LOCAL GOVERNMENT AND COMMUNITIES COMMITTEE

CALL FOR VIEWS ON THE NON-DOMESTIC RATES (SCOTLAND) BILL

SUBMISSION FROM: ANDREW YOUNG

1. While the Bill sets out laudable ambitions and aims, it sadly fails to meet these.

2. The Bill sets out to make independent schools “ineligible for reduction or remission of rates” in order to “increase fairness and ensure a level playing field”. Looking solely at business rates fails to satisfy the fairness / level playing field criteria both when considering business rates alone and when looking more widely at the overall financial fairness and playing field.

3. While it is true that State schools get no relief from business rates while independent schools typically receive an 80% reduction, this fails to recognise that State schools don”t pay any business rates whatsoever (no payment made to Local Councils), whilst independent schools do pay the 20% unrelieved rates. It is therefore very clear that there is unfairness already, with the independent schools at a disadvantage to the state schools. The proposed Bill increases the inequity. It does not narrow it, or create the “fairness” it sets out to achieve. While some may seek to argue that payment by the state schools to the local council does not achieve anything, that fails to recognise the wider impact as the reason Local Councils don”t seek payment is because it would reduce the central Government settlement it receives. None of that changes the fact that currently the state schools actually pay nothing, while independent schools pay 20%.

4. State schools (including any nominal amount for rates which is not then actually paid) is 100% funded via central and through local government, who in turn raise the funds through general taxation. This is universally charged, taking no account of whether the payer has a child of school age, nor how that child is educated if they do have one. While that is right and proper, it again demonstrates that the playing field is already uneven in the state sectors favour.

5. Business rates is not the only on tax both State and independent schools have to “pay” (of course as shown above, state schools don”t actually pay business rates). VAT is also potentially levied across both sectors. However, the state sector receives 100% VAT exemption while independent schools only receive partial exemption. If the Committee is really committed to fairness and a level playing field it should be lobbying for independent schools to receive 100% exemption from VAT and only seeking to reduce any business rates relief as part of a wider package of measures to deliver real fairness and a real level playing field.

6. If the underlying and unspoken aim of the Bill is more ideological, then it also fails in that respect. It won”t deprive the very richest from sending their children to independent schools. It will however impact a significant number of parents who only send their children to independent schools by making large financial sacrifices, while others on the same level of income opt to send children to “free” state schools. The money these parents save is often used to acquire homes in the catchment areas for better regarded state schools, displacing poorer families. The pressure in these catchment areas will likely become even greater as some parents will no longer be
able to afford independent schools and migrate back to the state school system. Even more will simply opt from the start for a state education, with the increased burden that lands at the state's door.

7. The cost of educating a child in the state system is now over £6,500 per annum. The additional business rates raised are estimated in the Financial Memorandum to be £7m per year. Even taking a figure of £6,500 per head cost in the state system (and the figure is higher), it takes only 1,076 children to migrate to the state system before there is an overall negative impact on the state system finances. The number before impact reduces when the cost of additional state infrastructure is factored in as this number of pupils equates to one or two additional schools.

8. By contrast, the cost impact to the independent schools is likely to be less than the £7m estimate in the Financial Memorandum. This is because it is parents of the less well off sending their children to independent schools that will be forced to move their children to state schools. It is these parents who benefit from bursaries and other forms of assisted places in independent schools. Not only will independent school fees have to increase, but the assistance these schools can offer will be reduced.

9. As well as reduced bursaries and other financial assistance to pupils at independent schools, the independent schools will need to adopt a wider tightening of their finances. This will include restricting the facilities they currently make available to the community often free of charge, and in many cases will have to begin charging for use of these facilities. The independent sector already does a lot to support the state sector, saving the state sector money and ensuring a better provision of education for state sector pupils. Both these will suffer to the state sector’s detriment if the proposals in the Bill go ahead unamended.

10. Given the high number of children in Edinburgh who are at independent schools, I understand that Edinburgh City Council are concerned that any reduction in business rate relief for independent schools will displace enough children from the independent system to the state system to result in a noticeable increase in the burden on the public purse. What research and modelling has The Local Government and Communities Committee undertaken to recognise the real economic impact? The Financial Memorandum accompanying the Bill does estimate the direct cost to (the parents of children at) independent schools, but there is nothing to show any impact assessment has been made of the overall impact on the public purse or how this could differ across local authorities.

11. Parents of children at independent schools are already funding their children’s “state” education through taxation. There is no rebate in recognition that they are saving the state £6,500 plus per annum by paying a second time for the child’s education. This again should be factored into the true cost of the proposals in the Bill and whether the Bill does anything to deliver fairness and a level playing field.

12. It is not at all clear why the Bill singles out around 60 charities that support and deliver independent schools (and on a fairness agenda), when many other charities would remain eligible for a reduction in rates. For example, consider charities delivering higher and professional education, not to mention private care homes benefitting against local authority care homes. I have to accept that the “benefit” these charities receive over their state equivalent is again illusionary given that in many cases the
state run facility often never actually have to pay the business rate, whilst the private equivalent does have to pay its „discounted“ rate.

13. The Scottish Governments own Council of Economic Advisors recognise the economic benefit independent schools deliver to Scotland. Boarding schools in particular deliver inward investment to the local economy and hard cash in terms of fees, which in turn supports jobs and the community around these schools, providing employment and prosperity. While the proposals will not „kill“ this sector, it must be recognised that education is a competitive sector and school fees are a part of the equation. It is disappointing to see the Scottish Government again bringing forward proposals to make Scotland less competitive and putting us at a disadvantage.