arrangements for any business rate supplement which it is intending to levy. This document meets the initial prospectus requirement under the BRS Act. The GLA is required to consult on this prospectus with those business ratepayers whom it considers will or may be liable to pay the Crossrail Business Rate Supplement, and with local authorities in the capital.

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

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, on the direction of the Mayor, is intending to introduce a business rate supplement in London 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 £600 million representing the amount by which the BRS income exceeds the interest costs on this borrowing and any administration costs during the construction phase (2010-17) of the project. Including financing costs it is projected that the GLA will need to collect around £7.9 billion in BRS if, as expected, the supplement ends as planned in 2036-37.

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;
- give a kick start to London's construction industry which has suffered during the recession, 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 (e.g. 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 does not intend to hold a ballot before introducing the Crossrail BRS.

The Mayor intends to direct the GLA to set the BRS at a rate of 2p per pound of rateable value on properties with a rateable value of £50,000 or more, although some categories of ratepayer will or may be entitled to full or partial relief on their BRS contribution (e.g. charities and community amateur sports clubs) which, as a minimum, will be at the same level as that applying under the National Non Domestic Rates (NNDR) system; but no transitional relief (as applies under NNDR) will apply to the 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 proposals are set out in more detail in section 7.

The target audience for the prospectus

The Mayor and the GLA, through this prospectus, are inviting the views of individual business ratepayers, business representative bodies, the 32 London boroughs, the Common Council of the City of London, London Councils and other key stakeholders about the proposals to introduce a BRS to fund the Crossrail project.

In order to meet the GLA's requirement to consult under section 6 of the BRS Act, a summary of this

prospectus will be made available to ratepayers of business hereditaments with rateable values of £30,000 or higher in London, setting out the key proposals. The address list will be based on the latest available data supplied to the GLA by billing authorities and the Valuation Office Agency. Using the lower £30,000 threshold allows for the possibility that some properties below the statutory £50,000 BRS threshold on the current 2005 ratings list could move above this following the 2010 national business rates revaluation, and so become liable to pay the BRS in 2010-11.

How to respond to the Mayor and GLA's proposals

Comments on the proposals set out in this prospectus can be sent to:

Greater London Authority
Strategic Finance (3rd floor)
City Hall
The Queen's Walk
London SE1 2AA

However, we would encourage respondents to submit their responses using an online form – which sets out the issues on which we are inviting views – at

www.london.gov.uk/crossrail-brs.

An electronic copy of this prospectus can also be found at this link. All responses may be made public unless the respondent requests otherwise.

The government's intention is to issue regulations in autumn 2009 which will address the administration of business rate supplements. These may limit the Mayor's discretion on some of the issues raised in the response questions.

This prospectus was launched at the end of July 2009. All comments should be received by **Thursday 22 October 2009**.

If respondents have any queries the Crossrail BRS team can be contacted at the above address. Alternatively the Public Liaison Unit at the GLA can be contacted on 020 7983 4100.

The questions on which we are inviting responses are summarised overleaf, and set out with explanatory information in the relevant sections of this prospectus.

Crossrail business rate supplement initial prospectus questions

- 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)?
- 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? If yes, what factors should be taken into account when developing a formula to set this limit having regard to the large differences in the BRS taxbase between London boroughs?
- 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?
- 4 Do you consider that empty properties should be exempt from paying the Crossrail BRS?
- 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? If yes, please provide more details.
- 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? If yes, are there any other issues which should be addressed in the annual update?
- 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? If yes, please specify.

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

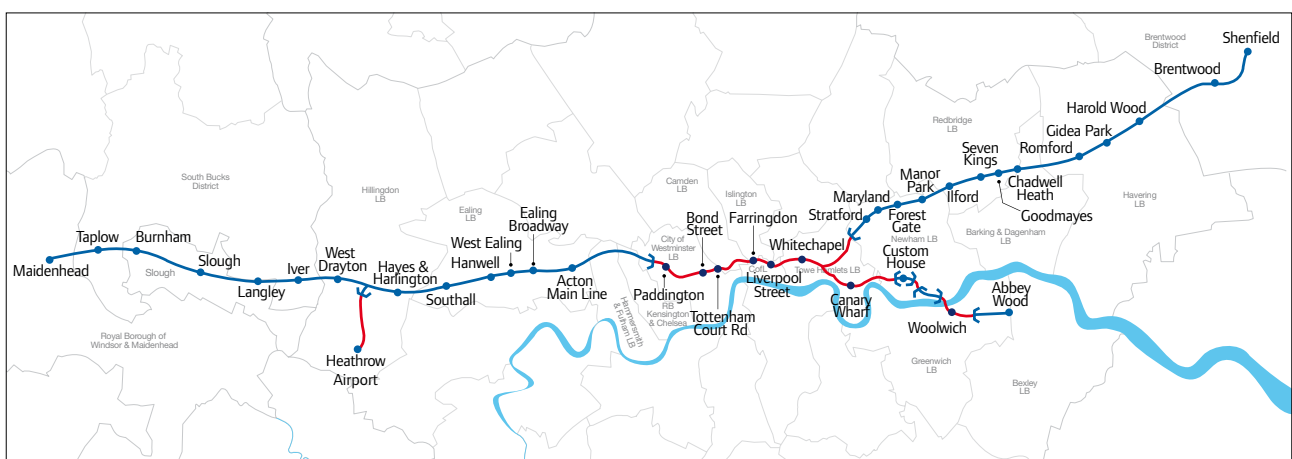
Crossrail is a new railway that will run from Maidenhead and Heathrow in the west to Shenfield and Abbey Wood in the east. It will provide a new, modern railway across London connecting the outer suburbs to the City, Canary Wharf and the West End as well as linking the capital's major financial, business, 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.

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, 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.

Figure 1 Map of Crossrail route



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 can be found at: 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.

Crossrail fares

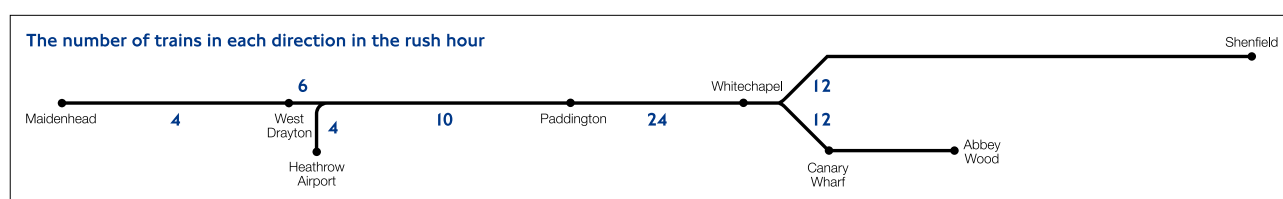
Crossrail fares will be integrated with the rest of the TfL network based on the zonal structure in place at that time, and TfL will retain the revenues. It is intended that pay as you go Oyster cards, travelcards, freedom passes and season tickets (or their equivalents) will be valid on the Crossrail route for the appropriate zones covered by them 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 of Local Government have promoted new Acts of Parliament to provide these powers.

The powers which allow the project itself to proceed are set out in the Crossrail Act which came into force on 22 July 2008. The 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.

Figure 2 Estimated rush hour train frequencies (per hour) along Crossrail route



Nominated Undertakers ('NUs') have been appointed to take forward construction according to the terms within the Act. The Secretary of State for Transport has appointed Crossrail Ltd ('CRL') and London Underground Limited ('LUL') for certain works. Crossrail is the delivery agent for the whole project, managing the programme and partners. CRL is a subsidiary of TfL but with its own board, chief executive and chair. 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 Business Rate Supplements Act received Royal Assent on 2 July 2009 and gives the GLA the powers to levy a business rate supplement, which the Mayor is intending to use to finance around £4.1 billion of his agreed contribution to the Crossrail project. Under the Greater London Authority Act 1999 the GLA acts on the direction of the Mayor of London who will agree the key policies for the Crossrail BRS.

The Secretary of State for Communities and Local Government has responsibility at the current time for issuing regulations under the BRS Act.

Planning permission and land acquisition

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

The 2008 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.

Under section 10(6), 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 nominated undertakers 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 development was deemed to be granted on the date that the Crossrail Act 2008 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.

The Sponsors and CRL have agreed the following principles in respect of land rights in connection with the Crossrail project:

- a DfT will acquire land required for the entire route (other than specified parcels of land already owned by TfL Group companies 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 with support from TfL Group Property;
- b once acquired by DfT, it has committed to 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;
- c 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
- d prior to the completion of construction, TfL shall grant to CRL a 150-year lease of the tunnels and tunnel subsoil.

Commencement of construction on the Crossrail project

On 15 May 2009 the construction of the Crossrail project officially began with the start of building the station at Canary Wharf. The

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

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 Act comes into force only if the chargeable period for the proposed BRS commences prior to 1 April 2012. The GLA therefore has the power to introduce a BRS to finance the Crossrail project in 2010-11 as the Crossrail project started prior the commencement order for the BRS Act (which received Royal Assent on 2 July 2009), and the chargeable period is planned to start on 1 April 2010.

Key completion stages for the Crossrail project

The construction of Crossrail is planned to be complete 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. 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

Figure 3 Major Station construction works – Provisional Timescales

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

Figure 4 Key Tunneling works – Provisional Timescales

Location	Enabling Works start	Tunneling starts	Works Complete
Royal Oak (towards Farringdon)	Early 2010	Late 2011	2013
Stepney Green shafts (to Pudding Mill Lane)	Early 2011	Mid 2013	2014
Limmo Peninsula (towards Farringdon)	Late 2010	Late 2011	2014
Limmo Peninsula (towards Custom House)	Late 2010	Late 2014	2015
Fisher Street shaft and Crossovers	Mid 2011	N/A	2015
Plumstead (towards Greenwich)	Early 2011	Mid 2012	2014

enabling works begin. At some of these stations there will be separate sites (e.g. two entrances or ticket offices) where the phases of the work may be undertaken at different times within these parameters.

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 three-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 and more detail on the programme will be published when it is available.

Summary of project costs

Crossrail is a complex programme of integrated activities to deliver 118km of underground and surface railway for London and the South East. CRL is charged with delivering the programme on time and within the agreed budget of £15.9 billion.

The expenditure on the project will be phased over the duration of the works, and CRL and TfL will take full account of this in their business plans through to the end of construction in 2017-18. This planning will focus on the objective of bringing the project within this approved budget.

The costs and financing arrangements for Crossrail, including the relationship with the BRS, are set out in more detail in section 5.

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. The next section looks at the project management arrangements which will be put in place to deliver both the rail link and the planned business rate supplement which will be used to finance it.

3 Crossrail project management arrangements

This section summarises the governance, legal and operational arrangements for the Crossrail project and the respective roles of the Mayor, TfL and the DfT – together the ‘Sponsors’ – Crossrail Limited (‘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/adobe/pdf/165234/302038/headsofterms.pdf>.

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

- DfT and TfL would be the Sponsors of the Crossrail project throughout the construction phase, responsible for setting requirements for the overall scope and programme (the ‘Sponsors Requirements’);
- CRL will 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 per cent TfL ownership following the signing of the Core Agreements (see below); and
- TfL will 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 as the project delivery vehicle and which sets 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 as co-sponsors.

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

A summary of the Sponsors Agreement can be found at the following link:
<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 (in late 2009) 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 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 to 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;
- 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 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 legislation in place (e.g. for the

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

The management and administration of BRS income

The most significant source of financing for the GLA and TfL's contribution to Crossrail will be a Business Rate Supplement which (together with the debt it supports) will contribute around 50 per cent of the TfL funding commitments under the Sponsors Agreement. The funding package is explained in more detail in section 5 of this prospectus.

The Business Rate Supplement will provide a genuinely 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 BRS after servicing the GLA debt during the construction phase, will be available to TfL to fund part of its contribution to Crossrail.

This prospectus sets out the way the Business Rate Supplement will be implemented by the Mayor and GLA in more detail in section 7. 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. Billing authorities will be permitted to charge reasonable collection and enforcement costs against the BRS subject to any ceilings

which may be set by the GLA in consultation with them. 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 GLA will manage the BRS cash flows on behalf of the Mayor and make any payments required to CRL via TfL to meet its agreed contributions towards the cost of the scheme.

The GLA, TfL and each billing authority will be required to maintain a ring-fenced BRS account which will need to be presented as a note to the balance sheet on their annual statement of accounts. This will provide transparency for 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 8.

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 Business Rate Supplement. The next section looks at the benefits which will flow from the Crossrail project and how the BRS will affect business ratepayers.

4 What are the benefits of Crossrail and how will the BRS impact on business ratepayers?

This section sets out the importance of Crossrail and the benefits that will flow from the project for London, and particularly its business community. The potential impact of the BRS proposal on those ratepayers likely to be required to pay it is also addressed in this section and 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 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 very productive parts of the city (the

Isle of Dogs, the City of London, the West End and Heathrow); and opens up parts of East London to regeneration, including 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. Pressure on London's radial transport links into central London will only increase.

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 have suggested that Crossrail will add from £20 billion to £36 billion to UK GDP over 60 years, 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 and it will contribute to an ongoing pool of skilled workers through the new tunnelling academies being established by CRL.

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;
- 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 assist London in maintaining 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 by borough 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).

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.

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 BRS ratepayers

Under the BRS Act it is not possible for the Mayor to apply different multipliers or policies for the BRS in different parts of the GLA area 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 BRS.

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 (£ million)	Borough rank and name	Total Annual Transport & Earnings (£ 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		

Source Crossrail Distribution of Benefits Paper, CRL February 2009.

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 population. In practice a significant number of the new jobs created will be within the City's boundaries.

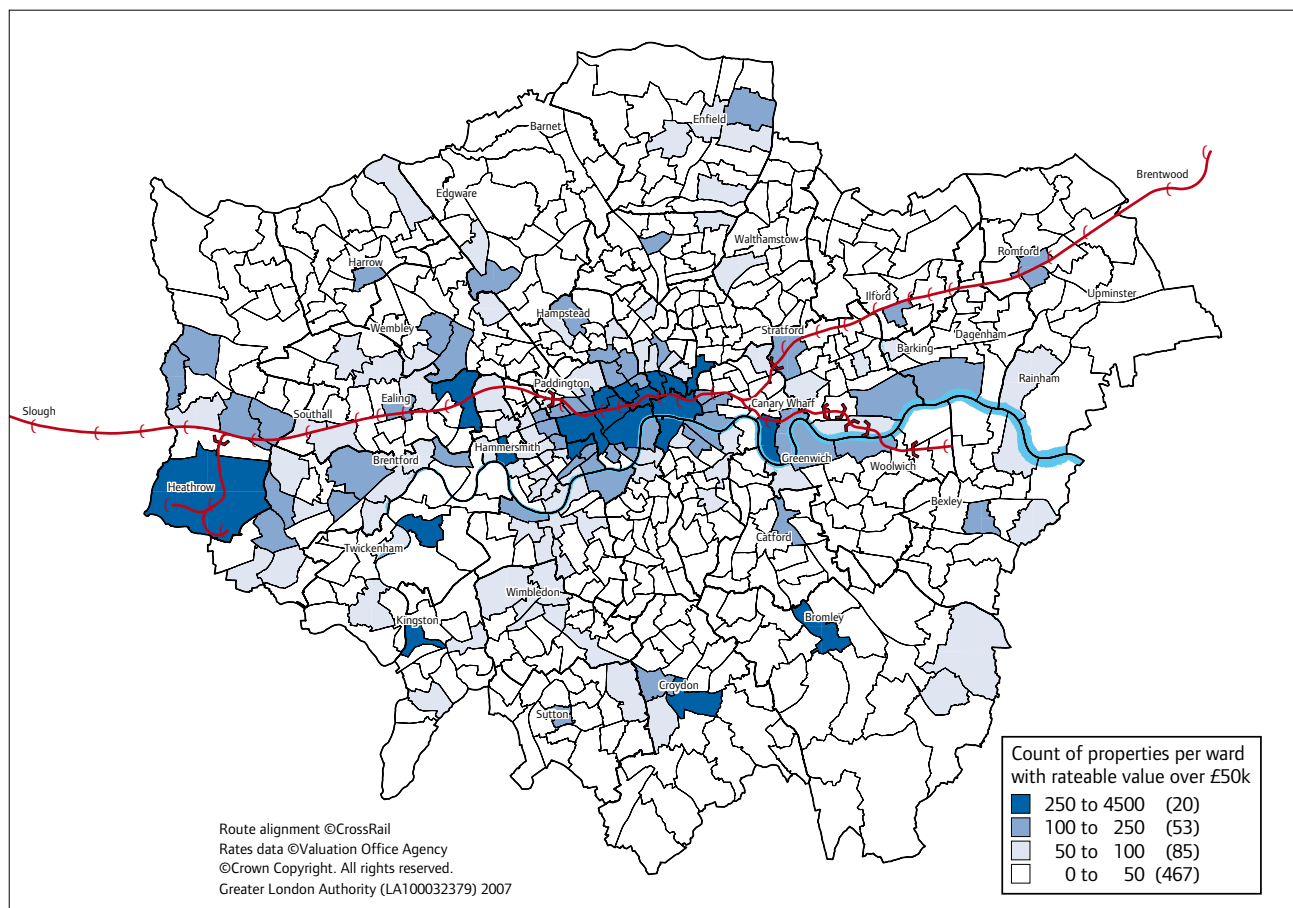
Figure 6 Highest Annual Public transport time savings (destinations) by Borough (£ million) by 2026

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

Businesses in central London will be the primary beneficiaries of Crossrail, through improved infrastructure and job creation, which is recognised in the fact that at least 40 per cent of the annual income from the BRS is expected to be collected from ratepayers in Westminster and the City of London. 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 BRS and the Crossrail route itself. This reflects the fact that business properties with a rateable value of £50,000 and above on the current ratings list tend to be concentrated in the City, West End and Canary Wharf and around Heathrow. The BRS contribution made by businesses not on Crossrail's route is justified by the knock-on effects of high-productivity job creation, which will be dispersed across London. Appendix C illustrates the number

Figure 7 Projected concentration of business premises liable to pay the Crossrail Business Rate Supplement and their correlation with the Crossrail route



of properties in each borough which would have been liable to pay the BRS (before reliefs) on the current (2005) ratings list.

Specific impact of BRS on business ratepayers

Almost 80 per cent of London's business hereditaments (i.e. properties that pay business rates) by number have rateable values below £30,000, with just under 70 per cent on the current list being £20,000 or lower. The impact of the BRS will not be widely felt therefore amongst the vast majority of small- and medium-sized businesses outside central London, who will not be required to pay the supplement due to the minimum £50,000 rateable value threshold set down in the BRS legislation.

Indeed it is estimated that on the current 2005 ratings list the BRS would have been payable on only 15 per cent, or one in seven, business premises in the capital (around 40,000). This proportion may well increase following the 2010 revaluation of properties for businesses rates as more premises may move above the £50,000 threshold. The precise impact in 2010-11 will not be known, however, until the full draft 2010 valuations are published by the Valuation Office Agency (VOA) in autumn 2009. In our view the overall costs of the BRS to London's businesses will be more than outweighed by the benefits created by Crossrail over time.

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

has on average a turnover of at least £1.1 million whereas the maximum annual BRS a property of this value would pay 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 £50,000 threshold 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. At least 35 per cent of BRS income is expected to be generated from properties with rateable values exceeding £1 million, even though this group accounts for only around two per cent of all business hereditaments in London.

Impact of the Crossrail BRS by business 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. In addition, while the proposals to alter the London Plan to enable contributions towards the cost of the project to be raised from development through the planning system (section 106) are being consulted upon, it is not currently proposed that this policy should apply to retail developments. This provides some additional mitigation for ratepayers in the retail sector.

Other impacts

The Crossrail project has been subject to the required statutory impact assessments. A copy of these can be found at: <http://www.dft.gov.uk/pgr/rail/pi/crossrail/seccsrailimpass/>.

No initial 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 £50,000 threshold the vast majority of small businesses in London are highly unlikely to be liable to pay the Crossrail BRS. Any reliefs applying to the 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.

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.

These impacts will be reviewed following the publication of the detailed 2010 ratings list in autumn 2009 and addressed in the final prospectus.

Conclusion

This section has set out the significant benefits which will be delivered by the Crossrail project and highlighted the correlation between likely contributors to the 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 BRS over the medium to longer term.

5 What will Crossrail cost and how will it be financed?

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 BRS and how that will operate, during the construction period and afterwards. It addresses the requirements of Section 6 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 the initial prospectus.

This information will be used in section 6 to examine what proportion of the costs of the Crossrail project are likely to be met by the BRS.

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).

The costs presented are in cash terms and this means that they include 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 what should be 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 July 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.

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.

Figure 8 Key Components of Crossrail project expenditure

	£ billion
Crossrail Limited (CRL)	
Direct Capital Expenditure	
Central tunnels, central stations and railway systems	9.1
Land and property	1.0
Indirect CRL costs and project management	2.4
Sub total direct expenditure	12.5
Other CRL Expenditure	
Payment to Canary Wharf Group for Isle of Dogs Station	0.6
Other	0.1
Total CRL Expenditure	13.2
Other costs	
Depot costs	0.5
On-Network works	2.3
TOTAL P95 FUNDING REQUIREMENT (cash)	15.9
Numbers may not sum due to rounding	

The cost of the On-Network works will be financed by Network Rail, while the depot 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:

Business rate supplement (£4.1 billion)

The largest element of the GLA contribution is financed by the proposed Crossrail Business Rate Supplement. The business rate supplement will finance around £4.1 billion of the project costs. This comprises £3.5 billion of borrowing and a further £0.6 billion representing the estimated 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 BRS are set out in more detail later in this section and also in section 7.

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 GLA might contribute £300 million from Community Infrastructure Levy (CIL) monies. The CIL funding relates to powers which the government may decide to give the Mayor to raise a levy on development in London. While the primary legislation is in place, the implementation details remain to be given in regulations (to be published by the Department for Communities and Local Government) which will sit alongside the BRS Act.

There was an announcement in the 2009 Budget that the CIL would not be introduced until after 6 April 2010. While CIL is shown as a GLA item, it is a government responsibility to provide the powers or alternative funding. There is no commitment from the Mayor at the current time to raise a CIL even if such powers are granted to him (although, in the event that the Mayor opts not to raise a CIL the government would not have to provide equivalent funding).

Section 106 Contributions (£0.3 billion)

The GLA is also committed to providing £300 million which it is expected will be raised from Section 106 contributions from new office

developments in the Central Activities Zone and the northern part of the Isle of Dogs.

Initial consultation on the proposals for the section 106 contributions took place with the London Assembly and the wider GLA group between December 2008 and February 2009.

On 18 May 2009, the Mayor launched a 12-week public consultation exercise on his proposed alterations to the London Plan, accompanying draft supplementary planning guidance (SPG) and an independent Integrated Impact Assessment (IIA) undertaken by Entec UK Ltd on behalf of the GLA. The draft alterations show which London Plan policies are proposed to be altered (by amending existing policies and putting forward new policies) to make explicit the requirement for S.106 obligations to contribute towards the funding of Crossrail. Further information can be found at the following link:
<http://gla-consult.limehouse.co.uk/portal/lpca>.

It is possible that some businesses liable for the BRS will also be required to make contributions towards the project via Section 106 agreements.

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.

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 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 directly to the Crossrail project. The bulk of the DfT funding will be paid across to CRL as a grant contribution. DfT is also the Sponsor 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.

Network Rail's On-Network works will be financed by Network Rail. Network Rail will recover its investment through track access charges paid by the Crossrail operator, over the operational life of Crossrail. The Sponsors are developing a non-binding agreement between DfT, CRL and Network Rail – the terms of which shall be enforced by the Office of Rail Regulation.

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 ¹
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

Figures may not sum due to rounding.

1: Financing and repayment of this contribution funded by the Business rate supplement

It is currently expected that the rolling stock and depot will be leased during the operational period. The residual cost is negative, showing a net saving from VAT and other taxes even after netting off the Network Rail finance costs. CRL will be responsible for paying financing costs to Network Rail for the On-Network works during the construction phase.

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.

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. 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 over the 18 months since the Heads of Terms were signed. While there have been changes in a number of items, the overall effect as at July 2009 is very limited and 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 30 years from the commencement date of the BRS in April 2010, with an expected end date of 2036-37.

What is the GLA's policy in the unlikely event it borrows more than £3.5 billion or the period of the loan is more than 30 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 30 years, the Mayor and 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 BRS bills.

What is the GLA's policy in the unlikely 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 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 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 borrowing by it) would be dealt with and, where applicable, passed on to ratepayers through refunds or revisions to the 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 BRS to be adjusted if Crossrail costs rise or fall. The multiplier (or tax rate) cannot be increased above 2p, and this 2p rate is expected, at this stage, to apply for the lifetime of the Crossrail BRS notwithstanding that the Mayor will consider the impact of the 2010 revaluation on business ratepayers before confirming the final multiplier for 2010-11 and for the period up to 2014-15. These arrangements will be set out in the final prospectus.

How much will be raised from the Crossrail BRS?

The GLA has estimated that the BRS could raise around £210 million in its first year from April 2010. This figure is based on:

- an assumption that the 2010 revaluation will increase the taxbase for the BRS by at least 15 per cent compared to the 2005 ratings list;
- information from billing authorities on entitlements to reliefs;
- assumptions on reasonable administration costs and losses on collection.

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 of £50,000 or above. The income rises slightly each year as the stock of hereditaments increases, and then has step rises every five years at each revaluation to account for inflation and any real increase in rateable values. The forecast annual BRS income to be generated by 2035-36 is around £432 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 the full £3.5 billion from the PWLB. PWLB lending rates are based on government gilts, with a small additional margin applied by the PWLB.

The terms of GLA borrowing (e.g. tenor or length, interest rate and repayment profile) will not be known until each tranche is taken out. The GLA does not have powers to use derivative instruments to fix interest rates, and the PWLB do not offer a facility to fix

interest rates in advance of drawdown. 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.

The long-term interest rate on the GLA borrowing was assumed in the Heads of Terms to be six per cent – in line with the average historic level. While long-term rates in July 2009 had fallen to around 4.5 per cent, long-term rates could move significantly before 2015, and therefore an average interest rate of six per cent has been assumed for modelling purposes. The GLA will not start repaying any of the debt until after the end of the construction phase (i.e. 2018) which is normal practice for major construction projects.

While the form and tenor of the debt are still to be established, 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 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 30 years from the BRS commencing (i.e. 2010) with the first principal repayment occurring in 2019. This model has been independently tested by a company specialising in financial modelling and review and has been 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 2036-37 (i.e.

27 years from commencement of the 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 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 from the PWLB but will not know the terms until the borrowing is undertaken. The detail of this approach will therefore be kept under review.

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

Given the uncertainties around the timing and level of the BRS income due to the effect of revaluation and the current economic position,

it would not be prudent to borrow assuming the maximum BRS income materialises. Thus the GLA needs to take a conservative view of BRS income and debt servicing costs – to ensure that the debt service amounts are less than the assumed BRS income. Furthermore, as the borrowing occurs over a five year period, an excess arises in the early years. The excess will vary depending on the actual BRS paid (and importantly on the results of the 2010 revaluation) and on the actual interest costs of servicing the debt.

The Sponsors have agreed that the GLA should pay any 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.

TfL estimated the excess would be £600 million in its Business Plan. If it is less than £600 million, TfL will have to make up the funding from other sources. If it is more than £600 million – and the actual amount will not be certain for some years – 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 BRS through an earlier repayment of the GLA's borrowing. This would be a matter for the Mayor and GLA to determine at that time.

The GLA will cease to pay any in-year surplus on the BRS to TfL once Crossrail becomes fully operational. Crossrail services commence in 2017

with a phased operation over the next 12 months. From that time, all net funds raised under the BRS will be hypothecated to pay down the principal and interest costs on the GLA's debt.

What is the total amount of BRS which 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 BRS income used as direct financing. The cost of financing the GLA's borrowing (estimated at £3.8 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 BRS model, the total amount that it is estimated will need to be raised from BRS before the GLA's debt is repaid is £7.9 billion in cash terms between 2010 and 2037, 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 BRS taxbase.

This £7.9 billion cash sum comprises:

- £3.5 billion of principal repayment of the GLA's borrowing between 2018 and 2036;
- £3.8 billion representing the interest payable by the GLA on its borrowing;
- £0.6 billion BRS during construction phase used as direct financing for the project.

The GLA's modelling will be refined in the final prospectus (due for publication before the end

of January 2010) to reflect the expected impact of the 2010 revaluation on the Crossrail BRS, as there will be greater clarity at that stage on the precise level of BRS income which is likely to be received between 2010-11 and 2014-15.

Appendix B summarises the expected cashflows between billing authorities, the GLA and TfL during the lifetime of the BRS (i.e. the effective annual movements on the GLA's BRS account) assuming that the GLA's debt is repaid in 2036-37.

What happens to the GLA debt repayment time and the amount of 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 six per cent and the eligible BRS tax base could increase by an average of 15 per cent every five years (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 five per cent (i.e. one per cent lower) the BRS might last for 25 years, all other things being equal. The amount collected in BRS as a result over its lifetime could fall to £7.2 billion in cash terms.

Alternatively under our modelling, if the average growth in the eligible BRS tax base every five years were ten per cent rather than 15 per cent (a five per cent lower growth rate) the lifetime of the BRS might be in the region of

30 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.

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 BRS, and set out the assumptions that underpin the estimated 24 to 30 year lifetime of the supplement.

The next section will consider two tests set out in the BRS Act, on additionality (section 3[1]) and on whether the 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 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.

6 The Mayor's decision on whether to hold a ballot

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 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 order for the BRS Act (which received Royal Assent on July 2009) 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 intends to use the exemption. 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 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 (as it will commence prior to 1 April 2011), Schedule 1 of the BRS Act requires levying authorities to provide an explanation in the prospectus of how the additionality test will 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 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 Mayor’s view that the project could not proceed on its current scope without the BRS income. The loss of the 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 BRS is supporting additional expenditure. The GLA and TfL will be setting up accounting arrangements which will allow the GLA to show that BRS revenues will only be spent on Crossrail and related debt servicing.

Sections of 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.

- ‘(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 also 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 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 the 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 BRS raised over the 27-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 £7.9 billion on an undiscounted basis. The basis for the calculation of these totals is set out in Appendix B.

This £7.9 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);
- c £3.8 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;
- 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 two 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 2036-37 (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.

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.

Figure 10 Cost of Crossrail project in Construction and Operating periods (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

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

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 GLA 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.

Were the GLA to have been subject to the one third ballot threshold test under section 7(1) of the BRS Act our analysis suggests that the Crossrail BRS will fund less than one third of the total costs of project. The GLA, however, is not bound by this test under section 27 (6) and is not required to have regard to it. It nevertheless illustrates that the Crossrail BRS would, on the basis of this analysis, not have required a

mandatory ballot (under section 7[1] applying to other BRS proposals) before its introduction, irrespective of whether the exemption provisions granted to the GLA in section 27 of the Act had been included.

Schedule 1 of the Act, however, still requires the GLA to state if there is not to be a ballot and if not, to provide an explanation of why the authority thinks that there should not be one in the initial prospectus.

In the wider long term interests of London the GLA, acting on the direction of the Mayor, considers that the GLA 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 of the BRS Act.

The Mayor therefore does not intend to hold a ballot pursuant to section 7(1)(b) in relation to the Crossrail BRS for the reasons stated. 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 set out in sections 3 and 7 the BRS Act. These tests do not apply to the Crossrail BRS under section 27 of the BRS Act providing that it is introduced before April 2011, but the Mayor and GLA have included them in this prospectus order to provide transparency to business ratepayers and other stakeholders. The section has confirmed the Mayor's decision – as he is required to state in the initial prospectus under paragraph 19 of Schedule 1 to the BRS Act – not to hold a ballot prior to the commencement of the Crossrail BRS or at any time during the construction phase of the project, and the reasons for this.

7 How will the BRS operate?

Introduction

This section explains how the Crossrail BRS will operate and be administered. It also outlines the Mayor's current proposals for setting the annual BRS multiplier and the rateable value thresholds at which the supplement will be payable. The section also sets out what full or partial reliefs will or may be applied to the BRS for certain specified categories of ratepayer having regard to the BRS Act 2009 and other relevant legislation.

The government's intention is to issue regulations in autumn 2009 which will address the administration, collection and enforcement of business rate supplements. These regulations may limit the Mayor's discretion on some of the issues addressed in this section. The Mayor will have regard to the responses to this prospectus and the requirements of the regulations before determining his policies in the final Crossrail BRS prospectus which is due to be issued before the end of January 2010.

When will the Crossrail BRS be introduced and over how many years will it be collected?

The Mayor intends to levy the Crossrail BRS from April 2010 onwards for a period of between 24 and 30 years, with the current target end date being 2036-2037.

The precise length of the 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 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 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 30 years or less than 24 years 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.

How will the BRS be collected?

The planned arrangements for administering, collecting and enforcing the 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 BRS will be collected in parallel with National Non Domestic Rates. It is the Mayor's preference for BRS to be included on the same bill and be subject to the same payment schedules and recovery procedures as determined locally by each billing authority.
- Billing authorities will transfer BRS funds directly to GLA and not via central government. It is intended that such payment flows will align with the current arrangements for the council tax precept.
- The GLA is committed to meeting *reasonable* set up and ongoing collection costs incurred by billing authorities in relation to their administration and enforcement of the BRS.

The Mayor will consider whether a formula or ceiling should be applied to determine allowable collection costs in line with arrangements operating under the national NNDR system.

- The system of reliefs for the BRS will be at least as generous as those in place for each ratepayer under National Non Domestic Rates – as determined by their local billing authority – having regard to the requirements of the Local Government Finance Act 1988 and the BRS Act 2009. Where the Mayor has discretion over any reliefs specifically relating to the BRS in line with his powers under sections 11, 13, 15 and 16 of the BRS Act these policies will be applied consistently and uniformly across the GLA area.
- Information on the multiplier being applied each year and any reliefs applying to the 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 (see section 8).

The GLA would welcome views on how the BRS should be administered, collected and enforced

having regard to the constraints placed on the Mayor and billing authorities by the requirements of the BRS Act 2009, the Local Government Finance Act 1988 and related regulations.

What will the level of the BRS multiplier be?

Under section 14(3) 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(6) 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.

Provisional figures on the impact of the 2010 NNDR revaluation by region and business sector were released by DCLG on 8 July 2009. These suggested that rateable values in London would increase by more than the national average in percentage terms compared to the current 2005 ratings list, and this variation would be most pronounced on properties in the capital designated as being used as offices or supermarkets.

Questions

- 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)?

For NNDR the impact of the relatively higher growth in rateable value in the capital would be partially mitigated by an adjustment to the national multiplier to ensure that the national tax take before inflation remains unchanged in 2010-11.

The DCLG consultation paper on transitional arrangements released on 8 July 2009 provides options as to how the impact of new rateable values would be phased in between 2010-11 and 2014-15 to prevent ratepayers from seeing excessive year on year rises in bills. However, given the regional differences in rateable value growth identified by the Valuation Office Agency (VOA), ratepayers in London are expected to see an average increase in NNDR bills phased in over the next four to five years of ten per cent, with some seeing much larger rises. The impact will vary significantly, however, by sector and by area within the capital and it is estimated by DCLG that almost half of business properties in London could see reductions in their rates bills before inflation.

The Mayor will consider the impact of the 2010 NNDR revaluation on business ratepayers and the wider economic position before finalising the level of the multiplier for 2010-11 and future years. A similar policy decision would be taken following each five year revaluation having regard to the position at that time. Ratepayers may wish to have regard to their provisional 2010 valuations (due for publication on the VOA website on 1 October 2009) before responding to the prospectus on or before 22 October as these will determine (subject to any appeals) the level of BRS payable by them (if any) from 2010-11 to 2014-15.

It is the Mayor's current intention that 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. However he will have regard to the impact of the 2010 revaluation on London's business ratepayers before finalising the BRS multiplier for 2010-11.

What rateable value thresholds will apply for the Crossrail BRS?

The rateable value threshold below which no BRS will be chargeable (the 'minimum BRS threshold') may be varied annually but may not be lower than £50,000 as prescribed by planned regulations under the BRS Act 2009.

It is the Mayor's current intention to apply the BRS to all eligible hereditaments with rateable values of £50,000 (the 'minimum BRS threshold') and above from April 2010, except where certain categories of property or ratepayer are or may be entitled to reliefs as set out in this section having regard to sections 11-15 of the BRS Act 2009.

The Mayor will have regard to the representations received in response to this prospectus before finalising the threshold to be applied by the GLA during the lifetime of the BRS.

The minimum BRS threshold will be reviewed automatically at each five year national NNDR revaluation (from 2015 onwards) to ensure it remains responsive to movements in the wider NNDR taxbase in London. It is the GLA and Mayor's intention, at this stage, to adjust the £50,000 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 £50,000.

Appendix C illustrates the income which might have been generated from the BRS based on the current 2005 ratings list by borough, had a 2p multiplier been applied on properties with rateable values of at least £50,000.

What are the expected annual BRS cash flows?

The GLA's financial modelling assumes that the BRS will generate around £210 million on a comparable basis in 2010-11 after allowing for collection costs and losses and expected reliefs, assuming that the basic BRS multiplier is levied at a rate of 2p on eligible properties with rateable values of £50,000 and above (the net collectable amount). This is consistent with an average rise in the BRS taxbase following the 2010 revaluation of around 15 per cent and allows for reasonable costs and losses on collection. These assumptions would suggest that the annual funds generated by the BRS will increase to around £432 million in cash terms by 2035.

Appendix B contains expected BRS income profiles for the Crossrail BRS over its planned lifetime, commencing in 2010-11 and ending in 2036-37.

Costs of collection

The GLA will agree the mechanisms with billing authorities by which they may determine their

allowable collection and enforcement costs in relation to the BRS as well as any set up costs (e.g. procuring updated software and updating accounting systems) subject to the provisions of any BRS regulations issued by the government. This may involve setting ceilings or using a formulaic approach to ensure equity and consistency and to allow billing authorities to recover reasonable collection and enforcement costs.

It is likely that any formula for setting a ceiling for BRS collection costs by billing authorities would contain a fixed monetary element for all authorities and a variable element linked to one or more of the following factors:

- each billing authority's BRS gross collectable amount (i.e. the amount collectable before the application of reliefs, losses on collection and costs of collection),
- the number of hereditaments eligible to pay the BRS in its area,
- relative area cost factors in line with those applied in that year under the NNDR cost of collection allowance,
- legal expenses,
- and any other criteria which the Mayor determines is relevant having regard to the views expressed by respondents to this initial prospectus.

The GLA may also charge reasonable administration costs to its BRS account. It also intends to work closely with billing authorities to ensure that administration costs are kept to a minimum in the interests of ratepayers.

The Mayor would welcome the views of respondents in relation to what allowances should be made for collection, administration and enforcement costs in relation to the Crossrail BRS.

Variability in 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 potential variability in the taxbase could be addressed through the use of buoyancy factors to determine the annual amount payable by billing authorities to the GLA. The mechanism for this will be developed in consultation with the 33 London billing authorities to ensure that BRS cash flows are smoothed out over the five years of any revaluation period.

Losses on collection

Even if a billing authority has made proper arrangements for securing efficiency and effectiveness in relation to the 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 will consider with billing authorities what level of losses on collection might be appropriate for the Crossrail BRS (e.g. whether this should be a consistent or tailored percentage for different billing authorities depending on local circumstances). The Mayor wishes to ensure that no billing authority is adversely affected in

financial terms by its requirement to collect and enforce the Crossrail BRS.

The Mayor will discuss with billing authorities what policies and limits will be put in place to address losses on collection. At this stage he is minded, for the purposes of setting the provisional BRS taxbase prior to the start of each financial year, to apply a similar treatment to that used on the annual NNDR 1 forecast returns submitted by billing authorities to the government each February.

This would imply losses on collection limits for the Crossrail BRS being set at between 0.6 per cent and 1.1 per cent of the BRS taxtake for budgeting purposes on the basis of the scheme used for NNDR in 2009-10. Any final arrangements will be discussed and agreed with billing authorities as part of the implementation process for the BRS.

BRS cash flows from billing authorities to the GLA

The mechanisms for transferring BRS income between billing authorities and the GLA will be agreed by separate negotiation between both parties. It is anticipated that the instalment arrangements for the Crossrail BRS will align with those relating to the council tax precept in the interests of administrative simplicity, i.e. ten separate instalments during the year. Ratepayers, however, will generally pay their BRS contributions on the same instalment dates as their NNDR liabilities.

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. Any unallocated BRS income after the final year of the Crossrail BRS will be repaid by the GLA to billing authorities in line with each borough's share of the total Londonwide BRS contribution at that time. The mechanism for any reimbursement of local businesses 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.

Part payment of bills

Subject to any regulations which may be issued by the government, the Mayor considers that where a ratepayer makes a part payment of their rates bill the income should be allocated pro rata between NNDR and the BRS based on their relative shares on the annual (or most recent) demand notice.

Transitional arrangements for the BRS

Transitional arrangements exist to soften the impact that each five year revaluation can have

on individual national non domestic rates bills if there are dramatic changes in the rateable value of a business 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. As explained earlier in this section the Department for Communities and Local Government is consulting separately on how any transitional scheme might apply for the 2010 revaluation. Further information can be found in the consultation section on their website.

It is the Mayor's view that no transitional arrangements can reasonably be applied to the Crossrail BRS at least for its first five years or the next revaluation after 2010, whichever is the sooner. This is because it is a new supplement and as such it is not practical to determine a baseline against which any transitional scheme might operate. The Mayor will consider at that time whether a transitional scheme should apply from the next five year revaluation which is expected to apply from 2015-16. The Mayor

Questions

- 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? If yes, what factors should be taken into account when developing a formula to set this limit having regard to the large differences in the BRS taxbase between London boroughs?
- 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 Business Rate Supplement on the ratepayer's annual bill?

does, of course, have the power to reduce the BRS multiplier to below 2p in any year to mitigate the impact of any revaluation.

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

The Mayor 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 BRS contribution. The relevant and respective powers, which differ for different categories of ratepayer and property 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 Mayor’s or their billing authority’s determination having regard to the requirements of the BRS Act 2009 and the Local Government Finance Act 1988 – be granted full or partial relief from their 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
- 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 £50,000 or more (the minimum threshold). Section 11 of the Act exempts these categories of ratepayer entirely from their BRS liability where the hereditament they own (or any applicable part thereof) is designated eligible for empty property relief under section 45 of the 1988 Act.

The qualifying criteria for these categories of ratepayer having regard to sections 43(5) and 43(6) of the 1988 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;
- 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,
- 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

- 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 your 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 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 1988, the ratepayer will also receive 90 per cent relief on its BRS bill (i.e. it will only have to pay ten per cent of the basic BRS multiplier).

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 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 Mayor would have wished to award 100 per cent relief from the BRS to all eligible charities and community amateur sports clubs. Unfortunately the Mayor 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 levels of relief for each individual 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 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 1988 provides a discretionary power for

billing authorities to grant rate relief in respect of a non-domestic property 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 property.

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 they 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 they 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 they 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.

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 and training opportunities
- d advice on debt and financial management
- e facilities for scouts, guides, and youth clubs or groups
- f community centres
- g local general stores, post offices, or shops that provide the only business of that nature within the settlement 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 per cent maximum relief under NNDR and BRS).

For the Crossrail BRS each billing authority 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 levels 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.

Hardship Relief

Section 49 of the Local Government Finance Act 1988 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 – 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 levels 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 1988. Such relief may also apply in relation to empty properties for this category of ratepayer if so granted by the billing authority.

While the number of businesses affected by this relief – particularly with rateable values of £50,000 and above – has historically been

low in London this could increase during 2009 and 2010 due to the impact of the recession. The nature of the businesses affected means therefore that the development of any policy on Hardship Relief will need to be sensitively handled by each billing authority and operate under clear and consistent guidelines.

Empty property relief

Under section 11(3) of the BRS Act the Mayor has the power to exclude all empty properties (section 45 ratepayers as defined by the 1998 Local Government Finance Act) from liability for the Business Rate Supplement. If he 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 to pay 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 held by (and 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
- properties held by companies which are in administration
- for 2009-10 no rates will have to be paid on any empty business property with a rateable value of up to £15,000. This relief may be extended or revised in future years at the government's discretion.

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 2009.

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. If the GLA does not grant this exemption these ratepayers would, under current legislation, be liable for the full basic BRS multiplier (currently planned to be 2p) where their empty property has a rateable value of £50,000 or more. The BRS multiplier applying to empty properties (if applicable)

will be designated by the GLA as the ‘empty property BRS multiplier’.

The Secretary of State has the power to make an order under Section 45(4A) of the Local Government Finance Act 1988, 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 (were the Mayor to decide not to exempt empty properties from the supplement).

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.

Had the option been available to him under the BRS Act the Mayor would have preferred to apply such a 50 per cent reduction on the basic BRS multiplier for empty properties in line with the arrangements applying for NNDR prior to 2008. This is not possible under section 13 of the BRS Act so the Mayor must consider

whether to apply the full BRS multiplier of 2p to eligible empty properties (i.e. the empty property BRS multiplier would be 2p) or exempt them entirely.

Under section 10(12) of the BRS Act – which deals with variations – were the Mayor to exclude empty properties at the beginning of the BRS chargeable period the GLA is of the view that he could not then include them at a later date without issuing a further prospectus. This is because this variation would increase the number of ratepayers liable to the BRS. Potentially therefore under current legislation a blanket exemption in year one of the BRS for empty properties might require this relief to remain in place for the lifetime of the Crossrail BRS and lead to its lifespan being extended for other ratepayers.

On the basis of the 2005 ratings list it is estimated that the annual tax take would be reduced by around £10 million (five per cent) were empty properties to be exempted from the Crossrail BRS entirely – assuming that the basic multiplier were set at 2p. The actual effect of granting such a relief will vary annually and be linked to the strength of the wider economy and the commercial property market.

In making his final decision on whether or not to exclude empty properties from the Crossrail BRS the Mayor will wish to have regard to:

- the level of relief applying for this category of ratepayer under NNDR in 2010-11 (which would also apply to the Crossrail BRS if empty properties were not exempted),

- the fact that a future government might restore the level of reliefs for empty properties to their pre-2008 levels (i.e. a 50 per cent rather than a 100 per cent liability) thus allowing the Mayor to apply a lower multiplier than the full 2p,
- the impact of the 2010 revaluation on the London's NNDR taxbase and thus the potential cost of granting an exemption on other ratepayers,
- the wider economic position,
- the fact that were the Mayor to exclude empty properties at the start of BRS he could not then include them in later years without issuing a further prospectus based on the GLA's interpretation of section 10(12) of the BRS Act, and
- the views of respondents to this prospectus.

Due to the constraints placed on him by schedule 1 of the BRS Act the GLA is required to provide a statement in the initial 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.

In light of this requirement the GLA, at this stage, is indicating its intention, albeit reluctantly in the light of current government legislation, to include empty properties as a class within the Crossrail BRS. Under current legislation this would mean empty properties not entitled to automatic relief under NNDR would be liable to pay the full 2p BRS multiplier in 2010-11. The Mayor would urge the government, in the mean time, to amend

the NNDR legislation to grant all empty properties a minimum exemption of 50 per cent against their NNDR liability which would permit him to grant the same level of relief for the Crossrail BRS.

The Mayor would welcome views, however, as to whether all empty properties should be exempt as a class from liability to the Crossrail BRS by the GLA. He will have regards to the views of ratepayers and business representative bodies; the wider economic climate; the impact of the 2010 revaluation; and any changes in government policy on empty property relief, which may emerge prior to the final prospectus and affect liability to BRS, before confirming his intentions on this issue.

Partly occupied premises

If a property is only partly occupied, billing authorities have the discretion to request that the valuation officer apportions the property's rateable value between its occupied and unoccupied parts. This is subject to the provisions of Section 44A of the Local Government Finance Act 1988, 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.

At present, broadly speaking, the empty property rate under NNDR applies to the empty part of an apportioned building and the occupied business rate 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 will ensure that occupiers can benefit from any occupied business rate reliefs to which they are eligible – such as small business rate relief – on the whole of the property, not just the occupied part. However, if the property would qualify for a zero rate (e.g. charities or community sports clubs) or for an exemption from rates when empty (e.g. listed buildings), 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 Mayor is required to apply the same treatment for partly occupied premises under NNDR subject to having the discretion to disapply liability to the BRS for empty properties as a class.

If the Mayor were 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 is £50,000 or more – the remainder being eligible for empty property relief and subject to a zero BRS multiplier. In these circumstances the VOA will need to undertake a separate assessment for such properties to determine whether the rateable value of the occupied part exceeds the minimum BRS threshold (proposed at £50,000). This may create certain practical administrative issues where the occupied part is close to the £50,000 threshold given the potential scope for avoidance measures.

If the Mayor decides not to exempt empty properties from the 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 combined is £50,000 or greater, or in relation to the empty part where a ratepayer has automatic exemption (e.g. a charity or for a newly empty property). 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

Questions

- 4 Do you consider that empty properties should be exempt from paying the Crossrail BRS?
- 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? If yes, please provide more details.

the lifetime of the 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.

We would welcome views on any practical administrative and enforcement issues which may arise in relation to the application of the BRS to partly occupied properties.

Rural rate and small business rate relief (SBRR)

Both rural (which has a rateable value threshold of £14,000 above which the relief does not apply) and small business (which has a threshold in London of £21,500 although this is likely to rise to £25,500 from April 2010) rate reliefs are unlikely to apply to premises liable to the Crossrail BRS, which has a minimum £50,000 rateable value threshold. Irrespective of the threshold no settlements within London are in any case eligible for rural rate relief under current government policies. In the unlikely event that any ratepayers eligible for these two 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 Mayor does not intend to exercise his powers under section 16 of the BRS Act to offset contributions to Business Improvement Districts from businesses in BID areas against their BRS demand notice. His reasons for this are 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 funding for one against the other;
- any offset would create a strong incentive to establish BIDs for the sole purpose of avoiding paying the BRS;
- there are many voluntary business associations, which are not formally set up as BIDs, that will not be exempt from paying the BRS if an offset were applied;
- without the revenues from businesses in BID areas Crossrail would have a funding shortfall. For example ratepayers in large parts of the West End including Oxford Street, Regent Street, Bond Street and Leicester Square – which are likely to be amongst the biggest beneficiaries from Crossrail – would be fully or partially exempted from paying the BRS if a BID offset were applied;
- Businesses outside BID areas would be required to finance any shortfall in BRS resulting from an offset for ratepayers within BID areas.

The Mayor welcomes Schedule II to the BRS Act, which he promoted, 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 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.

Other reliefs for the Crossrail BRS

Section 15 of the BRS Act grants the Mayor the power to apply a higher rateable value threshold than £50,000 or to apply variable multipliers to different rateable value ranges above this minimum. These would have to be applied consistently and uniformly to all categories of ratepayer not entitled to reliefs under NNDR across London. The Mayor could not therefore apply different multipliers to different boroughs, industry types or categories of ratepayer.

At this stage the Mayor does not plan to introduce such 'section 15' reliefs as he considers that they are likely to add additional complexity to the BRS and create extra uncertainty for ratepayers. He recognises, however, that there may be merit in giving further consideration to this issue.

The Mayor would welcome views on whether any other reliefs should be introduced for the Crossrail BRS having regard to his powers under section 15 of the BRS Act.

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 1988) 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 1988 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 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.

Illustrative examples of impact of BRS on different categories of ratepayer

The following scenarios provide illustrative examples of the level of BRS payable by different types of ratepayer based on the Mayor's current 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 below which no BRS is payable is set at £50,000. In relation to empty properties examples are provided showing the effect of excluding and including empty properties from the BRS on the amount payable by affected ratepayers notwithstanding the GLA's proposal at this stage that they be included.

Illustrative examples of potential level of BRS payable by different categories of ratepayer in 2010-11 under the Mayor's proposals

A company occupies premises with a rateable value (RV) of £45,000.

- No BRS would be payable for this property because its rateable value is less than £50,000.

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

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

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

- The charity would pay 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 per cent 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 per cent 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 BRS annually of £1,500 allowing for the 50 per cent 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 per cent relief under NNDR).

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

- No BRS would be payable because charities and community amateur sports clubs will not be liable to the 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 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.

If the Mayor decides (as provisionally proposed) not to exempt empty properties as a class from the BRS:

- No 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 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 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 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).

If the Mayor ultimately decides to exempt empty properties as a class from the BRS in 2010-11:

- No BRS would be payable on either property as long as they both remained empty.

A company not eligible for empty property relief under NNDR occupies 40 per cent of the area of non industrial property with a total rateable value of £100,000 and owns or is entitled to occupy the other 60 per cent (i.e. the currently empty part). The empty part has been so for more than three months and therefore its automatic exemption period from business rates liability has expired.

If the Mayor decides (as provisionally proposed) not to exempt empty properties as a class from the BRS:

- The company would be liable to pay BRS annually of £2,000. This comprises £800 for the occupied part for which it is liable for the full basic BRS multiplier (£40,000 RV x 2% i.e. 2p) and £1,200 for the empty part after applying the full BRS empty property multiplier (£60,000 RV x 2% i.e. 2p).

If the Mayor decides to exempt empty properties as a class from the BRS:

- The ratepayer would not be liable to pay BRS as the rateable value of the occupied part would be only £40,000 i.e. below the minimum BRS threshold. No BRS would be payable on the empty part either.

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 1988 and other relevant legislation and regulations.

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

- The Mayor intends to set a basic BRS multiplier of 2p for each year of the Crossrail BRS commencing in April 2010. However he will have regard to the impact of the 2010 revaluation on London's business ratepayers before finalising the BRS multiplier for 2010-11.
- The chargeable period for the BRS is expected to be 24 to 30 years with a target end date of 2036-37.
- The Mayor will apply a minimum threshold of £50,000 for the Crossrail BRS which may be revised upwards in any year and automatically every five years having regard to the average movement in rateable values in London following each five year revaluation starting in 2015-16.
- 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 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 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 level of rate relief on their BRS liability.
- Irrespective of whether the Mayor exempts empty properties as a class from the BRS the same empty property reliefs (e.g. related to the category of ratepayer, property type or the length of time the property has been empty) will apply to the Crossrail BRS as they do under NNDR.
- Due to the constraints placed on him by the BRS Act, the Mayor intends to include empty properties in the Crossrail BRS at this stage, albeit reluctantly. Under current legislation this would mean empty properties not entitled to automatic relief would be liable to pay the full 2p BRS multiplier in 2010-11.
- The Mayor will review his decision whether or not empty properties should be exempted as a class from liability to the Crossrail BRS before issuing his final prospectus. In the meantime the Mayor will urge the government to amend the NNDR legislation to grant all empty properties a minimum relief of 50 per cent against any NNDR liability (as was the case from 1989 to 2008) which would permit him to grant the same level of relief for the Crossrail BRS (i.e. charge 1p rather than 2p on empty properties).
- 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. If the Mayor were to exempt empty properties from the BRS in the final prospectus the ratepayer would only be liable to pay BRS where the occupied part has a rateable value of £50,000 or more.

- The Mayor will require eligible business ratepayers in BID areas to pay the full basic BRS multiplier notwithstanding their eligibility for any other reliefs.

The GLA would welcome the opinions of ratepayers and other key stakeholders on these proposals, and their views as to whether any alternative approaches or categories of reliefs should be introduced. The Mayor reserves the right to revise his proposals in the final

prospectus following the laying in parliament of regulations relating to the collection and enforcement of the BRS should they conflict. These regulations are not expected to be laid until October 2009.

The Mayor will also have regard to responses to this prospectus, the impact of the 2010 revaluation, the current economic position and other factors he considers relevant before finalising the arrangements for the Crossrail BRS.

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.

8 Variations to the BRS and communicating with ratepayers

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 7. 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 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 Crossrail 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 there is only a one in 20 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 to do so 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 unlikely event that the costs rise the Mayor and 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 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 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, 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, the agreements and package do provide 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 London's 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 Agreements. Were the construction phase to extend beyond 2017-18 the Mayor does not envisage paying any further BRS income thereafter towards the project in any case as the BRS thereafter will be committed to finance the interest on the GLA's borrowing and the repayment of the loan. Indeed the 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 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 unlikely 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 BRS the Mayor and 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 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 BRS income which will not be required for use on the project.

Other variations in the arrangements for the BRS

This prospectus has set out the Mayor and GLA's intention to levy a 2p business rate supplement for a period of between 24 and 30 years, with a target end date of 2036-37. 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 statement at this time. The Mayor and GLA do not consider at this stage that there will be a need to vary the 2p multiplier and this is therefore expected to be fixed over the lifetime of the BRS, having regard to the certainties and contingencies provided for within the overall Crossrail funding envelope, unless factors such as the wider economic climate and the impact of a revaluation were to make it desirable to do so (e.g. in 2010-11 or future years).

Questions

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? If yes, are there any other issues which should be addressed in the annual update?

Sections 5 and 7 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 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 BRS)
- the impact of each five year revaluation on London's NNDR taxbase
- variations to the length of the 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 30 years, and
- the views of London's business community and the 33 London billing authorities.

Communicating with ratepayers over the lifetime of the BRS

The Mayor is committed to providing annual communications to ratepayers throughout the lifetime of the BRS. Any update on the BRS would, 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 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.

CRL will publish updated information on the Crossrail website (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.

9 Next steps and conclusions

Next steps

This section sets out a list of key milestones prior to the planned implementation of the Crossrail BRS in April 2010. It is illustrative and subject to change having regard to the requirements of regulations and legislation on national non domestic rates, the 2010 business rates revaluation, the views expressed by respondents to this prospectus and other relevant factors which may emerge during this period.

Conclusions

The GLA would welcome comments on any issues which consultees do not consider have been addressed in this prospectus which they believe the Mayor should have regard to before issuing his final prospectus.

We look forward to receiving your comments on the proposals set out in this prospectus.

Figure 11 Key Milestones

Key milestone	Date
BRS Act 2009 Granted Royal Assent	2 July 2009
DCLG published consultation paper on revaluation and transitional arrangements	8 July 2009
Draft 2010 NNDR valuation list published by Valuation Office Agency (VOA)	End Sept/Early October
Closing date for responses to this prospectus	22 October 2009
Main regulations for BRS expected to be laid by DCLG	By end of October 2009
Mayor publishes draft 2010-11 GLA budget for consultation	11 December 2009
Second draft of 2010 valuation list published by VOA	January 2010
Target publication date for final Crossrail BRS prospectus	Before 31 January 2010
Mayor issues draft capital spending plan for 2009-10 including borrowing limits for GLA group	15 January 2010
London Assembly considers final GLA budget (followed by Mayoral confirmation of budget if unamended)	11 February 2010
GLA formally confirms final BRS information to 33 billing authorities for 2010-11	February 2010
Billing authorities issue 2010-11 NNDR & BRS Bills to ratepayers	By end March 2010

Questions

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

Appendix A

BRS initial prospectus response form

Name of respondent	
Organisation or business represented	
Contact e-mail address (optional*)	
Address of respondent	

* Respondents providing an e-mail address will receive notification from the GLA of the publication of the final Crossrail BRS prospectus electronically and details of any other announcements relating exclusively to the BRS proposals. E-mail addresses will be treated in confidence and will not be used for any other purpose.

Please tick if you wish your response to be treated as confidential

Type of respondent (please select):

- Business ratepayer
- Business representative body (e.g. BID or Chamber of Commerce)
- Local authority
- Other public sector body (e.g. school or NHS body)
- Local Councillor or Member of Parliament
- Charity
- Sports Club
- Other non profit making body
- Other organisation
- Individual (in private capacity)

The government's intention is to issue regulations in autumn 2009 which will address the administration, collection and enforcement of business rate supplements. These regulations may limit the Mayor's discretion on some of the issues raised in the questions on this response form.

Response questions

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)?	yes	no
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? If yes what factors should be taken into account when developing a formula to set this limit having regard to the large differences in BRS taxbase between boroughs in London?	yes	no
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 Business Rate Supplement on the ratepayers annual bill?	yes	no

4	Do you consider that empty properties should be exempt from paying the Crossrail BRS?	yes	no
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? If yes, please provide more details.	yes	no
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? If yes, please set out below if there any other issues which should be addressed in the annual update.	yes	no

7 Are there any issues not addressed in this prospectus which the Mayor and GLA should have regard to before finalising the policies and administrative arrangements for the BRS? If yes, please specify.	yes	no

This response should be sent to:

Greater London Authority
Strategic Finance (3rd floor)
City Hall
The Queen's Walk
London SE1 2AA

Alternatively, responses can be submitted on line at www.london.gov.uk/crossrail-brs. The closing date for responses is Thursday 22 October 2009.

All responses may be made public unless the respondent requests otherwise.

Appendix B

Estimated BRS income over its lifetime and its application

This section presents information on:

- a the expected annual income flows from the BRS on a cash and discounted cash flow basis
- b the expected annual cash flows through the GLA's ring fenced BRS account.

Expected annual income flows from the BRS

The GLA has modelled the expected BRS income stream from the existing rateable base (which was based on rental values in London in April 2003). Had the BRS been introduced on this current 2005 ratings list it is estimated that around £183 million would have been collected by the 33 billing authorities on behalf of the GLA.

It is projected in the first table in this appendix that the BRS will generate around £210 million after reliefs and collection costs and losses on a comparable basis in 2010-11. This assumes that total rateable values in London of £50,000 and above will increase by around 15 per cent as a result of the 2010 revaluation.

The GLA has modelled estimated BRS cash flows over the expected 24 to 30 year lifetime of the supplement (see Figure B1). The key assumptions in this modelling are:

- There are small annual increases in the rateable base, reflecting an assumed 0.25 per cent growth in the number of properties;
- Revaluations of rateable base occur every five years, and are assumed to reflect a rise in rateable values resulting from a RPI increase (2.7 per cent p.a.) and a real increase in the

value of London property (0.75 per cent p.a.). The detailed results of the current revaluation will not be known until autumn 2009 (and will take effect from 1 April 2010), with the following revaluation expected to take effect from 1 April 2015; and

- The £50,000 threshold is assumed to rise at each revaluation (from 2015 onwards) to ensure this is responsive to movements in the wider NNDR taxbase in London

The cumulative effect of this is an assumed average increase in the BRS taxbase of around 15 per cent between each five year revaluation. The modelling assumes 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 collection costs, losses on collection, refunds and appeals will reduce the sums collected by around three per cent per annum.

Expected cashflows on GLA BRS account

The second table (Figure B2) provides details on expected cashflows between billing authorities, the GLA and TfL during the lifetime of the BRS (i.e. the effective annual movements on the GLA's BRS account). This combines the expected BRS tax take and borrowing repayment profiles with the interest payments and the timing of the additional BRS

contribution of £0.6 billion to TfL during the construction phase. Until the final years of the 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.

**Figure B1 Expected business rate supplement income collectable per annum
Cash and discounted cash flow basis assuming an end date of 2036-7**

	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)	211	211	211	211	211	244	244	244	244	244	281	281	281	281	281
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
BRS Income (Discounted at 2007 prices)	176	165	155	146	137	149	140	132	124	116	126	119	112	105	99
	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	2034-35	2035-36	2036-3	TOTAL		
	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	2010 –2036		
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m		
Assumed net BRS income collectable (cash)	324	324	324	324	324	374	374	374	374	374	432	339	7,945		
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			
BRS Income (Discounted at 2007 prices)	107	101	95	89	84	91	85	80	76	71	77	57	3,015		

N.B. The 6.29 per cent Discount rate used combines the real terms Social Time Preference Discount rate of 3.5 per cent as set out in the Treasury's Green Book adjusted for inflation of 2.70 per cent. 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.

Figure B2 Expected cashflows through GLA business rate supplement account (2010 to 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
Balance on GLA BRS Account at start of year	0	24	35	43	52	44	51	54	53	56	53	55	52	50
Net BRS Income in year	211	211	211	211	211	244	244	244	244	244	281	281	281	281
Financing and interest costs	-24	-57	-97	-139	-185	-210	-210	-210	-210	-208	-205	-201	-195	-190
Direct BRS contributions to Crossrail (during construction)	-163	-144	-106	-63	-34	-28	-31	-35	0	0	0	0	0	0
Repayment of £3.5m borrowing	0	0	0	0	0	0	0	0	-31	-39	-74	-84	-87	-92
Net cash flow in year	24	10	8	9	-8	6	3	-1	3	-3	2	-3	-2	-1
Balance on GLA BRS Account at year end (allowance held back for potential refunds)	24	35	43	52	44	51	54	53	56	53	55	52	50	49

Figure B2 Expected cashflows through GLA business rate supplement account (2024 to 2036)

	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	TOTAL
	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	2010-2036
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	
Balance on GLA BRS Account at start of year	49	48	51	46	44	42	0	0	0	0	0	0	0	
Net BRS Income in year	281	324	324	324	324	324	374	374	374	374	374	432	339	7,945
Financing and interest costs	-185	-178	-169	-160	-150	-140	-130	-120	-110	-70	-50	-30	-10	-3,843
Direct BRS contributions to Crossrail (during construction)	0	0	0	0	0	0	0	0	0	0	0	0	0	-603
Repayment of £3.5m borrowing	-98	-143	-159	-167	-177	-226	-244	-254	-265	-304	-324	-402	-329	-3,500
Net cash flow in year	-1	3	-4	-3	-2	-42	0	0	-1	0	0	0	0	
Balance on GLA BRS Account at year end (allowance held back for potential refunds)	48	51	46	44	42	0	0	0	0	0	0	0	0	

Figures may not sum due to rounding.

Appendix C

Illustrative BRS contributions by billing authority area

This Appendix illustrates the expected level of BRS which would have been collected by billing authorities had the Crossrail BRS been introduced on the current (2005) ratings list.

The actual impact of the BRS is likely to differ somewhat in 2010-11 due to the impact of changes in rateable value following the planned revaluation of business properties from April 2010. It is therefore important that this information is seen as a guide to the relative impact of the Crossrail BRS across London rather than representing a firm statement of what may or may not be payable in 2010-11 and throughout the supplement's lifetime.

The tables on the following pages illustrate:

- the estimated number of hereditaments expected to be liable to pay the BRS, by borough based on the 2005 ratings list (Figure C1)
- the estimated proportion of hereditaments expected to be liable to pay the BRS in each borough based on the 2005 ratings list (Figure C1)
- the illustrative contribution to the BRS from businesses in each borough based on the 2005 ratings list (Figure C2).

This analysis indicates that:

- Only 15 per cent of hereditaments (around 40,000) are projected to be liable to pay the BRS on the current list (ranging from over 9,000 in Westminster to less than 400 in Waltham Forest, Lewisham and Redbridge), although this is expected to rise following the 2010 national revaluation.
- Just under 30 per cent of hereditaments would have been liable in Westminster and City on the current ratings list but fewer than one in ten in 15 boroughs (and only six per cent in Waltham Forest).
- At least 40 per cent of total BRS income is expected to be paid by businesses in two boroughs – Westminster and City of London. Indeed, Westminster business ratepayers are likely to pay more BRS annually than those in the 16 lowest contributing boroughs combined.

**Figure C1 Estimated No of Hereditaments Liable to BRS and Proportion Liable by London Borough
(Illustrative data based on 2005 ratings list)**

Borough	Estimated no of hereditaments with rateable values above £50k	Estimated no hereditaments liable to BRS as percentage of London Total	Estimated proportion of hereditaments in borough projected liable to BRS
INNER LONDON			
City of London	4,228	10.5%	27.5%
Camden	2,882	7.2%	18.3%
Greenwich	521	1.3%	9.8%
Hackney	576	1.4%	6.1%
Hammersmith and Fulham	970	2.4%	12.7%
Islington	1,336	3.3%	12.5%
Kensington and Chelsea	1,886	4.7%	23.7%
Lambeth	715	1.8%	8.6%
Lewisham	370	0.9%	6.0%
Southwark	1,244	3.1%	12.1%
Tower Hamlets	1,457	3.6%	10.6%
Wandsworth	837	2.1%	8.9%
Westminster	9,056	22.6%	27.5%
OUTER LONDON			
Barking and Dagenham	411	1.0%	9.9%
Barnet	711	1.8%	9.0%
Bexley	511	1.3%	9.8%
Brent	726	1.8%	9.3%
Bromley	785	2.0%	11.1%
Croydon	1,008	2.5%	11.8%
Ealing	1,130	2.8%	12.4%
Enfield	740	1.9%	11.0%
Haringey	511	1.3%	7.3%
Harrow	432	1.1%	8.6%
Havering	560	1.4%	10.0%
Hillingdon	1,345	3.4%	18.0%
Hounslow	1,267	3.2%	19.7%
Kingston upon Thames	699	1.7%	15.3%

Borough	Estimated no of hereditaments with rateable values above £50k	Estimated no hereditaments liable to BRS as percentage of London Total	Estimated proportion of hereditaments in borough projected liable to BRS
Merton	704	1.8%	13.1%
Newham	662	1.7%	9.7%
Redbridge	395	1.0%	6.5%
Richmond upon Thames	629	1.6%	11.2%
Sutton	430	1.1%	10.4%
Waltham Forest	368	0.9%	5.6%
LONDON TOTAL	40,102	100.0%	14.3%
INNER LONDON TOTAL	26,078	65.0%	17.0%
OUTER LONDON TOTAL	14,024	35.0%	11.0%

**Figure C2 Estimated BRS Income and Proportion of London Total For Each Borough
(Illustrative data based on 2005 ratings list)**

Borough	Estimated Income from 2p BRS £m	Income as percentage of London total
INNER LONDON		
City of London	29.29	16.0%
Camden	12.00	6.6%
Greenwich	1.59	0.9%
Hackney	1.57	0.9%
Hammersmith and Fulham	3.94	2.2%
Islington	5.38	2.9%
Kensington and Chelsea	7.33	4.0%
Lambeth	2.87	1.6%
Lewisham	1.17	0.6%
Southwark	5.05	2.8%
Tower Hamlets	10.52	5.7%
Wandsworth	2.39	1.3%
Westminster	44.03	24.0%
OUTER LONDON		
Barking and Dagenham	1.59	0.9%
Barnet	2.76	1.5%
Bexley	1.87	1.0%
Brent	2.56	1.4%
Bromley	2.37	1.3%
Croydon	3.93	2.1%
Ealing	3.93	2.1%
Enfield	2.68	1.5%
Haringey	1.17	0.6%
Harrow	1.37	0.7%
Havering	1.83	1.0%
Hillingdon	11.45	6.3%
Hounslow	5.46	3.0%
Kingston upon Thames	2.57	1.4%
Merton	2.21	1.2%

Borough	Estimated Income from 2p BRS £m	Income as percentage of London total
Newham	2.48	1.4%
Redbridge	1.13	0.6%
Richmond upon Thames	2.15	1.2%
Sutton	1.48	0.8%
Waltham Forest	0.99	0.5%
LONDON TOTAL	183.14	100.00%
Inner London	127.15	69.4%
Outer London	55.99	30.6%



Appendix D

Glossary of terms

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 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 National Non Domestic Rates. These powers are granted under the Business Rate Supplements Act 2009 which received Royal Assent on 2 July 2009.

Business Rate Supplements (BRS) 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.

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 property (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.

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 2009 BRS Act for the Crossrail BRS.

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.

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 your property that is paid in business rates. It is also referred to as the Uniform Business Rate, or poundage. 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 property The term to describe business and other properties that are not used solely for domestic purposes (i.e. residential houses). Domestic properties pay council tax and are valued differently based on estimated prices in 1991.

Rateable value The value assigned to a non-domestic property. It is based on a professional assessment of the annual rent of a property if it was available to let on the open market on a fixed valuation date. The fixed valuation date for the current 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 most recent list was published on 1 April 2005 and will last until 31 March 2010. The new draft list will be published in October 2010 and is expected to run 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 7 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 of 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 of 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 of 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 property in Wales and England. The revaluation is carried out by the Valuation Office Agency every five years. The most recent revaluation came into effect on 1 April 2005. The next one is expected to be introduced in April 2010. The VOA is expected to issue the draft 2010 list for consultation in October 2009 and will write 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 available to a business occupying properties with a total rateable value of less than £15,000 (or less than £21,500 in London although this is expected to 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 is £50,000.

Summary valuation A summary valuation explains how the rateable value of a business property contained in the rating list has been calculated. Summary valuations were sent out to most ratepayers for the first time during October 2004 based on the 2005 ratings list and are likely to be 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 business property. 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 revaluation the valuation date is 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).

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.

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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.