Dear LGCC,

I am writing in response to the call for views on the Non-domestic Rates (Scotland) Bill and more specifically in regard to the proposal to remove non-domestic rates relief from mainstream independent schools.

I believe that:

1. There are several flaws in the proposal that this is being done to improve fairness.
2. That it doesn’t make economic sense and would actually make state schools worse off overall thereby not addressing the proposed imbalance/unfairness in funding.

I shall expand on this below:

1. The Barclay Review and Government response both stress the inequality of state-maintained schools paying full rates and independent schools receiving charitable relief and aim to “increase fairness and ensure a level playing field”: I believe this is flawed for several reasons:
   • State schools don’t really pay non-domestic rates as their budgets are adjusted for this so they never actually see the money go out. Therefore this is compensated for by the councils so schools never actually “see” the cost.
   • The rateable value of a state school is a notional one, allocated then budgeted away at source by the local authority that pays all of the running costs of that school. These schools will never need to consider what cost-cutting steps they would take to address any rise or fall in that notional rate because they never have to do it. This reality reveals the falsehood that state schools actually “pay” rates and that this bill has anything to do with parity.
   • State school rates valuation is an entirely paper-based exercise. No new money is raised each year and the staffing or operation of schools is not affected by rate changes in any way.
   • State schools are full funded, including their nominal rates valuation, via central and council taxation, both of which are charged universally.
   • State schools receive full VAT exemption as educational bodies, while independent school exemption is only partial – there has been no debate reflecting this lack of parity.
   • No other charities have been subjected either to the collective public benefit test or the measures proposed by the Barclay Review. Not only are 56 schools being singled out from over 24,000 Scottish registered bodies (including other fee-charging, restricted admission education charities) but as well as 180,000 charities in England and Wales.
• The Scottish Government accepted the Barclay proposal to extend 100% NDR relief to all nurseries and early years facilities, whether not-for-profit or profit-making. This means independent school nurseries that are not stand-alone facilities will pay 100% rates while private, profit-making facilities can receive 100% relief.

2. Besides the untruth that it addresses inequality between independent and state schools I believe that passing this amendment would mean the state school system would be worse off:
• If a family sends their children to an independent school then they are still paying through their taxes for their right to places at a state school whilst not actually taking up those places. This means there are extra finances to spend on the state school system per child than there otherwise would be. If families can now not afford the independent school fees due to rate rises then the burden on the state school system will increase dramatically and it won’t be sufficiently compensated for by the extra funding brought in through the rates increase.
• Looking in more detail at the bigger financial picture shows this would be an unwise move:
  Increasing rates will put fees up making it less affordable therefore the burden on state schools will be greater.
  Substantial rates increases can only be funded by an increase in school fees, sale of school assets and/or a reduction of bursary and facility provision. Scottish Government figures indicate that educating a child in a state-maintained school in Scotland costs on average £6,500 (not including some PFI and other costs). Each child removed from an independent school due to increased fees, whether 20% or 100% paid, will be an additional cost to the taxpayer. In addition there will be further pressure on class sizes, school buildings, school catchment areas, and teacher numbers and recruitment.
  The loss of 1 in 30 pupils from the independent sector – either to the state sector or boarding pupils locating elsewhere – would cost the Scottish taxpayer more than the entire rates increase proposed by the Bill. There is no reference of this at all in the Financial Memorandum which one Call for Evidence seeks views on.
• Every penny paid by independent schools in rates at 20% is new money raised as taxation each year, primarily from parental fee income. This forms part of the very substantial economic contribution of independent schools, with no tax-payer finance of any kind.
• The discussion of parity does not reflect that parents who pay (in part or full) for their children’s education are adding to the sum of resources available to educate the country’s children, unlike those who can afford to inflate the cost of houses around good state schools who are not only buying access but also depriving others.

Finally I would like to add that it seems apparent that the belief is that families paying for their children to go to an independent school can easily afford any fee increase that a rate
rise would give cause to. This is not the case as my family make great sacrifices to be able to pay independent school fees and would struggle or be unable to pay the fees if rates were to dramatically rise. Our children would then need to re-enter the state school system increasing the burden as I have described earlier.

I would ask that this evidence presented is taken into serious consideration during the committee’s review of the Non-domestic Rates (Scotland) Bill.

Yours sincerely,

Philip Earl