

<b>To:</b>	HM Treasury
<b>From:</b>	Charity Retail Association
<b>Date:</b>	1 September 2017
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## Budget 2017 – Representation submitted by the Charity Retail Association

### 1) Who we are

The Charity Retail Association (CRA) is the only body in the UK which represents the interests of charity retailers. We have nearly 400 members encompassing around 80 per cent of all charity stores in the UK. Our members range from national chains, to individual hospice shops, and everything in between.

### 2) The social value of charity shops

Charity shops are a unique and treasured part of British life. There are well over 10,000 charity shops across the UK, a number no other country comes close to matching. These shops make a vital contribution to our communities, economy and environment.

For example ...

- Charity retail is the biggest source of volunteer opportunities in the UK, with 220,000 people currently volunteering in the sector.
- Last year charity retail contributed over £270m to charitable causes.
- 22,000 staff are employed in the charity retail sector – stable and sustainable local jobs
- Charity shops help to attract footfall to high streets and keep them thriving.
- As a result of charity retail, 330,000 tonnes of textiles out were kept out of landfill, reducing the UK's carbon emissions by nearly 7 million tonnes.

Each of these achievements has a direct positive benefit for people across the country, but there is also an undoubted financial return to the Treasury.

When young people gain the skills they need to enter the Labour market full time and leave the benefits system public money is saved.

When charity shops give local people the opportunity to dispose of their old items of furniture or clothes in a sustainable manner recycling rates go up and the cost of Landfill Tax goes down.

When so much money is raised for good causes the outcomes benefit everyone.

**Key recommendation: We therefore ask that the government uses the opportunity of this Budget to recognise the huge social value contributed by charity shops by committing to protecting our sector as a vital part of British life.**

### 3) Business Rates

#### a) Value for money

The “spend to save” benefits of supporting charity retail are most clearly demonstrated in the case of mandatory business rates relief, granted by the Treasury to every charity shops in the country.

In 2013-14 (the last year for which DCLG has published figures) the total cost of mandatory and discretionary rate relief to charity shops was £69 million.

This figure represents:

- less than **5 per cent** of the total relief from business rates granted to charities across the country
- less than **2.5 per cent** of all rate relief, when including initiatives such as Small Business Rate Relief

In return for this £69 million concession, the charity retail sector generates **four times** as much money which goes to fund charitable causes.

It's a bargain for the taxpayer!

#### b) Clarity on business rates devolution

It is clear that relief granted to charity shops represents a small part of the overall rates relief system, and even a small part of the charitable rate relief system. Mandatory rate relief has proven to be a success story which more than pays its own way.

This system should therefore be protected in the case of any wider reform of the business rates system.

The proposal to devolve the retention of all business rates to local government has alarmed some people in our sector. The fear is that, if Councils were to gain full control over business rates (and begin to rely on this source of finance for the vast majority of their income), many would be disinclined to offer the level of relief charity shops currently rely upon.

These fears apply equally to all voluntary organisations who use premises for a charitable purpose, not just charity retailers.

**Key recommendation: These concerns can easily be addressed. We would ask that the government use this budget to make it clear that when business rates are devolved to**

**local government the mandatory rate of 80 per cent relief will be maintained in all areas.**

### **c) End the postcode lottery**

In addition to these fears about mandatory business rates relief, our research indicates that charity shops currently operate under a postcode lottery when it comes to discretionary rate relief.

In common with other charitable property, shops automatically receive an 80 per cent relief on their bill, with the local authority able to give a discretionary reduction of the remaining 20 per cent.

Unfortunately, only around 1 in 7 of shops actually receive this additional benefit, and this can lead to anomalous situations where small charity shop chains have shops only streets apart but receive different rates relief - sometimes even within the same borough!

The cost to charities of applying for and appealing discretionary rate relief decisions takes additional funds from their cause, and Local Authorities also have to absorb the cost of administering such a system.

**Key recommendation: We believe it would be much simpler, fairer and more cost-effective to move to a mandatory system of 100 per cent rate relief for all charity shops, recognising their wide social benefits and enabling them to do even more for good causes across the country. The Budget would be the perfect opportunity to announce such an ambitious and outward-looking policy.**

### **d) One rule for all**

Many charities prefer to operate their retail chains through a trading subsidiary, seeing this as an efficient means of ring-fencing funds and managing risk. Charity trustees are not always retail experts and many prefer to delegate this responsibility to a suitably skilled board of directors on the subsidiary.

In some cases however, Local Authorities see charitable trading companies as commercial enterprises and hence not entitled to rate relief.

This is not at all within the spirit of the rate relief legislation and is an unintended consequence of the trading subsidiary system.

**Key recommendation: By whichever means a charity shop decides to set up its business model, its primary purpose - to raise money for charity - is the same. A simple change could be introduced in the Budget to ensure that all charity shops are eligible for rate relief and all support schemes which are in place to assist small shops with business rate support.**

## 4) Environment

### a) Saving through recycling

Charity shops are able to use the vast majority of donated goods. For example, 95 per cent of donated textiles are re-used or recycled.

Regulations throughout the UK confirm that the small amount of waste left over should be seen as domestic waste, as it originated from a domestic source and has not been treated in anyway. Therefore it should be accepted for free at Household Recycling Centres. The majority of Local Authorities do just this, but we have noticed an increasing trend for some to put charges or obstacles in the way of shops in their area.

**Key Recommendation: The government should use the Budget to re-iterate that waste from charity shops is household waste and that the presence of charity shops greatly benefits Local Authorities in this area, for example saving them £27m in Landfill Tax last year alone.**

### b) Promoting partnerships

By working in partnership with local authorities, charity shops can do a huge amount to increase recycling and reduce waste going to landfill. Millions of items of saleable quality are needlessly thrown away at Council waste sites every year.

A number of charity retailers, however, are working in partnership with Local Authorities and their contractors, and we would like to see more done to encourage this.

Promoting such work would be very much in line with the Conservative's election manifesto, and its promise to support comprehensive recycling initiatives to combat littering and waste dumping.

**Key Recommendation: To maximise the reduction in items going to landfill, the Budget should include methods to financially incentivise partnerships between charities and Local Authorities to enable collection from Household Recycling Centres. This would benefit shops, Councils and most importantly the environment.**

## 5) Conclusion

Charity retail is not a demanding sector in terms of its asks of government. On the whole we go about our business quietly, efficiently and profitably, providing the benefits mentioned above with little recourse to the public purse.

This year's Budget presents a few golden opportunities for the government to re-confirm its support for our cherished sector; particular in confirming business rates support and helping to protect the environment through close cooperation with Councils.

We hope to see these measures in your final Budget papers.