BAINES CUTLER
SOLUTIONS

Independent Schools Council

VAT on School Fees – Report

October 2018

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Introduction, background and scope of review

In Spring 2018 Baines Cutler Solutions Ltd ("BCS") and KPMG were commissioned by the Independent Schools Council ("ISC") to conduct a review of the potential impact of the introduction of 20% VAT on the independent schools' sector. The project was in two parts with Part 1 of the project being carried out by KPMG and Part 2 by BCS. Part 2 relied on Part 1's outcomes and so could not start until Part 1 was complete.

For Part 1 KPMG's VAT team was asked to report on the potential level of VAT input tax recoveries by reviewing the potential VAT impact on 5 real schools of differing types and sizes (schools selected by BCS and agreed by the ISC and the Independent Schools' Bursars Association (The "ISBA")).

KPMG reported in April 2018. Part 2 of the project comprised five elements. These were;

- BCS to select 21 case-study schools (to include the 5 selected for Part 1) to be as representative as possible of the whole independent schools' sector. The ISC and ISBA would jointly approach (through BCS) the heads/bursars of these schools asking for their support towards the study
- Once KPMG's work was complete BCS would use KPMG's findings from the 5 initial schools to calculate a likely "Net VAT Impact Rate" for each of the 21 pilot schools using the financial data we already held on each school
- We then sent a short questionnaire to the heads/bursars of each of the 21 pilot schools, asking them to consider how their school might respond to their calculated Net VAT Impact Rate. For example, school A, faced with a 15% Net VAT Impact Rate might choose to raise fees 5% on day one, raise fees 7% over time and absorb 3% themselves
- Using these responses BCS would then calculate each school's potential pupil number "drop-off" by "mapping" these decisions back onto each school's actual parental body, using individual school's parental data already held by BCS as part of anonymised parental earnings surveys we carried out for each pilot school in the last two years. To do this we created a standard pupil drop-off model and then mapped each school's decisions and assumptions back into their own parental data to assess the likely financial impact school by school
- Finally, since no sample group of 21 schools can wholly represent the exact picture for the UK as a whole, we used the data from each school's parental mapping and our 2018 Financial Benchmarking Survey to "gross up" the results of the pilot study to a national level in a representative way and so obtain an estimate of the potential impact on the sector as a whole.

This report does not seek to take a political stance and its findings would apply to any political party which sought to levy VAT on fees. However, since the VAT-on-fees policy was part of the 2017 Labour Manifesto and since that document is also the only place where the projected tax-take is set out explicitly, we have considered in this report both the genesis of the policy and also whether Labour’s tax-take sums “add up”, both in themselves, and also in the light of our calculations of pupil drop-off.

Any policy of charging VAT-on-fees would not just have a financial impact on families, schools and government finances. At least as important is the social and community impact and we have briefly provided our views on this.

We thank the ISC, IBSA and the Heads and Bursars of all the pilot schools for their assistance during this project. If you need any further information, please let us know.

Baines Cutler Solutions Ltd

October 2018

Executive Summary

We have set out below the key findings from this review. Details of how we have arrived at each key finding can be found in the relevant section of the report. Our key findings are;

Social and community impact

1) At present education is largely exempt from VAT, being viewed as essential and for the public good. Changing this to make school fees liable to VAT would have a very considerable impact on the independent schools' sector, ranging (on a school-by-school basis) from tough, to catastrophic. This is because very many parents would no longer be able to afford independent education and so their children would need to be educated by the state, with large numbers of pupils leaving immediately and further pupils leaving the sector as they reach the end of key educational stages
2) Some independent schools would need to close entirely, and most schools would need to scale-back their educational offer, whether by merging classes, stopping certain subjects, limiting curriculum choices, dropping co-curricular activities or reducing the pastoral care they provide. The extent of these changes is likely to mean that the UK's educational offer and its international attractiveness would be harmed
3) The VAT policy would cause significant upheaval and disruption to the lives and education of many tens of thousands of children, often at key stages of their lives
4) The sheer number of pupils leaving the sector and needing to be educated by the state would also place great strains on the maintained sector, with the need to build new schools and classrooms and absorb many pupils quickly. Further, as it would also be virtually impossible to predict in advance in which towns or regions such demand would take place, the move would be a recipe for a great deal of community tension, for example in relation to school catchment areas, first-choice preferences and the National Schools Offer Date
5) The policy would therefore be likely to harm not only the education of those independent school pupils who switched, but also the education of pupils in receiving state schools, not least given the funding and capacity pressures such schools are already facing, with 55% already running in financial deficit. No political party has given a pledge to increase the education budget sufficiently to provide the very considerable resources which would be needed to be put in place alongside VAT-on-fees
6) Furthermore, VAT-on-fees would force most schools to review (and most probably contract) the level of means-tested fee assistance they are able to provide through "transformational bursaries" to children from disadvantaged backgrounds. Social mobility would therefore be reduced, and independent schools' social mixes eroded. Schools would also almost certainly need to curtail the level of inter-school partnerships and subsidised support and facilities they are able to provide for the public benefit including support for specialist subjects

School-level impact

7) The impact of VAT on fees would not be felt equally in that the effect would be greater in smaller and more marginal schools, than it would be in larger and wealthier schools and

those educating children of higher-earning parents. This is partly because wealthier schools have greater resources to absorb some of the impact, but also because VAT rules allow schools to recover input VAT on their capital and building works, which they cannot do at present. Such expenditure is proportionately greater in wealthier schools and this reduces the Net VAT Impact for them. So, we estimate that the Net VAT Impact Rate would be 16% or more for most smaller junior or all-age day schools, but it could be as low as 11% in some of the largest boarding schools, with their larger capital programmes. For the sector as a whole; our estimate is that the Net VAT Impact Rate would be around 15%

8) VAT-on-fees is therefore a regressive tax hurting those schools with lesser resources and lower fees more than it does wealthier schools and higher-earning parents. The policy also harms particularly those schools which have been prudent over the years, carried out less costly capital expenditure programmes, managed their pupil teacher ratios and educational offering as efficiently as possible, kept their fees low, and by doing so attracted more middle and lower-income families. Since such parents are some of the sector's most marginal in earnings terms, an imposition of 20% VAT will see very many of them having to leave the sector, to the considerable detriment of the sector's social mix and breadth of educational offering
9) The methodology we have used to calculate pupil drop-off has been based on a pilot study of 21 schools, of differing sizes, types and geographies. For each school we have calculated the likely Net VAT Impact Rate, then used data provided by each school's head and bursar stating how they might react in fee/pricing terms, before using that school's detailed parental earnings data (based on separate studies we have carried out for each school over the last two years) to determine how each school's parents might react. As far as we are aware this study is the only detailed project which has looked at the potential impact of VAT-on-fees and it is the only one to use data from real schools and parents
10) The results from the pilot schools have then been grossed back up to a national level using data drawn from our 2018 Independent Schools' Benchmarking Survey. We have conducted this survey annually for 23 years and, with coverage being over 75% of the sector, this allows us to carry out the "grossing up" in a representative way

Estimate of drop-off

11) Since all children move though and then eventually leave school we view the key concept behind drop-off calculations as "non-replacement". By this we mean that when a child leaves a school, either for financial reasons due to VAT, or normally at the end of their education; would that child or family be replaced by an equivalent family (i.e. with new children joining at similar ages and by parents with a similar income and earnings profile), or not? Our definition of drop-off is when the answer to this question is "no" because of the higher VAT-inclusive fees. Based on the above definition our estimate of the national 5-year drop-off following an imposition of VAT on fees as is as follows;

PUPIL NUMBERS 5-YEAR NATIONAL DROPOFF		
Drop-Off Type	**Pupil Numbers**	**Percentage**
Income-Related Drop-off - Immediate	**56,800**	**10.7%**
Income-Related Drop-off - Next 4 years	**34,000**	**6.4%**
Total Income-Related Drop-Off	**90,800**	**17.1%**
Non-Bursary Drop-Off	17,500	3.3%
Total Direct Drop-Off	108,300	20.4%
Indirect Drop-Off	26,500	5.0%
Total Drop-Off	134,800	25.4%
Total Pupils ISC Schools (see point 13 below)	**530,000**	**100.0%**

12) Notes on the drop-off table;

- "Income-related drop-off" – these are parents (shown highlighted red above) who will no longer be able to afford independent education simply because their income levels are not high enough once VAT is charged on fees. Our calculations suggest that this drop-off (of 90,800 children, or 17.1% of the sector) is virtually certain and as being either "immediate" i.e. in year one of the policy, or "spread" over the subsequent 4 years i.e. to the end of the next key stage or phase for each child. It is important to recognise that in our view this group will leave regardless of the phasing-in of fee rises or the bursary policies adopted by the school (unless schools can provide additional high-value bursaries)
- "Non-Bursary drop-off". Our analysis identified a second group of "at risk" families. Until now many schools have operated bursary/fee-assistance programmes on a tapered and means-tested basis to help parents whose income levels are insufficient to afford independent education but who can just afford it with additional help. Since one of the likely reactions to VAT-on-fees will be for schools to reduce the level of their fee concessions in order to manage their finances, and our data shows that if anything they will need to increase them to support this "at risk" group, it is clear that some of this "at risk" group will leave over a 5-year period if such increased bursary assistance is not forthcoming. The total "at risk" group we identified was 53,700 children (or 10.1% of the sector) and we have estimated that one third of these "at risk" families will drop-off and not be replaced over a 5-year period. This represents 17,500 children (or 3.3% of the sector), highlighted in orange above. The actual drop-off of this group will however depend on how schools react to VAT-on-fees in pricing terms – we consider this below

- "Indirect drop-off". If schools have to close, merge, reduce the breadth or depth of their educational offering or reduce their social mix as a result of direct drop-off; a further group of pupils will either be forced to leave (in the event of school closure) or choose to leave the school, <u>despite their parents actually being able to afford the higher fees</u>. Many are likely to find other schools, but a percentage will undoubtedly leave the sector. We have estimated this percentage as being 5% (highlighted in beige above) although this might well be conservative. The level of indirect drop-off is much less certain that the level of direct drop-off
- **Our calculations are then that a drop-off rate of 17.1% is inevitable, a rate of 20.4% is probable and a rate of 25.4% is reasonably likely**

13) We have based our percentages on the current number of pupils in ISC schools (530,000 per the ISC Census 2018) but we are aware that there may be up to a further 70,000 pupils in non-ISC schools. We have excluded them from our analysis since;
    - We hold no data on them nor are we aware of any national data on their finances, school type or parents
    - We know that some of these schools are special schools (of various types) and we consider that VAT might well not be levied on certain classes of these schools (for example schools for children with special needs or disabilities). Fees in such schools are also often paid by local authorities which can reclaim the VAT
    - This group also includes some international schools and colleges and, whilst VAT would presumably be charged on their fees, our analysis of the cost of UK state schooling for such pupils might not apply – they might well simply seek education in another country
14) Finally, we note that our drop-off calculations are based on tax rates, earnings and fee levels current at October 2018. However, all schools are currently highly concerned by a potential 7% increase in teachers' pension contributions from September 2019 and the removal of charitable business rates relief is also being discussed (and indeed is taking place in Scotland). We do not yet know how schools will react to such events, or to any new measures contained in the Budget to be delivered on 29 October 2018
15) We do however note that many of the sector's most marginal parents (who are neither very wealthy nor qualify for means-tested bursaries) are the same group the 2017 Labour Manifesto targeted for income tax rises. If further tax rises took place (imposed by any political party) parents would not only be paying substantially higher fees but doing so from lower take-home pay. These factors would only add to the drop-off rates stated above but are excluded from our data and comments

Political perspective

16) This report does not seek to take a political stance and its findings would apply to any political party which sought to levy VAT on fees. However, since the policy was part of the 2017 Labour Manifesto and since that document is also the only place where the projected tax-take is set out explicitly, it is relevant to consider both the genesis of the policy and whether the tax-take sums "add up"

17) The 20% VAT on fees policy is stated (in the Labour 2017 Manifesto addendum) to be based on an article in the Fabian Review 2011, written by Sunder Katwala, the then General Secretary of the Fabian Society, a left-leaning think-tank. As far as we can ascertain, Mr Katwala has no connection with or knowledge of independent schools and their finances, nor, as far as we can establish, did he carry out any research on the earnings or financial position of independent school parents before he wrote his article
18) Despite this the article takes the view that "it is unlikely that private schools would raise their fees by 20% in response, as the market would not sustain that. Say increases were kept to between 5% and 10% instead…". The article provides no evidence at all as to how such an assessment was arrived at and, as Baines Cutler is probably the only organisation which could have provided him with validation on whether his assumption was realistic or not, we can confirm that neither the author nor the Labour Party prior to the 2017 Election, contacted us to seek to validate this key assumption
19) The article makes the further assumption that there will be no parental/pupil dropout from the 20% VAT policy, based on its projecting a VAT tax-take of a full 20% of the sector's net fee income of £8bn (we agree with this latter figure). The 2017 Labour Manifesto adopted this premise of absolutely no pupil number drop-off in demand by including the full £1.6bn in "Funding Britain's Future" (the Funding addendum to the Manifesto)
20) To suggest that a 20% VAT increase will lead to <u>no drop out,</u> in either schools or pupils, is clearly unrealistic. We have provided our assessment of the true level of drop-off in this report
21) We would encourage all readers of this report to read The Fabian Review article https://fabians.org.uk/wp-content/uploads/2010/12/FabianReview2010Winter.pdf

Tax Impact

22) In our view the calculations of the tax-take from VAT-on-fees contained in the 2017 Labour Manifesto are flawed fundamentally. Our comments are;
    - Regardless of the extent of pupil drop-off, no tax-take adjustment has been made for the fact that schools will now be able to reclaim input VAT, when they had been unable to do so before. Our estimate is that the net VAT rate for the sector will be 15% not 20% and so the tax-take will immediately be reduced by one quarter i.e. £400m out of the projected £1.6bn
    - Each pupil who then leaves the sector will affect the projected tax-take in two ways. Firstly, they will no longer be paying fees and so no VAT will be received. Based on our drop-off projection of 134,800 pupils and average fee levels (day and boarding, senior and junior) we estimate this "lost" VAT will amount to £3,700 per child per annum (2019/20 fee levels) or £498m in total "lost" VAT per annum
    - Secondly each pupil who leaves will need educating in the state sector. The best available evidence of the financial cost of this can be seen in the leading academies benchmarking survey conducted by Bishop Fleming/Kreston (2018 Report). This shows that the annual cost to the state of educating each child in the state sector is £6,310 per pupil (using multi-academy trust data as best reflecting the pupil make-

up of ISC schools and pupils). Based on 134,800 pupils switching this would amount to £850m per annum

- There would then also be an immediate capital need (in acquiring and building new schools and classrooms) and (per Kreston) this might amount to £11,523 per pupil. Even with some "bulk-buying" and use of existing space we estimate that there would be capital costs of £10,000 per pupil. Based on 134,800 pupils switching this would amount to £1.34bn of expenditure (although this would be one-off)
- The table shows the expected annual position 5 years after the introduction of any VAT-on-fees policy. The annual phasing during this 5-year period will depend on the speed of pupil drop-off

PROJECTED ANNUAL INCOME AND COSTS (AFTER 5 YEARS)		
		£m Income/ (Cost)
	Starting point from Labour 2017 Manifesto	£1.6bn
	VAT reduction on account of the ability of schools to reclaim VAT	(£400m)
	VAT reduction on account of pupils leaving the sector so VAT is not paid on their fees	(£498m)
	A further reduction based on the cost of educating those pupils leaving in the state sector	(£850m)
Total before capex	**Net VAT cost before capex**	**(£148m)**
	Annual (5 year) capital cost expenditure of building new schools or expanding existing ones	(£268m)
Total	**Annual (5-year) cost of VAT policy**	**(£416m)**

- We note that there will be further leavers from non-ISC schools, but since we hold no detailed or summarised financial data for these schools (for the reasons set out in point 13 above) we have chosen not to forecast the level of this

23) Together these elements mean that, for every pupil who leaves independent school and requires educating by the state there will be a tax-take shortfall every year of £10,010 comprising £3,700 (lost VAT) and £6,310 (education) and a further £10,000 per pupil on a one-off basis for capital. So, for every child who leaves the sector, the taxpaying public, instead of gaining, will have to pay extra tax of £10,000 per child in perpetuity and a further £10,000 one-off for capital, assuming other educational spending commitments are maintained. In our view this additional tax on the public to pay for educating children who are currently being educated at no cost to the state, is a very important fact that has been missing from much of the debate to date. It is noteworthy that independent school parents

are at present in effect paying for education twice - once via taxes (for school places they are not taking up) and then choosing voluntarily to pay for it again via school fees

24) The "£10,000 every year and £10,000 one-off" figures also provide a simple and approachable way of understanding the maths. For example, if a school of 300 pupils has to close this would cost the state £3m extra p.a. in perpetuity and £3m on a one-off basis for new capital expenditure. If 100,000 pupils leave the sector the cost would be £1billion extra p.a. in perpetuity and £1billion more for capital
25) Even these numbers ignore some costs. There is currently one FTE staff member for every 4 children in ISC schools so a drop-off of 134,800 pupils would mean 33,700 redundancies. Of these approximately 15,000 would be teachers (who given the current teacher shortages might well be able to get another job), but the majority would be e.g. catering staff, cleaners, groundsmen and classroom assistants, many of whom are likely to be on lower wages. There would then be the impact on local suppliers and communities – further details on community impact can be found in the October 2018 Oxford Economics report "The Impact of Independent Schools on the UK Economy"
26) Therefore, despite the fact that some VAT revenue would clearly be raised, it is self-evident that VAT-on-fees would for many years cost money rather than raise money (because of input VAT recoveries, "lost" VAT from pupil drop-off, and state school expenditure needed, particularly on capital) with the numbers depending on the extent of the actual drop-off. Taken together with the social and community impacts discussed earlier, it is our view that the policy will come at a net cost to the UK for very many years, maybe permanently.

Background to the Policy and the 2017 Election Labour Manifesto

Background to the VAT on fees policy

This report does not seek to take a political stance and its findings would apply to any political party which sought to levy VAT on fees. However, since the policy was part of the 2017 Labour Manifesto and since that document is also the only place where the projected tax-take is set out explicitly, it is relevant to consider both the genesis of the policy and also whether the tax-take sums “add up”.

The 20% VAT on fees policy is stated (in the Labour 2017 Manifesto addendum) to be based on an article in the Fabian Review 2011, written by Sunder Katwala, the then General Secretary of the Fabian Society, a left-leaning think-tank. As far as we can ascertain, Mr Katwala, whilst being an economics graduate, has no connection with or knowledge of independent schools and their finances, nor, as far as we can establish, did he carry out any research on the earnings or financial position of independent school parents before he wrote his article.

Despite this the article takes the view that “it is unlikely that private schools would raise their fees by 20% in response, as the market would not sustain that. Say increases were kept to between 5% and 10% instead…”. Mr Katwala provides no evidence at all in his article (or subsequently as far as we can establish) as to how he arrived at such an assessment and to the best of our knowledge Baines Cutler is the only organisation which could have provided him with validation on whether his assumption was realistic or not, i.e. what level of increase schools might be able to bear themselves and how much they would need to pass on to parents. We can confirm that neither Mr Katwala, nor indeed the Labour Party prior to the 2017 Election, contacted us to seek to validate this key assumption.

Unlike Mr Katwala, Baines Cutler does hold information on both school finances and parental earnings. So, Tim Baines, through Baines Cutler (and his predecessor firms CCW and PwC), has carried out the sector’s official financial survey annually since 1996, and so we hold 23 years-worth of data on independent school finances, with coverage of over 75% of the sector. Further, since 2016, Rhiannon Cutler has carried out over 90 detailed school-specific surveys of independent school parents’ earnings, working lives and finances. This report provides our estimates of likely drop-off and, whilst of course our work also contains estimations, it is quite clear that Mr Katwala’s “5% to 10%” assumption is not realistic.

Mr Katwala then makes the further assumption that there will be absolutely no parental/pupil dropout from the 20% VAT policy, based on his projecting a VAT tax-take of a full 20% of the sector’s net fee income. We explore this later in this report but, even based on his (unsubstantiated) assumption that fees will only go up between 5% and 10%, suggesting that no pupils at all will leave is clearly an extraordinary leap of faith, since the first principle of economics is that if the price of something goes up, the demand for it will go down. Mr Katwala provides no rationale as to why the independent schools' sector should not be subject to this, the most fundamental of all the rules of economics. We provide later our estimates of likely drop-off but simply to ignore this is either very poor economics or Mr Katwala deliberately choosing to ignore this to suit his case.

We would encourage readers of this report to read The Fabian Review article. https://fabians.org.uk/wp-content/uploads/2010/12/FabianReview2010Winter.pdf

The 2017 Labour Manifesto

The proposed policy of charging VAT on fees was set out in the 2017 Labour Manifesto. It was stated explicitly to be based on Mr Katwala's article. The "tax take" from this policy was then stated to be £1.6bn in "Funding Britain's Future" (the Funding addendum to the Manifesto).

One should note that £1.6bn of tax is exactly 20% of the sector's net fee income of £8bn (we agree with this latter figure). What this means is that the Manifesto adopts Mr Katwala's false premise of absolutely no pupil number drop-off in demand. To suggest that a 20% VAT increase will lead to no drop out, in either schools or pupils, is clearly unrealistic. Estimates of the likely drop-off figures are set out in this report.

Other factors – teacher's pensions, business rates, tax rises

It is important to note that our drop-off calculations are based on tax rates, earnings and fee levels current at September 2018. However, all schools are currently highly concerned by a potential 7% increase in teachers' pension contributions from September 2019 and the removal of charitable business rates relief is also being discussed (and indeed is taking place in Scotland). We do not yet know how schools will react to such events, or to any new measures contained in the Budget to be delivered on 29 October 2018.

We do however note that many of the sector's most marginal parents (who are neither very wealthy nor qualify for means-tested bursaries) are the same group the 2017 Labour Manifesto targeted for income tax rises. If further tax rises took place (imposed by any political party) parents could not only be paying substantially higher fees but doing so from lower take-home pay. All these factors would only add to the drop-off rates stated above but are excluded from our data and comments.

How VAT works

Principles of VAT for schools

KPMG's report to ISC in April 2018 provides fuller details on the VAT status of independent (fee charging schools) schools and confirms that school fees are presently exempt from VAT under The VAT ACT 1994 Schedule 9 Group 6. This says that education or vocational training is exempt from

VAT when supplied by an eligible body. There are then various classes of eligible bodies defined in the law, but Independent Schools will normally qualify as eligible bodies as: *"a school within the meaning of [the Education Act 1996], the Education (Scotland) Act 1980, the Education and Libraries (Northern Ireland) Order 1986 or the Education Reform (Northern Ireland) Order 1989."* This is usually sufficiently definitive to make a school's supplies of education VAT exempt.

In making the statements above one might suppose that most independent schools are not VAT registered at present, but this is not correct in that up to 50% of schools (or their trading subsidiaries) are already VAT registered in relation to their trading activities (Baines Cutler Trading Survey 2016). However, all this means is that such schools are required to charge VAT on their eligible trading sales and can recover any VAT incurred in relation (only) to those sales. So e.g. they might have to charge VAT on some items in the school shop and can recover the VAT on those purchased items. This position will not change under a chargeable-fees policy.

Both Labour's 2017 Manifesto and current media reports (October 2018) suggest that VAT might be charged on school fees. We have assumed for the purposes of our work that this would be levied at the full VAT rate of 20% and that it would be brought in fully immediately. This is both because neither the Labour Manifesto nor any Conservative spokesman has suggested otherwise but also because Labour's calculations are clearly based on a 20% VAT charge (see above re the £1.6bn). However, we do note that there are a few areas where "reduced rate" VAT of 5% is currently applied (e.g. residential energy saving materials, mobility aids, certain property renovations etc.) and it might be possible within EU law for a future government to seek to charge school fees at this 5% rate (or indeed another rate). This is not our area of specialism nor does it appear to be in the minds of either Party at present and so we have not taken the reduced rate VAT issue further in this report. After Brexit different rules may also apply.

It is also worth remembering when comparing state schools and independent schools, that state schools bear no VAT (i.e. input VAT can be fully recovered) and this impacts significantly any relative spending comparisons. Finally, to correct recent (October 2018) media coverage, we note that VAT applies in the same way to both charitable and "for-profit" schools and that both do not bear VAT on school fees at present, but both would do so if the policy was changed. As far as VAT-on-fees is concerned, their positions are identical.

Recovery of Input VAT

If a future government introduced VAT on fees, this would require schools to register for VAT, to charge VAT (for the purposes of this report at 20%) to parents and then pay over the VAT to HMRC on a quarterly basis. However, schools would be able to recover VAT incurred on the products and services they purchased to support their educational activity, something they cannot do at present. They would then only have to pay over to HMRC the difference between Output VAT (on fees) and Input VAT (on goods and services).

It might be supposed that this ability to recover input VAT would be a significant benefit to schools, but this is not the case. The reason for this is that the majority of a school's costs are either staff/payroll costs (which are outside the scope of VAT), supplies such as insurance and certain areas of energy (which are exempt) or supplies of "essentials" like food, books, children's clothing (which are zero-rated). Taken together these areas comprise the vast majority of the costs of any school and it can therefore be seen that the cost areas which are subject to potential input VAT recovery are quite low, and, for most schools are likely to be only 5% to 10% of their total costs.

The one area in which input VAT recovery is however significant is in relation to capital expenditure. Most capital works schools undertake are subject to VAT at standard rate and, in particularly in some larger/wealthier schools, the amounts of capex can be substantial. Any change to VAT would mean that such schools could recover their input VAT – in some cases very substantial amounts. The key then for this project is to establish the likely net VAT position for each main size and type of school i.e. the net VAT rate they will have to bear, calculated at 20% less a level of input tax recovery. We have called this the "Net VAT Impact rate" and it forms the basis for much of the work in this report. A school with a lower Net VAT Input Rate would therefore bear a lower net VAT cost and so could afford to reduce the level of fee rises passed onto to parents by bearing some of the cost itself. A school with a higher Net VAT Impact Rate would have less scope to do this, and parents would have to bear nearly all of the full VAT cost.

Calculating the Net VAT Impact Rate

As a way of seeking to estimate the likely levels of Net VAT Impact Rate by size and type of school and whether this varies across different parts of the UK, ISC commissioned KPMG to carry out an assessment of this, working alongside Baines Cutler in relation to which schools were chosen. KPMG's report was published separately in April 2018 and its key findings in relation to input VAT were that the Net VAT Impact Rate in the 5 schools they examined varied from 10.2% in a large boarding school in a relatively wealthy part of the UK to 17.4% in a smaller day/boarding school in a less well-off area. The main reasons for the differences are that the smaller school spent a higher proportion of its income on non-VAT areas (e.g. staffing) and had lower levels of capital expenditure.

We have then used KPMG's findings to extend the analysis of the likely Net VAT Impact Rate to a further 16 schools of varying types and geographies and then, by considering the types of school represented, we have estimated Net VAT Impact Rates for different types of school and for the sector as a whole. These are shown below, with the likely Net VAT Impact Rate shown in red and an approximation of the range for that school type shown in black.

NET VAT IMPACT RATE BY TYPE OF SCHOOL		
Type of School	**London- Inner, Outer, Fringe**	**Elsewhere**
	Likely net VAT position % and possible range	**Likely net VAT position % and possible range**
Junior-only, day-only	18%/15.5%/13%	19%/16.5%/14%
Junior-only, boarding	17.5%/15%/13.5%	18.5%/16%/13.5%
All-age day	17%/14.5%/12%	18%/15.5%/13%
All-age day/boarding	16.5%/14%/11.5%	17.5%/15%/13.5%
All-age boarding (>75%)	15%/12.5%/10%	15.5%/13%/10.5%
Senior-only, day	16.5%/14%/11.5%	17.5%/15%/13.5%
Senior-only day/boarding	15.5%/13%/10.5%	16%/13.5%/11%
Senior boarding (>75%)	14%/11.5%/9%	14.5%/12%/9.5%

As can be seen, the most likely Net VAT Impact Rates (shown in red) varies from a low of 11.5% in senior boarding schools in the wider London area to a high of 16.5% in junior-only, day-only schools outside London. The reason why London has been shown separately from the rest of the UK is that London-based schools usually have higher levels of capex in relation to their fees than schools elsewhere. On average the Net VAT Impact Rate for London schools is likely to be around 0.5% to 1% lower than schools elsewhere.

In considering the table above it is important to note that the clear majority of UK schools are day-only schools, either all-age or junior-only and these tend to have higher Net VAT Impact Rates than larger, boarding schools. So, taking the number of UK schools in each category into account, **our estimate is that the Net VAT Impact Rate for the sector as a whole is likely to be close to 15%**, but with variations around this depending on size of school, type of school, location and extent of capex. For the purposes of this report we have therefore worked on a basis of a likely Net VAT Impact Rate of 15%, with a range 2.5% either side of this i.e. 12.5% to 17.5%. Note that our work on the drop-off model within individual schools has been based on the likely Net VAT Impact Rate and range calculated for that school, not simply the overall 15% rate. This helps to make the pupil drop-off estimates more accurate.

It is important to note that this table does NOT attempt to map the likely VAT position of any individual school, since each school's financial position, costs structure and capital expenditure will vary. However, it does provide a broad "feel" for the sector's likely position and supports our view that for the sector as a whole, the Net VAT Impact Rate and range is likely to be in the 12.5% to 17.5% band, with a "most likely" position of 15%.

Net VAT Impact Rate - observations

As can be seen from even a brief consideration of the table above, VAT-on-fees impacts smaller and more marginal schools more highly than it does larger and wealthier schools and those educating children of higher-earning parents. As this report shows, this is partly because wealthier schools have greater resources to absorb some of the impact, but also because VAT rules allow schools to recover input VAT on their capital and building works. Such expenditure is proportionately greater in wealthier schools and this reduces the net VAT impact for them.

VAT-on-fees is therefore a regressive tax, hitting schools with less resources and lower fees more than it does wealthier schools and higher-earning parents. The policy also hurts particularly those schools which have been prudent over the years, carried out less costly capital expenditure programmes, managed their pupil teacher ratios and educational offering as efficiently as possible and kept their fees low, as by doing so attracted more middle and lower-income families. Since such parents are some of the sector's most marginal in earnings terms, an imposition of 20% VAT will surely see very many having to leave the sector, to the considerable detriment of the sector's social mix and breadth of educational provision.

Drop-off model – methodology used

Brief summary of methodology

We assessed the potential level of pupil drop-off by working with a pilot group of 21 schools, each of which had completed a Baines Cutler parental earnings survey in the last two years. These surveys were anonymous and set out in standardised form.

For each pilot school we calculated a likely "Net VAT Impact Rate" using the initial KPMG analysis work, the Net VAT Impact Rate table above and our knowledge of the schools. We then advised the Bursar/Head of each pilot school of their school's likely Net VAT Impact Rate and asked them (via a questionnaire) to provide Baines Cutler with their assessment of how they would approach their fee increase policy. This provided a reasonable "short-cut" answer to the key pricing decisions which each Board of Governors would need to decide on if VAT was ever levied on fees.

Parental Decisions and our anonymised parental earnings surveys

Even when these Bursar/Head/Governor choices are known, the impact these decisions would have on pupil numbers and the potential pupil drop-off from any VAT rise, would only be known once parents decided how to react to what their school's governors did regarding fee/pricing policies.

Knowing how parents might react clearly involves a substantial level of estimation, but making any judgement at all is virtually impossible without knowing about that school's specific parental body and in particular the sources of income each family uses to pay fees, their earnings levels, how many children each family has at the school (and which years they are in), how many years each child and each family as a whole has until to the end of their schooling, or how easy or tough each family is currently finding it to afford the fees.

Until 2016 very little work had been done to survey parents in any of these areas, but, since April 2016 Baines Cutler has offered an anonymised parental earnings survey service and to date we have carried out over 90 such surveys, using standardised methodologies, questions and reporting. More particularly, the surveys cover all the areas listed in the above paragraph and this allows us, for any school which has completed such a survey, to assess how each family might react to the fee rise approach proposed by their school's Governing Body.

Baines Cutler drop-off calculations

This section provides information on our detailed calculations of drop-off, together with our observations on key aspects.

The concept of "non-replacement"

Since all children eventually grow up and leave school we view the key concept behind drop-off calculations as "non-replacement". By this we mean, that when a child leaves a school, either for financial reasons due to VAT, or normally at the end of their education; would that child or family be replaced by an equivalent family (i.e. with new children joining at similar ages, and with parents having a similar income and earnings profile), or not? Our definition of drop-off is when the answer to this question is "no" because of the higher VAT-inclusive fees.

Using this principle of non-replacement allows us to identify three types of drop-off. These are;

- "Income-related drop-off" – these are parents who will no longer be able to afford independent education simply because their income levels are not high enough once VAT is charged on fees. We view this drop-off as being either "immediate" i.e. in year one of the policy, or "spread" over the subsequent 4 years i.e. to the end of the next key stage or phase for each child
- "Non-Bursary drop-off". We have then identified a second group of "at risk" families. Until now many schools have operated bursary/fee-assistance programmes on a tapered and means-tested basis to help parents whose income levels are insufficient to afford independent education but who can just afford it with additional help. Since one of the

likely reactions to VAT-on-fees will be for schools to have to reduce the level of their fee concessions, and yet our data shows that if anything they will need to increase them to support this "at risk" group, it is clear that some of this "at risk" group will leave over a 5-year period if such increased bursary assistance is not forthcoming

- "Indirect drop-off". If schools have to close, merge, reduce the breadth or depth of their educational offer or reduce their social mix as a result of VAT-on fees, a further group of pupils will either be forced to leave (in the event of school closure) or choose to leave the school, <u>despite their parents being able to afford the higher fees</u>. Many are likely to find other schools, but a percentage will undoubtedly leave the sector. Clearly the level of indirect drop-off is much less certain that the level of direct drop-off.

We describe our approach to each area of drop-off in more detail below, but, once drop-off is determined, our approach has been to gross up the results from the pilot schools to a national level using data drawn from our 2018 Independent Schools' Benchmarking Survey. We have conducted this survey annually for 23 years and, with coverage being over 75% of the sector, this allows us to carry out the "grossing up" in a representative way.

We have also based our national drop-off percentages on the current number of pupils in ISC schools (530,000 per the ISC Census 2018) but we are aware that there may be up to a further 70,000 pupils in non-ISC schools. We have excluded them from our analysis since:

- We hold no data on them nor are we aware of any national data on their finances, school type or parents
- We know that some of these schools are special schools (of various types) and we consider that VAT might well not be levied on certain classes of these schools (for example schools for special needs or disabled children). Fees in such schools are also often paid by local authorities which can reclaim the VAT
- This group also includes some international schools and colleges and, whilst VAT would presumably be charged on their fees, our analysis of the cost of UK state schooling for such pupils might not apply – they might well simply seek education in another country.

We further note that our drop-off calculations are based on tax rates, earnings and fee levels current at October 2018. However, all schools are currently highly concerned by a 7% potential increase in teachers' pension contributions from September 2019 and the removal of charitable business rates relief is also being discussed (and indeed is taking place in Scotland). We do not yet know how schools will react to such events, or to any new measures contained in the Budget to be delivered on 29 October 2018.

Income-related drop-off

The table below summarises (in the first 3 data columns) our view as to the extent of the national income-related drop-off by year 5, following an imposition of VAT-on-fees. The table has been created from the actual parental data for each school, applying each school's pricing decisions to that school's parents, summarising the results by school, grouping by them school type and then applying the national "grossing up" described above.

PUPIL NUMBERS NATIONAL DROPOFF							
	Leaving, not replaced by Year 5				At Risk Year 5		
Type of School	London- Inner, Outer, Fringe, South East	Elsewhere	TOTAL		London- Inner, Outer, Fringe, South East	Elsewhere	TOTAL
Junior-only, day-only	3975	3844	**7820**		4588	1588	**6176**
Junior-only, boarding	1633	2369	**4002**		636	2600	**3236**
All-age day	11622	22617	**34240**		7278	11486	**18765**
All-age day/boarding	7593	22048	**29641**		4188	12353	**16541**
All-age boarding (>75%)	41	394	**435**		17	150	**167**
Senior-only, day	2315	1490	**3805**		1286	711	**1998**
Senior-only, day/boarding	1648	2079	**3727**		957	1135	**2092**
Senior boarding (>75%)	1755	5402	**7157**		1463	2940	**4404**
PUPIL TOTALS	**30585**	**60241**	**90826**		**20415**	**32964**	**53378**
DROPOFF PERCENTAGES		**Drop-off**	**17.10%**			**At Risk** **Drop-off and At Risk**	**10.04%** **27.14%**

We have the following comments;

- The first three "red" columns in the table provide our view of the number of children who will leave independent schools in the 5 years following an imposition of VAT and will not be replaced. As can be seen we estimate that this will be 90,826 children or 17.1% of the 530,000 children currently in ISC schools
- Of these 90,826 (17.1%), in our view 56,809 children (10.7%) will leave immediately in year 1 and a further 34,017 (6.4%) will leave over the next 4 years i.e. at a leaving rate of approximately 1.6% per annum
- The table above shows pupil number Income-related drop-off and at-risk groups by type of school. However, there are more schools of certain types in the UK (e.g. all-age day and day/boarding schools) and so the actual pupil number drop-offs in such schools is obviously higher. This suggests that the greatest risk attaches to boarding schools, both

because such parents already commit a higher proportion of their income to fees but also because of the actual level of increase which 20% VAT would represent. The lowest proportionate risk is in prep/junior schools in London, with their relatively high parental incomes

- It is very important to note the fact that in our view these "red" families will leave the sector and not be replaced, whatever the phasing-in choices each school makes.

Non-Bursary drop-off

The table above also highlights a second group of families/pupils totalling 53,378 children (or 10.0% of the sector), who we have identified "at risk" of leaving and not being replaced. They are shown in the 3 orange data columns. These are families for whom, at the end of the 5-year period, the decision as to whether to stay in independent education or not is marginal and to our mind dependent on the choices the school is able to make in helping them financially.

So until now, many schools have operated bursary/fee-assistance programmes on a tapered and means-tested basis to help parents whose income levels are insufficient to afford independent education but who can just afford it with additional help. Since one of the likely reactions to VAT-on-fees will be for schools to have to reduce the level of their fee concessions, and yet, our data shows that if anything they will need to increase them to support this "at risk" group, it is clear that some of this "at risk" group will leave over a 5-year period if such increased bursary assistance is not forthcoming. Based on national benchmarked surplus levels of what might be affordable, we have estimated that one third of these "at risk" families will drop-off and not be replaced over a 5-year period, increasing the drop-off by 3.3% or 17,500 children. The actual drop-off of this group will however depend on how schools react to VAT-on-fees in pricing terms – we consider this in the final section of this report.

Indirect drop-off

If schools have to close, merge, reduce the breadth or depth of their educational offer or reduce their social mix as a result of direct drop-off, a further group of pupils will either be forced to leave (in the event of school closure) or choose to leave the school, <u>despite their parents being able to afford the higher fees</u>. Many are likely to find other schools, but a percentage will undoubtedly leave the sector. We have estimated this percentage as being 5% although this might well be conservative. Clearly the level of indirect drop-off is much less certain that the level of direct drop-off.

Drop-off calculations summary

The table below summarises our view of the potential level of pupil number drop-off following the imposition of VAT on fees. Our calculations suggest that the red income-related drop-off as virtually certain, the orange non-bursary drop-off as probable as schools struggle to increase their levels of bursary support when their finances may well demand that they reduce it, and the indirect drop-off as probable, but hard to predict with any certainty. **Our calculations are then that a**

drop-off rate of 17.1% is inevitable, a rate of 20.4% is probable and a rate of 25.4% is reasonably likely.

PUPIL NUMBERS 5-YEAR NATIONAL DROPOFF		
Drop-Off Type	**Pupil Numbers**	**Percentage**
Income-Related Drop-off - Immediate	**56,800**	**10.7%**
Income-Related Drop-off - Next 4 years	**34,000**	**6.4%**
Total Income-Related Drop-Off	**90,800**	**17.1%**
Non-Bursary Drop-Off	17,500	3.3%
Total Direct Drop-Off	108,300	20.4%
Indirect Drop-Off	26,500	5.0%
Total Drop-Off	134,800	25.4%
Total Pupils ISC Schools	**530,000**	**100.0%**

The Impact of drop-off on tax-take

As discussed earlier the Labour 2017 Manifesto suggested that £1.6bn of tax would be raised by extending VAT to school fees. Although not stated it is implied that this would be at a rate of 20% since £1.6bn represents 20% of the sector's net fee income of £8bn (we agree with this latter figure). However, as shown in this report in our view very much less would be raised and we have set out below our estimates and reasoning.

In our view the calculations of tax-take from this policy and contained in the 2017 Labour Manifesto are flawed fundamentally. Our comments are:

- Regardless of the extent of pupil drop-off, no tax-take adjustment has been made for the fact that schools will now be able to reclaim input VAT, when they had been unable to do so before. Our estimate is that the net VAT rate for the sector will be 15% not 20% and so the tax-take will immediately be reduced by one quarter i.e. £400m out of the projected £1.6bn
- Each pupil who then leaves the sector will affect the projected tax-take in two ways. Firstly, they will no longer be paying fees and so no VAT will be received. Based on our drop-off projection of 134,800 pupils and on average fee levels (day and boarding, senior and junior) we estimate this "lost" VAT will amount to £3,700 per child per annum (2019/20 fee levels) or £498m in total "lost" VAT per annum
- Secondly each pupil who leaves will need educating in the state sector. The best available evidence of the financial cost of this can be seen in the leading academies benchmarking survey conducted by Bishop Fleming/Kreston (2018 Report). This shows that the annual cost to the state of educating each child in the state sector is £6,310 per pupil (using multi-academy trust data as best reflecting the pupil make-up of ISC schools and pupils). Based on 134,800 pupils switching this would amount to £850m per annum
- There would then also be an immediate capital need (in acquiring and building new schools and classrooms) and (per Kreston) this might amount to £11,523 per pupil. Even with some "bulk-buying" and use of existing space we estimate that there would be capital costs of around £10,000 per pupil. Based on 134,800 pupils switching this would amount to £1.34bn of expenditure (although this would be one-off)
- The table below shows the expected annual position 5 years after the introduction of any VAT-on-fees policy. The annual phasing during this 5-year period will depend on the speed of pupil drop-off

PROJECTED ANNUAL INCOME AND COSTS (AFTER 5 YEARS)		
		£m Income/ (Cost)
	Starting point from Labour 2017 Manifesto	£1.6bn
	VAT reduction on account of the ability of schools to reclaim VAT	(£400m)
	VAT reduction on account of pupils leaving the sector so VAT is not paid on their fees	(£498m)
	A further reduction based on the cost of educating those pupils leaving in the state sector	(£850m)
Total before capex	**Net VAT cost before capex**	**(£148m)**
	Annual (5 year) capital cost expenditure of building new schools or expanding existing ones	(£268m)
Total	**Annual (5-year) cost of VAT policy**	**(£416m)**

- We note that there will be further leavers from non-ISC schools, but since we hold no detailed or summarised financial data for these schools (for the reasons set out in point 13 above) we have chosen not to forecast the level of this

27) Together these elements mean that, for every pupil who leaves independent school and requires educating by the state there will be a tax-take shortfall every year of £10,010 comprising £3,700 (lost VAT) and £6,310 (education) and a further £10,000 per pupil on a one-off basis for capital. So, for every child who leaves the sector, the taxpaying public, instead of gaining, will have to pay extra tax of £10,000 per child in perpetuity and a further £10,000 one-off for capital, assuming other educational spending commitments are maintained. In our view this additional tax on the public to pay for educating children who are currently being educated at no cost to the state is a very important fact that has been missing from much of the debate to date. It is noteworthy that independent school parents are at present in effect paying for education twice - once via taxes (for school places they are not taking up) and then choosing voluntarily to pay for it again via school fees

- The "£10,000 every year and £10,000 one-off" figures also provide a simple and approachable way of understanding the maths. For example, if a school of 300 pupils has to close this would cost the state £3m extra p.a. in perpetuity and £3m on a one-off basis for new capital expenditure. If 100,000 pupils leave the sector the cost would be £1billion extra p.a. in perpetuity and £1billion more for capital
- Even these numbers ignore some costs. There is currently one FTE staff member for every 4 children in ISC schools so a drop-off of 134,800 pupils would mean 33,700 redundancies. Of these approximately 15,000 would be teachers (who given the current teacher shortages might well be able to get another job), but the majority would be e.g.

catering staff, cleaners, groundsmen and classroom assistants, many of whom are likely to be on lower wages. There would then be the impact on local suppliers and communities – further details on community impact can be found in the October 2018 Oxford Economics report "The Impact of Independent Schools on the UK Economy"

- Therefore, despite the fact that some VAT revenue would clearly be raised, it is self-evident that VAT-on-fees would for many years cost money, rather than raise money (because of input VAT recoveries, "lost" VAT from pupil drop-off and state school expenditure needed, particularly on capital) with the numbers depending on the extent of the actual drop-off. Taken together with the social and community impacts discussed below, it is our view that the policy will come at a net cost to the UK for very many years, maybe permanently.

Social and Community Impact

Any policy of charging VAT-on-fees would not just have a financial impact on families, schools and government finances. At least as important in our view is the social and community impact.

As we have shown in this report a policy of charging VAT on school fees would have a very considerable impact on the independent schools' sector, ranging (on a school-by-school basis) from tough to catastrophic. This is because very many parents would no longer be able to afford independent education and so their children would need to be educated by the state, with many pupils leaving immediately and further pupils leaving the sector as they reach the end of key educational stages.

Some independent schools would need to close entirely, and most schools would need to scale-back their educational offer, whether through merging classes, stopping certain subjects, limiting curriculum choices, dropping co-curricular activities or reducing the pastoral care they provide. The extent of these changes is likely to mean that the UK's educational offer and its international attractiveness would be harmed.

The VAT policy would cause significant upheaval and disruption to the lives and education of many tens of thousands of children, often at key stages of their lives. "Leaving" children could well find it hard socially as it would be quite clear that they were moving school solely based on their parents having insufficient financial means to continue their education at the original school of their choice.

The sheer number of pupils leaving the sector and needing to be educated by the state would also place great strains on the maintained sector, with the need to build new schools and classrooms and absorb many pupils quickly. Further, as it would also be virtually impossible to predict in advance in which towns or regions such demand would take place, the move would be a recipe for a great deal of community tension, for example in relation to school catchment areas, first-choice preferences and the National Schools Offer Date.

The policy would therefore be likely to harm not only the education of those independent school pupils who switched, but also the education of pupils in receiving schools, not least given the funding and capacity pressures most state schools are already facing, with 55% already running in deficit. No political party has given a pledge to increase the education budget sufficiently to provide the very considerable resources which would be needed to be put in place alongside VAT-on-fees.

Furthermore, VAT-on-fees would force most schools to review (and most probably contract) the level of means-tested fee assistance they are able to provide through “transformational bursaries” to children from disadvantaged backgrounds. Social mobility and independent schools’ social mixes would therefore be reduced. Schools would also need to curtail the level of inter-school partnerships and subsidised support and facilities they are able to provide for the public benefit, including support for specialist subjects.

Appendix A – About Baines Cutler


About Baines Cutler Solutions

Baines Cutler Solutions provides schools with information and solutions. We are a consultancy business specialising in carrying out surveys, consultancy and advisory work for independent schools and academies. More details about our firm can be found at the back of this report.

Tim Baines

Tim was one of the UK's leading schools' audit partners over the 12 years to 2013 and acted for schools of all sizes and types, including many of the UK's very top schools.

Tim graduated in economics and accounting from Bristol University and joined Coopers & Lybrand (now PwC) in 1980. He won a top prize in his part 1 institute exams and in 1992 became C&L's youngest UK partner. Tim moved to Crowe Clark Whitehill in 2001 in order to work full-time with schools and charities. He set up Baines Cutler Solutions Ltd in June 2013.

Tim started the Independent Schools' Financial Benchmarking Survey in 1995 in response to requests from the bursar community for better comparative information. This survey is now in its 22nd year, is the official survey for the sector supported by ISC, AGBIS, ISBA, IAPS, HMC, GSA and ISA and participants represent 75% of all pupils at ISC schools. The survey was used by ISC during its evidence to the Judicial Review challenging the Charity Commission's view of public benefit.

In 2010 Tim worked with Rhiannon Cutler to research and then conduct the sector's first detailed Teacher Salary and Benefits Survey. This was repeated in 2013/14 and in 2016/17 and has been extended to teacher workload. In 2012 he supported Rhiannon in conducting the first wide-ranging survey of Fundraising and Development in UK schools and this was also repeated in 2014. In September 2013 BCS carried out a Head Teacher Activity and Time Survey in conjunction with HMC.

Tim is a well-known speaker and commentator on sector issues and was the author of much of the fee affordability research referred to in the ISC's affordability letter to schools in September 2015.

Rhiannon Cutler

Rhiannon graduated with an honours degree in Marketing and Psychology in 2008 and joined Crowe Clark Whitehill to work in marketing and business development. During that time, she supported Tim Baines' schools' initiatives and helped Tim develop the pilot study of Teacher Salaries which was carried out in 2009.

In 2010 she moved to Cheltenham to work with Tim to research and conduct the sector's first detailed Teacher Salary and Benefits Survey. This was repeated in 2013/14 and in 2016/17 and has been extended to teacher workload. In 2012 she conducted the first wide-ranging survey of Fundraising and Development in UK schools and was the survey's lead author. This survey was also repeated in 2014. In 2016 she led our launch of the Parental Fee Affordability survey.

She now advises schools on teacher pay systems, appraisals and thresholds, affordability, strategy and on fundraising.

In 2012 Rhiannon became a Certificate Member of the Institute of Risk Management and she also advises schools on their risk management processes. She set up Baines Cutler Solutions with Tim in June 2013.