LOCAL GOVERNMENT AND COMMUNITIES COMMITTEE

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

SUBMISSION FROM MERCHISTON COMPANY EDUCATION BOARD

The Merchant Company schools educate over 5,200 pupils annually, a significant proportion of the school population in Edinburgh. The proposals to remove mandatory non-domestic rates relief would create significant extra costs that would result in damage to the charitable work of our schools and detriment to Scotland’s place in education internationally. The submission made by the Scottish Council of Independent Schools presents many of the issues that apply to our schools.

The removal of rates relief from the Merchant Company schools as a consequence of the proposals would not create the “level playing field” looked for in the Barclay review. The rates valuation for state schools is a paper-based exercise because no new money is raised for the public sector. On the other hand, every pound paid by independent schools in rates at the present 20% is new money raised as taxation each year, primarily from parental fee income. In addition, state schools receive full VAT exemption, while independent schools receive only partial exemption. The consequence of removing rates relief would not be to “increase fairness” as hoped by Barclay but to increase taxation disparity between the sectors.

Nor would a “level playing field” with other charities be created. Independent schools represent 0.7% of the bodies awarded rates relief in Scotland, under 60 out of over 24,000 charities in Scotland. Our schools passed the last OSCR charities test. This proposal would single them out for different treatment from all the other charities.

Nor would the proposals give a level playing field at the nursery level. The Scottish Government accepted the Barclay proposal to extend 100% non-domestic rates relief to all nurseries and early years facilities, whether not-for-profit or profit-making. Our Merchant Company school nurseries, which are not stand alone entities, would under the proposals have to pay full rates while others would receive 100% relief.

Substantial rates increases at Merchant Company schools could only be funded, in anything other than the very short term, by an increase in school fees and a reduction of bursary and community facilities provision. This means that the proposal to remove mandatory non-domestic rates relief from independent schools would put pressure on parents because fees would have to be increased. The parents of children at Merchant Company schools come from a wide range of socio-economic backgrounds. It is the less well-off parents that would feel the pressure to remove children or not send them to an independent school in the first place.

In addition, the significant charitable works for the community provided by the Merchant Company schools, recognised by OSCR, would be damaged because of
financial pressure. The means-tested assistance our schools provide would be substantially impacted by a sudden rates rise. It would be harder to finance the access to sports facilities which our schools provide to benefit the local community. This would also apply to community partners and others that use our school premises and facilities for such things as music teaching, rehearsal space, careers events and other leisure and social activities. This consequence is not properly addressed in the proposal.

A loss of pupils at independent schools would result in pressure being put on the state sector schools. SCIS has calculated that the loss of as little as one in thirty pupils from the independent sector, causing a rise in demand for state sector places, would cost the Scottish taxpayer more than the entire rates increase proposed by the Bill. There would be pressure on state sector class sizes, school buildings, school catchment areas, and teacher numbers, recruitment and overall budgets. Because of the scale of the Merchant Company schools vis-à-vis school education in Edinburgh this could effect could be significant. This consequence is not properly addressed in the proposal.

The independent sector is an asset to the Scottish economy that attracts school-age students from the rest of the United Kingdom, the European Union and the rest of the world. The proposals would raise costs for these students from elsewhere, perhaps dissuading them from coming here, to the detriment of Scotland.