LOCAL GOVERNMENT AND COMMUNITIES COMMITTEE

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

SUBMISSION FROM JONATHAN MOLLOY

I would like to reiterate the submission already made to the Committee by the Scottish Council for Independent Schools which is an excellent summary of the concerns felt by the Independent School sector at being unfairly targeted for the removal of charitable relief from non-domestic rates when we operate as registered charities and we have been subject to rigorous scrutiny of our public benefit by OSCR.

The Barclay Review and Government response claim to wish to ‘increase fairness and ensure a level playing field’ with the state sector. However, 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. By way of contrast, the 20% of rates paid by independent schools such as ESMS is new taxation money, which can only be paid at the expense of other real school resources or by increasing school fees.

I note that universities were originally to be included in the scope of organisations identified by the Barclay Review that would lose charitable rates relief but were subsequently exempted on the grounds that they provide education. It seems very strange that this same logic does not apply to independent schools! The other notable group that was also targeted was the ‘arm’s length’ leisure trusts set up by local councils specifically to avoid tax – however the public ‘swim tax’ campaign seemed to turn the opinion of those charged with implementing the review. This also seems iniquitous, particularly given the extent to which independent school playing fields and swimming pools are made available for public use. At The Mary Erskine School Sports Centre we recorded 94,630 public user hours in the last financial year.

In any case, it is simply not the case that there is a level playing field in other respects between State schools and Independent Schools. Most obviously, state schools receive full VAT exemption as educational bodies, whereas independent schools have to pay the full rate on all VAT-able expenses, with no opportunity to claim this back. Another good example is the decision to offer 100% business rates exemption to private for-profit nurseries, whereas charitable schools are subject to a proposal to remove rate relief.

In conclusion, the removal of business rates relief would cost ESMS more than £550,000, a figure well in excess of our annual surplus. And it is important to remember that, as a charity, any surplus can only be used for the benefit of the charity in any case. 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) as well as 180,000 charities in England and Wales. Where is the ‘fairness and level playing field’ in this?