



THE IMPACT OF INDEPENDENT SCHOOLS ON THE UK ECONOMY

DECEMBER 2022



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FOREWORD

Independent schools are entwined in the fabric of their local economies. Each school—large or small—will be connected to its local community in a myriad of ways whether by employing teachers, IT technicians or caterers or working with businesses to procure goods and services. And importantly schools will be paying taxes to support wider society.

This report provides national level data to quantify the economic contribution of independent schools—both their direct activities and the ripple effects this has through supply chains. These numbers are substantial, and all the main indicators have increased since our last report in 2018. Together independent schools contribute £16.5 billion to the UK economy, supporting 328,000 jobs and £5.1 billion in tax revenues. And the sector

saves the government £4.4 billion every year by educating pupils who would otherwise take up a place in state-funded schools.

Independent schools also attract international students who culturally enrich their school communities, with many going on to study at UK universities having immersed themselves in our education system. This report details the £2.1 billion impact these students and their families have on our economy.

As our country emerges from the economic shadow of Covid-19 now more than ever is the time to safeguard the economic benefits independent schools provide both nationally and locally. We know many local economies would be worse off should their independent schools disappear.

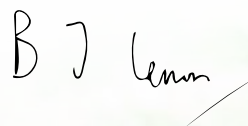


There is no 'typical' independent school. There is a diversity in the sector that belies the popular stereotype. ISC schools vary significantly in size from having fewer than 50 pupils to nearly 2,500, although half of all schools have fewer than 300 pupils. The sector also offers a variety of specialisms in SEND, single-sex education, boarding, music and dance.

All these schools contribute economically, while across the sector schools work hard to provide public benefit by building partnerships with their state colleagues and to widen access through providing £480 million worth of bursaries and means tested fee assistance.

Alongside this report, Oxford Economics has also provided an economic impact tool—an online resource which individual schools can use to calculate their own local economic contribution and we urge schools reading this report to use it (via the ISC website).

Finally, I would like to thank Oxford Economics for their work in putting this report together and providing such a clear picture of the economic value independent schools deliver.



Barnaby Lenon, Chairman
Independent Schools Council



EXECUTIVE SUMMARY

Independent schools in the United Kingdom make a significant contribution to national and local economies, as well as the communities they serve. In 2021, according to independent economic analysis as set out in this report:

- Schools affiliated to the Independent Schools Council (ISC) made a **£14.1 billion contribution to the UK economy**. That is equivalent to 0.7% of total UK GDP in that year, and to the total economic activity generated in a city the size of Sheffield.
- The activities of ISC schools also have a significant impact on UK employment. In 2021, they **supported around 282,000 jobs** across the country, equivalent to the total employed population in a city the size of Liverpool.
- ISC schools also supported **£4.3 billion in tax revenues** for the UK exchequer. That is sufficient to fund the salaries of 115,000 full-time nurses.
- Scaling the results up to all independent schools across the UK, we estimate their total economic footprint to have been **£16.5 billion, associated with over 328,000 jobs, and £5.1 billion in tax revenues**.
- The study also found that independent schools **save the taxpayer £4.4 billion every year** by providing places for pupils who could otherwise be expected to take up a place in the state-funded sector. The ISC schools' share of that total is £3.8 billion.

£14.1 bn

ISC schools' contribution to UK production (GVA) in 2021, taking the knock-on impact of spending on goods, services, and salaries into account.

This supported 281,980 jobs, and £4.3 billion in taxes.

This study investigated the impact of the schools affiliated to the ISC¹, and that of the independent schools' sector more widely, on the UK economy in 2021. It considers the economic activity taking place in the schools, and the activity supported right across the economy by the schools' spending on goods, services, capital projects, and salaries. It also considers the effect of Covid-19 and Brexit on the ISC schools' economic impact in 2021.

ECONOMIC FOOTPRINT

The £14.1 billion total contribution to the "gross value added" measure of UK production (GVA) is made up of three elements.² The direct GVA impact is £6.9 billion and is primarily the costs of employing teaching and support staff to carry out the day-to-day work of the school.

¹In this report the term "ISC schools" is used as shorthand for "ISC member association schools". Schools are not direct members of ISC. Rather, the requirements for being considered an "ISC school" are that the school has the ability to charge fees, and that its head is a member of one of ISC's constituent associations (see Chapter 1).

²GVA is the standard measure of economic production for a business, industry, or sector, and (as explained in Chapter 1) is a similar concept to gross domestic product (GDP).

But the schools' impact on the UK economy does not end there. They purchase goods and services from third parties, often in their local area, including construction companies, IT support service providers, school equipment suppliers, contract catering firms, and self-employed music and sports instructors, amongst many others. This generates GVA for those businesses, and for their suppliers in turn, and this so-called "indirect GVA impact" is estimated at £1.8 billion in 2021.

Furthermore, the schools' teachers and support staff, and workers in their supply chain, will spend their take-home pay in shops, restaurants, and leisure outlets, and on utilities and household services, supporting further production in the UK consumer economy. This so-called "induced GVA impact" is estimated to have contributed a further £5.5 billion to the total economic footprint in 2021.

Altogether, this means that, for every £100 million of GVA generated directly by ISC schools, an extra £105 million is supported by supply chain links and salary-funded expenditure. As the total GVA impact is, therefore, just over twice the direct GVA impact alone, the GVA multiplier is just over two.

The 281,980 jobs supported by ISC schools across the country include:

- 152,290 teachers and support staff directly employed by the schools themselves;
- 33,550 indirect jobs in the supply chain, supported by their procurement of goods and services from third party businesses; and
- 96,140 induced jobs supported in the UK consumer economy, by the salary-funded spending of school and supply chain staff.

The £4.3 billion in tax revenues for the UK exchequer was made up of:

- Some £2.0 billion in direct taxes, paid by ISC schools themselves, and by their staff on their salaries;
- Another £0.4 billion of indirect taxation collected along the schools' supply chain; and
- £1.9 billion of induced taxation generated by the salary-funded spending of employees.

£4.4 bn

Annual savings to the UK taxpayer as a result of pupils attending an independent school, instead of taking up a free UK state school place.

The ISC schools' share of that total is £3.8 billion.

SAVINGS FOR THE TAXPAYER

If independent school pupils took up the state school places to which they were entitled instead, then the British taxpayer would have to bear significant extra costs. We estimate that independent schools save the British taxpayer at least £4.4 billion annually. The share of ISC schools in this saving is £3.8 billion per year.

This calculation considers teaching and other recurrent costs in the UK state school sector, plus capital costs associated with the use of land, construction of school buildings, and property maintenance. But it excludes central administrative costs, and is therefore likely to slightly understate the full amount of the saving.

THE IMPACT OF COVID-19 AND BREXIT

The GVA and employment impacts of ISC schools in 2021 fell short of the levels that would have prevailed had the pre-2020 “trend” growth rates continued, by an estimated 10% and 8% respectively. This was primarily driven by an 8% shortfall in average fees per pupil, estimated on the same basis. This in turn was directly associated with Covid-19-related fee discounts, allowing us to conclude that Covid-19 was the dominant cause of the GVA and employment “losses”.

By contrast, recent trends in pupil numbers by nationality do not provide any conclusive evidence of a short-term “Brexit effect”. However, it does not necessarily follow that there will be no significant impact in the long-term—if, for example, changes in visa arrangements resulted in EU pupil numbers growing at a slower pace than otherwise.

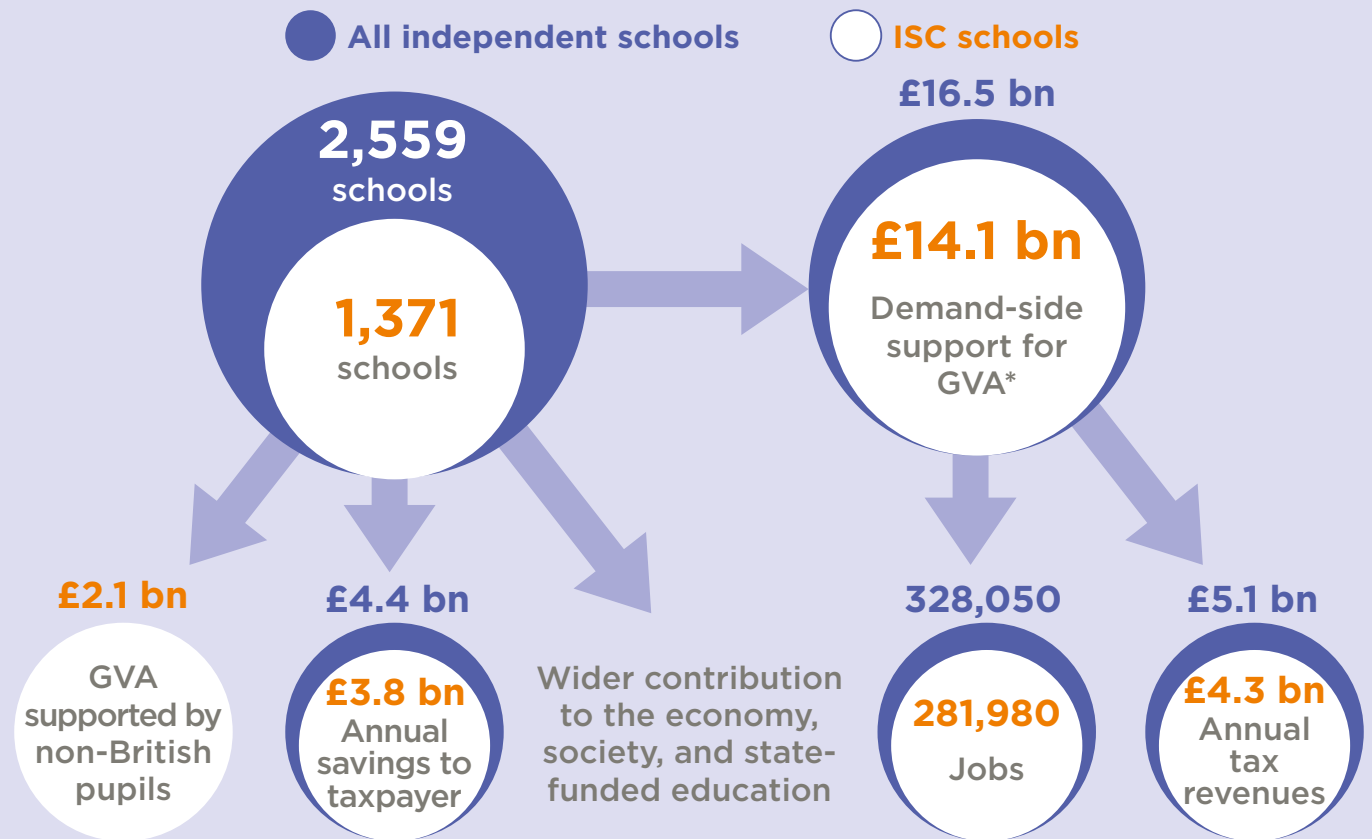
ABOUT THE ISC

The Independent Schools Council (ISC) brings together seven associations of independent schools, their heads, bursars, and governors. In early 2022, the ISC represented nearly 1,400 independent schools in the UK. These schools educated more than half a million children, equivalent to 86% of pupils at all UK independent schools. Independent schools in turn account for 6% of the country's entire school population.

10%

Shortfall in economic output in 2021 due to the impact of Covid-19 on school activity and parents' finances.

THE IMPACT OF INDEPENDENT SCHOOLS ON THE UK ECONOMY



*GVA = Gross Value Added

THE ECONOMIC IMPACT OF ISC SCHOOLS

 **£14.1 BILLION**
contribution to GVA (Gross Value Added).
Equivalent to 0.7% of total UK GVA, and GVA produced in a city the size of Sheffield.

£3.8 BILLION
annual savings to the taxpayer, enough to pay 460,000 state pensions.



 **281,980 JOBS**
Similar to employment across a city the size of Liverpool.

£4.3 BILLION
annual tax revenues, equivalent to £154 per household. This could fund the annual pay of 115,000 nurses.



1. INTRODUCTION

This report, prepared by Oxford Economics and commissioned by the Independent Schools Council (ISC), examines the contribution that ISC schools, and the wider independent schools sector, made to the UK economy in 2021. It updates the results of previous studies published in 2014 and 2018.³

As in the previous study, two sets of benefits for the wider economy are examined:

- **The sector's contribution to national economic production (GVA), jobs, and tax revenues**, due to the activity taking place in the sector itself, activity in the supply chain stimulated by the schools' purchases of goods and services, and activity in the wider economy supported by the salary-funded spending of school and supply chain staff.

- **Savings for the British taxpayer**, because most pupils at independent schools are entitled to, but do not take up, a place at a state-funded school.

In addition, the study examines the extent to which the estimates for the latest year—calendar year 2021—might have been affected by **Covid-19 and Brexit**.

1.1 INTRODUCTION TO THE ISC AND THE UK INDEPENDENT SCHOOLS SECTOR

The main focus of this report is on the contribution to the UK economy of independent schools that are members of ISC associations. The ISC comprises seven constituent

associations of independent schools, their heads, bursars, and governors.⁴ As of January 2022, independent schools accounted for 5.8% of all school pupils in the UK, and

those in membership of the ISC, for 5.0% (see Fig. 1). ISC association schools therefore account for 86% of all pupils at UK independent schools.

Fig. 1: Distribution of school pupils in the UK in January 2022

	England	Scotland	Wales	Northern Ireland	Total UK	% of total
ISC independent schools	498,734	25,451	7,432	374	531,991	5.0%
Other independent schools	82,693	3,581	2,423	342	89,039	0.8%
Total independent schools	581,427	29,032	9,855	716	621,030	5.8%
State-funded schools	8,414,639	796,326	474,724	348,491	10,034,180	94.1%
Overall total¹	9,000,031	825,358	484,579	349,207	10,659,175	100.0%

Source: Independent Schools Council; Department for Education; Scottish Independent Schools Council; gov.scot; StatsWales; Department of Education (Northern Ireland). ¹ The England total also includes 3,965 pupils at non-maintained special schools.

In total, 1,388 schools are members of ISC associations, as of early 2022, with around 544,000 pupils enrolled (see Fig. 2). Of these, 1,371 are independent schools located in the UK, educating 532,000

pupils. The other ISC members comprise seven state-funded voluntary grammar schools in Northern Ireland, and 10 independent schools in the Channel Islands and Isle of Man. The total number of

independent schools in the UK is 2,559, educating some 621,000 pupils.

³ Oxford Economics, The impact of independent schools on the British economy, April 2014, and Oxford Economics, The impact of independent schools on the UK economy, October 2018.

⁴ ISC's constituent associations are: the Association of Governing Bodies of Independent Schools (AGBIS), the Girls' Schools Association (GSA), HMC (the Heads' Conference), the Independent Association of Prep Schools (IAPS), the Independent Schools Association (ISA), the Independent Schools' Bursars Association (ISBA), and the Society of Heads (SofH). Four associations are affiliate members of ISC: the Council of British International Schools (COBIS), the Boarding Schools' Association (BSA), the Scottish Council of Independent Schools (SCIS), and the Welsh Independent Schools Council (WISC).

Fig. 2: Schools in membership of associations affiliated to the ISC

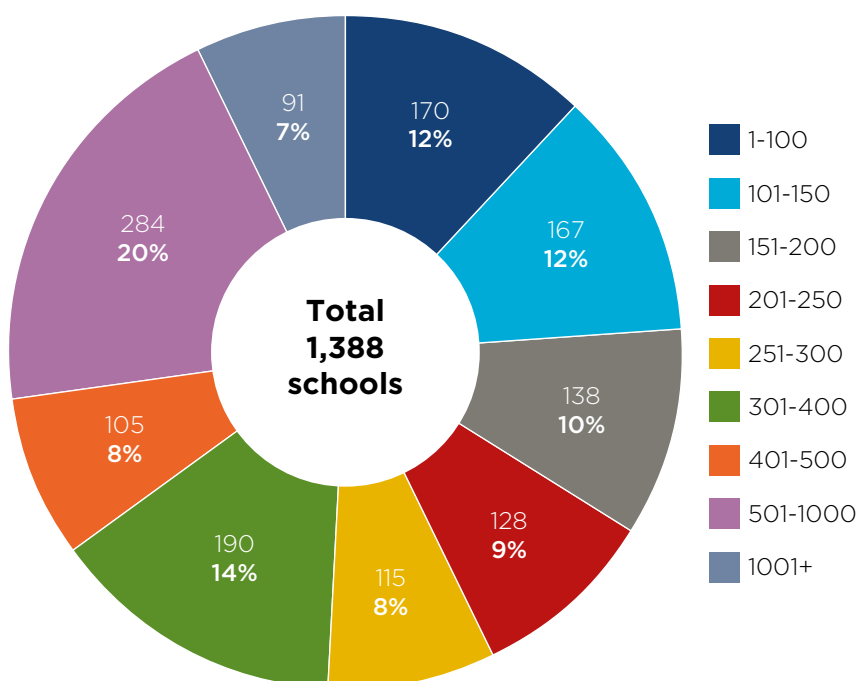
	Number of schools	Number of pupils
England	1,315	498,734
Scotland	34	25,451
Wales	19	7,432
Northern Ireland (independent schools)	3	374
Total independent schools in the UK	1,371	531,991
Northern Ireland (state-funded grammar schools)	7	7,638
Channel Islands and Isle of Man	10	4,687
Overall total	1,388	544,316

Source: Independent Schools Council. The ISC school data are consistent with the ISC census and annual report 2022, and reflect the position in January 2022.

There are many types of schools in ISC membership, and they are spread across the country (see Appendix 2). Boarding school pupils account for 12% of all ISC school pupils, and girls for 49% of pupils. The schools cater for children and teenagers, from pre-primary school age up to 19 years old. Some 75% of the schools (1,039 of the 1,388) operate on a not-for-profit basis. The schools vary in size, with nearly a quarter having fewer than 150 pupils, and just over a quarter having more than 500 (see Fig. 3). The average (mean) number of pupils per school is 392. The median is just under 300, as just over half of the schools have 300 pupils or fewer.

Fig. 3: ISC schools by size band in terms of pupil numbers

Number of schools by pupil size band



Source: Independent Schools Council; Oxford Economics

1.2 SCOPE OF THE STUDY

This study covers the impact of the 1,371 independent ISC-affiliated schools located in the UK.⁵ The analysis looks at the sector's economic footprint across the country (explained in Section 1.3 below), as well as the savings made by the taxpayer as a result of the schools' existence, and the possible impact of Covid-19 and Brexit on the latest estimates of the sector's size and impact.

For the economic footprint and taxpayer savings analysis, the starting point is income-per-pupil and cost-per-pupil data for the academic year ending August 2021. These data are then scaled to the number of ISC pupils in January 2022. The results therefore give an indication of the sector's impact in the calendar year 2021.

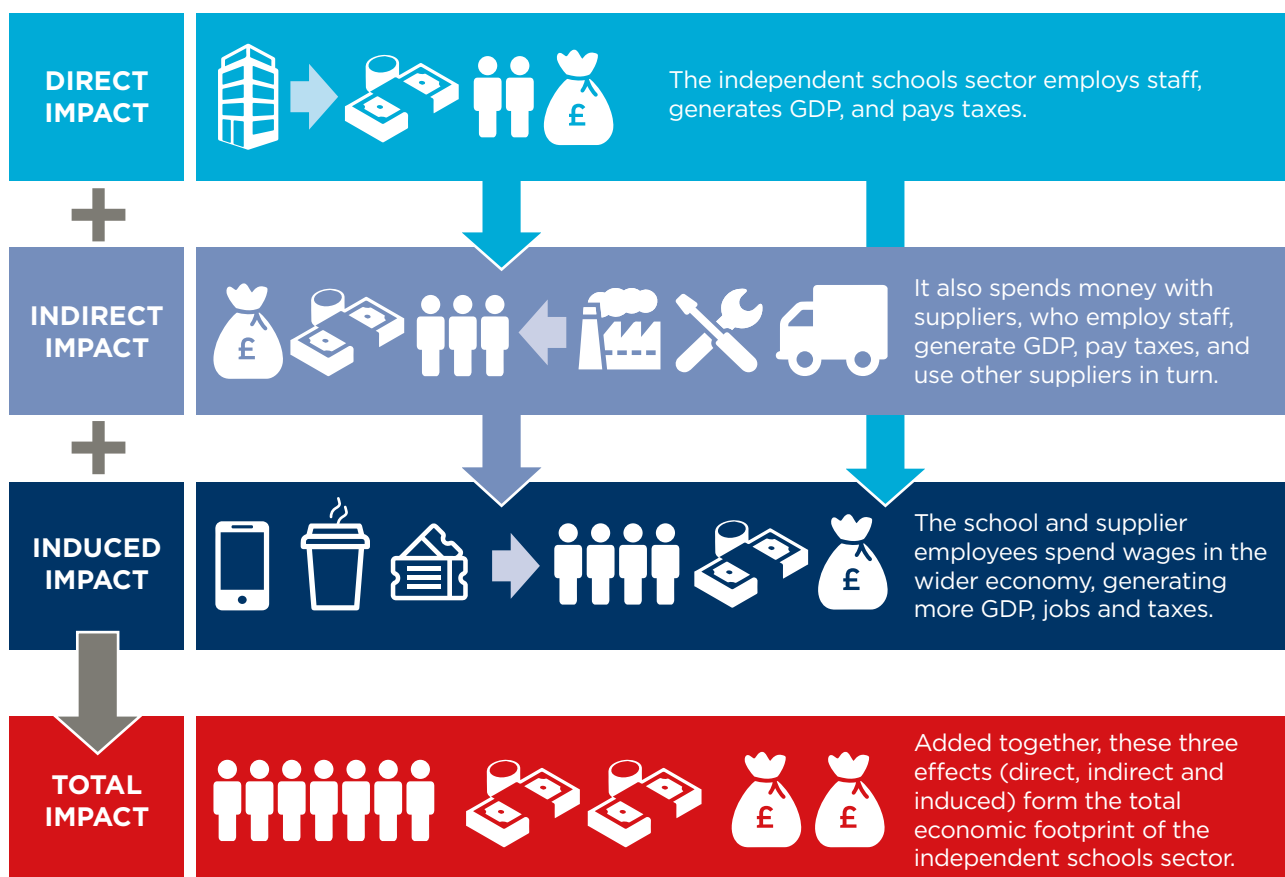
The estimates are constructed to take into account differences between type of school (e.g. primary, secondary, or special), between regions, and (for the taxpayer savings analysis) between parents' nationality and country of residence. Estimates for the impact of all independent schools are also given, although these are extrapolations based on the ratio of pupil numbers on a region-by-region basis.

1.3 INTRODUCTION TO ECONOMIC IMPACT ASSESSMENT

The "economic footprint" analysis looks beyond the headline "size of the sector" metrics to quantify the wider contribution that ISC schools make to the UK economy. This uses a standard economic impact assessment framework, which quantifies this footprint across three channels:

- **Direct impact**—the economic activity undertaken by the schools themselves.
- **Indirect (supply chain) impact**—the activity supported throughout the UK supply chain, as a result of the schools' procurement of goods and services from third-party suppliers. This takes into account the impact of spending relating to the day-to-day running of the schools, including spending on supply teachers and outsourced catering, as well as the impact of capital spending on construction work, and computers and other equipment.
- **Induced (salary-funded expenditure) impact**—the wider economic benefits that arise when the school staff, and workers in their supply chain, spend their earnings, for example in retail and leisure establishments.

The way that the direct, indirect, and induced channels relate to each other is illustrated in Fig. 4.

Fig. 4: Channels of economic impact

The economic footprint of the sector is quantified using three metrics. These are:

- **The gross value added measure of economic production (GVA)**⁶ In the case of direct GVA, this is the value of the education, accommodation, catering, and welfare services that the schools provide to their pupils, minus the value of day-to-day (non-capital) goods and services purchased from third parties. This is broadly equivalent to the sector's employment costs, plus the

gross surplus made on its operating activities, which is mainly used to cover the cost of past capital spending.

- **Employment**, measured on a headcount basis, to facilitate comparison with employment data for other industries. This includes self-employed as well as employee jobs in the indirect and induced channels.
- **Tax revenues**, encompassing all taxes on salaries, profits, business activity, and business supplies, and (in

the induced channel) those on employee spending.

The calculations are undertaken on a gross basis. This means they do not take account of the economic activity displaced from other sectors. Nor do they attempt to quantify the productivity of deploying the resources concerned in the independent schools sector, and in its supply chain, relative to alternative potential uses. This is a standard approach for undertaking economic impact appraisal.

⁶ GVA is a similar concept to gross domestic product (GDP), except that the former is valued at the "basic prices" received by suppliers, net of sales taxes such as VAT and excise duties, while the latter is valued at the "market prices" paid by the purchaser, including those taxes. GDP is the measure typically used for national economic production, but GVA is usually used in relation to the contribution of an individual business, industry, or sector.

1.4 ADDITIONAL ECONOMIC AND SOCIAL BENEFITS OF INDEPENDENT SCHOOLS

It is important to note that the benefits of independent schools to the UK economy and society are by no means

confined to the economic footprint. The box below summarises a range of other benefits, quantifiable and non-

quantifiable, including some beyond the scope of this study.

Contribution to the public sector and wider community:

- **Savings to the taxpayer**, due to pupils eligible for a free UK state school place attending an independent school instead. These savings are additional to the tax revenues generated by the independent schools' activities, captured in the economic footprint in Chapter 2 of this report, and are quantified in Chapter 3.
- **Contributions to the local community** through partnerships with state schools. This can include sharing classrooms, sharing IT, sports and catering facilities, seconding teaching staff, and sponsoring state academies. An illustration of the scale and breadth of these partnerships was included in the previous report published in 2018.
- **Means-tested discounts on school fees.** As of January 2022, 8.5% of ISC school pupils benefited from means-tested fee discounts. These discounts are valued at £480 million per annum, and now account for 50% of the value of all fee discounts funded by the schools.

Contribution to long-term economic growth and living standards:

- **The schools' strong focus on scientific subjects**, which are in high demand amongst graduate employers. This will support the UK's future productivity performance, and benefit UK and global living standards, by educating pioneers in the scientific, engineering, and medical

fields, to follow in the footsteps of Alan Turing, Tim Berners-Lee, Rosalind Franklin, Francis Crick, and the many others educated at UK independent schools in the past.

Contribution of international pupils at British independent schools:

- **Spending by international school pupils** outside of the schools, and spending by friends and relatives visiting the UK from their home countries. This adds to demand in the local economies around the schools. The impact is additional to the schools' own footprint, which is the subject of Chapter 2, and is estimated as part of the analysis in Appendix 4.
- **Continued education at UK universities.** UK universities, and their local economies, will benefit when overseas pupils choose to move on to higher education in the UK.
- **Contribution to the UK's soft power overseas**, by enhancing links with other countries.

Contribution of British schools located overseas:

- **Generation of additional funds for the UK.** The ISC estimates that there are some 6,000 UK-orientated schools overseas, in many cases paying salaries to British staff, purchasing UK-sourced goods and services, and/or generating surpluses to be repatriated to the UK.
- **Provision of experience to teachers** who subsequently work in the UK.

1.5 STRUCTURE OF THE REPORT

The remainder of this report is structured as follows:

- **Chapter 2** sets out the economic footprint of ISC schools, and that of the wider independent schools sector, in the UK in 2021.
- **Chapter 3** describes the value of the savings made by the UK taxpayer in that year, as a result of school pupils eligible for a free UK state school place attending an independent school instead.
- **Chapter 4** explores the possible impact of Covid-19 and Brexit on the values estimated for 2021, by comparing the actual findings with a hypothetical alternative situation, in which the economic footprint continued to grow, in 2020 and 2021, at the pre-2020 “trend” rate.
- **Appendix 1** summarises the main national-level results in tabular form.
- **Appendix 2** sets out the regional distribution of the economic footprint and taxpayer savings.
- **Appendices 3 and 4** set out the economic impact of boarders at ISC schools, and international pupils at ISC schools, respectively.
- **Appendix 5** summarises the methodology.



2. THE ECONOMIC FOOTPRINT OF ISC AND ALL INDEPENDENT SCHOOLS

This chapter analyses the economic impact of ISC schools, and the wider independent schools sector, on the UK economy in 2021. The analysis is an update

to the previous impact assessment undertaken by Oxford Economics in 2018, relating to values in 2017. Oxford Economics evaluates the economic footprint of ISC

schools and the independent schools sector in terms of their contribution to UK GVA, employment, and tax revenues.⁷

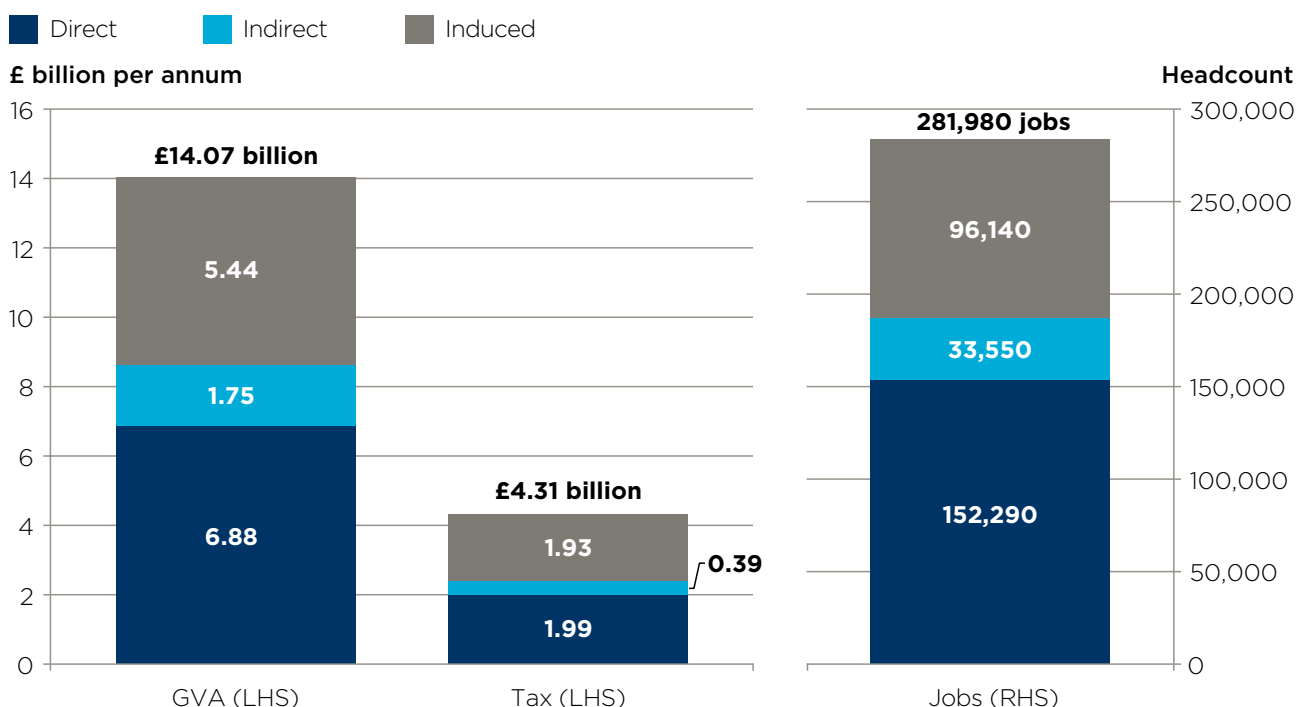
2.1 THE ECONOMIC FOOTPRINT: KEY FINDINGS

In 2021, ISC schools made a total GVA contribution to the UK economy of £14.1 billion (see Fig. 5)⁸, equal to

0.7% of UK GVA, and similar in magnitude to the GVA generated across a city the size of Sheffield. This is some

10% higher than the GVA impact previously estimated for 2017, on a like-for-like basis.^{9,10}

Fig. 5: The total economic footprint of ISC schools, 2021



Source: Oxford Economics

⁷ The GVA and employment estimates are based on data provided by Baines Cutler Solutions Ltd, as well as ISC.

⁸ In this and all other charts and tables in the report, where the total appears to differ to the sum of the components, this simply reflects the effect of rounding.

⁹ ISC schools' spending on capital projects and equipment is included in this study, but not in the previous one. To allow for an accurate comparison, the 2017 results have been adjusted upwards, to reflect what the impact would have been had capital expenditure been included. This comparison has not been adjusted for inflation.

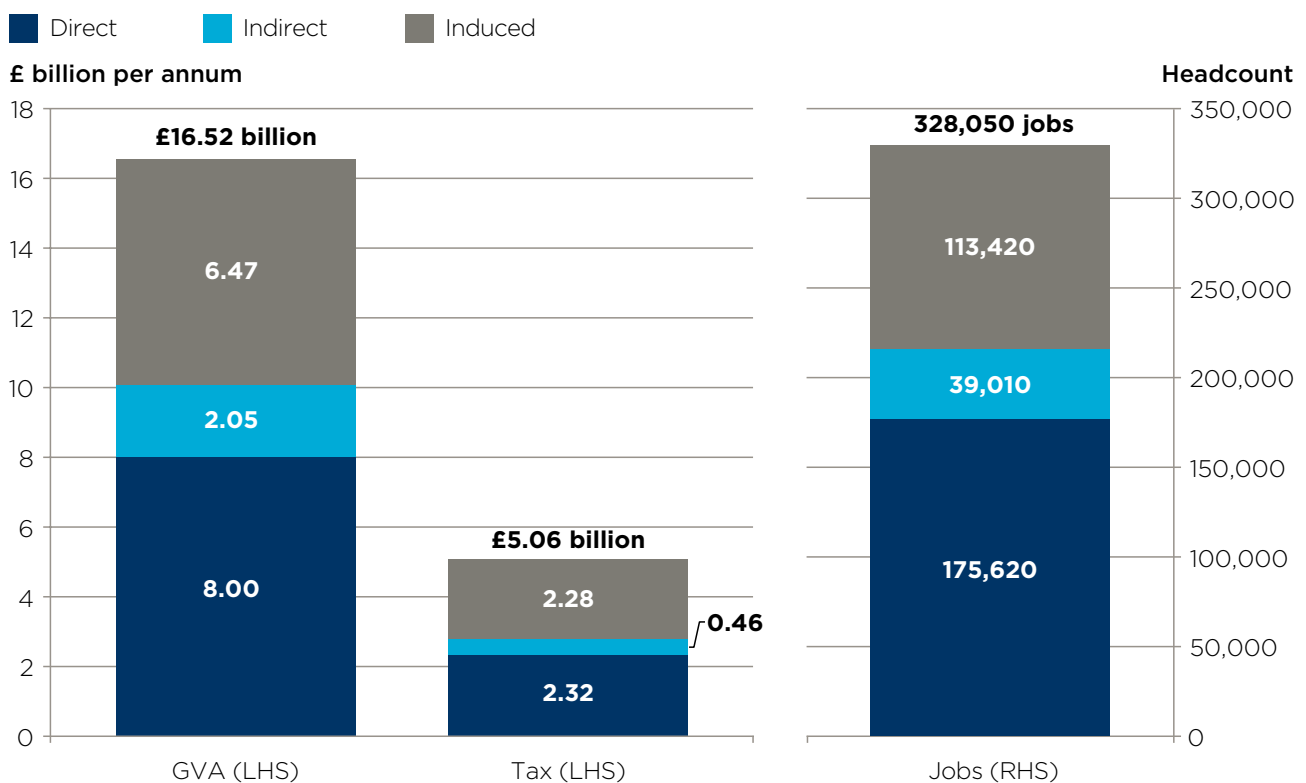
¹⁰ All data on GVA and employment by local authority area and industry in this report are based on the latest ONS Business Register and Employment Survey (BRES), for 2020, projected to 2021 by Oxford Economics.

This activity was associated with 281,980 jobs, which is comparable to total employment across a city the size of Liverpool, and 2% higher than in 2017 on a like-for-like basis. The consequent

total annual tax contribution is estimated to have been £4.3 billion, which would have been sufficient to fund the pay of 115,000 nurses.¹¹

The wider independent schools sector, including non-ISC schools, supported a GVA contribution of £16.5 billion in 2021, 328,050 jobs, and £5.1 billion in tax revenues (see Fig. 6).

Fig. 6: The total economic footprint of independent schools, 2021



Source: Oxford Economics

¹¹ Full-time nurses on average UK pay for that occupation in 2021, calculated using ONS data from the Annual Survey of Hours and Earnings ("ASHE").

2.2 THE SCHOOLS' INCOME, COSTS, AND DIRECT GVA

The starting point for the economic impacts set out above is provided by information on the schools' core (fee) income, and the ways in which that income is spent on goods, services, and salaries. In 2021, the core operations of ISC schools (i.e. excluding trading, fundraising, and financing activities) generated £8.6

billion in income, as shown in Fig. 7. Income from trading, fundraising, and financing activities provided an additional £380 million on top of that, taking income from all sources to £8.9 billion. The total income of all independent schools is estimated to have been £10.4 billion, of which £9.9 billion was derived from main school operations.

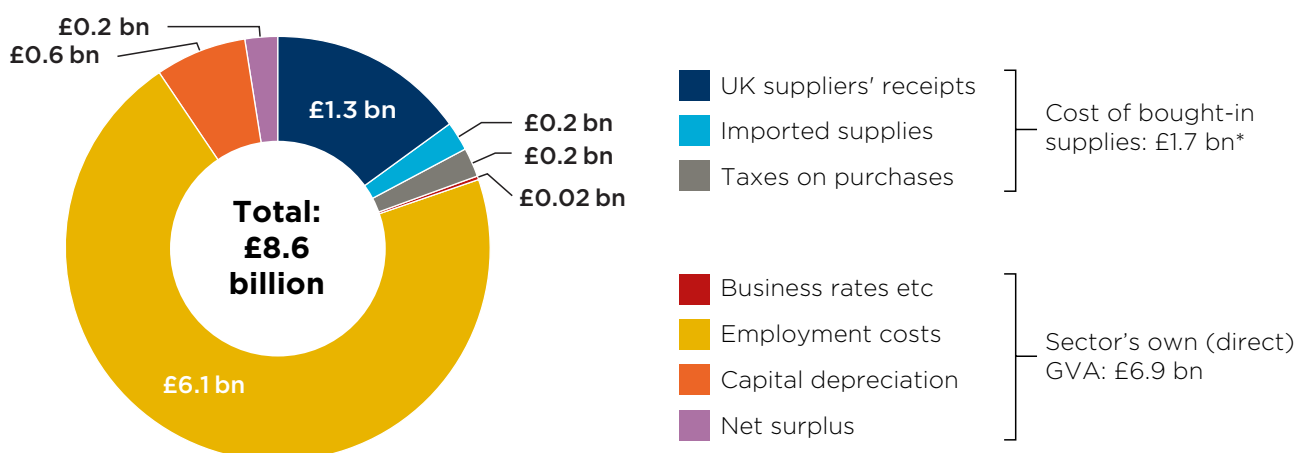
The uses of that income are shown in Fig. 8. Some £1.7 billion was spent on day-to-day (i.e. non-capital) purchases of goods and services from third parties, in order to run the schools, and deducting this from core fee income allows us to arrive at the schools' direct GVA contribution.

Fig. 7: Overview of income and costs of ISC and all independent schools in 2021

£ million	Income	Costs	Net surplus
ISC-affiliated schools			
Main school operations	8,563	8,326	237
Trading, fundraising, and financing	380	239	141
Total of all activities	8,943	8,565	378
All independent schools			
Main school operations	9,953	9,671	281
Trading, fundraising and financing	442	278	164
Total of all activities	10,395	9,949	445

Source: Baines Cutler Solutions Ltd; ISC; Oxford Economics

Fig. 8: Use of ISC school operating income by economic category, 2021



Source: Oxford Economics; Baines Cutler Solutions Ltd; ISC

*This excludes capital supplies.

ISC schools are therefore estimated to have made a direct GVA contribution to the UK economy of £6.9 billion in 2021, by providing education and boarding facilities to pupils.

The vast majority (88%) of that is accounted for by the £6.1 billion of staffing costs, with most of the remainder taken by the gross financial surplus needed to cover capital depreciation.¹² This direct GVA contribution is comparable to the GVA generated in the Portsmouth local authority area, and to that of the UK clothing and textiles manufacturing sector. It is 14% higher than the direct GVA impact in 2017, on a like-for-like basis (before adjusting for inflation).

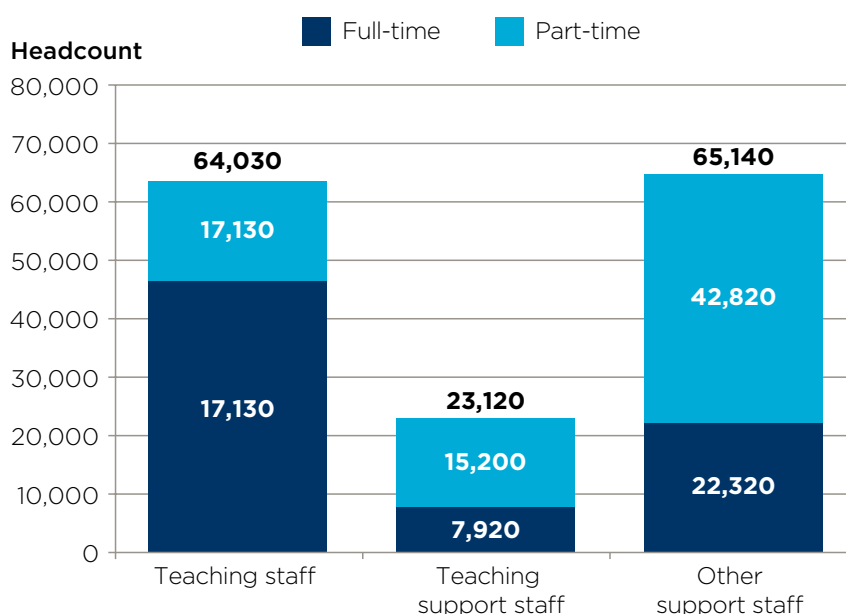
The wider independent schools sector made an estimated direct GVA contribution of £8.0 billion in 2021.

2.3 DIRECT EMPLOYMENT

In 2021, ISC schools directly employed an estimated 152,290 staff, which is 3% more than in 2017.¹³ Of this total, 64,030 (42%) are teaching staff, and 23,120 (15%) teaching support staff, while

65,140 (43%) work in other support roles such as catering and welfare (see Fig. 9).¹⁴ Of the total number of staff, 77,140 (51%) work full-time and 75,150 (49%) are employed on a part-time basis.

Fig. 9: Total directly employed ISC school staff by role and contract type, 2021



Source: Baines Cutler Solutions Ltd; Oxford Economics; ISC

The total number of staff directly employed by ISC schools is greater than the employed population of Sunderland, or that of Southampton, and comparable to employment in the UK scientific research and development sector.

All independent schools in the UK are estimated to have directly employed 175,620 staff in 2021.

Using data from Baines Cutler, Oxford Economics estimates that ISC schools engaged around 6,040 contracted-out staff in 2021, in catering roles. Whilst these roles are essentially the same as those of directly-employed catering staff, these workers are counted in indirect rather than direct employment. A detailed breakdown of the estimated employment of ISC schools in 2021 is outlined in Fig. 10.

¹² Depreciation is the cost of past capital spending spread over a number of future years, which is the standard treatment in both "profit and loss" accounts for businesses, and "national accounts" for the economy.

¹³ The full-time equivalent figure is 121,170.

¹⁴ The classification is based on that used by Baines Cutler Solutions Ltd, where "teaching support staff" include e.g. laboratory technicians, employed sports coaches, and librarians, etc, as well as teaching and classroom assistants.

Fig. 10: Estimate of ISC school employment, 2021

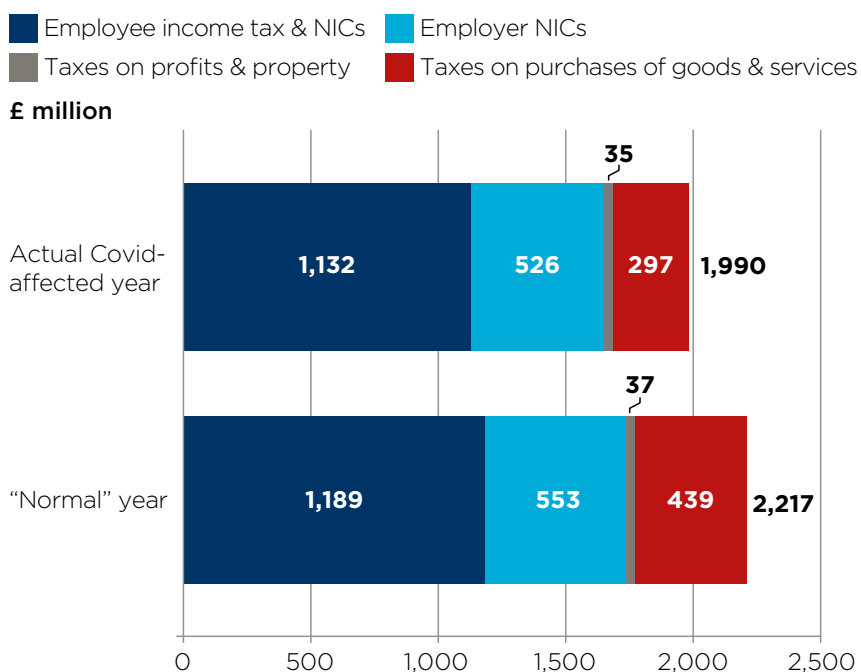
ISC schools in the UK	Full-time workers	Part-time workers	Total workers	Full-time equivalent
Teaching staff	46,900	17,130	64,030	56,940
Teaching support staff ¹	7,920	15,200	23,120	16,830
Other support staff	22,320	42,820	65,140	47,400
Total directly-employed staff	77,140	75,150	152,290	121,170
Contracted-out catering staff	2,070	3,970	6,040	4,400
Total of all workers	79,210	79,120	158,330	125,570

¹ This category includes e.g. laboratory technicians, employed sports coaches, and librarians, etc., as well as teaching and classroom assistants. Source: Baines Cutler Solutions Ltd; Oxford Economics; ISC

2.4 DIRECT TAX IMPACTS

In 2021, ISC schools are estimated to have paid **£2.0 billion** in direct taxation, with the direct tax contribution of all independent schools estimated to have been **£2.3 billion**.¹⁵ Some 57% of the direct tax impact was accounted for by employees' income tax and National Insurance Contributions (NICs), with employers' NICs accounting for a further 26% (see Fig. 11). School fees are exempt from VAT, but this also means that VAT added by third party suppliers cannot be reclaimed. Consequently, taxes on purchases of goods and services, including capital projects and capital equipment, accounted for 15% of the direct tax total.

Fig. 11: Estimated tax payments by ISC schools: actual 2021 out-turn and "normal" year



Source: Oxford Economics

However, it is worth stressing that these tax payments were depressed in 2021, as the schools' income and activities were restricted by the Covid-19 pandemic. In fact we estimate that, had pre-2020 growth trends continued in

2020 and 2021—making 2021 a more “normal” year—then the direct tax impact would have been over £2.2 billion. In the event, taxes related to the schools' direct GVA—mainly those on salaries—were almost 5% lower than they would

have been in the absence of Covid. But taxes on purchases of goods and services (mainly unrefunded VAT), including those on capital projects and equipment, disappointed by considerably more than that, in proportionate terms.

2.5 THE PATTERN OF PROCUREMENT AND INDIRECT ECONOMIC IMPACTS

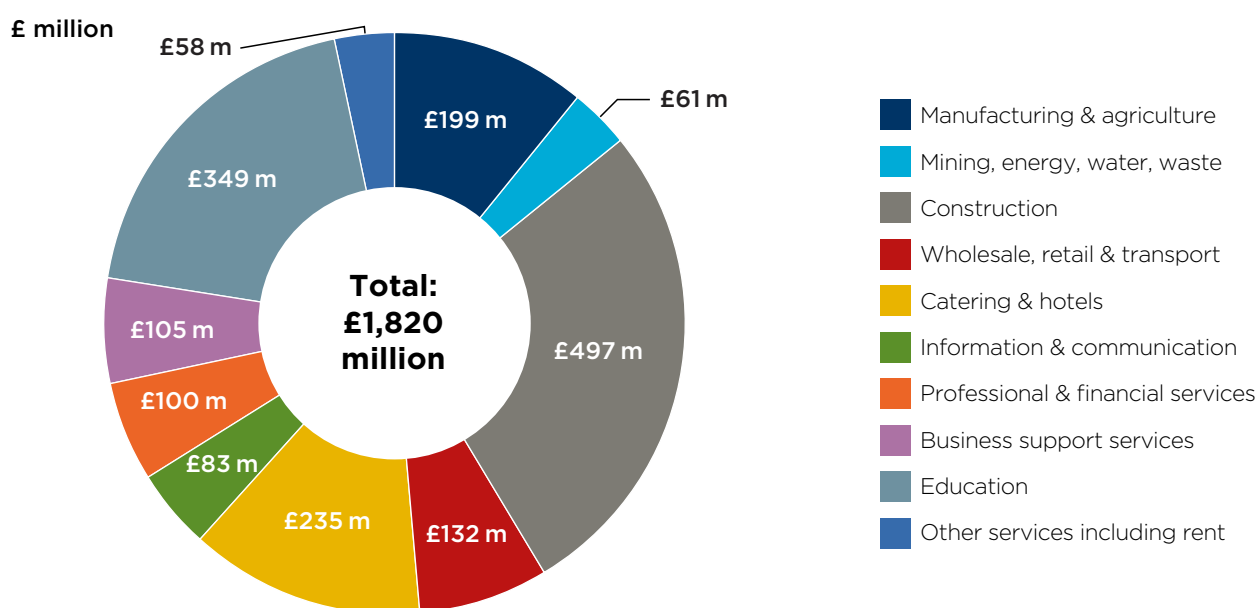
This section analyses the indirect impact supported by ISC schools. This impact is supported by the schools' purchases of goods and services from suppliers throughout the UK. In turn, the schools' suppliers make purchases from other domestic firms, stimulating further activity along the supply chain.

In 2021, ISC schools are estimated to have spent

£2.09 billion on UK-sourced supplies across a range of sectors, with the suppliers receiving £1.82 billion after VAT and excise duties (see Fig. 12). Within the latter total, £1.32 billion (72%) is classed as operational spending, on inputs to be used up during the year, whilst the remaining £0.50 billion (28%) is spent on capital items expected to last longer (such as construction work and computer equipment).

ISC schools are estimated to have spent around £497 million with firms in the construction sector (27% of total domestic spending), a further £349 million (19%) with other parts of the education sector (such as self-employed sports and music instructors), £235 million (13%) with catering firms (mainly the contracted-out work), and £199 million (11%) with the manufacturing sector.¹⁶

Fig. 12: Value to UK suppliers of purchases by ISC schools, 2021, by industry



Source: Oxford Economics

¹⁶ Details of the industry classification can be found in a table in Appendix 1. For procurement of goods, the value is split between the producing sector (mainly manufacturing), and the retail and wholesale sector.

The indirect GVA supported by ISC schools' purchases from domestic suppliers was **£1.75 billion in 2021** (see Fig. 13). The difference between the initial amount received by UK suppliers, and the indirect GVA of the supply chain, reflects "leakage" in the form of import content. But this is extremely modest, due to the importance of construction and services supplies, as opposed to supplies of goods for which import content is more significant. The indirect GVA impact was spread across several sectors, with £296 million (17%) of GVA produced in the professional and financial services sector, £274 million in the rest of the education sector, and £259 million in the construction sector.

The total indirect GVA supported by the independent schools sector is estimated to have been **£2.1 billion in 2021**.

The activity along the schools' domestic supply chain also supported **33,550 indirect jobs in 2021** (see Fig. 14). Some 6,530 jobs were supported in the education sector, an additional 6,670 jobs in the catering sector, and 4,330 jobs supported in the wholesale, retail, and transport sector. The pattern of indirect jobs by sector differs significantly from the pattern of GVA, reflecting sharp variations in GVA per job (a crude measure of labour productivity) between industries.

Fig. 13: Gross value added supported by ISC schools' procurement, by sector of supplier

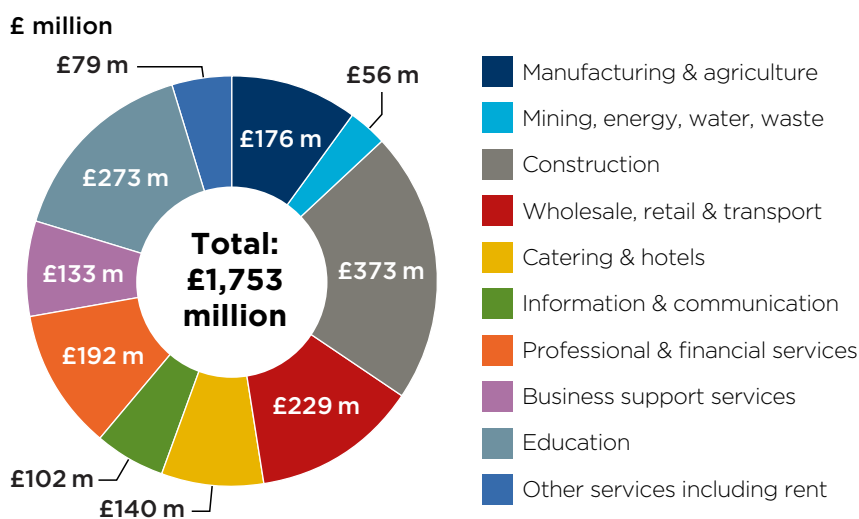
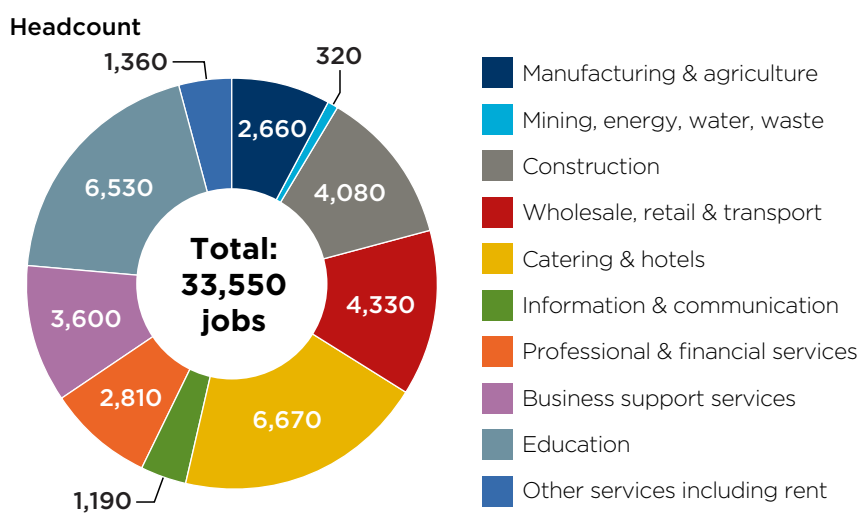


Fig. 14: Indirect employment of ISC schools by sector of supplier



An estimated **39,010 indirect jobs** were supported by the entire independent schools sector.

The indirect tax contribution supported by ISC schools was **£389 million in 2021**. Within that total, employees' income

tax and NICs accounted for £176 million (45%), taxes on business purchases, property, and profits for £127 million (33%), and employer NICs for £86 million (22%). The indirect tax impact across the entire independent schools sector is put at **£455 million**.

2.6 INDUCED ECONOMIC IMPACTS

This section summarises the induced economic activity supported by ISC schools in 2021, reflecting the production paid for by the salary-funded expenditure of ISC school staff, and that of employees in the supply chain (which is effectively funded by the schools' procurement).

In 2021, ISC schools spent an estimated £6.1 billion on staff costs. Taking the supply chain effect into account as well, this was associated with a £5.4 billion induced GVA contribution, and 96,140 induced jobs. The induced tax contribution was £1.9 billion, taking into account taxes on employee spending (such as

VAT and excise duties), and taxes on the business activity and staff salaries supported by that spending.

The induced GVA impact of all independent schools in the UK is estimated to have been £6.5 billion in 2021, supporting 113,420 jobs, and generating £2.3 billion in tax revenues.

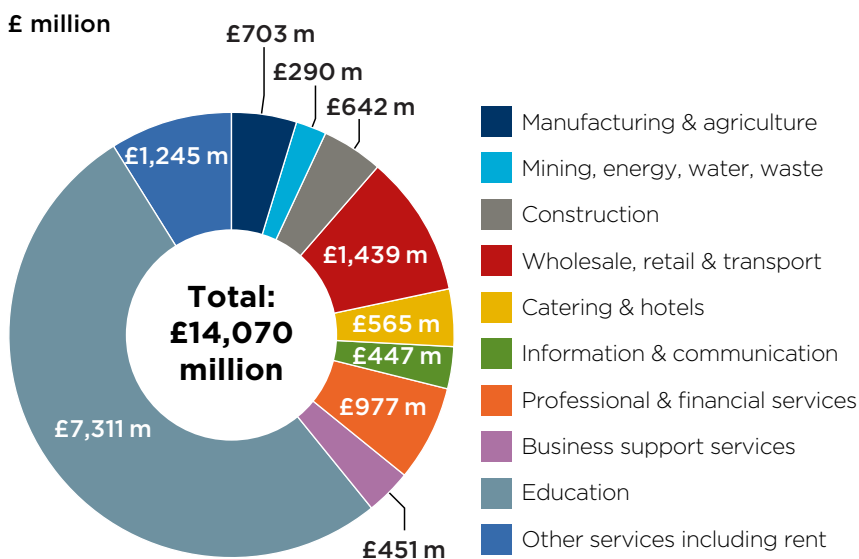
2.7 TOTAL ECONOMIC FOOTPRINT IN DETAIL

Across the direct, indirect, and induced channels of economic impact, ISC schools supported a total GVA contribution of £14.1 billion in 2021, equivalent to 0.7% of economy-wide UK GVA in the same year. Some £6.9 billion (49%) of that total is accounted for by the schools' direct GVA.

The indirect and induced GVA contributions, worth £7.2 billion in total, are spread across a wide range of supplying industries (see Fig. 15). As a result, 10% of the total GVA impact is accounted for by wholesale, retail, and transport activities, and 8% by professional and financial services.

The GVA multiplier is just over two, which is fairly typical for a sector providing services dependent on skilled or knowledgeable employees.¹⁷ This reflects the fact that, for

Fig. 15: Total GVA contribution of ISC schools, by sector of activity, 2021



Source: Oxford Economics

every £100 of value added activity generated directly by ISC schools, an additional £105 is supported across the rest of the UK economy.

The total GVA contribution of all independent schools within the UK is estimated to have been £16.5 billion in 2021.

¹⁷ Multipliers are typically higher than this for sectors such as manufacturing and retail, where external inputs account for a higher proportion of the value of sales, and the employees' own inputs for a lower proportion.

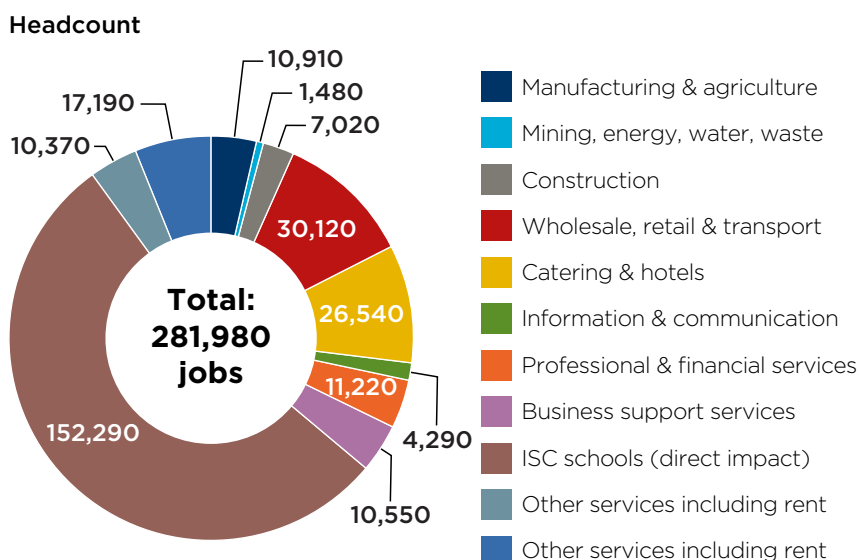
ISC schools also supported a total of 281,980 jobs across the UK economy in 2021, equal to 0.8% of all UK workforce jobs in that year.

The number of jobs directly generated by ISC schools accounted for 54% of the total employment impact (152,290 jobs) (see Fig. 16), while the remaining indirect and induced jobs (totalling 129,690) are spread across a range of mainly consumer-facing services sectors—reflecting the relative importance of the induced effect. As a result, 11% of the total jobs impact occurred in the wholesale, retail, and transport sector, with 9% of all jobs supported found in the catering and hotels sector.

The total number of jobs supported across the independent schools sector in the UK is estimated to have been 328,050 in 2021.

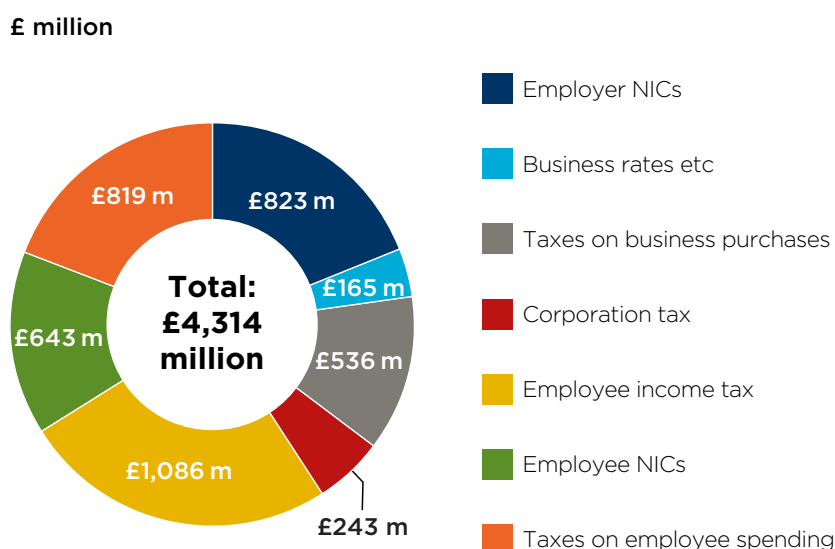
Finally, in 2021, £4.3 billion of tax contributions to the UK exchequer were associated with ISC schools, equal to 0.5% of all tax receipts in that year, and to £154 per UK household. This would have been enough to fund 115,000 full-time nurses. Some £1,729 million (equal to 40% of the total tax supported by ISC schools) is accounted for by employees' income tax and NICs (see Fig. 17). An additional £943 million (22%) reflects taxes on business purchases, property and profits, with employer NICs accounting for £823 million (19%), and taxes on employee spending for £819 million (19%).

Fig. 16: Total employment contribution of ISC schools, by sector of activity, 2021



Source: Oxford Economics

Fig. 17: Total tax contribution of ISC schools, by type of tax, 2021



Source: Oxford Economics

The total estimated tax contribution of all UK independent schools was £5.1 billion in 2021.



3. SAVINGS TO THE TAXPAYER

This chapter sets out the annual savings made by the Government, and therefore the taxpayer, as a result of independent school pupils not taking up the free UK state school places to which they would otherwise be entitled. These estimates take into account:

- The number of pupils at independent schools entitled to a UK school place in 2021 (set out in Section 3.2 further below).
- Average recurrent (non-capital) spending per pupil by state schools and trusts in that year (Section 3.3).
- Adjustments to per-pupil costs to reflect the mix of pupils by school type, region, and background, and existing state support for independent school pupils (Section 3.4).
- The state school capital outlays—on land acquisition, building work, and subsequent maintenance—that would also be required if these pupils took up a state school place (Section 3.5).

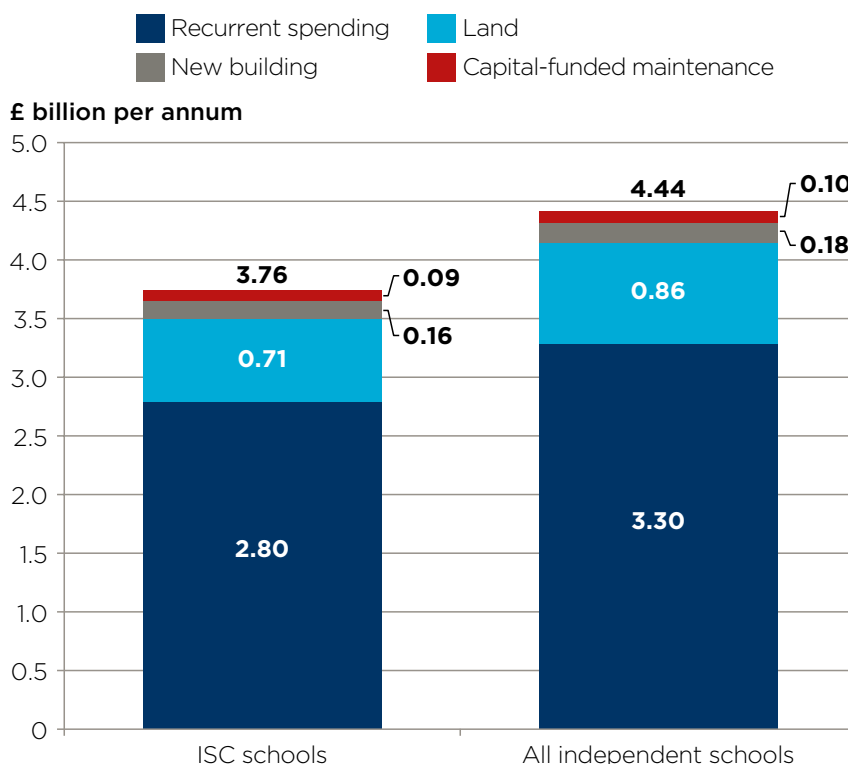
The estimates arrived at in this way should be seen as minimum estimates of the taxpayer savings supported. Potential additional (but unquantifiable) savings, over and above those amounts, are explored in Section 3.6. The methodology underlying the calculations is included in Appendix 5.

3.1 SAVINGS TO THE TAXPAYER: KEY FINDINGS

The key finding is that the taxpayer saving made in 2021, as a result of pupils attending an ISC-affiliated school, was £3.8 billion, with the saving relating to all independent school pupils put at £4.4 billion (see Fig. 18). That compares with estimates of £3.0 billion and £3.5 billion,

respectively, in the previous report concerned with 2017. As the chart shows, the day-to-day running costs of state schooling (recurrent spending) account for the majority of the total estimated taxpayer saving, but potential land costs (on an annualised basis) are fairly significant too.

Fig. 18: Overview of taxpayer savings in 2021



Source: Oxford Economics

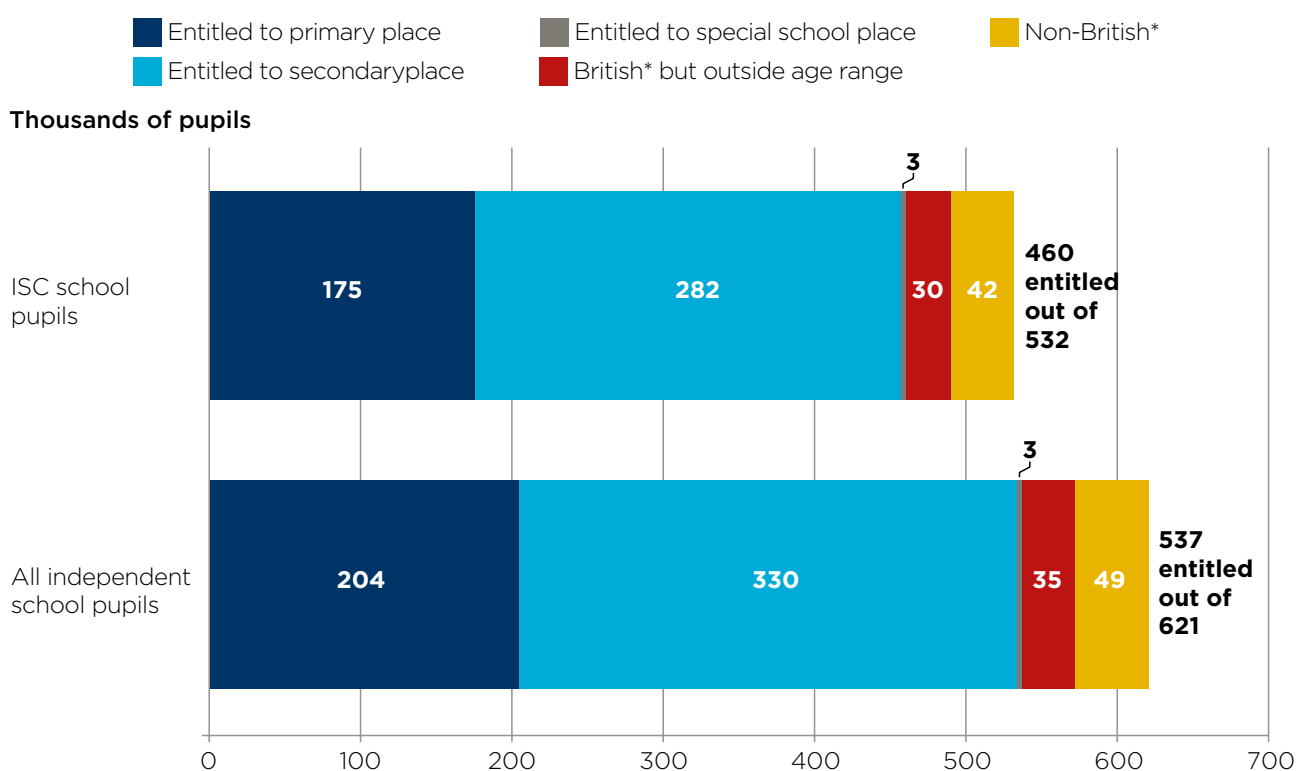
3.2 INDEPENDENT SCHOOL PUPILS ENTITLED TO A UK STATE SCHOOL PLACE

We estimate that, of the 532,000 pupils attending independent UK schools affiliated to the ISC in January 2022, 460,000 would have been entitled to a UK state school place. This figure includes all pupils who are British nationals, and those from EEA countries whose parents are UK residents, subject to them being in the

eligible age range (i.e. aged at least four but no more than 18 on the eve of the school year, 31 August). Some 42,000 pupils would have been ineligible on the grounds of nationality and/or parents' residence, with the remaining 30,000 pupils (mostly of nursery school age) ineligible on the grounds of age alone.

Fig. 19 shows this breakdown, with a split between primary, secondary, and special school places, which affects the cost savings estimates.¹⁸ The chart also shows how, based on these estimates, somewhere in the region of 537,000 independent school pupils would have qualified for a UK state school place, out of the 621,000 total.

Fig. 19: Eligibility of independent school pupils for a free UK state school place



Source: Oxford Economics

*For these purposes 'British' includes EEA nationals whose parents are UK residents.

¹⁸ The allocation of ISC school pupils to special schools is an estimate of the number likely to attend a special school if they moved into the state school sector. The split between primary and secondary is based on age.

3.3 RECURRENT SPENDING PER PUPIL BY STATE-FUNDED SCHOOLS AND TRUSTS

Recurrent spending per state school pupil across the UK is estimated to have been £6,414 in 2021, based on data for school and trust expenditure and pupil numbers from various official sources. This figure includes all state primary, secondary, and special schools. But it excludes nursery schools, and is net of spending funded out of non-state sources. The comparable figure for 2017 was £5,578.

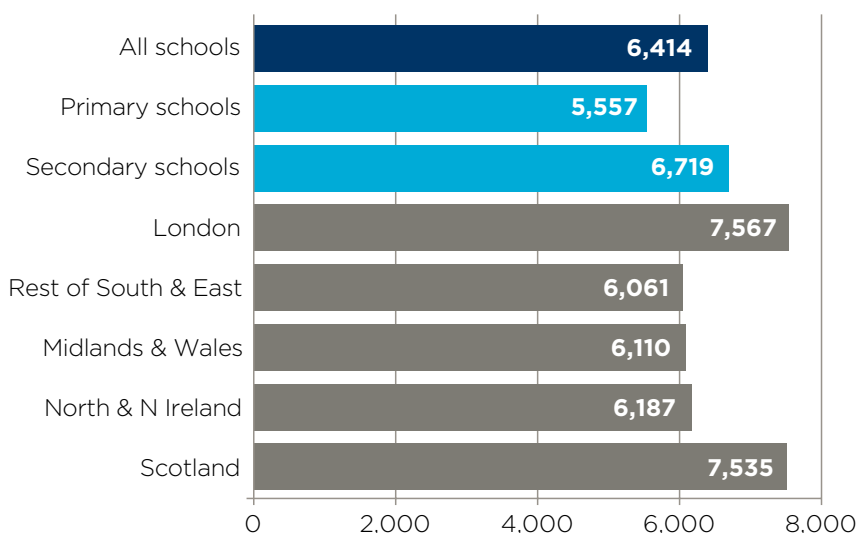
As Fig. 20 shows, spending per head was somewhat higher in secondary schools than in primary schools. It was significantly higher than the average in the case of special schools, but as they only account for a small share of all schools, their effect on the overall average is limited. Estimates at the regional

level should be viewed as approximations, due to data limitations. But the pattern in very broad terms looks to be one in which spending per

pupil is clearly above-average in London and Scotland, at just over £7,500, with all of the other regions and countries in the £5,400-£6,500 range.

Fig. 20: Recurrent school and trust spending per pupil in 2021

£ per pupil per annum



Source: Oxford Economics

3.4 TAXPAYER SAVINGS DUE TO RECURRENT SCHOOL SPENDING

To arrive at the taxpayer saving per eligible ISC school pupil¹⁹, from average school spending per state school pupil, four adjustments are needed, as follows:

1. The pupil premium for state schools must be deducted, as the share of ISC school pupils potentially eligible is far lower than the share of state school pupils qualifying at present.
2. The net cost per pupil needs to be worked out separately, for each type of school in

each region, and combined with the number of ISC school pupils in each of those categories, to arrive at the average appropriate for ISC school pupils rather than state school pupils.

3. The pupil premium should then be added back for those ISC pupils likely to qualify for it.
4. Existing state funding for ISC school pupils should then be deducted.

Fig. 21 illustrates this calculation. The regional and school type mix pushes up the estimated taxpayer saving per pupil a little, driven by the relatively high share of ISC pupils accounted for by secondary schools, and schools in London (see Fig. 22). But this is more than offset by the adjustments for the pupil premium, and existing state support for pupils at ISC schools.

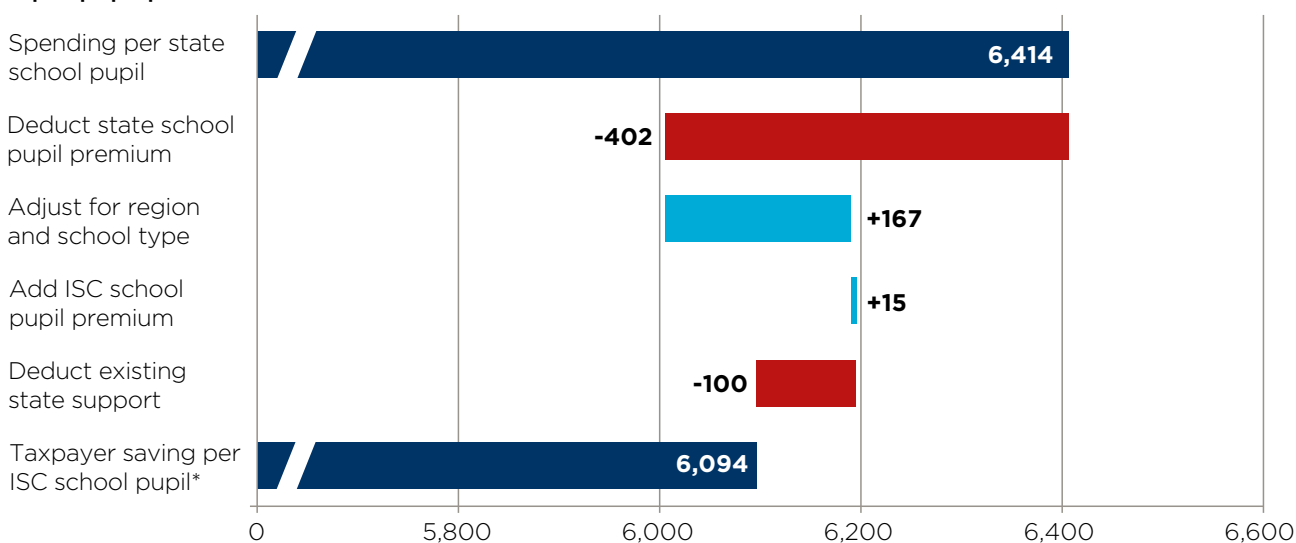
The estimated taxpayer saving relating to recurrent state expenditure on schools (as opposed to capital spending) is £2.8 billion.

This is calculated by multiplying the per-pupil saving of £6,094, with the number of eligible ISC pupils (460,000).

The corresponding figure for all eligible independent school pupils is £3.3 billion, taking the different pattern of pupils by region into account.

Fig. 21: Derivation of taxpayer savings per ISC school pupil from spending per state school pupil

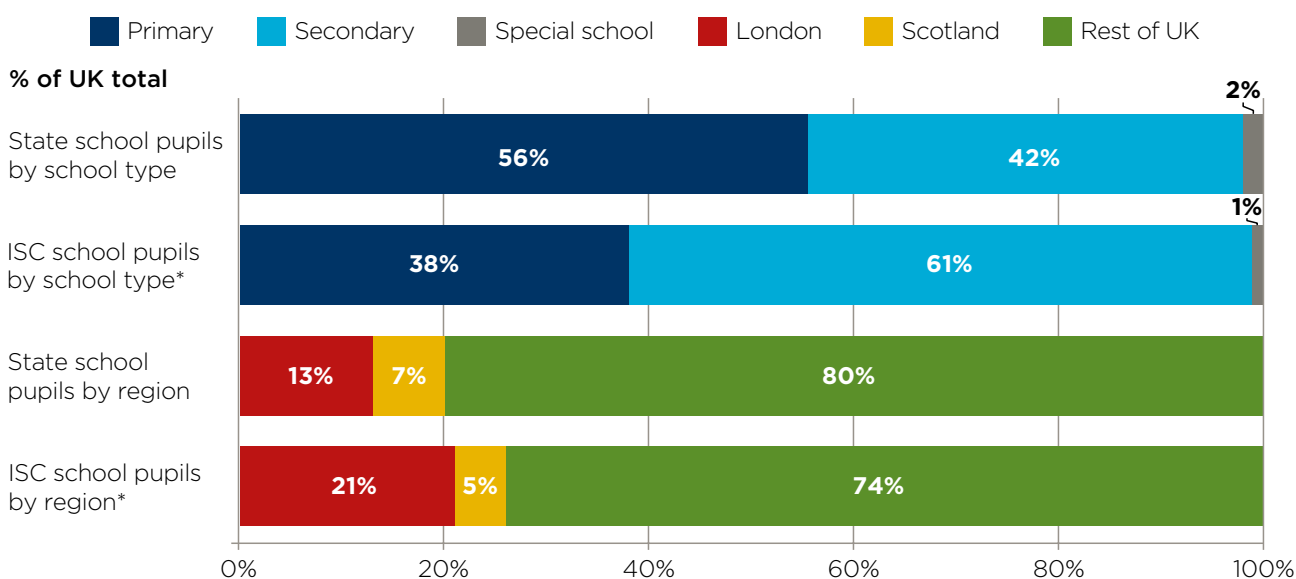
£ per pupil per annum



Source: Oxford Economics

*ISC school pupils eligible for a free UK state school place.

Fig. 22: State and ISC school pupils by type and location of school



Source: Oxford Economics

*ISC school pupils eligible for a free UK state school place.

3.5 TAXPAYER SAVINGS DUE TO CAPITAL OUTLAYS

If a significant number of ISC school pupils moved into the state school sector, then the state would need to build or purchase new schools, requiring it to also acquire or set aside land—probably in higher-cost residential rather than industrial areas—and provide extra capital budgets to fund the subsequent building repair work required from time to time.

Details of how the estimated savings on capital spending were derived, and data sources, are included in Appendix 5, but the key points are as follows:

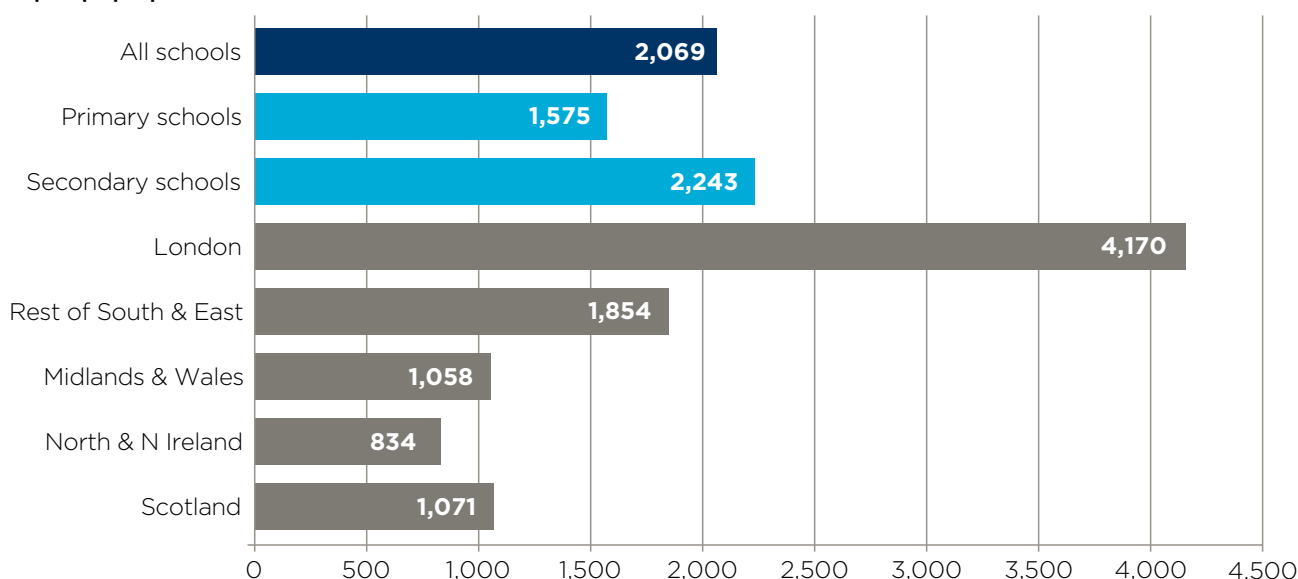
1. Given the number of eligible ISC school pupils, over 950 new schools would be needed, including around 150 in London.
2. This would require nearly 2,800 hectares of land, including 550 in London, at a cost of around £14.5 billion.
3. Based on the annual rental value of the land, the cost would be £709 million per year, or £1,542 per ISC school pupil per year.
4. The new school buildings would cost £7.8 billion to construct—equivalent to £155 million per year assuming a 50-year lifespan, or £338 per pupil per year.

5. The cost of school building repair and maintenance work is estimated to be £87 million per annum, or £189 per pupil per year.

Total capital-related taxpayer savings for ISC school pupils therefore amounted to £952 million per annum, or £2,069 for each ISC school pupil not taking up their state school place. Variations by school type and regional grouping are illustrated in Fig. 23. The average estimated annual taxpayer saving per pupil varies quite markedly by region, and excluding London the national average would be £1,522. **The capital-related taxpayer saving for all independent school pupils is estimated to have been £1.14 billion per annum.**

Fig. 23: Annualised capital-related taxpayer savings per eligible ISC school pupil in 2021

£ per pupil per annum



Source: Oxford Economics

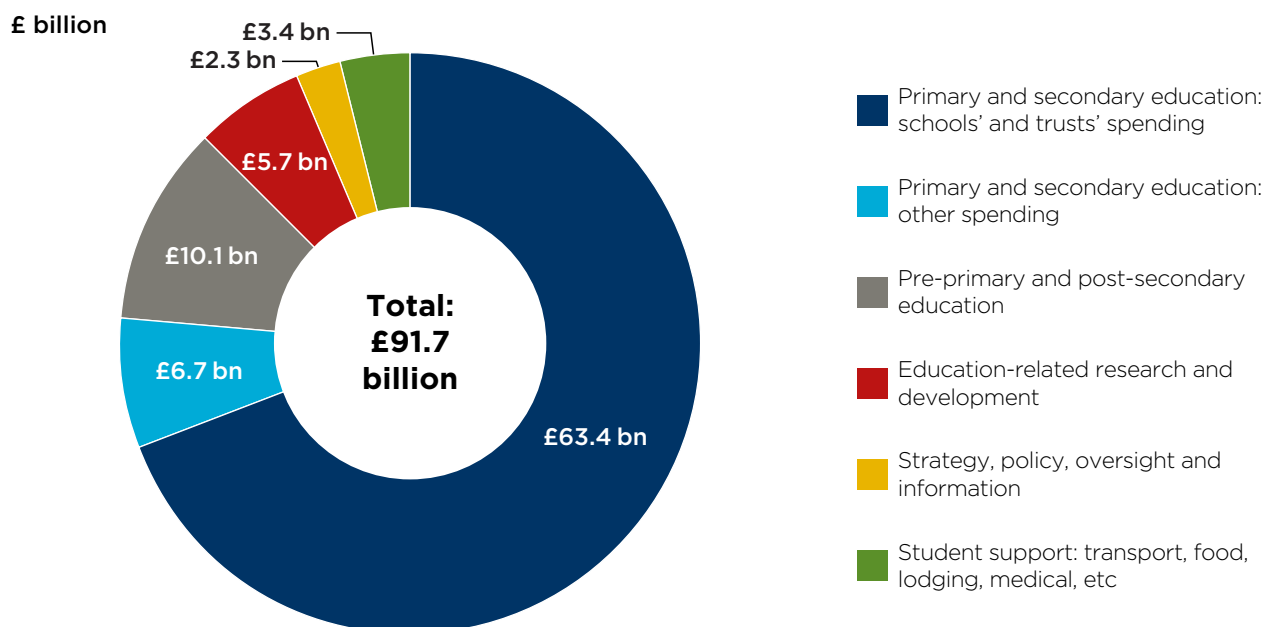
3.6 POTENTIAL ADDITIONAL TAXPAYER SAVINGS

The recurrent costs for state school spending set out in Section 3.3 above relate to state-funded spending by local authority maintained schools and academy trusts at the primary and secondary levels, including central spending not allocated to individual schools in the case of multi-academy trusts. This equates to £63.4 billion in total, for 2021.

However, based on data in the key Treasury public expenditure report, we estimate that net recurrent spending by all parts of the UK Government would have been around £70.1 billion in that year. The “missing” £6.7 billion (£680 per pupil) would cover administrative costs borne by national and local authorities, and the

cost of grants and other state-funded cash support for primary and secondary school pupils. This is shown by the light blue segment in Fig. 24, which illustrates recurrent state education spending by category.

Fig. 24: Estimated recurrent UK state spending on education in 2021, by sub-function



Source: Oxford Economics, based on HM Treasury, *Public Expenditure Statistical Analyses 2021*

If the full £680 per-pupil cost translated into additional taxpayer savings, on a one-for-one basis, then the saving per ISC pupil would be pushed to £8,843, rather than £8,163. This would take the total taxpayer saving to £4.1 billion for ISC school pupils, and £4.8 billion for all independent school pupils. However, there are three reasons why that would overstate the true taxpayer saving:

- A significant, through unknown, proportion of the administrative costs will be fixed, rather than varying with pupil numbers.
- Cash support for ISC school pupils moving into the state school sector will not match those paid to existing state school pupils, due to the backgrounds of the pupil involved.
- A small portion of the cost—£46 million—reflects existing state support for ISC school pupils.

Even so, given the scale and nature of the spending involved, it is almost certain that there would be some increase in these administrative and pupil support costs, if significant numbers of pupils moved from ISC schools into the state sector.

One example of taxpayer savings in this area is teacher induction, where the Independent Schools Teacher Induction Panel relieves the state authorities of those costs. School inspection provides a second example, with the self-funded, not-for-profit Independent Schools Inspectorate (ISI), rather than the state-funded body Ofsted, undertaking inspections of ISC schools in England. Here, we estimate that the state saved £3.0 million in the financial year ending March 2021, as a result of not having to inspect ISC schools. The saving in relation to all independent

schools was around £4.1 million, taking into account the cost to Ofsted of inspecting non-ISC independent schools, and the fees paid to Ofsted by those schools. (These net taxpayer costs would have been significantly higher, had it not been for Covid-19 restrictions, which limited inspections in 2021.)

Finally, state pupils at primary and secondary school levels may benefit from at least a small share of the non-cash support provided to pupils and students (transport, food, lodging and medical, etc, shown by the green segment in Fig. 24), in a way that independent school pupils do not. Local authority provision of home-to-school transport for qualifying pupils, specifically attending state rather than independent schools, provides a concrete example of that.



4. THE IMPACT OF COVID-19 AND BREXIT

This Chapter explores the potential effect of Covid-19 and Brexit on ISC schools' economic impact in 2021.

4.1 THE IMPACT OF COVID-19 AND BREXIT: KEY FINDINGS

The starting point for this analysis was provided by an assessment of how the schools' impacts in 2021 compared with the values that would have occurred, had the pre-2020 "trend" growth rates continued in 2020 and 2021. **We find that the total GVA impact fell short of that "expected" value by 10.1%, with the total employment impact disappointing expectations by 8.0%.** These shortfalls were mainly driven by trends in fee income, which fell short of expectations by 9.0%. Here, while the total number of pupils held up well, average fees per pupil were 8.1% lower than they would have been, on the basis of pre-2020 trends continuing.

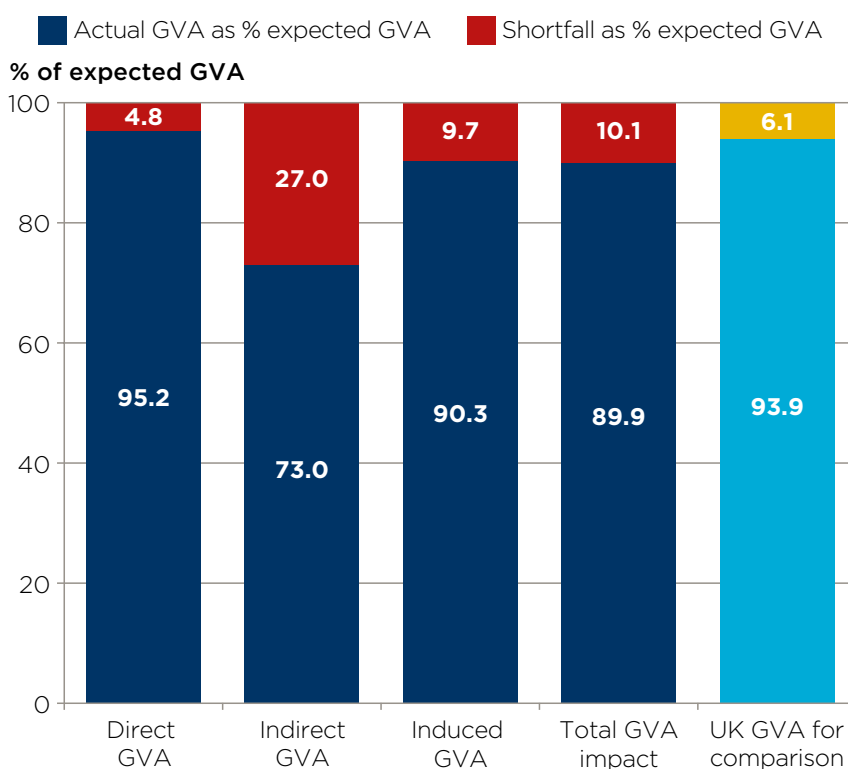
Our analysis suggests that the vast majority of the reduction in GVA and jobs impacts, relative to pre-2020 growth trends, can be attributed to Covid-19. The key driver of the shortfall in arithmetic terms, i.e. the average fee per pupil, is directly related to fee discounts offered to parents in 2021 (as they had been in 2020), specifically in response to the impact of Covid-19-related restrictions on both the schools' offering, and the financial circumstances of some parents.

By contrast, it is difficult to identify any clear and unambiguous impact from Brexit in the years concerned (although this does not mean that there will not be an impact over the longer term). Trends in pupil numbers are potentially consistent with either a very modest "Brexit effect", or none at all, in the immediate aftermath of the event.

The other main finding of interest is that the direct GVA

and employment impacts fell less sharply than the indirect impacts (see Fig. 25 in the case of GVA). That is because fee income is mainly used to cover two types of cost: employment costs, which form the major part of direct GVA and which held up relatively well, and purchases of goods and services from third parties, which support the indirect impacts, and which were cut significantly.

Fig. 25: GVA shortfalls in 2021, by channel of impact



Source: Oxford Economics

4.2 QUANTIFYING GVA SHORTFALLS IN ACTIVITY IN 2021

To assess the extent of any shortfalls in activity in 2021, Oxford Economics used Baines Cutler data on school income, spending, and employment for 2015 and 2019, to estimate the GVA and jobs impacts of ISC schools in those years. The GVA estimates were then rebased to 2021 prices, to control for inflation. The annual trend growth rates in each of the schools' GVA and jobs impacts, for the period prior to 2020, were derived from there. The 2019 impacts were then grown forward to 2021, on the basis of these prior trend growth rates continuing, with the results taken to be the "expected" impacts for that year. The actual 2021 GVA and employment out-turns were then compared with the expectations, to arrive at the estimated shortfalls (if any) caused by "economic shocks".

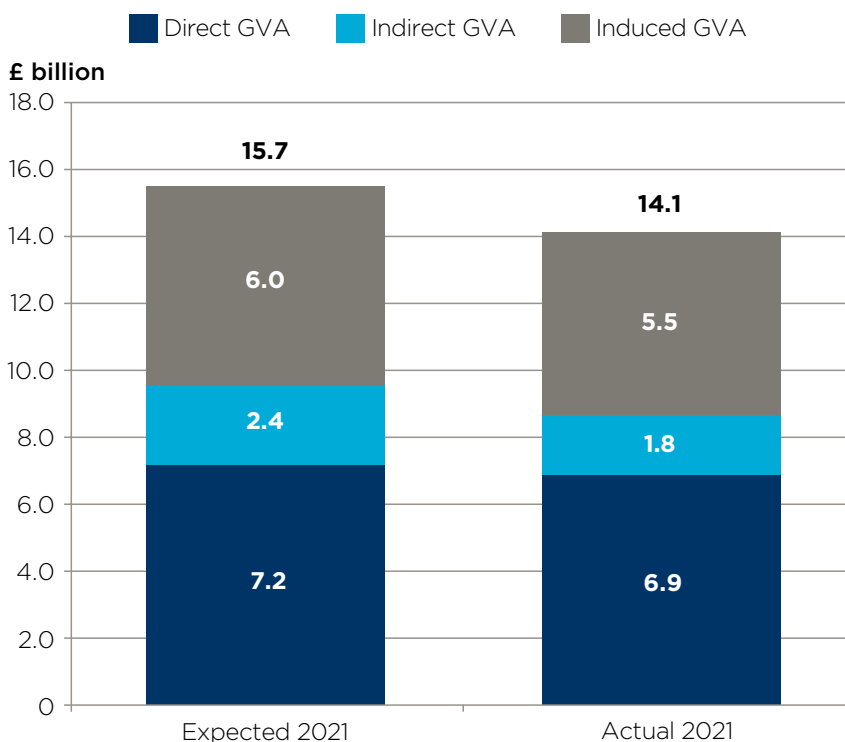
4.2.1 Shortfalls in the schools' GVA impacts in 2021

As shown in Fig. 25 above, the direct GVA impact fell short of expected levels in 2021 by 4.8%, with the total GVA impact disappointing by 10.1%. So direct GVA was adversely affected by the economic squeeze, but by a little less than GVA across the economy as a whole. However, indirect GVA fell short of expectations by a significant 27.0%, reflecting a shortfall in the schools' purchases from third party businesses of a similar magnitude. The shortfall in the induced impact, reflecting the salary-funded spending

of school staff, and (less importantly) that of supply chain workers, was 9.7%.

Fig. 26 shows the actual and expected GVA impacts in 2021, for each channel. The total GVA impact of £14.1 billion compares with an expected £15.7 billion, while the direct impact of £6.9 billion fell short of the expected £7.2 billion. The total GVA shortfall was therefore £1.6 billion in cash terms. The equivalent shortfall for all independent schools was £1.8 billion.

Fig. 26: Expected and actual GVA impacts in 2021, by channel



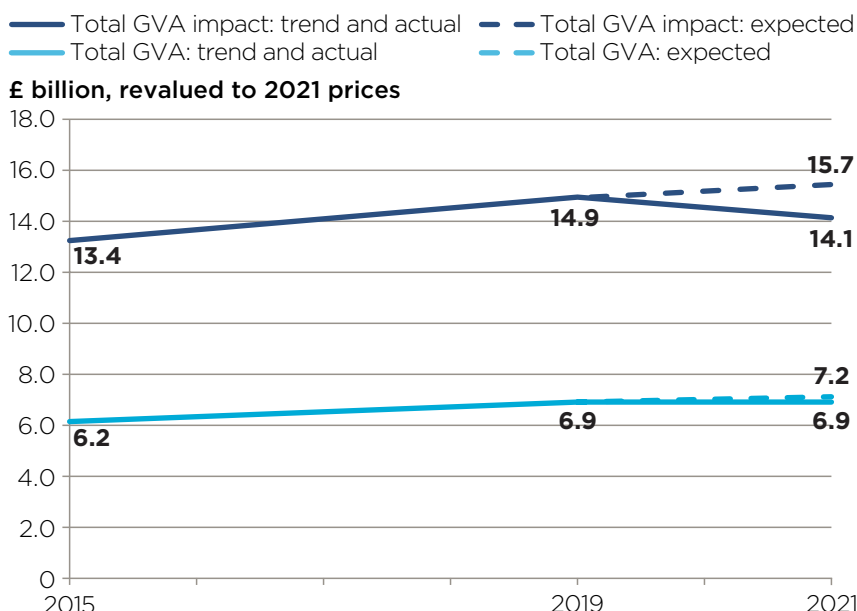
Source: Oxford Economics

Fig. 27 shows the GVA estimates for 2015 and 2019, which lie behind the expected 2021 levels: £13.4 billion and £14.9 billion (at 2021 prices) in the case of the total impact, and £6.2 billion and £6.9 billion in the case of the direct impact.

Further analysis of the data reveals that fee income fell short of expectations by 9.0%, mainly driven by trends in average fees per pupil, rather than total pupil numbers (see Fig. 28). In response to this lower fee income, plus the direct effect of Covid-19 restrictions on school activities, procurement from third party businesses counted in operating expenditure (“opex”, as opposed to capital expenditure) was cut by 23.0%. So, as direct GVA is the difference between fee income and this type of procurement, it did not fall short of expectations to the same extent as income.

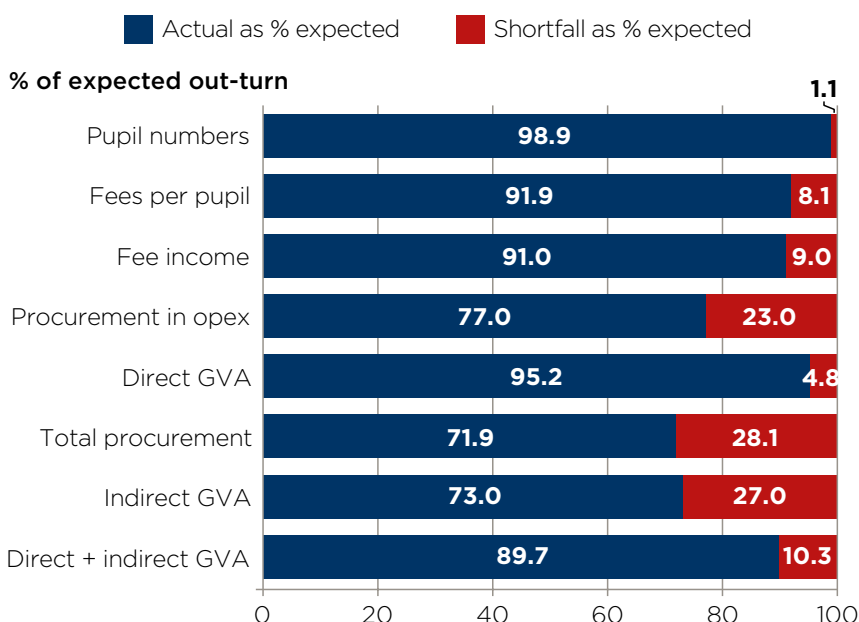
Instead, the supply chain was squeezed significantly, with the effect compounded by the fact that capital procurement (mainly construction work) was cut even more sharply than procurement in opex. Taking that into account, direct and indirect GVA, taken together, fell short by 10.3%.

Fig. 27: Trend in GVA impacts, 2015-2019, and expected and actual GVA impacts in 2021



Source: Oxford Economics

Fig. 28: Direct and indirect GVA shortfall by contributing factor

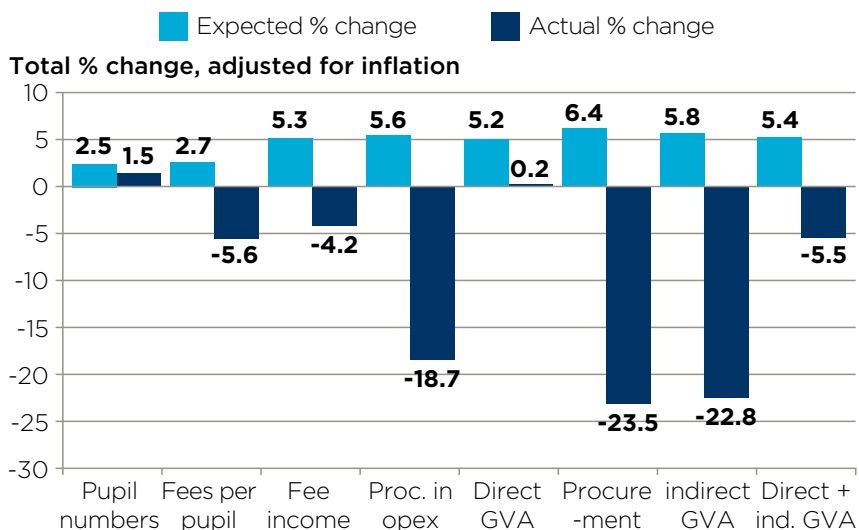


Source: Oxford Economics

Notes: Fee income = pupil numbers x fees per pupil. Direct GVA = fee income - procurement in opex. Total procurement = procurement in opex + capital procurement.

Fig. 29 shows the expected and actual changes between 2019 and 2021 underlying these estimated shortfalls. In total, pupil numbers grew by 1.5% over those two years, but fees per pupil fell by a cumulative 5.6%, after adjusting for inflation. The direct GVA of the sector edged up by 0.2%, but direct and indirect GVA combined fell by a cumulative 5.5%, compared with the expected increase of 5.4% had pre-2020 growth trends continued.

Fig. 29: Change in inflation-adjusted GVA impacts, and contributing factors, 2019-2021



Source: Oxford Economics

4.3 POSSIBLE DRIVERS OF THE GVA SHORTFALLS

In this section we seek to apportion the GVA shortfalls to various potential “drivers”, which could in principle include Covid and Brexit.

4.3.1 Covid-19

Our main conclusion is that Covid-19 appears to be the dominant factor behind the squeeze on the sector’s GVA impacts in 2021, relative to pre-2020 trends. The above analysis shows that the decline in fee income is mainly driven by average fees per pupil, rather than pupil numbers.

This was largely driven by fee discounts given by the schools in that year, because of the impact of Covid restrictions on the schools’ offering, and on the financial circumstances of some parents.²⁰

4.3.2 Brexit in the short term

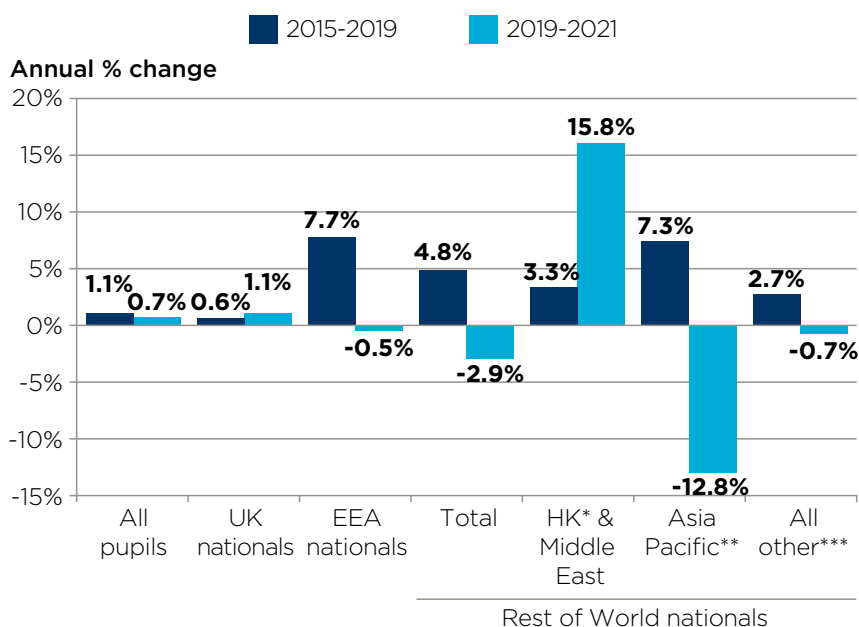
In principle, Brexit could have had an impact, had the demand for school places from EEA nationals dropped specifically in response to that event—due to changed visa arrangements for example.

That would directly reduce pupil numbers, and, probably, also cut average fees per pupil, as these pupils are more likely to be boarders than other (mainly UK national) pupils. (Boarding fees are generally higher than day fees.)

However, it is difficult to identify any unambiguous “Brexit effect” from the data on pupil numbers by nationality. As Fig. 30 shows, EEA nationals fell by an average of 0.5% per annum in 2020 and 2021, in contrast to annual average growth of 7.7% in the pre-2020 period. But the decline in overseas pupil numbers from outside of the EEA was even more pronounced, with the turnaround between the pre-Brexit and post-Brexit periods—which determines shortfalls along the lines used in Section 4.2 above—almost the same for the two overseas pupil groupings.

²⁰ Baines Cutler Solutions Ltd, National Independent Schools’ Benchmarking Survey 2022, The Financial Impact of Covid.

Fig. 30: Trends in pupil numbers by nationality grouping, 2015-19 and 2019-21



Source: Independent Schools Council; Oxford Economics

*Hong Kong. **Excludes India & Hong Kong. ***Non-EEA Europe, Americas, Africa, and India.

As the chart also shows, there is a striking variation within the “rest of the world” grouping. There was a sharp drop in pupils from mainland China and the rest of the Asia Pacific region, excluding India and Hong Kong, which was almost certainly driven by the travel-related Covid-19 restrictions in place at the time. On the other hand, there were very sharp increases in pupils from Hong Kong and the Middle East, between the two years. If both of these groupings are excluded, on the grounds of being “outliers”, then “rest of the world” pupils fell by 0.7% per annum between 2019 and 2021, compared with a 2.7% per year increase in 2015-19.

On that view, the turnaround in the trend for EEA nationals could be judged to be out of keeping with that of a benchmark group of overseas pupils, with the shortfall in EEA pupil numbers of 15.4% (calculated on the same basis as the shortfalls in Section 4.2) exceeding the 8.2% shortfall for the benchmark group. But even if EEA pupil numbers had fallen by 8.2%, rather than 15.4%, total fee income would still have fallen short of expectations by at least 8.5%, versus the actual shortfall of 9.0%.²¹ That is still consistent with Covid-19 accounting for the vast majority of the shortfall in school income, and the associated economic impacts, with Brexit having an additional, but very modest effect in 2021.

However, another possible interpretation of the data is that Brexit itself had virtually no impact in the years concerned, with the shortfall relative to prior trends entirely explained by Covid-19 restrictions.

4.3.3 Brexit in the long term

This does not mean that Brexit will not have an effect on the sector over long term. It is possible that the new visa arrangements will prevent EEA pupil numbers from bouncing back, as the Covid-19 threat recedes, in the way that might otherwise have happened. And the sector’s fortunes will also be tied to those of the wider UK economy.

In relation to the latter, it is difficult to identify any short-term “Brexit effect” in the UK-wide GVA figures, looking at 2020 and 2021 compared with 2019.²² But total exports and imports were both lower, as a share of total production and income, in 2021 than in 2019, and if that remained the case in the longer term, then national productivity and real incomes could grow at a slower rate than otherwise, reflecting a loss of “gains from trade”. That could curb the demand for independent school places by UK resident parents, relative to a hypothetical “no Brexit” scenario, with losses each year accumulating into more significant losses over time.

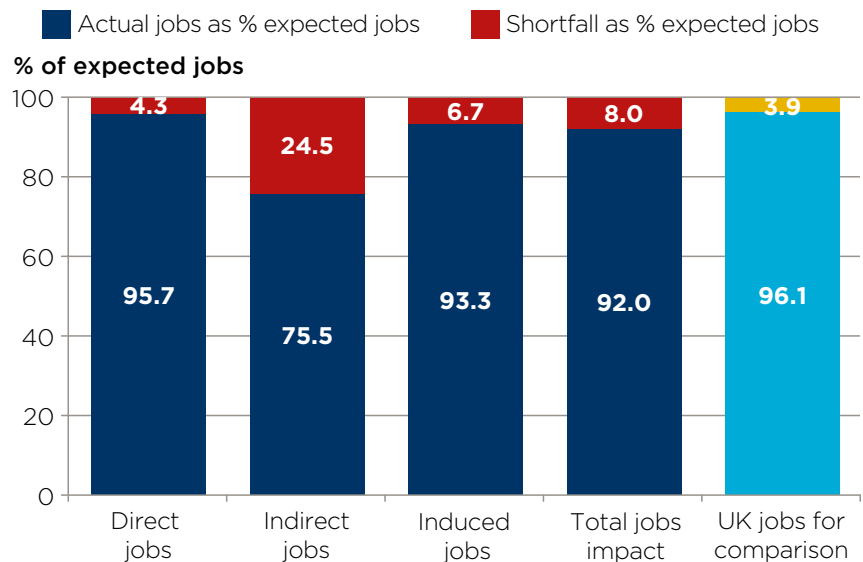
²¹ The 8.5% shortfall is based on the “best case”, where all of the extra EEA pupils retained in this alternative scenario are assumed to be boarders.

²² The main identifiable impact is a sharp decline in imports from the EU, compared with a very modest decline in imports from the rest of the world, between 2019 and 2021. But that does not directly affect UK GVA, which relates to domestic production. Exports to the EU also fell between the two years, but exports to the rest of the world fell by almost the same percentage.

4.4 SHORTFALLS IN THE SCHOOLS' EMPLOYMENT IMPACTS IN 2021

Turning to employment, the broad picture is similar to that for GVA. In this case, the shortfall in the direct jobs impact was 4.3%, broadly in line with the shortfall across the UK as a whole (Fig. 31). But the total jobs impact disappointed by 8.0%, influenced by the 24.5% shortfall in indirect jobs. Further details of these results can be found in the results tables in Appendix 1.

Fig. 31: Trend in jobs impacts, 2015-2019, and expected and actual jobs impacts in 2021



Source: Oxford Economics



APPENDIX 1: MAIN RESULTS TABLES

INDUSTRY CLASSIFICATION

Fig. 32: Industry classification used in the charts and tables

Sector in this report	Section in UK Standard Industrial Classification	Notes
Manufacturing & agriculture	Agriculture, forestry, & fishing (A)	
	Manufacturing (C)	Includes repair & installation of machinery, except motor vehicle repair.
Mining, energy, water, waste	Mining & quarrying (B)	
	Electricity & gas supply (D)	
	Water supply, sewerage, and waste management (E)	
Construction	Construction (F)	
Wholesale, retail & transport	Wholesale and retail trades; motor vehicle repair (G)	
	Transportation & storage (H)	
Catering & hotels	Accommodation & food service activities (I)	Indirect impacts mainly relate to catering contract workers.
Information & communication	Information & communication (J)	Includes telecommunications, computer-related services, broadcasting, publishing, and information services.
Professional & financial services	Financial & insurance activities (K)	
	Professional, scientific, and technical activities (M)	Includes legal work, accountancy, management consultancy, architectural and engineering consultancy, advertising, and design.
Business support services	Administrative and support service activities (N)	Includes leasing activity, employment agencies, travel agencies, security, cleaning, landscaping, office support, and other business support activities.
Education	Education (P)	All staff directly employed by schools are counted here, whatever their role.
Other services including rent	Real estate activities (L)	Mainly renting of property
	Public administration (O)	Taxpayer-funded services are excluded from the indirect and induced impacts, so only private work, and activity funded by fees (e.g. planning fees), is counted.
	Human health & social work (Q)	
	Arts, entertainment, & recreation (R)	Recreation includes libraries, museums, gambling, and sports.
	Other service activities (S)	Includes membership organisations, repair of computers and household goods, and personal services such as hairdressing.
	Activities of households as employers (T)	

THE ECONOMIC FOOTPRINT: ISC SCHOOLS

Fig. 33: GVA impacts by channel and region

£ billion, 2021	Direct	Indirect	Induced	Total
East Midlands	0.29	0.09	0.38	0.76
East of England	0.80	0.21	0.62	1.63
London	1.55	0.36	0.94	2.84
North East	0.08	0.04	0.21	0.33
North West	0.36	0.09	0.34	0.79
South East	2.00	0.49	1.08	3.57
South West	0.68	0.16	0.52	1.36
West Midlands	0.45	0.12	0.46	1.02
Yorkshire & The Humber	0.27	0.09	0.37	0.73
Scotland	0.31	0.06	0.20	0.57
Wales	0.09	0.04	0.24	0.37
Northern Ireland	0.00	0.01	0.08	0.09
Total	6.88	1.75	5.44	14.07

Fig. 34: GVA impacts by channel and industry

£ billion, 2021	Direct	Indirect	Induced	Total
Agriculture	-	0.01	0.06	0.07
Mining including oil	-	0.00	0.01	0.02
Manufacturing	-	0.17	0.47	0.64
Electricity & gas supply	-	0.03	0.14	0.17
Water & waste services	-	0.02	0.09	0.10
Construction	-	0.37	0.27	0.64
Retail & wholesale	-	0.13	0.95	1.08
Transport & storage	-	0.10	0.26	0.36
Hotels & catering	-	0.14	0.43	0.56
Info & communication	-	0.10	0.34	0.45
Financial services	-	0.04	0.43	0.47
Real estate including rent	-	0.03	0.58	0.61
Professional services	-	0.15	0.36	0.51
Business support services	-	0.13	0.32	0.45
Public administration	-	0.01	0.06	0.07
Education	6.88	0.27	0.16	7.31
Health & social care	-	0.01	0.15	0.16
Arts & entertainment	-	0.00	0.15	0.15
Other services	-	0.02	0.19	0.22
Household as employers	-	0.00	0.04	0.04
Total	6.88	1.75	5.44	14.07

Fig. 35: Employment impacts by channel and region

Thousands of jobs, 2021	Direct	Indirect	Induced	Total
East Midlands	2.01	0.83	4.1	6.94
East of England	47.17	9.41	20	76.58
London	16.6	3.41	10.06	30.07
North East	7.35	1.83	7.52	16.7
North West	18.23	4.1	11	33.33
South East	11.01	2.44	8.61	22.06
South West	6.31	1.98	7.08	15.37
West Midlands	8.21	1.87	6.62	16.7
Yorkshire & The Humber	27.25	5.38	10.55	43.18
Scotland	2.34	0.91	5.31	8.56
Wales	5.75	1.19	3.82	10.76
Northern Ireland	0.06	0.2	1.47	1.73
Total	152.29	33.55	96.14	281.98

Fig. 36: Employment impacts by channel and industry

Thousands of jobs, 2021	Direct	Indirect	Induced	Total
Agriculture	-	0.28	1.96	2.24
Mining including oil	-	0.03	0.04	0.07
Manufacturing	-	2.38	6.29	8.67
Electricity & gas supply	-	0.17	0.71	0.88
Water & waste services	-	0.12	0.41	0.53
Construction	-	4.08	2.94	7.02
Retail & wholesale	-	2.22	20.72	22.94
Transport & storage	-	2.11	5.07	7.18
Hotels & catering	-	6.67	19.87	26.54
Info & communication	-	1.19	3.10	4.29
Financial services	-	0.32	2.71	3.03
Real estate including rent	-	0.22	2.53	2.75
Professional services	-	2.49	5.70	8.19
Business support services	-	3.60	6.95	10.55
Public administration	-	0.13	0.73	0.86
Education	152.29	6.53	3.84	162.66
Health & social care	-	0.35	4.77	5.12
Arts & entertainment	-	0.13	3.45	3.58
Other services	-	0.53	3.65	4.18
Household as employers	-	0.00	0.70	0.70
Total	152.29	33.55	96.14	281.98

Fig. 37: Tax impacts by channel and type of tax

£ billion, 2021	Direct	Indirect	Induced	Total
Employee income tax	0.72	0.10	0.26	1.09
Employee NICs	0.41	0.07	0.17	0.64
Employer NICs	0.53	0.09	0.21	0.82
Corporation tax	0.01	0.05	0.18	0.24
Business rates, etc	0.02	0.03	0.11	0.16
Taxes on business supplies	0.30	0.06	0.18	0.54
Taxes on employee spending	-	-	0.82	0.82
Total	1.99	0.39	1.93	4.31

THE ECONOMIC FOOTPRINT: ALL INDEPENDENT SCHOOLS**Fig. 38: Overview of economic impacts by channel**

	Direct	Indirect	Induced	Total
GVA impact, £ billion	8.00	2.05	6.47	16.52
Employment impact, thousands	175.62	39.01	113.42	328.05
Tax impact, £ billion	2.32	0.46	2.28	5.06

SAVINGS TO THE TAXPAYER**Fig. 39: Derivation of the taxpayer savings estimate**

Approximate annual values, 2021	Value per pupil, £	Number of pupils, thousands	Total value, £ billion
Recurrent spending:			
Annual spending by state schools and trusts	6,414	9,888	63.43
Of which: pupil premium	402		3.97
State spending excluding pupil premium	6,012		59.45
Corresponding saving due to ISC school attendance ¹	6,179	460	2.84
Add: saving on pupil premium for ISC school pupils	15		0.01
Deduct: existing state funding for ISC school pupils ²	100		0.05
Saving on recurrent spending	6,094		2.80
Capital spending:			
Saving due to cost or opportunity cost of land ³	1,542		0.71
Saving due to new building work ³	338		0.16
Saving due to capital-funded maintenance	189		0.09
Saving on capital spending	2,069		0.95
Total saving: ISC schools	8,163		3.76
Approximate saving: all independent schools⁴	8,263	537	4.44

Source: Oxford Economics estimates based on data from the Independent Schools Council and various official sources, as described in Appendix 5.

¹ Relates to ISC school pupils eligible for a free state school place, excluding the pupil premium. The average per-pupil savings figure differs to the average cost per state school pupil, as it is adjusted to reflect the breakdown of ISC pupils by region and type of school. ² Local authority funding and the Government Music and Dance Scheme. ³ Annualised costs.

⁴ The average cost per pupil differs to the ISC figure as the scaling-up is undertaken on a region-by-region basis.

Fig. 40: State spending on primary and secondary education not in schools' budgets

	£ billion
Estimated total UK net state education expenditure in 2021	101.9
Of which: net capital outlays	10.2
Recurrent net state education spending	91.7
Of which: pre-primary and post-secondary education ¹	10.1
applied research and development relating to education ²	5.7
strategy, policy, oversight, and information provision ³	2.3
students' transport, food, lodging, and medical support ⁴	3.4
Recurrent net spending on primary and secondary education ⁵	70.1
Of which: included in schools' and trusts' budgets	63.4
Primary and secondary education spend not in schools' budgets	6.7

¹ Class 9.11 and groups 9.3-9.5 in the United Nations Classification of the Functions of Government (COFOG). ² Group 9.7.

³ Group 9.8, 'education not elsewhere classified'. ⁴ Group 9.6, 'subsidiary services to education'.

⁵ Class 9.12 and groups 9.2-9.3.

Source: Oxford Economics interpolation of HM Treasury, Public Expenditure Statistical Analyses 2021, and of Department for Education spending statistics.

THE IMPACT OF COVID-19 AND BREXIT

Fig. 41: Expected and actual out-turns for ISC GVA and jobs impacts, and contributing factors

	Levels				Annual % change		2021 shortfall as % expected
	2015	2019	2021 expected	2021 actual	2015- 2019	2019- 2021	
Pupil numbers (thousands)	501.7	524.4	537.7	532.0	1.1%	0.7%	1.1%
Fees per pupil (£ at 2021 prices)	16,061	17,044	17,506	16,096	1.5%	-2.8%	8.1%
£ billion at 2021 prices:							
Fee income	8.06	8.94	9.41	8.56	2.6%	-2.1%	9.0%
Procurement in opex	1.86	2.07	2.19	1.69	2.8%	-9.8%	23.0%
Direct GVA	6.20	6.87	7.22	6.88	2.6%	0.1%	4.8%
Capital procurement	0.81	0.95	1.03	0.63	4.0%	-18.7%	39.0%
Total procurement	2.67	3.02	3.22	2.31	3.2%	-12.5%	28.1%
Indirect GVA	2.03	2.27	2.40	1.75	2.9%	-12.1%	27.0%
Direct plus indirect GVA	8.23	9.13	9.62	8.63	2.6%	-2.8%	10.3%
Induced GVA	5.16	5.73	6.04	5.45	2.6%	-2.5%	9.7%
Total GVA impact	13.39	14.86	15.66	14.08	2.6%	-2.7%	10.1%
Thousands of jobs:							
Direct employment	145.1	154.3	159.1	152.3	1.5%	-0.7%	4.3%
Indirect employment	39.1	42.6	44.4	33.5	2.2%	-11.2%	24.5%
Direct plus indirect employment	184.2	196.9	203.6	185.8	1.7%	-2.9%	8.7%
Induced employment	91.8	99.1	103.0	96.1	1.9%	-1.5%	6.7%
Total employment impact	276.0	296.0	306.6	282.0	1.8%	-2.4%	8.0%

Notes: Fee income = pupil numbers x fees per pupil. Direct GVA = fee income - procurement in opex.

Total procurement = procurement in opex + capital procurement.

Fig. 42: ISC school pupil numbers by nationality

	Number of pupils by nationality			Annual % change	
	2015	2019	2021	2015-19	2019-21
Total World	501,694	524,367	531,991	1.1%	0.7%
UK	455,839	467,130	477,153	0.6%	1.1%
France	1,627	3,099	3,140	17.5%	0.7%
Germany	2,767	3,098	3,160	2.9%	1.0%
Spain	2,170	2,667	2,604	5.3%	-1.2%
Ireland	1,192	1,438	1,405	4.8%	-1.2%
Rest of EEA	5,921	8,070	7,886	8.0%	-1.1%
Total EEA	13,677	18,373	18,195	7.7%	-0.5%
Hong Kong	4,612	5,274	7,216	3.4%	17.0%
Middle East	1,204	1,350	1,671	2.9%	11.3%
Russia	3,161	2,454	2,137	-6.1%	-6.7%
Other Europe	1,371	1,855	1,781	7.8%	-2.0%
USA	2,979	3,978	3,959	7.5%	-0.2%
Other Americas	1,223	1,555	1,629	6.2%	2.4%
Nigeria	1,541	1,395	1,395	-2.5%	0.0%
Other Africa	1,361	1,591	1,671	4.0%	2.5%
India	1,242	1,519	1,573	5.2%	1.8%
Mainland China	7,067	10,602	7,821	10.7%	-14.1%
Other Asia Pacific	6,419	7,292	5,789	3.2%	-10.9%
Total Rest of World	32,178	38,863	36,642	4.8%	-2.9%
<i>Of which:</i>					
Hong Kong & Middle East	5,816	6,623	8,887	3.3%	15.8%
Mainland China & Other Asia Pacific	13,486	17,894	13,610	7.3%	-12.8%
All other Rest of World	12,876	14,346	14,145	2.7%	-0.7%

Fig. 43: Pupil numbers by nationality: expected and actual out-turns in 2021, and shortfalls

	Levels				2021 as % expected	
	2015	2019	2021 expected ⁴	2021 actual	Out-turn	Shortfall
Total World	501,694	524,367	537,662	531,991	98.9%	1.1%
UK	455,839	467,130	472,881	477,153	100.9%	-
EEA	13,677	18,373	21,515	18,195	84.6%	15.4%
Rest of World	32,178	38,863	43,266	36,642	84.7%	15.3%
<i>Of which:</i>						
HK ¹ & Middle East	5,816	6,623	7,068	8,887	125.7%	-
Asia Pacific ²	13,486	17,894	20,794	13,610	65.4%	34.6%
All other ³	12,876	14,346	15,404	14,145	91.8%	8.2%

¹ Hong Kong. ² Excluding India and Hong Kong. ³ Non-EEA Europe, Americas, Africa, and India. ⁴ Expected out-turns are estimated on a country-by-country basis, and then summed to arrive at the regional and global totals.

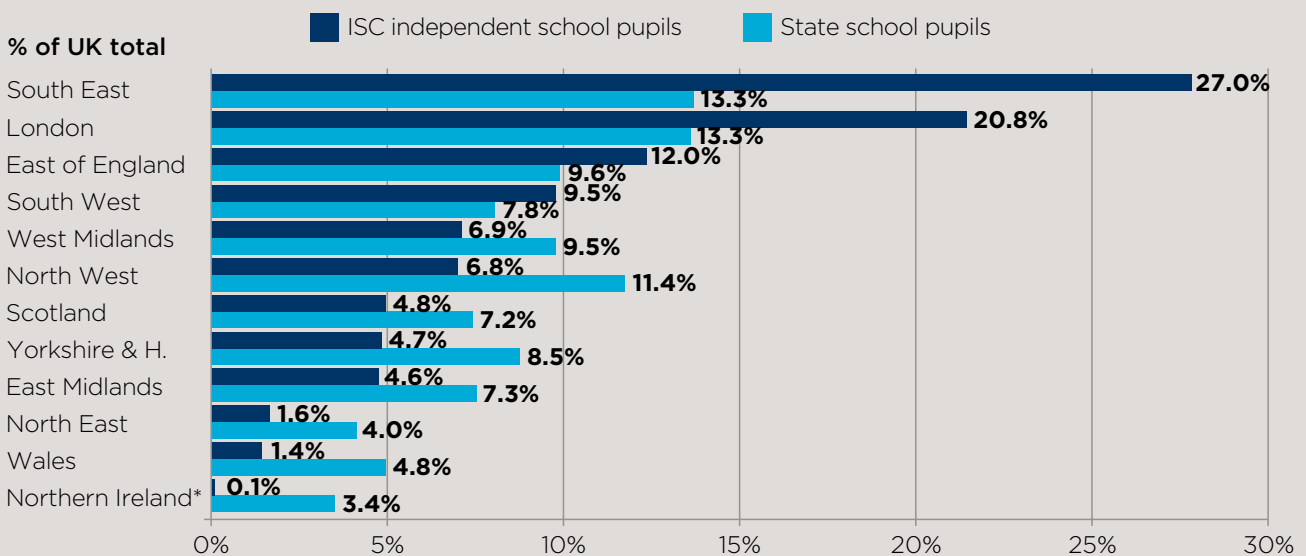
APPENDIX 2: REGIONAL DISTRIBUTION OF THE ISC ECONOMIC FOOTPRINT

This appendix looks at the distribution of ISC-affiliated independent schools' impacts across Scotland, Wales, Northern Ireland, and the nine Government statistical

regions of England. **ISC schools are spread across the UK. But, compared with the distribution of state school pupils, the ISC independent school sector is relatively**

concentrated in the South East of England, and to a lesser extent in London, the East of England, and the South West (see Fig. 44).

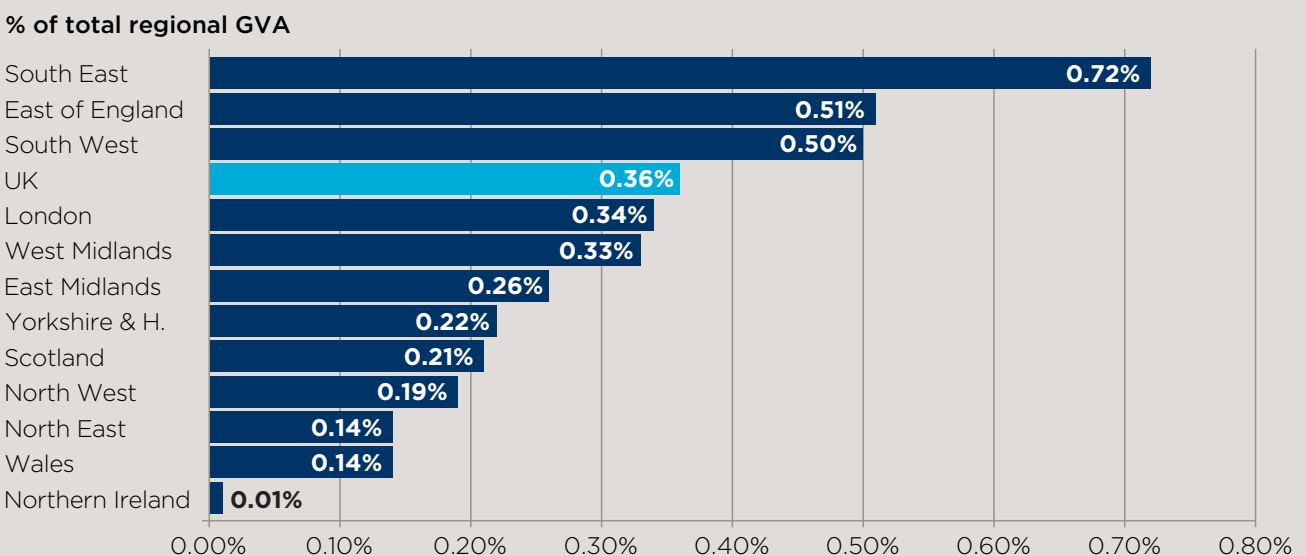
Fig. 44: Regional distribution of ISC independent school and state school pupils



Source: Oxford Economics

*The ratio for all ISC schools, including state-funded schools, is 1.5%.

Fig. 45: ISC schools' direct GVA as a share of each region's total GVA



Source: Oxford Economics

This has a substantial influence on the pattern of regional performance, in terms of ISC schools' direct contribution to GVA, jobs, and tax, and their contribution to savings to the taxpayer.

As a share of total regional economic output, ISC schools' direct GVA is highest in the South East, at 0.72%, and also

above the national average (0.36%) in the East of England and South West (see Fig. 45 and Fig. 46). This share is, however, a little below the national average in London, on account of the significant contribution to total economic activity made by financial and professional services in that region. It is lowest in Northern Ireland, followed by Wales, the

North East, North West, and Scotland.

In absolute terms, London and the South East alone account for 48% of ISC school pupils across the UK, for 49% of staff, for 52% of the sector's direct contribution to GVA and tax revenues, and for 54% of estimated taxpayer savings.

Fig. 46: The direct economic impact of ISC schools, by country and region

ISC-affiliated schools in the UK	Number of ISC schools	Number of ISC pupils	Direct GVA impact, £ million per annum	Direct jobs impact, head-count	Direct tax impact, £ million per annum	GVA impact as % total regional GVA ¹	Jobs impact as % total regional jobs	Taxpayer savings, £ million
East Midlands	69	24,469	287	7,350	81	0.26%	0.32%	140
East of England	151	63,691	803	18,230	230	0.51%	0.57%	419
London	307	110,559	1,547	27,250	467	0.34%	0.46%	1,073
North East	18	8,470	77	2,010	22	0.14%	0.17%	49
North West	90	36,201	357	8,210	104	0.19%	0.22%	213
South East	376	143,772	2,003	47,170	575	0.72%	0.97%	953
South West	140	50,315	682	16,600	187	0.50%	0.56%	302
West Midlands	103	36,487	451	11,010	124	0.33%	0.37%	225
Yorkshire & H.	61	24,770	268	6,310	81	0.22%	0.24%	147
Scotland	34	25,451	308	5,750	94	0.21%	0.21%	191
Wales	19	7,432	92	2,340	24	0.14%	0.16%	42
Northern Ireland	3	374	3	60	1	0.01%	0.01%	2
UK	1,371	531,991	6,877	152,290	1,990	0.36%	0.44%	3,755

¹ GVA excluding owner-occupied rent.

Source: Oxford Economics

Looking at the total contribution to the economy through the three channels of impact, London and the South East account for 46% of the sector's nationwide contribution to GVA, for 43% of jobs, and for 47% of tax (see Fig. 47). As a share of total

regional economic output, ISC schools' GVA impact is above the average (0.74%) in the South East, East of England, and South West, but below the average in London (see Fig. 48). It is lowest in Northern Ireland, followed by Scotland, the North West, and Wales.

Note: ISC member schools also have access to a tool allowing them to assess the economic impact of their individual school. This can be accessed via the ISC Member Zone.

Fig. 47: The total economic impact of ISC schools by country and region

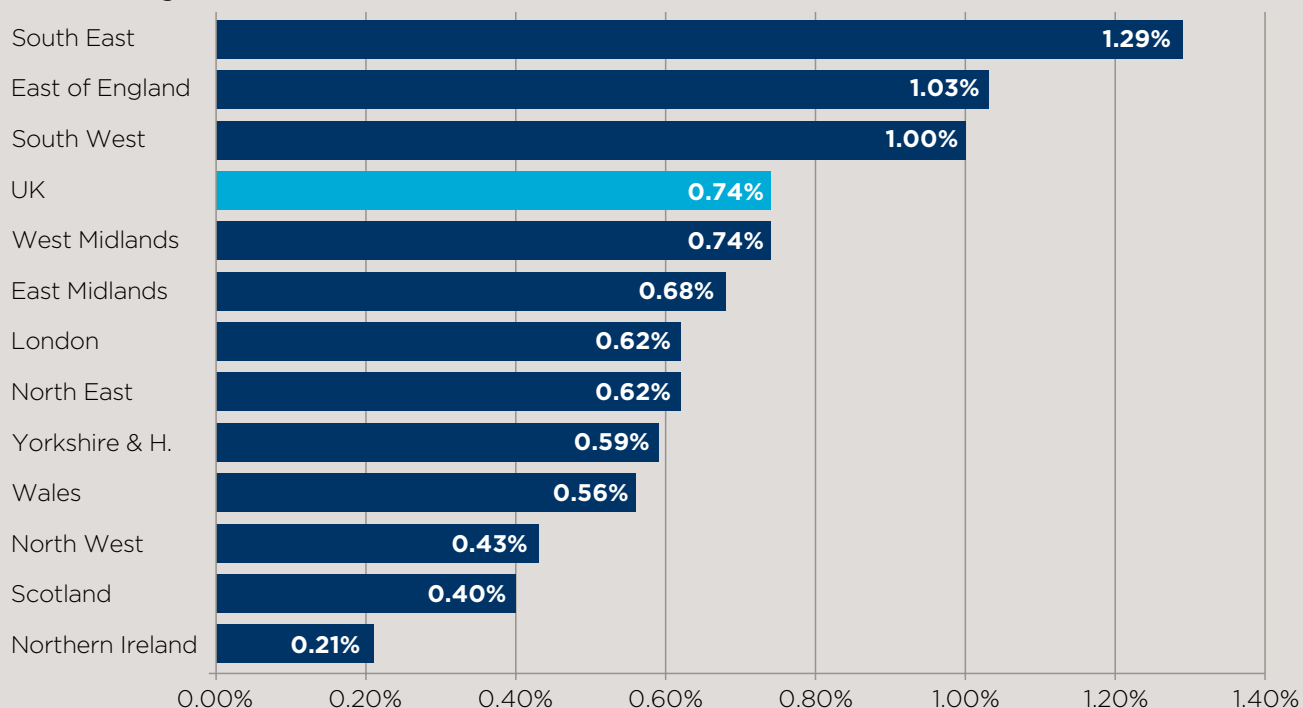
ISC-affiliated schools	Total GVA impact, £ million per annum	Total jobs impact, headcount	Total tax impact, £ million per annum	GVA impact as % total regional GVA ¹	Jobs impact as % total regional jobs
East Midlands	756	16,700	220	0.68%	0.72%
East of England	1,627	33,330	496	1.03%	1.04%
London	2,841	43,180	921	0.62%	0.73%
North East	331	6,940	92	0.62%	0.58%
North West	790	16,700	239	0.43%	0.44%
South East	3,575	76,580	1,115	1.29%	1.58%
South West	1,357	30,070	404	1.00%	1.02%
West Midlands	1,023	22,060	300	0.74%	0.74%
Yorkshire & H.	733	15,370	218	0.59%	0.57%
Scotland	572	10,760	184	0.40%	0.39%
Wales	372	8,560	100	0.56%	0.59%
Northern Ireland	91	1,730	24	0.21%	0.20%
UK	14,070	281,980	4,314	0.74%	0.81%

¹ GVA excluding owner-occupied rent.

Source: Oxford Economics

Fig. 48: ISC schools' total GVA impact as a share of each region's total GVA

% of total regional GVA



Source: Oxford Economics

APPENDIX 3: IMPACT OF BOARDING AT ISC SCHOOLS

This annex outlines the economic contribution of boarding pupils to the total economic footprint of ISC schools identified in Chapter 2.

As of early 2022, the total number of boarding pupils at ISC schools is estimated to be 64,800, equal to 12.2% of the 532,000 ISC pupils at UK independent schools. The total number of boarders is therefore around 7% smaller than the number in the previous study for 2017, when boarders accounted for 13.3%

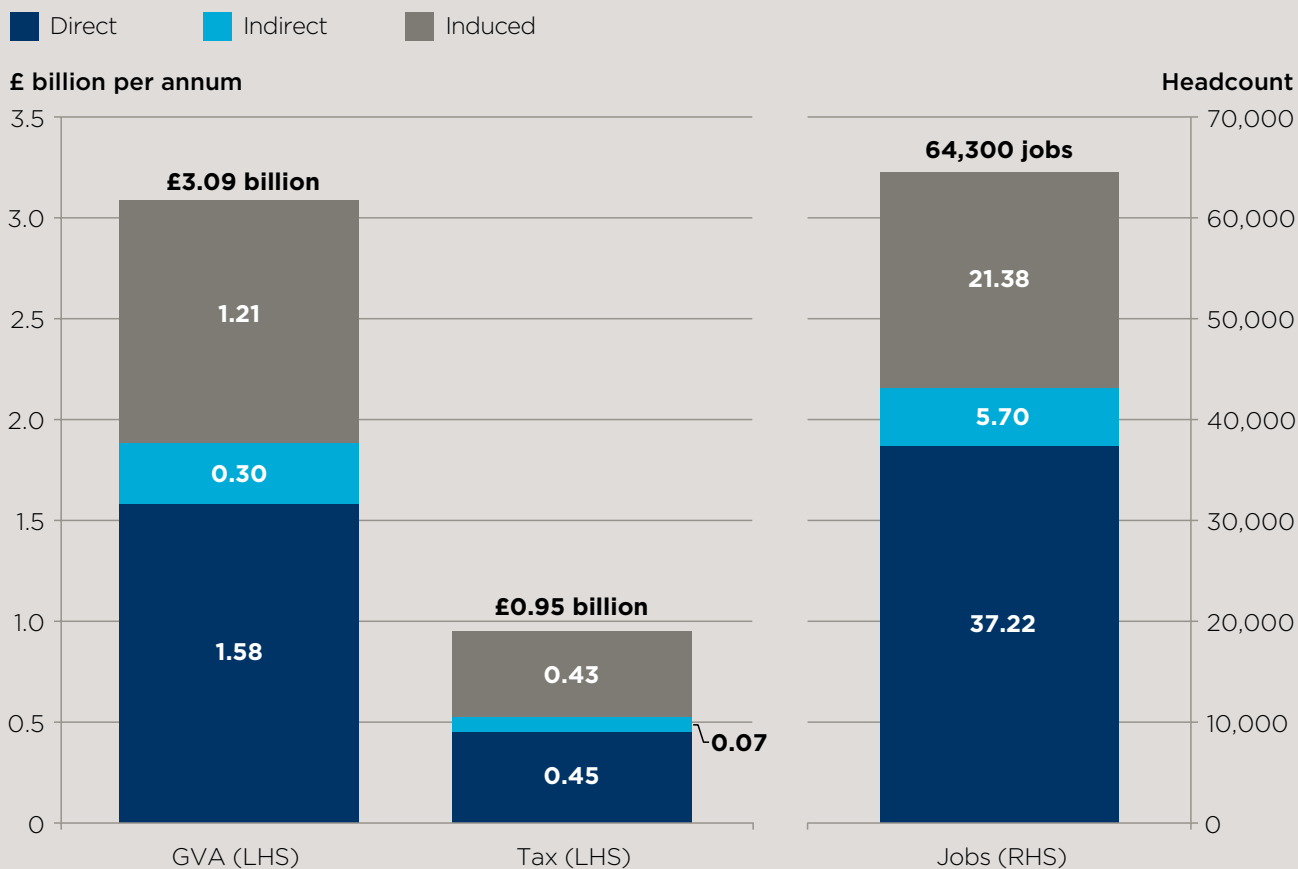
of the total. The boarders-to-total ISC pupils ratio varies across regions. Boarders form around 24% of total ISC students within the South West, whereas in London, only 2% of ISC pupils board.

Across the direct, indirect, and induced channels of economic impact, the total GVA impact is £3.1 billion per year (see Fig. 49), equal to 22% of the ISC's total GVA impact. ISC school boarders also supported 64,300 jobs, and £0.9 billion in annual tax payments. These

impacts reflect the higher level of fees paid by boarders, and the resulting impacts which arise from their contribution to the schools' income.

Within those totals, the direct GVA impact amounted to £1.6 billion in 2021 (equal to 51% of the boarders' total GVA impact). In addition, boarding pupils supported 37,220 jobs in the ISC schools sector, which directly generated £0.4 billion in annual tax revenues as a result.

Fig. 49: The contribution of boarding to ISC schools' economic footprint in the UK



Source: Oxford Economics

APPENDIX 4: IMPACT OF NON-BRITISH PUPILS AT ISC SCHOOLS

This appendix outlines the contribution made to the UK economy in 2021 by non-British pupils studying at ISC schools. The analysis focuses on three ways in which non-British pupils support economic activity through the UK:

- By paying fees, a portion of ISC schools' total economic contribution (outlined in chapter 2) can be attributed to non-British pupils.
- These pupils also make other purchases in the UK, especially in the local area, which would not have taken place had they not attended schools in this country.
- Visiting friends and family of non-British pupils are attracted to visit the UK from overseas. These visitors will spend money in the UK economy during their visit, which would have not occurred had the pupils not been resident here.²³

As of early 2022, 10% of pupils at independent ISC schools in the UK are non-British. The largest proportion of these students are Chinese, including the 14% of non-British students from mainland China, and the 13% from Hong Kong. An additional 7% of overseas students are from the United States. Some 33% of non-British pupils are nationals of a European Economic Area (EEA) country. Some 55% of all non-British pupils have parents who live within the UK.

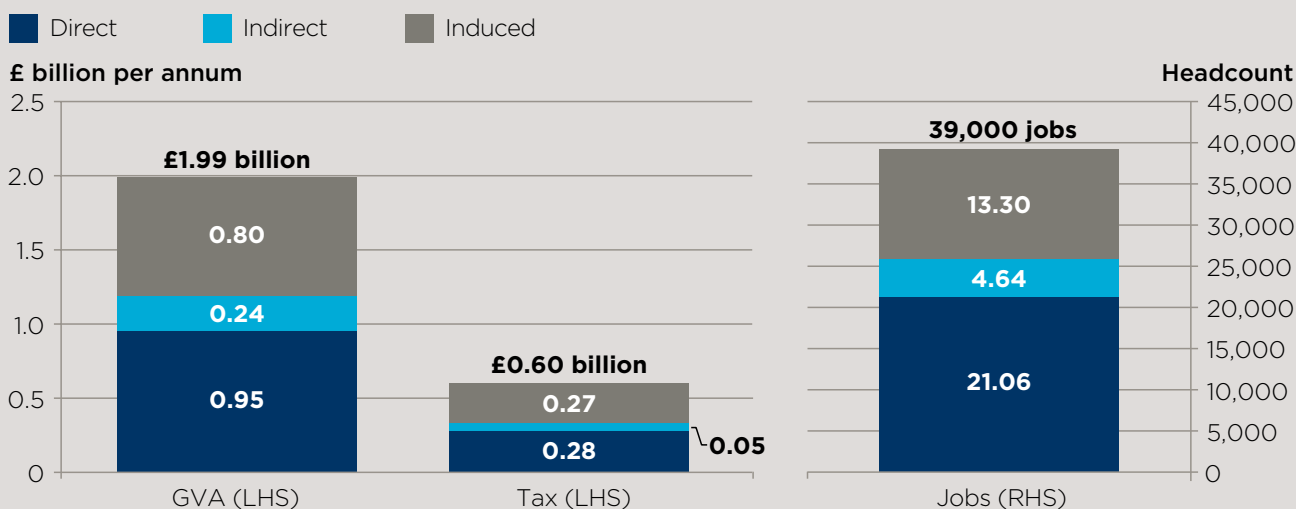
Impacts driven by fee payments to ISC schools

Non-British students whose parents live overseas are estimated to pay 79% more, on average, than the average fees of all ISC pupils. For non-British pupils whose parents live within the UK, the average fee payments are almost in line with the average of all ISC pupils.

Across all three channels of impact, non-British pupils supported £2.0 billion, or 13.8%, of ISC schools' total contribution to UK GVA in 2021 (see Fig. 50). Some 39,000 jobs and £0.6 billion in tax revenue were supported by payments made to ISC schools by non-British pupils, taking the direct, indirect, and induced impacts into account.

Focussing on the direct impact, non-British pupils supported £1.0 billion of the ISC schools' direct GVA impact, as well as 21,060 jobs and £0.3 billion in tax revenues payable to the UK exchequer.

Fig. 50: The contribution of non-British pupils to ISC schools' economic footprint, 2021



Source: Oxford Economics

²³For the impact of pupils' spending outside of the schools, and the impact of visitor spending, we assume that the impacts attributable to attendance at ISC schools relate only to pupils whose parents live outside the UK. This is because we assume that pupils with parents in the UK would also live in the UK, whether or not they attended an ISC school. As a result, no additional economic impact is made, in those cases, beyond the impacts already captured in Chapter 2. The results presented here will therefore understate the full impact of ISC schools, if some of these families live in the UK specifically because of the ISC school offering.

Impacts driven by other pupil expenditure

We estimate that non-British students with parents who live overseas spent £133 million on UK goods and services, outside of their schools, in 2021. **Across all channels of impact, we estimate that this spending supported a total GVA impact of £113 million in 2021, associated with 1,960 jobs and £45 million in tax revenues.** (Pupils with parents who live in the UK are excluded from these impacts, as we assume that these pupils would live in the UK whether or not they attended an ISC school.)

Impacts driven by the spending of visiting friends and relatives

Friends and family visiting pupils in the UK will spend money in the country during their visit. We estimate that visitors to ISC school pupils

based in this country, whose parents live overseas, would have spent £7.4 million in the UK in 2021. **This spending is estimated to have supported a total GVA contribution of around £6 million, associated with 120 jobs, and £3 million in annual tax revenues.**

Total economic impact of non-British ISC pupils

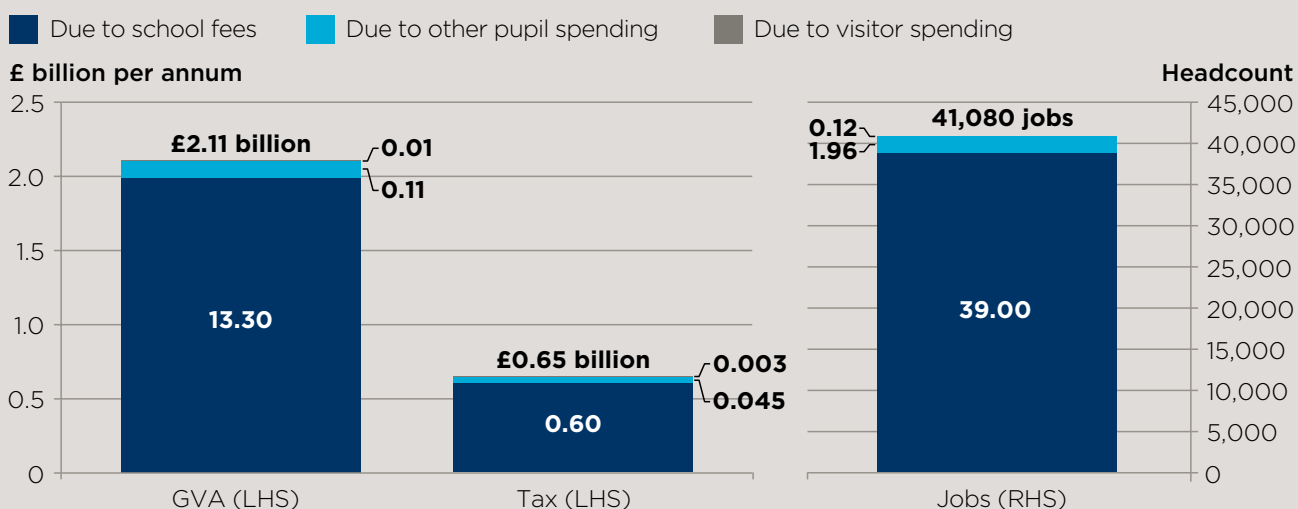
Combining the impact of non-British pupils' spending on school fees, their spending on goods and services outside of the schools, and the spending of their visitors, we arrive at the total estimated economic footprint of non-British students within the UK.

In total, the pupils supported a GVA contribution of around £2.1 billion in 2021, associated with 41,080 jobs and £0.6 billion in tax revenues (see Fig. 51). Non-British pupils

with parents who live overseas account for 62% of this total, reflecting the influence of higher boarding fees.

The first impact, relating to fees paid to the ISC schools, is a component of the schools' own economic footprint captured in Chapter 2, and so is not "additional" to the impact of the schools. However, the impact of other student spending (on non-fee related items), and the impacts arising when visiting family and friends spend money in the UK, are "additional" impacts, which would not have occurred had the pupils not attended ISC schools. The "additional" impact of non-British students is, therefore, estimated to have been £119 million in terms of annual GVA, in 2021, associated with 2,080 jobs and £47 million in annual tax revenue.

Fig. 51: Total economic impact of non-British pupils at ISC schools



Source: Oxford Economics

APPENDIX 5: METHODOLOGY

ECONOMIC FOOTPRINT

ISC schools' direct impacts

Oxford Economics was provided by ISC with details of the number of pupils, teachers, teaching assistants, and schools, by region and type of school (e.g. primary or secondary), for ISC schools and all independent schools, as of January 2022. Additional data on the ISC pupil profile, such as nationality, ages, and the split between boarders, day pupils at boarding schools, and day school pupils, were also provided, and further information was available in the ISC Census and Annual Report 2022. In addition, we were provided with data on ISC schools' income and spending per pupil, on a region-by-region basis, by Baines Cutler Solutions Ltd. These relate to the academic year ending in August 2021, and are based on a sample of ISC schools covering over 70% of all ISC school pupils. This dataset also provided data on school employees of all types, including support staff.

Oxford Economics then estimated the following categories of expenditure and profits, for all ISC schools, based on the Baines Cutler data, but scaled up to all ISC schools using the appropriate ratio for pupil numbers on a region-by-region basis. The estimates relate only to the schools' core operations (teaching, extra-curricular activities, accommodation,

and catering, etc), excluding trading, fundraising, and financing activities.

- Total employment costs for all teachers, teaching support staff, and other directly-employed support staff (e.g. catering staff where these roles are not contracted out).
- Payments to third party businesses and authorities, within core operating expenditure.
- Capital depreciation.
- The financial surplus on core activities (equivalent to 'EBIT'—profits before interest and corporation tax—in company accounts).

Oxford Economics then estimated how the above payments to third parties would be split between the following categories, based on ratios for the non-state education sector in the most recent, detailed version of the UK input-output table.²⁴

- Payments of "taxes on production" to UK authorities, such as business property rates, business vehicle excise duty, and the apprenticeship levy.
- "Taxes on products" built into the cost of supplies purchased, such as unrefunded VAT, "green" levies added by electricity suppliers, and petrol duty on transport for business purposes.

- Amounts received by suppliers of goods and services based overseas, net of UK taxes.
- Net-of-tax amounts received by domestic suppliers, on an industry-by-industry basis.²⁵

Direct GVA was then taken as the sum of employment costs, capital depreciation, the financial surplus, and "taxes on production". (Employment costs account for the overwhelming majority of these contributors. Capital depreciation is modest by comparison, while the financial surplus and taxes on production are very limited.)

Direct employment was worked out as the total of all teaching and support staff, on a headcount basis. This was scaled up from the sample to the ISC school total, in line with pupil numbers on a region-by-region basis.

The direct tax contribution was then estimated by Oxford Economics, taking into account the above income and spending categories, implied average employee salaries, and features of the UK tax system in 2021. This covers the following taxes:

- Income tax and national insurance paid by employees through the schools' 'PAYE' system
- Employers' national insurance contributions.

²⁴ An input-output table is an officially-published matrix, showing transactions between different domestic industries, sales by those industries to final customers of different types (e.g. domestic households or overseas customers), and purchases by those industries from suppliers overseas. Taxes on products such as excise duties and unrefunded VAT, paid by the purchaser but not received by the supplier, are also identified separately.

²⁵ In the case of goods, this value is split between the manufacturer and wholesaler, where the latter's share is the "gross margin" made on trading in the product—i.e. the profit before accounting for any business running costs.

- Corporation tax.
- Taxes on production (mainly business rates).
- Taxes on products purchased (mainly unrefunded VAT).

It should be noted that the direct tax impact figures are estimates based on broad features of the UK tax system, and do not take all of the nuances of the UK tax system into account. They are not based on specific information about the schools' tax payments, and so may not reflect either the amounts actually paid, or the tax liability, in a fully accurate way. They do however take the broad principles of the system applied to independent schools into account, for example the lack of VAT on school fees, the inability to reclaim VAT on items purchased, and limited payments of business rates.

ISC schools' indirect impacts

The starting point for the indirect (supply chain) impact is formed by the net-of-tax amounts received by domestic suppliers, on an industry-by-industry basis. For this study, these purchases include items of a capital nature, based on capital expenditure data also provided by Baines Cutler, with an allowances for taxes and imports as estimated by Oxford Economics using relevant input-output table ratios and features of the UK tax system. These domestic capital supplies were

put onto an industry-by-industry basis (mainly construction, but also some computer and other equipment), and added to purchases counted in the schools' core operating expenditure.

These amounts were then fed into the Oxford Economics UK and Regional Economic Impact Model. This combined them with a further set of ratios in the input-output table, to arrive at total sales values across the entire UK supply chain of the schools. The indirect GVA impact was derived from there, using the GVA-to-sales ratios for each industry, as implicit in the input-output table, and the indirect jobs impact from there, using official data for GVA and jobs on an industry-by-industry basis. The indirect employment estimate therefore relies on an implicit assumption that the labour productivity (GVA per job) of each business in the schools' supply chain matches the average productivity of that business's industry. Supply chain jobs can include self-employed as well as employee jobs.

Tax impacts are worked out by breaking the sales values of each industry into various components (employment costs, profits, purchases from third parties, etc), and applying tax-to-income and tax-to-spending ratios drawn from various official sources.

ISC schools' induced impacts

The induced (salary-funded expenditure) impact is

effectively calculated in two parts. Sales values supported by the spending of workers in the supply chain are worked out within the model, alongside the indirect impact, taking into account the share of each supply chain industry's GVA that is accounted for by the workers' after-tax earnings, and UK household spending by industry of domestic supplier, after allowing for imports and taxes on products. The same scaling from sales revenues by industry, to GVA, jobs, and taxes, is then applied.

The spending power of ISC schools' own employees is then worked out, using the data on employment costs, income tax, and National Insurance. This is fed into the model to arrive at the induced values supported by these employees' spending. These values in turn are added to the (less significant) values supported by supply chain workers, to arrive at the total induced impacts.

ISC schools' total economic footprint

The total GVA, employment, and tax footprint is simply the sum of the relevant direct, indirect, and induced impacts. All of the estimates relate to ISC-affiliated schools that are non-state-funded and based in the UK (England, Scotland, Wales, and Northern Ireland). The results therefore exclude a few ISC schools based in the Channel Islands and Isle of Man, and a few based in Northern Ireland that are state-funded.

Economic impacts of all independent schools

The impacts of all independent schools are calculated by scaling up the results for ISC schools, using ratios for pupil numbers on a region-by-region basis.

ISC schools' impact by region

As all of the data were provided to Oxford Economics on a regional basis, the direct impact by region was calculated as part of the process of arriving at the national direct impact. The direct regional impacts simply reflect the location of the schools concerned.

The indirect and induced were calculated by the Economic Impact Model (see above) on a region-by-region basis. These regional impacts reflect the economic activity supported in that region by the spending of all ISC schools. This is not necessarily the same as the economic impact supported by the schools based in that region, as spending by a school in one region can support activity right across the UK. (However, a disproportionate amount of indirect and induced activity will be supported locally, especially in the case of service provision and construction work, as opposed to goods production.)

Economic impact of boarders

The share of the ISC schools' fee income accounted for by boarders was estimated by

taking the proportion of pupils boarding, at each type of school (primary or secondary) in each region, and combining that with data on school fees for boarders and non-boarders, by school type and region. The direct economic impacts, procurement, and ISC school staff take-home pay supported by boarders, as opposed to day pupils, were derived from there, in the same way that the values were derived for the ISC school sector as a whole.

Procurement, and staff spending power, were then fed into the UK and Regional Economic Impact Model, to arrive at the indirect and induced economic impacts of boarding at ISC schools.

Economic impact of overseas pupils

The share the ISC schools' economic footprint supported by overseas pupils (i.e. non-UK nationals) was estimated in a similar way to that for boarders. In this case, pupil numbers by region were taken, and the non-UK nationals split out from the total. Average fees per pupil in each region were then adjusted to take into account the higher proportion of overseas pupils boarding, and the higher proportion at secondary rather than primary schools, relative to the pattern for all ISC school pupils. This allowed us to estimate total school fee income supported by overseas pupils, and the associated direct, indirect, and induced GVA, jobs and tax impacts were

calculated from there.

The additional impact on local economies of overseas pupils spending money outside of the schools was then worked out, by taking estimates of spending by students in higher education²⁶, taking out the elements covered by their school fees, removing items deemed inappropriate on the grounds of age (e.g. alcohol and tobacco), and inflating the values in line with the consumer price index for each commodity type. The estimated pattern for spending in 2021 was the split between imports, taxes on products, and amounts received by UK domestic suppliers, and fed into the UK and Regional Economic Impact Model. Supply chain and induced impacts were returned by the model. The activity of the "first round" of the supply chain is counted as the direct impact in this case.

Spending in the local area by visiting friends and family was estimated using official data on the expenditure of all overseas residents visiting friends and family in the UK, by nationality and type of expenditure, and the proportion of overseas nationals resident in the UK accounted for by ISC school pupils (excluding those whose parents live in the UK).²⁷ This spending was spread across various categories of expenditure²⁸, with direct, indirect, and induced impacts worked out from there. The impact of the "first round" of the supply chain was also taken to be the direct impact here.

²⁶ Department for Education, Student income and expenditure survey 2014 to 2015, March 2018. (This is still the latest available dataset as of mid-2022.)

²⁷ Expenditure is taken from the ONS International Passenger Survey, and total overseas nationals resident in the UK from the ONS Annual Population Survey. Overseas pupils at ISC schools with parents living in, and outside of, the UK, are taken from the ISC Census and Annual Report 2022.

²⁸ The pattern of expenditure by type is taken from the ONS Tourism Satellite Accounts.

SAVINGS TO THE TAXPAYER

Number of ISC school pupils eligible for a free UK state school place

The number of ISC school pupils who would otherwise be eligible for a free UK state school place was estimated, by region and school type, by deducting from the total those pupils aged below four, or over 18, on the eve of the school year (31 August). Non-British pupils were also deducted, with the exception of EEA nationals whose parents lived in the UK. This was based on the data provided by ISC.

Recurrent state spending per school pupil by region and type of school

Oxford Economics sourced data on primary and secondary state school pupil numbers²⁹, and state funded recurrent (non-capital) spending by schools and trusts³⁰, to arrive at estimates of average state school recurrent spending per pupil in 2021, by region and type of school.

Total taxpayer saving per eligible ISC school pupil

Potential taxpayer savings per ISC school pupil, relating to recurrent spending, were assumed to be equal to recurrent costs per state school pupil, but with a few adjustments. These adjustments involved deducting the pupil premium for state school pupils, adjusting for the mix of schools attended by eligible ISC school pupils, in terms of region and school type (primary or secondary), adding back the pupil premium likely to be paid to ISC school pupils if they attended a state school instead, and deducting present Government funding for ISC school pupils.³¹

The estimated capital expenditure required, per ISC pupil in each region if they took up a free school place, was then calculated as the sum of three elements:

- **Land costs:** The number of new state schools needed, for each school type in each region, was derived from the number of eligible ISC school pupils, based on the existing average number of state pupils per school.³² The required land area was derived from there, based on official guidance on space requirements.³³ The total up-front cost of that land was derived from there, based on the average cost of land in residential areas across each region, except in London where land purchase was assumed to be limited to the third of boroughs where land costs were cheapest.³⁴ This upfront cost was then converted into an annualised cost per pupil, based on annual rental yields for land in appropriate (i.e. non-industrial) zones.³⁵
- **New building work.** Building costs for a typical new primary school, and typical new secondary school, were based on reported costs in a National Audit

²⁹ Department for Education, Schools, pupils and their characteristics, January 2022; Scottish Government (scot.gov), Summary statistics for schools in Scotland 2021; Welsh Government (StatsWales), Pupils by local authority, region and type of school (2020/21); Department of Education / Northern Ireland Statistics and Research Agency, Key Statistics (2020/21).

³⁰ Department for Education, Local Authority Maintained Schools Expenditure (2015/16-2020/21); Department for Education, Academy Schools Sector in England: Consolidated Annual Report and Accounts (2019/2020); Scottish Government, Government Expenditure and Revenues Scotland (GERS) (2020/21); Welsh Government, Key Education Statistics Wales, 2019. Where data relate to earlier years figures are scaled by Oxford Economics based on pupil numbers and the trend in spending per pupil elsewhere. Spending on schools in Northern Ireland is scaled from all state spending on primary and secondary education in that country, in 2019/20, as reported in HM Treasury, Public Expenditure Statistical Analysis (PESA).

³¹ The pupil premium applies only in those attending a state-funded school in England, and taxpayer costs are based on data published by the Department for Education. The would-be cost of the pupil premium for ISC school pupils is based on the number of pupils qualifying for a full means-tested bursary or scholarship funded by the ISC school, and the relevant premium (which varies between primary or secondary school pupils). Existing Government support comprises funding by Local Authorities, and the Government Music and Dance Scheme, as reported in the ISC Census and Annual Report 2022.

³² The number of state schools is found in the same sources as the number of state pupils.

³³ Department for Education, Area guidelines for mainstream schools (building bulletin 103), June 2014, and Department for Education, Area guidelines for SEND and alternative provision (building bulletin 104), December 2015. The guidelines relate to England, but we assume that the same principles would apply in Scotland, Wales and Northern Ireland.

³⁴ Value Office Agency, Land value estimates for policy appraisal in 2019. The values are inflated to 2021 prices in line with ONS House Price Index.

³⁵ Savills Research data on prime yields, published January 2022.

Office report³⁶, uprated to 2021 values using the most appropriate construction output price index³⁷. Cost differentials across the regions were then estimated, based on relative salaries³⁸, with the resulting costs per school multiplied by the number of new schools needed, to arrive at the total up-front cost in each region. These upfront costs were put onto per-pupil basis, and then

onto an annualised basis by dividing by 50, based on an assumption that each school would last 50 years.³⁹

- **Maintenance work funded out of capital budgets.** This used figures for annual capital budgets for school maintenance work from the same NAO report, uprated them to 2021 values in line with the most appropriate construction price index⁴⁰, and put them onto a per-

pupil basis. Regional cost differentials were then applied, based on salary differentials⁴¹, to arrive at per-pupil costs per region.

These three types of capital-related taxpayer savings were added to recurrent cost savings, to arrive at the taxpayer saving per eligible ISC school pupil in each region.

THE IMPACT OF COVID AND BREXIT

Oxford Economics was provided with data by the ISC, relating to January 2016 and January 2020, and Baines Cutler, relating to the academic years ending in August 2015 and August 2019. Oxford then estimated economic impacts for 2015, 2019, and 2021, based on fee income and spending by category in the Baines Cutler sample datasets, scaled up to the whole ISC total in line with pupil numbers. These estimates were made on a stylised basis, as they relied upon national-level data only. They were then re-scaled slightly, to bring the stylised results for 2021 into line with the actual results, which capture the influence of regional differentials.

The average annual growth rate between 2015 and 2019, for each of the GVA and employment impacts, was taken to be the pre-2020 growth “trend”. The 2019 results were then grown forward, using the trend rates, to arrive at estimates for the expected values in 2021, had there been no economic shocks. The actual out-turns were then compared to these expectations, to identify the percentage shortfall in each GVA and employment impact. We also looked at shortfalls in the key arithmetic drivers underlying those impacts, i.e. pupil numbers, average fees per pupil, procurement within operating expenditure, and capital procurement.

The following arithmetic applies:

- Fee income = pupil numbers x average fee per pupil.
- Direct GVA = fee income – procurement in operating expenditure.
- Direct GVA = employment costs + capital depreciation + financial surplus + business rates.
- Total procurement = procurement in operating expenditure + capital procurement.
- Indirect GVA: driven by total procurement.
- Induced GVA: driven by employment costs within direct and indirect GVA.
- Total GVA = direct GVA + indirect GVA + induced GVA.

³⁶ National Audit Office, Capital funding for schools, February 2017.

³⁷ ONS, Construction output price indices. The index for new public sector non-residential construction work, other than infrastructure, was used.

³⁸ ONS Annual Survey of Hours and Earnings (ASHE). ‘Construction of buildings’ mean wage, by region.

³⁹ This is in line with the assumption made in the previous reports for ISC, which reflected the 2% per annum capital allowance for buildings and structures, within the UK corporation tax system, available at the time. The allowance has since changed to 3%—on which basis a building’s lifespan would be 33 years rather than 50—but we have kept the assumption unchanged for these purposes.

⁴⁰ ONS, Construction output price indices. The index for non-residential repair and maintenance work was used.

⁴¹ ONS Annual Survey of Hours and Earnings (ASHE). ‘Specialised construction work’ mean wage, by region.

- Employment in a channel (direct / indirect / induced): influenced by GVA in that channel.

Oxford Economics then analysed data relating to the UK economy and ISC schools sector, in order to determine the underlying drivers of those impacts. In principle these would be:

- The impact of Covid-19, either directly on the schools' operations, or—because of the wider economic effects—on parents' ability to pay the fees, or both.
- The impact of Brexit, either directly on school pupil numbers, or—because of any wider economic effects—on parents' ability to pay the fees, or both.
- Any other special factors affecting the wider UK economy, and, therefore, parents' ability to pay the fees.
- Any other special factors affecting the schools directly.

The possible role of any other special factors was ruled out for 2021 (which was prior to the Ukraine-related spike in energy, fuel, and food prices).

An analysis of international trade patterns, price trends, and labour supply was unable to identify any clear and unambiguous impact of Brexit on UK GVA and employment, in the two years following that event, suggesting that Covid-19 was by the dominant factor underlying the economic slowdown and associated squeeze on household finances.

Turning to the ISC schools specifically, the fact that most of the shortfall in fee income was accounted for by a shortfall average fees per pupil, rather than disappointing pupil numbers, is also consistent with Covid-19 being the dominant influence. This view is reinforced by the knowledge that most schools discounted fees in 2020 and 2021, specifically in response to Covid-related restrictions.⁴² An analysis of trends in pupil numbers by nationality was also unable to identify an unambiguous "Brexit effect", looking at the two-year post-2019 trend. Even on a highly favourable interpretation of this dataset, the effect of Brexit was found to be very modest, compared with the influence of Covid-19.

⁴² Baines Cutler Solutions Ltd, National Independent Schools Benchmarking Survey 2022, The financial impact of Covid.

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December 2022

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