LOCAL GOVERNMENT AND COMMUNITIES COMMITTEE

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

SUBMISSION FROM ANONYMOUS

Non-Domestic Rates Issue for Private Schools

Introduction

I was disappointed, but not surprised, by the events that have led to The Scottish Government’s current proposal to remove mandatory non-domestic rates relief from independent schools. The proposal reflects, in my opinion:

- A continuing narrative from the Scottish Government in favour of ‘squeezing more from less’ until the ‘less is no longer’ and there is ‘nothing left to squeeze’. Sadly, this is a predictable outcome in the longer term for private schools where the margins for effective operation are already tight.
- A determined effort, by one means or another, to remove private schooling from Scotland: by challenging charitable status, by questioning private schooling’s public benefit and now by imposing further cost on private schools, particularly by comparison with other charities as to how rates are levied – 56 out of 24,500 charities in Scotland subject to this proposed change.
- No economic or financial objective but a strong political motivation on questionable grounds.

Financial versus political

The targets to squeeze in Scotland, seem to me at least, to be anything or anyone that reflects particular social and political narratives that can appeal to particular parts of the electorate as ‘targets make good copy’ – envy and substitution rather than good economic or financial arguments. This is not new territory for the Scottish Government but a reflection of ‘gesture politics’ rather than using good reasoned sense.

It is not valid to suggest that there is not a level playing field between private schools and state school in how rates are assessed: the point is how they are actually paid which, if the proposals were to go through, would mean pounds shillings and pence real cost to private schools, and nothing other than credit and debits on public accounting for state schools. This is a false accounting argument.

The minimal benefit to the public purse (estimated at circa £7m annually) versus the financial and economic impact of helping push private education to the wall and, in the meantime, helping making it unaffordable, is massively outweighed by the potential costs of having to finance more children through the state system and the loss of revenue to the wider economy of losing this successful part of the Scottish economy.

If, however, as many of us suspect, the basis of the Government proposal is to help remove private schooling altogether from the Scottish landscape, then it would be
better that the political promoters of this aim were honest with their idealistic intentions rather than swathing them in ‘faux economic’ arguments and applying the negative ‘drip drip’ effect on this successful part of the Scottish economy.

A simple piece of accounting arithmetic: raise an additional £7m of rates from 56 institutions, at an average cost to those institutions of £125,000 per annum (with the variation likely to be significant depending on premises) and at an average cost of say £7,000 per annum to educate a child in the state sector and say 1,000 Scottish children introduced into the state sector (from a population of approximately 30,000), assuming the existing state facilities could cope, would entirely negate the financial return on rates. Close down the entire private school sector and a net cost of £210 m per annum would fall on the state sector. None of this, of course, takes account of the employment, and opportunity costs of so doing in the wider economy. I’m sure you can improve on my ‘beer mat accounting’ but I suspect it would be in real terms an awful lot worse if total costs were factored in than what I’ve suggested above.

State versus private education

Let me be clear, I and most of the parents I know who have their children attend private school, would prefer to have the remains of our already fully taxed income applied for things other than private schooling, far less bearing all the financial sacrifices that an expensive education has entailed. It is an active choice and parents have chosen the good of their children as a priority, which unless I’m much mistaken is a basic tenet of almost any religious, political or philosophical regime, whilst spending on consumable commodities doesn’t rate highly. Similarly, I’m reminded of the political mantras of ‘education, education and education’ from New Labour and ‘Judge me on Education’ from SNP which don’t sit well with potentially destroying an area of conspicuous success in educational terms, by any measure, namely private education in Scotland.

I spend on private education because I want to help my children receive what I might consider a reasonable and good education. As a product of the tampering with state education in the seventies, and firmly believing that many things have deteriorated since then, particularly in Scotland, I chose to use private education for my children. I was not buying privilege or advantage, I was simply trying to do the best for my children, which is the abiding notion of most parents who choose to send their children to private schools, particularly in Scotland.

The aim of narrowing ‘attainment gaps’ is both understood and cannot be disagreed with. However, the answer is certainly not to pull, inadvertently or purposely, all the standards down to achieve the narrowing of the gap. Political arguments can be dressed up as making everyone more equal, but if that ultimately means sitting in caves, rubbing sticks to provide green energy, being incapable of doing much more than cave painting, playing ‘Tic Tac Toe’ and catching rabbits for supper, then equality is questionable – but of course highly desirable in terms of societal opportunities.

Financial and economic sense

And that is a key point of private schooling in Scotland it makes financial and
economic sense - until the state sector can demonstrate it can do a better job.

- The private sector demonstrably reduces the burden on the state finances to provide education for those who attend the private schools, most of whom are Scottish nationals with Scottish parents;
- The sector, which does not run for profit, generates overseas income from those who attend from overseas and become engaged in the local economies too, which brings money into the local economy that desperately needs it;
- The private sector, as self-funding, provides employment for one of our key resources, qualified and professional teaching staff, and retains them and brings them into Scotland;
- The majority of parents who have their children attend private schools are tax payers and community tax payers and most have already contributed, some very substantially, to the public purse without taking from it for many services they pay for directly out of their own pockets in education, health and other services that are otherwise provided by the state;
- It would be blinkered to ignore the academic success of private schooling and without tendentious ‘nature and nurture’ discussions, it would be impossible to deny that the outcomes for many privately educated pupils in Scotland, whether it be in further education or in employment, are good. That includes in competing against severe competition for work and education in the wider UK market, and increasing global markets for employment;
- Private schools contribute to the communities in which they operate, voluntarily and not just to maintain the charitable status accorded to them but more importantly as the sense of community service is part and parcel of the curriculum of most private schools. Private school premises are used for public purposes, with the cost of maintenance again falling on those who pay the school fees, as but one example;
- Private schools provide bursaries and support for pupils, including examples of special attention to educational needs (which does not include provision of Gaelic lessons or the state financing of Gaelic schools for a tiny proportion of the population who speak the language, as but one State based example);
- By very definition, a not for profit organisation, without shareholders, does not retain substantial reserves, by and large, nor is it in a position to absorb new costs without it impacting on its affairs. Whilst the rates take for local authorities will be relatively modest by comparison with their overall budget, the direct financial impact on the individual private schools will be significant. Schools can cut other costs, or they can raise fees, or they could sell off assets thereby eroding the value of what they provide - or they could even fail: that is how cash flow works in the real world of private enterprise. It is not a ‘money tree’ or a ‘borrowing frenzy’ that can be shaken for private schools, it is a competitive market, and there is a limit to even overseas largesse in providing pupils to schools emptied of local attendees who can’t afford the fees. With average school fees running into tens of thousands per pupil per annum, there is not much scope for increasing fees, I would contend - but perhaps those promoting the proposals know better.

What also does not make any financial sense is the imposition of direct cost on these non-profit making enterprises on the ‘off chance that they or the parents can afford it’. A simple examination of financial failures and consolidation in the private school
sector, and the significant increases in private school fees shows the relatively narrow margins on which these entities operate. If this is seen as a source of closing other fiscal deficits in the Scottish economy, it is a false one – ‘killing the golden goose’ comes to mind in many aspects of managing the Scottish economy and the fiscal take required to operate its public services, and this would be another good example of that type of financial folly.

Conclusions

I’m sure others will have made much more detailed submissions based on more quantitative information but both on quantitative and qualitative issues my simple contention is as follows:

If the Scottish Government doesn’t want private schools in Scotland then legislate and be honest in so doing... and then watch a substantial swathe of the economic benefits of private education move elsewhere, including the tax payers that fund their children’s education out of their own already heavily tax impacted pockets.

Don’t hide behind rates relief and ‘dripping negative narrative’ into Scottish society to achieve the cause, particularly as the economic and financial arguments cannot possibly stack up.

Instead, retain the current rateable situation for private schools, as applied to all the charities in Scotland. Concentrate on improving state sector education, which has a per head cost not dissimilar to many private schools, and there will be little or no requirement for private schools to co-exist: job done!