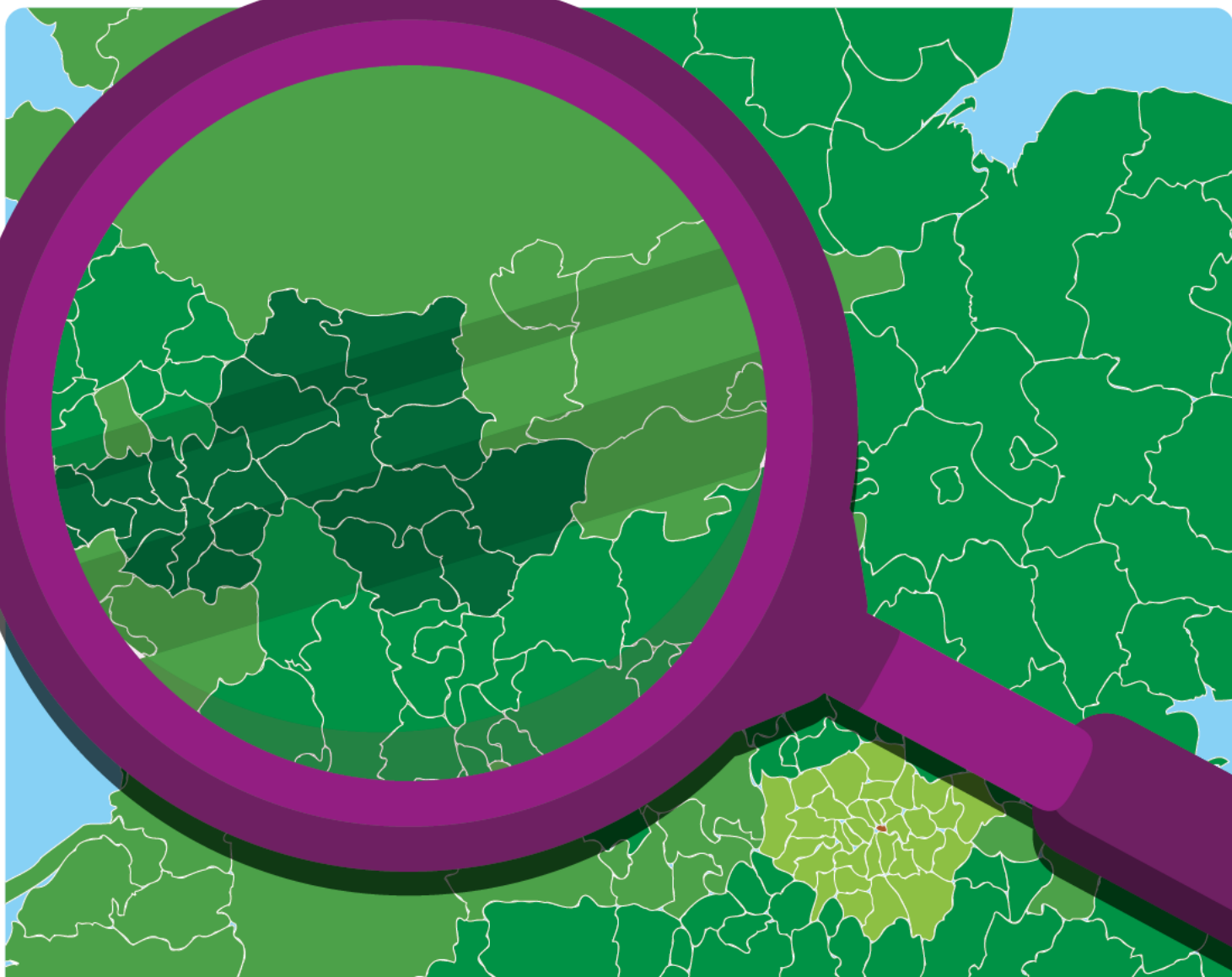


Impact of the removal of the VAT exemption on fee-paying school fees

Survey of councils, Winter 2024



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Summary

Background

In July 2024, the government announced that, as of 1 January 2025, the exemption of value added tax (VAT) on fee-paying school fees will come to an end, which is to say that school fees are, from that date, subject to VAT at the rate of 20 per cent. In November 2024, the Local Government Association (LGA) sent an online survey to Directors of Children's Services within single-tier and county councils in England to understand what impact, if any, this measure may have on state secondary school places. Among the 153 single-tier and county councils in England, 67 responded to the survey – a response rate of 44 per cent.

Key findings

- More than three quarters of respondents (78 per cent) reported that they had not seen an increase compared to last year in the number of applications to their state secondary schools.
- Among those who had seen an increase in applications compared to last year, the mean average percentage increase was 11 per cent, whilst the median average percentage increase was 3 per cent.
- There was not a strong feeling among those who had seen an increase that this increase was due to the ending of the VAT exemption; only a third (33 per cent) reported that they thought the increase was due, to a great or moderate extent, to the ending of the VAT exemption.
- Financial pressures were seen as a top reason as to why families are moving their children from fee-paying to state secondary schools, reported by 43 per cent of respondents.
- Among those who had seen an increase in applications, only 25 per cent were very or fairly confident that their authority could meet the increased demand for school places, whilst 42 per cent were not at all confident.

Introduction

In July 2024, the government announced that, as of 1 January 2025, the exemption of value added tax (VAT) on fee-paying school fees will come to an end, which is to say that school fees will, from that date, be subject to VAT at the rate of 20 per cent. In November 2024, the Local Government Association (LGA) sent an online survey to single-tier and county councils in England with responsibility for education and children’s services to understand what impact, if any, this measure may have on state secondary school places. The survey also looked to understand whether there were any other reasons, if any, that families may be moving away from fee paying schools, and what measures, if any, authorities are taking to mitigate any negative impact on state secondary schools’ capacity.

Methodology

The online survey was distributed via email by the LGA’s Research and Information team to all Directors of Children’s Services within English single-tier and county councils, and was open for responses between 19 November and 17 December 2024. Among the 153 single-tier and county councils in England, 67 responded to the survey – a response rate of 44 per cent.

Whilst these respondents may not be fully representative of all Directors of Children’s Services, this level of response means that the results are likely to provide a good indication of the position of the sector more widely.

Table 1 shows the response rate by council type, demonstrating that more than half of London boroughs (52 per cent) responded to the survey. Just under half of county councils (48 per cent) and unitary authorities (48 per cent) responded, whilst metropolitan districts had a lower response rate at just over a quarter (28 per cent).

Table 2 shows the response rate by region, demonstrating that more than half of authorities in the East of England (55 per cent), Yorkshire and the Humber (53 per

cent) and London (52 per cent) responded to the survey. The lowest response rate was received from the West Midlands (36 per cent) and the North West (25 per cent).

Table 1: Response rate by type of council

Type of council	Number of questionnaires	Number of responses	Response rate
County	21	10	48%
London borough	33	17	52%
Metropolitan district	36	10	28%
Unitary	63	30	48%

Table 2: Response rate by region

Region	Number of questionnaires	Number of responses	Response rate
Eastern	11	6	55%
East Midlands	10	3	30%
London	33	17	52%
North East	12	6	50%
North West	24	6	25%
South East	19	9	47%
South West	15	7	47%
West Midlands	14	5	36%
Yorkshire and Humber	15	8	53%

In addition, the following should be considered when interpreting the findings of this survey:

- Where tables and figures report the base, the description refers to the group of people who were asked the question. The number provided refers to the unweighted number of respondents who answered each question. Please note that bases can vary throughout the survey.
- Numbers and percentages are provided for any questions where the base was less than 50. To calculate the number of respondents who provided a certain response for other questions, simply multiply the percentage provided by the base.
- Throughout the report, percentages may not appear to add up to exactly 100 per cent due to rounding.

Impact of the removal of the VAT exemption on fee-paying school fees

This section contains analysis of the full results from the survey.

Impact on number of applications

Respondents were asked if, compared to last year, they had noticed an increase in the number of applications to their authority's state secondary schools. More than three-quarters of respondents (78 per cent) reported that they had not seen an increase compared to last year, whilst just under a fifth (18 per cent) reported that they had. A further four per cent were unsure whether or not there had been an increase compared to last year. The results are shown in Table 3.

Table 3: Compared to last year, have you noticed an increase in the number of applications to your state secondary schools?

	Per cent
Yes	18%
No	78%
Don't know	4%

Base: all respondents (67).

Respondents who had seen an increase in applications were asked to detail roughly what percentage increase this constituted, compared to last year. Eleven respondents provided an estimate; the mean average estimated percentage increase compared to last year was 11 per cent, whilst the median average percentage increase was 3.22 per cent.

Factors impacting the number of state secondary school applications

Ending of VAT exemption

Respondents who had observed an increase in applications were asked the extent to which, if at all, they believed that this was due to the ending of the VAT exemption on fee paying school fees. Responses were mixed, and there was not a strong feeling that this was due to the ending of the VAT exemption; 17 per cent thought this to a great extent, whilst a further 17 per cent thought this to a moderate extent. A third (33 per cent) thought this to a small extent, whilst a quarter (25 per cent) thought that the increase was not at all due to the ending of the VAT exemption. A further 8 per cent of respondents were unsure. The full results are shown in Table 4.

Table 4: Extent to which increase in applications is thought to be due to students leaving fee paying schools as a result of the ending of VAT exemption

	Number	Per cent
To a great or moderate extent	4	33%
To a great extent	2	17%
To a moderate extent	2	17%
To a small extent	4	33%
Not at all	3	25%
Don't know	1	8%

Base: all respondents who have seen an increase in state school applications (12).

Other reasons leading families to move their children

Respondents were asked what reasons, if any, they believed are leading families to move their children from fee paying schools to state secondary schools. As shown in

Table 5, financial pressures were seen as the top reason as to why families are moving their children to state secondary schools, as reported by 43 per cent of respondents. Just over a fifth (22 per cent) reported that the cost of living crisis was a factor, whilst 9 per cent reported that having access to better local schools was a factor, and 4 per cent thought that the improved quality of state school education was a factor. Around a quarter (24 per cent) specified another reason, whilst 21 per cent were unsure on the reasons, and a further 22 per cent reported that they did not believe there were any reasons leading families to move their children.

Table 5: Reasons leading families to move their children from fee paying schools to state secondary schools

	Per cent
Financial pressures	43%
Cost of living crisis	22%
Access to better local schools	9%
Improved quality of state school education	4%
Value for money	0%
Other, please specify	24%
None	22%
Don't know	21%

Base: all respondents (67). Respondents were able to select more than one option.

Respondents who indicated another reason had the opportunity to provide further detail. A total of 16 respondents provided comments, and these have been grouped into common themes:

- Six respondents reported that in their experience, there was **no evidence** of families moving their children from fee paying schools to state schools.

- Three respondents reported that the **ending of the VAT exemption** was a factor leading families to move their children to state schools.
- Two respondents reported that **school closures** were a factor.

Additional reasons for families moving their children from fee paying schools to state schools reported by one respondent each included state school vacancies, provision for children with special educational needs and disabilities (SEND), distance to the school, and individual personal issues faced by children (e.g. not settling in).

Managing increased demand

Confidence

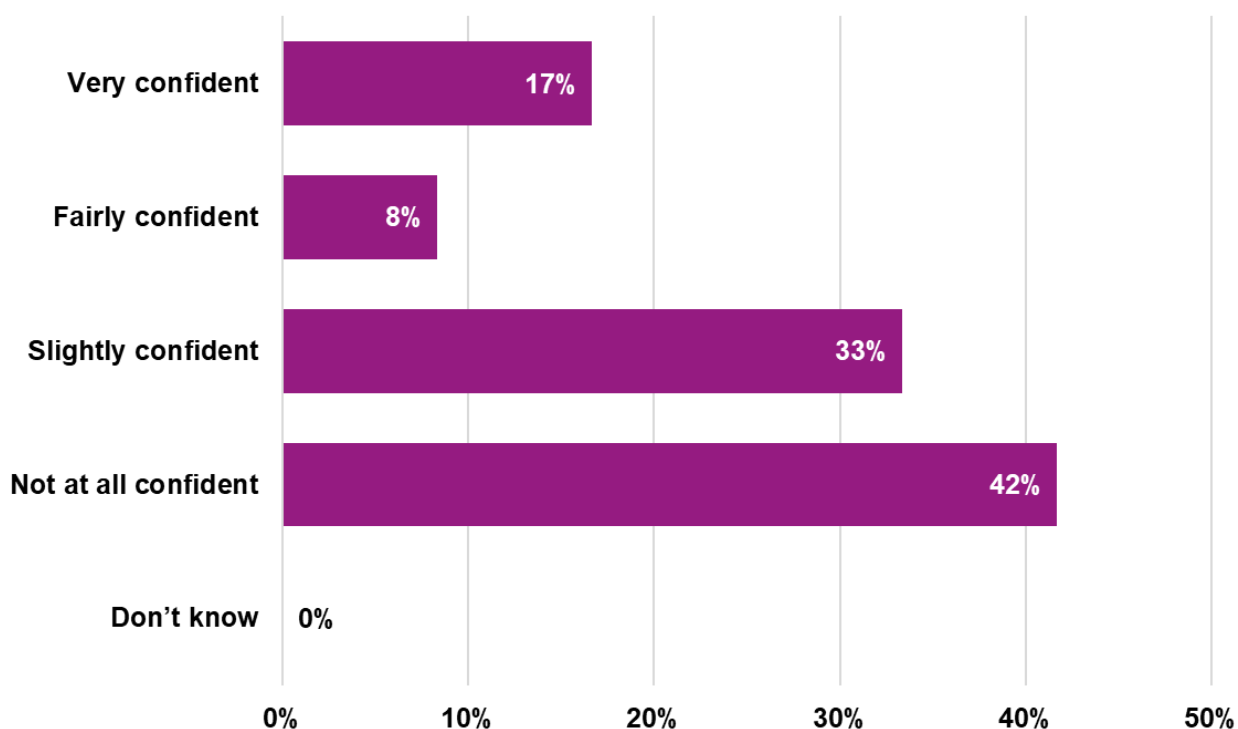
Respondents who had seen an increase in applications to state secondary schools were asked how confident they were that they could meet the increased demand. More than two-fifths (42 per cent) were not at all confident that their authority could meet the increased demand for state secondary school places. A third (33 per cent) were slightly confident, whilst a quarter (25 per cent) were very or fairly confident. The full results are shown in Table 6 and Figure 1.

Table 6: Confidence in authority’s ability to meet the increased demand

	Number	Per cent
Very or fairly confident	3	25%
Very confident	2	17%
Fairly confident	1	8%
Slightly confident	4	33%
Not at all confident	5	42%
Don’t know	0	0%

Base: all respondents who have seen an increase in state school applications (12).

Figure 1: Confidence in authority’s ability to meet the increased demand



Base: all respondents who have seen an increase in state school applications (12).

Estimated shortfall

Respondents who had seen an increase in applications but were not very confident in their authority’s ability to meet the increased demand were asked to estimate, in percentage or in other terms, the shortfall that their authority might face.

Four authorities provided an estimated percentage shortfall – the mean average estimated percentage shortfall was 11 per cent, whilst the median average percentage shortfall was 3 per cent.

Two authorities reported that the shortfall was unknown. One respondent reported that this was because their authority does not have access to information on the number and status of pupils at independent schools, whilst the other respondent

reported that the need for places at faith schools specifically, due to a high number of independent faith schools in the area, may mean the shortfall is over 4000 places.

Two authorities described the actions their authority is taking to mitigate the shortfall; one reported that their authority planned to build a new secondary school to meet the demand, whilst the other reported that they were managing demand through the 'next nearest' or Fair Access Protocol.

One authority reported that the shortfall was only within two administrative districts, each up to 15 places short out of a pupil population of 9500 (less than 1 per cent).

Actions taken to manage the shortfall

Respondents who had seen an increase in applications but were not 'very confident' in their authority's ability to meet the increased demand were asked what they were currently implementing to manage the shortfall. Just under a third of respondents (30 per cent) were increasing class sizes, expanding schools, or building new schools, whilst 10 per cent were increasing resource and support for schools. A fifth of respondents (20 per cent) were implementing another action, whilst two-fifths (40 per cent) were not implementing anything. The full results are shown in Table 7.

Respondents who were implementing another action had the opportunity to specify what this comprised. Two respondents provided further detail; one respondent reported making use of the Fair Access Protocols, whilst the other reported making use of their home to school transport services to transport children to enable children to access further-away schools with places.

Table 7: Actions being implemented to manage shortfall

	Number	Per cent
Increasing class sizes	3	30%
Expanding schools	3	30%
Build new schools	3	30%
Increased resource and support for schools	1	10%
Improve school transport	0	0%
Community and stakeholder engagement	0	0%
Other	2	20%
Not currently implementing anything	4	40%
Don't know	0	0%

Base: all respondents who have seen an increase in state school applications but who are not 'very confident' in meeting the shortfall in places (10). *Respondents were able to select more than one option.*

Further comments

Respondents had the opportunity to provide any further comments on the topic of the ending of the VAT exemption on fee paying school fees. A total of 42 respondents provided further comments, and these have been grouped into common themes.

Around half of comments reported that the end of the VAT exemption is having either no impact, or a minimal and manageable impact, on state secondary school places.

“We haven’t seen any impact yet since the decision was announced, and we do not anticipate any difficulties – we have a lot of vacancies and could easily accommodate more children in state schools.”

London borough

Around a sixth of comments raised the issue of education provision for children with SEND or an Education Health and Care (EHC) plan. Respondents discussed the current high demand for SEND support, and that the end of the VAT exemption has the potential to increase pressure for the SEND services. This is due to the potential rise in pupil numbers and/or an increase in costs, if independent SEND education providers pass the VAT costs onto the council through increased service costs.

“Our greater concern is that Independent Special Providers will charge us more to counter the VAT exemption removal and charge higher amounts for our Education Health Care Plans and Social Care placements.”

Metropolitan district

Around a tenth of comments flagged that although there was no immediate impact, there may be an impact on state secondary school demand in future. One example of future impact related to the transition from primary to secondary school;

“Some parents may be reluctant to transfer their child from a school that they are settled at but when their child is transitioning to secondary school they may decide to apply for a state school rather than committing to independent school fees for the duration of their child's secondary education.”

Unitary authority

A further tenth of comments expressed uncertainty over whether or not there would be an impact, and what this impact may be, at the point of completing the survey.

A further tenth of comments raised the issue of home to school transport services, explaining that increased demand for state secondary school places may result in pupils being placed in schools further away from their homes, which subsequently may increase demand for the council's home to school transport services.

Themes mentioned by one or two respondents each included:

- Without **access to data from non-maintained schools**, local authorities cannot understand the extent of the issue.
- The implications for **religious families**, and in particular Jewish families. Without access to religious schools, through either not being able to afford a fee-paying school after the removal of the VAT exemption, or through the closures of schools due to pupil withdrawals after the removal of the VAT exemption, respondents discussed the potential for religious families to turn to Elective Home Education (EHE) or to unregistered schools if they are unable to access an appropriate state faith school.
- Being unable to meet **parental preference** due to limited available places, potentially causing appeals.
- The potential for the **closure of independent schools**, if they are no longer viable due to pupil withdrawals.
- The **administrative costs for councils** of managing school moves.
- The implications for children in **GCSE or A Level years**, if they are unable to find a school that offers the subjects they are studying.
- The **disproportionate media attention** given to this issue.
- The issue of **foreign national children seeking school places** as a greater strain on the system than the removal of the VAT exemption.
- **Private school fees having generally risen** over the last 10 years or so.
- The **negative impact of other government measures** on school budgets, including the increase in employer National Insurance Contributions and the Business Rates reset.
- The potential **positive impact** of the removal of the VAT exemption measure for an authority with falling pupil numbers.

Annex A: Questionnaire

School places and VAT exemption survey

The Government are planning to end the VAT exemption on fee-paying schools from January 2025 and some councils have raised concerns that this will result in a significant number of children entering the state system and there being insufficient places for those children. This survey will attempt to gain a clear picture of the impact of the VAT exemption on school admissions and whether local education systems have the capacity to meet demand for additional places.

Please respond to this survey as soon as possible. The survey will close at 5pm on Tuesday 3rd December. If you have any issues in completing this survey, please contact roxanne.plail@local.gov.uk for assistance.

Thank you for taking the time to complete this survey. You can navigate through the questions using the buttons at the bottom of each page. Use the 'previous' button at the bottom of the page if you wish to amend your response to an earlier question. If you stop before completing the return, you can come back to this page using the link supplied in the email and you will be able to continue where you left off. To ensure your answers have been saved, click on the 'next' button at the bottom of the page that you were working on before exiting.

All responses will be treated confidentially. Information will be aggregated, and no individual or authority will be identified in any publications without your consent. Identifiable information may be used internally within the LGA but will only be held and processed in accordance with our privacy statement. We are undertaking this survey to aid the legitimate interests of the LGA in supporting and representing authorities.

1. Compared to last year, have you noticed an increase in the number of applications to your state secondary schools?

- Yes
- No
- Don't know

Show if yes at Q1:

2. Roughly what percentage has this increased compared to the year before?

In the box below, please enter the percentage using numbers or decimal points only. Please do not enter any commas, letters or symbols (e.g. £, %), as the input will only accept numbers.

Show if yes at Q1:

3. To what extent do you believe that this increase in applications is due to students leaving fee paying schools due to the ending of VAT exemption on fee paying school fees?

- To a great extent
- To a moderate extent
- To a small extent
- Not at all
- Don't know

Show question wording if no or don't know at Q1:

4. What reasons, if any do you believe are leading families to move their children from fee paying schools to state secondary schools? *Select all that apply*

Show question wording if yes at Q1:

4. What other reasons, if any do you believe are leading families to move their children from fee paying schools to state secondary schools? *Select all that apply*
- Cost of living crisis
 - Financial pressures
 - Value for money
 - Access to better local schools
 - Improved quality of state school education
 - Other (please specify)
 - None
 - Don't know

Show if yes at Q1:

5. How confident are you that your authority can meet the increased demand in state secondary school places?
- Very confident
 - Fairly confident
 - Slightly confident
 - Not at all confident
 - Don't know

Show if fairly, slightly, or not at all confident at Q5

6. What is the estimated shortfall (in percentage or other terms) in meeting the increased demand for state secondary school places?

Show if fairly, slightly, or not at all confident at Q5

7. What is your council currently implementing to support this shortfall?

- Increasing class sizes
- Expanding schools
- Build new schools
- Improve school transport
- Increased resource and support for schools
- Community and stakeholder engagement
- Other (please specify)
- Not currently implementing anything
- Don't know

8. If you have any other comments about the impact on school places of the ending of the VAT exemption on fee paying school fees, please use the space below.

END

Many thanks for taking the time to complete this survey. You are in control of any personal data that you have provided to us in your response. You can contact us at all times to have your information changed or deleted. You can find our full privacy policy here: [click here to see our privacy policy](#).



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