Cancer Research UK response to Welsh Government consultation  
*Business Rate Relief for Charities, Social Enterprises and Credit Unions – Recommendations from an independent report to the Welsh Government*  
June 2013

**Background**
Cancer Research UK is the world’s leading cancer charity dedicated to saving lives through research. We support research into all aspects of cancer through the work of over 4,000 scientists, doctors and nurses. Our pioneering work has been at the heart of the progress that has seen survival rates in the UK double in the last forty years. Every year, around 18,100 people are diagnosed with cancer in Wales.¹ Thanks to the generosity of our supporters, Cancer Research UK spent over £4 million last year in Wales on some of the UK’s leading scientific and clinical research, contributing to the health and wealth of the nation. We have 19 shops in Wales, through which we invest an additional £780,000 per year into the Welsh economy.

**Key messages**
- We disagree with the assertion that charity shop presence is negatively impacting on the economic environment of our high streets. We do not feel that the evidence presented in this consultation document supports this, and therefore we believe that many of its recommendations are flawed.
- We are very concerned by the recommendation to set new thresholds for charity shop rate relief (recommendation 7) combined with the recommendation to consider reducing the mandatory 80% charitable rate to relief to 50% (recommendation 9). Both of these recommendations would significantly impact on our capacity to operate in Wales. They would be costly for charities (recommendation 7 would cost us around £30,000 per year and recommendation 9 would cost us over £54,000 per year), and add complexity and cost to Business Rates administration (estimates have not been provided by the group). If either was accepted, we would need to reassess our contribution to the Welsh economy through our retail stores, and this would undoubtedly impact on our ability to fund cancer research.
- We support the promotion of more BIDs in Wales (recommendation 3), where they are wanted by local retailers. We are already committed to being involved in 37 BIDs in the 2013/4 financial year, and have since April contributed over £10,500.
- We support the recommendation for new goods sales to be more effectively monitored by charitable organisations themselves (recommendation 10).
- The recommendation to impose an upper Rateable Value of £36k on all commercial properties occupied and used for charitable purposes (recommendation 6) does not address any existing problem with tax avoidance and therefore we do not support it.

**Insufficient evidence for the proposals**
We are pleased that the previous call to evidence elicited 103 responses. Fewer than 8% of these responses were in support of the Business Rates Review. The Charity Retail Association’s petition handover was supported by a number of AMs, where 22,600 people responded in support of maintaining the current charitable Business Rates reliefs.

It is therefore difficult to see why this consultation has been issued, or why it goes further than the call to evidence, given the previous responses. There is a lack of an evidence base to support the

¹ All cancers (excluding non-melanoma skin cancer) diagnosed in 2010.
recommendations that have been put forward in the consultation. No impact assessment has been prepared on how they would affect charities in Wales, or those that rely on their services.

Cancer Research UK has not been invited to meet the Business Rates Task and Finish Group, or to participate in the consultative workshop (though we accept that the Charity Retail Association received a small number of invitations). The group should publish a list of the organisations it has met in compiling its report.

The only real evidence presented to support the recommendations (in Annex 2) seems to have been compiled on the back of leading questions, and therefore is not robust. The questions asked should have been presented in full, and asking high street customers and members of other BIDs would have given a more accurate reflection of the public’s views.

Assertions are made without supportive evidence throughout the consultation, and there are problems with how information is presented. For example:

- The review should state whether the figures in paragraph 23 are UK wide or specific to Wales. Contribution margins are much lower for Cancer Research UK in Wales that in other parts of the UK. We have just 19 shops in Wales compared to 555 in the UK. We are maintaining our Welsh shops for the benefit of supporters, volunteers and local communities, rather than because of healthy profit margins. Our experience suggests that it is dangerous to assume that Welsh charity shops simply reflect UK trends.

- The report assumes clustering is bad for local areas without providing evidence to support this. Paragraph 35 asserts that there has been a substantial amount of criticism made about the impact of charity shops on other retail businesses. Examples of this criticism are not presented, and responses to the call to evidence do not support it.

- No evidence is presented to support the assertion that charities are developing the range of their retail outlets. This is not the case with Cancer Research UK – our Welsh shops are all maintained as general charity shops.

Small Business Rates Relief in Wales is worth £75 million per year, while the Business Rates relief for charity shops only costs around £3.4 million per year. We would want to see evidence on what benefits are brought to the economy and local communities through these two sums, in order to inform proposals.

**The purpose and wider benefit of charity shops**

The primary purpose of charity shops is to convert donated gifts in kind into gifts of cash for charities to spend for the public good. This fundamental point seems to have been missed throughout the group’s report. Cancer Research UK receives around 800,000 items for donation in Wales every year – clearly showing the public’s support for our shops.

We are pleased that the report recognises the contribution that staff and volunteers in charity shops make to the local community, as well as to the charity’s mission. Cancer Research UK’s shops offer many volunteering opportunities to their local communities. In addition to their retail responsibilities, staff and volunteers provide a range of help and support to the public, such as free health information and awareness of the signs and symptoms of cancer. They also often provide emotional support to those

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2 Based on over 4190 bags of stock being donated to each shop per year, and ten items being in each bag.
affected by the disease. Even if they are part of a larger chain, all charity shops are local, and should be treated as such.

Our shops recycle nearly 300 tonnes of clothing in Wales every year – saving it from landfill.\(^3\) We are currently providing special work experience placements to 25 people in Wales, and have volunteering opportunities throughout Wales, including some with those with Special Educational Needs, and with links from local Job Centres.

We fundamentally disagree with the suggestion that charity shops should be listed alongside pawn and discount shops. Charity shops are a source of pride for the local community, not embarrassment.

**Business Improvement Districts (BIDs)**
We support the promotion of more BIDs in Wales (recommendation 3), where they are wanted by local retailers. We were involved in 52 BIDs throughout the UK in the year to 31 March 2013, including in Swansea, and contributed nearly £14,000 in to them. We are already committed to being involved in 37 BIDs in the 2013/4 financial year, and have since April contributed over £10,500.

**New Goods Sales**
We do not agree that market distortions have been created by charity shops. While we accept that charity shops will sometimes act as competitors to value retailers in limited circumstances on a small number of products, charity shops mainly compete among themselves. For this reason, the Valuation Office Agency should not take in to account charity rate relief when compiling comparable evidence for the purpose of drawing up the Rating List.

As stated in the consultation, bought-in goods account for around 4.4% of total goods sold in Welsh charity shops. We agree that more evidence and effective monitoring is needed, and support the recommendation for new goods sales to be more effectively monitored by charitable organisations themselves (recommendation 10).

**Cost and complexity of recommendations**
The recommendation to set new thresholds for charity shop rate relief (recommendation 7) combined with the recommendation to consider reducing the mandatory 80% charitable rate to relief to 50% (recommendation 9) would significantly impact on our capacity to operate in Wales. We estimate that recommendation 7 would cost us around £30,000 per year, and recommendation 9 would cost us over £54,000 per year. If either was implemented, we would need to seriously reassess our contribution to the Welsh economy through our retail chain. This would undoubtedly impact on our ability to fund cancer research.

Recommendation 7 in particular would increase the cost and complexity of Business Rates administration. No estimates have been provided for the increased costs of administration that would result from these recommendations.

The suggestion that Local Authorities should zone or limit the number of charity shops in a given area would mean additional administrative costs for them. It is not clear how this recommendation would

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\(^3\) We receive around 1531 bags of donations per week. This equates to nearly 80,000 bags per year in Wales across all our shops. We have assumed that there are 10 items per bag, and that each item weighs 375g.
work. Organisations like Cancer Research UK are in multi-year contracts with private landlords, and significant compensation would be needed if these contracts were to be broken due to new zoning regulations. Recommendation 2 should not be pursued by the Welsh Government.

We do not believe that all charitable reliefs should be left at the discretion of Local Authorities. This would create greater administrative costs and confusion for charities, as well as unfairness for those dependent on charitable services across Wales. Business Rates relief is one of a wide range of tax reliefs from which charities benefit – because they exist for the public good. These reliefs are generally reserved to the UK Government which ensures simplicity.

**Impact of recommendations on Cancer Research UK, and on cancer research in Wales**

Equipment that is needed for cancer research is often very expensive. For example, an ultra speed centrifuge, which allows scientists to understand why cancer develops and find new ways to treat it, costs around £40,000. Around £30,000 would pay for around 1000 men to take part in one year of a study looking at different treatment combinations for prostate cancer.

Medical research charities spend around £1billion on research each year in the UK. For example, the Cancer Research UK Centre in Cardiff is a partnership between us, Cardiff University, Velindre NHS Trust and Vale NHS Trust. Researchers at the centre are translating laboratory discoveries to develop effective new ways to diagnose and treat cancer to help cancer patients. The largest lung cancer trial in the world, involving people from over 150 UK hospitals, is based in Cardiff.

Medical research brings great benefit to the economy. If this review is to be faithful to creating economic growth and investment, it should support medical research charities like Cancer Research UK to generate funds via our shops to invest in research, for the benefit of cancer patients and the economy.

**High Street decline in Wales**

The reasons for any ‘decline of Welsh high streets’ are complex. The economy is performing poorly, with growth of just 0.3% across the UK between January and March 2013.\(^4\) We have not seen any evidence presented that charity shops should be blamed for any broader decline of the high streets. Paragraph 20 says, “...the weak state of the property market has led to a greater willingness on the part of retail property owners to offer tenancies to charity organisations.” The implication here is that charities are in some way preventing retail units from being empty while businesses are not able to rent them. Given that vacancy rates for retail units are 17.9% in Wales compared to 7.4% in London and 11.9% across the rest of the UK,\(^5\) the proposals in this consultation would probably lead to increased retail vacancy rates, as charity shops would need to close. Given this, the group needs to present a much more robust evidence base for why the recommendations to cut charitable reliefs now are the answer.

**Tax avoidance**

Cancer Research UK condemns any form of tax avoidance. Maintaining valuable charity tax reliefs is only possible where they are not subject to widespread abuse. We support any proportionate measure that will discourage abuse, however the recommendation to impose an upper Rateable Value of £36k on all

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commercial properties occupied and used for charitable purposes (recommendation 6) does not address any existing problem with tax avoidance and therefore we do not support it.

We have suffered from the impact of bogus charities in the past – although we have not completely stopped house to house collections, our intentions are to do so by the end of this year because of the abuse that happens by organisations purporting to be charities.

It is very difficult to determine what is proportionate until the extent of the problem is known. Regrettably, the report gives examples of ‘tax avoidance’ without quantifying the estimated value of the lost Business Rates income.

We urge more effective enforcement of the current rules. Local Authorities should have all the powers and resources they need to investigate concerns and act on them if the ‘wholly or mainly’ requirement is not being reached. We are pleased that the Charity Retail Association will be working with the Welsh Government, Wales Council for Voluntary Action and the Charity Commission to explore ways of ensuring that charities are not inappropriately occupying premises. Recent publicity regarding the decision in the High Court ruling against the Public Safety Charitable Trust provides evidence of the current rules working if they are properly policed.⁶

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