**Sport and Recreation Relief**

**Background**

1. Rating Legislation currently provides that there can be a reduction of rates on certain rateable properties used for sport and recreation purposes. The level of reduction in such cases is set at 80% of the normal rate. Ancillary social facilities, such as bars, restaurants, card rooms etc are, at present, fully rateable and can be disregarded from that reduction.

2. The rationale for this longstanding policy stems from the Lawrence Report of 1978 that recognised the wider benefits of encouraging fitness in the wider community, deeming it worthy of special treatment.

3. This section of the document looks at the issues of spectator facilities, and the application of what are known as “de minimis” rules when assessing the level of relief that will be provided to individual sports clubs with non-sporting facilities.

(1) **Spectator Stands**

4. Up until now spectator facilities have always been liable for rates. This is because they are not facilities used by those participating in the sport. Furthermore, in some cases they are potentially revenue generating and clubs can charge for admission.

5. This is mostly an issue for team based sports such as Gaelic football and soccer and many smaller clubs have expressed concerns in the two public consultations that took place earlier this year; firstly as part of the wider Review of Non Domestic Rating system and later during the consultation into enhanced relief for Community Amateur Sports Clubs.

6. The issue has been compounded by the erection of many new stands at smaller clubs, assisted though grants from various sources including lottery funding and by changes in valuation treatment following the recent Rates Revaluation.

7. Although LPS make some allowances for the fact that these stands do not add proportionate value (NAV) to the overall assessment of the club premises, this remains an affordability issue for smaller clubs in local grounds.

(2) **Wholly and mainly rules**

8. The wholly or mainly rules (known as the “de minimus” rules) are a separate, but related, consideration in the application of relief. These rules apply so that non-sporting areas can be disregarded entirely if they amount to less than 20% of the overall valuation assessment for the club. Likewise, the
rules will operate as a ‘sports use top up’ for apportioning between sporting areas and non-sporting areas, where the sporting area is greater than 50% but less than 80%.

9. The full wording of this “de minimis” provision is laid out in the legislative extract at Annex B, but it is of particular interest to the application of the Sport and Recreation Relief to golf clubs. This is an area where the existing de minimis provision can create an even wider disparity of treatment between privately owned (known as proprietary) clubs, and private members clubs.

10. Several submissions have been made to the Department and the Finance Committee in recent times highlighting the unfairness that can be created by this provision. An evidence session at the Finance Committee earlier this year can be accessed through the link below and lays out the issues succinctly.

http://data.niassembly.gov.uk/HansardXml/committee-17686.pdf

Policy Proposal

11. These are two issues that the Department would like to address in any new legislation.

12. Firstly, making a distinction between local grounds and larger stadia in terms of charging rates on stands and other spectator facilities. The Department favours changing the legislation so that non income generating stands are deemed for rating purposes to be part of the sporting facility and therefore entitled to relief. Income generation can be defined as gate receipts, advertising revenue or direct sponsorship (of the facility concerned not the club).

13. The second issue relates to the fairness of the rating treatment of golf clubs. The Department takes the view that although de minimis provision was originally intended to simplify matters at an administrative level, it has inadvertently created unfairness in relation to private members clubs. This is because the grounds are so extensive in golf clubs, that they represent more than 80% of the value of the entire property, despite the fact that the social facilities may, in themselves, be substantial.

14. This presently applies to world famous golf clubs such as Royal Portrush and Royal County Down who receive 80% relief on their whole assessment including their social facilities.

15. The Department intends to change these rules in the near future and exclude golf clubs with extensive social facilities gaining this advantage. (It should be noted that the clubs concerned were not taking advantage, as such, the rules were simply applied as they exist.)
16. It should also be noted that some proprietary clubs also struggle to compete with municipal golf courses that can offer cheaper prices. This is because such courses are fully exempt from rates. The Department has concerns that this special treatment cannot be justified today, given that there is no longer an issue of under supply and access to the game. Although the issue was raised during the Business Rates Review consultation at the start of the year (2016), few commented on the matter. The Department therefore wishes to afford a further opportunity before the policy is changed.

17. The proposals outlined above address many of the anomalies within the current arrangements that were identified through two consultations earlier this year: on both the wider non domestic rates review and on the detail of enhanced rate relief for some HMRC registered Community Amateur Sports Clubs.

18. However, there may be a need for more fundamental change as sport has developed significantly since 1978 when the current entitlement rules were introduced. At that time relief was awarded at the rate of 65%, which was increased to 80% in 2005. A more thorough review may be needed now. For instance, the issue of addressing need.

19. To quote the 1978 Lawrence Committee Report on the subject: “Rate relief is in effect a subsidy from public funds and should not be granted with complete disregard to the need of potential recipients. At the same time we do not think it desirable or practicable to make much of this point. Investigation of the financial position of a host of small organisations would be time consuming and expensive and in many cases inconclusive. It would simply not be worth doing”.

20. That may well have been the case 40 years ago when relief was only 65%. However, the ‘privileged’ position of some private members golf clubs has been raised as an issue with both the Department and the previous Finance Committee by ratepayers, who operate privately owned clubs. The original policy of restricting relief to facilities operated by voluntary bodies may have been sensible at the time but as has been pointed out “these days some clubs operate on a much more commercial basis than in the past”. Department considers this to be worthy of further research and consideration. Accordingly, the Department intends to seek the advice of the policy competent Department, the Department for Communities, which has responsibility both for policy on sport and the registration of clubs.

Questions for Consultees

- Do you agree that spectator stands that do not generate income should be treated as part of the sport and recreation assessment?
- Do you think that the present “de minimis” criteria creates an unfair advantage to some clubs?