

Minutes

Monday 29 May 2006

Free ECE Sector Advisory Group

General Comments

- Tax deductibility (GST etc)
 - Donation for profit not tax deductible
 - Advice from IRD has been mixed
 - Clarification needed
 - New area for non-profit centres
- Media release
 - Services can charge 1st 20 hours if over 6hr day on 1st day

Withheld under section 9(2)(g)(i)
- Chris Gibbons to check recording of decisions that can be attributed to FESAG (minutes from previous meetings). Related to 6 hour cap.
- MSD
 - Consider age – turning 3 and 5, consider lining up rules with MoE.
 - Free ECE at multiple services – just need good info, we deal with this issue now with WINZ no major problems.
- Processing time an issue. 6 week before child's birthday otherwise overpayments.
- Some feedback being received about people getting both Free and WINZ, maybe a problem re case manager understanding.
- Complexity of administration, understanding for parents
- Services may have to take on responsibility for helping parents understand about changes to attendance altering eligibility for CCS.
- 6 hour a day cap main issue, dual providers least of the issues.
 - 6 hour cap big complicator, compliance costs, so much easier to administer without it.
 - Adds a cost in terms of added complexity.

RS7

- Free subsidy = contradiction in terms. Confusing with Childcare Subsidy.
- Ideas – standard, funded, non-free, base
- Where is check that not over licence for particular day?
 - Flag in funding system
- Validation – best idea no childplaces x no hours open – hugely different to 6 hours day.
- Validate under 2s, can't validate 2 and over.
- Shouldn't claim free Monday/Tuesday b/c child couldn't have accumulated enough, but system won't block????
- Another column with numbers of 3 and 4 year olds on that day?
 - No b/c if longer sessions throws it out

SECTOR ADVISORY GROUP
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Standard of Provision

Paragraph 3: Same standard for all ages:

- Confusing for parents i.e. ratios are different for U2 and O2
- As written suggests that services can not change the standard of provision → needs clarification if this is the intent.

Paragraph 5: Parents can expect opportunities to participate in decision making:

- Services currently publish their fees and these are not negotiable.
- For private services, the participation by parents in decision making about the service's philosophy and what is provided for free is not likely to be accepted.
- In reality this is a communication process. We inform parents of what is expected not asking for their input into decisions. Must not give parents the impression that they can influence the decision making at private services.
- Stress the need for dialogue and remove consult and decision making.

Paragraph 6: meet regulatory requirements ... within government funding:

- This may be untrue in high cost areas, therefore, can not state.

Paragraph 10: services can get more government funding for ... higher quality:

- Gives the impression government funds higher quality when it does not (funding rates based on teacher registration only funds lower for under the 100% target)

Fees, Donations and Optional Charges

Optional Charges – enforcement:

- Services can not refuse enrolment – currently parents have the choice of accepting or going somewhere else
- If this is a compromise position it will not be effective.
- Parents could agree and change their minds. Difficult for services and therefore needs to be time bound.

Optional Charges – which costs optional:

- Truly optional services such as meals or music lessons would probably be manageable however some extras are not optional e.g. staffing.
- Embedded extra quality must be recovered through fees!
- For some services it is important to standardise e.g. if we provide food, all children must participate. We can not have some children bringing lunch boxes with potentially junk food.
- Levies recovered through services (for association) must not be caught by this policy. *Ministry comment: these are just another cost of the service.*

Optional Charges – getting acceptance:

- At 1 July services will have to negotiate with parents.
- Not practical to debate fees with individual parents.
- Biggest problem is getting parents to pay if they will get the higher standard of service anyway.
- There is no motivation for parents to agree to optional charges.
- Communications and publicity will focus on free, anything above zero charges will be looked at with suspicion.

Optional Charges – managing income against costs:

- Services can only budget on a percentage of parents paying.
- Kindergarten experience with donations; if treated as an expected charge and through pressure and reminders up to 80% pay. If treated as purely voluntary only 50% pay.
- Sector has no experience with donations, therefore, will be running blind. Could not predict parent behaviour.
- High cost services may not remain viable e.g. Queen street services.
- This will be a very difficult business model to sell to a bank e.g. for overdraft or expansion/upgrade finance.
- It is not business like to run a business on the basis of receiving income at the whim of parents.
- Practical outcome will be increased fees for 2 and under 2s and non free hours. Should not ask parents to cross subsidise other parents

Optional Charges – Impact on quality:

- If sufficient numbers of parents do not buy in then the quality will have to be reduced.
- Will lead to a two tier sector – free at basic low end and fee paying at top end.

Optional Charges – How can Ministry help

- Optional charges better than nothing.
- Name change would help by making the optional nature less explicit e.g. “contribution to costs” or “family payment”. Even with a change there will be anxiety within the sector.
- Current public perception is that “free” is coming and the expectation that ECE will be free. There is nothing out there saying that higher cost or higher quality services will still need to charge.

Paragraph 26:

- There is no mention of consequences. The rule is silent on what happens if optional charges are not agreed.
- 26.1 may need to note if parents don't pay, the extras that attracted the parents to the service may in time be removed.
- 26.2 should note that if parents don't pay then parents may be expected to provide themselves or children may not participate.
- Practical consequence may be that children of parents who do not want to pay will remain on waiting lists. This is undesirable as back door exclusions are not a good solution. *As operational policy work was not fully advanced the Ministry was unable to advise how it would respond to any parent that complained that this had happened.*
- Consequence could be that services do not offer free or that services go in and out of free as cost structures change.

Paragraph 26.1 aspects that are not required by regulation:

- Including an exception is confusing and should be left out.

Paragraph 27:

- Need to be time bound to protect service e.g. “for long as enrolled” or “until reviewed”.

Paragraph 37 – 39: Invoices:

- Use of invoices suggests that donations or optional charges must be paid.

General:

- Need to clarify GST and tax position on deductibility of donations.
- Need to get an IRD determination on optional charges deductibility.
- A lot depends on the free rate. A favourable rate may make this workable for most services,

however, what ever rules or policy that is set must be future proofed in case the attractiveness of the rate reduces over time. Precedent exists with the 1991 reduction in the U2 rate.

Actions

- Ministry to consider providing Advisory Group with high, average and low service cost ranges. Use of these not defined but initial responses was that these would be unhelpful.

Fees, Donations, and Optional Charges Rationale

1. Rules about the types of charges ECE services may and may not make is a mechanism for ensuring that parents experience Free ECE as free, and also for ensuring Free ECE is attractive to services.
2. It is also about enabling parents need to continue to be able to choose ECE services that provide above the regulatory standard if they wish; and providing services with the flexibility to be able to offer Free ECE while continuing to provide what they want to provide (according to what their parents want).

(a) FEES

Rules

3. ECE services must not charge fees for child hours claimed for Free ECE funding.

Definitions

4. A fee is a compulsory charge that is required as a condition of enrolment, or is otherwise enforced.
5. Compulsory charge means that there is an obligation to pay and there may be enforcement of payment.
6. Enforcement of payment is when the ECE service withholds or withdraws enrolment, or withholds or withdraws parts of their service (for example, children not permitted to take part in certain activities), or through debt recovery.

Guidelines

7. ECE services should keep a policy on fees, that details (among other things) what their fees are, what hours/age groups these apply to, what the process is for changing these fees, and what the rules are about non-payment and debt recovery processes.
8. ECE services should ensure their policy on fees is clearly communicated at the time of enrolment, and at any time that changes are made to it.
9. ECE services should give parents the opportunity to contribute to the development and review of the fees policy.
10. ECE services may charge fees for hours not claimed for Free ECE funding (for 3 and 4 year olds) and for children aged under 3, and children aged 5 years.

(c) OPTIONAL CHARGES

Rules

24. ECE services may make optional charges.
25. Optional charges must apply to a specific purpose.
26. When optional charges apply to hours claimed for Free ECE for 3 and 4 year olds, the charges can only be applied to:
 - 26.1. aspects that are not required by regulation (except for having more staff in ratios who are ECE qualified and registered than is required by regulation¹). For example:
 - 26.1.1. above ratio staff; or
 - 26.1.2. specific teaching resources, e.g. dance or music teacher; or
 - 26.1.3. excursions, e.g. to cover transport, entrance fees, etc.
 - 26.2. aspects that parents may be asked to either provide for their own child(ren), or pay a charge in order for them to be provided by the ECE service. For example:
 - 26.2.1. sunscreen lotion;
 - 26.2.2. clothing items, for example sunhats;
 - 26.2.3. food.
27. Parents must be informed that agreeing to the payment is non-compulsory, but that once they have agreed then the ECE service may enforce payment..
28. The agreement must be able to be changed by either party. As part of the agreement between parents and ECE services, the rules about making changes to the agreement must be made clear.

Definitions

29. An optional charge is a payment for a specific purpose (that maybe one-off or ongoing) that parents may choose whether or not to make without penalty, but once an agreement to pay has been reached then ECE services may enforce payment.
30. Non-compulsory means voluntary, which means there is no obligation to contribute and no enforcement of payment.

¹ This is because government funding is provided to fund these costs within funding rates for Free ECE.