LOCAL GOVERNMENT AND COMMUNITIES COMMITTEE  
CALL FOR VIEWS ON THE NON-DOMESTIC RATES (SCOTLAND) BILL  
SUBMISSION FROM BOARD OF GOVERNORS OF HUTCHESONS’ EDUCATIONAL TRUST

I refer to the above Call for Evidence and am pleased to provide the following response on behalf of the Board of Governors of Hutchesons’ Educational Trust. This is the Scottish-registered charity (charity number SC002922) that runs and operates the Hutchesons’ Grammar School in Glasgow (known throughout Glasgow and beyond as Hutchesons’ or ‘Hutchie’). The Charity’s primary purpose is the advancement of education. Our Trust Scheme obligates the Trustees to govern and administer the affairs of Hutchesons’ Grammar School. The main aim of our charity is to provide a primary and secondary education for boys and girls between the ages of 4 and 18. We are shortly to extend our nursery and will provide a 3-18 education from August 2019. Section 10 of the Non-Domestic Rates (Scotland) Bill, as drafted will remove our Charity’s eligibility to claim charitable relief from non-domestic rates, as we are what is deemed a ‘mainstream independent school’.

What does this mean for Hutchesons’?

In simple cash terms, this will see our charity’s annual rates bill increase five-fold from £82k to £408k at current rateable values. This is an increase of £326k per annum.

Potential impact on Hutchesons’ activities

On Bursaries

As a long standing Scottish charity, we are extremely disappointed that in the review, consultation and draft legislation no reference has been made to the public benefit test that we and all other independent schools have undergone. We fully satisfied OSCR as part of their review process, that we passed the Charity Test. We did this by making our facilities available to a range of schools and other community and sporting organisations and by expanding our bursary programme. We are delighted to have significantly grown our means-tested bursary provision over the past ten years. Our Financial Statements and Annual Accounts for y/e 30 June 2018 confirm that we currently have committed £3.84M in current bursary awards to cover the future education of existing recipients. This is a huge commitment by any measure. In 2017/18, the value of our means-tested bursaries, amounted to £854k and there were 129 pupils in receipt of bursary support, representing almost 11% of our School roll. It is particularly noteworthy that we have 38 children (over 3% of our School roll) in receipt of full, i.e. 100%, bursaries.
On Community use of our facilities

We have noted with interest that the Bill’s policy memorandum, in reference to rating of sports clubs, mentions the Scottish Government’s policy to continue to support, and encourage local authorities to support, affordable community based facilities that give people the chance to take part in sporting activities thus contributing to (amongst other aims around an active Scotland) the Scottish Government aim to cut physical inactivity in adults and teenagers by 15% by 2030. Sport is a hugely important part of every pupil’s education here at Hutchesons’. In addition to that we make a significant annual contribution to our local sporting organisations and clubs. We invested in an all-weather running track and on the back of that, and our other sporting facilities, we have 27 outside sports clubs and organisations, using our facilities each year. (We have another 20 non-sporting, community groups and organisations that use our school facilities, in an average year.)

We are concerned that the removal of our rates relief would force us to increase our charges to such clubs and thereby reduce sports access/involvement. Surely that is an unintended consequence of the proposal on removal of rates relief.

On fees

At committee in December 2017, the Scottish Finance Secretary indicated that he had been advised that the estimated impact on fees paid by parents of children at Scottish schools was over £200 per pupil but that sum could be easily absorbed by parents who chose to pay for their children’s education. We disagree. The additional £326k rates cost for Hutchesons’ represents 2.4% onto every pupil fee. Our parents are hard-working and sacrifice many things in order to provide their children with the benefit of a Hutchesons’ education. We know this because of the increasing number of applications we receive from parents to our means-tested bursary provision (see previous). We are clear that such an increase will cause some of our parents to leave the sector and return to the state sector. With our pupils families coming from across Glasgow and beyond, we are aware that not every local authority would be able to accommodate a major influx of Hutchesons’ pupils into the local state sector.

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 Hutchesons’ due to increased fees, could therefore be considered an additional cost to the Scottish taxpayer. One way of seeing that is using the Scottish government’s own cost of £6,500 per pupil, it would only take 47 Hutchesons’ pupils (ie 3.7%) to leave and enter the state sector, for the impact on the Scottish taxpayer to be greater than the extra income that the removal of rates relief would secure. In addition there will be further pressure on class sizes, school buildings, school catchment areas, and teacher numbers and recruitment in the local authorities our pupils come from.
On Fairness

We note that the Barclay Review and Government response both stress the inequity of state-maintained schools paying full rates and independent schools receiving charitable relief, and aim to “increase fairness and ensure a level playing field”.

However we would point out that the 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 fully funded, including their nominal rates valuation, via central and council taxation, both of which are charged universally.

In terms of VAT, all state schools receive full VAT exemption as educational bodies, while Hutchesons’ exemption is only partial. There has been no debate reflecting this lack of parity between the state and independent school sectors.

In relation to our nursery provision, 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. Our own nursery currently provides an education for 4-year-olds and is about to expand to accommodate 3-year-olds. It seems entirely unfair to us that purely because we house our nursery/early years facility in part of our Junior School building with all of the best educational continuity that gives, our charity will pay 100% rates while private, non-charitable and profit-making nursery/early years facilities within a few hundred metres of our School can receive 100% relief.

It is a matter of real concern to us as Trustees, that Hutchesons’ Grammar School, along with 55 other independent schools are effectively being ‘singled out’ to lose rates relief from 24,000 other Scottish registered charitable bodies, not to mention a further 180,000 charities in England and Wales. We question the fairness of this when there remain other fee-charging, restricted admission education charities which continue to attract the rates relief, as we should.

We fully acknowledge that the process of rating revaluation is a well understood one. This Bill proposes a new three-year cycle of rates revaluation starting in 2022. Nevertheless, under this particular part of the Bill, the Government proposes removing Hutchesons’ rates relief in April 2020. This means that we will be unable to appeal our rating valuation despite our bill being increased fivefold. Surely it would be fairer to allow us to ensure that Hutchesons’ rating valuation is accurate before this fivefold increase is introduced. This would also give us a much longer period to prepare for such a change. We have already flagged up that our budgetary commitment to bursaries is over £3.8M and is effectively made for six years in advance. It appears unjust to make such a major change to Hutchesons’ financial position within a year of
the Bill being introduced without any mention or consideration of any phasing and/or discretionary relief period.

**On the way ahead**

We welcome the opportunity to make our own views known regarding the Government’s proposals contained within the Non-Domestic Rates (Scotland) Bill. We would strongly encourage the Committee to:

In light of this submission, and that of others in or representing the independent school sector, reconsider the Bill as currently worded. Specifically to redraft section 10 such that the current charitable benefit of rates relief not be withdrawn from mainstream independent schools, such as Hutchesons’;

Should you wish any further information in relation to our submission, please contact me and I will be happy to assist.

Yours sincerely

Mr John McColgan
Bursar & Clerk to the Governors