



Ministry of Education

Ontario Child Care and Early Years Funding Guidelines

**for Consolidated Municipal Service Managers and
District Social Services Administration Boards**

Chapter 1: Funding Guideline

NOVEMBER 2025

TABLE OF CONTENTS

PART 1: INTRODUCTION	3
1.A OVERVIEW	3
1.B CMSM/DSSAB SERVICE SYSTEM MANAGEMENT	3
1.C FRENCH LANGUAGE SERVICES.....	3
1.D QUALIFICATIONS UPGRADE PROGRAM.....	4
1.E COMMUNICATIONS.....	5
1.F DUTY TO REPORT	7
PART 2: MINISTRY BUSINESS PRACTICE REQUIREMENTS	8
2.A TRANSFER PAYMENT BUSINESS PROCESS.....	8
2.B CONTRACTING.....	9
2.C PAYMENT	9
2.D FINANCIAL REPORTING	11
2.E VARIANCE REPORTING.....	13
2.F BASIS OF ACCOUNTING	14
2.G INADMISSABLE EXPENDITURES FROM NON-ARM'S LENGTH AGENCIES.....	15
2.H POLICY FOR LATE FILING.....	15
2.I BUSINESS PRACTICES WITH LICENSEES	16
2.J FINANCIAL FLEXIBILITY	17
2.K MUNICIPAL COST SHARE REQUIREMENTS	22
2.L FUNDING ALLOCATION ORDER	22
2.M CONTRACTUAL SERVICE TARGETS FOR CHILD CARE	23
2.N COST-BASED ALLOCATION HOLDBACK.....	25
2.O AUDITS.....	26
PART 3: ADMINISTRATION FUNDING	28
3.A PURPOSE.....	28
3.B ELIGIBILITY	28
3.C ELIGIBLE EXPENSES.....	28
3.D WAGE ENHANCEMENT/HOME CHILD CARE ENHANCEMENT GRANTS ADMINISTRATION EXPENSES.....	31
3.E INELIGIBLE EXPENDITURES.....	32
3.F RECOVERY.....	33
3.G REPORTING REQUIREMENTS	33

PART 1: INTRODUCTION

1.A OVERVIEW

This document (“Chapter 1: Funding Guideline” or “the funding guideline”) provides Consolidated Municipal Service Managers (CMSMs) and District Social Services Administration Boards (DSSABs) with guidance on managing and administering child care and early years services. It details both the ministry’s business practices and financial oversight while setting out the standards CMSMs/DSSABs are expected to follow in their local service planning and operations.

The funding guideline focuses on aligning service delivery with provincial standards through effective business practices, financial accountability, and robust service system management.

By establishing consistent requirements for both the ministry and CMSMs/DSSABs, the funding guideline promotes a coordinated effort to deliver high-quality, consistent, and responsive child care services across Ontario.

1.B CMSM/DSSAB SERVICE SYSTEM MANAGEMENT

CMSMs/DSSABs are the designated child care and early years service system managers responsible for planning and managing licensed child care services and EarlyON Child and Family Centres in their communities. Legislation sets out the requirement that CMSMs/DSSABs develop local plans that reflect the “provincial interest” for child care and early years programs and services established in legislation (refer to section 49 (1) of [the Child Care and Early Years Act, 2014](#) (CCEYA)).

Local service planning processes should reflect current legislation, regulations and policies/directives, including these guidelines as well as engagement with licensees.

The ability to strengthen the quality of child care and early years programs and enhance system integration requires the strategic leadership of CMSMs/DSSABs to initiate, sustain and monitor local planning and development.

1.C FRENCH LANGUAGE SERVICES

CMSMs/DSSABs serving areas designated under the *French Language Services Act, 1990* (FLSA) are required to meet the specific requirements outlined in their transfer payment agreement.

Where the CMSM/DSSAB serving areas designated under the FLSA is not at full capacity, it is required to submit a plan to the ministry annually to build capacity. Annual French Language Service plans are due to the ministry by March 31 of each calendar year.

Additionally, all CMSMs/DSSABs are required to ensure the provision of French-language child care, EarlyON Child and Family Centres and supports for children with special needs where there is an identified need.

Priority is given to French-language school boards or licensees that have the capacity to deliver high-quality French language child care, EarlyON Child and Family Centres and supports for children with special needs, wherever possible. CMSMs/DSSABs may also consider partnering with neighbouring CMSMs/DSSABs to enter into shared purchase of service agreements to meet the needs of more dispersed French-language communities.

1.D QUALIFICATIONS UPGRADE PROGRAM

The ministry funds the Early Childhood Education Qualifications Upgrade Program (ECE QUP), which supports individuals working within the early years sector who have been accepted to an Ontario College of Applied Arts and Technology program to pursue their Early Childhood Education (ECE) diploma and become eligible to apply for membership with the College of Early Childhood Educators (CECE). Support is provided through education grants, travel grants and training allowances.

Francophone, First Nation, Métis, and Inuit communities have identified challenges recruiting and retaining qualified early childhood educators to deliver culturally responsive programs. In an effort to better support these communities, the ECE QUP prioritizes Francophone, First Nation, Métis and Inuit applicants in obtaining their ECE qualifications.

The ECE QUP also includes a Leadership Grant Stream, which was established to support professional development opportunities for program staff (such as RECEs) aspiring to leadership positions or responsibilities and for RECEs interested in obtaining Resource Teacher/ Consultant qualifications.

ECE diploma graduates registered in the ECE QUP program are eligible for a one-time payment to cover their initial registration fees with the CECE.

For more information on the ECE QUP, please visit the program's website at <https://www.ecegrants.on.ca/qualifications-upgrade/>.

1.E COMMUNICATIONS

All public announcements regarding provincial and federal investments in Ontario's child care and early years system are potential joint communication opportunities for the provincial government, federal government, school boards, CMSMs/DSSABs, municipalities and community partners.

Any such communications opportunities should remain confidential until they are announced publicly by the Province of Ontario and the Government of Canada (where applicable), or jointly by the provincial government, federal government (where applicable), and CMSMs/DSSABs.

The intent is to help promote the role of the Province, the federal government, CMSMs/DSSABs, and community partners in bringing new investments to local communities.

Please see the chart below for expectations regarding announcements:

CMSM/DSSAB Announcement	Recognition Expectation
Announcement related to Child Care	Clearly acknowledge contributions made by the Province of Ontario
Announcement related to funding for Child Care received through the Canada Wide Early Learning and Child Care (CWELCC) program	Clearly acknowledge contributions made by the Province of Ontario and the Government of Canada
Announcements related to EarlyON Child and Family Centres	Clearly acknowledge contributions made by the Province of Ontario and the Government of Canada

Public Communications

School boards, CMSMs/DSSABs and community partners should not issue a news release or any other public communication directed at media regarding major child care and early years investments, without:

- First contacting the Ministry of Education through ministryofeducation@ontario.ca about your plan to publicly communicate these major child care and early years investments; and

- Publicly recognizing the Ministry of Education's role in providing funding; and
- Inviting the Minister of Education to attend any events related to your investment announcement.

The Ministry of Education may also choose to issue its own news releases or hold events about investments in child care and early years projects, in addition to those prepared by school boards, CMSMs/DSSABs and community partners.

The intent of this protocol is to promote the role of both the Ministry of Education and stakeholders in bringing new child care and early years projects to local communities.

Major Announcements and Events

Important: For all major child care and early years investments the Minister of Education must be invited as early as possible to the event. Invitations can be sent to ministryofeducation@ontario.ca. School boards, CMSMs/DSSABs and community partners will be notified at least four to six weeks in advance of their opening event as to the Minister's attendance. If the date of the event changes at any time after the Minister has received the invitation, the change must be confirmed at the email address above.

If the Minister of Education is unavailable, the invitation may be shared with a government representative who will contact the CMSM/DSSAB, school board or community partner to coordinate the details (for example, joint announcement). CMSMs/DSSABs, school boards and community partners are not expected to delay their announcements to accommodate the Minister or a Member of Provincial Parliament (MPP); the primary goal is to make sure that the Minister is aware of the announcement opportunity.

Other Events

For all other media-focused public communications opportunities, such as sod turnings, an invitation to your local event must be sent to the Minister of Education by email (ministryofeducation@ontario.ca) with at least three weeks' notice. Please note that if the date of the event changes at any time after the Minister has received the invitation, the change must be confirmed at the email address above.

CMSMs/DSSABs, school boards and community partners are not expected to delay these events to accommodate the Minister. Only an invitation needs to be sent; a response is not mandatory to proceed.

Acknowledgement of Support

The support of the Government of Ontario must be acknowledged in media-focused communications of any kind, written or oral, relating to new investments. Similarly, CMSMs/DSSABs announcements related to funding received through the CWELCC program must clearly acknowledge that the contributions were made by the Province of Ontario and the Government of Canada. This acknowledgment could include but is not limited to, any report, announcement, speech, advertisement, publicity, promotional material, brochure, audio-visual material, web communications or any other public communications.

For minor interactions on social media, or within social media where there is a limited restriction on content, municipalities, school boards, CMSMs/DSSABs, and community partners are not required to include government acknowledgement.

In addition, when engaged in reactive communications (for example, media calls), CMSMs/DSSABs, school boards and community partners do not have to acknowledge government funding; however, if possible, such an acknowledgement is appreciated.

Note: Unless the ministry specifies that it requires joint communications to the sector, CMSMs/DSSABs should not utilize the provincial logo on any external communications.

1.F DUTY TO REPORT

Everyone, including members of the public and professionals who work closely with children, is required by law to report suspected cases of child abuse or neglect. Anyone with reasonable grounds to suspect that a child is or may be in need of protection must report it to a children's aid society.

More information on the duty to report, what happens when a report is made and how to recognize signs of abuse and neglect can be found [here](#).

PART 2: MINISTRY BUSINESS PRACTICE REQUIREMENTS

2.A TRANSFER PAYMENT BUSINESS PROCESS

Child care funding is flowed through a five-year Transfer Payment Agreement (the Agreement) with schedules that may be replaced without the requirement of a signature. The Agreement includes funding for services related to both Child Care and EarlyON Child and Family Centres. The Agreement sets out the terms and conditions of the funding and provides annual funding allocations.

Funding will flow through the existing Agreement to CMSMs/DSSABs.

The Agreement is available on the Transfer Payment Ontario (TPON) online platform. TPON is an online platform that provides one-window access to funding information. Recipients will be notified when their Agreement, new or amended schedules, are available, and will be able to log into the platform to review them.

Technical support for TPON is available through **TPON Client Care**:

Monday to Friday from 8:30 a.m. to 5:00 p.m. EST except for government and statutory holidays:

- Toll-free telephone: 1-855-216-3090
- TTY/Teletypewriter (for the hearing impaired): 416-325-3408 or 1-800-268-7095
- Email: TPONCC@ontario.ca

Visit ontario.ca/GetFunding to access a variety of Transfer Payment Ontario reference guides and videos. In accordance with the Government of Ontario's [Transfer Payment Accountability Directive](#), and consistent with the principles of prudent fiscal management, funds may be flowed to recipients based on the time period specified on the budget schedule (that is, the calendar year indicated on the budget schedule) when:

- The Agreement is signed (for the first year of the 5-year Agreement); or,
- After the budget schedule is provided and the 30-day time period within which the recipient has the right to terminate the Agreement has passed.

The contracting process will consist of the following three stages: contracting, payment, and financial reporting.

2.B CONTRACTING

The Agreement between the ministry and CMSMs/DSSABs:

- Sets out expectations, terms and conditions of funding to support good governance, value for money, and transparency in the administration of transfer payment funds;
- Documents the respective rights, responsibilities, and obligations of the ministry and CMSMs/DSSABs;
- Includes specific, measurable results for the money received, reporting requirements, and any corrective action the Ontario government is entitled to take if agreed upon results are not achieved; and,
- Subject to the *Freedom of Information and Protection of Privacy Act, 1990*, the *Municipal Freedom of Information and Protection of Privacy Act, 1990* and other relevant legislation, allows for inspection by the ministry or independent professionals identified by the ministry of any relevant financial and non-financial documents relating to the program to verify program progress and financial information including the recipients' allocation and expenditure of funds. In addition, the Agreements do not limit the power or authority of the Auditor General of Ontario.

2.C PAYMENT

Budget Schedule

The budget schedule of the Agreement identifies the ministry's allocations to CMSMs/DSSABs for the calendar year. The budget schedule will be updated and provided to CMSMs/DSSABs on at least an annual basis. As with all new schedules, if the recipient does not agree with all or any new schedules, the recipient may terminate the Agreement immediately by giving notice to the ministry within 30 days of the ministry providing the new schedules.

Payment Mechanics

Monthly cash flow percentages as indicated in the table below may initially be based upon the prior year's submissions or budget schedule. Monthly cash flow will be based on the new budget schedule after:

1. The time period to which the new budget schedule relates commences, and;

2. The 30-day time period from when the schedule was made available, within which the CMSM/DSSAB has the right to terminate the Agreement, has passed.

The ministry may adjust entitlement and the resulting cash flow to reflect forecasted or actual under-spending that is reported in the current year's Interim Report (if applicable). A final cash flow adjustment will be completed following the review of the Financial Statements Submission.

Month	Percentage
January	8.3%
February	8.3%
March	8.4%
April	8.3%
May	8.3%
June	8.4%
July	8.3%
August	8.3%
September	8.4%
October	8.3%
November	8.3%
December	8.4%

The above payment schedule applies to allocations that are provided for the entire calendar year. For allocations with specific time periods noted, payment will flow in accordance with the noted allocation timeframes in the budget schedule.

Based on Budget Schedule:

The monthly cash flow will be updated after both the time period for which the budget schedule relates commences and the budget schedule is made available, and the 30-day time period within which the CMSM/DSSAB has the right to terminate the Agreement has passed.

Based on Interim Report:

If the Interim Report submission reflects a different entitlement amount than in the budget schedule, upon ministry review, the cash flow for the subsequent payments may be adjusted.

The Interim Report is cancelled for 2025 and 2026.

Based on Financial Statements:

When the CMSM/DSSAB submits its Financial Statements Submission, if the entitlement calculated in the Financial Statements Submission exceeds the total amount paid for that year, the amount owing to the recipient will be flowed out upon completion of the review of the Financial Statements Submission by the ministry's Financial Analyst. Any amounts owing by the CMSM/DSSAB to the ministry will be deducted from a future month's cash flow amount. The CMSM/DSSAB will not be required to issue a cheque for the recoverable amount.

2.D FINANCIAL REPORTING

The cornerstone of the Ontario government's performance management framework for the child care and early years program is accountability for service. Service information strengthens accountability for results, informs the public and decision-makers and other public officials, influences policy, signals areas needing attention and improvement and emphasizes the "differences that have been made" by a program or service. Financial reporting is one such way that the ministry demonstrates accountability.

Financial Reporting Cycle

As stated in the Reports Schedule of the Agreement, CMSMs/DSSABs are expected to provide the following submissions to the ministry as per the following cycle:

Submission Type	Due Date
Transfer Payment Agreement	No signature/submission is required for new Schedules*
Interim Report	Not applicable for 2025 or 2026
Financial Statements	For 2025: May 29, 2026 For 2026: May 31, 2027

*If the recipient does not agree with all or any new schedules, the recipient may terminate the Agreement immediately by giving notice to the ministry within 30 days of the ministry providing the new schedules.

Interim Reporting

The Interim Report submission allows CMSMs/DSSABs to report in-year performance against financial and service data targets. The Interim Report is submitted annually by each CMSM/DSSAB to the ministry. The Interim Report is for the period from January 1 to June 30 of the calendar year, with a projection of expenditures and service data to December 31 of the calendar year. Further details will be provided as part of the instructions to the Interim Report.

CMSMs/DSSABs may submit the following to the ministry:

1. A Recipient Active submission from EFIS
2. Signed copies of the following documents from the Recipient's Active submission of the Interim Report:
 - a) Certificate pages
 - b) Adjusted Gross Expenditures pages
 - c) Summary of Entitlement pages

The Interim Report is cancelled for 2025 and 2026. The ministry reserves the right to request *ad hoc* in-year reporting from CMSMs/DSSABs.

Financial Statements Reporting

The Financial Statements reporting submission represents the CMSM's/DSSAB's performance against its financial and service targets for the year. It is due five months following the CMSM's/DSSAB's year-end date, and includes the following six elements:

1. Audited Financial Statements of the CMSM/DSSAB;
2. A post-audit management letter issued by the external auditors. If such a letter is not available, confirmation in writing for the rationale as to why it is not available.
3. A special purpose audit report or review engagement report, which includes the breakdown of expenditures and other restrictions for child care and EarlyON Child and Family programs funded by the ministry and outlined in this guideline.
 - To further enhance accountability through Financial Statements, the standardized Excel template provided by the ministry to support financial reporting must be completed and included as part of the special purpose

audit or review engagement report. Completion of the Excel template accompanied by an audit or review engagement report is a requirement for the financial reporting submission and allows for the independent verification of expenditures reported within the Education Finance Information System (EFIS);

4. A Recipient Active Submission from EFIS;
5. Signed copies of the following documents from the Recipient Active submission of the Financial Statements:
 - a) Certificate Page
 - b) Sign-Off Report page
6. A policies and procedures document to understand the financial accountability mechanisms that the CSM/DSSAB has in place for the use of public funds to ensure that funds are used for the purposes intended in accordance with the Agreement and guidelines.

In addition to the items listed above, DSSABs are requested to submit a copy of the following for any Territory Without Municipal Organization (TWOMO) allocations as part of the Financial Statements reporting submission:

- Approved DSSAB budget; and
- Levy Apportionment details.

2.E VARIANCE REPORTING

As part of the Financial Statements review, CSMs/DSSABs will be required to provide explanations for significant variances and the impacts on staff and services.

Significant variance reports are required as per the following chart:

Expense/Data Type	Significant Variance Reporting
Major Expenditure Category	+/- \$25,000 and +/- 10% (or more) compared to its prior year's Financial Statements
Service Data	+/- 10% and +/- 10 Children (or more) compared to its prior year's Financial Statements
Service Target Data	+/- 10% and +/- 10 Children (or more) compared to its prior year's Financial Statements

2.F BASIS OF ACCOUNTING

CMSMs/DSSABs are required to report their revenues and expenditures using the modified accrual basis of accounting as directed by this guideline.

Modified Accrual Basis of Accounting

The modified accrual basis of accounting requires the inclusion of short-term accruals of normal operating expenditures in the determination of operating results for a given time period. Short-term accruals are defined as payable or receivable usually within 30 days of year-end. Under modified accrual accounting, expenditures that would be amortized under full accrual accounting must be recognized as expenditures in the budget year the goods or services are received.

Expenditures made once each year (such as insurance) must be treated consistently from year-to-year. Non-cash transactions are not recognized as these expenses do not represent actual cash expenditures related to the current period¹.

Note: As part of the cost-based funding accountability framework, exceptions to the non-cash transactions rule may apply. For instance, amortization expenses may also be eligible if specific conditions are met. For full details, refer to Part 3.1 of Chapter 2, Division 2: CWELCC Cost-Based Funding Guideline for more information.

CMSMs/DSSABs should report capital expenditures in the period that the associated capital project being constructed is complete and ready for use. If construction of the capital project progresses across multiple years, capital expenditures should be reported in the period that the expenditures were actually incurred and not in the period that the allocations were committed.

¹ Non-cash transactions include:

- a) provisions for pension expenses
- b) provisions for unused sick leave and wage settlements
- c) provisions for repairs or replacements
- d) provisions for bad debts
- e) retainer fees for legal services
- f) provisions for amortization

However, related payments are admissible.

2.G INADMISSABLE EXPENDITURES FROM NON-ARM'S LENGTH AGENCIES

All expenditures arising from transactions not conducted at arms-length from the CMSM/DSSAB (for example, transactions in which both parties to the transaction may not be acting independently of each other due to a previous relationship) are inadmissible unless transacted at fair market value.

2.H POLICY FOR LATE FILING

The ministry acknowledges that the majority of CMSMs/DSSABs provide signed transfer payment agreements, updated financial submissions and related information on a timely basis. The intent behind the late-filing process outlined below is to ensure the ministry has the information required to demonstrate accountability for public funds. The ministry will

continue to support CMSMs/DSSABs with timely financial documentation filing through regional outreach, training, and ministry resources.

Policy for late filing of financial submissions, including:

- a) Financial reporting (Interim Report, Financial Statements)
- b) Queries related to financial reporting and Financial Statements review
- c) Financial documentation (such as Audited Financial Statements, Review Engagement Reports)

Where a CMSM/DSSAB files its submission after a specified filing deadline, the ministry will inform the CMSM/DSSAB that the submission is overdue and may reduce cash flow by 50% of the monthly payment (unless an extension has been granted).

Upon submission of ministry requirements, the ministry will revert to the normal monthly payment process and will include in that monthly payment the total amount withheld up to that point.

The ministry reserves the right to suspend funding (in year or in the subsequent year(s)). Should a CMSM/DSSAB have any outstanding submissions, the ministry may exercise its discretion by not providing funding in the subsequent calendar year.

2.1 BUSINESS PRACTICES WITH LICENSEES

Standards And Requirements

CMSMs/DSSABs are required to:

- Ensure that funds are used in accordance with the Agreement and the government's policies, procedures, and guidelines;
- Monitor the use of funds with licensee on an annual basis;
- Reconcile licensee use of funds and recover funds as required;
- Have policies and procedures in place to fulfill all reporting requirements to the ministry. This accountability applies to both licensees from whom CMSMs/DSSABs have purchased services as well as services directly operated by CMSMs/DSSABs. In addition, the delivery agent's financial policies and procedures are subject to ministry review, and;
- Conduct cost reviews for CWELCC-eligible centres/agencies with disproportionately high top-up allocations, per the cost review selection criteria outlined for cost-based funding in Chapter 2, Division 2: CWELCC Cost-Based Funding Guideline.

The ministry encourages CMSMs/DSSABs working with multi-site child care licensees that are located in more than one CMSM/DSSAB service area to work together to align reporting policies and procedures.

Reconciliation

CMSMs/DSSABs must have a comprehensive reconciliation process in place with licensees. This process allows CMSMs/DSSABs to reconcile actuals against allocations, assist in recovering unused funds as indicated below, and provide supporting documents for audit purposes. The CMSM's/DSSAB's reconciliation process should be documented, retained and is subject to ministry review.

Recoveries

Identified unused funds must be recovered from licensees within two years of the claim being discovered. These funds must be identified as offsetting revenues in the year that the unused funds relate to (for example, if the unused funds pertain to the previous calendar year, then the previous Financial Statement Submission should be adjusted to reflect the recovery).

Major Capital

CMSMs/DSSABs are required to advise the ministry of any knowledge regarding the sale/transfer/renovation of child care properties that previously received capital funding from the Ontario government.

2.J FINANCIAL FLEXIBILITY

This section outlines the flexibility CMSMs/DSSABs have in spending their child care allocations between funding components.

For specific requirements and additional details, CMSMs/DSSABs should refer to the corresponding chapters in these guidelines. The following tables offer an overview of the flexibility for each funding component.

Table 1: Cost-Based Funding Flexibility:

Funding is enveloped and must be used exclusively for Cost-Based Funding (CBF) expenditures, as outlined in the CBF chapter referenced below.

Program/ Expenditure	Eligibility	Additional Flexibility Notes	Chapter Reference
Cost-Based Funding (CBF)	CWELCC-enrolled licensees (in respect of CWELCC-eligible children)	Excess Local Priorities - Flex Funding may support these expenditures, but CBF cannot be used for Flex Funding expenses.	Chapter 2, Division 2; Chapter 3, Part 7 for eligible expenditures

Table 2: Local Priorities - Flex Funding Flexibility:

This funding provides CMSMs/DSSABs with flexibility to allocate funding across various programs and expenses within the Local Priorities - Flex Funding allocation. Excess funds can support eligible expenditures under Cost-Based Funding (CBF).

Program/ Expenditure	Eligibility	Additional Flexibility Notes	Chapter Reference
General Operating (including Repairs and Maintenance, Play-Based Materials and Equipment, Transformation, LHCC Base Funding) and Pay Equity Memorandum of Settlement.	CWELCC-enrolled licensees (in respect of non-CWELCC- eligible children) Non-CWELCC-enrolled licensees exclusively serving non-CWELCC-eligible children	Expenditures related to CWELCC-enrolled licensees (in respect of CWELCC-eligible children) are supported through CBF.	Chapter 3, Part 7.1 and 7.2
Capacity Building	CWELCC-enrolled licensees and non-CWELCC-enrolled licenses exclusively serving non- CWELCC-eligible children. Other licensees (if indirect support)	A minimum expenditure requirement is included in the TPA - Schedule D for Capacity Building.	Chapter 3, Part 7.3
Special Needs Resourcing	CWELCC-enrolled licensees and non-CWELCC-enrolled licenses exclusively serving non-CWELCC-eligible children. Other licensees (if indirect support)	A minimum expenditure requirement is included in the TPA - Schedule D for Special Needs Resourcing.	Chapter 3, Part 7.4

Program/ Expenditure	Eligibility	Additional Flexibility Notes	Chapter Reference
Fee Subsidy	Refer to the chapter reference noted to the right for further details.	Includes: Fee Subsidy, Fee Subsidy Ontario Works (Formal/Informal), Fee Subsidy- Camps & Children's Recreation	Chapter 3, Part 7.5 to Part 7.7

Table 3: Local Priorities – Other Funding Flexibility

This funding is enveloped for each program/expenditure and must be used solely for its designated purposes. No flexibility exists to transfer funds in or out of each of these allocations, with limited exceptions for Wage Enhancement/Home Child Care Enhancement Grant (WEG/HCCEG), as detailed in the table below.

Program/ Expenditure	Eligibility	Flexibility/ Additional Notes	Chapter Reference
Wage Enhancement/ Home Child Care Enhancement Grant (WEG/HCCEG)	CWELCC- enrolled licensees (in respect of non- CWELCC- eligible children) Non-CWELCC- enrolled licensees exclusively serving non- CWELCC-eligible children	Flexibility exists to use excess WEG/HCCEG funds for eligible programs/expenditures within <u>Local Priorities – Flex Funding</u> for children aged 6 to 12 only. While flexibility exists for excess funding under WEG/HCCEG, CMSMs/DSSABs must first ensure that all eligible wage enhancement funding needs are met. Local Priorities – Flex Funding can be used to support shortfalls in WEG/HCCEG for children aged 6 to 12. WEG expenditures related to CWELCC- enrolled licensees (in respect of CWELCC- eligible children) are supported through CBF.	Chapter 3, Part 2

Program/ Expenditure	Eligibility	Flexibility/ Additional Notes	Chapter Reference
Workforce Compensation	CWELCC-enrolled licensees (in respect of non-CWELCC- eligible children) Non-CWELCC-enrolled licensees exclusively serving non-CWELCC-eligible children	Funding is enveloped and cannot be transferred. Local Priorities – Flex Funding can be used to support shortfalls in Workforce Compensation for children aged 6 to 12. Workforce Compensation expenditures related to CWELCC-enrolled licensees (in respect of CWELCC-eligible children) are supported through CBF.	Chapter 3, Part 3
Professional Learning	CWELCC-enrolled licensees Non-CWELCC-enrolled licensees exclusively serving non-CWELCC-eligible children, EarlyON	Funding is enveloped and cannot be transferred.	Chapter 3, Part 4

Program/ Expenditure	Eligibility	Flexibility/ Additional Notes	Chapter Reference
Small Water Works (SWW)	CWELCC-enrolled licensees Non-CWELCC-enrolled licensees exclusively serving non-CWELCC- eligible children	Funding is enveloped and cannot be transferred.	Chapter 3, Part 5
Territories Without Municipal Organization (TWOMO)	CWELCC-enrolled licensees Non-CWELCC-enrolled licensees exclusively serving non-CWELCC- eligible children	Funding is enveloped and cannot be transferred.	Chapter 3, Part 6

Other Allocations Flexibility:

This section outlines other funding allocations, which are enveloped and must be used for their designated purposes. No flexibility exists to transfer funds in or out of these allocations. Each funding stream serves a specific purpose, as described in the corresponding chapters of the guidelines.

- General Administration (Chapter 1, Part 3)
- Administration - Wage Enhancement (WEG) / Home Child Care Enhancement Grant (HCCEG) (Chapter 1, Part 3)
- Innovation Fund (Chapter 3, Division 2)
- Early Childhood Educator Promotional Fund (Chapter 3, Division 3)
- Indigenous-led Child Care and Early Years Programs (Chapter 4)
- Start-up Grants (Chapter 5)
- Early Learning and Child Care (ELCC) Infrastructure Fund (Chapter 5)
- EarlyON (Chapter 6)

2.K MUNICIPAL COST SHARE REQUIREMENTS

CMSMs/DSSABs must meet their full municipal cost share obligations. Required municipal cost share contribution levels are outlined in Schedule D of the Agreement.

Cost-share requirements apply to the provincial portion of the following funding categories:

- Cost-Based Funding – includes an 80/20 provincial/municipal component
- Local Priorities (Flex Funding) – includes an 80/20 provincial/municipal component
- Administration – includes an 50/50 provincial/municipal component

Please note that there is no cost share requirement (100% provincial) for the following programs under Local Priorities:

- Wage Enhancement Grant/Home Child Care Enhancement Grant
- Workforce Compensation
- Professional Learning
- Small Water Works
- Territory without Municipal Organization

Refer to Schedule D of the Agreement for further details on allocations and respective cost sharing components.

2.L FUNDING ALLOCATION ORDER

Under the ministry's CWELCC Agreement, federal funding will be incremental, ensuring that provincial or municipal investments are maintained. As per CWELCC obligations, provincial funds must be spent first, followed by municipal contributions, and finally by federal funding.

The child care funding entitlement for cost-shared funding will be calculated in the following order:

- 1) provincial funding
- 2) municipal contribution based on cost share requirements
- 3) federal funding

Refer to Schedule D of the Agreement for further details on allocations from each funding source.

2.M CONTRACTUAL SERVICE TARGETS FOR CHILD CARE

In accordance with the [Transfer Payment Accountability Directive](#), there are contractual service targets for child care tied to the Agreement to support accountability and facilitate funding recovery, where required. There continues to be no contractual service targets for EarlyON Child and Family Centres; however, reporting of data elements will continue.

The ministry acknowledges that the child care and early years sector has been deeply engaged with the transformative work of implementing the CWELCC system and that contractual service targets are based on the context for the sector prior to the roll-out of CWELCC.

In recognition of the significant change underway, service targets will remain unchanged for 2025 and 2026, and penalties related to missing service targets are not being applied for this period. The ministry will evaluate the impact of the shift to cost-based funding on service targets and will be consulting with CMSMs/DSSABs to review and potentially update service targets starting 2027 to reflect the evolving landscape of CWELCC.

Local Priorities - Flex Funding Contractual Service Targets

There are three contractual service targets associated with CMSMs'/DSSABs' Local Priorities - Flex Funding allocation related to fee subsidy, Ontario Works (OW) and Special Needs Resourcing (SNR). These targets are provided in the Agreement.

For 2025 and 2026, while the ministry will not impose penalties where targets are not achieved, CMSMs/DSSABs should continue to maintain fee subsidy and OW spending to ensure continued support for lower-income families. This will also help avoid significant adjustments in 2027 as new controls are established. Note: see Chapter 3, Part 7.4 for spending requirements related to SNR.

CMSMs/DSSABs must continue to track spending and report data, as this will help to support accurate reporting and to inform consultations. Please refer to Chapter 7: EFIS Reporting Requirements for more information.

Local Priorities - Flex Funding Service Targets (provincial funding and required municipal cost share)

Target	Expense Category	Contractual Target	Description
1	Fee Subsidy (Regular and Camps and Children's Recreation)	Total of the Average Monthly Number of Children Served	Total average monthly number of infants, toddlers, preschoolers, kindergarten*, school aged** served, including children served in licensed child care, camps, board-operated before and after school programs, and children's recreation programs
2	Special Needs Resourcing	Total of the Average Monthly Number of Children Served	Total average monthly number of children served from 0 to kindergarten* and school aged**
3	Ontario Works (formal and informal)	Total of the Average Monthly Number of Children Served (formal and informal)	Total average monthly number of infants, toddlers, preschoolers, kindergarten* and school aged children** served for Ontario Works formal and total average monthly number of children served for Ontario Works informal.

*Kindergarten includes both junior and senior kindergarten.

**School Age includes both the primary and junior school age categories (children aged 6 to 12).

Monitoring of Service Targets

Service targets are limited to actuals achieved solely with Local Priorities – Flex Funding and required municipal cost share. In 2025 and 2026, the ministry will monitor service targets without applying penalties to support ongoing assessment and reporting accuracy:

1. Should the Recipient project the inability to meet Local Priorities – Flex Funding service targets, they should immediately inform their ministry's Financial Analyst.
2. While there will be no funding adjustments for service targets not achieved in 2025 and 2026, CMSMs/DSSABs must continue to track service target achievements in their Financial Statements Submission to the ministry in EFIS.

2.N COST-BASED ALLOCATION HOLDBACK

The ministry is withholding a portion of child care funding, specifically, cost-based funding for 2025 and 2026, to minimize recoveries at the end of the year.

The cost-based allocation holdback includes two components: operating capacity holdback and contingency holdback (for 2025 only).

Please refer to the Funding Allocations Technical Paper on how the two components were determined.

Operating Capacity Holdback

Operating capacity holdback covers the cost of program take-up that exceeds the assumed operating capacity, up to the full licensed capacity.

For 2026, CMSMs/DSSABs are being funded to support licensed capacity:

- For centre-based licensees: number of licensed child care spaces (infant, toddler, preschool, kindergarten and family age group) as reported in the Child Care Licensing System as at December 31, 2024; plus
- For home-based agency licensees: number of eligible children enrolled in licensed home child care (aged 0 to 5) as reported in the 2025 Child Care Operator Survey as at December 31, 2024; plus
- The projected number of spaces to be enrolled in 2025 and 2026 as per the Revised CWELCC Space Targets (communicated to CMSMs/DSSABs on March 31, 2025).

However, the ministry withholds the difference between each CMSM/DSSAB's cost-based allocation at full licensed capacity and the CMSM's/DSSAB's cost-based allocation at assumed operating capacity. Please refer to the technical paper for further details.

For 2026, assumed operating capacity is defined as the number of child care spaces that the ministry has estimated will be operating during the calendar year by CMSM/DSSAB. Refer to 'Definitions' in Chapter 2, Division 1 for more information.

CMSMs/DSSABs have the flexibility to provide additional funding up to the licensee's assumed operating capacity, where the CMSM/DSSAB determines a licensee's operating capacity changes. The Ministry will release the holdback, up to the operating capacity holdback amount, upon Ministry review of actuals reported through the regular financial reporting and reconciliation process, supporting enrolment up to full licensed capacity.

CMSMs/DSSABs do not need to submit individual operating capacity holdback release requests unless they require access to the holdback mid-year.

For clarity, CMSMs/DSSABs should allocate funding based on licensees' planned operating capacity. If the total of the funding allocated to licensees is greater than the CMSM/DSSAB's cost-based allocation after adjusting for the holdback, and if a CMSM/DSSAB requires their holdback mid-year to address enrolment needs, they should submit a request to the ministry for approval to release their operating holdback.

This request will require the submission of the ministry's template and supporting documentation that demonstrates space occupancy exceeds the assumed operating capacity.

The ministry reserves the right to adjust funding allocations during the year based on dropout rates or major fluctuations in space assumptions.

Contingency Holdback

Contingency holdback covers other non-discretionary cost pressures within the CMSM/DSSAB. The ministry recognizes that, given the introduction of Cost-based Funding for 2025, certain unexpected cost pressures may arise during the year that may require additional funding support.

CMSMs/DSSABs may request the release of 2025 contingency holdback funds by providing evidence of the specific need for additional funding beyond the operational capacity holdback. Requests should be accompanied by documentation demonstrating the non-discretionary nature of the cost pressure and may include explanations of unforeseen circumstances (such as significant changes in operating costs), or other exceptional factors.

The ministry will review the request, and while CMSMs/DSSABs are trusted to assess their financial needs accurately, approval will be contingent upon the submission of appropriate evidence and subject to availability of funds. The ministry reserves the right to recover any unspent contingency hold back funds at the end of the year, based on final review of the actual expenditures as part of the Financial Statement Submission.

2.0 AUDITS

Auditing is a cornerstone of good financial governance. It is an unbiased and objective assessment of whether public resources are managed responsibly and effectively to achieve intended results. Audits:

- Support organizations in achieving accountability;

- Identify nonconformity and required corrective actions leading to improved operations;
- Highlight areas of good practice; and,
- Identify trends and emerging challenges.

The ministry will undertake audits on CMSMs/DSSABs on a rotational basis. The audit strategy entails a review of CMSM/DSSAB adherence to specific requirements, such as regulations, guidelines, policies, and directives – otherwise known as a compliance audit.

In consideration of CMSM/DSSAB work on CWELCC, the ministry will monitor the situation and may make changes to the audit approach as necessary.

Compliance Audit Objectives

- To strengthen accountability within the child care sector;
- To ensure that expenditures and data elements driving the funding entitlement are properly reported in financial submissions;
- To address material financial risks identified in previous audit reports that continue to be applicable today;
- To gather field intelligence on data and validate/strengthen existing processes and inform future policy decisions; and,
- To obtain best practices contributing to continuous sector improvement.

Audit Scope

The ministry will review the audit approach and scope on child care funding. Additional information will be provided once available.

PART 3: ADMINISTRATION FUNDING

3.A PURPOSE

To support CMSMs/DSSABs in their role as service system managers, this expense is intended to support administrative costs associated with all types of child care funding, including cost-based funding and all funding initiatives under local priorities.

3.B ELIGIBILITY

All designated delivery agents under the *Child Care and Early Years Act, 2014* (CMSMs/DSSABs) are eligible to receive administration funding.

3.C ELIGIBLE EXPENSES

Expenditures deemed reasonable and necessary for the provision of services subsidized by the ministry are admissible in the calculation of the funding entitlement. These expenditures must be supported by acceptable documentary evidence that is retained for a period of no less than seven years.

CMSMs/DSSABs are required to cost share the provincial portion of child care administration funding, including wage enhancement/home child care enhancement grant administration, at a rate of 50/50 provincial/municipal.

Administration expenses must represent actual expenses incurred for program administration and may not be expressed solely in terms of a percentage of program expenditures.

CMSMs/DSSABs have the flexibility to use EarlyON administration funding to support child care general administration expenditures. This flexibility is available where EarlyON administration funding (up to 10% of the EarlyON allocation as noted in the budget schedule) has not been fully utilized for EarlyON expenditures (that is, EarlyON, including for administration or EarlyON program services, at the discretion of the CMSM/DSSAB).

The following list defines the range of administrative expenditures.

Staffing

Payment of gross salaries and wages, vacation pay, sick pay, compassionate pay, overtime and statutory holiday pay for staff involved in managing the child care service system and support staff.

Benefits

Employer contributions for pension (including CPP), employment insurance, workers' compensation (WSIB Insurance), employee benefit plans, and other legal requirements of the employer.

Purchased Professional Services

Purchased professional services that are not client related, including costs incurred in purchasing professional services for which the CMSM/DSSAB itself does not employ staff (such as fees for administrative or corporate legal work, audit or bookkeeping fees).

Accommodation

Reasonable costs to a maximum of fair market value for accommodation required for the management of the child care service system and related administration. Fair market value for purchased accommodation is defined as the probable estimated dollar price of the property if that property were exposed for sale in the open market by a willing seller and allowing a reasonable time for a willing buyer.

A fair market value estimate must be accompanied by an indication of the exposure time linked to the value estimate. Exposure time is the estimated length of time the property would have been for sale on the open market before a hypothetical purchase at market value. Exposure time precedes the effective date of the value estimate and is based upon past market trends as they affect the type of real property under consideration.

The above definition of fair market value must also be applied to rented accommodations, whereby the estimated dollar amount is a rental price, and the willing parties are the owner and the tenant.

In the case of owned buildings, the eligible annual cost will be based on fair market value of rent or imputed rent.

Travel

Reimbursement of staff costs for travel required to carry out the management of the delivery and administration of child care, including travel costs in Ontario that are associated with attendance at meetings relevant to child care service delivery. CMSMs/DSSABs are to refer to the Ontario Public Service Travel Directive as a guide.

Education and Staff Training

Staff development and educational opportunities which assist in the management and administration of the child care system. Travel, accommodation, and costs associated with educational conferences or seminars within Ontario and Quebec.

Technology

The ministry funds 100% of the design, development, basic installation, and training costs of the Ontario Child Care Management System (OCCMS). However, the ministry is gradually decommissioning the OCCMS as it introduces a new child care and early years IT solution.

The ministry will not cost share in any aspect of the development of new technology systems developed independently by CMSMs/DSSABs before or after designation that duplicate the functions of OCCMS.

To support CMSMs/DSSABs in their role as service system managers, the ministry will continue to allow administration funding to be used for expenditures for IT systems, such as computer hardware, software, network access charges, operating costs, system enhancements, software updates, computer supplies and maintenance required to support the management of child care delivery and administration that do not duplicate the functionality of OCCMS. However, it is recommended that CMSMs/DSSABs engage the ministry on any major future IT investments to reduce duplicative work the child care and early years IT systems and modernization.

General Office Expenses

Costs associated with the following items may be required to support the management of the child care system:

- Telephone, internet and fax (may include rentals, regular charges, long distance)
- Postage and courier
- Office supplies (may include stationery, forms, maps, books, periodicals)
- Printing (may include production, translation, printing and other costs)
- Photocopier rental and services
- Insurance payments (fidelity, fire, public liability, theft, other) including bonding and liability insurance for staff

- Office equipment and maintenance
- Building maintenance (may include janitorial, cleaning, minor repairs)
- Bank transaction charges
- Collection and bad debt costs (may include court fees, credit bureau etc.)
- Advertising and marketing (job postings, newsletters)
- Research, consultation, and professional services
- Moving and relocation
- Security
- Records Management
- Minor miscellaneous expenses

Note: The shareable cost of administration definitions outlined above are functional in nature.

Management functions of the child care system may be dedicated or prorated for the portion associated with the management of the child care system, if shared with other departments and offices.

In determining employee salaries and wages, include total gross salary and wage payments to all full-time, part-time, temporary, relief and staff on paid leave of absence. Total salaries equal gross pay, including overtime, paid vacation, paid sick leave, and statutory holidays. The employer's share of employee benefits can be included when calculating benefit costs.

3.D WAGE ENHANCEMENT/HOME CHILD CARE ENHANCEMENT GRANTS ADMINISTRATION EXPENSES

Purpose

To support CMSMs/DSSABs with the implementation of wage enhancement/home child care enhancement grants (WEG/HCCGE), the ministry provides funding for administration to support the implementation at the CMSM/DSSAB and licensee levels.

Funding Allocations

CMSMs/DSSABs are required to cost share WEG/HCCEG administration funding. The 50/50 allocation is included in the budget schedule.

Eligible Expenses

The wage enhancement administration funding allocation is to be used to fund administrative processes associated with implementing WEG/HCCEG, such as creation of processes, outreach to licensees, training and support (including resource costs).

CMSMs/DSSABs are required to provide a minimum of 1.4% of the total WEG/HCCEG administration funding to licensees with respect to the administration cost of WEG/HCCEG for staff providing services to children aged 6 to 12 years old. Refer to the budget schedule of the Agreement. In determining administration funding to licensees, CMSMs/DSSABs should take into consideration the capacity of various licensees to administer WEG/HCCEG.

The minimum WEG/HCCEG administration funding that CMSMs/DSSABs must provide to licensees has been reduced from 10% in 2024 to 1.4% as of 2025, as WEG/HCCEG funding in respect of children aged 0 to 5 (including licensee-level administration costs) has been incorporated into cost-based funding. As a result, CMSMs/DSSABs are only required to provide WEG/HCCEG administration funding to licensees in respect to the administration cost of WEG/HCCEG funding for staff providing services to children aged 6 to 12 years old. If less than 1.4% of WEG/HCCEG administration funding is provided to licensees serving children aged 6 to 12, the difference will be recovered by the ministry.

The WEG/HCCEG administration grant provided in 2015 was a grant that allowed CMSMs/DSSABs to carry forward unused funds and will continue to be included in reporting. CMSMs/DSSABs are encouraged to utilize any remaining funds from the 2015 administration grant.

Administration funding provided to CMSMs/DSSABs cannot be carried forward. Any unused funds as of December 31 each year will be recovered by the ministry.

3.E INELIGIBLE EXPENDITURES

Expenses that do not directly support the provision of child care services are ineligible and include the following:

- Interest expenses incurred on capital or operating loans
- Costs associated with administering regional quality assessment programs/tools

- Professional organization fees paid on behalf of staff for membership in professional organizations
- Property tax expenses
- Fundraising expenses
- Donations to charitable institutions or organizations
- Bonuses, gifts and honoraria
- Capital loans
- Mortgage financing
- Reserve Funds

3.F RECOVERY

Where a CMSM/DSSAB exceeds the Administration funding allocation, the CMSM/ DSSAB may use flexibility from EarlyON administration funding where available. Otherwise, any additional expenditure must be funded with 100% CMSM/DSSAB contributions.

3.G REPORTING REQUIREMENTS

Administration expenditures will be reported and monitored through financial submissions. CMSMs/DSSABs will also report on the administrative service data in their Financial Statements Submissions. Please refer to Chapter 7: EFIS Reporting Requirements for more information.

Please note that administration funding provided to CMSMs/DSSABs cannot be carried forward to the following calendar year, and any unused funds by December 31 of the calendar year will be recovered by the ministry.