



FEE REMISSIONS AND BURSARIES IN INDEPENDENT SCHOOLS

A REPORT FOR THE SUTTON TRUST

PETER DAVIES, JOHN NOBLE, KIM SLACK AND KATY VIGURS

INSTITUTE FOR EDUCATION POLICY RESEARCH, STAFFORDSHIRE UNIVERSITY

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1 EXECUTIVE SUMMARY

1. On average the size of schools' total fee remissions is equivalent to 7.8% of their total income, but there is a big variation between schools. More than a quarter of schools offer less than 5% in fee remissions and another quarter offer more than 10%.
2. Schools that charge higher fees also offer more fee remissions but award a smaller proportion of these remissions in the form of bursaries.
3. Schools with a higher rank in *The Times League Tables* for independent schools tend to offer lower fee remissions. Compared with a school ranked about 430, a school ranked about 50 offers remissions as a proportion of income four percentage points lower (i.e. a difference that amounts to about half of the average figure of 7.8%). If top schools offer fewer chances it seems unlikely that this is because they face greater market pressures.
4. Many schools report in their Annual Accounts that they are trying to build up reserves in order to increase provision of bursaries in the future.
5. Schools with higher levels of reserves offer *lower* levels of fee remission but devote a proportion of their fee remissions to bursaries.
6. The proportion of fee remissions paid from reserves was not significantly related either to current total reserves or to investment income.
7. Compared to non-faith schools, faith schools offer a smaller proportion of fee remissions in the form of bursaries.
8. Just over half of the schools in the sample (184/348) chose to provide information in their annual accounts that showed the proportion of bursaries within total fee remissions.
9. Most schools choose not to disclose their criteria for awarding bursaries on their web sites. This is likely to present a barrier to parents for whom bursaries are supposed to act as an incentive.
10. Many schools openly refer in their Annual Reports to increasing bursary provision as a response to the Charities Act of 2006 and the interpretation of that Act by the Charity Commission. This confirms the implication of the evidence presented in a report by Horwath, Clark and Whitehill (2009) showing a sharp rise in the proportion of fee remissions devoted to bursaries after 2006.
11. Market forces provide incentives for schools to offer fee remissions in the form of scholarships to attract very able students. However, if it is considered socially desirable to increase the proportion of students in private schools from lower income backgrounds then more government intervention might be necessary. This would seem to have prompted schools to switch away from scholarships to bursaries.
12. The sample of schools included in this study comprises 60% of independent schools providing education for 16-18 year olds. These schools are responsible for the education of 69% of all 16-18 year-olds educated in mainstream independent schools.

2 INTRODUCTION

A significant minority of children in England are educated in independent schools. Excluding non-maintained special schools and academies that are run by charitable trusts 6.7% of children were educated in independent schools in 1999, and this percentage had risen to 7.2% in 2008 (Department for Children, Schools and Families (DCSF), 2009). A proportion of these pupils receive some remission of their fees, but this proportion varies greatly from school to school. Some fee remissions are provided on a means-tested basis (bursaries). However, the proportion of fee remissions allocated to bursaries also varies considerably between schools. There are three main reasons for being interested in these variations:

- A disproportionate number of students attending elite universities were educated in independent schools (Sutton Trust, 2008, Mangan et al., 2010). To what extent can the provision of fee remissions for some students be expected to redress a tendency for the success of independent schools to foster social immobility?
- Since 2006, independent schools have been required to demonstrate that they provide sufficient 'public benefit' to justify continuation of the tax relief that accompanies their charitable status. According to the Independent Schools Council (ISC) in 2004 the annual fiscal benefits of charitable status to ISC schools amounted to £88 million. By 2008 the organisation estimated that this benefit had risen to about £100 million (Fairbairn, 2009). Schools cite their provision of bursaries to exemplify the public benefit they provide. Understanding current variation in bursary provision should help to inform judgements about what it is reasonable to expect independent schools to provide.
- There has been a shift in government policy from the state as provider to the state as contractor of services from private organisations. It is important to understand how private organisations behave in providing education in order to evaluate the scope for pursuing this policy.

Independent schools' policies towards fee remissions and bursaries have been in the spotlight for several years. The Charities Act of 2006 removed the presumption that providing education was necessarily to be considered 'charitable activity'. The burden of responsibility for demonstrating 'public benefit' was placed on an educational organisation wishing to claim charitable status. Henry (2009) writing in the *Daily Telegraph* asserts that the trend for private schools to *increase* bursaries relative to non-means-tested scholarships began before the Charity Commission intervention in 2006. However, evidence presented by Horwath, Clark and Whitehill (2009) suggests that the proportion of fee remissions awarded in the form of bursaries was static until 2006, after which it increased sharply.

In 2008 the Charity Commission issued guidance on 'the advancement of education for public benefit'¹. This guidance indicates that individual achievement in traditional school subjects and life skills will be regarded as 'public benefit' when demonstrable evidence (e.g. through examination results) can be provided. It also states that 'benefit must not be unreasonably

¹ Available online at <http://www.charity-commission.gov.uk/publicbenefit/pbeduc.asp>

restricted...by ability to pay any fees charged'. The Charity Commission's specific guidance on fee paying² states 'In general, the higher the fees that are charged, the more people there are likely to be who cannot afford the fees, and the more the charity is likely to have to do to provide those people with sufficient opportunity to benefit'. The guidance on providing access to individuals who cannot afford fees goes on to state that charities that charge fees must show how they are addressing the public benefit accessibility issues through (i) provision of free and/or subsidised places and/or (ii) other access to the charities' facilities. Schools provide a section in the Annual Report and Accounts in which they describe the public benefits they provide in line with this guidance.

This guidance remains contentious as indicated by reports³ that the Conservative Party would, if elected, advise the Charity Commission to change their stance regarding the provision of bursaries.

This report analyses data on independent schools' provision of fee remissions and bursaries in the context of indicators of school performance, fees and school size. Data were collated from schools' annual financial reports, school web sites and the data on school size and performance gathered by the DCSF.

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² Available online at <http://www.charity-commission.gov.uk/publicbenefit/pbfeecha.asp>

³ As reported in the *Daily Telegraph*, available online at <http://www.telegraph.co.uk/education/educationnews/6879240/Tories-would-persuade-Charity-Commission-to-drop-private-school-bursary-demand.html>.

3 METHOD

3.1 SUMMARY

The data used in this study were gathered from sources publicly available on the Internet. The main sources of data were schools' web sites and annual accounts lodged with the Charity Commission. School web sites advertised fees and the availability of bursaries and scholarships. In addition to providing financial data (sources of school income), the annual reports identified schools' future plans and provided indications of the rationale for the governors' decision-making. Whilst most annual accounts also revealed the number of pupils attending the school, this practice was not universal. To identify pupil and staff levels when these were not provided in the annual accounts we cross-checked data provided by schools to the DCSF, the ISC⁴ and the 'Guide to Independent Schools'⁵. The financial data and the DCSF data refer to the academic year 2007/2008. The data from the schools' web sites refer to fees for the year 2009/2010. Average annual increases in fees between 2007/2008 and 2009/2010 mean that it is not appropriate to directly compare fee income in 2007/2008 and school fees in 2009/2010. However, as long as relative fee changes (the fees charged by one school compared to another) are fairly small it is reasonable to compare variation between schools in terms of financial accounts for 2007/2008 and fees per pupil charged in 2009/2010. The annual accounts include total fee income in that year and this provides the main point of reference in relation to fees.

3.2 THE SAMPLE

The DCSF 'school performance tables' for 2008 included 580 independent schools offering sixth form provision (as with the state sector the number of independent schools offering education only for younger pupils far exceeds the number offering sixth form education). Of these, 441 schools were included in *The Times* list of 'best independent schools' and these formed the basis for our sample. These schools were chosen as this league table provides an additional point of comparison that might be relevant to parents' choices in a competitive market. The study required the identification for each school of financial information from accounts lodged by charities with the Charity Commission. Some charities (such as the United Church Schools Trust and the Girls' Day School Trust) are responsible for running a group of independent schools. In other cases (e.g. the King Edward VI Schools in Birmingham) the charity is responsible for several schools in the state sector as well as one or more independent schools. In these cases it was not possible to identify the financial data for individual schools and these were removed from the sample. Another small group of schools were removed from the sample because it was

⁴ The web site (http://www.isc.co.uk/SchoolSearch_PostcodeandCountySchoolSearch.htm#apostcode) of the ISC includes a facility to search for data on individual schools. These data include pupil numbers and the age range served by the school.

⁵ The 'Guide to Independent Schools' publishes information on independent schools on its web site at <http://www.guideto independentschools.com/schools/searc>. The three variables taken from this site were: total pupil numbers, total staff numbers and percentage of students transferring from the state sector.

not possible to access accounts via the Charity Commission (e.g. because, like Eton, the school is an exempt charity). As a result of these omissions the sample size was reduced to 348. According to the data provided in the DCSF School Performance Tables, these 348 schools educated 69% of all 16-18 year olds educated in the independent sector. Since our sample excludes all independent schools that did not provide mainstream schooling for 16-18 year olds, the proportion of all children educated in independent schools who attend these schools is much less (36%).

In cases where a charity ran two, single sex, senior schools the schools were retained in the sample. Our inspection of the fee data indicated that these charities usually charged the same fee for boys and for girls. In these cases the financial data were allocated on a pro rata basis according to the proportion of the charity's total pupils accounted for by boys and girls.

3.3 EXPLAINING VARIATION IN FEE REMISSIONS AND BURSARIES

Schools might vary in their policies towards fee remissions as a result of the market pressure they experience. These pressures have been modelled by economists (notably Epple and Romano, 1998, Epple et al., 2003). Their analysis predicts that there will a strict hierarchy between private schools and they suggest a strong differentiation between 'top' private schools and other schools. 'Top' schools attract the highest achieving students and the children from high income families. They also predict that private schools will use fee remissions to attract high achieving students from lower income families. The rationale in their model for this behaviour is that, in attracting students with potential for very high achievement, private schools can improve their examination results and improve their 'peer effect'. That is, full-fee paying parents will be attracted by evidence of higher average achievements in public examinations and by the prospect that their child will benefit from being educated alongside very able students. In their later paper they present evidence from US schools to support their predictions that there will be (i) strong stratification between private schools by student ability and income; and (ii) a negative correlation between receiving fee remissions and family income.

From this, we might expect to find the following factors related to schools' fee remissions:

- Pupil achievement: if schools attract high achieving students through fee remissions we would expect to find that schools with higher levels of pupil achievement will also offer more fee remissions. However, in a strongly stratified market, once some schools have secured an advantage through attracting higher achieving students in a previous cohort, they are more able than other schools to attract high achieving students from high income families whilst offering fewer fee remissions. The dynamics of a well-established market suggest that this negative relationship will be observed.
- Fees: we would expect schools that charge higher fees to offer greater remissions. Schools can increase their revenue by charging higher fees to high income parents and whilst providing partial fee remissions to lower income parents.
- Pupil numbers: we would also expect that schools that more actively pursued a strategy of using fee remissions to attract parents would, as a consequence, be somewhat larger. An additional reason for this expectation is that there may be economies of scale as pupil numbers increase.

However, independent schools' income does not come solely from fees. Some schools have large reserves (sometimes in the form of 'endowment funds' and sometimes in 'unrestricted funds'). These reserves generate investment income that can be used to fund fee remissions. Schools also receive donations which can be used to fund fee remissions. Schools may also vary in their sense of mission. In particular, we might expect to find that faith schools have a stronger sense of responsibility to lower income parents and that this would be reflected in a higher rate of fee remission.

We might expect this 'mission effect' to be even stronger with respect to the proportion of overall fee remissions devoted to bursaries. Schools that have a stronger commitment to addressing problems of inequality have an incentive to offer bursaries rather than scholarships. The decision to offer bursaries or scholarships may also be constrained by market forces. Schools that are ranked lower in the league table may be expected to face greater difficulties in recruiting students and may be more likely to use bursaries as a way of extending the potential market from which they are recruiting. In analysing bursaries as a percentage of fee remissions we therefore include the three factors associated used in the first regression to examine fee remissions as a proportion of income. We also include the factors related to non-fee income since school annual reports specifically refer to the importance of building up reserves to pay for bursaries out of non-fee income and some donations are specifically tied to the award of bursaries.

A final regression analysis (presented later in Table 4) examines effects on the proportion of fee remissions funded from reserves. The explanatory variables used in this regression are (i) fees: testing the prediction that schools charging higher fees will fund a greater proportion of their fee remissions through fees; (ii) pupil numbers: testing the prediction that larger schools will rely more on reserves to increase their level of fee remissions to attract students; (iii) faith school: testing the prediction that the declared mission of faith schools will mean that they use a greater proportion of their investment income to fund fee remissions; (iv) investment income per pupil and donations per pupil: to test the prediction that schools with higher levels of non-fee income will also be those funding more of their fee remissions from reserves; and (v) total level of funds per pupil (and square of this on the basis that level of funds may only become important after a threshold level): to test the prediction that funding of fee remissions from reserves may be based on long-term expectations and be relatively unaffected by short-term fluctuations in investment income.

3.4 THE VARIABLES INCLUDED IN THE ANALYSIS

The variables included in the analysis are described in Table 1. The average number of pupils per school in this sample was 697, though the variation in size of independent schools is very high (with a standard deviation of 339). This is substantially smaller than the average size of schools in the state sector. In 2006 the average size of state secondary schools was 980 (Ray, 2006). Many of the schools in this sample catered for students aged 3-18, so if the comparison was restricted in the private sector to pupils of secondary age, the difference would be even more striking. Moreover, within this sample schools with a higher rank in *The Times* League Table tended to have higher pupil numbers (the correlation between rank and pupil numbers was -.4). Given the sample selection it seems quite likely that the average size of private schools not included in this sample is smaller than the average size of schools included in the

sample. In addition to being used as an explanatory variable, this variable was used to generate per pupil measures of total funds, investment income and donations.

Table 1 Variables used in the analysis

Variable	Source	Number of records
Number of pupils	2008 Annual Accounts, supplemented by data from DCSF records	248
<i>The Times</i> Independent Schools League Table position	<i>The Times</i> (2008) League Table of Independent Schools ⁶	348
Contextualised value added score	DCSF School Performance Tables 2008	341
Average level 3 points (A level grade average per pupil) per entry	DCSF School Performance Tables 2008	348
Termly fees per Year 7 day Pupil	School web sites	325
Termly fees per Year 13 day pupil	School web sites	323
Termly fees for Year 7 full boarding pupil	School web sites	182
Termly fees for Year 13 full boarding pupil	School web sites	182
Faith school status (0: secular; 1: C of E; 2: RC; 3: Jewish; 4: Muslim; 5: Free Church)	School web sites and Annual Reports 2008	339
Gross fee income	2008 School Annual Accounts	345
Income from investments (including bank interest)	2008 School Annual Accounts	348
Income from donations	2008 School Annual Accounts	324
Total income	2008 School Annual Accounts	348
Funds held as restricted or endowed funds	2008 School Annual Accounts	331
Total funds	2008 School Annual Accounts	348
Staff costs	2008 School Annual Accounts	348
Total fee remissions (including bursaries, scholarships and fee remissions for siblings and children of staff)	2008 School Annual Accounts	346
Level of bursaries	2008 School Annual Accounts	184
Level of scholarships	2008 School Annual Accounts	147
Fee remissions paid from restricted (including endowed) funds	2008 School Annual Accounts	276
Fee remissions paid from unrestricted funds	2008 School Annual Accounts	284

There are three measures of school performance. *The Times* League Table is based on a weighting of various examination performance measures. Given the profile of *The Times* as a producer of educational league tables this variable is used as an indicator of relative school rankings in the public domain. This measure is a weighted average of several examination grade measures. The contextualised value-added score is the government's measure of a school's performance at A level after taking student ability and background into account (Ray, 2006). It

⁶ *The Times* League Table of Independent Schools for 2009 is available online at http://www.timesonline.co.uk/parentpower/league_tables.php?t=independent_secondary_schools

is intended to provide an indicator of the teaching quality of the school, although the difficulties in operationalising the concept of value added are well documented (e.g. Gorard, 2006). We also used average points per A level grade entry which provides a measure of students' average ability as an alternative measure to check on the results obtained using *The Times'* ranking. Unsurprisingly, these three measures are significantly ($p < .001$) correlated. There is a very strong correlation (-.893) between a school's *Times* League Table position and average grade score as would be expected given the calculation of the league table. The higher the rank (closer to 1) the greater the grade score per entry. The correlation is less strong (-.23) between the contextualised value added score and a school's *Times* League Table rank.

The measures of school fees are also significantly correlated, but perhaps in some cases not as strongly correlated as might be expected. Some schools charge the same fees for Year 13 as Year 7, whilst others charge a large premium for Year 13 students. However, the correlation between day fees for Year 7 and Year 13 pupils is still very high (0.926). The correlation between day fees and annual boarding fees is lower: 0.77 for Year 7 pupils and only .26 for Year 13 pupils. The correlation is lowest (.25) between Year 7 annual boarding fees and Year 13 annual boarding fees. This suggests that schools are more willing to increase fees between Years 7 and 13 for boarding than for day pupils.

A large proportion of private schools were founded by faith communities and preserve strong statements of commitment to that faith in their stated aims (as recorded in their annual accounts and presented on web sites). In coding status as a 'faith school' those schools that only include a general commitment to 'educate children in Christian values, etc.' have been coded as 'secular'. This is not to cast any doubt upon the seriousness with which such aims are pursued in the school. Rather it is distinguish these schools from those that are constituted as part of a particular faith community. In this sample 52% of schools are defined as secular, 27% as Anglican, 12% as Roman Catholic, 6% as non-conformist and under 1% as Jewish. Whilst a number of Islamic private schools have been established, none of these was included in *The Times'* top 441 for 2008. Some of the analysis compares secular and faith schools as a whole.

Gross fee income refers to the income that the school would have received from fees if it granted no remissions whilst still enrolling the same number of pupils. Schools' reports to the Charity Commission follow a convention of stating 'gross fee income' from which fee remissions are presented as a deduction in order to show net fee income⁷. Since schools often charge different fees for pupils of different ages and always charge more for boarders than for day pupils, a school's gross fee income depends in part on the proportion of pupils by age and type of enrolment (day or boarding). Comparisons between the gross fee income of schools are therefore not strictly 'like for like' even after taking account of variation in number of pupils enrolled.

Private schools gain income from a variety of sources other than fees: return on investments, donations and trading income. These other sources can also be used to finance fee remissions in general and bursaries in particular. On average 'fees receivable' (net fee income) formed 88% of

⁷ Discussion of the level of fee remissions sometimes (as in a letter from the Independent Schools Commission on the Charities Bill – available online at http://www.isc.co.uk/publication_7_0_0_10_198.htm) refers to fee remissions as a proportion of gross fee income and sometimes (as in the Horwath Clark and Whitehill Report 2009, p.12) refers to fee remissions as a proportion of net fee income.

schools' total income (with a standard deviation of 11.5). Investment income is affected not only by the size of reserves but also by where these reserves are invested. A school might experience a bad year in its investment income even though it still has very large reserves. We therefore also collected data on schools' reserves. Two variables are used: total reserves (which includes unrestricted as well as endowed and restricted funds) and 'restricted and endowed funds'. Staff costs (for all staff, not just teachers) are the largest item of expenditure (with an average of 60% and a standard deviation of 10) but this is still a smaller percentage than that for *teaching* staff in state schools.

Data on the total level of fee remissions were available for nearly all the schools. This figure includes scholarships and other fee remissions such as those for the children of staff and discounts for children with siblings at the school. We tested for differences (e.g. in total fee remissions as a proportion of gross fee income, level of fee income, *Times* rank, etc.) in a range of variables and found no significant differences between those schools that reported their level of bursaries and those that did not. That is, the data provided no obvious reason why just over half the schools provided specific data on bursaries whilst other schools did not. Schools might prevent speculation that data on bursaries are not being released when the level of bursaries is low simply by publishing this information in their annual accounts.

4 TYPES OF FINANCIAL ASSISTANCE

Independent schools provide a wide range of financial assistance to potential and existing students. Eligibility for financial assistance depends on (i) the extent to which achievement and/or financial circumstances are used as the basis for allocating an award and (ii) the extent to which an award is restricted to particular types of student (e.g. those already attending, children of members of the armed forces, etc.). With regard to the first of these broad criteria awards can be divided into:

1. Means-tested awards available to students who achieve the minimum entry qualifications (bursaries).
2. Awards that are offered to students demonstrating outstanding performance in a particular field of endeavour, such as music or sport (scholarships).
3. Means-tested awards available only to those students who are granted a scholarship on the basis of exceptional performance in a particular field (scholarship bursaries).

Awards can also be divided into those only available to students:

- a. Already attending the school
- b. Who have siblings already attending the school
- c. Whose parents are members of staff at the school
- d. Who are children of clergy
- e. Who are children of members of the armed forces
- f. Who are children of alumni.
- g. Where no restriction to a particular group applies

In principle it is important to distinguish between 'unrestricted bursaries' (type 1g), 'restricted bursaries' (types 1a-1f), 'unrestricted scholarship bursaries' (type 3g) and 'restricted scholarship bursaries' (types 3a-3f). From the point of view of analysing bursaries as a possible means of improving social mobility via an independent education the focus should be on unrestricted bursaries. However, the financial reporting in schools' accounts only provides this information in a very small minority of cases. Therefore, the reporting of bursaries in this study includes all of Types 1a-1g and all of Types 3a-3g unless a school has chosen not to include 'scholarship bursaries' in its reported total for bursaries. We can, however, show that fee remissions do take a wide variety of forms as suggested by the classification above.

A number of schools specifically restrict some, or all, of their bursary provision to children who are already enrolled at the school (type 1a). This kind of provision is sometimes described as a 'hardship fund'. It offers prospective parents an insurance against a temporary change in their financial circumstances that might otherwise cause them to remove their child from the school. This shields children from potentially disruptive effects on their education and provides an incentive to prospective parents as they do not have to incur the costs of making insurance arrangements themselves. Bursaries that are restricted in this way are not targeted at 'lower

income families'. For example, the web site of Clifton High School⁸ stated that their bursaries were largely for existing pupils of the school:

"Bursaries are intended to help families through short periods of financial difficulty and are not, therefore, usually appropriate for pupils starting out at the School."

Another example of this type of Award is provided by Churcher's College⁹:

"Bursaries are mainly awarded to existing pupils of the College but consideration is also given to those entering at 11+, 13+ or 16+. The awards are based upon a clearly identified need. Pupils who have been awarded a scholarship may apply for additional support."

The 2008 accounts of Rye St. Anthony School¹⁰ state:

"Although the school has no endowments and is thus dependent on fee income, there is some scope for the award of bursaries. Governors are mindful of the financial pressure on families and keen to support both internal and external applicants."

Some schools (e.g. Epsom College¹¹) explicitly state that awards to children already enrolled at the school will only form a minority of their bursary provision:

"Some 81% of these awards are 'access widening' bursaries, enabling children whose parents could not otherwise have afforded to enroll their child to start at Epsom College. The remaining awards are 'hardship bursaries' - means-tested awards given to current pupils whose families have undergone financial difficulty whilst at the College and need help, often in the short term."

Another type (1e) of financial assistance is restricted to children of members of the armed forces or diplomatic service. For example, Roedean¹² states:

"To reflect this close link with the diplomatic service, we are delighted to offer special terms on the boarding fees for daughters of FCO families."

Malvern St. James Senior School¹³ offers financial assistance to parents falling into categories 1d and 1e:

"Daughters of current members of the Teaching, Clergy and Armed Forces professions are eligible for this bursary. Professional Bursaries are means tested and granted, on the recommendation of the Bursar, at the discretion of the Headmistress."

An example of financial assistance restricted to the children of alumni is provided on the web site of St. Mary's School, Ascot¹⁴:

⁸ Available online at <http://www.cliftonhigh.bristol.sch.uk/default.aspx?id=408035>

⁹ Statement on the school web site available online at <http://www.churcherscollege.com/the-college/?Fees-Bursaries-and-Scholarships>

¹⁰ Available online at [http://www.charity-](http://www.charity-commission.gov.uk/registeredcharities/ScannedAccounts/Ends85/0000309685_ac_20080831_e_c.pdf)

[commission.gov.uk/registeredcharities/ScannedAccounts/Ends85/0000309685_ac_20080831_e_c.pdf](http://www.charity-commission.gov.uk/registeredcharities/ScannedAccounts/Ends85/0000309685_ac_20080831_e_c.pdf)

¹¹ Statement on college web site available online at <http://www.epsomcollege.org.uk/page.php?pid=469>

¹² On the school web site available online at <http://www.roedean.co.uk/senior-school-fco-families/>

¹³ From the school web site available online at <http://www.malvernstjames.co.uk/item.asp?cid=384>

“The [reference to one specific] bursary will be awarded to the daughter of an Ascot Old Girl entering the school at Sixth Form.”

Examples of bursaries being made conditional on the award of a scholarship for outstanding potential (type 3) are provided on the web site of Bryanston School¹⁵:

“Bursaries are mainly offered as means-tested top-ups to scholarship awards. The Head is willing to consider offering a limited number of bursaries to deserving pupils who have much to offer the school.”

Finally, Bury Grammar School¹⁶ state:

“There are available a small number of means tested bursaries based on academic performance and financial need. In order to qualify, boys need to be particularly successful in the Entrance Examination. Regrettably, those placed more modestly in the Examination, regardless of financial need, are unlikely to be awarded assistance.”

Table 2 shows the average percentages for fee remissions and bursaries in the schools¹⁷. It also shows how this average varies between the schools.

Table 2 Fee remissions and bursaries as a proportion of school income

	Percentage of total income		Percentage of net fee income	
	Average	Standard deviation	Average	Standard deviation
Total fee remissions ¹⁸	7.8	5.4	8.8	5.7
Total fee remissions paid from unrestricted funds	6.7	5.2	7.7	6.0
Bursaries ¹⁹	3.7	3.0	4.3	4.2

The difference between the first two rows of Table 2 indicates the proportion of fees that, on average, are funded from sources other than current or previous fee income. Horwath, Clark and Whitehill (2009, p.11) report the ‘level of unfunded fee concessions as a percentage of a

¹⁴ Available online at http://www.st-marys-ascot.co.uk/page_viewer.asp?page=Sixth+Form+Ascot+Old+Girls'+Bursary&pid=115

¹⁵ Available online at <http://www.bryanston.co.uk/podium/default.aspx?t=113847>

¹⁶ Available online at Bury Grammar School web site <http://www.bgsboys.co.uk/page-522.html>

¹⁷ We present the fee remissions first as a percentage of schools’ income from all sources (total income) since school reports emphasise the role of income from sources other than fees in determining the level of their fee remissions. We also present fee remissions as a proportion of net fee income (fees actually received) to allow comparison with the data reported by Horwath, Clark and Whitehill (2009).

¹⁸ 346 schools provided information on total fee remissions..

¹⁹ 184 schools provided information on the level of bursaries.

school's net fees as 8.3% in 2007 and 8.2% in 2008'. The ratio corresponds most closely with the 'total fee remissions paid from unrestricted funds' row of Table 2. Since the survey conducted by Horwath, Clark and Whitehill relies on voluntary participation one possible explanation of the difference between these results and their results is that schools that offer lower levels of remissions are more reluctant to participate in such voluntary surveys. However, the difference is quite small and may not be significant.

Referring to their comparison of fee remissions in 2007 and 2008, Horwath et al. observe that this suggests 'that maybe some sort of ceiling might have been reached on what the sector can afford'. However, the standard deviations show that there is a very large variation between schools in the proportion of income that is devoted to fee remissions and in the proportion of income allocated to bursaries. The variation in the proportion of total income allocated to bursaries is illustrated in Table 3. This table also shows that whilst the schools offering the lowest proportion of bursaries tend to be small and have lower incomes, once we look at schools offering bursaries worth more than one per cent of total income we see that the rate of bursary provision tends to decline with school size and income.

Table 3 Variation in Bursary provision

Bursaries as a Percentage of Total School Income	Percentage of Schools	Average Size of school (pupil number)	Average Total School Income
0-0.99%	20	691	7,976,000
1-1.99%	12	805	10,420,000
2-2.99%	14	786	12,340,000
3-3.99%	17	758	9,717,000
4-5.99%	20	711	8,631,000
6-7.99%	11	716	8,237,000
8%+	6	574	6,208,000

More than a quarter of schools allocated less than 5% of total income to fee remissions, whilst more than a quarter allocated more than 10% of total income to fee remissions (one in eight schools allocated less than 3% of their total income to fee remissions). More than a quarter of schools allocated less than 1.6% of their total income to bursaries whilst a quarter of schools allocated 4.9% or more of their total income to bursaries (one in five schools allocated less than one per cent of their total income to bursaries). Why can some schools afford more when others cannot? Table 4 summarises the results of a statistical analysis to answer this question. A more detailed account of the evidence is provided in Table 5 which is explained in the following text.

Table 4 Summary of Factors that have a significant effect on the fee remissions and bursaries provided by schools

Total fee remissions are higher in proportion to total school income when	Bursaries are higher in proportion to total fee remissions when
Tuition fees charged to pupils are <i>higher</i>	Tuition fees charged to pupils are <i>lower</i>
The school has a low position in Times League Table for Independent Schools	When the school is part of a particular Faith Community.
Per pupil donations to the school are lower	Per pupil school financial reserves are <i>higher</i>
Per pupil school financial reserves are <i>lower</i>	

A detailed commentary on these key results is presented after Table 5 which presents the results of

three Ordinary Least Squares regressions.

Table 5 Factors affecting fee remissions and bursaries provided by schools

	Total fee remissions as a percentage of total income	Bursaries as a percentage of total fee income	Bursaries as a percentage of total fee remissions
Fees for day pupils 2009	.00128 (p<.001)†	.00000 (p=.351)†	-.01070 (p<.001)†
Pupils in school 2007/2008	.00092 (p=.29)	.00000 (p=.696)	-.01078 (p=.188)
Faith school (=1)	.69358 (p=.253)	.00062 (.914)	-9.6456 (p=.042)
<i>The Times</i> Independent School League Table rank	.01053 (p<.001)	.00003 (p=.220)	-.02742 (p=.247)
Investment income per pupil 2007/2008	.00042 (p=.128)	.00000 (p=.289)	.00035 (p=.863)
Income from donations per pupil 2007/2008	-.00022 (p<.001)	-.00000 (p=.121)	.00530 (p=.093)
Total level of reserves per pupil 2007/2008	-.000647 (p=.002)	.00000 (p=.786)	.00021 (p=.032)

Constant	.16376 (p=.918)	.017693 (p=.227)	108.8508 (p<.001)
n	298	156	142
R ²	.23	.02	.19
Diagnostic test for heteroskedasticity	P=<.001	P=<.001	P=.069
Ramsey-reset diagnostic test for model fit	P=.028	P=.032	P=.267

Probabilities calculated using robust standard errors

The dependent variables explained by each regression are shown at the top of the three columns. Statistics used to check whether these regressions are ‘working well’ are shown in the bottom two rows. The test for heteroskedasticity indicates that the first two regressions are problematic on this criterion. To address this problem the probabilities are calculated using robust standard errors. The first two regressions also may have ‘model specification’ problems as indicated by the Ramsey-reset test shown in the bottom row (as it is significant at the 5% level). We tested for non-linearities by including squares of the significant variables but none of these alternative specifications achieved an improvement in terms of this diagnostic. The results of the first two regressions therefore need to be treated with a little caution because the diagnostic may indicate an omitted variable.

A comparison of the first two columns in Table 5 shows that the factors affecting the proportion of fee remissions to school income (column 2) do not affect the proportion of bursaries to school income (column 3). However, whilst the factors are not able to explain variation in bursaries as a percentage of total income, they are able to explain some of the variation in bursaries as a percentage of total fee remissions (column 4). Fees for Year 7 day pupils and total funds per pupil are significant in explaining bursaries as a proportion of remissions. However, we find that these factors operate in the opposite direction in explaining bursaries as a percentage of fee remissions and fee remissions as a percentage of income. This is consistent with predictions made by models (e.g. Epple and Romano, 1998) that have been developed to explain the likely behaviour of private schools. That is, there is an incentive for schools to charge high fees so that they can also provide fee remissions to attract very able students who will improve school examination results.

Table 5 column 2 shows that schools charging higher term fees to Year 7 students also offer a greater proportion of fee remissions relative to their total income. A school charging Year 7 day fees one standard deviation above the mean tends to offer remissions/total income which is 1.4 percentage points higher than a school charging the average level of Year 7 day fees. There is a relatively weak, but significant, correlation (-.27) between fees per term charged for Year 7 day pupils and a school’s rank in *The Times* League Table for Independent Schools: schools with a higher rank (closer to 1) tend to charge higher fees. Nonetheless Table 3 shows that higher ranked schools tend to offer lower levels of total fee remissions after taking the other factors in Table 5 into account. This pattern is exemplified in Table 6 which shows that schools in bottom 20% (by League Table ranking) offer almost twice the rate of fee remission as ‘top schools’ in

the highest 20% of the rankings. A plausible explanation of this is that schools that are higher up the ranking have more market power and can attract not only the number of students they want but also the ability of students they want without having to offer as high a level of fee remissions.

Table 6 Relationships between League Table Rank, fees and fee remissions

Rank in Times League Table of Independent Schools	Average Termly Fee Income For Year 7 Day Pupils	Average Fee Remissions as a Percentage of Total School Income	Average Bursaries as a Percentage of Fee Remissions
1-70	4606	4.3%	52%
71-140	4260	4.3%	64%
141-210	4154	7.5%	43%
211-280	4022	7.2%	53%
281+	3796	8.4%	50%

Schools with greater reserves and greater receipts of donations have greater capacity to fund fee remissions. Indeed, many schools refer in their accounts to a need to build up reserves for this purpose. Therefore, it is initially surprising to find that schools with higher levels of reserves per pupil and higher receipts of donations per pupil are estimated to offer lower levels of fee remission. However, it could also be that schools with a higher level of reserves also have more impressive facilities and a longer history which attract parents willing to pay full fees. Schools receiving higher levels of donations may have a more wealthy client base more willing to pay full fees.

Table 5 Column 4 suggests that schools that charge higher fees tend to offer *lower* levels of bursaries relative to total fee remissions. An estimate of the size of this effect can be gained by comparing (conditional on keeping the other factors constant) a school charging the average Year 7 day fee per term (£4077) with a school charging a fee one standard deviation above the average (£5189). The school charging fees one standard deviation above the average provided bursaries as a proportion of fee remissions that was 24 percentage points lower than a school charging the average fee (on average, bursaries formed 52% of fee remissions). Schools charging lower fees offered substantially higher proportionate levels of bursaries.

One possible interpretation of this result is that schools charging lower fees were more anxious about recruiting pupils. We might then regard the tendency to offer more bursaries relative to other fee remissions as a result of greater pressure to attract pupils from lower income families. However, if this was the case then we might expect to find a positive significant correlation between school pupil numbers and the level of fees per term. There is none. An alternative explanation could be that lower fees and a high proportion of bursaries within total remissions

reflect a school's strong commitment to public welfare. Faith schools often have strong statements of commitment to public welfare in their aims. It is therefore surprising that (Table 5, column 4, row 3), on average, the proportion of bursaries to total remissions offered by these schools offer is almost ten percentage points below the level of other schools. This could reflect lower levels of market pressure on schools that are able to draw on a committed faith community. However, there does appear to be some disjunction here between aims and practice.

It is interesting to note that whilst 'total funds per pupil' is negatively associated with a school's provision of remissions relative to total income it is positively associated with bursaries as a proportion of total remissions. Compared to schools holding an average level of reserves, schools holding reserves per pupil that were one standard deviation above the average tended to offer bursaries as a proportion of remissions at a rate nearly nine per cent higher. Many schools refer in their accounts to a need to build up their reserves in order to fund bursaries. In the period examined in this study, schools with greater reserves did tend to offer more bursaries relative to scholarships, but it is difficult to interpret this as indicating that the higher level of reserves *enabled* schools to increase bursaries. Higher levels of reserves per pupil are associated with a greater degree of switching from scholarships to bursaries, but not with a higher rate of bursaries to total income and with a *lower* rate of total remissions compared to total school income. Moreover, we found no significant relationship between investment income and fee remissions of any kind.

5 FUNDING OF BURSARIES

Private schools can fund bursaries from fee income or 'other' income. Funding from fee income may be drawn directly from fee income in the current year or from surpluses in previous years that have been principally achieved through fee income. Likewise, 'other income' may arise from donations and trading income in the current year or from interest on assets built up from donations. A school's assets do not come labelled 'built up through fee income' or 'built up from donations'. 'Unrestricted reserves' built up from fee *and* other income which is not tied to any specific purpose can be used by the school to fund fee remissions. 'Restricted reserves' can only be used for specific purposes (e.g. as directed in a legacy) and this may include bursaries, prizes or capital projects. Schools may be more or less restricted in their use of 'endowed funds'. Many schools referred in accounts or web sites to what is perceived as a need to build up bursary funds which would provide an annual flow of (interest) income to fund bursaries without having to raise fees. Referring to school web sites and accounts this section examines the reasons that schools have for relying on these different sources to fund bursaries.

5.1 DIRECTLY FROM FEE INCOME

Fee remissions may be funded out of fee income accrued in the current year or through surpluses generated from fee income in previous years. An example of the former is referred to in the summary information return²⁰ to the Charity Commission (2008) provided by Gateways School, which states that:

"Although we have no endowments we annually 'ring fence' £80,000 from income in order to widen access to the school."

The 2008 accounts (p.8)²¹ of Stamford School explain that:

"The Governors are required to set aside a sum for the provision of bursaries, being an amount equal to 2% of the income received from parents for tuition, exclusive of extra subjects."

Likewise the web site of Harrogate Ladies' College²² states that fee remissions are funded entirely from current income (which is largely derived from fees):

"Bursaries and Scholarships at Harrogate Ladies' College are paid from annual income. Consequently, the amount of money available for awards varies each year."

Other schools refer to funding fee remissions from surpluses generated in previous years. For example, the 2008 annual report (p.7)²³ from Sevenoaks School comments:

²⁰ Available online at http://www.charity-commission.gov.uk/registeredcharities/SIR/ENDS06%5C0000529206_SIR_06_E.PDF

²¹ Available online at http://www.charity-commission.gov.uk/registeredcharities/ScannedAccounts/Ends18/0000527618_ac_20080831_e_c.pdf

²² Available online at http://www.hlc.org.uk/HLC/admissions_scholarship.html

“The results for the period, which build upon those for the previous financial year, resulted in unrestricted net incoming resources (before gains and losses) of £2,508,003. From this a further £290,783 was transferred to the Bursary fund, of which £69,417 has been used on Bursary support.”

The 2008 Annual Report (p.11)²⁴ from Radley College explains that:

“Radley College has further increased its General Bursary fund by continuing to set aside one half of one percent of net fee income.”

5.2 OTHER INCOME

On average, schools earned 88% of their total income through fees, but there was a large variation in this proportion between schools (standard deviation = 11.5). Faith schools relied significantly ($p=.049$) less on fees which accounted for 86% of their income compared to 89% for secular schools. The average level of donations received by faith schools was just over £350,000 compared with just over £200,000 for secular schools (£544 per pupil compared with £283 per pupil in secular schools). However, these differences were not statistically significant due to the great variation across each type of school. Although schools received, on average, over ten per cent of their income from sources other than fees, they rarely referred to this income source in explaining their policy towards funding bursaries. A statement in the annual accounts (2008, p. 4)²⁵ of Box Hill School is, therefore, an exception to a general rule:

“In principle the cost of Scholarships, Bursaries and Public Benefit projects would not come from parents’ fees but from ‘Other Income’ for example: lettings, fees in lieu, and bank interest.”

In contrast to the very small number of schools referring to funding bursaries from current ‘other income’, there were frequent references to building up reserves in the form of a ‘bursary fund’ to finance future bursaries. *The Sunday Times* (Grimston, 2010) reported examples of seeking donations to fund bursaries from wealthy benefactors. There are frequent statements in school accounts indicating that capacity to provide bursaries depends on the school having a bursary fund that produces a stream of (interest) income. For example the Grange School 2008 Accounts (p.3)²⁶ state:

²³ Available online at http://www.charity-commission.gov.uk/registeredcharities/ScannedAccounts/Ends58/0001101358_ac_20080731_e_c.pdf

²⁴ Available online at http://www.charity-commission.gov.uk/registeredcharities/ScannedAccounts/Ends43/0000309243_ac_20080731_e_c.pdf

²⁵ Available online at http://www.charity-commission.gov.uk/registeredcharities/ScannedAccounts/Ends82/0000312082_ac_20080731_e_c.pdf

²⁶ Available online at http://www.charity-commission.gov.uk/registeredcharities/ScannedAccounts/Ends18/0000525918_ac_20080831_e_c.pdf

“For a number of years the school has wanted to – and planned to – increase and expand its bursary provision, and release funds from its discounts and scholarships provision for that purpose. The growing financial strength and market security of the school means that, from September 2009, The Grange is introducing a new means tested bursary to further widen access to the outstanding education it offers. An amount equivalent to 3 x 110% bursaries will be offered on a means tested basis. As mentioned above, with only limited financial resources due to the school’s relative youth and lack of endowments this represents the beginnings of an important commitment to enable young people from the poorest of economic backgrounds (and who would not have been able realistically to apply in previous years) to attend The Grange. Over the coming years this scheme will grow so that each year group has available bursaries equivalent to at least this amount.”

Here we include a number of references to building up funds for bursaries to illustrate the extent of this strategy. St. Peter’s School, York Annual Accounts 2008, p. 5²⁷ state:

“St Peter’s School Foundation, which is a charity whose objective is to raise funds to provide bursaries to pupils who would not otherwise be able to benefit from an independent education, initiated several fundraising campaigns – a telethon and the launch of The 627 Society for regular giving (now with 270 members) and over £800,000 has been either received or pledged in the period April 2006 - 1 March 2008. These donations have meant that the Foundation has been able to offer several bursaries to new pupils. These children join other bursary pupils, funded by the Foundation, who are already at St Peter’s. None of these pupils would have been able to join the School without bursary assistance.”

St. Paul’s Girls’ School Annual Accounts for 2008 (p. 6-7)²⁸ explain:

“Thanks to the £3.4 million raised in donations or in future pledges by the Centenary Campaign we were able to start to build a bursary endowment...a designated fund representing 1% of gross fees has been established for bursaries and major capital repairs over the next ten years.”

Dulwich College 2008 Annual Report (p.4)²⁹ includes amongst its strategies:

“...to build the Bursary Appeal Fund and to generate new income streams through DCEL and its franchise operation which will support bursaries.”

St. Martin’s School Annual Accounts for 2008 (p. 5)³⁰ state that:

“It is the school’s policy, generally, to be able to hold a base level of unrestricted reserves over and above that held in tangible fixed assets, equivalent to the future commitments for fee assisted places.”

Sherborne School for Girls Annual Report (2008, p.5)³¹ states:

²⁷ Available online at http://www.charity-commission.gov.uk/registeredcharities/ScannedAccounts/Ends40/0000529740_ac_20080831_e_c.pdf

²⁸ Available online at http://www.charity-commission.gov.uk/registeredcharities/ScannedAccounts/Ends13/0001119613_ac_20080831_e_c.pdf

²⁹ Available online at http://www.charity-commission.gov.uk/registeredcharities/ScannedAccounts/Ends55/0000312755_ac_20080731_e_c.pdf

³⁰ Available online at http://www.charity-commission.gov.uk/registeredcharities/ScannedAccounts/Ends67/0000528967_ac_20080831_e_c.pdf

“The School has limited restricted fund resources available to fund bursaries; indeed, 85% of current bursary awards are funded from fee income. To increase its ability to support means-tested awards, the School has stepped up its fund raising campaign to enhance its bursarial resources.”

The United Church Schools Trust which runs a number of private schools (as well as state academies) launched a fund in 2008 that was specifically designed to raise money for bursaries:

“To coincide with the group’s 125 year anniversary the company is launching a Jubilee Fund. The aim of this fund is to raise cash to enable greater access to the group’s schools and academies. The company has set an initial target to raise £30 million through the Jubilee Fund.” (from UCST Annual Report 2008, p.7)³²

A number of schools have established funds which are constituted as separate charities with the objective of supporting bursaries and other grants to the school. For example, The Godolphin and Latymer School has a separate charitable trust (1080912)³³ which raised just over £700,000 in the 2007/2008 academic year and provided a grant of £250,000 to the school.

However, schools also used endowments to fund capital projects. For example, the funds from Queen’s College endowment fund in 2007³⁴ were given for floodlights:

“Grants of £30,529 were made to Queens College, Taunton for the installation of floodlights, in accordance with the terms of the donors.”

The 2008 Accounts of Eastbourne College (p.13)³⁵ state:

“The Trustees continue to pursue a policy of increasing Free Reserves in order to fund capital projects and means tested bursaries in the future.”

Dame Allan’s School Annual Accounts 2008 (p. 4)³⁶ refer to an appeal fund used to fund building improvements and bursaries:

“The Tercentenary Appeal in the Dame Allan’s Development Trust has raised £497,158 to 31 March 2008. This amount includes cash donations and covenants to be received in the future. Of the amounts received to date £128,549 has been given to the Schools for the Library refurbishment project and £114,942 is due to be transferred for the Bursary Appeal. The Bursary Appeal monies will be invested, the income from which will be available for further bursary allocations. The balance of monies received will be transferred annually to the Schools.”

The annual report 2006 (p.4) of St. Mary’s College, Crosby³⁷ specifically referred to funds being used for infrastructure improvements that had previously been planned for scholarships:

³¹ Available online at http://www.charity-commission.gov.uk/registeredcharities/ScannedAccounts/Ends27/0000307427_ac_20080831_e_c.pdf

³² Available online at http://www.charity-commission.gov.uk/registeredcharities/ScannedAccounts/Ends99/0000313999_ac_20080831_e_c.pdf

³³ The 2008 Annual Report of this trust is available online at http://www.charity-commission.gov.uk/registeredcharities/ScannedAccounts/Ends12/0001080912_ac_20080831_e_c.pdf

³⁴ Available online at http://www.charity-commission.gov.uk/registeredcharities/ScannedAccounts/Ends52/0001093852_ac_20070831_e_c.pdf

³⁵ Available online at http://www.charity-commission.gov.uk/registeredcharities/ScannedAccounts/Ends71/0000307071_ac_20080831_e_c.pdf

³⁶ Available online at http://www.charity-commission.gov.uk/registeredcharities/ScannedAccounts/Ends65/0001084965_ac_20080331_e_c.pdf

“The Trustees are using up to £200,000 of funds that were initially earmarked for Scholarships towards the costs of replacing all of the Central Heating Capital Plant in the College's Everest Road Buildings, which will be repaid into the designated reserves within the next five years.”

Infrastructure improvements and bursaries could be seen as alternative strategies for attracting fee-paying students. Bursaries can be used to attract high achieving students who will increase the average ability of the peer group and reported academic achievements whilst infrastructure improvements will increase the quality of the facilities that the school is able to offer.

Referring to the circumstances leading to the closure of St. Mary's Hall School the chairman of the governors is reported (Paton, 2009) as saying:

“As you know, there is a large number of independent schools in the Brighton and Hove area, and the competition faced by girls-only schools is particularly intense,” he said. ‘Although over the last five years we have worked hard to upgrade our facilities and adopt competitive fee structures, in spite of these initiatives, we have been unable to reverse the decline in numbers that has taken place in many girls' schools’.”

This statement includes an assertion that infrastructure improvements have been regarded as a method of attracting applicants.

³⁷ Available online at http://www.charity-commission.gov.uk/registeredcharities/ScannedAccounts/Ends11/0001110311_ac_20080831_e_c.pdf

5.3 FACTORS AFFECTING FUNDING OF FEE REMISSIONS

Table 7 presents the results of a regression analysis of the factors affecting the percentage of fee remissions funded from reserves.

Table 7 Factors affecting the percentage of fee remissions paid from reserves

	Coefficient	Probability
Fees for Year 7 day pupils 2009	-.00547	.004
Pupils in school 2007/2008	.00676	.335
Faith school (=1)	-12.247	<.001
<i>The Times</i> Independent School League Table rank	-.007179	<.001
investment income per pupil 2007/2008	.00498	.398
Income from donations per pupil 2007/2008	.000544	.299
Total level of funds per pupil 2007/2008	-1.07e-05	.966
Total level of funds per pupil 2007/2008 ²	7.873E-10	.566
Constant	53.53	<.001
n		228
R ²		.22

The average percentage of fee remissions paid from reserves was 17% although the dispersion was high (standard deviation =30%). Although *The Times* Independent League Table rank was significant it exerted a fairly small effect (a school ranked approximately 225/441 funded remissions from reserves by about 1.2 percentage points and a school ranked approximately 400/441 funded remissions from reserves about 2.4 percentage points less than a school ranked 50/441). Schools with termly Year 7 Day fees one standard deviation above the average tended to fund fee remissions by six percentage points less than schools with average Year 7 day fees per term. Keeping other factors constant, faith schools also relied substantially less (twelve percentage points) on reserves to fund fee remissions. However, neither total funds per pupil nor investment income per pupil was significant. To check whether the effect of total reserves only became evident after a high threshold we also included a squared term for total funds per pupil. This, also, had an insignificant effect. That is, the current large variations in total reserves and investment income appear to be having no effect on the proportion of fee remissions funded through reserves. Similar results were obtained from a regression using 'unrestricted funds' instead of total funds: there was no evidence that schools funded a higher

proportion of their fee remissions from reserves when they had a higher level of funds over whose use they had unrestricted choice. It is possible that current school policies to develop reserves to be used to fund bursaries will change this position.

6 OPENNESS OVER THE BASIS FOR AWARDING BURSARIES AND THE ALLOCATION OF FUNDS TO DIFFERENT TYPES OF AWARD

6.1 CRITERIA FOR THE AWARD OF BURSARIES

It is reasonable to expect that the schooling decisions of lower income parents may be affected by information they can obtain about (i) eligibility criteria for bursaries and (ii) the amount of bursary that might be available. Theory (e.g. Epple and Romano, 1998) suggests that private schools would restrict their bursaries to students who have demonstrated a level of academic ability above the mean for the peer group attending the school. In a majority of cases, neither of these pieces of information is made available on school web sites. Parents are invited to contact the school if they wish to find out whether they might be eligible. A characteristic example is provided on the web site of Stoodley Knowle School³⁸ :

“Other bursaries may be available at the discretion of the headteacher.”

Some schools listed some broad criteria which nonetheless would have been of limited value to a parent trying to judge the likelihood that their child might be eligible for a bursary. For example, the web site³⁹ of Tudor Hall School indicates that the following criteria will be used to determine eligibility for bursaries:

- *The financial position of the applicant and where relevant how it arose.*
- *The contribution that the student will or does make to the school.*
- *The period for which funding might be required.*
- *Consequential issues such as whether the girl would benefit from a boarding education because of home circumstances.*
- *Availability of funds.*

However, other schools provide much more information to parents about the likelihood that their child would be eligible for the award of the bursary. For example, the web site⁴⁰ of Wisbech School explains:

“It is not possible to publish a precise scale relating family income to the level of help available, since so many direct factors are taken into account when considering the award. However, it is fair to say that a family with an annual income from all sources of less than £20,000 could expect to be offered a high level of support. The greater the household income from that point, then the smaller the amount of help would be given. Also, as a guide, a family with a total income from all sources in excess of £50,000 would not normally be eligible for any bursary assistance. Please remember at this stage that this is a guide, and that your own particular circumstances will always be taken into account when calculating an award.”

³⁸ Available online at <http://www.stoodleyknowle.devon.sch.uk/feesplus.html>

³⁹ Available online at http://www.tudorhallschool.com/article_61.shtml

⁴⁰ Available online at http://www.wgs.cambs.sch.uk/admission_fees_bursary.html

The web site⁴¹ of Bury Grammar School explains:

“It is unlikely that bursaries will be awarded to parents whose joint gross income exceeds £44,000.... A sliding scale will operate which will mean that if the parental income increases, then the fees payable will also increase. It should be stressed that these bursaries are made entirely at the discretion of the Governors.”

One particularly detailed statement of the criteria for the award of bursaries was provided on the web site of Our Lady’s Convent School, Loughborough⁴² (see Appendix 1). If this degree of openness is not a problem for this school, why should it be a problem for others?

6.2 OVERALL PROPORTION OF FEE REMISSIONS AWARDED IN THE FORM OF BURSARIES

Just under half of schools (164/348) opted not to disclose in their annual reports the division of their awards between scholarships and bursaries. In some of these cases the way that information was presented made it particularly difficult to interpret. For example, the annual accounts for 2008 for Rendcomb College⁴³ reported on page four that the college devoted 10% of its gross income to ‘helping parents who ask for it on a means-tested basis’ but the accounts (p. 11) also report ‘total bursaries, *scholarships and allowances*’ at just under 10% of gross fee income.

Just over half of the schools (184/348) are explicit about the division of their awards between scholarships and bursaries. For example, the 2008 accounts of Queen’s College Taunton⁴⁴ explain:

‘This year, the value of scholarships and other awards made to pupils exceeded £770,000. The College’s policy, in line with that of other independent schools, is to make these awards on the basis of the individual’s educational potential. Further awards totaling over £560,000 in bursaries were made, where the policy is to relieve hardship where the pupil’s education and future prospects would otherwise be at risk and to enable new pupils to attend the College when they might not otherwise afford it.’

Other schools were even more clear about the breakdown of their fee remissions. For example, St. Anne’s School in Windermere showed in their 2008 report⁴⁵ how fee remissions were divided between scholarships (25%), bursaries (24%), staff allowances (19%) and sibling/service allowances (32%). Similarly Plymouth College revealed that their fee remissions were divided into scholarships (32%), bursaries (53%), staff allowances (15%) and sibling/service allowances (10%). If it is not a problem for some schools to disclose this information, why is it a problem for others?

⁴¹ Available online at <http://www.bgsboys.co.uk/page-522.html>

⁴² Available online at <http://www.olcs.leics.sch.uk/main/policies.asp>

⁴³ Available online at http://www.charity-commission.gov.uk/registeredcharities/ScannedAccounts/Ends84/0001115884_ac_20080831_e_c.pdf

⁴⁴ Available online at http://www.charity-commission.gov.uk/registeredcharities/ScannedAccounts/Ends08/0000310208_ac_20080831_e_c.pdf

⁴⁵ Available online at http://www.charity-commission.gov.uk/registeredcharities/ScannedAccounts/Ends73/0000526973_ac_20080831_e_c.pdf

7 PUBLIC AND PRIVATE FUNDING OF BURSARIES FOR PRIVATE SCHOOLS

7.1 THE ASSISTED PLACES SCHEME AND SCHOOLS' RESPONSE TO ITS DEMISE

Between 1980 and 1997 the 'Assisted Places Scheme' introduced by the Conservative Government provided public subsidies for children to attend private schools in the UK. Local schemes were introduced in some parts of the country (e.g. in Lincolnshire and Greater Manchester) to provide a partial replacement as the national scheme was phased out. Unsurprisingly, these schemes were highly valued by the private schools who enrolled pupils supported by bursaries they provided. The 2008 Annual Report⁴⁶ for Stamford School praises the Lincolnshire scheme and explains how the school is developing its own scheme to take account of the gradual withdrawal of the county scheme:

"The unique County Scholarship Scheme is an outstanding example of public benefit. It will continue for a number of years not only by reason of the Tapering Agreement but also during the 'run down' period when Year 7 recruitment of County Scholars ceases. It enables many children from a wide section of the local community to benefit from the high quality of education provided by the Schools."

The Greater Manchester Educational Trust (GMET, Charity Number) was established by Greater Manchester Council to oversee the awards of bursaries for 'able pupils from low income families' at independent schools for children in Greater Manchester. The charity's strategy since the end of the Government's Assisted Places Scheme is described in their 2008 report (p. 3)⁴⁷.

"In 1997, following the withdrawal of Assisted Places, the Trustees in the first instance set up a new scheme to support some of those pupils who would have been eligible under the [Assisted Places] scheme. Entrants in 1998, 1999 and 2000 were awarded bursaries to cover the seven years of secondary schooling. In all cases the award must be means-tested, must reflect a high level of successes in the entrance examination, and be available only to pupils living in the Greater Manchester area. Further funds were allocated to schools in 2001 to 2004 to cover the full seven years schooling. When the 2004 cohort complete their education in 2011, it is envisaged that there will be a final capital distribution, made in accordance with the aims and objectives of the Trust."

In 2007/2008 the GMET awarded bursaries worth £967,474 to 249 eligible pupils. The 2008 annual accounts of the Hulme Grammar Schools refer to a drop in places with fee remissions due to the phasing out of the assisted places provided by this charity.

⁴⁶ 2008 Annual Report (p. vi) of Stamford School available online at http://www.charity-commission.gov.uk/registeredcharities/ScannedAccounts/Ends18/0000527618_ac_20080831_e_c.pdf

⁴⁷ Available online at http://www.charity-commission.gov.uk/registeredcharities/ScannedAccounts/Ends43/0000507843_ac_20080831_e_c.pdf

Another example of a direct substitution of private for state funding of bursaries is offered on the web site of one of the schools⁴⁸ operated by the United Church Schools Trust:

“The Church Schools Foundation Assisted Places were introduced when the government decided to withdraw their own scheme in 1998. Assisted Places are awarded on the basis of both academic ability and financial need.”

Some schools also directly state that their own bursary schemes were introduced to replace the state funded assisted places scheme. For example, the 2008 Annual Accounts⁴⁹ of King’s School, Rochester explain that:

“The Bursary Fund was set up eleven years ago in recognition of the demise of the Assisted Places Scheme and continues to receive investment from the School. The income continues to be reinvested until it has reached sufficient size to make a worthwhile contribution to bursaries for pupils.”

Other examples of direct reference to replacing the Assisted Places Scheme are found on the web site of Nottingham High School⁵⁰:

“Following the ending of the Government Assisted Places Scheme, Nottingham High School has introduced its own Bursaries (this is the term used for financial assistance towards the fees, these are means-tested and can provide help up to full fees depending on parental income) to be awarded to boys entering the Senior School at either age eleven or sixteen.”

And the 2008 annual report of Latymer Upper School, Hammersmith⁵¹ (p.7):

“Following the demise of the Government's Assisted Places Scheme, of which Latymer pupils were one of the largest groups of beneficiaries, the School recruited a Development Director in March 2004, and later that year launched a major fund-raising campaign to raise £16.8 million to fund 56 permanent means-tested scholarships at the School. The School remains on track to meet this target. The Foundation continues to increase access to the School via means-tested scholarships, supported by fund raising activities to help ensure the Foundation meets its charitable objectives. Post-admission bursaries are granted to pupils whose parents experience financial difficulties.”

The Royal Grammar School (RGS), Newcastle set up a campaign in 2002 to raise endowment funds specifically to replace the Assisted Places Scheme. This is described in a report, published in 2009 (p.3), on the first seven years of the campaign.

⁴⁸ Hull Collegiate School. Web site available online at <http://www.hullcollegiateschool.co.uk/admission/view/141>

⁴⁹ King’s School Rochester 2008 Annual Accounts p. 8.

⁵⁰ Available online at <http://www.nottinghamhigh.co.uk/senior-school/admissions/how-to-apply/financialassistance/?locale=en>

⁵¹ Available online at http://www.charity-commission.gov.uk/registeredcharities/ScannedAccounts/Ends14/0000312714_ac_20080831_e_c.pdf

“A number of funding sources contributed to the work of the Trust and others remained within RGS funding. By 2002, the Trustees realised that further efforts were necessary to help students who wished to attend the RGS, as the abolition in 1997, by the government, of the Assisted Places Scheme (the successor to direct grants and still earlier scholarships) was reducing the socially mixed intake of the RGS. With just two years to go until the last Assisted Places students would leave in 2004, the Bursary Campaign was established to generate funds, with the explicit intention of providing means-tested bursaries for talented young people whose family means could not meet the fees.”

The 2008 annual report⁵² for Dame Allan’s Schools comments (p. 2) that:

“As a result of the Appeal '97, launched by the Development Trust to help replace the Governments' Assisted Places Scheme, Bursary places awarded amount to 39 places since commencement in 1998.”

7.2 INCENTIVES FOR SCHOOLS TO OFFER FEE REMISSIONS

There are several reasons why a private school might wish to provide some pupils with fee assistance. First, where some types of consumer are more sensitive than others to changes in price any private (for-profit or not-for-profit) organisation faces an incentive to charge differential fees. ‘Price discrimination’ of this kind requires the organisation to be able to exclude some customers from paying the lower price. Schools are able to do this in making sibling discounts available to families.

Second, private schools may use fee remissions to attract students who will raise the average ability of students attending the school. There are 2 potential benefits for the school. Very able students are likely to improve the school’s performance as measured by public examinations taken by the pupils. They are also likely to improve the ‘peer effect’: the extent to which students benefit from being educated with more able peers. This is sometimes directly referred to in School Annual Reports. For example, the 2008 Annual Report (p.7)⁵³ of Highgate School notes:

“...the presence of scholars in the School is very beneficial to the academic life of the whole School – for example, through the inspirational example they can represent to their peers.”

This motivation is also suggested in the 2008 Annual Report (p. 11) of King’s School, Rochester⁵⁴ which states one part of the school’s long-term strategy as:

“to balance academic achievement through the provision of means-tested Governors' Exhibitions and bursaries equivalent to 43 full-fee-paying places.”

Whilst the 2008 report (p. 5)⁵⁵ of Pangbourne College expresses a need to maintain funding for scholarships because these remain:

⁵² Available online http://www.charity-commission.gov.uk/registeredcharities/ScannedAccounts/Ends65/0001084965_ac_20080331_e_c.pdf

⁵³ Available online at http://www.charity-commission.gov.uk/registeredcharities/ScannedAccounts/Ends65/0000312765_ac_20080731_e_c.pdf

⁵⁴ Available on online at http://www.charity-commission.gov.uk/registeredcharities/ScannedAccounts/Ends66/0001084266_ac_20070831_e_c.pdf

“significant in order to attract talented pupils to the College.”

These effects are likely to attract parents of other students, improving the status and financial health of the school. The criterion for offering a fee remission in this instance is ‘exceptional achievement’. This provides rationale for the school to offer scholarships that do not take account of parents’ income.

Finally, schools may provide fee remissions to reflect a social commitment. One aspect of such a commitment can be seen as an approach to socialising the students enrolled at the school through providing them with exposure to a broader range of pupils than would be the case without fee remissions. The other, and more frequently expressed, aspect is a commitment to society beyond the parents and children who can afford full fees. This kind of commitment is strongly expressed in the Annual Reports of a majority of private schools with charitable status. Schools report a wide range of activities that have been undertaken for ‘public benefit’. A fairly typical example is provided by St. Joseph’s Convent School, Reading in its 2008 Annual Report⁵⁶:

“The school has continued to foster strong links with the community. The neighbouring primary school has again utilised St Joseph’s sports facilities at nominal or nil cost, and St Joseph’s has hosted meetings of the Greater Reading Cluster of Catholic Primary Schools. Part of the school has been made available to the local authority on a regular basis for holiday play schemes for young children, and school sports facilities have regularly been used by local clubs, societies and swimming schools at preferential rates. Facilities have also been made available at nominal cost to the Berkshire Young Musicians Trust, in support of their activities within the local area. The bond between school and both parish and diocese has been further strengthened. The school hosted a number of parish and diocesan events - at no charge - and received in return valuable support from the parish and diocese. A concert performed jointly by the school with the Hart Male Voice Choir raised funds for the Tsholofelo Community in South Africa. This community, working at Freedom Park and other squatter camps, is strongly supported by the Sisters of St. Marie Madeleine Postel. Local senior citizens have again been invited as guests to dramatic productions performed by pupils, in order to foster good local relations.”

The scale of these social benefits is hard to quantify but for many independent schools they are a central rather than a peripheral aspect of their activity. For example, the 2008 Annual Report (p.7)⁵⁷ of Radley College includes the statement:

“Central to our plans is, and will continue to be, the broadening of access to encourage more bright boys from poor backgrounds to benefit from a Radley education, regardless of financial need. This can only be achieved through the award of yet more full fee bursaries and the College has set itself a target of the equivalent of five full fee bursaries each year, i.e. a total of thirty at any one time. The work of the Radley Foundation in raising such further funds for Foundation awards is clearly critical to this process.”

7.3 SCHOOLS’ RESPONSE TO REGULATION FROM THE CHARITY COMMISSION

⁵⁵ Available online at http://www.charity-commission.gov.uk/registeredcharities/ScannedAccounts/Ends96/0000309096_ac_20080831_e_c.pdf

⁵⁶ Available online at http://www.charity-commission.gov.uk/registeredcharities/ScannedAccounts/Ends77/0000277077_ac_20080831_e_c.pdf

⁵⁷ Available online at http://www.charity-commission.gov.uk/registeredcharities/ScannedAccounts/Ends43/0000309243_ac_20080731_e_c.pdf

There are also frequent references in web sites and annual reports to schools' response to the Charities Act of 2006 and subsequent guidance issued by the Charity Commission. The Annual Report 2008 of Royal Grammar School Guildford⁵⁸ (p. 9) included the statement

"The Trustee has taken steps to generate additional income for bursaries and in the past two years, three boys have entered the school with fees fully paid by the fund and two more contribute 25% or less, according to their means. In 2007-08 there were 38 boys receiving bursaries for all or part of their fees, according to their families' circumstances."

The web site of the Colfe's School⁵⁹ includes the statement:

"In the light of the requirements of recent legislation, and for the avoidance of confusion, the aspiration is that such scholarships awarded in future should be designated as means-tested bursaries, rather than scholarships. A limited number of non-means tested scholarships will continue to be awarded each year. In such circumstances, as is currently the case, parents have the option of taking an honorary scholarship to release additional money for the bursary fund."

The 2008 Accounts (p.8) of the Grammar School, Leeds refer to the way in which the school is seeking to develop its bursary provision in response to the 2006 Charities Act:

"Develop, agree and then begin to implement a strategic plan for proving the school's public benefit, with particular emphasis on bursary support. Plan to be informed by the evolving consultation upon, and interpretation of, public benefit in the Charities' Act, and to be constructed by a steering group with representatives from the partner trusts in the merger project."

Many private schools report (in 2008) that they have recently shifted (or are in the process of shifting) the emphasis of their fee remissions from scholarships to bursaries. One common strategy in this regard has been to restrict the maximum fee remission available through a scholarship (e.g. to 10% of the total fee). A characteristic statement is provided by this example from the 2008 Annual Report (p.6)⁶⁰ of Downe House School:

"Scholarships are awarded by the Headmistress as a result of academic achievement in the scholarship examinations set by the School. The value of a scholarship has varied in the past from 12.5% to 50% of the basic fee. From 2007/2008 the upper limit for scholarships was reduced to £1,000.... The reduction in the monetary value of scholarships means that it will be possible to make increasing provision for means-tested bursaries, including those from the Olive Willis Trust, in order to broaden access to the School. In 2007/2008 support was provided to 7 pupils by means of Bursary awards and this will grow in future years."

The Annual Report (2008, p.5)⁶¹ for Plymouth College explains:

"From the 2006/7 financial year the process of decreasing the value of scholarships and increasing the amount available for means tested bursaries will begin to take effect. There is currently no

⁵⁸ Available online at http://www.charity-commission.gov.uk/registeredcharities/ScannedAccounts/Ends28/0000312028_ac_20080731_e_c.pdf

⁵⁹ Available online at http://www.colfes.com/welcome/Public_Benefit.html

⁶⁰ Available online at http://www.charity-commission.gov.uk/registeredcharities/ScannedAccounts/Ends59/0001015059_ac_20080831_e_c.pdf

⁶¹ Available online at http://www.charity-commission.gov.uk/registeredcharities/ScannedAccounts/Ends44/0001105544_ac_20080730_e_c.pdf

endowment sum to provide scholarships or bursaries which are provided from current income, but Governors are building up a reserve which may eventually be used to offer education to a wider spectrum of society."

The Annual Report (2008, p.5) from Sherborne School for Girls⁶² states:

"The significant shift towards means-tested bursaries, funded from fees, has continued."

Also the web site of Harrogate Ladies College⁶³ states:

"In keeping with the aims of the Charities Act 2006, the Governors have decided to offer proportionately more means-tested bursaries than scholarships with effect from September 2008."

Box Hill School⁶⁴ states on its web site:

"As a result of the new Charities Act we have limited the value of Scholarships to a maximum of 10%, but any awards may be made up to 100% through a Bursary, which is based on financial need and is means tested. This is deemed to be of 'public benefit'."

A report published by Horwath, Clark and Whitehill in 2009 includes a table (p. 14) showing the trend between 1997 and 2008 in the relative proportions of bursaries and scholarships within schools' fee remissions. This table shows the proportion of bursaries as stable between 1997 and 2005, but with a sharp increase in 2006, the year of the Charities Act. The impetus for increasing emphasis on bursaries as a response to the Charities Act is a general trend which is exemplified by the quotations from schools' annual reports.

The statements from school web sites and accounts indicate that state and private subsidies of places at independent schools are, at least to some degree, substitutes for each other. Since independent schools face incentives to provide fee remissions, these may be 'crowded out' by state subsidies. However, there is also clear evidence here that schools are responsive to regulatory pressure operating through the Charity Commission. The market incentives that independent schools face encourage them to provide fee remissions that are awarded on the basis of very high achievement (to improve the peer effects and examination results) and discounts for siblings and staff. Regulatory intervention from the Charity Commission is (according to schools' own statements and statistical trends) leading schools to switch the balance of their fee remissions away from scholarships and towards bursaries. This kind of intervention has advantages for the state in that it does not have to fund places in private schools from taxes.

⁶² Available online at http://www.charity-commission.gov.uk/registeredcharities/ScannedAccounts/Ends27/0000307427_ac_20080831_e_c.pdf

⁶³ Available online at http://www.hlc.org.uk/HLC/admissions_scholarship.html

⁶⁴ Available online at <http://www.boxhillschool.com/admissions/scholarships-and-bursaries/>

8 CONCLUSIONS

Should independent schools be left to get on with their business without interference from the arms of government – be they ministers or bodies like the Charity Commission charged with acting ‘in the public interest’? Interference comes in different forms. Sometimes it is welcomed. Until 1997 the Assisted Places Scheme provided state subsidised places at independent schools. It was highly valued by schools, as indicated by statements in documents more than 10 years after the scheme began to be phased out. A vast majority of independent schools offering 16-19 education enjoy some tax relief as a result of their charitable status. Whilst this is fairly small relative to schools’ total income, it remains significant. Interference in the form of regulation that sets out requirements for retaining this tax relief is understandably less welcomed by independent schools. The question addressed in these conclusions is what kind of interference (if any) is more likely to be in the public interest? The evidence in this report provides some pointers which might be taken into account in answering this question, but no more than this.

A report by Horwath et al (2009) includes a table (p.12) showing a modest rise between 1998 and 2008 in fee concessions as a proportion of independent schools’ total income. The rise in ‘net concessions’ occurred in the period 1998-2002 as the Assisted Places Scheme was being phased out: independent schools increased the fee concessions they offered to compensate for the reduction in fee remissions funded by government. The references in school annual reports to the Assisted Places Scheme (some of which are cited in this study) indicate that this is causation not just correlation. Beyond any egalitarian commitment to providing fee remissions, independent schools face some strong market incentives to provide fee remissions (as shown, for example, by Epple and Romano, 1998). So, if governments subsidise fee remissions does this simply ‘crowd out’ remissions that schools would have offered anyway? The answer seems likely to be ‘partially’. Between 1998 (the year when the number of Assisted Places was at its peak) and 2008 the number of state assisted places fell from 40,331 to zero whilst the number of school assisted places rose by 36,774 to 125,168⁶⁵. However, in the decade up to 1998 there were simultaneous rises in the number of school and state assisted places.

At present, government in England chooses to provide some subsidies for nursery places (including those in independent schools that cater for ages 3-18) and large subsidies for places in higher education. Policy judgements about ‘assisted places’ of all kinds need to take account of possible ‘crowding out effects’.

Recent debate about the charitable status of independent schools has centred on the question of whether they are providing enough ‘public benefit’ to justify being treated as a charity. School policies on fee remissions have received considerable attention in this debate, although arguably there are other issues that are more important: the extent to which independent schools nurture ‘public spirit’; the extent to which schools and their pupils directly engage in charitable activities such as fund raising; the extent to which ‘cream-skimming’ by independent

⁶⁵ Data derived from the Annual School Census conducted by the ISC and therefore referring only to ISC schools (which comprise the majority of independent schools).

schools affects the performance of state schools; and the extent to which independent schools reinforce social immobility.

Nonetheless, fee remissions do matter, not least because they have some bearing on these other considerations. In their recent report, Horwath, Clark and Whitehill (2009, p.11) suggest that independent schools may have reached their 'fee remissions' capacity. One question which, though interesting, is impossible to answer from this study is 'why has it taken so long for fee remissions to reach this level?' We might expect market forces to operate more effectively in the private sector than in the 'quasi-marketised' state sector. Even allowing for adjustment time, the predictions of market models (such as Epple and Romano, 1998; Epple et al., 2003) encourage an expectation that independent schools would have achieved some kind of equilibrium on this a long time ago. Independent schools offered more than three times as many places with fee assistance in 2008 than in 1994⁶⁶. Can this be accounted for by changes in household income and government policy?

The evidence in this study suggests that it is unlikely that independent schools have reached their capacity to provide fee remissions. The variation in the level of fee remissions varies considerably between schools. If some schools can provide more, why is it not possible for others? We would expect capacity and incentive to offer fee remissions to be affected by market forces. Schools will vary in the extent to which they become less popular when they raise fees and schools that charge higher fees can afford to offer greater fee remissions. The average across all schools in the rate of remissions as a proportion of total income across all schools is 7.8%. Schools charging term fees for Year 7 day pupils that are one standard deviation above the average tend to offer a rate of fee remissions relative to total income that is 1.4 percentage points higher than schools charging average fees. However, schools with a higher rank in *The Times* League Table of Independent Schools tend to offer lower rates of fee remission.

Schools higher in *The Times* League Table also, as might be expected, tend to charge higher fees. Disregarding any other factors the schools at the top of the league table charge about 25% higher fees for Year 7 day pupils than the schools at the bottom. A likely interpretation (consistent, for example, with the work of Epple and colleagues, 1998, 2003) is that schools with a higher league table ranking are in a stronger position to attract talented students and this diminishes the pressure to attract able students through fee concessions.

Turning more specifically to bursaries it is clear that since 2006 independent schools have substantially increased the proportion of their fee remissions that are offered in bursaries rather than scholarships. The statements in their Annual Reports and web sites provide compelling evidence that this change is an intentional response to pressure applied by the Charities Act of 2006 and the subsequent interpretation of that Act by the Charity Commission. That is, this line of interference has exerted a strong influence. The effect of this influence has been largely to cause schools to switch from scholarships to bursaries (as opposed to increasing bursaries whilst keeping scholarships constant). In general, market forces provide incentives for schools to offer scholarships rather than bursaries. State intervention has changed the balance.

The level of bursaries relative to total school income varies greatly from school to school, but this variation does not appear to be associated with any of the factors (such as fee levels, *Times*

⁶⁶ Data taken from the ISC Independent Schools Annual Census.

League Table position, reserves per pupil) that are associated with variation in total remissions. However, the ratio of bursaries to total fees is associated with a number of factors. Schools that charge lower fees and have higher total funds per pupil tend to devote a greater proportion of their fee remissions to bursaries rather than scholarships. If the schools that charge lower fees are those that are under greater market pressure then they might also be under more pressure to attract students from lower income families. It is also quite striking to find that faith schools offer lower proportions of fee remissions in the form of bursaries and this sits uneasily with their declared mission. The proportion of fee remissions offered in the form of bursaries is not immune from market forces, but if bursaries for attending private schools are seen as a way of increasing social mobility then government interference will be necessary.

One form of interference is regulation of the information that schools should provide about bursaries. There are two issues here: (i) information provided to parents who are choosing a school and (ii) information provided to regulators reviewing charitable status. At present, the majority of private schools provide very little information to parents on eligibility for, and size of, bursaries. The market for private schools is, on most counts, highly developed in the provision of information. Parents can refer to a number of comprehensive comparison sites which provide information on school fees, school size, proportion of entry from state schools, teacher-pupil ratios, etc. Yet, for the most part, if a parent wishes to discover whether their child might be eligible to receive a bursary and what size that bursary might be, they are invited to correspond with the headteacher or bursar of the school. A minority of schools provide considerable information about their bursary policies. If some schools find it appropriate to be open, why not all? If parents have to initiate dialogue with senior figures in a school even to begin to judge eligibility for bursaries it seems likely that confident, well-informed, 'high cultural capital' parents will be advantaged. This does not seem to be very promising from the standpoint of social mobility. It is not an issue on which schools appear to have received external pressure and maybe this is needed.

The information that schools provide in their annual reports is also hugely variable. Nearly half of all schools chose not to reveal the proportion of their total fee remissions awarded in the form of bursaries. In the context of the openness of the majority of independent schools on this subject, schools that do not reveal their level of bursary provision make it appear that they have something to hide. This impression could be quickly dispelled by following the practice of others. From the standpoint of social mobility it is appropriate to distinguish between 'unrestricted bursaries' and 'restricted bursaries'. The latter include bursaries that are only available to a restricted group such as: students already attending the school, children of members of the armed forces, etc. It would also be pertinent to distinguish in reporting between bursaries that are available to students who achieve minimum entry standards and 'scholarship bursaries' that are restricted to entrants who demonstrate exceptional performance. Organisations such as the Independent Schools Council could take a lead to encouraging good practice in the way that schools report their practice.

APPENDIX 1 BURSARY POLICY OF OUR LADY'S CONVENT SCHOOL, LOUGHBOROUGH

In assessing a child's suitability, attention will be given to the academic assessment result of each applicant, but potential will also be considered as well as actual achievement. Bursary funds are limited and those judged most suitable will be given priority as those likely to gain most from the educational provision. Each pupil to whom support is offered must, in the opinion of the Committee, be likely to make sound academic progress following admission and possess the potential to develop the quality of his or her work, and benefit from participation in the wider, extra-curricular activities on offer at the School. In normal circumstances, each applicant should meet the School's normal academic requirements. Previous school reports will be consulted for evidence of good behaviour.

- Financial Limitations. The amount of the bursary award is not influenced by the level of the academic ability of the child but by the extent of need. Each case is assessed on its own merits and awards are made accordingly, subject to the School's ability to fund these within the context of what is viable within the context of its overall budget. It is recognised that judgements about what sacrifices a family should make to pay school fees will be personal. However, the School has a duty to ensure that all bursary awards are well focussed and so, as well as current earnings, other factors which will be considered in determining the necessary level of award will include:
 - The ability to improve the financial position or earning power of the family. For example, where there are two partners, both would be expected to be employed unless one is prevented from doing so through incapacity, the need to care for children under school age or other dependents, or the requirements of their partner's work.
 - Opportunities to release any capital. Significant capital savings and investments would be expected to be used for the payment of school fees, as would equity values in houses.
 - In cases of separation, the contribution made by the absent parent.
 - Contribution to household costs by other, wider, family members, any adults unrelated to the child or by outside sources.
 - Where fees are being paid to other schools (or universities) the School's award will take into account all these outgoings
 - Acknowledging that others might have a different view, the School considers that the following would not be consistent with the receipt of a bursary:
 - Frequent or expensive holidays.
 - New or luxury cars.
 - Investment in significant home improvements.
 - A second property/land holdings.

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