

ANNEX E

Rate relief for non-profit making sports clubs

- E1. Local authorities have discretionary powers to grant relief from rates to non-profit making sports clubs. The Government is committed to reviewing these arrangements to ascertain how local authorities can best expand opportunities for sport in partnership with sports clubs. This annex considers the options for reviewing the arrangements in England.

The Current Arrangements

- E2. Local authorities in England may grant up to 100 per cent rate relief to non-profit making sports clubs. This is a discretionary power, so authorities themselves set their own policies for the rate relief and make decisions on individual cases. Where they decide to grant relief, 75 per cent of the cost is funded centrally and 25 per cent has to be met by the local authority and, therefore, the local authority taxpayers.
- E3. The arrangements are the same in Wales but different in Scotland and Northern Ireland. In Scotland, the rate relief is also discretionary and decided by local authorities, who may grant up to 100 per cent relief. But all of the relief is funded centrally. In Northern Ireland, many sports receive a mandatory 65 per cent relief, through the valuation, for any part of their property used solely for the sport.
- E4. The current arrangements have attracted criticism from sports organisations. They feel that sports clubs are treated inconsistently between England and Wales, Scotland and Northern Ireland and also between different local authorities. They feel that this inconsistency is unfair. They are also concerned that some authorities operate rate relief policies that seem to change from year to year.

Options for change

- E5. The Government has considered a number of possible changes to the current arrangements in England. It has looked at:
- introducing a form of mandatory relief for sports clubs,
 - changing the funding of discretionary relief, and
 - reviewing the guidance under which local authorities grant relief.

Mandatory Relief

- E6. Under a system of mandatory relief, ratepayers are entitled to automatic relief from rates provided that they meet certain criteria. In England this applies to charities (who receive 80 per cent relief) and the sole post office or village shop in designated rural settlements (who receive 50 per cent relief).
- E7. Many sports clubs provide an accessible and valuable service to a wide section of the community and are deserving of relief, but it is equally the case that some sports clubs are more deserving of relief than others. This may be because, for example, the club operates an exclusive membership policy or that its fees are so high that they exclude most of the local community. The current system of discretionary relief allows local authorities to make their own decisions based on their knowledge of the club and the local community. As locally based bodies elected by the local community, local authorities are well placed to perform this task.
- E8. However, the Government recognises that a degree of mandatory relief for some or all sports would provide year on year certainty to clubs. The proposal for rate relief for small businesses described in annex D, could also apply to non-profit making bodies such as sports clubs. That would provide significant rate relief to many sports clubs.

Charitable Rate Relief

- E9. The existing mandatory relief scheme for charities applies equally to any organisation that is a charity. Therefore, sports organisations that are charities and use their premises wholly or mainly for charitable purposes are already entitled to 80 per cent mandatory relief.
- E10. The Charity Commission of England and Wales is currently reviewing the Register of Charities. In the near future, it will examine the question of whether amateur sports clubs should be entitled to charitable status or whether the promotion of sport, or excellence in sport, can be a charitable purpose. The review is being undertaken independently of Ministers.

The funding of discretionary rate relief

- E11. In England, 75 per cent of discretionary rate relief awarded to sports clubs is met centrally. The remaining 25 per cent has to be found by local authorities. Unless authorities reduce their expenditure, the cost of the relief falls to the local council taxpayers.
- E12. The Government believes that local authorities and local council taxpayers should continue to fund part of any discretionary relief. Generally speaking, it is local council taxpayers who benefit from the provision of local sports clubs and it is reasonable that they should meet some of the cost when local authorities decide to grant relief to such clubs.
- E13. Sports clubs feel that the current funding arrangements deter authorities from granting relief. They believe that authorities would grant more relief to deserving clubs if the amount that had to be raised locally was reduced.

E14. On the other hand, authorities may be limiting or refusing relief to clubs because they believe those clubs are less deserving of relief or not deserving at all. In such cases, changing the funding arrangements would have little or no impact on the amount of relief granted.

Reviewing the guidance

E15. The Government issued guidance to local authorities in 1989 on the granting of discretionary rate relief for charities and non-profit making organisations. The guidance considered how authorities should exercise their statutory discretion, general matters they should consider before granting relief and suggested criteria that could be used. Although the guidance covers these subjects in some detail, it does not consider, for instance, consistency between local authorities on the practice of granting rate relief.

E16. For example, the following could be included in the guidance.

- **Consistency within regions or counties.** Local authorities could be encouraged to develop general policies on discretionary relief with other authorities on a regional or county level. This could be done informally or within established groups such as the regional assemblies. Authorities could also be encouraged to develop policies on rate relief which reflect their existing land use policies on sport and recreation as set out in their Development Plans. This would provide broadly equal treatment for sports clubs within an area but allow authorities to continue to make their own decisions on a case by case basis.
- **Encouraging good practice.** Most authorities will have developed established practices and policies for discretionary rate relief. Revised guidance could examine different practices and policies and identify best practice.
- **Reasons for refusal.** Some sports clubs complain that authorities give little or no reason for refusing rate relief. Authorities will be aware of their statutory requirements in exercising discretion and explaining their decisions. However, it may assist both clubs and authorities if guidance suggested the minimum required when explaining decisions to clubs.

E17. The existing guidance applies equally to discretionary rate relief for all non-profit making bodies, not just sports clubs.

E18. The Government would consult widely on draft guidance to local authorities.

Rate Relief for non-profit making sports clubs: Points for consultation

- **The Government would welcome views on whether the existing funding arrangements are fair and whether changing the arrangements would improve the rate relief system for sports clubs, in particular on extending the proposed rate relief for small businesses to non-profit making bodies. (see paras E2-E14)**
- **The Government would welcome views on how useful the guidance has been to both authorities and sports clubs and whether it should be reviewed. (see paras E15-E16)**
- **The Government would welcome views on whether the guidance should be reviewed for only sports clubs or all non-profit making organisations.**