LOCAL GOVERNMENT AND COMMUNITIES COMMITTEE

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

SUBMISSION FROM CAROLINE MEIKLE

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.

At the same time, the schools are being hit with mandatory rise in pension contributions for teachers.

The reality is, schools will raise school fees to cover this additional costs. Many schools have already advised parents that the increase is likely to be between 5-7% over the next three years.

The Scottish Government are naive if they really believe that parents who choose to send their children to an independent school, will not notice this rise. Everyone will notice and the majority will struggle. The government needs to understand that many sacrifices are made by the majority of families in the independent sector - our earnings are channeled into our children's education rather than frequent foreign holidays. A good education lasts a life time, a tan a week! Many of those living in the more affluent areas of Scotland are privileged to better state schools at the expense of the tax payer. Foreign and UK based holidays are the norm for the October break, February break, Easter and Summer. Often the holidays being taken in term time. In England the parents are fined for this, in Scotland they are not.

The state system is at breaking point. It costs the state system £6,500 on average / year to educate a child. For every child in the Independence sector this is a £6,500 saving to the government. There is no reference of this at all in the Financial Memorandum. The state schools are overcrowded, class sizes too large, teachers stretched to their limit, coupled with the fact that those with special needs are being channeled back into main stream. The Scottish Government is failing a whole generation of children. The loss of just 1 in 30 pupils from the independent sector to the state sector would cost the Scottish taxpayer more than the entire rates increase proposed by the Bill. Furthermore, implementing the bill may force existing parents to dig even deeper, but no thought has been given to those who may have considered the independent sector in the future, but who now see it as cost prohibited. This number is unquantifiable and could be a significant cost to the state sector a few years down the line. Future down turn in numbers to independent schools will be even more significant to the financial health of independent schools, forcing many to shut their doors, with yet a further burden placed on the state to educate those displaced children. The proposed Bill is evidently short sighted.

The state system is already broken. The solution to break the independent sector too, is simply non nonsensical. The evidence shows that the Bill would not be a fix to the state system, but simply make matters worse.
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”:

- This is clearly misconstrued as the state school rates valuation is an entirely a 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.
- 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 taxpayer 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.
- 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.
- 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, independent school nurseries that are not stand-alone facilities will pay 100% rates while private, profitmaking facilities can receive 100% relief.
- The Bill, rightly, exempts special needs schools for the NDR proposals. However no consideration is made of the disproportionate contribution that independent schools make to support for learning and other additional needs provision.
- The Bill proposes a new three-year cycle of rates revaluation starting in 2022. Nevertheless, the Government proposes removing independent school relief in April 2020. This means that schools will be unable to appeal their valuation despite their bill being increased fivefold. Any consideration of equity would allow schools time to ensure an accurate evaluation before the measure is introduced, as well as, as much time as possible to prepare for the increase. Bursary commitments are made at least 6 years in advance, and yet this change is planned within a year of the Bill being introduced.

If the move is genuinely motivated by equity and parity with state schools, that must work both ways. Will the Scottish government now push HMRC for parity in VAT treatment, extending VAT exemptions that are only partial for independent schools to full exemption as with state schools?

There is nothing wrong with reforming business taxation. There is nothing objectionable about holding those bodies that educate this nation’s young people to
account. There is everything wrong and problematic with using the pretence of doing so to single out 50 bodies from 24,000 others, while failing to address any of the inherent contradictions.

How are independent schools expected to deliver the same level of means-tested widened participation, and sharing of facilities, staff and resources – all of which have flourished through the public benefit demands of the charity test – if the financial model on which those projections are made is pulled apart? If independent schools are to be charged non-domestic rates, like genuinely private, commercial businesses, should they now rent out their football, hockey and rugby pitches; their music facilities; any swimming pools; their shared careers and subject events; professional staff and all other local activity at commercial rates? If not, why not? After all, the same bill’s policy memorandum recognised: “The Scottish government’s policy intent here is 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 per cent by 2030.”

The bottom line for Scotland is that every child removed from an independent school if fees rise will be an additional cost and space for local authorities to deal with – the bill makes no mention of any of them.

The Barclay report is clearly flawed in what it does not say, the assumptions made in the Barclay report are clearly inaccurate and open to challenge.