LOCAL GOVERNMENT AND COMMUNITIES COMMITTEE

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

SUBMISSION FROM ANONYMOUS

The Scottish government has finally published its Non-Domestic Rates (Scotland) Bill, which follows the Barclay Review of business rates. To no great surprise, the bill includes the proposal to make independent schools “ineligible for reduction or remission of rates”. This is despite a majority of respondents to the formal consultation, including the OSCR (Office of the Scottish Charity Regulator) itself, opposing a move which created a two-tier system of charitable relief.

The problem for the bill, and the proposal it encompasses, is that it perpetuates a series of contradictions which can only stand in the way of sound and long-standing legislation. It drives a coach and horses through OSCR’s uniform regulation of more than 12,500 charities that exist for “the advancement of education”. It picks away at the hard work the Charities Act 2005 supported. Despite the government’s express aim that the bill will maintain a “competitive advantage for Scottish ratepayers”, it also puts successful Scottish independent schools at a competitive disadvantage compared with those in Canada, Cornwall and Carlisle.

The process itself is thrown into some doubt by the admission in the financial memorandum that the impact on schools would be more than £7 million per year, rather than the £5 million proposed by the Barclay Review and then put to public consultation.

Every penny of that additional tax burden will have to be derived from existing parental fee income, the salary costs of the staff roll, existing school assets, or from the money allocated to means-tested fee assistance as part of the public benefit test. Every child removed from independent school if fees rise, will be an additional cost and space for local authorities to deal with – the bill’s financial memorandum makes no mention of that. The government may yet win the accolade of being the first to introduce a widening access measure only to narrow it again.

The proposal assumes a range of assumptions that stand open to challenge:

1. It separates special needs from mainstream schools. It does so in the very same week that the Scottish government has published further guidelines on providing education in a mainstream setting. While all will agree that special needs schools, including independent ones, are an unalloyed good for Scottish education provision, creating separate tax treatment makes a distinction in their worth and worthiness, precisely when mainstream independent schools have very substantial learning support and mainstreaming commitments (in some cases bigger than the entire special needs sector).

2. Exactly the same dilemma comes about when creating an exemption for any independent school all the pupils of which are selected “on the basis of musical ability or potential”, and follow a curriculum which includes “classes aimed at developing musical excellence”. Music instruction and provision is flourishing in the independent
sector, at a time when its absence elsewhere makes regular headlines. In most independent schools all pupils learn music and most can be graded in that subject.

3. Allowing for 100 per cent rates relief for private, profit-making providers at early years/nursery level but not standalone independent school nurseries is simply unfair, and an unwise use of public support. Withdrawing that relief if pupils at the age of five then continue to independent school makes no sense it terms of equity, opportunity or parity. Nor does reintroducing that same public support at the age of 16-18 should those same pupils continue to FE or HE. If schools provide and advance education and care, as they do, how can they be separated from anyone else, except through political ideology?

4. 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.

5. 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?

6. 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.

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.
I object to what is being proposed.