LOCAL GOVERNMENT AND COMMUNITIES COMMITTEE
CALL FOR VIEWS ON THE NON-DOMESTIC RATES (SCOTLAND) BILL
SUBMISSION FROM DEBORAH O’REILLY

Summary

The economic case here does not stand up to scrutiny and the principle of ‘charity’ is misrepresented in the Bill.

The principle of charity is misconstrued. 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.

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.

National Contributions:

The estimated financial implications of the Bill as set out in its accompanying Financial Memorandum conclude wrongly in stating that “there is no direct impact of this change on the Scottish Administration or local authorities as ratepayers”.

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

While the Barclay Review and Government 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”, there are key factors that are not weighed in to this level field and as a result discrimination against independent schools ensues:

- 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 full 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 tax-payer 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.

The Committee is asked to reject this Bill and consider wisely the contribution of independent schools to the economy, educational and community provision and reputation of Scotland.