

Dear Parents,

BGS Response to the Introduction of VAT on School Fees from January 2025

In June of this year, we wrote to reassure you that BGS was well prepared to manage the possible introduction of VAT onto school fees should it be introduced by the new government.

At the time of our last communication and based on feedback we were receiving from across the education sector, we were working on the assumption that VAT would likely be levied from April or September 2025. The government has recently announced their intention, subject to formal legislation, to impose VAT onto school fees from 1st January 2025.

Recent communication from the Harpur Trust confirmed that we are collectively working with the rest of the sector to lobby the government on the risks and subsequent consequences. That said, it is vital that we now focus on being prepared for the introduction of VAT from January 2025.

We are extremely conscious of the additional financial pressure this may put on your family and therefore we want to be as transparent as possible about our approach.

We have overseen and continue to manage the school's finances with exceptional prudence. We are in a stable position: we are a large school with strong student numbers; we have an excellent educational offer, which yields outstanding results; we have no external debt; our buildings and facilities are extremely well-maintained; and we continue to plan to live within our means and incrementally improve facilities across the school without the need for more elaborate and expensive capital projects. Furthermore, we have a fully budgeted programme to maintain the quality of our current site and our core educational offer.

Our fundamental commitment is to our students, and we want to ensure that as many of our students as possible continue to benefit from a BGS education. We want to remain as affordable as possible, whilst balancing this against providing a high value educational offer.

By law we will have to levy VAT onto tuition fees; we cannot remove it. However, where possible, we are intending to mitigate some of the impact of the imposition of the tax to help you manage your financial obligations. As explained in our previous communication, our planned approach has always been to share the burden of responsibility with our fee-paying families. Our intention is to have a "glide approach", which will soften the impact of the imposition of VAT through a combination of on-going cost efficiencies and additional phased increases to fees spread over a number of years to hopefully better align with household financial management.

We have now undertaken further extensive financial modelling and budgeting scenarios given that VAT is likely to be introduced significantly earlier than anticipated. We have looked forensically at where we can make additional cost efficiencies and at what VAT, under the government's proposals, may be recoverable. We are in the fortunate position that we have built up some usable reserves which will help us manage through the potential challenges of this period. We will use some of our limited reserves initially, alongside cost efficiency and prudent budget management, to enable us to share and spread the impact of VAT.

The Harpur Trust Finance Committee has ratified our Governing Body's recommendations. The outcome of our financial planning means we are able to mitigate a significant proportion of the impact of the additional VAT which is proposed to apply in the 2024/25 academic year.

Therefore, following initial use of limited reserves, cost savings and budget management the total cost to you, as a fee payer, for the Spring and Summer Term will increase by **5.8%**.

Should VAT be payable from January 2025, we will be required by law to show the 20% VAT on your fees bill; so, our approach will, in real terms, show a reduction of your termly school fees to which VAT will be applied.

The introduction of VAT in January 2025 does not impact the already notified fee for the Autumn Term starting in September 2024.

	<i>Current Fees per term Autumn 2024</i>	<i>Fees plus VAT from Jan 25 if VAT is imposed</i>
Junior School	Fees £4,063	(Fees £3,582.5 + VAT £716.5) £4,299
Senior and Sixth Form	Fees £5,711	(Fees £5,035 + VAT £1,007) £6,042

Please note that our proposed fees from January 2025 are subject to final legislation being passed in line with the proposed policy.

VAT on additional items

There remains uncertainty as to what the government's plans may mean for additional charges such as music lessons with Visiting Music Teachers, dance and LAMDA. We are seeking to gain clarity on these matters and will write to you next term once the detail of the proposals and their implications are clearer.

Approach to Fees and VAT for 2025-26

At this point it is not possible to signal what our fee increase may be for the 2025-26 academic year or the percentage of the impact of VAT that we will be able to mitigate. We will need to reassess our detailed budgets, cost savings and student numbers. However, we want to reassure you that the same principle will apply; we remain committed to our glide approach and working with you to share the burden of responsibility relating to this introduction of VAT. We must ensure that BGS is financially secure for the long-term and whilst our intention is to keep fee increases as low as possible, there may be unforeseen circumstances in the future that may affect our glide approach. Nevertheless, our principle of keeping access to a BGS education as wide as possible remains. Furthermore, we commit to maintaining transparency in our communications with you and to working with our parental body to provide as much clarity as possible as we move through this period of change to the sector.

We look forward to welcoming you all to BGS at the beginning of September when we will also outline the next stage of the school's strategy plan. If you have any questions, please email Mr Martin Scoble, Director of Finance and Operations: martin.scoble@bedfordgirlsschool.co.uk.

Yours sincerely

Neil Harris

Chair of Governors

Gemma Gibson

Headmistress