

Councils, business rate relief and charity shops:

part of the Charity Retail
Association's big FOI project

A report for charity retailers
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Executive Summary

In recent years, a series of factors have combined to create a trend whereby local councils have an ever-greater influence over the support offered to charity shops. This is particularly true when it comes to business rates, where local government as a sector is retaining more of the business rates collected than ever before.

To understand exactly how they are using this influence over business rates, the Charity Retail Association undertook a large-scale project in 2017. This involved sending Freedom of Information requests to all 405 local authorities in England, Scotland and Wales.

We analysed the information received against three council characteristics; the council type; the location of the authority, and; political control of the council. As a result, we were able to identify trends and examples of where these factors influenced the behaviour of a council in relation to its local charity shops.

The most immediate conclusion that leapt out from this work was the extent to which charity shops operate under a postcode lottery when it comes to rate relief. Councils across the country interpret regulations and their role very differently and deliver services in very different ways. More alarmingly, the criteria on which they take decisions is often not transparent and readily accessible.

This leads to situations where charity shops from the same chain, delivering exactly the same services and performing in exactly the same way will get a completely different package of support in terms of rate relief because they are located on different sides of a borough boundary.

Our more specific findings are summarised below.

- Worryingly, as many as one in four councils do not actually know how many charity shops they have in their area.
- Despite the wide-ranging discretion councils have to award local charity shops anywhere between one and 20 per cent of additional rate relief, most local authorities do not use these powers imaginatively and tend to grant a shop either the full 20 per cent or nothing at all.
- Unfortunately, the latter option is far more common – just 7 per cent of councils grant the full discretionary rate relief to all of their local charity shops – meaning the vast majority of our members' shops will be paying some rates.
- The criteria by which councils choose to allocate additional rate relief varies hugely, but perhaps more worryingly these criteria are often hidden or unclear. As many as 23 per cent of councils review whether to grant additional rate relief to a charity shop on an individual basis, something which often relies on personal relationships. This can make it difficult for new shops to know what they would have to do to qualify.
- Council location has the biggest impact on how a council chooses to grant rate relief, ahead of council type or political control. Scottish councils tend to be far more generous in what business rates relief they will offer, followed by Wales. At the other end of the scale the London boroughs, followed by Yorkshire councils, are the least generous.

This report can be used by our members to identify trends in the behaviour of councils towards charity shops. However, it cannot make fool-proof predictions as to how an individual council will act in any given circumstance.

The report will also be used by the Charity Retail Association to deliver more targeted lobbying and public affairs campaigns related to local government.

1. Introduction

a) The project

This report presents the findings of a large-scale investigation carried out by the Charity Retail Association in 2017, which involved requesting information from every local authority in Great Britain, through the Freedom of Information (FOI) Act.

The idea of surveying councils, to find out more about how they interact with the charity shops in their areas, emerged in response to a number of factors.

Firstly - following the Localism Act of 2011, the creation of Metro Mayors, and the promise of further financial independence for local government through the retention of business rates - there is a clear trend towards councils gaining more power and influence over their local economies. It is therefore very important for our members to have a clear picture of how these new powers are being used and what trends are emerging across the country.

Secondly, we have received feedback from many members that the support offered to charity shops by local councils is far less certain – particularly in this era of austerity – than it once was.

Thirdly, we know that charity retailers, like any other form of business, value intelligence and information when making decisions. The data in this report, if used sensibly, could help charity retailers to make predictions about what types of council are most likely to offer them support, for example through business rates relief.

Therefore, this study could begin to offer a competitive advantage for Charity Retail Association members.

b) Our sample

The decision was taken at an early stage that the project should cover all councils in Great Britain (i.e. England, Scotland and Wales) as in all of these jurisdictions the rules around charitable rate relief are the same.

Specifically, if an outlet meets the definition of a charity shop - namely that it gives all of its profits to a designated charity and sells “wholly or mainly donated goods” - then it is entitled to a mandatory rate relief of 80 per cent.

The local business rates collection authority then has the discretion to top up this rate relief by anything up to 20 per cent – which would give the charity shop a full 100 per cent relief on its rates.

The rules regarding rate relief and in Northern Ireland are very different and do not lend themselves to easy comparison with the rest of the UK. With this in mind we decided to exclude local authorities in Northern Ireland from the FOI request. A future project to examine the relationship between charities and councils in Northern Ireland could be undertaken if this project is seen to be helpful.

Therefore, our target list of councils to contact was as follows:

- The 32 unitary authorities in Scotland
- The 22 unitary authorities in Wales
- The 351 local authorities in England, which includes unitary authorities, county councils, district councils and metropolitan districts

This is a total of 405 different local authorities across Great Britain. FOI requests were sent to all 405 in 2017. Only four of these authorities were unable or unwilling to provide the information despite many chase ups and much cajoling. However, this does leave us with a very good sample size of 401 councils, or 99 per cent of local authorities in Great Britain.

c) Caveats

Members reading this report should be aware of the limits of the project before drawing strong conclusions from the findings we present.

Firstly, when we asked 405 councils what their policy towards business rates relief was, we got hundreds of different responses. In order to be able to draw inferences from the information we had to categorise the responses to many of our questions. For example, if one council told us that they would always give relief to a shop raising money for a hospice located in their area, and another told us that they ran a system whereby locality received the most points, these would both be categorised as having “a local preference”.

We would therefore always advise our members to check the exact rules a council imposes on charity shops in its area before opening any new shops.

Secondly, whilst we have responses from almost all the local authorities in Great Britain, some of the sample sizes are still too small to make real conclusions. For example, across the country as a whole, the number of councils run by the SNP is extremely small, particularly when compared with the many hundreds of councils run by the Conservatives or Labour. It is therefore far more difficult to make an assumption about what a theoretical incoming SNP council administration would do about discretionary rate relief policies, than it would be for a theoretical incoming Conservative or Labour council administration. These small sample issues are highlighted in the rest of the report.

Thirdly, things change! Councils in a particular English region may behave in certain predictable ways at the moment, but in five years time this could change drastically in the light of new legislation or new trends on the high street. Therefore, we would again emphasise that it is advisable to always talk to a council directly before making any decisions about your retail chain.

Despite these caveats, we are confident that this report will represent a great starting point for charity retailers looking for a better understanding of how key factors influence a council’s policies towards charitable rate relief. We believe it can be another valuable tool for charity retailers when they begin to think about where in the country to expand. We hope you enjoy reading further.

2. Business Rates

a) Shop numbers

Whilst local authorities are not funded directly by business rates they do have responsibility for collecting them from every non-domestic property in their area. To do this, they must keep a record of all these properties on a central database.

We therefore believed it would be a straightforward question to ask councils how many charity shops they have in their area. They would just need to open up their business rates database and pick out all of the charity shops on the list and report this back to us. We could then use this information to find out what percentage of charity shops received business rates relief in any particular area.

Surprisingly, however, many councils told us they had no way of knowing how many charity shops operate within their borders. This is because they do not separately record charity shops on their database and either categorise them alongside all other retail outlets or all other charity properties instead.



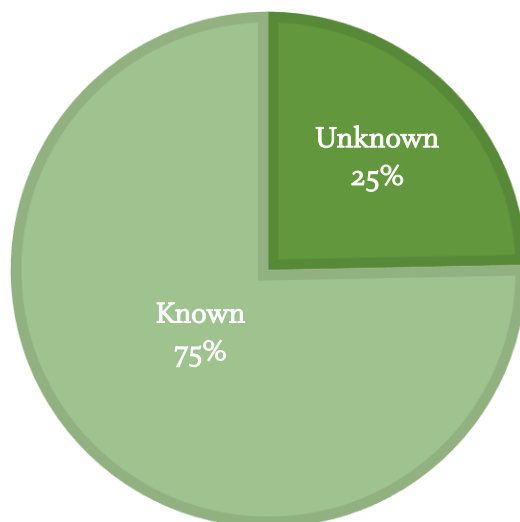
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The average number of charity shops in a council area, reported by those councils with records

This was a worrying finding as it will be hard for a council to operate partnerships with charity shops or set a consistent policy of charity retail rate relief when they do not have a handle on exactly where they are.

Figure One demonstrates how the majority of councils do have proper records on the number of charity retailers in their particular areas but that a full one quarter of councils in Scotland, Wales and England could not tell us how many charity shops they are responsible for.

Figure One: do councils know how many charity shops they have in their area?

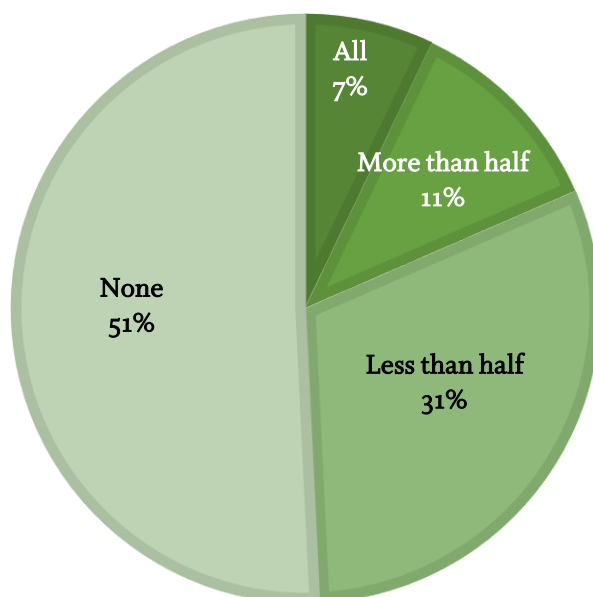


b) Rate relief granted

As set out in our introduction, all charity shops in Great Britain are entitled to a mandatory 80 discount on their business rates bill. Their local authority then has the discretion to top this up with further relief of anything up to the full 20 per cent so a shop would pay no rates at all.

In theory, the additional discretionary relief they give could be anything between 0 per cent and 20 per cent, meaning some shops would get an extra five per cent, others an extra ten per cent and some an extra 13 per cent. However, in practice our survey found that almost all councils do not have such subtle policies and either give the shop the full 20 per cent, or nothing at all. As a result, Figure Two looks at how many shops in their area a council gives the full additional 20 per cent relief to.

Figure Two: how many local shops does the council give the full 20 per cent discretionary relief to?



This chart should be of concern to all charity retailers. Just one fifth of councils say they currently grant full rate relief to more than half of their local shops, with only 7 per cent granting relief to all shops in their area.

By contrast, fully half of councils do not give any local shops an additional 20 per cent relief and nearly a third give to less than half the shops in their area.

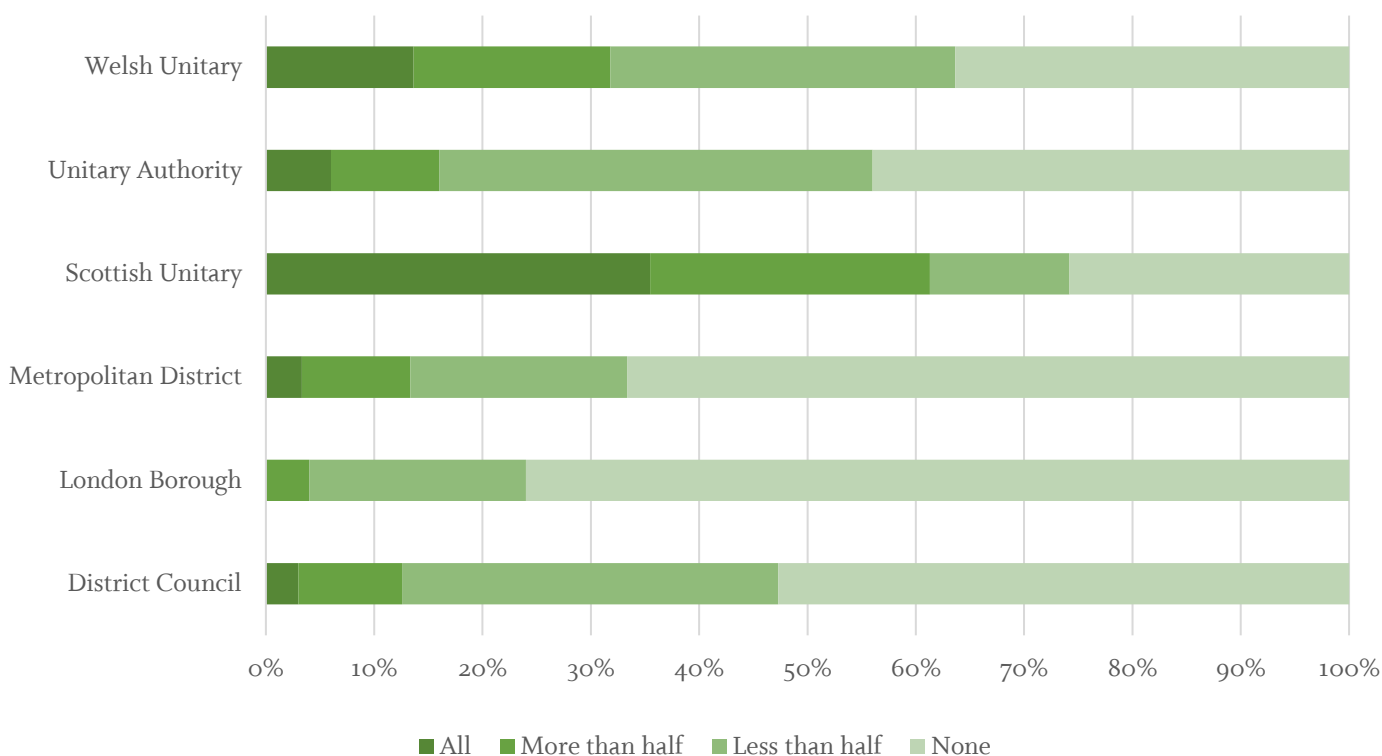
It is clear that the vast majority of charity shops will be paying some rates.

Next, we wanted to see if there was any correlation between the characteristics of the council – its type, location or political composition – and its decisions around granting business rates relief.

County councils were excluded from this analysis because as second tier authorities they are not responsible for collecting non-domestic rates and none of the county councils in our survey could therefore give information on what reliefs are granted in their areas.

In Figure Three, the longer the darker green lines, the better for charity retailers, as this will indicate that this council type is more likely to be more generous.

Figure Three: how many local shops do councils grant the full additional 20 per cent to? - by council type



Our eye is instantly drawn to the London boroughs where there is no dark green line because not a single one of these 32 councils told us that all of the charity shops under their jurisdiction get the full additional rate relief. By contrast, the Scottish unitaries were the most generous type of council when it came to granting full business rates relief.

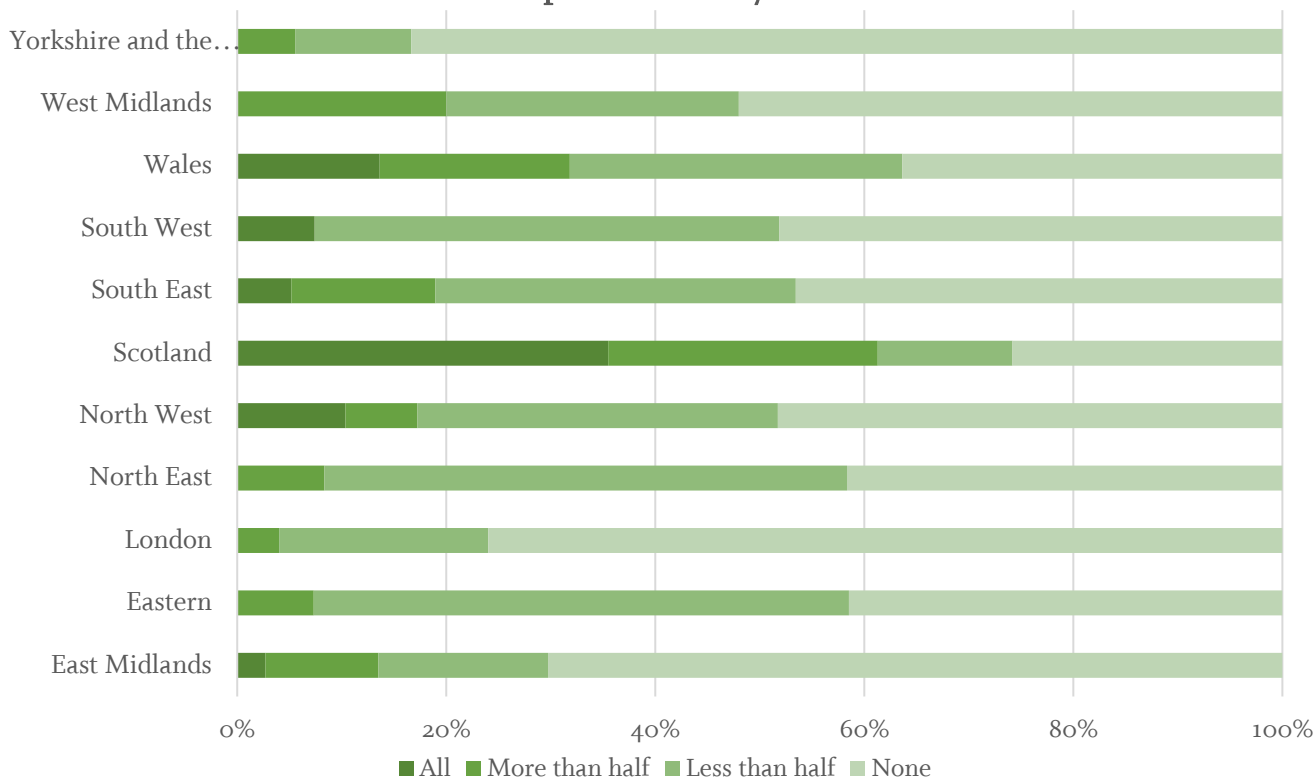
Figure Four conducts the same analysis by council location. There are no surprises when it comes to London and Scotland which reflect their positive and negative council-type behaviour already outlined.

In addition to London, four other areas have no councils which offer all of their charity shops an additional 20 per cent relief – Yorkshire and the Humber, the West Midlands, the North East and the East of England.

Yorkshire is the most concerning of all these areas as even fewer councils in this area give full rate relief to more than half of their shops, in comparison with the other three.

No location south of the border comes close to Scotland in offering full rate relief to its charity shops. Wales is a distant second but still ahead of any English region.

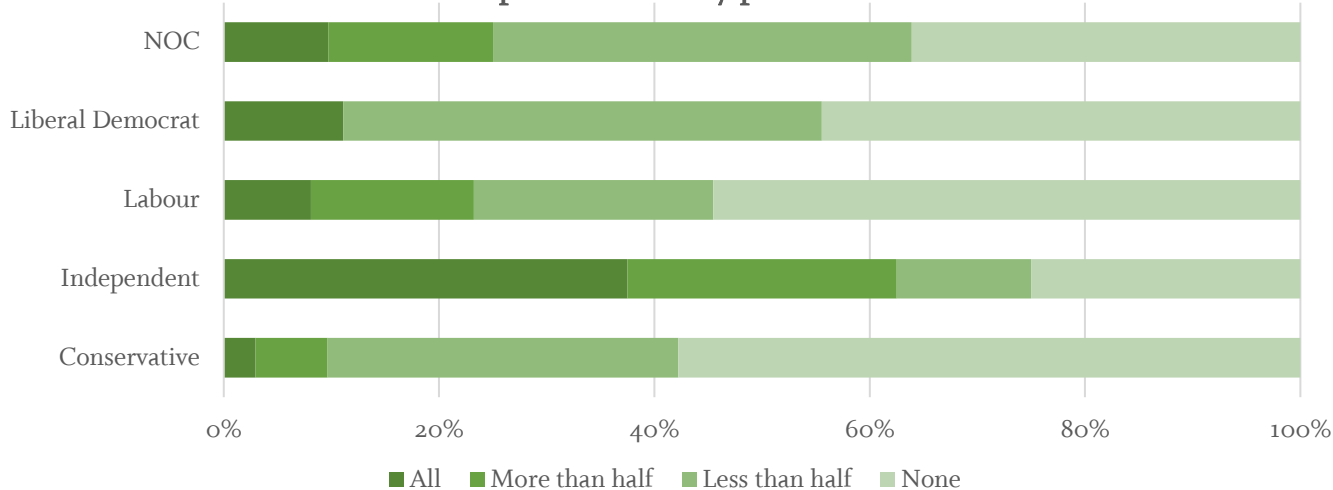
Figure Four: how many local shops do councils grant the full additional 20 percent to? - by location



We now must move on to look at the impact of political control on such policies. It was not possible to include SNP-run councils in this analysis as were only a couple of such councils at the time our research was carried out which is not enough to draw proper conclusions from.

The picture which emerges from Figure Five, indicates that Independent councils are the most generous, however we should remember that these councils are few and far between across the country and so there is not much room for expansion into these areas.

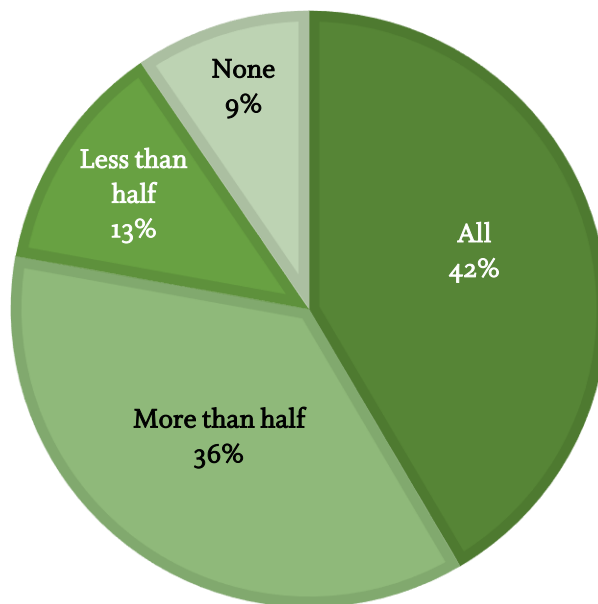
Figure Five: how many local shops do councils grant the full additional 20 percent to? - by political control



The three previous tables allow us to make some broad statements about what kind of councils are most likely to be generous to charity shops when it comes to business rates (Scottish or Welsh) and which are likely to be least generous (located in Yorkshire). To test these emerging conclusions which should also analyse how many shops councils award zero additional relief to and see if this conforms to the same patterns.

Figure Six begins this analysis by looking at how councils allocate zero additional rate relief. The findings it illustrates are as expected. 78 per cent of councils give zero additional relief to all, or more than half, of their local shops. Just 9 per cent of councils have no shops which get no support at all.

Figure Six: how many shops do councils grant no additional relief to at all?



Figures Seven and Eight again analyse this policy against the factors of council type and location.

Figure Seven: how many shops do councils grant no additional relief to at all? - by council type

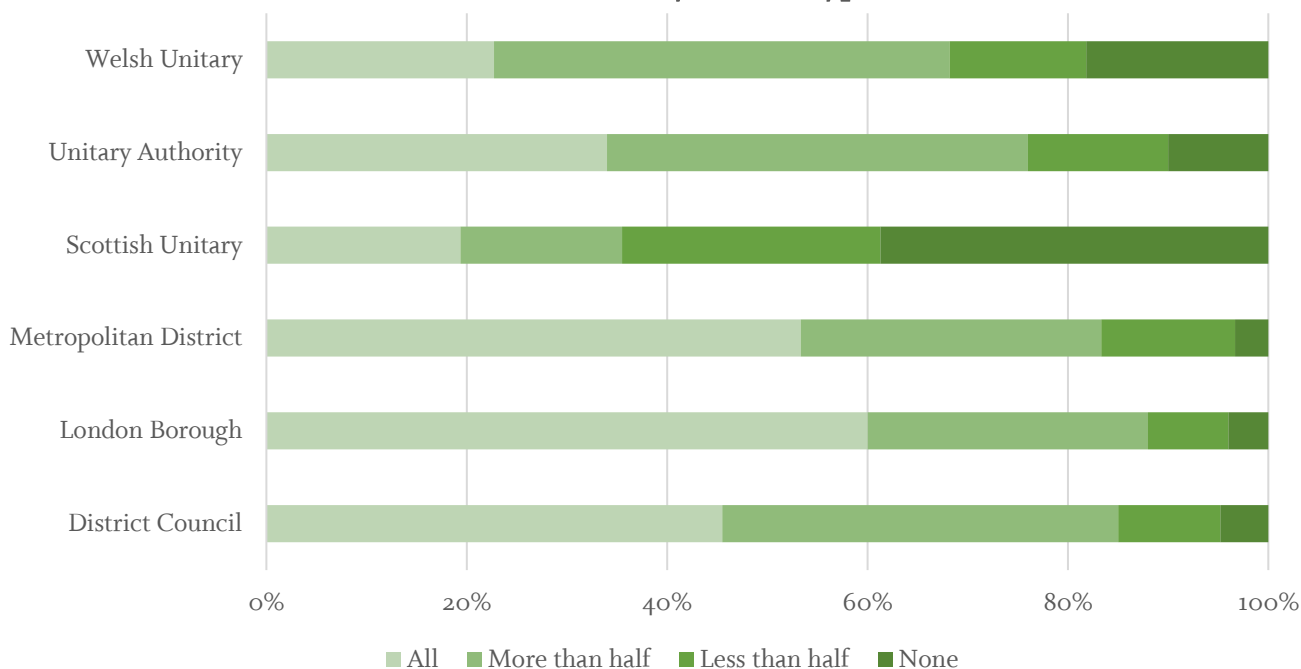
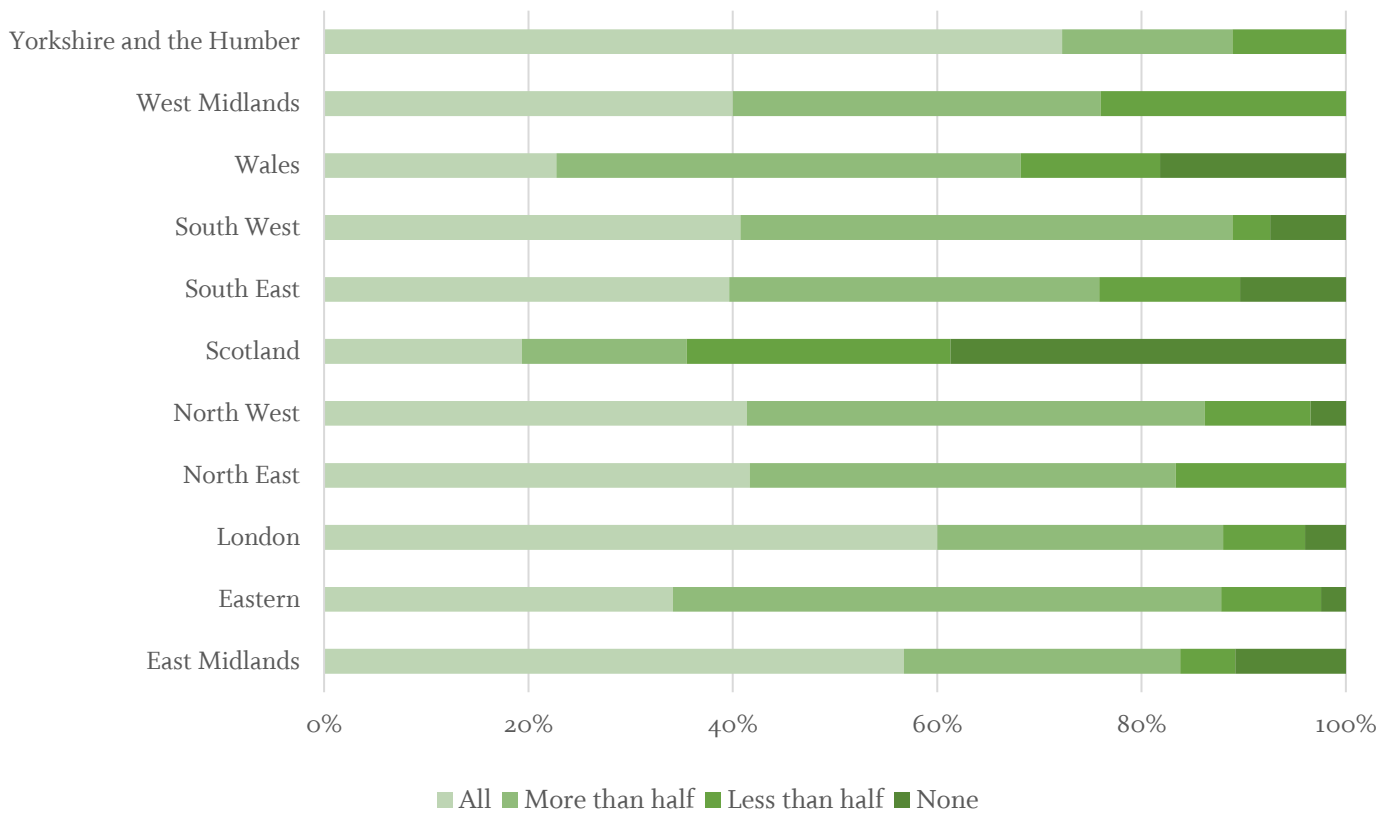


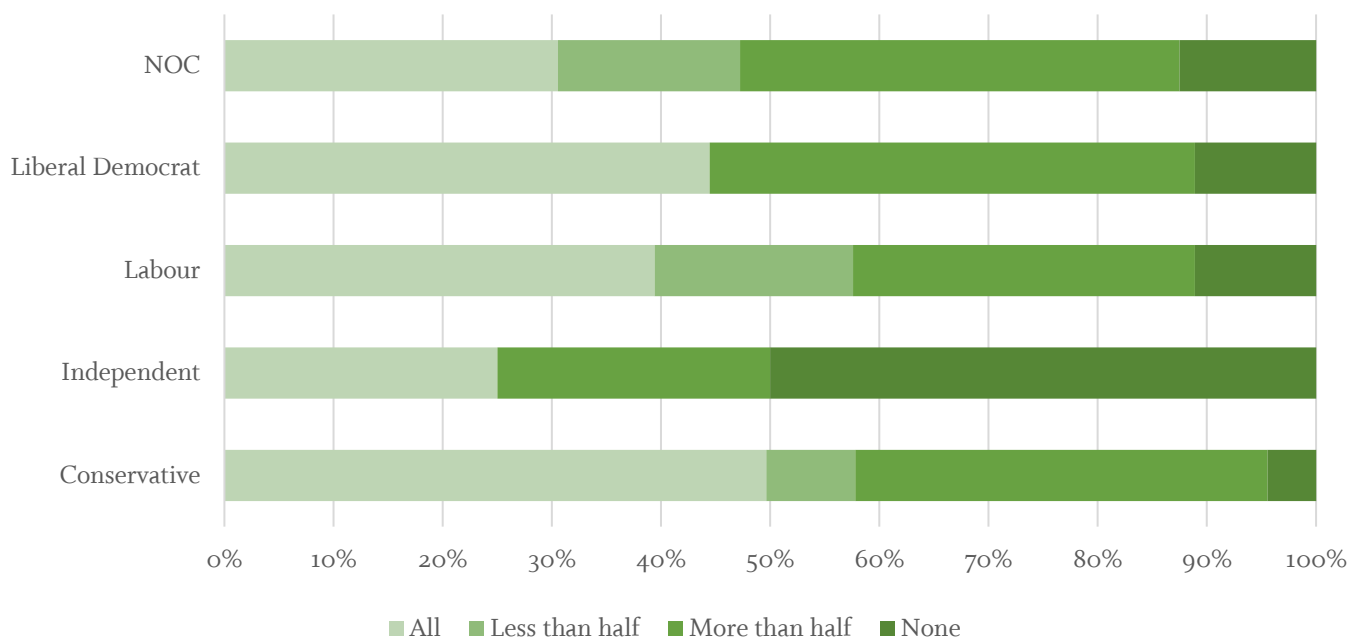
Figure Eight: how many shops do councils grant no additional relief to at all? - by location



These two charts conform to our expectations. Scotland is the nation with the fewest councils who do not offer any additional relief to any of its local charity shops, with Wales in second place. Likewise, charity retailers will be most alarmed by the figures presented from the London boroughs and councils in Yorkshire.

Finally, Figure Nine looks at rate relief from this perspective, against political control.

Figure Nine: how many shops do councils grant no additional relief to at all? - by political control



50 per cent of Conservative-run councils report that they do not give any additional relief to any of their charity shops, the highest number. Likewise, as with Figure Five, Independent-run councils are clearly the most generous, with other councils sitting in the middle.

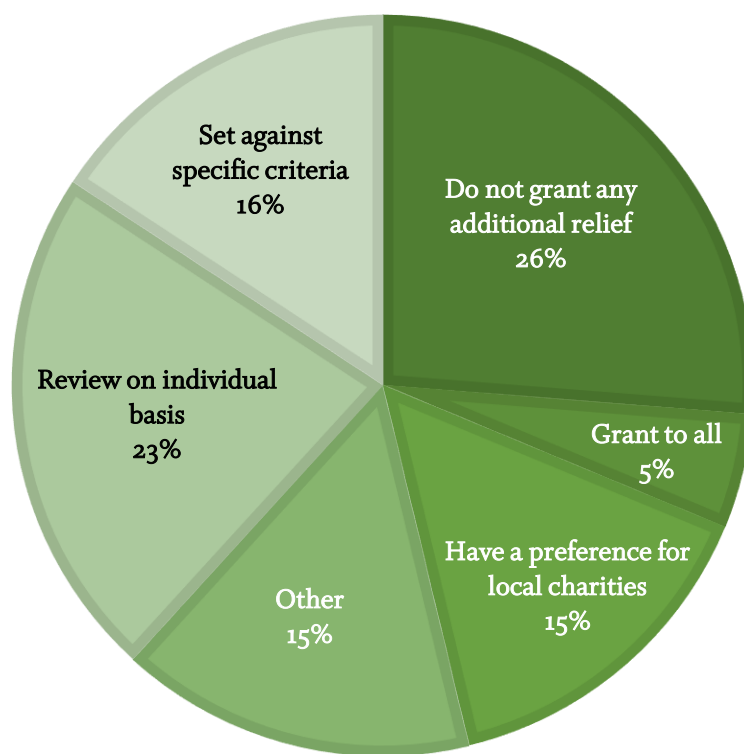
c) Rate relief policies

The fact that looking at which councils grant full rate relief, and those which grant no rate relief, produced the same trends also confirms our understanding that most councils adopt an “all or nothing” approach to business rates relief, giving a shop the full 20 per cent or no extra support whatsoever.

In some ways this could be taken as a positive. If our members were able to understand the circumstances in which rate relief will be granted, and then can ensure they meet the necessary criteria, there is a strong chance they will be able to pay no rates at all.

We therefore asked every rate collection authority to tell us their policy on granting business rates relief to local charity shops. We were able to organise these policies into six broad categories as illustrated in Figure Ten, below.

Figure Ten: discretionary rate relief policies enacted by councils



Of these options, we are pretty confident that all charity retailers would prefer the policy whereby discretionary rate relief is granted to every shop by the council. Unfortunately, just 5 per cent of councils have such a policy. Equally, we can say that the policy least helpful to charity retailers is to never grant any additional rate relief to local shops. Just as unfortunately, this is the most common policy councils have, with just over one quarter adopting it.

Amongst the other options, each retailer will have their preference. For example, a small hospice would flourish under a council which gives local charities a discount, whereas a national chain would not.

We were surprised that the second most common category was that claims for additional rate relief are considered on an individual basis. When specific criteria are set then each charity shop at least knows where it stands. If they are able to meet the criteria listed they will get their rate relief as per the stated policy. There may be many charity shops who lose out under such a policy, but at least the process will be clear and transparent.

By contrast, when no policies and criteria are published charity shops have less control over their fate. They may need to reapply for rate relief on an annual basis and have no idea if it will be granted, making budgeting harder. The granting of rate relief may rely on a personal relationship with a councillor or council officer and if this person leaves they may lose their relief. It might not even be obvious where they should go to make a claim for discretionary rate relief.

As set out in our 2017 *Manifesto for Charity Shops* ([read here](#)), the Charity Retail Association campaigns for the introduction of ‘a fairer and more cost-effective system of 100 per cent business rate relief for all charity shops’. However, in the period before this can be introduced, we believe councils should do more to make their policies around charitable rate relief, whether it be for shops or other charity property, public and transparent, not least so local electors can hold their council to account.

To help our members predict what rate relief policies they are likely to encounter when they open up shop in a new area Figures 11 and 12 summarise the common discretionary rate relief regimes implemented by councils across all of our categories.

Figure 11: most common rate relief policy – by council type

District council	Do not grant any additional rate relief	29%
London borough	Do not grant any additional rate relief	42%
Metropolitan district	Do not grant any additional rate relief	37%
Scottish unitary	Grant to all	38%
Unitary authority	Have preference for local charities	31%
Welsh unitary	Do not grant any additional rate relief	27%

Figure 12: most common rate relief policy – by location

East Midlands	Review on individual basis	37%
Eastern	Review on individual basis	30%
London	Do not grant any additional rate relief	42%
North East	Do not grant any additional rate relief Have preference for local charities Set against specific criteria	33% each
North West	Review on individual basis	32%
Scotland	Grant to all	38%
South East	Do not grant any additional rate relief	29%
South West	Set against specific criteria	26%
Wales	Do not grant any additional rate relief	27%
West Midlands	Do not grant any additional rate relief	31%
Yorkshire and The Humber	Do not grant any additional rate relief Review on an individual basis	32% each

Moving onto political control there are three categories – Conservative-run (175), Labour-run (113), and no overall control (92) – where our sample size of rate collection authorities is large enough to examine the rate relief policies they enact in full. Figures 13, 14 and 15 present these findings below.

Charity retailers might also be interested to note that of the eight Independent-run councils left in our sample, half grant 100 per cent rate relief to all shops whilst a quarter do not grant any relief, and another quarter have a local charity preference. Of the nine Liberal Democrat-run councils, four review on an individual basis with others splitting across a variety of other options.

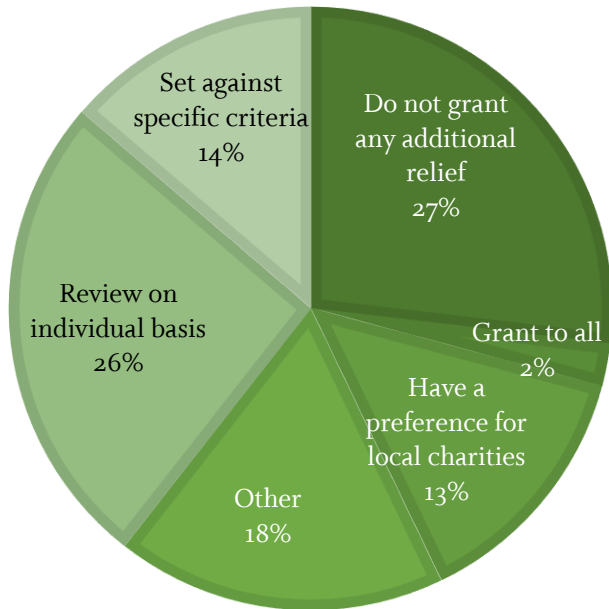


Figure 13:
rate relief policies
political control

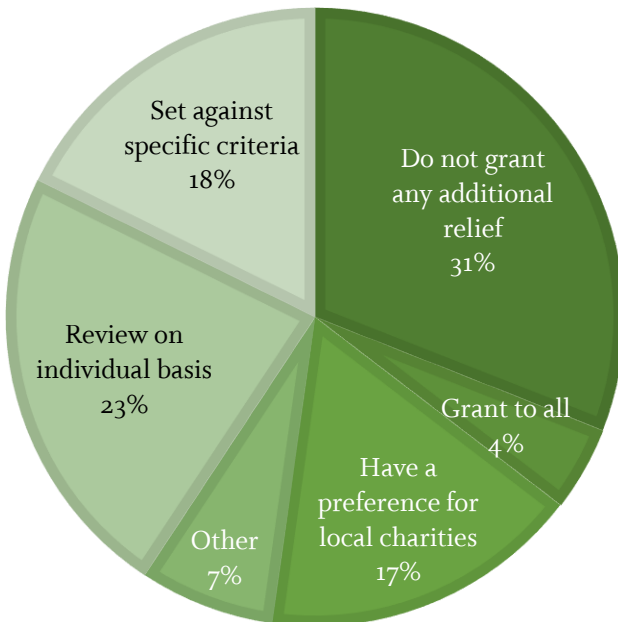


Figure 14:
rate relief policies
political control

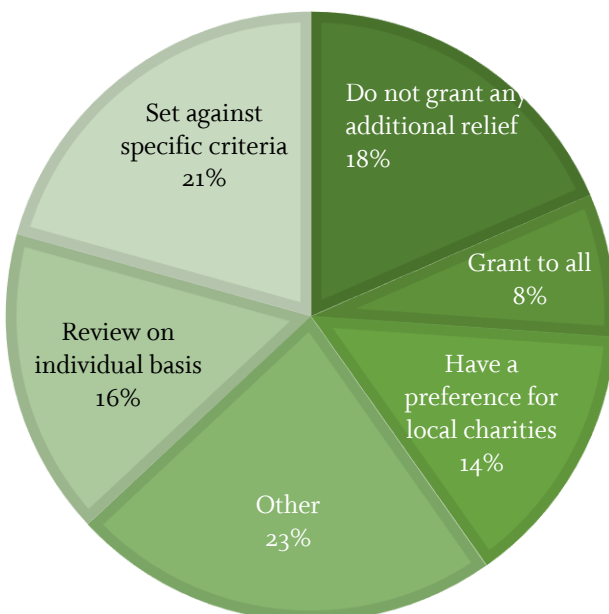


Figure 15:
rate relief policies
political control



d) Conclusions

Our investigation has shown that despite the wide-ranging discretion councils have to award their charity shops anywhere between one and 20 per cent of additional rate relief, most local authorities do not use these powers imaginatively. Councils tend to grant a shop the full 20 per cent or nothing at all, and unfortunately for our members the latter option is far, far more common.

Where councils do give charity shops this extra form of support their rules and procedures are rarely clear and transparent and often rely on personal relationships and individual lobbying by charity shops.

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.

We believe it would be 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.

However, in the meantime we believe the current system would gain much more charity and public trust if it was clear and transparent and available publicly.

Location again seems to be an important factor in influencing council policies. Scottish councils tend to be far more generous in what business rates relief they will offer, followed by Wales. At the other end of the scale the London boroughs, followed by Yorkshire councils, are the least generous. These trends are far clearer than those around council type.

When it comes to the influence of political control a pattern very similar to the one we observed around council waste charges emerges. Independent-run councils are the most generous, however, over half of these councils are to be found in Scotland (more specifically in the Scottish islands) and so it may well be that geographical factors have a stronger influence on this, given that Scottish councils of all political stripes seem to be more generous than their counterparts south of the border.

3. Next steps

a) For charity retailers

As we set out in the introduction, this report does not claim to be a fool proof guide to where charity retailers should expand next. However, we hope members will find it of some interest and use.

The following points offer some tips for charity retailers to consider before using this report in your work.

Do ...

- think about your priorities – is it more important to you to find a council who will give you a business rates cut or to look for footfall?
- think about what charging regimes would work best with your business model
- always speak to your local council first – you can use this guide to identify the kinds of authorities that might be helpful and friendly but you will not know for sure until you see their official policies

Don't ...

- assume things will always stay the same – councils are frequently changing their policies and so the trends identified in this survey could change over time
- expect every charging regime in a category to be exactly the same – it was necessary to group individual polices into categories in order to draw conclusions but the policies in each category will not be identical, for example councils who set clear criteria for business rates relief will likely have very different criteria from each other
- base business decisions entirely on local authority factors – you might be better off in an area of high footfall, even if the local council gives no business rate support

b) For us

We will also be using the information gathered in this report to inform our lobbying and public affairs work.

To tackle the issue of inconsistent and opaque business rates relief policies we will continue to lobby for a mandatory 100 per cent relief across the country to give all of our members a level playing field.

In addition to these national campaigns, the information we have uncovered through this report will also allow us to target our campaigning work with local councils.

We will seek to meet those councils least likely to offer support to their charity shops and focus our efforts on those we need to do most to convince.