

Profiting overseas: British private schools and their satellite campuses

Authors:

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A number of British private schools have established overseas satellite campuses, located primarily in China and the Middle East. These satellite campuses generate substantial profits, which, for those British private schools with charitable status, are largely then transferred tax-free to the 'home' school.

Under Charity Commission rules charities are banned from trading only to raise funds, meaning many private schools set up companies to operate international franchises on their behalf.

Profits are then transferred from the subsidiary company back to the UK-based school via Gift-Aided payments, thus sidestepping corporation tax.

This tax benefit is in addition to the 80% tax relief on business rates that private schools with charitable status benefit from on home soil, and also in addition to the separate exemption from VAT (value-added tax). The Labour Party has pledged to remove both of the latter tax exemptions.

Our understanding is that should charitable status be removed from private schools, these schools will also lose the capacity to accept Gift Aided overseas income, and instead will have to pay corporation tax on this revenue.

While some currently celebrate this British export, important questions remain. The tax breaks, which are entirely legal, have been characterised as a 'loophole' by some commentators, and schools may be compromising their educational missions by operating in authoritarian contexts.

This report explores the growth of overseas campuses and the profits that British private schools have gained from these ventures.

Key Findings

- Out of 100 high-attaining British private schools, 38 schools were operating 122 satellite campuses in 2022-23. A further 28 campuses are planned for the near future, which will bring the total number of British private schools with overseas campuses to 44, 40 of which have charitable status
- Between 2011-12 and 2020-21, we calculate that these 40 British private schools received around £18.7 million in tax breaks for these ventures, by using their charitable status to avoid corporation tax through Gift Aid donations. This was £5.5 million in unpaid tax in 2020-21 alone.
- This £18.7 million in unpaid tax could have paid for 7.7 million free school meals between 2011 and 2021.
- Profits from campuses abroad are often defended as generating funds for means-tested bursaries in the UK. Our evidence finds five British private schools made profits that exceeded their spend on means-tested bursaries in 2020-21. Harrow's profits were £1 million higher (see pages 11 and 12).
- Our research also reveals that British private schools with satellite campuses had a mean per pupil income that is 5.5 times higher than that of their local state school neighbours in the UK, using the latest data from 2017-18 (Gamsu, 2022).
- Between 2011-12 and 2020-21, the 40 British private schools with charitable status made an overall profit of £98.2 million from overseas satellite campuses.
- Profits have increased dramatically over time:
 - Private schools made a profit of £29.1 million in 2020-21, a £10.2 million increase from 2019-20.
 - Profits in 2020-21 were over eighteen times larger than 2011-12, growing from £1.6 million to £29.1 million.
 - In 2020-21, nine British private schools made profits over £1 million (Cranleigh School; Harrow School; Wellington College; Magdalen College School; King's College School, Wimbledon; Dulwich College; Malvern College; Brighton College; Charterhouse School), with four earning over £2 million (Cranleigh School; Harrow School; Wellington College; Magdalen College School).
 - The profits are a sizeable proportion of some schools' income. In 2020-21, profits for seven British private schools (Harrow School; Wellington College; King's College School, Wimbledon; Dulwich College; Malvern College; Brighton College; Charterhouse School) represented an average of 6% of their gross fee income.
- Finally, the growth of sites abroad has been recent and large, doubling between 2017-18 and 2022-23, from 51 to 122.
- The majority of campuses are located in China and Hong Kong (52%) or the Middle East (19%), with recent expansion in other Asian locations.

Introduction

This report investigates the growth of overseas campuses and the profits that British private schools have gained from these ventures.

The report makes a twofold contribution. First, it develops a list of satellite campuses, including their location and date of opening. Second, it assesses the annual profits of these ventures over a ten-year period from 2011-12 to 2020-21.

A key rationale for establishing campuses abroad is their revenue generation. This is acknowledged openly by many private schools. For example, The Lady Eleanor Holles School states:

'The School believes that such activities [satellite campuses] will generate revenue at minimal cost and that the net profit from such activities will help support the School to pursue its charitable objects in the UK.

The cost of establishing such overseas schools, together with the responsibility for operating them, will be borne by third party organisations selected by the School.' (2021:8)

Satellite campuses operate with a variety of business models (ISC Research, 2020). In rare cases, British private schools make direct investments and have total control of a satellite campus. This is seen in the case of Marlborough College Malaysia, established in 2012 (Marlborough College Malaysia, 2023).

More common arrangements include joint ventures with investors or franchise models. These business models typically involve management agreements that specify how a satellite campus is to operate (ISC Research, 2020), enabling British schools to input on governance, curriculum development, extra-curricular planning or staff professional development. In exchange, royalty payments or management fees are paid to the British school, normally via subsidiary companies. The exact relationship between the satellite campus and their 'home' school is variable and depends on individual management agreements (ISC Research, 2020).

The relationship between overseas satellite campuses and their 'home' schools has been underexplored. It is unclear whether British schools are typically active partners with substantial operational roles or more passive actors that extract royalty payments in exchange for 'brand' licenses. Emerging evidence has found that some of these relationships are limited in nature, with some overseas staff characterising these as primarily financial arrangements (Courtois and Donnelly, forthcoming).

Similarly, while satellite campuses may be discussed as part of a 'family' of schools, some British private schools have taken steps to protect their exclusivity in ways that marginalise their overseas partners. This can be seen in the issue of whether overseas graduates can join prestigious alumni groups. Benenden School (2020), in communication with parents and carers of UK-based students, was quite explicit in its stance: 'The alumni of our international schools will not automatically become part of the

[Benenden School Seniors' Association] – nor the Benenden Society – and there are no plans for this to be the case in future.' Clearly, there are limits to some of these 'family' relationships.

Satellite campuses raise a number of ethical questions. Many operate in authoritarian contexts, and some have close ties to ruling parties (Ellery, 2021). British schools often have limited autonomy to determine the curriculum and governance arrangements of satellite campuses, which risks coming into tension with their educational missions. For example, China has banned foreign curricula for Chinese students below the age of 15, as well as requiring governing bodies are made up of Chinese nationals (Hazell, 2021). In addition, many ventures involve partnering with large overseas businesses that engage in a range of non-educational sectors, such as retail or construction. The nature of these companies, and the implications for the way satellite campuses operate, has yet to be systematically explored.^[1]

There is also an important question about the extent to which this commercial profit-making is appropriate for British private schools, many of which have charitable status (Bunnell, 2021). The business model of overseas campuses is premised on the extraction of wealth, primarily from the emerging middle class in the Global South, and transferring this to benefit students in Britain (Bunnell, 2008). These tensions are especially relevant for the most commercial relationships, i.e. when a British private school provides little input to their satellite campuses beyond exchanging a 'brand' license for a royalty payment (Courtois and Donnelly, forthcoming).

Many British private schools receive tax breaks on the profits they derive from satellite campuses. Profits tend to be transferred from subsidiary companies to the 'home' school via Gift Aid payments, thus avoiding corporation tax for those with charitable status.

Bunnell and colleagues (2022) characterise this as private schools "using (or rather, exploiting) their charitable status" (p.10). An investigation by The Times revealed that British private schools had "used [a] legal loophole to recoup an estimated £13 million in tax" over a 15-year period (Dirnhuber, 2021).

This report further assesses and updates these figures, and in particular looks at the expenditure on bursaries by the schools making more than £1 million profit from satellite campuses.

We assess bursary expenditure because private schools have been keen to frame their overseas profit-making as providing bursaries for British students. Although the appropriateness of this framing is discussed later in the report, a typical statement is seen from Harrow School:

'The international schools are expected to operate in a manner which is compatible with Harrow's ethos and essential values, extend the School's reputation abroad and to generate income for bursaries in support of the School's objective to extend the benefits of its education as widely as possible.'
(Harrow, 2021:6)

The long-term sustainability of satellite campuses is somewhat unclear. In several locations, the campuses have faced increasing scrutiny, and even resistance, from national governments. In China, this situation has been described as a ‘clampdown’ (Wood, 2021), involving curricular and governance reforms that limit schools’ autonomy (Hazell, 2021). Similarly, recent expansion in Japan has been characterised as a ‘British invasion’ by some parts of the media (Kamata, 2022).^[2]

There is much about satellite campuses that remains unknown. There is no comprehensive list of campuses, nor have their profits been scrutinised, with the exception of Dirnhuber (2021). This report aims to shed light on this recent development, by creating a list of satellite campuses, documenting their annual profits and examining bursary spend in a small number of cases.

Methodology

The list of satellite campuses was compiled through desk-based research. An initial search analysed the websites of 100 high-attaining British private schools (My Top Schools, 2022). This was complimented by a Google News search for articles related to overseas campuses.^[3] A Google search, using the same search terms, was used to identify other literature and reports. All data extracted from news or grey literature was validated against information provided on British or overseas schools' websites. The initial research was performed in December 2022. The list of satellite campuses was then validated by another researcher in January 2023, checking the list against information on schools' websites.^[4]

The list of satellite schools included those open in January 2023, as well as those that had concrete plans to open in the near future. 'Proposed' satellite campuses were only included when the specific location and/or the specific timeframe for opening was identified. This information may not be publicly available, so this list is likely an underestimate. For each satellite campus, the following data was collected: name of British private school; location; date of opening.

The profits associated with satellite campuses were then assessed. For the 44 British schools with satellite campuses, their latest annual reports (year ending Jul/Aug 2021) were used to identify the names of any relevant subsidiary companies. Annual reports were available for 40 schools—37 from the Charities Commission and 3 from the Scottish Charity Regulator—while 4 were unavailable.^[5] 51 subsidiary companies were identified, the majority dealing exclusively with overseas developments.^[6] For each subsidiary, annual profits were extracted from their accounts in Companies House from 2011-12 to 2020-21.^{[7],[8]}

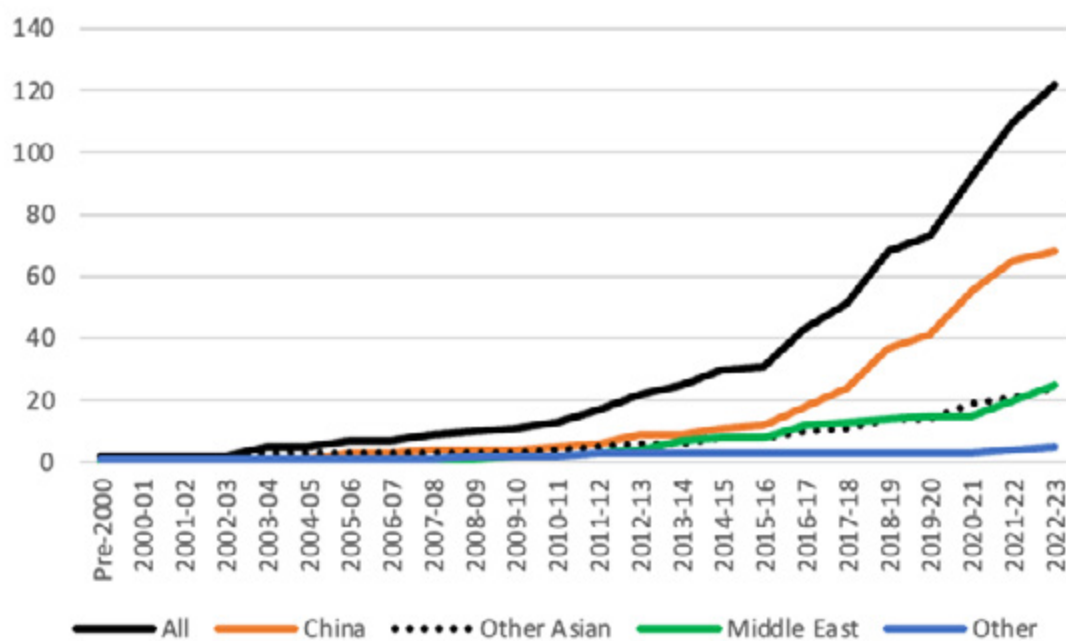
The approximate value of tax breaks received by private schools from these ventures was calculated as 19% of annual profits, given this was the main rate of corporation tax from 2017 to 2021. Contextual information on British private schools was gathered from open-source data (Gamsu, 2022) and school websites, including: school location; gender of students; whether the schools had boarders; and income of the school compared with local state schools.^[9] Data on means-tested bursaries was extracted from schools' Charities Commission accounts for the year ending Jul/Aug 2021. Data analysis involved cross-tabulations and data visualisation in Microsoft Excel.

Findings

1. Rapid increase in overseas satellite campuses

There were 122 overseas satellite campuses operating in January 2023, with a further 28 planned for the near future. These ventures involved 44 British private schools, and the development over time is shown in Figure 1.

Figure 1: Cumulative increase in satellite campuses, by location (2000-2022)



Our findings broadly resemble Bunnell and colleagues (2020; 2022). Before 2005, the expansion was mostly small-scale, tending to involve projects in Thailand spearheaded by ‘prominent alumni members’ (Bunnell et al, 2020: 5).

Subsequently, a steady wave of expansion can be seen from 2005-06 to 2014-15, with the number of satellite campuses increasing from 7 to 30 over this period. A larger period of expansion is seen from 2015, rising from 31 campuses in 2015-16 to 68 in 2018-19. Much of this post-2015 expansion involved developments in mainland China.

The growth of satellite campuses remained strong even during the global pandemic.^[10] Given that many overseas campuses were postponed or cancelled over this period e.g. Westminster School’s (2021) cancelled plans in China, this suggests that growth would have been even larger but for Covid. This contention is supported by other evidence. First, there have been several recent agreements between British private schools and overseas businesses that license the creation of satellite campuses, including Brighton College’s partnership with real estate conglomerate Vingroup to establish seven schools in Vietnam (Barker, 2022). Second, explicit plans for overseas expansion were found in 27 of the 40 schools whose 2020-21 annual accounts were

analysed in this report. A typical example is seen in King's College Taunton's goal: "To continue to support expansion in the number of international schools enabling significant additional income and enriching activities for King's Hall and King's College" (2021: 20).

The majority of satellite campuses (52%) are located in China or Hong Kong, with a particular concentration in eastern China around Shanghai and Hangzhou (28 campuses). Elsewhere, 23% of satellite campuses are found in other Asian locations, including Thailand (9), Malaysia (5), and India (5), 19% are in the Middle East, and 6% in other contexts.

Of the 28 proposed campuses, there remain some plans to expand in China (36%) alongside other Asian locations (39%), such as India, Japan and Vietnam. There are also a smaller number of plans to expand in the Middle East (11%) and four developments in other contexts: Malvern College in Barbados, Haileybury School in Malta, Harrow School in the USA, and Repton School in Bulgaria.

2. Satellite campuses are increasingly profitable and operate with divergent business models

Overall, the 40 private schools with charitable status made £98.2 million profit from satellite campuses over a ten-year period from 2011-12 to 2020-21. This has increased dramatically over time (see Figure 2), with £29.1 million profit in 2020-21 alone.

Over this period, our research calculates that British private schools have benefitted from around £18.7 million in tax breaks for these ventures because of their charitable status. £5.5 million of these tax breaks were from 2020-21.

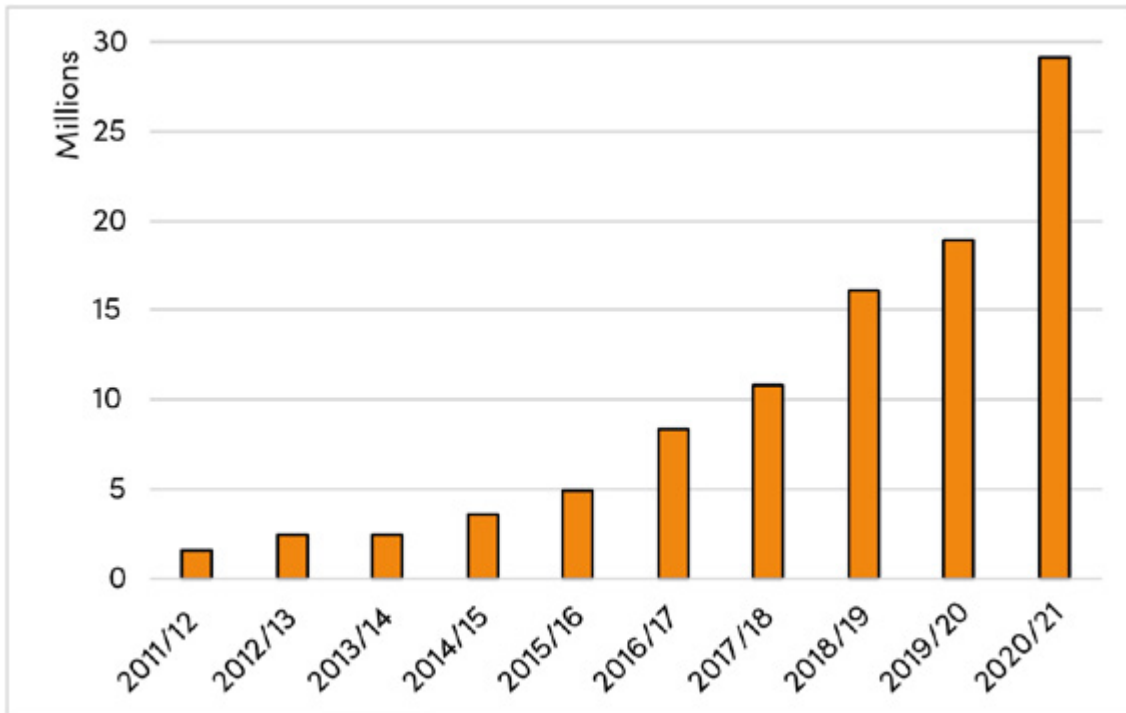
This £18.7 million in unpaid tax could have paid for 7.7 million free school meals between 2011 and 2021.^[1]

We assessed the profit per satellite campus, to gain some insight into the business models that underlie these ventures.

The most profitable ventures generated in the region of £1 million per campus, as in the case of Charterhouse and Marlborough. In contrast, a number of schools made less than £50,000 per campus, such as King's College Taunton, The Perse School and Reigate Grammar School.

This variation is likely to reflect the divergent business models that underlie these ventures (ISC Research, 2020). Relationships that involve little more than licensing a brand name are likely to be less profitable per satellite campus.

Figure 2: Annual profit from satellite campuses over time (£ millions)



3. The top 9 schools make more than £1 million in satellite campus profit

In 2020-21, four schools earned over £2 million: Cranleigh School (£5.9 million); Harrow School (£3.8 million); Wellington College (£2.4 million); and Magdalen College School (£2.2 million).

A further five schools earned over £1 million: King’s College School, Wimbledon (£1.9 million); Dulwich College (£1.7 million); Malvern College (£1.7 million); Brighton College (£1.5 million); and Charterhouse School (£1.3 million). These nine schools generated 77% of all the annual profits from satellite campuses.

The annual profits from overseas campuses represent a sizable proportion of the income for some private schools.

We looked at the nine schools that made over £1 million profit from satellite campuses in 2020-21, showing their profits from satellite campuses as a percentage of gross fee income.

Table 1: Annual profit from satellite campuses (SC) in 2020-21 for private schools making more than £1 million a year in SC profit^[12]

School name	SC profits (£)	Gross fee income	SC profits as a % of gross fee income	Means-tested bursary spend (£)	Difference (SC profit - bursaries) (£)
Cranleigh School	5,851,557	30,059,000	19%	1,004,000	4,847,557
Harrow School	3,817,000	32,454,000	12%	2,792,000	1,025,000
Wellington College	2,368,608	46,124,000	5%	2,927,000	-558,392
Magdalen College School	2,204,690	17,846,665	12%	885,507	1,319,183
King's College School, Wimbledon	1,884,929	33,353,000	6%	1,255,000	629,929
Dulwich College	1,682,561	38,249,276	4%	4,029,000	-2,346,439
Malvern College	1,672,534	23,506,205	7%	1,500,000	172,534
Brighton College	1,523,000	51,190,000	3%	1,810,000	-287,000
Charterhouse School	1,285,912	30,896,000	4%	1,314,000	-28,088

We then compared the profits with their spend on means-tested bursaries in the same year (see Table 2).

Table 2 compares profits from satellite campuses with their annual spend on means-tested bursaries in 2020-21.

This comparison is apt, given that many schools justify their overseas ventures as “all about raising money for bursaries at home” (Hazell, 2021).

Table 2: Annual profit from satellite campuses (SC) in 2020–21, compared with gross fee income and spend on means-tested bursaries [ordered by difference (SC profit - bursary spend)]

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Dulwich College	1,682,561	38,249,276	4%	4,029,000	-2,346,439

Table 2 highlights that five of the nine schools made profits that exceeded their 2020–21 spend on bursaries: Cranleigh School; Magdalen College School; Harrow School; King's College School, Taunton; and Malvern College, whereas the other four schools spent more on bursaries.

Therefore, some schools profit from satellite campuses above and beyond their spending on means-tested bursaries.

In the case of Harrow, profits from overseas campuses appear to be over £1 million more than spending on means-tested bursaries. The school spent only 73% of its satellite campus profit on means-tested bursaries.

As an additional note, it should be stated that Cranleigh School made a profit from satellite campuses that equated to 19% of their gross fee income in 2020–21. This figure is so high because they received a lump-sum cash payment to buy them out of future profits for their campus in Abu Dhabi (Cranleigh School, 2021: 12) and so may be unrepresentative of future returns.

Similarly, Magdalen College School's annual profit in 2020–21 may also be unrepresentative of future returns, as this likely represents an initial lump-sum from their first campus, which is set to open in 2024 (Magdalen College School, 2021: 16).

Of the remaining schools in Table 2, their profits range from 3% to 12% of gross fee income. Across these seven schools, profits from satellite campuses represent an average of 6% of gross fee income. This is considerable and underlines the extent to which some private schools have benefitted from this market.

4. Elite private schools in London and the South East dominate these ventures

By January 2023, 38 British private schools had opened, and a further six had concrete plans to open overseas satellite campuses.

These 'home' schools are disproportionately in England (91%), with many found in the South East and London, representing 32% and 16% of schools respectively (see Table 1). Of these schools, 82% are boarding schools and 27% are single-sex (18% girls, 9% boys). 40 of the schools have charitable status.

Given this profile, schools with overseas satellite campuses are likely to represent an affluent subsection of private schools. This is confirmed when the income per pupil from these private schools is compared with state schools from their local authority.

Sol Gamsu (2021) found that 216 private school members of the Headmasters' and Headmistresses' Conference had a mean per pupil income 3.7 times higher than local state-funded schools.

Our research shows schools with satellite campuses had a mean per pupil income that is 5.5 times higher, using the latest data from 2017–18.

However, it is notable that of the richest five private schools, i.e. those with the most income from investments and endowments (Gamsu, 2022), only one has a satellite campus.

Christ's Hospital, Eton College, Latymer Upper School and Winchester College have no overseas campuses. Only Rugby School has participated in these ventures, with one campus open in Thailand and another planned for 2023 in Tokyo (Rugby School, 2023).

Meanwhile a handful of British private schools own a large number of satellite campuses.

The largest five providers, detailed below, own over a third of all campuses:

1. Dulwich College – 12 campuses, mostly in China.
2. Harrow School – 10 campuses, mostly in China, expansion in other Asian locations.
3. Wellington College – 9 campuses, mostly in China, expansion in other Asian locations.
4. Repton School – 7 campuses, mostly in the Middle East, one in China and India.
5. Malvern College – 6 campuses, mostly in China, expansion in various regions.

Alongside these established providers, at least six private schools are planning to enter the market for the first time.

Benenden School, Gordonstoun School, Magdalen College School, Sherborne School for Girls, Uppingham School and Whitgift School all have plans to open their first satellite campus before 2025.

Table 3: Locations of private schools and their number of satellite campuses (SC) opened by January 2023 by region

Region	No. of Schools	% of Schools with SCs	No. of SCs	% of SCs
South East	14	32%	37	30%
London	7	16%	33	27%
West Midlands	6	14%	16	13%
South West	4	9%	8	7%
East	3	7%	8	7%
East Midlands	2	5%	7	6%
North West	2	5%	3	2%
North East	2	5%	6	5%
Scotland	3	7%	3	2%
Wales	1	2%	1	1%

Conclusion

This report has investigated the growth of overseas satellite campuses established by British private schools.

From small-scale beginnings pre-2005, there are now 122 campuses, with at least another 28 planned in the future. Annual profits from these ventures hit a record £29.1 million in 2020-21, despite disruptions due to the global pandemic.

These profits represent a significant proportion of the income for some private schools, averaging 6% of gross fee income for the seven schools that were most involved in these ventures.

Profits from campuses abroad are often defended as generating funds for means-tested bursaries in the UK. This report found evidence that five schools generated profits that exceeded their spend on means-tested bursaries in 2020-21, with Harrow's profits being £1 million higher.

Further, given that British private schools with overseas campuses are disproportionately affluent boarding schools located in London and the South East, they are already likely to have considerable capacity to fund their bursaries.

This report found that private schools with satellite campuses had a mean per pupil income 5.5 times higher than their local state-funded schools, exceeding the average for private schools that was calculated to be 3.7 times higher (Gamsu, 2021).

A number of other issues are also raised by the operation of overseas campuses. Many are located in authoritarian contexts, with 52% in China or Hong Kong and 19% in the Middle East. It is unclear to what extent these campuses are required to operate in ways that come into tension with the educational mission of British 'home' schools.

Further ethical questions surround the extent to which satellite campuses, as commercial profit-making ventures, are compatible with the charitable missions of private schools (Bunnell, 2021).

This report has found evidence of divergent business models, with some schools generating less than £50,000 per satellite campus, while others earn more than £1 million. Those ventures that involve little beyond a 'brand' license in exchange for a royalty payment are particularly vulnerable to the suggestion that this commercial behaviour is incompatible with their charitable missions.

Overseas satellite campuses generated £98.2 million over a ten-year period from 2011-12 to 2020-21. Much of this profit was untaxed in the UK, as a result of the charitable tax breaks for many private schools (Dirnhuber, 2021).

This report estimates schools have received tax breaks of £18.7 million since 2011-12, with £5.5 million in 2020-21 alone. Whether tax breaks should be provided for profit-making ventures in the Global South remains an important question.

There is a great deal about satellite campuses that remains unknown. In particular, future research should explore the nature of the relationship between these campuses and the 'home' schools.

This should shed further light on whether these ventures are compatible with the educational missions and charitable obligations of British private schools. Moreover, it will be important to continue to track the expansion in satellite campuses, and their evolving relationships with schools in Britain.

Overseas satellite campuses developed as a way to diversify the income of British private schools, helping to mitigate against the risk that future governments remove their tax breaks (Bunnell et al, 2022) because even if they are made to pay corporation tax in the future, their profits from overseas campuses will still be considerable.

Meanwhile in the absence of such reforms, many elite private schools have the best of both worlds; they continue to benefit from tax breaks while expanding their overseas profit-making.

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- [1] I am grateful to Aline Courtois for this insight.
- [2] I am grateful to Tristan Bunnell for this information.
- [3] Search terms included: ‘satellite college’, ‘satellite campus’, ‘overseas college’, ‘overseas campus’, and ‘sister school’.
- [4] Establishing the number of satellite campuses required some judgement. For example, it is ambiguous whether a junior and a senior school in the same city constitute one or two satellite campuses. Two criteria were applied to these decisions: 1) did a school’s website describe the campuses as separate, and 2) did there appear to be separate leadership teams.
- [5] Data was unavailable for Hurtwood House, Adcote School, Myddelton College and St Bee’s School. These schools are not charities and do not operate their overseas ventures through subsidiary companies. By January 2023, these schools had opened nine satellite campuses, and Adcote School had plans for another in China.
- [6] When a Gift Aid donation to the British school was included before the profit is calculated in the subsidiary company’s accounts, this Gift Aid donation was included as part of the annual profit.
- [7] Two subsidiary companies (Bromsgrove School Enterprises Ltd and Haileybury Enterprises Ltd) were engaged in ventures beyond overseas satellite campuses, such as UK-based lettings. Bromsgrove School Enterprises Ltd does not provide a breakdown of their income, so profits from overseas developments are estimated to be 50% of the total annual profit. Haileybury Enterprises Ltd provides a breakdown of their turnover by type of activity—an estimation of profits from satellite campuses is calculated by multiplying the subsidiary’s total profit by the proportion of turnover from overseas satellite campuses.
- [8] Two subsidiary companies (M East Sdn Bhd of Marlborough College and Durham Infinity International Schools of Durham School) were registered overseas, and the annual accounts were unavailable. In these cases, the payments from subsidiary companies to the British schools, as reported in the schools’ Charities Commission annual accounts, were used to approximate the annual profit.
- [9] Data on income per pupil compared with local state schools was extracted from Gamsu’s (2022) work. This data is from the 2017–18 financial year and was available for 30 of the 44 schools with satellite campuses. These 30 schools owned 77% of the 122 open satellite campuses.
- [10] Whereas Bunnell and colleagues (2022) identify a ‘fourth wave’ of expansion from 2021, this is not apparent in our data. While we see sustained growth from 2021, our data does not show an increased rate of expansion.
- [11] This calculation is based on the cost per child per free school meal as £2.41 (Impact on Urban Health, 2022).
- [12] Schools’ Charity Commission annual accounts did not always distinguish means-tested bursaries from other types of fee remission. The figures in Table 2 are extracted from discussions of the ‘public benefit’ in the accounts, but there is a risk that this may not accurately describe the total amount of means-tested support.