

British Heart Foundation briefing

General Debate on the Future of the High Street

Key points

- Charity retail is an integral part of the UK high street, a viable contributor to local economies, and brings with it significant benefits for local communities, as well as plays a vital role in the UK's economic recovery from Covid-19.
- However, unless Government commits to further support for charity retail, the sector faces an uncertain future, as charities cannot indefinitely support closed and impacted retail outlets as the impact of the coronavirus pandemic continues into 2021.
- Covid-19 has been the biggest challenge the BHF has faced in its 60-year history. Where possible, we have made use of the Government's support schemes, but even with this support the BHF was losing £10m against expected revenues every month of the pandemic during the first national lockdown.
- We have already had to make the difficult decisions to halve this year's research budget from £100m to around £50m, as well as consult with staff on changes that may involve losing up to 300 roles across the charity.
- To support charity retail, we urge Government to:
 - Urgently disapply State Aid limits from charity retail, enabling charities to maximise support from business support grants for their closed shops; and
 - Extend the business rates holiday until the end of the 2021/22 financial year.

Charity retail: a unique contributor to local high streets

Charity shops have a unique place on high streets in the UK, providing a number of key benefits within local communities, while raising more than £295 million for their respective charitable causes and providing over 26,000 FTE jobs, and over 233,000 volunteering opportunities.

The British Heart Foundation (BHF) is the largest charity retailer in the UK, with 730 shops and furniture and electrical stores across the four UK nations alongside our online eBay and Depop stores. This extensive network provides training and development for 10,000 volunteers who join our retail team each year, helping people local to our shops and stores to increase life skills, boost confidence, improve mental health and, in many cases, successfully re-enter the job market. Our shops are also used as a resource centre for the 7.4 million 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.

As well as contributing directly to the UK economy through the labour market, charity shops are also a key component of the UK high street and will play a critical role in the UK's economic recovery from Covid-19. Not only does the BHF pay rent to local landlords across the UK where our 730 shops and stores are sited, but we also provide high quality items at affordable prices which are accessible to those on lower incomes. This will be increasingly important as unemployment is projected to increase in the first two quarters of 2021. For example, the BHF sells around 4.8 million books per year at an average price of £1.65, which would have been on average 4-5 times the cost elsewhere.

Furthermore, charity retail also supports the sustainability agenda, saving 339,000 tonnes of textiles from landfill. This in turn benefits local economies, saving local authorities over £30 million in Landfill Tax alone in 2018/19. 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.

The financial impact of Covid-19 on the BHF

The coronavirus pandemic has been the biggest challenge the BHF has faced in its 60-year history. Lockdown measures have led to significant disruption to our fundraising activities and the closure of large parts of our retail network. Due to the significant impact on our income, we have had to halve this year's research budget for new grants from £100m to around £50m.

December 2020

Where possible, we have made use of the Government's support schemes, including furloughing around 80% of our staff during the first lockdown via the Coronavirus Job Retention Scheme, and we welcome measures such as the business rates holiday until the end of March 2021. However, even with this support the BHF was losing £10m against expected revenues every month of the pandemic during the first national lockdown. We have since also had to make the difficult decision to consult with staff on changes that may involve losing up to 300 roles across the charity.

Since the end of the first lockdown, we have and will continue to face disruption to our retail and fundraising functions as restrictions have been, and continue to be, put in place around the UK. For example, in the Autumn 4-week lockdown in England we lost around £7m, and the three-week lockdown in Leicester in June closed our three shops in the area, costing around £50k in sales. On the recent 16-day Welsh firebreak, we estimate lost sales of £320k across our 35 Welsh shops.

The need for further Government support for charity retail

Although non-essential retail has now reopened across most of the UK, and we welcome the decision to allow all shops to remain open in England across all Tiers, we cannot recover what was lost during the time that our shops were closed. Where commercial businesses can reinvest profits to support closed shops, as a charity the BHF cannot use reserves and voluntary donations indefinitely to address these shortfalls. Every penny we spend on this impacts the amount we have to spend on our core mission and objectives; carrying out life-changing research to prevent, detect and treat heart and circulatory diseases, and support those living with these conditions across the UK.

Business support measures that have been made available around the UK to date have been welcome, however, charity retailers have been unable to maximise support from these. The Retail, Hospitality and Leisure Grant Fund (RHLGF), for example, allowed retailers to claim up to £25,000 per eligible retail outlet. However, the application of EU State Aid rules meant the amount any single organisation could claim was capped at €800,000 (just over £700,000).

This means that large charity retailers such as the BHF could not access the full amount that we were eligible for. For the BHF, this amounted to support for around just 30 of our 730 shops, leaving us unable to claim anything for hundreds of closed shops. As a result of reaching this cap during the first lockdown, we have also been unable to make any claims for further support during the second English lockdown, or restrictions in other parts of the UK through the Local Restrictions Support Grant (LRSRG).

Along with a coalition of charity retailers led by the Charity Tax Group and Charity Retail Association (CRA), we have been urging Government to make the case for charity retail to not fall under State Aid rules. We feel that there is a strong legal case for this, due to the minimal impact of charity retail on cross-border trade. However, to date, this request has not been accepted by the Department for Business, Energy and Industrial Strategy. This is despite the fact that there are clear indications that charity retail is a viable enterprise and a necessary element of local high streets, and has virtually no impact on cross-border trade due to the hyper-local nature of its model.

Indeed, BHF shops and stores that reopened on 2nd December saw record sales for that day, with £730.5k of sales, which represents a 35.5% growth compared to the same day last year. This clearly shows that there is public support for charity retail, that it is a viable model when restrictions are not in place, and that it will play a crucial role in local communities recovering from the pandemic. Furthermore, the CRA estimates that sales in charity shops returned to around 80% of last year's trading levels over the summer period, which shows that although it was not able to fully recover, charity retail helped to bring people back to the high street as Government began to open up the economy post-first lockdown.

Despite these encouraging figures, particularly against reduced opening hours and store capacity, we are likely to feel the financial impact of the pandemic for the foreseeable future and we do not expect to make back the losses made earlier in the year. Therefore, with ongoing closures and ever-changing restrictions around the UK, we are calling on Government to:

- **Urgently disapply State Aid limits from charity retail, enabling charities to maximise support from business support grants for their closed shops; and**
- **Extend the business rates holiday until the end of the 2021/22 financial year.**

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