

Out of School Care and Recreation (OSCAR) funding system: Sector consultation December 2012 – February 2013

Background

On 15 December 2012, OSCAR providers were invited to give feedback on detailed proposals for a new OSCAR grant funding system. Providers could give feedback by completing the written submission form attached to the consultation document and/or by participating in an online survey. A number of providers also provided feedback through email.

The closing date for all feedback was 15 February 2013. The Ministry of Social Development received a total of 178 responses, primarily through the online survey tool.

Providers were asked to provide feedback on each of the core components of the proposed funding system:

- **annual base grant funding according to child numbers** – providers no longer have to prove they are running at a deficit, and funding is linked consistently and accurately to the number of children at each service¹
- **annual top-up grant and one-off targeted establishment grant** – only available for sites in priority areas, where additional financial support is required to maintain an OSCAR presence
- **minimum child numbers** required to receive ongoing base grant funding, to support viable and sustainable services.

¹ A “service” is one “programme type” (eg holiday, after school or before school) at one location. Services could still split for operational reasons, eg between junior and senior aged children. The total number of bookings would be counted, to tie the level of funding accurately to the number of children attending.

Key findings:

The majority of providers supported the proposals outlined in the consultation document. A number of providers commented that the proposed system was a clearer and more consistent way of funding. Other providers thought that the proposals would offer lower compliance costs and more certainty over future levels of funding.

- **Level of funding** – A large number of providers were concerned at the level of funding available, particularly for services with less than 30 children.
- **Average attendance** – Many providers agreed with the proposal for funding according to child numbers provided it is based on average attendance, and strikes a balance between the number of children booked to attend, and the actual number that attend. This is consistent with the current proposal.
- **Criteria for top-up funding** - A number of providers commented that the proposed criteria for annual top-up grants did not recognise that some services cater to children from different areas. Some providers suggested that eligibility for top-up funding should be based on the income or beneficiary status of the parents of children attending.
- **Impact on smaller services** - Some providers disagreed with the introduction of minimum numbers, for example because it would affect some very small, high quality services. Many providers thought there should be transitional funding for these services, eg to give them time to potentially increase their child numbers.
- **Transitional support** - A large number of providers thought there should be transitional funding available for providers who are significantly affected by the revised funding rules. Providers commented that this would give them time to adjust to the new system, and make arrangements to make them viable in the long term.

A summary of all of the feedback is provided below.

Annual base grant funding according to child numbers

The majority (76 per cent) of providers supported the detailed proposal for annual base grant funding according to child numbers. Many providers commented that the proposal offers a fairer and more consistent way of funding. Other providers thought it offered more certainty over future levels of funding.

Example responses:

- *“Great to see there will be greater uniformity to all programmes.”*
- *“Numbers are the main driver of costs associated with care. A system with base grant funding according to numbers is likely to be a fair system.”*

A large number of providers commented that while they support funding based on child numbers, the per child rate was not high enough.

Example response:

- *“Funding per child booked for the service is more sensible than funding an approved limit. However, funding rate is too low. Costs haven't decreased, so there is no reason to expect a lower funding rate.”*

A small number of providers thought that there should not be a lower funding rate for holiday services that run for less than seven weeks, for example because camps are expensive to run and provide intensive supervision. Some providers thought this lower rate would incentivise providers to extend their weeks of operation.

Many providers commented that funding based on attendance needs to take into account average figures, for example over a 12 month period. This recognises the variation in child numbers throughout the year, eg for services that cater to seasonal workers. This is consistent with the current proposal.

Providers also want the funding to strike a balance between the number of bookings, and the number that actually attend. This takes into account the planning and investment for the number of children booked to attend (eg staff, resources). This is consistent with the current proposal.

Example responses:

- *“Numbers would need to be looked at annually as we have had years where we were really full and then a year or two where the numbers were way down.”*
- *“Funding child numbers should be based on bookings as that is how we prepare for our activities.”*

A number of providers stressed the need for funding reviews throughout the year if their child numbers change significantly. This links to other comments that funding based on child numbers needs to use the most recent and accurate attendance data possible.

Providers had mixed responses to funding attendance in ‘bands’ of five children. Some providers commented that this was an appropriate method of funding, and was set at a sensible number. However, some providers thought that it was unfair on services that were just below a threshold. A small number of providers suggested different bands, for example in bands of ten until 20 children, and in bands of five thereafter.

Providers were very mixed on who they felt would be “disadvantaged” under this proposal – smaller or larger services.

Many providers felt that smaller services offer the highest quality care, and are needed in the community. In order to shift funding towards these services, some providers suggested a minimum base grant should be available, before funding based on child numbers is taken into account. Providers also suggested the per child rate should be higher for services under a certain number. It was argued that this

would cover the fixed costs associated with running a service, and promote the viability of smaller, more personal services.

Example response:

- *“This penalises the smaller programmes that still have the same overheads as large sites. If the funding is per child, there needs to be a base rate then a component based on the size of programme.”*

On the other hand, there was a strong sentiment that “larger services should not be penalised.” A number of providers disagreed with abating the level of funding as child numbers increase, to take into account economies of scale. Reasons given for this included:

- the number of staff required do not decrease as child numbers increase
- other standard costs, such as transport, continue to rise with more children
- it could encourage large services to split into smaller services and/or cap their rolls.

Other providers specifically expressed support for abatement, and even argued for steeper rates. A small number of providers suggested there should be a maximum possible number of children funded.

Some providers argued for additional funding for services that can demonstrate high quality. Providers felt that this would be more beneficial to the children attending, and create better incentives for quality services.

Other providers thought there needed to be additional funding available for services that have been affected by the Christchurch earthquakes and also for those that predominantly cater to children with special care needs. This issue was mainly raised in relation to targeted funding, and is discussed later in this summary.

Example responses:

- *“There should be some attention paid to the quality of programme being offered, standards met, past inspection records, reputation in community etc.”*
- *“Providers able to give children extra opportunities and positive life experiences should be given more. Children need opportunities that motivate them and make them feel needed.”*

A small number of providers questioned why providers operating in high decile (low deprivation) areas should receive base grant funding at all, particularly if it allows them to charge very low fees to high income parents. It was suggested that this funding could be reinvested into services in lower income areas.

Annual top-up grant and one-off targeted establishment grant – only available for sites in priority areas

The majority (83 per cent) of providers supported the detailed proposal for targeted funding. Many providers agreed that additional funding is required for services in low

socio economic and isolated areas. A number of providers supported the move towards requiring new services to demonstrate community need and/or support in order to receive ongoing funding.

Example responses:

- *“Funding targeted at lower socio-economic areas and isolated areas is vitally important to give families in those areas an opportunity to obtain reasonably priced childcare. This cannot be done without additional funding assistance.”*
- *“In general, families in low decile areas will have higher needs and are more likely to need additional funding.”*

Some providers thought the level of targeting should be increased, to allow for higher levels of funding for services in priority areas. Other providers argued for a wider range of areas being included in the top-ups.

A small number of providers suggested that instead of awarding top-up grants, services in low socio economic areas should receive a higher per child base rate.

A number of providers commented that the top-up grants should reflect the number of children attending the programme, for example a higher top-up for a smaller programme. Other providers argued that the top-up should be awarded at the service level, rather than per site.

While generally agreeing that there should be targeted funding available, a number of providers questioned the criteria chosen for the annual top-up grants. Some providers felt concerned that their site was not included in the list of targeted areas. Some providers also commented that they have children attending from a range of areas – not just where the service is located (eg through transportation from different schools).

Some providers suggested the criteria be changed to school decile ratings, which would produce a similar outcome to the deprivation index outlined in the proposal. Other providers suggested that the income, beneficiary status, or residential address of each child attending should be assessed to determine the services’ eligibility for top-up funding.

Example responses:

- *“In our centre, most of the kids are from migrant families from all over the city, and some of them are from low income families.”*
- *“The top-ups described are good ones, however the definition of an ‘isolated area’ is too restrictive.”*
- *“I think it’s the best and easiest solution, but [targeted grant funding] should be based on the number of children with parents on benefit.”*

Some providers were not in support of the proposal, for example because parents who receive the OSCAR subsidy are already targeted through this mechanism. Providers also commented that it would be fairer for all grant funding to be awarded universally to existing services.

Example responses:

- *“The middle income earner is penalised - just because families live in better socio economic areas doesn’t mean they don’t need help.”*
- *“Many parents in higher decile schools also have low incomes or financial commitments and may not be able to afford increased prices.”*

A number of providers suggested additional top-ups are made available for services with certain characteristics, for example those that:

- offer weekend care
- have high transportation, site, or staff costs
- provide one-on-one care for children with special behavioural or medical needs
- offer immersion language services
- are highly beneficial, or enriching to children’s lives
- are not-for-profit and/or “independent” businesses.

A number of providers agreed with the proposal, but felt that special provision needed to be made for services that have been affected by the Christchurch earthquakes. Providers commented that there should be separate top-up funding for services in Christchurch, for example due to erratic attendance as a result of re-zoning. Providers also thought the targeted establishment grant should be available for new services starting up in Christchurch.

Some providers commented on the implementation of the targeted funding. Responses included that services receiving targeted funding should be carefully managed and monitored. Providers also wanted to see the areas of priority clearly advertised.

Other responses to the targeted funding proposal included:

- it could result in less choice for parents, and ultimately a reduction in the quality of services as there would be fewer funded services situated close together (and in competition with one another)
- access to other sources of assistance should be taken into account
- the targeted start-up grant has been set too high – this funding should be reinvested into other services.

Minimum child numbers required to receive ongoing base grant funding

The majority (70 per cent) of providers supported the detailed proposal for minimum child numbers. A number of providers commented that the proposed minimum numbers are appropriate, and should not be set any lower. Some providers noted that services with fewer children are simply not viable, and should not continue to be

funded. Other providers commented that minimum numbers are a necessary step, as the sector is 'flooded' with existing services.

Example responses:

- *“Totally supportive. Minimum numbers filter out the fly-by-nighters setting up operations with the wrong motivations.”*
- *“There should be a minimum of 10 children... Anything less is not financially viable and a waste of funds that could be directed to other programmes.”*

On the other hand, a number of providers were not in support of the proposal, for example because it threatened small, high quality services in the sector. Some providers simply felt that it was up to the provider whether or not they wanted to run a small, unviable service. Other providers commented that:

- the minimum should not apply to services in priority areas, or to services that are affected by the Christchurch earthquakes
- services should be able to have their numbers reviewed
- the proposal encourages large, impersonal services that do not provide the same level of care for children.

Example responses:

- *“It should be up to the provider to decide if they are able and willing to provide a service, irrespective of numbers. There may be genuine reasons for providing services to groups of 10 or less.”*
- *“Some unique and small programmes will lose out. It will be more financially viable to run larger programmes.”*
- *“Be prepared to look at individual cases where there could be a really good reason for a dip in numbers.”*

Many providers felt that services that do not currently meet the minimum required number of children should be transitioned, or given time to increase their attendance. Many providers considered it fair to stop funding a service that continually fails to meet the minimum threshold.

Transitional support

The vast majority (91 per cent) of providers said transitional funding should be available to give providers time to adjust to revised funding rules.

Many providers said that this was necessary, particularly given the introduction of minimum numbers, to avoid large-scale closures. Providers commented that transitional funding will allow them to make arrangements for their service to make it viable in the long term. Some providers commented that it would allow them to stagger fee increases to parents.

Example responses:

- *“Some providers would go out of business if the funding was cut immediately. It gives them time to look at other options or other ways to run their business.”*
- *“This would certainly help the transition of programmes. In our case we will be merging and re-organising our programmes and a transitional period of one term would be very helpful.”*

Providers had varied feedback on how transition arrangements should operate. A number of providers commented that it needs to be time limited. Others thought it should only be available in exceptional circumstances, or only for smaller services.

A smaller number of providers did not think transitional funding should be available at all, for example because the sector has had a significant amount of warning and time to prepare for changes. Some providers argued that funding for transition arrangements would be better spent on grant funding for all services. Other providers thought that transitional funding was “delaying the inevitable” and that services are unlikely to be successful in the long term if they require additional funding now.