



HOUSE OF COMMONS

LONDON SW1A 0AA

The Rt Hon Rachel Reeves MP
Chancellor of the Exchequer
HM Treasury
1 Horse Guards Road
London
SW1A 2HQ

By email: independentschools@hmtreasury.gov.uk

Our reference: BS32479

12 September 2024

Dear Chancellor,

Consultation Response: Applying VAT to Private School Fees and Removing the Business Rates Charitable Rates Relief for Private Schools

I write, as the MP for the Runnymede and Weybridge constituency, in response to the Government's technical note and consultation 'Applying VAT to Private School Fees and Removing the Business Rates Charitable Rates Relief for Private Schools'.

The consultation document sets out the Government's intention to apply VAT to all education (and some ancillary) services supplied by independent schools across the UK, and to remove eligibility of independent schools in England for business rates charitable rates relief.

At the outset, I want to make clear that I oppose taxation on education in the strongest terms and I believe that the intended policy changes set out in the consultation document are likely to have far-reaching detrimental consequences for children, schools, local education authorities (termed "LAs" in the consultation) and the wider economy.

At least one in five children across the Runnymede and Weybridge constituency are educated in the independent sector. Research has indicated our area is likely to be one of the most affected by these policies in the country, given the number of children who may move from the independent sector and existing pressure on state school capacity.

In recent weeks and months, I have been contacted by many families, schools and industry bodies expressing their serious concerns about the impact of these policy changes on children's lives and the education sector. I know from the large number of personal circumstances that have been relayed to me that many parents who choose independent schools for their children are not the super-wealthy that the Government allude to; they are hard working families who cannot simply absorb a sudden increase in school fees of this magnitude.

Many have chosen to send their children to independent schools due to SEN or health needs. Parents who will now be forced to withdraw from the independent sector for cost reasons fear the risk of lasting damage to their children's attainment, mental health and lifetime potential as a result of this disruption.

The questions posed by the Government's consultation are extremely limited in scope, focused on technical issues and apparently intended to deter substantive criticism of these significant policy changes, which have the potential adversely to impact the quality of life of so many children and their wider families.

Further, the hasty and ill-thought through nature of the intended reforms is emphasised by

the numerous sections of the consultation document where it is stated in relation to important issues that “*the government will consider how to address the potential impact of these changes*”. It is especially concerning that the full impact has not been considered already given the January 2025 (VAT) and April 2025 (business rates) implementation dates.

Despite its narrow scope, the consultation does raise a key question about whether the Government’s proposed policies can even achieve its aims. These are stated to include (i) raising revenue to support public finances and the Government’s education commitments; (ii) ensuring high-quality education is available for every child; and (iii) ensuring fairness and that pupils with the most acute needs are not impacted.

To the contrary, I am deeply concerned that the proposals contained in the consultation will not achieve these aims and will instead lead to significant educational, social and economic harms.

I set out my particular concerns below.

Additional pressures on state schools

The Government states that the introduction of VAT on independent school fees and the removal of business rates charitable rates relief would help state schools by providing additional investment to recruit 6,500 teachers. But with over 24,000 state schools across England, even if delivered this could not provide the improvements suggested given the additional pressure on capacity, class sizes and resources that this will cause.

The consultation document includes the sweeping statement that the number of pupils who may switch schools as a result of these changes represents a very small proportion of overall pupil numbers in the state sector. Even if correct, this completely disregards the impact on each individual family of a child facing the disruption, anxiety and potential interruption in education associated with a school move mid-year. It also ignores that the scale of the consequences will be felt very differently from area to area.

While state schools in some regions may be able to cope, other areas run the risk of being overwhelmed. The Financial Times has reported that, in Surrey, there were more than 41,000 independent pupils during the 2022/23 academic year — almost three times the 14,360 unfilled state-school places.

I have written to our local education authority, Surrey County Council (SCC), regarding its plans to manage the potential scale of demand for state school places from children leaving independent schools. SCC has confirmed that the impact on the need for school places could be significant as there are over 150 independent schools in the county, and some 20% of Surrey children are in the independent sector compared with 7% nationally.

Engaging with our local schools, estimates are that around 5-10% of children attending independent schools may have to move back into the state sector as a result of this policy. For many independent schools this could pose a threat to their community outreach work and charitable activity, or even their viability.

Given the comparatively high number of children in independent education in the Runnymede and Weybridge constituency, local families will be disproportionately negatively affected by a potentially large transition from the independent sector and consequent influx of additional pupils urgently seeking school places in an area where many of our state schools are already oversubscribed.

The overall situation for families, schools and local education authorities is compounded by the by the Government planning to implement VAT on school fees in January 2025, in the middle of the academic year, making transition harder and more disruptive for those affected.

What impact assessment has the Government undertaken in relation to the likely increase in demand for state school places across each local education authority in order to ensure preparedness?

What analysis has been made of the availability of teachers and support staff for recruitment by area?

What financial support has the Government planned to ensure that extra school places and teaching staff are in place to meet the potential demand for state school places to outstrip supply in Surrey from January 2025?

What is the cost associated with providing this additional support?

Disproportionate impact on children with SEN

The Government has stated that it intends to protect children with the most acute needs from the effects of these proposed reforms by enabling local education authorities to reclaim VAT applied to the fees of children who have publicly funded places in independent school under the terms of their EHCP.

The Government will be aware, however, that this is very much the tip of the iceberg in terms of children receiving SEN support - with or without an EHCP - in independent schools. Where a child is receiving local education authority funded support and therapies under the terms of their EHCP within an independent school, but the EHCP does not name that independent school, the school fees for that child will not be exempt from VAT.

Moreover, Government data shows that there is a greater percentage of pupils in independent schools receiving SEN support without an EHCP than in mainstream state education. Children with SEN are among those who would find the disruption of transition most difficult to manage, yet the policy as set out includes no information as to whether the Government will make provision to ensure ongoing support or minimise harm.

In her report of November 2022, the Children's Commissioner emphasised the importance of managing school transitions smoothly and in a way that ensures children with SEN are properly supported. Her strong recommendation was that "*Standards on transitions should also focus on making sure that, if a young person is moving between primary and secondary education, or from alternative provision back to mainstream, they have had the opportunity to meet with the teachers, carers, practitioners, and adults who will be supporting them, and have been able to shape what their new routine will look like.*"

Many parents who contacted me reported already experiencing significant financial pressure to meet independent school fees as a result of their child's SEN before the announcement of these policies. In most cases, they felt they would have no option now but to put their child through the upheaval of a move back to the state system.

These children, who are already affected by a range of diagnosed challenges including: autism spectrum disorders, ADHD, hearing loss, and severe dietary allergies, are particularly sensitive to abrupt change and this will have resulting long term impacts.

What assessment has the Government made of the state education sector's ability nationally and by local education authority to cope with the additional demand for SEN support in schools due to children with additional needs leaving independent schools for cost reasons?

What steps has the Government taken to ensure that the extra resource required - in terms of teachers, teaching assistants and school counselling services – will be put in place in time to support the many children with SEN forced to make the transition from independent back to state school when VAT is applied to fees from January?

How will the welfare and academic attainment of children with SEN making the transition from independent to state schools be monitored and addressed where challenges have arisen?

What is the Government's estimate of the cost associated with providing this additional/transitional support and monitoring, and how does this impact the Government's aim of raising revenue to support public finances and its education

commitments?

Impact on Local Education Authorities already struggling to cope with EHCP demand

As a result of this policy, there is a clear incentive now for many families whose children are receiving non-EHCP SEN support in independent schools to seek EHCPs with a named independent school. However, this process is already facing extensive delays and a sudden increase in demand would place much greater pressure on already overstretched systems and resources to support those with SEND.

The addition of VAT to independent school fees will lead to deep unfairness where children with equivalent SEN (as diagnosed by an Educational Psychologist (EP) or relevant clinician) will pay different levels of fees depending on whether they hold an EHCP which names an independent school. That is to say, children who have had their needs diagnosed outwith the EHC process will be rendered financially less able to access independent education despite their equal level of need.

Furthermore, where parents who are currently funding independent school fees are successful in obtaining an EHCP with a named independent school as a result of their child's high level of need, the burden of those fees will transfer to the local education authorities, causing further cost pressures.

The national and local picture in relation to the accessibility of EHCPs demonstrates how making private school fees less affordable for children requiring SEN support will undermine the Government's aim of ensuring that those with the most acute needs are not impacted.

In a recent article, the Children's Commissioner highlighted her concern over the scale of the challenges already faced by families seeking to secure an EHCP for their child in a system which is overwhelmed by demand.

The Commissioner referenced HM Courts and Tribunals Service data which showed that registered SEN appeals had increased by 24% to 14,000 in academic year 2022/23, when compared to the year 2012/22. Over a quarter of those appeals were against local education authorities' 'refusal to secure an EHC assessment', while a total of 58% were in relation to the inadequate content of EHC plans. Of the SEN appeals heard in 2022/23, 98% were decided in favour of the appellants.

At a local level, the situation for parents seeking EHCPs in Surrey is particularly challenging. Data contained in a report published by Surrey County Council in July 2023 demonstrates the steep decline in timely completion of EHC assessments from 65% in 2021 to only 26% in 2022, against a national average of 51% in 2022. The deterioration in the rate of EHCPs issued on time was even more stark, with 80% timeliness in April 2021 reducing to 26% timeliness in June 2023. However, this rate has improved dramatically from the lowest rate of timeliness which occurred in December 2022.

In recent years, I have been working consistently with SCC to advocate on behalf of constituents who are struggling to obtain EHCPs. While SCC is taking steps to address the challenges it faces, now with the leadership of its new Chief Executive who I understand has a background in child health and safeguarding services, much more remains to be done to increase the timeliness and quality of EHCPs. The additional demand for EHC assessments that these reforms may entail is likely to lead to a setback to that progress for families already struggling in the system.

It is highly relevant that SCC attributed the drop in timeliness during 2022 to "*a combination of continuing increased requests for assessment, which saw an uplift of 64% since 2020, and a contemporaneous reduction in capacity of critical teams such as SEN case officers and Educational Psychologists (EPs) and therapists*". SCC's report went on to state that the ability to complete assessments on time has been significantly impacted by the national shortage of Educational Psychologists, who are statutorily required to provide advice for all children undergoing EHC assessments. SCC identified this as a widespread problem, citing a Department for Education paper from June 2023 which confirmed that 88% of local authorities said that they were experiencing difficulties recruiting EPs.

There is a clear correlation between the increase in parents seeking EHCPs and the reduction in local education authorities' ability to process assessments and produce plans within statutory timescales. The data referenced by the Children's Commissioner highlights that, in too many cases, the content of the EHCPs produced is inadequate and subject to successful challenge.

Delays in the timeliness of EHC assessments and production of EHCPs caused by the pressure of increased demand will affect all children in the system, regardless of the severity of their need.

Recruiting case work staff, EPs and therapists to support this increased demand for EHCPs will entail significant additional costs for local education authorities. Moreover, given the DfE's recent data on challenges with recruitment and retention of EPs, it is by no means clear that it would be possible to bring on board sufficient additional staff in the short to medium term to deal with additional workloads.

What analysis has the Government undertaken of the potential for increased costs to local education authorities of having to fund independent school fees for children who are entitled to have a named independent school in their EHCP due to their level of need, but whose parents can no longer afford to self-fund as a result of the imposition of VAT on fees?

What analysis has the Government conducted of the cost of recruiting additional staff such as case workers and EPs to process increased demand for EHCPs?

What analysis has the Government performed by local education authority as to the availability of additional skilled staff such as EPs and therapists to support EHC assessments?

Economic impact

Many independent schools, especially smaller ones, operate on tight margins and potentially losing 5-10% of pupils as a result of the introduction on VAT on fees could jeopardise their survival.

These schools often form a key part of the economic lifeblood of their local area, offering not only direct employment to teaching and support staff, but also indirect economic opportunities in the form of goods and service purchased from businesses in their supply chain from landscaping and maintenance services to catering supplies.

Where pupils are absorbed into other schools, there is a risk that many of these jobs will not be replaced with the loss of tax revenue from earnings that this would entail.

The consultation also fails to mention the economic impact of school absenteeism, which is especially prevalent among children with SEN, on the economic productivity of the parents of those children and the future employment prospects of the children themselves.

In a report published this month entitled "Children Missing Education" the Children's Commissioner referenced data showing that children with SEN were disproportionately likely to become a child missing education. Children suffering social, emotional and mental health difficulties made up almost a third of children with SEN missing from school.

In the light of this, there is a clear likelihood that sudden, inadequately managed transitions from independent to state schools for children with SEN entails a risk of those children having poor school attendance or dropping out of school altogether. This can have the effect of severely limiting that child's ability to gain qualifications and, subsequently, fruitful employment in adulthood. It also impacts the ability of the child's parent or carer to continue working if they are required to care for, or home educate, a child who has left the school environment.

What modelling has the Government undertaken as to the number of independent

schools at risk of closure and the economic impact of the reduction in tax revenue due to the resultant loss of direct and indirect employment?

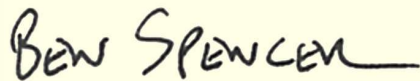
What assessment has the Government made of the costs associated with lost or reduced future work productivity on the part of children who may drop out of school altogether as a result of being unable to cope with the transition from independent to state school?

What assessment has the Government made of the potential loss of tax revenue as a result of parents missing work to care for children who refuse to attend school or are being educated at home?

For the reasons stated above, I strongly oppose the policy changes contained in the Government's consultation document. I would urge the Government to halt this policy and conduct further, in-depth impact analyses in response to the issues I – and no doubt many other stakeholders – have raised in response.

I declare an interest in this area as a parent of children attending independent school.

Yours ever,

A handwritten signature in black ink that reads "Ben Spencer". The signature is written in a cursive, slightly slanted style.

**Dr Ben Spencer MP
Runnymede and Weybridge**