

# 2025 CWELCC funding approach

Teleconference series

Session #5

Licensed child care centre providers

**Early Years & Child Care Services**

October 28, 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](mailto:earlyyearssystemdivision@peelregion.ca) or contact your Early Years Specialist.

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**Disclaimer:** This slide deck is shared for informational purposes only and does not replace the requirements and rules set out in the [Child Care and Early Years Act, 2014](#), its [regulations](#), your service agreement, the CWELCC guideline and/or the service provider handbook.

# Agenda

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- How can you use the funding?
- How will you report and be accountable for the funding?
- Next Steps: Data collection needs
- Q & A session

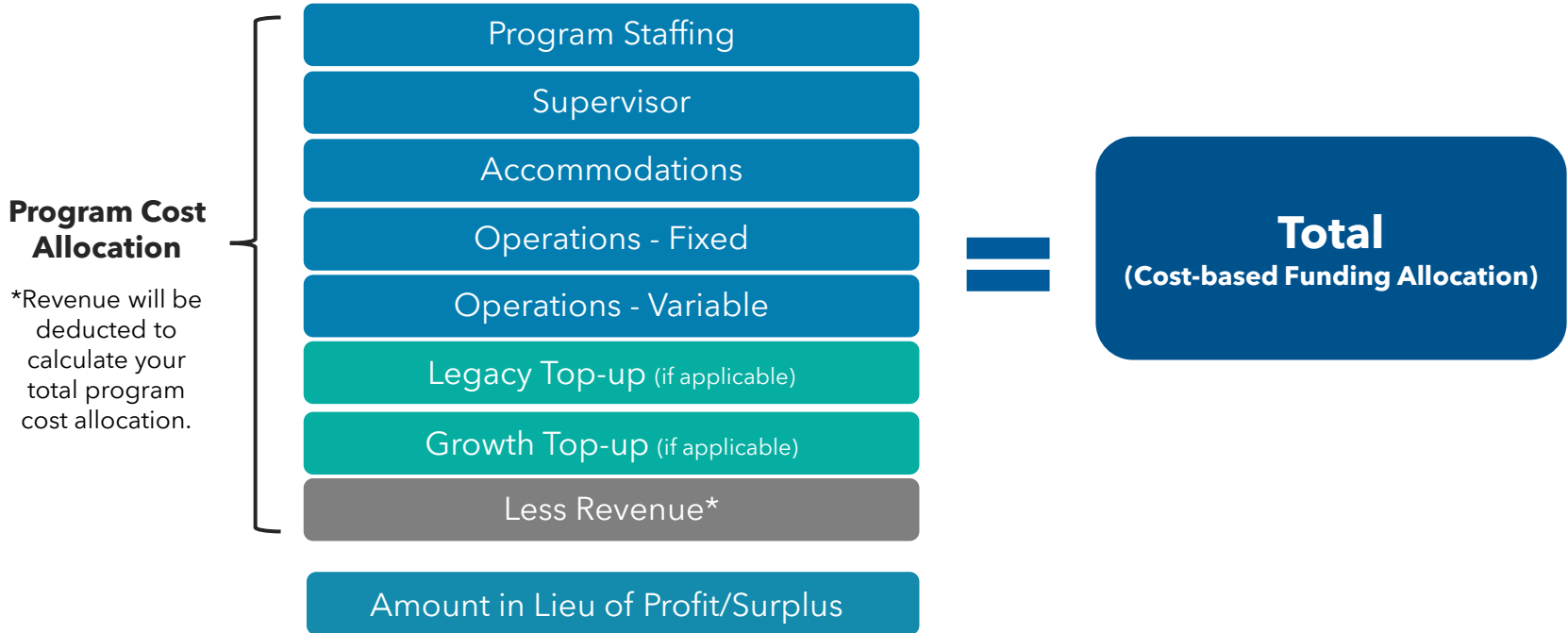


# How can you use the funding?



# GovGrants Allocation (Centre)

Your funding will appear in GovGrants under the following Budget Categories. During reconciliation you will report your total program costs for the year.



# Funding Flexibility

- Your 2025 CWELCC funding is a flexible allocation and allows you to spend depending on the operational needs of your CWELCC program.
- Your funding is based on benchmarks, but your eligible costs do not need to align with each benchmark allocation.
  - For example, you are not limited to the amount in your supervisor benchmark allocation to pay your supervisor(s).
- Your total program cost allocation sets the overall amount that could be spent on all eligible costs throughout the year.



# Eligible Costs

- You must spend your CWELCC funding on eligible costs. Using CWELCC funding for ineligible costs may result in year-end recoveries.
- To evaluate whether costs are eligible, expenses must be:
  - **Attributable:** directly or indirectly related to the delivery of child care for eligible children (6 years and under).
  - **Appropriate:** necessary for the delivery of child care, and/or sound and practical to meet the operating needs of a child care program; required for health and safety, and cultural or religious purposes.
  - **Reasonable:** amount or quality of the good and/or service aligns with your program (e.g. size, needs of individual children, fair market value)
- Costs may be eligible in full or only partially eligible (e.g. lease costs where a centre serves children aged 0-12).

# Reasonability

- **Reasonability offers flexibility** for the different needs of child care providers; the intention is not to change the quality or diversity of your program.
  - For example, a child care centre with an operating capacity of 200 children may have different needs than a centre with 40 children.
  - The cost must make sense for your child care program.
- We encourage you to continue to provide high quality services over and above licensing requirements (e.g. staff to child ratios, food, programming).





# Eligible Cost Example #1: Food

Provider "AAA" operates an Islamic child care program for children 6 years and under which offers halal meals for religious purposes. Food costs have increased over the last couple years due to the food supplier increasing their prices.

Cost Principle	Eligibility
Attributable	<b>Yes</b> , food costs are directly related to the delivery of child care for eligible children 6 years and under.
Appropriate	<b>Yes</b> , costs for religious purposes are eligible.
Reasonable	<b>Yes</b> , provider "AAA" obtained quotes from two other food suppliers, but their prices were similar.

## Eligible Cost Example #2: Central Administration

Provider “CCC” operates child care centres in Peel, Toronto and York under one Head Office. The Head Office oversees administration costs (e.g., accounting fees, advertising and promotion) for all child care centres.

Cost Principle	Eligibility
Attributable	<b>Yes, Full Amount:</b> costs incurred for the delivery of child care (6 years and under) in Peel are eligible. Providers must use a reasonable methodology to split costs among the child care centres and their operations in each municipality. <b>Ineligible:</b> Non-CWELCC sites, costs for ineligible children 6 to 12 years, sites outside Peel.
Appropriate	<b>Yes,</b> administration costs are a necessary cost for the operation of child care programming.
Reasonable	<b>Yes,</b> administration costs for services rendered are at Fair Market Value.

# Examples for Ineligible Costs

The Ministry sets out specific examples of ineligible costs (see Definitions and 3.1). This includes:

	<b>Examples of Ineligible Costs</b>
1	Costs deemed to be in lieu of profits (e.g., dividends, in-kind benefits or perks directly or indirectly for the controlling owner)
2	Costs funded or reimbursed by another public source (e.g., insurance claims)
3	Major capital repair costs for existing spaces
4	Costs for the delivery of child care for ineligible children ages 6-12
5	Financing costs (e.g. interest costs) higher than the <a href="#">Canada Small Business Financing Program</a> rates
6	Penalties, fine, forfeitures or liquidated damages
7	Income Tax*

\*awaiting further clarification from the Ministry of Education

# Supporting Documentation

**Reminder:** Keep your records and documents to validate your operating costs (e.g., receipts, invoices, quotes).

Please ensure you:

- Have clear documentation to support the costs claimed through reconciliation.
- Understand how funding was used and can explain all calculations and assumptions.
- Document how costs are allocated among Peel sites (e.g., insurance coverage).
- Include all calculations (no manual entries).
- Keep all supporting documentation for a minimum of **seven years**.



Payment to staff or home providers, e.g., list of names and amounts



Actual enrolment data or attendance records



Proof of revenue generated from parent fees



Copies of invoices, lease or long-term agreements

# Non-arm's Length Transactions

- Eligible costs will be assessed at fair market value. Fair market value is the price a good or service would sell for in an open and competitive market.
- Non-arm's length transactions are between parties who have a close relationship, such as family members or friends.
  - For example, a family member repairing classroom sinks.
- These transactions are ineligible unless conducted at or below fair market value (verification may be required).
  - For example, before you purchase an item or work is completed by a family member or friend, receive a minimum of two quotes.
  - Keep all documentation, including quotes, receipts and paid invoices.



**How will you be  
accountable for  
the funding?**



# Reconciliation

- During reconciliation, Peel will compare your program cost allocation for the calendar year to your actual program costs (eligible costs).
- Your actual program costs cannot exceed your program cost allocation, and any unspent funding will be recovered and returned to the Ministry.
- Reconciliations occur annually, after the end of the calendar year, and are comprised of three steps:
  1. Audited Financial Statement (AFS) and, if applicable a calendar year-end statement of operations
  2. Financial Annual Information Return (FAIR)
  3. High-level reporting in GovGrants (Actual Cost-Based Funding)
- The Ministry requires licensees to complete a Standardized Financial Report. Once released, Peel will aim to align the FAIR with the template to reduce admin burden.

# Actual Cost-Based Funding

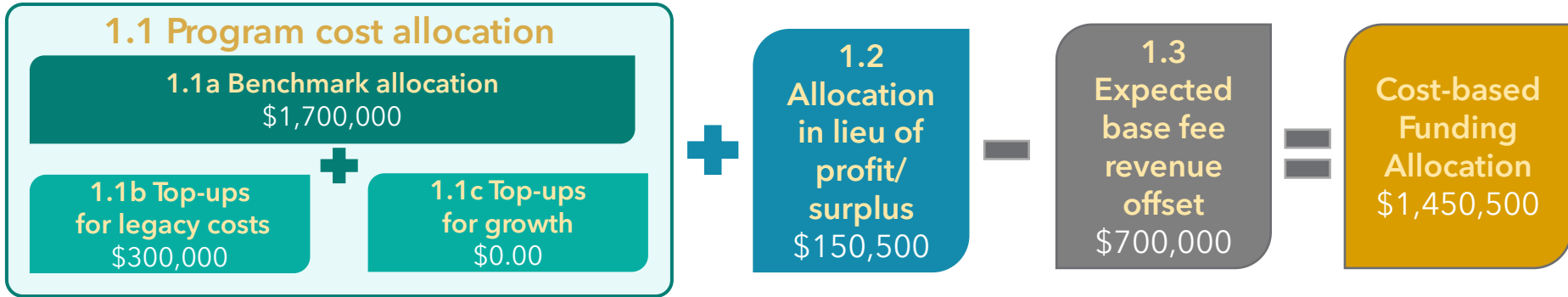
Peel will calculate your actual cost-based funding after you report actual **program costs** and **base fee revenue** through reconciliation.

Component	Actuals, after reconciliation
Actual Program Cost	You will report Actual Program Costs incurred in 2025, for children 0 to 12 years.
Actual Base Fee Revenue	You will report Actual Base Fee Revenue received in 2025. Fees for eligible children (6 years and under) and ineligible children (6 to 12 years) must be reported separately.
Actual Amount in Lieu of Profit/Surplus	Peel will adjust based on Actual Program Costs.

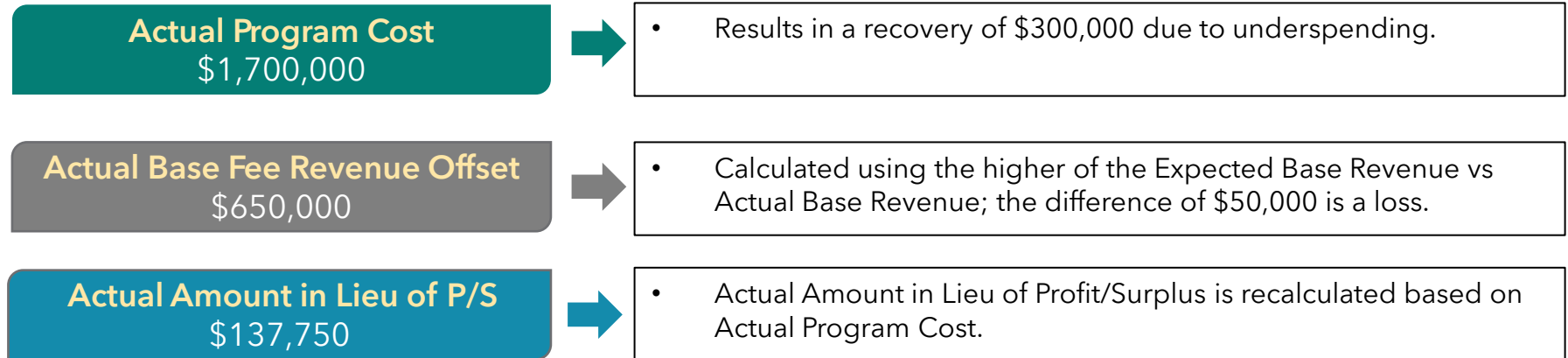




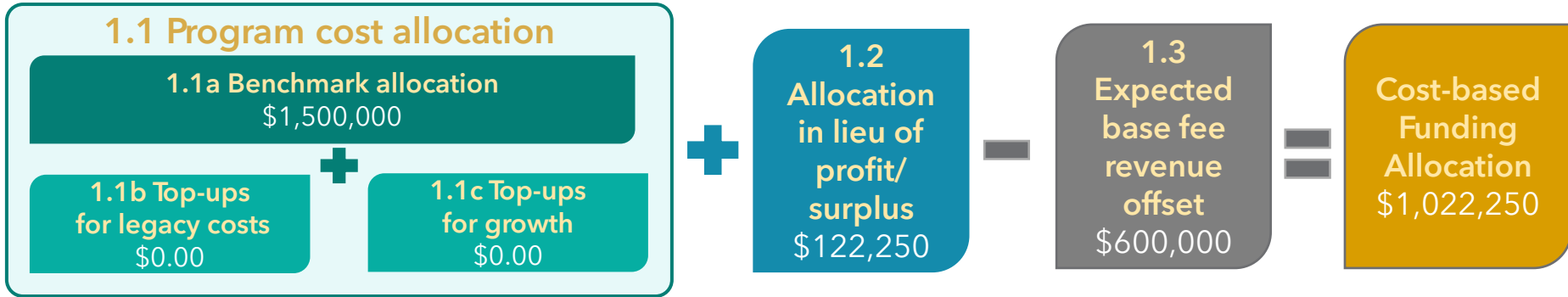
# Reconciliation - Scenario 1



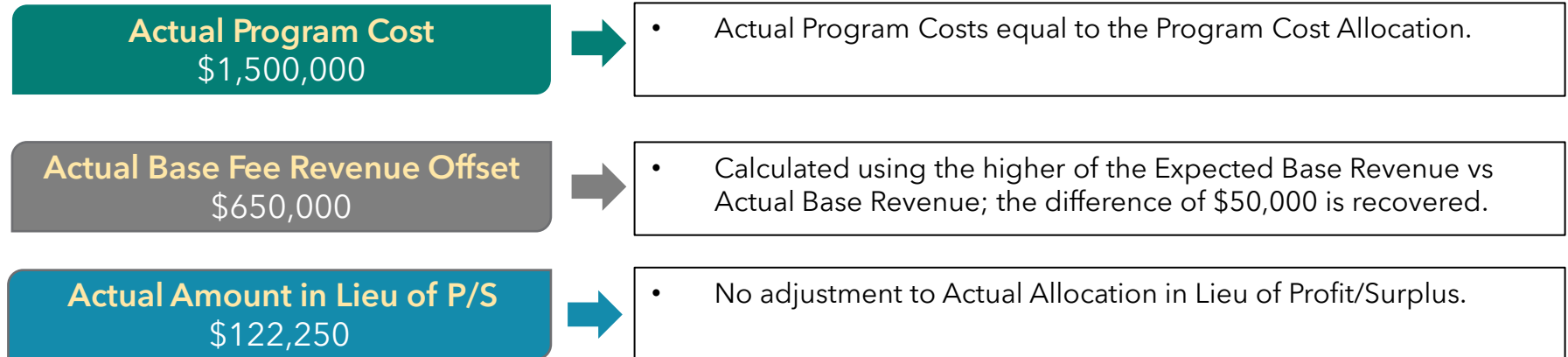
At reconciliation, this provider reported:



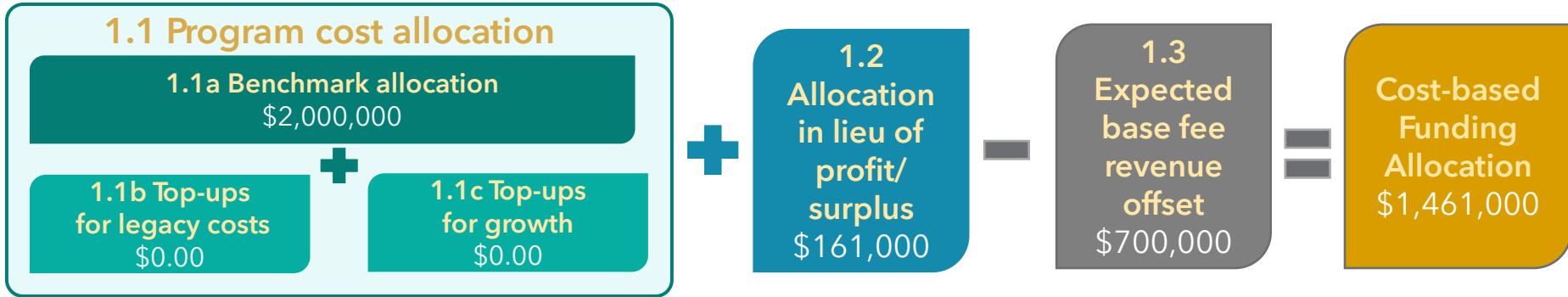
# Reconciliation - Scenario 2



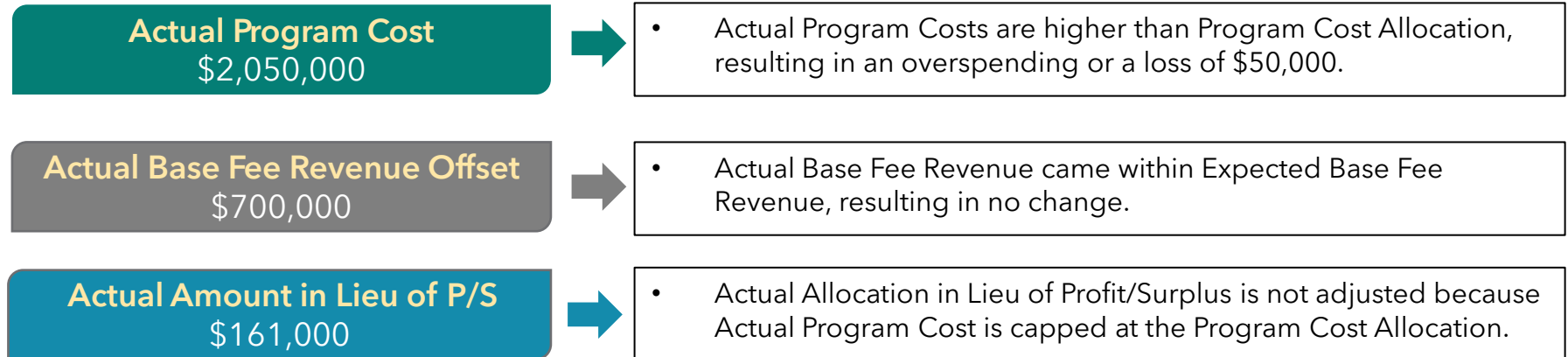
At reconciliation, this provider reported:



# Reconciliation - Scenario 3



At reconciliation, this provider reported:



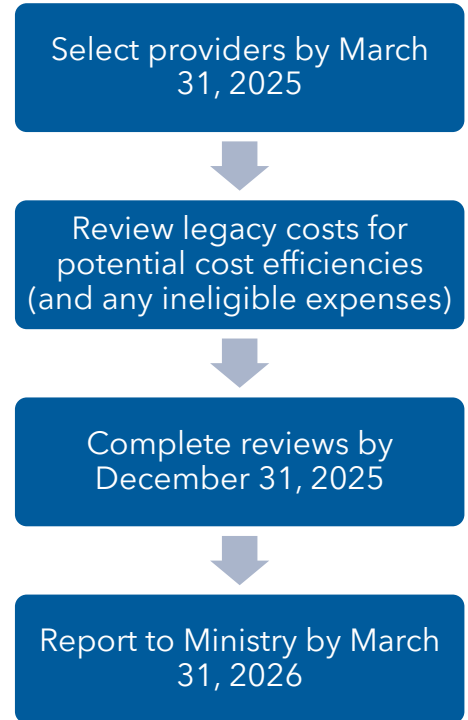
# Cost Reviews

- Ontario has implemented a cost control framework to ensure efficient use of public funds.
- As part of this framework, the Ministry requires Peel to complete cost reviews of providers with the highest top-up allocations to **identify opportunities for cost reduction**.
- In 2025, you may be selected for a Cost Review if your **Legacy Top-up Ratio** exceeds Peel's 2025 growth multiplier of 23% (Schedule C).
- Peel must select the lesser of:
  - (1) The top 10% of providers with the highest Legacy Top-up Ratio; or
  - (2) All providers with a Legacy Top-up Ratio exceeding 23%.

$$\text{Legacy Top-up Ratio} = \frac{\text{Legacy Top-up}}{\text{Benchmark Allocation}}$$

# Cost Review Process

- Peel must notify selected providers by March 31, 2025.
- If selected, we will assess your legacy costs to determine if costs may be reduced (e.g., redundant costs or more efficient options).
- In cases where we identify:
  - Potential cost efficiencies**, we will discuss if these legacy costs can be reduced in 2025 and/or on a go forward basis.
  - Ineligible costs**, the full or partial amount will be removed from your Legacy Top-up allocation.



# 2025 Operating Budget

- The Ministry requires all providers in receipt of the Legacy Top-Up to submit a 2025 Operating Budget.
  - During Cost Reviews, Peel will review Operating Budgets to assess legacy costs.
- In December (TBC), all providers will receive a pre-populated budget template with 2023 actuals. **Providers in receipt of the Legacy Top-up must review and submit their 2025 operating costs by April 30, 2025.**
- All providers are encouraged to review the template and develop a 2025 operating budget to fully utilize your funding allocation.



# Direct Engagement to Report on Compliance

- Starting in 2026, Peel must acquire a third-party auditor to perform Direct Engagement to Report on Compliance audits for a sample of providers.
  - A 5% sample of providers will be selected as part of 2025 reconciliation process.
- The third-party auditor will review financial statements to make sure, with a high level of confidence, that the provider is following the Ministry's policies, procedures and guidelines.
- Similar to funding reviews, these Direct Engagement to Report on Compliance audits may result in recoveries or funding impacts.



# Next Steps





# 2025 Legacy Data Spreadsheet

- On November 1, all providers will receive a 2025 legacy data spreadsheet that is due on November 30.
- You must submit the following data and supporting documentation to inform funding adjustments and system-wide 2025 operating levels.
- Allocations will be adjusted in Spring 2025, as needed.

2025 Data	Supporting Documentation that may be Requested
1. Insurance	Insurance Policy, Certificate of Insurance
2. Property Taxes	Property Tax Bill (interim, final)
3. Occupancy Cost	Lease Agreement, Mortgage Statements
4. Owner's Salary and Benefits	Payroll records, accounts payable vouchers and cancelled cheques, dividend statements, Board minutes and memos.
5. Planned Operating Spaces	N/A

# Workforce Data

## 2024 Staff Wages and Benefits (SWB) Supplementary Schedule

- As part of their GOF reconciliation, service providers will be asked to submit details regarding staffing information (salary, wages and benefits of employees).
- In addition to adjusting allocations, the Region will, where possible, use information provided to satisfy reporting and reconciliation requirements for 2024 workforce related funding.
- The goal is to collect up-to-date data to support the adjustment of your allocation, while also reducing administrative burden for 2024 reconciliation requirements.

# Reporting Timelines

Due Date	Reporting
November 30, 2024	<ul style="list-style-type: none"> <li>2025 Legacy Data Spreadsheet (released November 1)</li> </ul>
January 31, 2025	<ul style="list-style-type: none"> <li>General Operating Fund (GOF) Reconciliation</li> <li>Staff Wages and Benefits (SWB) Supplemental Schedule</li> </ul>
February 28, 2025	<ul style="list-style-type: none"> <li>LHCC Base Funding Reconciliation</li> <li>Wage Enhancement Grant (WEG)/Home Child Care Enhancement Grant (HCCEG) Reconciliation</li> <li>Enhanced Program Support (EPS) Reconciliation</li> </ul>
March 31, 2025	<ul style="list-style-type: none"> <li>Transition Operating Grant (TOG) Reconciliation</li> <li>Workforce Innovation Fund (WIF) Reconciliation</li> </ul>
April 30, 2025	<ul style="list-style-type: none"> <li>2025 Operating Budget (legacy top-up recipients only)</li> <li>CWELCC Reconciliation</li> </ul>
4 months after fiscal year-end	<ul style="list-style-type: none"> <li>Audited Financial Statement and Financial Annual Information Return (FAIR)</li> </ul>



**Questions?**

# What is next?

Send us your questions to [earlyyearssystemdivision@peelregion.ca](mailto:earlyyearssystemdivision@peelregion.ca).

Q & A document will be shared in the coming week.

Stay tuned!

- Next teleconference: Late November
- Purpose:
  - What are your obligations under CWELCC?
  - Guideline expectations & requirements



# Thank You!

