

	<b>Cabinet</b> 13 March 2023
	<b>Report from the Corporate Director  of Communities and Regeneration</b>
<b>Continuing the business rates discount for London Living  Wage accredited employers</b>	

<b>Wards Affected:</b>	All
<b>Key or Non-Key Decision:</b>	Key
<b>Open or Part/Fully Exempt:</b> (If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)	Open
<b>No. of Appendices:</b>	Three Appendix A Criteria for Awarding NNDR Discount to Businesses Accredited with Living Wage Foundation Appendix B Current members of the Brent Good Work Standard working group Appendix C London Boroughs ranked by % of below LW jobs
<b>Background Papers:</b>	None
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## 1.0 Purpose of the Report

- 1.1 To propose to Cabinet the continuation of the Business Rates Discount for London Living Wage (LLW) accredited employers from 1<sup>st</sup> April 2023 to 31<sup>st</sup> March 2026. It should be noted that significant exemptions and rates relief apply to small businesses, those in properties with a low rateable value and those

who do not operate from a premises, which excludes a high number of businesses from rates and therefore this discount<sup>1</sup>.

- 1.2 To propose to Cabinet a more diverse range of incentives and support for businesses who are (a) paying the LLW but not accredited with the Foundation and (b) moving toward Living Wage payment. This diversification is required to reflect the needs of the 93% of the Borough's businesses who are micros (with fewer than 10 employees) and have low GVA (gross value added) per business compared to London. A list of incentives is set out at 3.21 and includes options suitable for micros / SMEs who wish to move toward Living Wage Payment. The aim is for a suite of incentives to help the council create a two-way dialogue with its diverse range of businesses, and to reward business on each step of the journey toward LLW payment and accreditation.
- 1.3 Cabinet to recall wider organisational efforts to increase payment of the London Living Wage in Brent since 2013. Campaigning is now focused around the Mayor's 'Good Work Standard' which incorporates fair pay and conditions (including payment of the London Living Wage; £11.95 per/hour); workplace wellbeing, skills and progression and diversity and recruitment.
- 1.4 Cabinet to consider low pay as an equalities issue which disproportionately effects some Brent residents and is experienced by many employees and self-employed business owners alike. Brent's BAME and particularly Black communities are over-represented in self-employment, which likely reflects structural challenges to accessing traditional employment opportunities.
- 1.5 Cabinet to note recent research which shows that while business survival is most prescient at the moment, there is an encouraging level of goodwill from businesses towards paying the Living Wage. This report states that our communications must be informed, sensitive, well targeted and two-way.

## **2.0 Recommendations for Cabinet**

- 2.1 Cabinet to agree to renew the business rates discount for Living Wage Accredited Employers for a further three years and approve the policy at appendix A.
- 2.2 Cabinet to note the proposed dialogue with a broader range of businesses – bearing in mind the nature of Brent's businesses base (see 3.1-3.14). The Good Work Standard Working Group – which represents Brent's diversity of businesses – will inform and drive the campaign, to enable credible business-to-business communication.
- 2.3 Cabinet to note the proposed targeted communications campaign, the council's offer of support for small and micro businesses (see 3.27) and offer priority

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<sup>1</sup> c4000 of the borough's c16000 enterprises pay business rates in full. c9000 businesses have a premises. Of those, c9,000 premises c.3,000 are receiving small business rate relief with the majority having zero rate liability as the rateable value is less than £12,000. A further 4,100 are paying the reduced small business multiplier, and 2,000 businesses are receiving the 50% retail rate relief and could be entitled to 75% relief following the announcement of changes in levels announced in the Autumn Statement<sup>1</sup>. Many businesses benefit from more than one of these discounts.

spaces to businesses committed to joining Brent's Good Work Standard Business Membership/Network. The suite of incentives will be endorsed by the Good Work Standard Working Group and can be piloted through the network and the council's weekly newsletter which reaches over 13,500 businesses.

### **3.0 Detail**

#### The economic context in Brent compared to Greater London

- 3.1 The median gross weekly salary in Brent is £678.60 compared to £765.40 in London and £642.20 nationwide. 23.6% earn less than the London Living Wage, as shown at appendix C.
- 3.2 Compared with London, Brent has fewer jobs in the professional, finance and information sectors and more jobs in the health, wholesale, manufacturing, construction and transport sectors.
- 3.3 Only 45 businesses in Brent (less than 1%) are large businesses with over 250 employees according to the most recent data. Of these, most are in Park Royal and Wembley, and other industrial areas where the council has limited reach or capacity for engagement. Historically, many of the bigger businesses in Brent have not needed the support services offered by the council, and include some corporate organisations such as Ikea, and supermarket chains. Key strategic decisions, for example on pay, are usually made at a national level rather than locally. Some are, however, beginning to engage more, attending the annual Jobs Fair and using Brent Works for vacancies.
- 3.4 93% of our businesses are micro-businesses employing 10 or fewer people. Very few small, medium or micro enterprises in the Borough are accredited LLW employers.
- 3.5 In terms of employment, the largest industry sectors are: health (providing 20,000 jobs), retail (12,000 jobs), business administration & support (12,000 jobs), education (11,000 jobs). Together, these sectors make up 23% of businesses in the borough but provide 44% of the jobs.
- 3.6 Brent town centres comprise 3,376 commercial units supporting 25,400 jobs, which is over 20% of all employment in the borough. Recent research states *"many of these businesses are privately owned, some family run operating in areas of Brent categorised as low income, they acknowledge that paying employees the LLW is a good thing, however, the recurring question was affordability in the current climate and what support the borough will provide."*

#### Background to the business rates discount

- 3.7 To help address low pay as a cause of poverty, the council has taken several measures over the last decade. In 2013, the council sought accreditation to become a LLW council and for the LLW to be applied to Brent's new contracts, subject to Finance, Procurement and Legal advice.

- 3.8 The Economic Development team have encouraged the take up of accredited LLW employers in Brent 2014-2018 through the following methods:
- Writing annually to every business in the borough promoting the scheme and advising of the benefits of paying their employees the London Living Wage at the same time as their business rates bills are sent.
  - Publicising the scheme on the council website, as well as through the Brent Business Newsletter (weekly email publication).
  - Running sector-specific events promoting the London Living Wage.
  - Regulatory Services and Town Centre Managers distributed leaflets about the business rates discount to local businesses.
  - Speaking on the scheme at registered housing providers forums
  - Featuring the scheme in the head teachers' bulletin - a publication that is received by all schools in the borough
  - Annual Living Wage Week events and promotion in November – engaging businesses from across the borough to celebrate the impact paying a Living Wage can have on employees and business resilience.
- 3.9 Once initial accreditations from public sector and charitable organisations were gained, take up was low. A package of training, businesses support, and promotional activity was created to incentivise uptake. The payment made to the LLW Foundation and the process to become officially accredited was seen as a particular barrier, so the council sought to find a way to cover the costs.
- 3.10 In January 2015 Brent became the first local authority to award a Business Rates discount to companies who agreed to pay employees the LLW and became accredited with the Living Wage Foundation. As a majority of businesses in Brent do not pay full business rates, it was intended to support those who do. Cabinet agreed to award a discount of five times the costs of accreditation as a one-off discount where accreditation was complete. The cost of accreditation varies depending on the size and sector of the business; in 2015 the highest tier was £1,000 and the highest discount offered was therefore £5,000. The scheme was reviewed in 2016 and a 3-year extension to the programme was agreed. In 2019 Cabinet approved the continuation of the scheme for a further four years until March 2023. Since its inception, £9,755 of business rates relief has been awarded to 18 business.
- 3.11 In addition to the discount, the council offered promotional support for accredited businesses and sought to celebrate accredited businesses with a photo call with the relevant Cabinet Member. Businesses were offered the opportunity to promote their businesses and news of their accredited status with a short write-up, circulated in Brent's business e-newsletter, which has a subscription of over 13,500 local businesses.
- 3.12 Research from 2022 found that a sample of Brent businesses were unaware of the scheme despite high levels of communication. Officers have noted the lack of interest from local businesses and that the discount is not perceived as a strong or attractive incentive for becoming accredited by the London Living Wage Foundation and paying employees the LLW at a precarious time for businesses. Many Brent businesses fed back that they did not have the resources or written/digital skills needed to apply for LLW accreditation.

- 3.13 Recognising the limitations of focusing only on LLW accreditation, Brent started to focus on the Mayor's Good Work Standard (GWS) as well as LLW payment. In November 2021, Brent launched a three-year campaign to understand the uptake of the GWS and LLW in Brent. This was in part prompted by the recommendations following the Poverty Commission Report, July 2020.
- 3.14 More recently, external researchers identified businesses for a Good Work Standard Working Group, who are representative of the borough in terms of size and sector. It is set up as a task and finish group; there is good-will and engagement and the option to review and continue.

#### Next steps – incentives package

- 3.15 The local Federation of Small Businesses, when asked for advice on this issue, gave the following response:
- “FSB supports the objectives of the National Living Wage, provided any increases do not impact on employment or investment decisions by businesses and decisions to increase the National Living Wage are taken while considering the wider context of significant business cost increases. The phraseology ‘agree to work towards paying the LLW’ would work better as it provides a carrot approach rather than the stick to a lot of businesses with low profit margins.”*
- 3.16 Therefore, while only LLW accredited businesses will be entitled to the Business Rates Discount, business who agree to work toward meeting the GWS (including payment of a living wage) and join the Good Work Standards Network will have priority access to incentives 2 and 3 listed below.
- 3.17 The working group provides an opportunity to engage on the subject of wages and employer standards in a collaborative and sensitive way, which can influence the tone of our wider communication on the issue. At a meeting in February 2023, the group will feed back on further shaping the incentives package and a business-friendly communications strategy.
- 3.18 This approach could be piloted through a communications campaign, running March – May 2022, which could engage a range of businesses such as:
- Park Royal businesses via The Forge;
  - The Black Business Network;
  - Brent's Business Associations/ groupings of town centre based retailers and services;
  - All recipients of the weekly newsletter.

#### Incentives package

- 3.19 The UK Shared Prosperity Fund (UKSPF) is the Government's replacement for European Regional Development Fund and Social Fund. It provides £2.6 billion for local investment by March 2025, with all areas of the UK receiving an allocation via a funding formula. London has been allocated £144,444,970 for 2022 to 2025. The GLA has been designated as Lead



<p><b>Option 2</b></p>	<p><b>Priority access to a comprehensive business support package</b> <i>for businesses with fewer than 9 employees</i></p>	<ul style="list-style-type: none"> <li>- <b>Federation of Small Business membership</b> to support businesses for 2 years, funded through UKSPF.</li> <li>- <b>Business Events</b> planned in the next year for smaller businesses.</li> <li>- <b>Support to win work from the council.</b> Businesses can <a href="#">sign up to the local supplier database online</a>. This allows the council to engage with businesses and promote upcoming contracts. Businesses requiring additional support, such as how to write a successful bid, can sign up to the council's regular 'Doing Business with Brent Webinars'.</li> <li>- <b>Rebel Business School Business start-up training programme</b></li> <li>- 2-week training course teaching residents the fundamentals of creating and launching a business. In person and virtual options. Two rounds offered in October 2022 and February 2023. This project will be scaled up in 2023/24 using UKSPF funds.</li> </ul>
<p><b>Option 3</b></p>	<p><b>Priority access to Brent works recruitment support</b></p>	<ul style="list-style-type: none"> <li>- Brent Works <b>employment related services</b> helps match local businesses with local talent. Businesses can advertise their vacancies for free on the job site, promote vacancies via a weekly vacancy bulletin, sent to our resident database of over 6000 people, promote job opportunities at events and invite businesses as stall holders at our annual Jobs Fair; undertake brokerage including screenings and assessments of potential candidates.</li> <li>- Brent Works will provide businesses with up-to-date information about schemes and initiatives that businesses can access under the <b>Apprenticeship Levy Transfer Scheme</b> which can lead to savings for businesses as training costs are covered for apprentices.</li> <li>- <b>Support with Disability Confident accreditation:</b> officers and partners will</li> </ul>

		help and guide businesses through the accreditation process and provide appropriate training and development to reach level 3 (final stage).
Plus	<b>All GWS and LLW employers are encouraged to apply for our “best employer” award in our Annual Small Business Awards:</b> Winners are promoted through council channels and in our Shop Local campaign.	

#### 4.0 Alternative Options Considered

- 4.1 Discontinuing the business rates scheme.
- 4.2 Discontinuing our efforts to maximise Living Wage payment due to the challenging economic circumstances in which businesses are operating.
- 4.3 Continuing to focus on incentivising Living Wage Foundation accreditation rather than simultaneously incorporating the wider Good Work Standards and expanding our reach to businesses who are paying the LLW but not do wish to pay fees to the Living Wage Foundation or complete the accreditation process.
- 4.4 Continue to incentivise only those paying the LLW rather than those working towards it.

#### 5.0 Financial Implications

- 5.1 The cost of Business Rates Discount is shared across the Collection Fund recipients, with Brent Council’s share being 30% of any discount, the Greater London Authority’s share being 37%, and central government’s 33%.
- 5.2 The provision of a Business Rates Discount for newly accredited London Living Wage employers would result in a reduction in Business Rates income to the Brent Collection Fund of up to a maximum of £15k per accredited employer (£4.5k cost to Brent Council, i.e. 30% of £15k). Any discount is made as a one-off for one year only.
- 5.3 It should be noted that only 18 businesses have benefitted from the scheme.
- 5.4 Funding for the business support programmes outlined above are from external sources and each programme will only be provided while the funding streams are available. New business support programmes may replace these options as new funding becomes available. Therefore, there is a zero net financial impact on Brent Council from the provision of the business support programmes detailed in Options 2 and 3. The service believes it has sufficient funding to meet demand, if demand is much greater than expected then access to the scheme may have to be capped, or additional funding may need to be found.

#### 6.0 Legal Implications

- 6.1 The liability for Business Rates is set out in the Local Government Finance Act 1988. Section 47, 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 may only grant the relief if satisfied that it would be reasonable to do so having regard to the interests of council taxpayers in its area. Therefore, Cabinet will need to consider whether the proposal in relation to the business rate relief as set out in the recommendations in **paragraph 3.27** 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.

6.2 Since January 2023, entitlement to a local discount award is subject to control under the Subsidy Control Act 2022. This is the regime that has replaced State Aid controls which were the means by which the European Union regulated state funded support to businesses, and the subsequent arrangements under the Trade and Cooperation Agreement with the EU.

6.3 **Under the new regime Minimal Financial Assistance (MFA)** allows public authorities to award low value subsidies. To rely on MFA, no recipient can receive more than £315,000 over the “applicable period”. The applicable period is the elapsed part of the current financial year (i.e., from 1 April), and (ii) the two financial years immediately preceding the current financial year. Officers will need to familiarise themselves with the terms of this new allowance when considering whether to award a discount”

## 7.0 Equality Implications

7.1 The driving principle of this proposal is that the needs of Brent residents on low incomes must be considered and a nuanced response is needed, which promotes the significant benefits of living wage payment while recognising the lived experience of many employers in Brent who are on low incomes themselves. It is for this reason that we propose using inclusive and sympathetic language toward small and micro businesses with lower turnover, high levels of consultation and collaboration with businesses and a range of incentives that speak to a more diverse range of business people in Brent.

## 8.0 Any Other Implications (HR, Property, Environmental Sustainability - where necessary)

8.1 Funding secured for one year for a role through the Borough Plan funding to support the take up of the Good Work Standards.

## 9.0 Proposed Consultation with Ward Members and Stakeholders

9.1 This has been discussed with the Lead Member.

### **Report sign off:**

**Zahur Khan**

Corporate Director Communities  
and Regeneration

