

British Heart Foundation Cymru

Response to the Equality, Local Government and Communities Committee Inquiry into the Impact of the Covid-19 Pandemic on the Voluntary Sector

BHF Cymru welcomes the opportunity to provide written evidence to the Equality, Local Government and Communities Committee to support its inquiry into the impact of Covid-19 on the voluntary Sector. For further information about anything contained within this response please contact Gemma Roberts, Policy and Public Affairs Manager for BHF Cymru at [REDACTED]

Introduction

Like others in the third sector, in March 2020 the BHF decided to close all our shops to protect our staff, volunteers and customers. We began a phased reopening on 16th June, with the intention to reopen all our shops by the end of July. However, we have seen significant disruption, due to localised restrictions and closures, and the practical challenges of opening in accordance with social distancing and hygiene guidelines. These closures have had a huge impact on local communities and dramatically reduced the BHF's income and ability to fund life saving research.

The importance of Charity Shops to our Local Communities

Across the UK, there are 11,200 charity shops operated by around 850 different charity retailers. These charity shops provide enormous benefits to local communities, the economy and the environment:

- The charity retail sector directly benefits local economies by employing 26,000 people.
- The BHF provides training and development for the 10,000 volunteers who join our retail team each year, helping to increase life skills, boost confidence, improve mental health and, in many cases, supporting our volunteers to successfully re-enter the job market.
- Charity shops benefit local economies by making rental payments to local landlords.

Beat heartbreak forever.

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- Charity shops keep town centres alive which benefits other local businesses by drawing trade to high streets and filling empty retail units.
- The BHF receives 75-80 million items per year from local communities that are processed, checked, cleaned, resold or sold on for re-use. This results in 78,000 tonnes of used goods per annum being diverted from the waste stream. Collectively, charity retailers support sustainability by diverting 339,000 tonnes of textiles from landfill, saving local authorities over £30 million in Landfill Tax alone in 2018/19.¹
- The BHF's shops are also used as a resource centre for people in the UK affected by heart and circulatory disease. They provide access to CPR training sessions and kit loans to the local community and promote awareness of healthy lifestyles and risk factors for heart and circulatory diseases.

The Impact of Charity Shop Closures on the Third Sector

In 2018/19, charity shops contributed £330 million to their parent charities, playing a vital role in supporting their respective charitable causes. But, this year many BHF shops will make an operating loss. Without this income, the BHF simply cannot continue to provide the same level of funding for life saving research or community projects.

We welcome the measures available for charity retailers, such as 100% retail relief until 2021 and temporary measures to protect high street shops from aggressive rent collection. But there are gaps in the support that is available. For example, owing to the application of State Aid rules to business support mechanisms, such as the Economic Resilience Fund (ERF) in Wales, and other schemes elsewhere in the UK such as the Retail, Hospitality and Leisure Grant Fund (RHLGF), large charity retailers have been unable to maximise support. The RHLGF, for example, allowed retailers to claim up to £25,000 per eligible retail outlet, which could be a significant factor in protecting the future of charity retail networks. However, the application of State Aid rules in relation to charity retail means this support was capped at €800,000 (just over £700,000).

Based on the lockdowns and restrictions implemented to date across the UK this year, BHF shops have lost approximately 62% of sales between April and the end of October, which is an average of £96,000 per shop. On the recent 16-day Welsh firebreak we

¹ Calculated using Landfill Tax of £88.95 per tonne for 2018/19. This figure will likely be higher for 2019/20 given Landfill Tax was increased to £91.35 per tonne.

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estimate lost sales of £320k from our 35 Welsh shops. As it stands, the BHF can only claim for around 30 grants from the Retail, Hospitality and Leisure Grant Fund (RHLFG) on an estate of 550 qualifying shops, which on average equates to around £1,300 per shop – far less than our projected trading losses. Owing to State Aid caps, the RHLGF claim precludes us from making claims against any other business support funds. Without the full support available from business support schemes, many of our shops will make an operating loss in the full year, despite the support from extended rates relief, furlough support and the limited grant aid currently available. The case for being able to access this support has never been more critical.

Recommendation: Welsh Government should write to UK Government to appeal for an exception to be made to the State Aid rule for charity retailers. An exception to the cap would allow charities to access more government funding to alleviate the burden of the pandemic. The increased funding would support charities to continue to fund their charitable works across Wales, including life saving medical research.

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