

Notice to Providers: Announcement of allocation model for Core Funding year 2

In September 2022, Minister O’Gorman launched Together for Better, the new funding model for early learning and childcare, which includes the new Core Funding scheme.

In budget 2023, the Minister secured an additional €28 million for year 2 of Core Funding, which represents an 11% increase to bring the overall budget to €287 million.

The Minister is today pleased to announce the new allocation model for Year 2 of the Core Funding scheme (September 2023 to August 2024), as follows:

- €8.47m towards funding the natural growth of the sector.
- €6.11m towards non-staff overheads, to support Partner Services with increases to non-staff costs while maintaining the fee management system.
- €2.2m towards administrative staff time.
- €4m towards the removal the year 3 requirement for the Graduates Premiums, underpinned by EROs.
- €7.22m for new targeted measures which are aimed at improving the sustainability of smaller and sessional Partner Services.

Funding increased capacity

€8.47m of the €28m is allocated towards funding the growth of the sector, supporting more staff working, more rooms and places, and more graduate lead educators and managers.

This additional funding for capacity will allow Partner Services to expand their operations for year 2, which will lead to greater accessibility for parents and greater sustainability for services.

This increase also allows for the entry of new Partner Services into the scheme, whether brand new services or existing services that would like to join for year 2.

Targeted measures

€7.22m of the €28m is allocated towards new targeted measures

- The introduction of a flat rate top-up payment of €4,075 for all services registered with Tusla as sessional only. This top-up payment is in addition to the services base rate and graduate premium. This measure will benefit approximately 1,700 sessional only Partner Services.
- The introduction of a base rate minimum allocation of €8,150 per service. This is the minimum amount of funding a Partner Service delivering centre-based provision will receive from base rate and sessional flat-rate and will benefit smaller part-time, sessional and school-age services. Graduate premiums are paid in addition to the base rate minimum.
- The introduction of a base rate maximum allocation of €600,000. This measure will affect only a very small amount of services. No Partner Service is currently receiving above this maximum base rate and 0.2% of services are receiving more than €400,000. Graduate premiums are paid in addition to the base rate maximum.

Core Funding Base Rates

The majority of Core Funding is distributed based on a service's capacity - the opening hours, opening weeks, age group of children, and number of places available.

Core Funding base rates include allocations for:

- staff pay and conditions, including contact and non-contact time, holiday pay, sick pay and other employer costs
- administrative staff/time
- non-staff overhead costs

Core Funding's base rates for year 2 will see an increase in allocation per child across all age groups. The new base rates will include the additional €6.11m going towards the contribution to non-staff overheads and the additional €2.2m for administrative staff time.

Graduate Premiums

Both the Graduate Lead Educator Premium and Graduate Manager Premium rate will remain at €4.44 per hour.

€4m is allocated towards increasing the number of graduates in leadership roles eligible for the Graduate Premium through the removal of the three year experience rule. However, this €4m is contingent on new or amended EROs removing the requirement for Graduate Lead Educators and Graduate Managers to have three years' experience in order to be eligible for Graduate Lead Educators and Graduate Managers pay rates.

Childminders

The pilot operation of Core Funding for registered childminders will continue for programme year 2023/2024. Given childminders have a fundamentally different operating model and cost base to centre-based provision, the minimum base rate allocation will not apply to registered childminders. All other Core Funding measures will apply. The future funding approach for registered childminders is being considered for programme year 2024/2025 and will be informed by the continued operation of this Core Funding pilot.

Fee Management

There is no substantive change to the approach to Fee Management in Core Funding year 2. This is guided by the recommendations of the Expert Group outlined in *Partnership for the Public Good*, and approved by Government, to ensure that the introduction of Fee Management to the sector is done in a sustainable and considered manner.

The new system of Fee Management first focuses on limiting increases in fees for year 1 and year 2. The Fee Management system will evolve based on an analysis of provider income and cost data, which will be gathered through financial returns in October 2023, and may underpin developments in Fee Management for year 3.

Achievements in year 1 of Core Funding

In its first year, Core Funding has achieved significant success across a number of different areas:

- 95% of eligible services have signed-up to participate in the scheme as Partner Services.

- On affordability, over 4,200 services are operating fee management. This has significant affordability benefits for parents, particularly in light of the reforms to the NCS universal subsidies extending the age range (from September 2022) and increasing the value (from January 2023).
- On accessibility, Core Funding has provided evidence of increased capacity. Initial analysis shows the increased capacity is the type of capacity that is in highest demand relative to supply (i.e. more baby and toddler places as well as school-age places). Moreover, the number of services offering the NCS, a condition of Core Funding, has increased by 15%.
- On quality, Employment Regulation Orders have been in place since September 2022 covering all roles in the sector, putting in place a career structure for staff in the sector and increasing the pay of more than 70% of staff. Moreover, 2,901 services are receiving Graduate Premiums in relation to their Graduate Managers and Graduate Lead Educators working with children from 0 – 6.
- On sustainability and stability of funding, 99% of Partner Services received increased funding on last year, and 1% of services (61) have received top-up payments under the Funding Guarantee.

Overall impact of changes for year 2

Year 2 of Core Funding sees continued progress on key objectives of the scheme, as well as new developments that will improve the sector overall, while embedding the key foundations of this new scheme in its second year of operation. Core Funding will continue to evolve and develop in future years and build on the significant success of the scheme.

When all new developments for Core Funding year 2 are considered, average allocations per service increase by 7%, from €60,319 to €64,614.30. The highest allocation increase is in sessional only services with an average increase of 27%, from €17,793.04 to €22,576.56.

These changes to Core Funding for year 2 are made in the interests of distributing the significant budget of €287 million as fairly as possible across the sector to ensure best outcomes for Partner Services delivering high quality, affordable, accessible and sustainable for early learning and childcare to benefit children, families, the workforce and society overall.

Together for Better aims to transform the sector and entails greater levels of public funding and public management. Further detail about Core Funding year 2, including the Funding Agreement and an FAQ will issue soon. The Minister remains committed to working with Partner Services delivering early learning and childcare for the public good.

Further detail including base rate allocations per child and FAQs will be published next week.

ENDS