



Northern Ireland  
Assembly

Committee for Finance and Personnel

# OFFICIAL REPORT (Hansard)

Rating Issues: More Than a Shop Campaign

16 March 2016



I will give you a brief overview of charity shops in Northern Ireland. There are over 335 shops. That represents 692 jobs at the minute and over 5,400 volunteer posts throughout Northern Ireland. Those shops raise £10.5 million, and that is what goes to the charity after expenses. In essence, it amounts to £10.5 million of public benefit. The financial implications of any change to rates relief in Northern Ireland are significant. The reason that charity shops and charities in general are allowed rates relief is that our activities are undertaken "for public benefit, not private gain". That has not changed. There is nothing to say that that is different from when the 100% rates relief was established, so there is no reason to change the situation.

Overall business rates income, according to DFP, is £592 million. If charity shops had to pay 100% rates — I understand from the Department that that is not on the cards — that would generate only £5.5 million. Really, that is a drop in the bucket when you think of the nearly £600 million non-domestic rates bill total for Northern Ireland. If charity shops here had to pay 20% of their rates — 80% rather than 100% rates relief — that would raise £1.1 million. That is an even smaller drop in the bucket, when compared with the £592 million total rates bill. However, that £1.1 million, which, in comparison with the Department's business rates income, is not significant or substantial, is a huge issue for charities. It is about 10% of our income. About 10% of what we do in the community would be lost because we simply would not be able to afford to do it if we faced a 20% rates bill. That includes things like breast screening checks, health checks, Keeping Well vans, research and providing services to and working with some of the most vulnerable people, including children and older people. All those things that all our charity members do would be reduced if we were asked to pay rates.

Raising funds for charitable causes is the primary reason and primary benefit of charity shops, but point 78 of the Department of Finance and Personnel's annex to the rates information that specifically deals with charity shops says:

*"it is not only charities that benefit from rates exemption, but society benefits more widely."*

That is what we really want to talk to you about this morning.

Joyce will now go through the wider societal benefits that charity shops offer to their local community and to Northern Ireland as a whole, and she will talk about some of the myths that come up very often when people talk about charity shops. I will come back at the end for a brief summary.

**Ms Joyce Savage (Cancer Focus Northern Ireland):** I am from Cancer Focus NI, which was previously the Ulster Cancer Foundation. We have been working in Northern Ireland for a long time — since 1969 — processing our charitable aims and objectives. The retail arm of what we do is a vital part of funding the work that we do. When we got together as a coalition to launch the More Than a Shop campaign, it was very late in the day, and we did not have a lot of time to do it, but we felt that there was a real job to do in raising awareness and understanding of what charity shops are there for.

I want to talk to you a bit first of all about the additional benefits, if you will, of charity shops. All of us, as partners, will say that we support the high street. In Northern Ireland, we have a 17.3% vacancy rate on the high street, compared with 9.5% in the rest of the UK. If charity shops were to close because of the removal of our rates exemption, it is highly likely that a large number of charity shops would cease to exist and would not be able to operate. The whole reason for them being there is to make a contribution to the charitable work of the charities that they represent. If they cannot make a contribution, there would be no point in them being there, and a large number of them would have to close. That would mean that we would lose volunteering opportunities, we would have staff losing their job, and we would have the cost of buying out leases. Contrary to popular belief, most of us pay market rent and have long leases. For my charity, the majority of our leases are 10-year leases. This is not a Mickey Mouse operation.

We believe that we drive footfall to the city centre and town centres. That is to everyone's advantage, including our charity, the other charities and the local businesses that are there. We have so much out-of-town retail now. Town centres are suffering, and we appreciate what it is like for small businesses. It is the same for us. Many managers are actively involved in their local town centre, and, in fact, through the campaign, we have met the likes of the Northern Ireland Independent Retail Trade Association (NIIRTA) and the Federation of Small Businesses (FSB) and looked at how we can work more closely together.

We contribute to the local economy. We provide employment and volunteering opportunities. For my charity, the number of volunteer hours that we have is the equivalent to having 15 extra staff. The

money that we save from not having to pay salaries also goes to charitable good causes, to our aims and objectives. We have 692 jobs currently, and the majority are in the towns where the shops exist. In Cookstown or Magherafelt, for instance, the managers in those shops are likely to come from that community. If the shop closes, local people lose their jobs.

We have 5,407 volunteer opportunities, which would be likely to be reduced by 846 posts, if we had to pay 20%, and by up to 1,862, if we had to pay 100% rates. We train volunteers in retail skills, and, for people starting off in employment, that is often a way into employment if they are interested in retail. We have students who work at weekends. We have young people who are doing the Duke of Edinburgh's Award and want some experience. We have older people who, perhaps, have been out of the workforce and are feeling socially isolated; for them, it is a lifeline to be able to come into the charity and to be trained and feel that they can make a contribution. They make a massive contribution; please do not be in any doubt about that. We feel that it creates a sense of local cohesion and community.

We also make a big contribution to the environment. Consider the amount of goods diverted from landfill: 21,000 tons of waste is diverted annually. If we had to pay 20% rates and 20% of those goods ended up as landfill, it would cost councils over £354,000. That is not an insignificant sum. Whichever way you look at it, there are many arguments for us to keep the exemption.

Margaret has referred to the myths. We have heard many different arguments during this process, and I am sure that you have as well. We want to take the opportunity to counter some of the myths. One is that people view charity shops as a blight on the high street and say that they lower the tone. Our charity shops are professionally decorated and managed, and they open for regular hours. We have made the investment in those shops to ensure that they look attractive and are a benefit to the high street and raise the tone of the high street.

The consultation document states:

*"The main concerns lie in areas where the activities of the charitable and voluntary sector are seen as interfering or competing with the business ratepayer world".*

That is simply not the case. Where a charity shop has a small proportion of goods that it sells from new, such as Christmas cards, that, in general, represents perhaps only 4% of their business. They pay a portion of rates on the new business that they do. My charity sells no new goods, only donated goods. That is quite simple. Goods in a charity shop have an average price point of £3, so I do not see how that competes, even with Primark. We provide good items at very reasonable prices, and, for some people in the current economic situation, being able to go to their local charity shop and buy good-quality things for their family represents the difference between eating properly or not.

It has also been argued that we are like commercial entities and so should pay rates. We would say that we are completely different from commercial entities. As Margaret has already said, every penny that we make in profit — we refer to it as "surplus" in the voluntary sector — goes to the charitable causes that we support. If my charity had to pay 20% rates, the result would be not being able to deliver 800 life-saving health checks. We launched our manifesto document here about a month ago. We had our Keeping Well van outside, which a lot of MLAs used. It is the one service we have that is used by more men than women, and 36% of the people we see are referred on to their GP because of previously undetected issues, such as high blood pressure or high blood glucose level. Those people are found early, when it is still cheap and easy to treat them. If those life checks were not delivered, there would be a further cost to society and a personal cost to those who no longer had that service.

Furthermore, the highest rent on any of our shops is £23,400; the majority are over £15,000 a year. We have one at low rent in Newtown Stewart. If any of you have been to Newtown Stewart, you will know that it is a small town. It has very few shops. One of them is our charity shop, and its rent is £6,500. We deliver it in partnership with the local Church of Ireland diocese. I will pass you over to Margaret to summarise.

**Ms Carr:** You have heard about the range of benefits that charity shops bring not only to the beneficiaries of our good work, if you like, but more widely to towns and town centres, including economic benefits, social benefits and environmental benefits. I hope that we have been able to dispel a couple of the myths that seem to come up all the time about charity shops. Taking all of that evidence together, we believe honestly that there is simply no logic in imposing rates on charities. It would be a tax on the work that we carry out for public benefit and that charities undertake. We believe strongly that the 100% rates relief should remain in place. We also respectfully ask the

Committee to urge DFP to undertake a comprehensive and detailed impact assessment, looking at what a tax on charity shops would bring in, compared with what we would lose, and the costs of doing that across the board.

We appreciate, again, the time that you have allotted to us this morning for this issue, especially in your very last meeting. We appreciate that. Thank you, and we are happy to answer any questions that any of you might have.

**The Chairperson (Mr McKay):** Thank you. That was a very interesting presentation. The line that stuck out for me was that a 20% rates payment would be the equivalent of 800 life-changing health checks. That is the kind of information and detail that we want and need to hear.

From listening to the arguments around the issue, I have certainly garnered that — I would not go as far as to say that there is tension — other traders in town centres do not want charities to have the relief that they currently have. Recently, in my area, in Ballymena, we went from door to door, and I was surprised at how many charity shops there were. Certainly, if those charity shops were not there in town centres, there would be a big gap to fill.

How do you improve that relationship, with the debate now taking place? You said that you have engaged with NIIRTA, the FSB and others. Is there an opportunity now to improve those relationships?

**Ms Carr:** No question, I think. We have been pleased by that side outcome, if you will, of the whole organisation that we have been working on. The Charity Retail Association and NIIRTA have had individual meetings about how that can happen. They have agreed to become members of each other's organisation. The Charity Retail Association will encourage all its member charities, to which everybody in the consortium belongs, to get involved even more in local chambers of commerce and with local business organisations.

It is important that businesses understand that we benefit from a strong high street just like they do. We want a strong high street just like they do. We do not want a 17% vacancy rate and nor do they. It is not "us versus them". We appreciate that times have been tough for small businesses in Northern Ireland and are still tough, but, in fact, the economic downturn impacted on charities and charity shops just as much, to be honest, and we are only — all of us together — starting to come out of it. "Together" is the important word. We have established some new ways of working between organisations in order to do that because we think that it is very important.

**The Chairperson (Mr McKay):** You stated as well that you would like to see the Committee undertake a detailed impact assessment: can you elaborate on that?

**Ms Carr:** Sometimes, if a recommendation is made such as "Let us make charity shops pay 20% or give them an 80% rates relief", you have to be able to quantify what that will mean for the income for the Department and what it will mean in terms of loss: how many shops would potentially close; how many job losses there would be; and how much less volunteering opportunity there would be. If a number of our shops close, that means less footfall to town centres. How much might not be given to charity shops and wind up in landfill? That is a cost to local councils. All those things need to be considered, as well as the income that a rates increase would generate. It is only £1.1 million. I mean, I would like to have £1.1 million, but, in the scheme of things in rates income, it is not very much money. Given the things that are likely to happen on the negative side, we want to see it weighed up more carefully.

**Mr Wells:** First of all, we all definitely did receive your email: I think I got about 14 of them. It was very well written, may I say? Sometimes, you get these, and they wander around, and you just cannot catch the nuances of what they are trying to say. Certainly, in your case, it hit the mark very quickly.

Can I ask a difficult question, perhaps? St Vincent de Paul is one of the biggest players in this field. Why is it not member of your group?

**Ms Carr:** Not for any reason other than that we could not find out from them whom to speak to. We started off with three organisations — Cancer Focus, Cancer Research UK and the British Heart Foundation — meeting about something else. At the end of it, we got onto this conversation, and it kind of snowballed. Really, the consortium was not planned or organised other than us saying, "I know somebody from Oxfam" or "I know somebody from Save the Children" or "I think I know

somebody from Barnardo's". It has been kind of grown organically. I tried to get hold of St Vincent de Paul, the Salvation Army and a couple of other people, as a matter of fact. However, not all charities are set up the same way. I am a public affairs manager, but lots of charities do not have somebody who does that job and you get the retail manager saying, "I'm real busy". In the specific case of St Vincent de Paul, we could not get an answer back as to whom to talk to about the issue. The same thing happened with the Salvation Army.

**Mr Wells:** It is not that there is a fundamental difference of view on this.

**Ms Carr:** No, not at all.

**Mr Wells:** Do you believe that the members of your consortium are representative of the sector generally?

**Ms Carr:** Yes, absolutely.

**Mr Wells:** I am intrigued: I did not realise that you paid rent. What tends to happen in South Down is that, when somebody owns a shop that closes, they know that they will have to pay rates on it even though they will not get a tenant, so, basically, they give the shop to a charity to avoid those costs. Is that typical in your organisation? Are most of these shops not rent-free?

**Ms Carr:** No, absolutely not. I can certainly speak for Cancer Research UK, which has 20 shops, and I can speak for the 16 charities represented on the consortium. None of them has a shop that is rent-free — none of them. Over 200 shops are represented by the 16 charities. We pay commercial rates. We use an agent in Northern Ireland; we do not even go directly to landlords and say, "Hi. I want to rent your premises". The vast majority are 10-year leases or, if not, they are five-year leases. Those are all professionally organised and done deals.

**Mr Wells:** That is interesting. One of the most successful ones in my area is rent-free and rate-free and does phenomenally well for a very worthy cause. What happened there was that I said to the owner that they were never going to rent the property and would have to pay rates on it because it was vacant. Why do you not do that? You could just say, "I will give you a fiver, and we'll move into your empty shop".

**Ms Carr:** I cannot speak for the other charities, nor can I offer any opinion on why other charities would do that. The myth that often comes up is that, in order to avoid a 50% vacant property tax in the form of rates on their property, landlords decide to let it to a charity. I can tell you that, in the majority of cases, that does not happen. If there are landlords who are doing that, the problem for us would seem to be with the landlord and not the charity. Imposing a 20% tax on the charity does nothing to fix that problem — if you perceive it as a problem.

**Mr Wells:** If you pay an economic rent, why does the landlord not just rent it to somebody else? It strikes me as a bit strange. You pay the going rate, is that right?

**Ms Carr:** Yes, absolutely.

**Mr Wells:** Why?

**Ms Savage:** May I just interject there? I have been involved with charities and charity shops in one way or another for over 20 years, and I can tell you that it is beholden on us, as charities, to operate in a businesslike fashion. The donors that we have and the customers and charity shops that we have expect us to deliver on what we promise to do. An opportunistic style of business will not provide that. We have to observe employment law, we have to give security to the staff whom we employ and we have responsibilities to the volunteers whom we have there. Quite simply, the reason that a lot of landlords choose to have a charity tenant is that they trust them to stay in those premises and not decide after a year, "This is not going to work for me. I'm off". I have had landlords tell me that the benefit to them of having a charity as a tenant is a question of trust: they can trust us as tenants to look after the property, make the investment in it and carry on the business in a businesslike and appropriate fashion.

**Mr Wells:** Let us say that I owned a shop in Kilkeel that was not doing well and I told you that I would give you my shop rent-free for five years because you are a fine, upstanding organisation and I trust you to look after it. Would you refuse that?

**Ms Savage:** I am not saying that we would refuse that; I am saying that we would look to see whether the business was viable in Kilkeel. There are a lot of costs associated with taking on a shop, such as the fact that we would need to refurbish it to the standard that people expect to see when they come into a Cancer Focus NI shop. There would be employment costs and investment costs. The shops have to be serviced and goods have to be taken to them and donations have to be got. It is not simply a matter of saying, "OK sure, we will go in and do that". It just does not work that way.

**Mr Wells:** This point will be made by somebody else, so I will make it. In the high street, you could you have Willie John or Séamus, who has a second-hand furniture shop and Freda, who has a second-hand bookshop, paying full rates. Meanwhile, down the street, you could have a very worthy cause selling second-hand furniture or second-hand books. Do you understand their argument that, "We are at a competitive disadvantage, albeit to a worthy cause. How can we compete against that, when they basically have no rates?". Quite a small shop recently closed down when it got a bill for £20,000 that it just could not pay. Why should somebody down the street selling almost identical products get away rate-free?

**Ms Savage:** We would make the point that it is not so much what we sell but where the money goes. My argument is that, although a lot of businesspeople are feeling the pinch, we, too, are feeling the pinch, so we completely understand. We would say that we are not the threat; the out-of-town retail parks are the threat. If one of those shopkeepers had a family member who had reason to use one of the services of a charity, I think that they would be the last person to say, "Actually, 20% of what you raise to provide this benefit to my family member you should be paying in tax". If you divide it up into little bits, yes, you can look at it that way, but, if you look at the whole and the benefits of the whole, that argument really becomes more spurious.

**Mr Wells:** As for the concept that you pay rates on the proportion of new goods that you sell, does that actually happen? How —

**Ms Carr:** Yes. Sorry to interrupt. I will speak to that because we sell new goods. We do a substantial business in Christmas cards and sell other miscellaneous new products that we pay rates on. We have just discovered through all this work that we actually pay too much in rates. As a total in Northern Ireland, we pay about 78% of our rates bill, when, in fact, our non-donated sales or sales of new goods are less than 10% of our business. We discovered that through this exercise, so we are going to ask for some money back. Charities that sell new goods — I have worked for two of them in my time in Northern Ireland — pay the rates portion on —

**Mr Wells:** So your shop is already paying 78% of the rates.

**Ms Carr:** No. Our relief amounts to 78%.

**Mr Wells:** Right. How is that policed? I go to charity shops all the time; in fact, my daughters' first port of call for clothes is charity shops. There are some wonderful bargains, I am told, in charity shops. How can you disaggregate the new from the old? Who checks to see whether that is happening?

**Ms Carr:** There is no provision in law for it to be checked. At the minute, it is left completely up to the charities. I can speak for Cancer Research UK and say that we would be happy to comply with any additional safeguards that the Department wanted to put in on that to ensure that it was appropriate and legitimate. We do a calculation on our sales in every shop at the end of every year, and we pay our rates on the basis of the percentage of new goods that we sell. It is very clear what are new goods, and they are rung into the till differently. We pay VAT on our new goods; obviously, we do not pay VAT on donated product.

**Mr Wells:** You are a big, well-known, well-organised charity. Do you think that everybody is doing that?

**Ms Carr:** It is, in general, only the larger charities that sell new goods. In the whole of Northern Ireland, we think, the proportion of sales in charity shops of new goods is well under 4%. We are the

largest, I think. My impression from the people I know and the other charities that I know that sell new goods is that they do their sums and pay their percentages on the basis of their actual sales. As I said, I do not think that any legitimate charity would have an issue if there were to be new legislation or new policing rules on how to manage that so that we ensure that the Department gets its fair share.

**Ms Savage:** May I add to that, speaking from my charity's perspective? Over the last few years, the rates agency has done spot checks on the goods that we sell. Because of that, we decided not to sell new goods. We just do not do that; we do not touch them; we stopped doing Christmas cards. It is a simpler business model for us, given the amount of new goods that we would have sold. I agree with Margaret that, as a sector, we would welcome any safeguards for charities and for our requirements in law.

**Mr Wells:** There is a joke about the Ulsterman who gets stranded on a desert island. What does he do? He forms three health charities. One of the real problems about the sector in Northern Ireland is that we have a huge number of charities in every field, in my opinion duplicating. There are 14 cancer charities alone in Northern Ireland. Are charities in our town centres basically doing the same thing and competing against one another? Is there simply displacement? You do not get extra money for the charity because you are all doing the same thing. Is that happening, or is there coordination between you to make certain that you do not all chase the same money?

**Ms Savage:** There are two questions there. The first is whether there are too many charities — cancer charities, for instance. Looking at cancer specifically, it is a massive disease, as we all know. There are more than 200 types and a lot of the charities here specialise in one area, whether it is end-of-life or children and young people. We are a more generic cancer charity, and we work across the board in cancer prevention etc.

**Mr Wells:** There are two massive cancer charities in Northern Ireland. Many people perceive that, first, we cannot sustain two massive charities, and, secondly, they do the same thing and both have shops.

**Ms Savage:** Yes, but there is a reason why we have Asda and Tesco and Sainsbury's. Mergers should be looked at, but that takes a lot of work. We had a failed merger attempt some years ago. However, if we had only one supermarket, would they sell more stuff? Would they raise the same money? We have clients who come to this charity and clients who go to that charity. As our health services are cut back, we get more and more people coming to the voluntary sector for help. We have waiting lists for our counselling service, so it is not the situation here that two charities set up to deliver services are not doing very much because there is too much provision. There is not too much provision; there is not enough provision.

**Mr Wells:** Are your shops competing against one another on the high street?

**Ms Savage:** No, we do not see it that way.

**Mr Wells:** But are you?

**Ms Savage:** No, we are not. To be perfectly honest with you, often charity shops do better where there are several because the person who shops in a charity shop likes to go into this charity shop and that charity shop.

**Mr Wells:** I can understand having St Vincent de Paul and Cancer Focus Northern Ireland side by side because they are totally different charities. However, if you have the two major cancer charities on the high street together, are you raising extra money for cancer provision or just competing for the same pot of money?

**Ms Savage:** As Leslie will know, there is a case in point in Bangor with a Cancer Focus NI shop in Market Street and Action Cancer right next door. Both shops do very well.

**Mr Wells:** So they are raising extra money.

**Ms Savage:** They are trading very profitably.

**Mr Cree:** It creates critical mass.

**Ms Savage:** Exactly.

**The Chairperson (Mr McKay):** Do you have a figure for the rates that you pay on non-donated goods?

**Ms Carr:** I do not, but I would be happy to come back to you with that. I can speak only for Cancer Research UK on that. I do not have figures for the other charities, but I am happy to come back to you with that.

**Mr McCallister:** Sorry for missing the start of the presentation. I met Margaret in the constituency over this issue.

We should look at whether selling new products can be checked robustly. You made the point, Joyce, that that became a problem for your business model, so you just cut it out. That was probably the right thing to do. It is hard for us to justify a charity shop selling new products and competing with someone who pays rates. I would welcome anything that was done to make sure that the checks on that were pretty robust and that it was not something that could be easily thrown out.

I recognise the value of charity shops across Northern Ireland. When I came in, Joyce was giving the figures for our vacancy rate. There is an idea that someone is setting shops up just to get the rates relief. We are not quite double the rest of the country, but we are coming awfully close to it at 17% compared with 9%. That is pretty bad.

Last week, we had a big announcement that a major business was closing in my nearest town, Rathfriland, with rates and the revaluation of rates one of the major contributing factors. Other businesses will possibly follow. That is the big conundrum round all the rates issues. I welcome them in towns. There is a danger, and it is something that the Executive need to look at: how do we regenerate town centres? A vacancy rate of over 17% is far too high. What are we doing? What are councils doing with the rates that they set?

Your main debate is on the money that you raise. It would cost charities a lot, but, in the scheme of things, it would make a fairly modest difference, at best, to the entire government Budget and it may be pointless going down that road. You maybe gave us this number at the start — I apologise if you did — but how many volunteer hours do you roughly equate to?

**Ms Carr:** We have 5,400-plus volunteers at any given time in charity shops in Northern Ireland. The average volunteer gives four hours, give or take. With my math, I cannot do that.

**Mr McCallister:** That is over 20,000 hours.

**Ms Carr:** Honestly, not much independent research has been carried out on charity shops, but Demos, an independent think tank in the UK, did some research in 2013. In some cases, they have amplified the things that we have mentioned:

*"Charity shops provide a space for social interaction for volunteers and members of the public, facilitating local cohesion".*

How do you put a price on that? If we were to lose 50 or 100 shops because of being taxed in some way, that sort of thing would be difficult to put a price on. It is the environmental impact etc, on top of what, obviously, would be the £1 million less that charities in Northern Ireland would have to spend on the work that they do.

**Ms Savage:** In our audited accounts, we account for the volunteer hours that we have, as required by the statement of recommended practice (SORP). For us, it is about 315,000 hours. St Vincent de Paul, who, unfortunately, as you know, cannot be here today, have about half a million volunteer hours per annum. That is a substantial contribution to the community.

**Mr McCallister:** It is massive; it is more than I thought. There is the point that, if you pay this in rates, you offset some of the services that you do. How many do you think would close because of the rates?

**Ms Carr:** The estimates from the charities themselves are, that, if we were to pay 20% rates, we would lose —

**Mr McCallister:** Which is the same as the rest of the UK.

**Ms Carr:** Reducing it to 80% rates relief, sorry; we talk about it kind of backwards.

**Mr McCallister:** That is what they do in GB.

**Ms Carr:** Yes, it is what they do in GB; it is what they have done for a long time — decades — in GB.

**Ms Savage:** We would lose 846 posts and 5,407 volunteer opportunities.

**Ms Carr:** And probably 54 shops.

**Ms Savage:** In GB, the 80% relief and paying 20% situation of rates was introduced in 1988, so the business model of a vast number of charity shops in GB is predicated on that. Here, our business model is predicated on 100% rates relief. We have shops that operate in quite small towns with limited potential, compared with a large number of the charities operating in GB. That is another factor of the impact if we had to start paying 20%. Our shops and our businesses are not set up to cope with that, and we would lose a large number. I think that one of the charities concerned has said that it would have to close half its shops. For all of us, if this comes, we will have to do a total review of our business model and look at cost. A cost-benefit analysis shows the money that it would cost councils in landfill and the money that it would cost charities, if they had to close shops, in redundancies for staff and negotiating out of leases, which, as I have explained, we pay market-level rents on. There will be a huge impact on our society if charities have to pay 20% rates.

**Mr McCallister:** Joyce, one thing that you said struck a chord with my earlier comments. Where do you think the 54 shops that go are most likely to be? Will that most likely be in the smaller towns?

**Ms Savage:** I would say so, because they are the ones where we probably get smaller margins. Anyone who runs a business knows that there are fixed costs, and, regardless of the size of your operation, you have those fixed costs to start off with. For instance, our shop in Newtownstewart may have the smallest rent and we run a partnership with the Church of Ireland diocese, so we get a lot of volunteer support there, but there are not many shops in Newtownstewart. If we had to pay 20% rates in that shop, I do not think that it would be viable.

**Mr McCallister:** That is my point about towns like Rathfriland, where you have a small enough footfall. I am concerned that, if the Department were to go down this route, it would be the shops in the small towns — the Rathfrilands and the Newtownstewarts — that you would think were not viable. Those towns are already struggling with rates. In Rathfriland alone, we could be looking at losing two or three businesses over the next few weeks, and we would mainly point the finger at rates. If you put that on to charity shops, a small town like Rathfriland will be decimated; there will be nothing in it to bring anyone in. When you get into the subject of footfall, that has a knock-on effect on other businesses. That is something that I do not want to see in our small towns, given that we are already way above the UK average on vacancies. With this scheme, we could end up being penny wise and pound foolish.

**Ms Hanna:** Thanks for the presentation. My overall concern about the rating policy has been that there are too many exemptions and gaps in it, and the feeling among small traders is that they are picking up the slack. When I was doing our submission to the review, we deliberately avoided making this specific recommendation, not least because I worked in the voluntary sector for 10 years in a charity that had charity shops and would not have got away with putting it in.

You make a compelling case. I was worried not just about the displacement of a bookshop or a second-hand clothes shop having to compete with a charity shop but about the displacement where a small business or a start-up cannot get a lease, certainly not a short-term lease, because it is easier for a landlord to give it to a charity shop that, they know, will not have to pay rates and will be able to meet its responsibilities on the rent. That has been my primary responsibility. I represent South Belfast, as does Máirtín, and the charity shops on the Ormeau Road and the Lisburn Road, where yours is, fit in very well with the offering. We have not tipped the balance so that it is completely charity shops, but they are part of the mix. You have convinced me even further on the displacement

of the social services as well. How else would we address recycling and the cost to the public purse of the health checks that you can provide?

I want to clarify two things. First, we know that, when new products are being sold, rates are payable. I know that Oxfam has a partnership with one or two large high-street retailers where they take their seconds, and I know that the labels are chopped off. Are those products classified as new clothes? They are new and unworn clothes. That is a slight discrepancy. They are brand new from the retailer; they have just never been sold or worn before. Secondly — I do not know if this is in part of the proposals — in some councils in England, it is at a council's discretion whether it levies a small portion of the rates. That is something that we could consider to allow fine-tuning in John's area, for example, where it would be a major loss and could tip a small a small town into complete dereliction. It would allow a council to retain that tool, where vacancy is not an issue. Do you have any views on whether it would be workable to give councils discretion to levy rates?

**Ms Carr:** I will answer your first question first because it is an easy one to answer. The answer is no. Charities get donations of new clothing from businesses — from a shop that makes jeans or something — and then sell them in the shop. They are donated and they do not pay for them, so they are classified as a donation and, consequently, no rates are payable on sales of those products. That is pretty clear, I think.

The second issue is the discretionary extra bit of rates that is applicable in England. There are issues with how that works. It is completely discretionary, meaning that there are no criteria and no guidelines for any council; councils can do whatever they want. This is anecdotal, but my understanding is that there is an example of somebody quite high up in a council whose wife works for a particular charity, so it got an exemption and somebody else did not. It is that sort of thing. We are not confident about that would work, without seeing specific proposals. It could mean that you are a disadvantage just because you are on this street and not a mile down the road. That can become an issue. We would prefer not to go down that road on the basis of the experience of charities in England that have used that system.

**Mr I McCrea:** This is not a question; I just want to commend the work that you do. When the issue was first mentioned to me, I had parked my car and was heading to my office in Magherafelt when a member of staff from the Barnardo's charity shop came up to me. She mentioned a couple of issues to me, one of which was this. I have not spoken to her again yet. I made a point of speaking with the Minister to make sure that he had no plans or intentions to make any changes, and I am glad that he has no intentions to make changes at this point. I have spoken to small businesses on the high street that are concerned about empty premises becoming available. It seems that the first thing to go into those premises is a charity shop, and they are competing against it.

All in all, if the balance is right and charity shops have changed their focus and it looks not like a charity shop but a high-street shop, that is to be commended, as are those associated with that. If the balance is right and is not tipped the other way so that small businesses are detrimentally affected, charity shops have a place on our high streets and certainly have my support. When the local charity shop's concerns were raised with me, I made a point of going to see the Minister. I am delighted that he has no plans to make changes; nonetheless, there is concern in the business community about it. It is about how we bring it together so that it is not a "them and us" situation and everyone is working for the benefit of the local high street and the local community. Thank you very much for all the work that you do.

**The Chairperson (Mr McKay):** Thank you both very much. You have made a proposal, and the Committee will consider it and let you know in due course.

**Ms Carr:** Terrific. Thank you very much for the time. We appreciate it.