



# Core Funding Programme Year 2 Frequently Asked Questions (FAQ)

May 2023

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## Introduction

In September 2022, Minister O’Gorman launched Together for Better, the new funding model for early learning and childcare. Together for Better brings together three major programmes, the Early Childhood Care and Education (ECCE) programme, including the Access and Inclusion Model (AIM), the National Childcare Scheme (NCS) and the new Core Funding scheme.

Core Funding is a grant to Early Learning and Care (ELC) and/or School Age Childcare (SAC) providers towards their operating costs. It is designed to deliver:

- Affordability for parents through ensuring no increases in fees and offering NCS and ECCE to all eligible children;
- Quality in services, including through better terms and conditions for staff and supporting graduate leadership in services; and
- Sustainability for providers through substantially increased funding to the sector, paid on a consistent and equitable basis.

Core Funding will operate programme year 2 from 1 September 2023 to 31 August 2024. This FAQ aims to support providers in understanding the allocation model for the Core Funding scheme in year 2.

## 1. Core Funding Allocation Model for Programme Year 2

### 1.1. How much has the allocation model increased by?

The original allocation for year 1 of Core Funding in Budget 2022 was €207 million. In early 2022 in response to cost pressures, the Minister increased this to €221 million. This was followed by a further increase in September 2022 to €259 million based on significant growth in the sector.

The Minister secured additional funding of €28 million (11% increase) in the Core Funding budget for year two of operation (September 2023-August 2024). This brings full year budget of Core Funding year 2 to €287 million.

This substantial increase in the Core Funding budget has allowed for important changes in the Core Funding allocation model, in order to further the objectives of the scheme. The full allocation for year 2 allows for the continued success of the Core Funding scheme as the mechanism to provide public funding directly to early learning and childcare services to support increased quality, affordability, availability, and sustainability for the sector.

The new allocation model was determined by evidence and analysis emerging from year one of the operation of the scheme.

### 1.2. What are the main changes to the Core Funding allocation model in year 2?

The Minister secured an increase in the Core Funding budget for year two of €28 million. The breakdown of the additional €28 million of the Core Funding for Year 2 is as follows:

- **€8.47m** is allocated towards funding the natural growth of the sector. This additional funding will support an increase in more Partner Services; and also more staff working in the sector, more rooms and places, and more graduate lead educators and managers. By providing additional funding for capacity in this way, year 2 of Core Funding will help Partner Services expand their businesses, which will lead to greater accessibility for parents and greater sustainability for services.
- **€6.11m** is allocated for non-staff overheads. This additional funding is a contribution towards non-staff overheads in recognition of the increase in non-staff costs faced by all services throughout the sector. This enhanced level of funding is aimed at increasing the sustainability of Partner Services, while continuing the fee management process that began in Year 1, which will further improve affordability for parents.

- **€2.2m** is allocated for administrative staff time. This additional funding is a contribution towards administration in recognition of the fact that the number of children registered on ECCE and NCS is anticipated to continue to grow in 2023/2024. Non-contact/administration time is also factored into the base rate through the staff costs component.
- **€4m** is allocated to remove the year 3 experience requirement for the Graduates Premiums, underpinned by EROs.
- **€7.22m** is allocated for new targeted measures which are aimed at improving the sustainability of smaller and sessional Partner Services

### 1.3. What are the new base rates for year 2 of Core Funding?

The majority of Core Funding will still be distributed to services via the base rate, based on a service's capacity - the opening hours, opening weeks and the age group of children for whom services are provided as well as number of places available.

The base rate in Core Funding have been developed using the various components associated with the cost of delivery of service provision such as; staff pay and conditions, including contact and non-contact time, holiday pay, sick pay and other employer costs; administrative staff/time and non-staff overhead costs.

Although, the cost of delivery components have been used to derive the base rates the eligible areas of expenditure of the Core Funding grant are much broader. Partner Services can choose how to spend their Core Funding grant in accordance with the approved areas of expenditure outlines in the Funding Agreement.

#### Approved areas of Expenditure

- Costs relating to staffing of Partner Services in the provision of Early Learning and Care and/or School Aged Childcare (ELC/SAC), which may include non-contact time in preparation and review of ELC/SAC provision.
- Costs of participation in Continuing Professional Development relating to ELC/SAC including cost of cover for absence due to such participation.
- Costs relating to the administration of the service including the administration of schemes funded by Department.
- Overheads pertaining to running of the ELC/SAC service including rent, rates, utilities and insurance.
- Any other operational costs, excluding capital costs, which may reasonably be asserted to enhance the quality of ELC/SAC service provision.

Core Funding's base rates for year 2 will see in an increase in allocation per child place across all age groups.

#### **Core Funding base rates for Programme Year 2**

Age of child	Base Rate Year 1	Base Rate Year 2
Full-time (5+ hours per day) and Part-time (3.5 hours – 5 hours per day)		
0-1 year of age	€1.66	€1.69
1-2 years of age	€1.07	€1.10
2-3 years of age	€0.92	€0.95

3-6 years of age	€0.68	€0.71
Sessional (up to 3.5 hours per day)		
0-1 year of age	€1.66	€1.69
1-2.5 years of age	€1.07	€1.10
2.5-6 years of age	€0.65	€0.68
School-age		
Any age	€0.55	€0.57

#### 1.4. What are the changes to the Graduate Premiums in Year 2 of Core Funding

There are no changes to how the Graduate Premiums will operate in programme year 2.

There will continue to be an allocation to contribute to support graduates to be Lead Educators across ELC and to support graduates as Managers in ELC or combined ELC and SAC services. The ELC Graduate Premium is calculated based on the number of ELC graduate Lead Educators in ELC rooms in the service; and the number of hours of operation if the ELC or combined ELC and SAC service has an ELC graduate as the manager. Both the Graduate Lead Educator Premium and Graduate Manager Premium rate will remain at €4.44 per hour.

As per the Employment Regulation Orders (ERO) that assigns a higher minimum pay to graduate lead educators and managers, in year 1 of Core Funding, to qualify their Partner Service for the graduate premiums under Core Funding a graduate Lead Educator or Manager had to have 3 or more years' experience.

The Minister has allocated additional funding to support the removal of this 3-year experience rule for graduates in year 2 however this will only be implemented if an equivalent change is made to the relevant ERO.

#### 1.5. What is the Flat Rate Allocation

A flat rate allocation of €4,075 will be given to all services registered on the Tusla Register of Early Years Services as sessional only.<sup>1</sup> This allocation is in addition to the services base rate and graduate premium. This allocation will be made to sessional services regardless of the level of Core Funding they receive. This measure will benefit approximately 1,700 sessional only Partner Services.

Sessional services often attract less Core Funding in total because of their business model, which operates for shorter hours than most other service types. However, sessional provision is a key part of the overall early learning and childcare model in Ireland. Funding for sessional services increased on average in 2022/23, but less so than for other service types.

The independent review of sessional services has not been completed yet and emerging findings are not conclusive. Nonetheless, a targeted measure is considered in the best interests of all stakeholders and in supporting sessional provision as an important part of the early learning and childcare delivery model.

<sup>1</sup> The allocation of €4,075 assumes participation in Core Funding beginning from 1 September 2023.

### 1.6. How will the Flat Rate Allocation work?

The flat rate allocation will be paid in addition to the Core Funding base rates and Graduate Premium. It will mean that that all services with only a sessional service type registration with Tusla will be given an additional payment of €4,075 regardless of the level of Core Funding they receive.

The allocation will be divided into weekly amounts and aggregated into monthly payments alongside the rest of Core Funding. Services that are not in Core funding for the whole year will receive the appropriate number of weekly payments.

The allocation is equivalent to a 23% increase on the average allocation for a sessional service in year 1 of Core Funding of €17,793. This is before any other changes occur to the allocation model or make up of the service.

The example below demonstrates how the flat rate allocation payment works and how it will improve the sustainability of sessional services.

#### Example: Flat rate allocation for a sample sessional service

	Sessional Service Core Funding 2022/23 programme year (no flat rate allocation)	Sessional Service Core Funding 2023/24 programme year (with flat rate allocation)
Base Rate	€13,957	€14,601
Flat rate allocation	N/A	€4,075
Graduate Premium	€3,386	€3,386
Total Core Funding	€17,793	€22,062

### 1.7. What is the Minimum Base Rate Allocation?

The minimum base rate allocation will be set at €8,150, for all Partner Services except childminders. This is the minimum amount of funding a Partner Service will receive from their Core Funding base rate and the flat rate allocation for sessional services where applicable. All Partner Services delivering centre-based provision, regardless of the size of their service, will receive at least this minimum base rate allocation. All sessional services will receive at least €8,150, from their base rate and flat rate allocation combined (if they are in Core Funding for the whole year). This minimum base rate is not affected by the graduate premiums, which are applied on top of it and which will continue to operate as in year 1 (noting the removal of this 3-year experience rule subject to ERO). The minimum base rate allocation applies to centre-based services only, i.e. not childminders.

### 1.8. Why is the Minimum Base Rate Allocation being introduced?

The Minimum Base Rate Allocation continues the successful practice of establishing safeguards to ensure there are no unintended outcomes of Core Funding. Having a minimum allocation will mean that all Partner Services have a minimum financial contribution through Core Funding. Those who are most likely to benefit will be small, part time services and SAC services.

### 1.9. How does the minimum base rate allocation work?

The base rate will be generated based on a services capacity (places and hours), with the flat rate allocation added where applicable. The system then splits this into 52 equal weekly allocations for payments. The minimum base rate allocation will be applied to this weekly allocation.

A service whose weekly allocation for the base rate (and flat rate allocation where applicable) is less than €156.73 will see the balance added to their weekly allocation. For example, if a part-time service has an annual base rate allocation of €3,000, this will be split into weekly allocations of €57.69. An additional €99.04 will be paid per week on top of this allocation to reach the minimum base rate allocation of €156.73.

As a services base rate allocation will be locked following the first review and confirm window, a service which starts the 2023/2024 programme year receiving the minimum base rate allocation will remain at this minimum for the entire programme year, i.e. if they remain in contract for the full 52 weeks of the programme year the service will receive €8,150 for the programme year (exclusive of graduate premiums).

Services can, however, begin the programme year with an allocation above the minimum allocation, and fall in and out of this during the programme year as their capacity changes. At any point in the programme year, no centre-based service will receive a weekly allocation of less than €156.73.

Services that are not in Core funding for the whole year will receive the appropriate number of weekly payments, including top-ups to their base rate to meet the minimum where appropriate.

Please see an example of how the base rate minimum applies to three sample services below.

**Example: Base rate minimum allocation for three sample services**

Examples	Service A (Part Time)	Service B (School Age)	Service C (Sessional)
Base Rate	€7,230	€ 3,899	€8,527
Does the Service Qualify for Base Rate Minimum	<b>Yes</b>	<b>Yes</b>	<b>No</b>
Base Rate after the Base Rate Minimum Allocation	€8,150	€8,150	€8,527
Graduate Premium	€3,037	€N/A	€2,531
Total Core Funding	€11,187	€8,150	€11,058

Because Partner Services A and B received less than €8,150 from their base rate, they qualified for the minimum base rate allocation. This brought their allocation from their base rate up to €8,150. Partner Service C received more €8,150 from their base rate and therefore did not qualify. After the minimum base rate allocation was applied, their Graduate Premiums were added, giving the services their total Core Funding for the programme year.

**1.10. How do the base rate minimum and flat rate allocation interact with each other for Sessional Services?**

When receiving Core Funding, Partner Services will first receive their base rate allocation. All sessional-only Partner Services will then be allocated an additional €4,075 through the flat rate allocation, regardless of the amount they were allocated for their base rate. If, for any sessional only service, the combination of their base rate and flat rate allocation is less than €8,150 for the full year, or €156.73 per week, then they will qualify for

the base rate minimum allocation and their combined annual allocation from their base rate and flat rate allocation will be brought up to €8,150. It is important to note that for sessional-only services this floor applies to both their base rate and flat rate allocation. Sessional-only services may then receive additional funding from their graduate premiums. The example below illustrates how this base rate minimum works for sessional-only services.

**Example: Minimum base rate allocation on two sample sessional-only services**

	Service A (Sessional-only Service)	Service B (Sessional-only Service)
Base Rate	€3,000	€6,000
Flat rate allocation	€4,075	€4,075
Base Rate and Flat rate allocation combined	€7,075	€10,075
Does the Service Qualify for the Base Rate Minimum	<b>Yes</b>	<b>No</b>
Base Rate and Flat rate allocation up combined, after the Base Rate Minimum	€8,150	€10,075
Graduate Premium	€1,000	€1,000
Total Core Funding	€9,150	€11,075

The example above serves to demonstrate how the base rate minimum interacts with the flat rate allocation for sessional services.

Service A's base rate is €3,000 and Service B's base rate is €6,000. Both services base rates are below €8,150. Both services, however, receive the additional €4,075 from the flat rate allocation

Service A has a combined allocation from their base rate and flat rate allocation of €7,075. This is below €8,150, and therefore for their combined allocation from their base rate and flat rate allocation is brought up to €8,150.

Service B, however, has a combined allocation from their base rate and flat rate allocation to €10,075, which is above €8,150. Therefore, Service B does not qualify for the base rate minimum allocation.

In the case above, even though both service started off with a base rate below €8,150, the flat rate allocation brought Service B above this amount and therefore they did not receive the minimum base rate allocation, while Service A's allocation remained below the floor and therefore they qualified for the base rate minimum allocation.

Both services received an additional €1,000 from their Graduate Premiums. The Graduate Premiums are always applied in addition to the base rates, flat rate allocation and the minimum base rate allocation. Therefore, Service A received €9,150 in total from Core Funding, €1,075 more than they would have had there not been a base rate minimum. Service B received €11,075, and was not affected by this base rate minimum.



### 1.11. What is the Maximum Base Rate Allocation?

There will be a new maximum base rate allocation of €600,000. Partner Services will not receive base rate funding beyond this maximum value. This measure will affect only a very small amount of services. No Partner Service is currently receiving above this maximum base rate and six services are receiving more than €400,000. This maximum does not apply to the graduate premiums, which may still increase a Partner Service's total allocation beyond this maximum base rate allocation.

### 1.12. Why is the Maximum Base Rate Allocation being introduced?

The Maximum Base Rate Allocation is being introduced to control the Core Funding budget for year 2 of the programme. This cap will be set at €600,000 (€11,538.46 weekly), thus providing ample room for all current Partner Services to increase their funded capacity under Core Funding. An additional €8.47m is being allocated for growth in the sector, and increasing capacity and places remains a key objective of the Core Funding scheme. However, in year 2, a maximum base rate allocation is being introduced to best spread a limited budget across the entire sector rather than increasing funded capacity for the very largest services. Only a very small amount of services, those who already receive the highest amounts of Core Funding, may be affected by this cap. Even those services will be able to see an increase in their Core Funding base rate, up to a maximum of €600,000. According to the Department's estimates, the increased base rates alone will not bring any service into the maximum base rate allocation

### 1.13. How does the Maximum Base Rate Allocation Work?

The example below demonstrates how the maximum base rate allocation might affect large services.

#### Example: Maximum base rate allocation on three sample services

	Service A	Service B	Service C
Base Rate	€560,000	€615,000	€590,000
Is the Partner Service effected by the Maximum Base Rate Allocation	No	Yes	No
Base Rate after Maximum Base Rate Allocation	€560,000	€600,000	€590,00
Graduate Premiums	€20,000	€30,000	€25,000
Total Core Funding	€580,000	€630,000	€615,000

In the example above, there are three large Partner Services.

Service A, receives a base rate less than €600,000, and therefore is not effected by the maximum base rate.

Service B, has a base rate of €615,000 and is therefore effected by the maximum base rate. The maximum base rate means that this service's base rate is brought down to €600,000. It is important to note that the maximum base rate has no effect on the graduate premiums. For this service, they receive €30,000 from their graduate premiums, which would bring their total Core Funding up to €630,000. As this example demonstrates, a service

is able to receive over €600,000 in total Core Funding for year 2, but they are not able to receive over €600,000 from their Core Funding base rates.

Service C, has a base rate of €590,000 and is therefore not effected by the maximum base rate. The service has an additional €25,000 in Graduate Premiums, which brings their total Core Funding €615,000. Similar to service B, their total Core Funding is allowed to surpass €600,000. Indeed, even though this service has a total amount of funding of €615,000, they are in no way affected by the maximum base rate. So long as their base rate was below €600,000, they are not affected by this new measure.

#### 1.14. Can registered childminders access Core Funding for year 2?

Yes, registered childminders can continue to access Core Funding for programme year 2023/2024. All Core Funding measures will apply to childminders, except for the minimum base rate allocation.

In line with the approach to Core Funding recommended by the Expert Group report, Partnership for the Public Good, the new funding model can in principle apply to registered childminders and centre-based provision, but there is a need to take into account differences in costs of delivery and other operational differences between childminding and centre-based provision. Given these differences, it is not deemed appropriate to apply the minimum base rate allocation for registered childminders in year 2.

The future funding approach for registered childminders is being considered for programme year 2024/2025 and will be informed by the continued operation of the Core Funding pilot for childminders during year 2 and taking account of the commitments in the National Action Plan for Childminding (2021-2028).

## 2. Additional information for Core Funding in Year 2

### 2.1. What are the conditions of the Core Funding Partner Service Funding Agreement?

The full detail of the terms and conditions for Core Funding in year 2 will be set out in the Core Funding Partner Service Funding Agreement, which will be published in the coming weeks.

### 2.2. Will there be any changes to Fee Management?

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

As outlined in Partnership for the Public Good, the new system of Fee Management should focus first on limiting increases in fee rates. The Fee Management system can only evolve based on an analysis of provider income and cost data, which will be gathered through financial returns in October 2023 to underpin developments in Fee Management for year 3.

The fee freeze was deemed by the Expert Group as the most appropriate way to introduce fee management accepting that each individual service determined their own fee policy in September 2021.

### 2.3. What are the existing Fee Management rules?

Partner Services must uphold their contractual obligations regarding Fee Management. Core Funding requires services not to increase the fees charged to parents from those charged on 30 September 2021. An increased charge of any kind for an existing and unchanged Service Type will be in breach of Core Funding rules.

Parents or Guardians of children attending a service in contract for Core Funding may seek to have issues examined and a conclusion reached through the Core Funding Fee Review process operated through City/County Childcare Committees (CCCs), Pobal and the DCEDIY.

To support services, parents/guardians and the CCC's, the Department has published guidelines on fee management and an overview of the fee review process. These documents provide examples to assist with understanding of the new fee management conditions and review process. <https://first5fundingmodel.gov.ie/wp-content/uploads/2023/05/Together-for-Better-Guidelines-on-Fee-Management.pdf>

Any parent or person with concerns or questions about fees to contact their local CCC for support and guidance, contact details available here: <https://myccc.ie/where-is-my-nearest-ccc>.

#### 2.4. What is the timeline for Core Funding year 2?

Core Funding year 2 will commence on 1 September 2023. A number of key items to note ahead of this date are:

- Completion of Annual Early Years Sector Profile and updates to Service Profile on Hive
- Core Funding Partner Service Funding Agreement published
- Final Review and Confirm for Core Funding year 1
- Core Funding year 2 application module and signing Funding Agreement
- Core Funding year 2 appraisal, first Review and Confirm, Parent Statements

Further information on programme readiness will be available in coming weeks.

#### 2.5. Where can I get support and guidance on Core Funding year 2?

All services are encouraged to contact their local City/County Childcare Committee (CCC) and/or Pobal with questions or for guidance and support on understanding how Core Funding will impact their service for year 2.

Local CCC contact details can be found at <https://myccc.ie/>

The Pobal Early Years Provider Centre is available to assist ELC and SAC providers with their online applications for Core Funding.

For queries relating to technical support, accessing and using the Early Years Hive and / or questions regarding sector/service profile or application queries please raise a 'Service Request' on the Early Years Hive or email [eypc@pobal.ie](mailto:eypc@pobal.ie).

The Early Years Provider Centre is open Monday to Friday, 9.00am – 5.00pm.



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