



Scottish Sports Association

Barclay Review of Business Rates

What this means for Scottish sport

A summary for Governing Bodies of Sport in Scotland

4 September 2017

Summary

A blue-bordered graphic containing four icons at the top: a football pitch, a stadium, a house, and the Scottish Sports Association logo. Below the icons, the text reads "BARCLAY BUSINESS RATES REVIEW" in large yellow letters, followed by "Our work with the Review proposes to safeguard the retention of relief for vital community sports clubs in the value of:" in dark blue. The largest text in the graphic is "~£7-12 Million annually" in dark blue. At the bottom left, it says "For more details on our submission and the outcome of the review please see our website here:" followed by the URL "www.thessa.org.uk/consultations" in yellow. At the bottom right, there is an illustration of five stacks of gold coins of increasing height.

Background

The [Barclay Review of Business Rates in Scotland](#) was released on 22 August 2017.

On behalf of our members, the [SSA wrote to the Chair of the Review Group](#) in May 2017. We were concerned that the Barclay Review would follow the route taken by the 2015 review of water and sewerage rates. The definition from that review, which only provides exemptions for “charities and community amateur sports clubs” (CASCs), excludes many voluntary sports clubs.

Our letter to the Barclay Review stressed the importance and scale of voluntary sports clubs and the importance of maintaining voluntary sports clubs as a specific definition within the exemptions:

“On behalf of our members, the SSA strongly supports the retention of a definition which specifically includes “amateur community sports clubs”. This is vital in enabling voluntary sports clubs to access this critical relief, as the vast majority of sports clubs are not charities.”

Review Findings: Sports Clubs

Within the findings there is a specific recommendation (number 27) for sports clubs (the numbers below relate to the specific clauses in the report):

“Sports club relief should be reviewed to ensure it supports affordable community-based facilities, rather than members clubs with significant assets which do not require relief.

4.138 The tax position with sports facilities in Scotland is very mixed and needs to be looked at in more detail. While we fully support the retention of Sports Club relief for local community sports facilities we do not believe that this relief is supporting only those that the Government intends.

4.139 Some examples we came across which we would not have expected to receive relief of this type included two of the most prestigious golf clubs in the country which were awarded over £144,000 and £75,000 worth of relief respectively in 2015 by the council concerned. We do not believe properties of this type are the intended recipient and the Government should look to review the recipients of this relief and reform the relief accordingly, possibly by merging it with the Small Business Bonus Scheme to ensure local community facilities remain supported. It is also worth noting that many smaller sports facilities would be eligible for small business bonus relief and this may be a more appropriate vehicle.

4.140 We believe the costs of this relief (currently accounting for around £10 million to £15 million of revenues foregone) could be reduced by around £3 million per year whilst still retaining relief for those vital community sports facilities who we believe are the intended recipients.”

The current cost of relief for sports clubs is estimated at between £10-15 million per year (as above) (the overall bill for which is estimated as £19.5 million from the Scottish Assessors Association).

It is estimated that these changes will save around £3 million per year and will safeguard £7-12 million/year for community based sports clubs in Scotland.

To implement these changes will require primary legislative changes that can be introduced in the longer term.

Other Relevant Review Findings

Recommendation 24 states “Charity relief should be reformed/restricted for a small number of recipients.” Related to this, the Review cites a 6% annual increase in rates relief expenditure from 2010-11 to 2016-17 with the following recommendations.

ALEOs (Arms Length External Organisations)

“4.112 The reasons behind this trend are uncertain, but as there has been no change to the rules around award of relief, we know that the trend is in part related to avoidance tactics (discussed later) and/or the creation of ALEOs by councils.

4.113 Charity relief which is almost entirely funded by the Scottish Government (it funds at least 95% of the costs) is awarded by councils to ALEOs which the councils themselves have created to deliver services which councils previously provided directly.

4.114 ALEOs have charitable status which qualifies them for charity relief.

4.115 ALEOs are some of the biggest recipients of charity rates relief in Scotland with councils ‘self-awarding’ 15-20% of all charitable rates relief to these bodies which they have created. The prevalence of ALEOs within certain councils is also unevenly distributed across Scotland.

4.116 If the council itself were still providing a service directly, it would pay rates, but by creating an ALEO rates relief becomes available and the cost of that relief is then met by the Scottish Government. This allows councils to gain additional funding from the Scottish Government outwith the usual funding arrangements, a fact that was acknowledged by councils themselves as one of the primary reasons they put services into ALEO status in the first place. This is tax avoidance and should cease.

4.117 The current arrangements have created arguably unfair distinctions between councils - some of whom do not have a large number of ALEOs and will be paying significantly higher rates bills than councils which have already established ALEOs. They also create unfair competition between the public and private sectors. For example, rate-paying private gyms and leisure facilities will compete with ALEO facilities that do not pay rates (or receive a significantly reduced bill). Other ALEO facilities offer cafes, retail outlets, venue hire etc. all of which have been given an unfair advantage compared to private sector businesses offering the same or very similar services. On the grounds of fairness, we believe there should be a ‘level playing field’ and council ALEOs should no longer be able to abuse the system.

4.118 As there would be scope for some of the ALEO charitable relief to switch over to sports relief and reduce the savings generated, we also recommend that eligibility for Sports Club relief for ALEOs should also be removed.

4.119 These changes require primary legislation to be implemented in full, but in the interim the local government funding mechanism should be adjusted to recoup the estimated £45 million of ALEO funding. These administrative arrangements should apply from 1 April 2018.”

Private Schools and Universities

The Review recommends the exclusion of private schools from exemption based on the inequitable situation that state schools are not exempt from business rates.

Recommendations in relation to universities centre around the premise that, while core functions should remain eligible for exemption (education, research and development), those university functions which compete with the wider private sector should not be exempt. The examples cited include: universities renting out accommodation commercially outwith term times and renting out venues for conferences and functions.

Impact of Recommendations

For each recommendation, it will be for the Scottish Government to decide whether to accept the recommendations, and then whether to implement the accepted recommendations at once or to adopt a phased approach over possibly a number of years.

The recommendation for sports clubs would require changes to primary legislation.

There are options for the Scottish Government in implementing the recommendation for ALEOs. This change would require primary legislation, however, the Review recommends that the Scottish Government could cut each council budget by the appropriate amount from 1 April 2018 to realise those savings (£45 million) more quickly and allow them to be redistributed to other ratepayers.

Next Steps

A swift response is anticipated from Scottish Government Ministers within the next few weeks.

On behalf of our members, the SSA has already raised with relevant colleagues within the Scottish Government our support for the continued relief for community sports clubs and sought clarification and consultation upon on the “members clubs with significant assets which do not require relief”. At the Cabinet Secretary’s request, the SSA will also meet with the Cabinet Secretary for Finance and Constitution to discuss this further.