

Loughborough Schools Foundation's Approach to the Potential Introduction of VAT on School Fees: 1 July 2024

We fully appreciate the concerns of current, incoming and prospective parents regarding the potential introduction of VAT on school fees. There remain a number of uncertainties around the policy and its implementation, with the following points shared to provide as much clarity and assurance as we can at the current time.

Policy Status

- Whilst there has been much speculation as to exactly what will be introduced and when, we must first await the outcome of the General Election before full details will be known.
- The Shadow Chancellor has indicated that, under a Labour Government, VAT on fees would not be introduced until September 2025 at the earliest but this should not be taken as a definitive date.

Financial and Operational Planning

- We have planned in detail for various scenarios utilising market insights and financial modelling. In all cases, our core principle is to balance minimising the impact on parents with an unwavering commitment to maintaining the highest standards of academic provision and co-curricular opportunities which our pupils benefit from.
- We have embarked on an organisational change programme to ensure the Foundation has in place a fully efficient and effective operating model, but without compromising on the quality of our pupil education and experience.
- We are putting in place the necessary infrastructure to better enable us to grow income from commercial and other activities, thereby reducing the reliance on fee income to deliver a sustainable budget.
- We will continue to invest in our facilities, learning environment and infrastructure to further enhance pupil experiences and opportunities through delivering a sensible annual surplus.
- We are committed to keeping fee increases as low as is financially viable, understanding the scale of the decision parents make in choosing to invest in their child's education, particularly in the cost-of-living crisis.

Impact on Fees

- The introduction of VAT will see us forced to apply the standard 20% VAT rate to school fees, but through the actions outlined above we aim to offset 5% of this – giving a net overall increase of 15%. This excludes any inflationary increases.
- A full review of our pricing structure and associated policies and schemes will be completed ready for implementation at the start of the 2025/26 academic year.

As and when there are any further updates, these will be provided directly to parents and via the website. In the meantime, please find below some Frequently Asked Questions which provide further information and context. Any additional enquiries should be directed to bursary.fees@lsf.org.

Frequently Asked Questions

What steps has the Foundation taken to reduce its costs?

We have made a number of structural and operational changes which have delivered savings, without compromising on the quality of our offer. This was not a one-off exercise, and we will continue to ensure we maximise value for money across all non-pay spend. It is worth highlighting that significant elements of our cost base are subject to forces outside of our control, such as the recent national living wage increase.

When will I have to start paying VAT on fees?

At this stage we do not know for certain. We must first await the outcome of the General Election, after which any policies introduced by the new Government will work through the appropriate parliamentary processes.

Why is the Foundation not able to absorb the full 20% as is the case at some other schools?

All schools across the sector will have gone through the same detailed scenario planning and financial modelling exercises we have undertaken at the Foundation. This will inform their respective decisions and it would not be right for us to comment on these. However, we would stress that maintaining the quality of our offer and enabling continued investment in the pupil experience was the driving factor in reaching our position.

Will the Foundation be able to reclaim VAT on expenditure?

We will be able to reclaim VAT on some purchases (which is not currently the case). This will help us deliver the targeted 5% offset as referenced in the 'Impact on Fee' section of the update.

What has the Foundation done to try and influence Labour's policy?

Over recent months, we have actively engaged with our local MP and parliamentary candidates to ensure all parties understand the potential implications of such a policy on both independent and state schools

Would paying a full year of fees (or more) in advance mitigate the risk of VAT?

Our working assumption is that any changes to VAT rules will be announced in the Chancellor's Autumn Statement and take effect from April 2025 or September 2025 (although this could all be subject to change), and we are planning to issue fee invoices for the upcoming term in August to match the usual timetable for parents. We are aware that in some areas it has been suggested that paying fees further in advance might help avoid the risk of VAT on school fees, but we are also aware that the rules governing this are complex and subject to change, and at this point unfortunately we can give no guarantees that it will help.