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Consultation Document

Charitable rates relief for schools and hospitals in Wales

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Mae'r ddogfen yma hefyd ar gael yn Gymraeg.
This document is also available in Welsh.

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Overview	The Welsh Government is seeking views on charitable rates relief for schools and hospitals in Wales.
How to respond	Responses can be emailed or sent direct to: Non-Domestic Rates Policy Branch Cathays Park Cardiff CF10 3NQ Email: LGF1Consultations@gov.wales
Further information and related documents	Large print, Braille and alternative language versions of this document are available on request.
Contact details	For further information, or queries regarding this consultation, please email: LGF1Consultations@gov.wales Non-Domestic Rates Policy Branch Cathays Park Cardiff CF10 3NQ

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The Welsh Government will be data controller for any personal data you provide as part of your response to the consultation. Welsh Ministers have statutory powers they will rely on to process this personal data which will enable them to make informed decisions about how they exercise their public functions. Any response you send us will be seen in full by Welsh Government staff dealing with the issues which this consultation is about or planning future consultations. Where the Welsh Government undertakes further analysis of consultation responses then this work may be commissioned to be carried out by an accredited third party (eg. a research organisation or a consultancy company). Any such work will only be undertaken under contract. Welsh Government's standard terms and conditions for such contracts set out strict requirements for the processing and safekeeping of personal data.

In order to show that the consultation was carried out properly, the Welsh Government intends to publish a summary of the responses to this document. We may also publish responses in full. Normally, the name and address (or part of the address) of the person or organisation who sent the response are published with the response. If you do not want your name or address published, please tell us this in writing when you send your response. We will then redact them before publishing.

You should also be aware of our responsibilities under Freedom of Information legislation. If your details are published as part of the consultation response then these published reports will be retained indefinitely. Any of your data held otherwise by Welsh Government will be kept for no more than three years.

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Data Protection Officer:
Welsh Government
Cathays Park
CARDIFF
CF10 3NQ

e-mail:
Data.ProtectionOfficer@gov.wales

The contact details for the Information Commissioner's Office are:
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FOREWORD BY THE MINISTER FOR FINANCE AND TREFNYDD

The Welsh Government is committed to developing a system of local taxation which meets future needs, providing fairness for citizens and businesses while sustaining funding for vital local services.

We all pay taxes because we all receive the collective benefits these taxes pay for – the services which educate our children, care for the elderly, dispose of our waste, maintain our local environment, light our streets and protect our communities. To maintain these services, it is right that everyone who is able to should contribute their fair share and that the greatest responsibility should fall on those with the broadest shoulders. We must also ensure people who are less able to contribute are treated fairly, and with dignity and respect.

Non-domestic rates are an integral part of the local government funding system in Wales, contributing over £1 billion a year towards the cost of local services. It is crucial that this funding is maintained and those who are able to pay, do so. The Welsh Government provides businesses and other ratepayers with a range of support in paying their rates bills, and it is essential that this support remains effectively targeted and fit-for-purpose. Ensuring our non-domestic rates policy is developed to reflect changes in society forms part of a phased programme of work which we are undertaking to reform the wider funding framework for local government in Wales.

One of the reliefs provided by the Welsh Government is mandatory charitable rates relief (charitable relief). This currently provides over £60 million of support, reducing bills by 80% for eligible ratepayers.

This consultation discusses the role of charitable relief in supporting schools and hospitals, looking at the types of bodies which receive relief and whether it is appropriate that some schools and hospitals receive charitable relief while others do not. In considering any changes to the current arrangements, we will take account of the Welsh Government's Tax Principles of raising revenue as fairly as possible; clarity, stability and simplicity; collaboration and involvement; and contributing to the Well-Being of Future Generations Act goal of creating a more equal Wales.

By setting out my proposals for reforming charitable relief, I offer representatives of schools and hospitals, professional organisations, local authorities, and other stakeholders an opportunity to provide their views. I look forward to your contributions on this important matter and the outcome of this consultation will focus on ensuring that the relief schemes we provide are fair and appropriate.

1. INTRODUCTION

- 1.1. In *Taking Wales Forward* and *Prosperity for All*, we commit to working with local government to develop a fair local taxation system that sustains funding for vital local services. There are a number of ways in which we are delivering on this commitment within the non-domestic rates system, including through targeted reliefs and measures to tackle avoidance of non-domestic rates.
- 1.2. The Welsh Government is committed to working closely with local authorities to improve the administration of the non-domestic rates system. We are working together to improve efficiency and support the sustainability of local government funding.
- 1.3. When announcing our Budget for 2019-20, we set out our intention to consult on charitable relief for private sector schools and hospitals, with a view to ensuring they are treated on an equal footing with their public sector counterparts.
- 1.4. As with most non-domestic properties, the majority of public sector schools and hospitals are required to pay non-domestic rates. In doing so, they make an important contribution to the funding for local services.
- 1.5. However, some private sector schools and hospitals benefit from charitable relief from rates. These schools and hospitals are also entitled to a range of other financial benefits that come with charitable status. They may also act commercially and raise revenue through fees and charges. We do not deny them any of these advantages but it is appropriate to consider whether some institutions should make a contribution to the cost of local services by paying rates on the properties they occupy, as other service providers are expected to do. This consultation asks for your views on this.
- 1.6. A number of public sector schools and hospitals also receive mandatory charitable relief. This consultation also seeks your views on whether it is appropriate that these properties are treated differently from other public sector properties.
- 1.7. Any change to eligibility for charitable relief as a result of the consultation will be focused on moving towards a fairer local taxation system, where liability is based on ability to pay and contributions are shared proportionately.

2. CONTEXT

Non-Domestic Rates in Wales

- 2.1. Non-domestic rates – sometimes referred to as ‘business rates’ – are a local tax which help to pay for local services. Rates are charged on most non-domestic properties, including property owned or operated by the public sector and not-for-profit organisations, not just property used for commercial purposes. This ensures that all non-domestic property is valued on a consistent basis for local taxation purposes. This helps to guard against distortions and unfair competition, for example in property markets and construction.
- 2.2. The amount of rates payable is calculated by combining the rateable value of a property, as independently determined by the Valuation Office Agency, and the multiplier, set annually by the Welsh Government based on changes in the Consumer Prices Index. The multiplier for 2019-20 is 0.526.
- 2.3. There are approximately 120,000 non-domestic properties in Wales, contributing around £1 billion in revenue each year.
- 2.4. All this revenue is distributed to fund local government and police services in Wales – services that everyone benefits from. To maintain the stability and sustainability of this funding, it is right that ratepayers who are able to contribute their fair share.
- 2.5. The Welsh Government is providing over £230 million of reliefs to ratepayers in Wales. All these reliefs are fully funded by the Welsh Government.

Charitable Rates Relief

- 2.6. Under the Local Government Finance Act 1988, a property is eligible for charitable relief if it is owned or occupied by a charity, ie. an organisation established for charitable purposes, and the property is ‘wholly or mainly used for charitable purposes’ as defined by the Charities Act 2011.
- 2.7. For the purposes of the law of England and Wales¹, a ‘charitable purpose’ means a purpose which falls within section 3(1) of the Charities Act 2011 and which is for the public benefit. ‘The advancement of education’ and ‘the advancement of health or the saving of lives’ are charitable purposes in accordance with section 3(1).

¹ Section 2 (Meaning of “charitable purpose”) of the Charities Act 2011 c.25

- 2.8. On this basis, schools and hospitals may be eligible for charitable relief where they can prove that they have been established for a charitable purpose and that purpose is for the public benefit.
- 2.9. Mandatory charitable relief is currently set at 80% of the total non-domestic rates liability, with local authorities having powers to provide discretionary relief to top up the remaining 20%, in part or whole.
- 2.10. Currently in Wales, charitable relief accounts for over £60 million of the Welsh Government support provided to help organisations with their non-domestic rates bills. Independent and private schools currently receive £1.4 million of charitable relief, while maintained and public sector schools receive £3.3 million of relief. For hospitals, private hospitals receive £540,000 of relief, while public sector hospitals receive £100,000.

Current Policy in Other Parts of the UK

- 2.11. The Barclay Review on Non-Domestic Rates in Scotland made recommendations for improving the non-domestic rates system in Scotland². One of these concerned reforming and restricting charitable relief. In Scotland, registered charities can apply for 80% mandatory rates relief like in Wales, with the remaining 20% being discretionary.
- 2.12. The report identified arms-length external organisations operated by local authorities and independent private schools as bodies where reform should occur. The Scottish Government has since introduced the Non-Domestic Rates (Scotland) Bill into the Scottish Parliament. The Bill includes a provision to remove charitable relief for mainstream independent schools. The Bill as currently drafted would not affect independent music schools and independent special schools.
- 2.13. There is no indication of intentions to change eligibility for charitable rates relief in England. As in Wales, charities in England can receive 80% mandatory relief, with the remaining 20% being discretionary.
- 2.14. In Northern Ireland, charitable relief provides full exemption from rates liability. Public benefit not private gain is the underlying distinguishing factor in terms of justifying special treatment for charities and other non-for-profit bodies under the rating system in Northern Ireland. There is no indication of plans to change the charitable rates relief for schools and/or hospitals.

² Non-domestic tax rates review: Barclay report
<https://www.gov.scot/publications/report-barclay-review-non-domestic-rates/>

Independent and Private Schools

- 2.15. Independent and private schools account for a small proportion of all schools in Wales. There are just over 1,800 properties occupied by schools in Wales. Of these, around 70 are classified as independent or private schools. In valuation terms, independent and private schools account for £4 million of the £82 million rateable value for all schools in Wales.
- 2.16. The ability of independent schools to raise revenue through fees and charges is not something we are considering in this consultation. However, it is appropriate to review the provision of rates relief and the requirements for contributing to the cost of local services through non-domestic rates.
- 2.17. Not all independent and private school properties receive charitable relief. Eligibility for relief is dependent on each school's charitable status. If relief were to be removed from the 44% of independent and private schools that are currently eligible, this would provide additional funding of almost £1.4 million for local services in Wales.
- 2.18. The independent and private schools that receive relief reflect a range of different characteristics, including size, religious character, use of Welsh language and style of teaching. Some provide highly specialised education services.

Maintained and Public Sector Schools

- 2.19. In Wales, there are over 1,700 maintained and public sector schools. In valuation terms, these schools account for £78 million of the £82 million total rateable value for all schools. In total, they contribute over £37 million in rates revenue each year.
- 2.20. Some maintained and public sector schools – under 10% of the total – receive charitable rates relief. The proportion is much lower than for independent and private schools. The eligible schools receive over £3 million of charitable relief.
- 2.21. The majority of the schools receiving charitable relief are voluntary-aided, meaning they were established by voluntary bodies but are maintained by a local authority. The admission authority for a voluntary-aided school is the governing body. Most of the voluntary-aided schools receiving charitable relief are operating as either a Church in Wales or a Roman Catholic school.
- 2.22. There are also a small number of foundation schools receiving charitable relief. Foundation schools also receive funding from their local authority but the governing body has greater freedom in the running of the school. These

schools represent a high proportion of the secondary schools that receive charitable relief and tend to be larger properties.

Private Hospitals

2.23. There are currently 30 properties in Wales classified as private hospitals.

These properties vary considerably in size and nature. In valuation terms, private hospitals account for £4 million of the £41 million rateable value for all hospitals in Wales.

2.24. Around half of the private hospitals in Wales receive charitable relief, with the total level of relief granted being just over £500,000. The hospitals receiving relief tend to be specialist care units rather than the larger private hospitals operated by healthcare insurance providers.

2.25. Over half of the hospitals receiving charitable relief are hospices providing end of life care. Others provide care for specific conditions, such as multiple sclerosis therapy and cancer care, and some offer care and support specifically for children.

Public Hospitals

2.26. There are currently 115 properties categorised as public hospitals in Wales for rating purposes. On average, these properties are larger and have a higher rateable value than private hospitals. Public hospitals contribute over £19 million in rates revenue each year.

2.27. Although the majority of public hospitals do not receive charitable relief, a small number, less than 5% of the total, do. These properties either provide the advancement of education through research or provide specific residential care. No major healthcare facilities in the public sector receive charitable relief. The total relief granted to public hospitals is under £100,000.

Views

2.28. We would like to hear your views on the eligibility of schools and hospitals for charitable relief and on the potential effects of making any changes. Public sector schools and hospitals operate for the public benefit based on people's needs. We recognise that certain private schools and healthcare facilities, for example hospices and specialist schools, provide unique services for public benefit based on the needs of individuals rather than their ability to pay. We would like your views about whether certain schools and hospitals should be treated differently for the purposes of charitable relief.

2.29. We also want your views on whether there should be particular exemptions if the Welsh Government were to change current eligibility for charitable relief. Please provide any evidence or information you have in support of your answers.

Q1 What are your views on whether or not the following types of bodies should be eligible for charitable relief?

- i. Independent and private schools?**
- ii. Maintained and public sector schools?**
- iii. Private hospitals?**
- iv. Public hospitals?**

Q2 In your view, should private schools and hospitals which operate for the public benefit receive charitable relief or not? Please give reasons for your response.

Q3 What principles do you think should be used to define whether institutions are operating for public benefit?

Q4 Do you think the current eligibility criteria for charitable relief should be changed? If so, how?

Q5 Should there be different criteria for different types of institutions?

Q6 In your view, should particular types of schools or hospitals remain eligible for relief or not? Please give reasons for your response.

3. WELSH LANGUAGE

3.1. 'A Wales of vibrant culture and thriving Welsh language' is one of seven well-being goals in the Well-being of Future Generations (Wales) Act 2015. The Welsh Government recognises the importance of Welsh-medium education, and is working towards the aim of a million Welsh speakers by 2050.

3.2. Comments are invited about the effects (whether positive or adverse) which changes to charitable relief might have on opportunities for persons to use the Welsh language and on treating the Welsh language no less favourably than the English language.

3.3. In addition, we invite comments on whether changes to charitable relief could be formulated or revised to have positive effects or decreased adverse effects, on opportunities for persons to use the Welsh language and treating the Welsh language no less favourably than the English language.

Q7 The Welsh Government would like your views on the possible effects that reforming charitable relief could have on the Welsh language, specifically on:

- i. opportunities for people to use Welsh; and**
- ii. on treating the Welsh language no less favourably than English.**

Q8 Please also explain how you think charitable relief could be developed so as to have:

- i. positive effects or increased positive effects on opportunities for people to use the Welsh language and on treating the Welsh language no less favourably than the English language; and**
- ii. no adverse effects on opportunities for people to use the Welsh language and on treating the Welsh language no less favourably than the English language.**

Q9 Do you have any other views on charitable relief in relation to Welsh language considerations?

4. CHILDREN'S RIGHTS

4.1. The United Nations Convention on the Rights of the Child (UNCRC) provides a list of rights all children have. Under the Rights of Children and Young Persons (Wales) Measure 2011, Welsh Ministers have a duty to take due regard to the UNCRC. We wish to know your views on how you think changes to charitable rates relief may have an impact, positive or negative, on children's rights.

4.2. We are aware that any changes that would impact on schools may have an impact on children and their rights. As the matter is concerned with school finances, we do not view it appropriate to consult separately with children on this issue. However, we seek to engage with representatives of children through the consultation process to ensure the views of children are considered.

Q10 What are your views on the possible impacts of changes to charitable relief on Children's Rights?

Q11 What do you think the Welsh Government could do to address any impacts on Children's Rights that might arise?

5. OTHER

- 5.1. The Welsh Government is reviewing charitable relief provided to support schools and hospitals with their non-domestic rates bills to ensure the system is as fair as possible.
- 5.2. We would also like your views on other approaches which you think might help to ensure that charitable relief is targeted effectively.

Q12 Are there other steps which you think could be taken to improve the fairness of charitable relief?

6. NEXT STEPS

- 6.1. The consultation is open for a 12-week period. During this time, we will continue to work with stakeholders about the issues set out in this document.
- 6.2. Once the consultation has closed, all responses will be analysed and will be used to inform decisions about whether to make changes to charitable relief in Wales and, if so, how.
- 6.3. Any change to charitable relief is likely to require the amendment of primary legislation and would be subject to scrutiny by the Assembly.

CONSULTATION RESPONSE FORM

Your name:	
Organisation (if applicable):	
Email / Telephone number:	
Your address:	

QUESTIONS

Q1	What are your views on whether or not the following types of bodies should be eligible for charitable relief for?
i.	Independent and private schools
ii.	Maintained and public sector schools
iii.	Private hospitals
iv.	Public hospitals
Q2	In your view, should private schools and hospitals which operate for the public benefit receive charitable relief or not? Please give reasons for your response.
Q3	What principles do you think should be used to define whether institutions are operating for public benefit?
Q4	Do you think the current eligibility criteria for charitable relief should be changed? If so, how?
Q5	Should there be different criteria for charitable relief for different types of institutions?
Q6	In your view, should particular types of schools or hospitals remain eligible for relief or not? Please give reasons for your response.
Q7	The Welsh Government would like your views on the possible effects that reforming charitable relief could have on the Welsh language, specifically on:
i.	opportunities for people to use Welsh; and
ii.	on treating the Welsh language no less favourably than English.
Q8	Please also explain how you think charitable relief could be developed so as to have:
i.	positive effects or increased positive effects on opportunities for people to use the Welsh language and on treating the Welsh language no less favourably than the English language; and

ii.	no adverse effects on opportunities for people to use the Welsh language and on treating the Welsh language no less favourably than the English language.
Q9	Do you have any other views on charitable relief in relation to Welsh language considerations?
Q10	What are your views on the possible impacts of changes to charitable relief on Children's Rights?
Q11	What do you think the Welsh Government could do to address any impacts on Children's Rights that might arise?
Q12	Are there other steps which you think could be taken to improve the fairness of charitable relief?

Responses to consultations are likely to be made public on the internet or in a report. If you would prefer your response to remain anonymous, please tick here: