

Written evidence submitted by the Charity Retail Association (PEG0083)

Dear Committee

Post-Pandemic Economic Growth super-inquiry

The Charity Retail Association is the voice of charity retail with over 400 retailer members, who run around 80 per cent of all charity shops in the UK. Our members range from charities running a single shop to charities running several hundred shops and everything in between. We provide support, training, and guidance to members to support the growth of charity retail.

Charity shops form a vital part of the UK economy and the wider retail sector. Our market analysis estimates that in 2018/19 charity retailers generated a contribution to charities of £330million, which was an 11% increase on the previous year. Charity retailers are also an important source of employment and volunteering opportunities with 26,000 full time equivalent jobs and 233,000 volunteering opportunities in the sector.

A sustainable recovery

The charity retail sector has huge potential to contribute to environmentally sustainable growth and employment across all communities as well as raising money for charitable activities.

The existing environmental contribution of charity retail is substantial. Each year, charity shops facilitate the recycling or reuse of 339,000 tonnes of textiles¹. Of this amount, around 196,000 tonnes are resold through charity shops for reuse in the UK with the remainder being sold onto recycling merchants for recycling or reuse elsewhere. If all the textiles sold by charity shops for reuse in the UK were replaced by newly produced items, emissions from the production of textiles would increase by around² 4,556,000 Carbon (tonnes CO₂e) and water usage would rise by 1,386,564,000 Water (m³).

Given the potential of charity retail to deliver sustainable growth we are seeking a recovery package for the sector which includes measures set out in this submission.

Gift Aid Emergency Relief

In charity shops, when donors sign up to Retail Gift Aid, the shop sells the item on behalf of the taxpayer who can then choose to donate the proceeds and the charity claims Gift Aid on the cash proceeds. For every £1 donated in this way the charity receives an additional 25 pence.

Together with the wider charity sector, we are calling for a Gift Aid Emergency Relief package which would temporarily increase the effective tax rate used in the Gift Aid calculation from 20% to 25%. This would mean that for every £1 donated the charity would be able to claim 33 pence in Gift Aid rather than the current 25 pence. This change would increase the amount that charity retailers can raise to support charitable activities and would incentivise new donors to sign up to Gift and encourage existing donors to increase the value of their donations.

¹ Charity Retail Association – Infographic 2019.

² Calculated from data on p.11 - https://www.wrap.org.uk/sites/files/wrap/valuing-our-clothes-the-cost-of-uk-fashion_WRAP.pdf

Charity Sector Reuse Fund

We are calling for the introduction of a new grant fund to support the charity retail and reuse sector to increase the volume of goods that the sector can redirect from the waste stream and into reuse. The fund could be designed to support projects that:

- minimise environmental impacts by extending the lifespan of products.
- generate new jobs and volunteering opportunities in the reuse sector.
- reduce costs for households by providing access to quality second-hand goods.
- support vibrant and busy high streets.

An indicative and non-exhaustive list of the type of projects that could be supported by such a fund include:

- partnerships with local authorities to facilitate household collection of items for reuse.
- setting up re-use collection points at House Waste and Recycling Centres (HWRCs).
- start-up costs for projects to reduce the barriers to people donating items.
- plant and machinery to increase efficiency of testing and sorting of goods.
- establishing centralised hubs to improve efficiency of collections and sorting.
- investment in new upcycling/ repair operations.
- support for charity retailers to start selling online for the first time.
- training for staff and volunteers on testing and repair of items.

Support for the High Street and retail sector

Vibrant high streets and a strong retail environment are important to the success of charity shops, and of course to the community as a whole. Both the business rates holiday and the retail grant scheme have played a vital role in supporting the retail sector through the closure of non-essential retail. Nonetheless, the impacts of the pandemic on retail will be profound. The Centre for Retail Research forecast that during 2020 there will be 20,620 shop closures and over 235,000 related job losses.³ In addition to the immediate support that the retail sector received, further intervention will be required to enable the brick and mortar retail sector to adapt and return to growth, and for high streets and town centres to thrive.

Business rates have a disproportionate impact on high street retail, with retailers paying around 25% of all business rates in the UK despite making up less than 10% of the economy.⁴ Widespread shops closures will inevitably have downward pressure on shop rents yet it will take many years for lower rents to feed through into lower rateable values. More immediate action is required to reduce the burden of business rates on high streets and town centres. This will have a direct benefit for most charity shops who pay 20% of the business rates bill payable as well as an indirect benefit of supporting the health of the wider high street.

³ <https://www.retailresearch.org/retail-crisis.html>

⁴ <https://www.retailresearch.org/future-of-the-high-street.html>

Given the vast scale of shop closures, there is also a strong case for an extension of the current retail grant scheme which provided business grants of £10,000 or £25,000 for smaller shop units. The scheme could be extended by:

- providing a further round of grants in 2021/22 aimed at smaller shop units or alternative support on retail rents.
- providing grants for retailers opening new stores in units that have been vacant for more than six months.
- removing the current state aid limit which has severely limited the benefit of the grant schemes for charity retailers with more than 30 stores.

Support for the wider charity sector

The latest research from the Chartered Institute of Fundraising, Charity Finance Group, and National Council of Voluntary Organisations, supported by PwC, indicates that charities are on average planning for a 24% loss to their total income for the year ahead⁵. We are fully supportive of the proposed measures put forward by the charity sector. In addition to Gift Aid Emergency Relief, the charity sector are calling for changes to the Job Retention Scheme, the repurposing of the National Fund, effective use of the Shared Prosperity Fund and the creation of a Community Wealth Fund using dormant assets.

Summary

The following measures would help boost the contribution that charity retail can make to green economic recovery, employment and boosting the funds generated for charitable activities:

- Gift Aid Emergency Relief.
- A new Charity Sector Reuse Fund.
- Support for the High Street and retail sector.

Please do not hesitate to contact us for further information.

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⁵ <https://www.institute-of-fundraising.org.uk/library/impact-on-the-charity-sector-during-coronavirus-research-report/?preview=true>