

# Local Taxation Relief and Charitable Private Schools

## Authors:

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# Executive Summary:

Private schools in England and Wales receive public subsidy through local taxation relief, having to pay only 20 percent of their tax assessments. State schools, meanwhile, must pay the full rate.

We issued Freedom of Information requests to all relevant councils in England and Wales, of which 250 gave responses in England and 17 in Wales.

## Key Findings:

- Private Education Policy Forum research finds that charitable private schools across England and Wales benefit collectively by £144 million per year.
- For England, the amount is £142 million and for Wales it is £2 million.
- The tax foregone per council – at £879,000 – is highest on average in London.
- The Royal Borough of Kensington and Chelsea provides one of the biggest subsidies: £3.1 million pounds. In Westminster, the subsidy is not far behind at £2.5 million.
- The South-East is the region where councils collectively subsidise private schools the most: in total £46 million.
- In Wales, where private schools are scarce, the total subsidy is just £2.3 million.
- The government in England recently took the decision not to reform local taxation as it applies to private schools. Despite this, local tax reform remains a potential small way of narrowing the private-state gap in education resources, while helping to deliver a quantum of much-needed resources for the delivery of local services, including local state education.
- Private Education Policy Forum recommends that there should be more transparency and accountability on the value of public benefit that private schools provide.

## Introduction:

Private schools are funded by fees, endowments and other private capital income, but they also benefit from some government support. This report concerns the subsidy that stems from relief from 80 percent of the taxes due to local government. This relief is received by all private schools that are registered as charities, which make up approximately three quarters all private schools affiliated with the Independent Schools Council. While charitable status confers other substantive gains, local taxation relief can be an important advantage for private schools, while diminishing councils' available resources for local amenities.<sup>1</sup> In Bristol, for example, one local journalist's investigation revealed that [seven private schools](#) benefited from collective tax relief of over £2 million in 2017-18.

But how much does this relief amount to in total across the country? According to a [study](#) by consultants CVS, the total relief amounted in 2016 to a little over £100 million per year across England and Wales. The richest schools, they found, unsurprisingly benefited from the largest subsidies – such as the estimated £676,000 annual relief afforded to Eton College, located in the Royal Borough of Windsor and Maidenhead. In Portsmouth, seven private schools benefited collectively to the tune of £603,000 leading to calls by the local member of Parliament for private schools to provide more assistance to local state schools short of resources.

However, CVS obtained data directly from only a third of councils. An up-to-date estimate from a greater proportion of councils is now needed to inform potential policies on business rates and on private school reform.<sup>2</sup>

The questions we asked for this report were: how large overall is this subsidy, how is it distributed across the country, and where are some of the 'hotspots' where councils are deprived of relatively large sums by their obligation to grant tax relief to the private schools in their midst? We focus on the 2019-2020 financial year (that is, just before the pandemic).

### Implementing the Barclay Review in Scotland.

Until six years ago, it was the accepted policy that, as in England and Wales, independent schools in Scotland which were registered as charities could receive 80% or more tax relief on their business rates. In 2016, however, the independent [Barclay Review](#) of the business rates system in Scotland recommended, among several other changes, that the afforded relief should be removed entirely from all independent schools in Scotland. Along with most of the Barclay Review this recommendation was accepted, with the proviso that special schools and one named music school would continue to benefit from relief. The Non-Domestic Rates (Scotland) Act 2020 sets out the legislative framework for implementation, which, after some Covid-19-related delay,

1 Fairbairn, C. (2019). [Charitable status and independent schools](#), House of Commons.

2 The [Welsh government estimates](#) that ending rates relief for charitable private schools in Wales alone would raise only an additional £1.4m annually for local councils. This low sum reflects, we assume, the relatively small number of private schools in Wales where just 2 percent of all pupils are private.

[came into effect](#) from 1st April 2022. From that date, independent schools receive no relief from the obligation to pay all business rates in full, based on the valuation of their property. The Barclay Review (section 4.126) stated in 2016 that this reform would save approximately £5 million per annum in lost taxes. During and after the consultation period, the Scottish independent Schools Council [argued against](#) acceptance of the reform.

## No Impending Changes in England

On the eve of the first pandemic lockdown in 2020 a warning was signalled in the [Times](#), suggesting that private schools' business rate relief could be scrapped also in other parts of the United Kingdom. Indeed, a review of the business rates in England has since been carried out by the government. After consultations it published its [final report](#) in October 2021, revealing an intention for major reforms, including more frequent valuations. However, the review concludes that the "system of reliefs plays a vital role in ensuring the overall sustainability and fairness of the tax, and the government continues to keep the full set of reliefs under review to ensure that these remain fit for purpose. *"The government does not intend to remove any of the existing reliefs at this time"* (our emphasis). This conclusion suggests that we cannot expect, under the current government, to see a similar reform of reliefs for independent schools as has occurred in Scotland.<sup>3</sup>

There was also [a consultation](#) in early 2020 by the Welsh government about the appropriateness of business rates relief for independent schools, with [responses](#) in August 2020. Unsurprisingly, respondents from schools were split for and against removing tax reliefs from independent schools, broadly along lines of each respondent's sector. With the Covid-19 pandemic intervening, an indication of how the Welsh government intends to proceed post-pandemic is awaited. There are only a few private schools in Northern Ireland.

Since the reform in Scotland is now taking effect, with no plans announced for early reform of private schools' business rates in either England or Wales, the research reported below therefore applies just to these two nations.

## Methodology

We issued Freedom of Information requests to all relevant councils in England and Wales (348 councils in England and Wales, for the last pre-pandemic financial year, 2019-2020). There were 81 councils where, despite repeated efforts, we received refusals or otherwise could not gain the information. So in total, 267 councils gave a full response: 250 in England and 17 in Wales. To estimate the total we first computed, for each region, the average loss per council.

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<sup>3</sup> The business rates liabilities of state schools (both Academies and Local Authority Maintained schools) are met through the National Funding Formula. While adhering to that principle, a change in April 2022 will simplify the current complex circular flow of funds which ensures these obligations are met. Local Authorities' funds will continue to be affected by the government's decision to only pay for 20% of what local authorities could otherwise expect to receive from state-funded Academy schools.

Then, assuming that the missing councils would have the same average loss as those observed in their region, we imputed the total relief in each region, using the aggregate number of councils in the region. We then summed up the losses for all regions across England and Wales. See the Appendix for more details.

## Findings:

The largest subsidies through mandatory tax relief for private schools are found in London.

Among the councils where we have been able to obtain direct estimates, the five with the greatest loss of revenue, in absolute terms, are listed in Table 1.

**Table 1 Local Tax Rate Relief for Private Schools:  
The Top Five Among Responding Councils**

Council	Local Taxation Relief (£million)
Kensington and Chelsea	3.15
Westminster	2.50
Richmond-Upon-Thames	2.33
Tunbridge Wells	2.20
Hammersmith and Fulham	2.18

The high losses in London are to be expected, given the high concentration of private schools there and the greater property valuations. In the Royal Borough of Kensington and Chelsea, there are some 37 private schools, including some international schools, receiving business rates relief; the lost tax revenue is estimated as £3.1 million.<sup>4</sup>

The loss of revenue in the City of Westminster, with its prominent Westminster School next door to Parliament, is approximately £2.5 million. In Richmond-Upon-Thames, where the well-known boys' St Paul's School is located as well as 13 other private schools with charity status, the loss is £2.3 million. In Hammersmith and Fulham, which includes the Latymer Upper School and St Paul's Girls School along with 23 further charity private schools, the subsidy is 2.2 million.

<sup>4</sup> This may be an underestimate. The borough submitted a figure which may have included a small number of academies; accordingly, to be conservative in our estimate, we have adjusted downwards the figure they reported to us.

Elsewhere in London, Camden contains 32 private schools. Some of these are for-profit organisations, but from those that are registered charities it foregoes nearly £1.9 million annually in taxes, amounting to a loss of under 2% of its local tax revenue. In Merton, where there are 12 private schools having charity status, including Kings College School in Wimbledon, the relief is around £1.7 million.

Outside London councils' losses are generally rather lower. Tunbridge Wells, in the London commuter belt, foregoes £2.2 million. Yet in Oxford, where there are 19 schools including the well-known Dragon preparatory school, the losses amount to £1.6 million. In Manchester, with its famous Manchester Grammar School along with ten other charity private schools, the annual subsidy is £984,000.

In percentage terms the subsidy varies also with the size of the town. In the City of York (which includes the well-known St Peters School), for example, losses are just over £700,000 from six private schools with charity status, or a little over half a percent of its tax revenue. In Gloucester, which is rather smaller, the revenue foregone from eight schools is £809,000, amounting to around 5 percent of its tax income. In Canterbury, where there are 6 charity schools receiving relief including Britain's oldest school (King's School), the council loses £1.1 million, over 2 percent of its tax income.

In Wales there are overall fewer private schools, with just two percent of the population attending them. Its capital, Cardiff, nevertheless has five private schools with charity status in receipt collectively of £285,000 tax relief.

## **Analysis by region**

The geographical variation exemplified by these particular councils is summed up in the regional analysis presented in Table 2.

This Table shows again that the average relief from local taxation is largest by far in London. Indeed, councils in London on average forego 24 times more in tax relief to private schools than do councils in the North East (the region with the fewest private schools). The aggregate relief is highest in the South East, greater even than in London, because it comprises a large area with many more council districts than there are London boroughs. In Wales and in Yorkshire and Humberside, by contrast, the losses are rather low.

**Table 2 Average Council Relief from Local Tax for Private Schools, by Region/Nation.**

Region	Average Loss Per Council (£1000)	Regional Loss (£ million)
East	374	16.8
East Midlands	210	8.6
London	879	28.1
North East	38	0.5
North West	282	11.0
South East	666	46.0
South West	422	15.2
West Midlands	280	8.4
Wales	99	2.3
Yorkshire & Humberside	332	7.0
All England & Wales	415	143.8

## Conclusion:

Aggregating the regional losses, and taking account of how the losses vary between regions, the total loss across England and Wales is estimated as £144 million per annum.

Compared with the estimates made by consultants in 2016 (£522 million in total over five years), our analysis suggests a somewhat higher amount of overall relief, though in the same ball park. Even without inflation, our figure over five years would be £720 million. Our higher figure may be because rateable values have risen, but another explanation is that we have obtained figures for twice as many councils, and our findings projected for the whole of England and Wales are therefore potentially more accurate.

It is worth putting these figures in the context of recent changes in the market for private schooling. The resources of private schools and their pupils' families have enabled them to deliver virtual schooling in many cases effectively during the extreme difficulties of lockdown, and widened the qualifications gap among the generation of children currently in the last two years of their schooling.

Meanwhile, as a [recent report](#) reveals, nine high-status 'public' schools – Charterhouse, Eton, Harrow, Merchant Taylors', Rugby, St Paul's, Shrewsbury, Westminster and Winchester -- together increased their wealth by £600 million over the six years leading up to end of 2021. Eton, the most affluent, had assets of its own in excess of £600 million.

Against these sums, and also in relation to the overall revenues of the private school sector, the amounts granted in local tax relief are small. Even for the less affluent schools, we predict that any future loss of local taxation relief, should the law change in England and Wales, would be within annual increases in their revenues coming from fee increases. We do not expect there to be many school closures resulting from the decision to end business rates relief in Scotland. Nevertheless, it is conceivable that some schools will see this as the occasion for them to freeze or scale down their perceived contributions to ‘public benefit’ as [hinted at](#) in October 2019 by the Director of the Scottish Independent Schools Council. Whether in fact schools do really reduce their public benefits from April onwards will need to be seen, in Scotland and beyond.

For some individual councils in England, however, the loss of income is not inconsiderable relative to their local circumstances, following a decade of fiscal constraint. And this loss may trigger local reactions. In one council – Taunton Deane in Somerset – a campaign by local councillors, inside and outside the council, was instituted in 2017 and [renewed in 2020](#) to persuade private schools to voluntarily devote some of their taxation relief towards donating to a community fund. It is possible that other towns and cities might see similar campaigns in the future, though in the absence of law changes such efforts depend on gleaning broad political support and the participation of local private schools. For many, charitable activity is associated with helping the less well-off; hence it seems an anomaly that private schools that cater predominantly for richer families should benefit from charity status. Business rate relief is one of several ways in which charitable status is advantageous for private schools.

In response to this criticism of undue subsidy, private school leaders answer that they have an obligation under their charitable status, which they fulfil, to deliver a ‘public benefit’ to the community, as defined in the 2006 Charity Act. A subsequent court judgement in 2011 ruled that schools should deliver this benefit beyond an unspecified minimum level, but could not be told how they should provide that benefit. Other than through the arms-length oversight of the Charity Commission, however, there is little monitoring and scant evidence as to how much resource is devoted to public benefit by most private charity-status schools. Just one percent of pupils are enabled through bursaries to attend for free. Accordingly, it remains hard for the public to have confidence that the delivery of public benefit, whether through bursaries or through ‘partnerships’ with state schools, is commensurate with the symbolic and practical value that the schools with charitable status enjoy.

Despite the recent decision to leave private schools’ business rate reliefs unchanged in England, a reform would provide one small way of narrowing the private-state gap in education resources, while helping to deliver a quantum of much-needed resources for the delivery of local services, including local state education. Indeed, the British public overall heavily support ending the charitable status of private schools, according to a YouGov poll in 2021.<sup>5</sup>

Though such a reform would only go a little way towards resolving the great educational unfairness that stems from the private/state school divide, from the perspective of anyone hoping for more equal opportunities in life chances in Britain, it would be a step in the right direction.

5 [https://yougov.co.uk/topics/education/articles-reports/2021/06/03/how-parents-think-school-system-change-utm\\_source=Twitter&utm\\_medium=website\\_article&utm\\_campaign=English\\_school\\_system](https://yougov.co.uk/topics/education/articles-reports/2021/06/03/how-parents-think-school-system-change-utm_source=Twitter&utm_medium=website_article&utm_campaign=English_school_system)



## Appendix: Methods in full

We obtained information on business tax payments and relief for the financial year 2019–2020 by sending Freedom of Information requests to all relevant councils in England and Wales. Most councils responded eventually with the required information, though in many cases clarification was needed. In a small number of cases, councils refused, referring us to a website with the relevant public information on all non-domestic rates in the area; where possible we utilised this information. In another set of cases, councils said that they held no information on which schools were fee-paying. We responded with the relevant information wherever possible, and usually were successful on appeal. In some cases, we found spreadsheet data on a public web page after a standard search; where information was unavailable for 2019–20 we derived it using data on rateable values from an adjacent year. Where this was unfruitful, in the face of ongoing refusals with an interesting array of reasons we did not have the resources to pursue further those councils who continued to deny us the information.

While it is optional for Local Authorities to grant substantive discretionary relief above the 80% mandatory relief, a preliminary trial covering 50 councils revealed that none actually did so. To simplify our request, we therefore dropped our request for information on discretionary relief; clearly, if a few councils did grant discretionary relief this would only add to the collective relief. A few non-charity educational establishments qualified instead for small business rate relief; we have not included these in our calculations.

The end result is that we have information on the number of private schools receiving business rates relief of 80% and the total amount of relief in each of 267 councils in England and Wales, with 81 ‘missing’ councils. This provided a substantially larger cache of direct information than that obtained by consultants in 2016.

For each region we computed the average loss per council. We assumed that the missing councils would have the same average loss as those observed in their region, and imputed the total relief using the aggregate number of councils in each region.

## Acknowledgement

We are aware that it is costly for Local Authorities (and therefore taxpayers) to supply information to researchers and the public. We would therefore like to express our gratitude to all those council employees who took the necessary time to respond helpfully to our legitimate requests.