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The Rt Hon The Viscount Whitelaw PC CH MP
Lord President of the Council
Privy Council Office
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12 February 1987

Dear Willie,

ABOLITION OF DOMESTIC RATES ETC (SCOTLAND) BILL
RATING OF SPORTS CLUBS

I am writing to you and colleagues in E(LF) about this issue to ask for agreement in principle to an amendment before the end of the Commons Committee stage of the ADRES Bill. I am under strong pressure from our supporters both in the Committee and in Scotland in general to change policy on rating of sports clubs in Scotland.

Since the material is fairly lengthy, I have set out the background, in the note I am annexing to this letter, but my conclusion is that I should seek your approval, and the authority of colleagues in E(LF), to my offering to move a Government amendment to the ADRES bill at Commons Report Stage offering 50% mandatory rating relief to prescribed Scottish sports club facilities (excluding licensed bars and the like), with local discretionary relief remaining available up to 100% of prescribed and on-prescribed facilities within the present 1962 Act definition. I would hope you will feel able to agree this change, which has no public expenditure effects, in correspondence since the timing of a decision is fairly tight. The Scottish Standing Committee will expect us to have come to a conclusion on sports clubs by the time they reach the stage of New Clauses towards the end of their consideration of the Bill; following the guillotine motion, this makes the deadline Thursday 26 February.

This is an issue which has over a year generated a great deal of political steam, particularly amongst our supporters in Scotland who are convinced that local authorities are not well disposed towards voluntary sports clubs, that there is innate political hostility from Labour Councils, and that legislation is the only way of effecting a real solution. Equally all Opposition parties in Scotland have sought to capitalise on this pressure by adding their voices to it. Failure to come forward with a solution will be difficult to defend and would be damaging.

I would be grateful for comments on this proposal by 18 February.

H. R.

I am copying this letter and my annex to the Prime Minister, E(LF) members and Sir Robert Armstrong.

*Yours ever,
Malcolm*

MALCOLM RIFKIND

CML04201

ABOLITION OF DOMESTIC RATES ETC (SCOTLAND) BILL
RATING OF SPORTS CLUBS

Note by the Secretary of State for Scotland

BACKGROUND

1. The problem as perceived by Scottish sports clubs faced with large bills is a complex one. To a significant extent it is a valuation problem, in that there seems little doubt that Scottish assessors have adopted practices which lead to higher rateable values for non-commercial sports clubs than in England, even when adjusted to the same price base (for example, I understand that West Lothian County Cricket Club, with a small pavilion, tea room and bar, has a valuation giving it a rates bill of some £2,800, more than 1½ times that of the major English county club ground at Worcester, with a large pavilion, seating for 10,000 spectators, dining-room, supporters' club offices and lottery offices). I have accordingly pressed the assessors, who are, as colleagues know, now embarked upon a series of discussions with their Inland Revenue opposite numbers, to review their techniques with a view to harmonisation of Scottish and English valuation practice as soon as possible. But this could not take place before the simultaneous revaluations in 1990, at the earliest, - and it is possible that legislation may be required, (for example to overturn one or more court decisions in either jurisdiction inhibiting harmonisation) in which case it would probably take longer. I am clear that harmonisation of valuation practice is an important strand here, but it is by no means the only one. As we have already seen in Committee, it is quite impossible to sell the idea that a solution for Scottish sports clubs can simply wait until valuations in Scotland and England have been aligned, when everything will be all right.

2. A second strand is of course that a number of Scottish sports clubs have higher rate bills not only because of higher valuations, but because they suffer higher rate poundages due to higher local authority spending. This is a problem that the ADRES Bill begins to tackle by limiting and indexing the non-domestic rates, and I do not think there is more we can do for the moment.

3. The third strand is rate relief. Parliament has given rating authorities

"power to reduce or remit any rate leviable in respect of ... any lands and heritages occupied for the purposes of a club, society or organisation not established or conducted for profit, and which are wholly or mainly used for purposes of recreation" (Local Government (Financial Provisions)(Scotland) Act 1962, s.4).

The English provision (General Rate Act 1967, s.40) is virtually the same.

4. The difficulty now is that - though there has in the last few days been some welcome movement toward flexibility by our largest Council - some rating authorities do appear to have been striking unsympathetic attitudes towards the granting of relief. There have been signs that, as

part of the increasing confrontation between local and central government, a few authorities are taking a hard line with applications for relief from sports clubs with quite a reasonable record of social contribution, claiming that they cannot afford relief when central government is restricting their spending on the services they prefer; there may be a party political angle also in that some sports facilities are seen as of more interest to our supporters than to the Opposition's. The 'affordability' argument is essentially spurious; not only does the present Scottish grant system attenuate the burden of granting relief for all those authorities receiving resources element of RSG, but in announcing the relatively generous RSG settlement for 1987-88, I made it quite clear that there was now no excuse for authorities not giving relief where it was due, the amounts involved even in a very generous interpretation of their discretion being small by comparison - maybe about one-tenth of a penny rate.

5. All these initiatives - towards harmonisation of valuation, controlling non-domestic rate poundages, and formally inviting authorities to use their discretion more generously, with grant to back this up - have I regret failed to alleviate the concerns of our supporters in Scotland. Michael Ancram and I have faced mounting pressures, at meetings, on the media and now in the House itself, to take further action. Equally there are real fears that certain sports clubs might have to close as a result of their rate bills.

6. In the Committee stage of the ADRES Bill we had by the ninth sitting had three separate attempts at amendments to help sports clubs, all of them tabled and supported by our own backbenchers. Two would if passed have removed sports clubs (though not their bars) from the valuation roll altogether, and the third would have given mandatory 50% relief (with higher relief at the authority's discretion) to sports clubs (including bars). The first two were withdrawn, but in our view a Government defeat on the third was avoided only by Michael Ancram's undertaking to consider the position in the light of the debates, but making the following caveats: that the Government's consideration would have to be not just in the Scottish context, but in the context of overall policy in the UK, and that consideration would not be given to extending any mandatory relief to include licensed bars forming part of sports clubs.

OPTIONS

7. I have looked at the possibility of a 'Northern Ireland' solution, giving mandatory relief at a fixed level to parts of sports clubs prescribed by order (and thus including playing fields, changing rooms and toilets but excluding bars, offices etc), with no remaining local discretion to give additional relief. Both the prescribed and non-prescribed parts of the club would appear on the valuation roll and it would be the duty of the assessor to apportion the property and show them separately. (This is broadly what happens in Northern Ireland at present, the mandatory relief being set at 65% there by the Rates (Amendment)(NI) Order 1979 in an attempt to equal the average discretionary relief accorded by authorities in GB.) This precedented approach presentationally goes quite a bit of the way in the direction that the pressure groups wish, while leaving sports clubs in valuation. Though it leaves out local councillors it does retain the assessor's professional skills, restraining to some extent the extension of relief to clearly inappropriate parts of premises. But on implementation it would

have the fatal flaw of creating a whole new class of 'losers': those at present in receipt of discretionary relief at levels effectively higher than the fixed mandatory level. 65% off a club's pitch and changing room would certainly be less than 100% off everything and could even be less than 50% off pitch, changing room and bar. Accordingly I have reluctantly concluded that this option is not sustainable.

8. My other option is a mixed solution, giving mandatory relief, say at 50%, to prescribed parts of sports clubs, but leaving intact local discretion to extend further relief either to the prescribed parts or the other parts of sports clubs or, as at present, to both. It is in effect what the recent amendment sought to add to the ADRES Bill. Like the first option, it relies heavily on getting right what is prescribed by Order as qualifying for mandatory relief; this is almost bound to be wider in scope than what is actually granted discretionary relief at present, and will allow relief for cases which local authority elected members would turn down as inappropriate. Nevertheless, though it would not be easy, we cannot say (particularly in the light of the Northern Ireland position) that it would actually be impossible to prescribe the kinds of property that should qualify in such a way that assessors would be able to operate. And leaving a discretion to local authorities to extend further relief on top, either by way of more relief on prescribed parts or of relief on non-prescribed parts, would preserve flexibility and minimise the number of 'losers'.

9. The cost of either option would be spread across other Scottish ratepayers, but not to the extent that this would be perceptible. 100% relief to all sports clubs might reduce rate yields by £5 to £6 million, which would be recouped by a rate poundage increase of one-sixth to one-fifth of a penny; 50% relief would halve these figures. There would be no effect either upon public expenditure or aggregate Exchequer grant totals.

