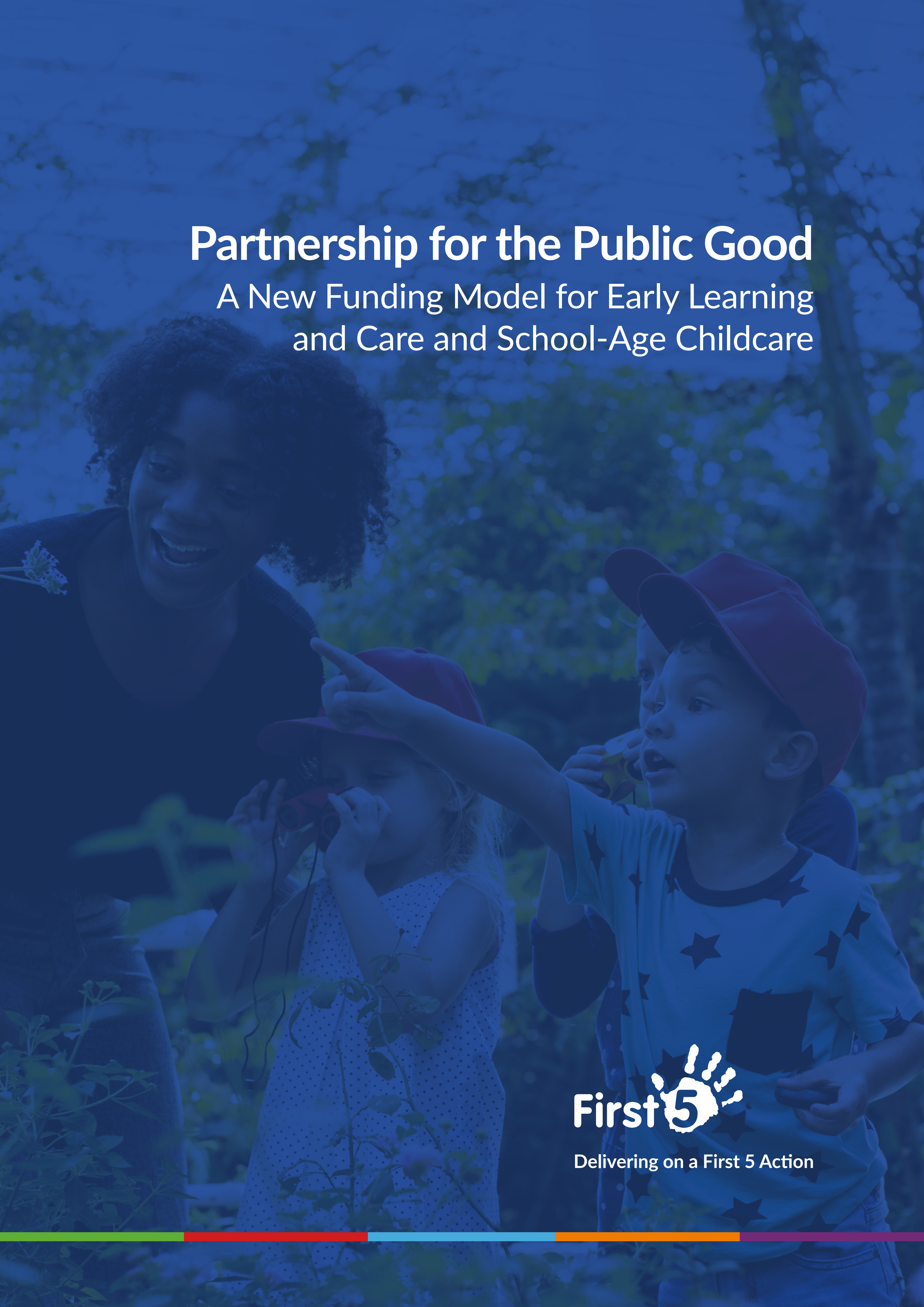
Partnership for the Public Good

A New Funding Model for Early Learning and Care and School-Age Childcare



First 5

Delivering on a First 5 Action

Partnership for the Public Good

A New Funding Model for Early Learning and Care and School-Age Childcare

Report of the Expert Group to develop a new funding model for Early Learning and Care and School-Age Childcare

November 2021

Contents

Foreword

Minister,

I am pleased to submit this Report by the Expert Group on a New Funding Model for Early Learning and Care and School-Age Childcare (ELC and SAC).

The Expert Group believes that the conclusions and recommendations in this report achieve a good balance between ambition and pragmatism. If implemented in the manner envisaged by the Expert Group, the recommendations can transform the ELC and SAC sector by supporting quality-driven pay and conditions for practitioners, implementation of the Workforce Development Plan, greater financial stability for providers, improved affordability for parents, and new resources to promote and provide more socially inclusive services. At the same time, the recommendations are practical and achievable. They can be implemented within the parameters of the current model of delivery (i.e. privately-operated provision), as required by our Terms of Reference, but provide for a step change in public management, and support, at both national and local level. Ideally, they should be delivered by way of a partnership between the State and providers, which is underpinned by a values-based approach to delivering ELC and SAC for the public good.

Having officials from your Department, the Department of Education, and the Department of Public Expenditure and Reform, as members of the Expert Group meant you could be fully briefed on the conclusions we had reached and the recommendations we had finalised by September. Crucially, this gave you the opportunity to incorporate these recommendations into the Budget 2022, announced in October, instead of having to wait for the formal submission of this report and next year's Budget. The Group is pleased to note, in this regard, the references in the Budget to Core Funding, fee controls, the removal of the deduction of ECCE/school hours from NCS hours entitlement, and the extension of the NCS universal subsidies. For clarity, I should explain that this report has not been amended to reflect these announcements.

The Members of the Expert Group wish to acknowledge and express their appreciation of the contribution made by the Secretariat to the work of the Group. The service provided by Laura Brady, Andrew Burrows, Matthew Duffy, Jessica Ray and David Carabini was excellent. Special thanks are due to the leader of the team, Gillian Martin, Assistant Principal, who has been with the Expert Group throughout, for her dedication and support. Her capacity for hard work, her ability to adapt to changing needs, and her commitment to the Group, were essential in enabling the Group to complete its task on time.

Michael Scanlan,
Chair of the Expert Group

Glossary of Terms

AIM – Access and Inclusion Model

CCC – City/County Childcare Committees

CCS – Community Childcare Subvention

CPD – Continuous Professional Development

DCEDIY – Department of Children, Equality, Disability, Integration and Youth

DEIS – Delivering Equality in Schools

ECCE – Early Childhood Care and Education

ELC – Early Learning and Care

EOCP – Equal Opportunities Childcare Programme

ERO – Employment Regulation Order

ESRI – Economic and Social Research Institute

EU – European Union

EWSS – Employment Wage Subsidy Scheme

GNI – Gross National Income

HSE – Health Service Executive

ICR – Income-to-Cost Ratio

IPSOS MRBI – Institut de Publique Sondage d'Opinion Secteur Market Research Bureau International

JLC – Joint Labour Committee

MCD – Multiple Child Discount

NCIP – National Childcare Investment Programme

NCS – National Childcare Scheme

OECD – Organisation for Economic Co-operation and Development

POD – Primary Online Database

PPS(N) – Personal Public Service (Number)

PRSI – Pay Related Social Insurance

SAC – School-Age Childcare

WDP – Workforce Development Plan

Executive Summary

Over the past two years, we have reviewed the funding model for Early Learning and Care (ELC) and School-Age Childcare (SAC) in Ireland. This work has been undertaken against the background of the commitment in *First 5*, *A Whole-of-Government Strategy for Babies*, *Young Children and their Families*, published in 2018, to at least double investment in ELC and SAC by 2028 (i.e. from €485m to at least €970m). The Group's membership and Terms of Reference are in Appendices 1 and 2 of this report.

Chapter 1

As indicated in Chapter 1, our work has been informed by an extensive programme of stakeholder engagement, a programme of research on international practice, research on the ELC and SAC costs incurred by families in Ireland, reviews of the costs of delivering services in Ireland, and a range of other inputs. Much of this material has been published on a dedicated website: www.first5fundingmodel.gov.ie.

We were briefed on other ongoing projects, including: *First 5*, the development of a Workforce Development Plan (WDP), the Review of the Operating Model, the evaluation of the Access and Inclusion Model (AIM), the statutory twelve-month Review of the National Childcare Scheme (NCS), the Action Plan on School-Age Childcare, the National Action Plan for Childminding, and a planned evaluation of the Early Childhood Care and Education (ECCE) programme.

Importantly, Chapter 1 also includes the Guiding Principles we developed to underpin the new funding model. We have been conscious throughout our work of the need to strengthen the delivery of high-quality, affordable, accessible, and sustainable ELC and SAC services that will improve child well-being and development, as well as support parental employment (largely maternal employment in practice) in ways which enhance social inclusion and equality.

Chapter 2

Chapter 2 summarises the existing factual position in Ireland in relation to funding mechanisms, the make-up of services, the operating model, and the evolution of the sector. We note the problems involved in comparing public spending on ELC (and SAC) in Ireland with that in other countries and welcome the promised increase in investment to at least €970m, but conclude that investment will need to be increased significantly.

The sector and its funding have developed substantially over recent years, and includes some excellent features, such as the universal provision of the ECCE programme and a flexible scheme of universal and targeted subsides through the NCS. There are, however, legitimate and serious concerns about certain features of the existing system, such as high employee turnover rates (driven by low pay and poor working conditions) which impact negatively on the quality and consistency of care, a sense of precariousness and fragility among providers, fees imposing a high burden on some parents, and the absence of any specific programme to tackle socio-economic disadvantage. Our Terms of Reference also ask us to consider the extent to which the new funding model (or elements thereof) could be applied in the public funding of home-based ELC and SAC, and we deal with childminding in this chapter.

Chapter 3

Chapter 3 explores the need to reform the existing funding model. It reviews the results of comparative international research undertaken on behalf of the Group. It also deals with supply management and capital funding. We note the absence in Ireland of direct supply-side funding to providers and the evidence that supply-side funding is better for supporting public management of the sector and quality improvement measures. While ELC and SAC enhance the development of individual children and well-being of families, they also have wider societal benefits. Recognition and appreciation of these wider benefits should bring sustainability, predictability, and additional investment in quality for services.The funding model should be designed to maximise the sector's contribution to the public good.

Chapter 4

Chapter 4 explores approaches to designing a funding model to support and drive quality. The single biggest and most important issue in relation to quality is the impact that pay and conditions in the sector is having on the ability to recruit, motivate, develop, and retain a workforce that can provide children with the stable and consistent interactions upon which early childhood development depends. Under the Terms of Reference for this Group, the State cannot be the employer, and the Department cannot act as paymaster, but the State can, and should, provide the substantial extra funding required to support the recently established Joint Labour Committee process and achieve the goal shared by all stakeholders of a quality-driven uplift in workforce pay and conditions. This extra funding should be channelled through a new supply-side payment to providers.

Other quality improvement measures should also be supported via this funding stream. The focus should be on supporting continuous quality improvement across all services, rather than using quality targets as preconditions for additional funding. The aim should be to achieve a partnership between the State and providers, with both being jointly responsible for the delivery of quality services, and parents should be brought into this ‘partnership for quality’.

Chapter 5

Chapter 5 reviews existing evidence on the costs incurred by families and the parental fees charged by providers. Notwithstanding caveats about international comparisons, it seems clear that the out-of-pocket costs incurred by many Irish families for ELC and SAC are higher than those of their counterparts in many other countries. Even though the ECCE programme provides a universal service free at the point of use, and the NCS is highly progressive in nature, some families are facing extremely high costs in relation to their income. These affordability concerns are particularly acute for households with multiple children using high hours of care. The evidence suggests that for the most part this is not currently a highly profitable sector, but the variation in the parental fees charged by providers is striking. There is now a strong rationale for initiating some form of fee management in the context of promised extra State investment and the new supply-side funding mechanism.

Chapter 6

Chapter 6 deals with the issue of tackling disadvantage. The existing AIM is an excellent model for supporting children with disabilities but currently only applies to the ECCE programme. Poverty and other forms of socio-economic disadvantage often have a disproportionate impact on children’s development and negatively affect long-term outcomes, and these problems are compounded where disadvantage is concentrated in geographic areas. The Department of Education’s Delivering Equality of Opportunity in Schools (DEIS) model is designed to address disadvantage at school level and incorporates aspects of several approaches identified in the international research on this topic.

Chapter 7

Chapter 7 discusses enhanced and supportive public management of the sector, highlighting the need for a much greater local, as well as national, role in this regard. It considers issues relating to accountability and administration, and concludes with some comments on the question of public provision.

Chapter 8

Chapter 8 presents our conclusions and recommendations. The new funding model being recommended includes two new elements which would operate alongside an amended ECCE programme and NCS. Thus, the new funding model would incorporate four elements as follows:

1. Core Funding, a new supply-side payment for providers designed to support quality (including improved staff pay), sustainability, and enhanced public management, with associated conditions in relation to fee control and cost transparency, incorporating funding for administration and to support the employment of graduate staff.
2. Funding for new universal and targeted measures to address socio-economic disadvantage.
3. The ECCE programme, but with funding to support the employment of graduate staff incorporated into Core Funding, and AIM extended beyond the ECCE programme.
4. An amended NCS to provide enhanced universal support to all families, tailor additional supports to high-volume users of services, and resolve certain issues arising from work/study or wraparound policy.

These funding streams, and their associated conditions, form an interlocking and integrated model of funding which is designed to ensure progress on each of the main goals of ELC and SAC policy.

We are recommending the introduction of a new funding stream to providers - which we call Core Funding - to support the delivery of quality services and, over time, the development of a closer relationship between providers and the State. This would address the absence of a supply-side payment in the existing funding model and should support improved provider sustainability by offering services an allocation each year that would not fluctuate in line with children's attendance. It offers the best way, in our opinion, for the State to support providers in meeting the increased costs that must be incurred to improve the pay and conditions of staff to reduce staff turnover rates and improve quality. It can also be used to support implementation of the new Workforce Development Plan for the sector. It should also incorporate funding for administration.

In helping providers to meet the higher costs associated with improved quality, this funding would contribute to parental affordability by obviating the need for the increased parental fees or charges that might otherwise be necessary. The introduction of a fee management mechanism in parallel with the introduction of Core Funding, and as a condition of this new funding to providers, is an essential part of the new funding model.

Core Funding can be developed to help the Department take on a greater role in capacity planning and in shaping the development of the sector.

The new Core Funding mechanism is designed to support the development of a high-quality service for all children. Once this new funding stream is in place, we believe that a system of universal supports for addressing socio-economic disadvantage should be introduced. We are also recommending the introduction of targeted additional funding, like the DEIS model operating in the school sector, for settings dealing with the highest levels of concentrated socio-economic disadvantage. The proof-of-concept work undertaken by Pobal on our behalf suggests that such an approach should be effective in identifying the settings most in need of support, but certain data gaps will have to be filled before the identification mechanism can be finalised. This additional funding stream would start to operate after the universal supports have been introduced, and after the system for identifying the qualifying settings is finalised. We leave open the option of introducing, later, a third tier of supports designed to address the exceptional needs of individual children by way of applications by individual settings.

In the case of children with additional learning needs, we believe that AIM, which currently only applies to the ECCE programme, should be extended to all ELC and SAC settings. We suggest that this option be examined as part of the current evaluation of AIM.

We acknowledge the importance of language development for children whose first language is not English or Irish and understand the Workforce Development Plan will include commitments to strengthen the language proficiency of the workforce. We suggest that the need for in-service training programmes focused on supporting children with additional language requirements be considered by the Department in developing the new universal support measures.

Responsibility for engaging in active outreach to disadvantaged families to maximise their uptake of ELC and SAC services rests mainly with the operating model, not providers, and should be specifically assigned to appropriate 'local structures' in the light of the outcome of the Review of the Operating Model.

The ECCE programme is functioning well as a universal funding programme for free pre-school and has clearly been a success. The existing funding mechanism can be used to deliver changes in the scope of the ECCE programme if the Government should so decide. We see the value in incentivising the employment of graduates in ELC and consider Core Funding to be the correct mechanism for doing so.

We urge the Department to bring forward changes to the NCS to mitigate the impact on (i) pre-school or school-going children from disadvantaged families who are effectively unable to access ELC and SAC during term time and who, for whatever reason, are currently unable to avail of the NCS sponsorship arrangements, and (ii) the sustainability of settings providing services in disadvantaged areas.

We favour removing the existing age limit for the universal NCS subsidy so that it is available to all children covered by the NCS, as well as increasing the rate of the subsidy. Strengthening the universal element of the NCS in this way would help to achieve greater societal recognition of, and support for, the ELC and SAC sector. It would also encourage the development of a single national system with widespread participation by parents and providers. Importantly, it would also provide the Department with better information on the use of ELC and SAC – addressing an existing data gap in relation to children and families who do not currently receive any subsidies under the NCS – and, as a result, help improve its public management capacity. Such information will be required to identify services with high levels of concentrated socio-economic disadvantage for the purpose of the targeted funding being recommended in this report.

We are recommending that the flat-rate Multiple Child Discount in the NCS be replaced by a 'Multiple Child Factor' (MCF). This will address, at least in part, a central finding about affordability – that families with two or more children are facing the highest ELC and SAC costs as a percentage of their income - and can be readily implemented within the existing NCS.

Apart from these changes, we believe that the existing NCS funding mechanism is sufficiently flexible and progressive to continue to be used by the Government to improve parental affordability as resources allow. A three-year evaluation of the NCS, which is scheduled to start after November 2022, would provide an opportunity to explore more fundamental changes to the scheme.

Recommendations

Our 25 recommendations for a new funding model to support high-quality, affordable, accessible and sustainable ELC and SAC in Ireland are set out below under the following headings:

- Core Funding
- Tackling disadvantage
- Affordability measures
- Fee management
- Role of the State

Core Funding

1 Develop and implement a supply-side payment to providers to support the provision of quality services. The new payment – which we have called Core Funding – would offer better financial sustainability to providers in return for a cultural shift to a partnership relationship between providers and the State that reflects the public good dimension of ELC and SAC.

2 The Core Funding should:

a) Be calculated based on a setting's capacity (number/age of children, type/duration of service) and its associated staffing complement.

b) Include whatever extra funding the Government decides to make available to support the Joint Labour Committee (JLC) process currently underway.

c) Incorporate additional funding to meet the extra costs to providers arising from the implementation of the Workforce Development Plan, including opportunities for staff progression and development within the sector.

d) Incorporate funding for administration and to support the employment of graduate staff.

e) Unlock access to a package of supports and resources, including capital funding and quality supports.

3 Providers who sign up to Core Funding should be required to:

a) Follow the fee management system.

b) Implement the quality improvement measures under the Workforce Development Plan.

c) Implement the relevant practice frameworks.[1]

d) Develop, implement, and report on an annual quality development plan.

e) Provide transparent financial reports and participate as required in cost surveys and other necessary data-collection exercises.

f) Offer the NCS and ECCE programme to all eligible children/parents, including children accessing the NCS through sponsorship arrangements.

4 Providers who apply for Core Funding should be provided with guidelines on the types of expenditure that this allocation can be spent on, and the governance and accountability arrangements that will apply. The local level of the operating model should support individual settings to ensure that, save in exceptional cases, they can be confident of complying with such accountability requirements.

1 Including the Aistear curriculum framework and Síolta quality framework. More information on Aistear and Síolta is available at https://ncca.ie/en/early-childhood/

5 To assess the impact of the introduction of Core Funding, the Department should develop a reasonably short set of national indicators outlining the benefits which it expects to achieve from this additional funding (reduced staff turnover, better-qualified staff, more stable parental fees, increases in non-contact time, etc.) and publish progress reports thereon.

6 From a funding perspective, and despite the differences between childminding and centre-based provision, we believe that it would, in principle, be reasonable to make the new funding streams recommended in this report available to registered childminders – though some modifications may be needed. We suggest that the Department develop an appropriate approach, taking account of the National Action Plan for Childminding (2021-2028).

Tackling disadvantage

7 Develop and provide universal training, materials and supports to promote and enhance understanding of socio-economic disadvantage and an inclusive culture in ELC and SAC for providers, educators/practitioners, parents, and children. These supports should focus on both settings and staff.

8 Develop and implement a mechanism to identify and allocate targeted funding to support services with high levels of concentrated socio-economic disadvantage. The identification approach should be based on the aggregate deprivation scores of the home addresses of all children attending the setting. The extra funding should be calculated based on the setting's capacity and staffing and should be expressed as a budget that could be used partly in the form of an additional financial allocation and partly in the form of additional supports in-kind.

9 This targeted funding should be used by eligible services to provide more consistent and higher-quality interaction with children and their families. This could be achieved in a variety of ways, such as lower staff/child ratios, increased non-contact time, extra training/CPD, attracting and retaining higher-qualified staff, more outdoor activities and outings, and extra education and play resources.

10 Providers who qualify for targeted funding should have some flexibility in deciding how best to use this additional funding but should be required to publish a short, specific plan outlining how they intend to spend their allocations for the forthcoming year and a report on how they spent their allocations for the previous year. Providers should be provided with guidelines on the types of expenditure that this allocation can be spent on, and the governance and accountability arrangements that will apply.

11 The Department should develop a reasonably short set of national indicators outlining the benefits that it expects to achieve from the universal supports and targeted funding and publish progress reports thereon.

12 Depending on experience with the universal supports and targeted funding, the Department should explore the need for a further element of funding which could allow individual settings to apply for funding to address the exceptional needs of individual children.

13 Consider extending AIM to all ELC and SAC settings.

14 Assign responsibility for outreach to, and greater participation in ELC and SAC by, families at risk of poverty and disadvantage to the local structures which emerge from the Review of the Operating Model.

15 While maintaining the principle that families where all parents in the household are participating in work or study qualify for more hours of ELC and SAC than households where one parent is available to care for children, address the specific impact of the NCS 'work/study test' on hours of access for children at risk of poverty or disadvantage. This could involve, for example, increasing standard hours to ensure children could have access to a greater number of ELC and SAC hours during term time.

Affordability measures

16 Remove the existing age limit on the universal NCS subsidy so that it is available to all children covered by the scheme, and increase the rate of the subsidy to maximise take-up.

17 Replace the existing 'multiple child deduction' element of the NCS with a 'multiple child factor', so that families with two or more children receive higher subsidies and experience lower withdrawal rates as their income increases.

18 As part of its future evaluation criteria, consider developing the NCS so that subsidies and total household expenditure on ELC and SAC are linked to total household income. Further to achieving fee certainty, this change could include explicit withdrawal rates for families on income-assessed subsidies and/or a cap on the percentage of income paid by parents, with the State meeting any further costs.

Fee management

19 The Department should develop a searchable price comparability website for parents. If necessary, it should amend the contracts with providers to allow it to express providers' fees in a readily comparable manner (such as average hourly rates by age band).

20 The Department should collect data on provider costs based on the costing model developed by Crowe. Participation in these surveys should be mandatory for all providers wishing to receive Core Funding.

21 Providers that sign up for Core Funding should be required to participate in a new fee management system. Initially, the new fee management system would involve an agreement not to increase parental fees from the September 2021 baseline for the September 2022 to August 2023 programme year.

22 The new system should focus first on limiting increases in fee rates. The Department should explore, using the provider cost data gathered under recommendation 20, the management of actual fee rates, including whether it would be reasonable to introduce a common national provider fee structure in the medium term, and including transitional arrangements – for example, where all fee rates would have to fall within a specified percentage tolerance range around a given rate.

Role of the State

23 The Minister should ensure that the Department and the operating model have the expertise and resources required to take on an enhanced public management and support role in the sector. In addition to the functions outlined in other recommendations (e.g. fee management), the State should be responsible for:

- Capacity planning, establishing demand, identifying gaps in supply, and actions to address gaps.
- Offering families an information source on provider fees, vacancies, inspection reports, other information on quality, etc.
- Planning, guiding, and supporting the development of an optimal ELC and SAC sector, both in terms of size and service offering.
- Supporting providers to operate sustainable, high-quality, affordable services.
- Managing centre closures, e.g. sourcing alternative places, alternative providers, and supports for re-opening.

It is essential that these responsibilities be supported and delivered by strong local structures.

24 The Department should continue its Sustainability Funding and review and update this funding stream to take account of the new funding model. Sustainability Funding should act as a final safety net for a small number of services who may experience sustainability challenges.

25 In the medium term, the Minister should mandate the Department to examine whether some element of public provision should be introduced alongside private provision.

1. Background

1. Background

This chapter outlines our work over the last two years. It also presents the Guiding Principles we have prepared to underpin the new funding model.

1.1. Establishment

First 5, A Whole-of-Government Strategy for Babies, Young Children and their Families, published in 2018, commits to increasing investment in Early Learning and Care (ELC) and School-Age Childcare (SAC) to at least €970 million by 2028. The Expert Group was appointed by the then Minister for Children and Youth Affairs, Katherine Zappone, on 18 September 2019, and was tasked with delivering a report, containing recommendations for the Minister, on a new funding model for the sector which would help to ensure that this additional funding delivers the best results for children, families, and the State.[2] The current Minister for Children, Equality, Disability, Integration and Youth,[3] Roderic O'Gorman, endorsed this work.

The Expert Group's Terms of Reference require the Group to:

- Agree a set of guiding principles to underpin the new Funding Model for Early Learning and Care and School-Age Childcare.
- Review the existing approach to funding Early Learning and Care and School-Age Childcare services by the Department of Children and Youth Affairs in terms of its alignment with the guiding principles, as well as its effectiveness in delivering on the policy objectives of quality, affordability, and contributing to addressing disadvantage.
- Drawing on international evidence, identify and consider options on how additional funding for Early Learning and Care and School-Age Childcare could be structured to deliver on the Guiding Principles and above policy objectives.
- Agree a final report including a proposed design for a new Funding Model, with accompanying costings, risk analysis and mitigation, and phased implementation plan (with funding likely to become available on an incremental basis) to recommend to the Minister for Children and Youth Affairs and ultimately Government.

2 **Press Release:** *Minister Zappone announces Expert Group to develop a new Funding Model for Early Learning and Care and School-Age Childcare.* Available at: https://www.gov.ie/en/press-release/d5dfdb-minister-zappone-announces-expert-group-to-develop-a-new-funding-mod/.

3 For brevity, we refer throughout this report to the Minister for Children, Equality, Disability, Integration and Youth as the Minister, and the Department of Children, Equality, Disability, Integration and Youth (previously the Department of Children and Youth Affairs) as the Department.

The Expert Group's Membership and its full Terms of Reference are in Appendices 1 and 2.

The Terms of Reference also state:

> *In delivering on these Terms, the Expert Group is not asked to propose changes to the current model of delivery (i.e. privately-operated provision); rather the Group should seek to further achieve policy objectives of quality, affordability, accessibility and contributing to addressing disadvantage in a privately-operated market through increased public funding and public management.*

Accordingly, we have focused on how best to improve outcomes through increased public funding and public management of the existing marketised system rather than through public provision. However, Ireland is highly unusual in having virtually no direct public provision of ELC, and we offer some comments on public provision in Chapter 7 of this report.

1.2. Methodology

The Group commenced work in October 2019 and has met 21 times in total, initially in person and, following the outbreak of Covid-19, online. A timeline of the work of the Expert Group is available in Appendix 3. The agenda and minutes of the Expert Group meetings have been published.[4]

We were provided with extensive written and oral briefings by the Department on existing arrangements and planned developments in the sector, including relevant reports.[5] The Secretariat developed discussion papers throughout the process to help enhance the Expert Group's discussions and considerations.

In December 2019, Frontier Economics was appointed to provide research support for the Group. Eight Working Papers on topics selected by the Expert Group were produced by Frontier Economics and have been published.[6] The titles of these eight papers are as follows:

4 Agendas and minutes of Expert Group Meetings, available at https://first5fundingmodel.gov.ie/publications/.

5 Such as the Citizen Assembly on Gender Equality progress and findings, the Competitiveness Council, the new Programme for Government, the development of the EU Child Guarantee, the OECD Quality Beyond Regulation, and EU Quality Framework.

6 Eight Working Papers, Frontier Economics. Available at https://first5fundingmodel.gov.ie/publications-2/.

1. International Comparisons of Fees, Staff Wages and Public Investment in Early Learning and Care
2. International Approaches to Funding Early Learning and Care and School-Age Childcare to Reduce Costs for Parents
3. Review of Working Conditions for Staff in Early Learning and Care
4. Mechanisms to Control Fees Charged to Parents for Early Learning and Care and School-Age Childcare
5. Approaches to Identifying Children or Settings in Need of Additional Support
6. Funding Models Addressing Early Childhood Disadvantage
7. ELC and SAC Funding Models which Support Provision Quality
8. Shared Delivery Models for Early Learning and Care and School-Age Childcare

We engaged in a widespread programme of stakeholder consultation including written submissions, an IPSOS MRBI poll of parents, an initial series of thematic online consultation events with providers[7], practitioners[8], and parents[9] facilitated by Change Exploratory, and two further phases of online events with representatives of the Early Learning and Childcare Stakeholder Forum, facilitated by Frontier Economics. Reports on all these consultations have been published. Summaries of the research papers and consultation reports have been published, too.[10]

We had access to, and were briefed on, the results of the *Review on the Cost of Providing Quality Childcare in Ireland* undertaken by Crowe (formerly Crowe Horwath), in association with Apteligen.[11] This report was published on 19 October 2020. We were also provided with a report by Frontier Economics entitled *Analysis of the Rate of Surplus for Early Learning and Care and School-Age Childcare in Ireland*.[12]

7 We use the term 'providers' throughout the report to indicate those providing private for-profit and not-for-profit ELC and SAC.

8 We use the term 'practitioner' throughout the report to indicate all ELC and SAC staff working with children.

9 We use the term 'parent' throughout the report to indicate all adults acting in a parental capacity.

10 Frontier Economics Research Papers and Stakeholder Engagement and Consultation. Available at https://first5fundingmodel.gov.ie/publications-2/.

11 Review of the Cost of Providing Quality Childcare Services in Ireland. Available at https://www.gov.ie/en/publication/1fbfe-crowe-report-review-of-the-cost-of-providing-quality-childcare-services-in-ireland-march-2020/.

12 Analysis of the Rate of Surplus for Early Learning and Care and School-Age Childcare in Ireland. Available at https://first5fundingmodel.gov.ie/publications-2/.

We studied several publications by the Economic and Social Research Institute (ESRI) regarding the ELC and SAC sector in Ireland, and the ESRI undertook some specific further research for the Department.

At our request, Pobal undertook some proof-of-concept data modelling to assist us in developing our conclusions about an approach to tackling disadvantage.

We were briefed on the work of a number of other ongoing projects – the development of a Workforce Development Plan (WDP), a Review of the Operating Model, an evaluation of the Access and Inclusion Model (AIM), a planned evaluation of the Early Childhood Care and Education (ECCE) programme, the Action Plan on School-Age Childcare, and the National Action Plan for Childminding, as well as other relevant commitments in *First 5*. We met with members of the Workforce Development Plan Steering Group and provided views to the Oversight Group tasked with the Review of the Operating Model.

We had presentations from the Norwegian Ministry for Education and Research on Norway's Early Childhood Education and Care funding model, and from the Department of Education and Early Childhood Development, New Brunswick, Canada on the New Brunswick model for Early Childhood Education. Officials from the Department of Education presented on the DEIS model, and we received a presentation on the *Nursing Home Support Scheme* (Fair Deal), as well as a presentation from Pobal on the Annual Early Years Sector Profile.

When we met first in October 2019, the new National Childcare Scheme (NCS)[13] was just going live, and we had presentations from the Department on how and why it was introduced and what it hoped to achieve. Towards the very end of our work, in September 2021, we received early drafts of the statutory twelve-month Review of the NCS, including a research paper on the work/study test, undertaken for the Department by Frontier Economics.

We have taken all this information into account throughout our work and in our deliberations for this report and recommendations. We especially appreciate the constructive approach to consultation from all segments of the sector and accept that

13 ECCE and NCS are described in Chapter 2.

this was challenging at times. We were struck by the absence of a strong parental voice and therefore found the IPSOS poll and Phase 1 discussion sessions with parents particularly useful. While it is evident that all stakeholders agree on putting children first and other important principles, the diversity of views when it comes to a new funding model is striking. Views are strongly held across various groups, and in the case of some issues they are incompatible. Navigating this territory is exceptionally difficult. We know that not everyone will agree with everything in our report, but we hope that contributors will recognise that we listened and sought to balance at times competing priorities and conflicting objectives, while focussing on achievable measures within our Terms of Reference.

Despite the considerable evidence underpinning our work, there are significant data gaps. These include deficiencies in international comparisons (especially the near-total absence of evidence on SAC from other jurisdictions), information on actual ELC and SAC usage, problems defining part-time/full-time places, limitations to the data on staff pay and conditions, lack of transparency about fee structures and fee rates, lack of clarity about drivers of variation in fee rates, absence of up-to-date data on parental fees net of the NCS subsidy, lack of data about families who do not qualify for NCS subsidies, and lack of robust data on supply and demand, as well as income, costs and profits/surplus. Improving data quality is necessary to maximise the effectiveness of efforts to reform a funding model, particularly one that seeks to move into a space of improving staff pay and conditions, affordability for parents, and more inclusive and sustainable services.

Finally, we note that our report and recommendations land in a very different world to that which existed when we first undertook this work. The lasting impact of Covid-19 is as yet unknown. We have for the most part used data collected pre-Covid-19, but our recommended funding model will need to operate in a post-Covid-19 environment. The sector and the Department will also have to navigate the transition to the post-Covid-19 funding arrangements.

1.3. Guiding Principles

As required by our Terms of Reference, early on we developed a draft set of Guiding Principles to underpin the new funding model. We published these and invited comments on them through a public call for submission as part of the first phase of the consultation and engagement process.[14] The feedback was generally positive, and there was a high level of agreement with the Guiding Principles.[15] The majority of respondents to the call for submissions agreed all the Guiding Principles should be applied to both ELC and SAC. The main reasons given for this were that both sectors are equally important in terms of providing quality education and care to children, and both sectors often share the same staff.

The Guiding Principles are set out overleaf.

We have sought to adhere to these principles throughout our deliberations, and to reflect them in our conclusions and recommendations.

1.4. Structure of the report

The remainder of this report is structured as follows. Chapter 2 outlines the system as it exists at present and the context for reform. Chapter 3 analyses the existing funding model, as well as international comparisons. Chapter 4 explores approaches to designing a funding model to support and drive quality. Chapter 5 reviews existing evidence on the costs incurred by families and the parental fees charged by providers. Chapter 6 deals with the issue of tackling disadvantage. Chapter 7 discusses public management and the role of the State. Finally, Chapter 8 presents our conclusions and recommendations, bringing together the analysis to outline a way forward for the funding model.

14 Report on the findings of a call for submission on the new funding model for ELC and SAC. Available at https://first5fundingmodel.gov.ie/publications-2/.

15 The guiding principle with the highest level of agreement was 'Professional and Valued Workforce' (96.9%), followed by 'Child-Centred' (95.1%), 'Strategic' (94.4%), 'Competent Sector' (93.1%), 'Development and Implementation' (90.7%) and 'Family-Orientated' (86.4%). Source: Report on the findings of a call for submissions on the new funding model for ELC and SAC.

Guiding Principles to underpin the New Funding Model for ELC and SAC

Strategic

The funding model should be based on an acceptance that ELC and SAC serves the public good, providing both an essential investment in child wellbeing and development, and an important support for economic growth and for social equity. It should seek to support the delivery of this public value through the provision of high-quality, affordable, accessible, and sustainable ELC and SAC services. Within that framework, it should seek to address the real issues facing children, parents, providers, workers, and the State.

While recognising the reality of the existing “marketized” approach to ELC and SAC, the funding model should address any perceived deficiencies in this approach by supporting best use of available public management tools.

The funding model should, where possible, support other known forthcoming developments in the sector (such as the workforce development plan and review of the operating model), and should seek to remedy issues with existing funding approaches.

Child-centred

Funding should be allocated in the best interests of children.

Given the role of parents as primary educators, funding of ELC and SAC should promote partnerships between parents and providers that enhance children’s development.

Funding should provide additional support for children experiencing disadvantage and children with additional needs in order to enhance equitable access to, participation in, and benefit from ELC and SAC.

Family orientated

Funding of ELC and SAC should support parents participating in employment, education or training and should, in so far as possible, be cognisant of the reasonable needs and choices of parents.

Funding should support progressive universalism to provide progressively greater support to families that have greater needs but maintain enough universality to reflect the overall benefit of, and shared investment in, ELC and SAC.

Funding should mitigate the cost to families of ELC and SAC.

Professional and valued workforce

Funding should recognise that the quality of ELC and SAC is reliant on the quality of the workforce delivering those services. Accordingly, it should seek to promote the recruitment and retention of staff with the necessary qualifications; ongoing staff training and development; fair pay and working conditions; and a workforce that feels valued and is motivated to deliver the best possible service to children.

Competent Sector

Funding should incentivise continuous quality improvement, innovation, and inter-agency working. The funding model should be evolutionary: it should minimise short-term disruption but also allow for and support desired long-term changes. While respecting the existing diversity of scale and service offering, funding should allow for longer-term changes required to support a sustainable sector.

Funding should reflect the reasonable costs to providers of providing the required service, including the differential costs of delivery for different ages.

Funding should be subject to robust regulation and accountability for public funds, but regulation and accountability should be cost-effective in order to maximise the funding available for actual service delivery.

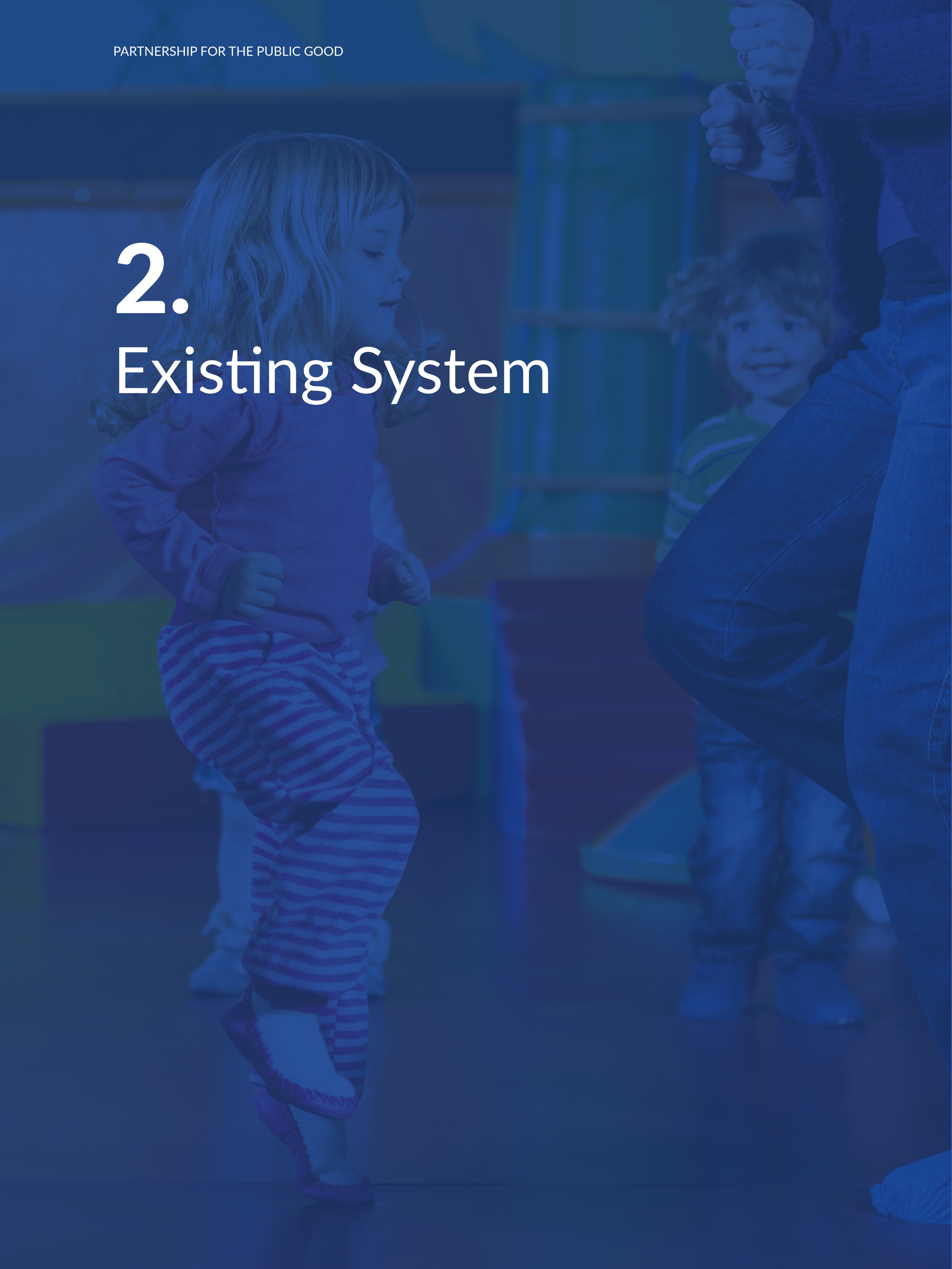
Development and implementation

The funding model should be developed with input from parents, children, providers, the workforce, and other stakeholders.

The funding model should be evidence-based, informed by existing data, research, literature, and models of best practice. It should incorporate mechanisms for future data collection, evaluation, and review.

The funding model should be realistic and capable of practical application.

The funding model should be as transparent as possible, incorporating variables that are objective and measurable on a consistent basis across the system.



2.
Existing System

2. Existing System

This chapter summarises the factual position in Ireland in relation to existing funding mechanisms, including Covid-19 funding measures, the make-up of services, the operating model, and the evolution of the sector. It also deals with childminding.

2.1. ELC and SAC definitions

Save where otherwise specifically stated, the terms Early Learning and Care (ELC) and School-Age Childcare (SAC) are used throughout this report to refer to centre-based provision. Our Terms of Reference also ask us to consider the extent to which the new funding model (or elements thereof) could be applied in the public funding of home-based ELC and SAC, and we deal with childminding later in this chapter.

First 5 adopts the term 'Early Learning and Care' (ELC) to describe ‘any regulated arrangement that provides education and care from birth to compulsory primary school age – regardless of the setting, funding, opening hours or programme content – and includes centre and family day-care; privately and publicly funded provision; pre-school and pre-primary provision’.[16]

In line with the School-Age Childcare Regulations[17], School-Age Childcare (SAC) is defined as ‘a service for school-age children from 4 up to 15 years old that operates outside school hours, the primary purpose of which is to care for children when their parents are unavailable’.

2.2. Public investment in ELC and SAC

Investment in ELC and SAC in Ireland has increased significantly in recent years, rising from €265 million in 2015 to €638 million in 2021. This represents an increase of 141% and equates to 0.31% of Ireland’s modified GNI in 2020, at current prices (€208 billion).[18]

The commitment in *First 5* to at least double the 2018 level of investment by 2028 would result in a budget allocation of at least €970 million. This would involve additional funding of at least €332 million over the 2021 figure of €638 million,

16 The EU Quality Framework as cited in *First 5: A Whole-of-Government Strategy for Babies, Young Children and their Families 2019-2028*, p.12. Available at https://first5.gov.ie/.

17 Child Care Act 1991 (Early Years Services) (Registration of School-Age Services) Regulations 2018. Available at https://irishstatutebook.ie.

18 It is important to note that GNI is a misleading indicator in the Irish context and gives an inaccurate indicator of the country’s economic health. A modified Gross National Income (GNI) figure was recommended by the Economic Statistics Review Group as a more useful comparator. This is designed to exclude globalisation effects that are disproportionately impacting the measurement of the size of the Irish economy.

although this is subject to the prevailing economic circumstances and decisions by Government. An allocation of €970 million would equate to 0.47% of Ireland's modified GNI (in 2020 at current prices).

It is generally argued that State investment in ELC and SAC in Ireland is low by international standards, and this appears to be borne out in multiple international reports. However, international comparisons of this nature are fraught with difficulty, as is evident from Frontier Economics Working Paper 1.[19] That research paper raises serious doubts about potential gaps and inconsistencies in the evidence on public spending on ELC – to such an extent that it concludes 'it is not possible to draw any conclusion on whether public spending on ELC is low in Ireland relative to other countries'.[20] That being said, it seems obvious that many other countries currently invest far more public funding in ELC than is the case in Ireland.

We have not been asked to develop a suitable international benchmark for State investment in ELC and SAC in Ireland, and we are dubious about the merits of pursuing such an approach. We note that much of the additional investment between 2015 and 2020 has funded increases in the number of children eligible for subsidies, rather than increases in the unit cost of delivery or the unit value of subsidies. It is certain that substantial extra public funding will be required to achieve the improvements in quality, affordability, sustainability, and inclusion to which Ireland aspires. We have not tried to estimate what these improvements might ultimately cost because that would involve us forming a view on issues that are outside our remit – issues such as the appropriate levels of practitioner pay ultimately required to deliver consistent quality care, and the levels of contribution relative to income which it is reasonable to expect parents to pay. We are convinced, however, that the commitment to increase investment to at least €970 million by 2028 will not be sufficient to deliver the improvements required. We are pleased, therefore, to note that the existing commitments in *First 5* and the Programme for Government represent a floor, not a ceiling.

The Department estimates that approximately 60% of the centre-based sector's funding pre-Covid-19 came from the State, with the remaining 40% from parental

19 Working Paper 1: International Comparisons of Fees, Staff Wages and Public Investment in Early Learning and Care, Frontier Economics, p.11. Available at https://first5fundingmodel.gov.ie/wp-content/uploads/2020/11/Frontier-WP1-International-Review-1.pdf.
20 Ibid.

fees.[21] Within this, there is a wide variation across centre-based providers with 80% receiving more than half of their income from the State, while some services remain entirely reliant on parental fees.

Percentage of ELC & SAC Income from Parents' Fees	
Percentage of income from parental fees	**Percentage**
0%	32.1%
10%	21.3%
20%	10.5%
30%	6.3%
40%	5.8%
50%	5.1%
60%	4.5%
70%	5.1%
80%	4.0%
90%	3.0%
100%	2.4%

2.3. Existing funding for ELC and SAC

The two principal sources of State funding for the sector are the ECCE programme and the NCS. Services operate within a "marketized system", where delivery is by private providers (whether for-profit or not-for-profit) who may be constituted as sole traders, community organisations, private companies, chains, or other structures, and who are generally free within regulatory and contractual constraints to manage their operations. This includes freedom to set employee wages and parental fees for elements of provision other than the ECCE programme.

Based on the 2021 Budget Allocation, 61% of beneficiary programme funding is ECCE programme funding (including AIM and Programme Support Payment (PSP)), while 39% is NCS and legacy scheme funding (including PSP). This excludes the significant funding made available to support services during Covid-19, including the Employment Wage Subsidy Scheme (EWSS). In addition, it does not capture other

21 Data taken from the Independent Review of the Cost of Providing Quality Childcare Services in Ireland Survey, undertaken by Crowe prior to Covid-19. Since the onset of the pandemic, a larger proportion of income is likely to have come from the State, given the wage support schemes provided by the State, the periods of closure, and the drop in demand.

forms of Stateincome to staff in the sector, such as social welfare payments where staff are on low incomes or are laid off outside of term time.

The **Early Childhood Care and Education (ECCE) programme** provides for free universal pre-school for children for 15 hours per week, 38 weeks per year, for the two years before they begin primary school. The parent finds and chooses a place, as agreed and registered with the provider, and the State makes payments to the provider directly on the basis of a capitation per child. Although the programme itself is free to parents at the point of use, providers are permitted to charge for 'optional extras' that are not considered key parts of the ECCE curriculum (such as entertainment-based activities, nappies/pull-ups, or one paid trip), and 43% of ECCE providers levy such charges. A higher capitation rate is paid on top of standard ECCE capitation rates where the ECCE Room Leader is a graduate. The 2021 Budget allocation for the ECCE programme is €289.3 million (excluding AIM and PSP). Studies of the impact of the ECCE programme, as part of Growing Up In Ireland, have highlighted the high uptake among eligible children and the positive impact on access, with a significant proportion (22%) indicating that they would not have been able to afford pre-school without it (a figure that rises among parents in the lowest income quintile and parents with low education).[22] We discuss uptake levels for ECCE further in Chapter 6.

The **National Childcare Scheme** (NCS) is a system of subsidies. The 2021 Budget allocation for NCS (including the legacy schemes it is replacing) is €205.5 million. A universal subsidy is payable for children between the ages of 24 weeks and 36 months (or until the child qualifies for the ECCE programme if later) who use ELC services from an approved service provider. The universal subsidy is not means-tested and is available to all qualifying families of any income level. An income-related subsidy is payable for children from 24 weeks to 15 years of age who use ELC or SAC from an approved service provider. The level of subsidy payable is determined by the family's reckonable income (i.e. gross income minus tax, PRSI and other deductibles, and minus any applicable multiple child discount) and age of the child.

The NCS provides an hourly subsidy, to offset against provider fees, payable in accordance with the NCS attendance rules. The scheme is designed to be progressive – in providing higher financial supports to those on lower incomes – and the ESRI's research (see Chapter 5) confirms the progressivity of the scheme, albeit noting more

22 **ERSI: Growing Up in Ireland:** *Non-Parental Childcare and Child Cognitive Outcomes at Age 5*, **Economic Social and Research Institute. Available at https://www.esri.ie/publications/growing-up-in-ireland-non-parental-childcare-and-child-cognitive-outcomes-at-age-5.**

acute affordability issues faced by families with multiple children in ELC and SAC. The total number of hours' worth of subsidies available under the NCS depends on whether or not the parents are working or studying: up to 20 hours for children with at least one parent not working or studying, and up to 45 hours otherwise. A differential approach to the number of subsidised hours for parents in different circumstances is based on evidence that part-time participation in ELC is sufficient to positively contribute to child development. Hours spent in the ECCE programme or school are deducted from the entitlement and NCS subsidised hours 'wrap-around' pre-school or school. In practice, this means that many children in school, where one of their parents is not in work or study, cannot access subsidised ELC or SAC during term time.

The NCS also provides for **sponsorship arrangements**. There are families with high levels of need for whom ELC and SAC is required on child welfare or child protection grounds, or for whom ELC and SAC is a necessary element of family support. In such cases, arrangements can be made whereby a specified statutory body ("sponsor body") refers a child to the Scheme for ELC and SAC support. Where a referral is made by a sponsor body, the family will automatically qualify for the highest rate of subsidy for the relevant age category, plus an additional amount in recognition of the fact that parents are not expected to pay any balance of fees.[23] Families do not have to satisfy the NCS eligibility, income, or enhanced hours requirements. Formal agreements between the Minister and the sponsor bodies set out the criteria for qualification for a referral. In the case of the HSE and Department of Education, there are limits on the ages of children and/or their parent who may be referred. When making a referral, the sponsor body will recommend the hours of ELC and SAC needed in each case.

The **Access and Inclusion Model (AIM)** operates in conjunction with the ECCE programme. The main supports are grouped into universal or targeted supports. Universal supports are designed to create a more inclusive culture in ELC settings, through training courses and qualifications for staff. Where universal supports are not enough to meet the needs of an individual child, targeted supports are available to ensure the child can meaningfully participate in pre-school. The 2021 Budget allocation for programme funding under AIM (Levels 1 and 7) is €35 million.

Programme Support Payments (PSP) recognise the additional time required of ELC and SAC providers to complete the administrative work associated with the

23 National Childcare Scheme: Policy Guidelines, p. 73. Available at https://www.ncs.gov.ie/NCS_policy_guidelines.pdf.

Department's schemes and the time required to perform activities outside of contact time with children, such as preparing materials and assisting parents in understanding how they might benefit from the various ELC and SAC schemes supported by the State. The total 2021 Budget allocation for these payments is €19.4 million.

Sustainability Funding can be made available to not-for-profit services that are having financial difficulty in certain circumstances. Short-term resourcing and supports can be accessed through an application process for issues such as emergency relocation, rural and isolated services that are experiencing reduced enrolments, and a transitional support manager to provide governance and management support. Preventative supports can also be provided by City/County Childcare Committees where difficulties can be foreseen, but services may not be at crisis point. During Covid-19, some financial sustainability supports were extended to private for-profit providers. The 2021 Budget allocation for Sustainability Funding is €2.2 million.

The **Learner Fund** is available to support quality and training for staff, and to provide retrospective recognition for participation in training and further study. In 2021, staff working in services who had achieved a qualification at level 7, 8 or 9 between 2015 and 2021 could apply for the Learner Fund Graduate Bursary. Childminders who achieved a qualification at level 5 or 6 during the same timeframe were also entitled to apply for a bursary. The 2021 Budget allocation, which also supports a range of Continuous Professional Development (CPD) opportunities, is €1.2 million. A new approach to resourcing participation in specific CPD courses was also recently piloted through the Learner Fund. *First 5* commits to introducing a redeveloped national subsidised fund for further and higher ELC qualifications. This will be progressed in the context of the new Workforce Development Plan.

Capital funding is available through an annual programme that allows services to apply for funding under specific strands as part of a competitive process. For example, in 2019, a budget allocation of €6.25 million funded 87 ELC services to access a grant of up to €50,000 to create new places for 0–3-year-olds, 33 community services to access up to €15,000 to undertake fire safety works, and 118 services to create new places for SAC with grants of up to €20,000.[24] The 2021 Budget allocation for capital funding is €8.3 million.[25]

24 **Annual Early Years Sector Profile 2018-19. Available at https://www.pobal.ie/app/uploads/2019/12/Annual-Early-Years-Sector-Profile-Report-AEYSPR-2018-19.pdf.**

25 **ELC and SAC is recognised as a strategic investment priority in the revised National Development Plan, with significant funding earmarked to increase capacity in the sector in the coming four years.**

2.4. Make-up of services

Over 200,000 children[26] avail of centre-based ELC and SAC. The service is provided by over 30,000 staff in nearly 4,700 centres across the country. All the services are provided by independent operators, of whom 26% are classed as "community/not- for-profit" and 74% as "for-profit"[27], with 44% of the total being sole traders.[28]

The nature and scale of the service provided varies considerably in terms of the number and age range of children provided for and the service offer available to families (i.e. opening hours, weeks per year). The average number of children per service is 44. The average number of staff per service is 6.8 (of which 5.7 work directly with children). Community not-for-profit services have on average more staff and children than for-profit services, as do urban services compared to rural services.[29]

Settings provide a range of services for children of different ages, including full- and part-time day care, pre-school provision, breakfast clubs and after-school provision and different combinations of the same. An estimated 32% of settings provide full day care services, 84% of settings offer 'sessional' services (less than 3.5 hours a day, usually pre-school) and 42% offer SAC services. [30, 31]

There are 256 services known as Naíonraí, which operate through the Irish Language. These cater to 9,059 children, which amounts to 6% of all children attending ELC or SAC settings: 58% are private for-profit and 42% are community, not-for-profit; 53% are located in urban areas with 47% in rural locations.[32]

The heterogeneous nature of the sector is illustrated in the following graphs.[33, 34]

26 Annual Early Years Sector Profile 2018-19. Available at https://www.pobal.ie/app/uploads/2019/12/Annual-Early-Years-Sector-Profile-Report-AEYSPR-2018-19.pdf.

27 Annual Early Years Sector Profile 2019/20. Available at https://assets.gov.ie/137583/c80c8d06-3298-48e7-b3c2-08794e5fa5c0.pdf.

28 Analysis of the Rate of Surplus for Early Learning and Care and School-Age Childcare Services in Ireland. Available at https://first5fundingmodel.gov.ie/publications-2/.

29 Annual Early Years Sector Profile 2018-19. Available at https://www.pobal.ie/app/uploads/2019/12/Annual-Early-Years-Sector-Profile-Report-AEYSPR-2018-19.pdf.

30 Statutory regulations categorise full-time provision as anything more than five hours per day; part-time provision is categorised as between three and a half and five hours per day; sessional provision is categorised as up to three and a half hours per day. The legacy schemes used to be funded as such, while NCS takes a per hour subsidy approach. SAC may be delivered alongside ELC in these services.

31 Annual Early Years Sector Profile 2019/20. Available at https://assets.gov.ie/137583/c80c8d06-3298-48e7-b3c2-08794e5fa5c0.pdf.

32 Annual Early Years Sector Profile 2019/20. Available at https://assets.gov.ie/137583/c80c8d06-3298-48e7-b3c2-08794e5fa5c0.pdf.

33 Annual Early Years Sector Profile 2018-19. Available at https://www.pobal.ie/app/uploads/2019/12/Annual-Early-Years-Sector-Profile-Report-AEYSPR-2018-19.pdf.

34 DCEDIY administrative data.

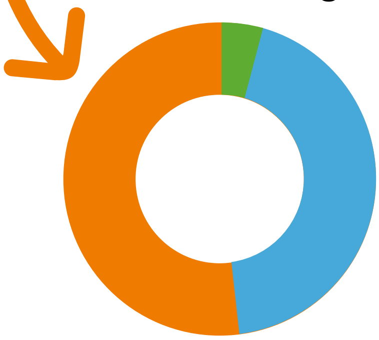
Type of services

Make-up of services

74%
Private services

26%
Community services

Private settings



52%
Other

44%
Sole Trader

4%
Partnership

Weeks open per year[35]

38 weeks or less
42%

38-43 weeks
7%

More than 43 weeks
51%

35 Annual Early Years Sector Profile 2019/20. Available at https://assets.gov.ie/137583/c80c8d06-3298-48e7-b3c2-08794e5fa5c0.pdf.

Capacity

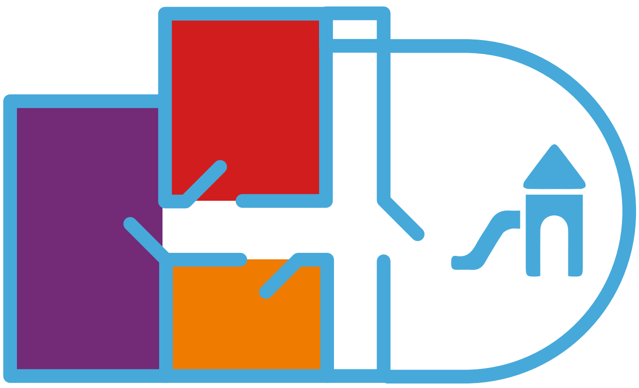
Less than 20 places
20%

21-40 places
33%

21-40 places
35%

More than 100 places
10%

Rooms



1 room
38%

2 rooms
42%

3+ rooms
20%

Staff per room

64%
1-2 staff

36%
3+ staff

Ownership of premises

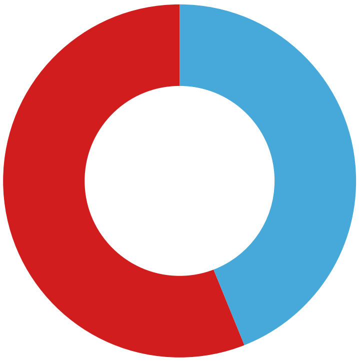
Private Services[36]

Unknown
45%

Domestic building
38%

Commercially owned building
17%

ECCE only[37]



Unknown
56%

Domestic building
44%

Community Services[38]

Non-commercial lease
40%

No formal lease agreement
32%

Commercially owned building
18%

Domestic building
5%

Unknown
5%

36 Annual Early Years Sector Profile 2018-19. Available at https://www.pobal.ie/app/uploads/2019/12/Annual-Early-Years-Sector-Profile-Report-AEYSPR-2018-19.pdf.

37 Ibid.

38 Annual Early Years Sector Profile 2018-19. Available at https://www.pobal.ie/app/uploads/2019/12/Annual-Early-Years-Sector-Profile-Report-AEYSPR-2018-19.pdf.

2.5. Operating model

The Department of Children, Equality, Disability, Integration and Youth (DCEDIY) has responsibility for funding, policy creation, implementation, governance, and oversight of ELC and SAC, with Pobal (a separate not-for-profit organisation) acting as a funding intermediary and administrator, as well as performing compliance inspections and an audit/risk function.

Pobal administers all funding for ELC and SAC schemes and programmes[39] on behalf of DCEDIY. Pobal is a not-for-profit Company Limited by Guarantee that administers schemes and programmes on behalf of a number of Departments and bodies. They operate under the aegis of the Department of Rural and Community Development. The primary shareholder is the Minister for Rural and Community Development.

Pobal undertakes a large volume of work on behalf of the Department, including administration of beneficiary funding, ICT system development and implementation, scheme compliance, NCS service delivery and service delivery of Better Start. Better Start, National Early Years Quality Development, is a national initiative established by the Department in 2014 to promote and enhance the quality of ELC in Ireland. Better Start offers three operational programmes: Quality Development Service, Access and Inclusion Model (AIM), and the Early Years Learning and Development Unit.[40]

The Department's 2021 budget allocation for Pobal was €47.9 million across Pobal administration, Better Start service delivery, and NCS service delivery.

There are 30 **City/County Childcare Committees (CCCs)**[41] that act as local agents of the Department assisting providers and parents with queries and providing training. Each CCC operates as an independent company. The nature and level of work undertaken by each CCC is determined by a Local Implementation Plan, but this varies from CCC to CCC. The 2021 budget for CCCs was €12.2 million.

Childcare Committees Ireland (CCI) acts as a communication conduit for the Department and the CCCs. In 2021, they have been allocated €25,000 from the Department, with €15,000 contributed from CCCs.

39 Pobal, available at https://www.pobal.ie/.
40 Better Start National Early Years Quality Development. Available at https://betterstart.pobal.ie/Pages/Home.aspx.
41 City and County Childcare Committees. Available at https://myccc.ie/.

All centre-based services for pre-school children are required to register with **Tusla, the Child and Family Agency**, the statutory regulatory body,[42] as of the introduction of the Early Years (Pre-School) Regulations, 2016,[43] in respect of registration, management and staff, information and records, care of children in pre-school services, safety and premises, and space requirements. Providers are required to register in advance of opening, re-register every three years, and are inspected periodically. Regulation of SAC was introduced from 2019.[44] Once the requirements of the regulations are met, services are eligible to open and to receive public funding: there is no separate licensing system.

Services may be inspected for regulatory compliance by Tusla, for education standards by the Department of Education, and for governance and financial compliance with programme contracts and rules by Pobal. The situation is different for childminding and is discussed in section 2.8 below. The 2021 Budget allocation for the pre-school inspectorate is €5.6 million.

The **Department of Education** performs inspections of the ECCE programme and has responsibility for curriculum development for ELC. The Department's 2021 Budget allocation for the Department of Education Early Years Education Inspectorate amounted to €1.42 million. This is supplemented by the Department of Education to cover staffing, accommodation, and services costs of approximately €0.34 million.

The Department funds seven **National Voluntary Childcare Organisations (NVCOs)** [45] to perform tasks such as Garda Vetting (background checks on potential employees by the Irish police force), and provision of support and training to service providers. The 2021 budget for NVCOs was €2.5 million. Implementation Plans determine the nature of the work undertaken by NVCOs annually.

42 Tusla Pre-School Services. Available at https://www.tusla.ie/services/family-community-support/pre-school-services/.

43 Child Care Act 1991 (Early Years Services) Regulations 2016 and the Child Care Regulations (The Child Care Act 1991 (Early Years Services) (Amendments) Regulations 2016). Available at https://gov.ie.

44 Child Care Act 1991 (Early Years Services) (Registration of School-Age Services) Regulations 2018. Available at https://gov.ie.

45 Pobal Voluntary Childcare Organisations. Available at https://www.pobal.ie/programmes/voluntary-childcare-organisations-vcos/.

2.6. Evolution of the sector

Policy responsibility for ELC and SAC has evolved over the past two decades – originating in the Department of Justice, Equality and Law Reform before transferring to the Office of the Minister for Children and Youth Affairs under the Department of Health and Children in 2008, and then onto the Department of Children and Youth Affairs when it was established in 2011. Following the establishment of the current Government in 2020, it came under the remit of the new Department of Children, Equality, Disability, Integration and Youth.

The change in policy-holder and the evolution of funding mechanisms reflects a shift in policy objectives since the early stages of State support for ELC and SAC. The evolution of the sector has been developmental and has built on previous phases.

Two decades ago, the focus was on establishing the basic infrastructure required by the sector, using European and Exchequer funding to build from a low base through the Equal Opportunities Childcare Programme (EOCP) and the National Childcare Investment Programme (NCIP), which were operational between 2002 and 2010. The EOCP and NCIP prioritised supporting disadvantaged families and supporting parental access to employment and training, in particular for women. Since then, a sequence of initiatives has brought the sector a long way from where it was. These include but are not limited to:

- 2010: Introduction of the Early Childhood Care and Education (ECCE) programme.
- 2011: Establishment of the Department of Children and Youth Affairs.
- 2012: Annual capital programmes to enhance the physical infrastructure of the sector.
- 2015: Report of Inter-Departmental Working Group: Future Investment in Childcare in Ireland.
- 2016: Expansion of the Community Childcare Subvention (CCS) to private for-profit services.
- 2016: Registration of all Early Years services with Tusla.
- 2016: Introduction of the Access and Inclusion Model (AIM).
- 2016: Expansion of the ECCE programme to children from age 3.

- 2017: Introduction of universal subsidies for children of pre-ECCE age.
- 2017: Sustainability funding for community services and Case Management to support services at risk of unviability or other sustainability challenges.
- 2018: Expansion of the ECCE programme from one to two years before the start of school.
- 2018: Publication of *First 5*, a whole-of-government strategy for babies, young children and their families.
- 2019: Launch of a statutory scheme (NCS) to provide financial supports.
- 2019: Regulation of School-Age Childcare services.
- 2020: Financial support provided for wages throughout Covid-19 (to a degree unavailable to any other sector).

These policies reflect the importance of ELC and SAC for children and families. This is seen in the creation of universal entitlements and programmes (such as the ECCE programme and NCS universal subsidies) aimed at children from all backgrounds, and in efforts towards promoting the employment of qualified educators (under Higher Capitation funding in the ECCE Programme). These universal schemes and programmes operate in parallel with means-tested schemes (the NCS income-assessed subsidies and legacy schemes), which target supports to those identified as disadvantaged and needing the greatest level of financial support. The ECCE programme and NCS combined demonstrate how the existing funding model aims towards progressive universalism, which is also one of our Guiding Principles for the new funding model.

The evolution and expansion of policy objectives has been coupled with increased investment in ELC and SAC. State investment in the sector has increased by 141% over the five budgets to 2020.

We also note that the Programme for Government,[46] published in 2020, states that on Early Years Education and Affordable Childcare the Government will:

46 Our Shared Future – Programme for Government. Available at https://www.gov.ie/en/publication/7e05d-programme-for-government-our-shared-future/.

- Establish an agency, Childcare Ireland, to assist in the expansion of high-quality childcare, spearheading leadership, best practice and innovation, and professional development in community and private settings.
- Continue to invest in the National Childcare Scheme, reducing costs for parents, and introducing greater parental choice and flexibility.
- Reform the childcare system to create one that brings together the best of community and private childcare provision, is focused on children's rights and quality outcomes, reduces inequalities, supports staff retention, and substantially reduces costs to parents, in consultation with providers, staff, and parents.
- Ensure sustainability within the Early Learning and Care and School-Age Care sector, by fast-tracking the work of the Expert Group in considering a new funding model.
- Examine the approach of other European countries to set a cap on parental fees, irrespective of income.
- Examine options to increase flexibility within centre-based care, as well as options to accelerate access to subsidies for non-relative childminders.
- Continue to support the Early Childhood Care and Education scheme for three- to five-year-olds, and if resources allow, to increase the scope of the scheme.
- Increase the range of after-school services in schools or community hubs, to offer a selection of education and family-focused measures.
- Support the establishment of a Joint Labour Committee in the childcare sector and the drawing up of an Employment Regulation Order, which would determine minimum rates of pay for childcare workers, as well as terms and conditions of employment.
- Pilot a new apprenticeship model for early-years professionals.
- Streamline regulatory requirements, while continuing to improve quality.
- Ensure a transparent inspection reporting structure for parents and guardians.

- Extend paid parental leave for parents, thereby allowing them to spend more time with their baby during the first year.
- Implement the *First 5* Strategy for babies, young children and their families, which recommends the examination of new funding models for childcare and also outlines new poverty prevention measures.

2.7. Covid-19 funding measures

Since the onset of the Covid-19 crisis, the State has implemented a range of emergency supports to sustain the sector.

The Department implemented targeted ELC and SAC support schemes to sustain the sector. These included the Temporary Wage Subsidy Childcare Scheme (TWSCS) from March to June 2020, which required services not to charge parental fees for the closure period and ensured that staff were retained; were retained; the Reopening Support Payment (RSP) from June 2020, which required services not to change their fees for the initial reopening period; and the Covid-19 Operating Support Payment (COSP) from January to March 2021, which required services to waive fees for children who could not attend.

At time of writing, Covid-19 financial supports continue to be made available to the sector. The State introduced an economy-wide enterprise support scheme, the Employment Wage Subsidy Scheme (EWSS). The EWSS provides a flat-rate subsidy to qualifying employers based on the number of eligible employees on the employer's payroll, and a reduced rate of employer PRSI of 0.5% on wages paid that are eligible for the subsidy. While other employers are required to demonstrate a reduction in turnover of 30% to qualify for the scheme, ELC and SAC services registered with Tusla received an exemption from the EWSS turnover requirements. Although turnover in ELC and SAC has not fallen by as much as 30%, the costs of delivery are higher in the context of public health measures – and particularly the requirement to operate 'play pods'. The Department estimates that the value of EWSS to the sector at time of writing is €34 million per month. It also estimates that for an average ELC and SAC service, this support funding covers approximately 80% of normal payroll costs, or about 50% of normal operating costs. The EWSS is paid in addition to the existing ECCE programme capitation and NCS subsidy rates.

The success of these measures is evidenced in the stability of the sector throughout this turbulent period. For example, there was no significant increase in service closures, the numbers of staff held steady, and fees remained at pre-Covid-19 levels.[47] The various fee conditions attached to Covid-19 support schemes provided certainty, fairness, and affordability for parents, and helped underpin the case for increased Covid-19 support payments to stabilise and sustain the sector. The EWSS was highlighted by many stakeholders as a positive example of the type of funding that should become a feature of the future funding model. More generally, the combination of additional funding and certain conditionality provides a good example of how increased funding combined with enhanced public management can help to support the delivery of ELC and SAC for the public good. These were short-term measures in the context of the pandemic, however, and their longer term effects are difficult to judge.

2.8. Childminding

Our Terms of Reference say:

> *[W]hile the immediate focus of the new funding model is primarily on centre-based ELC and SAC, given the significant policy developments afoot in respect of home-based ELC and SAC (with plans to regulate home-based provision over time), the Expert Group is asked to consider the extent to which the new funding model (or elements thereof) could be applied in the public funding of home-based ELC and SAC.*

Childminding is described in the National Action Plan for Childminding (2021-2028) as paid, non-relative care of children aged from birth to 14 (including both ELC and SAC) in which children are cared for singlehandedly within the childminder's family setting. Childminding is also described as 'home-based' care, as distinct from 'centre-based' care (although some centre-based care takes place within a service provider's home, for example in a purpose-built extension to the home). Like some sole traders providing centre-based care, childminders generally work on their own and operate small services. However, centre-based services differ from childminding both in scale (the number of children), the degree of integration within the childminder's family life, and the likelihood of a mix of age groups.

47 Annual Early Years Sector Profile 2019/20. Available at https://assets.gov.ie/137583/c80c8d06-3298-48e7-b3c2-08794e5fa5c0.pdf.

It is currently the case that a person operating a childminding service must be registered with Tusla if they are minding more than six mixed-aged children at any one time or more than three pre-school children. A childminding service is outside the scope of registration with Tusla if they care for six or fewer children (provided there are no more than three pre-school children), or if they care for children of just one family.

Accurate data on the numbers of childminders in operation in Ireland is unavailable, but the National Action Plan for Childminding estimates that there are approximately 15,000 childminders caring for children in the childminder's home.

For many children, from a very young age their childminder is their main carer other than their parents and becomes a constant figure in the child's life. In addition, research shows positive outcomes for children of quality childminding, which may be linked to consistency of care and a low child-adult ratio. Childminders are highly valued by many parents because of the home-from-home setting, their lasting relationships, and the flexibility they can offer, including catering for both pre-school and school-age children, including siblings. Many families prefer to use childminders, while for some families, in areas where centre-based care is either not available or opening hours do not match the family's needs, childminding is the only option. Childminders sometimes offer greater flexibility and responsiveness for parents, fitting around parents' working hours. Despite its advantages, childminding in Ireland is almost entirely unregulated. As of June 2021, the number of childminders registered with Tusla was just 75.[48]

The National Action Plan for Childminding, published in April 2021, commits to bringing all non-relative childminders within the scope of regulation. This Action Plan includes the development of new regulations and training that are specific to childminding, the amendment of legislation to allow childminders to register with Tusla, and a review of the funding and financial supports available for childminders. The extension of regulation to childminders will come into force after an initial preparatory phase lasting 2-3 years (which will involve review of regulations, development of bespoke training and supports, detailed costings, and further consultation) and during a second transition phase lasting 3-5 years (which will see

48 National Action Plan for Childminding (2021-2028). Available at https://www.gov.ie/en/campaigns/df207-national-action-plan-for-childminding-2021-2028/.

new regulations coming into force, access opened to the NCS, transitional training requirements, and expansion of supports). This will have a range of benefits including allowing parents who use registered childminders to access subsidies under the NCS at the earliest possible opportunity, provided their childminders have completed initial training requirements and meet other core regulatory requirements (e.g. vetting, first aid) and go on to complete further training over a period of years.

There are many similarities between childminding and small centre-based services operating under a sole trader model, but the scale and complexity of the changes required to incorporate childminding into the regulated system cannot be underestimated. Very few childminders are currently registered, but those that are registered can access the ECCE programme and the NCS; and the Department anticipates that, as regulations are extended, greater numbers of registered childminders will be in contract for these schemes. Quality supports specific to childminders are a feature of the National Action Plan for Childminding, including the development of staffed local childminding networks around the country. From a funding perspective, and despite the differences between childminding and centre-based provision, we believe that it would, in principle, be reasonable to make the new funding streams being recommended in this report available to registered childminders. There might however be a need to consider differences in costs of delivery and other operational differences between childminding and centre-based provision. We suggest that the Department develop an appropriate approach, taking account of the National Action Plan for Childminding (2021-2028).

2.9. School-Age Childcare

As indicated above, school-age childcare (SAC) is defined for the purpose of this report as: ‘any centre-based service for school going children aged 4-14 years (inclusive), which operates during one or more of the following periods – before school, after school, and/or during school holidays – and the primary purpose of which is to care for children when their parents are unavailable’.

A diverse range of services provide SAC in Ireland, including play groups, day nurseries, crèches, day-cares or other similar services, and which often provide a range of activities that are developmental, educational and recreational in manner.

SAC is subject to many of the same variations as ELC, and services may be delivered in a variety of settings: standalone services for school going children; part of service provision offered by sessional or part-time pre-school providers (e.g. where there is a pre-school morning session, and school-age afternoon provision); part of service provision offered by a full day care/crèche provider; or located on school grounds. In addition, SAC services may be managed in a number of different ways, e.g. by voluntary management committees, private individuals or schools. SAC services may or may not be in receipt of State or other funding.

SAC forms a core element of the sector. Its potential benefits are manifold, including allowing children easier transitions after schooldays and its ability to bridge the gaps between children's school hours and parents work hours, and this is reflected in its high levels of popularity among parents and children alike.[49] The number of families accessing SAC has seen significant growth and development in recent years.[50] However, demand for SAC seems to have fallen significantly during Covid-19, and this reduction in demand may persist if parents continue to have access to remote and flexible working arrangements. Frontier Economics endeavoured to include SAC in all of their research papers for us, but often found limited evidence specific to SAC.

At present, there is no distinction made between ELC and SAC for the purpose of the NCS (by its nature the ECCE programme only applies to pre-school children). Benefits in relation to working conditions, staff retention and child development may be gained where staff who provide ELC also provide SAC, given the importance of facilitating full-time, full-year contracts. We also understand that the Workforce Development Plan will introduce a role profile and qualification requirement for SAC practitioners, and there may be differences between ELC and SAC.[51] Overall, the proposed new funding model recommended in this report is designed to operate across both ELC and SAC.

49 Action Plan on School-Age Childcare. Available at https://assets.gov.ie/24759/0bd72e21ac674cdb9eed1952c309c144.pdf.

50 National Quality Guidelines for School-Age Childcare Services. Available at https://www.gov.ie/en/publication/b66c5-national-quality-guidelines-for-school-age-childcare-services-guidelines-components-and-elements-september-2020/.

51 As noted in footnote 58, there are also differences in application of curricula in ELC and SAC.

3. Funding Models

3. Funding Models

This chapter starts with some general reflections about the need to reform the existing funding model. It reviews the results of comparative international research undertaken on behalf of the Group and highlights several points that emerged from the consultation process. It looks at the issues of supply management and capital funding. It concludes with some preliminary comments.

3.1. Rationale for funding model reform

The Expert Group recognises that the ELC and SAC sector has been on a significant journey of development, and that this continues. While Covid-19 cannot be ignored, we are working on a funding model that is to last long after the pandemic, and much of the analysis of the situation arises from the pre-Covid-19 situation. An important insight from the Covid-19 period is the evident importance of the sector to society, and therefore the inescapable responsibility of the State to be involved in the sector.

There has been enormous progress and change in the sector, but there is also a continuing need for reform. Despite increasing levels of public funding and management, deficiencies remain that have negative impacts on the realisation of the intended policy goals of ELC and SAC. Some of the main problems include:

- Low wages and poor working conditions, and particularly the way in which these undermine the quality of provision.
- Variable levels of fees paid by parents, with high fees paid by some categories of parents.
- A sense of precariousness and fragility among providers, which is evidenced by the proportion of those who are operating on a breakeven or deficit basis.
- An absence of any specific policy or programme to support ELC and SAC services to tackle socio-economic disadvantage.

Increasing public funding creates the opportunity to improve these issues, although investment requires significant oversight and careful management in order to ensure that maximum benefits are achieved for children and families and to avoid unintended consequences or adverse impacts. In part, the challenge arises because the ELC and SAC sector is not a “normal” market. Some features of the sector which demonstrate this include high entry costs for services, high switching costs for parents, and the fact that children's participation in high-quality ELC and SAC delivers benefits to society generally – not just to those participating.

The policy imperatives for ELC and SAC as essential parts of society's infrastructure relate to child development and learning, the childcare needs of parents and families (including the way in which difficulties relating to ELC and SAC have a particularly gendered impact), and social inclusion and equality. While ELC and SAC enhance the development of individual children and well-being of families, they also have wider societal benefits. Recognition and appreciation of this public good dimension should benefit the sector and bring with it sustainability, predictability, and additional investment in quality for services. For this reason, we consider that an important part of reform will be for the State to work closely with services to jointly enhance child development and wider societal benefits. Doing so requires the State to manage the sector more proactively and deliberately, rather than relying on market forces. This enhanced public management will in itself require additional resourcing.

The positives in the existing sector and system should not be overlooked, and the Expert Group fully acknowledges that this is not a new landscape from which to design a new funding model. Throughout the consultations, there were examples of top-quality services and highly motivated staff. Unfortunately, there are also examples to the contrary, and frustrations were heard from all stakeholders. In general, there was a sense that the sector is undervalued and underappreciated. Feelings of a lack of trust or respect were voiced by providers and practitioners. Negative reactions towards the existing approach to funding services were also strongly voiced, with providers drawing attention to the significant administrative and regulatory burden, and the unintended impacts of elements of policy design. Such views are concerning and do not make for an ideally functioning sector.

In designing a funding model, it is important to consider the impact of State funding on a privately delivered sector. The level of funding provided must be sufficient to achieve a range of policy goals relating to quality, affordability, accessibility, tackling disadvantage, and sustainability of provision. However, in this sector, it is difficult to simply attach a monetary value to something (for example, enhanced qualifications or lower fees) and expect the response to be perfectly in line with policy goals. The State should be concerned about areas of market failure, for example insufficient supply of places in some areas; of excess profit seeking; of the risk to child welfare; of unaffordability that might arise from approaches to shaping the sector that are driven either by monetary gain or attempts to limit public expenditure. The funding model and operating model as a whole need to be designed to provide funding to the sector in a way that ensures that providers are strongly incentivised, supported, and in some cases required to produce the outcomes desired by policy.

It is important not to look at the sector solely through a monetary lens. There is a non-monetary motivation on the part of many providers and staff in the sector. A sentiment heard throughout the consultations is that many are not “in it for the money”. The State should understand and recognise that the motivation of many providers and staff is to educate, support, and work with children, and should harness and maximise the positive impacts of these motivations. Meanwhile the sector must accept the accountability and transparency that comes with this assumption of working together to deliver ELC and SAC for the public good.

In addition, consideration must be given to the diverse concerns of different stakeholders. From stakeholder consultation and engagement, we have seen that for parents, flexibility in terms of attendance, choice of provision, places and hours, and affordability were desirable. By contrast, providers were concerned with the sustainability and stability of service provision, and key to this was reliability in terms of their expected level of funding, service provision and capacity. For the workforce, stable, well-paid employment with opportunities for development and recognition was seen as vital. The child’s need for stability and routine must also be considered. These are just some instances of the sometimes contradictory perspectives at play within the sector.

Having considered these factors, the Expert Group believes that there is a strong case for enhanced public management in the sector, with the State working in partnership with providers. Such an approach would help to ensure that additional public funding achieves the best outcomes for children and their families by delivering quality, affordable, accessible, sustainable, and inclusive services. This view is further supported by the Expert Group’s experience, international best practice, research, and stakeholder consultations. We discuss public management further in Chapter 7.

Implementation of the Expert Group’s recommendations will be dependent on budgetary decisions, and additional funding is likely to become available on an incremental basis. Full implementation of the recommendations of the Expert Group is therefore only likely to be achieved over several years. Our vision for the sector is one that is increasingly publicly funded and publicly managed, striving to deliver ELC and SAC for the public good through a partnership between the State and providers, to the benefit of children and their families, practitioners, and society as a whole. Achieving this vision will require enhanced and active State involvement in the sector to promote positive transformation and to prevent unwanted developments. Our recommendations seek to enable such a sector and describe the types of State involvement that can achieve it.

3.2. International funding model comparisons

Frontier Economics Working Paper 2 provides a description of the range of approaches used to reduce ELC and SAC costs to parents through public funding in seven jurisdictions, and summarises the key features of these, alongside those for Ireland.[52] The paper details examples from Canada (Ontario), England, France, Germany (Bavaria), the Netherlands, New Zealand, and Norway. These specific countries were chosen for comparative purposes because, in common with Ireland, they have at least a partially private ELC and SAC model of delivery. The comparisons are relevant but do not necessarily represent approaches that could be applied in their entirety to Ireland. The Working Paper deals solely with funding approaches that seek to directly reduce the amount that parents pay for ELC and SAC: it excludes a discussion of systems funding and programmes akin to AIM, Sustainability Funding, PSP, the Learner Fund, and capital funding.

Frontier Economics note that in some countries ELC and SAC fall under the auspices of education departments, in others responsibility is split between education and social affairs, whereas in Ireland these services are governed at the top level by a department for children.[53] Working Paper 2 also notes, however, that there are common policy aims across all jurisdictions, such as improving the experience of the child and supporting parental work, with about half of the countries also referring specifically to reducing inequality and poverty.

52 Working Paper 2: International Approaches to Funding Early Learning and Care and School-Age Childcare to Reduce Costs for Parents, Frontier Economics. Available at https://first5fundingmodel.gov.ie/wp-content/uploads/2020/11/Frontier-WP2-Funding-Approaches.pdf.

53 While the remit of the Department of Children, Equality, Disability, Integration and Youth has been recently expanded to other areas (including equality, disability, and integration), it retains full responsibility for ELC and SAC, separate to the departments for social protection and education.

All jurisdictions offer free hours of ELC during the years preceding school entry. The age range for eligibility and the number of free hours vary, but the offer is generally universal. In Ireland, the ECCE programme for children of eligible age is universal and provides 15 hours a week for 38 weeks a year with a two-year entitlement.

Generally, these jurisdictions offer subsidies which favour lower-income families. (In some cases, eligibility for subsidies is universal, but the level of benefit is typically heavily targeted towards lower-income families.) In Ireland, the NCS includes a small universal element, but most of the subsidies paid depend upon an income assessment.

Refundable tax credits are offered in half the jurisdictions, and tax deductions in less than half. Virtually all are targeted at working parents. Tax credits/deductions do not feature in the Irish system.

Most jurisdictions have a mix of approaches to reduce costs to parents, which can include a pre-school universal element, an element aimed at low-income families, and an element aimed at working parents. In Ireland, these elements can be seen in the ECCE programme, and the NCS income-related subsidies and "work/study test".

Broadly speaking, subsidies to reduce costs to parents can be "supply-side" or "demand-side". In supply-side funding models, subsidies are paid to providers and providers determine how subsidised hours are offered. In demand-side funding models, subsidies are paid to parents and parents decide which providers receive the subsidies and which hours and places are subsidised. In practice, the NCS and the ECCE programme are something of a hybrid, as subsidies are paid to providers (supply-side) but the money "follows the child" (demand-side) with parents choosing providers and (for non-ECCE provision) hours.

3.3. Supply-side funding

The main gap in the existing funding model is that the policy levers available to influence a service's operations are limited, because the primary conditionality attached to the existing funding is that it offsets and in some instances totally covers the cost of provision for the parent. This limits the State's capacity to implement strong public management of the sector. A new funding model that includes an element of pure supply-side funding would provide an opportunity to further develop the sector and strengthen the capacity of the State to use public funding to improve quality, affordability, accessibility, social inclusion, and sustainability.

By making NCS subsidies available to providers, albeit via parents, the State exercises some influence over the sector: providers wishing to participate in the NCS have to opt to contract to deliver NCS in accordance with the scheme rules. However, the fact that subsidies are linked to parental entitlement, and that the full subsidy is deducted from the gross fee, limits the Department's ability to influence supply-side issues, such as quality or regulation of co-payments. Under the NCS, any action to modify subsidy rates in order to drive quality or affordability – for example, by increasing subsidies for high-quality services, or removing subsidies for breaches of such conditions – will have an impact on parental co-payments rather than on the service. Even the most basic form of conditionality – restricting participation in the scheme to those who meet certain minimum criteria – negatively affects parents who wish to avail of the scheme's affordability benefits, since parents are dependent on their service participating. In addition, because different parents have different entitlements under the scheme (based on income and hours of use), NCS funding as a proportion of total income will vary from service to service, meaning that the effects of any changes would be different for each service. Leveraging NCS to achieve the full range of policy goals appears impractical. Although the NCS is well designed from the perspective of delivering a scheme that is progressive and flexible, and generally focusses affordability supports where they are most needed, it is not the ideal mechanism to achieve wider policy goals.

The ECCE capitation is slightly different in that it involves the State purchasing a service, albeit one chosen by the parent, rather than (as under NCS) a reduction in the cost of the service. This enables greater State-led conditionality in the ECCE programme than in NCS: hence the higher-than-regulatory qualification requirements, Higher Capitation payment, zero co-payment and regulation of optional extras, and other conditions of the ECCE Programme that are not in NCS. However, the success of the ECCE programme in delivering on its policy goals has, to some degree, led to a split in provision between ECCE and non-ECCE service provision and a proliferation of sessional services, part-time contracts, etc. For example, the Higher Capitation payment under the ECCE programme has diverted graduates away from non-ECCE provision, despite the importance of high-quality provision for under-3s. A Focused Policy Assessment of Higher Capitation also noted a difficulty in ensuring that additional payment was passed on to educators.[54] Similarly, ECCE staff tend to have higher hourly pay, but are less likely to have permanent or full-year contracts than their non-ECCE counterparts.[55]

The stakeholder consultation has highlighted other issues caused by the existing funding approach. The "money follows the child" system means that parents can remove or reduce their subsidy from a setting – so public funding through the NCS is not always a stable basis for planning services. Similarly, both NCS and ECCE programme funding is paid based on hours of attendance, and stakeholders have argued that this does not sufficiently account for non-contact time, training, and flexibility.

The introduction of a new supply-side funding scheme to operate in tandem with NCS and the ECCE programme has the potential to unlock many of the challenges that exist with the current funding model.

These negative and unintended consequences of the existing, largely demand-led funding model justify a new funding model to complement the ECCE programme and the NCS.

A true supply-side funding stream can drive and incentivise quality. The introduction of a new supply-side funding scheme to operate in tandem with the NCS and the ECCE programme has the potential to unlock many of the challenges that exist with the current funding model. A supply-side approach to funding could be designed to facilitate improvements in the quality of provision and deliver significantly on affordability, sustainability, and tackling disadvantage.

54 Focused Policy Assessment (FPA) of the ECCE Higher Capitation Payment. Available at https://www.gov.ie/en/publication/827ae-focused-policy-assessment-fpa-of-the-ecce-higher-capitation-payment/.

55 Annual Early Years Sector Profile 2019/20. Available at https://assets.gov.ie/137583/c80c8d06-3298-48e7-b3c2-08794e5fa5c0.pdf.

A supply-side funding stream allows a new type of relationship to be established between the State and the provider, acting for the public good, on behalf of children and families.

Supply-side funding could leverage significant reform in the sector in terms of public management. Over time, as the Department's capacity increases, additional funding becomes available, and reforms to the operating model are introduced, levels of public management could be built up.

There is currently an over-reliance on provider competition without a proactive State role in shaping what the sector should look like. Provision is shaped by providers' preferences informed by what the Department funds and what parents want, but with limited public management. Increased public management can enhance quality by providing resources and supports to services. It can work to reduce the risk of market failure, which can lead to lack of access or affordability.

A new funding model to facilitate enhanced public management will only succeed if it is supported by an operating model with the capacity to deliver the required public management. A separate review of the operating model is also underway and is nearing completion. While we do not propose to comment on the operating model per se, the resourcing of that model in terms of staff, systems, etc. will need to be commensurate with the State's ambitions in relation to better public management of the ELC and SAC sector.

Making this supply-side funding widely available would ensure that the benefits are felt by a large number of children and families using ELC and SAC, assuming a significant proportion of providers sign up. A supply-side funding stream available to all services can be enhanced for services operating in the context of concentrated disadvantage to support measures on social inclusion. Currently, there is a gap in the funding model to provide additional supports to such services.

Such an approach to funding would involve the State funding child places rather than child attendance, leading to the possibility of funding unfilled places. This is a risk worth taking, given that the issue with capacity in the sector is primarily one of undersupply, especially in certain parts of the country and for certain age groups. The risk would also be offset by the fact that supply-side funding would amount to a minority of services' funding at least initially; the bulk of their income (from the ECCE programme, NCS, and parental fees) would continue to depend upon child places being filled.

3.4. Supply management

It seems clear that there is currently an insufficient supply of ELC and SAC places in certain geographic areas. The lack of sufficient available places in some disadvantaged areas is particularly concerning. There is also a deficit of places for younger children. The 2018/19 Pobal Sector Profile states that 'demand for places for the 0–3-year-old age cohort is not being met and continues to grow'.[56] This deficit in supply has existed for several years and there is no sign that this will change, absent appropriate State intervention. It is difficult currently to anticipate the medium-term impact of Covid-19 and extensions to paid parental leave on demand and supply, but it is essential that issues of undersupply be addressed if the child development and labour market activation policy goals are to be met. We refer in Chapter 7 to the need for better information about supply and demand, better capacity planning, and working with providers to expand/extend services where there is sufficient parental demand.

Managing geographical supply deficits appears to require capital funding, rather than current funding or a mixture of both. However, the shortage of places for babies and younger children is probably linked to the higher cost of delivery involved, owing to the higher staff ratio requirements. A new supply-side payment could be used to help make the provision of services for this age group more attractive, by setting a relatively higher rate of payment for those age groups where there is a supply deficit.

Our Terms of Reference mention a "minimum service offer (opening hours)" and "optimum size of setting (numbers of staff and children of different ages)" as possible indicators of quality. It seems likely that:

- The opening times of services will influence the working hours of staff and may, as a result, increase staff turnover, in turn impacting on quality.
- The design and internal layout of a service will impact on quality.

56 Annual Early Years Sector Profile 2018-19. Available at https://www.pobal.ie/app/uploads/2019/12/Annual-Early-Years-Sector-Profile-Report-AEYSPR-2018-19.pdf.

- The level of occupancy will have an impact on the provider's financial sustainability.
- The scale of operation will influence a service's administrative workload, although economies of scale may also be possible.

However, this does not mean that "small is bad" or "big is good". Some parents may prefer the quality and flexibility offered by smaller services, and some employees may want part-time employment. On the other hand, larger services may have greater scope to develop features of quality and offer more full-time hours or full-year contracts. Providers have their own motivations, limitations, and ambitions in respect of their service size and operating times. Arguably, one advantage of the variation in the sector is that it seems to be able to offer a wide choice of service offerings, reflecting different parental needs/wishes regarding opening hours. Setting minimum opening hours or size of setting does not seem to us to be a sensible or effective approach in the short term. However, simply leaving the model of delivery to develop organically would not be sufficient. The best approach, therefore, may be for the operating model to develop its capacity to analyse supply and demand at a local level in a nuanced way and, where discrepancies are identified, work with providers at local level to explore how best to meet such needs.

3.5. Capital funding

The Department has a proven record of successfully directing capital supports to increase supply. Many community not-for-profit facilities, and some for-profit facilities, were built using public capital investment under the Equal Opportunities Childcare Programme (2000-2006) and the National Childcare Investment Programme (2006-2011), both supported by the EU. In recent years, small-scale capital grants have been directed towards increasing the supply of places for young children. We are advised that the State has funded more than 27,000 new places (both new provision and expansion of existing provision) through the annual ELC and SAC capital programme since 2014. These smaller-scale annual capital programmes have also supported quality improvements, and maintenance and upgrades to existing facilities in both for-profit and community not-for-profit services.

The Department is due to be allocated €70 million in capital funding under the National Development Plan from 2023 to the end of 2025, with further funding expected from 2026. There is likely to be a continued role for small-scale capital grants in future years, to respond to particular demands, such as more/better outdoor play areas. However, the National Development Plan funding provides the Department with an important opportunity to address the supply gaps that are already apparent, and to increase supply in order to meet expected future demand. We highlight elsewhere in this report the need for the Department to use local intelligence about existing and projected demand/supply to enhance its capacity planning function, and to work with service providers to extend opening hours where appropriate. The combination of enhanced public management, increased capital investment, and the opportunity to use the new supply-side funding being recommended in this report should help the Department to guide the development of important capacity improvements in the sector.

We have been advised that the Department is determined to ensure that future capital investment is subject to appropriate finance, governance, and accountability conditions governing ownership, usage, liens, etc. to protect the State's investment. We fully endorse this approach. The Department needs to ensure that capital assets funded by the State continue to be used for ELC and SAC purposes and to avoid situations where such assets can be sold, used as collateral for borrowing, or used for commercial financial transactions that are not in the public interest. There may also be circumstances where it is appropriate for the State to retain ownership and lease the asset to a suitable provider.

In instances where the State is providing capital assets at a reduced cost, there is significant potential for operational conditions to be attached to either the grant or the lease. This may include certain types/hours of provision, fee rates, and quality measures. Those benefiting from the provision of the asset should be subject to enhanced public management. The buildings themselves should be constructed to a high standard, in particular taking into account the Universal Design Guidelines published by the Department.[57]

57 **Universal Design Guidelines for ELC Settings. Available at https://aim.gov.ie/aim-supports/universal-design-guidelines/.https://aim.gov.ie/aim-supports/universal-design-guidelines/.**

3.6. Comments

The NCS subsidies and ECCE capitation are neither entirely supply-side nor entirely demand-side, but rather something of a hybrid. They can be seen as supply-side because the funding is paid to the provider, but also as demand-led because the subsidy is awarded to the parent and the money follows the child to the provider.

In theory, demand-led funding can support parental choice, encourage providers to meet parents' needs and incentivise parents to seek the lowest cost option, thereby creating competitive pressures for providers to operate efficiently, minimising delivery cost and any profit or surplus. On the other hand, supply-side funding is better for supporting public management of the sector and can support quality measures, such as workforce skills, working conditions, curriculum implementation, and collaboration between services.[58]

We recognise that the NCS offers a readily recognisable form of affordability subsidy to parents, establishes a useful relationship between parents and the State, and facilitates some degree of parental choice. All these elements are worth retaining. At the same time, we believe that the promised increase in State funding should incorporate a more direct form of supply-side payments to providers. We expand on this in later chapters.

There are downsides to channelling any of the promised additional investment into tax deductions/credits as a purely demand-side subsidy. They cannot be used to leverage quality in the same way that payments directly to providers can. It is clear from our Terms of Reference that the new funding model should operate with the NCS and the ECCE programme. To recommend further demand-led funding, like tax credits, would increase the scale of demand-side funding of the sector and would not help to guide the sector towards a more publicly managed service, where policy levers can be used to support quality, affordability, availability, access, and sustainability. Additionally, lower-income families would not benefit as much from tax deductions/credits as those with higher incomes. When considered against our Guiding Principles, we conclude that the development and implementation of a new supply-side funding stream is needed to complement the NCS and the ECCE programme.

58 Working Paper 7: ELC and SAC Funding Models which Support Provision Quality, Frontier Economics. Available at https://first5fundingmodel.gov.ie/wp-content/uploads/2021/04/WP7-ELC-and-SAC-Funding-Models-which-Support-Provision-Quality.pdf.

4. Quality

4. Quality

The European Pillar of Social Rights states as its 11th principle that all children have the right to affordable early childhood education and care of good quality. This chapter explores approaches to designing a funding model and associated systems to support and drive high-quality service provision. Quality can be considered at the system level and at the setting or service provision level.

4.1. Components of quality ELC and SAC systems

EU recommendations[59] state that there are five key components that a quality system should ensure:[60]

- Access to high-quality early childhood education and care.
- Appropriate training and working conditions of staff in charge of early childhood education and care.
- Definition of appropriate curricula.
- Adequate governance and funding.
- Transparent monitoring and evaluation of service provision.

Each of these components are present to some degree in the Irish context, and the new funding model should ensure that funding is appropriately connected to improvements in these areas to the benefit of the whole system.

High-quality ELC and SAC service provision is a priority to support child development, and staff are fundamental to the quality of a service. This is even more important for children experiencing disadvantage. Low-quality services can harm children growing up with disadvantage.

Regulatory minima provide a baseline of quality, covering important elements affecting child development and welfare, including qualifications and Garda vetting. The new funding model offers the opportunity to drive additional levels of quality over and above the basic requirements stipulated through regulations and existing contracts for

59 Art. 16, Council Recommendation of 22 May 2019 on High-Quality Early Childhood Education and Care Systems. Available at https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv:OJ.C_.2019.189.01.0004.01.ENG.

60 The EU Recommendations relate specifically to ELC. Where relevant, we are applying them to the whole ELC and SAC system.

the ECCE programme and the NCS. Also, the new funding model should facilitate the supply of, and increase demand for, high-quality places.

Delivering higher-quality services comes at a cost: many components of quality involve spending money, particularly those related to the workforce. International research shows that pay and conditions are linked to quality; achieving a meaningful improvement in the quality of ELC and SAC requires improving staff pay and conditions.[61] It also requires services and staff to spend time on curriculum development and implementation, training, interactions with parents, transition supports, and other activities that improve the experience of children accessing ELC and SAC.

Hence, there is a tension between quality and affordability: increasing quality will lead to higher costs, which may be passed on to parents as higher fees. The aim, therefore, should be to support a higher cost of delivery (enabling a higher-quality service) while avoiding increased parental fees. It is in the interests of the State to support the provision of high-quality ELC and SAC places, and increased State funding to services should be designed to meet the higher costs that this will entail. The State also needs to invest in other quality support measures at the system level, such as mechanisms to support training, and professional development.

4.2. Components of quality ELC and SAC service provision

A range of quality measures are amenable to support via the funding model. For policy purposes, it can be useful to consider quality of service provision in terms of staff quality measures and service quality measures, as is done here.

4.2.1. Staff quality measures

ELC and SAC staff are at the core of the quality of provision, and critical staff factors are workforce pay and conditions, staff qualifications, and continuous professional development.

Consistent interaction with well-qualified practitioners benefits children: low staff morale and high turnover are inimical to service quality. There is agreement among

61 Working Paper 7: ELC and SAC funding models which Support Provision Quality, Frontier Economics, p. 36, pp. 36-49. Available at https://first5fundingmodel.gov.ie/wp-content/uploads/2021/04/WP7-ELC-and-SAC-Funding-Models-which-Support-Provision-Quality.pdf.

all concerned – the State, providers, practitioners, and parents – that improving the existing pay and conditions of the workforce in Ireland is the most important quality improvement required. The link between workforce pay and conditions and quality is clear from international research – Frontier Economics found 'there is a broad view that pay levels are the key driver of quality in the sector and the key barrier to improvements in quality'.[62]

In 2020, the average hourly wage for those working with children (excluding managers) was €12.45, while one in two earned less than €12.30 an hour[63], i.e. below the living wage at that point.[64] Moreover, many staff do not work full-time (two-thirds of staff had fewer than 30 contact hours a week) or for a full year (with many services closed during non-term time weeks), meaning that the low hourly rate is compounded by a low number of hours/weeks worked.

Attracting suitably qualified staff to the sector is not sufficient: high-quality provision depends upon having a stable workforce. Appropriate pay scales and opportunities for career progression are required to retain staff. The Frontier Economics research found that 'to support retention and experience in the workforce, pay needs to increase with experience'.[65] A recent study from the Central Statistics Office on graduate outcomes of ELC students from 2013-2017 shows that although graduates entered the ELC workforce on a relatively comparable pay to other graduates, many of them moved on to other sectors with more attractive salary scales and career progression.[66] This is reflected in the turnover of staff in the sector: the 2018/19 Sector Profile identified an annual staff turnover rate of 23%. This fell five percentage points in 2019/20 to 18%, which is likely an effect of Covid-19 distorting the usual levels of turnover because of the closure of services and wage supports in place during the 2019/20 programme year.[67]

62 Working Paper 7: ELC and SAC Funding Models which Support Provision Quality, Frontier Economics, p. 48. Available at https://first5fundingmodel.gov.ie/wp-content/uploads/2021/04/WP7-ELC-and-SAC-Funding-Models-which-Support-Provision-Quality.pdf.

63 Annual Early Years Sector Profile Report 2019 / 2020, Pobal, p. 83. Available at https://assets.gov.ie/137583/c80c8d06-3298-48e7-b3c2-08794e5fa5c0.pdf.

64 The living wage is the minimum income necessary for a single adult worker in full-time employment, with no dependents, to meet his or her basic needs and afford a minimum acceptable standard of living. A new living wage was announced in September 2021 of €12.90 per hour. The Programme for Government commits to "progress to a living wage" over its lifetime and the Low Pay Commission. The Minimum Wage in regulation in Ireland is €10.20 p/hour.

65 Working Paper 7: ELC and SAC Funding Models which Support Provision Quality, Frontier Economics, p. 48. Available at https://first5fundingmodel.gov.ie/wp-content/uploads/2021/04/WP7-ELC-and-SAC-Funding-Models-which-Support-Provision-Quality.pdf.

66 Early Learning Care Graduate Outcomes 2013-2017. Available at https://www.cso.ie/en/csolatestnews/presspages/2021/earlylearningcaregraduateoutcomes2013-2017/.

67 Annual Early Years Sector Profile Report 2019/2020, Pobal, p. 89. Available at https://assets.gov.ie/137583/c80c8d06-3298-48e7-b3c2-08794e5fa5c0.pdf.

To improve staff retention and development, there is a need to address staff pay (both hourly rates and total earnings) and to construct career pathways and associated pay structures so that it is worthwhile for staff to improve their skills and experience and to develop their careers within the sector.

Even though there is agreement on the need to increase staff pay and improve working conditions, giving effect to this shared aim has proven extremely difficult. The fact that the State is not the employer of staff working in the ELC and SAC sector means that it cannot set staff pay and conditions. On the other hand, service providers, who are the employers and are, therefore, responsible for pay and conditions, make the point that they cannot improve pay rates at present in the absence of increases in the ECCE capitation rate or parental fees.

To address this problem, the Government has facilitated the establishment of a Joint Labour Committee (JLC) for the sector, under the auspices of the Workplace Relations Commission. JLCs are bodies established under the Industrial Relations Acts to provide a process for fixing statutory minimum rates of pay and conditions of employment for employees in certain sectors. A JLC is made up of equal numbers of employer and worker representatives appointed by the Labour Court and a chair and substitute chair appointed by the Minister for Enterprise, Trade and Employment. An Employment Regulation Order (ERO) is an instrument drawn up by a JLC, adopted by the Labour Court, and given statutory effect by the Minister for Enterprise, Trade and Employment. The ERO fixes minimum rates of pay and conditions of employment for workers in specified sectors: employers in those sectors are then obliged to pay wage rates and provide conditions of employment no less favourable than those prescribed.[68]

It is clear, however, that the JLC process can only work if it, in turn, is facilitated and supported by an appropriate funding model. This funding stream must reflect and respect the respective roles of the State as funder, and providers as employers. The State is not the employer and cannot supplant the role of employers, but wishes to support higher quality by way of improved workforce pay; the State is prepared to make extra funding available for this purpose, but needs to be confident that this funding would deliver higher pay for practitioners. Providers too want to support

68 Information on Employment Regulation Orders. Available at https://www.labourcourt.ie/en/publications/employment-regulation-orders/

higher quality by way of improved pay for their employees, but need to be confident that they can manage the extra service delivery costs involved from within the extra funding provided by the State. To achieve this balance and deliver the shared goal of improved pay and conditions, the extra funding provided by the State will need to be substantial, as Frontier Economics note:

> *Direct policies to address workforce pay are currently absent in Ireland, but workforce pay may be the key barrier to achieving higher quality provision, no matter what other policies are in place. Approaches to address the pay issue can only be successful if sufficient funding is used to create a substantial financial lever which both encourages and enables providers to increase pay levels to the point where they can attract better and more qualified staff.*[69]

In addition to supporting improved workforce pay and conditions, the funding model needs to facilitate and encourage the recruitment of well-qualified staff, and the participation of existing staff in ongoing training, including formal Continuous Professional Development (CPD). Research shows that higher qualifications and CPD are both effective in raising service quality. Formal CPD can develop and enhance the skills of the existing workforce, including general skills of relevance to all practitioners, and more specialist skills for some. It is important that good-quality CPD is available to staff, and that the learning from CPD is embedded in practice in a service, if it is to have the desired impact on service quality.[70] We note that the Workforce Development Plan is developing more detailed recommendations in relation to CPD, which the funding model should support.

4.2.2. Service quality measures

International research shows that, in parallel with developing staff quality through pay, qualifications, and training and professional development, it is important to implement service-level quality measures. Service-level quality measures include interactions with parents, interactions with children, supporting children's transitions to and through ELC and onwards to primary school, staff/child ratios, and good curriculum implementation. These aspects of service quality can be enhanced through engaging with other support services for children, and the provision of a quality infrastructure

69 Working Paper 7: ELC and SAC Funding Models which Support Provision Quality, Frontier Economics, p.67. Available at https://first5fundingmodel.gov.ie/wp-content/uploads/2021/04/WP7-ELC-and-SAC-Funding-Models-which-Support-Provision-Quality.pdf.

70 Ibid., pp. 44-45.

including City/County Childcare Committees, Better Start, etc. Staff quality measures are inherently linked with service quality measures, and both are needed in a system aiming for high-quality.

Directing measures at the service level is an effective way of delivering service quality and ensuring that staff quality measures are effective in practice. Much learning takes place through informal and non-formal professional development approaches, and support for and recognition of CPD should reflect informal and non-formal CPD, as well as formal training courses (while at the same time seeking more accreditation of formal training courses where possible). This emphasises the importance of engaging service providers in driving and ensuring quality.

An important component of service-level quality is funded non-contact time for staff. This enables planning for contact time, training, and inter-staff interaction to develop and share skills and experience. This is important in translating the training acquired by individual staff into quality service provision. Non-contact time can also enable interaction with parents and allow for critical reflection on practice/self-evaluation, at both individual and team level.

A high-quality service will also have measures in place to meet particular needs. This includes support during transitions, engagement with other support services for children, promotion of inclusion in services, interaction with parents, and pedagogical coordination. In some cases, this may require specific staff training and assignment of responsibility to particular staff members.

A curriculum is a feature of many ELC systems, and Frontier Economics note that 'the use of a curriculum framework is associated with higher quality provision and better child outcomes'.[71] The EU Recommendations and the associated quality framework suggest that curriculum-related elements of quality should be requirements for access to public funding and operate alongside other quality measures. In Ireland, the ECCE programme and the NCS contracts require providers to deliver appropriate educational programmes for children that adhere to the principles of Síolta, the National Quality Framework for Early Childhood Education,[72] and Aistear, the 'Early Childhood Curriculum Framework'.[73] There are also quality

71 Working Paper 7: ELC and SAC Funding Models which Support Provision Quality, Frontier Economics, p.50. Available at https://first5fundingmodel.gov.ie/wp-content/uploads/2021/04/WP7-ELC-and-SAC-Funding-Models-which-Support-Provision-Quality.pdf.

72 Síolta, the National Quality Framework for Early Childhood Education. Available at www.siolta.ie.

73 Aistear, the 'Early Childhood Curriculum Framework' Available at https://ncca.ie/en/early-childhood/.

guidelines for SAC.[74] Providers are supported in this regard by Better Start, CCCs and others. Notwithstanding this, we are advised that the Síolta and Aistear frameworks are not being implemented consistently, and in some cases not at all. It seems clear, therefore, that further action is required to deliver this key quality component.

Finally, inter-service collaboration can support quality development, though Frontier Economics note that there are challenges in this regard where services are competitors and may, therefore, lack an incentive to collaborate.[75] Collaboration can also include collaboration with health, social services, and other agencies.

4.3. Funding for quality

We have been conscious throughout our deliberations of the work being undertaken by the Workforce Development Plan Steering Group in relation to a wide range of quality-related issues, including the achievement of a graduate-led workforce, minimum qualifications, role profiles, a career pathway supported by appropriate pay structures, leadership development opportunities, and continuing professional development. The Workforce Development Plan Steering Group are developing the specific plans and actions required to improve quality provision in the sector and we have, accordingly, concentrated on the need to develop a funding model which can facilitate the delivery of these plans.

Introducing enhanced service quality measures as preconditions for additional funding may appear attractive, but the risk with such an approach is that it could exclude services that currently need support to improve the quality of their services. Frontier Economics note that 'by design, a funding model with financial incentives for settings to improve quality will deny resources to those settings with the lowest quality and greatest need of support'.[76] We believe that at this stage the focus of the funding model should be on supporting continuous quality improvement across all services.

The funding model should aim to develop and support a partnership between the State and providers, with both being jointly responsible for the delivery of quality services.

74 Press release: *National Quality Guidelines for School-Age Childcare Services | Guidelines, Components and Elements.* **Available at https://www.gov.ie/en/publication/b66c5-national-quality-guidelines-for-school-age-childcare-services-guidelines-components-and-elements-september-2020/.**

75 Working Paper 7: ELC and SAC Funding Models which Support Provision Quality, Frontier Economics, pp.59-60. Available at https://first5fundingmodel.gov.ie/wp-content/uploads/2021/04/WP7-ELC-and-SAC-Funding-Models-which-Support-Provision-Quality.pdf.

76 Ibid.

In the case of the State, this will involve extra funding for providers: higher-quality services entail a higher unit cost of delivery, which the State has a responsibility to support through increased investment. Importantly, it will also require extra non-financial supports, such as measures to support upskilling of individual practitioners and any other measure that may be identified by the Workforce Development Plan. Providers, for their part, need to be prepared to put in place structures and processes and adapt their operations to respond to the quality agenda. We believe that a partnership based on a mix of funding and non-financial supports would be preferable to one based solely on extra funding and/or financial incentives. We also consider that by focusing quality supports and requirements on the service level, the new funding model will fill an important gap in the overall approach to funding for high-quality provision.

4.4. Supporting parental quality choice

It is important that parents be brought into this 'partnership for quality'. To achieve this, they need to be provided with the necessary support and information. Our Terms of Reference mention the 'provision of parent support services' as a quality indicator, and one of our Guiding Principles is that 'funding of ELC and SAC should promote partnerships between parents and providers which enhance children's development'. There are several steps that can be taken to enhance the role of parents in the delivery of quality services to their children. As indicated in Chapter 1, we were struck early on in our work by the absence of a strong parental voice in the ELC and SAC sector. We are pleased to see that the National Parents Council, which previously represented parents of school-going children, has broadened their services to include the parents of children in ELC.[77] Hopefully, this will allow parent representatives to shape and share their opinions, concerns and feedback about ELC and SAC services, and strengthen their voice at national level.

However, the reality is that most parents are already busy juggling family and work responsibilities and may not have the time or inclination to participate in formal representative structures. Accordingly, we believe that local structures, such as the CCCs, should be tasked with facilitating increased communication and engagement with parents. Relatively straightforward practical steps, like organising periodic meetings (actual or virtual) for parents at local level to disseminate information and seek feedback,

77 National Parents Council. Available at https://www.npc.ie/early-years/early-years-intro.

The funding model should aim to develop and support a partnership between the State and providers, with both being jointly responsible for the delivery of quality services.

could develop meaningful parental input at local level. Such meetings would allow parents to raise issues of concern to them that are specific to their locality, including issues they might not feel comfortable raising with their individual service providers. The development of a communication hub for and with parents at local level would complement the enhanced local public management actions that we are suggesting in Chapter 7, and the quality improvement plans we are recommending in Chapter 8.

The engagement and outreach services for parents and families, which are already provided to varying degrees by some ELC and SAC settings, should be enhanced and extended to all settings. Such services generally involve the use of non-contact hours and may, depending on the nature of the service, require particular qualifications or training. They may offer parents the opportunity to make suggestions or requests, give feedback, raise concerns, arrange one-to-one meetings, and generally improve liaison between parents and providers/practitioners. They may also offer information and assistance to parents in relation to, for example, child wellbeing and development, language and literacy, nutrition, work activation, and the different ELC and SAC schemes supported by the State.

The Department should also review how best to provide information to parents at national, local, and setting levels. We welcome the recent development of a centralised repository of parental fees, and a similar initiative in relation to inspection reports and other information relating to quality could be considered. The aim should be to develop “informed parents” who can recognise and will want to support high-quality services. Ultimately, it may even be possible to develop some form of quality brand to identify services that are participating fully in the ‘partnership for quality’ approach.

4.5. Comments

There is agreement that the single biggest and most important concern in relation to quality is the impact which pay and conditions in the sector is having on the ability of providers to recruit, motivate, develop, and retain a workforce that can provide children with the stable and consistent interactions upon which early childhood development depends.

Addressing this raises complex issues. Currently the State is not the employer, and under our Terms of Reference it cannot become the employer. As a result, the Department cannot act as paymaster. Moreover, its scope to set rates of pay is severely constrained, and it does not have the capacity to ensure compliance with minimum pay rates by thousands of individual employers. Countries with significant public provision set rates of pay for their employees and can use this mechanism to influence, or even determine, pay rates generally in its ELC and SAC sector. This is not an option under the existing model of delivery in Ireland.

The establishment of the Joint Labour Committee process is designed to overcome the difficulties involved in setting and mandating minimum rates of pay and conditions for the ELC and SAC workforce. However, it cannot succeed unless it is supported by additional State investment. We considered whether this extra investment could be provided via the existing ECCE programme and NCS funding mechanisms, but concluded that it would be better to use the new supply-side payment to providers, mentioned in Chapter 3.

The best outcome for children, practitioners, providers, and the State would be if the JLC process can create suitable pay and career development structures, using the extra funding provided by the Government via the new supply-side funding mechanism.

As indicated above, substantial extra funding will have to be provided by the State to achieve its goal of a quality-driven uplift in workforce pay and conditions. However, careful choreography will also be required. The funding mechanism being recommended first requires the Government deciding how much extra investment it is prepared to make available to providers next year to support improved workforce pay and conditions and other quality measures. It is then a matter for employer and employee representatives, in the light of that extra funding, to set minimum pay rates and conditions within the JLC process, with such minimum rates/conditions being reflected in an Employment Regulation Order that has legal effect. By doing so and demonstrating the success of the approach, provider and employee representatives will strengthen the case for the further additional investment in future, which will be needed to progressively achieve the desired quality-driven uplift in employee pay and conditions over a number of years.

This is a delicate and finely balanced approach but, in our view, it would give provider and employee representatives a crucial opportunity to start addressing the need for improved workforce pay and conditions in the ELC and SAC sector. It will take more than one ERO to achieve the desired impact on quality for the sector, but if the JLC approach were to fail the sector would lose out on the extra funding being made available to support the process in 2022, and the need for much-needed and urgent action in relation to pay and conditions could be delayed for years. Clearly, the best outcome for children, practitioners, providers, and the State would be if the JLC process can create suitable pay and career development structures, using the extra funding provided by the Government via the new supply-side funding mechanism.

The other quality improvement measures discussed above, the details of which are expected to be dealt with by the Workforce Development Plan, should also be supported through the proposed supply-side payment to providers.

Further details in relation to this supply-side payment are outlined in Chapter 8.

5.
Affordability and Fee Controls

5. Affordability and Fee Controls

This chapter reviews existing international and national evidence on the ELC and SAC costs incurred by families. In addition, ESRI research on ELC and SAC costs was undertaken to inform our work. We discuss alternative approaches to ensure that increased subsidies, intended to reduce parental costs, achieve this goal. We recommend a funding model that incorporates fee change management, together with changes in the NCS, as an initial practical and achievable approach towards improving parental affordability. We also discuss potential further steps for the future.

5.1. International and national evidence

Ensuring ELC and SAC is affordable is a key goal of the new funding model. In our Terms of Reference we are asked to draw on international evidence to 'identify and consider options on how additional funding' can be structured to deliver on this policy goal. This can include consideration of the total funding package and changes to the existing schemes, within the existing model of delivery, i.e. private provision.

In a working paper prepared for the Expert Group, Frontier Economics[78] review the international evidence on gross and net fees paid by parents for ELC and SAC. They conclude as follows:

> *Evidence on gross and net costs paid by parents was identified in two independent reports, but these reports may have common original sources and contain similar biases due to the unclear manner in which country experts compiled the information.*

Their findings suggest that:

- Parents in Ireland pay some of the highest gross and net costs for ELC relative to the average national wage across a broad range of European and OECD countries.
- The patterns in the gross costs across countries indicate that this may be linked to the absence of fee regulations in Ireland, while any effects of free hours appear limited.

78 Working Paper 1: International Comparisons of Fees, Staff Wages and Public Investment in Early Learning and Care, Frontier Economics, p.11. Available at https://first5fundingmodel.gov.ie/wp-content/uploads/2020/11/Frontier-WP1-International-Review-1.pdf.

However, as Frontier Economics note, this characterisation needs to be treated with caution. The Frontier Economics research also says that the overall reliability of the data is questionable, and the published international comparisons should be regarded with a degree of care. The knowledge and experience of members of the Expert Group support the finding that international data need to be treated with caution, as there might be issues with the quality and comparability of the data. That said, limitations in the comparability of international data does not mean that the perception that Irish parents face too-high ELC and SAC costs is incorrect.

The OECD measures annual gross childcare fees for two children aged 2 and 3 attending at least 40 hours a week in a typical centre. It does not reflect actual hours of usage, and their comparisons do not factor in the subsidies available to parents. In addition, the data appear to make no allowance for the free ECCE programme hours that the three-year-old could receive in Ireland.

International analysis of ELC and SAC costs is often of quoted fees, without taking account of the impact of subsidies. While fees may be high in Ireland, in practice many parents, particularly those on lower incomes, are seeing these fees significantly offset by subsidies, and in some cases entirely covered by subsidies. Much of the ESRI research was aiming to get an insight into the true cost of ELC and SAC for parents.[79]

We note as a data gap that there is no line of sight on how the fee/subsidy interaction works in practice for individual families.

Frontier Economics also note that the absence of comparative statistics for delivery costs and provider fees means it is not possible to determine the extent to which underlying delivery costs and provider fee structures explain the higher gross and net costs to parents in Ireland, or whether lower gross costs in other countries reflect greater public support in the form of supply-side subsidies. The *Review on the Cost of Providing Quality Childcare in Ireland* has some limited comparisons on costs of delivery which indicate that Ireland's costs are not overtly out of line with international norms (albeit at low rates of pay for staff). The limited data on delivery costs is worth noting, given the findings in other publications about the relatively high costs of many other services in Ireland; even if ELC parental fees in Ireland are higher than in other

79 ESRI Working Paper: Childcare in Ireland: usage, affordability, and incentives to work. Available at https://first5fundingmodel.gov.ie/publications-2/.

countries, this may not be unique to ELC and could be a feature of higher cost of living and services across other areas.[80]

Notwithstanding these caveats, it seems clear that, as Frontier Economics said, 'Ireland is one of the countries with the highest average ELC cost relative to average national earnings'. We heard through the consultation that costs to parents can be prohibitive, that there is an abundance of media coverage on the topic, and that there is political will and public expectation that affordability concerns need to be addressed.

In practice, most households with children use considerably less formal ELC and SAC than is assumed in the OECD analysis: 95% of eligible children avail of the ECCE programme for at least one year prior to starting school, but reliable data on the percentage of children availing of non-ECCE services is not available.[81] The Central Statistics Office's Childcare Module in the Quarterly National Household Survey[82] indicates that, for children aged 0-12, the use of non-parental ELC and SAC rose from 25% to 30% between 2007 and 2016. While more recent Central Statistics Office data are not available, an IPSOS/MRBI survey of parents[83] undertaken as part of our consultation sheds some further light on the current extent and pattern of usage:

- Excluding the ECCE programme, 63% of children not yet in school are cared for by parents/relatives. 17% attend centre-based ELC, and 15% are cared for by childminders.
- For school-going children, about 85% are cared for by parents/relatives, 6% use centre-based SAC, and 5% use childminders.

It is important to note that these figures possibly reflect some fall-off in use during the pandemic.

80 Comparative price levels of consumer goods and services, Eurostat. Available at: https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Comparative_price_levels_of_consumer_goods_and_services. This Eurostat report compares costs of living in European countries, and shows that Ireland has a relatively high cost.

81 Department of Education – Primary Online Database (POD). Available at https://www.gov.ie/en/service/66258-primary-online-database-pod/.

82 Childcare Module in the Quarterly National Household Survey. Available at https://www.cso.ie/en/statistics/surveys/qnhsmoduleonchildcare/.

83 IPSOS/MRBI survey of parents. Available at https://first5fundingmodel.gov.ie/publications-2/.

Research undertaken by the ESRI indicates that, in 2017, 23% of all families with children up to age 15 used paid ELC and SAC, but this varies from 7% of those in the lowest income quintile to 53% in the highest income quintile. It also varies from 9% for two-parent/one-earner families and 12% for lone-parent families to 35% for two-parent/two-earner families; and from 19% for families with one child to 25% or 26% for families with two or three children. The median age of children in paid ELC (i.e. 4 years old) is lower than that of children in unpaid ELC and SAC (i.e. 7 years old) or children who are not in ELC and SAC (i.e. 10 years old).[84] These data suggest that the use of paid ELC and SAC tends to increase among two-earner households within the higher two income quintiles with two or more younger children.

The ESRI also found that for households using paid ELC and SAC, the average out-of-pocket cost of ELC and SAC relative to disposable income is 10% (or 7% per child) and that this burden is relatively similar across the income distribution.[85] There are no data available yet on the out-of-pocket payments by parents after the introduction of the NCS. However, the review of the NCS by the Department on the first year of the scheme included a survey of participating parents on the perceptions of the impact of the NCS on their costs.[86] It is significant that 38% of respondents overall reported that half of costs or more were covered by the NCS, with 6% reporting that all ELC and SAC costs were covered by the NCS. At the other extreme, 28% reported that less than 10% of costs had been covered by the NCS. The proportion of costs met by NCS varies by family type and income levels, as well as the fees charged by providers. Families receiving support for pre-school children only report receiving a lower proportion of costs than families with school-age children (though this may be confounded by the fact that families with the universal subsidy are included in the former category). Higher-income families had a lower proportion of costs covered than those on lower incomes, as might be expected from a progressive scheme. The proportion of costs covered by NCS does not vary by number of children in a family, or by whether the family is in receipt of standard or enhanced-hours subsidies.

84 ESRI Working Paper: Childcare in Ireland: usage, affordability, and incentives to work. Available at https://first5fundingmodel.gov.ie/publications-2/.

85 It is important to note that the childcare costs used in the ESRI report are based on 2017 values. They are self-reported and, as such, are assumed to be net of the childcare subsidies which existed in 2017. They are inflated to 2020 levels using the change in the services Consumer Price Index of 4.8% between 2017 and 2020.

86 12-Month Review of the National Childcare Scheme. Available at https://first5fundingmodel.gov.ie/publications-2/.

These reports approach the use of ELC and SAC from a purely financial point of view, i.e. how affordable it may or may not be for different types of families. It is important to recognise also that ELC and SAC usage is driven by other factors, including availability of places, trust in the quality of the service, and ability to access and engage with the service. The Barcelona Targets[87] agreed by the EU Commission in 2002 propose that 33% of children aged 0-3 should be participating in ELC, rising to 90% of children aged 3 to mandatory school age by 2010. As the State introduces greater supports for parents to avail of more maternity, paternity, and parental leave, there is likely to be a reduction in the numbers of very young children in ELC, and indeed the *First 5* strategy sets out the objective of providing support to parents to care for children at home during their first year.[88] It will be important for the State to ensure proper monitoring in the system as reforms are introduced to provide a greater insight into the actual usage and costs of ELC and SAC, as well as the drivers of usage and costs to ensure the ongoing appropriateness of policy interventions.

5.2. Fee management

Our Terms of Reference specifically require us to 'make recommendations for a mechanism to control fee rates for different types of provision for ELC and SAC'.

At present, save for not charging different rates for subsidised and non-subsidised children, fee controls are not a significant feature of the current funding model for ELC and SAC in Ireland. Fees can and do increase based on providers' own decisions. There is substantial variation and significant complexity in fee structures and rates.

Providers who participate in the ECCE programme are prohibited from charging any fees to parents for the hours provided under that programme. The capitation rate of €69 a week is regarded as covering the cost of providing the service. Providers who participate in the NCS are allowed to set their own parental fees. However, they must publish a schedule of fees. This schedule must set out the fees charged for each level of service available. It must be displayed in an area accessible to parents, as well as on any online platform maintained by the provider for the purpose of advertising significant challenges

87 European Union Barcelona Targets. Available at https://ec.europa.eu/newsroom/just/items/625317. The Barcelona Targets are currently subject to review.

88 The transposition of the Work Life Balance Directive will extend entitlements to Family Leaves (and Benefits).

in doing this, given the non-standard way in which fees are listed. Providers must give 20 working days' notice to parents and Pobal of any increases in their fees, and must submit revised schedules of fees to Pobal without delay.

Certain schemes have forms of fee control. Providers who participate in the sponsorship element of the NCS are prohibited from charging any fees to parents for the hours of service delivered under that scheme. For these children, the State pays the maximum subsidy rate for the relevant age range plus 15%. The Training and Employment Childcare (TEC) Scheme (which is no longer open to new children) sets maximum parental contributions for the four scheme strands. However, both the NCS sponsorship and TEC schemes are relatively small, so the impact of a larger fee control mechanism is hard to assess from these examples.

More recently, the Department has implemented several fee control measures as part of its Covid-19 response. Each fee control was a condition of a support scheme to assist services to meet costs related to Covid-19. During the initial shutdown (March-June 2020), when services were closed, the Department provided the Temporary Wage Subsidy Childcare Scheme, which layered onto the Revenue-operated Temporary Wage Subsidy Scheme, to contribute to ongoing operational and staffing costs, a condition of which was not charging fees to parents. For the reopening of services in June 2020, the Department set a freeze on fees at pre-Covid-19 levels as one of the conditions attaching to the extra Covid-19 support/re-opening funding for the summer. In early 2021, when access to ELC and SAC was severely restricted, Departmental funding was provided to services who waived fees to parents whose children could not attend. Each of these Covid-19-related fee controls were successful in supporting services while protecting parents from having to pay fees when they could not access their service or from a fee increase during reopening. However, these were short-term measures, which means that assessing the long-term impact of fee controls is difficult.

The Early Years Sector Profile Report published by Pobal each year includes information on ELC and SAC fees. The latest report[89] shows that:

- There is some variation in the national average parental fee rates by age range, with fees generally being higher for younger children, but the variation is not significant. For example, the full day care fees for children aged 1+ to 2 years are only 3.5% higher than those for children aged 4+ to 5 years, and the biggest gap (between children aged under 1 and children aged 5+ to 6 years) is 5.6%. These variations are to be expected given that the costs of providing services are higher for younger children than for older children. Indeed, one might expect the variation to be wider, given the cost of delivery is substantially larger for younger children.
- There is a striking geographic variation in the parental fees charged by providers. The average national fee for full day care for children aged 2+ to 3 years was €180.54 a week, but ranged from a low of €150.46 in Monaghan (80% of the average of € 186.12) to a high of €239.84 in Dun-Laoghaire-Rathdown (29% above the national average and 59% above the rate in Monaghan). The top nine local authority areas in terms of parental fee rates are the four Dublin local authority areas, Wicklow, Kildare, Cork City and County, and Meath. The rates in all the remaining counties are below the national average rate.
- The fees charged by services within counties also vary. For example, the lowest full-time fee reported by a service in Dun-Laoghaire-Rathdown was €165, while the highest was €326.50.
- Fees differ between services located in urban and rural areas. Average weekly fees were 15% higher in urban areas than the corresponding fee in rural areas, 13% higher for full day care, 12% higher for part-time provision, and almost 7% higher for sessional care.
- On average, fees charged by for-profit providers were higher than those charged by community not-for-profit ones; 12% higher for full day, 28% higher for part-time, and 16% higher for sessional provision.

89 Annual Early Years Sector Profile Report 2019/2020, Pobal, p. 89. Available at https://assets.gov.ie/137583/c80c8d06-3298-48e7-b3c2-08794e5fa5c0.pdf.

- The full-day fees in affluent areas were 33% higher than those in the locations classified as disadvantaged. The part-time and sessional fees were 33% and 21% higher, respectively, in affluent areas when compared to disadvantaged areas.
- The relationship between fees and staff qualifications is slight. Overall, the 60% of services with the highest fees also have more qualified staff than the remaining 40% with the lowest fees. However, this relationship for the three upper quintiles is not linear, i.e. the staff in services in the middle quintile (40-60%) have higher qualifications than those working in the quintile with services with the second highest fees.

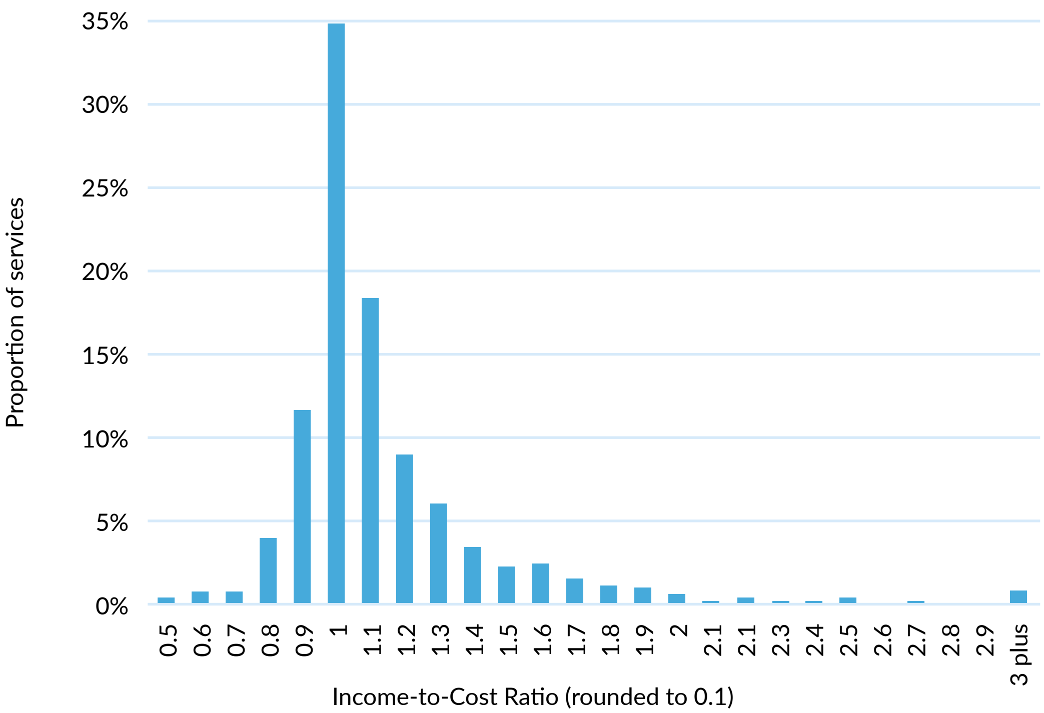
The variability of fees between providers reflects the fact that, under the NCS, providers are free to set their own fees, from which the parental subsidy is deducted. The variation in fees creates a challenge for the NCS: the national-level subsidy does not vary per service, meaning that two parents with the same NCS entitlement may face different net fees, depending on their services' fees. This makes it difficult to ensure that the NCS is meeting an appropriate level of parents' costs. For example, the maximum NCS subsidies are designed to ensure that those on low incomes make a modest co-payment. However, the variation in fees means some parents face significant co-payments, while others have no co-payment. Moreover, although many other countries implement measures to ensure that families pay no more than a set percentage of income on ELC and SAC, such an approach would not currently be feasible in Ireland, given that providers are able to set and change their fee rates.

It is clear from the reports of the stakeholder consultation that fee controls are viewed very differently by different groups of stakeholders. During the consultation, some stakeholders felt that fee controls of some sort were an essential element of any new funding model. It appears that this view was based on their assessment of the inherent tensions associated with Ireland's model of for-profit provision receiving State funding. Some of these stakeholders felt there should not be any increase in State investment unless there is some type of fee cap. Others felt that fee controls could not be considered until underlying funding issues were addressed, and a high-quality service offer could be guaranteed. Some participants argued that the State needs to make a far greater contribution to staff costs before any fee controls could be considered. Some stakeholders were very hesitant to engage with fee controls at all. Some argued that services will continue to face increasing costs (even if the new funding model addresses some of these) in the future. Some felt that it was inappropriate to intervene in relation to fees before any additional funding was well established and had been in place for a significant amount of time.[90]

The research we received from Frontier Economics included further analysis of surpluses for ELC and SAC services in Ireland, building on an earlier report by Crowe.[91] They use the 'Income-to-Cost Ratio' (ICR) to analyse the rate of surplus across different types of ELC and SAC services. The ICR is total income divided by total (operational)[92] delivery cost. If total income equals total cost, the ICR equals 1. The ICR is greater than 1 if total income exceeds total cost, and is less than 1 if total income is less than total cost.

The mean value of the ICR in the survey data is 1.14 and the median value is 1.04. The distribution of ICRs is grouped around 1. However, it is skewed, rather than symmetric: a small number of services have a particularly high ICR. The profile of ICRs differs for different service types. These findings are shown in the two charts that follow.

Income-to-Cost Ratio (ICR) Distribution

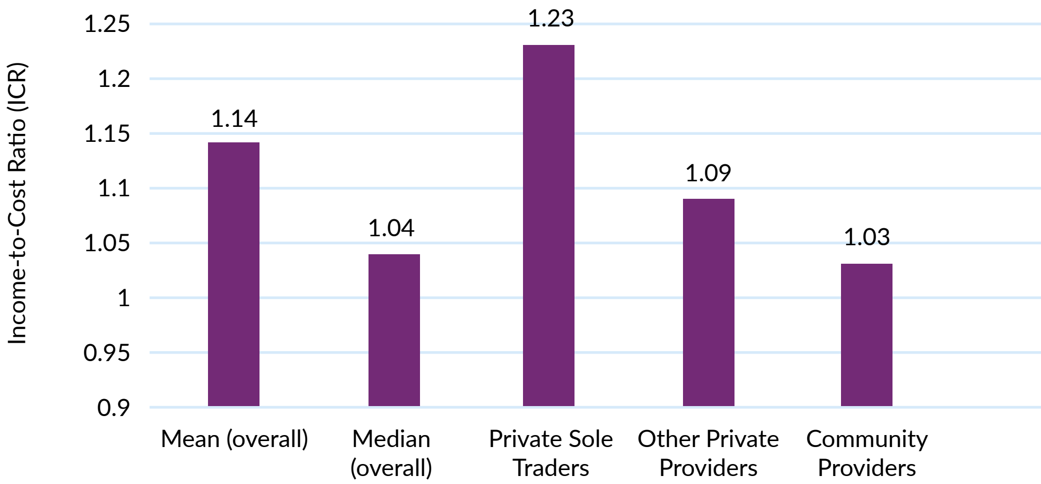


90 Funding Model Stakeholder Engagement Workshop #3: Parental Affordability. Available at https://first5fundingmodel.gov.ie/publications-2/.

91 Analysis of the Rate of Surplus for Early Learning and Care and School-Age Childcare Services in Ireland. Available at https://first5fundingmodel.gov.ie/publications-2/.

92 Operational cost excludes the costs of investment or returns to investment.

Income-to-Cost Ratio (ICR) Comparison [93]



The analysis shows that the mean ICR is higher for:

- Sole traders[94] than limited companies or partnerships and community services.
- Limited companies or partnerships than community services.
- Services which do not offer full day or wraparound care, are open exactly 38 weeks each year (rather than more than 38 weeks) and do not have any children under the age of two.
- Services with high occupancy, medium levels of average group size (rather than low or high) and low total numbers of childcare hours.
- Services whose only income source is ECCE programme funding.
- Services which are single-site (rather than multi-site) and which do not pay staff benefits[95].
- Services with medium levels of staff qualifications (rather than low or high).

93 Analysis of the Rate of Surplus for Early Learning and Care and School-Age Childcare Services in Ireland. Available at https://first5fundingmodel.gov.ie/publications-2/.

94 It should be noted that the total cost measure includes a salary for sole traders, which means that the ICR for sole traders is calculated after the salary has been extracted.

95 Defined as availability of benefits for at least some staff, analysed as three groups of none, only sick pay and some other combination or pensions, sick pay and top-up maternity leave pay.

These findings do not indicate that the characteristic directly drives the higher ICR, only that, for whatever reason, these kinds of services tend to have higher ICRs.

In essence, this report showed that while it is likely that a select few providers do make considerable profits/surplus, for the most part this is not a highly profitable sector. The ICR report also provides a good argument for increased financial transparency to be assured of this position.

The international comparative research undertaken for us by Frontier Economics[96] on fee controls shows that:

- Fee control mechanisms have primarily been used to ensure that public funding does not dissipate into provider profit or other forms of surplus, rather than benefiting parents.
- The identified cases of fee control mechanisms only applied to provision that was at least in part publicly funded, either in the form of subsidies or public provision. There were no cases where controls were applied to private providers who were not in receipt of supply-side public subsidies.
- Fee control mechanisms usually involve either setting a specific rate for fees or imposing a maximum amount for parents to pay.
- There is little information about how fee control levels are determined. In some cases, there are maximum fee caps expressed as a proportion of family income or the minimum wage, apparently reflecting a policy view that parents should not pay more than a certain amount of income. In other cases, fee caps are expressed as a proportion of delivery costs, apparently reflecting a view that parents should not pay more than a certain proportion of delivery costs, or that parents must meet the residual delivery costs after the State has paid whatever it can afford.
- Specific fee rates or price-setting is often connected to public provision, while the maximum levels or proportion of income fee caps are more akin to price controls for private provision (though often accompanied by substantial State funding to providers on a supply-side basis to ensure that the costs of provision are fully covered with the fee controls).

96 Working Paper 4: Mechanisms to Control Fees Charged to Parents for Early Learning and Care and School-Age Childcare, Frontier Economics. Available at https://first5fundingmodel.gov.ie/wp-content/uploads/2020/11/Frontier-WP4-Fee-Control-Mechanisms.pdf.

We had the opportunity to have in-depth discussion with colleagues from New Brunswick and Norway on how their systems functioned, with a particular focus on fee controls in their funding models. Both had fee control mechanisms in a publicly funded and privately delivered system. Both jurisdictions have similarities to the Irish system, but it is also clear that, while lessons can be learned from international comparisons, the introduction of fee controls for ELC and SAC in Ireland will need to be carefully built into the design of the system, taking account of the large variation in fee rates and structures and the fact that services are privately delivered.

The Frontier Economics research suggests that:

- Fee controls (or fee controls in conjunction with supply-side subsidies) need to be set at a level which financially sustains provision without driving excessive profits or surplus for providers.
- Fee controls alone will only reduce costs for parents in an effective manner without unintended consequences if providers currently draw substantial profits or surpluses.
- Identifying the level which financially sustains providers is complicated.

As it stands, the fee policies and rules required under the ECCE programme and the NCS provide a certain degree of transparency and price certainty for those paying for the service (the State and/or the parents), and recent moves by the Department to publish fees list are commendable. Notwithstanding this, there is a significant body of work required to improve transparency, comparability, and certainty to begin a process of fee management that can lead to fee controls.

5.3. Comments

Notwithstanding the legitimate caveats about international comparisons, it seems clear that the out-of-pocket costs incurred by Irish families for ELC and SAC are higher than those of their counterparts in many other countries. There is no doubt that some families who avail of centre-based ELC and SAC for their children are facing extremely high costs in relation to their income even though the ECCE programme provides a universal service free at the point of use, and the NCS is highly progressive in nature. The consultation with parents also noted that the cost of ELC and SAC is a factor in some parents choosing not to work or in choosing informal, unpaid arrangements.

There are particular areas of affordability that may only be tackled by changes to the NCS. These relate to those families who use a lot of ELC and SAC (those with multiple children who use a lot of hours of care).

The interaction between a national set of subsidy rates and variable provider fees means that relying solely on the NCS to address affordability could result in some parents (even those on low incomes and in receipt of maximum subsidies) paying more than is reasonable and/or overcompensating providers who charge higher fees and take excess profit.

The State cannot be expected to allocate substantial extra funding to the ELC and SAC sector and simply leave it up to providers to set whatever fees they wish.

The State cannot be expected to allocate substantial extra funding to the ELC and SAC sector and simply leave it up to providers to set whatever fees they wish. Even in countries with highly regarded and well-developed ELC and SAC systems, there is evidence that the scale of the potential profits associated with such an approach would be likely to attract large profit-oriented chains, a development that would not serve the best interests of children, the State, or existing providers. It is entirely legitimate, and indeed responsible, for the State to adopt a precautionary principle to address the issue at this point in its planned investment cycle.

It may be possible, in due course, to arrive at a point where there is a common national provider fee rate and structure for all or most providers (as already applies to the ECCE programme), particularly if wages are regulated. In the meantime, there is a strong rationale for initiating some form of fee management mechanism. It is clear from the stakeholder consultation that there is a wide variety of opinion in relation to fee controls and that any fee control mechanism will best be implemented in conjunction with measures to mitigate its risks and adverse effects. Fee management would need to be introduced as part of a revised funding model that includes supply-side funding for providers, and in a manner which gives providers reasonable confidence that any such mechanism will take account of future increases in service costs. It would not serve the best interests of children, the State, or existing providers if such a mechanism created downward pressure on quality, capacity, or provider sustainability.

It follows that a more structured approach to managing the parental fees charged by providers is required. This should be done in a way that balances a number of different policy goals that are, to an extent, potentially conflicting. Specifically, it would need to:

- Safeguard State investment by seeking to ensure that this funding is spent on the delivery of quality, affordable, and sustainable services for children, and is not dissipated into unreasonably high surpluses or profits.
- Protect families by seeking to ensure that they can be reasonably confident about the affordability and quality of the services they are paying for, rather than facing high and uncertain prices which reflect where they live and work rather than the reasonable cost of delivering quality services for their children.

- Support provider sustainability by seeking to ensure that they can plan and manage the delivery of their services with reasonable confidence that their combined income from parental fees plus State funding will cover the realistic costs (including return/surplus) involved in delivering quality services, rather than having a situation where the sector is unable or unwilling to provide the extra capacity required to meet the needs of families and children.
- Support quality by seeking to ensure that increases in either parental fees or State funding or both are sufficient to fund the increased costs which improvements in quality will require, rather than finding that quality initiatives are being squeezed out because of a lack of investment.

If these policy goals are balanced correctly in the design and implementation of such controls, fees may be managed effectively to ensure that ELC and SAC is affordable for parents.

A more structured approach to managing the parental fees charged by providers is required.

6.
Addressing Disadvantage

6. Addressing Disadvantage

This chapter reviews national and international evidence on issues related to disadvantage. It looks at research on how disadvantage can best be addressed in ELC and SAC settings and assesses the need for changes in the existing funding model to tackle disadvantage. The chapter focuses on how a new funding model might support settings to better address disadvantage being experienced by children *already attending their service*. It touches briefly on some issues relating to access, including outreach and integrated service delivery. Other barriers to entry – cost/affordability and availability of places – are dealt with elsewhere in the report.

6.1. Background

Our Terms of Reference ask us to consider:

> *The extent to which the existing funding approach supports access and equal participation of children in ELC and SAC, including children with additional learning needs, children for whom English or Irish is not a first language and children who are at risk of poverty and disadvantage and how the new Funding Model can be designed to support ELC and SAC provision to contribute to reducing inequalities between children.*

They say that:

> *Consideration should be given to whether a weighting-based and/or a targeted approach to access funding, both for additional learning needs, language support needs and poverty/disadvantage is appropriate.*

The Terms of Reference also refer to:

> *Additional provisions for children and families in the context of poverty/disadvantage such as family liaison/home visiting staff, smaller staff: child ratios, additional parent supports, provision of food without charge, facilitation of integrated services delivered through ELC/SAC settings, having regard to experience and evidence from the operation of the Delivering Equality In Schools (DEIS) model.*

The current data on children at risk of poverty (using the 60% poverty line)[97] shows that the national rate for children (0-17 years) stands at 15.3%, significantly higher

97 The "at risk of poverty rate" is the share of persons with an equivalised income below a given percentage of the national median income. Anyone with an equivalised income of less than 60% of the national median is considered to be at risk of poverty.

than other age cohorts in Ireland.[98] The data show that children in Ireland remain both disproportionately affected by and vulnerable to the effects of poverty. The data also show that they are considerably more affected than other age groups through a range of associated metrics including "at risk of poverty", "material deprivation", and "consistent poverty".

The Department of Education's Delivering Equality of Opportunity in Schools (DEIS) model is the main policy initiative of the Department of Education to address disadvantage at school level. It provides a range of supports, including additional teaching posts, Home School Community Liaison Officers, grants, enhanced book grants, curriculum supports, priority access to Continuing Professional Development, and the School Completion Programme.

The composition of ELC and SAC service providers in 2019/2020 is 26% community not-for-profit and 74% for-profit. When analysed geographically, community services are more likely to be in disadvantaged communities, with for-profit providers more likely to be situated in affluent areas.[99] It appears that, in Ireland, community services are particularly important in delivering services in areas where there may not be sufficient private income to encourage for-profit services to be established.

The Access and Inclusion Model (AIM) mentioned in Chapter 2 is intended to enable the full inclusion and meaningful participation of children with disabilities in the ECCE programme. It is a child-centred model, involving seven levels of progressive support, moving from the universal to the targeted, based on the strengths and needs of the child and the ELC setting.[100]

To date, 11,650 children and 3,250 services have benefited from AIM targeted supports. The model has been recognised internationally and has won awards for both excellence in practice, and inclusive policy.[101]

98 Survey on Income and Living Conditions (SILC) 2019, CSO. Available at https://www.cso.ie/en/releasesandpublications/ep/p-silc/surveyonincomeandlivingconditionssilc2019/.

99 Annual Early Years Sector Profile Report 2019/2020, Pobal, p. 89. Available at https://assets.gov.ie/137583/c80c8d06-3298-48e7-b3c2-08794e5fa5c0.pdf.

100 Full details of the Access and Inclusion Model are available at https://aim.gov.ie/.

101 Press release: AIM programme wins global award for innovative policy. Available at https://www.gov.ie/en/press-release/f0f26a-aim-programme-wins-global-award-for-innovative-policy/.

6.2. International comparisons

The 2013 European Commission Recommendation on "Investing in Children: Breaking the Cycle of Disadvantage"[102] provides guidance for policies to address child poverty and social exclusion. In addition to advising that parents' participation in the labour market is supported, the Recommendation emphasises the importance of access to affordable, quality services and advocates reducing inequality at a young age by investing in ELC and further developing the social inclusion and development potential of ELC, using it as a social investment to address inequality and challenges faced by disadvantaged children through early intervention. It recommends that Member States:

- Provide access to high-quality, inclusive early childhood education and care; ensure its affordability; and adapt provision to the needs of families.
- Incentivise the participation of children from a disadvantaged background (especially those below the age of 3 years), regardless of their parents' labour market situation, whilst avoiding stigmatisation and segregation.
- Support parents in their role as the main educators of their own children during the early years and encourage ELC services to work closely with parents and community actors involved in the child's upbringing (such as health and parenting support services).
- Raise parents' awareness of the benefits of participation in ELC programmes for their children and themselves.
- Use ELC as an early-warning system to identify family or school-related physical or psychological problems, special needs, or abuse.

Adopted in 2021, the European Child Guarantee aims to ensure that every child in Europe at risk of poverty or social exclusion has access to rights like healthcare and education.[103] The objective of the European Child Guarantee is to prevent and combat social exclusion by guaranteeing the access of children in need to a set of key services:

- Early childhood education and care
- Education (including school-based activities)
- Healthcare
- Nutrition
- Housing

102 Available at https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32013H0112&from=EN
103 Further information available at https://ec.europa.eu/social/main.jsp?catId=1428&langId=en.

While acknowledging that most children in the EU already have access to these services, the European Child Guarantee notes that inclusive and truly universal access is vital for ensuring equal opportunities for all children, and in particular those who experience social exclusion due to poverty or other forms of disadvantage.

The European Child Guarantee sits within the broader set of integrated measures, as outlined in the European Pillar of Social Rights Action Plan, and within a broader policy framework of the EU strategy on the Rights of the Child.

Frontier Economics Working Paper 5: *Approaches to Identifying Children or Settings in Need of Additional Support*,[104] indicates that other jurisdictions use a range of family and child characteristics to identify which children should receive additional support, and that these generally fall into one of five broad categories: economic disadvantage; family composition; children with special educational needs or disabilities; children from an ethnic or regional minority, asylum seekers or migrants, and other children with additional language requirements; and children in extreme need. We note that the NCS sponsorship arrangements referenced in Chapter 2 can deal with individual cases of vulnerable children for whom ELC and SAC is required on child welfare or child protection grounds, or for whom ELC and SAC is a necessary element of family support. Accordingly, we believe that at this stage in the development of the Irish system, it is reasonable to focus on the three groups identified in our Terms of Reference, namely: children with additional learning needs, children for whom English or Irish is not a first language, and children who are at risk of poverty and disadvantage.

Frontier Economics Working Paper 5 also found that targeted support for disadvantaged children can be provided directly to parents or delivered through settings – based on a 'support follows the child' approach, the address of the settings, or the collated eligibility of the individual children within each setting.

Frontier Economics Working Paper 6: *Funding Models Addressing Early Childhood Disadvantage* shows that special support for services operating in the context of disadvantage is a feature of funding models in many countries. Typically, this is provided on the supply side. Approaches differ but can be grouped under six broad headings:

104 **Frontier Economics Working Paper 5:** *Approaches to Identifying Children or Settings in Need of Additional Support*. **Available at https://first5fundingmodel.gov.ie/wp-content/uploads/2020/11/Frontier-WP5-Identifying-Target-Children.pdf.**

- Flexible additional funding provides settings with additional funding for disadvantaged children with a degree of discretion regarding how these funds are spent. This approach is generally justified by the need to compensate settings for the additional costs associated with disadvantaged children.
- Conditional additional funding provides settings with additional funding for disadvantaged children: conditional, for example, on meeting a set of prescribed structural or process-quality standards, such as child-to-staff ratios or staff qualifications.
- Grants provide funding to settings on a case-by-case basis, generally to address specific individual or setting needs. Such approaches are generally used to fund supports above those provided in automatic funding formulae.
- Additional staffing policies involve the direct provision of staff, including those with specialist qualifications, to reduce child-to-staff ratios and enhance the provision quality in targeted settings.
- Other in-kind support includes Government provided in-service training, mentoring and advice services, pedagogical resources, and teaching materials for settings.
- Specialised provision includes the delivery of focused curricula to disadvantaged children and provision serving disadvantaged children in designated settings separate from mainstream provision.

The research found that there was a relationship between the approaches used and the disadvantage characteristics they aim to address. The trade-offs to consider for each approach include administrative efficiency, accuracy of targeting, responsiveness, concentration of support, and consistency of funding.

6.3. Tackling disadvantage in ELC and SAC

In our stakeholder consultation, there was a strong consensus that the single most important thing for the funding model to facilitate is a universal high-quality offering that can identify and meet the diverse needs of all children, including those at risk of disadvantage. Participants noted that this requires a strengthening of the system as a whole, as well as introducing specific measures to help address socio-economic disadvantage on a universal basis. Universal measures are a key feature of AIM and appear to be highly regarded and very effective. The fact that there seems to be somewhat less geographic clustering of disadvantage in Ireland compared to other countries adds extra weight to the case for a strong universal support tier to address disadvantage.[105]

Most but not all participants in our stakeholder engagement also agreed on the need for some sort of targeting to help settings that are disproportionately catering for disadvantaged children. A key factor is the degree to which disadvantaged children are clustered in particular settings or geographic areas. Research shows that high concentrations of individually disadvantaged children in one location suffer from negative spillover effects, which result in a proportionately greater level of aggregate disadvantage – a process known as the "multiplier effect". On the other hand, disadvantaged children are more likely to experience positive spillover effects if they attend a service with large numbers of advantaged children.

Ireland already has an established model for determining the level of geographic disadvantage in primary and post-primary schools through the DEIS model. A recent paper from the Educational Research Centre found that two-fifths of students in DEIS schools had economic, social, and cultural status scores in the lowest quartile nationally, compared to one-fifth of students in non-DEIS schools.

There is a logic to introducing universal measures to help ELC/SAC services to tackle socio-economic disadvantage, as well as a new targeted funding stream for services which are dealing with high levels of concentrated socio-economic disadvantage.

105 ERSI: A Social Portrait of Communities in Ireland. Available at https://www.esri.ie/system/files?file=media/file-uploads/2015-07/BKMNEXT126.pdf.

There is a logic therefore to introducing universal measures to help ELC and SAC services to tackle socio-economic disadvantage, as well as a new targeted funding stream for services which are dealing with high levels of concentrated socio-economic disadvantage.

In developing the proposed universal supports, regard could be had to the supports provided by AIM, such as training, guidance, and Continuing Professional Development. Parents and families of children who experience disadvantage have particular potential to benefit from advice and support from ELC and SAC services in relation to their child's wellbeing, development, and related matters, and it is important that staff are equipped to understand these issues, particularly in the context of disadvantage and how best to work with families. This may include collaborative working with other services, such as the health services, to best meet children's and families' needs. Children who experience disadvantage, and their families, would also benefit from practical and material supports appropriate to their needs through the ELC and SAC service, e.g. books, and other resources. The implementation of actions committed to in *First 5*, for example the development and introduction of a tiered model of parenting supports and the piloting of book bags, have the potential to support this work at a universal level in ELC and SAC to tackle disadvantage.

The provision of additional targeted funding for ELC and SAC settings dealing with high concentrations of disadvantaged children would require an effective system to identify such services and a mechanism to allocate the appropriate funding to these services. The DEIS model draws on data in the Pobal HP Deprivation Index and centrally held data from the Primary Online Database (POD). The collection of data on similar indicators for children in ELC and SAC settings would be a significant step forward in better understanding the characteristics of children participating in ELC and SAC. Currently, however, only data from Personal Public Service Numbers (PPSN) are available for all children in receipt of an ECCE/NCS subsidy, and data for other indicators are inconsistent. There is reasonable information available about children in receipt of income-assessed NCS subsidies and more limited information about children in receipt of universal NCS and ECCE subsidies, but there is very little information about children who access ELC and SAC without subsidies.

Pobal developed some proof-of-concept modelling for the Expert Group to identify services with a high concentration of disadvantaged children, based on a child's address/Eircode and the Pobal Small Area HP Deprivation Index. Notwithstanding the limitations of the data currently available, the exercise produced valuable insights into the level of deprivation across ELC and SAC settings, including the types of services (location, size, nature of provision etc.) that are more likely to serve high proportions of disadvantaged children.

Children experiencing disadvantage benefit from consistent interactions with highly qualified and trained staff, with sufficient time to support their development in high-quality learning environments. Building on the universal measures outlined above, the targeted funding stream could be used to fund a range of measures such as increased contact time (e.g. by reduced child-to-staff ratios or extra staff support); extra non-contact time (to facilitate better parental liaison and supports, liaison with health and social care/protection services, including engagement in the national Child and Family Agency's case co-ordination process for families with additional needs who require multi-agency intervention but who do not meet the threshold for Social Work referral (Meitheal)), and co-ordination within service settings such as meetings, planning, mentoring, and advice services to support staff); and the development of the highest possible quality workforces (e.g. by incentivising training and CPD for existing staff and the employment of graduates).

An appropriate balance will need to be struck between extra funding and in-kind supports. In some cases, extra funding will be the best option (e.g. to fund lower staff ratios), but in other cases it may be better to expand the range of in-kind support (such as in-service training) provided by the operating model. The development of a local-hub model which allowed multiple settings to access expertise or specialist resources was highlighted in our engagement process and could be particularly effective in supporting smaller settings (and, later, childminders).

6.4. Access and outreach

Overall, approximately 95% of eligible children take up a place on the ECCE programme for at least one year prior to starting primary education. There is only 75% uptake of the two-year entitlement, which in part appears to be related to the child's birth month and parental decisions on school starting age. However, there are also substantial variations in uptake corresponding to ethnicity and disadvantage. Before starting school, 95% of children with a White or White Irish ethnic background came from a 'Childcare Setting/ Pre-Primary Education/Early Start Programme/Junior School associated with the School', whereas the corresponding figure for Irish Traveller children is only 77%, and the figure for children from a Roma ethnic background is lower again at 73%. In 2018/2019, 95% of entrants to non-DEIS national schools came from a 'Childcare Setting/Pre-Primary Education/Early Start Programme/Junior School associated with the School', compared to 92% of entrants to DEIS national schools.

Data from the Annual Early Years Sector Profile shows some small increase in the diversity of children in ELC and SAC settings. About 18% of all services report having at least one Traveller child attending (up 1%), and 9% report having at least one Roma child attending (up 2%).[106]

The National Childcare Scheme (NCS) is designed to ensure that access to ELC and SAC is provided at a level necessary to support positive child development outcomes, regardless of whether parents are engaged in work or study. In cases where parents are not engaged in work or study, the NCS subsidises up to 20 hours a week (standard hours), and where parents are engaged in work or study, the scheme subsidises up to 45 hours a week (enhanced hours). The definition of work or study is intentionally broad to cover all forms of work or study arrangements. The minimum time required to engage in work or study to qualify for enhanced hours are low – just two hours a week. However, this aspect of the NCS, commonly referred to as the "work-study test", has attracted considerable criticism on the basis that it applies a degree of conditionality relating to parental work/study to subsidies that are designed to benefit children. There was particular criticism of the fact that subsidised hours under the NCS (both standard and enhanced) 'wrap-around' pre-school and school hours during term time. In practice, this means that children attending pre-school or school get few or no NCS hours subsidised during term time if their parents are not engaged in work or study. Stakeholders criticised the negative impacts on children experiencing disadvantage resulting from this feature of the NCS, and noted that the impact has been particularly acute in the move from the legacy schemes that had provided access to longer hours of SAC.

The 12-month Review of the NCS has identified a number of areas for improvement in relation to access for vulnerable families. Barriers identified by key informant discussions

106 Annual Early Years Sector Profile 2019/20. Available at https://assets.gov.ie/137583/c80c8d06-3298-48e7-b3c2-08794e5fa5c0.pdf.

included: that some families lack the capability to use the online application, while the offline process carries a high burden; that the level of support from CCCs is mixed across areas; that the sponsor referrals process suffers from a number of weaknesses, including a lack of clarity in the criteria for support; parental reluctance to engage and share information with Government bodies; and the lack of knowledge or engagement by sponsor bodies. Concerns were also expressed over the availability of places or reduction in services for families among providers who previously had high proportions of children in receipt of Community Childcare Subvention Plus due to the lower levels of funding and funded hours under the NCS.[107]

The role that ELC and SAC can play in facilitating parents' access to employment is fundamental in improving children's outcomes, given the close links between household income and child outcomes. ELC services have the potential to play an important role in engaging with parents and providing early support to families prior to children starting school where there may otherwise be only limited regular interaction between families and public services. Where ELC and SAC services are operating proactively to address disadvantage, outreach and family support may be part of the service offer. This sometimes includes transportation for children to/from settings, informal supports to parents, provision of food/other practical supports to families, and delivery of parenting programmes. ELC and SAC can also be an opportunity for families to be connected into other health and social care services, such as speech and language supports or social work through early identification of issues by well-trained staff who are linked into networks of local support. While some services, particularly long-standing community services, operate this type of model, the nature and quantum of additional supports provided by ELC and SAC services varies widely and is not specifically resourced by the Department's funding schemes.

We note that *First 5* includes commitments to:

- Explore the potential for joined-up and integrated service development and delivery for babies, young children, and their families, through ELC settings as a natural hub for collaborative work with families (for example, piloting the delivery of parenting programmes through ELC settings).

107 12-Month Review of the National Childcare Scheme. Available at https://first5fundingmodel.gov.ie/publications-2/.

- Pilot the development of Family and Early Childhood Centres that bring together a range of services to support parents and children in the early stages of development. Services could include child and maternal health, wellbeing, and development services; ante- and post-natal supports, including breastfeeding; information sessions for parents (on topics such as early nutrition); parenting supports and services (both evidence-based programmes and parent-led peer support models); prevention and early intervention services; ELC provision, including childminding supports; and parent and toddler groups. Developments in the child health workforce and the professionalisation of ELC practitioners will considerably strengthen the development of such centres.

6.5. Comments

Poverty and other forms of disadvantage often have a disproportionate impact on children's development and negatively affect long-term outcomes, including educational attainment, and physical and mental health. The funding model should aim to support participation and inclusion of children from all backgrounds. Supports focused on ensuring positive experiences and opportunities from a young age for disadvantaged children will have the greatest effect, highlighting the need for effective measures to tackle disadvantage in ELC and SAC services.

The funding model should aim to support participation and inclusion of children from all backgrounds.

As indicated in Chapter 3, there is currently no specific policy or programme designed to help ELC and SAC services tackle socio-economic disadvantage. We favour the development and implementation of (i) strong universal supports to develop the capacity of staff to address the needs of children experiencing disadvantage, and (ii) an additional supply-side funding/budget stream to support enhanced service provision in settings dealing with concentrated socio-economic disadvantage. There may also be a case for some form of exceptional needs funding stream; this can best be considered in the light of any identified unmet needs remaining after the universal and targeted measures are in place.

AIM currently applies only to children in the ECCE programme, meaning that the AIM supports are limited by age and hours. The best way of addressing the additional needs of children with a disability would be to extend the AIM supports to all children participating in ELC and SAC services. An evaluation of AIM is currently in progress and, without pre-empting the outcome of that evaluation, we strongly recommend that such an extension be considered as part of that evaluation.

We acknowledge the importance of language development for children whose first language is not English or Irish. ELC and SAC services are critical for the development of all children's linguistic and communication skills, and supporting children's language development is a core focus of the work of ELC and SAC staff, regardless of the child's home language. We understand that there are no in-service training programmes focussed on supporting children with additional language requirements. We suggest that the need for such a programme be considered by the Department in developing the new 'tackling disadvantage' universal support measures being recommended in this report. Separately, we understand that the Workforce Development Plan will include commitments to strengthen the language proficiency of the ELC and SAC workforce in English and Irish.

7. Public Management, Partnership, and the Role of the State

7. Public Management, Partnership, and the Role of the State

In this chapter, we discuss the importance of public management of the sector, highlighting the need for local as well as national roles in this regard. We consider issues relating to accountability and administration. We finish with some comments on the question of public provision.

7.1. Background

Our Terms of Reference state that:

> *The Expert Group is not asked to propose changes to the current model of delivery (i.e. privately operated provision). [...] rather the Group should seek to further achieve policy objectives of quality, affordability, accessibility and contributing to addressing disadvantage in a privately-operated market through increased public funding and public management.*

This approach is echoed in one of our Guiding Principles, which says:

> *While recognising the reality of the existing "marketized" approach to ELC and SAC, the funding model should address any perceived deficiencies in this approach by supporting best use of available public management tools.*

The purpose of any funding model for ELC and SAC is to support the optimal delivery of the Government's policy objectives in relation to early childhood education and development, labour market activation and participation, gender equality, and social inclusion. However, changes in the way ELC and SAC settings are funded will not, of themselves, achieve optimal delivery of these policy goals. The provision of ELC and SAC is for the public good and is a public responsibility that requires a strong, pro-active, and supportive public policy approach; it cannot be assumed that the development of an optimal sector will happen organically; nor can this simply be left to the market. This public management function should include appropriate local as well as national roles.

7.2. Enhanced public management

There is already significant public management of the ELC and SAC sector. The State regulates the sector, setting minimum safety requirements, staff/child ratios, building, and governance requirements, with Tusla having statutory responsibility for inspecting and enforcing these requirements. The State provides substantial funding for the sector to support pre-school education and development, to subsidise the costs of ELC and SAC especially for those on lower incomes, and to help parents remain in or return to work. It also provides capital funding to support supply in areas where it might not otherwise be made available. The State exerts significant control over the parameters of the ECCE programme (operating hours, funding levels, staff qualifications) and the NCS (subsidy and sponsorship rates, fee structure requirements); this has knock-on influences over other elements of provision. The supports introduced during the pandemic have included requirements to retain staff and not charge parental fees during the first shutdown (April-June 2020), a fee freeze during summer 2020, and a requirement not to charge parental fees for children who could not attend during the restrictions in early 2021.

The changes recommended in this report envisage and involve increased public investment and public management.

The changes recommended in this report envisage and involve increased public investment and public management. Specifically, the introduction of supply-side funding for providers envisages the introduction of associated new minimum requirements regarding employee pay rates and adherence to other quality improvement measures. Payment of supply-side funding should be conditional on acceptance by providers of new fee management arrangements and participation in the ECCE programme and the NCS. Similarly, the introduction of new funding streams to tackle disadvantage should require providers to demonstrate how they use this extra funding.

We believe the State needs to play a more pro-active role in capacity planning and management. It needs to be able to identify existing and projected shortages in supply, whether generally, for some age groups or for different types of services, and to establish whether these exist nationally or only in certain geographic locations. It needs to address such supply gaps by supporting service expansion by existing providers and/or potential new providers. It should continue its existing approach to sustainability funding and should continue to develop systems to help mitigate the impact on children/families of centre closures where these occur (such as helping parents access existing vacancies in other centres, or funding existing or new providers to supply additional alternative places).

In addition to managing the number of places, the State should seek to plan, guide, and support the development of an optimal ELC and SAC sector in terms of size, opening hours, and service offering. This is in part achieved for the ECCE programme, which is highly prescribed. Beyond the ECCE programme, however, we recognise the inherent challenges involved, such as:

- The ELC and SAC sector is still at a relatively early stage of reform.
- Attendance at ELC and SAC is voluntary and a matter of parental choice, and may vary in line with parents' changing circumstances.
- ELC and SAC needs analysis is complicated by the different and evolving requirements of parents.
- The policy intent in *First 5* is to ensure babies are at home in their first year, and the EU Work Life Balance Directive requires Member States to adhere to new minimum standards for paid parental leave. Despite efforts to increase parental leave, there remain challenges for some parents in finding appropriate ELC, particularly for young children; ELC and SAC services are not structured according to a nationally defined daily, weekly, or annual timetable, but instead need to try to meet the reasonable needs of parents.

The State has a right and a duty to ensure that the public good is paramount in developing and supporting optimal models of delivery within the sector. The new supply-side funding recommended in this report can be applied to small and large organisation; to voluntary providers, sole traders, and for-profit chains; and to existing and new providers. However, it should be implemented in a way that supports quality provision (including quality-driven employee pay rates), parental fees which reflect reasonable costs and are comparable to those of other providers with similar costs, and provider sustainability. International evidence would indicate that, in some countries, large chains have seen increased State investment as an opportunity to leverage their assets and maximise profits in a way that is not in the best interests of children/families, the State, or other providers.

We recognise that it will take time for the Department to develop the necessary skills, systems, and resources to take on the enhanced roles described, and we deal below with the need for these national functions to be underpinned by an effective local public management infrastructure. Notwithstanding the difficulties involved, we recommend that the Minister accord a high priority to investing in the early development and implementation of these public management functions.

7.3. Partnership

We are in no doubt about the need for enhanced public management and accountability to accompany increased public investment. However, it will be important that these functions are implemented in a way which does not risk exacerbating existing levels of mistrust or creating substantial additional administrative burdens for providers, the Department, or the operating model. There is no escaping the fact that with increased public funding there will be additional administrative and accountability requirements, particularly if the funding is of a different nature to existing funding streams, i.e. supply-side as well as the NCS and the ECCE programme. The important point is that new funding should take this into account, and both providers and the operating model should recognise the reality and requirements involved.

The ELC and SAC model of delivery in Ireland can be characterised – often negatively – as almost exclusively private and largely for-profit. Nearly half of providers are sole traders or partnerships, and a further 26% of services operate on a not-for-profit basis. Less than 10% of service providers are multi-site providers or part of a chain.[108] We know that some providers are making significant profits, but the findings of the

108 Annual Early Years Sector Profile 2019/20. Available at https://assets.gov.ie/137583/c80c8d06-3298-48e7-b3c2-08794e5fa5c0.pdf.

Frontier Economics report Analysis of the Rate of Surplus for Childcare Services in Ireland supports the suggestion that 'the sector is generally regarded as not highly profitable'.[109] Significant additional public investment is needed to achieve the expanded policy objectives. It is reassuring for the State to know that excessive profits are not currently being made through the delivery of ELC and SAC. That said, it would be remiss of us not to note the potential for excessive profits to develop, particularly where increased public investment is expected, as has been seen in other countries. Enhanced public management is required to facilitate increased public funding of and public confidence in a model of delivery that includes for-profit provision.

We believe that the primary motivation of many of those working in the sector is to educate, support, and work with children, and that the State should seek to work with providers to develop more of a partnership approach to the delivery of ELC and SAC services. We recognise that trust will need to be built on both sides, and responsibility for the success or otherwise of this partnership approach rests with both the State and providers. Providers would have to accept the rights of the State to expect full financial and operational transparency, but the State should seek to provide practical support to providers rather than focussing solely on regulating and governing the sector.

Trust will need to be built on both sides, and responsibility for the success or otherwise of this partnership approach rests with both the State and providers.

Such practical support could include the provision of some governance, administrative, and accounting services, particularly for smaller providers, to allow such providers to focus more on direct interaction with children, families, and staff.[110] There are already some positive examples of these kinds of collaborative initiatives currently in

109 Analysis of the Rate of Surplus for Childcare Services in Ireland. Available at Available at https://first5fundingmodel.gov.ie/publications-2/.

110 We note that the October 2018 *Report of the Independent Review Group established to examine the role of voluntary organisations in publicly funded health and personal social services* recommended that "A publicly funded support function should be established to help smaller voluntary organisations. This could provide access to training (for staff and Boards) and shared legal, accounting and other services." Available at https://assets.gov.ie/9386/6d02f4a9fb554e30adbebb3eec5091d9.pdf.

operation. The Department could explore the potential to build on this type of work and engage with providers about developing alternative organisational structures designed to reflect a shared responsibility for service delivery.

We were struck by the values inherent in social enterprises:

> *An enterprise whose objective is to achieve a social, societal or environmental impact, rather than maximising profit for its owners or shareholders. It pursues its objectives by trading on an ongoing basis through the provision of goods and/or services, and by reinvesting surpluses into achieving social objectives. It is governed in a fully accountable and transparent manner and is independent of the public sector. If dissolved, it should transfer its assets to another organisation with a similar mission.*[111]

These values already underpin some ELC and SAC providers, and we believe that the application of values like these across the sector should be encouraged. Many ELC and SAC services, especially community not-for-profit services, are essentially operating with these values now. Preserving and increasing the services operating in this way is important.

7.4. Local and national operating model functions

We are strongly of the view that the enhanced and supportive public management functions outlined in this report require an appropriate local infrastructure to inform the development, and support the implementation, of national policies by undertaking functions such as the following:

- Robust local intelligence gathering about demand and supply (including planned/potential expansion and closures).
- Information sharing with parents and providers about demand, vacancies, fees, etc.
- Provision of capacity-planning information to the Department.
- Working with local providers to extend/expand opening hours where there is sufficient parental demand, either individually or in collaboration with other providers nearby.

111 National Social Enterprise Policy for Ireland 2019-2022. Available at https://www.gov.ie/en/campaigns/e779c3-social-enterprise-policy/.

- Helping disadvantaged families to access ELC and SAC services and supporting services with high levels of concentrated disadvantage to provide the necessary type and level of enhanced services to meet the needs of the children/families concerned.
- Providing a systematic quality support infrastructure to help service providers implement quality improvement initiatives.
- Developing and supporting shared service initiatives, including accounting, IT, HR and legal services.
- Building a strong parental voice at local level, to realise the commitment in *First 5* on parent engagement etc.
- Developing and supporting other forms of collaboration, e.g. for training, shared employment, with childminders, with parents, and with other services.
- Supporting cost analysis and fee setting.

It is not appropriate for us to comment on any elements of the existing operational model or to stray into what exactly "local" should entail (county or regional, for example). Regardless of the operational model, however, a local structure must be a feature of the operating model to deliver the type of planning and support functions that we believe are required under the new funding model.

In addition to these local structures, there must be suitable national-level structures to achieve certain policy goals. This includes the setting of frameworks for supports and activities undertaken by the local structures to ensure a nationally consistent approach. It also likely that national-level enforcement mechanisms for non-compliance are better suited to preserve preserve the supportive and constructive relationship between local structures and service providers. Certain decisions can only be taken at the national level, most obviously budgetary and policy decisions.

We have taken note of existing and planned relevant actions within the sector, such as: the CPD training and support provided currently by Pobal/Better Start, City/County Childcare Committees, and National Voluntary Childcare Organisations; the Sustainability Fund operated by the Department; the commitment in *First 5* as part of the National Development Plan to put in place a more effective ELC and SAC planning function to monitor, analyse, and forecast demand and supply; the significant developments progressing under the National Action Plan for Childminding; and the work underway within the Department around a possible online repository of provider fees that would be accessible to the public. These developments and reforms, in addition to the new funding model, signal the positive path the sector is on and the ambition for change and improvement that is being realised.

7.5. Issues of governance and accountability

One theme that emerged clearly during the consultation and engagement process was frustration among providers with the administrative requirements of the various ELC and SAC funding schemes, particularly the NCS. As indicated in Chapter 2, the existing Programme Support Payments to providers recognise the additional time required for the administrative work associated with the Department's schemes, among other things.

Monitoring and reporting on the attendance records over an extended period of individual children availing of the NCS was identified to us as a particular concern. This also emerged during the 12-month review of the NCS undertaken by Frontier Economics on behalf of the Department. The NCS funding approach (paying subsidies for hours of attendance) means attendance tracking and monitoring is unavoidable. The extended monitoring period is designed to minimise the clawbacks for under-attendance that would otherwise be required. It is not something, therefore, that could be changed lightly. The need for an IT solution to improve the administration of the NCS has already been identified and should be prioritised. On a positive note, the 12-month review of the NCS found that parents experienced relatively few administrative issues with the scheme and its online application system.

We understand there is also a degree of frustration among providers about perceived multiple requests for information and participation in surveys. On the other hand, we have identified many gaps in the existing data and highlighted the need for substantial improvements in that regard – such as transparent and robust provider cost data to underpin a fair fee control system, better data on the interaction between provider fees and parental subsidies to improve the NCS subsidy arrangements, and better data on all children availing of ELC and SAC to support extra funding for settings dealing with concentrated socio-economic disadvantage. The need for good data is inescapable, but we would encourage the Department to examine the scope for streamlining the collection of data (e.g. by making more use of administrative data sources, being clear about what data is essential rather than desirable, and consolidating surveys/data requests).

We recognise and acknowledge that the introduction of two new funding streams operating alongside the ECCE programme and the NCS, as recommended in this report, will entail further governance and accountability. This is unavoidable. That said, it is important to acknowledge that accountability has a cost, in terms of provider time and resources, which ultimately must be met. The new supply-side funding stream is best placed to fund providers for the necessary governance and administration required. Accordingly, we suggest that funding for administration be incorporated into the new supply-side funding stream.

More generally, we would emphasise the need for the operating model (Department, national, and local) to share responsibility with providers for governance and accountability. The compliance regime should be risk-based, using available data where possible to identify services where compliance appears to be an issue. The operating model should aim to work with providers to rectify issues in the first instance. Escalation of enforcement action should be possible, where necessary. Instead of simply imposing requirements on, and transferring risk to, providers, the operating model should provide support and assistance to services, helping them to upskill and upgrade their systems as necessary. This type of approach is inherent in the partnership approach we are seeking to encourage.

We are conscious that the partnership approach we are recommending will need to be built on a foundation of mutual trust. It is our hope that all services operating ELC and SAC would be amenable to participating in such a partnership, and that this approach could grow and develop over time. Some providers may choose to opt out of this new funding model. While this is not optimal, these services could be allowed to continue delivering the ECCE programme and the NCS in the short term.

7.6. Public provision

The question of public provision of ELC and SAC is, strictly, outside our Terms of Reference. It was clear from the stakeholder consultation that many (though not all) saw this exclusion as a fundamental flaw.

Frontier Economics summarised the discussion on this as follows:

> *Some stakeholders expressed a view that the underlying delivery model (private provision with public funding and management) needed to be reconsidered. Moving towards a primary school type model was suggested by some stakeholders as a longer term aspiration. However, […] this view was not held universally and other stakeholders felt as though this shift was not appropriate.* [112]

Despite strong views on this, there is also rarely a consensus on what exactly "public provision" means. We understand it as ELC and SAC that is delivered by publicly employed staff, typically in publicly owned or leased buildings. This is very different to the current arrangements for the ELC and SAC sector. In international terms, Ireland is a clear outlier in having virtually no public provision of ELC. We note that there may be different interpretations of public provision by others, such as the inclusion of an element of not-for-profit provision. We also note the existence of the Early Start programme – a pre-school programme delivered by publicly employed staff in privately owned, but largely publicly funded buildings. [113]

We have not scoped the many implications of introducing a segment of public provision as part of the new funding model because it goes beyond our Terms of Reference. However, based on international evidence and our analysis of the current sector, it appears that there are likely to be benefits from introducing some element of public provision to supplement, rather than supplant, the current model of private for-profit and not-for-profit provision. A segment of public provision would be a demonstration of the State's commitment to the sector as enhancing the public good.

112 **Stakeholder consultation reports by Frontier Economics. Available at https://first5fundingmodel.gov.ie/publications-2/.**

113 **Early Start was established in 1994 in 40 primary schools and continues to operate, albeit with a 30% fall in enrolments in the past ten years. A background note on Early Start, provided to the Expert Group in December 2019, is available on the funding model website, at https://first5fundingmodel.gov.ie/wp-content/uploads/2020/07/Background-Note-on-Early-Start-Programme-Meeting-2.pdf. The Focussed Policy Assessment, by the Department of Education, is available at https://www.gov.ie/en/publication/827ae-focused-policy-assessment-fpa-of-the-ecce-higher-capitation-payment/.**

It would need to be implemented as a public service delivering high-quality provision, supporting children and helping parents balance work and care, and with a keen focus on ensuring access and inclusion for the most disadvantaged children in society. Public provision may be the best way – and possibly the only way – to deal with some gaps/ failures in the sector, such as a lack of sufficient services in some locations, and the impact on families of centre closures (including closures arising from regulatory or quality failings). A segment of high-quality public provision would allow the State to influence and lead the sector in a way that would be difficult to achieve solely through greater public management.

We believe that the Department and Government need to develop a position on whether public provision should be introduced and, if so, consider how it might work including addressing issues such as: premises ownership and management; employment arrangements and pay and conditions of staff; the approach to parental fees; governance arrangements; and whether a separate funding model would be required for this element of the sector if it was to be introduced. As part of these considerations, it will be important to assess the potential impact of a possible introduction of a segment of public provision on the remainder of the sector, and to balance the opportunity for public provision to become a leader and beacon for the sector, as well as the risk that this type of provision could impact on other services, particularly in the event that it is funded on a differential basis. The potential introduction of a segment of public provision needs a clear political decision to underpin it: heretofore there has been no mandate to do this, and a clear direction from Government would be required in order to progress such a significant new development, given the considerable resources that would be required to implement it.

7.7. Comments

Our Guiding Principles include our strong view that ELC and SAC has a public good dimension since it has value to society beyond the parties that are directly involved in providing and receiving the service; and the public, represented by the State, has a keen interest in ensuring that the service is delivered to achieve policy objectives.

In many countries, this involves the use of public provision; this is not the case in Ireland, and our Terms of Reference rule out our recommending a wholesale change in the Irish system. However, the public sector can play a greater role in managing delivery of the privately provided services in ways that will help to achieve goals, such as improved quality for all children, affordability for parents, and better supports for children with a disadvantage.

There are flaws in the current system, and these provide a case for change. Change may include a role for public provision, subject to Government direction. We believe that positive change can, however, be made through greater public management of the existing model of delivery to achieve benefits that are normally ascribed to public provision. The positive features and values in evidence in much of the sector could be harnessed in the transition to a changed system. While it is entirely appropriate that providers earn a fair and reasonable income, it is important to ensure that profit is not the primary motive for providers in this sector, particularly given the further funding for the sector anticipated in the coming years.

The State has a right and a duty to ensure that the market serves the public good. It needs to monitor emerging trends in the model of delivery, identify any threats to the public interest (such as profiteering or financialisation of ELC and SAC), and to take appropriate mitigation measures (such as avoiding the emergence of "too big to fail" risks and satisfying itself as to the financial robustness of providers). The State should make it clear that rather than moving further towards marketization of service delivery, it wishes to work with all existing and new providers on a partnership basis, with responsibilities and benefits for both the State and providers. While some providers may choose to operate outside this model, the State should encourage and incentivise providers to come into the new funding model.

8.
Conclusions and Recommendations

8. Conclusions and Recommendations

The conclusions outlined in this Chapter build upon the material in the preceding chapters and take account of our Terms of Reference, the Guiding Principles in Chapter 1, the input we received during the consultation and engagement process, the national and international evidence gathered for this work, and our own deliberations. They are dealt with under four headings: Core Funding, Fee Controls, Tackling Disadvantage, and Existing Schemes. We then address the issue of risk and risk mitigation, offer some concluding comments, and finish by setting out our recommendations.

8.1. Overview

Our conclusions and recommendations are designed to support the delivery of higher quality, more affordable, more inclusive, and more sustainable services that can achieve the underlying policy goals of ELC and SAC in relation to child wellbeing and development, (maternal) labour market activation, and social inclusion. The new funding model being recommended includes two new elements, which would operate alongside an amended ECCE programme and NCS. Thus, the new funding model would incorporate four elements as follows:

1. Core Funding, a new supply-side payment for providers designed to support quality (including improved staff pay), sustainability, and enhanced public management, with associated conditions in relation to fee control and cost transparency, incorporating funding for administration, and to support the employment of graduate staff.
2. Funding for new universal and targeted measures to address socio-economic disadvantage.
3. The ECCE programme, but with funding to support the employment of graduate staff incorporated into Core Funding, and AIM extended beyond the ECCE programme.
4. An amended NCS to provide enhanced universal support to all families, tailor additional supports to high-volume users of services, and resolve certain issues arising from work/study or wraparound policy.

New Funding Model

Core Funding

New supply-side payment designed to support quality (including improved staff pay), sustainability, and enhanced public management, with conditions on fee control and cost transparency, incorporating funding for administration, and to support employment of graduate staff.

Tackling Disadvantage Funding

New universal and targeted approaches to address socio-economic disadvantage, with accompanying funding streams

National Childcare Scheme

NCS with developments to provide enhanced universal support to all families, tailor additional supports to high-volume users of services, and resolve certain issues arising from the work/study requirement.

Early Childhood Care and Education programme

The ECCE programme, but with funding to support the employment of graduate staff incorporated into Core Funding, and AIM extended beyond the ECCE programme.

These funding streams, and their associated conditions, form an interlocking and integrated system of funding which is designed to ensure progress on each of the main goals of ELC and SAC policy, and move in the direction of enhanced public management.

Some features of the funding model can be implemented next year, assuming the necessary funding is made available, while others will take a little longer but can still be implemented over the next few years. The two new funding streams being recommended, and the new fee control arrangements, should evolve over time as they are embedded in the sector, supported through enhanced public management, and resourced with additional funding. The new funding model should be able to deal with future developments, such as a growth in demand and the gradual integration of childminders into the regulated system. It is important that the funding model can develop and adapt appropriately as budget, capacity, and information increases in order to progress the realisation of a vision where increasingly publicly funded and publicly managed ELC and SAC services are delivered in partnership between State and private providers, with the possibility of a segment of public provision.

8.2. Core Funding

We are recommending the introduction of a new funding stream to providers to support the delivery of quality services and, over time, the development of a closer relationship between providers and the State.

8.2.1. Rationale for Core Funding

This payment would address the absence of a supply-side payment in the existing funding model and should support improved provider sustainability by focusing on the services to be delivered by settings, rather than individual child attendance. It offers the best way, in our opinion, for the State to support providers in meeting the increased costs that must be incurred to improve the pay and conditions of staff, in order to reduce staff turnover rates and improve quality. It can also be used to support implementation of the quality improvement initiatives, which we anticipate will form part of the Workforce Development Plan.

By helping providers to meet the higher costs associated with improved quality, this funding would also contribute to parental affordability by obviating the need for the increased parental fees that would otherwise be necessary. The introduction of a fee management mechanism in parallel with the introduction of Core Funding and as a condition of this new funding to providers is an essential part of the new funding model.

The payment mechanism can be developed to help the Department take on a greater role in capacity planning and in shaping the development of the sector. For example, the payment to some providers could be increased if the Department accepted there was a need to increase the supply of certain types of places or the duration of services, and the Department could decline to approve the payment for a new provider if it was satisfied there was already sufficient capacity in a particular area.

Importantly, this payment is designed to underpin a shift away from the current largely “marketized” approach to service provision, towards a partnership relationship between providers and the State that reflects a values-based approach to the delivery of ELC and SAC for the public good. Accordingly, in addition to certain conditions about accountability for public funds, providers who wish to avail of this payment would have to agree to new arrangements in relation to operational transparency. We deal with these issues, along with the existing programme support payments, below.

We view this new Core Funding as an essential mechanism to enable closer partnership between providers and the State, delivering high-quality services in the public interest. The capacity of the State itself to engage in and manage this partnership is an essential component of the funding model, but it falls outside the scope of this report. Nonetheless, we think it is important to draw attention to the fact that effective public management can only happen with effective public systems and structures. To deliver a partnership-style model, it will be necessary to fund the State’s own systems adequately: the full capacity of the new funding model to deliver on policy outcomes is dependent on the State being able to act effectively in conjunction with service providers. Strengthened capacity of the State would, in our view, be a helpful foundation should the Government choose to introduce an element of direct public provision at some point in the future.

8.2.2. Design principles

The Core Funding should incorporate funding for administration and incentives to support the employment of graduate staff. Access to Core Funding will be dependent on participation in the NCS and/or the ECCE programme, in line with the nature of services provided. Access to other Department funding streams outside of the ECCE programme and the NCS, such as funding for capital and sustainability, should be restricted to those participating in Core Funding. This means that the money provided under Core Funding is only part of the package of incentives: participation in Core Funding will unlock participation in wider Department schemes and programmes. It will therefore constitute an attractive option for providers who wish to deliver high-quality services in the public interest and in partnership with the State.

Core Funding is primarily intended to enhance service quality by increasing staff retention (by enabling providers to improve pay and conditions, and enabling career progression opportunities), supporting employment of staff with higher levels of qualifications, improving staff morale, job satisfaction, and allowing additional time for planning, child observations, and engagement with families.

Core Funding creates the foundation to begin to introduce a programme of support and funding for settings to address the needs of children who experience disadvantage.

Core Funding will contribute to improved sustainability of services by offering services an allocation each year that would not fluctuate in line with children's attendance or changes in parents' financial circumstances, as can occur with the existing NCS and ECCE programme. Core Funding should be allocated to services based on the level of service they commit to provide over the course of a year (i.e. numbers of children of different ages to be provided for, number of hours of provision, number of weeks open per year). The constraints of operational capacity (premises size, service hours, and staffing within ratio) will to some extent determine the number of child places.

Core Funding involves the State accepting a degree of risk and providing greater public investment for the stability of the sector. This is significantly mitigated by the fact that, initially, Core Funding would amount to a minority of services' funding; the bulk of their public income would continue to come from the ECCE programme and the NCS, as well as parental fees.

Public funding is likely to become available on an incremental basis, yet there needs to be a significant investment in Core Funding from the outset in order to ensure a sufficiently comprehensive package for providers to enter into contract and achieve the objectives of quality, affordability, and sustainability.

The accountability measures for Core Funding will require a greater level of engagement from providers. In addition to completing an annual application describing anticipated capacity for the coming year and providing data from which to assess progress, there will be increased financial transparency required of providers taking the form of, for example, mandatory income and cost surveys, access to audited accounts, or similar measures to protect public funds. Providers should be required to develop, publish, and report on annual Quality Plans to account for the expenditure of Core Funding. There should be support at a local level in the system to assist providers with the application, development of annual plans, and preparation for assessments.

The operation of Core Funding should be assessed for effectiveness, including through assessments of individual services and sector-wide analysis. Some level of periodic individual review of how the funding was used would be appropriate, but the local structure in the operating model should work with individual settings to ensure that services are supported in this process and can demonstrate the progress achieved The Department will also need to set and monitor national indicators to assess the impact of Core Funding across the whole sector over time.

We believe that Core Funding forms the basis of a partnership between the State and providers, who will jointly be responsible for delivering high-quality services. We also want to prioritise and support providers who are committed to quality service delivery. We therefore believe that participation in Core Funding should allow access to non-financial resources. Such resources include access to training and supports that non-partner services cannot access. Structuring it in this way means that the incentive to join the partnership will be a mixture of financial and non-financial measures.

We note that a substantial proportion of providers of ELC and SAC services, childminders, are almost entirely working outside the current ELC and SAC framework. This situation conflicts with our first – Strategic – Guiding Principle. We are pleased to see that the National Action Plan for Childminding (2021-2028) aims to gradually bring childminders into the system. In line with our Terms of Reference, we considered how the proposals for a funding model might be applied to home-based ELC and SAC. From a funding perspective, and despite the differences between childminding and centre-based provision, we believe that it would, in principle, be reasonable to make the new funding streams being recommended in this report available to registered childminders – though some modifications may be needed. We suggest that the Department develop an appropriate approach, taking account of the National Action Plan for Childminding (2021-2028).

8.2.3. Fee management

The State has a legitimate interest in ensuring that the fees charged by providers are at an affordable and appropriate level. This is partly because of the State's interest in ensuring that ELC and SAC is accessible for parents, and partly because the State is the primary funder of the sector. Further funding the NCS without appropriate fee controls risks inflating fees with the result that parents would not benefit fully from subsidies. To maximise the impact of the NCS subsidies, and any possible reforms or future investment channelled through the NCS, there is a strong rationale to initiate some form of fee control mechanisms to interact with the NCS.

Given potential market deficiencies, the Government's intention to increase funding, the recommendation for the creation of a supply-side funding stream, and the need to protect State investment, we believe that some form of fee control is appropriate. We note in this regard the research finding by Frontier Economics that fee controls are most suitable for private provision when accompanied by substantial State funding given directly to providers on a supply-side basis.[114] In moving to a new relationship with providers, where supply-side funding is forthcoming based on a clearer picture of costs, a fee control arrangement is reasonable and necessary.

On the other hand, it is necessary to ensure that this supply-side funding, along with income from other public funding and parental fees, covers the reasonable costs of provision. It is also important to emphasise that the planned initiatives in relation to increases in staff pay rates and other quality improvements would generate 'above-normal' increases in provision costs, which would need to be offset by commensurate increases in State funding if a fee control system is to be sustainable. It would not be

114 Working Paper 4: Mechanisms to Control Fees Charged to Parents for Early Learning and Care and School-Age Childcare, Frontier Economics. Available at https://first5fundingmodel.gov.ie/wp-content/uploads/2020/11/Frontier-WP4-Fee-Control-Mechanisms.pdf.

reasonable to expect these quality initiatives to proceed without either increases in public funding or increases in parental fees.

The fact that providers are free to set their own fee structures (daily, hourly, or sessional rates; discounts for siblings; charges for extras, etc.) as well as fee rates, has given rise to a level of complexity in fee structures which makes it difficult to compare the rates charged by different providers. This lack of transparency needs to be addressed.

The first step towards managing fees in the context of introducing supply-side funding should be to avoid increases in existing fee rates. Thus, the fee measure we recommend in the short term is a control on **fee changes**. This could, for example, freeze existing provider fees at September 2021 levels. The Department will need to consider how approval of fees is granted for new providers entering the sector.

It appears that, after almost two years of Covid-19 supports, fees have in general remained static, reflecting the significantly increased public funding for the sector (especially under the EWSS) and the associated fee control conditions. Stable fees have been important for parents during this time of uncertainty, but underlying increases in service delivery costs over the period could be expected to lead to increases in the fees charged by providers when the EWSS is withdrawn unless alternative measures are put in place. This would be a less than ideal foundation upon which to build a new fee control mechanism. While our remit does not cover temporary and emergency funding, we urge the Department to ensure a smooth transition from EWSS supports to the new funding model to avoid a scenario where inflationary costs over the past two years must be borne by either parents or providers.

The interaction between the NCS subsidy rates which are standardised and individually determined provider fees inevitably results in some parents (even those on low incomes and in receipt of maximum subsidies) paying more than is reasonable while, at the same time, overcompensating some providers whose costs and fees are lower than others.

It is very difficult to understand the reasons for the current wide disparity in the rates charged by different providers under the NCS, even allowing for some differences in provider cost bases. It is notable that under the terms of the ECCE programme, the

State effectively sets a single national capitation rate for the service to be provided. The rate does not vary depending on service location or type (community/other), and there is no facility for providers to negotiate. Despite this apparently extreme form of fee control, over 95% of providers participate in the ECCE programme. Once the stabilisation of fees takes effect and a better understanding of the true cost of delivery emerges via updated provider data, the fee control arrangements could develop to address the issue of managing **actual fee rates**. It seems reasonable to aspire to a common national provider fee structure in the medium term. This could involve reviewing the reasons for the highest and lowest fee rates charged by individual providers. It could also involve transitional arrangements under which all fee rates would have to fall within a specified percentage tolerance range around a given rate.

We note that there is no defined process at present for reviewing the ECCE capitation rates or the NCS subsidy rates at regular intervals. It is essential that any future arrangement for managing changes in fee rates or actual fee rates should be grounded upon a robust system for evaluating delivery costs at regular intervals, with this analysis being undertaken in an objective and transparent way. It could incorporate a suitable process for engaging with stakeholders, and the analysis should include an assessment of the scale of increase in average fees which would be required in the absence of any additional State funding. This analysis and assessment should help to inform the State's funding decisions (allowing the Government to decide whether and to what extent it wishes to offset these extra costs by way of increases to one or more elements of its total funding model) without impinging on the Government's discretion in that regard, and should be published.

8.3. Tackling disadvantage

In the case of children with additional learning needs, we believe that the Access and Inclusion Model (AIM), which currently only applies to the ECCE programme, should be extended to all ELC and SAC settings. We understand that this option will be examined as part of the current evaluation of AIM.

For children for whom English or Irish is not a first language, we suggest that the Department consider introducing an in-service training programme focused on supporting children with additional language requirements. The need for any such intervention for this group can be considered in the light of experience with the measures being recommended to address socio-economic disadvantage.

In considering how best to support children at risk of socio-economic disadvantage, we have taken several considerations into account, as follows:

- The need for any supports to be built upon the foundation of a universal high-quality service for all children.
- The importance of strong universal supports to address disadvantage, as was articulated during our consultation process.
- The evidence about geographic clustering of disadvantage in Ireland which suggests that 'while some geographic concentration of disadvantage exists, poverty and deprivation are spatially pervasive'[115] – adding further weight to the importance of universal supports.
- The AIM design of progressive support moving from universal to targeted, based on the strengths and needs of the child and the setting.
- The international evidence that special supports for services operating in the context of concentrated disadvantage is a feature of funding models in many countries.
- The evidence that concentrated levels of disadvantage impact disproportionately on children in those settings and therefore merit additional targeted supports.
- The requirement in our Terms of Reference to have regard to experience and evidence from the operation of the Department of Education's Delivering Equality of Opportunity in Schools (DEIS) model.

The new Core Funding mechanism we are recommending is designed to support the development of a universal high-quality service for all children. Once this new funding stream is in place, we believe that a system of universal supports for addressing socio-economic disadvantage should be introduced, building on experience of the universal

115 A Social Portrait of Communities in Ireland, ESRI. Available at https://www.esri.ie/system/files?file=media/file-uploads/2015-07/BKMNEXT126.pdf.

elements of AIM. We are also recommending the introduction of targeted additional funding, similar to the DEIS model operating in the school sector, for settings dealing with the highest levels of concentrated socio-economic disadvantage. This additional funding stream would start to operate after the universal supports have been introduced, and after the system for identifying the qualifying settings is finalised. Finally, we leave open the option of introducing, at a later date, a further category of supports if there is substantial evidence of children who do not sufficiently benefit from the universal and targeted elements of the tackling disadvantage strand.

8.3.1. Universal

The universal support stream for socio-economic disadvantage should be modelled on the approach used in relation to the universal elements of AIM and should be available to all services, as well as to practitioners and parents.

The existing Diversity, Equality and Inclusion Charter and Guidelines should be reviewed and updated, if necessary, to ensure sufficient focus on socio-economic disadvantage. These should continue to be a contractual requirement of ELC and SAC services. Other contractual requirements should be considered to strengthen the universal level of supports, including, for example, a requirement for all ELC and SAC services to engage, as necessary, in the national Child and Family Agency's case co-ordination process for families with additional needs who require multi-agency intervention but who do not meet the threshold for Social Work referral (Meitheal) and/or a requirement for all ELC and SAC services to enrol 'sponsored' children through the NCS, if capacity exists.

We understand that the Workforce Development Plan will recommend the introduction of a new function to focus on supporting the connections between services, families, and the wider community. This may be similar to the Home School Community Liaison Officer in DEIS schools. There is scope for the new funding model to provide mechanisms through which this development can be resourced.

We also believe that Better Start has potential to further develop its mentoring service with bespoke supports for services and practitioners so they can better meet the needs of children experiencing disadvantage. As part of the review of Better Start (underway), we ask that consideration be given to this, and particularly the approach to prioritising services for access to its supports.

8.3.2. Targeted

Providing additional targeted supports to settings dealing with high concentrations of disadvantaged children requires an effective model for identifying such settings. We have concluded that the best approach at this stage, having regard to the DEIS model, the data which is currently available, and additional data which could be gathered, would be to calculate an aggregate score for each setting based on the address of each child attending and the small area deprivation index score applicable to that address. The Pobal modelling can inform the approach to this aggregation. A proportion of settings with the highest levels of concentrated disadvantage would become eligible for targeted funding supports, in addition to their Core Funding allocation. It may be that such settings should be grouped into two or more bands to reflect factors such as the size of a setting, its operating model (full-time, part-time, etc.), and its concentrated disadvantage score.

The proof-of-concept work undertaken by Pobal on our behalf suggests that such an approach should be effective in identifying the settings most in need of support. Unfortunately, the system does not currently capture the information required to develop this approach further (regarding, for example, the address and PPSN of children availing of the ECCE Programme, of legacy schemes, or those who do not receive any NCS or ECCE programme subsidy). However, it should be possible to collect this information over the near term, particularly if the existing age eligibility for the universal NCS subsidy is extended as we recommend below.

As better information becomes available in the longer term (through for example the NCS and the ELC online database committed to in *First 5*), this identification methodology could be reviewed to see if it could incorporate other factors. However, it would be important to have a generally consistent approach between the ELC and SAC and primary education systems.

The targeted funding should, we believe, comprise a budget allocation that could be used partly in the form of an additional financial allocation and partly in the form of additional supports in-kind. The purpose of the funding would be to allow eligible services to provide more consistent and higher-quality interaction with children and their families. This could be achieved in a variety of ways, such as lower staff/child ratios, increased non-contact time, extra training/CPD, and attracting and retaining higher-qualified staff. It could also cover the costs of more activities, extra education and play resources, and the provision of food. We regard the availability of in-kind support from the operating model as very important, especially for smaller services. This could be particularly useful, for example, in facilitating greater interaction with, and support for, families.

Targeted funding for tackling disadvantage should only be available to settings that are in receipt of Core Funding. It should be reviewed on a regular basis, but potentially with provision for transitional funding if a setting no longer qualifies for funding. This would provide some stability to settings while recognising that, much more so than schools, the characteristics of children participating in ELC and SAC have the potential to change substantially, given that children tend to remain in ELC and SAC for shorter overall periods and may be more likely to move ELC and SAC services more frequently.

Like the Core Funding, settings should have some degree of flexibility in deciding how best to use the targeted funding. However, also like the Core Funding, there should be conditions attached, and providers should have to account for how it is used. We recommend that each setting be required to draw up and publish an annual 'tackling disadvantage plan' outlining how it intends to spend its allocation for the forthcoming year and a report on how it spent its allocation for the previous year. We urge the Department to encourage the production of short but specific plans and reports that families can access easily. We recommend that the Department itself should develop a reasonably short set of national indicators outlining the benefits that it expects to achieve from this additional funding and publish progress reports thereon. As with the quality development plan under Core Funding, some level of periodic individual review of how the funding was used and an assessment of its impact would be appropriate, but the local level of the operating model should work with individual settings to ensure that services are supported in this process and can clearly demonstrate the progress achieved.

8.3.3. Application based

It will take some time to develop, implement, and embed the universal and targeted supports described above. It would be important, at that stage, to review these funding supports and establish whether there are any unmet needs that remain. One option that might be considered at that stage would be to introduce a funding stream that can be applied for by providers to act as a final safety net for individual children who might not otherwise have their needs met.

8.3.4. Access

There is a need for the system to reach out to disadvantaged families to maximise their understanding of their entitlements, of the benefits of ELC and SAC, and ultimately their uptake of services. We note the role currently played by City/County Childcare Committees at a local level in making connections with marginalised groups. Responsibility for engaging in active outreach of this nature rests primarily with the operating model, and should be specifically assigned to appropriate 'local structures' following the outcome of the review of the operating model.

As indicated in Chapter 4, the so-called 'work/study test' and wraparound policy attracted considerable criticism during the consultation process. We believe that the requirement to engage in work, study, or training for two hours a week to qualify for up to 45 hours a week of ELC and SAC subsidies is reasonable, given the objective of the NCS to support labour market participation. We understand that similar requirements apply in other countries. However, we acknowledge the validity of the concerns expressed about the impact of this limitation on children from disadvantaged families, particularly those in primary education who are effectively unable to access SAC during term time and who are currently unable to avail of the NCS sponsorship arrangements. We are also concerned that, as the legacy schemes are phased out, this requirement could have a negative impact on the sustainability of settings providing services in disadvantaged areas.

It is important to avoid a situation in which, by the time our recommended supports to address disadvantage are being introduced, a significant number of the most disadvantaged children would not be accessing services, or that the settings catering to such children may not have been able to sustain their services. Developing a solution through the 'tackling disadvantage' strand of the new funding model would take too long; we think a more immediate resolution through the NCS is advisable. One option might be to retain the work/study test as a legitimate policy approach while increasing the number of standard hours that children can access during term time. There may be other ways to achieve the same objective. The important point is to stabilise the sector in the transition from the legacy schemes to the NCS and on to the new funding model.

8.4. Existing schemes

Our Terms of Reference say we are not being asked to propose alterations to the core ECCE programme and NCS per se, but ‘if there are innovative solutions to addressing important issues which, in order to be resolved, require changes to these schemes these can be considered’.

8.4.1. ECCE Programme

The ECCE programme is functioning well as a universal funding programme for free pre-school and has clearly been a success. The ECCE programme covers children between 2 years 8 months and school age, and provides 15 hours a week for 38 weeks a year for two years. By way of comparison, children attending the first year of primary school generally attend for 23 hours a week for 38 weeks a year. We acknowledge the calls to extend the ECCE programme to an earlier age, given the evidence on the benefits of early childhood education. We also note that any change in the ECCE programme could have substantial implications for supply, Tusla registration status, and costs (because of the staff ratios). We note participation in the ECCE programme is lower among certain cohorts but believe approaches to tackle socio-economic disadvantage can remedy this. We are also aware of other potential barriers to access the programme for some families, including charging of optional extras – a practice in place in some services. The Programme for Government commits to continue to ‘support the Early Childhood Care and Education scheme for three- to five-year-olds, and if resources allow, to increase the scope of the scheme’. We are also aware that there are separate processes underway to evaluate the ECCE programme and to put it on a statutory footing. The existing ECCE programme funding mechanism could be used to deliver any increase in the scope of the ECCE programme should the Government so decide.

The Higher Capitation funding under the ECCE programme has achieved its objective of increasing graduates delivering the ECCE programme, although we note the unintended consequence of this approach in diverting graduates away from other types of provision. We also note the *First 5* commitment to a graduate-led workforce across the ELC sector. We see the value in supporting providers to employ graduates to work in ELC and consider Core Funding the correct mechanism in which to do so.

8.4.2. NCS

In the case of the NCS, we believe that two important changes are required.

The first is to strengthen the universal element of the scheme by removing the existing age limit for the universal NCS subsidy so that it is available to all children covered by the scheme and increasing the rate of the subsidy.

This would help to achieve greater societal recognition of, and support for, the public good dimension of the ELC and SAC sector. It would also encourage the development of a single national system with widespread participation by parents and providers – at present, many parents do not avail of and providers do not offer offer the NCS, either because they are not aware of the scheme or regard the subsidy as insufficient to make it worthwhile. Importantly, it would also provide the Department with better information on the use of ELC and SAC – addressing an existing data gap in relation to children and families who do not currently receive any subsidies under the scheme – and, as a result, help improve its public management capacity. In particular, such information will be required to identify services with high levels of concentrated socio-economic disadvantage for the purpose of the targeted funding supports being recommended in this report.

We are advised that abolishing the age limit for the universal subsidy would allow over 32,000 new children to qualify for the subsidy and would cost approximately €16.3 million a year at the existing rate of subsidy of €0.50 an hour. We are also advised that increasing the universal subsidy to €1 an hour would cost an additional €14.6 million.[116]

The second change to the NCS we recommend is designed to address, at least in part, a central finding about affordability – that families with two or more children are facing the highest ELC and SAC costs as a percentage of their income. As discussed in Chapter 5, this has detrimental knock-on effects for parents' decisions about returning to or remaining in work, particularly mothers. The NCS includes a 'Multiple Child Discount' (MCD) for the second and third children, but the research undertaken by the Economic & Social Research Institute (ESRI) shows very steep withdrawal rates for families with multiple children, even after applying the MCD. Based on our analysis, we are recommending that the flat-rate MCD be replaced by a 'Multiple Child Factor'

116 These costings were developed in June 2021 using the ESRI's SWITCH microsimulation model.

(MCF). This would involve dividing a family's income by a specified divisor (the MCF) rather than subtracting a specified amount (the MCD) from the family income. This technical change can be readily implemented within the existing NCS but would improve affordability for families with two or more children. The existing flat-rate multiple child discount of €4,300 for a second child equates to 17% of the €26,000 reckonable income level in the NCS. We estimate that replacing this with a multiple child factor of 1.2 for a family with two children (1.4 for a family of three children) would benefit 13,430 additional children and cost approximately €29 million.[117]

Apart from these two changes, we believe that the existing NCS funding mechanism is sufficiently flexible and progressive to continue to be used by the Government to improve parental affordability, as resources allow. Apart from simply increasing subsidy rates, the Department may also wish to keep the maximum subsidy rates under review (to ensure that the NCS is functioning effectively for those at the lower end of the income distribution scale) and to review the maximum income threshold (so more families can avail of income-assessed subsidies and the withdrawal rate associated with such subsidies is reduced).

Looking further ahead, we note that a three-year evaluation of the NCS is scheduled to commence after November 2022. This would provide an opportunity to explore more fundamental changes to the scheme. The current scheme design of per-child, per-hour subsidy rates may not be the optimal way of tackling affordability issues that arise from a family's total level of use (in particular, where a family has multiple children using high hours of ELC and SAC) or the resultant high withdrawal rates. As an alternative, consideration could be given to linking subsidies with total household expenditure on ELC and SAC and total household income, with explicit withdrawal rates as income increases.

Further changes in the NCS could be considered later when the Department has better information about the relationship between provider fees and subsidy rates and when the fee control system is in place. This could involve capping parental fee payments at a percentage of income, with the State paying any remaining balance of provider fee charges. Such a percentage cap might even vary depending on income. Similar systems operate well in other countries, but to be effective and avoid fee inflation they would need to be preceded by a robust system for managing provider fees.

117 These costings were developed in June 2021 using the ESRI's SWITCH microsimulation model.

8.5. Better data

All areas of the new funding model will require the collection and analysis of data to monitor the effectiveness of interventions. It is particularly important that good data be available to monitor the impact of the supports to tackle disadvantage on specific cohorts and groups of children, for example, children from minority groups, including Traveller and Roma children, and other groups identified in the EU Child Guarantee.[118] We recommend that a sophisticated monitoring and evaluation framework be designed, with efforts made to generate baseline data on individual services prior to the introduction of the new funding model. We welcome plans to develop an ELC database, similar to the Pupil Online Database in schools.

8.6. Risk

Our Terms of Reference require us to consider risk analysis and mitigation in our report. Risks are an inevitable part of change, especially on the scale we are proposing, but there are also risks involved in not changing. Throughout our work, we have sought to develop our conclusions and craft our recommendations in a way which takes account of the risks involved. For example:

> Implementing fee controls risks suppressing supply and quality and may make the State's funding package less attractive to providers, thus reducing participation. However, not introducing fee controls has risks in terms of parental affordability and dissipation of State investment. To mitigate the risks with fee controls, we are recommending the use of a transparent system built upon good cost data which recognises the need to cover the reasonable costs of provision (allowing for reasonable surplus/profit), and with sufficient State funding for quality improvement initiatives. This would start with fee change controls and could move on later to fee rate controls as the impact of ECCE/NCS subsidies, stable fees, and Core Funding can be assessed.
>
> The transition to the new funding model, combined with an Employment Regulation Order, a fee freeze, and new quality conditions risks causing sustainability issues for some providers. The Department should, therefore,

118 EU Child Guarantee. Available at https://ec.europa.eu/social/BlobServlet?docId=23788&langId=en.

ensure that the existing Sustainability Funding is updated to reflect the new funding model and that it can address these transitional concerns – especially the fee freeze and the increase in staff pay. A sophisticated approach to fee management would also mitigate this risk. This may include permission to raise fees or the provision of additional State funding in the context of unsustainability.

There is a risk that the Joint Labour Committee approach to improving practitioner pay and conditions fails to succeed in setting minimum pay and conditions for staff at different levels of training and experience. This is a critical element in enhancing staff quality and reducing turnover. While we believe that a partnership approach can lead to the desired outcomes, this is not guaranteed. The options for dealing with this risk are very limited, when remaining within the model of public management of private providers who determine staff pay and conditions. In that event, the Minister would obviously need to consider not proceeding with the extra funding which we recommend should be made available via Core Funding to support the JLC process. However, the main risk involved in the JLC process is not a funding one: rather, it is the impact on the quality of services to children that would arise from a failure of employer and employee representatives to address this central issue.

In line with our Terms of Reference, we have developed proposals that rely on publicly managed, privately delivered services. The pressure to channel available extra funding to providers and parents means there is a risk of insufficient resources being invested in the operating model (including the Department) to allow it to develop the enhanced management capacity required to manage privately delivered services in an effective way. If the partnership and values-based approaches outlined in this report are not created and nurtured, there is a risk that the system will, instead, fall back upon an increasingly contractual and adversarial approach. There is also a risk that for some issues even enhanced public management of private services cannot deliver the full benefits of ELC and SAC to society without some element of public provision. Primary responsibility for managing these risks rests with the Minister and senior management in the Department.

An understandable focus on using the Core Funding to drive a step change in practitioner pay and other quality improvements and introduce fee controls could mean insufficient attention is given to the need to also use it to improve the supply of ELC and SAC places, especially for younger children and areas with long waiting lists. It is important that the flexibility inherent in the Core Funding is used to mitigate any such risk.

Making the level of Core Funding sufficiently attractive to providers, and preferably front-loading it over the next few years so it can support early improvements in practitioner pay and services within a managed and affordable parental fee structure, would significantly mitigate the risk of providers in more affluent areas operating outside the publicly managed system as part of a two-tier ELC and SAC system which could entrench socio-economic differences. Linking access to other funding streams, including capital funding, funding to tackle disadvantage, and quality supports, to participation in Core Funding would help to maximise uptake of the new funding model.

The fee controls and enhanced public management can also be used to avoid the risk (as has happened in other countries) of the substantial increase in State funding attracting large companies which are more concerned with maximising profits by leveraging assets, etc., and building their market power so they can become ‘price setters’ and ‘too big to fail’.

8.7. Conclusions

The funding model being recommended can, over time, deliver transformational change in the sector in terms of quality improvements, better pay and conditions for staff, tackling disadvantage, improving affordability, managing supply to meet demand, and supporting provider sustainability. Our vision for the sector is for one that is increasingly publicly funded and publicly managed, delivering a service for the public good, through a partnership between the State and providers, to the benefit of children, parents, practitioners, and society overall. The new funding model, especially Core Funding, can facilitate achievement of this vision if it is implemented as part of a package of other changes including extra Government funding, implementation of the Workforce Development Plan, the reform of the operating model, and investment in the public management capacity of the Department.

If our report is accepted by the Government, it will be a matter for the Department to develop a staged approach to implementation, either just for our report or for the wider programme of change. For illustrative purposes, however, the table below sets out how some key elements of our recommendations might be implemented over the period between 2022 and 2028 (i.e. the remaining lifespan of *First 5*).

Our vision for the sector is for one that is increasingly publicly funded and publicly managed, delivering a service for the public good, through a partnership between the State and providers, to the benefit of children, parents, practitioners, and society overall.

Main Outcomes

	Short term
Quality development	• Funding to support the JLC/ERO process. • Funding to implement initial WDP quality measures. • Funding to incentivise graduate employment. • Service-specific Quality Development Plans.
Tackling Disadvantage	• Development and allocation of universal supports to tackle socio-economic disadvantage. • Collection of data to run an identification model for settings dealing with concentrated socio-economic disadvantage. • Development and allocation of targeted funding for such settings.
Affordability and fee control	• Fee freeze at 2021 levels. • Better and more transparent information for families about fee rates. • Affordability measures under NCS.
Supply management	• Develop capacity to better analyse supply and demand at national and local level.
Business structures	• No measures.

Medium term	Long term
• Funding to implement additional WDP quality measures. • Ongoing support for the JLC/ ERO process.	• Further improved quality measures, to be underpinned by funding and revised contracts.
• Service-specific annual Tackling Disadvantage Plans. • Extension of AIM.	• Possible introduction of application-based supports to address particular/ exceptional needs of individual children.
• In-depth analysis of relationship between costs, income, and fees. • Further development of fee management system. • NCS three-year evaluation to consider affordability and fee control measures.	• Possible greater role for the State in agreeing and approving fee rates, informed by services' legitimate costs.
• Develop responses to supply challenges, including possible changes in Core Funding payments to address undersupply.	• Monitoring of supply and demand with range of responses available, including the options of declining to approve Core Funding for new providers and complementary public delivery if agreed by Government.
• Review the composition of the sector and any emerging changes in response to the new funding model.	• Appropriate action as necessary on foot of medium-term analysis.

8.8. Recommendations

Our 25 recommendations for a new funding model to support high-quality, affordable, accessible, and sustainable ELC and SAC in Ireland are set out below under the following headings:

- Core Funding
- Tackling disadvantage
- Affordability measures
- Fee management
- Role of the State

Core Funding

1 Develop and implement a supply-side payment to providers to support the provision of quality services. The new payment – which we have called Core Funding – would offer better financial sustainability to providers in return for a cultural shift to a partnership relationship between providers and the State that reflects the public good dimension of ELC and SAC.

2 The Core Funding should:

a) Be calculated based on a setting's capacity (number/age of children, type/duration of service) and its associated staffing complement.

b) Include whatever extra funding the Government decides to make available to support the Joint Labour Committee (JLC) process currently underway.

c) Incorporate additional funding to meet the extra costs to providers arising from the implementation of the Workforce Development Plan, including opportunities for staff progression and development within the sector.

d) Incorporate funding for administration and to support the employment of graduate staff.

e) Unlock access to a package of supports and resources, including capital funding and quality supports.

3 Providers who sign up to Core Funding should be required to:

a) Follow the fee management system.

b) Implement the quality improvement measures under the Workforce Development Plan.

c) Implement the relevant practice frameworks.[119]

d) Develop, implement, and report on an annual quality development plan.

e) Provide transparent financial reports and participate as required in cost surveys and other necessary data-collection exercises.

f) Offer the NCS and ECCE programme to all eligible children/parents, including children accessing the NCS through sponsorship arrangements.

4 Providers who apply for Core Funding should be provided with guidelines on the types of expenditure that this allocation can be spent on, and the governance and accountability arrangements that will apply. The local level of the operating model should support individual settings to ensure that, save in exceptional cases, they can be confident of complying with such accountability requirements.

5 To assess the impact of the introduction of Core Funding, the Department should develop a reasonably short set of national indicators outlining the benefits which it expects to achieve from this additional funding (reduced staff turnover, better-qualified staff, more stable parental fees, increases in non-contact time, etc.) and publish progress reports thereon.

6 From a funding perspective, and despite the differences between childminding and centre-based provision, we believe that it would, in principle, be reasonable to make the new funding streams recommended in this report available to registered childminders – though some modifications may be needed. We suggest that the Department develop an appropriate approach, taking account of the National Action Plan for Childminding (2021-2028).

119 Including the Aistear curriculum framework and Síolta quality framework. More information on Aistear and Síolta is available at https://ncca.ie/en/early-childhood/.

Tackling disadvantage

7 Develop and provide universal training, materials and supports to promote and enhance understanding of socio-economic disadvantage and an inclusive culture in ELC and SAC for providers, educators/practitioners, parents, and children. These supports should focus on both settings and staff.

8 Develop and implement a mechanism to identify and allocate targeted funding to support services with high levels of concentrated socio-economic disadvantage. The identification approach should be based on the aggregate deprivation scores of the home addresses of all children attending the setting. The extra funding should be calculated based on the setting's capacity and staffing and should be expressed as a budget that could be used partly in the form of an additional financial allocation and partly in the form of additional supports in-kind.

9 This targeted funding should be used by eligible services to provide more consistent and higher-quality interaction with children and their families. This could be achieved in a variety of ways, such as lower staff/child ratios, increased non-contact time, extra training/CPD, attracting and retaining higher-qualified staff, more outdoor activities and outings, and extra education and play resources.

10 Providers who qualify for targeted funding should have some flexibility in deciding how best to use this additional funding but should be required to publish a short, specific plan outlining how they intend to spend their allocation for the forthcoming year and a report on how they spent theirallocation for the previous year. Providers should be provided with guidelines on the types of expenditure that this allocation can be spent on, and the governance and accountability arrangements that will apply.

11 The Department should develop a reasonably short set of national indicators outlining the benefits that it expects to achieve from the universal supports and targeted funding and publish progress reports thereon.

12 Depending on experience with the universal supports and targeted funding, the Department should explore the need for a further element of funding which could allow individual settings to apply for funding to address the exceptional needs of individual children.

13 Consider extending AIM to all ELC and SAC settings.

14 Assign responsibility for outreach to, and greater participation in, ELC and SAC by families at risk of poverty and disadvantage to the local structures which emerge from the Review of the Operating Model.

15 While maintaining the principle that families where all parents in the household are participating in work or study qualify for more hours of ELC and SAC than households where one parent is available to care for children, address the specific impact of the NCS 'work/study test' on hours of access for children at risk of poverty or disadvantage. This could involve, for example, increasing standard hours to ensure children could have access to a greater number of ELC and SAC hours during term time.

Affordability measures

16 Remove the existing age limit on the universal NCS subsidy so that it is available to all children covered by the scheme, and increase the rate of the subsidy to maximise take-up.

17 Replace the existing 'multiple child deduction' element of the NCS with a 'multiple child factor', so that families with two or more children receive higher subsidies and experience lower withdrawal rates as their income increases.

18 As part of its future evaluation criteria, consider developing the NCS so that subsidies and total household expenditure on ELC and SAC are linked to total household income. Further to achieving fee certainty, this change could include explicit withdrawal rates for families on income-assessed subsidies and/or a cap on the percentage of income paid by parents, with the State meeting any further costs.

Fee management

19 The Department should develop a searchable price comparability website for parents. If necessary, it should amend the contracts with providers to allow it to express providers' fees in a readily comparable manner (such as average hourly rates by age band).

20 The Department should collect data on provider costs based on the costing model developed by Crowe. Participation in these surveys should be mandatory for all providers wishing to receive Core Funding.

21 Providers that sign up for Core Funding should be required to participate in a new fee management system. Initially, the new fee management system would involve an agreement not to increase parental fees from the September 2021 baseline for the September 2022 to August 2023 programme year.

22 The new system should focus first on limiting increases in fee rates. The Department should explore, using the provider cost data gathered under recommendation 20, the management of actual fee rates, including whether it would be reasonable to introduce a common national provider fee structure in the medium term, and including transitional arrangements – for example where all fee rates would have to fall within a specified percentage tolerance range around a given rate.

Role of the State

23 The Minister should ensure that the Department and the operating model have the expertise and resources required to take on an enhanced public management and support role in the sector. In addition to the functions outlined in other recommendations (e.g. fee management), the State should be responsible for:

- Capacity planning, establishing demand, identifying gaps in supply, and actions to address gaps.
- Offering families an information source on provider fees, vacancies, inspection reports, other information on quality, etc.
- Planning, guiding, and supporting the development of an optimal ELC and SAC sector, both in terms of size and service offering.
- Supporting providers to operate sustainable, high-quality, affordable services.
- Managing centre closures, e.g. sourcing alternative places, alternative providers, and supports for re-opening.

It is essential that these responsibilities be supported and delivered by strong local structures.

24 The Department should continue its Sustainability Funding and review and update this funding stream to take account of the new funding model. Sustainability Funding should act as a final safety net for a small number of services who may experience sustainability challenges.

25 In the medium term, the Minister should mandate the Department to examine whether some element of public provision should be introduced alongside private provision.

Appendix 1:
Expert Group Membership

Appendix 1: Expert Group Membership

Chair: Michael Scanlan, former Secretary General, Department of Health and Children and former senior official in the Department of Finance. He led the Department of Health and Children when the Office of the Minister for Children and Youth Affairs was under its remit, during which time the Early Childhood Care and Education (ECCE) Programme was established. He has previously acted as Chair of the Board of Tallaght Hospital.

Early Years Quality Expert: Professor Edward Melhuish is a professor of Human Development at the University of Oxford. He is a highly renowned international research expert on Early Learning and Care, human development and social policy. His work uses theoretically driven research to address applied issues and policy questions to produce improvements in development and well-being. He has led the seminal studies in this field, including the Effective Provision of Pre-school Education (EPPE) and the Study of Early Education and Development (SEED) projects and the National Evaluation of Sure Start, and is involved in international research across Europe and the world. He has undertaken research in 12 countries, including large-scale longitudinal studies in Norway, the UK, and Australia involving family, community and pre-school influences on child development, and policy implications. He has been a director of the EU projects CARE (early childhood education & Care) and ISOTIS on childhood inequality involving 11 countries, and an experienced contributor to policy development, nationally and internationally, as an advisor to OECD, WHO, and the European Commission. In 2016 he was awarded an OBE for services to Social Science, and undertakes substantial pro bono work for charities involved with child wellbeing.

Early Years Funding Expert: Professor Eva Lloyd, OBE, Director of the International Centre for the Study of the Mixed Economy of Childcare and Professor of Early Childhood in the School of Education and Communities at the University of East London, and Visiting Professor at University College London's Institute of Education. She is highly specialised in the niche field of funding of childcare provision and has published widely on childcare markets and privatisation, particularly as they affect children growing up in poverty. Eva Lloyd has worked extensively with national and international policymakers and co-authored a range of UK government commissioned policy studies and evaluations. Eva Lloyd is also a director and trustee of Acorn Childcare (https://www.acornearlyyears.org.uk/), a social enterprise running 13 nurseries across three English counties, Buckinghamshire, Northamptonshire and

Bedfordshire, as well as several out-of-school clubs, extensive forest school provision, a catering service and a training centre.

Early Years Systems Expert: Tove Mogstad Slinde, Senior Advisor in the Norwegian Ministry of Education and Research in the Department of Kindergartens and Schools. From 2012 to 2018, she has been Chair of the Network on Early Childhood Education and Care in the OECD. In 2019/2020 she was part of a Commission in France appointed by President Macron delivering a report on “the first 1,000 days of a child”.

Social and Economic Policy Expert: Dr Tim Callan, Adjunct Full Professor at the Geary Institute in UCD and works as an independent economist. He was Research Professor at the ESRI, and Area Coordinator for its research on Taxation, Welfare & Pensions.

Social and Economic Policy Expert: Dr Rory O’Donnell, Adjunct Full Professor at the Geary Institute in UCD and former Director of the National Economic and Social Council (NESC), an organisation which advises the Taoiseach (prime minister) on strategic policy issues relating to sustainable economic, social and environmental development in Ireland.

Early Learning and Care and School-Age Childcare Policy Expert: Bernie McNally, Assistant Secretary General with responsibility for Early Learning and Care and School-Age Childcare. The work of the Division includes policy, strategy and research; quality and inclusion; projects; operations; and finance and governance. The Head of the Division is responsible for operational, policy and legislative developments relating to improving access to high-quality and affordable Early Learning and Care and School-Age Childcare and for *First 5*, a whole-of-government strategy for babies, young children and their families. Bernie took up a new assignment in December 2020 and was replaced by Dr Anne-Marie Brooks, Assistant Secretary and Bernie’s successor as Head of the Early Learning and Care and School-Age Childcare Division.

Early Learning and Care and School-Age Childcare Policy Expert: Dr Anne-Marie Brooks was appointed Assistant Secretary General of the Department of Children, Equality, Integration, Disability and Youth in 2021. Anne-Marie is responsible for operational, policy and legislative developments relating to quality, affordable, accessible, sustainable, and inclusive early learning and care and school-age childcare. She also responsible for *First 5*, the ten-year, whole-of-government strategy for babies, young children and their families. Prior to being appointed as Assistant Secretary General, Anne-Marie was the Principal Officer of the Policy, Strategy and Research Unit of the Early Learning and Care and School-Age Childcare Division in the DCEDIY, and has been a member of the Expert Group from its inception. Following her promotion, she was replaced by Hazel O'Byrne, her successor as Principal Officer for the Policy, Strategy and Research Unit.

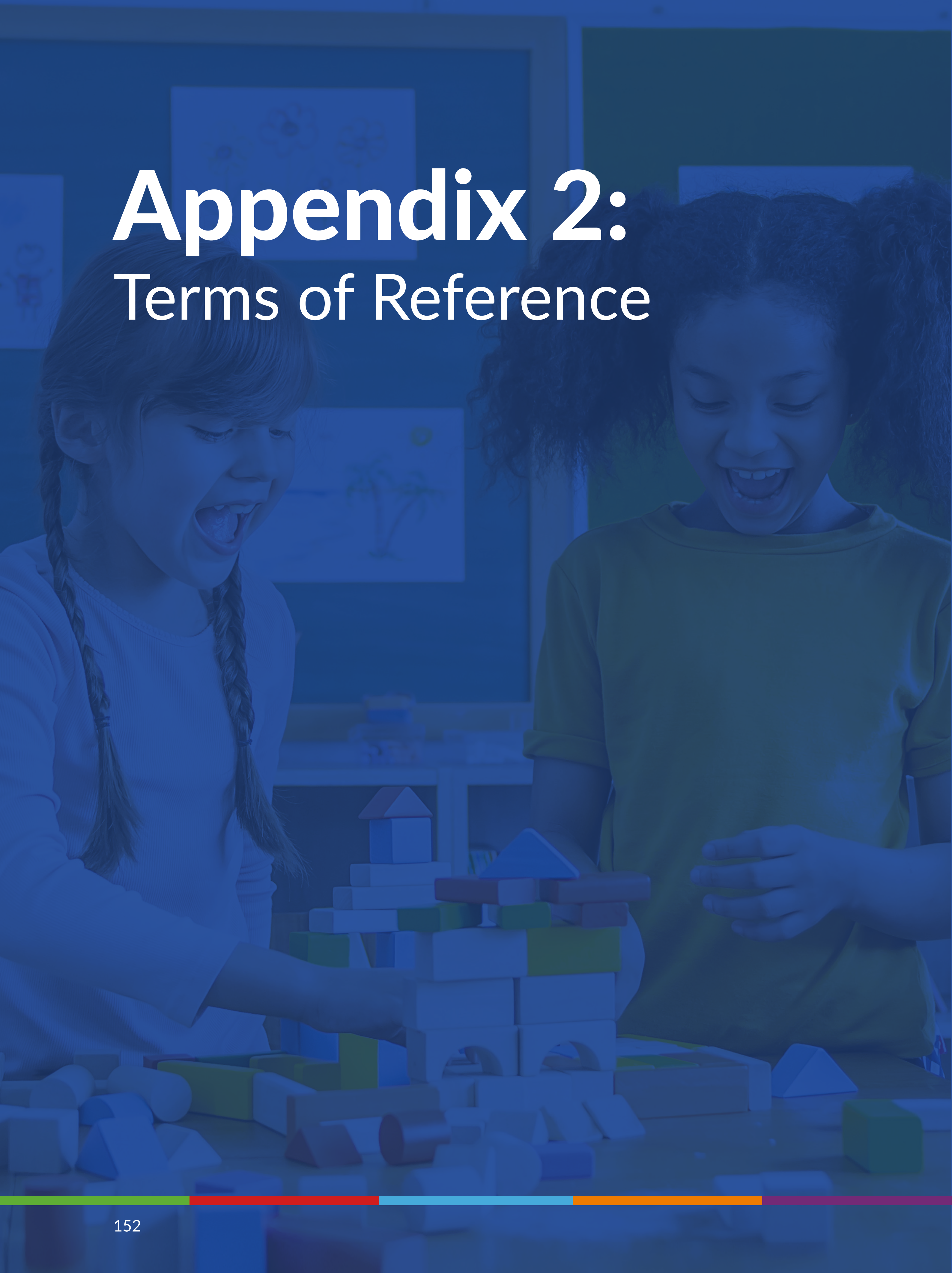
Early Learning and Care and School-Age Childcare Policy Expert: Hazel O'Byrne joined the Expert Group in 2021 as the Principal Officer for the Policy, Strategy and Research Unit. She has responsibility at Principal Officer level for monitoring of the *First 5* Implementation Plan 2019-2021 and reporting on progress; for progressing a range of *First 5* actions, including the development of a new funding model for Early Learning and Care and School-Age Childcare; and overseeing a range of research, evaluation and data projects associated with or commissioned by the Division.

Public Expenditure and Reform Policy Expert: Niamh Callaghan, Principal Officer in the Department of Public Expenditure & Reform with responsibility for the DCEDIY Vote, with the goal of delivering well-managed, well-targeted, and sustainable public spending. In her role as an active member of the Irish Government Economic and Evaluation Service (IGEES), Niamh works to embed an evidence-informed approach to policy making in the civil service. She has previously managed budget allocations in the areas of Health and Social Protection.

Early Education Policy Expert: Philip Crosby, Principal Officer leading on Early Years Education Policy in the Department of Education and Skills. He was previously responsible for Higher Education Policy and Research, and was head of Industrial Relations and pay regulation for the Education Sector. Philip retired in July 2021 and was replaced by Joanne Tobin.

Early Education Policy Expert: Joanne Tobin joined the Expert Group in 2021 as the Principal Officer leading on Early Years Education Policy in the Department of Education. She has previously worked in the areas of Higher Education Policy and Skills Planning and Enterprise Engagement in the Department of Education and Skills and the Department for Further and Higher Education, Research, Innovation and Science.

Appendix 2:
Terms of Reference



Appendix 2: Terms of Reference

- Agree a set of guiding principles to underpin the new Funding Model for Early Learning and Care and School-Age Childcare.
- Review the existing approach to funding Early Learning and Care and School-Age Childcare services by the Department of Children and Youth Affairs in terms of its alignment with the guiding principles as well as effectiveness in delivering on the policy objectives of quality, affordability, accessibility and contributing to addressing disadvantage.
- Drawing on international evidence, identify and consider options on how additional funding for Early Learning and Care and School-Age Childcare could be structured to deliver on the guiding principles and policy objectives.
- Agree a final report including a proposed design for a new Funding Model, with accompanying costings, risk analysis and mitigation, and phased implementation plan (with funding likely to become available on an incremental basis) to recommend to the Minister for Children and Youth Affairs and ultimately Government.

In delivering on these Terms, the Expert Group is not asked to propose changes to the current model of delivery (i.e. privately-operated provision) rather the Group should seek to further achieve policy objectives of quality, affordability, accessibility and contributing to addressing disadvantage, in a privately-operated market through increased public funding and public management. The following issues are within scope:

1. *Total Funding Package:* The interaction between the existing major streams of current funding (ECCE and NCS), the new Funding Model and any other funding streams that continue to exist and how they can operate together as a whole in order to deliver an integrated funding package, with the new Funding Model building on other schemes to leverage improvements in quality, affordability, accessibility and social inclusion.
2. *Changes to Existing Funding Allocations:* Any changes which should be made to the existing mechanisms for allocation of funding (outside of the core NCS and ECCE funding schemes):
   > Funding for additional qualifications levels (higher capitation rates for the ECCE programme for Level 7/8 qualified staff and staff with a Leadership for inclusion (LINC) qualification).

> AIM Level 7 funding for additional staffing resource in the pre-school room.

> Funding for administrative tasks/non-contact time (Programme Support Payments).

In the main, the new Funding Model is not being asked to propose alterations to the ECCE and NCS schemes per se. However, the potential of these scheme to channel additional investment to meet policy objectives should be explored. Further, if there are innovative solutions to addressing important issues which, in order to be resolved, require changes to these schemes, these can be considered.

3. *New Criteria for Allocating Funding:* An essential and top priority for this Group will be to make recommendations for a mechanism to control fee rates for different types of provision for ELC/SAC.

> Approaches to this could include no parental fees charged (for certain types of provision), flat rate maximum parental fee levels or parental fee levels as proportion of household income.

Other key objectives of the new Funding Model will include maximising quality, contributing to tackling disadvantage and ensuring accountability for public funding. Criteria to demonstrate achievement of these objectives may include:

> Agreed terms and conditions of employment for staff, recognising that the State is not the employer, having regard to the proposals emerging from the Workforce Development Plan, any industrial relations agreements that may be put in place and the outcome of the review of terms and conditions committed to in First 5.

> Other indicators of quality, above regulatory and contractual requirements, to be determined by the Expert Group which may include factors such as qualification for staff in a range of roles; a minimum service offer (opening hours); optimum size of setting (numbers of staff and children of different ages); provision of ex-ratio staff (*e.g.* manager, administrator); supportive working conditions for staff such as minimum number of hours per week paid time for team planning/reflection for each staff member; participation in

national quality development activities; provision of parent support services; acting as a hub for support and training networks for local childminders.

> Additional provisions for children and families in the context of poverty/disadvantage such as family liaison/home visiting staff, smaller staff: child ratios, additional parent supports, provision of food without charge, facilitation of integrated services delivered through ELC/SAC settings, having regard to experience and evidence from the operation of the Delivering Equality In Schools (DEIS) model.

> Operation of services on a reasonable profit/surplus or not-for-profit/surplus basis, having regard to EU legal requirements about public funding of private undertakings.

4. *Support for Inclusion:* The extent to which the existing funding approach supports access and equal participation of children in ELC/SAC, including children with additional learning needs, children for whom English or Irish is not a first language and children who are at risk of poverty and disadvantage and how the new Funding Model can be designed to support ELC/SAC provision to contribute to reducing inequalities between children. Consideration should be given to whether a weighting-based and/or a targeted approach to access funding, both for additional learning needs, language support needs and poverty/disadvantage is appropriate.

5. Implementation considerations:

> How such criteria should be applied in practice *e.g.* a menu of options with different funding rates applying to each or a whole-sale approach whereby all criteria must be met in order to attract additional funding.

> Whether certain criteria should apply to providers, independently of additional funding being available, and the appropriate timing/ phasing.

> Sustainability of the sector, ensuring that appropriate provision is adequately supported by a balance of public funding and parental fees and that those running services and working in the sector can make a fair income.

> Accountability for public funding, assuring Government that additional investment in the sector can be demonstrated to contribute to policy objectives.

> Technical and operational feasibility of the New Funding Model so that the proposal can viably be implemented with proportionate oversight mechanisms.

> Scenario planning, anticipating any unintended consequences of the New Model (or elements thereof).

6. *Different Types of Service Provision:* while the immediate focus of the new Funding Model is primarily on centre-based ELC and SAC, given the significant policy developments afoot in respect of home-based ELC and SAC (with plans to regulate home-based provision over time), the Expert Group is asked to consider the extent to which the new Funding Model (or elements thereof) could be applied in the public funding of home-based ELC and SAC.

7. *Broader Funding/Services Landscape:* consideration of the other public funding sources which may resource ELC/SAC services (DCEDIY funding of 'Specials', Tusla/HSE/DRCD/Pobal/other public funding which is allocated to ELC/SAC services) and how that can best be consolidated and streamlined to provide a fair, consistent and transparent resource base for all services aligned with objectives and principles.

8. *Capital Funding:* The role of capital funding, and whether there is scope to build this into the new Funding Model in recognition of the likely capital investment requirements associated with delivering additional features of quality and having regard to significant capital investment earmarked for ELC/SAC in Project 2040 (i.e. €250m).

9. *Governance and Management Information:* The adequacy of existing information and reporting infrastructure and processes for ELC/SAC settings in order for Government to ensure effective use of public money and appropriate governance, and any changes which need to be made to these systems to underpin the proposed future funding approach.

Appendix 3:
Timeline of the Expert Group

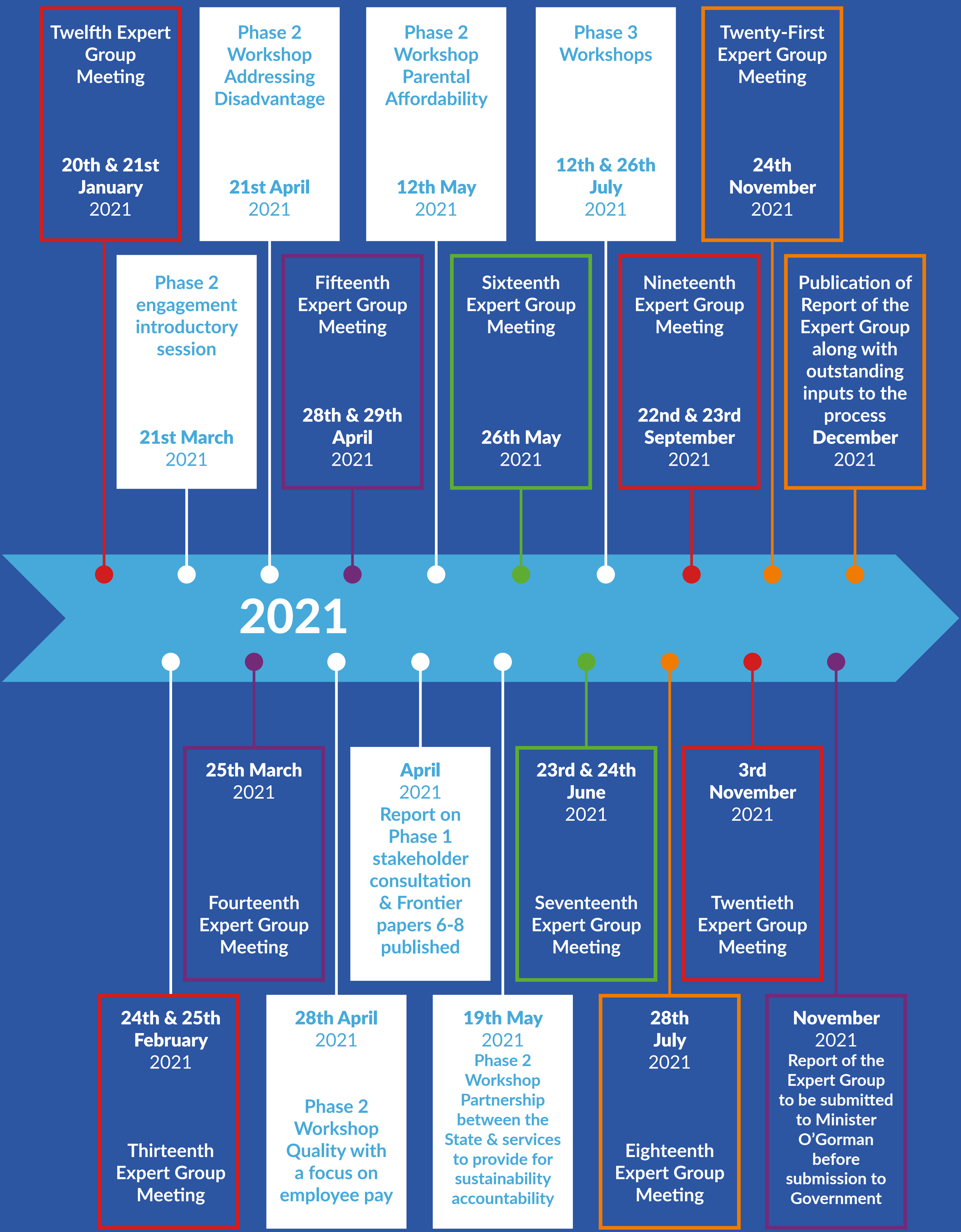
Timeline

2019

- Minister Zappone announces Expert Group — **18th September** 2019
- First Expert Group Meeting — **29th & 30th October** 2019
- Launch of the National Childcare Scheme (NCS) — **20th November** 2019
- Second Expert Group Meeting — **12th December** 2019

2020

- Third Expert Group Meeting — **22nd January** 2020
- Fourth Expert Group Meeting (first online meeting) — **20th & 21st May** 2020
- Fifth Expert Group Meeting — **25th June** 2020
- New Government formed. Roderic O'Gorman appointed Minister — **27th June** 2020
- Sixth Expert Group Meeting — **29th July** 2020
- Minister O'Gorman announces programme of consultation. Calls for submissions open (Phase 1) — **19th August** 2020
- IPSOS/MRBI survey opens (Phase 1) — **23rd August** 2020
- Seventh Expert Group Meeting — **2nd September** 2020
- IPSOS/MRBI survey closes (Phase 1) — **21st September** 2020
- Phase 1 opening webinar — **22nd September** 2020
- Eighth Expert Group Meeting — **28th September** 2020
- Closing date for call of submissions — **2nd October** 2020
- Phase 1 sessions with practitioners & providers — **12th–23rd October** 2020
- Ninth Expert Group Meeting 2020 — **28th October** 2020
- Phase 1 sessions with parents — **29th October, 12th November, 23rd-26th November, & 2nd December** 2020
- Frontier papers 1-5 published — **13th November** 2020
- Tenth Expert Group Meeting — **25th & 26th November** 2020
- Eleventh Expert Group Meeting — **16th & 17th December** 2020


Twelfth Expert Group Meeting 20th & 21st January 2021
Phase 2 Workshop Addressing Disadvantage 21st April 2021
Phase 2 Workshop Parental Affordability 12th May 2021
Phase 3 Workshops 12th & 26th July 2021
Twenty-First Expert Group Meeting 24th November 2021
Phase 2 engagement introductory session 21st March 2021
Fifteenth Expert Group Meeting 28th & 29th April 2021
Sixteenth Expert Group Meeting 26th May 2021
Nineteenth Expert Group Meeting 22nd & 23rd September 2021
Publication of the Report of the Expert Group along with outstanding inputs to the process December 2021
2021
25th March 2021 Fourteenth Expert Group Meeting
April 2021 Report on Phase 1 stakeholder consultation & Frontier papers 6-8 published
23rd & 24th June 2021 Seventeenth Expert Group Meeting
3rd November 2021 Twentieth Expert Group Meeting
24th & 25th February 2021 Thirteenth Expert Group Meeting
28th April 2021 Phase 2 Workshop Quality with a focus on employee pay
19th May 2021 Phase 2 Workshop Partnership between the State & services to provide for sustainability accountability
28th July 2021 Eighteenth Expert Group Meeting
November 2021 Report of the Expert Group to be submitted to Minister O'Gorman before submission to Government

First 5

Delivering on a First 5 Action