

# 2025 CWELCC funding approach

Teleconference series

Session #5

Licensed home child care agencies

**Early Years & Child Care Services**

October 29, 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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# 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

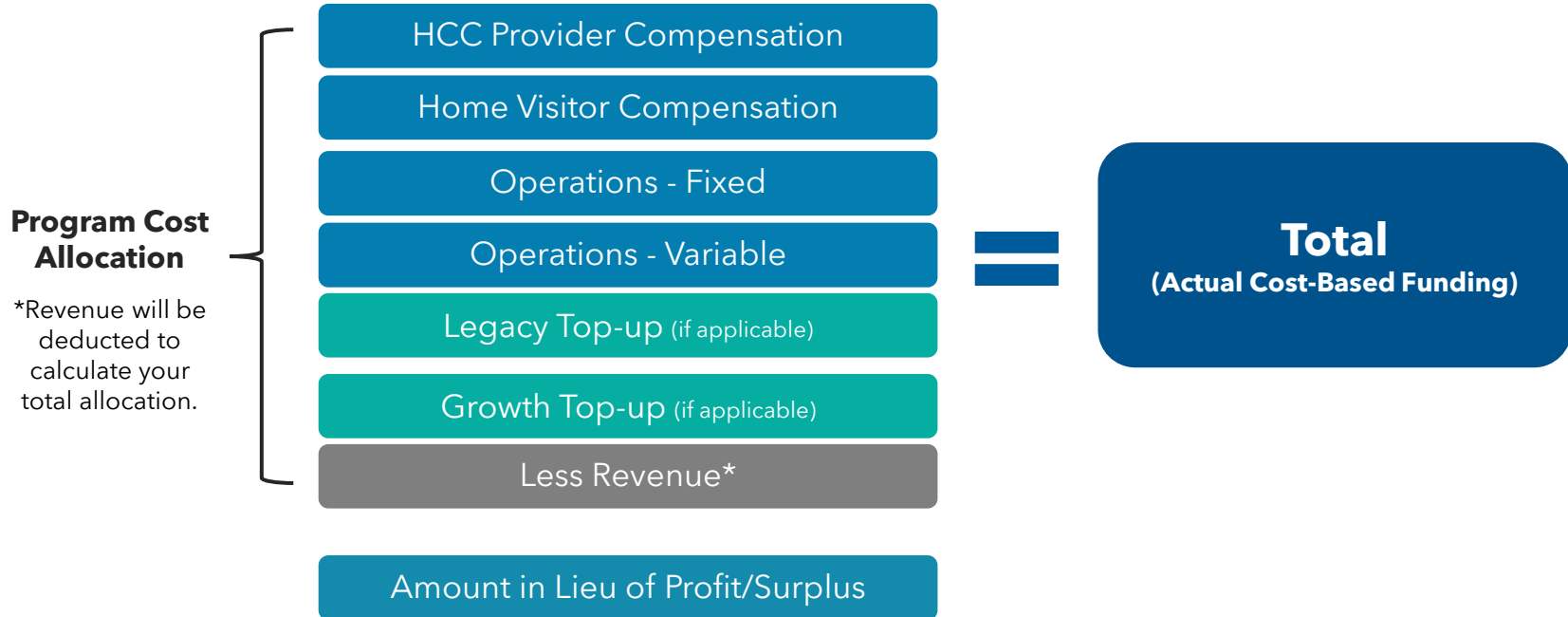


# How can you use the funding?



# GovGrants Allocation (LHCC)

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 Home Visitor Compensation benchmark to pay your Home Visitor(s).
- Your total 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.

# Reasonability

- **Reasonability offers flexibility** for the different needs of agencies; the intention is not to change the quality or diversity of your program.
  - For example, an agency with 50 active homes may have different needs than an agency with 10 active homes.
  - The cost must make sense for your agency.
- We encourage you to continue to provide high quality services over and above licensing requirements (e.g., professional learning opportunities for HCC providers, programming).
- 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.





# Eligible Cost Example #1: Quality

Agency “AAA” provides professional learning resources to their home child care providers to support inclusive child care environments.

Cost Principle	Eligibility
Attributable	<b>Yes</b> , costs are related to professional development of home child care providers offering care to CWELCC enrolled children (6 years and under).
Appropriate	<b>Yes</b> , supports health, safety, and wellbeing of children in child care.
Reasonable	<b>Yes</b> , consideration should be given to the quality of the learning resources and the corresponding cost to determine if costs are comparable and consistent with fair market value.

## Eligible Cost Example #2: Administration Costs

Peel funds Agency “BBB” with a Head Office in Peel for active homes in Peel, Toronto and York. The Head Office provides administration support (e.g., accounting fees, advertising and promotion) for all active homes.

Cost Principle	Eligibility
Attributable	<b>Yes, Full Amount:</b> costs incurred for the delivery of child care for eligible children (6 years and under). <b>Ineligible:</b> costs for ineligible children (6 to 12 years).
Appropriate	<b>Yes,</b> administration costs are a necessary cost for the operation of licensed home child care programming.
Reasonable	<b>Yes,</b> consideration should be given to the nature of the services rendered and the cost, to determine whether the expense is 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	Costs for the delivery of child care for ineligible children ages 6-12
4	Financing costs (e.g. interest costs) higher than the <a href="#">Canada Small Business Financing Program</a> rates
5	Penalties, fine, forfeitures or liquidated damages
6	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.
- 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 that provides bookkeeping services.
- 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, you receive a minimum of two quotes.
  - You must 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

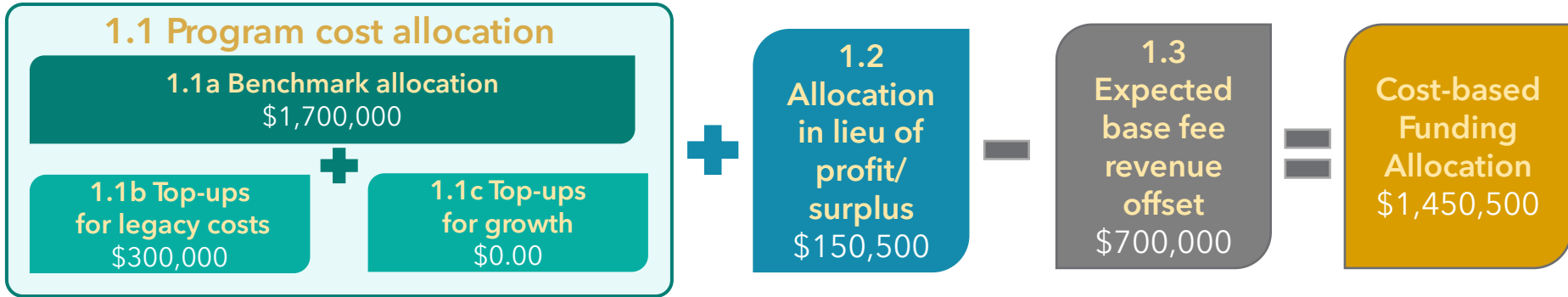
Peel will calculate your actual cost-based funding after you report actual **program costs** and **base fee revenue** through reconciliation.

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.

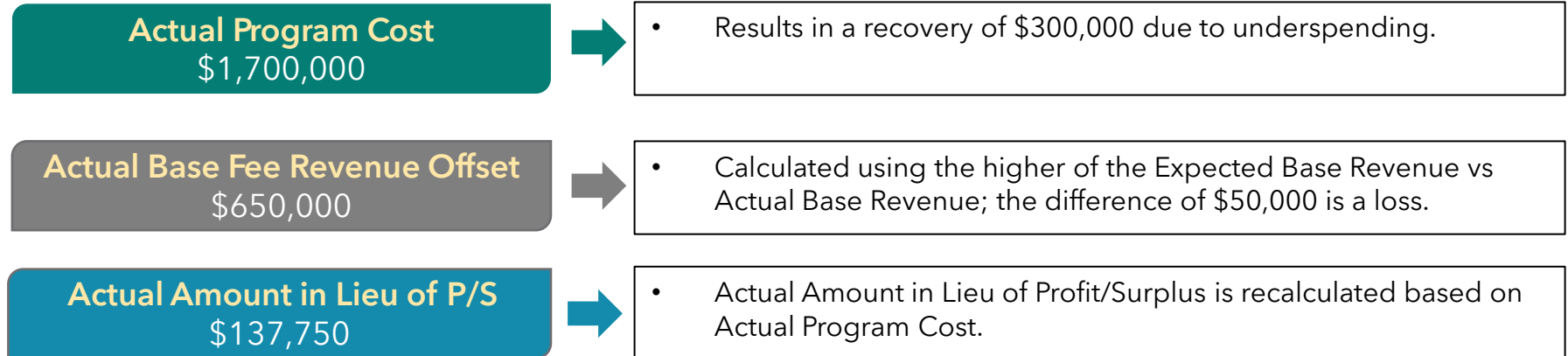




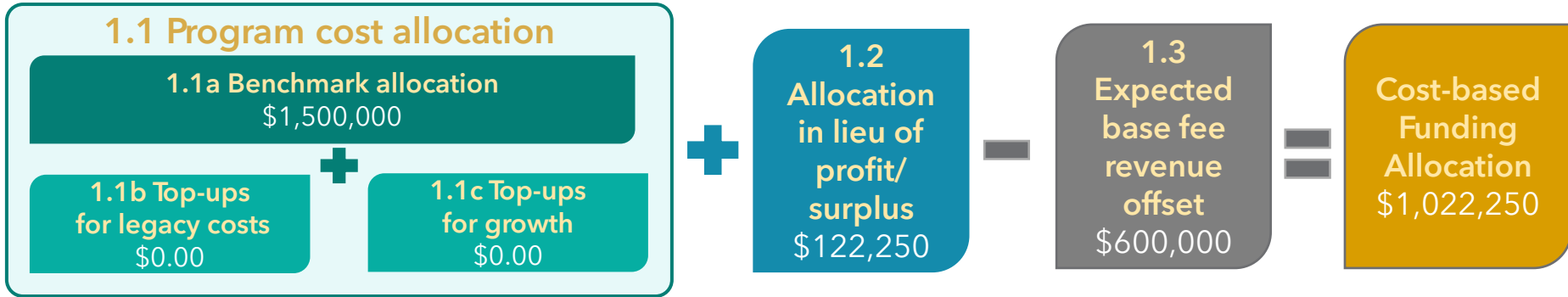
# Reconciliation - Scenario 1



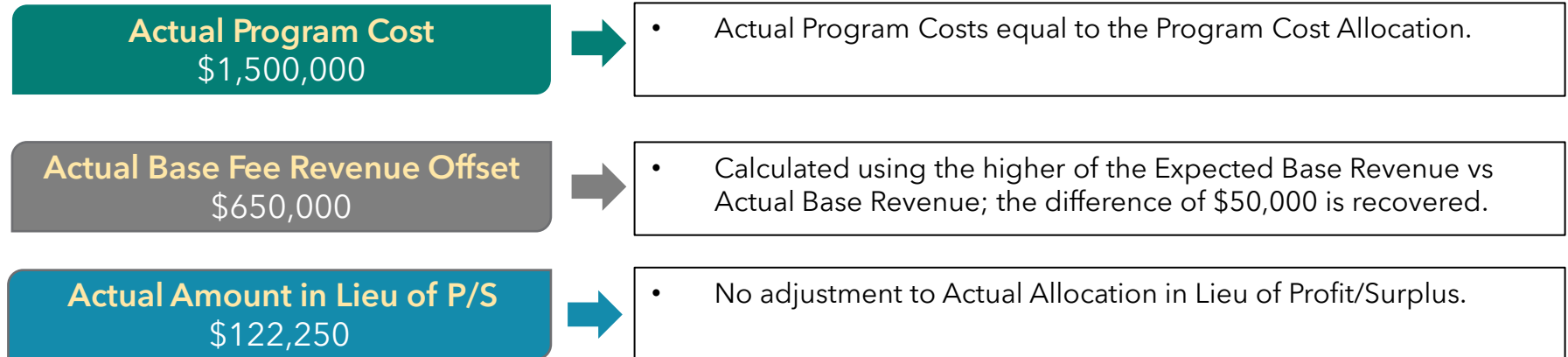
At reconciliation, this agency reported:



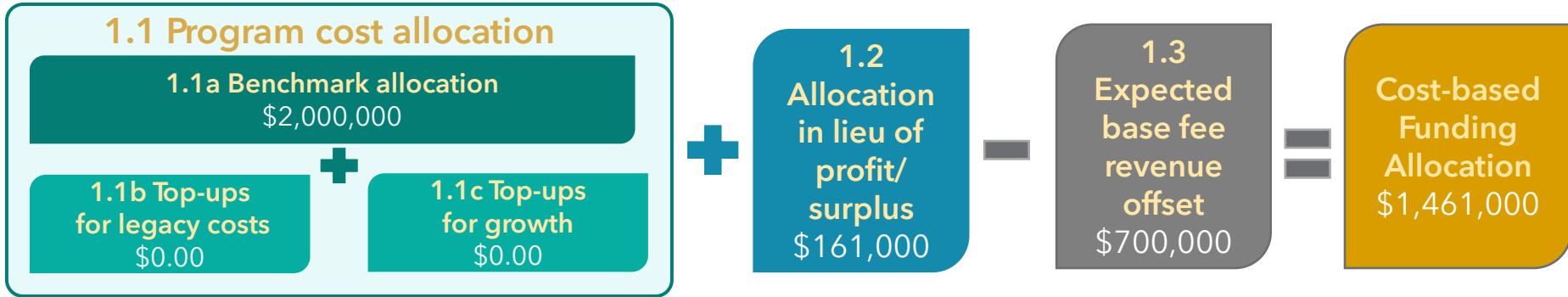
# Reconciliation - Scenario 2



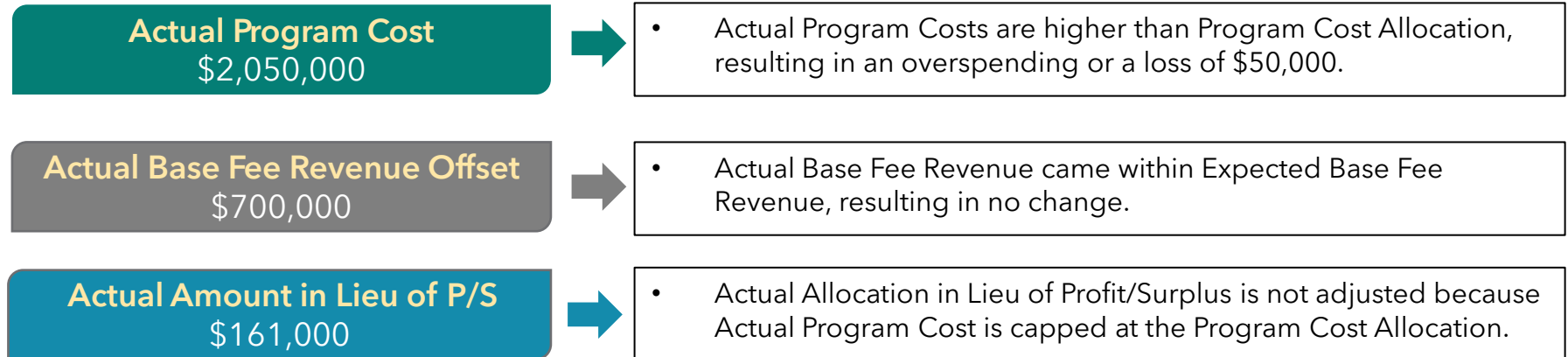
At reconciliation, this agency reported:



# Reconciliation - Scenario 3



At reconciliation, this agency reported:



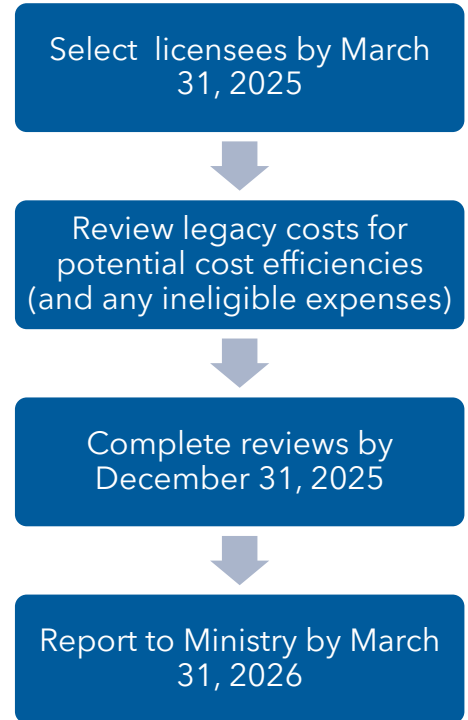
# Cost Reviews

- 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 child care licensees 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 child care licensees with the highest Legacy Top-up Ratio; or
  - (2) All child care licensees 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 child care licensees 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 child care licensees 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 child care licensees will receive a pre-populated budget template with 2023 actuals. **Licensees in receipt of the Legacy Top-up must review and submit their 2025 operating costs by April 30, 2025.**
- All child care licensees 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 child care licensees.
  - A 5% sample of child care licensees 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 licensee 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.
- The cost to procure a third-party auditor will be covered by Peel and will not be an additional expense to licensees.



# Next Steps





# Allocation Adjustments

- To adjust your agency's allocations with updated 2025 costs, we will be collecting information from all child care centres and agencies through:
  1. 2025 Legacy Data Spreadsheet; and
  2. Workforce Supplementary Schedule.
- To support home agencies in the timely submission of data, Peel will adjust 2024 reconciliation due dates and attempt to streamline reporting.
- Adjustments to allocations are planned for Spring 2025.



# 2025 Legacy Data Spreadsheet

- On November 1, all child care centres and agencies 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 2024 reconciliation, home agencies will be asked to submit details regarding staffing information (e.g. salary, wages and benefits of home visitors).
- 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>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> </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!

