



Welsh Government Consultation – Summary of Responses

Non-Domestic Rates

Charitable rates relief for schools and hospitals in Wales

August 2020

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

Overview

This document provides a summary of the responses to the consultation on charitable rates relief for schools and hospitals in Wales.

Audience

Schools and hospitals, Welsh local authorities, interest groups, and individuals with an interest in the application of charitable rates relief to Welsh schools and hospitals.

Action required

This document is for information only.

Contact details

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Additional copies

This summary report and copies of all the consultation responses are published in electronic form only and can be accessed on the Welsh Government's website.

Related Documents

Link to the consultation document: <https://gov.wales/charitable-rates-relief-schools-and-hospitals-wales>

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Charitable rates relief for schools and hospitals in Wales

Introduction

1. The Welsh Government is committed to developing a system of local taxation which meets future needs, providing fairness for citizens and businesses whilst sustaining funding for vital local services. Services which educate our children, care for the elderly, dispose of our waste, light our streets, protect our communities and much more.
2. Non-domestic rates are a key part of local government funding, collecting around £1 billion in local tax revenue each year. It is crucial that this funding is maintained and that 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 fit for purpose. Adapting our non-domestic rates policy is an integral part of a phased reform of the wider funding framework for local government in Wales.
3. One type of support provided by the Welsh Government is mandatory Charitable Rates Relief, which provides over £60 million of support a year, reducing bills by 80% for eligible ratepayers. The Welsh Government continues to monitor all relief schemes to ensure they provide support to those they are intended to benefit.
4. The consultation document *Charitable Rates Relief for Schools and Hospitals in Wales* was published on 31 January 2020 on the Welsh Government's website. The consultation period lasted 16 weeks and closed on 29 May 2020, having been extended in light of the coronavirus outbreak to allow more time for respondents to contribute.
5. The purpose of the consultation was to seek views from a broad range of stakeholders on charitable relief for schools and hospitals in the private and public sectors. Responses to the consultation will help to shape any future policy changes.

Proposals

6. The consultation focused on how the current system of charitable relief provides support to schools and hospitals. Formal policy proposals are yet to be developed but it is the Welsh Government's intention to ensure that relief schemes provide fair support in ways which have the greatest beneficial impact. The consultation invited respondents to comment on how schools and hospitals should be treated with regards to charitable relief. Views were sought on whether relief should remain in place, whether specific exemptions should apply, and how the system could be made fairer.

Engagement

7. Views were invited as part of a 12-week consultation period which began on 31 January 2020 and was scheduled to end on 24 April 2020. Due to pressures on stakeholders in

dealing with COVID-19, the consultation was extended for an additional four-week period and ended on 29 May 2020. The consultation was published on the Welsh Government's website¹. The consultation document was also emailed directly to stakeholders with interest in the points raised. Respondents were able to submit their views and comments on paper, by email or online, and in Welsh or English. A list of respondents to the consultation is provided at Annex A.

Overview of Responses

8. In total, the consultation received 51 responses. The responses were more focused on the issue of charitable relief for schools with 15 respondents commenting solely on this aspect in comparison to two solely focused on relief for hospitals. The consultation received responses from a range of stakeholders, including individuals, local government representatives, maintained and public sector schools, private and independent schools, and public hospitals. There were also representations from those with expertise of the non-domestic rating system and the treatment of charities for tax purposes.

Respondent type	Number of responses
Hospital – Public	1
Individual	18
Local Government	10
Professional Body	2
Professional Representative	2
Representative Body - Schools	1
Representative Body - Schools - Independent and Private	2
Representative Body - Schools - Maintained and Public Sector	3
School - Independent and Private	6
School - Maintained and Public Sector	3
Third Sector	3
TOTAL	51

9. The responses varied in nature with some submitted in the form of letters. This document seeks to align the views presented in this manner with the questions set out in the consultation document.
10. The majority of respondents answered all questions. Some also provided additional comments, which have been analysed and noted. All respondents were invited to request anonymity: 16 requested this and are not identified at any point in this document.

¹ Charitable rates relief for schools and hospitals in Wales.

Available at: <https://gov.wales/charitable-rates-relief-schools-and-hospitals-wales>

Summary of Responses

11. This document is intended to be a summary of the responses received. It does not aim to capture every point raised by respondents but to highlight the key themes.

Question 1 **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?**

Conclusion of Responses

i. Independent and private schools

12. Of the responses, 32 provided a direct answer for this category. Just over half of respondents were in favour of independent and private schools continuing to receive charitable relief. This view was provided by those representing independent and private schools, a large proportion of individuals and a third of local government respondents.
13. Views put forward stated that independent and private schools provide a public benefit through education and wider activities. It was highlighted that many charities gather revenue and the charging of fees should not be used as a reason to remove charitable rates relief.
14. There were also comments that in light of COVID-19, it would be inappropriate to make changes that would negatively affect school funding.
15. The remaining direct responses commented that independent and private schools should not receive charitable relief. This view was shared by individuals, local government respondents and the majority of responses provided by maintained and public sector schools.
16. Reasons cited were that relief should not be provided as these schools charge fees to attend and attendance is often based on selectivity, therefore not providing a public good.
17. Several respondents did not directly answer this question. However the majority outlined views that changes to the current relief scheme should not be made. Reasons included that those receiving relief do so in accordance with existing charity law and it would be unfair to create differing levels of support for different types of charity.
18. Other comments included calls for a review of charitable relief more widely and a review of the tax system as a whole. Three respondents did not respond to this question.

ii. Maintained and public sector schools

19. The majority of responses were in favour of granting relief to maintained and public sector schools. These views came from respondents in various categories and several not directly linked to those who might automatically benefit.
20. Comments focused specifically on funding limitations faced by maintained and public sector schools. It was also suggested that, as they provide a public service, they should be classified as charities. Specific comments were also made about the circular funding nature of the non-domestic rates system and how removing rates from publicly funded properties would reduce bureaucracy.
21. Approximately a third of responses were against the notion of maintained and public sector schools receiving charitable rates relief. Multiple respondents believed no changes should be made to the existing system and that existing legislation governs what can be determined as a charity. A couple of responses were explicitly against maintained and public sector schools receiving relief.

iii. Private hospitals

22. Two-thirds of responses were of the view that private hospitals should not receive charitable relief. A third of responses stated that private hospitals should receive charitable relief.
23. Few comments were specifically focused on the treatment of private hospitals. Relevant comments were focused on the differences between public use and private use more generally, with views put forward that profit-making institutions should not receive charitable relief. No responses were received from the private health sector, resulting in limited views on the potential impact of changes on this group.

iv. Public hospitals

24. The level of responses was in line with that received for the other three categories. Approximately 80 per cent of respondents stated that public hospitals should be eligible for charitable relief with the remaining 20 per cent of the view that they should not be eligible.
25. Similar to responses about private hospitals, limited comments were focused on public hospitals. Again, comments were general in nature and focused on the differences between public use and private use. There were a small number of responses from the public health sector, but limited views put forward to support a rationale for changes to the current system.

Question 2 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.

Conclusion of Responses

26. The consultation asked about charitable relief being offered to private schools and hospitals which operate for the public benefit. Under existing charity law, public benefit should be identifiable and capable of being proven by evidence. Any harm that results from this purpose should not outweigh its benefit. The benefit from these institutions will be considered public if it benefits the general public, or at least a sufficient section of the public, and any personal benefit derived from this purpose should be only incidental.
27. Of the 51 respondents, 38 provided a response to this question.
28. Mixed responses were received, with almost half of respondents being in favour of independent and private schools and private hospitals not receiving charitable relief. The other half were generally in favour of charitable relief being offered where institutions operate for the public benefit.
29. Some respondents suggested that this relief should be conditional and only offered if these schools and hospitals explicitly contribute to the public sector.
30. Specific comments included views that charitable relief being removed from private schools would have a negative effect on the local economy, as removal of this relief could result in closure of some institutions. This could reduce the amount of tax being received as well as loss of skilled staff and increased pressure on public schools.
31. It was also highlighted that some private schools are set up for a very specific purpose in the provision of education, eg. within a faith based ethos to meet the human rights of parents to have their children educated according to their wishes. These schools typically have fees that are heavily subsidised as they are making provision for these parents regardless of their socio-economic status.

Question 3 What principles do you think should be used to define whether institutions are operating for public benefit?

Conclusion of Responses

32. Out of the 51 respondents, 35 responded to this question.
33. The views on changing the definition of public benefit can be summarised as either needing to be free of charge, accessible, provide a community benefit, or be limited to public sector properties. These views were split evenly amongst those who described a way to redefine public benefit.

34. Eight respondents, mainly with direct links to independent and private schools, said the current system of charity law is fit for purpose and there is no need to alter the definition of public benefit.
35. Two comments focused on the legal framework, one saying that charity law is not devolved and another saying that it would be better to redefine the meaning of wholly or mainly used for charitable purposes within existing rating law.

Question 4 Do you think the current eligibility criteria for charitable relief should be changed? If so, how?

Conclusion of Responses

36. Of the responses, 33 provided a view as to whether criteria for charitable relief should be changed.
37. Two-thirds of views were in favour of changing the current criteria. The majority of these respondents suggested providing relief for all maintained and public sector schools and public hospitals. Other suggestions included removing relief from independent and private schools and private hospitals and removing relief where profit was made. One respondent said that full relief should be provided to all schools and hospitals with another saying relief should be providing on a sliding scale based on community benefit.
38. The remaining third were of the view that the current criteria should stay in place. Comments were focused on the view that the Charities Act 2011 is being appropriately used by the Charity Commission in governing charitable status and associated benefits.

Question 5 Should there be different criteria for different types of institutions?
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Conclusion of Responses

39. Out of the 51 responses received, 33 responded to this question. The responses were mixed.
40. Half the respondents were in favour of differing criteria. It was suggested that NHS hospitals and public schools should be exempt from paying rates. Some of the respondents also suggested that independent and private schools and private hospitals, if providing free of charge services to local communities, should be eligible for charitable relief.
41. The rest of the respondents were against changing the current criteria. It was suggested that changing the criteria will add unnecessary complexity to the system which will result in the use of extra resource. There was specific concerns that establishing differing criteria would increase the chances of some organisations being discriminated against and losing the ability to challenge the local authority's decision.

Question 6	In your view, should particular types of schools or hospitals remain eligible for relief or not? Please give reasons for your response.
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Conclusion of Responses

42. Of the 36 responses to this question, the majority were in favour of the continuation of this relief applying to particular types of schools and hospitals. It was suggested that in some cases, any changes in eligibility of charitable rates relief, might mean that the institutions in question would no longer be viable, and raising fee rates was not a feasible option.
43. The benefit of rates relief to schools with certain characteristics was also mentioned. It was suggested that charitable relief should not be removed from schools providing special education in terms of language, art or religion, as this could have a detrimental impact on equality of education and parental rights.
44. Only a few respondents were against these institutions remaining eligible for rates relief. It was suggested that the institutions not providing any public benefit to the local community should not be eligible for charitable relief.

Question 7	The Welsh Government would like your views on the possible effects that reforming charitable relief could have on the Welsh language, specifically on: <ul style="list-style-type: none">i. opportunities for people to use Welsh; andii. on treating the Welsh language no less favourably than English.
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Conclusion of Responses

45. Just over half of respondents provided views on this question.
46. Many responses provided wider comments on the use of Welsh language. The most common response was that as maintained or public sector schools providing Welsh language education they should receive charitable relief. Other comments said that revenue raised from a change in policy should be directed into Welsh language provision, and that it would be beneficial if independent and private schools were encouraged to provide a greater level of Welsh language education.
47. The other views put forward can be split into two categories, no impact on the Welsh language and a negative impact on the Welsh language. Seven responses said that changes to charitable relief would have no impact on the Welsh language. The remaining eight responses said there would be a negative impact on the Welsh language.
48. The views on the negative impact on the Welsh language were universally focused on the impacts caused by a reduction in funding. Respondents who put forward this view were from varying categories of respondent.

Question 8	Please also explain how you think charitable relief could be developed as to have:
	<ul style="list-style-type: none"> 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.

Conclusion of Responses

49. There were 17 responses to this question, three of these not providing a view either way. Of those who expressed clear views, seven responses were focused on the importance of requiring the use of the Welsh language as a condition for receiving relief, with suggestions including organisations having to support Welsh language initiatives and the notion of claiming back relief for provision of Welsh language services.

50. The rest of the responses said that charitable relief was not an appropriate tool to establish a positive effect on the use of the Welsh language, or were against the promotion of the Welsh language when developing policy.

Question 9	Do you have any other views on charitable relief in relation to Welsh language considerations?
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Conclusion of Responses

51. There were limited views put forward in response to this question with only five responses giving a view. There were views that changing charitable relief was not an appropriate lever to use to address Welsh language goals and changes would have minimal impact on the Welsh language, and that by removing relief there would be negative funding impacts leading to negative impacts on the Welsh language.

52. One of the responses questioned the benefits of the Welsh language. Another response said that charities should demonstrate a commitment to the Welsh language in order to receive relief.

Question 10	What are your views on the possible impacts of changes to charitable relief on Children's Rights?
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Conclusion of Responses

53. Approximately half of responses addressed this question. Over half of those who responded stated that removing charitable relief from institutions would have a negative impact on children's rights.

54. The focus of these responses was primarily on reduced funding leading to a reduction in the scope of education provided and the impact specifically on children's rights for education required to develop every child's personality and talents to their full. These

remarks directly linked to Article 28 and Article 29 of the United Nations Convention on the Rights of the Child.

55. Specific concerns were also raised about the impact of changes to charitable relief on protected characteristics. Multiple responses highlighted the negative impact changes may have on faith based schools.
56. Four responses said that they believed if changes were to be made to charitable relief there would be no impact on children's rights.
57. Seven responses provided views that removing charitable relief would have a positive impact on children's rights. The impacts included a positive impact on equality and more funding available for education.

Question 11 What do you think the Welsh Government could do to address any impacts on Children's Rights that might arise?

Conclusion of Responses

58. Slightly less than half of responses addressed this question. Of those who responded, a third said that, to avoid any impacts on children's rights arising, changes to charitable rates relief should not occur.
59. There were limited views on how specific impacts could be addressed. Three respondents highlighted the potential benefit to children's rights of additional funding for education. Five responses were of the view that there would be no impacts to address or that the Welsh Government would not have the devolved competence to address impacts.
60. Other views included ensuring a right to faith education and involving children in the consultation process.

Question 12 Are there other steps which you think could be taken to improve the fairness of charitable relief?
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Conclusion of Responses

61. Of the 51 respondents, 20 provided views in response to this question. Six of the responses said that no steps were necessary and the current system should not be altered; these responses were from a range of different groups.
62. The remaining responses put forward a range of ideas including six suggestions to grant relief to a wider range of properties. Other suggestions included removing existing relief and introducing stricter criteria.
63. Some responses suggested wider changes than were examined by the consultation document. These included changing the non-domestic rates system so that rateable

value is linked to turnover, a call for a review of charitable status and its position within the context of devolution, and the removal of non-domestic rates for all not-for-profit organisations.

Other Comments

64. Wider comments, not specific to any of the questions in the consultation, included suggesting the wider non-domestic rates system be reassessed following the coronavirus pandemic, the consideration of charitable relief for higher education institutions, and recognition of the role of the church in supporting education.

Next Steps

65. The Welsh Government will consider the responses to this consultation in full. Any specific policy proposals will be subject to further consultation. The findings of this consultation will be used to inform any such proposals.

Annex A: List of Respondents

Responses were received from the following.

Individuals

Ann Wake
David Lucas
Geraint Williams
John Killick
Mike and Chris Newman
Neil Probert
Nigel Pearce
Patricia Powell

Organisations

Archdiocese of Cardiff
Avison Young
BDP Pitmans LLP
Catch 22
Catholic Diocese of Menevia
Catholic Education Service
Charity Law Association
Charity Tax Group and Charities Property Association
Christ College Brecon
Conwy Bountly Borough Council
Director of Finance, Hywel Dda University Health Board
Flintshire County Council
Institute of Revenues Rating and Valuation (IRRV)
National Education Union Cymru
North and Mid Wales Association of Local Councils
OneSchool Global
Pembrokeshire Council
Rougemont School
St Mary's and St Patrick's Catholic Primary School
St Robert's Catholic Primary School
Swansea Council - Education Department
The Rating Surveyors Association
The Society of Heads
UWC Atlantic
Welsh Independent Schools Council
Welsh Local Government Association
Wrexham County Borough Council

There were 16 responses that wished to remain anonymous.