LOCAL GOVERNMENT AND COMMUNITIES COMMITTEE
CALL FOR VIEWS ON THE NON-DOMESTIC RATES (SCOTLAND) BILL

SUBMISSION FROM ANONYMOUS

The proposed removal of the non-domestic rates relief from Independent Schools under Section 10 of the proposed Bill will potentially have a detrimental effect on the funding and resource available to State Funded School education, thereby jeopardising the vital education of Scotland’s children.

Furthermore the Bill fails to achieve the objective of achieving fairness and equality between State funded education and Independent Schools.

The Bill fails to take account of the economic benefit that Independent Schools bring to Scotland.

Education Funding

Currently approximately 30,000 children in Scotland are educated by Independent Schools, with c.25% of all pupils receiving some form of financial assistance, ranging from 20% to 100% bursary allowance to attend.

Of the children receiving some form of financial assistance, 3.3% of children being educated in senior years at Independent Schools are benefiting from 100% bursary assistance.

Increasing the non-domestic rates burden will result in schools increasing fees, selling non-domestic rate paying assets and reducing the availability of bursaries. Additionally schools will be forced to consider either reducing access to their facilities, staff and resources or charging access to their resources at commercial private sector rates.

It is naive to assume the increased tax burden will only be met by increasing school fees.

The Scottish Government indicates that it spends on average £6,500 per year educating a child in a State maintained school. Any child which moves from the Independent sector to State sector will put additional pressure on the Scottish Governments education budget, in addition to the pressure on class sizes, school buildings, teacher workloads and retention/recruitment.

As little as 1 in 30 pupils (3.33% or 990 children) removed from the Independent sector will negate any new tax revenue raised by the removal of the charitable non-domestic rates relief.
**Fairness and Equality**

Currently Scottish State Schools do not benefit from any relief to their non-domestic rates liability, however they do benefit from a full VAT exemption.

State Schools are fully funded by the tax payer. Applying a tax in any form to any fully tax payer funded State body or facility is simply a paper based circular process. It does not result in any new tax revenue being generated for the exchequer. If a State School were to benefit from the non-domestic rate relief available to Independent Schools it would have no impact on the overall funding available to the State schools.

In contrast, every penny of tax generated from the Independent School sector is entirely new revenue raised, currently primarily funded by school fee income.

Tax revenue generated by Independent Schools is not restricted to non-domestic rate revenue, there is income tax raised from the staff it employs and VAT on the goods and services it utilises.

If non-domestic charitable rate relief is removed from Independent Schools in an effort to strike parity and fairness with the State sector the Bill should address the full VAT relief currently enjoyed by State Schools which is not available to Independent Schools.

Fee paying parents are in effect paying to educate their own children reducing the burden on the State thereby freeing funds to be spent on state educated children and paying their taxes to contribute to the education of the country’s children.

It is unfair to assume privileged access to education does not exist in the State sector. Many parents are in fact paying for access to the best State Schools through their ability to pay premium house prices around the best schools. In buying access to the best State Schools they are also depriving access to children from poorer backgrounds exacerbating the social divide.

Many parents of children educated in the State sector would have the means to educate their children in the Independent sector however they choose to prioritise spending their money on other activities, such as luxury cars, leisure pursuits or holidays.

It is short sighted and unfair to assume that many parents who choose to pay fees to educate their children in the Independent sector have the means to cope with the increased fee rises or reduced bursary allowances.

Many Independent Schools offer nursery education to pupils, however the Bill as
drafted seeks to disadvantage these nurseries by removing the non-domestic rates relief yet provide full rate relief to not-for-profit and private profit making facilities. Independent Schools would have to disconnect their nursery offer in to reach equitable status with profit making organisations.

**Economic Benefit**

Independent Schools generate £455.7m of GVA for the Scottish Economy. They support around 10,600 jobs and generate £246.6m for the public exchequer.

Additionally 72 Scottish Independent Schools save the State approximately £156m every year. (Source: April 2016 by Biggar Economics report on the impact that the Independent School Sector has on the Scottish Economy)

The proposed Bill as drafted, rather than recognising the benefit to the exchequer seeks to threaten a significant contributor to the Scottish economy.

**Conclusions**

The committee should recognise that Scotland is competing in an ever more globalised world. The Scottish education system is recognised throughout the world with many international students choosing to be educated in Scotland's Independent Schools. The Bill is threatening to eradicate that competiveness through the implications of the tax increase, damaging Scotland’s global standing.

The Scottish Government has underestimated the true impact of the potential revenue raised by this Bill. It has failed to recognise that fee income will not simply be the sole way in which schools meet the new tax burden. Schools will be under pressure to justify the quid pro quo of the offering their facilities, staff and resource to the wider public and there will be pressure to withdraw bursary support. If they are not recognised as a genuine charity why would they continue to act like one?

Independent Schools have worked hard to offer wider access to Independent Education to children from all social backgrounds. The Bill as drafted, rather than creating a more equal society it seeks to create a bigger social divide. It has the potential to discourage Independent Schools from actively seeking opportunities to offer support and opportunity to society, placing pressure on local authority resources that are not available.

The implications of Section 10 of this Bill fails to achieve the key objective of delivering a revenue neutral position which is both equitable and fair due to the misconceptions of the charitable role Independent Schools play in Scotland’s society.