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Report 2024-065

Report Title: 2024 Early Years Service Plan and Emerging Issues Update

Committee Name: Social Services

Committee Meeting Date: June 5, 2024

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Council Meeting Date: June 19, 2024

Strategic Plan Priorities: Innovate for Service Excellence
 Ignite Economic Opportunity
 Foster a Thriving Community
 Propel Sustainable Growth
 Champion a Vibrant Future

Information Report

“**That** the Social Services Committee receive Report 2024-065 ‘2024 Early Years Service Plan and Emerging Issues Update’ for information; and

Further That the Committee recommend that County Council receive this report for information.”

Purpose

The following report will provide a summary update on the 2019 to 2024 Early Learning and Child Care Service Plan and will highlight key challenges facing the early years sector in Northumberland and across Ontario. The Ministry of Education (MEDU) required Service System Managers (SSM) to update plans to incorporate the Canada-Wide Early Learning and Child Care agreement (CWELCC), including Northumberland's Access and Inclusion: Targeted Growth Strategy. SSMs play a central role in the planning, funding, administration and operation of early years and licensed child care services.

Updates to the Service Plan will be outlined along with identified issues that have impacted implementation.

Background

As the Service System Planner for Early Learning and Child Care, the County is required to have a five-year Service System Plan. There were many challenges and unforeseen circumstances that have impacted the implementation of the 2019 to 2024 plan, such as the pandemic and the initial and ongoing implementation of CWELCC. The Early Years Team is awaiting the release of the new childcare funding model which will be foundational to the development of the 2025 to 2030 Service System Plan.

For 2024, an update and progress report has been prepared. This Service Plan Update provides a summary of the progress and accomplishments made in 2022 and 2023 and highlights goals and actions for 2024 and beyond, reflecting the five priority areas identified in the 2019-2024 Service Plan. The Service Plan has also been updated to include the County's Access and Inclusion Plan, a required component under the CWELCC agreement.

This report will highlight key challenges and risks that are impacting the ongoing implementation and ability to achieve identified outcomes and targets from the plan. Some challenges that have an impact on service delivery are internal resources, operator capacity, community needs for licensed child care, available space, qualified staff, as well as ongoing and adequate funding.

Key Challenges

Since the initial implementation of the CWELCC agreement in March 2022, the MEDU has provided a series of updated funding and policy guidelines. The MEDU has noted that further changes to funding allocations and funding methodologies will occur in the fall of 2024.

Provincial Funding Reductions and Policy Changes

In 2018 the MEDU announced administration cost sharing changes and administration funding caps. Implementation of these changes was delayed due to COVID-19 and the funding changes were financially offset by Provincial one-time transitional grants between 2021- 2023, totaling \$878,259 to the County during this time. In 2024, the full implementation of the 50/50 administration cost sharing and administration funding caps will be felt by SSMs. In addition to the cost share, there will be a reduction in the allowable administrative funding threshold, from ten percent to five percent. Coinciding with the announcement of the CWELCC agreement, in April 2022, the Ministry confirmed in a memo that "Administrative funding will be restored, as we recognize this is not the time to implement the previously announced funding cuts". The funding

reductions in 2024 reflect a change in direction by the Ministry as compared with the 2022 communication.

Since 2019, the County's MEDU base funding has also been reduced. This base funding supports high quality child care, special needs resourcing, and fee subsidy for low-income families, as examples. Between 2019 and 2024 the base funding has been reduced by \$390,967 despite increasing pressures on the sector related to operations during the pandemic and post-pandemic recovery, as well as special needs resourcing, fee subsidy, workforce challenges, inflation and increasing demand for child care with the implementation of the CWELCC system.

These changes result in an increase of \$267,448 to the existing provincial cost share bringing the total cost share (i.e., expected minimum levy contribution) in 2024 to \$747,593. Northumberland County's total 2024 levy investment in child care is budgeted at \$1,283,082 which allows for the added cost sharing requirements to be accommodated without any additional levy at this time. Northumberland County adjusted administrative funding when the changes were originally announced to ensure sufficient funding was available to continue to administer the programs.

The one-time transitional grants were used to support programs through such funding pockets as special purpose funding. As the transitional grants are not available for 2024, these funding reductions will result in a decrease of \$331,852 in 2024 for programming. These funding reductions will continue to put pressure on the administration of the childcare system. With the implementation of CWELCC, staff see provincial reporting requirements continue to increase without sufficient administration funding to support local implementation requirements and increased oversight as required by the Ministry. These funding reductions further put core service delivery at risk, including the delivery of special needs resourcing and operating grant programs to support the quality and viability of the system.

CWELCC Funding and Administration

The current level of administration funding does not reflect the scope and complexity of responsibilities of service system managers or operators. The CWELCC Bi-lateral Agreement between the Federal government and Ontario allows for up to 10% Administration funding. The County's allocation for CWELCC administration is \$181,788 or 2.5% of its CWELCC allocation. Since March 2022, CWELCC system planning and implementation has increased the County's role as the service system manager with the following responsibilities:

- New CWELCC implementation and management, extensive communication and change management with the sector, multiple iterations of guidelines;
- New increased oversight of CWELCC child care (monitoring of accountability requirements and financial viability, compliance audits, etc.);
- Implementation of a new CWELCC funding formula and the extensive change management that will be required for child care providers post-2024;
- New municipal role in licensing requests and revisions;
- For emerging issues, development, and implementation of an application processes, as necessary;
- New Growth Plans as an addendum to Service Plans;
- New Access and Inclusion Framework requiring collaboration with service providers and new data reporting;
- New Cross Jurisdictional Fee Subsidy Agreements;

- New EarlyON Mental Health Initiatives; and
- New CWELCC expansion targets and extensive recurring reporting requirements.

Currently, CWELCC funding to operators is largely fee replacement; as parent fees are reduced this is matched by CWELCC dollars. Fees have been frozen as of March 27, 2022, and therefore do not reflect the true cost of operations of child care programs. To assist, cost escalation funding has been provided by the Ministry at 4.91% for 2024. The funding is to support costs that are beyond an operator's control (i.e. rent, and inflation). Unfortunately, it does not cover the more cumulative cost increases being incurred by many operators in Northumberland County who had not raised fees since 2019 due to the pandemic.

The 2024 CWELCC guidelines also introduce an 'emerging issues' funding line to support child care operators who demonstrate that their revenue for CWELCC spaces is insufficient to support non-discretionary costs. Northumberland County has been allocated \$241,747. With cost escalation funding being funded at a rate lower than inflation, Northumberland County Early Years Services will need to monitor increased inflationary pressures to support sector stability through these limited funds.

The Ministry continues to be prescriptive in application and use of CWELCC funding. The 2024 CWELCC funding is provided based on program occupancy and Ministry projected thresholds resulting in a holdback of \$834,783. This restriction on funding reduces the County's flexibility in service system planning and management and increases administrative burden. Where possible, the County continues to provide General Operating Grants through base funding or CWELCC funding to assist with the ongoing quality, accessibility, and viability of all programs. However, as programs continue to expand under the CWELCC system, funding flexibility is limited and the ability to financially support the sector is becoming increasingly difficult within the allowable funding pockets. Staff anticipate that the holdback amount will be required, due to an increase in spaces, as well as changes to the wage compensation guidelines that have resulted in more educators being eligible for supports.

Registered Early Childhood Educator Workforce

Currently in Northumberland County, 33 Registered Early Childhood Educators (RECE) are required to operate current licensed child care programs at capacity. In order to operate, many of the 33 vacancies are filled with "director approved" educators, who are approved by the Ministry to operate in the capacity of a RECE. Most of these "director approved" educators are in school age programs. Full day programs require at minimum, one RECE per room, although a key factor in the quality of a child care program is the qualification and experience of the staff. All programs strive to have all or most educators to be RECE. The proposed new sites opening in 2024 require an additional 29 RECEs, if all positions were to be filled with qualified staff.

In November 2023, the MEDU announced an Ontario Child Care Workforce Strategy. Funding will be provided to Northumberland County to address professional development, mental health, and local innovative strategies for recruitment and retention. There are several initiatives already underway, including professional development events and training opportunities, and financial supports for ECE students. In addition, Early Years Services is working with Economic Development on looking at new and unique options to address the labour market shortages of RECEs in Northumberland County.

The most significant change through the Workforce Strategy is the increase to the workforce compensation for RECEs. In 2024, to improve educator recruitment and retention, the wage compensation guidelines were modified to ensure greater access to these supports, including increases to the maximum wage caps. As a result, it is anticipated that 100% of Northumberland's RECEs and RECE supervisors will receive wage compensation support in 2024. This will increase child care operating funds as centres will have increased support for staff wages. In 2024, the wage floor will increase from \$20 per hour to \$23.86 per hour for eligible RECE program staff and from \$22 per hour to \$24.86 per hour for Supervisors and RECE Home Child Care Visitors. The wage floor will increase by \$1 per hour each year up to 2026. In 2024, the eligibility ceiling for the annual \$1 increase will increase to \$26 per hour for RECEs, and \$29 per hour for RECEs Supervisors and RECE Home Child Care Visitors. It is important to note that the eligibility ceiling is not a wage cap and employers can choose to pay RECE wages above the eligibility ceiling.

Special Needs Resourcing

In discussions with our SNR service provider and child care operators, it is evident that child needs are presenting as more complex and operators require additional support in order for children to thrive in child care. Our enhanced support budget has increased substantially since the pandemic and there are continued pressures in this area. As well, there is an increased need for specialized training for staff. We are finding that children with complex needs would benefit from 1 on 1 support, which cannot be accommodated under our current funding model. Currently, the County, the SNR provider, and child care operators are finding alternate solutions, but this is not sustainable. Families may be asked to find alternate care if their child's needs cannot be met (i.e., if the environment is not safe for the child or other children in care). Finding qualified and experienced staff who are open to working with these complex populations is a challenge. Many staff in child care are underqualified for child care positions, let alone enhanced roles.

There are many families on child care waitlists, resulting in children that are not accessing supports or socialization (e.g., may have a special needs referral, but no child care space available). With waitlists continuing to grow exponentially, it is feared that children with complex, behavioural, or mental health needs may not be offered available spaces.

Directed Growth Strategy Update

As a review, to assist operators in opening spaces, Start Up Grant Funding is provided. Start Up Grant funding and guidelines are continuously being updated. Originally, eligible centre-based applicants had an opportunity to receive a grant of up to \$90 per square foot of new licensed space, capped at \$350,000 for every 50 child care spaces created (i.e., \$7,000 per space). Eligible home child care licensee applicants were able to receive a grant of up to \$1,000 per CWELCC space created, to a maximum of \$6,000 per provider. The Start Up Guidelines have been updated since their first release. The last update from the Ministry was released March 28, 2024. The \$90 per square foot cap has been removed. The \$350,000 cap per 50 spaces has now been reduced to \$350,000 per 20 spaces (i.e., \$17,500 per space). Eligible home child care licensee applicants may now be able to receive a grant of up to \$1,200 per CWELCC net new space created, to a maximum of \$7,200 per provider. It must be noted, the Ministry calculated additional SSMs Start Up Grant funding allocation based on \$9,000 per space, not \$17,500. In 2023, the County received \$748,715 to open 162 community-based spaces yet in 2024 the allocation is only \$317,000 to open 64 community-based spaces. While the per space allocation increased from \$4,621.70 to \$4,953.13, this is still below the \$9,000

guideline provided by the Ministry, and well below the maximum \$17,500 cap per space. This necessitates the use of ELCC funding, levy savings, or reserve funds to offset expenses related to CWELCC growth which may impact service delivery supports to the broader sector.

The following projects have been identified and are proceeding based on the most up to date information available. Ideally, there would be clear direction that could be applied to all expansion projects moving forward. As child care spaces continue to be in high demand, the County is proceeding with the identified projects. It has been communicated to child care operators that future expansions will be funded based on the guidelines and available funding at that point in time. As final quotes have not been received, it is understood that additional funding such as ELCC or reserve funds may be requested for completion. It is likely that Start Up funds will not be sufficient to cover all project expenditures.

2024 Expansion Projects	# of Spaces	Maximum Funding (\$9,000/space)	Allocation Based on Start-Up Received (per space)	Shortfall (ELCC/Reserves)
Ganaraska- Ruth Clarke (Port Hope)	70	\$630,000.00	\$415,028.00	\$214,972.00
YMCA- Canton Hub (Port Hope)	49	\$441,000.00	\$327,253.00	\$113,747.00
YMCA- Warkworth (Trent Hills)	47	\$423,000.00	\$323,434.00	\$ 99,566.00

The Ruth Clarke and Canton Hub projects are in partnership with the Municipality of Port Hope. Partnering with member municipalities and school boards offers many benefits, such as cost recovery rent, and enhanced supports such as snow removal.

In 2023, 10 child spaces were opened at Brighton Children’s Centre in partnership with the Kawartha Pine Ridge District School Board (KPRDSB). In addition, licensed home child care continues to be an area of growth. In 2022, there were eight homes licensed in Northumberland. Currently, there are 15 homes with the potential for nine more to open by the end of 2024. Licensed home child care is growing with a focus on rural development. Currently, all seven member municipalities are represented in the locations of licensed home child cares.

At this time, future expansion projects are on hold as the County has fully expended the current funding available for operating and capital starts. Although the Early Years team will continue to work with child care operators, school boards, and municipal partners on the identification of space that might be suitable for the continued expansion of early years programs.

Consultations

Early Years Services engages in ongoing consultation with community partners (including child care and EarlyON operators, SNR service provider, school boards, Nogojiwanong Friendship Centre) as well as internal collaborators (including Communications, Finance).

Legislative Authority / Risk Considerations

Governed by the *Early Learning and Child Care Act, 2014* and MEDU Program Guidelines for program delivery.

Discussion / Options

MEDU Base Funding continues to be reduced at a time when the sector requires strong service system management and planning to ensure high quality, inclusive and accessible Child Care and Early Years programming. The Ministry has reduced administrative funding by \$85.5 million across the province in 2024. As well, no additional funding has been provided to support new child care spaces with the costs associated with special needs resourcing, fee subsidy, special purpose funding for community and school-based child care spaces or general operating grants, all of which are funded by MEDU base funding.

The CWELCC system is underfunded by the Province, and the County may be required to offset these costs through MEDU base funding, an increase in levy and/or the utilization of reserves, which is not sustainable. As noted earlier in this report, the Province has indicated further adjustments in funding methodologies are forthcoming. It is too early to predict additional implications, if any, that these may have on future budgets and the sector. However, given the analysis of the past five years of MEDU allocations, SSMs are concerned further cuts and/or reduced local flexibility are coming which will destabilize the sector and put increased pressure on municipal budgets. Staff will keep Committee and Council apprised of these changes when they are shared by the Ministry.

Child care and early learning programs are critical to the social and economic well-being of families and our community. Sustaining and growing a high quality, affordable, accessible Child Care and Early Years system requires strong service system management and collaboration with the MEDU. Without adequate funding to support system planning, the transition to a more publicly funded model under CWELCC will be difficult. County staff continue to provide feedback and data to the Ministry to reflect the needs of the sector during this critical time. We are hopeful that fulsome consultations and corresponding positive actions will be the result of the advocacy shown by OMSSA, AMO and SSMs.

Financial Impact

Currently there is no financial impact to the 2024 Early Years budget.

Member Municipality Impacts

N/A

Conclusion / Outcomes

This report has been submitted for informational purposes.

Attachments

1. Early Learning and Child Care 2019 to 2024 Service Plan Update
2. Early Years Program Update Presentation