



Cabinet
25 July 2016

**Report from the Strategic Director,
Resources**

For Action

Wards affected:
ALL

**National Non-Domestic Rates (NNDR) – Discretionary
Discount Scheme for Businesses accredited to Living
Wage Foundation**

1.0 Summary

- 1.1 Cabinet agreed at its meeting on 26 January 2015 to award a Business Rates discount to companies who agreed to pay its employees the London Living Wage and who became accredited with the Living Wage Foundation. The level of discount was 5 times the costs of accreditation, 30% of the cost of the discount is borne by the council. The discount was restricted to the first 100 companies who became accredited. However it was agreed to review the scheme in 2016 in order to assess its effectiveness and whether it should be further extended.
- 1.2 To date, there are now 16 accredited Brent businesses in the borough including the Council as well as 7 other national employers with branches in the borough. Of the 16 accredited businesses 15 meet the criteria for entitlement and have claimed or are in the process of claiming their business rates discount. As well as this, the Living Wage Foundation and Brent's Employment, Skills and Enterprise team remain in ongoing discussions with a number of Brent businesses about accreditation so it is expected that some of these businesses will shortly gain accreditation. Getting businesses to agree to commit to pay the London Living Wage and gaining accreditation is a long term process, it is therefore recommended that the scheme be extended to 31 March 2019 so that those companies already in discussion can qualify as well as providing further time for encouraging other businesses to become accredited.
- 1.3 The Council has the discretion to award discounts in national non-domestic rates to businesses under section 47 of the Local Government Finance 1988.

To award discounts under this provision a business must meet criteria set by the Council's Cabinet. Any discount scheme needs Cabinet approval. The qualifying criteria is set out in Appendix 1 to this report.

2.0 Recommendations

- 2.1 That Cabinet approves the discretionary discount scheme for businesses accredited to the London Living Wage Foundation be continued to 31 March 2019 on the basis that the Business Rates discount will continue to be five times the cost of accreditation and will be awarded to businesses in Brent which become accredited with the Living Wage Foundation and who meet the criteria detailed in Appendix 1 to this report.
- 2.2 The Cabinet notes that the approval and continuation of this scheme are pursuant to the Council's powers under section 47 of the Local Government Finance Act 1988 and that the Cabinet is satisfied that that this proposal is reasonable having regard to the interests of those persons who are liable to pay council tax in the borough of Brent.
- 2.3 The Cabinet notes that officers in Employment, Skills and Enterprise and Customer Services monitor the scheme in terms of take up and costs and report back to Cabinet at a later date should any changes to the scheme be required.
- 2.4 That applications for such discounts in National Non-Domestic Rates that meet the criteria as set out in Appendix 1 are considered and approved jointly by the Head of Employment, Skills and Enterprise and the Operational Director Customer Services.

3.0 Detail

- 3.1 The Localism Act gave local authorities a discretionary power to award discounts to any NNDR (also known as Business Rates) payer who meet criteria set by the council. As around 30% of local residents of working age are thought to be paid less than the London Living Wage, (LLW), any incentive that may encourage more businesses to pay this must be considered, the council's Cabinet therefore agreed in January 2015 to offer employers a discount on their business rates when becoming accredited with the Living Wage Foundation ("LWF"). The current LLW is £9.40 an hour.
- 3.2 The LLW is the rate a person needs to earn to cover their basic living costs, the rate being set by an independent body. The LWF works with employers to help them implement the living wage and offers accreditation to employers that pay the Living Wage or are committed to an agreed timetable of implementation. Whilst there may be employers who pay their staff the LLW and are not accredited with the Living Wage Foundation it is a simpler process to offer a discount to those who either are or become accredited with the Living Wage Foundation. By offering a discount equivalent to, or a multiple of, the costs of becoming accredited there is no reason for a business already paying the LLW not to become accredited with the Living Wage Foundation.

3.3 The accreditation is confirmed by a signed licence between the Living Wage Foundation and the Employer. By signing the licence the employer agrees to pay all relevant staff the Living Wage and the Living Wage Foundation licences the employer to use the Living Wage Employer Mark. The scheme relies on confirmation from the LWF that an employer has signed the agreement before a discount is awarded. The Living Wage Foundation monitors compliance with the agreement.

3.4 The costs of accreditation and the level of discount are as follows:-

Type of Organisation	Cost of Accreditation based on number of employees				
	0-10	11-50	51-250	251-500	501+
Private Sector	£50.00	£100.00	£200.00	£400.00	£1000.00
Public Sector and charities	£50.00	£100.00	£200.00	£400.00	£400.00
	Business Rates Discount (5 x cost of accreditation)				
Private Sector	£250.00	£500.00	£1,000.00	£2,000.00	£5,000.00
Public Sector and charities	£250.00	£500.00	£1,000.00	£2,000.00	£2,000.00

It was agreed that the discount will be the equivalent to 5 times the costs of accreditation and that it is a “one-off” award and not an annual award.

3.5 The council meets 30% of the costs of any discount awarded with 50% of the costs met by central government and 20% by the Greater London Authority. If discounts totalling £100,000 were awarded then £30,000 is met by the council.

3.6 The Employments, Skills and Enterprise team have developed communications strategies to encourage the uptake of accredited London Living Wage employers in Brent for 2016. The team also hope to target several other local businesses through refreshing their approach to engaging council suppliers in conjunction with the corporate Policy and Procurement teams.

To advertise and promote the scheme to date, the following action has been taken:

- The council has written to every business in the borough promoting the scheme and advising of the benefits of paying their employees the London Living Wage
- The scheme is publicised on the council website, as well as through leaflets and the Brent Business Newsletter
- Citizens UK, the campaigning organisation aligned with The Living Wage Foundation, has also conducted an engagement training session with Councillors, and helped to engage with the Brent Multi-Faith Forum.

- The Employment, Skills and Enterprise team ran an information event for businesses about the London Living Wage and spoke to a number of employers about the London Living Wage through their work on s106 and the Wembley Works recruitment service
- Regulatory Services have distributed leaflets about the business rates discount, and the London Living Wage has now been included in the new Markets Policy
- The council has undertaken face-to-face engagement with small businesses in Brent's town centres in the last week of November
- The Employment, Skills and Enterprise team have spoken at the CVS and registered housing providers forums to inform attendees of the scheme
- The scheme has also been featured in the head teachers' bulletin various times throughout the year which is received by all schools in the borough
- The Employment, Skills and Enterprise team have compiled a video of accredited Brent based living wage employers speaking from an employer's point of view. The video is being promoted through the council's social media channels.

During Living Wage week, Brent Council ran a survey to ask Brent residents about their experiences of living on low pay and compiled over thirty case studies about Brent residents earning below the London Living Wage, which will be used to tell Brent businesses why paying the London Living Wage is so important. Citizens UK also led a walk through Wembley to congratulate some of the accredited businesses, and the Leader of the Council unveiled a banner showing the new London Living Wage rate for 2015 – 16, £9.40 in the Civic Centre.

3.7 Whilst the discount on its own is not sufficient to incentivise businesses to commit to paying the London Living Wage, the scheme combined with the measures to promote the scheme taken by Employment, Skills and Enterprise team and other organisations may influence some companies to become accredited with the LWF. This policy accords with the Borough Plan – Better Lives – promoting fair pay.

3.8 To date the following organisations have been awarded relief or are in the process of claiming it

Account Name	Cost of Accreditation	No of Employees	Award £
Synergy Vision Ltd	£100.00	26	£500.00
Lamabuild Ltd	£50.00	6	£250.00
Egress Software Technologies Ltd	£200.00	79	£1,000.00
Granger Hertzog Ltd	£100.00	18	£500.00
Brent Private Tenants Group Ltd	£50.00	7	£250.00
Kiligrew King Ltd	£100.00	15	£500.00

Point 6 Design Ltd	£100.00	24	£500.00
Convent of Jesus and Mary Language School	£200.00	136	£1,000.00
Ark Academy	£200.00	50 – 250	£1,000.00
Brent CVS	£50.00	8	£250.00
Home Instead Care	Amount of relief to be confirmed		
Yusuf Islam Foundation	Amount of relief to be confirmed		
Brent Mencap	Amount of relief to be confirmed		
Wembley Primary School	Amount of relief to be confirmed		
Ashford Place	Amount of relief to be confirmed		
		Total	£5,750.00

- 3.8 Numbers of organisations who have become accredited with the Living Wage Foundation is slightly below that targeted, however 4 national organisations would also have been entitled were it not for the rules relating to state aid and a further 14 are in discussions with the Living Wage Foundation. In addition there has been much national publicity on the Living Wage which resulted in every employer having to pay the national living wage of £7.20 to all employees over the age of 25 from 1 April 2016. Whilst this is still £2.20 below the London Living Wage it is welcome and may encourage some to adopt a stepped approach to ultimately committing to the London level.
- 3.9 At least 2 other London Boroughs have implemented similar discount schemes and a number of others were looking to introduce a scheme during 2016. In addition a number of enquiries have been received from other local authorities who are also considering introducing a similar scheme. There is no doubt that Brent was the forerunner in introducing the LLW business rates discount scheme and it attracted positive national press coverage.
- 3.10 The amount of discount awarded to date is £5,750.00, 30% of this is met by Brent - £1,725.00. There is clearly sufficient money available to fund this scheme for a further year, the budget being held within Employment, Skills and Enterprise. In view of the numbers who have qualified to date there is no need to restrict the award to the first 100 organisations who become accredited.
- 3.11 As set out in paragraph 5.3 below, it is a requirement under section 47 of the Local Government Act 1988 that the Cabinet will need to consider whether the proposal regarding the discount in business rates as set out in the recommendation in paragraph 2.1 of this report is reasonable having regard to the interests of the council tax payers in the borough of Brent. The Cabinet can only approve the recommendation in paragraph 2.1 of this report if it is satisfied that it is reasonable to do so having regard to the interests of the council tax payers in the borough of Brent and this specific point is covered in the recommendation in paragraph 2.2 of this report. This scheme will support improve the income of some of Brent's most disadvantaged residents, allowing them to have more disposable income to spend in the local economy. The costs implication in awarding the discount comes from existing employment and enterprise budget and will not impact on a reduction on

frontline or other services provided by the Council. This proposal will not impact on the level of council tax levied on council tax payers.

4.0 Financial Implications

- 4.1 The costs of awarding a local discount is shared between the council (30%), central government (50%) and the Greater London Authority (20%). If discounts totalling £100,000 are awarded during a financial year then the cost to Brent will be £30,000 which will be reflected in the resulting reduction in Business Rate income. Should 100 companies become accredited and they all employ more than 500 persons then the total amount of discount awarded would be £500,000, of which £150,000 would be met by Brent. Costs (in terms of reduction in income) will be met from the existing Employment, Skills and Enterprise budget and therefore will not impact any other services, particularly front-line services. However costs to date have been minimal, £1,725.00, and because of the slow take up it is envisaged that there will be little impact on budget in 2016/17.
- 4.2 There are some additional administrative costs borne by the council in promoting, implementing and administering this scheme. However, these have been absorbed within the current budget.

5.0 Legal Implications

- 5.1 Section 69 of The Localism Act 2011 amended section 47 of the Local Government Finance Act 1988 to allow authorities to grant business rate discounts. Under this provision authorities can create their own discount schemes in order for example to promote growth and jobs in its area, or in specified areas. Any such scheme needs to be approved by the Council's Cabinet.
- 5.2 The financing of discounts awarded under a local scheme is the same as that for any other reliefs, i.e., 30% is met by the council, with 50% being met by central government and 20% by the Greater London Authority.
- 5.3 Section 47 of the Local Government Finance Act 1988, as amended by section 69 of the Localism Act 2011, gives local authorities the power to grant discretionary business rate relief subject to the condition that the local authority (in this case, the Cabinet) may only grant the relief if it is satisfied that it would be reasonable to do so having regard to the interests of council tax payers in its area. Therefore, the Cabinet will need to consider whether the proposal in relation to the business rate relief as set out in the recommendation in paragraph 2.1 of this report is reasonable having regard to the interests of those persons who are liable to pay council tax that is set by Brent Council and this point is specifically covered in the recommendation in paragraph 2.2 of this report.
- 5.3 Entitlement to a local discount in business rates under section 47 of the Local Government Finance Act 1988 is subject to State Aid de minimis limits. State Aid law is the means by which the European Union regulates state funded support to businesses. Providing discretionary relief to ratepayers is likely to

amount to State Aid. However any local discount scheme will not breach the rules regarding State Aid where it is provided in accordance with the De Minimis Regulations (as set out in EU Commission Regulation 1407/2013).

5.4 The De Minimis Regulations allow an “undertaking” (in this case, a business) to receive up to €200,000 of De Minimis aid in a three year period (consisting of the current financial year and the two previous financial years). Officers will need to familiarise themselves with the terms of this State Aid exemption when considering whether to award a discount, in particular the types of undertaking that are excluded from receiving De Minimis aid (Article 1 of EU Commission Regulation 1407/2013), the relevant definition of undertaking (Article 2(2) of EU Commission Regulation 1407/2013) and the requirement to convert the aid into Euros.

5.6 To administer the De Minimis exemption, it is necessary for the local authority to establish that the award of aid will not result in the undertaking having received more than €200,000 of state aid under the De Minimis Regulations. It should be added that the threshold only relates to aid provided under the De Minimis Regulations (aid under other exemptions or outside the scope of State Aid is not relevant to the De Minimis calculation).

6.0 Diversity Implications

6.1 An Equality Impact Assessment was done which showed no adverse impacts on any of the protected groups. This policy will help the lowest paid workers in Brent - 30% of Brent residents of working age are thought to be paid less than the LLW and the borough has one of the lowest household incomes in London. Any policy that may result in an increase in household incomes will benefit all groups within Brent, either directly through increased income or indirectly through the council having to provide less financial support.

6.2 Whilst businesses who adopt the living wage will incur additional staff costs this can be offset by increased productivity and quality of work, higher staff morale, better recruitment and retention, lower absence rates and a greater ethical awareness.

7.0 Staffing/Accommodation Implications (if appropriate)

7.1 None

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Appendix 1

Criteria for Awarding NNDR Discount to Businesses Accredited with Living Wage Foundation

1. The scheme will apply to all employers who occupy a non domestic property within Brent Council's area and are liable for the payment of Business Rates.
2. A business must become accredited with the Living Wage Foundation (LWF) i.e., has a signed accreditation licence agreement with the LWF. Confirmation of accreditation with the LWF will be conclusive proof. A business must become accredited by 31 March 2017. If the accreditation licence is for a phased implementation, entitlement is confirmed when the licence is signed.
3. The LWF monitors organisations and should any business break the agreement within 2 years of signing it then any discount awarded will be re-claimed.
4. A discount equivalent to 5 times the accreditation cost quoted by the LWF at the time of becoming accredited will be credited to the organisation's NNDR account. The cost of accreditation is based on the number of employees and whether the organisation is a private or public body, and set by LWF. The accreditation fee charged by the LWF will be evidence of the size of the organisation.
5. The discount is a one-off award to the NNDR account. Where the organisation occupies more than 1 property in Brent only 1 award will be made, the organisation can elect which account the discount should be applied to.
6. Entitlement to the discount is subject to State Aid de minimis limits whereby a business must not have received state aid exceeding 200,000 euros in the last 3 years (current year plus preceding 2). State aid includes reliefs, grants, interest rate and tax relief, subsidies, guarantees, etc. The business will be required to sign a declaration confirming this. This may preclude many of the large national retail chains that have shops in many town centers from receiving this relief
7. If a qualifying business moves out of the council's area within 2 years of becoming accredited the discount will be re-claimed. However if the ratepayer moves within the area the discount will remain.
8. National/multi-national companies - these will be entitled to apply if they are accredited with the LWF, however if they are liable for more than 1 property in the council's area they will only be entitled to one discount. The State Aid rules may preclude them from relief.
9. Some small organisations or charities may not have any Business Rates to pay as they may be entitled to other reliefs. Should an

organisation become accredited and they have no rates liability as they are receiving other reliefs then the discount will be credited to the account and refunded.