

REPORT TO: POLICY AND RESOURCES COMMITTEE ON 17 NOVEMBER 2009

SUBJECT: NON-DOMESTIC RATES: SPORTS CLUBS RATES RELIEF POLICY REVIEW

BY: CHIEF FINANCIAL OFFICER

1. REASON FOR REPORT

- 1.1 To provide members with information to review the Council's policy on the disposal of applications for discretionary rates relief from sports clubs with bar facilities in their premises.
- 1.2 This report is submitted to the Committee in terms of Section A (20) of the council's Administrative Scheme relating to the disposal of applications for relief from rates.

2. RECOMMENDATION

2.1 The committee is invited to:

- (a) **Establish a revised policy for the disposal of applications for awards of discretionary rates relief for sports clubs as described in section 4.2 of this report; and**
- (b) **Establish the percentage of discretionary rates relief for sports clubs with bar and/or gaming machine income from the options described on Appendix one of this report.**

3. BACKGROUND

3.1 Discretionary Relief – Charities and other not-for profit Organizations

3.1.1 Section 4(5) of the Local Government (Financial Provisions *etc.*) (Scotland) Act 1962, confers on rating authorities discretionary power to grant relief on the rates payable for premises:

- (a) falling within terms of Section 4(2) of the 1962 Act; or

- (b) occupied for the purposes of organizations which are not established for profit and whose principal aims are charitable and are otherwise philanthropic or religious or concerned with education, social welfare, science, literature or the fine arts; or
- (c) occupied for the purposes of a club, society or other organization not established or conducted for profit and which are wholly used for the purpose of recreation.

3.1.2 The governance of the award of discretionary rates relief sports clubs is contained within this section of the 1962 Act.

3.1.3 At a meeting of this committee on 30th June, 2009, members discussed a report "*Non-Domestic Rates: Summary of Discretionary Rates Relief Policy*" which had previously been requested by members. The outcome of this discussion was that the Chief Financial Officer was requested to bring forward a report which would permit members to review the policy on the award of discretionary rates relief to sports clubs with bar facilities.

3.2 Current practice

3.2.1 Any application for a discretionary award of rates relief from a sports club is initially assessed by officers to determine if it conforms to the council's current policy on the disposal of applications for relief. This policy, which was agreed on 25th March, 1996, states that all clubs actively engaged in the promotion of sport and which are open to all members of the public may receive an award of 100% discretionary rates relief. If the club possesses a bar, the gross profit percentage on the bar takings must at least equal 30%

3.2.2 Any application for relief from fishing, gliding, sailing or shooting clubs is excluded from the provisions of this policy, being reserved for consideration on an individual basis by the committee.

3.2.3 There are currently **57** sports clubs listed on the council's non-domestic rates database in receipt of 100% discretionary rates relief awards totalling **£375,109**.

3.2.4 Of the 57 sports clubs referred to above, there are **25** in possession of a liquor and/or gaming machine licence. These clubs currently receive 100% discretionary rates relief awards totalling **£179,456**.

3.2.5 According to the most recent financial data that the council possesses for the 25 clubs, above, their average liquor and gaming machine turnover was **£47,858** (the lowest annual turnover being **£407**; the highest, **£224,240**).

3.3 Current practice: neighbouring councils

3.3.1 The policy of neighbouring councils relating to the disposal of applications for an award of discretionary rates relief by sports clubs varies from the approach adopted by this council. In any review of the Moray Council's policy, it may be instructive to be aware of the policies of these councils.

3.3.2 Aberdeen City Council

The policy of this council states that sports clubs in Aberdeen City:

- must operate an equal opportunities policy and be open to all members of the community;
- must be registered with Sport Scotland or a recognised national body;
- will only qualify for an award of 75% rates relief if the club levies excessive fees;
- will only qualify for an award of 75% if the club fails to contribute to the community;
- which have a strong financial underpinning will only be entitled to an award of 90%, 75%, 50% or 25% discretionary rates relief depending on the club's financial status.

3.3.3 Aberdeenshire Council

The policy of this council states that sports clubs in Aberdeenshire:

- must be open to all members of the community with full membership rights available to all;
- must have membership fees which are affordable to all members of the community;
- should encourage membership amongst particular groups within the community (e.g. young people, persons with disabilities),
- occupying licensed premises must have sports facilities attached to it and the club must furnish written proof that the main function of the club is sporting rather than social. The gross profit of the bar must be at least 30%;
- will not be entitled to relief if any member of the club is paid to play professionally for the club.

3.3.4 The Highland Council

The policy of this council states that sports clubs in Highland:

- must be wholly or mainly used for the purposes of sports or recreation;
- possessing a liquor or gaming licence and earning at least 30% on gross sales are entitled to a maximum rates relief award of 80%;
- possessing a liquor or gaming licence and earning less than 30% on gross sales are not entitled to an award of rates relief;
- possessing neither a liquor nor gaming licence are entitled to an award of 100% rates relief;

4. **POLICY ISSUES FOR CONSIDERATION**

4.1 The final form of the policy lies firmly within the gift of the members of this committee. There are a number of issues surrounding the award of discretionary rates relief to sports clubs, especially sports clubs with bar facilities, which may be usefully considered by members when reviewing the content of this report.

4.2 Sports clubs - general qualifying criteria

It has been some time since the standard qualifying criteria has been reviewed. The following measures are proposed:

- **Any sports club seeking an award of discretionary rates relief must be involved in the promotion of the active participation in sport.**
- **Any sports club seeking an award of discretionary rates relief must be registered with Sport Scotland or the appropriate sport's national governing body.**

This provision seeks to limit awards of discretionary rates relief to clubs wholly or mainly involved in the active promotion of the participation in sport.

- **Any sports club seeking an award of discretionary rates relief must be open to all members of the community, compliant with all equalities legislation.**
- **Membership fees associated with any sports club seeking an award of discretionary rates relief must be reasonable and comparative to similar sporting facilities.**

In instances where officers consider fees to be unreasonable, a specific report will be brought to committee for a final decision.

- **All applications for an award of discretionary rates relief from a sports club will be considered in a similar manner under a single policy.**

This provision seeks to harmonize the treatment of any application for rates relief from sports clubs. The terms of the previous policy reserved to this committee the determination of any applications for an award of rates relief from fishing, gliding, sailing or shooting clubs and, for the purposes of consistency, it may be appropriate to remove this distinction.

- **Any qualifying sports club occupying premises which does not possess a liquor and/or a gaming-licence will be entitled to an award of 100% discretionary rates relief.**

4.3 Policy considerations in relation to sports clubs with bar and gaming machine facilities

4.3.1 It is recommended that licensed premises must have sports facilities attached to it and that the main function of the club is sporting rather than social. The gross profit of the bar must be at least 30%.

4.3.2 **Appendix one** provides details of the 25 sports clubs with bar and/or gaming machine income which currently enjoy 100% discretionary rates relief. The table lists the clubs in income order on the basis that this is the main reason previously highlighted by Members for considering any potential change in policy.

4.3.3 To assist Members assess the impact of any change the current rates payable, discretionary relief on a sliding scale relating to the level of bar and /or gaming machine income and potential entitlement to Small Business Bonus relief (SBBR) are provided within the appendix. The following options have been provided:

- Turnover of £35,000 or less – 100%, 90% or 80% discretionary relief.
- Turnover between £35,001 and £55,000 – 100% down to 70% relief
- Turnover between £55,001 and £85,000 – 100% down to 60% relief
- Turnover between £85,001 and £135,000 – 100% down to 40% relief
- Turn over greater than £135,000 – 100% down to 20% relief.

4.3.4 There are a number of factors which may be usefully considered when reviewing this element of the policy:

- **Aims of Sports club relief** – Sports club relief was introduced by central government as a new initiative in 1989 to lessen the rates burden on sports clubs. The aim being to encourage the number of sports clubs and facilities within local communities and to increase access to and promote active sports. Whilst the granting of sports club relief is at the discretion of Council members, unlike other discretionary relief schemes it is fully funded by the Scottish Government and consequently is at no cost to local taxpayers.
- **The interaction between entitlement to sports club relief and Small Business Bonus relief** – The Small Business Bonus relief reduces the rates burden on businesses where their property(s) total rateable value is £15,000 or less. The scheme exempts ratepayers occupying premises with a total rateable value of less than £8,000 from payment of rates. Where the rateable values are between £8001 up to £10,000 there is entitlement to 50% relief, between £10,001 up to £15,000 entitlement reduces to 25%. At present 100% discretionary sports club relief is granted to all qualifying sports clubs. Should members decide to reduce the level of discretionary relief to some or all clubs simply based on their bar and gaming machine income, the reduction in sports club relief will in some instances be recovered partially or fully through small business bonus relief. Therefore if bar and gaming machine turnover were to be the sole driver for change, the availability of small business bonus relief may skew the desired outcome. For example, referring to details on appendix one, the sports club that has turnover of £42,414 may continue to receive 100% relief from rates as there is potential entitlement to full relief through the small business bonus scheme. The sports club that has a turnover of £52,040 would not be able to recover lost relief as there is no entitlement to small business bonus relief. The impact for this club would also be greater as their rates payable is nearly four times larger. It should be noted that the maximum relief available is the greater value of the two schemes, not the value of the two elements added together.
- **Commercial operations** – Awarding relief to sports clubs with bar and gaming machine income may be considered to disadvantage third-party organisations operating in a similar manner, for example public houses or hotels. However, it should also be noted that some of the third-party organisations that may be potentially most affected may be entitled to small business bonus relief.
- **Financial status and current economic climate** – The level of turnover from a bar and/or gaming machines does not necessarily reflect the financial status of an organisation. A reduction in relief in the current economic climate may seriously affect some clubs ability to support employment and sports facilities.

5. Implementation

- 5.1 Any amendment to the council's policy on the award of discretionary rates relief to sports club is effective from 1st April 2010.
- 5.2 Awards of discretionary rates relief are made at the discretion of the council. If any change is to be made to the nature of any such award of relief, the recipient must be given a minimum of twelve months' notice before the commencement of a rating year in which the change will be effective. In these circumstances, any such amendment would take effect from 1st April 2011 for existing sports clubs in receipt of rates relief.
- 5.3 Any new application for an award of discretionary rates relief made in the next financial year will be disposed of by reference to the new policy.
- 5.4 The total turnover figure for bar and/or gaming machine sales identified in the sports club's latest set of audited accounts will be used to determine the award of rates relief for the following financial year. The award that is made in that year will not be adjusted on receipt of that year's audited accounts: these will be used to determine the award of relief for the next financial year.

6. SUMMARY OF IMPLICATIONS

(a) *Single Outcome Agreement/Service Improvement Plan*

The content of this report conforms with the working principles identified in the Single Outcome Agreement regarding sound financial management.

(b) **Policy and Legal**

The policy which is agreed as a result of the discussion of this report will replace the existing policy on the disposal of applications for rates relief from sports clubs in Moray. All future applications by sports clubs will be disposed of by officers with reference to the newly-agreed policy.

(c) **Resources (Financial, Risk, Staffing and Property)**

All awards of rates relief to sports clubs are fully funded by the Scottish government via the national non-domestic rates 'pool'. There are, therefore, no resource implications in the content of this report.

(d) **Consultations**

No consultation has been carried out in the preparation of this report.

7. **CONCLUSION**

7.1 This report provides a recommendation to update the general qualifying criteria for sports clubs and provides information to help members consider whether or not sports clubs with bar and/or gaming machine income should be handled differently from sports clubs with no such income.

7.2 With regard to those clubs with bar and/or gaming machine income, members may wish take into consideration the policies in place at our neighbouring Councils and the issues raised in point 4.3.3 of this report to decide to:

- Continue with our existing policy of granting 100% discretionary sports club relief to all sports clubs who meet the general qualifying criteria
- Award a lesser but consistent level of relief to those clubs with such an income stream
- Base the level of relief on the scale of income received from bar and/or gaming machines.

Author of Report: Eric Bell, Revenues Manager – Ext 3107

Background Papers:

Ref: EB/LJC/697845/697575