



ASSOCIATION FOR FAMILIES
OF INDEPENDENT SCHOOLING™

AFIS Technical Review

Review of the Accounting Boundaries Underpinning the Government's Published State Schooling Cost Estimates

*Technical review of the public expenditure boundaries
used to assess the state-sector consequences of pupil
movement arising from VAT on independent-school fees*

August 2026

Prepared in the context of the fiscal measures affecting
independent schools introduced from 2024–25

**Prepared by the Association for Families
of Independent Schooling (AFIS) C.I.C.**

An independent technical review. This report does not seek
to replace the Government's fiscal model, but to examine
the evidence, accounting boundaries and assumptions
underpinning it, and the emerging evidence against which
those assumptions can now be tested.

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Executive Summary

In October 2024, the Government estimated that applying VAT to independent-school fees would eventually result in approximately **37,000 fewer pupils in private education**, with around **35,000 additional pupils entering the state sector** in the long run¹.

Its published assessment indicated a peak additional state-sector revenue consequence of approximately **£270 million a year**², using a Department for Education figure of **£7,690 per pupil**³.

This review by the Association for Families of Independent Schooling (AFIS) examines the evidence, cost concepts, accounting boundaries and behavioural assumptions underlying that assessment.

It does **not** attempt to replace the Government's model or claim that its overall fiscal conclusion was necessarily wrong.

It identifies, however, a series of material and testable methodological questions which warrant further scrutiny.

This Technical Review examines one particular part of a wider evidential chain. Evidence about families and schools informs behavioural assumptions; those assumptions affect forecasts of pupil movement; the number, age, needs, timing and geographical distribution of pupils moving between sectors affect the demands placed upon state-funded provision; and those demands, in turn, affect public expenditure and the wider fiscal assessment. This review focuses principally on that state-sector resource and public-expenditure link, while examining relevant upstream assumptions where they materially affect the number or composition of additional pupils.

Throughout this review, a distinction is maintained between analysis that cannot presently be identified in the published record and analysis that did not take place. Government departments and the OBR may hold internal modelling, sensitivity analysis or other material that is not publicly available. Where this review identifies an apparent evidential or methodological gap, it should therefore generally be understood as a question arising from the material available to AFIS, rather than as a finding that no relevant analysis was undertaken.

¹ HM Treasury, *Government Response to the Consultation on the Introduction of VAT on Private School Fees and Removing the Business Rates Charitable Rates Relief for Private Schools* (October 2024). The Government estimated that, in the long run, there would be approximately 37,000 fewer pupils in the private sector and approximately 35,000 additional pupils in the state sector as a result of the VAT policy.

² HM Treasury, *Government Response to the Consultation on the Introduction of VAT on Private School Fees and Removing the Business Rates Charitable Rates Relief for Private Schools* (October 2024). The Government's published assessment estimated the additional state-sector revenue cost at approximately £270 million per year at peak.

³ Department for Education, *School funding statistics: financial year 2023–24*, published 25 January 2024. DfE reported that total funding allocated to English schools for pupils aged 5–16 in 2024–25 was £59.5bn and £7,690 per pupil. DfE describes the relevant series as school revenue funding for pupils aged 5–16.

The most fundamental question is whether the right cost concept was used.

The £7,690 figure was a legitimate Department for Education statistic.

It represented **average school-revenue funding for pupils aged 5–16**.

It was not constructed as an estimate of the **marginal public cost of accommodating an additional pupil**.

Those are different analytical concepts.

Average funding describes the resources allocated across an existing pupil population within a defined funding boundary.

Marginal cost asks:

What additional public expenditure is actually triggered when additional pupils enter the state-funded provision?

That cost may vary materially according to:

- age;
- SEND or other needs;
- eligibility for targeted support;
- geography;
- school phase;
- existing spare capacity;
- transport requirements;
- and whether additional staffing or capital is required.

The distinction matters because an explicitly **marginal-cost approach already existed in published analysis before implementation**.

The Institute for Fiscal Studies had modelled the additional state-sector cost using a central marginal-cost assumption of approximately **£5,900 per pupil**, alongside lower and higher sensitivity scenarios.

AFIS does **not** argue that Government should simply have substituted the lower IFS figure for £7,690.

The existence of different legitimate cost concepts instead raises a methodological question:

Why was average school-revenue funding considered an appropriate proxy for the additional public expenditure associated with policy-induced pupil movement, and what alternative marginal-cost approaches were considered?

That is now the central cost question in this review.

The £7,690 figure also represented a defined accounting boundary

The fact that £7,690 was an average-funding statistic creates a second, separate question:

What public resources did that funding measure include and exclude?

AFIS's resource audit identifies approximately **£2.93 billion of annual-scale public resource outside the £7,690 school-revenue funding boundary**, comprising approximately:

- **£2.01 billion** of pre-16 home-to-school transport;
- **£600 million** of Universal Infant Free School Meals; and
- **£320 million** of Primary PE and Sport Premium.

The figure is deliberately conservative.

The approximately £2.93 billion finding is an accounting-boundary finding, not an alternative estimate of the additional public cost generated when pupils move from independent to state-funded education. It should not simply be divided by pupil numbers, added to the £7,690 figure or treated as a hidden policy cost. Much of this expenditure is fixed, semi-fixed, targeted or demand-dependent, and only some elements may respond when additional pupils enter state-funded provision.

Its significance is therefore different: it demonstrates that material identifiable public-resource mechanisms exist outside the accounting boundary represented by £7,690. The relevant policy-costing question is which of those expenditure mechanisms respond when additional pupils enter state provision, for which pupils, under what circumstances, at what point and by how much.

Further public expenditure has been identified but left outside the quantified total where attribution, overlap, population boundary, eligibility or marginal responsiveness cannot be established sufficiently securely.

An additional difficulty arises where public education functions are delivered through local-authority trading companies, wholly owned companies, arm's-length bodies or other commissioned providers. The organisational form does not determine the accounting treatment. A company may combine local-authority funding, Dedicated Schools Grant funding, other public contracts and commercially purchased services. Some of that resource may already be represented within the £7,690 funding boundary; some may sit outside it. Without tracing the original funding source, service and beneficiary population, neither inclusion nor exclusion can safely be assumed. The present review therefore identifies this as a further accounting-boundary question for independent examination rather than assigning an additional monetary value.

Accordingly, this review does not attempt to construct a single broader average or alternative 'true cost per pupil.'

Even a perfectly calculated system-wide average can be inappropriate for marginal costing if the pupils affected by the policy have different characteristics from the existing state-school population.

The relevant question is therefore:

Which expenditure mechanisms respond when additional pupils enter state provision, for which pupils, under what circumstances, at what point and by how much?

The wider state-schooling resource system is more complex than a single funding figure

To make these distinctions explicit, the review uses a three-category resource framework, with Categories B and C further subdivided:

Category A: the defined 5–16 school-revenue funding measure underlying the £7,690 figure.

Importantly, Category A is itself broader than the ordinary delegated budget of an individual mainstream school. The £59.5 billion measure underlying the £7,690 figure already included, among other components, the schools block of the Dedicated Schools Grant, most high-needs funding, Pupil Premium and the Central School Services Block. AFIS does not treat those resources as additional expenditure outside £7,690. Preventing double counting is a central part of the methodology.

Conversely, identifiable public resources sit outside that defined national 5–16 school-revenue funding boundary. The purpose of the accounting-boundary review is to distinguish those genuine exclusions from expenditure already represented within Category A.

Category B1: wider public resource outside Category A that can be attributed sufficiently robustly for quantified boundary analysis.

Category B2: further identified public resource where attribution, funding origin, overlap, age range, eligibility or marginal responsiveness prevents sufficiently robust like-for-like inclusion in the quantified B1 total.

Category C1: externally delivered provision funded wholly or partly from public money.

Category C2: genuinely non-Government external resource provided by charities, universities, employers, philanthropic bodies and other organisations.

The purpose of the framework is not to add all five categories together.

It is to distinguish:

- what Government's £7,690 measure captured;
- what additional public resource can presently be identified with sufficient confidence;
- what remains too uncertain to quantify responsibly;
- and what wider resources may become available to pupils without necessarily generating additional Exchequer cost.

The wider Category C register remains a **mapping exercise**, not a quantified financial total.

The characteristics of the additional pupils matter

The composition of the forecast additional state-sector population is central to marginal cost.

Public resources including:

- High Needs;
- Pupil Premium;
- SEND transport;
- infant free school meals;
- and other targeted programmes

are not distributed uniformly across pupils.

A system-wide average may therefore be descriptively valid while being a poor estimate of the expenditure generated by a particular group of additional pupils.

The report does not assume that pupils moving from independent education would draw targeted resources at state-population-average rates.

It therefore asks:

What was assumed about the age, needs, eligibility and geographical distribution of the approximately 35,000 additional pupils?

Without that information, a robust alternative marginal-cost figure cannot safely be derived from aggregate expenditure totals.

The funding reference date raises a narrower transparency question

The £7,690 figure originated in DfE's January 2024 estimate of 2024–25 school funding.

During the period before it was used in the October 2024 assessment, material further funding affecting the same 2024–25 system was announced, including:

- Teachers' Pension Employer Contribution Grant funding; and
- the Core Schools Budget Grant.

DfE's representation of 2024–25 school funding subsequently evolved.

This does **not** establish that using the January figure in October was an error.

Forecasts and policy costings may properly operate against baselines fixed at formal cut-off dates.

The relevant question is therefore:

What baseline and cut-off convention applied, how were subsequent funding developments treated, and was the sensitivity of the expenditure illustration to later 2024–25 funding information tested?

The report now treats this as a **transparency and baseline-methodology issue**, secondary to the more fundamental distinction between average funding and marginal cost.

The behavioural and expenditure populations also require reconciliation

The £7,690 funding measure related to pupils aged **5–16**.

Government's behavioural assessment, however, anticipated responses at educational transition points extending into **post-16 education**.

That creates a separate population-boundary question:

If the forecast included pupils moving into state-funded post-16 provision, how were those pupils and their associated costs represented in an expenditure illustration based on a 5–16 funding measure?

AFIS does not argue that all 16–19 expenditure should be added to £7,690.

The appropriate approach is instead to establish:

- the age profile of the forecast additional pupils;
- whether 16–18-year-olds were included;
- their expected destinations;
- the funding or marginal-cost assumptions applied to them;
- and how relevant post-16 capacity was treated.

This is particularly important because Government had already recognised a demographic bulge moving into 16–19 education and had established specific capacity funding to address it.

The evidence used to predict family behaviour also merits scrutiny

The OBR itself described the evidence on how responsive demand for private-school places would be as **“limited”**.

Its long-run forecast also depended substantially upon **fewer prospective entrants**, rather than only existing pupils visibly leaving independent schools.

That distinction matters.

A pupil transferring from an independent school into a state school can potentially be observed.

A child who would otherwise have entered independent education but instead never does so leaves no equivalent observable transfer.

The relevant behavioural evidence therefore extends beyond withdrawal decisions.

Published UK research available before implementation had examined determinants of private-school participation including:

- family income and wealth;
- parental preferences;
- previous participation in independent education;
- geography;

- and the availability of highly regarded state-school alternatives.

At least one such study was cited in the IFS's 2023 VAT analysis.

AFIS has not established from the published Government material reviewed whether HM Treasury, HMRC, DfE or the OBR themselves considered the full underlying body of academic evidence.

The report therefore asks:

What research was reviewed concerning the circumstances, motivations, affordability and price sensitivity of existing and prospective independent-school families, and how did that evidence inform the behavioural assumptions selected?

The existence of this research does **not** establish that the OBR's elasticity assumption was wrong.

It makes the provenance and use of the evidence particularly important.

Separate tax assessments do not resolve the cumulative behavioural question

Independent schools experienced several substantial fiscal changes over a relatively short period:

- increased Teachers' Pension Scheme employer contributions;
- VAT on school fees;
- removal of charitable business-rates relief in England; and
- increased employer National Insurance costs.

Separate impact assessments for separate fiscal measures are normal.

That is not the criticism made in this report.

The question is different:

When Government predicted how schools and families would actually behave, did the modelling reflect the combined financial environment they faced?

Schools experience the measures on the same balance sheet.

Families respond to the total fee they are asked to pay.

Behavioural effects may therefore be **non-additive**.

A school that remains viable under one cost increase may cross a financial threshold when several operate simultaneously.

A household that absorbs one fee increase may alter its schooling decision once cumulative increases cross an affordability threshold.

A school may reduce services to contain fees, and that reduction may itself affect demand.

In November 2024, Damian Hinds MP asked the Treasury about the combined effects of VAT, employer National Insurance contributions, Teachers' Pension Scheme contributions and business rates on pupil numbers.

The Treasury replied that Tax Information and Impact Notes examine changes to the tax system separately for each measure.

That explains the treatment of separate measures within individual TIINs.

It does not establish whether an **integrated behavioural or school-viability analysis** was undertaken.

The report therefore asks whether:

- cumulative financial pressures were modelled;
- representative-school scenarios were tested;
- threshold effects were considered;
- and the combined behavioural response differed from the sum of separately assessed measures.

This is now one of the central methodological questions in the review.

School closures make threshold and capacity effects particularly important

Government anticipated approximately **100 additional independent-school closures over three years above normal turnover**.

The forecast was therefore not simply that 100 schools would close.

It concerned approximately 100 **additional** closures relative to the counterfactual.

That distinction must be preserved when evaluating post-implementation evidence.

Government-register-based analysis reported **71 independent-school closures and 107 openings during 2025**.

On institution numbers alone, the closure total was not exceptional relative to historical turnover.

But the schools closing were materially larger than historically typical closing schools.

Average capacity among schools closing in 2025 was reported at approximately:

201 pupils

compared with:

123 in 2024

and:

108 over the preceding 20 years.

For mainstream independent schools specifically, average capacity among schools closing in 2025 was approximately **222 pupils**, compared with a longer-run average of approximately **146**.

By **5 January 2026**, the Independent Schools Council reported that **105 schools had ceased operations since VAT was introduced**, although that figure included **15 mergers** and should not be treated as equivalent to 105 confirmed permanent closures or to Government's forecast of 100 additional closures.

Further confirmed permanent closures followed during 2026.

The evidence does **not** establish that VAT caused those closures.

Nor does it establish that Government's additional-closure forecast has already been exceeded.

It establishes something narrower but important:

institution counts alone may be an inadequate measure of structural change.

Evaluation should consider:

institutions + capacity + school type + geography + counterfactual

rather than gross closure numbers alone.

Closure also changes the marginal-cost mechanism

A gradual reduction in independent-school participation may be dispersed across many areas and absorbed within existing state-sector capacity.

Closure of an entire school can instead displace substantial groups of pupils in one locality and at broadly the same time.

Where suitable local state provision has spare capacity, marginal expenditure may remain relatively low.

Where it does not, additional demand may trigger:

- additional teachers or classes;
- transport;
- specialist provision;
- temporary accommodation;
- expansion;
- or capital expenditure.

The same national number of additional pupils can therefore produce materially different public expenditure depending upon **where, when and how those pupils enter state-funded provision**.

This is why national spare capacity and national average funding cannot, by themselves, determine marginal public cost.

The forecasts can now increasingly be tested against emerging evidence

Government's pupil forecast was explicitly long-run.

It should not be declared right or wrong prematurely.

At the same time, implementation has changed the evidential position.

DfE data indicate that independent-school pupil numbers in England fell from approximately **593,000 in January 2024 to 560,300 in January 2026**, a reduction of around **32,700 pupils** over two years.

That should not be compared mechanically with Government's forecast of approximately 37,000 fewer private-school pupils.

The observed DfE change reflects **all causes**.

The Government forecast seeks to estimate the **policy effect relative to what would otherwise have happened**.

Demographic change, school closures, wider economic conditions and other factors therefore matter.

The relevant question is:

What would independent-school pupil numbers have been without the reforms?

The same principle applies to school closures.

Observed gross closures are not synonymous with additional policy-induced closures.

The counterfactual is central to both.

Evaluation should test mechanisms, not only headline totals

The Government's model contained several intermediate assumptions which can increasingly be tested.

These include:

- fee pass-through;
- school absorption;
- cost reduction;
- reduced service provision;
- family price responsiveness;
- existing-pupil departures;
- prospective non-entry;
- school closure;

- local capacity;
- and actual marginal public expenditure.

A final pupil number that eventually resembles the forecast would not necessarily validate every intermediate assumption.

Conversely, divergence in one assumption would not automatically invalidate the final forecast.

A credible post-implementation evaluation should therefore test the **mechanisms that generated the forecast**, not merely whether the eventual headline number happens to be close.

That is particularly important where the OBR itself identified behavioural response as a significant area of uncertainty.

AFIS has asked Government departments to disclose the underlying modelling

Many of the questions identified in this report may already have answers within Government.

On **18 August 2026**, AFIS submitted Freedom of Information requests to:

- HM Treasury;
- HMRC; and
- the Department for Education

seeking relevant pre-implementation modelling and subsequent evaluation.

The requests include material concerning:

- average versus marginal state-sector cost;
- the basis for the £7,690 assumption;
- behavioural and pupil-movement modelling;
- the composition of the forecast additional pupils;
- school viability and closure assumptions;
- state-sector capacity;
- cumulative and interaction effects;
- cross-departmental modelling;
- and post-implementation evaluation and back-testing.

Substantive responses remained pending at the date of publication.

The existence of the requests should not be interpreted as evidence that Government did not undertake the relevant analysis.

The purpose is to establish what analysis exists and enable it, where held and disclosable, to be independently examined.

If unpublished modelling answers the questions identified here, disclosure could materially strengthen confidence in the original assessment.

What this review does not conclude

This review does **not** conclude that:

- the £7,690 DfE statistic was false;
- the IFS's marginal-cost estimate was necessarily correct;
- £2.93 billion should have been added to the Government's calculation;
- £2.93 billion represents the marginal cost of 35,000 pupils;
- AFIS has identified a replacement "true cost per pupil";
- every public resource outside £7,690 is marginal;
- expenditure delivered through local-authority companies, arm's-length bodies or commissioned providers necessarily sits outside the £7,690 boundary;
- the January 2024 funding baseline was necessarily invalid by October;
- post-16 expenditure was necessarily omitted;
- every school closure after January 2025 was caused by VAT;
- the ISC's 105 "ceased operations" measure represents 105 confirmed permanent closures;
- Government's forecast of approximately 100 additional closures has already been reached;
- cumulative fiscal effects were necessarily quantitatively large;
- the observed fall in independent-school pupil numbers is wholly policy-induced;
- Government's long-run pupil forecast has already been proved right or wrong;
- Government failed to undertake relevant internal analysis;
- or Parliament and the public were misled.

Those conclusions would go beyond the evidence presently assembled.

What this review does establish

The review establishes that:

1. The state-sector expenditure illustration used an average funding statistic rather than a purpose-built marginal-cost estimate.

- 2. Average school-revenue funding and marginal public-expenditure consequences are different analytical concepts.**
- 3. An explicitly marginal-cost methodology existed in published analysis before implementation.**
- 4. The £7,690 statistic represented a defined 5–16 school-revenue funding boundary, not the entire public-resource architecture associated with state schooling.**
- 5. Approximately £2.93 billion of annual-scale public resource can be identified outside that boundary under the conservative B1 methodology.**
- 6. The £2.93 billion is an accounting-boundary finding, not an estimate of marginal policy cost.**
- 7. Delivery mechanism does not determine accounting treatment:** publicly funded education resources may be delivered through local authorities, publicly controlled companies, arm's-length bodies or external providers, and their treatment depends upon the original funding source and whether that funding is already captured within Category A.
- 8. The composition of the forecast additional pupil population matters to marginal expenditure.**
- 9. The January 2024 funding input raises a legitimate, but secondary, baseline-transparency question.**
- 10. The 5–16 funding boundary requires reconciliation with behavioural assumptions extending into post-16 education.**
- 11. The behavioural forecast was made in an area where the OBR itself acknowledged limited evidence.**
- 12. A substantial part of the long-run forecast depended upon fewer prospective entrants, making entry and participation patterns important to evaluation.**
- 13. Government anticipated significant school-level adjustment, including cost reduction, reduced service provision and approximately 100 additional closures above normal turnover.**
- 14. Schools simultaneously faced several substantial fiscal pressures, making the distinction between separate fiscal assessment and integrated behavioural and viability analysis important.**

Separate assessment of individual fiscal measures is not itself a methodological weakness. The relevant question is whether behavioural and viability analysis adequately reflected the combined financial environment in which schools and families were making decisions.
- 15. Behavioural and viability effects may be non-additive or threshold-sensitive.**
- 16. Emerging closure evidence demonstrates that establishment counts alone can provide an incomplete picture of structural change.**
- 17. Geography and local capacity can materially affect marginal public cost.**

18. Several central assumptions are now becoming progressively testable against observed post-implementation evidence.

None of these findings alone establishes that the Government's overall fiscal conclusion was wrong.

Together, they establish a case for the underlying evidence and modelling to be **reconciled, explained and tested transparently**.

The case for independent review

AFIS therefore does not propose replacing Government's model with its own.

Its request is more limited:

Test the evidence.

An independent review could establish:

- what behavioural evidence was considered;
- why the selected cost concept was chosen;
- what public resources were included and excluded, including resources delivered or commissioned through local authorities, publicly controlled companies, arm's-length bodies and other providers;
- what population profile was assumed;
- how uncertainty was sensitivity-tested;
- how post-16 movement was treated;
- how state-sector capacity was modelled;
- how school viability and closures were assessed;
- whether cumulative and non-additive effects were considered;
- and how emerging outcomes compare with the assumptions made before implementation.

This Technical Review is a companion publication to AFIS's overarching research paper, *The Case for an Independent Review of the Evidence Base Underpinning Recent Fiscal Reforms Affecting Independent Schooling*. The Case for Review examines the wider evidential chain, including evidence relating to affected families and schools, behavioural assumptions, economic and fiscal modelling, cumulative effects and post-implementation evaluation. This Technical Review provides the detailed supporting analysis of cost concepts, accounting and population boundaries, public-resource mechanisms and related methodological questions.

If the original assumptions, calculations and methodological choices withstand independent scrutiny, that should increase confidence in them.

If they do not, Government should want to know.

Where policy changes have the potential to affect tens of thousands of children and families, hundreds of schools and future generations of pupils, the evidence and modelling underpinning them should be capable of rigorous independent examination.

1. Introduction and scope

1.1 Purpose of this report

In January 2025, the UK Government introduced VAT at the standard rate of 20% on education and boarding services supplied by private schools.

From April 2025, charitable private schools in England also ceased to be eligible for charitable relief from business rates.

These measures were introduced against a wider period of fiscal change affecting independent schools, including the increase in Teachers' Pension Scheme employer contributions from April 2024 and higher employer National Insurance costs from April 2025.

Before implementation, Government and the Office for Budget Responsibility (OBR) published estimates of the expected behavioural and fiscal effects of the VAT measure.

These included assumptions about:

- the extent to which schools would pass VAT through to fees;
- the response of families to higher fees;
- changes in independent-school pupil numbers;
- additional pupils entering state-funded education;
- reductions in independent-school expenditure and service provision;
- additional independent-school closures; and
- the resulting effect on the public finances.

One of the most important assumptions was that the policy would ultimately result in approximately **35,000 additional pupils in the state sector**⁴.

To illustrate the potential corresponding state-sector revenue consequence, the Government's published assessment used average school funding of approximately **£7,690 per pupil**⁵, producing a peak annual figure of approximately **£270 million**⁶.

An important distinction is required at the outset.

⁴ HM Treasury, *Government Response to the Consultation on the Introduction of VAT on Private School Fees and Removing the Business Rates Charitable Rates Relief for Private Schools* (October 2024). The Government estimated that, in the long run, there would be approximately 37,000 fewer pupils in the private sector and approximately 35,000 additional pupils in the state sector as a result of the VAT policy.

⁵ DfE, *School funding statistics*, 25 January 2024.

⁶ HM Treasury, *Government Response to the Consultation on the Introduction of VAT on Private School Fees and Removing the Business Rates Charitable Rates Relief for Private Schools* (October 2024). The Government's published assessment estimated the additional state-sector revenue cost at approximately £270 million per year at peak.

The £7,690 figure was a Department for Education measure of **average school-revenue funding for pupils aged 5–16**. It was not constructed as an estimate of the **marginal public cost of accommodating an additional pupil**.

Nor did the OBR directly incorporate the resulting state-sector expenditure into its tax-policy costing. The OBR stated that additional Government spending associated with pupils moving into the state sector would instead be reflected in Government spending allocations.

This report therefore examines both the accounting boundaries underlying the £7,690 measure and the wider evidence and assumptions connecting the fiscal measure to predicted behavioural and public-expenditure consequences.

It asks a deliberately focused question:

Was the published evidence base sufficiently complete, current and transparent to support the financial and behavioural assumptions made before implementation?

It does not attempt to answer that question by constructing an alternative forecast.

Instead, it identifies:

- what was measured;
- which cost concepts were used;
- what sat inside and outside the selected accounting boundaries;
- what assumptions connected those measures to forecast outcomes;
- what evidence supported those assumptions; and
- what evidence is now becoming available against which those assumptions can increasingly be tested.

1.2 Why the question matters

The distinction between average school-revenue funding, wider public resource and the marginal public cost of accommodating an additional pupil is fundamental.

They are not interchangeable concepts.

A published per-pupil funding figure may accurately describe funding distributed through a particular mechanism while excluding other public resources associated with educating or supporting pupils.

Conversely, identifying expenditure outside that funding measure does not mean that all such expenditure increases whenever an additional pupil enters state education.

Some costs are fixed.

Some are age-specific or needs-led.

Some depend upon eligibility.

Some vary geographically.

Some increase only when capacity thresholds are reached.

The marginal public cost of additional pupils may therefore be substantially different depending upon their age, needs, location and the available capacity of the state system into which they enter.

This distinction is particularly relevant because published analysis preceding implementation did not use only one cost concept. The Institute for Fiscal Studies, for example, had explicitly modelled the **marginal cost of additional state-school pupils**, rather than simply treating average school funding as synonymous with marginal cost.

The existence of an alternative published methodology does not establish that Government should necessarily have adopted it.

It does, however, sharpen the methodological question:

What was the appropriate cost concept for estimating the public-expenditure consequences of policy-induced pupil movement, and why was the selected measure considered appropriate for that purpose?

The relevant question is therefore not simply:

“What does Government spend per state-school pupil?”

It is:

“Which public-expenditure mechanisms respond when additional pupils enter state-funded provision, for which pupils, under what circumstances, at what point and by how much?”

That distinction underpins this review.

1.3 The Government's published framework

The Government's fiscal assessment depended upon a sequence of linked assumptions.

In simplified form:

Fiscal measure → school response and fee change → family behavioural response → pupil movement → state-sector demand → additional public expenditure

Each stage matters.

An assumption about fee pass-through affects the estimated price increase faced by families.

That affects the behavioural response.

The behavioural response affects the number, age, timing and geographical distribution of pupils expected to enter state-funded education.

Those characteristics, together with available local capacity and pupil need, affect the public resources required to accommodate them.

School responses, including cost reduction, changes in provision and closure, can themselves affect pupil movement and the wider consequences of the policy.

The final fiscal consequence therefore depends upon the integrity of the whole chain, rather than any one number considered in isolation.

A further issue arises because schools and families did not experience VAT in isolation.

Independent schools were affected over a relatively short period by increased Teachers' Pension Scheme employer contributions, VAT, removal of charitable business-rates relief and higher employer National Insurance costs.

Producing separate assessments for separate fiscal measures is not, in itself, methodologically problematic.

The separate question is whether predictions of **school viability and family behaviour** adequately reflected the combined financial environment in which those decisions were actually made.

The effects may not necessarily be additive or linear.

A school capable of absorbing one cost increase may become unviable when several pressures operate together. Similarly, household behaviour may change disproportionately where cumulative fee increases cross an affordability threshold.

This review therefore considers not only the individual assumptions attached to the VAT measure but also the question of whether relevant **interaction, cumulative or threshold effects** were considered in the behavioural and school-viability analysis.

1.4 The central cost and accounting questions

A central focus of this report is the **£7,690 per-pupil figure** used in the Government's published assessment.

The figure was a legitimate DfE statistic.

It represented average school-revenue funding for pupils aged 5–16.

But two distinct methodological questions arise.

The first concerns **cost concept**:

Was average funding allocated to schools an appropriate proxy for the additional public expenditure associated with policy-induced pupil movement?

The second concerns **accounting boundary**.

The £7,690 measure did not represent every item of public expenditure or resource associated with the broader state-schooling system.

This report therefore asks:

- what expenditure was included within £7,690;
- what expenditure sat outside it;
- whether expenditure outside the boundary could respond to additional pupils;

- through what mechanisms any such response would occur;
- whether those effects were captured elsewhere in the fiscal assessment; and
- whether the selected accounting boundary was appropriate for the purpose for which the figure was used.

The purpose is not to argue that every pound outside the £7,690 boundary should have been added to the calculation.

Nor is it to construct a larger alternative “true cost per pupil”.

It is to distinguish clearly between **average funding, wider public resource and marginal fiscal cost**, make the accounting boundary explicit, and test whether the selected measure and methodology were appropriate to the policy question being answered.

1.5 Scope

This review examines:

A. The Government's behavioural framework

Including assumptions concerning fee pass-through, demand response, pupil movement, school cost reduction and school closure.

B. Cost concept and the state-school funding measure

Including the distinction between average funding and marginal cost, and the definition, population and accounting boundary represented by the £7,690 figure.

C. Public resources outside that boundary

Including clearly identifiable public resources associated with the broad pre-16 schooling system and further categories requiring more cautious treatment.

D. The reference date

Including whether the January 2024 funding measure remained an appropriate representation of the 2024–25 funding position when it was used in October 2024.

E. Population alignment

Including the relationship between the 5–16 funding measure and behavioural assumptions extending into post-16 education.

F. State-sector capacity and marginal cost

Including how age, pupil need, geography, existing spare capacity and capacity thresholds may affect expenditure triggered by additional pupils.

G. School response and viability

Including cost reduction, reduced provision, closure assumptions and the potential interaction of concurrent fiscal pressures.

H. Behavioural evidence

Including the evidence available before implementation concerning price responsiveness and the wider determinants of participation in independent education.

I. Emerging evidence

Including pupil trends, school openings and closures, educational capacity and other evidence against which the original assumptions can increasingly be tested.

The report also considers employment, suppliers, local communities and other wider consequences where they are relevant to understanding or testing assumptions contained within the original assessment.

It does not attempt to calculate a comprehensive economy-wide impact.

1.6 What this report does not attempt to do

The report does not attempt to:

- produce a replacement forecast for the OBR;
- calculate a single alternative “true cost per pupil”;
- treat average public resource as synonymous with marginal fiscal cost;
- claim that all public expenditure associated with state schooling is marginal;
- assume that every pupil leaving independent education creates the average cost of a state-school pupil;
- argue that every resource outside the £7,690 boundary should have been included in the £270 million illustration;
- attribute every change in independent-school enrolment to VAT;
- attribute individual school closures to particular fiscal measures;
- calculate the full economic effect of school closures;
- determine whether the Government's long-run 35,000-pupil forecast has already been proved right or wrong; or
- establish that Parliament or the public was misled.

Those conclusions would require additional evidence and, in several cases, different forms of analysis.

The purpose is narrower:

to test whether the evidence, definitions, cost concepts, accounting boundaries and assumptions underlying the published assessment are sufficiently clear and robust to withstand independent scrutiny.

1.7 Evidence hierarchy

The review uses an evidence hierarchy designed to distinguish firmly established findings from areas requiring further work.

Priority is given to:

Primary Government sources

including DfE, HM Treasury, HMRC, OBR, Parliamentary material and official school-register data.

Published methodological material

including statistical methodologies, impact assessments, technical notes and supporting documentation.

Official administrative data

including school funding, pupil, expenditure, capacity and establishment data.

Independent and academic analysis

where it provides relevant methodological or empirical evidence and the underlying source or methodology can be identified.

Sector and other evidence

used principally to identify questions, examples and emerging developments requiring further verification.

This distinction is particularly important for post-implementation school-closure evidence.

Confirmed closures are distinguished from:

- announced or proposed closures;
- mergers;
- acquisitions;
- rescues;
- ownership changes; and
- other structural events where educational provision may continue.

Where figures cannot yet be reconciled or source-locked to an appropriate standard, they are not incorporated into the quantified technical core.

1.8 Resource classification

For the purposes of the resource audit, the review uses five analytical categories.

Category A: Principal direct state-school funding measure

Category A represents the principal direct 5–16 state-school funding boundary underlying the Government's £59.5 billion / £7,690 per-pupil measure.

It provides the baseline against which the wider resource boundary is examined.

Category B1: Wider public resource sufficiently attributable for quantified boundary analysis

B1 comprises public resources outside Category A that can be attributed sufficiently robustly to the same broad 5–16 population for the purpose of identifying the scale of the wider accounting boundary.

The current B1 exercise identifies approximately **£2.93 billion of annual-scale public resource outside the £7,690 boundary**.

This is an accounting-boundary finding.

It is not presented as an estimate of additional marginal cost.

Category B2: Other identified public resource

B2 records further public resources potentially outside Category A where age range, population, timing, attribution, funding origin, overlap, eligibility or marginal responsiveness prevents sufficiently robust like-for-like inclusion in B1.

These resources are identified and mapped but are not added to the £2.93 billion figure.

This includes cases in which the resource is identifiable but the available evidence does not yet permit the underlying funding stream to be separated reliably between funding already represented within Category A and additional public expenditure outside it.

Category C1: Externally delivered provision funded wholly or partly from public money

C1 maps relevant support for state schools and pupils delivered outside the core school-funding system but funded wholly or partly by Government or other public bodies.

Category C2: Non-public external resource

C2 maps genuinely non-Government support provided by charities, philanthropic bodies, universities, employers, businesses and other organisations.

Categories C1 and C2 are relevant because movement between school sectors can alter the wider resource and opportunity environment available to a pupil.

However, they are not used in this report to derive an aggregate monetary value.

The Category C exercise remains a mapping exercise, and no aggregate public/private funding split or monetary value should be inferred from it.

The purpose of the five-part framework is therefore to make explicit both **what AFIS has quantified and what it has deliberately not quantified**.

1.9 Treatment of school closures

School closures require a similarly careful methodological distinction.

Government forecast approximately **100 additional independent-school closures over three years above normal turnover**.

The appropriate evaluation is therefore not a simple comparison between that forecast and the gross number of schools subsequently reported to have closed.

This review distinguishes between:

- gross closures;
- openings;
- net institutional change;
- pupil capacity lost and created;
- school type and provision;
- geography; and
- the counterfactual level of normal sector turnover.

It also distinguishes confirmed closures from announced closures, mergers, acquisitions, rescues and other structural events.

This is important because:

a school opening and a school closure are not necessarily equivalent units of educational capacity.

The geographical concentration of closure also matters.

Closure of an entire school may result in a substantial number of pupils seeking alternative provision in the same locality and at broadly the same time. Where suitable state-sector capacity is constrained, the resulting expenditure may differ materially from the marginal cost associated with isolated pupils entering schools with existing spare places.

Emerging evidence on the size, type and location of schools closing is therefore considered alongside institution counts in Sections 8–11.

1.10 Evidential and methodological scrutiny

This report has been structured so that its principal findings can be independently checked.

Where possible:

- figures are traced to primary sources;
- published Government definitions are preserved;
- AFIS-derived calculations are identified as such;
- delivery mechanism is distinguished from underlying funding origin;
- average-funding and accounting-boundary findings are distinguished from marginal-cost estimates;
- observed outcomes are distinguished from causal claims;
- uncertainties and limitations are stated explicitly; and

- areas requiring further evidence are identified rather than filled by assumption.

The objective is not to present AFIS's own model as a substitute for Government's.

It is to make the underlying questions sufficiently precise that the published assessment can be tested.

Where Government or the OBR holds additional unpublished analysis capable of answering those questions, disclosure or explanation of that evidence could resolve many of the issues identified in this report.

On **18 August 2026**, AFIS submitted Freedom of Information requests to **HM Treasury, HMRC and the Department for Education** seeking relevant underlying analysis and modelling, including material concerning state-sector costs, pupil movement, school viability and closures, capacity, cumulative fiscal effects and post-implementation evaluation.

Substantive responses remained pending at the date of publication.

The existence of those requests should not be taken to imply that the underlying analysis does not exist.

The purpose is to establish what analysis was undertaken and enable the relevant evidence, where held and disclosable, to be independently examined.

1.11 Structure of the report

The remainder of the report proceeds as follows:

Section 2: Methodology and evidence framework

Sets out the review methodology, evidence hierarchy, resource classifications, treatment of uncertainty and rules governing quantified findings.

Section 3: The Government's published modelling framework

Reconstructs the principal behavioural and fiscal assumptions underlying the published assessment, including the relationship between behavioural modelling and the state-sector expenditure illustration.

Section 4: What does £7,690 actually measure?

Examines the cost concept, definition and accounting boundary of the per-pupil funding figure and the distinction between average funding and marginal fiscal cost.

Section 5: The reference-date question

Examines whether the funding measure used in October 2024 adequately reflected developments affecting 2024–25 school funding.

Section 6: Population boundaries and post-16 education

Tests the alignment between the 5–16 funding measure and the population represented by the behavioural forecast.

Section 7: Public resources outside the £7,690 boundary

Presents the B1/B2 resource audit and considers the wider C1/C2 resource environment.

Section 8: School response, viability and wider consequences

Examines assumptions concerning cost reduction, service provision, school closure, employment and the potential cumulative, interaction and threshold effects of concurrent fiscal pressures.

Section 9: Emerging evidence: what can now be tested?

Considers how pupil, school and capacity evidence can progressively be used to test the assumptions made before implementation.

Section 10: Questions arising from the evidence

Draws together the principal questions requiring clarification, disclosure or further evaluation.

Section 11: Conclusion

Sets out what the review establishes, what it does not establish, and the case for transparent and independent review of the underlying evidence and modelling.

1.12 The standard applied

This report does not begin from the assumption that Government's analysis was wrong.

Nor does it assume that every cost or consequence identified by AFIS should necessarily have appeared in the headline fiscal estimate.

The standard applied is more straightforward:

Can the principal assumptions and calculations be reconstructed from the published evidence, and are the methodological choices, including cost concept, accounting boundary, population, reference date and behavioural assumptions, sufficiently transparent and evidenced to allow them to be independently tested?

Any one of the questions raised in this report may have a perfectly good answer.

If the original assumptions and calculations withstand scrutiny, that should increase confidence in them.

If they do not, Government should want to know.

That is particularly important where policy changes have the potential to affect tens of thousands of children and families, hundreds of schools and future generations of pupils.

The following section explains the methodology used to conduct that review.

2. Methodology and evidence framework

2.1 Purpose of the methodology

This review is designed to test the evidence, definitions, cost concepts, accounting boundaries and assumptions underlying the Government's published assessment of the fiscal and behavioural effects of applying VAT to independent-school fees.

It does not attempt to construct a competing economic model.

Instead, it asks whether the principal components of the published assessment can be reconstructed and independently tested.

The methodology therefore focuses on six questions:

1. What did Government measure?
2. What cost concept did the selected measure represent?
3. What did the selected measures include and exclude?
4. What assumptions connected those measures to the forecast outcomes?
5. What evidence supported those assumptions?
6. What emerging evidence can now be used to test them?

This approach is deliberately conservative.

Where evidence is insufficient to quantify an item reliably, the item is identified but not incorporated into the quantified technical findings.

Where an aggregate resource can be identified but its marginal responsiveness to additional pupils cannot be established, the review distinguishes the **accounting-boundary finding** from the separate question of **marginal fiscal cost**.

That distinction is fundamental to the methodology.

2.2 Analytical framework

The Government's fiscal assessment can be represented as a sequence:

Fiscal measure → school response → fee change → family behavioural response → pupil movement → state-sector demand → additional public expenditure

The review examines each relevant stage separately.

This matters because uncertainty at one stage can flow through the remainder of the calculation.

For example:

- the assumed VAT pass-through affects the fee increase faced by families;

- the fee increase affects the behavioural response;
- the behavioural response determines the number, age, timing and geographical distribution of pupils expected to enter state-funded education;
- the age, needs, eligibility and location of those pupils affect the public resources they may require;
- existing state-sector capacity affects the marginal cost of accommodating them; and
- the cost and capacity response of both independent and state schools can affect the final fiscal outcome.

The review therefore avoids treating the final expenditure figure as though it were independent of the behavioural and institutional assumptions that precede it.

It also distinguishes between two different analytical exercises:

Accounting-boundary analysis asks what public resources sit inside and outside a defined funding measure.

Marginal-cost analysis asks which public expenditures would actually change as a consequence of additional pupils entering state-funded provision, by how much, when and through what mechanism.

The first can inform the second.

It cannot substitute for it.

2.3 Evidence hierarchy

Evidence is assessed using the following hierarchy.

Level 1: Primary Government and official sources

These are preferred wherever available and include:

- DfE publications and statistical releases;
- HM Treasury documents;
- HMRC policy and impact-assessment material;
- OBR publications;
- Parliamentary Questions and Government responses;
- Government annual reports and accounts;
- official school registers and administrative datasets; and
- devolved-government sources where relevant.

These form the principal evidential basis for the technical findings.

Level 2: Published methodological and institutional material

This includes:

- statistical methodologies;
- technical notes;
- impact assessments;
- consultation documents and responses;
- departmental guidance; and
- other official explanatory material.

These sources are particularly important when determining what a published statistic actually measures and the purpose for which it was constructed.

Level 3: Independent and academic analysis based on identifiable evidence

This includes research or analysis undertaken by economists, academics, research institutes, journalists, sector bodies or other organisations where the underlying data, evidence or methodology can be identified sufficiently to evaluate the finding.

Such analysis may be particularly useful where it:

- derives information from official administrative data that Government has not itself published in the same form;
- provides an alternative methodological approach against which Government's approach can be compared; or
- examines behavioural or institutional questions relevant to assumptions in the Government model.

Independent analysis is not treated as authoritative merely because it is published. Its evidential weight depends upon the quality and transparency of the underlying evidence and methodology.

Level 4: Sector intelligence and other secondary evidence

This includes:

- school announcements;
- sector trackers;
- media reports;
- organisational publications; and
- other evidence useful for identifying developments or research questions.

These sources can provide valuable evidence but are not automatically treated as equivalent to official administrative data.

Where possible, material findings identified through these sources are cross-checked against primary evidence.

2.4 Source-locking and evidential status

Each quantified finding is assessed according to the strength of its source chain.

The working evidence ledger distinguishes between items that are:

Source-locked

A sufficiently authoritative source has been identified and the figure, definition and relevant period can be traced to it.

Qualified

A source exists, but interpretation requires an explicit qualification concerning scope, period, population, attribution or comparability.

Indicative

The figure is useful for illustrating scale or sensitivity but should not be treated as an audited or directly comparable total.

Mapping only

The item has been identified as potentially relevant but has not yet been sufficiently verified for use as a quantified finding.

This prevents potentially relevant evidence from being discarded merely because it cannot yet be quantified, while also preventing preliminary material from being presented with greater certainty than the evidence supports.

2.5 The resource framework

To examine the accounting boundary represented by the Government's £7,690 per-pupil figure, the review uses five analytical categories.

Category A: Principal direct state-school funding measure

Category A represents the principal 5–16 school-revenue funding boundary underlying the Government's £59.5 billion / £7,690 per-pupil measure.

It is the starting point for the analysis.

The purpose of Category A is not to represent the entire cost of the state-schooling system.

It is to identify precisely what the Government's selected funding statistic measured.

Category B1: Wider public resource sufficiently attributable for quantified boundary analysis

B1 comprises publicly funded resources outside Category A that can be attributed sufficiently robustly to the same broad pre-16 schooling population for the limited purpose of accounting-boundary analysis.

These are items for which the source, approximate scale and exclusion from Category A can be established with comparatively high confidence.

The present B1 exercise identifies approximately **£2.93 billion of annual-scale public resource outside the £7,690 boundary**.

This is not presented as additional marginal cost.

Category B2: Other identified public resource

B2 records further publicly funded resources, or resources whose position relative to Category A cannot yet be reconciled, where sufficiently robust like-for-like inclusion is prevented by issues including

- attribution;
- overlap or potential double counting;
- eligibility;
- age or population boundary;
- accounting period;
- funding origin;
- fixed versus variable cost; or
- marginal responsiveness to additional pupils.

This may include services delivered directly by local authorities or through local-authority trading companies, wholly owned companies, arm's-length bodies and other commissioned providers. The corporate or contractual form of delivery does not by itself establish whether the underlying resource sits inside or outside Category A.

B2 exists precisely to prevent identified public expenditure from being either ignored or forced into a quantified comparison for which the evidence is insufficient.

Category C1: Externally delivered provision funded wholly or partly from public money

C1 maps relevant resources, services and opportunities delivered outside the core school-funding system but funded wholly or partly by Government or other public bodies.

Delivery by a charity, university, employer or other external organisation does not by itself establish that the underlying resource is non-public.

C1 therefore separates **delivery mechanism** from **funding origin**.

Category C2: Non-public external resource

C2 maps resources and opportunities funded from genuinely non-Government sources, including charitable, philanthropic, university, employer, corporate and other private resources.

Some C1 and C2 programmes use attendance at a state school, or state-school status, as an eligibility criterion.

These categories are relevant because movement between school sectors may alter the wider resource and opportunity environment available to a pupil.

However, C1 and C2 remain mapping categories.

They are not used in this report to derive an aggregate monetary value, and no aggregate public/private funding split should be inferred from the mapping exercise unless and until funding origin has been verified at programme level.

The five-category framework is therefore designed to show both **what has been quantified and what has deliberately not been quantified**.

2.6 The B1 inclusion test

An item is included in the quantified B1 analysis only where the review can establish with sufficient confidence that:

1. it represents public resource;
2. it is relevant to the broad pre-16 schooling population;
3. it sits outside the £7,690 Category A boundary;
4. a sufficiently reliable annual-scale value can be identified;
5. inclusion does not create an identifiable material double count with Category A or another B1 item; and
6. any material qualification concerning population, eligibility, period or attribution can be stated transparently.
7. where provision is delivered through an intermediary or external body, the original funding source can be traced sufficiently to establish that the resource is not already represented within Category A.

Meeting the B1 test does **not** mean that the expenditure is marginal.

Nor does it mean that every pupil in the relevant population receives an equal share of the resource.

The B1 test answers a narrower question:

Can this public resource be identified sufficiently robustly as sitting outside the Category A funding boundary?

Marginal responsiveness is considered separately.

This distinction is particularly important for expenditure concentrated among particular pupil groups.

For example, substantial home-to-school transport expenditure relates to pupils with SEND or pupils meeting statutory transport criteria.

Its inclusion in B1 demonstrates the existence and scale of public resource outside Category A. It does not imply that pupils moving from independent to state education would generate transport expenditure at the population-average rate.

2.7 The marginal-responsiveness test

For each public resource identified outside Category A, the review asks a separate set of questions before drawing any inference about policy-induced expenditure:

1. Would additional state-sector pupils become eligible for, or create additional demand for, the resource?
2. What characteristics of those pupils would determine eligibility or demand?
3. Would additional demand produce additional public expenditure?
4. Would expenditure change approximately pupil-by-pupil, only when capacity thresholds were reached, or principally in the longer run?
5. Would the effect vary by age, need, location or existing capacity?
6. Was any such consequence already incorporated elsewhere in Government's fiscal or spending assumptions?

This is the appropriate bridge between **resource accounting** and **marginal fiscal analysis**.

A resource may therefore be securely classified as B1 while its marginal policy consequence remains uncertain or small.

Conversely, an expenditure stream that is modest in aggregate may become important where additional pupils trigger a discrete staffing, transport or capital requirement.

2.8 Population-boundary discipline

A central methodological requirement is that numerators and denominators should refer to compatible populations where an average is calculated.

This review therefore avoids repeating the population-boundary problem identified in an earlier version of the analysis, in which expenditure relating to 16–19 education was spread across a wider pupil denominator in a way that did not preserve like-for-like population alignment.

For descriptive system-wide averages, expenditure should be divided only by a denominator corresponding sufficiently closely to the population to which that expenditure relates.

But even a correctly aligned descriptive average does not automatically represent marginal cost.

This report therefore treats **population alignment** and **cost concept** as separate tests.

An average can be arithmetically valid while still being inappropriate for an incremental policy-cost question.

2.9 Composition and eligibility

Population alignment alone is not sufficient where expenditure is highly concentrated among particular groups.

Resources including:

- high-needs expenditure;
- Pupil Premium;
- SEND transport;
- free-school-meal provision; and
- other targeted services

are not distributed uniformly across the pupil population.

A system-wide average may therefore describe total resource accurately while providing a poor estimate of the expenditure generated by a particular group of additional pupils.

Where the characteristics of pupils expected to enter state education differ from those of the existing state-school population, a **composition adjustment** may be required for marginal-cost analysis.

The review therefore does not assume that pupils moving from independent education would draw targeted resources at state-population-average rates.

Instead, where possible, it asks what was known or assumed about the age, needs, eligibility and geographical distribution of the forecast additional pupils.

This is one reason why the report does not attempt to derive a replacement AFIS per-pupil figure from aggregate public expenditure.

2.10 Treatment of average funding and marginal cost

The review distinguishes explicitly between:

Average funding

Total funding within a defined accounting boundary divided by the relevant pupil population.

Average public resource

A descriptive allocation of a wider set of public resources across a defined population.

Marginal fiscal cost

The additional public expenditure caused by one or more additional pupils entering the state system.

These measures answer different questions.

For example, the £7,690 statistic was an average funding measure.

The B1 exercise identifies wider public resource outside that funding boundary.

Neither, by itself, establishes the marginal fiscal cost of an additional pupil.

Marginal cost may be lower than average funding where existing staffing and capacity can absorb an additional pupil without proportionate additional expenditure.

It may also rise materially where additional demand triggers:

- an additional class or teacher;
- specialist support;
- statutory transport;
- expansion of provision;
- additional post-16 capacity; or
- capital expenditure.

Marginal cost is therefore potentially **non-linear and geographically heterogeneous**.

The methodology does not assume in advance whether marginal cost is above or below the average funding figure.

It asks what evidence supports the relevant assumption.

2.11 Treatment of capital expenditure

Capital expenditure is not included in the £2.93 billion B1 figure.

This is deliberate.

The £7,690 statistic is a revenue-funding measure.

National capital expenditure cannot simply be converted into a per-pupil supplement and added to it without changing the nature of the comparison and making assumptions about:

- asset lives;
- depreciation;
- financing;
- existing capacity; and
- capacity utilisation.

Capital can nevertheless become directly relevant to the **marginal** policy question.

If additional pupils can be accommodated within existing places, the immediate capital consequence may be negligible.

If sufficient additional pupils require places in a locality where appropriate schools are full, additional classrooms, buildings or other capacity may be required.

Capital is therefore treated as a **capacity-sensitive potential consequence**, rather than as part of the B1 accounting-boundary total.

2.12 Geography and capacity

National spare capacity is not synonymous with locally usable capacity.

A state system may contain substantial vacant places nationally while lacking suitable places:

- in the locality where additional pupils require education;
- in the relevant age phase;
- in the relevant year group;
- in appropriate SEND provision; or
- at the relevant post-16 institution.

The geographical distribution of policy-induced pupil movement therefore matters to marginal cost.

This is particularly important where an independent school closes.

Gradual movement of individual pupils into schools with spare places may produce a different expenditure consequence from the simultaneous displacement of a substantial cohort from one institution into a locality with limited capacity.

The review therefore treats:

national capacity, local capacity and policy-induced demand as distinct variables.

2.13 Treatment of timing and reference periods

The review records the relevant accounting or academic period for each quantified item.

Where figures use different reporting bases, they are not described as though they formed a single audited-period total.

This is relevant to the £2.93 billion B1 figure.

Its components are sufficiently clear to demonstrate the approximate annual scale of identifiable resource outside Category A, but they do not all necessarily share precisely the same reporting convention.

The figure is therefore described as:

approximately £2.93 billion of identified annual-scale public resource outside the £7,690 boundary.

Where a comparison depends materially upon the date at which information became available, the review distinguishes:

- the period to which the statistic relates;
- the date on which it was published;
- subsequent revisions or additions relating to the same period; and
- the date on which Government or the OBR used the statistic.

This approach is applied to the £7,690 reference-date question in Section 5.

2.14 Treatment of post-16 expenditure

Post-16 expenditure is not mechanically apportioned across the 5–16 population.

Instead, post-16 is treated as a separate analytical question.

Where the behavioural forecast includes pupils who would otherwise have entered independent education at age 16 or who move at the post-16 transition, the relevant questions are:

- how many of the forecast additional state-sector pupils are post-16;
- what type of state-funded provision they are expected to enter;
- what funding or marginal-cost assumption applies to that provision;
- what capacity existed in the relevant system; and
- where those consequences were reflected in the published assessment.

The existence of post-16 expenditure therefore matters.

But it is not converted into an artificial supplement to the £7,690 5–16 figure.

2.15 Treatment of targeted expenditure

Targeted expenditure requires particular caution.

High-needs funding, Pupil Premium and other targeted resources may represent substantial public expenditure, but the average pupil does not necessarily generate that expenditure.

The review therefore asks two separate questions:

Accounting question: Is the expenditure inside or outside Category A?

Marginal question: What proportion, if any, of the forecast additional pupils would be expected to qualify for or generate that expenditure?

Where the second question cannot be answered from the published evidence, the review does not assume population-average incidence.

This prevents a system-wide descriptive average from being misrepresented as an incremental policy cost.

2.16 Treatment of external resources and eligibility

Categories C1 and C2 are treated differently from Categories A and B.

Their purpose is not to establish an alternative Government expenditure figure.

They identify the wider resource environment associated with state schooling and state-educated pupils.

Where school-sector status affects eligibility, movement between sectors may alter access to:

- educational enrichment;

- tutoring;
- cultural provision;
- university outreach;
- careers programmes;
- employer opportunities; or
- other forms of support.

That may represent a real change in resources available to a pupil.

But three concepts must remain separate:

resource eligibility; resource utilisation; and marginal Exchequer cost.

A pupil becoming eligible for a publicly funded programme does not necessarily cause the programme's budget to increase.

Likewise, access to a privately or philanthropically funded programme may represent additional resource without creating any public expenditure.

The C1/C2 framework is therefore used to map the wider resource consequences of sector movement without converting them into a headline fiscal figure.

2.17 Treatment of school closures

School-closure evidence is assessed using several distinct measures.

These include:

- gross closures;
- gross openings;
- net institutional change;
- pupil capacity lost;
- pupil capacity created;
- school type;
- geography; and
- normal historical turnover.

A closure is not treated as policy-induced merely because it occurred after implementation.

Similarly, an opening is not treated as economically equivalent to a closure merely because both count as one establishment.

The review distinguishes:

- confirmed permanent closures;
- announced or proposed closures;

- mergers;
- acquisitions;
- rescues;
- ownership changes; and
- other structural events where provision may continue.

Where possible, closure evidence is assessed against the relevant counterfactual.

Government's forecast concerned approximately **100 additional closures over three years above normal turnover**.

The appropriate test is therefore not whether 100 schools can be identified as having ceased operating after January 2025.

It is whether closure and capacity outcomes differ materially from the counterfactual path that would reasonably have been expected without the policy and, if so, what explains that difference.

2.18 Treatment of cumulative and interaction effects

The fiscal measures affecting independent schools are treated separately where their legal, tax or accounting treatment requires that distinction.

The review does not simply aggregate the published impact assessment for each measure and describe the result as a combined policy effect.

However, separate assessment of individual measures does not remove the need to consider **interaction effects** where the behavioural question concerns how schools and families respond to the financial environment they actually face.

The methodology therefore distinguishes between:

additive fiscal accounting

and

potentially non-additive behavioural response.

For example, a school may be able to absorb one cost increase without materially changing provision but cross a viability threshold when several pressures operate together.

A household may similarly absorb one fee increase but alter its schooling decision once cumulative increases cross an affordability threshold.

The review therefore asks whether relevant behavioural and viability assumptions were sensitivity-tested against cumulative, interaction or threshold effects.

It does not assume that such effects necessarily occurred or were quantitatively material.

2.19 Treatment of causation

Observed change after implementation does not, by itself, establish policy causation.

This applies to:

- pupil numbers;
- school closures;
- school openings;
- fees;
- employment;
- state-sector demand;
- public expenditure; and
- other economic effects.

Where evidence establishes that an event occurred, the review may report that event as an observed finding.

Attribution to VAT or another fiscal measure requires a separate evidential basis.

The report therefore avoids formulations such as:

“VAT caused X closures”

unless sufficiently robust causal evidence exists.

Instead, it distinguishes clearly between:

- temporal association;
- reported contributing factors;
- observed structural change; and
- established causal effect.

2.20 Reproducibility and denominator discipline

AFIS-derived calculations are intended to be reproducible.

Where the review derives an illustrative figure from published data, it identifies:

- the numerator;
- the denominator;
- the relevant population;
- the source period;
- the calculation; and
- any material assumptions.

No expenditure stream should be converted into a per-pupil figure unless the denominator corresponds sufficiently closely to the population represented by the numerator.

Where no defensible denominator exists, the expenditure is reported in aggregate rather than converted into an artificial per-pupil value.

This is particularly important following the identification of the denominator problem in an earlier version of the analysis.

The correction is methodological rather than cosmetic:

a per-pupil figure is meaningful only where numerator, denominator and population boundary are aligned.

Examples of AFIS-derived illustrative calculations, including the reference-date sensitivity discussed in Section 5, should therefore be sufficiently transparent for another researcher to reproduce.

The evidence ledgers supporting this report are intended to provide an audit trail showing:

- source;
- original funding source, where distinguishable;
- delivery body or mechanism, where relevant;
- figure;
- period;
- population;
- accounting category;
- inclusion or exclusion decision;
- qualification;
- calculation, where applicable; and
- evidential status.

The purpose is to make disagreement testable.

A reader should be able to challenge the classification, calculation or interpretation of an item without first having to reconstruct how AFIS obtained it.

2.21 The counterfactual principle

Many of the questions in this report ultimately depend upon comparison with what would have happened without the policy.

This applies to:

- pupil numbers;
- school closures;

- school openings;
- fees;
- employment;
- state-sector demand;
- public expenditure; and
- school capacity.

Observed change alone does not establish policy effect.

The appropriate comparison is:

actual outcome

against:

the outcome reasonably expected in the absence of the policy.

Constructing that counterfactual may itself involve uncertainty.

In particular, demographic change, pre-existing financial pressures, normal school turnover and wider economic conditions may affect observed outcomes independently of the fiscal reforms.

Making the counterfactual explicit is nevertheless preferable to treating every post-January-2025 development as either evidence for or evidence against the policy.

2.22 Standard of conclusion

The report distinguishes between three principal types of conclusion.

Established finding

Supported sufficiently by the available evidence to form part of the technical core.

Evidential question

Evidence identifies a potentially material issue, but further information is required before a conclusion can safely be reached.

Illustrative analysis

A calculation or comparison is used to demonstrate scale, sensitivity or methodological significance but is not presented as a replacement official estimate.

This distinction is maintained throughout the report.

For example:

The existence of identifiable public resource outside the £7,690 boundary is an established accounting finding.

But:

the marginal amount of that expenditure generated by the additional pupils attributed to the policy remains an evidential question.

Similarly:

the unusually high average capacity of independent schools reported as closing in 2025 is an observed finding from the underlying analysis.

But:

the extent to which that change was caused by VAT or other fiscal measures remains an evidential question.

And:

an alternative marginal-cost methodology existing in the published literature is an established fact where source-verified.

But:

the existence of that alternative does not, by itself, establish that Government's selected methodology was wrong.

2.23 Methodological principle

The methodology adopted throughout this review can therefore be reduced to a simple principle:

Define first. Measure second. Attribute third.

A related principle applies where public resources are delivered through intermediary organisations:

Follow the funding, not the organisational form.

Whether a service is delivered by a local authority, a limited company, an arm's-length body, a charity or another provider does not determine its accounting classification. The relevant questions are where the funding originated, what resource it purchased, which population benefited and whether that funding has already been captured within the Category A boundary.

Before asking what a number proves, the review asks:

- what concept it measures;
- what population it represents;
- what expenditure it includes;
- what period it covers;
- what event it measures;
- whether it is average or marginal;
- whether expenditure is universal or targeted;

- whether it represents gross or net change;
- whether geography or capacity affects its interpretation;
- what counterfactual applies; and
- how securely any causal inference can be made.

This discipline is particularly important in an area where apparently simple statistics can represent materially different things.

£7,690 is not synonymous with the entire public resource associated with educating a state-school pupil.

£2.93 billion is not synonymous with additional marginal expenditure.

A valid system-wide average is not necessarily an appropriate marginal-cost estimate.

Observed school closures following implementation are not synonymous with additional policy-induced closures.

School openings do not, by themselves, establish that educational capacity increased.

National spare places do not establish that suitable local capacity exists where additional pupils require it.

And:

a long-run forecast of 35,000 additional state-sector pupils cannot be tested simply by counting pupils visibly transferring schools in the first year.

The following section applies these principles to reconstruct the Government's published modelling framework.

3. Government's Published Modelling Framework

3.1 Purpose of this section

Before examining the accounting and evidential questions identified in this review, it is important to establish as accurately as possible what Government and the Office for Budget Responsibility (OBR) actually modelled.

This section therefore reconstructs, from the published evidence, the principal assumptions through which the anticipated effect of VAT on independent-school fees was translated into estimates of:

- changes in fees and school behaviour;
- changes in demand for independent schooling;
- the number of pupils expected to leave, or never enter, the independent sector;
- the number consequently expected to enter state education;
- school closures and other sector responses; and
- the associated potential state-sector revenue consequence.

The purpose is descriptive rather than argumentative.

It is also important to distinguish between related but different parts of the published framework.

The **tax-policy costing** estimated the fiscal effect of the VAT measure.

The **behavioural modelling** estimated how schools and families would respond and therefore how the tax base and independent-school pupil population would change.

The **state-sector expenditure illustration** then used a Department for Education per-pupil funding figure to indicate the potential scale of the revenue consequence associated with additional pupils entering state education.

These are related analytical steps, but they are not identical.

In simplified form:

VAT → school response and effective fee change → family behavioural response → pupil movement → state-sector demand → potential additional public expenditure

Each stage therefore matters to the resulting assessment.

3.2 The central behavioural assumption

At the October 2024 Budget, the OBR estimated that VAT would apply to around 600,000 private-school pupils across the UK.

It assumed an effective VAT rate of approximately **15.4%**, after allowing for recovery of input VAT.

The OBR further estimated that approximately two-thirds of the additional cost would be passed to families through higher fees, just under one quarter would be reflected in reduced service provision, and the remainder absorbed through efficiencies and profits.

The critical next step was estimating how families would respond.

Here the OBR was explicit about the limitations of the evidence:

“There is limited evidence on how responsive demand for private school places will be...”⁷

The OBR adopted a price elasticity of demand of **0.5**, which it described as the upper end of the range estimated by the Institute for Fiscal Studies (IFS).

It noted that some studies suggested larger behavioural responses, but that these principally related to the United States and were therefore less applicable to the UK.

This qualification is important.

The forecast of pupil movement was not derived from an observed UK precedent in which an equivalent tax change had previously been applied to independent-school fees.

It necessarily depended upon assumptions about how families and schools would respond in circumstances where the OBR itself acknowledged that the available evidence was limited.

That does not make the behavioural assumption invalid.

It makes the **evidence supporting the assumption, the sensitivity around it and the way alternative evidence was considered** particularly important.

3.3 Existing pupils and prospective pupils

The modelling did not assume that the entire reduction in independent-school participation would result from children being withdrawn from schools they already attended.

The OBR expected existing pupils to be less responsive to price increases, reflecting parents' reluctance to disrupt an established education.

Much of the long-run behavioural response was instead expected to arise through **fewer new entrants** to independent education.

⁷ Office for Budget Responsibility, *Economic and Fiscal Outlook – October 2024*, CP 1169, 30 October 2024, para. 3.38, p. 66. The OBR identified pupil-number response as the main uncertainty in the costing, stated that there was “limited evidence” on the responsiveness of demand to increased fees and lower service provision, and adopted an estimated price elasticity of demand of 0.5, at the higher end of the range estimated by the Institute for Fiscal Studies. It assumed lower responsiveness among existing pupils than prospective future pupils and forecast around 35,000 fewer private-school pupils in the steady state, reflecting both leavers and, primarily, fewer new joiners.

Government's final published assessment estimated approximately **37,000 fewer pupils in the UK private-school sector in the long run**, of whom around **35,000 would instead attend state schools**.⁸

The remaining approximately 2,000 were expected principally to comprise international pupils who would not enter the UK state sector and domestic pupils moving to home education.

The distinction between the two figures is therefore important:

35,000 is the approximate number relevant to the projected additional state-sector population.

37,000 is the broader estimated reduction in UK private-school participation.

The figures should not be used interchangeably.

3.4 Why “fewer new entrants” matters

Government explicitly recognised that some of the behavioural change would arise from parents deciding **not to enter independent education in the first place**, rather than withdrawing a child already attending an independent school.

This creates an important challenge for subsequent evaluation.

A pupil transferring from an independent school into a state school may potentially be observed in administrative data.

A child who would have entered independent education but instead begins or continues in state education leaves no equivalent observable transfer.

The relevant counterfactual is therefore:

How many children would have entered independent education in the absence of the policy?

This means that evaluating the behavioural forecast cannot rely solely upon counting pupils visibly leaving independent schools after January 2025.

Entry rates, retention and transition-point behaviour across successive cohorts are also relevant.

It also means that aggregate independent-school pupil numbers cannot, by themselves, establish the policy effect.

Demographic change and other factors affecting the counterfactual population must also be considered.

⁸ HM Revenue & Customs, *Private school fees: VAT measure*, published 30 October 2024 (updated 15 November 2024). The TIIN records the Government's forecast of 37,000 fewer private-school pupils in the long-run steady state, approximately 35,000 additional state-sector pupils, expected transition-point behaviour, an average fee increase of around 10%, and a peak state-sector revenue cost of around £270m per annum based on average 2024–25 per-pupil spending in England.

3.5 Transition points and the population boundary

Government expected behavioural responses to be concentrated partly around natural educational transition points.

Its October 2024 assessment referred specifically to transitions including movement between primary and secondary education and the beginning of GCSE and A-Level years.

For the purposes of this review, the broader issue is **post-16 transition**, rather than A-Level study alone, because not all pupils entering post-16 education take A levels.

This becomes important when the behavioural and expenditure sides of the model are compared.

The £7,690 funding measure subsequently used to illustrate state-sector expenditure related to school-revenue funding for pupils aged **5–16**.

Yet the population whose behaviour Government anticipated changing extended beyond a purely 5–16 decision boundary.

This does not establish that the expenditure illustration was incorrect.

It raises a population-boundary question examined in Section 6:

If policy-induced movement was anticipated at post-16 transition, how were those movements reflected in a state-sector expenditure illustration based on a 5–16 funding measure?

The question is particularly relevant where the funding arrangements and capacity pressures affecting 16–19 provision differ materially from those affecting compulsory-age schooling.

3.6 What behavioural evidence was available?

The Government's October 2024 assessment was produced following a technical consultation conducted between 29 July and 15 September 2024.

Government reported receiving **17,502 responses** and stated that ministers and officials also met stakeholders including independent schools, local authorities and representatives of the devolved governments.

It would therefore be incorrect to suggest that Government had no consultation evidence available when the final assessment was produced.

At the same time, Government stated in its published impact material that it did not hold full pupil-level data on private-school pupils across the UK.

This needs careful interpretation.

It establishes a limitation acknowledged in the published assessment.

It does not, by itself, establish what additional analysis may have been available internally to HM Treasury, HMRC, DfE or the OBR.

The more precise question for an evidence review is therefore:

What evidence was reviewed, and how did it inform the behavioural assumptions ultimately adopted?

This question extends beyond consultation responses.

Published UK academic research predating implementation had examined determinants of participation in private schooling, including:

- family income and wealth;
- parental preferences and values;
- previous participation in private education; and
- the availability of highly regarded state-school alternatives.

Relevant studies included work by Green, Anders, Henderson and Henseke and subsequent research by members of the same UCL research group.

Notably, the IFS's 2023 analysis of VAT on private-school fees cited the 2020 Anders, Green, Henderson and Henseke study on determinants of private-school participation.

The existence of this literature does **not** establish that the OBR's elasticity assumption was wrong.

Nor has AFIS established from the published material reviewed for this report whether HM Treasury, HMRC, DfE or the OBR themselves considered each of these underlying studies.

It does, however, create a legitimate evidential question:

What research concerning the circumstances, motivations, affordability and price sensitivity of existing and prospective independent-school families was reviewed when the behavioural assumptions were developed, and how did that evidence affect the assumptions selected?

This is particularly relevant because Government expected **fewer new entrants** to account for a substantial part of the long-run behavioural effect.

Understanding the determinants of the decision to enter independent education is therefore directly relevant to the mechanism being forecast.

The July–September 2024 consultation creates a related question.

For a policy whose largest identified costing uncertainty concerned behavioural response, it should be possible to establish:

- what behavioural evidence was received;
- how representative it was considered to be;
- how it was assessed or weighted;
- whether it altered any assumptions; and
- if not, why the existing assumptions were retained.

These are questions about the provenance and use of evidence, not claims that consultation or relevant research did not occur.

3.7 From pupil movement to state-sector expenditure

The next stage of the published framework is particularly important for this review.

The OBR stated:

“The costing of this measure does not directly include any additional government spending for the cost of educating pupils who move to the state sector.”⁹

Instead, such expenditure would be reflected in Government spending allocations.

The OBR nevertheless provided an illustration of the potential scale of the revenue consequence.

Government's final assessment estimated that approximately **35,000 additional pupils would enter the state sector in the long run.**

Using average 2024–25 per-pupil school funding in England, the associated revenue cost was expected to rise to a peak of approximately **£270 million per annum.**¹⁰

The numerical relationship is straightforward:

35,000 × approximately £7,690 ≈ £269 million

rounded to approximately:

£270 million / £0.3 billion per year

The provenance of the £7,690 figure is also clear.

It originated in the Department for Education's January 2024 *School Funding Statistics*, which reported total 2024–25 school-revenue funding for pupils aged 5–16 of approximately **£59.5 billion**, equivalent to **£7,690 per pupil.**

The published chain can therefore be represented as:

DfE January 2024 5–16 school-revenue funding statistic (£7,690)

↓

used as the per-pupil basis for illustrating the revenue consequence of forecast pupil movement

⁹ Office for Budget Responsibility, *Economic and Fiscal Outlook – October 2024*, CP 1169, 30 October 2024, para. 3.39, p. 66. The OBR stated that the costing did not directly include additional Government spending for educating pupils moving to the state sector and that such costs would instead be included in Government spending allocations. It nevertheless illustrated the cost of 35,000 additional state-sector pupils at around £0.3bn, based on £7,690 per pupil in England. The OBR added that actual additional Government cost would depend on wider factors, including overall pupil-number trends and state schools' ability to absorb additional pupils, which was likely to vary by region.

¹⁰ HMRC, *Private school fees: VAT measure*, 30 October 2024.

↓

approximately 35,000 additional state-sector pupils

↓

approximately £270 million peak annual state-sector revenue expenditure

The important qualification is that this was an **illustration of a potential spending consequence**, rather than additional expenditure directly incorporated into the OBR's tax-policy costing.

That distinction should be preserved throughout this report.

3.8 Average funding and marginal cost: an important conceptual distinction

The £7,690 figure was a legitimate DfE statistic.

But its original statistical purpose matters.

It described **average school-revenue funding for pupils aged 5–16**.

It was not constructed as an estimate of the **marginal fiscal cost of accommodating an additional pupil**.

Those are different analytical objects.

This distinction is particularly notable because an explicitly marginal-cost approach already existed in published analysis of the policy.

The Institute for Fiscal Studies' 2023 analysis considered the additional state-school expenditure associated with pupils leaving private education using a **central marginal-cost assumption of approximately £5,900 per pupil**, alongside lower and higher sensitivity assumptions of approximately **£4,900 and £6,900**.¹¹

The significance of this comparison must be stated carefully.

AFIS does **not** argue that the Government should necessarily have substituted the IFS's £5,900 figure for £7,690.

Nor does the existence of the lower IFS estimate demonstrate that the Government's £270 million illustration overstated or understated the true fiscal consequence.

The two figures represent different concepts and were produced for different analytical purposes.

The relevant methodological question is instead:

¹¹ Institute for Fiscal Studies, Luke Sibieta, *Tax, private school fees and state school spending*, IFS Report R263 (11 July 2023). The IFS assumes £5,300 of additional day-to-day mainstream-school funding per pupil and approximately £600 of capital spending, producing a central estimated marginal cost of £5,900 per additional pupil entering the state sector. It tests low and high marginal-cost scenarios of £4,900 and £6,900 respectively. The £5,300 assumption excludes Pupil Premium and the high-needs budget.

Why was average school-revenue funding considered an appropriate proxy for the potential additional revenue expenditure associated with pupil movement, rather than an explicitly marginal-cost measure?

That question is important in both directions.

Where spare capacity exists, the marginal cost of an additional pupil may be materially below average funding.

Where pupil movement is geographically concentrated or triggers additional staffing, specialist provision, transport or capacity, marginal cost may rise.

The appropriate marginal cost therefore cannot be inferred simply from either £7,690 or £5,900 without understanding the mechanism through which expenditure responds to additional pupils.

This distinction becomes central to the analysis in Sections 4 and 7.

3.9 The OBR's own qualifications

The OBR expressly cautioned that the actual additional Government cost would depend upon a wider range of factors, including:

- overall trends in pupil numbers;
- the ability of state schools to absorb additional pupils;
- regional variation; and
- additional local-authority costs associated with pupils with Education, Health and Care Plans¹².

These qualifications are important to the present review.

They demonstrate that the OBR did not present:

35,000 × £7,690

as a comprehensive marginal-cost model capable of capturing every possible consequence of pupil movement.

Rather, £7,690 provided a numerical reference point through which the approximate scale of additional state-sector revenue expenditure could be illustrated.

This substantially narrows the appropriate criticism.

The question is not whether the OBR claimed that £7,690 represented every public resource associated with an additional pupil.

¹² Office for Budget Responsibility, *Economic and Fiscal Outlook – October 2024*, CP 1169, 30 October 2024, para. 3.39, p.66. The OBR stated that actual additional Government cost would depend on wider factors including overall pupil-number trends and the ability of state schools to absorb additional pupils, likely varying by region; it also identified potential additional local-authority costs associated with pupils with Education, Health and Care Plans.

It did not.

The questions are instead:

- why that particular measure was selected;
- whether its cost concept was appropriate for the purpose;
- whether relevant expenditure outside its boundary was considered elsewhere;
- whether composition and eligibility were considered;
- and how capacity-sensitive consequences were expected to be addressed.

Those questions are examined in Sections 4–7.

3.10 School behaviour was also part of the model

The behavioural model concerned schools as well as families.

Government anticipated that independent schools would respond to the tax through a combination of:

- increasing fees;
- reducing costs;
- reducing service provision;
- absorbing some of the financial effect; and
- in some cases, closing.

Government's final assessment assumed that the sector's cost base would eventually be approximately **12% lower than otherwise expected**: around 5% through schools reducing costs and approximately 7% through reduced demand.

It also estimated approximately **100 additional independent-school closures over three years, over and above normal levels of turnover**.

These assumptions matter because the consequences of the policy are potentially wider than the gradual movement of individual pupils between existing schools.

A school closure can produce a discrete movement of pupils in one locality and at broadly the same time.

That may have materially different capacity consequences from the absorption of isolated additional pupils into schools with existing spare places.

School responses may also affect:

- employment;
- service provision;
- bursary capacity;
- specialist provision;

- suppliers;
- local communities; and
- the geographical pattern of educational capacity.

Those consequences are examined in Section 8.

3.11 Separate fiscal measures and the cumulative behavioural environment

The VAT measure did not occur in isolation.

Independent schools were also affected over a relatively short period by:

- increased Teachers' Pension Scheme employer contributions;
- removal of charitable business-rates relief; and
- higher employer National Insurance costs.

The published Government material generally assessed individual tax measures separately.

That is not inherently problematic.

Tax Information and Impact Notes are produced for particular measures, and separate fiscal assessment does not itself establish a methodological deficiency.

However, a distinction arises between:

assessing the Exchequer effect of each fiscal measure separately

and

predicting how schools and families behave when several measures affect them concurrently.

This distinction has also arisen in Parliamentary scrutiny.

In November 2024, former Education Secretary Damian Hinds MP asked the Treasury about the combined effects of VAT, employer National Insurance contributions, Teachers' Pension Scheme contributions and business rates on independent-school and state-school pupil numbers.

The Treasury response stated:

“TIINs look at the impacts of changes to the tax system separately for each measure.”¹³

That explains the treatment of individual tax measures within separate TIINs.

It does not, by itself, answer the separate behavioural question:

¹³ UK Parliament, Written Question 12393, Damian Hinds MP to the Chancellor of the Exchequer, tabled 4 November 2024, answered by James Murray MP, 12 November 2024. The question asked about the potential impact of VAT, employer National Insurance contributions, employer Teachers' Pension Scheme contributions and business rates on pupil numbers in the independent and state sectors. The Treasury response stated: “TIINs look at the impacts of changes to the tax system separately for each measure.”

Did any integrated analysis examine whether the combined financial environment altered school viability, fee-setting or family behaviour differently from the effect predicted for each measure considered separately?

The distinction matters because behavioural effects may be **non-additive**.

A school capable of absorbing one cost increase may cross a viability threshold when several operate together.

A household capable of absorbing one fee increase may alter its schooling decision once cumulative increases cross an affordability threshold.

This report does not assume that such interaction effects were quantitatively large.

It asks whether they were considered, sensitivity-tested or modelled.

That question is examined further in Section 8.

3.12 Monitoring and evaluation

HMRC's published Tax Information and Impact Note contains a section entitled "Monitoring and evaluation".

It states that the measure:

"will be kept under review through communication with affected taxpayer groups and stakeholders as well as education departments across the devolved governments."¹⁴

The existence of this statement should not be interpreted as evidence that no other internal monitoring or evaluation arrangements exist.

However, the published description is limited.

That becomes increasingly relevant as post-implementation evidence emerges, because several central assumptions are now capable of at least partial empirical testing, including:

- fee changes and pass-through;
- pupil entry and retention patterns;
- overall sector participation;
- school closures;
- changes in sector capacity; and
- state-sector demand.

¹⁴ HM Revenue & Customs, *Private school fees: VAT measure*, published 30 October 2024, "Monitoring and evaluation". HMRC states: "The measure will be kept under review through communication with affected taxpayer groups and stakeholders as well as education departments across the devolved governments."

Some assumptions will take substantially longer to test than others because the forecast is explicitly long-run and because much of the predicted behavioural effect arises through fewer future entrants rather than immediate transfers.

The appropriate question is therefore not whether the long-run forecast can already be declared right or wrong.

It is:

What systematic evaluation is being undertaken to test the mechanisms and assumptions underlying the forecast as relevant evidence becomes available?

AFIS has now sought further information about the underlying pre-implementation modelling and subsequent evaluation through Freedom of Information requests to HM Treasury, HMRC and the Department for Education.

Substantive responses remained pending at the date of publication.

The adequacy of post-implementation evaluation is considered further in Sections 9 and 10.

3.13 The modelling chain

The published framework can therefore be summarised as follows:

Fiscal measure

↓

School response and effective fee increase

↓

Family behavioural response

↓

Existing pupils leaving + fewer prospective pupils entering

↓

Approximately 37,000 fewer private-school pupils

↓

Approximately 35,000 additional state-sector pupils

↓

Illustrative state-sector revenue consequence based on £7,690 average 5–16 school funding

↓

Actual expenditure determined through Government spending decisions and the real characteristics, location and capacity requirements of additional pupils

This reconstruction shows why the eventual fiscal outcome depends upon more than a single number.

Uncertainty or error at one stage can affect later stages.

Equally, identifying a methodological question at one stage does not establish that the final forecast is wrong.

For example:

- the behavioural forecast could ultimately prove broadly accurate even if the expenditure proxy was imperfect;
- the £7,690 statistic could be entirely accurate as a funding statistic while still being an imperfect proxy for marginal expenditure;
- wider public resources could sit outside £7,690 without being marginally responsive to additional pupils; and
- individual TIINs could be correctly constructed while an integrated behavioural analysis remained necessary to understand the combined environment facing schools and families.

The purpose of the remainder of this review is to separate these questions rather than collapse them into a single challenge.

3.14 Questions carried forward into the technical review

The reconstruction above leads to six principal tests.

Cost concept

Was average 5–16 school-revenue funding an appropriate proxy for the additional public expenditure associated with forecast pupil movement, and what alternative cost concepts were considered?

Behavioural evidence

How robust was the evidence supporting the assumed response of schools and families, including the behaviour of prospective families who had not yet entered independent education?

Population boundary

Did the population used to estimate behavioural change correspond appropriately to the population represented by the expenditure measure, particularly where post-16 transition was relevant?

Accounting boundary

What public resources were represented by £7,690, what sat outside that measure, and which of those resources could reasonably be expected to respond to additional pupils?

Reference date

Was the January 2024 £7,690 figure still an appropriate representation of 2024–25 school funding when it was used in October 2024, and were subsequent funding developments considered or sensitivity-tested?

Interaction and viability

Did behavioural and school-viability analysis consider the combined financial environment created by concurrent fiscal measures, including possible threshold or non-linear effects?

These questions are analytically separate.

A behavioural forecast might ultimately prove reasonable while the expenditure measure attached to it was imperfect.

An average funding measure may be valid for its original statistical purpose without being the optimal measure of marginal expenditure.

Identifying wider public resource does not establish that all such expenditure should have been added to the state-sector cost illustration.

And the existence of separate impact assessments for individual fiscal measures does not, by itself, establish whether their combined behavioural consequences were or were not modelled elsewhere.

The purpose of the following sections is therefore not to assume the answer.

It is to determine:

what was measured, what concept was being measured, what was assumed, what evidence supported those assumptions, what sat outside the relevant boundaries, and whether those choices can be independently tested.

4. What did the £7,690 measure actually represent?

4.1 A defined school-revenue funding measure

Section 3 established that the Government's published assessment illustrated the potential state-sector revenue consequence associated with approximately 35,000 additional pupils using a Department for Education figure of **£7,690 per pupil**.

The apparent simplicity of that calculation makes the definition and purpose of £7,690 important.

The figure originated in DfE's January 2024 *School Funding Statistics*.

DfE estimated that school-revenue funding for pupils aged 5–16 would total approximately **£59.5 billion in 2024–25**, equivalent to **£7,690 per pupil**.¹⁵

The figure was therefore a legitimate DfE statistic.

But it was a statistic with a defined purpose and accounting boundary.

DfE describes the series as:

“school revenue funding for 5–16 year olds”

and specifies the funding streams included within it.

DfE also makes clear that its funding statistics are not the same as the amount actually spent by schools and local authorities.

This distinction is fundamental.

Average funding allocated through a defined school-funding system is not the same analytical object as the marginal public expenditure caused by an additional pupil entering state education.

The first is a descriptive funding statistic.

The second is an incremental policy-cost question.

One does not follow mechanically from the other.

The relevant issue for this review is therefore not whether £7,690 was a valid DfE statistic.

It was.

The questions are:

Was that statistic the appropriate proxy for the additional revenue consequence associated with policy-induced pupil movement?

and, separately:

What did its accounting boundary include and exclude?

¹⁵ Department for Education, *School funding statistics*, January 2024 release, 2024–25 national school-revenue funding for pupils aged 5–16. DfE reported approximately £59.5 billion of funding, equivalent to £7,690 per pupil.

4.2 Average funding and marginal cost are different concepts

The distinction between average and marginal cost should be made explicit before considering the resources outside £7,690.

An average funding figure is calculated across an existing pupil population.

Marginal cost asks:

What additional public expenditure is caused when one or more additional pupils enter the system?

The answer may differ substantially according to circumstances.

Where a school has spare capacity, an additional pupil may be accommodated with relatively little immediate incremental expenditure.

Where additional demand requires:

- another teacher or class;
- specialist support;
- statutory transport;
- additional post-16 places;
- or capital expansion,

the marginal consequence may be materially higher.

The relevant cost may also vary according to:

- age;
- SEND or other needs;
- eligibility;
- geography;
- school phase; and
- existing local capacity.

This is not simply an AFIS distinction.

As discussed in Section 3, the Institute for Fiscal Studies had previously approached the state-sector consequence of private-school pupil movement explicitly as a **marginal-cost** question, using a central estimate of approximately £5,900 per additional pupil alongside lower and higher scenarios.

AFIS does not argue that the IFS figure should necessarily have replaced £7,690.

The significance is methodological:

an explicitly marginal-cost approach existed, while the Government's published illustration instead used an average school-funding statistic.

The appropriate question is therefore why £7,690 was considered a suitable proxy for the incremental revenue consequence, and what assumptions connected the two.

4.3 What was included within £7,690?

The £59.5 billion national funding figure incorporated a substantial range of DfE funding streams.

For 2024–25, these included:

- the schools block of the Dedicated Schools Grant;
- most of the high-needs block;
- the Teachers' Pay Additional Grant;
- safety-valve funding;
- the Central School Services Block;
- pre-16 high-needs place funding for non-maintained special schools and special and alternative-provision free schools;
- the Pupil Premium; and
- the Early Career Framework grant.

16

This matters because £7,690 was considerably broader than the ordinary delegated budget of an individual mainstream school.

It would therefore be wrong, for example, to identify high-needs funding or Pupil Premium as additional expenditure and simply add those sums to the £59.5 billion.

They were already represented within the relevant DfE funding boundary.

Preventing that kind of double counting is a central principle of the AFIS resource audit.

But the defined list of included funding streams also establishes the other side of the accounting question:

some public expenditure associated with schooling sits outside the measure.

4.4 What sat outside the measure?

The national 5–16 school-revenue funding series did not include capital funding.

Nor did it include the early-years block or the post-16 element of high-needs funding.

¹⁶ Department for Education, *School funding statistics: financial year 2023–24*, 25 January 2024, including the methodology and funding-components underlying the 2024–25 school-revenue funding series for pupils aged 5–16. The £59.5 billion total included the schools block of the Dedicated Schools Grant, most high-needs funding, the Teachers' Pay Additional Grant, safety-valve funding, the Central School Services Block, specified pre-16 high-needs place funding, Pupil Premium and the Early Career Framework grant.

DfE also identifies funding streams outside the national funding time series, including:

- Universal Infant Free School Meals;
- Primary PE and Sport Premium; and
- time-limited COVID-recovery funding, including the National Tutoring Programme.

Other public expenditure sits outside the measure because it is funded and accounted for elsewhere within the public sector.

A particularly clear example is home-to-school transport.

Local authorities incur substantial expenditure providing statutory and other school transport.

That expenditure does not form part of the £59.5 billion national school-revenue funding measure.

This establishes an accounting fact:

identifiable public resources relevant to the wider schooling system existed outside the particular funding boundary represented by £7,690.

It does **not** establish that all such resources should have been incorporated into the marginal-cost estimate.

That is a separate analytical test.

4.5 The B1 boundary test

AFIS has deliberately avoided attempting to attach a monetary value to every public service or programme potentially associated with state schooling.

Instead, the B1 methodology applies a high threshold for numerical inclusion.

An item is included only where the review can establish with sufficient confidence that:

- it represents public resource;
- it relates sufficiently closely to the broad pre-16 schooling population;
- it sits outside the £7,690 Category A boundary;
- its approximate annual scale can be identified;
- material double counting can reasonably be excluded; and
- relevant qualifications can be stated transparently.

The question being answered at this stage is therefore narrow:

Can substantial and identifiable public resource be demonstrated to sit outside the accounting boundary represented by £7,690?

Three comparatively clear examples meet that test.

Resource	Approximate value used	Treatment relative to £7,690
Pre-16 home-to-school transport	c. £2.01bn	Separately funded/accounted for through local-authority expenditure
Universal Infant Free School Meals	c. £600m	Outside DfE national school-funding time series
Primary PE and Sport Premium	£320m	Outside DfE national school-funding time series
Total identified B1 resource	c. £2.93bn	Outside the defined £7,690 boundary

These three items identify approximately:

£2.93 billion

of annual-scale public resource outside the £7,690 boundary.

The significance of this figure requires careful interpretation.

It is an **accounting-boundary finding**.

It is not a revised marginal-cost estimate.

4.6 Pre-16 home-to-school transport: approximately £2.01 billion

Home-to-school transport is the largest B1 item identified in the present analysis.

DfE's 2024–25 planned local-authority expenditure data record approximately:

- £1.5 billion for home-to-school transport for children with special educational needs and disabilities; and
- £514.3 million for other pre-16 home-to-school transport.

Together these produce a rounded figure of approximately:

£2.01 billion¹⁷

This expenditure sits outside the £59.5 billion national school-revenue funding measure.

Transport also illustrates why identifying expenditure outside £7,690 does not establish its marginal relevance to every additional pupil.

Many pupils generate no publicly funded home-to-school transport cost.

¹⁷ Department for Education, *Home-to-school transport: local authority data collection, 2024–25*, Explore Education Statistics. AFIS's approximately £2.01 billion pre-16 figure is derived from the reported local-authority expenditure data using the age/population boundary described in this section. The figure is treated as an annual-scale accounting-boundary estimate rather than as expenditure attributable uniformly to individual pupils or as a marginal cost of additional pupils.

Expenditure is concentrated particularly among pupils with SEND and children meeting statutory transport criteria.

In addition, statutory transport expenditure is not necessarily confined in every circumstance to pupils attending state-maintained provision; some publicly funded transport may support qualifying independent placements.

The relevant policy question is therefore not:

Should £2.01 billion be spread across the entire pupil population and added to £7,690?

It should not.

The relevant questions are:

- what transport characteristics were expected among the additional state-sector pupils;
- how many were expected to qualify for publicly funded transport;
- whether additional demand would generate additional local-authority expenditure; and
- where any such expenditure was reflected in the assessment.

This is an example of the **composition problem** identified in Section 2.

A valid system-wide expenditure total does not imply that a particular group of additional pupils will consume that resource at the population-average rate.

4.7 Universal Infant Free School Meals: approximately £600 million

Universal Infant Free School Meals provide another clear example of publicly funded resource outside the national 5–16 funding series.

DfE treats UIFSM separately from the national school-funding time series underlying £7,690.

For consistency with the conservative methodology used in the Master Resource Ledger, this review uses a rounded figure of:

c.£600 million

for 2024–25.

DfE's subsequently published 2024–25 accounts reported £678 million under the broader heading "Free meals (direct grants)". AFIS has not treated that later accounts figure as a directly equivalent UIFSM outturn and therefore retains the lower rounded c.£600 million amount used in the Master Resource Ledger rather than increasing the B1 total using later evidence.¹⁸

Again, this does not mean that £600 million should be divided by the entire 5–16 population and added to £7,690.

¹⁸ Department for Education, *Consolidated annual report and accounts 2024 to 2025*, published 17 July 2025, section 6.2, "Resource funding". DfE reports £678 million of 2024–25 expenditure under "Free meals (direct grants)". AFIS does not assume that this broader accounts category is directly equivalent to UIFSM and therefore does not use the £678 million figure to increase B1.

Eligibility is age-specific.

The marginal question concerns:

- how many of the forecast additional pupils would fall within the relevant infant cohorts;
- whether funding would rise with those additional pupils; and
- through what mechanism any increase would occur.

What the UIFSM example establishes for the accounting audit is narrower:

a substantial DfE-funded resource associated with state schooling sat outside the particular funding series used in the £7,690 illustration.

4.8 Primary PE and Sport Premium: £320 million

The Primary PE and Sport Premium provides a third comparatively clear example.

Government committed **£320 million** for the 2024–25 academic year for the programme.¹⁹

DfE identifies the programme separately from the national school-funding time series underlying £7,690.

The £320 million is therefore included within B1.

As with UIFSM, the programme is age- and school-phase-specific.

Its inclusion in the accounting audit does not imply that every additional state-school pupil would generate an equal incremental PE Premium cost.

The relevant marginal question is whether additional eligible pupils or schools would cause programme expenditure to change, and if so by how much.

For the accounting-boundary exercise, however, the finding is straightforward:

a further substantial publicly funded programme supporting the relevant schooling population sat outside the £7,690 measure.

4.9 Why the £2.93 billion cannot be converted into an AFIS “per-pupil cost”

The three B1 items might superficially invite another calculation:

£59.5bn + £2.93bn

divided by a pupil denominator.

This review deliberately does **not** do that.

There are several reasons.

¹⁹ Department for Education, *PE and sport premium for primary schools*, funding for the relevant 2024–25 period. Government allocated approximately £320 million annually to the Primary PE and Sport Premium. The funding is separately identified from the school-revenue funding series underlying the £7,690 measure and is therefore included in AFIS's B1 accounting-boundary analysis.

First, the B1 components do not all use precisely identical reporting conventions.

Second, some resources are concentrated among particular age groups or categories of pupil.

Third, the forecast pupils entering the state sector may have a different composition from the existing state-school population.

Fourth, aggregate expenditure does not establish marginal responsiveness.

And fifth, even a perfectly aligned system-wide average would answer a different question from the one relevant to the fiscal consequence of policy-induced pupil movement.

The appropriate methodological response is therefore not to construct a broader single “true resource per pupil” figure.

The technically relevant question is:

Which expenditure mechanisms respond when additional pupils enter state provision, for which pupils, under what circumstances, at what point and by how much?

4.10 Composition matters

The characteristics of the affected pupil population matter as much as the accounting boundary.

A system-wide average can be descriptively correct while remaining a poor estimate of marginal expenditure for a particular group.

For example, expenditure on:

- High Needs;
- Pupil Premium;
- SEND transport;
- Universal Infant Free School Meals; and
- other targeted services

is not distributed uniformly across all pupils.

It would therefore be methodologically unsafe to assume that pupils moving from independent education would draw those resources at the same average rate as the existing state-school population.

The appropriate marginal analysis would require information about the expected characteristics of the additional pupils, including where relevant:

- age;
- SEND status;
- EHCP status;
- eligibility for targeted support;

- transport eligibility;
- geography; and
- destination within the state-funded system.

The published material reviewed by AFIS does not presently provide a sufficiently detailed population profile to convert the wider resource system into a robust alternative marginal-cost figure.

That is not a weakness to be solved by assumption.

It is an evidential question requiring clarification.

4.11 Why other identifiable public expenditure remains in B2

The wider resource audit identified additional areas of public expenditure potentially relevant to state schooling.

These include, among others:

- capital expenditure;
- local-authority education functions, whether delivered directly or through commissioned, arm's-length or publicly controlled bodies;
- SEND assessment and administration;
- education welfare, attendance and safeguarding functions;
- school nursing and other health-related provision;
- mental-health support delivered through or alongside schools;
- Holiday Activities and Food provision;
- music-education infrastructure;
- careers provision;
- alternative-provision infrastructure; and
- central administration, regulation and system support.

Some of these functions may also be financed from mixed funding streams. A service delivered outside a school budget may nevertheless be funded wholly or partly from DSG or another source already represented within Category A. Conversely, expenditure from a local authority's own resources or another public funding stream may sit outside that boundary. Delivery outside the school itself is therefore not sufficient evidence of exclusion from £7,690.

The existence of these resources does not mean that they can all responsibly be added to the £2.93 billion.

Some overlap with expenditure already captured elsewhere.

Some cover wider age ranges.

Some serve populations defined by need rather than school status.

Some combine education with health, social care or other functions.

Some are substantially fixed system costs.

For others, the published data do not permit sufficiently reliable allocation to the relevant 5–16 population.

They therefore remain in **B2** rather than being included in the quantified B1 total.

This is deliberate.

The approximately £2.93 billion figure should therefore be understood as:

the value of a small number of comparatively clear public resources that can presently be demonstrated with sufficient confidence to sit outside the £7,690 boundary, not an estimate of the total value of everything outside it.

4.12 Why capital is treated separately

Capital expenditure deserves particular explanation because it is clearly outside a revenue-funding measure but may be highly relevant to the marginal policy consequence.

The £7,690 statistic is a revenue-funding measure.

National capital expenditure cannot simply be converted into a per-pupil supplement and added to it without changing the nature of the comparison and making assumptions about:

- asset lives;
- depreciation;
- financing;
- existing capacity; and
- capacity utilisation.

However, capital may become directly relevant where additional pupils cannot be accommodated within existing state-school capacity.

If a school has spare places, an additional pupil may create little immediate capital cost.

If a sufficiently large number of pupils enters a locality where appropriate schools are already full, additional classrooms, buildings or places may be required.

The same number of pupils can therefore produce very different public-expenditure consequences depending upon their geographical concentration.

This becomes particularly relevant where the closure of an independent school displaces a substantial group of pupils simultaneously within one locality.

Capital is consequently treated in this review as a **capacity-sensitive potential marginal consequence**, rather than as part of the £2.93 billion B1 comparison.

National spare capacity and locally usable capacity are not the same thing.

4.13 The marginal-responsiveness question

Identifying a resource outside the £7,690 boundary is only the first stage.

For each such resource, the relevant policy questions are:

1. Would additional state-sector pupils become eligible for, or create demand for, the resource?
2. Which characteristics of those pupils determine whether that happens?
3. Would additional demand generate additional public expenditure?
4. Would expenditure change pupil-by-pupil, only when a threshold was reached, or mainly in the longer run?

5. Would the effect differ by age, need or location?
6. Was any resulting expenditure already captured elsewhere in Government spending assumptions?

This means a resource can satisfy the B1 accounting test while still having a small, uncertain or zero marginal consequence for the particular forecast population.

Conversely, a relatively small aggregate programme might create a material marginal consequence in a locality where capacity is exhausted.

The accounting audit therefore identifies the questions requiring marginal analysis.

It does not purport to answer all of them.

4.14 What the £2.93 billion finding does, and does not, establish

The B1 analysis establishes that the £7,690 measure did not encompass all identifiable public resources associated with the broad relevant state-schooling population.

It does **not** establish that Government should have calculated:

£59.5bn + £2.93bn

and divided the result by the pupil population.

Nor does it establish that moving 35,000 pupils into state education would increase expenditure by their average share of the £2.93 billion.

Nor does it establish that £2.93 billion represents a hidden policy cost.

Those would be different propositions requiring evidence about:

- pupil composition;
- eligibility;
- marginal responsiveness;
- existing capacity;
- geography; and
- the treatment of the relevant expenditure elsewhere in Government budgets.

The £2.93 billion finding instead establishes that:

the £7,690 figure represented a particular accounting boundary rather than the whole public-resource architecture associated with state schooling.

That makes it legitimate to ask which public resources outside that boundary were considered when estimating the consequences of pupil movement, which were regarded as non-marginal, and why.

4.15 The accounting-boundary finding

The resource audit therefore leads to a relatively narrow but important conclusion.

The £7,690 figure was a legitimate DfE measure of a defined category of **average 5–16 school-revenue funding**.

It was not:

- a comprehensive measure of all public resources associated with state schooling; or
- a purpose-built estimate of the marginal public cost of accommodating an additional pupil.

Under its deliberately conservative B1 methodology, AFIS has identified approximately **£2.93 billion of annual-scale public resource sitting outside that funding boundary**, while further public expenditure has been identified but intentionally left unquantified in B2.

In some B2 cases, the unresolved issue is not simply the amount of expenditure but whether the underlying funding sits inside or outside Category A. Those items should remain outside the quantified finding until the original funding flow can be reconciled.

The finding is therefore not:

Government “forgot £2.93 billion”.

Nor is it:

The true cost per pupil is £7,690 plus an AFIS supplement.

It is:

The state-sector expenditure illustration used an average school-revenue funding measure with a defined accounting boundary. Material identifiable public resources sat outside that boundary. The appropriate policy question is which expenditures actually respond to additional pupils, for which pupils and under what circumstances, and where those consequences were incorporated into the assessment.

That produces two analytically distinct questions for the remainder of the report.

First:

Was average school funding an appropriate proxy for the marginal revenue consequence in the first place?

Second:

Even if that proxy were accepted, was the January 2024 version of the funding measure still the appropriate reference figure by October 2024?

Section 5 examines the second question.

5. Was £7,690 still the appropriate reference figure by October 2024?

5.1 A separate question from cost concept and accounting boundary

Sections 3 and 4 identified two distinct methodological questions.

The first concerns **cost concept**:

Was average school-revenue funding an appropriate proxy for the additional public expenditure associated with policy-induced pupil movement?

The second concerns **accounting boundary**:

What public resources were included within the £7,690 measure, what sat outside it, and which of those wider resources could respond to additional pupils?

A third, narrower question concerns **timing**.

The £7,690 figure was published by DfE in January 2024 as an estimate of 2024–25 school-revenue funding.

It was subsequently used in the Government's October 2024 assessment to illustrate the potential state-sector revenue consequence associated with approximately 35,000 additional pupils.

Between those dates, the 2024–25 school-funding position developed materially.

This creates a legitimate reference-date question:

What funding baseline was used for the October 2024 assessment, and how were material developments in 2024–25 school funding treated?

This section does **not** assume that retaining the January figure was methodologically wrong.

Forecasts and policy costings are commonly prepared against baselines fixed at particular cut-off dates.

The relevant question is therefore one of **methodological transparency and sensitivity**:

What baseline convention applied, why was it appropriate, and were material subsequent funding developments considered or sensitivity-tested?

5.2 Teachers' Pension Employer Contribution Grant

One particularly important development concerned the Teachers' Pension Employer Contribution Grant (TPECG).²⁰

²⁰ Department for Education, *Teachers' Pension Employer Contribution Grant (TPECG) 2024: methodology*, 2024. The grant was introduced to support eligible education settings with the additional employer pension contribution costs arising from the increase in the Teachers' Pension Scheme employer contribution rate from April 2024.

From 1 April 2024, the employer contribution rate for the Teachers' Pension Scheme increased from 23.68% to 28.68%.

Government provided additional funding to support eligible state-funded education settings with the resulting cost.

In March 2024, DfE announced approximately **£1.1 billion** of TPECG funding for 2024–25.

DfE subsequently confirmed that this funding had not been included in the earlier version of its 2024–25 school-funding statistics because the allocations had not yet been finalised.

Later versions of the DfE series incorporated approximately **£1.070 billion** of TPECG into the 2024–25 national school-funding figures.

This is not a Category B finding.

TPECG belongs within the Category A school-revenue funding boundary once incorporated into the relevant DfE series.

Its significance is temporal.

The January 2024 £7,690 figure represented an early estimate of the 2024–25 funding position before a material element of that year's funding had been finalised and incorporated into the same statistical series.

That does not establish that the October assessment should necessarily have substituted a later figure.

It establishes that the funding series evolved materially during the period between publication of £7,690 and its subsequent use.

5.3 Why TPECG matters to the reference-date question

The relevant issue is not whether Government should have known in January 2024 what the final TPECG allocation would be.

It could not have incorporated funding that had not yet been finalised.

The question arises because, by October 2024:

- the higher Teachers' Pension Scheme employer contribution rate had taken effect;
- Government had announced approximately £1.1 billion of support;
- the funding related to the same 2024–25 period represented by the £7,690 statistic; and
- DfE subsequently incorporated £1.070 billion of TPECG into its 2024–25 school-funding series.

An independent review should therefore be able to establish:

- what version of the DfE funding series was supplied to or available to HM Treasury and the OBR;
- what costing or forecast cut-off convention applied;

- whether TPECG was reflected in the relevant baseline;
- whether it was captured elsewhere in the spending framework; and
- whether any sensitivity analysis was undertaken using a later representation of 2024–25 funding.

There may be a straightforward methodological reason for retaining the January figure.

The purpose of this review is to identify that reason, not to assume that its absence from the published material indicates an error.

5.4 Core Schools Budget Grant

TPECG was not the only material funding development during 2024.

On 29 July 2024, Government announced the **Core Schools Budget Grant (CSBG)**²¹ to support schools with the costs of the 2024 teacher pay award and other pressures.

Almost **£1.1 billion** was made available through the grant for mainstream schools, high-needs settings and local authorities, with separate funding for early-years and post-16 providers.

The announcement therefore preceded the October 2024 fiscal assessment.

As with TPECG, the important point is not that CSBG should be treated as expenditure outside Category A.

It should not.

Nor does its existence establish that it should simply have been added mechanically to the January £59.5 billion figure.

Different grants may enter statistical series at different times, and policy costings may operate against fixed baselines.

The relevant question is narrower:

How was the Core Schools Budget Grant treated in the funding baseline or sensitivity analysis used to illustrate the state-sector revenue consequence?

²¹ Department for Education, *Core Schools Budget Grant (CSBG) 2024 to 2025: methodology*, 2024. The grant provided additional funding for mainstream schools and high-needs settings in the 2024–25 financial year following the July 2024 announcement of additional school funding.

5.5 The later DfE funding position

DfE's later publications show that the reported 2024–25 schools funding position was higher than the £59.5 billion estimate underlying the January 2024 £7,690 figure.

Later DfE material reported the 2024–25 **core schools budget at approximately £61.6 billion.**²²

Care is required in comparing these figures.

The later core-schools-budget headline should not automatically be treated as an exactly equivalent replacement for the earlier £59.5 billion series value.

Differences may arise from:

- changes in the composition of the funding series;
- later funding additions;
- statistical revisions;
- different denominators; and
- differences between headline budget presentations and particular statistical time series.

The correct conclusion is therefore not:

“DfE later replaced £7,690 with a specific higher number.”

The present evidence does not support that formulation.

The more defensible conclusion is:

DfE's representation of 2024–25 school funding evolved materially after January 2024, including the incorporation of funding not present in the original £7,690 estimate.

That creates a transparency question about the baseline used in October.

²² Department for Education, *School funding statistics* / subsequent 2024–25 core schools budget publications. DfE subsequently reported a 2024–25 core schools budget of approximately £61.6 billion. As discussed in the text, this later headline should not automatically be treated as a directly like-for-like replacement for the £59.5 billion January 2024 school-revenue funding series because definitions, subsequent funding additions and presentation may differ.

5.6 Costing baselines and cut-off conventions

There may nevertheless have been a legitimate forecasting reason for retaining the earlier funding snapshot.

OBR policy-costing methodology requires the establishment of a baseline representing how the activity affected by a policy would be expected to develop in the absence of the measure. The fiscal-forecast process operates through successive pre-measures forecasts, culminating in a final pre-measures forecast that provides a stable base for final policy decisions, with agreed deadlines governing the incorporation of policy measures into the forecast.²³

The existence of those conventions means that use of an earlier published funding statistic should not, by itself, be characterised as an error. However, AFIS has not identified published material establishing that those conventions specifically required the January 2024 £7,690 figure to be retained unchanged for this costing despite subsequent school-funding developments.

The appropriate issue is therefore one of transparency: what reference date and baseline were used, why were they selected, and how were subsequent material funding developments treated?

The appropriate technical questions are therefore:

- What baseline and cut-off convention applied to the October 2024 costing?
- Was the January 2024 £7,690 figure the formally applicable baseline?
- Were subsequent funding developments excluded because of that convention?
- Were they captured elsewhere in the spending forecast?
- Were sensitivity calculations undertaken showing whether use of a later funding position materially affected the expenditure illustration?

This report does not presently answer those questions.

They require clarification from the underlying methodology.

5.7 Why this is not a hindsight argument

The reference-date question does not rely upon information that became available only after the October 2024 assessment.

TPECG was announced in March 2024.

²³ Office for Budget Responsibility, *Policy costings and our forecast*, Briefing Paper No. 6, 19 March 2014, para. 4.2, p. 23 (describing the first step in direct policy costing as “establishing the baseline”, representing how the activity affected by the policy would be expected to develop in the absence of the measure, and identifying this as the “baseline pre-measures forecast”); see also Office for Budget Responsibility, *Forecast process*, explaining the successive pre-measures forecasts, the final pre-measures forecast as providing a stable base for final policy decisions, and the timetable and deadlines governing incorporation of policy measures.

The higher pension contribution rate took effect in April.

CSBG was announced in July.

Those developments therefore pre-dated the October publication.

The issue is not:

“Government should have used later outturn data that did not yet exist.”

It is:

“How did the October assessment treat material funding developments relating to the same 2024–25 period which had occurred since publication of the January funding statistic?”

That is a legitimate methodological question even if the answer ultimately is that the formal costing baseline required use of the earlier figure.

5.8 The quantitative effect appears secondary to the methodological point

The quantitative significance of the reference-date issue should not be overstated. The later £61.6 billion funding headline and the earlier £59.5 billion series value may not use perfectly identical definitions and denominators, so a like-for-like alternative per-pupil figure cannot safely be inferred from those headline totals alone.

More importantly, the resulting numerical difference would in any event be secondary to the broader methodological questions examined in this review. The reference-date issue does not depend upon establishing a single alternative per-pupil figure.

The more important question is whether:

the funding input used in October was consistent with the applicable forecast baseline and whether the sensitivity of the result to later 2024–25 funding information was understood.

5.9 The relationship to marginal cost

The reference-date question should also be kept in perspective.

Even if a later average-funding statistic had been used, that would not resolve the more fundamental issue identified in Sections 3 and 4.

A more current **average funding figure** would still be an average funding figure.

It would not automatically become a **marginal-cost estimate**.

This means the analytical hierarchy is:

First: Was average funding the appropriate cost concept for estimating additional expenditure?

Second: If average funding was used as the chosen proxy, was the particular version of that funding measure appropriate and sufficiently current for the October assessment?

The first question is conceptually more important.

The second remains relevant because it tests the transparency and internal consistency of the methodology actually used.

5.10 The relationship to the accounting-boundary finding

Sections 4 and 5 therefore identify different issues.

Section 4 asks:

What did £7,690 measure, and what public resources sat outside its accounting boundary?

Section 5 asks:

Within the chosen Category A funding boundary, what version of the 2024–25 funding position was used and why?

The distinction matters.

The approximately £2.93 billion B1 finding concerns resources **outside** Category A.

TPECG and CSBG concern developments **within, or feeding into, the Category A funding position**.

They should not be added together.

Doing so would confuse:

- accounting boundary;
- funding vintage; and
- marginal cost.

The three issues need to remain analytically separate.

5.11 What would resolve the question?

The reference-date issue should be relatively straightforward to resolve through disclosure or independent review.

Relevant evidence would include:

- the DfE funding dataset or series supplied to HM Treasury and/or the OBR;
- the date on which the relevant data extract was produced;
- the formal costing or forecast baseline;
- the applicable cut-off convention;
- any adjustments made to the January £7,690 figure;
- the treatment of TPECG;
- the treatment of CSBG;

- any correspondence or working papers explaining the selected reference figure; and
- any sensitivity testing using later 2024–25 funding assumptions.

AFIS has included these issues within its Freedom of Information requests to the relevant Government departments.

Substantive responses remained pending at the date of publication.

There may be a straightforward explanation.

If so, disclosure of the methodology should resolve the point.

5.12 Finding

The evidence supports a narrower conclusion than saying that £7,690 was “outdated” or “wrong”.

The more defensible finding is:

The £7,690 figure used in the October 2024 assessment originated in DfE's January 2024 estimate of 2024–25 school-revenue funding. During the intervening period, material additional funding affecting the same 2024–25 system was announced, including TPECG and the Core Schools Budget Grant, and DfE's representation of the 2024–25 funding position subsequently evolved.

This creates a legitimate transparency question:

What funding baseline and cut-off convention governed the October assessment, how were intervening funding developments treated, and was the sensitivity of the expenditure illustration to a later 2024–25 funding position tested?

The published evidence reviewed by AFIS does not presently provide a sufficiently clear answer.

That does not establish a forecasting or accounting error.

It identifies a question capable of resolution through disclosure of the underlying methodology.

The issue is also secondary to the more fundamental distinction between average funding and marginal cost.

Section 6 now turns to a different question:

Did the population represented by the 5–16 expenditure measure correspond appropriately to the population whose behaviour Government expected the policy to change?

6. Did the expenditure and behavioural populations align?

6.1 A third, separate methodological question

Sections 4 and 5 identified two distinct questions concerning the £7,690 figure:

- its **cost concept and accounting boundary**; and
- its **reference date**.

A third concerns its **population boundary**.

The £7,690 figure was derived from DfE's national school-revenue funding measure for pupils aged **5–16**.

Government's behavioural analysis of VAT, however, was not confined to decisions affecting pupils within that age range.

Its published assessment anticipated behavioural responses at natural educational transition points, including the beginning of A-Level years.

For the purposes of this review, the broader and more accurate analytical description is **post-16 transition**, since pupils progressing beyond age 16 may enter school sixth forms, sixth-form colleges, further-education colleges or other state-funded provision rather than studying A levels specifically.

This creates a straightforward methodological question:

Did the population represented by the expenditure measure correspond appropriately to the population whose behaviour Government expected the policy to change?

As with the previous sections, identifying a difference in boundaries does not establish that the Government's fiscal estimate was wrong.

It establishes a question requiring reconciliation.

6.2 The £7,690 population

DfE's January 2024 school-funding statistics described the £59.5 billion total underlying £7,690 as:

“school revenue funding for 5–16 year olds”

The denominator was therefore not the entire population of pupils educated in state-funded schools and colleges.

In particular, it did not represent the funding position for the full **16–18 population**.

This distinction matters because funding arrangements change materially after age 16.

Post-16 education is funded through different mechanisms, with different provider types, formulae and programme characteristics.

It would therefore be inappropriate simply to extend the £7,690 figure beyond its stated age boundary.

Equally, it would be inappropriate to assume that a behavioural forecast extending beyond age 16 can automatically be costed using a 5–16 average without examining how the different populations interact.

Population alignment and cost concept are separate issues.

A 5–16 average can be perfectly valid for the population it describes and still be inappropriate for costing post-16 movement.

The relevant question is therefore not whether a post-16 average should simply be substituted for, or added to, the £7,690 figure. It is whether the population whose behaviour was modelled was aligned with the population for which state-sector expenditure consequences were assessed, taking account of pupils' age, likely destinations, applicable funding arrangements, existing capacity and the extent to which additional demand would trigger additional public expenditure.

6.3 Government anticipated behavioural change at post-16 transition

Government's published assessment recognised that families may respond to the introduction of VAT at points when children would naturally be changing educational setting.

These included:

- primary-to-secondary transition;
- the beginning of GCSE years; and
- the beginning of A-Level years.

This matters because policy-associated movement can arise in at least two different ways.

A pupil already attending an independent school may leave and enter state-funded provision.

Alternatively, a family may decide not to enter, or not to continue in, independent education at a future transition point.

At post-16, that could mean a pupil who might otherwise have remained in or entered an independent sixth form instead seeking a place in:

- a state-school sixth form;
- a sixth-form college;
- a further-education college; or
- another publicly funded 16–19 setting.

The fiscal consequence of such a decision would not necessarily be represented appropriately by a 5–16 school-funding average.

6.4 Why this is not an argument for adding all post-16 expenditure

The distinction requires care.

AFIS is not arguing that all public expenditure on 16–18 education should simply be added to the £59.5 billion Category A total.

Doing so would alter both the numerator and the population being measured and would create a different statistic.

Nor does this review seek to construct a blended **5–18 per-pupil average**.

The narrower question is whether the Government's estimate of approximately 35,000 additional state-sector pupils included pupils entering publicly funded post-16 provision and, if so:

how were the costs associated with those pupils calculated?

If the 35,000 forecast was confined to pupils represented by the 5–16 funding denominator, that should be clear.

If it included post-16 movements, the methodology should explain how those pupils were treated.

The issue is therefore one of **population consistency and marginal-cost treatment**, not an argument for mechanically enlarging £7,690.

6.5 Post-16 funding operates through a different system

The distinction is substantive rather than merely technical.

State-funded 16–19 provision is not financed simply by extending the 5–16 schools funding formula for another two years.

Funding may flow to:

- school sixth forms;
- sixth-form colleges;
- further-education colleges; and
- other eligible providers.

The relevant funding arrangements include programme funding and additional elements reflecting characteristics such as student need, course requirements and institutional circumstances.

This means that the public expenditure associated with a policy-induced post-16 pupil cannot safely be inferred by applying the £7,690 5–16 average.

The appropriate marginal cost may be higher or lower depending upon the pupil, provider and existing capacity.

The important point for this review is that it is **different and requires explicit treatment**.

6.6 Government had already recognised post-16 demographic pressure

The population-boundary issue is particularly relevant because increasing demand for post-16 places was not an unforeseen development.

Government had already identified a demographic increase moving through the school-age population and into 16–19 education.

In 2021, DfE launched the **Post-16 Capacity Fund** to support providers in creating additional places needed to accommodate the expected increase in 16–19-year-olds.

The initial fund provided **£83 million** for additional post-16 capacity, with subsequent rounds continuing the programme.

The significance for this review is not the £83 million itself.

AFIS does not add it to B1 and does not use it to derive a higher per-pupil figure.

Its relevance is evidential:

Government had already recognised that demographic change was creating a specific capacity issue within post-16 education and was committing capital resource to address it.

That context matters when considering additional policy-associated demand at the same educational transition.

6.7 Demographic pressure is age-specific

The demographic picture demonstrates why national pupil totals can be misleading.

At younger ages, falling birth rates are reducing pupil numbers and creating spare capacity in some primary schools and local areas.

At the same time, larger earlier cohorts have been moving through secondary education and into post-16 provision.

Both things can be true simultaneously.

It would therefore be unsafe to reason:

overall pupil numbers are falling → the state system necessarily has sufficient capacity everywhere

without examining:

- age phase;
 - geography;
 - provider type;
 - local demand;
-

- specialist or SEND provision; and
- timing.

A spare primary place in one locality cannot accommodate a 16-year-old requiring a post-16 place elsewhere.

The relevant methodological principle is therefore:

capacity must be assessed at the level at which it can actually be used.

This does not establish that policy-induced movement created a national post-16 capacity problem.

It establishes that national aggregate spare capacity is not enough to answer the question.

6.8 Capacity and marginal cost are connected

The population-boundary issue connects directly to the distinction between average and marginal cost.

Where spare capacity exists, an additional pupil may sometimes be accommodated at relatively low short-run marginal cost.

Where capacity is constrained, the same pupil movement may require:

- additional staffing;
- another class or teaching group;
- specialist provision;
- transport;
- additional funded places; or
- capital expansion.

This means that marginal cost is potentially sensitive to:

who the pupils are, how old they are, where they live, what provision they require, and whether suitable capacity already exists.

A national average can be useful for illustrating scale.

It cannot, by itself, resolve those questions.

This is particularly important where behavioural change is expected to be concentrated at transition points rather than distributed evenly across all ages.

6.9 School closure can make post-16 and local capacity effects more concentrated

The capacity question also interacts with the school-viability analysis considered later in this report.

Gradual reductions in independent-school participation may be spread across many localities and cohorts.

Closure of an entire independent school can instead displace a substantial group of pupils in the same locality and at broadly the same time.

Where a closing school includes secondary or sixth-form provision, this may create concentrated demand for:

- Year 7 or other secondary places;
- GCSE-stage places;
- school sixth-form places;
- sixth-form college places; or
- other local post-16 provision.

This matters because the marginal public cost of a **clustered local movement** may differ materially from the cost implied by spreading the same number of pupils across a national average.

The report does not assume that such capacity pressures necessarily arose in every closure case.

It treats this as a mechanism that should have been capable of being tested within the original modelling.

6.10 School sixth forms and other post-16 providers should not be conflated

A further complication is institutional.

Some post-16 pupils remain within schools.

Others enter sixth-form or further-education colleges.

A model based on school funding must therefore be clear about whether the predicted additional state-sector pupils are assumed to enter:

- state-funded schools;
- the wider publicly funded 16–19 system; or
- both.

This matters because the phrase “**state-school pupils**” can obscure differences between institutional and funding arrangements at post-16.

For this reason, this report uses “**state-funded post-16 provision**” where the broader category is intended.

6.11 What would resolve the population-boundary question?

The issue should be capable of resolution from the underlying modelling.

An independent review should establish:

- the age profile assumed for the approximately 35,000 additional state-sector pupils;
- whether that figure included pupils aged 16–18;
- the number of additional pupils expected at each principal transition point;
- the assumed destinations of post-16 pupils;
- the unit-funding or marginal-cost assumptions applied to those pupils;
- whether post-16 revenue costs were modelled separately from 5–16 costs;
- how existing demographic trends were incorporated;
- what assumptions were made about spare capacity by phase and geography; and
- whether additional staffing or capital requirements were modelled where existing capacity was insufficient.

None of these questions requires an assumption that the Government's treatment was incorrect.

They require the population on the behavioural side of the model to be reconciled transparently with the population on the expenditure side.

These issues are included within AFIS's Freedom of Information requests to the relevant Government departments.

Substantive responses remained pending at the date of publication.

6.12 The wider 5–18 resource question

The population-boundary issue also helps explain why AFIS's wider Master Resource Ledger maps resources across the broader schooling journey.

That mapping should not be misunderstood.

It is **not** intended to replace the Government's 5–16 funding statistic with an AFIS 5–18 per-pupil figure.

Nor is it intended to aggregate all pre- and post-16 expenditure into a single denominator.

Its purpose is to ensure that relevant resource streams are not overlooked merely because they fall outside the age or institutional boundary of a particular funding series.

There are therefore two legitimate but different questions:

What was average school-revenue funding for 5–16-year-olds?

and:

What public resources and capacity consequences may be affected when policy changes educational decisions across the wider 5–18 schooling journey?

The £7,690 statistic addresses the first.

The present review asks whether the fiscal assessment sufficiently addressed the second **without collapsing the two populations into one average.**

6.13 Finding

The evidence establishes that the expenditure and behavioural boundaries were not expressed in identical terms.

The £7,690 figure represented DfE school-revenue funding for pupils aged 5–16.

Government's behavioural analysis anticipated responses at educational transition points extending into post-16 education.

That does not establish that post-16 costs were omitted.

Nor does it establish that the approximately £270 million revenue illustration was understated.

It establishes a narrower methodological question:

If the behavioural forecast included policy-induced movement into state-funded post-16 provision, how were those pupils and their associated marginal costs represented in an expenditure illustration based on a 5–16 funding measure?

The published evidence reviewed by AFIS does not presently make that reconciliation sufficiently clear.

The question matters particularly because Government had already recognised demographic pressure on 16–19 capacity and had established dedicated capital funding to expand provision.

The appropriate next step is therefore not to add post-16 expenditure mechanically to £7,690.

It is to establish:

the age profile, destination, unit-cost assumptions, local capacity assumptions and any threshold or capital effects underlying the 35,000-pupil forecast.

That leads to a broader question.

Even where the appropriate cost concept, funding boundary, reference date and pupil population can be established, state-funded education is supported by public resources delivered through a wider range of routes.

Section 7 examines that wider resource landscape and the distinction between expenditure that can presently be quantified and expenditure which should remain separately identified.

7. Wider public and external resources: what remains outside the quantified analysis?

7.1 Beyond the quantified B1 finding

Section 4 identified approximately **£2.93 billion of annual-scale public resource outside the £7,690 school-revenue funding boundary** under the conservative B1 methodology.

That figure is deliberately limited.

The wider resource audit identified further expenditure, services and infrastructure associated with state schooling which have not been added to the £2.93 billion total.

It also identified a wider ecosystem of charities, universities, employers, foundations, cultural organisations and other bodies providing educational resources and opportunities to state schools and state-educated pupils.

These wider resources are relevant for two distinct reasons.

First, they demonstrate that the public-resource architecture surrounding state schooling extends beyond the small number of B1 items that can presently be quantified with sufficient confidence.

Second, they raise a broader question about what happens when pupils move between sectors:

Does movement into state-funded education alter demand for, eligibility for, or access to resources delivered outside the conventional school-revenue funding system?

This section maps those wider layers without attempting to collapse them into a single additional per-pupil figure.

7.2 B2: identifiable public resource not included in the £2.93 billion

The purpose of B2 is to distinguish between:

identifying a potentially relevant public resource

and

being able to include it responsibly in a quantified like-for-like comparison.

The wider audit identified publicly funded activity potentially relevant to state schooling in areas including:

- local-authority education and support functions;
- SEND assessment, administration and specialist support;
- education welfare, attendance and safeguarding;
- school nursing and other health-related provision;

- mental-health support delivered through or alongside schools;
- alternative-provision infrastructure;
- careers and participation support;
- music-education infrastructure;
- Holiday Activities and Food provision;
- central education administration and regulation; and
- other system-level services and programmes.

These are genuine areas of public expenditure.

They have nevertheless been excluded from the £2.93 billion B1 total where the available evidence does not permit sufficiently robust like-for-like inclusion.

That may be because:

- expenditure serves children across different age ranges;
- services are jointly funded across education, health or social care;
- only part of a programme relates to the relevant school-age population;
- expenditure is triggered by individual need rather than school status;
- there is potential overlap with funding already captured elsewhere;
- published data do not provide sufficient disaggregation;
- funding origin is unclear;
- or the expenditure is substantially fixed at system level.

B2 therefore serves an important methodological purpose.

It preserves visibility of relevant public resources without implying a level of attribution or marginal responsiveness that the evidence does not support.

7.3 B2 does not mean “marginal but unquantified”

A further distinction is important.

An item is not placed in B2 merely because AFIS has not yet found a number for it.

Some B2 expenditure may be:

- largely fixed;
- weakly responsive to pupil numbers;
- responsive only when local capacity thresholds are reached;
- concentrated among particular pupil groups;
- or already partly reflected elsewhere in public expenditure.

The relevant question is therefore not:

How much more can be added to £2.93 billion?

It is:

Which B2 resources could reasonably respond to policy-induced pupil movement, under what circumstances, and through what mechanism?

That is the same marginal-responsiveness test applied elsewhere in the report.

A resource can be highly relevant to the functioning of the state-schooling system while having little or no short-run marginal cost for an additional pupil.

Conversely, a relatively small service may generate additional expenditure where additional demand triggers a staffing, transport or capacity threshold.

B2 should therefore be read as a **map of potentially relevant public-resource questions**, not as an undeclared reserve of expenditure waiting to be added to B1.

7.4 Local-authority and system-management costs

One area requiring particular care is the cost of administering and supporting the state education system.

Local authorities undertake functions including:

- admissions;
- school-place planning;
- SEND assessment and administration;
- attendance and inclusion activity;
- safeguarding-related work;
- transport administration;
- alternative-provision responsibilities; and
- other statutory education functions.

The organisational arrangements through which these functions are delivered vary between local authorities.

Some services remain within the council itself. Others may be commissioned from local-authority trading companies (LATCOs), wholly owned companies, arm's-length bodies, joint arrangements or external providers. A service which was historically delivered within a council may therefore appear in later accounts as expenditure by, or a contract with, a separate limited company.

This creates an additional accounting-boundary problem.

The legal or corporate form of the delivery body does not establish whether the underlying resource sits inside or outside Category A.

A publicly controlled education company may receive a mixture of:

- local-authority base-budget funding;
- Dedicated Schools Grant or other DfE-derived funding;
- specific Government or public-sector contracts and grants;
- payments from schools and academy trusts purchasing services from existing budgets; and
- commercial or other earned income.

These flows require different accounting treatment.

Where a service is ultimately financed from DSG or another funding stream already represented within the £7,690 measure, it should not be added again merely because it is delivered through a separate company.

Similarly, where a maintained school or academy purchases a service from funding already captured within Category A, the payment represents a use of an existing Category A resource rather than an additional Category B resource.

By contrast, where a local authority or another public body finances a relevant 5–16 education resource from expenditure outside the funding streams captured within Category A, that resource may fall within B1 or B2 depending upon whether its value and population can be attributed robustly.

The correct analytical principle is therefore:

follow the funding, not the organisational form.

AFIS has not attempted to conduct a national reconciliation of these arrangements across every English local authority for the purposes of this review. Doing so would require detailed examination of local-authority budgets, funding allocations, contracts and delivery arrangements, with careful controls for double counting. The existence of these different delivery and funding structures instead identifies a further accounting-boundary question which a properly resourced independent review should examine.

Central Government also incurs expenditure through DfE and the wider national education infrastructure on functions including:

- funding administration;
- policy development and implementation;
- data collection;
- assessment;
- regulation and oversight;
- system planning; and
- other national functions.

These are real public costs of operating state-funded education.

But many are not likely to change materially each time one additional pupil enters the system.

Their relevance to the policy question may instead arise where additional pupil movement increases:

- caseloads;
- admissions activity;
- SEND assessment demand;
- place-planning pressures;
- transport obligations;
- or the need to create additional provision.

The appropriate question is therefore:

Which administrative or system-management costs were expected to respond materially to the forecast additional pupils, and were those consequences incorporated anywhere in the modelling or subsequent spending allocations?

Until that responsiveness can be established, such expenditure should remain visible in B2 rather than being converted into an average pupil supplement.

7.5 SEND illustrates the attribution and composition problem

SEND provides a particularly important example of why the distinction between accounting boundary and marginal cost is necessary.

Public expenditure associated with SEND can arise through several routes, including:

- school and high-needs funding;
- local-authority assessment and administration;
- Education, Health and Care Plan processes;
- specialist placements;
- home-to-school transport;
- health and therapeutic services; and
- other forms of individual support.

Some relevant expenditure is already represented within Category A.

Some sits outside it.

Some is already captured within B1, most notably the substantial SEND component of home-to-school transport.

Other expenditure remains in B2 because adding aggregate SEND expenditure would create significant risks of:

- overlap;
- double counting;

- population mismatch; and
- inappropriate assumption of population-average incidence.

The appropriate question is therefore not:

What is total SEND expenditure, and can it be added to £7,690?

It is:

What additional public expenditure would arise if the pupils entering state-funded education included children requiring particular SEND support, and which elements of that expenditure were represented in the original modelling?

This is particularly relevant because the OBR itself recognised that additional local-authority expenditure associated with pupils with Education, Health and Care Plans could affect the eventual fiscal consequence.

The composition of the forecast additional pupil population therefore matters.

A system-wide average of SEND-related expenditure would not, by itself, provide an appropriate marginal estimate.

7.6 Eligibility can change even where Government spending does not

The resource audit also identified an issue not captured simply by expenditure totals.

Some resources and opportunities are available specifically because a child attends a state school or because an organisation restricts access to state-educated pupils.

This means that movement between sectors can change **eligibility**, even where no automatic cash payment follows the pupil.

Examples may include:

- academic enrichment;
- tutoring;
- mentoring;
- careers support;
- university-access activity;
- cultural opportunities;
- sporting provision; and
- other targeted educational support.

The existence of sector-specific eligibility does **not** mean that the full cost of those programmes should form part of a Treasury marginal-cost calculation.

A pupil becoming eligible does not necessarily cause a programme budget to increase.

The key distinction is between:

eligibility

utilisation

and

marginal public expenditure.

Nevertheless, sector movement can change more than the source of funding for the pupil's school place.

It may also alter the supplementary resources and opportunities for which the pupil or their school becomes eligible.

That is a genuine resource consequence, even where it is not a marginal Exchequer cost.

7.7 C1 and C2: the external schooling ecosystem

Beyond conventional school and local-authority expenditure sits a wider layer of educational resource.

Universities, charities, employers, foundations, cultural organisations and other bodies provide programmes and opportunities in areas including:

- literacy and numeracy;
- tutoring and academic support;
- mentoring;
- STEM;
- careers and employability;
- university access and widening participation;
- arts and cultural enrichment;
- sport;
- teacher development; and
- school support.

The existing AFIS ecosystem register contains **342 mapped organisations or programmes** potentially relevant to this wider resource landscape.

An important lesson from the audit is that these entries cannot responsibly be treated as one pool of private or charitable resource.

Who delivers a programme does not establish who ultimately funds it.

For that reason, AFIS distinguishes between:

Category C1: externally delivered provision funded wholly or partly from public money

and

Category C2: genuinely non-Government external resource

including charitable, philanthropic, university, employer, corporate and other private funding.

This distinction is now preferred to a single undifferentiated "Category C".

It separates **delivery mechanism** from **funding origin**.

That is important both for avoiding double counting and for understanding whether movement between sectors changes public expenditure, non-public resource availability, or both.

7.8 Status of the current C1/C2 mapping

The Category C register remains a **preliminary mapping exercise**.

The current inherited coding indicates:

- **243 entries** with descriptions suggesting some combination of public and non-public funding;
- **79 entries** currently appearing to involve corporate, philanthropic or endowment funding; and
- **20 entries** with membership, grant, earned-income or other descriptions requiring further verification.

These figures are useful as a description of the present state of the register.

They are **not** a verified aggregate classification of the ecosystem.

Row-level primary-source verification of funding origin has not yet been completed across all 342 entries.

The figures should therefore not be used to claim that:

- 243 programmes are definitively publicly funded;
- 79 are definitively privately funded;
- the categories are mutually exclusive;
- or a particular percentage of the ecosystem is funded by Government.

The appropriate conclusion is narrower:

the preliminary register itself demonstrates that externally delivered educational provision has mixed and sometimes complex funding origins, and that funding origin must be verified before any aggregate public/private split can responsibly be reported.

7.9 Why C1 and C2 have not been valued

It would be tempting to estimate the income or expenditure of the organisations in the register and present the result as another layer of resource supporting state education.

AFIS has deliberately not done so.

Several problems would make such a calculation unreliable at this stage.

An organisation's total income may bear little relationship to the value of the particular programme relevant to school pupils.

Some organisations operate across:

- multiple age groups;
- multiple sectors;
- several countries or regions; or
- activities unrelated to schooling.

Some combine:

- Government grants;
- charitable donations;
- corporate support;
- university funding;
- endowment income;
- membership income; and
- earned revenue.

Some programmes may operate in both state and independent schools.

Some public funding delivered through third-party organisations could otherwise be counted once as Government expenditure and again as external-sector resource.

And the geographical reach and pupil coverage of programmes varies substantially.

For these reasons:

C1 and C2 are evidence of a wider resource ecosystem, not quantified additions to the £2.93 billion B1 finding.

Further programme-level work would be required to establish:

- funding origin;
- programme expenditure;
- eligible population;
- state/independent reach;
- geographical reach;
- overlap with other funding; and
- potential marginal responsiveness.

7.10 Public funding delivered externally should not disappear from the analysis

The C1 distinction nevertheless matters.

A resource does not cease to be publicly funded merely because Government money is channelled through:

- a charity;
- university;
- cultural organisation;
- employer partnership;
- delivery contractor;
- or other third party.

Where public money ultimately funds provision, the relevant resource belongs conceptually within the wider public-resource architecture even if the delivery organisation sits outside the conventional school system.

This creates two risks if funding origin is not traced carefully.

The first is **omission**:

publicly funded provision may disappear from analysis because it is delivered externally.

The second is **double counting**:

the same public money may be counted once within a Government funding programme and again as the income or expenditure of the delivery organisation.

C1 exists to make that distinction visible.

It should not be aggregated until the funding chain can be followed sufficiently to control both risks.

7.11 C2 matters for resource comparison, but not for Treasury expenditure

C2 raises a different issue.

Genuinely non-Government resource provided by charities, universities, employers, philanthropic bodies and businesses may add educational value without appearing anywhere in public expenditure.

Some such provision is targeted specifically at state schools or state-educated pupils.

This means that school-sector movement can potentially change the total resource environment available to a pupil even where no additional Government expenditure is generated.

That is relevant to understanding the **schooling ecosystem**.

It is not the same as a Treasury marginal-cost question.

The report therefore keeps two propositions separate:

A pupil moving into state education may become eligible for additional externally funded resource.

and

That does not mean the Exchequer incurs the value of that resource as an additional cost.

Both can be true simultaneously.

7.12 Wider household costs are outside the quantified public-resource framework

There is also a broader household-cost question which this Technical Review does not attempt to quantify.

Families using state education may incur private expenditure on items including:

- breakfast or after-school care;
- extracurricular activities;
- transport;
- uniforms;
- trips;
- tutoring; and
- other education-related costs.

Some independent-school fees may include services for which state-school families pay separately.

The Sencillo *True Cost of Education 2026* paper is one example of work examining the wider household cost of different education journeys.

Those costs may be relevant to wider comparisons of what families themselves finance.

They are **not** part of the public-resource accounting exercise undertaken here and are therefore excluded from B1 and B2.

This Technical Review is concerned with the Government's fiscal and public-resource assumptions, not with constructing a full household “cost of education” comparison.

The exclusion should nevertheless be recorded so that the boundary of the present analysis remains explicit.

7.13 The wider resource architecture

Taken together, the audit identifies several distinct layers.

Category A

The defined 5–16 school-revenue funding measure underlying £7,690.

B1

Approximately **£2.93 billion of comparatively clear annual-scale public resource outside Category A**, quantified for accounting-boundary purposes but not treated as marginal cost.

B2

Further identifiable public resource, including resources whose precise position relative to Category A requires reconciliation, retained outside the quantified total because funding origin, attribution, overlap, population, eligibility or marginal responsiveness requires additional work.

C1

Externally delivered provision funded wholly or partly from public money.

C2

Genuinely non-Government external resource.

The resulting picture is therefore **not**:

£7,690 + B1 + B2 + C1 + C2 = the true cost of a state-school pupil.

It is a layered resource architecture in which different resources:

- have different funding origins;
- operate through different delivery mechanisms;
- serve different populations;
- use different eligibility criteria;
- and respond differently to pupil movement.

That is why the fiscal consequence of moving pupils between sectors cannot be established simply by identifying a single national average.

7.14 Questions for independent review

The wider resource audit raises several questions which aggregate school-funding statistics alone cannot answer:

1. Which publicly funded services outside the £7,690 boundary were considered potentially responsive to additional state-sector pupils?
2. Which were judged fixed, already funded, or immaterial, and on what basis?
3. What education-related resources are provided or commissioned by local authorities outside individual school budgets, including through local-authority trading companies, wholly owned companies, arm's-length bodies and other providers?
4. What are the original funding sources for those resources, and what proportion ultimately derives from funding streams already represented within the £7,690 Category A measure?
5. What relevant local-authority or other public expenditure sits outside that boundary and can be attributed to the 5–16 state-schooling population?

6. How were services purchased by schools from existing Category A budgets distinguished from additional centrally commissioned public resource?
7. Are comparable publicly funded services available to independently educated pupils, and where provision is available commercially, was that distinction recognised?
8. How were local-authority costs, including SEND assessment, administration, transport and support, treated?
9. Were publicly funded programmes delivered through third parties identified anywhere in the expenditure assessment?
10. How was potential double counting between departmental funding and external delivery controlled?
11. Was school-sector eligibility for supplementary provision considered when assessing the consequences of pupil movement?
12. What assumptions were made about the profile of the forecast additional pupils when assessing targeted expenditure?
13. Where resources were judged non-marginal, was that judgement documented?
14. Were capacity-sensitive consequences distinguished from costs that could be absorbed within existing provision?
15. Was any attempt made to distinguish changes in **resource eligibility** from changes in **public expenditure**?

There may be sound reasons why many of the resources identified in B2 or C1 should not appear in a marginal-cost calculation, and some apparent external resources may already be represented within Category A. The purpose of the review is not to assume otherwise. It is to reconcile those funding flows, establish what sits inside and outside the selected boundary, and determine which expenditures could respond to additional pupils.

The purpose of the review is not to assume otherwise.

It is to establish what those reasons were and whether they can be independently assessed.

Relevant underlying analysis has now been sought through AFIS's Freedom of Information requests to HM Treasury, DfE and HMRC.

Substantive responses remained pending at the date of publication.

7.15 Finding

The AFIS Master Resource Ledger demonstrates that state-funded schooling operates within a **multi-layered resource system**.

The £7,690 measure captured a substantial and legitimate part of that system.

It did not capture all of it.

The conservative B1 analysis quantifies approximately **£2.93 billion of annual-scale public resource outside that defined funding boundary**.

B2 identifies further public expenditure without attempting premature quantification.

The local-authority delivery landscape adds a further qualification: some identifiable services cannot yet be classified confidently as inside or outside Category A because they may combine DfE-derived funding, council funding, other public contracts and purchased-service income. Corporate form does not resolve that question; funding origin does.

C1 identifies externally delivered provision with public funding.

C2 identifies genuinely non-public external resource.

The current Category C register is preliminary and does not yet support an aggregate monetary value or a verified public/private funding split.

None of this establishes that every wider resource should have been incorporated into the Government's state-sector expenditure illustration.

It establishes why the central question cannot simply be:

What is average school funding per pupil?

For the purposes of assessing policy-induced pupil movement, the more relevant questions are:

Which public resources and capacity consequences actually change when pupils enter state-funded education?

Which wider resources become newly available or newly demanded without necessarily creating a marginal Exchequer cost?

And where were those different consequences recognised in the modelling?

The distinction between **funding, resource eligibility, utilisation and marginal public expenditure** is therefore essential.

That brings the review from the architecture of the schooling system to the behaviour and viability of the institutions operating within it.

The absence of a quantified national value for these arrangements should not be interpreted as evidence that the value is zero or immaterial. It reflects a deliberate decision not to assign expenditure to B1 where the relevant funding streams and population cannot yet be reconciled without further data.

Section 8 examines the assumptions Government made about how independent schools would respond to the fiscal changes, including cost reduction, service changes, cumulative financial pressure, school viability and closure.

8. School response, viability and wider consequences

8.1 The model depended on schools changing their behaviour

The Government's assessment did not assume that independent schools would simply add VAT to existing fees and continue operating unchanged.

Its modelling anticipated a range of institutional responses.

These included:

- passing part of the additional cost to families through higher fees;
- absorbing part of the cost through efficiencies or reduced financial margins;
- reducing expenditure and service provision;
- responding to lower pupil demand; and
- in some cases, closing.

These assumptions are central to the fiscal model.

A school's ability to absorb additional costs affects:

- the fee increase ultimately faced by families;
- demand for places;
- staffing;
- bursary provision;
- educational and extracurricular provision;
- investment;
- financial resilience; and
- ultimately, whether the school remains viable.

School behaviour is therefore part of the causal chain underlying the Government's fiscal forecast, not merely a secondary consequence of it.

8.2 The assumed reduction in the sector's cost base

Government's final assessment assumed that, in the long-run steady state, the independent-school sector's cost base would be approximately **12% lower than it would otherwise have been**.

Approximately:

- **5%** was expected to result from schools reducing costs; and
- **7%** from reduced demand.

This is a significant behavioural assumption.

A 5% reduction in costs across a labour-intensive education sector cannot necessarily be treated as a purely financial adjustment with no consequences for the services being delivered.

Government and the OBR anticipated that schools would respond through mechanisms including efficiencies and reduced service provision.

The relevant evidential questions are therefore:

What evidence supported the assumption that schools could collectively reduce costs by approximately 5%?

What expenditure was expected to be reduced?

And what consequences were expected to follow from those reductions?

The issue is not whether schools are capable of reducing expenditure.

It is whether the nature, scale and consequences of the assumed adjustment were sufficiently examined when those savings formed part of the behavioural model.

8.3 Cost reduction is not necessarily costless

Independent schools differ substantially in their financial structures.

They vary by:

- size;
- fee level;
- age range;
- boarding or day provision;
- SEND and specialist provision;
- staffing model;
- property and maintenance requirements;
- bursary commitments;
- reserves and endowments;
- charitable resources;
- local competition; and
- demographic context.

A school with substantial reserves and strong demand may be able to absorb financial pressure differently from a small school operating on narrow margins.

Similarly, expenditure reductions can take materially different forms.

They may include reductions in:

- teaching or support staff;
- curriculum breadth;
- extracurricular activity;
- specialist provision;
- bursaries and fee assistance;
- capital investment;
- maintenance;
- community provision; or
- externally purchased goods and services.

These responses can themselves affect the subsequent behavioural model.

For example, if a school reduces services or bursaries in order to contain fees, that may affect its attractiveness or affordability and therefore pupil demand.

School cost reduction and family behaviour are therefore not necessarily independent stages of the model.

They can interact.

This review does not assume that all schools responded in any particular way.

It asks what evidence supported the aggregate assumptions and how variation between schools was treated.

8.4 School viability was explicitly part of the assessment

Government also recognised that some schools would not remain viable.

Its October 2024 assessment estimated approximately:

100 additional independent-school closures over three years, over and above normal levels of turnover.

This distinction is crucial.

The forecast was not:

100 schools will close.

It was approximately:

100 more schools will close than would otherwise have closed over the relevant period.

School closure was therefore not an unforeseen consequence identified only after implementation.

It formed part of the Government's pre-implementation behavioural assessment.

The relevant questions are consequently:

- how the approximately 100 additional-closure estimate was derived;
- what counterfactual level of normal closures was assumed;
- what types and sizes of school were expected to close;
- how many pupils those schools were expected to educate;
- where those schools were expected to be located;
- where displaced pupils were expected to go; and
- how those consequences were incorporated into the pupil-movement, capacity and fiscal analysis.

8.5 Closures create a different mechanism of pupil movement

This matters because closure is not simply another way of generating the same national pupil total.

There is an important difference between:

35,000 pupils changing sector gradually across the country

and

groups of pupils being displaced simultaneously because particular schools cease operating.

In the first case, many pupils may be absorbed individually into existing spare places.

In the second, demand can be:

- geographically concentrated;
- concentrated in particular age groups;
- concentrated at particular points in the academic year;
- associated with specialist or SEND provision;
- and large relative to available local capacity.

This creates a direct connection between the Government's school-closure assumption and the marginal-cost analysis considered in Sections 4 and 6.

Where an additional pupil can be absorbed into an existing class, short-run marginal expenditure may be relatively low.

Where closure displaces a substantial cohort into a locality without sufficient suitable places, additional demand may trigger:

- additional classes;
- additional teachers;
- specialist provision;

- transport;
- temporary accommodation;
- expansion; or
- capital expenditure.

The marginal fiscal consequence is therefore potentially **non-linear**.

The same number of additional pupils may create different costs depending upon how, when and where they arrive.

8.6 School numbers and educational capacity are not the same thing

Government's historical comparison was expressed principally in numbers of institutions.

DfE data supplied to Parliament in October 2024 show substantial normal turnover within the independent sector. Across 2000–2023, an average of approximately **75 independent schools closed each year**.

That historical baseline is important.

But institution counts alone can conceal changes in the amount and type of educational provision disappearing.

Government-register-based analysis by Tom Richmond²⁴ reported **71 independent-school closures during 2025**, alongside **107 openings**.

On institution numbers alone, the 2025 closure count was broadly consistent with the historical level of turnover identified in the DfE data, and more establishments opened than closed.

But Richmond's analysis identified a materially different pattern when the capacity of the schools closing was examined.

Average capacity among independent schools closing in 2025 was reported at:

201 pupils

compared with:

123 pupils in 2024

and:

108 pupils over the preceding 20 years.

For mainstream independent schools specifically, average capacity among schools closing in 2025 was reported at approximately:

222 pupils

compared with a longer-run average of:

²⁴ [AFIS - Association for Families of Independent Schooling | UK Independent Education Support](#)

146 pupils.

This distinction is important.

A school opening and a school closing are not necessarily equivalent units of educational capacity.

Several small establishments opening do not necessarily replace the capacity, provision or geographical availability lost when a substantially larger established school closes.

The 2025 evidence therefore demonstrates why institution counts alone are an incomplete metric of structural change.

8.7 The closure evidence did not stop at the end of 2025

The first full calendar year after implementation provides an important benchmark.

It does not represent the complete post-implementation picture.

By 5 January 2026, the Independent Schools Council reported²⁵ that 105 schools had ceased operations since VAT was introduced.

That figure requires an important qualification: it included **15 mergers** and is therefore not equivalent to an official count of confirmed permanent closures.

Further confirmed permanent closures followed during 2026, including a number of substantial established schools.

The correct conclusion is therefore **not**:

More than 100 schools have closed, so Government's forecast has already been exceeded.

That would compare different measures.

Government forecast approximately **100 additional closures above normal turnover over three years**.

The wider post-implementation figures concern gross schools ceasing operations and, in some measures, include structural changes such as mergers.

Nor does the current evidence establish that VAT caused every closure occurring after January 2025.

What it establishes is narrower:

the closure picture continued to develop materially during 2026, and evaluation should not treat the 2025 calendar-year count as the complete post-implementation outcome.

8.8 Three measures of structural change

²⁵ Independent Schools Council, 'VAT on fees "a bridge too far" for many independent schools, ISC CEO warns', 5 January 2026. ISC reported that 105 schools had ceased operations since the VAT policy came into effect, including 15 that had merged with other institutions.

A robust evaluation should therefore distinguish between at least three different measures.

1. Gross institutional change

How many independent schools opened and closed?

2. Net institutional change

Did the total number of establishments increase or decrease?

3. Net capacity change

How much pupil capacity was associated with schools closing, and how much was associated with schools opening?

The third measure cannot be inferred from the first two.

A further dimension should also be considered:

4. Composition and geography of capacity change

What type of provision disappeared or was created, for which pupils and in which places?

This matters because 200 places in a specialist school, a boarding school, a small rural area or a particular secondary phase are not necessarily replaceable by 200 places created elsewhere in the sector.

The appropriate evaluation should therefore examine:

institutions + capacity + type + geography

rather than establishment counts alone.

8.9 Gross closures are not the Government's counterfactual measure

The Government's approximately 100-closure estimate was explicitly an estimate of **additional closures above normal turnover**.

Evaluation therefore requires a counterfactual.

The relevant comparison is not:

forecast 100 versus observed gross closures.

It is:

How many closures occurred compared with how many would reasonably have occurred without the policy?

That requires consideration of:

- historical turnover;
- demographic change;
- pre-existing financial pressures;
- individual school circumstances;

- openings and other structural change;
- and wider economic conditions.

This is particularly important because some schools that closed after implementation may already have been financially vulnerable.

Conversely, a school with pre-existing vulnerabilities could still have had its closure accelerated or made more likely by subsequent fiscal pressures.

Causation is therefore unlikely to be captured adequately by a binary classification of:

“VAT closure” / “not VAT closure”.

The more useful question is what contribution the fiscal measures made relative to the counterfactual.

8.10 The fiscal environment was cumulative

VAT did not occur in isolation.

Within a relatively short period, independent schools were also affected by:

- the increase in Teachers' Pension Scheme employer contributions from April 2024, where applicable;
- removal of charitable business-rates relief in England from April 2025; and
- increased employer National Insurance costs from April 2025.

The measures are legally and fiscally distinct.

They should not be conflated.

But schools do not experience them on separate balance sheets.

A school's financial viability depends upon the **combined financial environment** it faces.

This distinction is especially important because the Government's behavioural model depended upon assumptions that schools would:

- absorb part of the VAT cost;
- reduce expenditure;
- limit fee increases;
- withstand reduced demand; and
- generally remain viable, subject to an estimated additional closure effect.

Those assumptions concern the financial position of the school as a whole.

The central question is therefore:

Were they tested against the combined cost pressures schools were expected to face?

8.11 Separate impact assessments do not answer the cumulative-behaviour question

Government produced separate assessments for individual fiscal measures.

That is normal and does not itself constitute a methodological problem.

The removal of charitable business-rates relief, for example, had its own assessment, which recognised potential effects on school viability and pupil displacement and drew upon the VAT behavioural methodology.

The existence of separate assessments therefore demonstrates that the policies were not wholly ignored in relation to one another.

But there is an important distinction between:

estimating the fiscal effect attributable to each measure separately

and

estimating how schools and families respond to the package of financial pressures they actually experience.

As discussed in Section 3, Damian Hinds MP asked the Treasury in November 2024 about the combined effects of VAT, employer NICs, TPS contributions and business rates on independent- and state-school pupil numbers.

The Treasury response stated:

“TIINs look at the impacts of changes to the tax system separately for each measure.”

That explains why individual TIINs address particular tax changes.²⁶

It does not establish whether a separate integrated viability or behavioural model existed.

The relevant question is therefore not whether separate TIINs were legitimate.

They were.

It is:

Was there an integrated analysis of the behavioural and viability consequences of the combined financial environment?

8.12 Non-additivity

This distinction matters because behavioural effects need not be additive.

Suppose, illustratively, that one fiscal measure increases a school's effective cost pressure by a given amount and another adds a further amount.

It does not necessarily follow that:

²⁶ UK Parliament, Written Question 12393, Damian Hinds MP, tabled 4 November 2024; answered 12 November 2024.

behavioural effect of measure A + behavioural effect of measure B = behavioural effect of A and B together.

Schools and households can have thresholds.

A school may remain viable after one cost increase but become unviable after several pressures operate simultaneously.

A household may absorb one increase in fees but alter its schooling decision when the cumulative increase crosses an affordability threshold.

A school may initially respond by reducing expenditure, but those reductions may affect provision and subsequently demand.

This is a problem of **non-additivity**.

Each individual fiscal measure can be assessed correctly against a counterfactual in which the other measures do not exist, while the sum of those separate behavioural effects still fails to reproduce the response to the combined package.

This does **not** establish that the cumulative behavioural effect was necessarily large.

It establishes why it should be tested rather than assumed to be equal to the sum of separate effects.

8.13 Why non-additivity matters to the pupil forecast

The distinction also matters when interpreting the approximately 37,000/35,000 pupil forecasts.

Those forecasts relate to the VAT measure.

If subsequent evidence showed more pupils leaving or not entering independent education than the VAT forecast anticipated, it would not automatically follow that the VAT modelling itself was wrong.

The difference could potentially reflect:

- business-rates changes;
- employer National Insurance;
- TPS costs;
- demographic change;
- wider economic conditions;
- school-specific factors;
- or interactions among several of these.

That is why the cumulative-impact question should not be used to attribute all subsequent change to VAT.

Its significance is different.

It asks whether the **overall policy environment** facing schools and families was adequately assessed when Government considered:

- school viability;
- pupil displacement;
- state-sector capacity; and
- the broader consequences of the reforms.

This distinction should be maintained throughout subsequent evaluation.

8.14 Viability effects may be discontinuous

The approximately 100 additional-closure assumption makes threshold effects particularly important.

Closure is not a smooth marginal response.

A school cannot close by 5%.

It either continues operating, changes form, merges, is rescued, or ceases provision.

The consequences can therefore be discontinuous.

A relatively small additional financial pressure may have little observable effect on a financially strong school.

The same pressure applied to a school already close to its viability threshold may produce a substantially different outcome.

This is why national sector averages may conceal important institutional variation.

The relevant policy question is not simply:

What was the average cost increase across the sector?

It is also:

How many schools were close enough to a financial threshold that the cumulative package could materially alter their viability?

That is directly relevant to the closure assumption built into the Government's model.

8.15 What an integrated viability analysis could test

An integrated analysis need not predict the future of every independent school individually.

Representative-school scenarios or sensitivity analysis could test different combinations of:

- school size;
- fee level;
- VAT pass-through;

- input-tax recovery;
- pupil loss;
- staff costs;
- Teachers' Pension Scheme participation;
- employer National Insurance;
- business rates;
- bursary commitments;
- reserves;
- existing operating margins;
- demographic change;
- local competition; and
- capacity to reduce expenditure.

Such analysis could examine how many representative schools remain viable under different combinations of assumptions.

It could also test whether the assumed 5% cost reduction remained realistic where schools simultaneously experienced:

- higher employment costs;
- lower demand;
- increased taxation; and
- limits on their ability to raise fees without generating further pupil loss.

The relevant question is:

Were integrated school-level or representative-school financial scenarios developed, and if so, what did they show about resilience, cost reduction and closure risk?

If such modelling exists but was not published, disclosure could resolve an important part of the present review.

AFIS has sought relevant modelling and analysis through its Freedom of Information requests.

Substantive responses remained pending at the date of publication.

8.16 Employment and wider fiscal consequences

Government also acknowledged that reductions in expenditure and school closures could affect employment.

This potentially matters to the wider fiscal assessment through:

- reduced employment income;

- Income Tax receipts;
- employee and employer National Insurance receipts;
- pension contributions;
- redundancy costs;
- and, in some cases, benefit expenditure.

There may also be effects on suppliers and local economic activity where schools purchase goods and services externally.

The present review does not attempt to monetise those effects.

Doing so would require assumptions concerning:

- the number and type of jobs affected;
- subsequent employment;
- wage levels;
- displacement;
- supplier responses;
- and the appropriate counterfactual.

The narrower question is whether consequential effects of the **school responses already assumed within the Government's model** were themselves assessed.

For example:

If the model assumes substantial sector-wide expenditure reduction, what was assumed about the employment and economic consequences of that reduction?

Acknowledging an effect and quantifying its fiscal consequence are different things.

8.17 Consequences for pupils and families

Government also recognised that closures and school changes could disrupt pupils and families.

That acknowledgement matters.

It would therefore be inaccurate to say that Government ignored disruption altogether.

But closure can have consequences not captured simply by counting the number of institutions affected.

Relevant factors may include:

- the number of pupils displaced;
- timing during the school year;
- examination stage;

- availability of nearby alternatives;
- SEND or specialist requirements;
- sibling arrangements;
- transport;
- boarding requirements;
- continuity of curriculum;
- and whether families can afford another independent-school place.

The severity of disruption may therefore differ substantially between closures.

Again, the appropriate metric is not merely:

number of schools closed.

The number and circumstances of affected pupils matter.

8.18 “Other impacts”

There is one further feature of the October 2024 assessment worth noting.

After considering Exchequer, economic, household, equalities, business, administrative and operational impacts, the VAT assessment states under “Other impacts”:

“Other impacts have been considered and none have been identified.”

That sentence should not be interpreted as Government claiming that the policy would have no wider consequences.

The same assessment itself acknowledged matters including:

- reduced service provision;
- reductions in expenditure;
- employment effects;
- pupil and family disruption; and
- additional school closures.

The more useful question is therefore:

What did the “other impacts” assessment encompass, and were secondary consequences flowing from the modelled behavioural responses examined in sufficient depth?

This is another area where disclosure of the underlying assessment may clarify what was considered beyond the published summary.

8.19 Acknowledgement is not the same as quantification

The published evidence supports a more nuanced conclusion than either of two extremes.

It would be incorrect to say:

Government failed to consider school closures, cost-cutting, employment effects or disruption.

It plainly considered and acknowledged each to some degree.

But acknowledgement is not the same as quantification or integrated modelling.

The published assessment contains:

- a quantified assumption about reduced service provision and expenditure;
- a quantified long-run reduction in the sector's cost base;
- a quantified estimate of approximately 100 additional closures above normal turnover;
- acknowledgement of employment effects; and
- acknowledgement of pupil and family disruption.

There is substantially less published detail about:

- the characteristics and capacity of schools expected to close;
- the distribution of viability risk across different types of school;
- the consequences of concentrated pupil displacement;
- the fiscal consequences of employment effects;
- and how simultaneous fiscal pressures were incorporated into school-level viability analysis.

That distinction is where further scrutiny can add value.

8.20 Questions arising from the evidence

The school-response analysis therefore raises a connected set of questions:

1. What evidence supported the assumption that schools could reduce costs by approximately 5%?
2. What forms of expenditure or service provision were expected to be reduced?
3. Were the educational consequences of those reductions assessed?
4. How was the estimate of approximately 100 **additional** closures over three years derived?
5. What counterfactual level of normal turnover underlay that estimate?
6. What assumptions were made about the size, type, pupil capacity and location of schools expected to close?
7. Did the closure model consider capacity lost as well as institution counts?

8. What assumptions were made about the size, type and capacity of new independent schools opening during the same period?
9. How were pupils displaced by anticipated closures incorporated into the approximately 35,000 additional-state-pupil forecast?
10. Were the potentially different capacity consequences of gradual pupil movement and concentrated school closure modelled?
11. Were teaching and non-teaching employment effects quantified?
12. Were consequential fiscal effects, including tax receipts, National Insurance and benefit expenditure, considered?
13. Were effects on suppliers and local economic activity assessed?
14. Were integrated school-level or representative-school scenarios developed to assess the cumulative interaction of VAT, business rates, employer NICs, TPS and other concurrent pressures?
15. Were threshold or non-additive behavioural effects considered?
16. How were demographic conditions and local demand incorporated into school-viability assumptions?
17. What evidence would distinguish closures caused or accelerated by the fiscal measures from closures that would have occurred in the counterfactual?
18. What measures were established before implementation to test these assumptions against subsequent outcomes?

These questions do not assume that every effect should have been monetised or incorporated into the headline fiscal costing.

They ask whether assumptions central to the model were supported by a sufficiently comprehensive assessment of their likely consequences.

8.21 Finding

The evidence establishes that Government anticipated significant adjustment within the independent-school sector.

Its assessment assumed:

- substantial fee and cost responses;
- reduced service provision;
- an approximately **12% reduction in the sector's long-run cost base relative to the counterfactual**; and
- approximately **100 additional school closures over three years above normal turnover**.

It also acknowledged employment effects and disruption to pupils and families.

The emerging closure evidence adds an important dimension.

Government-register-based analysis reported **71 independent-school closures and 107 openings in 2025**.

The number of closures was not, by itself, exceptional relative to historical turnover.

But the schools closing were materially larger than usual.

Average capacity among independent schools closing in 2025 was reported at **201 pupils**, compared with **123 in 2024** and **108 over the preceding 20 years**. For mainstream independent schools, the corresponding 2025 figure was approximately **222 pupils**, compared with a longer-run average of **146**.

The evidence did not stop at the end of 2025.

By early January 2026, wider sector reporting had identified **105 schools as having ceased operations since implementation**, although that figure included **15 mergers** and should therefore not be treated as equivalent to an official confirmed-closure count. Further permanent closures followed during 2026, including a number of substantial established schools.

This does **not** establish that VAT caused those closures.

It does **not** establish that Government's forecast of approximately 100 additional closures above normal turnover has already been exceeded.

And it does **not** establish that every institution ceasing operations represents an equivalent permanent loss of educational capacity.

It establishes something different:

institution counts alone may be an inadequate measure of structural change, and the developing 2025–26 evidence needs to be evaluated against the counterfactual using capacity, school type, geography and closure status as well as gross establishment numbers.

There is also a separate methodological issue.

Schools experienced several substantial fiscal pressures over a short period. Producing separate impact assessments for those measures is normal. But separate fiscal assessment does not, by itself, answer whether their **combined behavioural and viability effects were non-additive**.

That question is particularly important where the model itself anticipated school closure.

A school that remains viable after one pressure may cross a viability threshold when several interact. Closure can then produce discrete and geographically concentrated pupil movement, potentially altering the marginal state-sector consequences assumed elsewhere in the model.

The central question arising from Section 8 is therefore:

Did the pre-implementation assessment adequately test the financial resilience of different types of independent school against the cumulative environment they would

actually face, including the possibility of threshold effects, closure and concentrated pupil displacement?

The published material reviewed by AFIS does not presently provide sufficient detail to answer that question.

Section 9 therefore turns from the assumptions made before implementation to the evidence now emerging after implementation, and asks which parts of the original model can already begin to be tested.

9. Emerging evidence: what can now be tested?

9.1 From forecast to evaluation

The Government's assessment necessarily relied upon forecasts.

Before implementation, neither Government nor its critics could know with certainty:

- how independent schools would change fees;
- how schools would reduce costs or provision;
- how families would respond;
- how many existing pupils would leave independent schools;
- how many prospective pupils would decide not to enter them;
- how many additional pupils would enter state-funded education;
- how many independent schools would close;
- what educational capacity would be lost or created;
- what additional state-sector expenditure would actually arise;
- or how those effects would vary by age, geography and school type.

Those uncertainties do not make forecasting inappropriate.

Policy decisions routinely require assumptions about future behaviour.

But implementation changes the evidential position.

As relevant data emerge, assumptions that were necessarily prospective before January 2025 become increasingly capable of being tested against observed outcomes.

The question therefore develops from:

Was the forecast reasonable on the evidence available before implementation?

to the additional question:

What does subsequent evidence tell us about the assumptions and mechanisms on which that forecast was based?

The two questions are related but distinct.

A forecast may have been reasonable ex ante while subsequently proving inaccurate.

Conversely, an outcome may eventually resemble the forecast even where some of the mechanisms or intermediate assumptions used to generate it were inaccurate.

A credible evaluation should therefore examine not only the final headline outcome but the **chain of assumptions that produced it**.

9.2 The long-run pupil forecast should not be judged prematurely

Government's final published assessment estimated that the introduction of VAT would ultimately result in approximately:

- **37,000 fewer pupils in UK private schools;** and
- **35,000 additional pupils in the state sector.**

The forecast was explicitly a **long-run steady-state estimate**.

It was not a prediction that 35,000 pupils would visibly transfer from independent to state schools immediately after January 2025.

This distinction is essential.

Government expected a substantial part of the behavioural response to arise through:

fewer future entrants to independent education

rather than:

existing pupils leaving immediately.

The complete long-run forecast therefore cannot properly be judged from one or two years of post-implementation evidence.

But that does not mean it is incapable of evaluation until the steady state has been reached.

Different components of the forecast become testable at different times.

For example:

- fee changes can be observed relatively quickly;
- some existing-pupil departures can be observed relatively quickly;
- school closures can begin to be monitored immediately;
- cost reductions and service changes may become visible progressively;
- entry behaviour requires successive cohorts;
- and the full long-run participation effect will take considerably longer.

A proper monitoring framework should reflect those different timescales.

9.3 DfE pupil data provide an important starting point

DfE's *Schools, pupils and their characteristics* statistics now provide post-implementation census evidence on independent-school pupil numbers in England.

The figures indicate a substantial decline in the independent-school pupil population between January 2024 and January 2026.

The latest figures used in the accompanying AFIS analysis indicate a fall from approximately:

593,000 pupils in January 2024

to:

560,300 pupils in January 2026

approximately:

32,700 fewer pupils over two years.

That observed reduction is potentially important.

But it should **not** be compared mechanically with Government's forecast of approximately 37,000 fewer private-school pupils.

The two numbers measure different things.

The observed DfE change records the actual movement in pupil numbers over a particular period from **all causes**.

The Government forecast seeks to estimate the **long-run causal effect of the VAT policy relative to a counterfactual in which the policy had not occurred**.

Consequently:

32,700 observed fewer pupils

does not mean:

32,700 VAT-induced fewer pupils.

Nor does proximity between 32,700 and the forecast 37,000 establish that the forecast has already been vindicated.

The counterfactual remains essential.

9.4 Demographic change complicates attribution

Overall pupil numbers are being affected by demographic change.

DfE identifies declining birth rates as an important driver of falling pupil numbers across the school system.

Some reduction in independent-school pupil numbers might therefore have occurred even if VAT had never been introduced.

The relevant question is not simply:

Did independent-school pupil numbers fall after VAT was introduced?

They did.

The more useful policy question is:

Did independent-school participation fall by more, or in a different pattern, than would reasonably have been expected in the absence of the policy?

That requires an explicit counterfactual.

Relevant evidence may include:

- age-specific population trends;
- historical independent-sector participation rates;
- entry rates;
- retention rates;
- transition-point behaviour;
- regional variation;
- school opening and closure patterns; and
- the demographic assumptions incorporated into the original forecast.

A robust evaluation should therefore seek to distinguish:

demographic effect

from:

policy-associated behavioural effect

rather than assigning the whole observed decline to either one.

9.5 The January 2025 census provides only limited evidence of immediate effects

Timing also matters.

The January 2025 school census occurred only shortly after VAT took effect.

Many school decisions for the 2024–25 academic year had been made substantially earlier.

Families may also have been reluctant to disrupt children's education part-way through an academic year.

Government's own model anticipated that existing pupils would be less responsive to price increases than prospective pupils and that behavioural change would emerge progressively at transition points.

For those reasons, the January 2025 census should not be treated as a definitive test of the policy.

The January 2026 census is more informative because it captures another full admissions cycle and more opportunities for families and schools to respond.

But even January 2026 remains an early point relative to a long-run steady-state forecast.

Evaluation should therefore be **progressive rather than binary**.

9.6 Pupil movement and pupil loss are different measures

A further distinction is between:

pupils observed moving from independent to state education

and:

the reduction in independent-school participation relative to the counterfactual.

These are not the same thing.

Government's model anticipated that a substantial part of the long-run effect would arise from children who would otherwise have entered independent education but do not do so.

Such pupils cannot be identified by looking for transfers out of independent schools.

A proper evaluation therefore needs to examine:

- transfers between sectors;
- entry rates into independent education;
- retention rates;
- transition-point behaviour;
- changes in the independent sector's share of the relevant pupil population;
- home education;
- international pupils;
- and demographic trends affecting the underlying number of children.

This is why a headline number of “pupils leaving private schools” cannot, by itself, confirm or refute the Government's 35,000 forecast.

9.7 Transition points should become increasingly informative

Government expected behavioural responses to be concentrated partly at natural transition points.

Relevant points include:

- entry into primary education;
- transition from primary to secondary;
- movement into GCSE-stage education; and
- post-16 transition.

Successive cohorts should therefore become increasingly informative.

The relevant test is whether independent-school participation at those transition points changes relative to:

- pre-policy patterns;
- the relevant demographic population; and
- the counterfactual assumed in the original modelling.

This is particularly important for pupils who never enter the independent sector.

If a family changes a planned Year 7 or post-16 decision before enrolment, no departure from an independent school will appear in administrative data.

An evaluation focused only on existing-pupil exits would therefore miss a mechanism Government itself expected to account for a substantial part of the long-run response.

9.8 The underlying behavioural assumptions should also be tested

Observed pupil numbers should not be the only outcome examined.

The Government forecast depended upon assumptions concerning:

- fee pass-through;
- family price responsiveness;
- school cost reduction;
- reduced service provision;
- school closure;
- and prospective entry behaviour.

Those intermediate assumptions can increasingly be tested.

For example:

Fee pass-through

How did actual fee changes compare with the effective fee increase assumed in the model?

School absorption

How much of the VAT cost did schools absorb rather than pass through to parents?

Cost reduction

Did schools reduce costs by approximately the amount anticipated?

Service provision

What provision was reduced, if any?

Family behaviour

Did pupil response differ between existing families and prospective entrants as Government expected?

A final pupil number resembling the forecast would not necessarily validate every intermediate assumption.

Likewise, divergence in one intermediate assumption would not automatically invalidate the final forecast.

The model should therefore be evaluated as a **chain of testable propositions**.

9.9 Existing research can help interpret emerging behavioural evidence

Section 3 identified published UK research available before implementation concerning determinants of independent-school participation.

That literature suggests that schooling decisions may be associated with factors including:

- income;
- wealth;
- parental preferences;
- previous school-sector participation;
- local state-school alternatives; and
- other family circumstances.

This creates an important opportunity for post-implementation evaluation.

Rather than examining aggregate pupil numbers alone, emerging evidence may allow the behavioural response to be tested by:

- household circumstances;
- school fee level;
- geography;
- previous sector participation;
- transition point;
- and availability of alternative provision.

Such analysis could help establish whether the aggregate elasticity assumption adequately represented the families whose decisions actually changed.

AFIS does not assume in advance that it did not.

The point is that implementation is now beginning to generate data with which the underlying behavioural mechanism can be examined more directly.

9.10 Independent and DfE datasets should not be treated as interchangeable

Evidence is also available from sector sources, including school censuses undertaken by independent-school organisations.

These can provide valuable and sometimes more detailed information.

But figures from different datasets should not be compared without first reconciling:

- geographical coverage;
- school populations;
- census dates;

- age ranges;
- treatment of nursery pupils;
- treatment of international pupils;
- school openings and closures;
- membership changes;
- missing schools;
- and whether comparisons measure pupils, schools or both.

A change reported by an independent-sector census is therefore not automatically comparable with a change derived from DfE administrative data.

Where different datasets appear to tell different stories, the first task should be **definition and population reconciliation**, not selection of the figure most favourable to a particular position.

9.11 Geography matters to both behaviour and cost

National totals can conceal substantial local variation.

Independent-school participation differs materially across England and the wider UK.

So do:

- demographic change;
- state-school capacity;
- housing patterns;
- school types;
- SEND provision;
- post-16 provision; and
- independent-school density.

If policy-associated pupil movement is concentrated in particular localities, its state-sector consequence may differ materially from that implied by a national average.

Conversely, spare capacity elsewhere may have little practical relevance.

A robust evaluation should therefore examine the geographical distribution of:

- independent-school pupil decline;
- state-school pupil growth;
- independent-school closures;
- available state-sector places;
- and any additional staffing or capital expenditure.

This is particularly relevant to the marginal-cost question identified earlier in this report.

9.12 State-sector capacity should be tested separately from national pupil numbers

The existence of falling national pupil numbers does not establish that sufficient appropriate state-sector capacity exists everywhere.

Capacity should be assessed by:

- geography;
- phase;
- year group;
- mainstream versus specialist provision;
- SEND;
- post-16 provision;
- physical places;
- and funded/staffed capacity.

Where an additional pupil can be absorbed into an existing class and building, short-run marginal expenditure may be relatively low.

Where additional demand triggers:

- another teaching group;
- additional staffing;
- specialist provision;
- transport;
- temporary provision;
- or capital expansion,

the marginal consequence may be materially higher.

This is why post-implementation evidence potentially allows the Government's use of an average funding proxy to be tested more directly.

The relevant empirical question is:

Where additional pupils actually entered state-funded education, what expenditure was actually triggered?

That is more informative for marginal-cost analysis than either the £7,690 average or the £2.93 billion resource-boundary figure alone.

9.13 School closures provide a second observable test

Government anticipated approximately **100 additional independent-school closures over three years above normal turnover**.

That forecast is now generating substantial observable evidence.

The first complete post-implementation calendar year provides one useful benchmark.

Government-register-based analysis by Tom Richmond reported:

71 independent-school closures in 2025

alongside:

107 openings.

The number of closures alone was broadly within the historical range.

It would therefore be incorrect to compare 71 gross closures with Government's forecast of approximately 100 **additional** closures and conclude that the forecast had either been met or disproved.

Government's forecast concerned closures above the counterfactual level expected without the policy.

However, 2025 is no longer the complete observable post-implementation period.

9.14 Closure activity continued into 2026

By **5 January 2026**, the Independent Schools Council reported that **105 schools had ceased operations since VAT was introduced**.

That measure included **15 mergers**.

It is therefore not equivalent to:

- 105 confirmed permanent closures;
- 105 additional policy-induced closures; or
- Government's forecast of approximately 100 additional closures above normal turnover.

Further confirmed school closures occurred during 2026.

Several involved substantial established schools; examples include Horris Hill, Moyles Court, Trinity Christian, St Lawrence College, Ruthin School, Durham High School, Rendcomb College and Pitsford School.

The appropriate conclusion is not that a particular gross closure threshold has been passed.

It is that

the post-implementation structural-change evidence extends beyond the complete 2025 calendar-year benchmark and must be evaluated over the developing period using consistent definitions.

9.15 Capacity is becoming as important as closure count

The 2025 evidence demonstrates why establishment numbers alone can be misleading.

Richmond's analysis reported average capacity among independent schools closing in 2025 of:

201 pupils

compared with:

123 pupils in 2024

and:

108 pupils over the preceding 20 years.

For mainstream independent schools specifically, the reported average capacity of closing schools was approximately:

222 pupils

compared with a longer-run average of approximately:

146 pupils.

This is an observed structural finding.

It does not establish what caused the change.

It demonstrates that:

the number of establishments closing and the amount of educational capacity associated with those closures can move differently.

A year can record more openings than closures while still experiencing:

- a reduction in total capacity;
- a change in school type;
- a loss of provision in particular locations;
- or a reduction in particular forms of specialist or boarding provision.

Evaluation should therefore examine:

institutions + capacity + type + geography

rather than relying upon closure counts alone.

9.16 Closure status also matters

Post-implementation monitoring should distinguish clearly between:

- confirmed permanent closure;
- announced or proposed closure;
- merger;

- acquisition;
- rescue or reopening;
- partial closure or restructuring;
- and other changes of ownership or operation.

These events may all provide evidence of structural or financial pressure.

They are not equivalent.

An announced closure may subsequently be avoided.

A merger may preserve most or all educational provision.

An ownership change may involve no capacity loss.

Conversely, a confirmed closure of a large school may remove substantial capacity even where the total number of registered independent establishments remains stable.

This is why AFIS does not treat its wider tracking of closures, proposed closures, mergers and rescues as though it were an official confirmed-closure series.

9.17 The closure counterfactual remains essential

Neither the 71 confirmed 2025 closures nor the wider body of 2026 evidence can properly be compared directly with Government's forecast of approximately 100 additional closures.

Government was forecasting:

closures above the level that would otherwise have occurred.

A credible evaluation therefore requires comparison of:

observed closures and openings

against:

the pattern reasonably expected in the absence of the policy.

That counterfactual should take account of:

- historical turnover;
- demographic change;
- pre-existing financial conditions;
- local demand;
- school size and type;
- wider economic conditions;
- and other institution-specific factors.

The appropriate causal question may also be more nuanced than:

Was this a VAT closure?

A school may have faced pre-existing financial weakness while VAT or other fiscal pressures nevertheless altered the timing or probability of closure.

The stronger evaluation question is:

How did the relevant fiscal measures affect closure risk relative to the counterfactual?

9.18 Cumulative fiscal effects are now increasingly testable

Jonathan's non-additivity point also has a direct post-implementation implication.

Schools experienced several fiscal changes over a relatively short period.

The appropriate evaluation should therefore not examine only:

What happened after VAT?

It should also ask:

Did schools facing different combinations and intensities of fiscal pressure respond differently?

Relevant evidence may permit comparison by:

- TPS participation;
- charitable status and business-rates exposure;
- staffing intensity and employer NIC exposure;
- fee level;
- VAT pass-through;
- school size;
- reserves;
- demographic conditions;
- and pupil loss.

This could help test whether the behavioural effects of the measures were approximately additive or whether **threshold and interaction effects** were material.

For example, did schools exposed to several pressures exhibit a materially different pattern of:

- fee increases;
- cost reduction;
- pupil loss;
- merger;
- rescue;
- or closure

from otherwise comparable schools facing fewer of those pressures?

Such evidence would be directly relevant to the integrated school-viability question identified in Section 8.

9.19 Monitoring should test mechanisms, not merely headline totals

Post-implementation evaluation should not be confined to asking whether the final number of pupils or closures resembles the original forecast.

A useful evaluation framework would test:

Fees

Did the effective fee increase match the assumptions?

School response

Were the predicted levels of absorption, cost reduction and reduced provision observed?

Family response

Were existing families less responsive than prospective entrants, as expected?

Pupil movement

Did the age, timing and geography of participation changes resemble the forecast mechanism?

State-sector demand

Where additional pupils appeared, where did they go?

Marginal expenditure

What additional revenue, staffing, transport, specialist or capital expenditure actually resulted?

School viability

How did closure and merger patterns compare with the counterfactual?

Capacity

How much independent-school capacity was lost or created, and where?

Cumulative effects

Did combinations of fiscal pressures produce evidence of interaction or threshold effects?

Testing these intermediate mechanisms is important because a headline forecast may appear approximately correct for reasons different from those originally assumed.

9.20 The forecast should be testable without being judged prematurely

There are two opposite analytical errors to avoid.

The first is to treat early post-implementation evidence as though it already proves the long-run forecast wrong.

The second is to invoke the long-run nature of the forecast in a way that makes meaningful evaluation impossible until many years have passed.

Neither approach is satisfactory.

A long-run forecast can be evaluated progressively.

A credible monitoring framework should specify:

- which outcomes are expected to appear;
- over what timescale;
- against what baseline;
- using what definitions;
- what counterfactual will be used;
- and what evidence would cause assumptions to be reconsidered.

This is particularly important because the OBR itself identified behavioural response as a significant source of uncertainty.

HMRC's published monitoring-and-evaluation statement says that the measure will be kept under review through communication with affected taxpayer groups, stakeholders and education departments.

That statement does not establish that no more detailed evaluation exists.

But the published material reviewed by AFIS does not presently set out the kind of systematic framework described above.

AFIS has therefore submitted Freedom of Information requests to HM Treasury, HMRC and DfE seeking, among other matters, any post-implementation:

- monitoring plans;
- evaluation frameworks;
- back-testing;
- behavioural analysis;
- closure analysis;
- capacity analysis;
- and comparison of observed outcomes with the original assumptions.

Substantive responses remained pending at the date of publication.

9.21 What the current evidence does not yet establish

At this stage, the evidence reviewed in this report does **not** establish that:

- Government's 35,000 additional-state-pupil forecast has been proved wrong;

- it has been proved right;
- the observed reduction in independent-school pupil numbers since 2024 is wholly attributable to VAT;
- numerical similarity between the observed decline and the Government's long-run forecast validates the forecast;
- the 71 schools reported as closing in 2025 represent 71 additional policy-induced closures;
- the ISC's 105 "ceased operations" measure represents 105 permanent closures;
- Government's forecast of approximately 100 additional closures above normal turnover has already been reached;
- the larger average capacity of schools closing in 2025 was caused by VAT;
- subsequent substantial closures in 2026 were necessarily caused by VAT;
- more school openings than closures means that independent-sector educational capacity increased;
- every announced closure results in lost capacity;
- falling national pupil numbers demonstrate sufficient state-sector capacity in every locality or phase;
- the £7,690 average funding figure has yet been shown empirically to equal, overstate or understate the marginal expenditure actually associated with additional pupils;
- cumulative fiscal effects were necessarily quantitatively large;
- or early observed outcomes represent the eventual long-run steady state.

Those conclusions would go beyond the evidence.

What can already be said is that several central assumptions in the original model are becoming empirically testable.

The developing post-implementation closure evidence also demonstrates that **choice of metric matters**: institution counts alone may conceal material changes in educational capacity.

The January 2026 pupil evidence similarly demonstrates why observed change must be separated from policy attribution.

That creates a corresponding case for systematic evaluation.

9.22 Questions arising from the emerging evidence

The following questions now warrant examination:

1. How have independent-school pupil numbers changed relative to demographic expectations and pre-policy trends?

2. What counterfactual pupil path was assumed in the original forecast?
3. How have entry and retention rates changed at the transition points identified in the original modelling?
4. Can observed changes be separated into existing-pupil exits and fewer prospective entrants?
5. Where have pupils leaving or not entering independent schools been educated instead?
6. How has state-sector demand changed by age, phase and geography?
7. Where additional state-sector pupils have appeared, what **marginal expenditure has actually arisen**?
8. How does that observed marginal expenditure compare with the £7,690 average-funding proxy and the alternative marginal-cost assumptions available before implementation?
9. How have independent-school fees changed relative to the assumed VAT pass-through?
10. What cost reductions and service changes have schools made?
11. How have school responses varied according to fee level, size, reserves and other institutional characteristics?
12. How many independent schools have opened and closed relative to the expected counterfactual?
13. What pupil capacity has been lost through closures and created through openings?
14. How have capacity changes varied by school type, age range, specialist provision and geography?
15. Are confirmed closures, announced closures, mergers, acquisitions, rescues and restructurings being recorded separately?
16. To what extent have closures reflected combinations of fiscal, demographic and institution-specific pressures?
17. Is there evidence of **non-linear or threshold responses** where several fiscal pressures operate together?
18. How has post-16 demand changed at the transition point explicitly identified in the behavioural model?
19. Where state-sector capacity has been constrained, what additional staffing or capital expenditure has resulted?
20. What systematic evaluation is Government conducting to test the original assumptions?
21. What monitoring thresholds would cause those assumptions or forecasts to be revisited?

These are increasingly questions of observed evidence rather than forecast alone.

9.23 Finding

The Government's central pupil-movement forecast was explicitly a long-run estimate.

It should not be declared right or wrong prematurely on the basis of one or two years of data.

At the same time, implementation has materially changed the evidential position.

Several assumptions that were necessarily uncertain before January 2025 are now generating observable outcomes.

Pupil numbers have fallen materially.

School closures and other structural changes have continued.

The 2025 closure analysis indicates that the average capacity of schools closing was substantially higher than in previous years, while 2026 evidence demonstrates that significant closure activity continued beyond the first complete calendar-year benchmark.

None of those findings, individually, establishes policy causation.

They do establish that the forecast is now **materially testable against an expanding post-implementation evidence base**.

The appropriate conclusion at this stage is therefore neither:

“The forecast has been proved wrong.”

nor:

“The forecast has been proved right.”

It is:

The mechanisms and assumptions underlying the forecast should now be tested systematically against observed evidence.

A robust evaluation should distinguish:

- observed pupil decline from policy-induced pupil decline;
- demographic change from behavioural response;
- existing-pupil departures from fewer future entrants;
- average funding from actual marginal expenditure;
- gross closures from additional closures above the counterfactual;
- permanent closures from mergers, rescues and other structural changes;
- institution counts from pupil capacity;
- national spare places from locally usable capacity;
- individual fiscal measures from their possible interaction effects;
- and short-run observed outcomes from the eventual long-run steady state.

Most importantly, the assumptions used to assess the policy before implementation should be capable of being compared transparently with what subsequently occurred.

Where observed evidence is consistent with those assumptions, confidence in the original assessment should increase.

Where it is not, the assumptions should be revisited.

That is the ordinary purpose of post-implementation evaluation.

And it is particularly important where the original assessment itself acknowledged significant uncertainty concerning behavioural response.

Section 10 draws together the principal questions that now require clarification, disclosure or further evaluation.

10. Questions arising from the evidence

10.1 Purpose

The preceding sections do not establish that the Government's published fiscal assessment was necessarily incorrect.

They identify a series of material and testable questions concerning:

- the evidence underlying the behavioural assumptions;
- the cost concept used to represent additional state-sector expenditure;
- the accounting boundary of the £7,690 funding measure;
- the reference date of that measure;
- the population represented by it;
- state-sector capacity and marginal cost;
- school-level responses and viability;
- the interaction of concurrent fiscal measures;
- wider public-resource consequences; and
- the evaluation of emerging post-implementation evidence.

Some of these questions may have straightforward answers.

Some may already have been addressed in unpublished modelling, sensitivity analysis, working papers or interdepartmental advice.

The central issue is whether the evidence and methodology underlying those answers are sufficiently transparent to allow them to be independently understood and tested.

The questions below therefore provide a framework for clarification, disclosure and post-implementation evaluation.

10.2 Behavioural evidence

Question 1: What evidence supported the assumed elasticity of demand?

The OBR described the evidence on responsiveness to private-school fees as limited and adopted an elasticity of 0.5, at the upper end of the range considered by the Institute for Fiscal Studies.

Further clarification should establish:

- the UK evidence considered;
- the international evidence considered;

- the weight attached to each;
- the range of elasticities tested;
- the sensitivity of the pupil forecast to alternative assumptions; and
- whether evidence received during consultation altered the assessment.

Question 2: What wider UK evidence on private-school participation was reviewed?

Published UK research available before implementation had examined determinants of private-school participation including:

- family income and wealth;
- parental preferences and values;
- previous school-sector participation;
- geography;
- local state-school alternatives; and
- other family circumstances.

The IFS's 2023 analysis cited at least one of these underlying studies.

AFIS has not established from published Government material whether HM Treasury, HMRC, DfE or the OBR themselves reviewed this wider literature when calibrating the behavioural assumptions.

The relevant question is therefore:

What research concerning the circumstances, motivations, affordability and price sensitivity of existing and prospective independent-school families was reviewed, and how did it affect the assumptions selected?

Question 3: How was behavioural response expected to vary between families?

An aggregate elasticity may conceal substantial differences according to:

- household income;
- fee level;
- number of children;
- bursary or scholarship support;
- school type;
- geography;
- stage of education;
- previous participation in independent education; and

- availability of suitable alternatives.

What distributional or subgroup analysis supported the aggregate behavioural assumption?

Question 4: How were existing pupils distinguished from prospective pupils?

Government expected existing pupils to be less responsive and anticipated that much of the long-run effect would arise through **fewer future entrants**.

The modelling should therefore make clear:

- the assumed number of existing pupils leaving;
- the assumed number of prospective pupils not entering;
- the timing of those effects;
- the transition points at which they were expected to occur; and
- how those assumptions were expected subsequently to be tested.

This distinction matters because fewer prospective entrants cannot be identified simply by counting pupils visibly transferring schools.

10.3 Consultation evidence

Question 5: How did the 2024 technical consultation affect the model?

Government received 17,502 responses to the July–September 2024 technical consultation and also engaged with relevant stakeholders.

The relevant question is not whether consultation occurred.

It is:

What evidence relevant to family behaviour, affordability, school viability, pupil movement and capacity emerged from that process, and how did it affect the assumptions used in the October assessment?

Where consultation evidence did not alter the model, what was the reason?

10.4 Cost concept

Question 6: Why was average school funding used as the proxy for additional public expenditure?

The £7,690 figure was a legitimate DfE measure of **average 5–16 school-revenue funding**.

It was not designed as an estimate of the **marginal public cost of accommodating an additional pupil**.

An explicitly marginal-cost approach already existed in published analysis: the Institute for Fiscal Studies had modelled the state-sector consequence using a central marginal-cost assumption of approximately £5,900, alongside lower and higher sensitivity cases.

AFIS does not contend that the IFS figure should necessarily have been substituted for £7,690.

The question is conceptual:

Why was average school funding considered the appropriate proxy for the additional revenue consequence of policy-induced pupil movement, and what alternative cost concepts were considered?

Further clarification should establish:

- whether a marginal-cost model was considered;
- whether the IFS methodology was reviewed;
- why the £7,690 average-funding measure was selected;
- what assumptions connected average funding to incremental expenditure; and
- whether sensitivity testing was undertaken using alternative marginal-cost assumptions.

10.5 The accounting boundary

Question 7: What did the £7,690 boundary include and exclude?

The £7,690 figure represented a defined 5–16 school-revenue funding measure.

AFIS's conservative B1 audit identifies approximately **£2.93 billion of annual-scale public resource outside that boundary**, comprising:

- c.£2.01 billion of pre-16 home-to-school transport;
- c.£600 million of Universal Infant Free School Meals; and
- £320 million of Primary PE and Sport Premium.

This is an accounting-boundary finding.

It is **not** an estimate of the marginal cost of the forecast 35,000 pupils and should not simply be added to the Government's £270 million illustration.

The relevant questions are:

- Were these resources considered in the assessment?
- Which were judged capable of generating additional expenditure when pupils entered state education?
- Which were judged fixed, already funded or immaterial?
- Where were any marginal consequences incorporated?
- Where they were excluded, what was the basis for that judgement?

Question 8: What other pupil-responsive public expenditure was considered?

The B2 audit identifies further public expenditure potentially relevant to pupil movement but not sufficiently secure for inclusion in the £2.93 billion quantified total.

These areas include:

- local-authority education functions;
- SEND assessment and administration;
- health-related provision;
- careers and participation infrastructure;
- alternative provision;
- central administration and regulation; and
- other system services.

The question is not how much of B2 can be added to B1.

It is:

Which B2 costs were examined for potential marginal responsiveness, and which were judged sufficiently fixed, overlapping or immaterial to exclude?

10.6 Composition and eligibility**Question 9: What characteristics were assumed for the additional pupils?**

Even a correctly aligned system-wide average can be a poor marginal-cost estimate if the forecast additional pupils differ materially from the existing state-school population.

The modelling should therefore make clear what was assumed about:

- age;
- SEND status;
- EHCP status;
- eligibility for targeted support;
- transport eligibility;
- geography;
- school phase; and
- destination within the state-funded system.

In particular:

Were pupils moving from independent education assumed to draw targeted resources at population-average rates, or was their expected composition modelled separately?

This is important for expenditure such as:

- High Needs;
- Pupil Premium;
- SEND transport; and
- age-specific programmes.

10.7 The reference date

Question 10: What funding baseline and cut-off convention governed the October 2024 assessment?

The £7,690 figure originated in DfE's January 2024 estimate of 2024–25 school funding.

During the intervening period, material funding developments affecting the same 2024–25 system were announced, including:

- Teachers' Pension Employer Contribution Grant funding; and
- the Core Schools Budget Grant.

DfE's representation of the 2024–25 funding position subsequently evolved.

The correct question is not whether Government necessarily made an error by retaining the January figure.

Forecasts and policy costings may properly use baselines fixed at an agreed cut-off date.

Further clarification should therefore establish:

- what formal baseline applied;
- what cut-off convention governed the costing;
- whether the January £7,690 figure was the formally applicable input;
- how TPECG and CSBG were treated;
- whether later funding developments were captured elsewhere; and
- whether any sensitivity analysis tested the effect of using a later 2024–25 funding position.

This question should now be treated principally as one of **transparency and baseline methodology**, not as a claim that a later average figure necessarily should have replaced £7,690.

Question 11: How were local-authority commissioned and arm's-length education resources reconciled with the £7,690 boundary?

Local authorities may deliver education functions directly or through LATCOs, wholly owned companies, arm's-length bodies and other providers. Those bodies may combine funding

already represented within Category A with council-base funding, other public contracts and school-purchased services.

Further clarification should establish:

- which such resources were identified;
- their original funding sources;
- which elements were already represented within Category A;
- which publicly funded elements sat outside it;
- how school-purchased services were prevented from being double counted;
- what proportion related to the relevant 5–16 population; and
- whether any such expenditure was expected to respond to additional state-sector pupils.

10.8 Population boundary and post-16 education

Question 11: Did the population represented by £7,690 match the population represented by the behavioural forecast?

The £7,690 measure related to pupils aged 5–16.

Government's behavioural assessment anticipated responses at transition points extending into post-16 education.

Further clarification should establish:

- the age profile assumed for the approximately 35,000 additional state-sector pupils;
- whether the forecast included 16–18-year-olds;
- the number expected to change sector at post-16 transition;
- the expected destinations of those pupils;
- the funding or marginal-cost assumptions applied to them; and
- where those consequences appeared in the expenditure analysis.

The question is not whether all post-16 expenditure should be added to £7,690.

It is whether **post-16 movements were costed using the appropriate population and funding system**.

10.9 State-sector capacity and marginal cost

Question 12: How was state-sector capacity modelled?

The marginal cost of an additional pupil depends materially upon whether suitable capacity already exists.

The modelling should therefore make clear:

- how capacity was assessed geographically;
- how primary, secondary and post-16 capacity were distinguished;

- how SEND and specialist capacity were treated;
- whether physical capacity and funded/staffed capacity were distinguished;
- what assumptions were made about pupil distribution;
- and what thresholds determined when additional staffing, classes or capital expenditure would be required.

This is central to the distinction between **average funding and marginal cost**.

Question 13: Were geographically concentrated movements modelled separately from dispersed pupil movement?

A gradual reduction in independent-school participation spread across the country may be absorbed differently from the closure of a substantial school in one locality.

Further clarification should establish whether the model tested scenarios in which closure displaced substantial cohorts simultaneously and whether those scenarios altered assumptions concerning:

- local capacity;
- staffing;
- transport;
- specialist provision; or
- capital expenditure.

10.10 School closure and educational capacity

Question 14: How was the approximately 100 additional-closure forecast derived?

Government forecast approximately **100 additional independent-school closures over three years above normal turnover**.

Further clarification should establish:

- the counterfactual closure rate;
- the methodology used to derive the additional-closure estimate;
- the assumed size and pupil capacity of schools expected to close;
- school type and geography;
- whether openings were incorporated into the counterfactual;
- the expected net change in sector capacity;
- the number of pupils expected to be displaced; and
- how closure-related movement was incorporated into the wider 35,000-pupil forecast.

Emerging evidence makes this increasingly important.

Government-register-based analysis reported **71 closures and 107 openings during 2025**, while schools closing were materially larger than historically typical closing schools.

By early January 2026, the ISC reported **105 schools had ceased operations since implementation**, although that figure included **15 mergers** and cannot be treated as equivalent to either a confirmed permanent-closure count or Government's additional-closure forecast. Further permanent closures occurred during 2026. This review therefore recognises that gross counts and capacity measures need to be kept separate.

The relevant evaluation question is therefore:

Has the sector experienced merely a change in the number of institutions, or a material change in the amount, type and geographical distribution of educational capacity?

Question 15: Are different structural events being classified consistently?

Post-implementation evidence should distinguish:

- confirmed permanent closures;
- announced or proposed closures;
- mergers;
- acquisitions;
- rescues;
- ownership changes;
- partial closures; and
- restructurings.

A merger may preserve provision.

A rescue may prevent a planned closure.

An ownership change may result in no capacity loss.

The monitoring framework should therefore make clear:

- what constitutes a closure;
- what date determines closure;
- how mergers and rescues are treated;
- whether partial closures are recorded separately; and
- whether capacity loss is measured by establishment, site, phase and pupil places.

10.11 School cost reduction and service provision

Question 16: What did the assumed reduction in schools' cost base mean in practice?

Government assumed that the independent-sector cost base would eventually be approximately **12% lower than otherwise expected**, including approximately **5% through schools reducing costs**.

Further clarification should establish:

- what expenditure was expected to be reduced;
- what evidence supported the scale of those reductions;
- and whether consequences were assessed for:
 - staffing;
 - curriculum breadth;
 - extracurricular provision;
 - SEND and specialist support;
 - bursaries;
 - maintenance;
 - capital investment; and
 - other services.

If reduced service provision formed part of the assumed behavioural adjustment, its effect on subsequent family demand should also be considered.

10.12 Cumulative fiscal pressure and non-additivity
Question 17: Were the combined behavioural effects of the fiscal measures modelled?

Independent schools experienced several substantial fiscal changes over a short period:

- increased Teachers' Pension Scheme employer contributions;
- VAT on fees;
- removal of charitable business-rates relief in England; and
- increased employer National Insurance costs.

These measures are distinct and separate impact assessments are normal.

The question is different:

Were school viability and family behaviour tested against the combined financial environment actually experienced?

The relevant question is therefore not whether the individual fiscal costings should simply have been added together. It is whether the behavioural and viability analysis adequately reflected the combined circumstances in which schools and families were making decisions. Schools

respond to their overall financial position, while families respond to the overall price and educational proposition they face.

This issue has also arisen in Parliamentary scrutiny. Damian Hinds MP asked the Treasury about the combined effects of VAT, employer NICs, TPS contributions and business rates on pupil numbers. The Treasury replied that TIINs assess tax changes separately by measure.

That explains the structure of individual TIINs.

It does not establish whether an integrated behavioural or viability analysis existed.

Further clarification should therefore establish whether representative-school scenarios or sensitivity tests examined the cumulative effects on:

- fees;
- affordability;
- staffing;
- cost reduction;
- reserves;
- bursaries;
- pupil numbers;
- and school viability.

Question 18: Were non-additive or threshold effects tested?

Separate effects need not sum linearly.

A school may remain viable under one cost increase but become unviable when several pressures interact.

A household may absorb one fee increase but change its schooling decision once cumulative increases cross an affordability threshold.

A school may reduce expenditure to contain fees, but the reduction in provision may itself affect demand.

Further clarification should therefore establish whether modelling tested:

- threshold effects;
- non-linear responses;
- interactions between cost pressures;
- and scenarios in which the combined behavioural effect differed from the sum of individual effects.

This does **not** assume such effects were necessarily large.

It asks whether they were tested.

10.13 Employment and wider consequences

Question 19: How were employment and other consequential effects treated?

Government acknowledged potential employment consequences and disruption associated with school adjustment and closure.

Further clarification should establish what assumptions were made concerning:

- teaching employment;
- support and administrative staff;
- redundancies arising from cost reduction;
- jobs lost through closure;
- Income Tax and National Insurance effects;
- benefit expenditure;
- suppliers and contractors;
- and local economic consequences.

Not every such effect necessarily belongs in the headline Exchequer costing.

The relevant question is:

Which effects were assessed, which were judged material, which were excluded, and why?

10.14 Wider resource eligibility

Question 20: Was changing eligibility for supplementary resources considered?

The resource review identifies examples of publicly funded and externally provided programmes for which attendance at a state school may affect eligibility.

A pupil entering state education may therefore gain access to supplementary provision not previously available.

This should not be confused with marginal Exchequer cost.

The relevant distinctions are:

eligibility → utilisation → marginal expenditure

and, for externally funded provision:

eligibility → resource availability without necessarily creating public expenditure.

Was this wider change in resource environment considered when assessing the consequences of sector movement?

The C1/C2 mapping remains preliminary and is not used to derive an aggregate monetary value.

The same discipline applies to local-authority or externally delivered services: availability to a state school or pupil does not by itself establish either additional expenditure or exclusion from Category A.

10.15 Monitoring and evaluation

Question 21: What systematic framework is being used to test the original assumptions?

HMRC's published monitoring statement says the measure will be kept under review through communication with taxpayer groups, stakeholders and education departments.

Further clarification should establish what quantitative evaluation framework accompanies that process.

In particular:

- what pupil measures are being monitored;
- how demographic change is separated from policy-associated effects;
- how fewer prospective entrants are being estimated;
- how entry and retention patterns are being analysed;
- how fee pass-through is being assessed;
- how school cost reduction and service changes are being measured;
- how closures are compared with the counterfactual;
- whether openings and net capacity change are being recorded;
- how school type and geography are treated;
- how state-sector demand and actual marginal expenditure are being measured;
- how cumulative fiscal effects are being assessed;
- and over what timescale assumptions are formally reviewed.

A long-run forecast need not be judged prematurely.

But it should be capable of **progressive empirical testing**.

10.16 Disclosure and the outstanding FOI requests

Many of the questions above may already have answers within Government.

Relevant material may include:

- underlying behavioural models;
- elasticity sensitivity analysis;
- evidence reviews;
- consultation-analysis papers;

- age and transition-point assumptions;
- marginal-cost calculations;
- the basis for selecting £7,690;
- updated school-funding inputs;
- costing baseline and cut-off conventions;
- state-sector capacity assumptions;
- school-viability modelling;
- closure methodology;
- assumptions about school size and capacity;
- cumulative or integrated fiscal scenarios;
- and monitoring and evaluation plans.

On **18 August 2026**, AFIS submitted Freedom of Information requests to:

- HM Treasury;
- the Department for Education; and
- HMRC

seeking relevant pre-implementation modelling and subsequent evaluation.

The requests include material concerning:

- average versus marginal state-sector cost;
- behavioural and pupil-movement assumptions;
- school viability and closures;
- state-sector capacity;
- cumulative and interaction effects;
- cross-departmental analysis; and
- post-implementation monitoring or back-testing.

Substantive responses remained pending at the date of publication.

The existence of these requests should not be interpreted as evidence that Government did not undertake the analysis.

The purpose is to establish what analysis exists and enable relevant evidence, where held and disclosable, to be examined.

10.17 Is the published evidence sufficient for independent scrutiny?

A central purpose of impact assessment is to allow policy assumptions and expected consequences to be understood and scrutinised.

The question is therefore not whether every internal working paper should routinely be published.

It is:

Is sufficient methodological information available to allow the principal assumptions underlying a major fiscal and education policy to be reconstructed, understood and tested independently?

If unpublished modelling answers the questions identified in this report, disclosure of the relevant methodology could materially strengthen confidence in the original assessment.

If no such analysis exists, that would raise a different evidential question.

Either way, the issue is capable of resolution.

10.18 If material weaknesses were identified, was the decision-making evidence sufficient?

This question requires particular caution.

The present Technical Review does **not** conclude that:

- Parliament or the public was misled;
- Government deliberately withheld adverse evidence;
- the fiscal assessment was materially false; or
- the reforms would necessarily have been rejected had different modelling been used.

Those conclusions require evidence not established in this report.

However, if further disclosure or independent review were to identify material:

- gaps in the evidence base;
- inappropriate cost concepts;
- population or accounting mismatches;
- inadequately tested behavioural assumptions;
- materially different internal modelling;
- unmodelled interaction effects;
- or consequential costs not reflected in the published assessment,

a further question would reasonably arise:

Were ministers, Parliament and the public provided with a sufficiently complete and robust account of the likely financial, behavioural and educational consequences when the policy was considered and implemented?

That is a conditional question.

Its relevance depends upon what further scrutiny establishes.

If the original assumptions withstand examination, confidence in the assessment should increase.

If material weaknesses emerge, Government should equally want to understand their significance.

10.19 A practical framework for resolving the questions

Many of the questions identified in this review do not require creation of an entirely new economic model.

They could be addressed through a focused process of evidence reconciliation bringing together:

1. The original modelling

The behavioural, funding, marginal-cost, capacity, viability and closure assumptions used before implementation.

2. The underlying evidence

Including the research, consultation material, funding datasets, pupil populations and other evidence used to calibrate those assumptions.

3. Cost-concept reconciliation

Establishing:

- why average funding was used;
- what alternative marginal-cost approaches were considered;
- and how the chosen cost concept related to actual expenditure mechanisms.

4. Population and composition analysis

Including:

- age;
- transition point;
- SEND;
- eligibility;
- geography;
- and expected destination of additional pupils.

5. Sensitivity analysis

Showing how principal results change under plausible alternative assumptions concerning:

- elasticity;
- fee pass-through;

- pupil response;
- marginal cost;
- capacity;
- school viability; and
- cumulative fiscal pressures.

6. Emerging observed evidence

Including:

- pupil participation;
- entry and retention;
- fees;
- school openings and closures;
- educational capacity;
- state-sector admissions;
- post-16 demand;
- and actual additional public expenditure.

7. A status-controlled closure and capacity dataset

Separating:

- confirmed closures;
- proposed closures;
- mergers;
- rescues;
- acquisitions;
- openings;
- and other structural events,

while recording:

- pupil capacity;
- school type;
- age range;
- geography;
- and provision lost or created.

8. The counterfactual

Separating changes likely to have occurred anyway, including demographic change, normal school turnover and wider economic pressures, from changes potentially associated with the fiscal reforms.

9. Cumulative-impact analysis

Testing whether the combined financial environment produced behavioural or viability effects materially different from those implied by separate assessments.

10. Post-implementation evaluation

Establishing a transparent timetable, metrics and review framework for testing the original assumptions progressively.

11. Publication of findings

Providing sufficient methodology and evidence for independent scrutiny.

The purpose would not be to begin from the assumption that the policy was wrong.

It would be to answer a narrower question:

Did the evidence and modelling used before implementation provide a sufficiently robust account of the likely consequences, and what does the evidence now emerging tell us about those assumptions?

10.20 The case for an independent evidence review

Taken individually, many of the questions identified in this report may have straightforward answers.

The case for review arises from their **combination and interdependence**.

The published assessment involved:

- acknowledged uncertainty concerning family behavioural response;
- a long-run forecast substantially driven by fewer prospective entrants;
- an average 5–16 school-funding statistic used as the basis for illustrating an incremental state-sector expenditure consequence;
- an alternative marginal-cost methodology already present in the published literature;
- identifiable public resource outside the £7,690 accounting boundary;
- uncertainty about the marginal responsiveness of those wider resources;
- a funding input originating early in 2024 and subsequent material funding developments during the same year;
- behavioural assumptions extending into post-16 transition;
- assumptions about substantial school cost reduction;
- an explicit forecast of approximately 100 additional closures above normal turnover;

- several concurrent fiscal pressures affecting school finances;
- the possibility of non-additive or threshold effects;
- capacity consequences dependent upon age, geography and school closure;
- and post-implementation evidence which is now making several parts of the model progressively testable.

The developing closure evidence adds a further methodological lesson:

institution counts alone may not adequately describe structural change in educational capacity.

The developing pupil evidence adds another:

observed change alone is not the same thing as policy-attributable change.

And the economist's cost-concept issue adds a third:

a valid average funding statistic is not automatically the correct measure of incremental public expenditure.

None of these points, individually, proves that the Government's final fiscal estimate was wrong.

Together, however, they create a strong case for the underlying evidence and modelling to be reconciled, explained and tested transparently.

An independent evidence review could therefore establish:

- what cost concept was used and why;
- what was counted;
- what was excluded and why;
- what behavioural evidence was relied upon;
- what population profile was assumed;
- how uncertainty was tested;
- how state-sector capacity was modelled;
- how school viability and closures were assessed;
- whether the combined fiscal environment was tested;
- and whether emerging outcomes remain consistent with the mechanisms assumed before implementation.

That is the purpose of the wider AFIS **Case for an Independent Review of the Evidence Base Underpinning Recent Fiscal Reforms Affecting Independent Schooling.**

10.21 Finding

The central finding of this section is not that a long list of unanswered questions necessarily represents a corresponding list of Government failures.

It is that the published evidence leaves a number of **material, interconnected and testable methodological questions**.

Some may be answered by information already held by Government or the OBR.

Some may require additional analysis.

Some may ultimately prove quantitatively immaterial.

The important point is that the questions are capable of being examined.

Implementation is now generating evidence with which important parts of the original model can be tested.

The closure evidence provides one example.

A simple count of schools closing in 2025 might suggest broadly normal institutional turnover.

Examination of the capacity of the schools closing, together with continuing closure activity during 2026, produces a more complex picture.

That does not establish causation.

It demonstrates why **choice of metric** matters.

The state-sector cost question provides another example.

£7,690 may be a perfectly valid average funding statistic.

That does not establish that it was the correct marginal-cost proxy for the policy question.

The behavioural question provides another.

Separate TIINs may be entirely proper.

That does not establish that the combined environment experienced by schools and families was behaviourally additive.

The appropriate test is therefore straightforward:

If the original assumptions, methodological choices and calculations withstand examination, that should increase confidence in them.

If they do not, Government should want to know.

The final section draws together what this review establishes, what it does not establish, and the case for transparent independent scrutiny of the evidence and modelling underpinning the reforms.

11. Conclusion

11.1 What this review set out to examine

This review began with a relatively simple question:

What did the Government's published estimate of the additional public cost associated with pupils moving from independent to state education actually measure?

Answering that question required examination of more than the headline figure.

The Government's assessment depended upon a chain of assumptions:

fiscal measures → school response → changes in fees and provision → family behavioural response → pupil movement → state-sector demand → additional public expenditure

The analysis in this report has therefore examined the principal stages of that chain, including:

- the behavioural evidence;
- the cost concept used to represent additional state-sector expenditure;
- the £7,690 school-funding measure and its accounting boundary;
- the treatment of wider public resources delivered through local authorities, commissioned bodies and external delivery structures;
- the population represented by that measure;
- its reference date;
- state-sector capacity;
- school cost reduction and viability;
- school-closure assumptions;
- the interaction of concurrent fiscal pressures; and
- the emerging evidence against which the assumptions can increasingly be tested.

The result is not an alternative Government forecast.

It is an examination of the **evidential, methodological and accounting framework underlying the published one.**

11.2 The most fundamental issue is cost concept

The £7,690 figure was not an invented or illegitimate number.

It was a valid Department for Education statistic representing **average school-revenue funding for pupils aged 5–16**.

But that does not make it synonymous with the **marginal public cost of accommodating an additional pupil**.

Those are different analytical concepts.

Average funding describes how much funding, within a defined boundary, is allocated across an existing pupil population.

Marginal cost asks what additional public expenditure is actually triggered when one or more additional pupils enter the system.

The answer may differ materially according to:

- age;
- pupil need;
- eligibility;
- geography;
- school phase;
- existing spare capacity; and
- whether additional staffing, transport, specialist provision or capital is required.

That distinction is central to this review.

It is also notable that an explicitly marginal-cost approach already existed in published analysis before implementation.

The Institute for Fiscal Studies had modelled the additional state-sector cost using a central marginal-cost assumption of approximately £5,900 per pupil, alongside lower and higher scenarios.

AFIS does **not** argue that the IFS figure should necessarily have been substituted for £7,690.

The significance of the comparison is methodological rather than numerical. The IFS estimate is not presented here as the alternative “correct” figure; it demonstrates that an explicitly marginal approach to the same broad policy question was available in published analysis before implementation. The relevant question is therefore:

Why was an average school-funding measure selected to illustrate an incremental expenditure consequence, and what alternative marginal-cost approaches were considered?

The review therefore concludes that the appropriate question was never simply:

“What is average state-school funding per pupil?”

It was:

“Which expenditure mechanisms respond when additional pupils enter state provision, for which pupils, under what circumstances, at what point and by how much?”

11.3 The £7,690 figure also represented a defined accounting boundary

At the same time, £7,690 should not be characterised as merely the delegated budget of an individual mainstream school. The national funding measure underlying it already incorporated substantial elements including the schools block, most high-needs funding, Pupil Premium and the Central School Services Block. Those resources are therefore treated within Category A in this review and are not counted again within Category B. Preventing such double counting is a central principle of the resource audit.

The resource audit undertaken for this review confirms that identifiable public resources associated with the broad pre-16 schooling system sat outside the £7,690 school-revenue funding boundary.

Under AFIS's deliberately conservative B1 methodology, three comparatively clear examples amount to approximately **£2.93 billion on an annual-scale basis**:

- **c.£2.01 billion** of pre-16 home-to-school transport;
- **c.£600 million** of Universal Infant Free School Meals; and
- **£320 million** of Primary PE and Sport Premium.

The components do not all use precisely identical financial-year or academic-year reporting conventions.

The £2.93 billion should therefore be understood as:

an approximate annual-scale accounting-boundary finding

rather than:

a single-basis audited expenditure total

or:

an estimate of the marginal cost of pupil movement.

Further public expenditure exists outside or alongside the school-revenue funding measure, but has deliberately not been added where:

- attribution;
- overlap;
- eligibility;
- population;
- timing;
- or marginal responsiveness

cannot yet be established with sufficient confidence.

The conclusion is therefore **not** that Government simply “forgot £2.93 billion”.

It is narrower:

The expenditure illustration used a defined school-funding boundary. Material identifiable public resources sat outside that boundary. The relevant question is which of those resources were expected to respond to additional state-sector pupils, which were not, and where any resulting expenditure was captured.

The review has also identified a further reason why the boundary cannot always be reconstructed from organisational accounts alone. Relevant public education functions may be delivered directly by local authorities or through publicly controlled companies, arm's-length bodies and commissioned providers, sometimes using mixed funding streams. The fact that expenditure appears outside an individual school budget, or inside the accounts of a separate limited company, does not establish that it falls outside the £7,690 measure. Equally, relevant council or other public expenditure may genuinely sit beyond that boundary. The funding flow must therefore be traced to source.

This reinforces the methodological principle adopted in this review: **follow the funding, not the organisational form.**

11.4 The wider resource system should not be collapsed into one alternative average

The wider resource system should not be collapsed into a single alternative ‘true resource per pupil’ figure

That approach risks confusing:

- different age populations;
- different reporting periods;
- average resource with marginal expenditure;
- and targeted expenditure with the likely resource profile of pupils moving from independent education.

Even where numerator and denominator are correctly aligned, a descriptive system-wide average may remain an inappropriate marginal-cost estimate if the affected pupils differ materially from the existing state-school population.

That is particularly important for expenditure concentrated among particular groups, including:

- High Needs;
- Pupil Premium;
- SEND transport;
- age-specific meal provision; and

- other targeted services.

The correct technical response to uncertainty is therefore **not** to construct another larger average.

It is to identify the expenditure mechanisms and pupil characteristics that determine actual marginal cost.

This is one of the principal methodological corrections produced by this review.

11.5 The reference-date issue remains relevant, but secondary

The £7,690 figure originated in January 2024.

During the period before it was used in the October 2024 assessment, material funding developments affecting the same 2024–25 system were announced, including:

- Teachers' Pension Employer Contribution Grant funding; and
- the Core Schools Budget Grant.

DfE's representation of the 2024–25 funding position subsequently evolved.

This creates a legitimate reference-date question.

But the evidence does not justify describing the use of £7,690 as necessarily erroneous.

Forecasts and policy costings may properly operate against baselines fixed at formal cut-off dates.

The relevant question is therefore:

What baseline and cut-off convention applied, how were subsequent funding developments treated, and was the sensitivity of the result to later 2024–25 funding information tested?

That question should be resolved through clarification of the methodology rather than by substituting an AFIS-derived alternative average.

The reference-date issue is therefore **secondary to the more fundamental question of whether average funding was the appropriate cost concept in the first place.**

11.6 The population boundary also requires reconciliation

The £7,690 funding measure related to pupils aged 5–16.

Government's behavioural assessment, however, anticipated responses at educational transition points extending into post-16 education.

This creates a population-boundary question:

Did the population represented by the expenditure measure align appropriately with the population represented by the behavioural forecast?

The answer should establish:

- the assumed age profile of the approximately 35,000 additional state-sector pupils;
- whether the forecast included 16–18-year-olds;
- their expected destinations;
- the funding or marginal-cost assumptions applied to them; and
- how post-16 capacity was treated.

This review does **not** argue that all 16–19 expenditure should be added to the 5–16 figure.

Doing so would conflate different population and funding boundaries and risk constructing another descriptive average rather than identifying the relevant marginal expenditure.

The correct approach is to treat post-16 movement separately and apply the appropriate funding and capacity framework to the pupils concerned.

11.7 Behavioural uncertainty remains central

The fiscal assessment ultimately depended upon assumptions about how schools and families would respond.

The OBR itself acknowledged that evidence on the responsiveness of demand for private-school places was limited.

The long-run forecast also depended substantially upon **fewer prospective entrants**, rather than only upon existing pupils visibly leaving independent schools.

That distinction matters because prospective non-entry is inherently more difficult to observe and evaluate.

The evidence review should therefore establish:

- what behavioural research Government considered;
- how consultation evidence was used;
- how the 0.5 elasticity assumption was calibrated;
- what alternative behavioural assumptions were tested;
- how existing and prospective families were distinguished;
- and whether subgroup differences were examined.

Published UK research available before implementation had examined determinants of private-school participation in greater detail, including income, wealth, parental preferences, previous participation and state-school alternatives.

The existence of that research does not establish that the OBR's assumption was wrong.

It makes the question of **what evidence was reviewed and how it informed the model** more important.

11.8 Separate fiscal assessments do not resolve the cumulative-behaviour question

VAT did not operate in isolation.

Independent schools faced within a relatively short period:

- increased Teachers' Pension Scheme employer contributions;
- VAT on fees;
- removal of charitable business-rates relief in England; and
- increased employer National Insurance costs.

These measures are legally and fiscally distinct.

Separate impact assessments for separate measures are normal.

That is not the methodological criticism.

The issue is different:

schools and families experience the combined financial environment, not each measure in isolation.

Where the behavioural model depends upon assumptions about:

- schools absorbing costs;
- reducing expenditure;
- limiting fee increases;
- maintaining pupil numbers;
- and remaining viable,

the relevant question is whether those assumptions were tested against the **combined financial pressures schools would actually face**.

This is particularly important because behavioural effects may be **non-additive**.

A school that remains viable under one cost increase may cross a financial threshold when several operate simultaneously.

A household that absorbs one fee increase may alter its schooling decision once cumulative increases cross an affordability threshold.

A school may reduce provision to contain fees, and that reduction may itself affect demand.

The combined behavioural response therefore need not equal the sum of the separately modelled responses.

The Treasury's response to Damian Hinds MP, that TIINs examine individual tax measures separately, explains the structure of individual impact notes.

It does not, by itself, establish whether an integrated behavioural or school-viability analysis was undertaken.

That is now one of the principal questions arising from the review.

11.9 School closure demonstrates why thresholds and geography matter

Government explicitly anticipated approximately **100 additional independent-school closures over three years above normal turnover**.

Closure therefore formed part of the original behavioural model.

It should not be evaluated simply by comparing that forecast with a gross count of schools ceasing operations.

The correct comparison requires:

- the counterfactual closure rate;
- openings;
- mergers;
- rescues;
- acquisitions;
- school type;
- geography;
- and educational capacity.

Government-register-based analysis reported **71 closures and 107 openings in 2025**.

On institution numbers alone, that may appear consistent with ordinary turnover.

But average capacity among the schools closing was materially higher than in 2024 and over the longer historical period.

Closure activity also continued during 2026.

By early January 2026, the Independent Schools Council reported that **105 schools had ceased operations since implementation**, although that figure included **15 mergers** and should not be treated as equivalent to a confirmed permanent-closure count.

Further substantial permanent closures followed during 2026.

None of this establishes that VAT caused the closures.

Nor does it establish that Government's forecast of approximately 100 **additional** closures has already been reached.

It establishes a narrower methodological point:

institution counts alone may provide an incomplete picture of structural change.

A school opening and a school closure are not necessarily equivalent units of educational capacity.

The relevant evaluation should therefore consider:

institutions + capacity + type + geography + counterfactual

rather than gross establishment numbers alone.

11.10 Closure also changes the marginal-cost mechanism

School closure matters to the state-sector expenditure question because it can produce a different pattern of pupil movement.

A gradual reduction in independent-school participation may be dispersed across many schools and areas.

Closure of an entire school can instead displace substantial cohorts in one locality and at broadly the same time.

Where suitable nearby state provision has spare capacity, additional pupils may be accommodated with limited immediate expenditure.

Where local capacity is constrained, the same number of pupils may require:

- additional classes;
- teachers;
- transport;
- specialist provision;
- temporary accommodation;
- or capital expansion.

Marginal cost is therefore potentially:

non-linear, threshold-sensitive and geographically heterogeneous.

This is another reason why neither a national average funding figure nor a national spare-capacity figure is sufficient on its own to determine the expenditure consequence of pupil movement.

11.11 Emerging evidence should test mechanisms as well as outcomes

Implementation is now changing the evidential position.

Evidence is emerging on:

- independent-school pupil numbers;
- entry and retention;
- fees;
- school cost reduction;
- school openings and closures;
- educational capacity;

- state-sector demand;
- post-16 pressure;
- and the operation of the wider fiscal package.

The long-run forecast cannot yet fairly be declared either right or wrong.

But:

“long run” should not mean “untestable until the long run has arrived.”

Different assumptions become testable at different times.

A robust post-implementation evaluation should therefore test not merely whether the eventual headline number resembles the original forecast, but whether the **mechanisms underlying that forecast** behaved as expected.

That includes:

- fee pass-through;
- school absorption;
- cost reduction;
- existing-pupil exits;
- prospective non-entry;
- closure;
- capacity;
- actual marginal expenditure;
- and interaction effects between concurrent fiscal pressures.

A forecast may ultimately produce approximately the correct headline number for reasons materially different from those assumed before implementation.

That is why the mechanism matters.

11.12 What this review does not establish

The review does **not** establish that:

- the £7,690 DfE funding statistic was false;
- the IFS's £5,900 marginal-cost assumption was necessarily the correct alternative;
- £2.93 billion should simply have been added to the Government's state-sector expenditure illustration;
- £2.93 billion represents the additional cost of accommodating 35,000 pupils;
- a single higher AFIS “true cost per pupil” should replace £7,690;
- the January 2024 funding baseline was necessarily invalid by October 2024;

- all post-16 expenditure was omitted;
- every public resource outside Category A is marginal;
- every school closure after January 2025 was caused by VAT;
- the ISC's 105 "ceased operations" figure represents 105 confirmed permanent closures;
- the Government's forecast of approximately 100 additional closures has already been reached;
- more school openings than closures establishes that sector capacity increased;
- every announced closure ultimately results in lost capacity;
- cumulative fiscal effects were necessarily quantitatively large;
- the observed fall in independent-school pupil numbers is wholly policy-induced;
- the Government's long-run pupil forecast has already been proved either right or wrong;
- Government failed to conduct relevant internal analysis; or
- Parliament or the public was misled.

The evidence presently available to AFIS does not justify those conclusions. In particular, the absence of analysis from the published record should not be interpreted as evidence that relevant internal analysis did not take place.

What the available evidence does justify is independent scrutiny of the cost concepts, assumptions, accounting and population boundaries, evidence and modelling that produced the published assessment, together with examination of relevant underlying analysis where held and disclosable.

11.13 What this review does establish

The review establishes that:

1. The Government's state-sector expenditure illustration used an average funding statistic rather than a purpose-built marginal-cost estimate.

The £7,690 figure was a legitimate DfE measure of average 5–16 school-revenue funding.

2. Average school-revenue funding and marginal public-expenditure consequences are different analytical concepts.

The IFS had separately modelled the additional state-sector cost using a marginal-cost framework.

This does not establish that Government should have used the IFS number, but it strengthens the question of why average funding was selected as the relevant proxy.

3. The £7,690 statistic represented a defined and comparatively broad 5–16 school-revenue funding boundary, but not the full public-resource architecture associated with state schooling.

The measure already incorporated substantial elements including the schools block, most high-needs funding, Pupil Premium and the Central School Services Block, which AFIS therefore does not count again. Under AFIS's deliberately conservative B1 methodology, approximately £2.93 billion of annual-scale public resource can nevertheless be identified outside that boundary.

4. The £2.93 billion is an accounting-boundary finding, not a marginal-cost estimate.

It should not be divided by pupil numbers, added to the £7,690 figure or used to revise the Government's approximately £270 million expenditure illustration. Its significance is that it identifies material public-resource mechanisms outside the accounting boundary represented by £7,690 and therefore helps define the expenditure mechanisms whose marginal responsiveness should be examined.

5. Population composition matters.

Even a correctly calculated average may be inappropriate for marginal costing where the additional pupil population does not resemble the existing state-school population in age, need, eligibility or geography.

6. The January 2024 funding input creates a legitimate baseline-transparency question.

Material 2024–25 funding developments occurred before the October assessment, although use of an earlier baseline may have reflected a legitimate formal costing convention.

7. The 5–16 expenditure boundary requires reconciliation with behavioural assumptions extending into post-16 transition.

The relevant question is not whether a post-16 average should simply be added to, or blended with, the 5–16 figure. It is whether the population whose behaviour was modelled was aligned with the population for which state-sector expenditure consequences were assessed, including how post-16 pupils, their likely destinations, applicable funding arrangements and capacity implications were treated.

8. The behavioural forecast depended upon assumptions made in an area where the OBR itself acknowledged limited evidence.

A substantial part of the long-run effect was expected to occur through fewer prospective entrants, which requires evaluation of entry and participation patterns rather than only visible transfers.

9. Government anticipated material institutional responses.

These included cost reduction, reduced service provision and approximately 100 additional school closures over three years above normal turnover.

10. Schools were simultaneously exposed to several significant fiscal pressures.

That makes the distinction between separate fiscal assessment and integrated behavioural/viability analysis methodologically important.

11. Behavioural and viability effects may be non-additive.

Whether such interaction effects were quantitatively important is an evidential question, but the possibility should be tested rather than assumed away.

12. Emerging closure evidence demonstrates that institution counts alone can provide an incomplete picture of structural change.

The 2025 evidence indicates unusually large average capacity among closing schools, while significant closure activity continued into 2026.

13. Geography and capacity affect marginal cost.

National spare places do not establish the availability of appropriate local places where additional pupils require them.

14. Several central assumptions are now becoming empirically testable.

Post-implementation evidence should be used progressively to test the model's mechanisms as well as its ultimate headline outcomes.

None of these findings alone establishes that the Government's overall fiscal conclusion was wrong.

Together, they establish a case for the underlying evidence, assumptions and modelling to be independently examined, reconciled with the published assessment and tested against subsequent evidence.

11.14 The outstanding evidence may answer many of these questions

There may be perfectly good answers to every question raised in this report.

Government departments and the OBR may hold analysis not apparent from the published material.

For example:

- marginal-cost alternatives may have been examined;
- relevant wider resources may have been considered and judged non-marginal;
- the pupil composition may have been modelled;
- updated funding information may have been considered;
- post-16 pupils may have been treated separately;
- local capacity may have been modelled geographically;
- cumulative school-level pressures may have been sensitivity-tested;
- representative-school viability scenarios may have been developed;

- and school closure may have been modelled in substantially greater detail than the published assessment reveals.

If so, disclosure or explanation of that evidence could resolve or materially narrow many of the questions identified in this review.

AFIS has therefore submitted Freedom of Information requests to:

- HM Treasury;
- HMRC; and
- the Department for Education

seeking relevant pre-implementation modelling and subsequent evaluation.

The requests include material concerning:

- marginal state-sector costs;
- pupil movement;
- behavioural assumptions;
- school viability;
- closure;
- local capacity;
- cumulative fiscal effects;
- cross-departmental modelling; and
- post-implementation evaluation.

Substantive responses remained pending at the date of publication.

The existence of those requests should not be interpreted as evidence that the relevant analysis does not exist.

The purpose is to establish what analysis was undertaken and enable it, where held and disclosable, to be independently examined.

11.15 The case for an independent evidence review

AFIS believes the appropriate response is not to substitute one assertion for another.

It is to **test the evidence**.

The case for review arises not from any one disputed figure, but from the interaction of several methodological and evidential questions.

The original assessment involved:

- acknowledged uncertainty about behavioural response;
- a long-run forecast substantially driven by fewer prospective entrants;

- an average funding statistic used to illustrate an incremental expenditure consequence;
- an alternative marginal-cost methodology available in the published literature;
- identifiable public resources outside the selected accounting boundary;
- uncertainty about the marginal responsiveness of those wider resources;
- a funding input originating early in 2024;
- behavioural assumptions extending into post-16 transition;
- significant school cost-reduction assumptions;
- an explicit closure forecast;
- several concurrent fiscal pressures;
- possible non-linear viability effects;
- geographically sensitive capacity consequences; and
- outcomes that are now becoming progressively observable.

That combination justifies an independent process capable of establishing:

- what was known and what evidence was considered;
- what was assumed and modelled;
- what cost concept was selected and why;
- what was counted, what was excluded and why;
- what population was assumed and whether behavioural and expenditure populations were appropriately aligned;
- how uncertainty and alternative scenarios were tested;
- how school viability and closures were modelled;
- whether the combined financial environment was reflected appropriately in behavioural and viability analysis;
- how state-sector capacity and geographical consequences were treated;
- what has subsequently happened, assessed against appropriate counterfactuals where possible; and
- what should now be learned from the evidence.

This Technical Review should be read alongside AFIS's overarching research paper, *The Case for an Independent Review of the Evidence Base Underpinning Recent Fiscal Reforms Affecting Independent Schooling*. That paper considers the wider evidential chain, including evidence relating to affected families and schools, behavioural assumptions, economic and fiscal modelling, cumulative effects and post-implementation evaluation. The present Technical

Review provides the detailed supporting analysis of cost concepts, accounting and population boundaries, public-resource mechanisms and related methodological questions.

11.16 Final conclusion

Major policy decisions inevitably involve uncertainty.

That makes the quality of the evidence underlying them **more important, not less**.

The reforms examined in this report have implications for:

- public finances;
- state and independent schools;
- staff;
- suppliers;
- local communities;
- educational capacity;
- and family decisions.

Most importantly, they affect educational decisions made by and for tens of thousands of children and families, with consequences that may extend to future generations of pupils.

Being a minority of children cannot mean that the evidence affecting those children and their families should be subject to a lower standard of scrutiny.

AFIS therefore makes a deliberately limited request:

Test the evidence.

There are limits to what can responsibly be reconstructed from outside Government using published material alone. In several areas AFIS has identified potentially relevant public resources but has deliberately refrained from assigning a monetary value where doing so would require unsupported allocation assumptions, unresolved funding-source reconciliation or material risk of double counting.

Non-quantification should not be interpreted as evidence of zero or immaterial expenditure.

Nor should a small non-profit organisation be expected to reconstruct independently every funding flow across central Government, local authorities, publicly controlled companies and commissioned providers in order to establish what Government's own published expenditure measure includes.

Much of the information necessary to resolve these questions is held within Government and the public sector.

The appropriate next step is therefore not for AFIS to manufacture greater apparent precision from incomplete public data. It is for the underlying funding flows and modelling assumptions to be examined through a properly resourced independent review.

AFIS has identified the questions. The proposed review should answer them.

If the original evidence, assumptions, cost concepts, accounting and population boundaries, modelling and calculations withstand that scrutiny, that should increase confidence in them.

If they do not, Government should want to know.

And if an independent review identifies material gaps or weaknesses in the original evidence and modelling, it would then be reasonable to ask a further question:

Were ministers, Parliament and the public given a sufficiently complete, current and robust account of the likely financial, behavioural and educational consequences when these measures were considered and implemented?

That question should not be prejudged.

But neither should it be avoided.

Where policy changes have the potential to affect tens of thousands of children and families, hundreds of schools and future generations of pupils, the evidence and modelling underpinning them should be capable of rigorous independent scrutiny.

References and principal sources

This section identifies the principal published sources used in this Technical Review. Detailed citations, including relevant page, paragraph, table and data references where applicable, are provided in the footnotes throughout the report. This list is therefore intended as a guide to the principal evidence base rather than an exhaustive duplication of those citations.

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