

2025 CWELCC Funding Approach

Teleconference Series: Session #4

LHCC Care Providers

Early Years & Child Care Services

October 4, 2024



Housekeeping items

- This meeting is being **recorded** and will be shared with the presentation.
- Your microphone will be muted unless called upon during the question period.
- You can participate by using the chat function to raise any questions you have.
- You can also email us at earlyyearssystemdivision@peelregion.ca or contact your Early Years Specialist.

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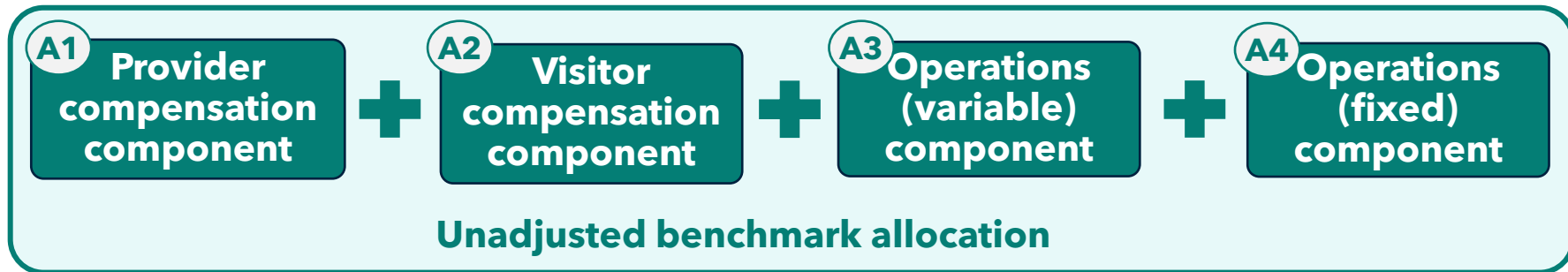
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- Include the best information available at the time of release and are subject to provincial direction.

Agenda

- [Recap](#)
- [Legacy top-up](#)
- [Growth top-up](#)
- [When will my allocation be updated?](#)
- [Next Steps](#)
- Q&As



RECAP: Benchmark allocation



Unadjusted benchmark allocation
(A1 + A2 + A3 + A4)



Peel's assigned GAF by MEDU = 0.87



Adjusted benchmark allocation
FULLY FLEXIBLE

For agencies with homes in other jurisdictions, the GAF is applied based on the location of the home.

Recap: Key Take Aways

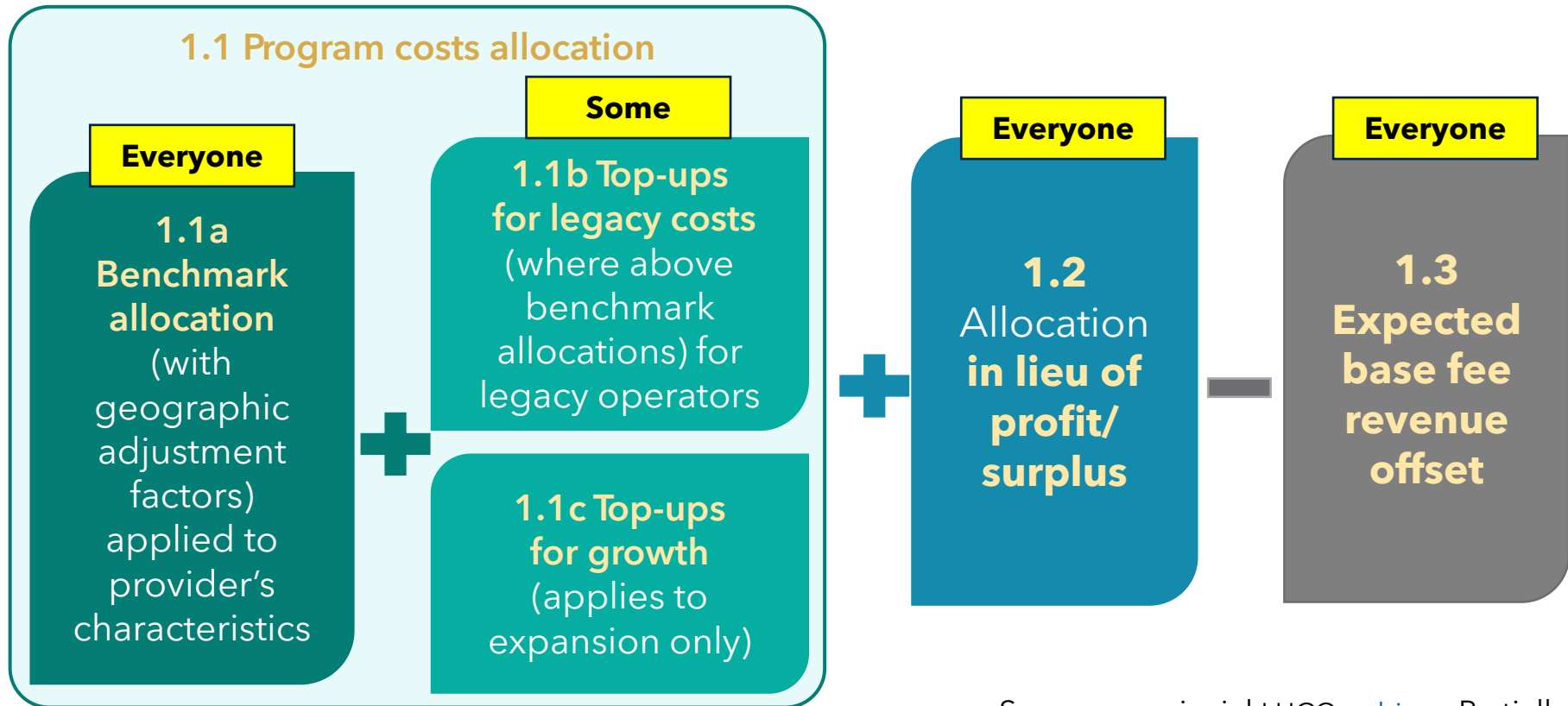
- Your allocation is **flexible**. You will be managing to your **total CWELCC allocation** not the individual component level.
 - There is no “home visitor amount” or “home provider amount” that you are restricted to.
- There are no “caps” on expenses.
- Expenses must be **appropriate** and **attributable** to child care operations and charged at a **reasonable** level.



Legacy top-up



Cost-based funding at a high level



Source: provincial LHCC [webinar](#); Partially modified to add 1.1c

What is the legacy top-up?

- Supports the cost of your organization's operational structure
- Helps legacy agencies **keep** their cost structures.
- We will assess your eligibility for the legacy top up. You **do not** have to apply.
- Not every agency will be eligible for legacy.



What is a legacy agency?

An eligible agency that:

- ✓ Enrolled in CWELCC with Peel on or before **August 14, 2024.**

OR

- ✓ Applied for CWELCC enrollment with Peel on or before **August 14, 2024**, and was enrolled as a result of the Expansion application.

AND

- ✓ Has continuously participated in CWELCC



Who qualifies for legacy top-up?

To qualify:

- You must be a [legacy licensed home child care agency](#)
- Your 2023 eligible costs (brought to 2025 levels) must be higher than your benchmark allocations (post-GAF).
- You must provide all required information to assess your eligibility and finalize your top up amount (see slide "[What we need from agencies](#)").



How it will be calculated (simplified)

Step 1 - Determine your eligible 2023 costs (pp. 27-8)

Using your **2023 Audited Financial Statements/ FAIR**, we will:

- a) Split costs by age group: 0-6 and 6-12
- b) Remove ineligible costs (6-12, non-base fee)

Step 2 - Bring your 2023 eligible costs to 2025 levels (pp. 28-30)

- a) Apply MEDU's cost escalation factor of 1.0465
- b) Apply agency specific [operating scaling factor](#)
- c) Adjust for 2025 fixed costs, [controlling owner compensation for labour](#) and workforce funding (as applicable)

Step 3 - Calculate legacy top-up (pp. 30-31)

- Compare your step 2 costs with your benchmark allocation. If your eligible legacy costs are higher, your legacy top-up is the difference.

In Peel, the top-up will be calculated at a head office level because the FAIR is provided by head office.

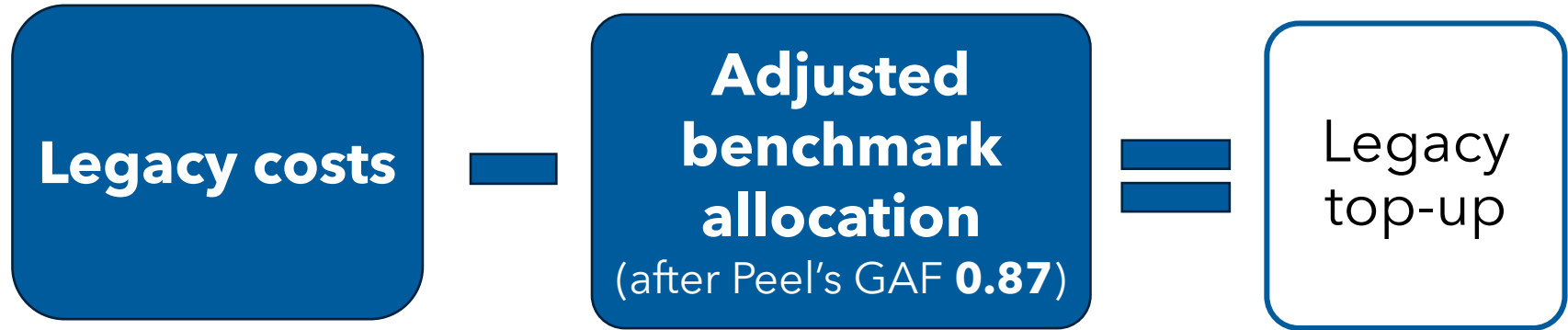


Operating scaling factor

- Reflects cost changes due to operational changes by comparing your 2023 and 2025 operations:
 - Planned active home-days for 2025
 - Actual active home-days for 2023



Calculating the legacy top-up - A visual



This means that if:

- Your legacy costs are **more** than your adjusted benchmark allocation, you **qualify** for a legacy top up.
- Your legacy costs are the **same or less** than your adjusted benchmark allocation, you **do not qualify** for a legacy top-up and your organization unique costs are covered through benchmark allocation

Legacy top-up

Controlling owner compensation for labour

Recap: Controlling owner compensation for labour

- The controlling owner compensation for labour will be included in your legacy top-up if you have been deemed eligible to receive the legacy top-up.
- If you have not been deemed eligible for the legacy top-up, your total CWELCC benchmark allocation will cover the cost of your operation. This includes child care roles performed by an owner.
- There is no “cap” on how much owner/operators can pay themselves for **eligible** child care expenses.
- While there is **no cap**, agencies must work within their total funding allocation and expenses must be **reasonable, attributable, appropriate** and **documented**.



Recap: Key take aways

- **Example 1:** Patricia is an owner of AAA child care agency and is a Home Visitor. She can pay herself any amount as long as she is within her allocation, it is a reasonable amount and documented (e.g. T4).
- **Example 2:** Paul is an owner AA child care agency. Paul is the bookkeeper for the agency and provides strategic direction for the agency (managing enrollment, advertising etc). He can compensate himself for both of those functions at a reasonable amount through a CRA compliant invoice (e.g. T4, invoice).

Patricia and Paul can continue to pay themselves for these reasonable expenses, which are attributable and appropriate for the delivery of child care, as long as they manage within their agency's total CWELCC allocation.



Growth top-up



Cost-based funding at a high level

1.1 Program costs allocation

Everyone

1.1a Benchmark allocation
(reduced by Peel's 0.87 geographic adjustment factor) applied to provider's characteristics

Some

1.1b Top-ups for legacy costs
(where above benchmark allocations) for legacy operators

1.1c Top-ups for growth
(applies to expansion only)

Everyone

1.2 Allocation in lieu of profit/surplus

Everyone

1.3 Expected base fee revenue offset

Key terms

Eligible agency: A licensed home child care agency that:

- Participates in CWELCC in Peel
- Qualifies for CWELCC funding (for example, is financially viable)

New agency: An agency in the first calendar year of CWELCC enrollment. It cannot be a legacy agency.

Existing agency: An eligible agency that is not new



Who qualifies for growth top-up in 2025?

New agencies or existing agencies that expand with new active homes/spaces.

The new agency/new active homes must :

- Be approved by Peel to participate in CWELCC through Peel's expansion application process **after August 14, 2024.**

Note: If you submitted an expansion application prior to August 14 you may qualify for a [legacy](#) top-up.



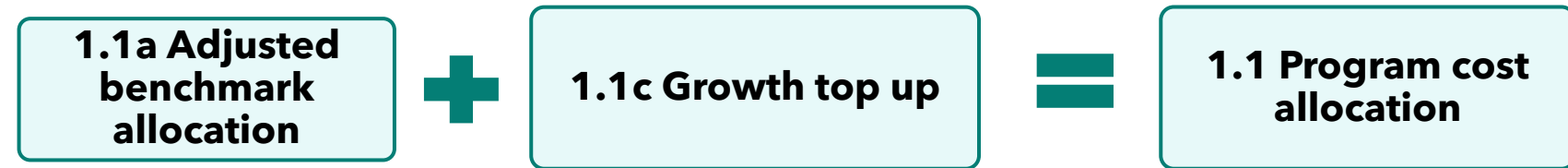
Growth top-up - expansion approved new homes (p. 32)

Step 1: Calculate adjusted benchmark allocation (September 27 presentation, step 1.1 a)

Step 2: Calculate growth top-up



Step 3: Calculate your program-cost allocation



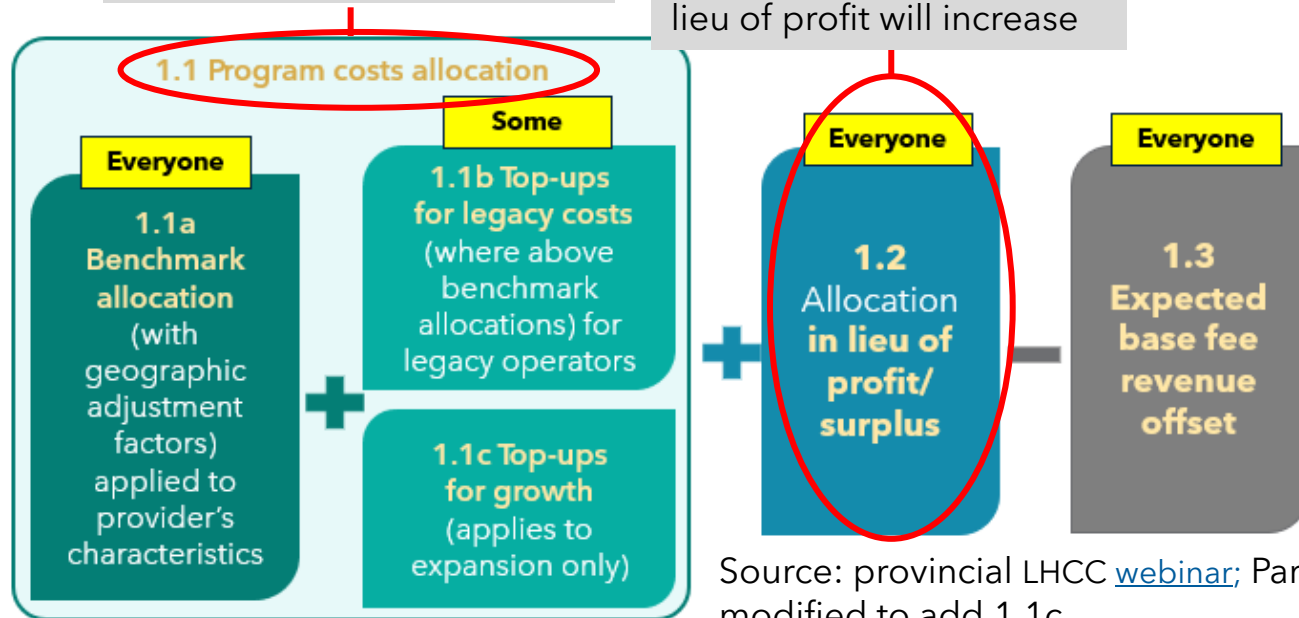
How do top-ups impact your allocation?



Cost-based funding at a high level - How do the top-ups impact my allocation?

If you qualify, your program cost allocation will increase

If you qualify, the base rate of your allocation in lieu of profit will increase



2026

If you qualify, your actual legacy or growth top-up will help determine your rolling top-up in 2026.

Source: provincial LHCC [webinar](#); Partially modified to add 1.1c

When will my allocation be updated?



2025 CWELCC funding business cycle:

1. Estimated CWELCC Allocation

When?
2024

- **Estimated Allocations communicated:** October 2024
- **GovGrants announcement:** December 2024
- **Payments start:** January 2, 2025

How?
(data)

COMPONENT	DATA AS OF...
Benchmark <ul style="list-style-type: none">• Active homes• Active home-days	June 2024
Legacy top-up <ul style="list-style-type: none">• 2023 Audited financial statements/ FAIR• Based on CWELCC eligible children	Your fiscal year-end in 2023

2025 CWELCC funding business cycle:

2. Mid-Year CWELCC Allocation

When?
2025

- **GovGrants amendment:** Spring 2025
- **Payments adjusted:** 2 weeks after amendment

COMPONENT

DATA AS OF...

How?
(data)

Benchmark

- Active homes
- Active home-days

Average of:

- **October 2024**
- **March 2025**

Legacy top-up

- 2025 legacy spreadsheet
- 2025 fixed costs, owner compensation
- Dec 31, 2024 salary data

Collected:

- **Q4 2024**
- **Q1 2025**

*We will monitor active homes and active home-days trends in the fall to ensure any significant changes are captured in your benchmark allocations. If needed, a second in-year adjustment may be made using September 2025 data to support an amended payment in December 2025.

2025 CWELCC funding business cycle: 3. Actual cost-based funding amounts*

What?
2026

- Calculate actual cost-based funding (all components) and recover overpayments

How?
(data)

ALL FUNDING COMPONENTS

- Reconciliation
- 2025 Audited Financial Statements and FAIR

COLLECTED

- Q1 2026 (TBC)
- April 30, 2026

2025 CWELCC funding business cycle:

What?

1. Estimated CWELCC Allocation

2. Mid-Year Updated CWELCC Allocation

3. Reconciliation

When?

- **October (memo)**
- **December (GovGrants announcement)**

- **Spring 2025**

- **Starting January 2026**

*There may be a further update in the fall if there are significant changes in data.

What we need from agencies

What?	Why?	How?	When?
Accurate: <ul style="list-style-type: none"> • Enrolment data • Active homes • Number of service days 	To get your allocation right	OCCMS reporting	Monthly
<ul style="list-style-type: none"> • 2023 Controlling Owners Compensation for Labour • 2025 fixed cost (occupancy, insurance) 	To calculate legacy top-up (as applicable)	2025 legacy data spreadsheet	Released: Nov 1, 2024 Due: Nov 30, 2024
<ul style="list-style-type: none"> • Projected 2025 operating spaces/enrollment 	To understand system wide 2025 operating levels		
<ul style="list-style-type: none"> • 2024 wage data (base wage, workforce grant breakdown, total annual hours, etc.) 	To calculate legacy top-up and ensure you have enough funding to meet your 2025 Workforce obligations (e.g. Base Funding, WEG, HCCEG, WCF)	2024 reconciliation	Due January 31, 2025

What's next?



What's next?

- Continue to send us your questions to earlyyearssystemdivision@peelregion.ca.
 - Answers will be shared at the teleconferences based on the roadmap release plan.
- Q & A document will be shared in the coming weeks.
- Next teleconference: (Reporting & Accountability) week of October 22, 2024
- Information on Workforce Compensation and other Workforce Grants (WEG/HCCEG, Base Funding) - November



What can you do to prepare?

1. Continue to **ask** questions
2. **Wait** for 2025 legacy data spreadsheet, **gather** information requested and **provide** Peel with information by deadlines listed (listed on slide 29)
3. **Review** your 2025 Estimated CWELCC Allocation (will be released late October)
4. **Compare** your 2025 operating budget forecast to your 2025 Estimated CWELCC Allocation
5. **Look** for opportunities to maximize your total allocation





Questions?

Thank You!



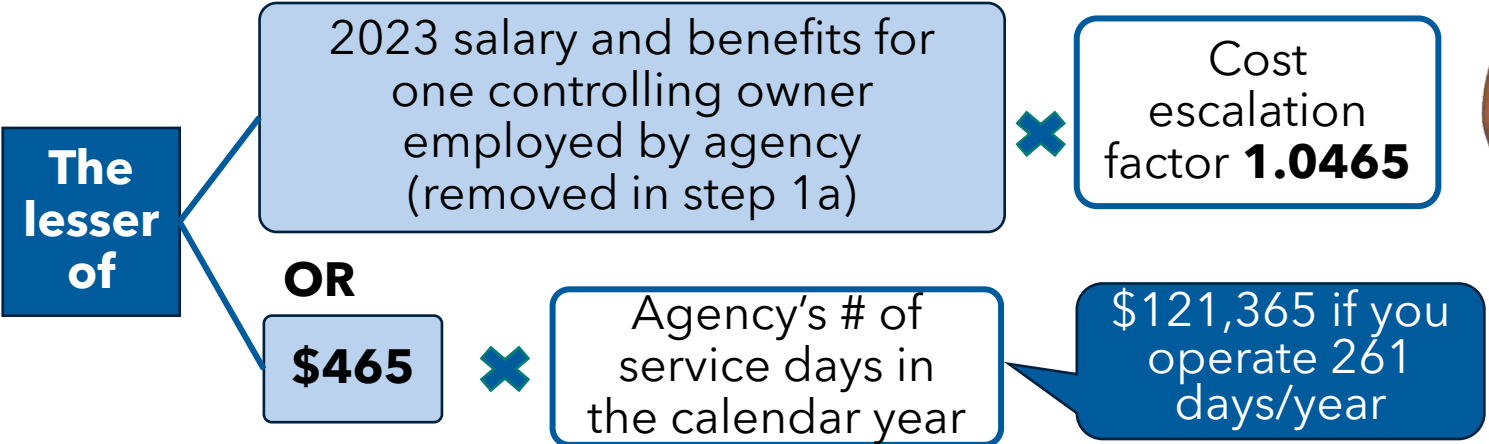
Appendix 1

**How is the
controlling owner
compensation for
labour used to
calculate the legacy
top-up?**



Controlling owner compensation for labour & the legacy top-up

- The 2023 salary and benefits for one controlling owner employed by the agency are **removed** to calculate the adjusted costs for the legacy top-up, **and added again** as follows (p. [30](#)):



Example: Controlling owner compensation for labour and the legacy top-up

- In 2023, the owner/operator of child care "AAA" (LHCC agency) was employed (in T4) as a home visitor, making \$80,000 (including benefits). The agency's service days operated 261 days/year.
- In this example, to calculate child care "AAA" legacy top-up, we would use the lesser of:

$$\begin{array}{l} \text{\$80,000} \\ \text{2023 salary and benefits for the one} \\ \text{controlling owner employed by the} \\ \text{agency (previously removed)} \end{array} \times \begin{array}{l} \text{1.0465} \\ \text{Cost} \\ \text{escalation} \\ \text{factor} \end{array} = \text{\$83,720}$$

OR

$$\text{\$465} \times \begin{array}{l} \text{261} \\ \text{Agency's \# of service days in the calendar year} \end{array} = \text{\$121,365}$$

*Examples provided for general illustrative and informational purposes

Appendix 2

**Growth top-up for
expansion approved
new homes
associated with
existing agencies**



Expansion approved new homes associated with existing agencies

Step 1: Calculate new spaces' (only) adjusted benchmark allocation

Special rule • The fixed portion of the operations benchmark = \$0

Step 2: Calculate growth top-up

New spaces
adjusted
benchmark
allocation



Peel's growth
multiplier for the
calendar year
2025 = 0.23



1.1c Growth top-
up

Expansion approved new homes associated with existing agencies

Step 3: Calculate your updated program-cost allocation

