

[In Confidence]

Office of the Minister of Education

Office of the Associate Minister of Education

Chair, Cabinet Social Wellbeing Committee

Discontinuation of the Aspire Scholarships

Proposal

- 1 This paper seeks Cabinet's agreement to arrangements for the termination of the Aspire Scholarships scheme with no new scholarships to be allocated and no changes to the terms and conditions for existing scholarship holders.

Executive Summary

- 2 Both coalition parties made manifesto commitments to terminate the Aspire Scholarships scheme.
- 3 We are seeking to terminate the Aspire Scholarships as quickly as possible while avoiding disruption to the education of current scholarship holders. Therefore we propose that no new scholarships be allocated, with grandparenting arrangements for existing scholarship holders.
- 4 We are seeking a decision ahead of the Budget so that the change can be communicated prior to the scheduled timing for scholarship applications for the 2019 school year in March.
- 5 Termination of the scholarships will provide incremental savings as scholarship holders finish their secondary schooling and exit the scheme.

Background

- 6 Aspire Scholarships were introduced in 2009. They provide support for up to 250 secondary school students from low income households to attend private schools.
 - 6.1 The scholarship provides up to \$16,500 per annum to each scholar as a contribution to tuition fees and course-related costs.
 - 6.2 Students may only enter the selection ballot in Year 8.
 - 6.3 Scholarship holders may retain their scholarship if they transfer between private schools. The scholarship ends if they transfer to a state or state-integrated school.
- 7 Applications for the 2019 Aspire scholarships are due to open in March 2018, with the selection ballot to be completed by May 2018. Given this timeframe, a final decision to terminate the scholarships and a public announcement as soon as possible would provide clarity to families and schools about arrangements for the 2019 school year.

Rationale for discontinuing the Aspire scholarships scheme

- 8 The Aspire scholarships were introduced in 2009 as part of the confidence and supply agreement with the ACT party. It was not introduced with any evidence base as to its effectiveness for improving educational outcomes for those from low-income backgrounds.
- 9 The selection criteria for the scholarships relate to income and assets only. There are no criteria relating to ethnicity or any other factors. Scholarship recipients are selected by ballot depending on the number of applications and the number of places available that year. This means that the scholarship is very loosely targeted and relies more on self-selection from families.
- 10 Of the students who applied in 2017 (for take-up in 2018), 17.4% of applications came from students already attending private schools, including nine of the private schools eligible for take-up of the scholarship in Year 9. The spread of these applications by school decile was as follows:

| Summary table of applications for Aspire scholarships for the 2018 school year | | |
|--|---------------------------------|---------------------|
| Decile of school (for state and state-integrated schools) | # of applications total in 2018 | % of applicant pool |
| 1 | 10 | 9.2% |
| 2 | 22 | 20.2% |
| 3 | 10 | 9.2% |
| 4 | 7 | 6.4% |
| 5 | 7 | 6.4% |
| 6 | 5 | 4.6% |
| 7 | 4 | 3.7% |
| 8 | 10 | 9.2% |
| 9 | 8 | 7.3% |
| 10 | 5 | 4.6% |
| Private (no decile) | 19 | 17.4% |
| Located in Cook Islands (no decile) | 2 | 1.8% |
| TOTAL APPLICATIONS | 109 | 100.0% |

Note: in 2018, 86 applications were eligible, 22 were ineligible, and 2 were incomplete.

- 11 Of the students who were allocated and took up Aspire Scholarships, the breakdown by previous school attended is as follows:

| Summary table of Aspire scholarships taken up 2009-2017 | | |
|---|--------------------------|------------------------------|
| Decile of previous school attended | Total number of scholars | Percentage of total scholars |
| Decile 1 | 69 | 11.4% |
| Decile 2 | 68 | 11.3% |
| Decile 3 | 33 | 5.5% |
| Decile 4 | 53 | 8.8% |
| Decile 5 | 50 | 8.3% |
| Decile 6 | 42 | 7.0% |
| Decile 7 | 47 | 7.8% |
| Decile 8 | 53 | 8.8% |
| Decile 9 | 76 | 12.6% |
| Decile 10 | 85 | 14.1% |
| Not Applicable/Missing | 27 | 4.5% |
| TOTAL | 603 | 100.0% |

- 12 Of the students who were allocated and took up Aspire Scholarships between 2009 and 2017, 87 students (14.4%) previously attended private schools.
- 13 Of students who were allocated and took up Aspire Scholarships, the breakdown by ethnic background is as follows:

| Ethnicity of Aspire Scholars 2009-2017 | | |
|--|--------------------------|------------------------|
| | Total number of scholars | Percentage of scholars |
| Asian | 54 | 9.0% |
| European/Pākehā | 256 | 42.5% |
| Māori | 178 | 29.5% |
| MELAA | 7 | 1.2% |
| Other | 7 | 1.2% |
| Pasifika | 173 | 28.7% |
| Total* | 603 | 100.0% |

*This data uses total response Ethnicity; students who identified in more than one ethnic group have been counted in each ethnic group, but only once in "Total".

- 14 Self-selection from families indicates that the students who receive Aspire scholarships come from families who place value on educational success, and would therefore be likely to succeed in the state schooling system as well.
- 15 Scholarship holders are not guaranteed admission to a private school. Private schools still have discretion over which pupils they admit. As there is often a gap between the amount provided by the scholarship (up to \$16,500) and the full cost of attending the private school, schools which offer to cover the shortfall for the student have an incentive to admit those students who are already prepared to succeed.

- 16 Of all the Aspire school leavers from 2010-2015, 58% left school with NCEA Level 3 or above as their highest qualification, compared to 47% of all school leavers in this timeframe. A further 25% of Aspire leavers attained NCEA Level 2 as their highest qualification, compared to 26% of all school leavers. In 2017, 59 new scholarships were taken up, with 27 students identifying as Pākehā, 23 as Pasifika, 19 as Māori and 4 as Asian (with some students belonging to more than one ethnic group).
- 17 As the scholarship relies on self-selection and there are only a very small number available, we believe it is not a cost-effective way to raise achievement for priority learners. The Aspire scholarship funds individual students up to \$16,500 per year, whereas average per-student funding in the state system was \$7,451.01 in 2016 (GST exclusive, covers funding for property, school operations and teacher salaries).

Comment

- 18 There are longstanding concerns about the efficacy of Aspire Scholarships, as they provide a high level of funding to a very small number of students in private schools. The funding level exceeds the amount generally spent on students who attend state schools. This intervention is unlikely to provide value for money and does not align with our Government's funding priority of ensuring our state schooling system is capable of delivering high quality education for all.
- 19 We considered two options for the termination of the Aspire Scholarships. The first option would involve ending all scholarships at the end of the 2018 school year, whereas the second option has grandparenting arrangements for existing scholarship holders to allow them to finish their secondary education. Although the first option would allow us to realise savings faster, we have put forward the second option as we consider it appropriate to avoid disruption to the education of individual students.
- 20 In 2017, 53 percent of Aspire scholars were concentrated in six schools, with the remaining scholarships spread across 25 other schools. Termination of the scholarships may carry some financial risks for schools with a high number of Aspire scholars. These risks are mitigated by the proposed transitional arrangements, giving these schools time to adjust.

Consultation

- 21 The Department of the Prime Minister and Cabinet and Treasury were consulted in the preparation of this paper.

Financial Implications

- 22 The estimated savings from termination of the Aspire Scholarships are as follows:

| | \$m – increase/(decrease) | | | | | 2023/24 & outyears |
|------------------|---------------------------|---------|---------|---------|---------|--------------------|
| | 2018/19 | 2019/20 | 2020/21 | 2021/22 | 2022/23 | |
| Operating impact | (0.331) | (0.933) | (1.725) | (2.731) | (3.697) | (4.126) |

- 23 The full savings of \$4.126 million per annum are not realised until the 2023/24 financial year, with scholarship holders in Year 9 in 2018 expected to finish their schooling at the end of 2022.

Human Rights

- 24 The proposals in this paper have no known human rights implications.

Legislative Implications

- 25 There are no legislative implications.

Regulatory Impact Analysis

- 26 A regulatory impact analysis is not required.

Gender Implications

- 27 The proposals in this paper have no known gender implications.

Disability Perspective

- 28 There are no known disability issues arising from the proposals in this paper.

Communications

- 29 We will make a public announcement of the decision to discontinue the scheme by late February, to clarify for schools and families the arrangements for the 2019 school year.
- 30 The Ministry of Education will write to all current scholarship holders' families to assure them that they may keep their scholarship for the remainder of their secondary schooling. This Ministry will also write to the affected schools and Independent Schools New Zealand, the peak body for private schools.

Recommendations

- 21 The Minister of Education recommends that the Committee:

- 1 **note** that both Coalition parties made manifesto commitments to discontinue the Aspire Scholarships for students attending private schools

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- 3 **agree** that no new Aspire Scholarships be allocated from 2018 (for use in the 2019 school year)
- 4 **agree** that existing Aspire Scholarship holders may retain their scholarships for the remainder of their secondary schooling, according to the existing terms and conditions

- 5 **approve** the following changes to appropriations to give effect to the policy decisions described in recommendations 3 and 4 above, with a corresponding impact on the operating balance:

| | \$m – increase/(decrease) | | | | | |
|---|---------------------------|----------------|----------------|----------------|----------------|-----------------------------------|
| Vote Education Minister of Education | 2018/19 | 2019/20 | 2020/21 | 2021/22 | 2022/23 | 2023/24 & outyears |
| Benefits or Related Expenses: Scholarships for Students to Attend Private Schools | (0.331) | (0.933) | (1.725) | (2.731) | (3.697) | (4.126) |

- 6 **note** the plan to communicate the changes by the end of February 2018.

Authorised for lodgement

Hon Chris Hipkins

Minister of Education

Hon Jenny Salesa

Associate Minister of Education