



28 September 2022

Dear Provider,

As you know, Budget 2022 marked a key moment for early learning and childcare in terms of State investment and State involvement.

Government committed to a new funding scheme – Core Funding – as recommended in Partnership for the Public Good as a brand new element of the new overall funding model for the sector.

Core Funding was designed as a flagship scheme to address long-standing challenges within the sector including high fees for parents, generally low wages for staff and sustainability concerns for some providers. The introduction of this supply side funding has enabled significant progress on these issues from the outset through the State operating with Partner Services, and to be built upon in future years.

Core Funding allows for a very substantial increase in the total cost base for the sector without those costs being passed on to parents. The vast majority of services are seeing substantial increases in funding. No service will see a decrease in funding.

With Core Funding in operation less than two weeks, key achievements already include:

- Fee freeze in place for over 90% services on at least September 2021 levels, to ensure that developments in National Childcare Scheme (NCS) are fully realised by parents
- Agreement of Employment Regulation Orders covering staff at all grades in the sector and instituting differential pay rates for graduate staff in certain roles, putting in place a career framework for staff in the sector to support recruitment and retention.
- Improved pay for an estimated 73% of those working in the sector who will see their wages rise as a result of the Employment Regulation Orders, which would not have been achieved without Core Funding.

Government also supported enhancements to the NCS in 2022 by extending the universal NCS subsidy of €0.50 per hour to all children under 15 and by ending the practice of deducting hours in pre-school or school from NCS hours.

The cost of living in 2023, layered on top of already unacceptably high early learning and childcare costs for families, is the focus of the Budget 2023 package for early learning and childcare.



But with the foundation set through Core Funding, Budget 2023 has allowed the opportunity to consolidate the achievements from Government's 2022 investment and to increase their impact for children and their families.

The funding in 2023 for the early learning and childcare sector provides for:

- A full year allocation for Core Funding.
- The continuation of the ECCE programme that will benefit more than 108,000 children in 2023
- The continuation of the Access and Inclusion Model (AIM) to ensure more than 5,000 children with a disability can access and meaningfully participate in the ECCE Programme.
- The continuation of the NCS, offering supports to a greatly expanded cohort of children and families.
- The delivery of a range of regulatory and quality supports for the implementation of the National Action Plan for Childminding, Nurturing Skills, the Workforce Plan, and the ongoing development of the registration and inspection system as well as policy development commitments set out in First 5 and the Programme for Government (e.g. the design of a DEIS type model for early learning and childcare).

Budget 2023 also introduces major reforms to the NCS from January 2023 that will substantially improve the affordability of early learning and childcare for families.

Additional funding of €121m has been allocated from January 2023 so all families accessing registered early learning and childcare will receive a minimum hourly NCS subsidy of €1.40 off the cost of early learning and childcare. With the current minimum hourly NCS subsidy set at €0.50 per hour, this represents an additional €0.90 per hour off the cost of early learning and childcare.

This translates to up to €63.00 off parent weekly bill for early learning and childcare per child. With up to €22.50 currently available per week, this represents up to an additional €40.50 off weekly costs.

The response from providers to become Partner Services in delivering Core Funding has been hugely encouraging and positive. With the scheme in operation less than two weeks, there is already substantial evidence of success in progressing the objectives of improved affordability and quality of early learning and childcare, as well as expanding access.



Since the introduction of this Scheme, we have witnessed a significant expansion of capacity, which we will be providing additional funding for in 2023. This is not only positive for parents in providing more hours and weeks of provision, it is also positive for staff as it allows opportunities to work more hours per week and weeks per year.

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), supporting labour market participation of parents, and women in particular.

The geographical breakdown across the country also indicates expansion in urban and commuter areas where there has been significant pressure on places. Kildare, Wicklow, Meath as well as the four Dublin local authority areas, Galway, Cork City, Waterford and Limerick are all showing increases in capacity above national average figures.

To meet the cost of this expanded capacity, the original allocation for Core Funding will be increased to €259m for Year 1 of the Scheme. This is a 25% increase in the original allocation for the scheme in Budget 2022. This is made up of an increase of more than one fifth to the base rate allocation to contribute to administrative costs, non-staff costs and staff costs, plus an increase of more than 40% in the allocation for graduate lead educators and managers.

While the rates remain as communicated for Year 1, the additional investment now means now that €212m is being made available for administrative costs, non-staff costs, and staff costs while €47m is being made available for graduate premiums.

In addition, the full year value of Core Funding will increase by €28m to €287 million in Year 2 of the Scheme, an increase of 11% in the allocation.

Approximately, €4m of the additional funding for Year 2 will achieve the removal of the 3-year experience rule for graduate premiums, with an additional €24m earmarked for other developments to the Scheme, informed by the emerging data from Year 1 of operation. Further interrogation of the new Core Funding application data is required in order to most effectively design developments in Year 2 of the scheme. Developments may focus on promoting further capacity expansion, investing more in the base rate or to taking more targeted initiatives to invest in specific parts of the sector.

In 2018, annual State investment in early learning and childcare was €485m. That same year, a commitment was made to at least double State investment in early learning and childcare. This commitment - made in First 5, the 10-year whole of government strategy



for babies, young children and their families and endorsed in the Programme for Government – translated to an investment target of approximately €1 billion by 2028.

Budget 2023 allocates €1,025m to early learning and childcare.

Exceeding our investment target – five years ahead of schedule - is a clear demonstration of the value this Government places on early learning and childcare, given the benefits it confers to children and their families, society and the economy.

My Department will issue a post budget Frequently Asked Questions document over the coming days.

Roderic O’Gorman, TD

Minister for Children, Equality, Disability, Integration and Youth.