

**Local Government and Communities Committee**

**Non-Domestic Rates (Scotland) Bill: Visit to George Watson's College,  
Edinburgh, 12 June 2019**

**Note by the Clerk**

**Tour of the campus led by James Mills, Bursar, George Watson's College**



1. There are around 3000 people on campus on any typical school day, of which over 2400 are students. The school stopped taking boarders over a decade ago. The campus is spread over 21 hectares, with 25 main buildings of different ages and conditions, including “temporary” huts, some well over a decade old. Sports facilities include indoor and outdoor multi-use pitches, rugby pitches and an indoor pool. All are available outside school hours, either by paying a membership fee or for one-off hire. Other facilities include a music school and auditorium, an art school (reaching the end of its useful life), and a design and technology building.
2. Maintaining and improving the campus is a non-stop project. Any annual surplus will tend to be put aside for capital investment. The independent sector is competitive in Edinburgh, and parents and students have increasing expectations about what facilities a school ought to have.

### **Discussion between Committee Members and representatives of the independent sector**



Present (Members): James Dornan (Convener); Kenneth Gibson; Graham Simpson; Alexander Stewart; Andy Wightman

Present (representatives of the independent sector): JoAnna Collings, Bursar, St Mary's Music School, Edinburgh; John Collins, Bursar, Cargilfield School, Edinburgh; Barry Farrell, Bursar, Kilgraston School, Bridge of Earn; Dorothy MacGinty, Headmistress, Kilgraston School, Bridge of Earn; Jacqui MacInnes, Accountant, The Glasgow Academy; James Mills, Bursar, George Watson's

*College; Katie Morton, Chief Operating Officer, Hamilton College; Mike Palmer, Chair of Trustees, Edinburgh Steiner School; Alistair Pugh, Chair of College, Edinburgh Steiner School; Rob Taylor, Headmaster, Cargilfield School, Edinburgh; Barry Welsh, Rector, The Edinburgh Academy*

*In attendance: John Edward, Scottish Council of Independent Schools; Alison Newlands, Scottish Council of Independent Schools; Peter McGrath (Committee clerk); Ailsa Burn-Murdoch (Scottish Parliament Information Centre)*

3. **Direct financial impact:** section 10 of the Bill will end independent schools' automatic entitlement to 80% charitable relief from business rates if they qualify as charities. Schools were asked what additional costs this would impose. Answers ranged from £20,000 to £460,000 per annum.

Committee Members noted that the additional cost per pupil would vary widely; up to around £500 per pupil. The wide variance is because rates are based on properties' rateable value. Economies of scale mean that the cost per pupil will generally be lower for large schools, though there will be exceptions.

4. **Wider 2020-21 financial context:** the Scottish Government wants section 10 to become law in the next financial year. Schools said that this would be "extremely challenging" as they also have to factor in increased pension and salary costs for teachers next year (7% and 5.8% respectively) following recent agreements. The Committee heard views that if the change must go ahead it should at least be delayed until the 2022 revaluation.
5. **Financial health of the sector:** Schools stressed the diversity of the independent sector but noted some common characteristics. They said that OSCR<sup>1</sup> had been right to comment in its evidence to the Committee that some schools were in a "marginal" financial situation. Very few schools are sitting on reserves. Any surplus is likely to be reinvested in the school estate or bursaries (which in larger schools run into hundreds of thousands). Many schools are in debt. Fees have been rising at above inflation levels for most of this century to meet rising costs and this has had consequences on some school rolls. The sector is relatively robust in Edinburgh but less so elsewhere. Bigger schools will generally be better placed to cope than small schools. Three schools present said the Bill raised serious doubts about their future economic viability.
6. Cost-covering measures were discussed. Some schools may be able to increase their roll but some are at capacity and cannot realistically expand. For some schools, the last few years have been about dealing with reducing rolls. Schools can raise fees but no school likes to do this and experience shows

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<sup>1</sup> Office of the Scottish Charity Regulator

there is a point at which it becomes counter-productive because families leave the system. Participants said that some schools may be able to reduce or rationalise their estate but many cannot. They agreed there may be income-generating opportunities for some schools (eg hire of sports halls) but many will already have optimised these. They said that generating any further income (eg increasing charges) may begin to conflict with schools' charitable and outreach purposes.

7. **Charitable status:** since 2005, independent schools have had to prove their charitable status to OSCR. Testing was described as rigorous, and not all schools passed initially. Status is reviewed annually. The Bill's approach of treating the sector differently from other charities was described as "crossing the Rubicon". The view was that it may open the door to further differential treatment and create confusion about whether independent schools were "real" charities.
8. Schools also discussed their bursary schemes. They said that these are over-subscribed. In some schools, upwards of 40% of students are in receipt of bursaries or other financial assistance. Schools said it was almost inevitable the Bill would have an impact on bursaries.
9. **Perceived wider benefits of the sector:** the independent sector was described as a strong Scottish asset and as a "pull" factor for families considering relocation to Scotland, Edinburgh especially. Schools said that it was not an asset that should be taken for granted, especially bearing in mind the economics of the sector. Participants said that the sector was diverse and that this was one of its strengths; for instance, Watson's College is quite different in its ethos to the Edinburgh Steiner School. The latter, which takes in looked-after children, would actually prefer to be within the state sector. Participants said that the common factor uniting schools in the sector was that they are independent and that they are charities.
10. Schools said they provided both an economic benefit to communities (jobs and take-up of local services) and a social benefit (eg school facilities made available to other schools or the wider community). Some schools had arrangements for their teachers to provide free tuition to other school pupils in art, music, drama, science, etc. They said the Bill threatened these arrangements.
11. **St Mary's Music School:** St Mary's is the one independent school certain to benefit (as things stand) from the exemption in the Bill for independent schools that select and teach on the basis of musical ability. It was noted that there are additional factors that make St Mary's distinct. There are only 79 students. Most have government-funded places. In relation to the few fee-paying pupils,

the school has no control over fee levels, which are set by the Scottish Government.

12. **Rationale for removing the relief:** SCIS said they felt the Barclay Commission had given them a reasonably fair hearing when they testified before them, although the perception was that the question of rates relief for independent schools was at the periphery of the Commission's work. When the Barclay report came out, there was a feeling that it had not engaged with the SCIS evidence.
  
13. Schools queried "equity" as the rationale behind section 10 the Bill. They described the payment of full business rates by state schools as a "recycling" or "paper" exercise and noted that state schools do not pay VAT whilst independent schools do. Schools queried why the potential negative financial impacts of section 10 had not been estimated in the financial memorandum to the Bill (for instance, the cost of pupils entering the state system as a consequence of raised fees). Some participants queried the "preferential" treatment of St Mary's Music School: it appeared arbitrary to them to privilege the social benefit of a musical education over the distinctive ethos or curriculum other schools may offer.