LOCAL GOVERNMENT AND COMMUNITIES COMMITTEE

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

SUBMISSION FROM ANONYMOUS

Dear Sirs,

This is a response from the parents of two girls who currently attend St George’s School for Girls Edinburgh. X is 12 years old in S1 and has been a pupil at St George’s since she was in pre school and Y is 15 years and in S4. She has been a pupil since P1.

My husband and I have read copious numbers of documents relating to the proposals above and wish to inform you of the direct impacts these proposals will have on both our family and many other families in similar circumstances.

Having read with interest the summary paper entitled ‘Summary of Non-Domestic Rates (NDR) Issues’ April 2019 written by Mr John Edward, Director of SCIS, we wish to reiterate some of the key points Mr Edward has raised in the document as we completely agree with the content.

ARGUMENTS

National contribution:

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. 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 an independent school due to increased fees, whether 20% or 100% paid, will be an additional cost to the taxpayer. In addition there will be further pressure on class sizes, school buildings, school catchment areas, and teacher numbers and recruitment.

- The loss of 1 in 30 pupils from the independent sector – either to the state sector or boarding pupils locating elsewhere – would cost the Scottish taxpayer more than the entire rates increase proposed by the Bill. There is no reference of this at all in the Financial Memorandum, which one Call for Evidence seeks views on.
- The review, consultation and the subsequent draft legislation made no reference to the public benefit test that independent schools, uniquely as a group both in Scotland and beyond, had undertaken. There has been a three-fold increase in means-tested fee assistance, unlike elsewhere in the UK, as a result. That assistance – to widen access - was calculated on school budgets which have now been substantially impacted by a sudden rates increase.
- 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. Despite this policy priority, no consideration has been made of the impact on independent school sports facilities and their access by the wider community.

Parity:

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”:

- 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.
- 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, profit-making 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.

Affordability: Much commentary over the measures has indicated that independent schools, and their families, can afford to pay for increases in rates relief:

- No consideration is made in any documentation, nor the Financial Memorandum, of the differing impact on different sizes of school. Large schools on a compact site may have a lower rateable value per pupil educated on site than a smaller, residential school.
- No consideration has been made that those on substantial means-tested fee assistance, of 80 or 100%, will also be affected by an increase of fees caused by an increase in the school rates exposure.
- No reference is made to the knock-on effect that a fivefold rates rise will have on community partners and others that uses school premises, facilities and resources – music teaching and rehearsal space, careers events, sports coaching or facilities, other leisure, social or community activities. If independent schools are charged non-domestic rates at the same level as commercial bodies, it will be hard for them to avoid charging out facilities at similar commercial rates.

APPENDIX A

SCIS submission to Barclay Review – March 2017

Out of 24,061 registered charities in Scotland, independent schools in membership of SCIS number fewer than 60, or c.0.3% of the charity sector in Scotland. In terms of rates relief, the same schools constitute 0.7% of the bodies awarded rates relief in Scotland.

On this basis, recognising that relief is offered to the private, public or third sector and given the substantial range of other fee-charging charities in Scotland, schools see no reason for them to be treated separately from any of the other charities registered with OSCR.

Public debate

Given that central government varies upwards or downwards its own contribution to local authorities, as their business rates intake fall or rise, there clearly would be no additional revenue created by the removal of mandatory rates relief from what is already a minuscule part of the overall rates relief framework in Scotland. Any such removal would simply increase the Council tax take, and therefore reduce the Government’s required contribution.

Should Government then wish to allocate such a saving to other aspects of education, the amount available would still be considerably less than that derived solely from parental fee income and used to provide means-tested bursaries and other forms of financial or non-charged-for assistance. That assistance has been an integral and strictly-tested part of the public benefit such charities provide. A further implication of any resulting rise in school fees that the end of rates relief might bring about would be, in
part, to place added burden on the Government to provide additional places in local authority maintained schools.

Economic contribution:

In addition, the Scottish Government’s own Council of Economic Advisors has recognised the economic value of independent schools, including boarding schools, to Scotland. In what is a highly, and increasingly, competitive global market, it would be extremely counter-productive to add any barrier to Scotland’s ability to attract school-age students from the rest of the United Kingdom, the European Union or beyond.

This would apply both to the boarding sector as well as to families attracted by day school education choices as part of individual relocation plans. Any such alteration in rates would also run counter to the Scottish Government’s expressed position that rates should not rise above those in England. For further details of the economic impact and gross value added of the independent school sector, including £246m. in exchequer benefits, see [http://www.scis.org.uk/facts-and-figures/economic-impact-report/](http://www.scis.org.uk/facts-and-figures/economic-impact-report/)

Charitable status:

The charity test for Scottish independent schools is the strictest in the world. Any alteration to rates relief would make Scottish schools less competitive than their equivalents elsewhere with very serious consequences for the employment of teachers, support staff and third party suppliers – as well as those pupils mentioned above. The independent sector currently employs 5.9% of the teaching workforce in Scotland, making it the 6th largest employer of teachers and employs more than 3,000 support staff.

Moreover, there is a more fundamental point about the recognition of charity and not-for-profit bodies through rates relief. Many of the twenty-four thousand charities in Scotland are fee- charging, including professional colleges, further and higher education institutions, and private care homes. Many more of those charities, as well as some of those that receive 100% relief, may fund and promote causes that do not necessarily garner the support or goodwill of the majority of the population.

However the principle of charity is often misrepresented. It is entirely possible to provide charitable benefit and assistance through a salaried staff and with funds raised from fees or subscriptions. The key principle is whether a charitable purpose is being met. In the case of independent schools in Scotland, the advancement of education is palpably and demonstrably being delivered, while they are rightly tested for their public benefit provisions. A review of business rates should not be used to single out 0.3% of Scotland’s charities for differential treatment for reasons of personal belief, especially if those run contrary to legal recognition and the promotion of growth in Scotland.

- Most state-school heads will return a blank look when asked what the rateable value of their school is. That is because that value is a notional one, allocated then budgeted away at source by a local authority that pays all of the running
costs of that school. Those same heads or their business managers will never need to consider, as every independent school now will, what cost-cutting steps they would take to address any rise or fall in that notional rate – because they will never have to do it. That reality gives the immediate lie to the idea that state schools actually “pay” rates, and that this bill has anything to do with parity.

- 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?
- Finally, 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.”
- 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.

In conclusion, we wish to quote from the assessment conducted by [name supplied], Chartered Educational Psychologist, who assessed both our daughters in February 2017, following concerns expressed by their class and learning support teachers. In it he states “I cannot imagine that anyone would disagree that X has dyslexia. In so far as it is possible to do so, I would characterise the effect at present as relatively severe.” And for Y “There is a gulf between Y’s ability and her literacy development. She has a long-standing specific difficulty with aspects of literacy that cannot be explained by usual means such as deficient education, lack of application or limited ability. The difficulty is at the word level. That is a definition of dyslexia. In Y’s case it is not severe at present but it is quite marked. I suspect this affects Y more than she might let on, particularly in its effects on her curriculum access. Unless she has a better explanation, it is likely to be at least a factor in her sometimes apparently resistant behaviour in the classroom. Such long-standing difficulties with reading - a main tool of all learning - can get young people down. It can reach into every part of their lives so that they can come to doubt themselves, their abilities and their confidence more generally. This is the case with Y, I hope that knowing how well she did on the ability test is a boost for her.” The need for our daughters to be assessed was identified at the school but funded (with difficulty) by ourselves, the comments endorse the
thoughts of X and Y’s teachers and the support each needs in the classroom to learn and that is delivered at St George’s School for Girls Edinburgh.