

## **Briefing on Listed Places of Worship Grant Scheme**

The issue of VAT on repairs to listed places of worship is a significant issue. The Church of England has responsibility for over 16,200 churches of which over 12,500 are listed – c.4,200 grade I, 4,200 grade II\* and 3,000 grade II.

In fact, 85% of listed places of worship in England are Church of England churches.

In 2006, research undertaken by English Heritage and the Church of England, estimated that necessary repairs to all **listed places of worship would cost £925m over the next 5 years or £185m a year (2006)**

Before the introduction of the Listed Places of Worship Grant Scheme, churches were paying 17.5% on all repairs works to their building, while any alterations, which do not directly preserve the fabric of the building, were zero-rated

The previous Government had been pressing for a reduced VAT rate for repairs and maintenance to listed places of worship for many years, in the context of an European Community review of the Directive covering VAT rates.

**In April 2001, the Rt Hon Gordon Brown, the then Chancellor of the Exchequer, introduced this *interim* grant scheme for listed places of worship on the grounds that they contributed so much to their local communities.**

### **Eligible works**

Under the scheme, 100% of the VAT charged on eligible works is returned directly to the organisation (Parochial Church Council in the case of the Church of England) who has responsibility for the place of worship and has undertaken those works.

The Scheme is very easy to apply to, unbureaucratic and the service received extremely efficient and fast. It is also a very fair scheme as it is non-discretionary and accessible to all faith groups who are responsible for a Listed POWs and as long as they have carried out eligible works. A very easy and cheap way of distributing money.

**Eligible works** are those works carried out to repair or maintain the fabric of *listed* buildings of all religions that are used principally as places of worship. In addition it also covers professional fees and repair works to fixtures such as bells and organs.

Currently the money for the Listed Places of Worship Grant Scheme comes from the Treasury, is overseen by the DCMS and administrated by Liberata.

It has been very successful and between April 2001 and end of June 2010, it has paid out **£107 million** across the UK. It currently refunds around **£12million (or £1million a month)** a year in England alone - c.93% which goes to Church of England churches and cathedrals. A further £3million a month goes in total to Wales, Scotland and Northern Ireland.

It is a sizeable contribution to the work of those who are looking after these buildings.

Since it was introduced in 2001 it has enabled those who look after these valuable heritage and community buildings to maintain them for future generations and to ensure they remain available for use by the whole community.

Many listed cathedrals and churches already have significant maintenance and development programmes, which are ready to launch once they have the money. These programmes tend to be quick to start, and are labour intensive. For example, a £100,000 project in a parish church can produce eight or nine jobs for 6-12 months, a £500,000 project in a cathedral correspondingly more. The multiplier for construction sector jobs means that one basic job can maintain or create up to eight in support services and suppliers. So in terms of job creation, that makes repair programmes much cheaper, quicker, less bureaucratic and

simpler than any government scheme, and it has the additional effect of enhancing the national patrimony

### **What C of E currently spends on the upkeep of its churches**

Currently, the Church of England is spending about **£110m per annum on repairs and maintenance** to its parish churches.

NB: The other major source of funding for repairs to listed places of worship is:-

- the English Heritage and Heritage Lottery Fund Joint Repairs Scheme which provides £25m per year to listed Places of Worship in England.

If you add to this £25 million to the £12 million received under the LPWGS, then money available from the state is £37 million per year.

**This means that congregations and local communities are raising 66% of the £110 million themselves by fund-raising and seeking grants from other trusts eg: National Churches Trust.**

**If the Listed Places of Worship Grant Scheme is not renewed beyond 2011, congregations will need to find an extra 17.5% of the total costs of repairs works, and the impact upon them will be huge.**

**In addition from 1<sup>st</sup> January 2011, VAT is going up to 20%.** This, coupled with the ending of the transitional rate relief on **Gift Aid** in 2011 for all charities, means that next year churches, chapels and other places of worship will effectively face a major financial triple-whammy.

The review of the European Directive covering VAT rates that could be charged by European countries was on-going for several years. The aim was to provide member states with the flexibility to apply on a permanent basis reduced VAT rates for some specific services. We hoped this could include VAT charged on repairs to places of worship. On 10th March 2009, the European Council of Finance Ministers finally reached agreement and all Member States now have the option to apply reduced VAT rates to minor repairs to bicycles and shoes, services such as window cleaning, domestic care, hairdressing and restaurants. **However, unfortunately, it did not include the scope to offer a reduced rate on repairs, maintenance and cleaning of churches or memorials.**

However, despite the fact that no provision has been agreed with the EU to allow for the reduction of VAT for repairs to listed places of worship, the Scheme is still due to come to an end in March 2011.

### **Other benefits of this Scheme:**

One very positive benefit of this Scheme, is because it is based on VAT receipts, it encourages POWs to employ ratified builders and contractors and architects. This is a good start in ensuring that the work is going to be professionally undertaken.

### **Enables the contribution of churches and places of worship to their communities to continue**

– worth making the point that even though this Scheme provides funds for repairing and maintaining historic fabric, this is enabling churches to continue to provide a real resource for their communities through their volunteers and buildings:-

Successive Opinion Research Bureau polls between 2001 and 2009 have consistently shown that the proportion of those surveyed visiting churches for all purposes each year remains at

around 85% (34 million adults). The same polls show between 25% and 38% attending social and community events or concerts and performances, around 20% seeking a quiet place.

The 2009 survey also showed that:

- 70% or 7 in 10 agree that places of worship provide valuable venues for cultural and social activities
- 68% or 7 in 10 think that places of worship are important parts of the local community

For much of its history, the Church of England's has been willing to use its church buildings as shared community spaces. The Church of England has a church in every parish churches across the country – in many places not only the oldest public space, but only the only remaining public space once the shop and post office, the school and pub have gone. The Church of England is especially well placed to serve as a potential service delivery point having a presence in every community and because its unique legal status means that its churches are there to provide a service to all who live within the parish.

Examples that have come to the notice of the Cathedral and Church Buildings Division of the many varied and different ways that church buildings are being used by and for the community – **while remaining primarily places of worship and living churches** – include:

- Civic events
- Social & community activities – support for the elderly, homeless, asylum seekers etc
- Education: school visits, UKonline centres, SureStart Centres, nurseries, adult education, classrooms, after-school clubs, libraries, heritage centres, conference centres
- Cultural: tourism, exhibitions, drama, concerts
- Post Offices, doctors'/dentists' surgeries, health centres, gyms, community shops, police stations, cafes, farmers' markets

### **Therefore we are mounting a campaign**

- over the next year, in partnership with other denominations and faith groups and other organisations who work to support historic places of worship eg: Churches Conservation Trust, National Churches Trust etc to persuade the Government to ensure its continuation.
- We are encouraging parishes to send letters to their MPs.
- We have asked our Bishops to send a letter to their newly elected MP in their dioceses to encourage them to add their voices to the campaign to continue the scheme.

1<sup>st</sup> July 2010 Alan Meale MP has tabled an EDM 391

<http://edmi.parliament.uk/EDMi/EDMDetails.aspx?EDMID=41331&SESSION=905>

### **LISTED PLACES OF WORSHIP GRANT SCHEME**

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Meale, Alan

That this House notes the contribution to UK society of religious organisations whose followers every year undertake millions of hours of unpaid work within communities and generally contribute tens of millions of pounds to other charities in addition to the large sums raised for local church work; further notes that the Listed Places of Worship Grant, the scheme which enables all listed places of worship in the UK to reclaim 100 per cent. of value added tax on repairs and maintenance, is scheduled to end in March 2011; wonders whether HM Treasury realises that approximately £110 million per year is spent

on the upkeep of such buildings, with 66 per cent. of this sum being contributed by local congregations so that future generations may enjoy their use in the heart of their local communities; and calls on the Government to re-examine its approach not only to this scheme but also to the continuation beyond 2011 of the transitional Grant Aid rate relief mechanism, without the help of which many fine, historic, worthwhile and useful community properties would have been lost or today be found to be beyond repair.

**Other issues that will need clarification:**

**Will the Government's decision to increase VAT to 20% in January 2011 have any implications for the level of VAT rebate that churches and cathedrals attract at the present time?**

A. We are in discussion with DCMS over whether the LPWGS will reflect the increase VAT from January 2011. DCMS is currently unable to give assurances that the Scheme will match the increased rate in the LPWGS or the MGS.

(It might be sensible to in planning for works to assume that it cannot, given the current level of cuts across Government).

**If unfortunately the Scheme does come to an end in March 2011, there are obviously several issues which will need to be determined and clarified:-**

- will the English Heritage and Heritage Lottery Fund Joint Repairs Scheme return to including VAT in their grant calculations?
- how will those cases who have been awarded grants under the EH/HLF Joint Repairs Schemes pre-March 2011 for which VAT was not included in the grant calculations, but who will not be submitting claims until after the end of the LPWGS be handled?
- will all claims for a return of the VAT on works carried out before the end of the scheme, but where the claim is not submitted until after the end of the Scheme, be paid? ie: will there be a stated period provided for such claims to be submitted?

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