

NOT GOVERNMENT POLICY – FOR DISCUSSION PURPOSES ONLY



1 February 2011

Rapid Response: Approaches for private schools

1. On 25 January 2011, we sent you a report providing you with information on the issues to be considered when seeking to protect and enhance the role of the private school sector in New Zealand (METIS 535747 refers).
2. On 27 January 2011, Ministry of Education officials attended a meeting with advisors from your office, the Prime Minister's office and the Minister of Education's office.
3. Following this meeting, further information was requested. A paper will follow providing this information. This paper addresses the immediate request for:
 - scenarios of the fiscal impact of assuming a 5% / 10% / 20% shift of students to private school education over a period of 10 years if the funding incentives were changed
 - options for a funding model for private schools that incentivises enrolment of students from lower socio-economic areas.
4. Information regarding these two requests is presented here. Time has precluded a full analysis of the information in the broader context.

Fiscal impact of students moving from State to Private Schooling
5. You have requested an analysis of the fiscal impact of assuming a 5%, 10%, and 20% shift of students to private school education over a period of ten years if the funding incentives were changed. The Ministry of Education has this modelling underway. We have assumed that you are seeking information about a shift of 5% of the students in the State system to private schooling (as opposed to increasing the private system by 5%).
6. We are using a number of key assumptions to model the fiscal impact of a 5%, 10% and 20% shift of students to private education over 10 years. For example, we will assume that the rate of movement to private schools is constant across year levels and between State and integrated schools and that the current economic climate will continue in the immediate future.
7. At this stage, the areas we consider may generate potential savings to the Crown are:
 - operational funding
 - teachers' salaries
 - property capital expenditure.
8. We also need to consider adjusting the costings for inflation and offsetting any savings with the cost impact of surplus staffing and surplus property on the Crown. The Crown will be required to continue to maintain the network of property.

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9. Early indications suggest that a 5% shift to the private sector over ten years would double current private student numbers within eight years (an additional 29,000 students). There has been no exploration of how likely such a shift is, or the capacity of the private sector to respond to this level of demand. We are aware, based on our experience with the Aspire scholarship, that many private schools are already oversubscribed. We have also not explored which schools would be impacted; private primary, private secondary and also integrated schools.

Incentivising private schools to enrol students from lower socio-economic areas

10. There are two potential approaches for funding private schools to incentivise them to enrol students from lower socio-economic areas:
 - calculating a decile for private schools in a similar way to the State system and funding each school according to its decile (an average approach)
 - funding private schools according to the socio-economic status of individual students (an individual approach).

Average approach

11. Government could base private school funding on the current decile system used to fund State and State integrated schools. The decile rating is the indicator used to measure the extent to which schools draw pupils from low socio-economic communities. A decile is a 10% grouping. Decile 1 schools are the 10% of schools with the highest proportion of students from low socio-economic areas. The Ministry calculates deciles following the five-yearly Census. The calculations are based on Census data for households where the school's students live – not the general area around the school.

12. Private schools do not have a decile rating. However, the Ministry calculates a decile for those private schools that request one. Currently, private schools generally request a decile to use as a marketing tool; it does not influence their funding. Private schools are not included in the 10% decile groupings of State and State integrated schools and do not influence their funding.

13. The Ministry could calculate a decile for each private school, and then weight a funding allocation according to a school's decile. Private schools with a higher proportion of students from lower socio-economic areas (lower decile schools) would receive funding at a higher rate than schools with a lower proportion of these students (higher decile schools).

14. This would be relatively straightforward to implement; private school management, parents and communities are generally aware of how the existing decile system works and it imposes little administrative burden on private schools. There would be some additional overhead costs for the Ministry of Education.

15. Funding schools based on the average socio-economic status of their students would be similar to the Australian Government's funding of private schools. Each private school in Australia receives a score based on the combined average socio-economic status of the communities in which each student lives, relative to other private schools. The score then determines the amount of per-student funding the school receives.

Individual approach

16. An alternative approach is to fund individual students from lower socio-economic areas at a higher rate than students from higher socio-economic areas. This would involve analysing information supplied from individual families and allocating each student a

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'rating' and allocating funding based on this rating. Funding could be given to the school or the student. This would be similar to the existing Aspire scholarship, although there would not be a fixed number of student places as there is with Aspire. This option would be administratively burdensome for families, private schools, and the ministry. However, funding individual students in this way would ensure that funding was targeted to those who could least afford to attend a private school.

17. Funding schools at a higher level for enrolling lower socio-economic status students is unlikely to incentivise increased enrolments on its own. Enrolment will also be influenced by:

- the fees charged by private schools, including whether they charge different fees based on socio-economic status, noting that charging different fees for different students would mean increased administration for schools
- additional costs, for example uniform, transport and extra-curricular activities – the Aspire scholarship provides students with up to \$1,500 per year for course-related costs. To date, almost all of the Aspire students have been granted some of this money, and the majority have been granted the full \$1,500
- parental choice - regardless of funding incentives, we do not know if there would be demand from families from lower socio-economic areas to attend a private school. Application numbers for the Aspire scholarship indicate a modest demand for private school places.¹ However, this is only an indication of the demand for places at junior secondary school.

Next steps

18. The Ministry of Education is preparing data and information on the following issues requested by your office:

- the numbers of students shifting from private to integrated schools by year, 1993 - 2010
 - the governance arrangements of private schools
 - what the government subsidy is purchasing from private schools compared with State schools
 - a breakdown of PISA results for Australia by State and private school provision
 - options for a fourth 'type' of school with higher funding levels and increased government control
- Information about how the Australian private school funding system works
- Information about how private schools in Nordic countries operate
 - options to increase access to State integrated schools
 - a discussion at the system level rather than a network level
 - options for tax incentives to encourage increased participation in the private sector.

19. We aim to provide this to you by 11 February 2011.

¹ 410 applications in 2009 for 150 places and 182 applications in 2010 for 50 places.