

14th August 2024



Dear parents and guardians

Further to our email of 30th July, we are writing to you regarding the school's response to the Government's proposed application of VAT on independent school fees and removal of business rate relief.

As mentioned in our previous correspondence, the Government has issued a technical consultation document (available [here](#)). The proposals may be subject to change, but we must assume that the policy is implemented as per the consultation document, from 1 January 2025. On that basis, we have been working hard to formulate a plan to support **all** RGS families through this period of significant change.

Principles

Our decisions have been driven by the following principles:

- A core belief that the welfare of our students is paramount, which includes the continuity of their education.
- That we prioritise the diverse and inclusive culture which we have carefully nurtured and from which all our students benefit.
- That we must protect the ongoing financial viability of the school, which celebrates its 500th anniversary next year.

With these values in mind, the Governors have taken the following decisions:

- For the school to *share* with parents the burden of the extra costs for the Spring and Summer terms of 2025, aimed at shielding all RGS families from what would otherwise be a sudden 20% increase in fees.
- To develop a new, means-tested support fund.

Further information on these measures is detailed below.

Support for all RGS families

From January 2025 we will reduce our (already published) 24/25 fees, to which VAT will then be applied. The net impact on families (inclusive of VAT) will be an 8% increase in fees from January 2025, with the school shouldering the remaining 12%.

To illustrate this, here is a breakdown of our original - and now revised - 24/25 fees:

2024/2025 original fees				2024/2025 revised fees (*discount and VAT applied from January 2025)				
Junior School	Fee	VAT	Total	Junior School	Fee	VAT	Total	Increase for parents
Autumn	£4,825	£0	£4,825	Autumn	£4,825	£0	£4,825	£0
Spring	£4,825	£0	£4,825	Spring*	£4,343	£869	£5,212	£387
Summer	£4,825	£0	£4,825	Summer*	£4,343	£869	£5,212	£387
	£14,475	£0	£14,475		£13,511	£1,738	£15,249	£774
Senior School	Fee	VAT	Total	Senior School	Fee	VAT	Total	Increase for parents
Autumn	£5,728	£0	£5,728	Autumn	£5,728	£0	£5,728	£0
Spring	£5,728	£0	£5,728	Spring*	£5,155	£1,031	£6,186	£458
Summer	£5,728	£0	£5,728	Summer*	£5,155	£1,031	£6,186	£458
	£17,184	£0	£17,184		£16,038	£2,062	£18,100	£916

Some parents have asked us how the VAT will be spent; for the avoidance of doubt, this is not income for the school, it is a sales tax levied by, and passed to, the Government.

Means-tested support fund

In addition to the above measure for **all** RGS families, the school is developing a means-tested fund to further support families most in need. Whilst the specific criteria for the scheme is still being developed,

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this fund will offer further support to our families in greatest need who may otherwise be forced to disrupt their child's education as a result of the imposition of VAT, despite the support that the school is putting in place. We will share more information in due course.

Our approach

The continuity of your child's education is of paramount importance to us, hence these decisions which very much aim to prioritise our students, however there are understandable consequences for the school's budget.

As we have previously explained, RGS is a registered charity. We have consciously kept fees as affordable – and therefore as accessible - as possible; as such we have limited reserves. The majority of our assets are fixed, in the form of our school buildings. Most of our costs are the staff who teach your children and operate our school; the introduction of VAT on school fees brings with it the opportunity to reclaim some VAT on our non-salary costs, but this is a small proportion of our budget. RGS Bursaries and RGS Partnerships which are core to our charitable status, are predominantly funded through donations, which are restricted to furthering our charitable objectives through social impact.

We budget for a modest surplus each year which is reinvested in our buildings and facilities, but we have taken the decision to redirect this surplus for this academic year to the fee discount we are now introducing. We are also exploring all avenues to diversify our income, have delayed some projects in development and will continue to manage our costs closely, whilst endeavouring to maintain our standards.

This does mean that now, more than ever, we need the philanthropic support of the whole RGS community; we will continue to fundraise for RGS Bursaries and RGS Partnerships, plus the new means-tested support fund. In addition, we will be exploring philanthropic support for various items of equipment and capital projects which will enhance our children's experience and which would previously have been funded from our annual surplus. **We implore all families who are able to help support these endeavours to get in touch.**

Overall, we are grateful that the scale and financial stability of RGS means that we are in a position to offer the above support which goes some way towards mitigating the financial shock for families. We hope that by continuing to pull together, in particular as we approach the 500th anniversary of the school in 2025, we can maintain the diverse, accessible, academically outstanding and financially robust school of which we are all guardians and will one day pass to the next generation.

Implementation of the policy

The above assumes that the policy is implemented as proposed but it is important to note that the policy is still under consultation and may be subject to change. The Government's stated intention is to commit the policy to legislation in the Finance Act following the 30 October Budget, and then implement the VAT changes from 1 January 2025. The removal of mandatory business rate relief for schools operating as charities is proposed to take effect from April 2025.

Independent schools' umbrella bodies and RGS continue to do all that we can to highlight the impact on families and (what we believe will be) the broader consequences for education in our region and country; for example you may have heard RGS Newcastle recently featured on **Radio 4** on this matter. We encourage RGS families to continue to contact your local MPs to highlight any concerns and how this policy may impact your particular family.

We remain committed to sharing regular communications with all parents while we navigate these coming weeks and months.

Best wishes

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Chair of Governors

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