

# Experiences with equal treatment of municipal and private kindergartens

## Introduction

This report is about the collaboration between the municipality and private kindergartens («non-municipal kindergartens») after 01/01/2011. Then the kindergarten sector in Norway was block funded, and new provisions for grants to private kindergartens were introduced.

In the time that followed there has been some disagreement between municipalities and private kindergartens, especially with regard to calculating grants. This report attempts to express some of the things which caused difficulty from the municipalities' point of view. Private kindergartens have not been asked.

The report is commissioned by the Norwegian Association of Local and Regional Authorities (KS). The report also contains a proposal for improving the legislation regulating the relationship between the municipalities and private kindergartens. KS has asked for a proposal from the municipalities as a background for their interest policy work. The report also contains proposals from Agenda Kaupang AS.

The report deals with four main issues:

- Block funding: The municipalities have been given the responsibility to fund kindergartens from 01/01/2011. Have the municipalities managed to control the costs?
- Grant calculation: New provisions for calculating grants for private kindergartens were implemented on 01/01/2011. Have the municipalities been able to handle the new provisions?
- Guide for grant calculation: In the summer of 2012, KS and the Association of Private Kindergartens (PBL) collaborated on creating a guide for calculating grants for private kindergartens. Has the guide been helpful?
- Model agreement for collaboration: In the spring of 2011, KS and PBL collaborated on revising their model agreement for local collaboration between the municipality and private kindergartens. Has the model agreement been helpful?

Agenda Kaupang AS has conducted three different surveys:

- Extensive interviews on case processing practice and evaluations in eight municipalities
- A nationwide survey among chief municipal administrative officers
- A round of interviews on the handling of appeals in six county governor's offices. The County Governor is the appellate authority for private kindergartens with regard to municipal grants.

The feedback from the municipalities is that collaboration between private kindergartens and municipalities works well. There are not many conflicts, and conflicts mainly concern calculation of grants. Collaboration between municipal kindergarten authorities and private kindergartens works as it should.

Both municipalities and county governors believe that case processing with regard to grants for private kindergartens is difficult. Implementation of new provisions from 2011 happened without adequate guidance and training. Among other things, this led to delayed handling of appeals. The guide from KS/PBL from 2012 has been useful. The model agreement from KS/PBL has been of limited use. There are still many appeals to the county governors. This will probably continue in the future.

In Agenda Kaupang's opinion, the regulations for calculating grants should be simplified. Simpler regulations would reduce the use of resources, reduce the number of errors, and make it easier for private kindergartens to understand the calculations. It will lead to better collaboration. At the same time, the municipalities should have greater access to control the admission. As long as the municipalities pay the costs, they should be able to decide how many children without a right to admission should be taken in.

The report goes through 15 issues of interest to the municipalities. For each issue, Agenda Kaupang has, in collaboration with the municipalities we interviewed, tried to find possible improvements to the regulations. Here are the 10 most important issues:

## **Block funding**

### ***Admission of children without a right to admission***

Private kindergartens may admit children without a right to admission according to the Kindergarten Act at any time. This means children under one year of age at the start of the kindergarten year, or children who have applied after the main admission deadline. This makes it difficult for municipalities to control the total kindergarten costs. Costs become greater than what is funded through the block grant. This is a considerable financial problem in many municipalities.

A possible measure is a right to deny grants for children without a right to admission. This will make it easier to control costs.

### ***Admission of children to kindergartens in other municipalities***

Private kindergartens may admit children from other municipalities at any time. Children from other municipalities could thus oust the municipality's own children. This makes it difficult to administer the capacity in the municipality. The extent of children admitted to kindergartens in other municipalities is unknown to the home municipality until the reimbursement claims arrive.

A possible measure is a right to deny grants to kindergartens in other municipalities. This will make financial management easier.

An obligation for the host municipality to notify other municipalities of the admission of guest children would also be helpful.

### ***Establishment management***

From 01/01/2011, municipalities obtained the right to control the kindergarten capacity in the municipality. The municipality obtained the right to deny grants to new kindergartens. The municipalities have achieved this.

## **Grant calculation**

### ***Budgeting grant rates***

Municipalities must currently adopt grant rates several times throughout the year. This leads to a lot of work and great uncertainty with regard to the annual expenses of the municipality. Grant rates are not ready until the accounts are ready. This is not beneficial for the collaboration with private kindergartens.

A possible improvement of regulations would be to drop budgeting rates. Instead the rates could be calculated before the year starts, based on previous years' accounts and expected wage and price growth. The survey shows great support for such a change in regulations.

Some municipalities wish to go further and implement national grant rates for all municipalities. The small municipalities are more interested in implementing national rates.

### **Board costs**

The current grant rules are a pure unit price scheme. The rate per child corresponds approximately to the municipality's unit prices. Many municipalities believe that this scheme is unfair. It favours private kindergartens, since board costs are lower in private kindergartens.

There is strong support among municipalities for changing regulations. One wishes to adapt the grants to private kindergartens to the level of the actual board costs. Some municipalities want separate calculations of the board costs in the municipal kindergartens. They believe the board costs are lower in kindergartens than in other municipal services.

### **Terms for grants**

The Kindergarten Act gives municipalities the right to set «reasonable» terms for municipal grants when municipalities allocate grants beyond the statutory minimum. This provision has little significance. No municipalities are able to set legal terms. Those who have tried have been stopped by the County Governor.

A possible improvement of the regulations would be to give the municipalities more specific guidance in how to implement legal terms in practice. Many municipalities wish to set terms for the grants.

### **Reduction of grants**

The Kindergarten Act § 14 a gives the municipalities the right to reduce the grants when kindergartens spend the money on things other than kindergarten operations. The provision shall prevent unreasonable allocations to owners and ensure acceptable quality of the service to the children. These provisions have little significance. The municipalities are unable to use the provisions in practice.

A possible improvement of the provisions would be more specific guidance with regard to how case processing is supposed to happen, and how the term «unreasonable» conditions should be interpreted.

### **The guide from KS/PBL**

In the autumn of 2012, KS and PBL published a guide for calculating grants for private kindergartens. This guide has had great significance for case processing in the municipalities. More than half the municipalities calculated grants for 2013 by using the spreadsheets in the guide.

A possible improvement of the guide would be to facilitate counting of children in private kindergartens several times per year. Another improvement would be that the distinction between kindergarten costs and administrative costs were described in even more detail.

## **Collaboration with private kindergartens**

### **Kindergarten authority and kindergarten owner**

Municipalities say that they collaborate well with private kindergartens. The collaboration between the local/municipal kindergarten authority and the private kindergartens works reasonably well. When conflicts arise, the reason is the calculation of grants.

A possible improvement could be to have a clearer distinction between the roles as local kindergarten authority and municipal kindergarten owner. The roles should be allocated to two different persons in the municipal administration. An even better solution could be to

place the kindergarten authority with the chief municipal administrative officer's staff, far from the manager of municipal kindergartens.

***The model agreement from KS/PBL on local collaboration***

In 2011, KS and PBL launched a revised version of a model agreement for local collaboration between the municipality and private kindergartens. This model agreement has little significance for the local collaboration between the parties. Few municipalities have signed local agreements with the private kindergartens. The municipalities which have done so are unsure of the benefit. In their experience, the agreement is not particularly binding for the private kindergartens. Most municipalities believe that local, politically adopted guidelines are sufficient.