Communities and Local Government

HM TREASURY

Business Rate Supplements Bill 2008:

Impact Assessment

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December 2008
Department for Communities and Local Government

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Summary: Intervention & Options

Department /Agency:	**Title:**	
CLG & HM Treasury	**Business Rate Supplements Bill 2008: Impact Assessment**	
Stage: Final	**Version:**	**Date:**
Related Publications: Business rate supplements: a White Paper, HM Treasury and Communities and Local Government, (Cm7230, October 2007)		

Available to view or download at:

http://www.hm-treasury.gov.uk/media/B/9/pbr_csr07_businessrate266.pdf

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What is the problem under consideration? Why is government intervention necessary?

As stated in *Business rate supplements: a White Paper*, "Both the SNR [the *Review of sub-national economic development and regeneration*] and the Lyons Inquiry into Local Government noted that decisions on funding infrastructure and other projects to support economic development are among those that should be made at the local or sub-regional level. However, they also noted that levers to achieve this were currently lacking, and that Local Authorities currently feel constrained by the lack of flexibilities and powers available to them". The Business Rate Supplements (BRS) Bill will introduce a new tool for County Councils, Unitary District Councils and the Greater London Authority (GLA), to raise revenue to invest in promoting the economic development of local areas.

What are the policy objectives and the intended effects?

The aim of the BRS Bill is to provide a new tool to allow County Councils, Unitary District Councils and the GLA to raise revenue to invest in promoting the economic development of local areas, subject to consultation and, where appropriate, a ballot. This will enable them to develop local and sub-regional economies in a way that previously would not have been possible.

What policy options have been considered? Please justify any preferred option.

This Impact Assessment considers two options (i) do nothing and (ii) introduce BRS. Taking into account the advantages and disadvantages of introducing BRS, as opposed to the "do nothing" option, the Government's preferred course of action is to introduce BRS as set out in the white paper.

The Lyons Inquiry did consider other options for increasing the flexibility for local authorities to raise revenue to invest in economic development (including the relocalisation of rates). However, on balance, Sir Michael Lyons recommended introducing a local flexibility to levy a supplement on the current national business rate.

When will the policy be reviewed to establish the actual costs and benefits and the achievement of the desired effects?
Five years after Royal Assent.

Ministerial Sign-off

I have read the Impact Assessment and I am satisfied that, given the available evidence, it represents a reasonable view of the likely costs, benefits and impact of the leading options.

Signed by the responsible Ministers:

J Healey   Angela Eagle.

Date: 26 November 2008   26 November 2008

Summary: Analysis & Evidence

Policy Option: **Introduce BRS**	Description: **Introduce BRS, as set out in *Business rate supplements: a White Paper***

COSTS

ANNUAL COSTS		Description and scale of **key monetised costs** by 'main affected groups'
One-off (Transition)	**Yrs**	It is difficult to predict costs accurately, as it will depend on take up of BRS. The GLA intends to use a power to levy a BRS in 2010 to contribute towards the costs of Crossrail, possibly raising £177.9m per annum. As illustrated below, if BRS were levied by a number of authorities, the revenue raised nationally could be £319.3m. The net present value (PV) over 10 years would therefore be £2,748m.
£0		
Average Annual Cost (excluding one-off)		
£319.3m		**Total Cost** (PV) **£2,748m**

Other **key non-monetised costs** by 'main affected groups'

It is difficult to predict the costs of BRS, as they can only be accurately assessed on a case by case basis. In general terms, there will be a greater tax burden on ratepayers in those areas where a BRS is introduced. However, this should be offset by the improvements to local economies. The Government has also introduced a number of safeguards to protect business interests.

BENEFITS

ANNUAL BENEFITS		Description and scale of **key monetised benefits** by 'main affected groups'
One-off	**Yrs**	The projects BRS will fund will vary depending on local circumstances. As such, the monetised benefits of BRS can only be fully assessed on a case by case basis.
£0		
Average Annual Benefit (excluding one-off)		
£		**Total Benefit** (PV) **£**

Other **key non-monetised benefits** by 'main affected groups'

BRS will provide an additional mechanism for funding projects aimed at promoting economic development at the local level.

Key Assumptions/Sensitivities/Risks These fall into the following categories: (i) use of the supplement (ii) the burden on ratepayers (iii) the effect on Business Improvement Districts (iv) increased levels of borrowing by local authorities. The Government has introduced a number of measures to safeguard against the risks.

Price Base Year	**Time Period Years**	**Net Benefit Range** (NPV) **£**	**NET BENEFIT** (NPV Best estimate) **£**

What is the geographic coverage of the policy/option?	England & Wales
On what date will the policy be implemented?	1 April 2010
Which organisation(s) will enforce the policy?	N/A
What is the total annual cost of enforcement for these organisations?	£0
Does enforcement comply with Hampton principles?	Yes
Will implementation go beyond minimum EU requirements?	No
What is the value of the proposed offsetting measure per year?	£0
What is the value of changes in greenhouse gas emissions?	£0
Will the proposal have a significant impact on competition?	No

Annual cost (£-£) per organisation (excluding one-off)	Micro	Small	Medium	Large
Are any of these organisations exempt?	N/A	N/A	N/A	N/A

Impact on Admin Burdens Baseline (2005 Prices)		(Increase – Decrease)
Increase of £0	Decrease of £0	**Net Impact £0**

Key:	**Annual costs and benefits: Constant Prices**	**(Net) Present Value**

Evidence Base (for summary sheets)

Background

1. The Lyons Inquiry into Local Government[1], published in March 2007, stated *"the purpose of local government is to take responsibility for the well-being of an area and the people who live there, and to promote their interests in the future. In doing so it should both reflect the distinctive identity and aspirations of the people and area, and safeguard and promote their well-being and prosperity."* A key part of this role is to support, and encourage, the economic development of the local area. The Inquiry identified the need for local authorities to have greater flexibility to raise revenue to invest in their local areas. While it acknowledged the role of Business Improvement Districts (BIDs), in terms of providing additional flexibility to raise revenue to invest in projects supported by business, it noted that BIDs tend to be limited to tightly defined geographical areas and tend to deal with short term issues, rather than providing long-term investment. The Inquiry considered the re-localisation of business rates, as well as the possible use of a supplement. However, in his final report, Sir Michael Lyons recommended introducing a new local flexibility to set a supplement on the current national business rate.

2. The Government responded to these recommendations in Budget 2007, stating that *"a local government supplement has the potential to support local economic development, but would need to be subject to credible accountability to ratepayers and real protection for businesses – particularly Small to Medium Sized Enterprises – that might be disproportionately affected"*.

3. Following this, in July 2007, the Government published the Review of sub-national economic development and regeneration[2] (known as the sub-national review (SNR)). The SNR stated that *"supplementary business rates [as BRS were called at this stage] have the potential to provide a powerful new tool for local authorities to invest in infrastructure to support long-term economic growth in their areas, backed by mechanisms to ensure that there is a strong voice for business and supplements are introduced only where they can command support from all those affected"*.

[1] The Lyons Inquiry into Local Government, *Place-shaping: a shared ambition for the future of local government*, Sir Michael Lyons, March 2007.

[2] *Review of sub-national economic development and regeneration*, HM Treasury, Department for Business, Enterprise and Regulatory Reform & Communities and Local Government, July 2007.

4. In October 2007, alongside the 2007 Pre-Budget Report and Comprehensive Spending Review[3], the Government published *Business rate supplements: a White Paper*[4]. The white paper set out plans for introducing powers for local authorities to set BRS.

5. The white paper set out the key features of BRS, now embodied either in the Bill or to be delivered through secondary legislation. The key features are as follows.

    - County Councils, Unitary District Councils and the Greater London Authority will be given the power to levy a supplement on the National Non-Domestic Rate (NNDR), or "business rate".
    - Revenue from BRS will only be available for spending which would not otherwise have taken place on economic development initiatives or projects. The Bill does not prescribe the kind of projects the supplement can fund and the Government does not intend to do so. Provided the link to economic development can be demonstrated, a BRS might be used to fund projects ranging, for example, from infrastructure, to skills training, to initiatives to boost tourism.
    - Revenues from BRS will be locally raised and retained.
    - Decisions on the duration of a BRS, and the specific project it will fund, will be made locally.
    - Any authority wishing to levy a BRS will have a duty to produce a prospectus setting out the details of the proposed supplement and the project it will fund. In the prospectus, authorities will be required to set out:
        - their detailed plans for expenditure, including timescales and funding sources;
        - the way in which the supplement will work, including its expected duration, the amount to be levied, and any exemptions or reliefs they intend to apply;
        - how this spending is additional to their existing plans;
        - the way in which they will deal with differences between the planned and outturn expenditure; and
        - their assessment of the impact of the supplement on local businesses and show how this relates to the benefits that will be delivered from the projects supported by the supplement.

[3] *Meeting the aspirations of the British people*, 2007 Pre-Budget Report and Comprehensive Spending Review, October 2007.

[4] *Business rate supplements: a White Paper*, HM Treasury & Communities and Local Government, October 2007.

- Authorities will be required to hold a statutory consultation on the proposals set out in their prospectus to levy a supplement. Where a BRS will fund more than a third of the total cost of a project, levying authorities will be required to ballot those ratepayers who will potentially be liable for the supplement. Where a ballot is held, the authority will need the support of a simple majority of those businesses affected, both in terms of rateable value (RV)[5] and the number of non-domestic properties affected, before a supplement can be levied.
- A national upper limit of 2p per pound of RV will be set on a BRS.
- Properties with a rateable value of less than an amount to be prescribed in regulations will not generate any liability to a BRS. In England, the Government intends that properties with a RV of £50,000 or less will not generate liability to a BRS. This removes a significant majority of smaller businesses from being liable for the supplement. Table 3.1 on page 31 of the white paper sets out that, based on 2007 data, nationally, by number, ninety per cent of business properties have a RV below £50,000. The Welsh Assembly Government will be consulting on the thresholds which should be applied in Wales.
- There are already a number of safeguards in place to ensure that an authority acts with propriety and complies with legislation. These range from internal safeguards such as the Monitoring Officer and the Finance Officer, through to external mechanisms such as the external audit of accounts undertaken by the Audit Commission. The Government intends that the propriety of BRS should be handled under these existing processes.
- The new local performance framework[6] will also provide a robust structure of assistance and intervention for those authorities that fail to meet their obligations under the BRS powers. As a last resort, in cases where previous intervention has not been successful, the BRS Bill enables the Secretary of State to cancel a BRS. This power would only be used in cases where an authority has acted in a way that is materially inconsistent with the information set out in the prospectus or a document published varying the prospectus, or provided in the course of consulting or balloting on the BRS or a variation to it. In these circumstances, the Secretary of State would be able to direct the levying authority to cancel the BRS and, if it seems reasonable to him/her, refund the ratepayers the money they have paid so far.

[5] Apart from properties which are exempt from business rates, each non-domestic property has a rateable value. Valuation officers of the Valuation Office Agency set the rateable values. The rateable value broadly represents the yearly rent the property could have been let for on the open market on a particular date.

[6] For information on the Government's policy on the new performance framework please see www.communities.gov.uk/local government.

- Levying authorities will have flexibility to:
  - raise the RV threshold for liability above the £50,000 threshold;
  - introduce a taper above the £50,000 threshold in order to provide a smoother transition, for example putting in place a BRS of 0.5p in respect of non-domestic properties with a RV of £50,001-£60,000; 1p in respect of non-domestic properties with a RV of £60,001-£100,000; and 2p in respect of non-domestic properties with an RV greater than £100,000;
  - phase in a BRS over a number of years, for example, 0.5p in years 1-5; 1p in years 6-10; and 2p for the remainder of the BRS; and
  - offset Business Improvement District levies against liability for BRS.

6. Subject to Parliament's approval, the Government's intention is that the revenue from BRS should be able to come on stream from 1 April 2010, consistent with the billing year which runs from 1 April – 31 March.

Analysis of costs and benefits

Option 1: do nothing

7. Since nothing would change, the economic, social and environmental costs and benefits of the existing system would remain the same.

Option 2: introduce Business Rate Supplements

Economic costs and benefits

8. The decision to levy a BRS will be taken locally, after a statutory consultation and, in cases where the supplement will fund more than a third of the total cost of the project, after a ballot. As such, the costs and benefits of levying the supplement can only be fully assessed on a case by case basis. Set out below are the more general costs and benefits of BRS.

Benefits

9. BRS will provide a new tool to promote economic development at the local level, subject to consultation and, where required, a ballot. Examples of the kind of projects that could be undertaken range from infrastructure projects, such as transport, through to additional skills training or advertising, such as promoting a region to encourage tourism. The supplement could also be used to enhance an existing project aimed at promoting economic development.

10. BRS give local authorities direct control over a revenue stream (at present central government collects all business rates and redistributes them to local authorities through the Local Government Finance Settlement).

11. Projects and programmes would be managed and run significantly closer to those with a stake in their success, who should have the best understanding of what is needed and how it can be delivered. It allows investment decisions to be made in a more joined-up way, reflecting the range of opportunities and challenges facing each area.

12. BRS provide an opportunity for local authorities to strengthen their economic role and improve their relationship with business. It is also an opportunity for business to come forward with suggestions as to what it wants for economic development and to strengthen relationships with local authorities.

13. BRS provides a new tool to enable communities to pool resources to invest in economic development, both across a local authority area or as part of a multi area supplement[7].

14. There will be additional benefits that are realised as a result of the individual projects funded through BRS (for example Crossrail, please see paragraph 33).

Costs

15. BRS is a tax based on the RV of a property. As such, a BRS could act as a disincentive to business property growth, for example, property improvements or moving to a larger property. The ability of levying authorities to set a taper and/or increase the threshold should help to mitigate this potential impact. Also, the requirement for authorities to consult local business is designed to ensure that businesses' concerns can be taken into consideration.

16. Sectors of the economy which tend to have large properties but relatively low turnover, such as retail, may be disproportionately affected by changes in business rates, as rates constitute a much higher percentage of their costs than in less "RV intensive" sectors. This is covered in more detail in paragraph 31.

17. Any increase in the tax burden on business can, potentially, act as a disincentive to economic activity; in the extreme, this extra cost could cause firms to close or relocate. However, this seems very unlikely given the national upper limit of 2p per pound of RV (for comparison, the highest BID levy is 4p per pound of RV). Also, while businesses may see an increase in their tax liability, revenue from BRS will be specifically aimed at projects designed to promote economic development, which businesses will benefit from.

[7] Where two or more local authority areas set a supplement to fund a joint project aimed at promoting economic development.

18. In theory, differential business rates between authorities could cause some firms to move to reduce their rates bills. Although this may cause savings for the individual firm, it could be argued that in some cases it would be inefficient for the economy as a whole, as there are costs to relocation, for example, transactions costs or possible losses in efficiency, due to moving to a less suitable location. However, in practice, it is likely that moving would be more expensive than the supplement itself, given the 2p national upper limit and other safeguards. Also, relocating to a different area will not necessarily guarantee a reduction in rates liability. The RV of similar types and sizes of non-domestic properties varies from region to region – dependent on local market rents – and plans for a BRS-funded project might emerge at any time in the area the business has relocated to.

19. The supplement will be an extra cost to business and could act as a disincentive to business start-up. Many start-ups will, however, be located in smaller and less expensive accommodation and thus will not pay the supplement, as it will only be payable on non-domestic properties with a RV over £50,000.

20. Billing authorities[8] will have to adapt their systems to cater for the collection and transfer of BRS revenue to the upper-tier authority. Where collection of BRS is carried out as part of the annual billing round, the costs of collection will be met from the BRS revenue. Where billing is undertaken as a separate exercise, the costs of collection will be met from the upper-tier authority's own resources. The details of these arrangements will be dealt with in the consultation paper on proposals for secondary legislation which will be published during the passage of the Bill.

21. Smaller businesses can be disproportionately affected by changes to business rates. This is covered in greater detail in the Small Firms Impact Test in paragraphs 34 to 39.

22. Should the costs described above occur, there could be a reduction in competition, with negative effects on output and prices. However, a competition assessment screening test has been completed and did not highlight any significant likely impact on competition.

[8] In two tier areas the NNDR is collected by the lower tier authorities (ie the London Boroughs, and the District Authorities outside of London). The BRS will be collected by the same billing authorities.

Social costs and benefits

23. There are no intrinsic social costs and/or benefits associated with BRS. However, the initiatives undertaken with the revenue raised by the supplement could, potentially, have social costs and/or benefits. This will need to be considered on a case by case basis by the authority levying the supplement, in consultation with key stakeholders.

Environmental costs and benefits

24. As with social costs and benefits, there are no inherent environmental costs and benefits associated with BRS. Nevertheless, the initiatives undertaken with the revenue raised by the supplement could, potentially, have either a positive or negative impact on the environment. This will need to be considered on a case by case basis by the authority levying the supplement, in consultation with key stakeholders.

Impact on 'main affected groups'

Local Government

25. BRS will provide County Councils, Unitary District Councils and the GLA with a new flexibility to invest in projects to promote economic development. Those authorities electing to exercise this power will be required to comply with the requirements set out in the primary and secondary legislation, including the preparation of a prospectus and undertaking consultation with lower-tier authorities (in two-tier areas and London) and businesses in their area. Discussions to date with the local government sector on the likely uptake of BRS outside of London indicate that, at this stage, local authorities are waiting to see the details of the legislation before deciding whether to propose using the new power.

26. We expect the local authorities to be the driving force behind projects aimed at promoting economic development. As such, the costs involved in the preparation of a prospectus, undertaking consultation and in holding a ballot will be met by the levying authority. This does not, however, exclude businesses from contributing to the set-up costs on a voluntary basis.

27. In two-tier areas and London, where a BRS is to be levied, billing authorities will have to adapt their systems to cater for the collection and transfer of BRS revenue to the upper-tier authority. The costs of collection will be met from the BRS revenue, or through the upper-tier local authority's own resources, depending on when bills are issued (please see paragraph 20).

Owners and Occupiers of non-domestic properties

28. The supplement will be levied, in most cases, on the occupiers of non-domestic properties. It will be for the levying authority to decide whether the supplement should be imposed on the owners of empty properties.

29. Where BRS are introduced, there will be the transfer of revenue from non-domestic ratepayers (both in the public and the private sector) to the upper-tier local authority. As a minimum level of uptake of BRS, we know that the GLA intends to levy the supplement in 2010 to facilitate the introduction of Crossrail, subject to consultation. At this stage, it is difficult to say precisely how much revenue could be raised through any GLA BRS, as there are a number of variables which could affect the amount collected, including whether or not the levy is set up to the national limit, whether a taper is introduced, and whether BID levies are offset against the BRS. However, based on 2007 RVs, the white paper estimated that the maximum revenue in London raised could be £177.9m per annum.

30. As explained in paragraph 25, local authorities outside London are currently awaiting the details of BRS before deciding if and how they might use the supplement. Table 1 below, also taken from the white paper (Table 2.1, on page 19), gives some further illustrative revenues from BRS, including the revenue that could be raised in urban and rural areas, and possible revenue from multi-area supplements. As with the figure given for Crossrail in paragraph 29, Table 1 shows the maximum revenue that could be raised in different local areas, based on 2007 RVs. If all of these illustrative supplements, as well as the GLA BRS, were to go ahead, the total revenue raised by BRS would be in the region of £319.3m per annum.

Table 1: Illustrative revenues from BRS in different areas.	
Local area	**Amount raised (£million) per annum**
Greater London	177.9
Greater Manchester (10 authorities)	28.9
West Midlands (7 authorities)	27.5
West Yorkshire (5 authorities)	20.1
Lancashire	7.8
Essex	12.1
Hampshire	12.3
City of Manchester	9
Sheffield	5.9
Bristol	4.8
Newcastle	4
Nottingham	4.2
Milton Keynes	4.8

31. BRS will be based on the RV of non-domestic properties. Therefore, businesses likely to have high rateable values, such as retail, could be disproportionately affected by BRS. This should be mitigated by the patterns of tenure of retail in comparison with other businesses. As explained in the white paper (paragraphs 3.13 to 3.16 on page 32), businesses which do not own their properties are likely to bear significantly less of the cost than owner occupiers. Valuation Office Agency (VOA) data show that retail properties are much more likely to be tenanted than occupied by the owner, with some 78 per cent by RV and by number rented. By contrast, factories and warehouses are more likely to be owner-occupied (53 per cent and 41 per cent by RV for factories and warehouses, respectively). This suggests that, while retail may be relatively property intensive, the patterns of tenure should mitigate the impact of the supplement.

32. Although supplements will increase the tax burden for owner/occupiers liable for the supplement, levying authorities will be required to make an assessment of the impact of their proposed supplement on local businesses and to show how this relates to the benefits that will be delivered from the projects supported by the supplement.

33. Taking the potential GLA BRS as an example, BRS would contribute to the benefits that will be realised through the project. The benefits for passengers include time savings on journeys on public transport (for example, an extra 1.5 million people will be within 60 minutes commuting distance of London's main business districts, travelling to Heathrow from the west end will take just over 30 minutes, and travelling from Heathrow to Canary Wharf will take under 45 minutes), along with reductions in overcrowding, improved journey ambience and quality, and the use of rolling stock more suited to mobility-impaired passengers. Business will benefit from being able to access wider markets for labour, products and services. Other benefits include the creation of new jobs to support the construction programme, and the increased capacity will allow additional offices to be built in the Isle of Dogs and in Central London, as business will benefit from the fact that more people will be able to reach these business centres.

Small firms impact test

34. As set out in the white paper, the economic evidence suggests that smaller businesses can be disproportionately affected by changes to business rates. In summary, businesses with a larger turnover spend less on their business rates as a proportion of their turnover than do smaller businesses. The effect is particularly marked for businesses with a turnover below £100,000, who spend between 5.5-8 per cent of their turnover on business rates. Once businesses have a turnover of between £500,000 and £1.9m, rates drop to 1.5-2 per cent as a proportion of their turnover. (Businesses with turnovers above £1.9m find that rates continue to only make up between 0.5 -2 per cent of their turnover.)

35. Businesses with an RV of more than £50,000 will, on average, have a turnover of at least £1.1m. This puts them just over the threshold in terms of those businesses whose rates make up a small proportion of their turnover (ie 1.5-2 per cent, as opposed to 5.5-8 per cent).

36. Another factor taken into consideration is that non-domestic properties in England with an RV of £50,000 or less will only generate around 30 per cent of the total yield available through BRS. Protecting businesses with a RV below £50,000 therefore protects the vast majority of businesses whilst preserving most of the yield.

37. As a safeguard for business, it is intended that, in England, non-domestic properties with a rateable value of £50,000 or less will be exempt from paying the supplement. As explained in paragraph 5 above, based on 2007 data, this excludes the majority of business properties. This threshold will be set out in secondary legislation. To provide consistency, this threshold will be standardised across England.

38. The Welsh Assembly Government plans to consult on the threshold in Wales.

39. Other protection for small firms includes the flexibility for levying authorities to increase the threshold and/or introduce a taper.

Rating agents, the Valuation Office Agency (VOA) and Valuation Tribunal Service (VTS)

40. There is unlikely to be a significant increase in appeals by ratepayers trying to reduce their rateable value to fall within the £50,000 RV exemption threshold. Ratepayers have the right to appeal against their RV, as set by the VOA. Any reduction in their RV as a result of a successful appeal could reduce their overall NNDR liability. The tax rate for NNDR stands at more than 40p per pound of RV, compared with the 2p per pound of RV proposed under BRS. Ratepayers are therefore much more likely to appeal against their RV to reduce their overall NNDR liability than appeal simply to avoid paying the BRS levy. Informal discussions with stakeholders support this conclusion.

Key assumptions, sensitivities, risks

41. It is difficult to predict the costs and benefits of BRS, as they can only be accurately assessed on a case by case basis (please see paragraph 8).

42. BRS are intended to be used to finance projects aimed at promoting the economic development of the local area. The supplement is not intended to be used as an additional revenue stream for services local authorities are already obligated to provide (for example, through statutory duties). To protect the interests of ratepayers, any local authority wishing to levy the supplement will need to hold a statutory consultation on their BRS proposals and, in cases where the supplement will fund more than a third of the total cost of the project, the authority will be required to ballot those who will be liable for the supplement. As part of the consultation, authorities will need to set out the potential costs and benefits of the proposed BRS-funded project. Central Government will be issuing statutory guidance on how local authorities can meet this obligation. We will also be setting up a National Project Panel to advise local authorities planning to use a BRS to fund a project. Ultimately, any issues relating to impropriety can be dealt with under existing mechanisms described in paragraph 5. In addition, if a levying authority acts in a way that is inconsistent with the information set out in the prospectus, the Secretary of State will have powers to intervene (as set out paragraph 5).

43. Levying authorities will need to consider the economic climate when deciding whether to levy a BRS. There is a requirement for the levying authority to make an assessment of the impact of the supplement on local business and to show how this relates to the benefits that will be delivered from the projects supported by the supplement. Businesses will be able to test this analysis through the statutory consultation the authority will be required to undertake before introducing a supplement.

44. As explained in paragraph 25, at this stage it is difficult to estimate the number of local authorities outside of London who intend to use the supplement. In calculating the possible revenue that could be raised, we have assumed that it is most likely only a small proportion of local authorities will levy a BRS at any one time, that there will be a mix of urban and rural authorities levying the supplement, and that a small number of multi-area supplements will also be levied. For ease in calculating the figures, we have also assumed that authorities will raise the maximum revenue possible, based on 2007 rateable values. The illustrative figures are taken from the white paper; they are not based on discussions with individual local authorities.

45. As the BRS is based upon RV, there is a theoretical risk that levying the supplement may cause firms to shift to less 'RV intensive' activities simply to avoid the tax burden. This could lead to a sub-optimal allocation of resources across the economy. However, this has not been raised as a concern in the discussions with stakeholders.

46. Local authorities will be able to prudentially borrow against the revenues from a BRS, allowing them to harness additional funding to support projects. Central Government will monitor proposed borrowing and expenditure as a result of BRS.

47. It is possible that the introduction of the BRS in an area could deter businesses from voting for BIDs, due to the additional financial burden. However, the levying authority will be able to offset BID levies against the BRS.

Enforcement

Owners'/occupiers' payment of the supplement

48. Subject to consultation, the Government intends that BRS will be enforced as part of the wider NNDR collection process. As this will rely on existing mechanisms and, since most businesses will not be liable for the supplement, the cost of enforcement specifically related to BRS is expected to be minimal. It is not possible to estimate the likely cost at this stage, as local authorities outside of London are currently awaiting the details of the supplement before deciding whether to propose a BRS-funded project.

Levying authorities' responsibilities

49. The arrangements for enforcing the requirements placed on a local authority proposing, and then levying, a supplement are set out in paragraph 5. As this will use existing arrangements, the cost of enforcement of local authorities' responsibilities regarding BRS will be minimal. It is not possible to estimate the likely cost at this stage, as explained above.

Admin Burdens & the Hampton Principles

50. In most cases, BRS will be collected as part of the annual billing round and, as such, will not increase the administrative burden or regulation of businesses. Levying authorities may levy the supplement outside the normal billing round, but this would be expected to occur only exceptionally, so any increased burden on businesses would be marginal. It is not possible to estimate the likely cost at this stage, as explained above.

EU requirements

51. The proposal for business rate supplements does not relate to any EU legislation.

Value of offsetting measure

52. The Government is not proposing an offsetting measure, as the BRS Bill does not introduce any mandatory regulation but rather a new legislative framework to enable certain local authorities to raise additional revenue to invest in economic development.

Greenhouse emissions

53. It is not possible to estimate the environmental impact (either positive or negative) of BRS. This is because the BRS Bill itself introduces a legislative framework to enable upper-tier local authorities to raise revenue to invest in the economic development of their local area. The individual projects that will be funded by the supplement will be decided at the local level.

Competition assessment

54. The initial screening test was completed and concluded that this policy would not require a full competition assessment.

Implementation/next steps

55. We anticipate issuing the draft statutory guidance for consultation during the passage of the BRS Bill through Parliament. We also will also be issuing a consultation paper on the technical details that will be covered in the secondary legislation during the passage of the Bill.

Specific Impact Tests: Checklist

Use the table below to demonstrate how broadly you have considered the potential impacts of your policy options.

Ensure that the results of any tests that impact on the cost-benefit analysis are contained within the main evidence base; other results may be annexed.

Type of testing undertaken	Results in Evidence Base?	Results annexed?
Competition Assessment	No	Yes
Small Firms Impact Test	Yes	No
Legal Aid	No	No
Sustainable Development	No	No
Carbon Assessment	No	No
Other Environment	No	No
Health Impact Assessment	No	No
Race Equality	No	Yes
Disability Equality	No	Yes
Gender Equality	No	Yes
Human Rights	No	No
Rural Proofing	No	Yes

Annexes

Specific Impact Tests

Competition assessment

56. The initial screening test was completed and concluded that this policy would not require a full competition assessment.

Rural proofing

57. The white paper recognised that those areas which have the least amount of rateable value will be able to raise less revenue from the supplement than those areas with a large tax base. However, BRS should not be limited to paying for large infrastructure projects. BRS could be used to fund smaller, less expensive initiatives, such as promoting an area to tourists, or for investment, or using the supplement to provide skills training. Such projects would in most cases be less expensive than a large infrastructure project, but would nevertheless promote the economic development in a local area.

58. Levying authorities will also have the opportunity to work together on multi-area supplements, enabling areas with a smaller tax base to raise more revenue to devote to the promotion of economic growth within their area.

Race equality

59. The initial screening test was completed and concluded that this policy would not require a full race equality impact assessment.

Disability equality

60. The initial screening test was completed and concluded that this policy would not require a full disability equality impact assessment.

Gender equality

61. The initial screening test was completed and concluded that this policy would not require a full gender equality impact assessment.