



**Cabinet**  
26 January 2015

**Report from the Strategic Director of  
Regeneration and Growth**

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 Around 30% of Brent residents are paid less than the London Living Wage (“LLW”). This compares to a London average of 20%. Businesses who pay their employees the LLW can be accredited by the Living Wage Foundation as a LLW employer. Accreditation is a firm commitment by a business to paying its employees the LLW.
- 1.2 At the time of writing, only two Brent-based businesses were accredited as Living Wage employers, these being Brent Council and the Ark Academy. To increase the number of businesses being accredited, Brent Council has considered an incentive scheme designed to support those businesses who are considering paying the LLW take the final positive step. In order to encourage businesses to pay the LLW, a discount can be offered to any business who becomes accredited with the Living Wage Foundation. The discount can be in the form of a credit to the Business Rate account. It should be noted that this proposal forms the foundation of a wider package of incentives to encourage businesses to pay the LLW. Once Cabinet approval for this anchor initiative is obtained this package will be developed in consultation with local businesses and partners, to be put in place by April 2015 to coincide with the proposed discount coming into effect.
- 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. Any discount scheme needs Cabinet approval. It is therefore

proposed to agree and implement a scheme whereby any business that becomes accredited with the Living Wage Foundation can apply a discount in respect of their Business Rates, though this will be limited to the first 100 businesses in Brent which become accredited with the Living Wage Foundation and which meet the criteria set out in Appendix 1 to this report.

- 1.4 Proposed details of the scheme are contained within this report. Briefly, it is considered that the discount should be a multiple of the cost of accreditation with the Living Wage Foundation. It is proposed that a discount of five times the accreditation cost is offered in order to encourage businesses to pay the LLW. Whilst this will not meet the costs of paying the LLW it will contribute towards some of the administration costs incurred. The maximum cost is £1,000 for a company that employs more than 500 persons.
- 1.5 This would initially be a one-off scheme, to be implemented in the financial year 2015/16, however it will be reviewed in 12 months to time when depending on its success and budget availability it could be further extended.

## **2.0 Recommendations**

- 2.1 That Cabinet approves the proposal to offer a discount in National Non-Domestic Rates of five times the costs of accreditation to the first 100 businesses in Brent which become accredited with the Living Wage Foundation and who meet the criteria detailed in Appendix 1, 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.
- 2.2 That the scheme is implemented from 1 April 2015 and runs to 31 March 2016 in order to monitor take up and the cost incurred by the council in funding the scheme. A report will be submitted in January 2016 detailing the success of the scheme thus far and whether or not it should be extended into 2016/17.
- 2.3 That applications for such discounts in National Non-Domestic Rates that meet the criteria as set out in Appendix 1 are approved jointly by the Head of Employment and Skills and Head of Customer Service and Revenue.

## **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 LLW (currently £9.15 an hour) any incentive that may encourage more businesses to pay this must be considered. One way of doing this is to offer employers a discount on their business rates when becoming accredited with the Living Wage Foundation ("LWF").

- 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 proposed scheme will rely 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 (accurate at the time of writing) are as follows:-

Type of Organisation	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

Any discount should be a “one-off” award and not an annual award. It needs to be easy to calculate, transparent, and enable companies to easily calculate the amount they maybe entitled to. Options such as basing the discount on the rates payable could be considered, however this will not necessarily reflect the number of employees, for example a business with a large business rate charge such as Wembley Stadium could get a much larger discount than another company with smaller premises but employing many more staff. It is considered more appropriate to base the discount on number of employees, and by using the accreditation costs as detailed above it will be simple to administer with less scope for abuse.

- 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. The table below illustrates the cost to Brent if 50 or 100 organisations became accredited based on the discount being either 1 or 5 times the accreditation cost. It also assumes a mix of businesses, size wise, becoming accredited.

	Annual Fee x 1		Annual Fee x 5	
	Discount Awarded	Cost to Brent (30%)	Discount Awarded	Cost to Brent (30%)
50 accreditations	£17,800	£5,340	£89,000	£26,700
100 accreditations	£35,600	£10,680	£178,000	£53,400

- 3.6 There are currently 2 organisations within Brent who are accredited with the Living Wage Foundation - Brent Council and Ark Academy School. It is doubtful whether many more than 50 organisations will become accredited as a result of introducing the discount scheme based on the experience of boroughs such as Islington who have spent a number of years working with businesses to encourage adoption of the LLW. In view of the relatively low costs involved and to encourage companies to pay the LLW and become accredited with the Living Wage Foundation it is recommended that a discount equivalent to five times the cost of accreditation be awarded.
- 3.7 The scheme will come into effect from 1 April 2015, and companies that have become accredited prior to this date will be able to apply. Whilst there is a limited budget available it is suggested that the scheme runs until 31 March 2016 and be restricted to the first 100 organisations within Brent who become accredited. It will be reviewed in 12 months time (January 2016) to reflect take up and cost, with a possibility to extend for a further period.
- 3.8 Full details are contained in Appendix 1. It is considered that organisations awarded the discount must remain in the council's area for at least 2 years, otherwise the discount will be reclaimed, similarly if an organisation fails to meet its commitment to pay the LLW the discount will be reclaimed.
- 3.9 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. 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.
- 3.10 In designing this proposed scheme Officers have worked closely with and sought advice from the Living Wage Foundation and Citizen's UK, who will both be key partners in the delivery of scheme due to their significant experience of successfully engaging with businesses on the Living Wage and their active interest in supporting Brent businesses to adopt the LLW. Both

partners have been consulted during the design of the discount and offered their approval to the proposals.

- 3.11 Once approved, this scheme will form an important anchoring role in a wider package of incentives to encourage and support Brent businesses that choose to pay the LLW. Whilst this proposed discount has already drawn a high level of positive interest and has the approval of key partners, The Living Wage Foundation and Citizens UK, local businesses will be consulted extensively to help to co-design the wider package of incentives to make paying the Living Wage a highly attractive option to Brent businesses. This consultation will take place between January and April 2015, to ensure that the strategy to encourage uptake of the LLW has wide support from Brent employers and contains a range of useful incentives in addition to the key offer of the outlined discount.
- 3.12 Accredited businesses will be showcased on the Council's website and given favourable publicity through council supported press releases. Continuing discussions will be held with partner organisations, including Living Wage Foundation and Citizens UK, and also Brent based partners, such as Lift, so that a co-ordinated and targeted strategy can be agreed in order to encourage and support as many businesses as possible to adopt the LLW. The proposed discount and the wider package will then be launched together in April 2015, and will be outlined in the implementation strategy which is currently being developed in partnership with local employers and other key organisations.

#### **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 in 2015/16 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 and enterprise budget and therefore will not impact any other services, particularly front-line services.
- 4.2 There will be some additional administrative costs borne by the council in implementing and administering this scheme, however in view of the numbers who are likely to qualify these will be minimal and can be 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.
- 5.3 Entitlement to a local discount awarded 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 has been done which shows 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

**Contact Officers**

Richard Vallis, Revenues & IT Client Manager  
[Richard.Vallis@brent.gov.uk](mailto:Richard.Vallis@brent.gov.uk)

ANDREW DONALD  
Strategic Director Regeneration & Growth

## 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 2016. 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 centres 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.