

BiGGAR Economics

Economic Impact of Scottish Independent Schools

A report to



13th April 2016

BiGGAR Economics

Pentlands Science Park

Bush Loan, Penicuik

Midlothian

EH26 0PZ

0131 514 0850

info@biggareconomics.co.uk

www.biggareconomics.co.uk

CONTENTS	Page
1 EXECUTIVE SUMMARY	1
2 INTRODUCTION	3
3 APPROACH	4
4 SCIS MEMBER SCHOOLS.....	6
5 OPERATIONAL IMPACTS.....	9
6 REGIONAL IMPACTS.....	14
7 EXCHEQUER BENEFITS AND EXPORTS	16
8 PUBLIC BENEFIT	20
9 SUMMARY OF ECONOMIC IMPACTS	28

1 EXECUTIVE SUMMARY

The Scottish Council of Independent Schools (SCIS) is an independent, educational charity that represents more than 70 independent schools in Scotland that together educate around 30,000 children. This report presents the findings of an economic impact assessment of SCIS members. **The key finding of the report is that SCIS members generated £455.7 million Gross Value Added (GVA) for the Scottish economy and supported around 10,600 jobs in 2015.** This included:

- a direct contribution of £301.4 million GVA and 7,363 jobs;
- £35.6 million GVA and more than 790 jobs supported in suppliers of goods and services to schools that are members of the SCIS;
- £88.6 million GVA and around 1,940 jobs supported by the expenditure of staff who work in schools that are members of the SCIS;
- £2.5 million GVA and around 80 jobs supported by the additional expenditure of parents whose children attend independent schools on school uniform; and
- £27.7 million GVA and around 460 jobs in the Scottish construction sector as a result of capital investment projects undertaken by SCIS member schools.

This report also estimates that SCIS members generated **£29.8 million in export earnings** for the Scottish economy in 2015 by providing places for international students and made **a contribution of £246.6 million to public finances**, including:

- £156.0 million in cost savings to the state education sector associated with children who would otherwise have attended state schools;
- £1.5 million in non-domestic rates paid by SCIS members to the local authorities in which they operate; and
- £89.2 million in employment taxes paid by and on behalf of the staff who work in schools that are members of the SCIS.

This report also considers the wider public benefits generated by SCIS members. It shows that in 2015 SCIS members provided £29.3 million means-tested and £18.1 million non-means tested financial assistance to pupils. It is possible that some of these pupils may not otherwise have been able to attend independent school and therefore that if this assistance had not been available that some of these pupils would have had to be educated within the state school system instead.

By assuming that all of the pupils who received means tested assistance and one third of the pupils who received non-means tested assistance would otherwise have had to have been educated within the state education system it was estimated that in 2015 the financial assistance provided by SCIS members saved the state education sector up to £29.7 million¹.

The report also shows that SCIS members **contribute to their local communities by providing access to a variety of facilities and opportunities**

¹ This is included within the total £156 cost savings to the public sector highlighted above.

that might not otherwise be available. For example, SCIS members provide public access to a variety of sports facilities and allow community groups to use their facilities for a whole range of different purposes. SCIS members also provide a range of educational opportunities, ranging from free music lessons to Duke of Edinburgh Award training, for children living nearby. Some SCIS members also host regular festivals for the local community.

2 INTRODUCTION

This report presents the findings of a study undertaken by BiGGAR Economics into the economic impact of members of the Scottish Council of Independent Schools (SCIS).

The SCIS is an independent, educational charity (Scottish Charity No. SCO18033) that represents over 70 member schools in Scotland.

In 2015, 30,241 pupils attended independent schools in Scotland that were members of SCIS. This included 1,417 nursery aged pupils, 10,661 primary pupils and 18,163 secondary pupils.

2.1 Report Structure

The remainder of this report is structured as follows:

- section three describes the approach used to estimate the impacts considered in this report;
- section four provides contextual information about the turnover of SCIS member schools, the number of pupils they educate and the number of staff they employ;
- section five quantifies the operational impacts generated by SCIS members;
- section six quantifies the economic impact that SCIS members generate for different Scottish regions;
- section seven considers the cost savings to the state education sector as a result of SCIS provision, the contribution that SCIS members make to the public exchequer through employment taxes and non-domestic rates and the value of export earnings generated by SCIS members as a result of educating pupils from overseas;
- section eight describes the public benefit that SCIS members generate by providing financial assistance to pupils and community access to facilities; and
- section nine presents the conclusions of the analysis.

3 APPROACH

The starting point for this study was a desk-based review of available information about SCIS members. This included data on employment and pupil numbers obtained directly from SCIS and information about the turnover from the sector, which was obtained via returns made by individual schools to the Office of the Scottish Charities Register (OSCR).

3.1 Metrics for Quantitative Impact

This study aims to demonstrate how the activities of the SCIS generate economic impact. Where possible these impacts are quantified in terms of:

- Gross Value Added (GVA), which measures the monetary contribution that an organisation, company or industry adds to the economy through their operations; and
- employment, which is measured in terms of headcount jobs supported, unless stated otherwise.

It takes account of impacts through the economy (multiplier effects) and impacts that occur outside the study area (leakage).

3.2 Sources of Impact

The report considers two main types of economic impact: the operational impacts of SCIS members and the wider contribution of SCIS members to the Scottish economy. The operational impact of SCIS members includes:

- the direct economic impact of members of the SCIS in terms of jobs supported and wealth created;
- the indirect impact of SCIS members' expenditure on supplies;
- the effects of the expenditure of the SCIS members' employees on the Scottish economy;
- the impact on the Scottish construction sector of SCIS members' expenditure on capital projects; and
- the impact of additional expenditure on school uniforms for SCIS school pupils.

All of these impacts are expressed in terms of GVA and jobs supported.

Additionally, the wider contribution that SCIS members make to the Scottish economy includes:

- the contribution made by allowing public access to SCIS member facilities;
- the financial support provided to pupils by SCIS members;
- the contribution that SCIS members make to Scotland's balance of trade; and
- the extent to which SCIS members deliver cost savings to the public sector by reducing the costs to the state of educating children.

3.3 Data Sources

The approach used to estimate each of these economic impacts is described in the relevant section. For some impacts the approach involves using turnover/GVA ratios and estimates of turnover/employee for different sectors of the economy. These estimates were all obtained from the 2014 UK Annual Business Survey (the latest year for which figures are available), published by the Office for National Statistics. The indirect impact of the different types of expenditure were estimated using Type II multipliers for the Scottish economy published by the Scottish Government.

4 SCIS MEMBER SCHOOLS

SCIS represents over 70 member schools in Scotland. The chapter quantifies the scale of SCIS member activity.

4.1 Number of Pupils

In 2015, there were a total of 30,241 pupils in schools that are members of the SCIS. This represents a fall of 3% since 2013/14 when 31,146 pupils attended SCIS member schools.

The latest figures for the total pupil population of Scotland give a total of 676,955 pupils², so in 2015 pupils in SCIS schools represented 4.4% of all Scottish school pupils. This means that if it were a Local Authority area it would be the 8th largest, by primary and secondary pupils combined³.

Of the pupils who attended SCIS member schools in 2015, 18,163 (60%) were in secondary schools, 10,661 (35%) were in primary schools and 1,417 (5%) were in nurseries. Although 3,322 (11%) pupils board, the majority of these (10%) were in secondary schools. Additionally 427 pupils were in special schools, accounting for over 1% of pupils.

Table 4-1 Number of SCIS Pupils by School Type, 2015

	Mainstream Schools	Special Schools	Total (All Schools)
Nursery pupils	1,410	7	1,417
Primary day pupils	10,284	64	10,348
Primary boarding pupils	257	56	313
Secondary day pupils	15,013	141	15,154
Secondary boarding pupils	2,850	159	3,009
All pupils	29,814	427	30,241

Source: SCIS

4.2 Distribution of Independent Schools

Pupils attend SCIS schools in 23 of Scotland's 32 Local Authority areas. Although in the majority of these they do not represent more than 5% of the population they are concentrated in specific Local Authority areas. For example, nearly a quarter (24.2%) of pupils in Edinburgh attend a SCIS school; in Clackmannanshire they represent 18.4%; in Aberdeen City 14.7%; and in Perth and Kinross 13.2%. It should be noted that although they attend schools in these areas, pupils do not necessarily live there.

² Office for National Statistics (2015), Summary statistics for schools in Scotland

³ Scottish Government (2014), 2012 Based Pupil Projections for Scotland and Local Authorities

Table 4-2 – Proportion of SCIS Pupils by Local Authority

	SCIS pupils as a % of all pupils (based on location of school)
Aberdeen City	14.7%
Aberdeenshire	<0.1%
Angus	1.8%
Argyll and Bute	4.2%
Clackmannanshire	18.4%
Dumfries and Galloway	0.2%
Dundee City	6.1%
East Ayrshire	0.2%
East Lothian	6.0%
East Renfrewshire	1.6%
City of Edinburgh	24.2%
Fife	1.1%
Glasgow City	8.9%
Inverclyde	8.0%
Moray	5.5%
North Lanarkshire	0.1%
Perth and Kinross	13.2%
Renfrewshire	0.1%
Scottish Borders	1.2%
South Ayrshire	3.6%
South Lanarkshire	1.7%
Stirling	2.6%
West Lothian	0.2%

Source: SCIS

4.3 Employment in SCIS Sector

Members of the SCIS employed 7,363 full-time equivalent (FTE) employees in 2015, of whom 3,490 were teaching staff and 3,873 were non-teaching staff. This represents a decline of 2% since 2013/14 when the sector employed a total of 7,513 staff.

In 2015, a total of 48,395 teachers were employed in the public sector (this figure excludes nursery and centrally employed staff). Therefore, the total number of teachers employed by SCIS represented 7.2% of the total number of staff employed in state schools by the Scottish Government.

Many staff (3,873) were employed in non-teaching roles, such as nurses, administrators, classroom assistants, and child psychologists. This is particularly

true in special schools, where 868 of the 1,027 staff employed were employed in non-teaching roles.

Table 4-3 – Employment: Full Time Equivalent Staff Numbers, Sept 2015

	Teaching Staff FTEs	Non-teaching Staff FTEs	Total staff
Mainstream schools	3,332	3,005	6,337
Special schools	159	868	1,027
Total	3,490	3,873	7,363

Source: SCIS

4.4 Turnover of SCIS Independent Schools Sector

In 2015 the majority of SCIS members were registered charities and as such were required to submit details of their annual accounts to the Office of the Scottish Charities Register (OSCR). While it should be noted that these returns do not provide a perfect record of the turnover of SCIS members, on balance the limitations of the data are not expected to have a material impact on the overall findings of the analysis.

The main limitation of the data is that for some schools the OSCR return may include charitable activity that is not associated with education provision. For example the Royal Blind School provides care services for blind and partially sighted adults and war veterans as well as educational services. For other schools however the data submitted to the OSCR may not cover every aspect of school activity. For example some schools generate income from after school clubs, which may not be included in the OSCR return.

Despite these limitations the OSCR returns remain the most comprehensive and robust source available on the turnover of SCIS membership as a whole. It has therefore been assumed that on balance any overstatement of activity for some schools has been compensated for by understatement of activity by other schools.

Additionally, although turnover figures for 2015 returns were available for many schools (26), in instances where this was not available 2014 returns were used instead.

The OSCR returns show that members of SCIS that are charities (58) had a registered turnover of £399.3 million in 2014. These schools educated 94% of the pupils in Scotland’s independent schools sector. The turnover of the schools that do not have charitable status was assumed to be proportional to the number of pupils; therefore the total turnover of SCIS members was estimated to be £424.5 million⁴.

⁴ OSCR (2016), Financial Returns

5 OPERATIONAL IMPACTS

This section describes the operational impacts that SCIS members generated through their day-to-day activities. The operational impacts include:

- direct impact;
- impact of spending on supplies;
- impact of staff expenditure;
- impact of expenditure on school uniform; and
- impact of capital spending.

5.1 Direct Impact

The direct economic impact of any institution or sector is the value it adds to the economy through its activities and number of people who are employed directly to deliver these activities. The value an organisation adds to the economy is measured using GVA, which is the total value of the outputs of the organisation less the costs of producing the outputs of the organisation.

In 2015 SCIS members directly employed 7,363 people. The GVA impact of SCIS members was estimated by subtracting the total amount SCIS members spent on supplies from total turnover. The methods for estimating expenditure on supplies and turnover are outline in Section 5.2 and Section 4.4 respectively. In this way it was estimated that the total direct GVA impact of SCIS members in 2015 was £301.4 million GVA.

Table 5-1 – Direct Impact of SCIS Members

Impact	Value
Turnover (£m)	403.4
Expenditure on supplies (£m)	102.0
Direct GVA (£m)	301.4
Direct Jobs	7,363

Source: BiGGAR Economics

5.2 Expenditure on Supplies

SCIS members' expenditure on supplies represents additional turnover within the sectors they purchase supplies from. The total expenditure of SCIS schools on supplies was estimated based on a survey of schools undertaken for the previous economic impact report undertaken for the SCIS in 2014, which suggested that around 25% of turnover was spent on supplies. Applying this assumption to the total turnover of SCIS members in 2015 suggests that members spent a total of £102.0 million on supplies. Based on evidence gathered from the previous impact study it was estimated that 51.5% of this expenditure occurred in Scotland.

Table 5-2 – Supplier Assumptions

Assumption	Value
Expenditure on supplies (£m)	102.0
% expenditure spent in Scotland	51.5%

Source: BiGGAR Economics analysis of SCIS from 2014

The economic impact of this expenditure was estimated by dividing total expenditure by a turnover/GVA ratio for the sectors in which the expenditure occurred. The employment impact of the expenditure was then estimated by dividing the additional turnover by average turnover/employee in these sectors. In this way it was estimated that the purchases made by SCIS members directly contributed £21.5 million GVA to the Scottish economy and supported 470 jobs.

Fulfilling the demand created by SCIS members causes suppliers to increase their own demand for goods and services and to employ additional staff. This results in further expenditure elsewhere in the supply chain. This effect was captured by applying appropriate GVA and employment multipliers. In this way it was estimated that the supplies purchased by SCIS members in Scotland indirectly contributed a further £14.9 million GVA to the Scottish economy and supported 320 further jobs.

Taken together this suggests that the supplies purchased by SCIS members contributed £35.6 million GVA to the Scottish economy and supported 790 jobs. These impacts are summarised in Table 5-3.

Table 5-3 – Supply Impact of SCIS Schools

Impact	GVA (£m)	Employment
Direct impact of expenditure on supplies	21.5	470
Indirect impact of expenditure on supplies	14.1	320
Total impact of expenditure on supplies	35.6	790

Source: BiGGAR Economics

5.3 Employee Spending

SCIS members also have an impact as a result of their staff spending money in the Scottish economy, as this represents additional turnover for businesses.

In order to estimate the impact of this expenditure, it was first estimated, based on the survey of spending for the previous economic impact assessment, that the total staff costs for schools was £297.2 million. It was then assumed that 70% of staff costs would be staff salaries and, based on the Scottish Input-Output tables, 74% of staff salaries would be spent in the Scottish economy.

Table 5-4 – Staff Spending Assumptions

Assumption	Value
Total staff costs (£m)	297.2
% of staff costs paid as salaries	70%
% staff salaries spent in Scotland	74%

Source: Previous BiGGAR Economics Analysis and Scottish Input-Output Tables

The direct economic impact of staff spending was estimated by dividing total spending in Scotland by a turnover/GVA ratio for the whole Scottish economy, as staff are likely to spend their wages in a wide variety of different sectors. The direct employment impact was then estimated by dividing the spending in Scotland by an estimate of turnover/employee across all sectors of the Scottish economy. In this way it was estimated that the expenditure of staff employed by SCIS members directly contributed £47.0 million GVA to the Scottish economy in 2015 and directly supported 960 jobs.

The spending of staff employed by SCIS members will also generate an indirect impact on the economy as the additional custom for businesses will allow them to spend more in the supply chain and support additional employment. This indirect effect was estimated by applying GVA and employment multipliers for the Scottish economy to the direct effects. In this way it was estimated that in 2015 employee expenditure indirectly generated a further £41.6 million GVA for the Scottish economy and indirectly supported 980 jobs.

Taken together this suggests that the expenditure of staff employed by SCIS members contributed £88.6 million GVA to the Scottish economy and supported over 1,940 jobs. These impacts are summarised in Table 5-5.

Table 5-5 – Impact of Staff Spending

Impact	GVA (£m)	Employment
Direct impact of staff spending	47.0	960
Indirect impact of staff spending	41.6	980
Total impact of staff spending	88.6	1,940

Source: BiGGAR Economics

5.4 Capital Projects

Capital projects, such as the construction of new buildings and maintenance of older ones, generate economic value and support employment.

The total annual expenditure of SCIS schools was estimated, based on the expenditure survey carried out for the previous economic impact report, to be £40.4 million. Furthermore, it was assumed that 80% of contracts would be awarded to Scottish contractors.

Table 5-6: Impact of capital projects undertaken by SCIS members

Assumption	Value
Average annual capital expenditure (£m)	40.4
% contracts awarded to Scottish based contractors	80%

Source: Previous BiGGAR Economics analysis of SCIS

The direct economic impact of this expenditure was estimated by applying the turnover/GVA ratio for the construction sector and the employment impact was estimated by applying the ratio of turnover/employee in this sector. In this way it was estimated that SCIS members' expenditure on capital projects directly generated £14.1 million GVA for the Scottish economy and supported 171 years of construction related employment in 2015.

The indirect impact of this was then estimated by applying GVA and employment multipliers for the construction sector. In this way it was estimated that independent schools in Scotland indirectly generated a further £13.6 million GVA for the Scottish economy and supported 170 years of employment in the construction sector.

This suggests that in total, capital projects undertaken by SCIS members contributed £27.7 million GVA to the Scottish economy and supported 460 years of construction related employment. These impacts are summarised in Table 5-7.

Table 5-7: Impact of capital projects undertaken by SCIS members

Impact	GVA (£m)	Employment
Direct impact of capital projects	14.1	230
Indirect impact of capital projects	13.6	230
Total impact of capital projects	27.7	460

Source: BiGGAR Economics

5.5 School Uniform

Specific and distinctive styles of clothing are often obligatory at independent schools. This expenditure helps to generate wealth and support employment in uniform suppliers.

According to a study undertaken by the Children's Commission on Poverty⁵ the average cost per child in the UK for uniform, shoes and sports kit is equal to £159 annually.

The additional uniform requirements of independent schools means that this cost can often be significantly higher for parents with children who attend independent schools. A report undertaken by the Centre for Economics and Business Research⁶ on behalf of Killik & Co., a financial firm, found that in 2014 the average annual cost for uniform and shoes and sports kit for a child at day school in the UK was equal to £402.

The difference between these two figures represents the additional uniform costs associated with sending a child to independent school. By multiplying this by the number of pupils in SCIS members in 2015 it was estimated that additional expenditure on school uniforms might have amounted to £7.2 million.

Table 5-8 – School Uniform Assumptions

Assumption	Value
Average annual expenditure on school uniform for pupils who attend SCIS schools (£ per child)	402
Average annual expenditure on school uniform for pupils in the Scottish state sector (£ per child)	159
Total additional expenditure on school uniform (£m)	7.2

Source: Killik & Co and the Children's Commission on Poverty

⁵ The Children's Commission on Poverty (2014), At What Cost? Exposing the impact of poverty on School Life

⁶ Killik Private Education Index (2014), 2014 price

The direct economic impact of spending on school uniforms was estimated by dividing the total additional expenditure by a turnover/GVA ratio for the Scottish retail sector. The direct employment impact was estimated by dividing the additional turnover by an estimate of turnover per employee in the retail sector. In this way it was estimated that additional expenditure on school uniform directly generated £1.7 million GVA in the Scottish retail sector and supported 61 jobs.

The indirect impact of this expenditure was then estimated by applying GVA and employment multipliers to the direct impact. In this way it was estimated that parents' expenditure on school uniforms indirectly contributed a further £0.8 million GVA to the Scottish economy and supported 20 further jobs.

Taken together this suggests that the additional expenditure incurred by parents of children who attend members of SCIS on school uniform contributed £2.5 million GVA to the Scottish economy and supported 82 jobs. These impacts are summarised in Table 5-9.

Table 5-9 – Impact of Expenditure on School Uniform

Impact	GVA (£m)	Employment
Direct impact of expenditure on school uniform	1.7	61
Indirect impact of expenditure on school uniform	0.8	20
Total impact of expenditure on school uniform	2.5	82

Source: BiGGAR Economics. Totals may not sum due to rounding.

5.6 Summary Operational Impacts

In total, the operational impacts considered in this chapter amount to £455.7 million GVA and around 10,600 jobs. A breakdown of these impacts is provided in Table 5-10.

Table 5-10 – Total operational impacts of SCIS members

Impact	GVA (£m)	Employment
Direct impact	301.4	7,363
Impact of expenditure on supplies	35.6	790
Impact of staff expenditure	88.6	1,940
Impact of capital projects	27.7	460
Impact of additional expenditure on school uniform	2.5	82
Total operational impacts	455.7	10,635

Source: BiGGAR Economics

6 REGIONAL IMPACTS

The impacts of SCIS members are not distributed evenly throughout Scotland. There are particular areas in Scotland where the concentration of independent schools is greater, such as Edinburgh and the Lothians and the area around Glasgow. In order to illustrate this, Scotland was divided into four areas:

- Edinburgh and Lothians;
- Glasgow and West;
- North East; and
- Other Scotland.

The local authority areas included within each of these areas is presented in Table 6-1.

Table 6-1 – Regions defined by local authority

Edinburgh and Lothians	Glasgow and West	North East	Other Scotland
East Lothian City of Edinburgh Midlothian West Lothian	Argyll and Bute East Dunbartonshire East Renfrewshire City of Glasgow Inverclyde North Lanarkshire Renfrewshire South Lanarkshire West Dunbartonshire	City of Aberdeen Aberdeenshire Angus City of Dundee Moray	Clackmannanshire Dumfries and Galloway East Ayrshire Comhairle nan Eilean Sair Falkirk Fife Highland North Ayrshire Orkney Perth and Kinross Scottish Borders Shetland South Ayrshire Stirling

Source: BiGGAR Economics

The impact in each of the different regions depends on the proportion of SCIS members' activity that occurs in each area. Table 6-2 summarises the scale of activity in each of the regions. This shows that the greatest concentration of activity is in Edinburgh and the Lothians, where 32% of SCIS members are based. These schools together represent 39% of all SCIS pupils and 42% of all turnover.

Table 6-2 – Regional Metrics

	Edinburgh and Lothians	Glasgow and West	North East	Other
Schools	23	18	9	22
	32%	25%	13%	31%
Pupils	11,820	7,955	5,310	5,141
	39%	26%	18%	17%
Turnover (£m)	169.3	82.7	75.2	76.1
	42%	21%	19%	19%

Source: BiGGAR Economics

With the exception of the impact of expenditure on school uniform impact, all of the operational impacts considered are based on the turnover of SCIS members. The impact of expenditure on school uniform is based on pupil numbers. The distribution of impacts in each of the regions was therefore estimated by assuming each of the impacts was proportional to either the number of pupils or the turnover as appropriate. For example, 19% of the turnover of SCIS members occurred in the North East, direct impact was driven by turnover therefore it was assumed that 19% of the direct impact occurred in the North East.

A summary of the operational impacts in each region is provided in Table 6-3. This shows that the regional impacts were:

- Edinburgh and the Lothians: SCIS members generated £191.3 million GVA and supported 4,413 jobs;
- Glasgow and the West: SCIS members generated £93.6 million GVA and supported 2,161 jobs
- North East: SCIS members generated £84.9 million GVA and supported 1,959 jobs; and.
- Elsewhere in Scotland: SCIS members generated £86.0 million GVA and supported 1,983 jobs.

Table 6-3 – Regional Operational Impacts – GVA in £m

	Edinburgh and Lothians		Glasgow and West		North East		Other Scotland	
	GVA	Jobs	GVA	Jobs	GVA	Jobs	GVA	Jobs
Direct	126.5	3,091	61.8	1,510	56.2	1,373	56.9	1,390
Supplier	15.0	332	7.3	162	6.6	147	6.7	149
Staff spend	37.2	814	18.2	398	16.5	362	16.7	366
Capital spend	11.6	143	5.7	70	5.2	64	5.2	64
School uniform	1.0	32	0.7	22	0.4	14	0.4	14
Total Operational	191.3	4,413	93.6	2,161	84.9	1,959	86.0	1,983

Source: BiGGAR Economics, totals may not sum due to rounding

7 EXCHEQUER BENEFITS AND EXPORTS

This chapter describes the contribution of SCIS members to public finances. The benefits considered include:

- cost savings to local authorities from not having to educate children who attend independent schools;
- non-domestic rates paid by SCIS members;
- employment taxes paid by SCIS members staff; and
- export earnings that contribute to Scotland's balance of trade with the rest of the world.

7.1 Cost Savings to Local Authorities

If independent schools did not exist then most of the pupils who attend these schools would need to be educated within the state sector instead. This means that by educating pupils independent schools help to reduce the total cost of education to the state.

In order to estimate this impact it was first necessary to estimate how many of the pupils who currently attend SCIS members might be expected to attend state schools if this option were no longer available to them. The starting point for doing this was the total number of pupils attending mainstream independent primary (10,541) and secondary (17,863) schools in Scotland (see Table 4-1). Although the Scottish independent sector also provides education for 427 children with special needs and 1,410 nursery aged pupils the cost of doing this is largely met by the state so these pupils were excluded from this impact.

The next step was to exclude any pupils who might not be expected to attend state schools in Scotland if independent schooling were not available. This would include international pupils whom the Scottish Government may not be obliged to educate.

According to data provided by SCIS in 2014, 7% of secondary aged pupils who were attending member schools in Scotland were not from Scotland. It is likely that the parents of some of the international day pupils included within this number do live in Scotland and that the Scottish Government would therefore have an obligation to educate these pupils. No data was available about these pupils but it is expected that the total number would be small. In order to avoid over-estimating the impact, all international students were excluded from the analysis.

If SCIS members did not exist it is also likely that some parents would choose to send their children to boarding schools in England or elsewhere rather than state schools in Scotland. To account for this it was assumed that this might apply to 5% of all pupils. In this way it was estimated that in 2015 SCIS members were educating 10,014 primary and 15,795 secondary aged pupils who might be expected to attend Scottish state schools if independent schooling were not available.

According to a briefing published by Audit Scotland⁷, gross revenue expenditure by Scottish local authorities amounted to £4,859 per primary pupil and £6,793 per secondary pupil in 2012/13. Inflating these figures to 2015/16 prices suggests that the total cost to the state of educating a primary pupil in Scotland in 2015 was around £4,859 and the total cost of educating a secondary pupil amounted to around £6,793.

Table 7-1 – Cost Savings Assumptions

Cost Saving Assumptions	Value
Average cost of primary pupil	4,859
Average cost of secondary pupil	6,793
Number of international pupils	1,252
percentage of independent primary school pupils	0%
percentage of independent secondary school pupils	7%

Source: Audit Scotland and previous research by BiGGAR Economics for SCIS

By applying these cost estimates to the number of pupils who would otherwise be educated in state schools, it was possible to estimate that in 2015 SCIS members generated a total cost saving to the Scottish education system of £156.0 million. Of this £48.7 million of savings came from educating primary school pupils and £107.3 from educating secondary school pupils.

Table 7-2 – Total Cost Savings to Local Authorities

Cost Savings	Value (£m)
Primary pupils	48.7
Secondary pupils	107.3
All pupils	156.0

Source: BiGGAR Economics

7.2 Local Government Taxation

Although many independent schools receive relief from full non-domestic rates, as the relief granted is often less than 100% they nonetheless contribute to local authority finances.

Figures gathered by SCIS suggest that the total rateable value of its members in 2015 was £14.6 million. By applying appropriate poundage rates to the rateable value of each school it was estimated that the total rates payable, before any rates relief would be around £7.0 million.

Figures obtained for the previous economic impact assessment suggested that the average rates relief received by SCIS members was 82%. Some SCIS members are however not registered charities so it was assumed that these schools would not receive any rates relief.

By applying these assumptions it was possible to estimate that the total contribution to local authorities through non-domestic rates was £1.5 million.

⁷ Audit Scotland (2014), School Education 2012/13

Table 7-3 – Non-domestic Rates Paid to Local Authorities

Non-domestic rates	Value (£m)
Total contribution to local authorities	1.5

Source: BiGGAR Economics

7.3 Employment Taxes

Section 5.3 considered the impact that SCIS members’ staff have on the Scottish economy by spending their wages. These staff also contribute to public finances through the contributions they make to national insurance and income tax and through the national insurance contributions made on their behalf by their employers.

In the previous chapter it was estimated that pay-roll costs, such as national insurance and income tax amounted to 30% of staff costs. This suggests that in 2015 SCIS members’ employees contributed £89.2 million to public finances in employment taxes.

Table 7-4 – Total Employment Taxes

Employment taxes	Value (£m)
Total employment taxes paid	89.2

Source: BiGGAR Economics

7.4 Summary Exchequer Benefits

Taken together the benefits considered in this chapter suggest that SCIS members’ contributed a total of £246.6 million to the public exchequer and a further 40.6 in export earnings in 2015. A breakdown of these impacts is provided in Table 7-5.

Table 7-5 – Total exchequer benefits delivered by SCIS members

Impact	Value (£m)
Educational cost savings	156.0
Non-domestic rates	1.5
Employment tax	89.2
Total exchequer benefits	246.6

Source: BiGGAR Economics

7.5 Exports

Data provided by SCIS suggests that in 2015 a total of 1,274 international pupils were attending SCIS member schools. This figure included 1,025 boarding pupils and 249 day pupils who lodge elsewhere in the community during term-time.

Data provided by SCIS also suggests that in 2015 the average fee for a boarding pupil was £26,910 and the average fee for a day pupil was £9,095. By applying these fees to the pupil numbers estimated above it was estimated that in 2015 SCIS members generated £29.8 million in export earnings.

Table 7-6 – Total Export Earnings

Exports	Value (£m)
Total export earnings	29.8

Source: *BiGGAR Economics*

8 PUBLIC BENEFIT

Many SCIS members are registered charities and as part of their charitable role they provide financial support to selected pupils to help widen access to independent education and provide access to facilities and opportunities to the general public. This section considers the benefits that this activity may generate for wider society.

8.1 Bursaries and Funding

SCIS members provide financial assistance in the form of bursaries and funding to pupils to make it easier for them to attend independent school. The level of financial assistance provided to individual pupils varies greatly and can (in some cases) represent anything up to 100% of the total fee. Support can take several forms including bursaries, scholarships and discounts and may be means-tested or non-means tested.

8.1.1 Level of Financial Assistance

In 2015/16, the total⁸ level of means tested financial assistance provided by SCIS members was £29.3 million, equal to 7.3% of turnover, and benefited over 3,000 pupils who attend SCIS schools. Furthermore, £18.1 million, equal to 4.5% of turnover, was awarded in non-means tested assistance, benefiting over 5,000 pupils.

In total, £47.4 million was awarded to pupils in SCIS member schools on 2015/16, representing 11.7% of income. This was awarded to a total of 8,085 pupils, representing just over a quarter (26.7%) of all pupils in SCIS schools.

Table 8-1 – Financial Assistance by SCIS Members

Impact	Value
Means tested financial assistance (£m)	29.3
Pupils who benefit from means tested financial assistance	3,064
Non-means tested financial assistance (£m)	18.1
Pupils who benefit from non-means tested financial assistance	5,021

Source: SCIS

The region that provides the largest amount of financial assistance is Edinburgh and the Lothians, which provided £11.1 million to 1,072 pupils in 2015/16. SCIS members in the region also provided £6.8 million of non-means tested financial assistance to 2,051 pupils.

⁸ This is based on a sample of 52 schools that provided data on bursaries, scholarships and other types of financial assistance, so it is possible that this may represent an underestimate of the total financial assistance awarded.

Table 8-2 – Financial Assistance by SCIS Members by Region

	Edinburgh and Lothians	Glasgow and West	North East	Other Scotland
Means tested financial assistance (£m)	11.1	6.0	5.6	6.7
Pupils benefitting from means tested financial assistance	1,072	853	384	755
Non means tested financial assistance (£m)	6.8	1.9	4.5	4.9
Pupils benefitting from non-means tested financial assistance	2,051	622	1,116	1,232

Source: BiGGAR Economics based on data provided by SCIS

8.1.2 Potential Public Savings

It is possible that the families of some of the pupils who received this assistance could not otherwise have afforded for their children to be educated privately. This implies that if financial assistance were not available then some of these pupils would instead have needed to be educated in the state sector, which would entail additional costs to the public purse.

The extent of this cost would depend on the number of pupils who might be affected, which would in turn depend on the unique financial situation of each family. In order to estimate the potential magnitude of this cost it was therefore necessary to make assumptions about how important different types and levels of assistance might be to the ability of families to pay for private education.

8.1.3 Means-Tested Assistance

In order to estimate the total potential savings to local authorities from SCIS members providing means-tested bursaries it was first necessary to know how many pupils were receiving bursaries, by primary and secondary school. This data was provided by SCIS.

It is difficult to know with certainty how financial considerations affect the decision to send a child to an independent school so to illustrate the potential savings to the public sector three scenarios were estimated:

- a high scenario, where it was assumed that all pupils who received means-tested financial assistance would have otherwise gone to a state school;
- a medium scenario, where it was assumed that the importance of financial assistance would be proportional to the amount of aid received, with those receiving greater fee relief more likely to have otherwise attended state school; and
- a low scenario, where it was assumed that only those who received 100% funding would otherwise have attended a state school.

The assumptions used to model these scenarios are set out in Table 8-3. This shows for example that under the medium scenario, 20% of pupils who received means-tested financial assistance of up to 20% of their school fees would have

otherwise attended state school but 80% of those who received assistance of up to 80% would have otherwise attended state school.

Table 8-3 – Pupils in Receipt of Means Tested Financial Assistance

	1-20%	21-40%	41-60%	61-80%	81-99%	100%
Primary	71	125	125	91	48	56
Secondary	149	435	473	497	261	588
Scenario Assumptions						
Low	0%	0%	0%	0%	0%	100%
Medium	20%	40%	60%	80%	100%	100%
High	100%	100%	100%	100%	100%	100%

Source: SCIS and BiGGAR Economics Assumptions

By applying these assumptions to the number of primary and secondary pupils who received assistance it was possible to estimate how many additional pupils might have needed to be educated in the state sector if the financial assistance provided by SCIS members was not available. These figures were then multiplied by the average cost to the state sector of educating pupils at primary and secondary level (as estimated in section 7.1).

Using this method, it was estimated that if SCIS members had provided no means-tested financial assistance to pupils in 2015 then the state sector may have needed to spend between £4.3 and £19.8 million extra on educating these children.

Table 8-4 – Cost Savings from Means-Tested Financial Assistance (£m)

	Low	Medium	High
Primary	0.3	1.5	2.6
Secondary	4.0	11.8	17.1
Total	4.3	13.3	19.8

Source: BiGGAR Economics Assumptions

8.1.4 Non-Means Tested Assistance

In addition to the means-tested assistance described above, SCIS members also provided £18.1 million in non-means tested assistance. This type of assistance was granted for various reasons including: discounts for families that had more than one child in a school, discounts for the children of teachers, discounts for early payment and discounts for the children of armed forces personnel. Although it should be noted that these types of discounts also apply to means-tested pupils, the majority of beneficiaries were not means-tested.

It is possible that some of the families in receipt of non-means tested assistance may also have struggled to afford to send their children to independent school if this assistance was not available. The extent to which this assistance might affect a family’s decision to send their child – or children – to independent school will depend on individual financial circumstances. To illustrate the potential savings to the public sector it was therefore assumed that one third of the pupils in receipt of

this type of assistance might need to be educated within the state sector if the assistance was not available.

By applying these assumptions and multiplying the number of pupils affected by the average cost/pupil to the state sector (see section 7.1) it was possible to estimate that non-means tested assistance provided by SCIS members may have enabled 1,657 pupils to attend independent school in 2015. If this assistance was not available and all of these pupils were instead educated in the state sector then the cost to the public purse could be almost £10.0 million. This impact and the assumptions used to estimate it are set out in Table 8-5.

Table 8-5 – Pupils Receiving non-Means Tested Financial Assistance

	Primary	Secondary	Total
Number of pupils receiving non-means tested assistance	2,013	3,008	5,021
% who might otherwise attend state school	33%	33%	33%
Number who might otherwise attend state school	664	993	1,657
Cost/pupil in state sector	4,859	6,793	
Potential savings to state sector (£ millions)	3.2	6.7	9.9

Source: SCIS data and BiGGAR Economics Assumptions.

8.1.5 Summary Financial Assistance

The approach described in this section suggests that the total financial assistance provided by SCIS members in 2015 could have generated savings of between £14.2 million and £29.7 million for the Scottish state education sector. A breakdown of these potential savings is provided in Table 8-6

Table 8-6 – Potential Cost Savings from Financial Assistance (£m)

	Low	Medium	High
Means-tested	4.3	13.3	19.8
Non-means-tested			9.9
Total	14.2	23.3	29.7

Source: BiGGAR Economics Assumptions

8.2 Providing Facilities for Public Use

Although it is very difficult to quantify the economic impact of facility provision, it is instructive to consider the variety of opportunities open to the community and particularly to young people, which would not be available without the presence of an independent school.

To help inform this study an information request was sent to all SCIS members inviting them to provide information about the extent to which their facilities were available to the public. In total 25 schools confirmed that they did provide public access to facilities and of these 16 schools were able to provide details about the number of people who used the facilities. The main types of uses are discussed in further detail below.

8.2.1 Sports

Many independent schools place a high level of importance on taking part in sporting activities. There are often resources and specific times set aside for participation in sport: many schools have state-of-the-art facilities and regularly invest in improvements; there are well-paid coaches for individual sports and teachers are encouraged to take on additional coaching responsibilities; and schools regularly play against each other, with specific times set aside for training and matches during the week and at the weekend.

A report by Ofsted⁹ found that high participation and high expectations of school sport created a culture where values such as discipline, commitment and respect were highly valued. Pupils are encouraged to take on responsibility by taking on leadership roles, work together in teams and celebrate achievement.

SCIS members often have high quality facilities, experienced coaching staff and a good institutional framework. As part of their public benefit they frequently allow local sports club and state schools to use their facilities. Some schools provide this access either for a nominal fee or for free.

There are numerous benefits to taking part in sport for pupils in state education¹⁰. Not only does it improve physical indicators such as cognitive and movement development, it can also improve mental health, and is linked to improved concentration and behaviour in the classroom. Some evidence also points to increased educational attainment.

However, many schools have relatively low participation in sports, particularly in schools that are more deprived, or have high levels of ethnic minority and special educational needs (SEN) children. Children with SEN and disabilities in particular may have problems taking part in sport, due to a lack of teacher training, and inaccessible facilities and curricula.

Additionally, many sports clubs are also allowed to use the facilities of SCIS members, usually at the weekends and weeknights. As well as encouraging children and youth groups to take part in sport, it often involves adult, or intergenerational groups. These facilities provide an opportunity for people to engage in competitive sports, exercise and develop a sense of community that may not otherwise have existed.

The response to the information request undertaken to inform this study suggested that 15 SCIS members provided public access to sports facilities in 2015. The types of facilities made available included swimming pools, sports pitches, games halls, tennis courts, gyms and a ski slope.

Differences in how schools record access by the general public makes it difficult to quantify the extent of public use. Some schools do not record numbers, others record the number of groups, some record the number of people using the facilities and others record the number of hours facilities are used for. For some schools, however public access appears to be significant, amounting to several hundred and even in some cases several thousand people per year.

An example of the sports related activity of one independent school is provided by the case study below.

⁹ Ofsted (2014), *Going the extra mile - Excellence in competitive school sport*

¹⁰ Department for Education (2013), *Evidence on physical and sport in schools: key findings*

Figure 8.1 – High School of Dundee

The High School of Dundee has a range of excellent facilities that are used by various schools and clubs from around the city. It has a Sports Centre, which is equipped with dance studio, gymnasium and large sports hall, as well as several playing fields.

The Sports Centre is in use from 6.00pm to 10.00pm most weeknights and at the weekends, providing a range of opportunities for people to take part in activities such as gymnastics, fencing, yoga, basketball etc. On average, these facilities are used by 320 children and 250 adults per week.

The High School's high quality water, sand-based and grass pitches are also used extensively by two local hockey teams (50 children and 150 adults a week), five times a year for Boys Brigade football tournaments (100 children), a local rugby team (50 adults a week), a rugby youth development squad (170 children a week) and by a cricket team during the holidays (60 children).

Without these facilities it is likely that many of these clubs and organisations would struggle financially with the increased use of other pitches, or would simply be unable to find similar premises.

Source: BiGGAR Economics based on information provided by SCIS

8.2.2 Extra-curricular activities

Some SCIS members also provide opportunities for members of the public to engage in other extra-curricular activities that may not otherwise be available to them. For example Merchiston Castle School provides music lessons for pupils at local state primary schools (a case study of Merchiston Castle School is provided below).

Figure 8.2 – Merchiston Castle School

Merchiston Castle School estimates that 10,088 children attended free events and clubs that it hosted in 2015, while 32,824 attended at a reduced cost. The School also provided refreshments and support at a direct cost of over £43,000. These events took many forms: widening access to higher education through seminars and lectures; providing the use of sporting facilities; and encouraging pupils from across Edinburgh to come to the School and take part in extra-curricular activities, particularly music.

For example, the School allowed the National Youth Orchestra of Scotland to use its accommodation during the summer holidays, allowing the participants to save money while having access to the Memorial Hall, a large hall with a three manual pipe organ, which is also booked for weddings. The School estimates that this was at a cost of almost £40 per head.

As part of the public benefit that it provides, the school has also encouraged many pupils from the nearby Balgreen, Bonaly and Craiglockhart Primary Schools and many others to become more involved in music through schemes such as Sounds Like Friday, which involved giving piping and drumming lessons to pupils, and events like the Primary Schools' Evening of Music.

The Merchiston Boys' Community Choir is particularly active and is comprised of boys from Merchiston as well as several local Primary Schools.

Source: BiGGAR Economics based on information provided by SCIS

8.2.3 Academic

Some SCIS members also provide academic opportunities to pupils from the communities in which they operate that might not otherwise be available. Some examples of this type of activity are provided below:

- St George's School for Girl's in Edinburgh organises special educational events involving teachers delivering lessons and workshops for around 140 external pupils from local schools including Modern Languages day, Junior Schools Thinking day and Nutrition day;
- Beaconsfield School in the Bridge of Allan allows pupils from local schools to participate in an eight-week long introduction to higher education;
- Hutchesons' Grammar School in Glasgow, provides Advanced Higher tuition in Drama, Physics and other subjects to pupils of state secondary schools where these subjects are not taught;
- St Leonards School in St Andrews offers foreign language workshops and conversational classes in local secondary and primary schools, in addition to science and creative writing conferences;
- The Edinburgh Academy funds a Youth Development Officer who teaches PE in five local primary schools;
- Merchiston Castle School in Edinburgh offers pupil mentoring schemes for pupils with support needs in three local primary schools;
- Loretto School in Musselburgh hosts a UCAS week at the end of the summer which is open to all local schools.

8.2.4 Community Engagement

Some SCIS members also support their local community by allowing local groups to access facilities, in many cases either for free or for a nominal charge. If this access was not provided then these groups may need to find alternative facilities elsewhere, which either may not be available or may be more costly. This could curtail the activities of some community groups. An example of how one SCIS member school supports the local community in which it is located is provided in the case study below.

Figure 8.3 – Erskine Stewarts Melville Schools (ESMS)

Erskine Stewarts Melville Schools (ESMS), which are all situated in the City of Edinburgh, and include ESMS Junior School, Mary Erskine School and Stewart's Melville College, are very involved in the community and the wider context in which the organisation operates.

As well as people in the local area making use of the Tom Fleming Centre and the Mary Erskine Sports Centre, the schools have also been involved in community service in the local area, with almost 500 pupils taking part including the whole Sixth Form. Pupils have worked with the Teenage Cancer Trust and Riding for the Disabled.

Additionally, pupils have raised money for the local, national and international charities, with senior pupils raising over £51,000 in 2014/15 and the Junior School raising £30,000. ESMS has been particularly involved in Malawi, volunteering in and raising money for the Edinburgh Girls' High School, which is located there and partly financed by the Chesney Trust.

Teachers at ESMS go above and beyond their duties, contributing to educational bodies, curriculum development and new educational initiatives at the local and national level. ESMS also supports teacher training and provides staff to work with the SQA in setting, vetting, verifying and assessing public examination.

Source: BiGGAR Economics based on information provided by SCIS

Some SCIS members also support the local communities in which they operate by hosting events and festivals that are open to members of the public. These type of events can help to enhance the quality of life of local residents by providing recreational opportunities that would otherwise not exist. For example:

- St Mary's Preparatory School hosts an annual science festival that is open to all local schools and the general public and attracts between 1,500 and 2,000 people; and
- the Edinburgh Steiner School hosts an annual Christmas market that attracts around 2,000 people.

9 SUMMARY OF ECONOMIC IMPACTS

This report has demonstrated that SCIS members are responsible for a significant level of economic activity in Scotland. This includes both the direct economic activity of the Schools and the people they employ and the indirect activity supported by the expenditure of the Schools, their employees and parents. It was estimated that in 2015 this activity generated £455.7 million GVA for the Scottish economy and supported around 10,600 jobs (Table 9-1).

Table 9-1 – Economic Impact of SCIS Members

Impact	GVA (£m)	Employment
Direct impact	301.4	7,363
Impact of expenditure on supplies	35.6	790
Impact of staff expenditure	88.6	1,940
Impact of capital projects	27.7	460
Impact of additional expenditure on school uniform	2.5	82
Total operational impacts	455.7	10,635

Source: BiGGAR Economics

In addition to these operational effects, SCIS members also make a significant contribution to public finances as a result of employment taxes paid by staff and the non-domestic rates paid by the Schools themselves. In addition to this SCIS members also generate savings for the state education sector by educating children who would otherwise require places in state funded schools.

Table 9-2 – Exchequer Benefits and Exports

Impact	Value (£m)
Educational cost savings	156.0
Non-domestic rates	1.5
Employment tax	89.2
Total exchequer benefits	246.6

Source: BiGGAR Economics

This report has also considered the wider benefits generated by SCIS members and found that in 2015 SCIS members:

- generated £29.8 million in export earnings for the Scottish economy by providing places for international students;
- provided £47.4 million in financial assistance to help widen access to independent education. If this assistance was not available and the children supported had to be educated by the state sector instead it was estimated that the cost to the public purse could have been up to £29.7 million.
- provided access to a variety of facilities and cultural and educational opportunities for the general public that may not otherwise have been available.