

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

Background to establishment of Expert Group

1. Introduction

*First 5: A Whole of Government Strategy for Babies, Young Children and their Families*¹, published in November 2018, sets out an ambitious programme of work across Government Departments to improve the experiences and outcomes of children in Ireland from birth to age 5 across all aspects of their lives in the coming ten years. One of the major objectives is that babies and young children have access to safe, high-quality, developmentally appropriate Early Learning and Care (ELC) and School-Age Care (SAC) which reflects diversity of need. Allied to that objective, *First 5* identifies as a key building block additional public funding, strategically invested, to achieve the best outcomes for babies, young children and their families. *First 5* commits to at least doubling investment in ELC and SAC by 2028 and a key vehicle to ensure that such significant additional investment delivers for children, families and the State will be a New Funding Model.

The following actions in *First 5* relate to the development of the New Funding Model, with further detail provided below in the boxed text:

- Develop and introduce a new funding model for ELC and SAC that will support improved quality of provision without compromising sustainability for providers or affordability for parents (see further detail below).
- As part of the reform of the funding model, develop an appropriate mechanism to control fees charged to parents in return for increased State investment in affordability, quality and sustainability.
- Undertake a review of the types of favourable working conditions that could be supported so that employers can attract and retain staff working in ELC and SAC settings as a key input to the development of a new funding model. As part of this review, the optimal time for observation, reflection, planning, teamwork and cooperation with parents will be explored
- Develop mechanisms to provide additional supports to ELC settings where there are high proportions of children who are at risk of poverty to mitigate the impacts of early disadvantage. Specifically, informed by the DEIS model, develop a programme for the delivery of ELC in the context of concentrated disadvantage.
- Develop ELC services as a delivery mechanism to provide supports for parents (resourced through a reformed funding model) and 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).
- Pilot the development of models of local collaboratives to better address governance and sustainability in ELC, in partnership with community and private ELC and SAC providers.

A New Funding Model for ELC and SAC

The current funding model for ELC and SAC largely relies on a market model to deliver affordability for parents, quality for children and sustainability for providers. Research finds that strong public investment, robust regulation and inspection systems, and a defined professionalised workforce are required. The introduction of the National Childcare Scheme (NCS) will be a major step forward in the funding infrastructure for ELC and SAC. The NCS platform will allow for variable subsidies, for

¹ <https://www.gov.ie/en/publication/f7ca04-first-5-a-whole-of-government-strategy-for-babies-young-children-and/>

example to reflect cost of provision for younger children, and also for additional quality levers to be introduced.

While the NCS is focused on subsidising costs for parents (with the whole amount of subsidy offset against fees), there is a strong rationale to develop a complementary mechanism to fund quality development in settings, especially supporting employers to offer favourable working conditions (identified by the EU Quality Framework as having a significant impact on the quality of service). A new funding model for ELC and SAC will:

- Build on existing investment principles (including directing investment at supply-side measures, limiting funding to regulated provision); following consultation with stakeholders, agree a national set of ELC and SAC investment principles (for example, that investment should reduce disparities in provision for children under and over three).
- Develop the NCS/ universal pre-school programme contracts to set out the minimum level of quality for publicly funded ELC and SAC provision. (The quality floor will rise incrementally over the lifetime of the Strategy as investment increases.)
- Develop an enhanced contract whereby settings are funded to meet certain quality indicators (over and above NCS/universal pre-school programme contracts). Such quality indicators may include: minimum qualification for Room Leaders and/or Assistants for children at all ages; minimum service offer (operating hours); maximum fee levels for parents; managers with minimum levels of qualifications and/or experience; role of manager (excluded from staff: child ratios); supportive working conditions 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.
- Develop an enhanced contract whereby additional funding would be available for the provision of high-quality ELC settings in communities of concentrated disadvantage (DEIS-type model). Such a model may include additional funding for smaller staff: child ratios, family liaison staff, additional parent supports, and provision of food.

Other key themes in First 5

- Prioritising children’s rights and interests and balancing these with the interests of parents, ELC/SAC employees, ELC/SAC providers and the State.
- The fundamental importance of families for children’s early experiences and outcomes and the need for publicly funded services, including ELC/SAC services, to work together to actively support families in promoting children’s early development
- The concept of Progressive Universalism whereby supports and services are offered to all children at a universal level with extra provision for children with additional needs or challenges
- The potential of ELC and SAC services to contribute to various aspects of children’s development, including their transition to primary school, particularly working in collaboration with families, schools, health services, and other services in the community.
- Ensuring that research and evidence informs policy and practice considerations and recommendations at every stage of the process.

The intention is that the New Funding Model will operate in parallel with existing major funding programmes/schemes – the National Childcare Scheme and the universal pre-school Early Childhood Care and Education programme (ECCE) which provide full or partial subsidies to parents – and will be

the framework for *additional* investment in services in return for clear evidence of quality and affordability to ensure effective use of public funding.

Currently, fees charged to parents and the quality of provision vary significantly across ELC/SAC providers and there is a considerable disparity in the nature and quality of funded service provision. The development of a new Funding Model offers the opportunity to more precisely allocate public funding to deliver the types of services that align with national policy objectives, resourcing quality provision and requiring affordability for participation in the new model.

2. Rationale for an Expert Group

The Minister for Children and Youth Affairs has appointed an Expert Group to review the current funding model and to make recommendations on one which will deliver accessible, affordable, high-quality services, including how additional public funding in return for meeting agreed quality criteria could be delivered. The development of the new Funding Model will be supported by a significant programme of research and subject to wide consultation with relevant interested parties which will inform the Expert Group. The Group will develop proposals for the Funding Model for submission to the Minister for Children and Youth Affairs, and ultimately Government. Given the other significant reform projects planned for the sector in respect of Workforce Development and the Review of the Operating System, it will be important to ensure co-ordination and alignment of all related elements.

The development of the new Funding Model is a challenging and sensitive piece of work, which will be required to navigate competing agendas from stakeholders and across Government. Dealing with issues of working conditions for staff, fee controls and reasonable profits for providers will be particularly complex and likely to require considerable legal advice. It is hoped that this piece of work will go a significant distance in addressing some of the major issues facing the sector, in particular pay and working conditions among the workforce. The Expert Group will be an important mechanism to drive the project, affording it status and credibility as well as objectivity and focus.

Given the significance of this piece of work and the long-term importance of its proposals, it is essential that the Group is appropriately constituted and includes the expertise required in order to engage with the breadth and complexity of issues involved and make informed, evidence-based, rigorous recommendations grounded in sound judgement.

3. Types of expertise required on the Expert Group

It is considered that the following types of expertise are required to be reflected by the Group.

Reputable and focused chair

It will be essential that the chair of the Expert Group has the necessary track record, reputation and skills to lead this important and highly complex piece of work, and inspire confidence of both the sector and wider partners. It may not be necessary for the Chair to have detailed experience or knowledge of the ELC and SAC sector if they have the skills required to chair a group, ensure focus on the task and the capacity to engage with new material quickly. It is proposed that an external, independent chair is appointed in order to bring objectivity to the process and new ways of thinking.

ELC/SAC Systems/funding expertise

This project will develop proposals for new mechanisms to fund and manage ELC and SAC provision. The group will require member/s who have in-depth understanding of international systems and models of ELC/SAC and will be able to contribute authoritatively, based on evidence, on the merits and demerits of different approaches in terms of delivering on different objectives. It would also be helpful if members of the Expert Group could bring knowledge and understanding of other relevant

models in health, social care or other sectors where there is significant public funding and public management of services.

ELC/SAC Quality expertise

A core driver of the policy intent behind this initiative is an aspiration to raise the level of quality in the provision of ELC/SAC. A key challenge for the new Funding Model will be to link public money to quality in a meaningful and feasible way. ELC quality and, to a lesser extent, SAC quality have been extensively researched and written about. An EU Quality Framework has recently been adopted. At least one member of the Expert Group will be required to be very familiar with the up-to-date literature and international policy developments in this field and able to bring this knowledge to bear on the development of the funding model.

Economic expertise

The new Funding Model will develop and propose ways to channel increased investment in ELC/SAC. How this additional funding is structured and the conditions and provisos attaching to it will create economic incentives and disincentives. It is proposed that the Expert Group includes economic expertise to advise on the likely consequences of different options under consideration and their impact on the sector as a whole. Economic perspectives will contribute understanding of how public investment does and can work, potentially from other sectors such as health or education economics.

Policy expertise

The resourcing for the proposed Funding Model will have to be sought through the estimates process in negotiation between the Department of Children and Youth Affairs (DCYA) and the Department of Public Expenditure and Reform (DPER). The model will be implemented and overseen by DCYA, potentially with input from the Department of Education (DES). The model will therefore have to be designed with reference to a wider policy and economic landscape in order for the proposals to secure agreement and for the model to be effectively and feasibly delivered. For this reason it is proposed to have representatives from these key government departments involved in the group from the outset.

Brief biographies for all Expert Group members are outlined at Appendix 1.

4. Other considerations

Secretariat

The Expert Group will be supported by a Secretariat from the Department of Children and Youth Affairs Early Years Policy, Strategy and Research Unit which will produce a number of background and scoping papers.

Other project elements

A full Project Plan will be developed which will include the following key elements:

- **Research partnership:** A research partner has been selected via the tendering process support the development of this project. The research partner will deliver a series of working papers to contribute to the project, including comparative papers on aspects of ELC/SAC services in other jurisdictions, and assist with consultations and stakeholder engagement.
- **Principles to underpin the funding model:** A discussion paper was produced for the Expert Group in advance of its first meeting on 29/30 October and will be progressed as the project progresses
- **Stakeholder engagement methods:** An options paper was produced for the Expert Group in advance of its first meeting outlining possible approaches to engagement

- Other expert inputs: It is likely to be necessary to seek additional inputs to inform the work of the Expert Group. This may include legal advice (e.g. on State Aid rules, competition or other issues that arise).

Timeframe, meetings and size

Given the complex and multifaceted nature of the task and the need to engage with a broad range of inputs (briefings, research, policy analysis, consultation etc.) which will become available at different stages, it is anticipated that this Expert Group will be required to be in place for approximately two years, running from mid-2019 to mid-2021 (a third year may be required).

The expectation at this point is that the Expert Group would meet 4-6 times per year, which can be considered further once the group is established and engaged in its work. The first meeting will be an extended two-day meeting to allow members to become familiar with the key issues at the outset of the project, get to know each other and agree how they will work together. There will also be a requirement for reading and other preparation to be undertaken in-between meetings, an estimated 1-2 days per meeting. The annual commitment is expected to be approximately 15 days.

Appendix 1: Expert Group members' brief biographies

Chair: Michael Scanlan

Michael Scanlan is former Secretary General, Department of Health and Children and former senior official in Department of Finance. He led the Department of Health and Children when Office of Minister for Children and Youth Affairs was under its remit during which time the Early Childhood Care and Education (ECCE) Programme was established. Michael oversaw the development of the Fair Deal model of funding for nursing home care, which has considerable parallels with the reform proposed for Early Learning and Care and School Age Childcare funding. He has previously acted as chair of the Board of Tallaght Hospital.

Early Years Quality Expert: Professor Edward Melhuish

Professor Edward Melhuish is a professor of Human Development at the University of Oxford. He is a highly renowned international research expert on quality in Early Learning and Care and 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 is a director of the EU project (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 well-being.

Early Years Funding Expert: Professor Eva Lloyd OBE

Professor Eva Lloyd is Director of the International Centre for the Study of the Mixed Economy of Childcare and a Professor of Early Childhood in the Cass School of Education and Communities at the University of East London. 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. Prior to joining UEL she was a senior lecturer at Bristol University's School for Policy Studies, having held academic positions at London University and honorary positions at the University of Cambridge and the Queen's University Belfast. Professor Lloyd also worked in several children's NGOs; in policy and research for Save the Children and Barnardo's and as CEO of the National Early Years Network. In 2013 she was awarded an Honorary OBE for Services to Education, nominated by the UK Department of Education.

Early Years Systems Expert: Tove Mogstad Slinde, Senior Advisor

Tove Mogstad Slinde is a Senior Adviser 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 OECD. In the Ministry of Education and Research Tove Mogstad Slinde has been working on policy development on topics related to quality in ECEC. Since she entered the sector in 1987 she has among other things been working with governance and implementation of national policies on the regional and local levels. Representing the Ministry in international cooperation, she has been involved in the work of the OECD ECEC network (since 2008) including Starting Strong III-V, as well as a Thematic Working Group on Early Childhood Education and Care in the European Union (EU). She has also been engaged in the advisory committee for the research

projects related to the quality, effectiveness and inclusiveness of ECEC; CARE and ISOTIS, funded by the EU.

Social and Economic Policy Expert: Dr Tim Callan

Dr Tim Callan is an 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. He has published widely in national and international journals on topics including income tax and welfare policy, financial incentives to work, labour supply, and income distribution; he has also contributed to a number of edited volumes on poverty and inequality and to several international comparative projects. He is an experienced contributor to the development of policy and was a member of the Expert Working Group on Tax and Welfare and the Commission on the Family and has contributed written and oral evidence to government and parliamentary committees.

Social and Economic Policy Expert: Dr Rory O'Donnell

Dr Rory O'Donnell has recently retired as 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. In his work as Economist and later Director at NESC he undertook and led analysis on a wide range of economic, social and environmental issues aimed at creation of a shared understanding within the Council and in the Irish policy system. He has written extensively on social partnership and has been spoken about social dialogue in international contexts. He was previously Jean Monet Professor of Business at University College Dublin, where he edited a review of Ireland's first 25 years in the EU and co-authored Europe's Experimental Union: Rethinking Integration. He holds an MSc in Economics from the University of London and a PhD from the University of Cambridge.

Early Learning and Care and School Age Childcare Policy Expert: Bernie McNally

Bernie McNally was appointed Assistant Secretary General in the Department of Children and Youth Affairs (DCYA) in March 2015 with responsibility for Early Learning and Care and School Age Childcare and three other functional areas. Since then, Early Learning and Care and School Age Childcare has grown to constitute a division of its own which Bernie leads. The work of the division includes policy, strategy and research; quality and inclusion; projects; operations; and finance and governance. Prior to her work with the DCYA, Bernie was Director General of the Office of the Ombudsman and Information Commissioner. In her earlier career she worked as an Occupational Therapist, Director of Therapy and Social Work services in St James's Hospital, and was Chief Therapist Advisor in the Department of Health.

Early Learning and Care and School Age Childcare Policy Expert: Dr Anne-Marie Brooks

Dr Anne-Marie Brooks has responsibility at Principal Officer level for the development 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, including the Independent Review on the Cost of Delivering Quality Childcare and the Annual Early Years Sector Profile Survey.

Early Education Policy Expert: Philip Crosby

Philip Crosby is the 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 also head of Industrial Relations and pay regulation for the Education Sector. His professional experience includes HR and IR management, quantitative analysis, IT, budget management, and performance reporting, and his academic background is in public management with a particular emphasis on service quality, innovation and reform.

Public Expenditure and Reform Policy Expert: Niamh Callaghan

Niamh Callaghan has responsibility at Principal Officer level for the Children and Youth Affairs 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. She holds an MSc in Economics from the Tilburg University in the Netherlands.