



Rachel Reeves
Chancellor of the Exchequer
HM Treasury
1 Horse Guards Road
SW1A 2HQ

Bridget Phillipson
Secretary of State for Education
Department for Education
Sanctuary Buildings
20 Great Smith Street
SW1P 3BT

IAPS (Independent
Association of Prep Schools)
Bishop's House
Artemis Drive
Tachbrook Park
Warwick CV34 6UD
t 01926 887833
e iaps@iaps.uk
w iaps.uk

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Dear Chancellor and Secretary of State,

I write in grave concern about the decision to implement VAT on independent school fees in a term's time and the inadequate consultation which is currently being conducted by HM Treasury. I represent the Headteachers of over 600 UK independent schools, the modal size of which is between 200-300 pupils.

It is not my intention to argue against the concept of VAT on fees – this is a policy you campaigned and were returned on – and I wholeheartedly support your drive for high and rising standards in state education, so that everyone can enjoy the best start in life. Like you, I am relatively new in post, having been educated at a brilliant comprehensive, teaching in state schools from graduation and then serving in a senior role at the country's largest Multi Academy Trust for more than a decade. I know firsthand how urgent your ambitions are for the children of this country and I commend you on them.

It is from this good faith position that I offer what follows.

The January timing of the application of VAT to school fees seems deliberately destructive and will undermine the policy's aims

- There is no compelling logic in the use of January 2025 as the date of implementation, beyond the misconception that this will raise greater receipts. It is not the start of the academic year for pupils, the fee year for schools, nor the fee payers' tax year, or even the Government's budgetary year. A mid-year start creates numerous problems for schools, parents and the tax authorities that do not need to exist. Most independent schools are not currently VAT registered, many do not employ finance staff with experience of handling VAT and lack the accounting software to do so. HMRC will need significant additional resources to meet this deadline too. A date of January 2025 designs-in error, under-collection and a heavy support burden. January feels like an arbitrary date, attractive merely due to its proximity to the present.
- Most parents of children attending independent schools must carefully budget for the cost of fees and are not in a position to manage a double-digit, in-year rise. Large numbers will be forced, now at very short notice, to move their child(ren) elsewhere. You have cited previous annual rises in fees as evidence that parents will cope this time too, seeking to equate the gradual compounding of inflationary fee rises with a 20% hike in a single year. This isn't a credible argument. Ignore the tiny minority paying the highest fees that are so gleefully reported in the press – they are outliers that do not reflect reality for most independent schools' parents. By definition, those parents priced out by VAT will have children in schools

which charge the lowest fees in the sector, around the same sum as it costs the Treasury to fund a state school place. It is also likely that unaffordability will disproportionately affect parents of children with SEND, very few of whom have an EHCP. Thousands of parents will have to reluctantly remove their child from their chosen school in January, or sooner. Early evidence indicates that double the usual number of offered places have been turned down this summer¹.

- Following the announcement of a January start for VAT, some schools have already concluded that they must now close. To suggest that this would have happened anyway and is a result of their own historic price rises is highly disingenuous. No Head ever wants to raise school fees, as they know all too well how hard parents have to work to afford them. Increases are always the result of factors beyond their control, (historic buildings and teacher pension contribution spikes, to name two). It is true that many independent schools have closed over the years – this is because the schools in question were low-margin businesses with high fixed costs, without endowments or the ability to borrow large sums, and thus extremely vulnerable to financial shocks. It can take only a handful of families to withdraw their children to make a small independent school unviable, and most are in this category. VAT is the proverbial straw that will see closures manifest at scale over the coming months, and local state schools will have to provide places for these children, at no notice and in deluge not trickle. This is, of course, an additional burden on the taxpayer, as well as the teachers, leaders and pupils of the state schools affected. A mid-year influx of new pupils is disruptive to the stability of schools, as anyone working within one will attest. Workload increases, vulnerable pupils receive less staff time, further strain is placed on SEND and mental health support. It is in the country's interests that as few independent schools close as possible, and a January date for VAT is already acting against this.
- Almost all of the children who will be affected have already suffered unprecedented damage to their education due to the lost years of the Covid pandemic. This second, entirely avoidable, dislocation from their school community mid-year can only compound the social and educational harm. Unless you have experienced having to unexpectedly change school as a child, leaving behind all of your established relationships and slowly-gained sense of psychological safety, it can be hard to grasp how seismic the effect can be. It is an experience that no parent would choose for their child, and which leaves a lasting mark on progress and character. These unhappy consequences for thousands of children are in your power to avert.
- You have argued that parents have had plenty of notice of your intentions and – presumably – could have moved their child to another school for this September, or found the extra funds for VAT. Regrettably, this comes across as unempathetic cant, which cannot have been your intention. No parent would ever take the decision to move their child from a school at which they were thriving based on the electoral promises of an opposition party, and the ability to save up extra funds to pay for VAT is in the gift of very few parents in the sector, the majority of whom are best described as 'dual-income sacrificers'. Regardless of how long-ago Labour's intentions were announced, implementing VAT on fees a school term after forming a government does not give parents enough time to act in their child's best

¹ 'Parents already turning down private school places as Labour's VAT policy looms' The Independent
<https://www.independent.co.uk/news/uk/home-news/private-schools-vat-teachers-pupils-b2603226.html>

interests and appears cruel and punitive.

- Schools have done a huge amount to prepare for this change: they have always taken you at your word. However, their budgets for the school year, based on previously published fee levels, were set even before the surprise early election was called and there is very little they can do adjust their cost base further in the time remaining: the large majority of their expenditure is for staff, who benefit from long contractual notice periods. HMT's technical guidance says that the Government expects schools to "take steps to minimise fee increases", despite these steps being unfeasible under the current timeline. If given more time the amount of VAT schools could absorb and thus shield parents from would be far greater.
- Ms Phillipson - As Secretary of State, you have earmarked the receipts from VAT on fees for many important priorities that will benefit all children. HMT's implementation of VAT mid-year will reduce the sums raised in both the short and long term, restricting what you can achieve. Your estimated £1.6Bn per annum is predicated on a relatively stable number of parents paying VAT on school fees. For the numerous reasons given above, this assumption will not hold up on the current trajectory. Schools with many fewer pupils raise less VAT than you are relying on and closed schools pay none at all; parents opting for the grey market of private tutoring in place of an independent school will contribute no VAT either; international parents with freedom to choose a boarding school in territories which do not tax education will vote with their feet. Damage created this year will be baked into lower tax receipts in every year that follows. The UK has in recent years sadly acquired a national reputation for self-inflicted economic harm and is on track to repeat this in the independent school sector. A more considered implementation date would safeguard VAT income for the purposes it has been identified, by slowing the worst effects of higher fees and giving schools and parents time to adapt rather than exit.

In summary, the haste with which this change is being implemented will have the effect of worsening the impact on schools and children and is antithetical to the aims of the policy. More children will have their learning disrupted than would otherwise be necessary. More independent schools will close than would otherwise be the case. More state schools will need to accommodate in-year admissions, unpredictably, often at scale and at public cost. There will be less money to spend on the teachers and other priorities needed in the state sector. These outcomes are as straightforward to foresee as they are to avoid.

HM Treasury's consultation on VAT is deficient and designed to deliver a January implementation above other considerations

- The timing of this consultation coinciding with the school holidays can only be explained by indecent haste, as officials cannot have been ignorant of school holidays. Heads in independent and state schools, who have an equal stake in the outcome, have less than two weeks of term time in which to respond. These two weeks also happen to be the busiest of the school year. Heads deserve to be given sufficient time to give considered consultation responses, as in their capacity as the professionals closest to the issues, much valuable insight will result.

- You have separately received detailed evidence from CHB (Chairs Heads and Bursars group) as to the technical faults of the consultation which I will not rehearse here, save to say that they are numerous, fundamental and seemingly designed to foreshorten the whole process. If you have a genuine interest in consulting with people who understand the issues and implications, and in avoiding the damage which will flow from an intemperate timeline for implementation, then this urgently needs rethinking. The nature, length and intent of the consultation should be transparently considered.

In these circumstances, you will understand that even people working in the independent sector with deep experience of and love for the state system are beginning to conclude that you are not interested in our views, and that this is because you do not think the sector to be something worth preserving. This is a great shame, as it is a feature of British life that is the envy of the world and which creates enormous societal and human capital.

Ms Phillipson, your ongoing references to focussing on the 93% of pupils who go to state schools was understandable whilst campaigning from opposition, but it is entirely incompatible with your present responsibility for 100% of the nation's children, regardless of the funding mechanism of the school they attend. I realise that this is a rhetorical corner into which you have been backed by Treasury policy, having to maintain the false premise that improvements to state schools can only be funded by taxing independent ones, a sham that would be instantly derided if applied to health, policing or transport. Setting up a divisive zero-sum game in such a way may have made electoral sense, but it is in no-one's interests now.

You are acutely aware of the pressures on Headteachers and their mental health – your recent actions on Ofsted reporting show how heavily you weight this. You must know that announcing a January date for VAT shortly after the school holidays began placed independent school Headteachers in a terrible position – immediately inundated with queries from worried parents and staff, unable to take meaningful action and yet prevented from disconnecting from work to regenerate following a very difficult year. I cannot believe that this was your aim, but it was badly done.

Ms Reeves, as you are currently in the process of budgeting for much needed improvements to public services, through the more orthodox levers of general taxation, it is surely in this autumn budget that breathing room for a more considered implementation timeline for VAT on fees and meaningful consultation can be created, and lasting damage, consequential costs and future limitations avoided.

Yours sincerely,



Dominic Norrish
Chief Executive
IAPS