

BiGGAR Economics

Economic and Fiscal Contribution of Edinburgh's Independent Schools

A report to
Edinburgh's Independent Schools

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BiGGAR Economics

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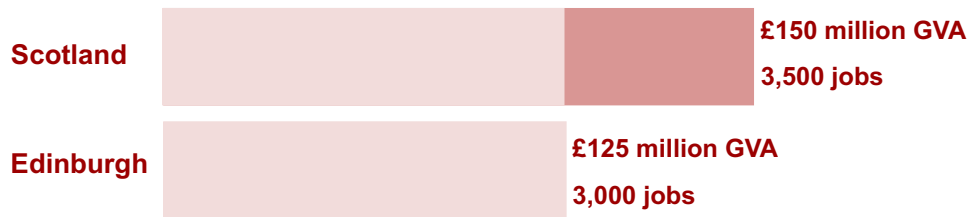
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1 EXECUTIVE SUMMARY

The 10 Edinburgh independent schools¹ together educate around 11,700 nursery, primary and secondary pupils and employ 2,580 staff. They make a significant economic and fiscal contribution to the economies of Edinburgh and Scotland as a whole.

The economic and fiscal contributions set out in this report are not benefits that accrue to the schools, which are non-profit making organisations. Rather, they are the contributions that the sector makes to the wider Edinburgh and Scottish economies and to the public finances.

In 2017/18, the Edinburgh independent schools made an economic contribution of:



The economic contribution of the Edinburgh independent schools can be placed in context by considering the economic magnitude of other sectors of the economy. The employment in Edinburgh supported by the Edinburgh independent schools is greater than the number of people employed in the food and drink sector in Edinburgh. Similarly, the Edinburgh independent schools make a larger GVA contribution than the food and drink sector in Edinburgh.

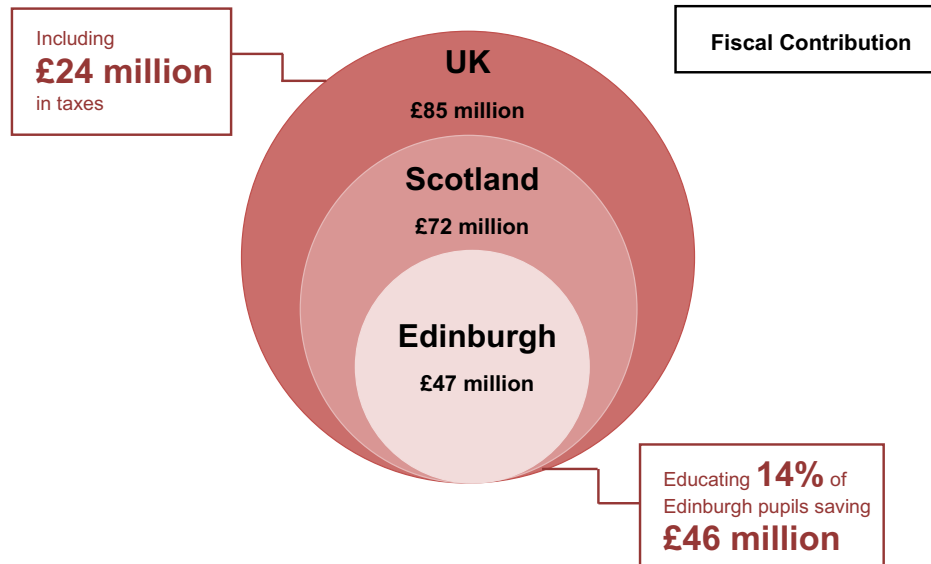


The Edinburgh independent schools also make a fiscal contribution through the taxation revenues paid and collected as well as through public sector cost savings from the schools' provision of education. The total **fiscal contribution** of the

¹ The assessment considers the contribution of 10 independent schools in Edinburgh including: Cargilfield School; Clifton Hall School; the Edinburgh Academy; Edinburgh Steiner School; Erskine Stewarts Melville School; Fettes College; George Heriot's School; George Watson's College; Merchiston Castle School; and St George's School for Girls.

Edinburgh independent schools amounted to **£85 million** in 2017/18. Of this, the City of Edinburgh Council benefitted by **£47 million**.

This includes educating **14% of Edinburgh primary and secondary** school aged pupils², **saving** the Edinburgh local authority budget more than **£46 million** and saving local authorities elsewhere in Scotland more than £14 million. It also includes more than **£24 million** in taxes, including national insurance contributions, income taxes, non-domestic rates and other taxes, such as the Apprenticeship Levy.



The Edinburgh independent schools have a wide range of benefits beyond their economic and fiscal benefits. The schools offer access to their **high quality facilities and resources** to schools in the state sector, organisations in the community, such as the National Youth Choir of Scotland and Meadows Chamber Orchestra, and a range of other organisations such as the BBC, which hosted its Edinburgh Fringe Festival events at one of the schools.

The Edinburgh independent schools provide **academic support** to other schools through special educational events, some of which focus on UCAS applications, and facilities such as the Swire Language Centre for learning Mandarin. Some schools also have mentoring schemes for disadvantaged children.

² This only considers pupils at the Edinburgh independent schools who are from the Edinburgh local authority area itself. Around 20% of pupils at the schools are from surrounding local authorities.

Quantifiable Wider Contributions £30 million

£12 million

in export earnings from
450 pupils



£18 million

in financial assistance
for 2,700 pupils



In terms of quantifiable wider benefits, the schools attract more than **450 pupils from outside of Scotland**, who contribute **£12.1 million in fees**, benefiting Scotland's exports. The schools also offer **financial assistance of £17.5 million**, through means-tested bursaries, scholarships and other discounts, which enables pupils to attend who otherwise may not be able to.

Future of the Sector

The Edinburgh independent schools therefore make a significant contribution to the City of Edinburgh and throughout Scotland. As **not for profit organisations**, maintaining **financial sustainability** is of **crucial** importance as it allows the schools to fulfil their core role of providing education to pupils and enables them to undertake additional activities.

The independent schools sector is facing **three key challenges**: loss of partial business rates relief; higher employer pensions contributions; and higher teacher salaries. This could **increase the cost base** for the Edinburgh independent schools by around **£9 million**.

To cover these additional costs, the schools would need to **increase fees by 7%**. For around 15% of parents this would be completely unaffordable, leading to around **1,750 pupils** dropping out of independent schools.

These 1,750 pupils (roughly the size of Sciennes Primary School and Holy Rood High School combined) would need to be accommodated in state school education. An **additional £6.9 million in public sector funding** would be required to educate them in schools run by Edinburgh City Council, and £2.1 million in local authorities outside of Edinburgh.

Lower pupil numbers would mean that the **economic contribution** of the independent schools in Edinburgh would **fall by £11.3 million GVA and 270 jobs**.

The Edinburgh independent schools are therefore facing a number of external pressures which challenge their financial sustainability, the economic and fiscal contribution they make and their wider community engagement activities.

2 INTRODUCTION

This report presents the findings of a study undertaken by BiGGAR Economics into the economic and fiscal contribution of the Edinburgh independent schools to the City of Edinburgh.

2.1 Edinburgh Independent Schools

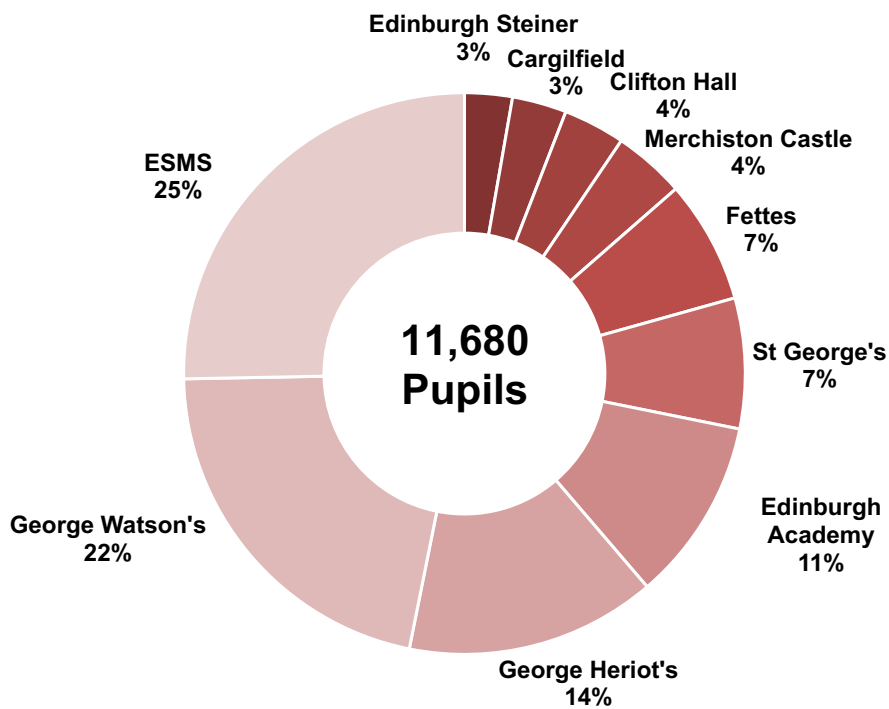
The Edinburgh independent schools provide education for 11,680 pupils, including 599 nursery, 4,287 primary and 6,794 secondary pupils. The schools provide education for around 6% of all nursery pupils in Edinburgh, 10% of Edinburgh primary school pupils, and 21% of Edinburgh secondary pupils. Their combined economic, fiscal and physical footprint is therefore substantial.

This assessment considers the contribution of 10 Edinburgh independent schools and includes:

- Cargilfield School – coeducational nursery, primary, preparatory and boarding;
- Clifton Hall School – coeducational all through;
- Edinburgh Academy – coeducational all through;
- Edinburgh Steiner School – coeducational all through;
- Erskine Stewarts Melville School (ESMS), including ESMS Junior School, the Mary Erskine School and Stewart's Melville College – coeducational and single sex all through and boarding;
- Fettes College – coeducational all through and boarding;
- George Heriot's School – coeducational all through;
- George Watson's College – coeducational all through;
- Merchiston Castle School – single sex all through; and
- St George's School for Girls – single sex all through.

Figure 2.1 provides a breakdown of pupils by school.

Figure 2.1 – Pupils by School



Source: SCIS and Edinburgh independent schools

2.2 Approach

As far as possible the report has attempted to express the economic value generated by the Edinburgh independent schools using two widely accepted measures of economic contribution:

- Gross Value Added (GVA) is a measure of the value that an organisation, company or industry adds to the economy through its operations. GVA is typically estimated by subtracting the non-labour costs of an organisation from its total revenue; and
- employment (jobs), is measured in terms of headcount jobs supported, unless stated otherwise.

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

The economic contributions described in this report are for 2017/18, which is the latest year for which published data on income, staff and pupils was available from each institution at the time of writing in Autumn 2018.

The contributions in the report are assessed at two geographic levels:

- City of Edinburgh (defined as the local authority area, covering postcodes EH1 to EH17); and
- Scotland.

Throughout the report, the contribution in Scotland includes the contribution in the City of Edinburgh.

2.2.1 Sources of Impact

The quantifiable economic contributions described in this report have been grouped into two themes.

The economic contribution of the schools includes:

- direct contribution – the income generated and direct employment provided by the schools;
- supplier contribution – generated by the purchasing of goods and services by the schools;
- staff spending contribution – generated through staff spending their wages;
- capital spending – contribution to the construction sector from capital investment;
- uniforms – expenditure on school uniforms supports retail and distribution sector employment; and
- summer schools – the spending contribution made by hosting overseas summer school students during their stay.

These impacts are expressed in terms of GVA and jobs supported. It is important to note that the economic contribution of the schools is a measure of the level of spending generated in the wider economy as a result of the schools and the number of jobs supported as a result of this spending. It is not therefore a measure of the financial performance of the Edinburgh independent school sector.

The Edinburgh independent schools also make a fiscal contribution including:

- public sector education budget savings – the cost savings to the public sector which would otherwise provide education for the pupils, in terms of both capital investment and ongoing revenue budgets;
- taxation contributions – the taxation that is paid or collected by the schools;

There are also a number of wider impacts arising from the schools including:

- financial assistance – the bursaries and funding provided to pupils by the schools;
- education exports – the contribution the schools make to Scotland's balance of trade; and
- community benefits – the contribution made by allowing public access to school facilities, particularly for sport and music and from the services undertaken by the schools.

2.3 Report Structure

The remainder of this report is structured as follows:

- Chapter 3 assesses the economic contribution of the Edinburgh independent schools;
- Chapter 4 outlines the fiscal contribution of the Edinburgh independent schools;

- Chapter 5 considers the wider benefits of the schools, including their export earnings, financial assistance and wider community benefits; and
- Chapter 6 draws together the main findings of the report and considers the future of the sector.

3 ECONOMIC CONTRIBUTION

This section describes the economic contribution that the Edinburgh independent schools generate through their activities. These economic contributions are expressed in terms of GVA and employment supported and include:

- direct contribution from the income the schools receive and the staff they employ;
- spending on supplies by the schools;
- staff spending their salaries;
- the capital expenditure undertaken by the schools;
- expenditure on school uniforms; and
- the contribution made by hosting summer school students.

3.1 Direct Contribution

The direct economic contribution of an organisation is the value it adds to the economy and the number of jobs it supports in a given time frame. The value an organisation adds to the economy is measured using GVA, which is estimated by subtracting expenditure on supplies from total income.

In 2017/18, the total income of the Edinburgh independent schools was £143.4 million and total expenditure on supplies was £36.6 million. Therefore, the direct GVA of the Edinburgh independent schools was £106.8 million in 2017/18.

Table 3.1 – Direct Contribution (£m)

	Value
Income	143.4
Expenditure on supplies	36.6
Direct GVA	106.8

Source: *Edinburgh Independent Schools. BiGGAR Economics Analysis*

The direct employment impact of an organisation is simply the number of people it employs. The Edinburgh independent schools employ 2,578 people or 2,219 full-time equivalents (FTE). Of these headcount jobs it was estimated, based on analysis of financial statements, that 1,692 are teaching related and the remaining 886 are in non-teaching roles, such as administration, domestic services, grounds-keeping and cooking.

Table 3.2 – Direct Contribution (jobs)

	Value
Headcount jobs	2,578
Teaching-related	1,692
Non-teaching	886
Full-time equivalents (FTE)	2,219

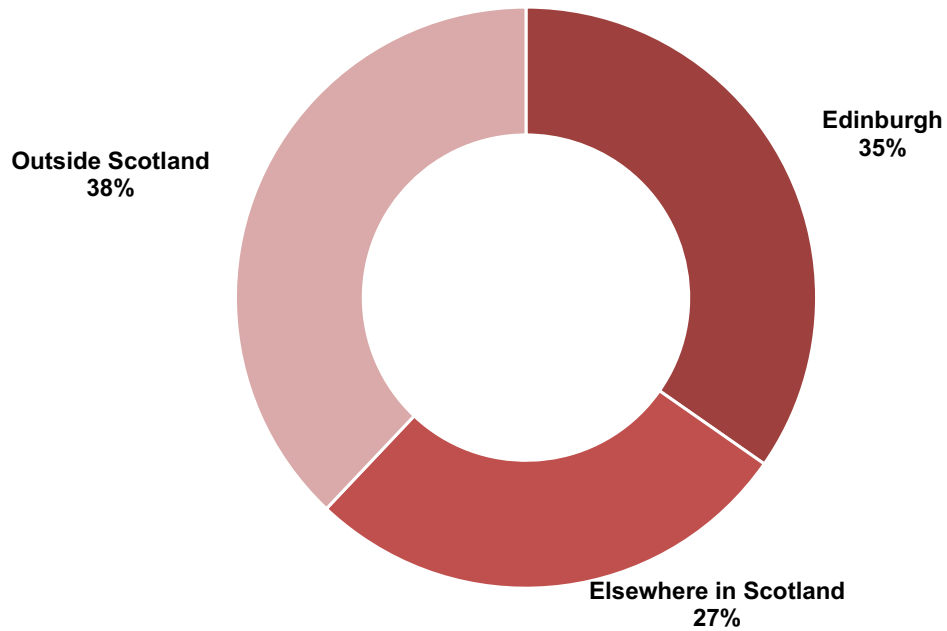
Source: *Edinburgh Independent Schools. BiGGAR Economics Analysis*

3.2 Supplier Expenditure

The Edinburgh independent schools purchase goods and services which generates turnover within the sectors they purchase supplies from, supporting additional economic activity and employment.

In 2017/18, the schools spent £36.6 million on purchasing supplies. Approximately 62% of supplies were purchased from suppliers based in Scotland. Of this, around 35% of supplies were sourced from Edinburgh.

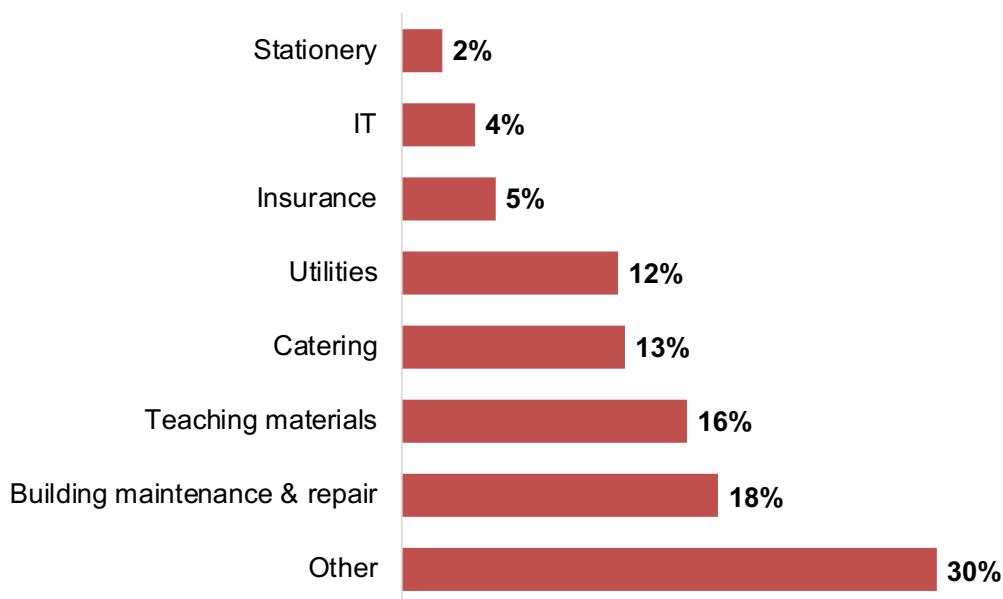
Figure 3.1 – Supplier Spending by Study Area (%)



Source: *Edinburgh Independent Schools*

Figure 3.2 provides a breakdown of the spend on supplies by broad category. Significant sectors of spend include building maintenance and repair, teaching materials and catering.

Figure 3.2 – Supplier Expenditure by Category (%)



Source: *Edinburgh Independent Schools*

An appropriate economic sector was allocated to each category of expenditure as the resulting GVA and employment supported will vary according to the differing turnover to GVA and turnover per employee ratios in each sector. The direct GVA contribution was estimated by dividing the expenditure in each sector by the appropriate turnover to GVA ratio. Direct employment was estimated by dividing the spend in each sector by the sector appropriate turnover to employment ratio.

The initial expenditure on goods and services by the schools creates multiplier effects throughout the economy, reflecting the increased demand from their suppliers throughout the supply chain. This is the indirect effect. As a result, the level of household income throughout the economy will increase due to increased employment. A proportion of this increased income will be re-spent on final goods and services, which is the induced effect. These multiplier effects were estimated by applying GVA and employment multipliers appropriate to the sectors in which the expenditure occurred.

In this way, it was estimated that the supplier expenditure of the schools contributed £6.7 million GVA and 120 jobs in Edinburgh, and £14.2 million GVA and 250 jobs in Scotland.

Table 3.3 – Supplier Spending Contribution

	Edinburgh	Scotland
GVA (£m)	6.7	14.2
Employment	120	250

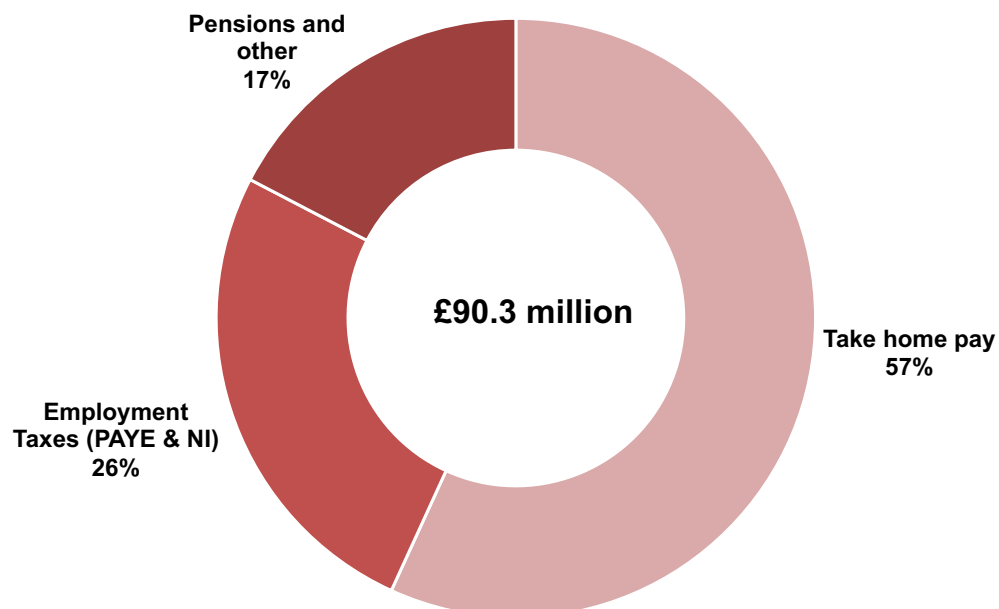
Source: *BiGGAR Economics Analysis*

3.3 Staff Spending

The 2,580 staff employed directly by the Edinburgh independent schools spend their wages and salaries in the wider economy. This increases turnover and supports employment in local businesses and throughout Scotland as a whole.

In 2017/18, staff costs at the Edinburgh independent schools amounted to £90.3 million, of which 57% was in take home pay, 17% was in pension and other contributions and 26% was employment taxes. This section considers the impact of staff take home pay and pension contributions. The impact of employment taxes paid and collected by the Edinburgh independent schools is considered as part of the fiscal contribution of the schools, in Section 4.

Figure 3.3 – Staff Costs by Category



Source: *Edinburgh Independent Schools and BiGGAR Economics Assumptions*

The economic contribution resulting from staff spending will depend on where staff spend their wages which in turn depends on where staff live. Data provided by the Edinburgh independent schools indicates that around two-thirds of staff live in Edinburgh (65%) and one third live elsewhere in Scotland (35%).

It is then necessary to consider how much of a person’s wage is spent in each study area. This is an assumption about the location of people’s expenditure and not an assumption about where the products that are purchased are originally from, as this is already accounted for in the economic multipliers. It was therefore assumed, based on analysis of the Scottish Input-Output Tables and the industries of spend, that for staff living in Edinburgh the proportion of spend in Edinburgh would be 40% (10% for staff living outside of Edinburgh) and the proportion of spend in Scotland would be 74%.

The direct effect of staff spending was estimated by dividing the anticipated spending of £26.8 million in Edinburgh and £49.6 million in Scotland by the turnover/GVA and turnover/employee ratios for the industries of household spending, and the wider effects of this expenditure were captured using economic multipliers. In this way it was estimated that the expenditure of staff employed by the schools contributed £7.3 million GVA and 170 jobs in Edinburgh, and £22.8 million GVA and 510 jobs in Scotland (Table 3.4).

Table 3.4 – Staff Spending Contribution

	Edinburgh	Scotland
GVA (£m)	7.3	22.8
Employment	170	510

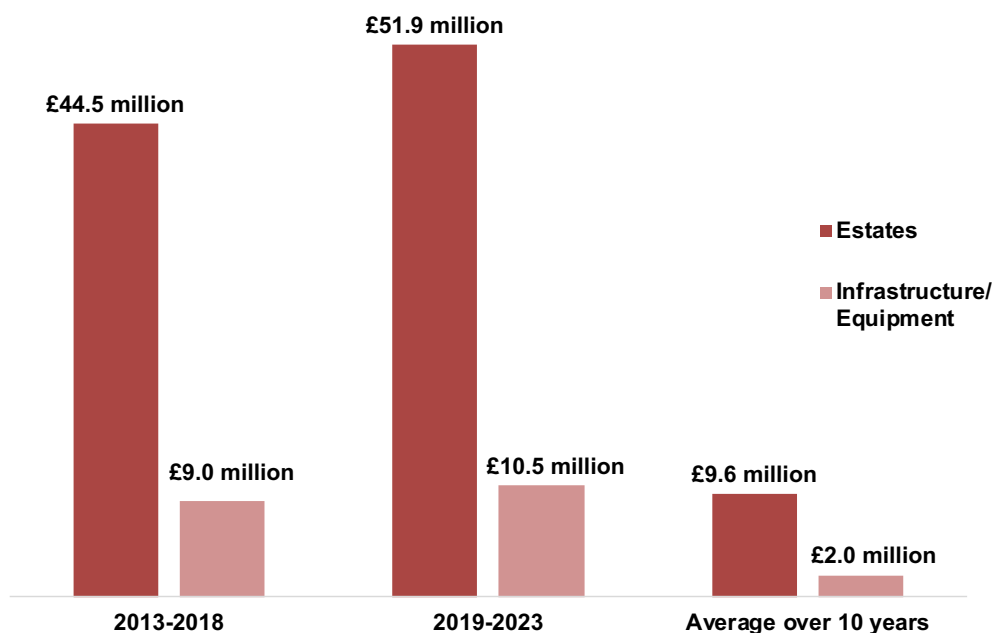
Source: BiGGAR Economics Analysis

3.4 Capital Expenditure

The Edinburgh independent schools invest in the construction of new buildings as well as refurbishment and extensive maintenance of their existing estate. Estates investment made by the schools provides a source of income and employment for the construction and maintenance sector. In addition, the schools invest in improving infrastructure such as IT, which in turn supports the IT and equipment sectors.

Capital spending data for each of the previous five years and projections for the next five years were provided by each of the schools. This indicates that over the last five years, the schools have invested £44.5 million on their estates and £9.0 million in infrastructure. Over the next five years total capital expenditure by the schools is projected to increase by £8.9 million. As the level of capital investment tends to fluctuate significantly from year to year as major projects come online or are completed, the impact of this expenditure was estimated based on average annual expenditure over a ten year period. Between 2013 and 2023, average capital investment by the schools amounts to £9.6 million per year for buildings and £2.0 million per year for infrastructure.

Figure 3.4 – Capital Expenditure



Source: Edinburgh Independent Schools

The breakdown of capital spending by area was assumed to be the same as for supplier expenditure. The economic contribution of this expenditure was then estimated by applying turnover/GVA and turnover/employee ratios for the construction and manufacturing sectors, as well as the appropriate multipliers. In this way it was estimated that capital projects undertaken by the schools support

£2.6 million GVA and 40 jobs in Edinburgh, and £5.1 million GVA and 70 jobs in Scotland.

Table 3.5 – Capital Spending Contribution

	Edinburgh	Scotland
GVA (£m)	2.6	5.1
Employment	40	70

Source: BiGGAR Economics Analysis

3.5 Uniforms

Specific and distinctive styles of clothing are often obligatory at independent schools, and expenditure on this clothing generates economic activity and employment among uniform suppliers.

According to a study undertaken by the Department for Education in 2015, the average cost of school uniform and PE kit is £199 per child each year.³ The additional uniform requirements of independent schools means that this cost can be significantly higher for parents with children who attend independent schools. Information provided by each of the schools suggests that the average cost of school uniform across the Edinburgh independent schools is £508, although it can vary from school to school and may be included in 100% fees assistance.

The difference between these two figures represents the additional uniform costs associated with sending a child to independent school. By multiplying this difference by the number of pupils at the Edinburgh independent schools it was estimated that additional expenditure on school uniforms could amount to £3.4 million. It was assumed that this expenditure would take place in Edinburgh.

Table 3.6 – School Uniform Assumptions

	Value
Average annual expenditure on school uniforms for pupils in the UK (£ per child)	199
Average annual expenditure on school uniform for pupils at Edinburgh independent schools (£ per child)	508
Total additional expenditure on school uniform (£m)	3.4

Source: *Edinburgh independent schools. BiGGAR Economics Analysis*

The economic contribution of this additional expenditure was estimated by applying the turnover/GVA and turnover/employee ratios for the retail sector. Multiplier effects were then captured by applying GVA and employment multipliers. This suggests that spending on uniforms contributed £0.9 million GVA and 30 jobs in Edinburgh and £1.1 million GVA and 40 jobs in Scotland.

³ Department for Education (2015), Cost of School Uniform 2015 – Research Report. Excludes cost of coat and shoes

Table 3.7 – Contribution from Expenditure on School Uniform

	Edinburgh	Scotland
GVA (£m)	0.9	1.1
Employment	30	40

Source: BiGGAR Economics Analysis

3.6 Summer Schools

Some of the schools also host residential summer language courses, which typically last 3 to 5 weeks during the summer holidays and attract students from outside the UK looking to improve their English. In total this involved almost 1,000 students from overseas attending language schools. These students spend money during their stay on excursions, day trips and shopping which supports the tourism and retail sectors.

The summer school programs include afternoon and weekend excursions as part of the package that they offer students. In order to estimate spending on these trips, it was assumed that excursions and day trips would represent around 10% of the total fees paid for attending the summer schools. The economic impact of this expenditure was estimated by applying economic ratios and multipliers for the tourism sector.

Based on figures cited by one of the schools⁴, it was estimated that pupils would spend around £75 per week in pocket money, predominantly in the retail sector, for the time that they were in attendance. The economic contribution of this expenditure was estimated by applying economic ratios and multipliers for the retail sector.

The economic contribution associated with summer school students was therefore estimated to be £0.2 million GVA and 10 jobs in Edinburgh, and £0.4 million GVA and around 20 jobs in Scotland.

Table 3.8 – Summer Schools Contribution

	Edinburgh	Scotland
GVA (£m)	0.1	0.2
Employment	10	20

Source: BiGGAR Economics Analysis

3.7 Economic Contribution Summary

The impacts considered in this chapter indicate that the Edinburgh independent schools contribute more than £150 million GVA and almost 3,500 jobs in Scotland, of which almost £125 million GVA and 3,000 jobs were estimated to be in Edinburgh.

⁴ <https://www.fclcedinburgh.com/pricing-enrolment/>

Table 3.9 – Economic Contribution of Edinburgh Independent Schools

	Edinburgh	Scotland
GVA (£m)		
Direct	106.8	106.8
Supplier	6.7	14.2
Staff Spending	7.3	22.8
Capital Expenditure	2.6	5.1
School Uniforms	0.9	1.1
Summer Schools	0.2	0.4
Total GVA Contribution	124.5	150.4
Employment (Jobs)		
Direct	2,580	2,580
Supplier	120	250
Staff Spending	170	510
Capital Expenditure	40	70
Uniforms Impact	30	40
Summer Schools	10	20
Total Employment Contribution	2,940	3,470

Source: BiGGAR Economics Analysis, figures may not total due to rounding

4 FISCAL CONTRIBUTION

This section considers the fiscal contribution generated by the Edinburgh independent schools. This includes the cost savings to the public sector which would otherwise provide education for the pupils as well as taxes paid and collected by the schools.

4.1 Public Sector Cost Savings

If the Edinburgh independent schools did not exist, the pupils who attend these schools would need to be educated within the state sector itself. 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 the Edinburgh independent schools might be expected to attend state schools if the option were no longer available to them. The starting point for doing this was the total number of pupils attending independent schools in Edinburgh, which amounts to 4,287 primary school pupils and 6,794 secondary school pupils.

The next step was to exclude any pupils who might not be expected to attend state schools in Scotland if the independent schools were not available, such as international pupils. Data from the Edinburgh independent schools suggests that about 473 pupils are international or from elsewhere in the UK, and these pupils were excluded from the calculations of local authority savings.

The Edinburgh independent schools also attract pupils from nearby local authorities. If the Edinburgh independent schools did not exist, these pupils would be educated outside of Edinburgh. Information from one of the large Edinburgh independent schools indicates that the vast majority (78%) of pupils were from Edinburgh⁵ and the remaining 22% were from outside Edinburgh. Therefore, there were estimated to be 3,286 Edinburgh-based primary pupils, and 4,967 Edinburgh-based secondary pupils.

An analysis of population statistics demonstrates that the number of children of primary and secondary school age (aged 5-18) would be 58,369⁶. The number of pupils in local authority primary and secondary schools is 49,010 and the net number of children from other local authorities attending publicly funded Edinburgh schools is 636⁷. The number of private school pupils from Edinburgh implied by these figures is within 1% of the number of private school students from Edinburgh based on the data from the Edinburgh independent schools.

As can be seen in Figure 4.1, based on statistics from the Scottish Government,⁸ pupils that attend Edinburgh independent schools comprise 6% of all nursery pupils in Edinburgh, 10% of Edinburgh primary school pupils, and 21% of Edinburgh secondary pupils. Overall, 14% of Edinburgh primary and secondary school pupils attend an independent school in Edinburgh.

⁵ Edinburgh as defined as the local authority area of Edinburgh City Council, covering postcodes EH1 to EH17.

⁶ ONS (2018), Population Estimates 2017

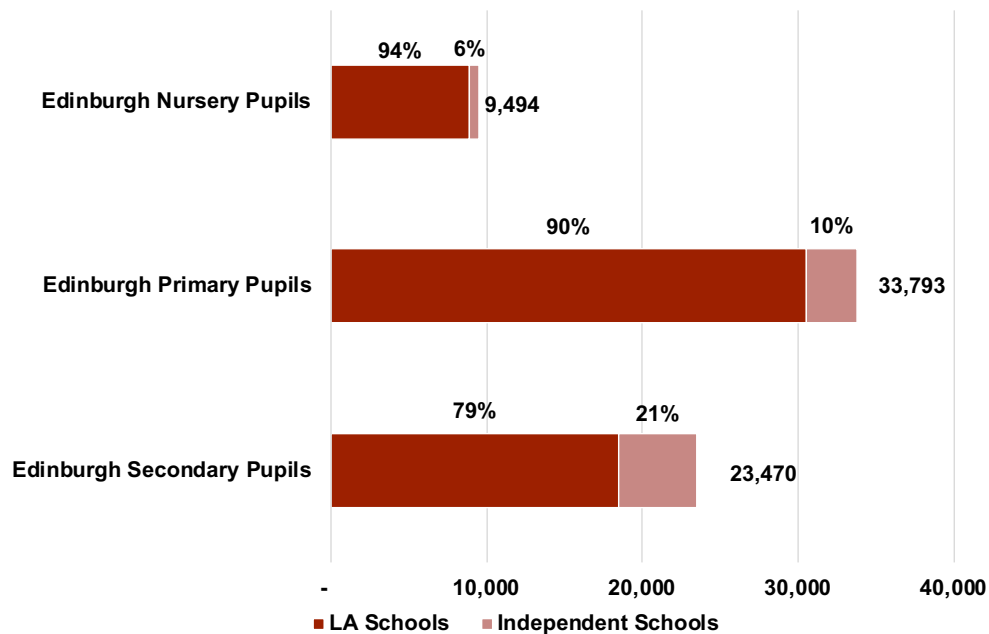
⁷ Scottish Government (2017), Pupils in Scotland 2017

⁸ Scottish Government (2017), Pupils in Scotland 2017

Pupils from outside Edinburgh were therefore excluded from the estimated savings to Edinburgh Council, but would represent a saving at the Scottish level, and therefore this saving has been estimated.

There were also 599 nursery pupils, supporting the Scottish Government’s aim of boosting nursery provision to 1,140 hours per year, from the current baseline of 600 hours.⁹

Figure 4.1 – Edinburgh Independent Schools as Proportion of Edinburgh Pupils



Source: SCIS and Scottish Government.

According to data collected for the Local Government Benchmarking Framework the gross revenue expenditure per state-educated primary pupil in Edinburgh is £4,105 (£4,788 across Scotland) and the expenditure per secondary school pupil is £6,252 (£6,806 across Scotland)¹⁰. The average expenditure for pre-school children is £2,911.

By applying these cost estimates to the number of pupils it is possible to estimate that the Edinburgh independent schools represent a cost saving to the City of Edinburgh Council budget¹¹ of £46.3 million. Of this £1.7 million came from nursery pupils, £13.5 million from primary school pupils and £31.1 million from secondary schools.

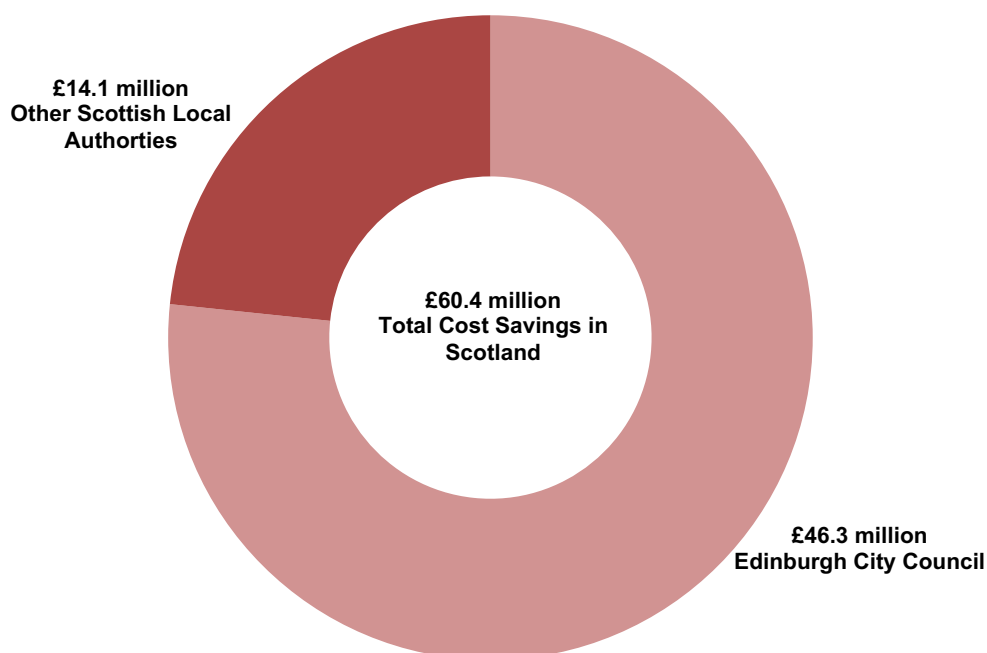
It was also estimated that there are savings to other local authorities in Scotland of £14.1 million, of which £4.5 million would be from primary schools and £9.6 million would be from secondary schools. Therefore, the total savings to local authorities in Scotland was estimated to be £60.4 million.

⁹ Scottish Government (2016), Financial Review of early learning and childcare in Scotland: the current landscape

¹⁰ Local Government Benchmarking Framework (2018) <http://www.improvementservice.org.uk/benchmarking/explore-the-data.html>

¹¹ The City of Edinburgh Council’s budget includes an allocation for education from the Scottish Government, based on pupil numbers. So, any increase in pupil numbers would imply a need to increase the allocation from the Scottish Government.

Figure 4.2 – Public Sector Cost Savings



Source: SCIS, Local Government Benchmarking Framework and BiGGAR Economics Analysis

Table 4.1 – Public Sector Cost Savings by Category

	Pupils	Cost per pupil (£)	Savings (£m)
Edinburgh			
Nursery	599	2,911	1.7
Primary	3,286	4,105	13.5
Secondary	4,967	6,252	31.1
Total	8,852	-	46.3
Elsewhere in Scotland			
Primary	934	4,788	4.5
Secondary	1,417	6,806	9.6
Total	2,355	-	14.1
Scotland Total			
Total	11,207	-	60.4

Source: SCIS, Local Government Benchmarking Framework and BiGGAR Economics Analysis

4.2 Taxation

The Edinburgh independent schools also contribute to the public sector through taxes that they collect on behalf of their employees and taxes they pay directly.

Although many independent schools receive partial relief from non-domestic rates the relief granted is often less than 100% and they thereby contribute to local authority finances. Figures provided by the Edinburgh independent schools suggest that they contributed £0.9 million in non-domestic rates in 2017/18.

Staff also contribute through the payment of employment taxes (in addition to the contribution of spending their wages), such as through their national insurance contributions and income tax, as well as the national insurance contributions made on their behalf by the schools. Figures provided by the schools suggests that in 2017/18, the total contribution of employment taxes was £23.3 million, which represents 26% of all staff costs.

Other taxes paid directly by the Edinburgh independent schools include the Apprenticeship Levy, which is paid by employers with an annual pay bill exceeding £3 million, the proceeds of which are used to fund apprenticeship training. Through schemes such as this, the schools contributed £0.2 million.

In summary, the Edinburgh independent schools collected taxes amounting to £16.6 million and paid taxes amounting to £7.8 million (Table 4.2). Therefore, the total taxation benefits arising from the schools is £24.4 million (although it should be noted that this does not include Value Added Tax (VAT)¹²).

Table 4.2 – Taxation Benefits

Value (£m)	
Taxes Collected	
Income Tax	10.3
National Insurance (employee contribution)	6.4
Total Taxes Collected	16.6
Taxes Paid	
National Insurance (employer contribution)	6.7
Non-Domestic Rates	0.9
Other (e.g. apprenticeship levy)	0.2
Total Taxes Paid	7.8

Source: *Edinburgh Independent Schools and BiGGAR Economics Analysis*

4.3 Fiscal Contribution Summary

When the public sector cost savings from the schools’ provision of education are added to the taxation benefits they generate, the total fiscal contribution of the Edinburgh independent schools amounts to almost £85 million. Of this, Edinburgh City Council would benefit by £47 million and Scotland as a whole by almost £72 million.

¹² Independent schools pay VAT as they do not receive full VAT exemption. However, the VAT contribution of the schools is outwith the scope of this analysis and therefore has not been considered here.

Table 4.3 – Total Fiscal Contribution of Edinburgh Independent Schools (Edinburgh)

Value (£m)	
City of Edinburgh Council	
Public Sector Cost Savings	46.3
Non-Domestic Rates	0.9
Fiscal Impact (Edinburgh)	47.2

Source: *Edinburgh Independent Schools and BiGGAR Economics Analysis*

Table 4.4 – Total Fiscal Contribution of Edinburgh Independent Schools (Scotland)

Value (£m)	
Scotland	
Public Sector Cost Savings	60.4
Non-Domestic Rates	0.9
Income Tax	10.3
Fiscal Impact (Scotland)	71.6

Source: *Edinburgh Independent Schools and BiGGAR Economics Analysis*

Table 4.5 – Total Fiscal Contribution of Edinburgh Independent Schools (UK)

Value (£m)	
UK	
Public Sector Cost Savings	60.4
Non-Domestic Rates	0.9
Income Tax	10.3
National Insurance (employee contribution)	6.4
National Insurance (employer contribution)	6.7
Other (e.g. apprenticeship levy)	0.2
Fiscal Impact (UK)	84.8

Source: *Edinburgh Independent Schools and BiGGAR Economics Analysis*

5 WIDER IMPACTS

This section discusses the wider impacts of the Edinburgh independent schools, including:

- export earnings that contribute to Scotland's balance of trade with the rest of the world;
- financial assistance provided by the schools to pupils in order to widen access to independent education; and
- wider community benefits from the schools providing access to facilities and delivering other services.

5.1 Exports

The teaching excellence of the Edinburgh independent schools helps to attract boarding students from the rest of the UK and internationally. Pupils from outside Scotland who attend the Edinburgh independent schools therefore contribute to Scotland's exports and its current account balance. In 2017/18, there were 473 pupils from outwith Scotland at the Edinburgh independent schools. Of these, 82% were from international pupils, from outside the UK. These 473 pupils from outwith Scotland contributed £12.1 million in fees.

Table 5.1 – Export Earnings of Edinburgh Independent Schools

	Value (£m)
Total Export Earnings	12.1

Source: *Edinburgh independent schools*

Some of the Edinburgh independent schools are also expanding abroad, capitalising on the growing market for international education and the continued prestige of British education. One school opened a branch in Shenzhen in 2018 and two further schools are in the process of opening branches in China. This will further boost the profile of Edinburgh internationally and is testament to the quality of education provided by the Edinburgh independent schools.

Edinburgh's ability to attract people from outside Scotland to relocate there depends on its attractiveness as a place to work and live. Some of the principal factors for attracting talent include employment opportunities, the quality of the natural environment and cultural offerings. As well as these factors, the presence of high-quality schooling is another important factor in enabling people to relocate to Edinburgh.

5.2 Financial Assistance

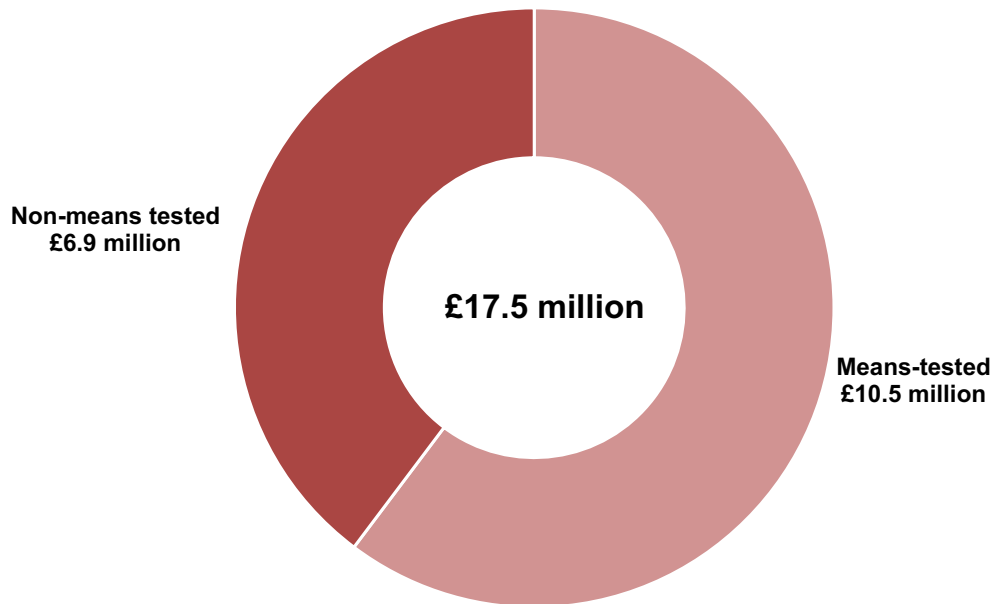
The Edinburgh independent schools provide financial assistance in the form of bursaries and funding to pupils, which make it easier for pupils to attend independent school. The level of financial assistance can vary greatly and can represent up to 100% of the total fee. Support can take several forms, including means-tested bursaries, scholarships and discounts (for example for an additional child, or for military families).

In 2017/18 the total level of financial assistance provided by the Edinburgh independent schools was £17.5 million, of which £10.5 million was paid out in means-tested assistance and £6.9 million was paid out in non-means tested

assistance. This benefitted over 2,700 pupils, which suggests that the assistance provided per assisted pupil is equal to over £6,400.

This represents 23% of the pupils educated by the Edinburgh independent schools, and 12% of the total income received.

Figure 5.1 – Financial Assistance



Source: SCIS

It is clear that the families of some of the pupils who received this assistance could not 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 been educated in the state sector, and therefore this represents part of the savings to the public sector.

5.3 Community Benefits

The Edinburgh independent schools also support their local communities by providing access to their facilities as well as through the activities they undertake. The schools also play an important role in maintaining cultural heritage through their maintenance of a number of listed buildings in Edinburgh. Although these benefits cannot easily be quantified in monetary terms, they are nonetheless important and are discussed further here.

Many independent schools place a high level of importance on taking part in sporting activities. They frequently have state-of-the-art facilities such as swimming pools, tennis courts and hockey and cricket pitches as well as coaches and minibuses. Many of the schools allow local users to use these resources, often either free of charge or for a nominal fee, on the basis of their public benefit provisions. For example, local hockey clubs may be allowed to play for the cost of the groundsmen's time and electricity, or schoolchildren may play sports or swim for free at the schools.

As well as sports grounds, some of the schools also have facilities that can be used for activities such as music or theatre. One of the schools provides a space for the National Youth Choir of Scotland's weekly rehearsals, while another provides a

venue for the Meadows Chamber Orchestra. Others provide access to their performing arts centre to local schools and community groups at discounted rates, hosting for example theatrical groups and Girl Guiding Scotland, or hosting annual piano workshops at a low hourly rate.

By providing access to their facilities, the schools provide opportunities for their local communities to undertake a wide range of activities. Without access to these facilities, some activities would not be viable (because of the higher costs or poorer quality facilities) and could cease to be available. In addition, numerous studies have found benefits for children associated with taking part in sports, music and other activities, including higher levels of physical and mental health, greater cognitive development, and improved behaviour and learning in the classroom.

Some of the schools are also involved with providing academic support to neighbouring state schools. For example, the Swire Chinese Language Centre is a collaborative venture between three schools in Edinburgh and is based at one of the Edinburgh independent schools. It promotes Chinese language and culture, enabling pupils in primary and secondary schools throughout South and Central Edinburgh to study Mandarin.

Academic support includes special educational events such as teachers delivering lessons and workshops to external pupils, such as preparation for UCAS applications. Other schemes involve mentoring young children from nearby state schools, such as through the charity Place2Be which 'buddies' sixth year pupils with children from primary schools that are experiencing problems. One of the schools has recently worked with a charity that offers full residential holidays to children with disabilities, with round the clock care and attention from senior pupils.

The Edinburgh independent schools are also involved in hosting events and festivals. For example, one of the schools hosts an annual Christmas market which attracts around 2,000 people. One of the schools also acted as a venue for the Edinburgh Fringe Festival in August, hosting the BBC's events and several radio shows.

In addition, the estates of the Edinburgh independent schools comprise some of the most iconic, listed buildings in Edinburgh. Regular maintenance and repair of these buildings is undertaken by the schools on a regular basis at significant cost. However, in doing so the buildings remain part of the fabric of the city and play an important role in maintaining the architectural heritage of Edinburgh and therefore in attracting tourists.

5.4 Summary of Wider Benefits

The Edinburgh independent schools have a wide range of benefits beyond their economic and fiscal contributions.

Through their activities and international reputation, the schools attract more than 450 pupils from outside of Scotland, who contribute £12.1 million in fees, benefiting Scotland's exports.

The schools, which are also charities, support widening access to independent school education through financial assistance which enables children and young people to attend who otherwise would not be able to. In 2017/18, 23% of the pupils educated at the Edinburgh independent schools were supported through financial assistance, amounting to £17.5 million.

These quantifiable wider benefits amount to £29.6 million as summarised in Table 5.2.

Table 5.2 – Wider Benefits of Edinburgh Independent Schools

	Value (£m)
Export Earnings	17.5
Financial Assistance	12.1
Total	29.6

Source: *BiGGAR Economics Analysis*

The schools also offer their high-quality facilities and resources to schools in the state sector, organisations in the community, such as the National Youth Choir of Scotland and Meadows Chamber Orchestra, and a range of other organisations such as the BBC, which hosted its Fringe events at one of the schools. In this way, the schools support their local communities and although these benefits are unquantifiable, they are nonetheless important.

6 SUMMARY AND CONCLUSIONS

This section summarises the economic and fiscal contribution made by the Edinburgh independent schools to the City of Edinburgh and Scotland as a whole.

6.1 Economic Contribution

This report has estimated that in 2017/18, the Edinburgh independent schools contributed approximately:

- £125 million GVA and 3,000 jobs to the City of Edinburgh; and
- £150 million GVA and 3,500 jobs to the Scottish economy as a whole.

This includes the direct economic activity of the schools as well as the activity supported through their supply chains, staff spending, capital investment, expenditure on uniforms and the spending of summer school pupils.

These impacts are summarised in Table 6.1.

Table 6.1 – Economic Contribution of Edinburgh Independent Schools

	Edinburgh	Scotland
GVA (£m)		
Direct Impact	106.8	106.8
Supplier Impact	6.7	14.2
Staff Spending Impact	7.3	22.8
Capital Expenditure Impact	2.6	5.1
Uniforms Impact	0.9	1.1
Summer School Impact	0.2	0.4
Total GVA Impact	124.5	150.4
Employment (Jobs)		
Direct Impact	2,580	2,580
Supplier Impact	120	250
Staff Spending Impact	170	510
Capital Expenditure Impact	40	70
Uniforms Impact	30	40
Summer School Impact	10	20
Total Employment Impact	2,940	3,470

Source: BiGGAR Economics Analysis, figures may not total due to rounding

This means that for every teacher at the Edinburgh independent schools, of which there are about 1,700, there are an additional 0.73 jobs in Edinburgh, and another 1.04 jobs in Scotland, which includes non-teacher staff at the schools, such as administrative and catering staff, as well as jobs supported by staff spending, supplier spending and school uniform spending.

Table 6.2 – Ratio of Teachers to Total Jobs Supported

	Edinburgh	Scotland
Teacher: Total jobs ratio	1:1.73	1:2.04

Source: BiGGAR Economics Analysis.

In order to understand the scale of the Edinburgh independent schools' impact, it is useful to place this in context. Based on the Scottish Government's growth sectors database, Edinburgh's food and drink sector in 2016 had a direct employment of 2,240 jobs and generated £117.5 million GVA. Edinburgh's life sciences sector directly employed 2,000 people and generated £190.4 million GVA.

Table 6.3 – Impact in Context

	Employment	GVA (£m)
Edinburgh Independent Schools	2,931	124.3
Food and Drink	2,240	117.5
Life Sciences	2,000	190.4

Source: BiGGAR Economics Analysis; Scottish Government (2018), Scottish Growth Sectors Database

6.2 Fiscal Contribution

The Edinburgh independent schools make a fiscal contribution through public sector cost savings from the schools' provision of education and the taxation benefits they generate. The total fiscal contribution of the Edinburgh independent schools amounts to £85 million. Of this, Edinburgh City Council would benefit from around £47 million.

Table 6.4 – Total Fiscal Contribution of Edinburgh Independent Schools

	Value (£m)
City of Edinburgh Council	
Public Sector Cost Savings	46.3
Non-Domestic Rates	0.9
Fiscal Impact (Edinburgh)	47.2
Scotland	
Public Sector Cost Savings	60.4
Taxation & Non-Domestic Rates	11.2
Fiscal Impact (Scotland)	71.6
UK	
Public Sector Cost Savings	60.4
Taxation & Non-Domestic Rates	24.4
Fiscal Impact (UK)	84.8

Source: Edinburgh Independent Schools and BiGGAR Economics Analysis

6.3 Wider Impacts

In addition to their economic and fiscal contribution, the Edinburgh independent schools have a number of wider impacts. The schools attract pupils from outside Scotland, who contribute £12 million in fees, benefiting Scotland’s exports. In addition, 23% of the pupils educated at the Edinburgh independent schools were supported through financial assistance, amounting to almost £18 million. These quantifiable wider benefits amount to around £30 million and are summarised in Table 6.5.

Table 6.5 – Wider Contribution of Edinburgh Independent Schools

	Value (£m)
Financial Assistance	17.5
Education Exports	12.1
Wider Impact	29.6

Source: BiGGAR Economics Analysis, figures may not total due to rounding

The Edinburgh independent schools also support a range of wider benefits in the community through offering their sporting and performance facilities for local schools and organisations to use, including hockey pitches, cricket grounds, tennis courts, swimming pools and performing arts centres. They also provide academic support to state schools through special educational events and mentorship.

6.4 The Future of the Sector

As described above, the Edinburgh independent schools make a significant contribution to the City of Edinburgh and throughout Scotland. This contribution arises from their core activities of providing education to pupils as well as the additional activities they undertake, such as attracting pupils from outwith Scotland and providing financial assistance in order to widen access to independent school education. Over and above this, the schools play an important role in their communities, through providing access to their facilities, engaging with the local community and preserving the architectural heritage of the City through the buildings they maintain.

As not for profit organisations, the schools only seek to maintain financial sustainability rather than generating a profit from their activities. Maintaining financial sustainability is of crucial importance as it allows the schools to fulfil their core role of providing education to pupils as well as enabling them to undertake additional activities.

Like any other sector, the independent schools sector is also vulnerable to external pressures and challenges. The sector is facing three key challenges:

- from 2020/21 independent schools could lose the partial business rates relief that they currently receive;
- employer contributions to the teachers' pensions scheme are expected to increase across the sector from 17.2% at the moment to 22.4% from April 2019; and
- the lifting of the public sector pay cap is likely to have a substantial upward impact of teacher pay in Scotland.

These three elements will create significant cost pressures for all of the Edinburgh independent schools by increasing the cost base by around £9 million. In order to cover these additional costs, the schools would need to increase fees by 7%, an increase of about £900 per pupil on average. This is a significant sum of money for parents, and will be compounded for the parents who have more than one child studying at one of the independent schools.

Based on discussions with the Edinburgh independent schools it is clear that many parents would not be able to bear this financial burden; for around 15% of parents this would be completely unaffordable, leading to these pupils dropping out of independent schools. This equates to an estimated 1,750 pupils, which would be equivalent to a school the size of George Heriot's closing.

If this scenario were to occur it was estimated that income across the Edinburgh independent schools would fall from £143.4 million currently to £130.4 million. The economic impacts associated with the schools would also decrease, either as a result of lower income or due to the smaller number of pupils. In Edinburgh it was estimated that this would reduce the economic contribution by £11.3 million GVA and 270 jobs (with an assumed reduction in staff numbers of 230).

As pupils would drop out of the independent schools sector in Edinburgh due to affordability issues, this would mean that 1,750 pupils (roughly the size of Sciennes Primary School and Holy Rood High School combined) need to be accommodated in state school education.

Although not all of these pupils would be educated in Edinburgh, this suggests that an additional £6.9 million in public sector funding would be required to educate them in schools run by Edinburgh City Council, and £2.1 million in local authorities outside of Edinburgh.

There could also be capital costs from the requirement to build a new school or expand existing schools to accommodate the pupils. By way of illustration, the new Boroughmuir High School, which can accommodate 1,200 pupils had a construction cost of £35 million and a wider site cost of £15 million.

The independent schools sector in Edinburgh is therefore facing a number of external pressures which challenge the financial sustainability of the sector and could reduce the economic and fiscal contribution of the sector. Also at stake would be the many community activities that the schools are involved in despite the best efforts of the schools to continue with them.