



TO:	CHAIR AND MEMBERS COMMUNITY AND PROTECTIVE SERVICES COMMITTEE APRIL 21, 2015
FROM:	LYNNE LIVINGSTONE MANAGING DIRECTOR NEIGHBOURHOOD, CHILDREN AND FIRE SERVICES; ADMINISTRATOR, <i>DAY NURSERIES ACT</i>
SUBJECT:	CHILD CARE INFORMATION UPDATE AND 2015 CHILD CARE SERVICE PLAN

RECOMMENDATION

That, on the recommendation of the Managing Director of Neighbourhood, Children and Fire Services in her capacity as Administrator, *Day Nurseries Act*, the following actions be taken:

- a) The Information Updates contained in this report BE **RECEIVED**: and
- b) City Council **ENDORSE** the 2015 Child Care Service Plan (attached as Schedule 1)

PREVIOUS REPORTS PERTINENT TO THIS MATTER
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- 2014 Child Care Service Plan – October 28, 2013
- Child Care Funding Formula Update – April 8, 2013
- Provincial Modernizing Child Care Policy Direction and Funding Announcements – September 10, 2012

BACKGROUND

The purpose of this report is to:

- Provide an overview of the licensed child care system in London and Middlesex and the City of London’s legislated role and responsibilities as Consolidated Municipal Service Manager (CMSM);
- Provide an update on the implementation of the 2014 Child Care Service Plan for London and Middlesex;
- Provide an update on the status of the Child Care and Early Childhood Development Reserve Fund; and
- Provide an overview and seek City Council’s endorsement of the 2015 Child Care Service Plan for London and Middlesex.

INFORMATION UPDATES

Overview of the licensed Child Care System in London and Middlesex

- In London-Middlesex there are approximately 20,000 children between the ages of 0 and 4 years old; 9,670 children aged 4 to 5; and 33,000 children aged 6 to 12. Child populations are expected to grow by less than 1% per year to 2021.
- There are 60 independent child care organizations providing approximately 11,000 licensed centre-based child care spaces in London-Middlesex. There are approximately 5,000 spaces for children from 0 to 4 years old; 2,000 spaces for 4 to 5 year old children; and 4,000 spaces for school age children (ages 6 – 12). There are also two licensed private home child care agencies with the capacity to provide 420 placements in 84 private homes.



- The majority of licensed child care services are delivered by independent non-profit organizations. Child care and early childhood education providers include Child Care Centres, Nursery Schools, Before and After School Programs and Licensed Private Home Child Care providers. The licensed child care system employs an estimated 1,750 Registered Early Childhood Educators, Program Assistants, Management and other professionals.
- The licensed child care system is a blend of a fee based system and a publicly funded system. Parent Fees cover between 60% and 75% of the total cost of the service. A Child Care Fee Subsidy based on an income test is available to eligible families to help afford these fees. Operating Grants to eligible child care operators covers the remaining 25% to 40% of the cost.

Legislative Framework and the City of London's Role and Responsibilities

The *Day Nurseries Act* is the legislative authority under which licensed child care services are provided in Ontario. Originally written in 1946, the *Day Nurseries Act* is in the process of being replaced by the *Child Care and Early Years Act*, which was passed by the Ontario Legislature and received Royal Assent in December 2014. The Regulations that will provide substance and direction to the legislative framework are now being developed: until these regulations come into effect in 2015 and 2016, the current regulations under the *Day Nurseries Act* remain in effect.

The *Day Nurseries Act* governs all aspects of the service delivery system. Child care policy, funding, financial accountability, licensing and compliance are the responsibility of the Ministry of Education. The Act designates responsibility for the planning and management of child care fee subsidy, special needs resource funding, and grants to child care programs and resource centres to certain municipalities referred to as Consolidated Municipal Service Managers (CMSM). The City of London is the CMSM for the geographic area of the City of London and the County of Middlesex. The Managing Director of Neighbourhood, Children's and Fire Services is designated under the Act as the CMSM's Administrator.

The Corporation of the City of London contracts with the Corporation of the County of Middlesex for the delivery of child care services in the geographic area of the County of Middlesex excluding the geographic area of the City of London. The County of Middlesex is the City's agent in that geographical area. Operationally the City and the County collaborate closely so that the service management is aligned in the two areas.

As CMSM for Children's Services, the City's obligations include:

- **Planning** – Through both strategic and operational planning processes, supporting the coordination and development of child care and early childhood education services for children and their families within London and Middlesex.
- **Operations** – Managing and delivering programs mandated by the Province that support child care and early learning; including:
 - Fee Subsidy - Financial assistance to eligible families to help them afford licensed child care and approved recreation programs;
 - Special Needs Resourcing – Financial assistance to support the integration of children with special needs into community child care and early learning settings;
 - General Operating Grants – Financial assistance to eligible licensed child care organizations to help offset the cost of operating;
 - Wage Enhancement Grants and Home Child Care Enhancement Grants – The Wage Enhancement Grant provides financial assistance to eligible licensed child care organizations to enhance the wages of Registered Early Childhood Educators and others working in licensed child care positions. The Home Child Care Enhancement Grant provides assistance to Private Home Child Care agencies to enhance the fees paid to private home child care providers;
 - Special Purpose Funding – Financial assistance to support investments in Repairs and Maintenance, Quality Improvement initiatives, and System Transformation;
 - Capital Retrofit Funding - Funding to support investments in Minor Capital projects in the licensed non-profit child care sector;
 - Family Support Programs – Financial assistance for community based programs that provide parenting and early learning and development programs for children and families.



Update - 2014 Child Care Service Plan for London and Middlesex

In January 2013, the Ministry of Education changed the way in which CMSMs are funded to manage and deliver child care services, and provided CMSMs with greater flexibility to allocate child care funds based on each CMSMs unique service needs. As a condition of this increased flexibility, CMSMs are expected to develop, in consultation with the child care sector, annual Child Care Service Plans that describe how the child care system will be managed to support an integrated approach to services for children; how certain contractual service targets will be met; and how funding will be allocated amongst the service delivery components.

In October 2013, the 2014 Child Care Service Plan for London-Middlesex was endorsed by City Council. As the Administrator, *Day Nurseries Act*, the Managing Director of Neighbourhood, Children and Fire Services committed to report annually to City Council with respect to the implementation of the Child Care Service Plan and on the use of the Child Care and Early Childhood Development Reserve Fund.

The final year of Full Day Kindergarten implementation in 2014 created a drop in preschool enrollment and a weakening of child care operators' financial stability. The child care system in London and Middlesex experienced significant expansion in school-based Extended Day and Before and After School programs, while enrollment of older preschoolers in child care programs was significantly reduced by the move to Full Day Kindergarten. By year-end enrollment in licensed centres providing care to children under the age of 4 had begun to increase to more sustainable levels, and available spaces were starting to fill.

Changes to Child Care Fee Subsidy business practices implemented by the Municipality and the County in 2014 allowed the CMSM to accomplish all of the objectives outlined in the 2014 Child Care Service Plan, including:

- Increasing Fee Subsidy Per Diems to Full Market Rate for all licensed programs in London, eliminating Top-Up Fees for families;
- Significant reduction of the Fee Subsidy Waitlist in both London and Middlesex from approximately 725 in January to 194 at year end;
- Implementation of a more equitable General Operating Grant across the entire child care system, helping establish a stronger and more predictable core funding base for providers;
- Replacement of outdated Purchase of Service Agreements with a consolidated and comprehensive Children's Services Funding Agreement which includes enhanced eligibility criteria relating to inclusion, service delivery network participation and quality improvement;
- Development of a Continuous Professional Learning Framework as the cornerstone for a sustainable Quality Assurance and Improvement Program; and
- Achievement of Ministry of Education contractual service delivery targets.

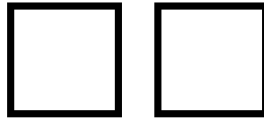
Update - Status of the Child Care and Early Childhood Development Reserve Fund

In July 2012, the Ministry of Education released the discussion paper *Modernizing Child Care in Ontario*, outlining the government's intention to introduce a new approach to funding child care. In December 2012, the Ministry introduced the new Child Care Funding Formula for 2013 which replaced the historical approach of funding allocations based on specific programs with a methodology similar in structure to the way in which School Boards are funded. One objective of the new funding formula was the achievement of equitable funding allocations to child care service managers across the Province.

As a result of the implementation of the Child Care Funding Formula, London-Middlesex's historical funding allocation was reduced by \$1.7 million for 2013. To buffer the impact of the reduced funding on service delivery levels over the following 3 to 5 years, London-Middlesex received one-time provincial "Mitigation Funding" of \$6,562,958 at the beginning of 2013.

In April 2013, City Council approved the establishment of the Child Care and Early Childhood Development Reserve Fund to hold the Mitigation Funding. The purpose of the Child Care and Early Childhood Development Reserve Fund is to offset the potential negative impact reduced funding could have on the existing service delivery system and to support the development of sustainable child care and early childhood development services such as Family Centres through investments in local priorities that address unmet child care services needs in London and Middlesex.

The 2014 Child Care Service Plan anticipated using \$1 million of the Child Care and Early Childhood Development Reserve Funds to maintain service levels in London and Middlesex. Due to business



practice changes initiated by the CMSM, the CMSM was able to meet all of the objectives outlined in the 2014 Child Care Service Plan without having to access the Reserve Fund. The following table summarizes the historical use of the Child Care and Early Childhood Development Reserve Fund and the fund balance as at December 31, 2014.

	ACTUAL	ACTUAL
	DEC 31,2013	DEC. 31, 2014
OPENING BALANCE	0	6,454,000
CONTRIBUTION	6,563,000	0
INTEREST	91,000	122,000
AVAILABLE BALANCE	6,654,000	6,576,000
TRANSFER TO OPERATING	200,000	0
ARGYLE FAMILY CENTRE DEVELOPMENT		54,000
TOTAL DRAWDOWNS	200,000	54,000
ENDING BALANCE	6,454,000	6,522,000

2015 CHILD CARE SERVICE PLAN

The development of the 2015 Child Care Service Plan (attached as Schedule 1) was led by Neighbourhood, Children and Fire Services and included two regular child care network meetings and multiple committee and working group meetings. The consultation process included representatives from both the child care sector and the administration of the County of Middlesex.

Summary of the 2015 Child Care Service Plan

Funding to support the delivery of child care services can be classified into two categories:

1. Funding that directly supports parents and children (i.e. Child Care Fee Subsidy, Special Needs Resources); and
2. Funding that indirectly support parents and children through the provision of direct supports to child care programs (i.e. Operating Grants, Wage Enhancement Grants/Home Child Care Enhancement Grants, Special Purpose Grants, and Capital Grants).

In summary, the 2015 Child Care Service Plan for London-Middlesex aims to hold direct funding supports to child care programs relatively constant, while increasing funding allocations that directly support parents and children.

The key strategic objectives of the 2015 Child Care Service Plan are:

- Increases in financial resources, either from incremental Ministry of Education funding, use of funds from the Child Care and Early Childhood Development Reserve Fund, or repurposing of Administrative Expenses will be invested primarily in service components that directly support children and families (i.e. Fee Subsidy and Special Needs Resourcing).
- An initial amount of \$1 million dollars from the Child Care and Early Childhood Development Reserve Fund will be allocated to the 2015 Fee Subsidy program in order to ensure Fee Subsidy caseloads in London and Middlesex are maintained at 2014 year-end levels and gains made in Full Market Rate Per Diems are preserved. The Fee Subsidy system will be closely monitored over the year, and this initial allocation may be adjusted over the course of the year.
- In 2015, General Operating Grant allocations to child care providers will be maintained at 2014 year-end levels. The CMSM intends to develop a strategy with respect to the expansion of the licensed child care system and the allocation of General Operating Grants for new or expanded licensed programs.



- For 2015 the Ministry of Education has provided funding to the CMSM to develop and implement a Wage Enhancement Grant/Home Child Care Enhancement Grant for the licensed child care sector. In 2015, the CMSM will continue to collaborate with the child care community to implement this initiative.
- The replacement of existing Purchase of Service Agreements with the new Children's Services Funding Agreement will be completed in 2015. The Children's Services Funding Agreement establishes the expectation that child care providers to participate in quality assessment and improvement initiatives; provide care for special needs children; and actively participate in child care and early learning networks and professional associations. In 2015, the CMSM will strengthen the use of these levers to guide and influence the direction of child care in the region.
- The CMSM will continue to work through the Quality Child Care Coordinating Committee to develop and implement a sustainable Continuous Early Years Professional Learning Framework to ensure the CMSM's financial investment in the sector is supporting quality services for residents. A Professional Learning Framework was presented to and endorsed by the child care community in January 2015. The CMSM expects that tactical strategies to implement the Professional Learning Framework will be developed and implemented in 2015.
- The CMSM will continue to facilitate the development of partnerships between child care providers and other organizations involved in Early Years programs and services, including School Boards, Family Centres and Family Support Programs.
- The CMSM will actively monitor the development, review and implementation of legislative and regulatory changes associated with the implementation of the Child Care and Early Years Act. The CMSM will continue to keep City Council and the child care community informed of these changes and will help the sector adapt to the new regulations if necessary.

Under the funding agreement with the Ministry of Education, CMSMs have three contractual service targets they are required to meet. If the CMSM does not meet the service targets by 10% in the aggregate, the CMSM's entitlement and cash flow is reduced by 1% for every 10% missed. The 2015 Child Care Service Plan for London-Middlesex provides detailed information with respect to each of the strategic initiatives outlined above. The Child Care Service Plan will allow London-Middlesex to meet its contractual targets.

As the Administrator, *Day Nurseries Act*, the Managing Director of Neighbourhood, Children and Fire Services will continue to report to City Council, at a minimum annually, with respect to the implementation of the Child Care Service Plan and the use of the Child Care and Early Childhood Development Reserve Fund.

FINANCIAL IMPACT

One-time "mitigation funding" was provided by the Province in 2013 to offset a reduction in London-Middlesex's historical funding allocation. This 100% Provincial funding is held in the Child Care and Early Childhood Development Reserve Fund. The 2015 Child Care Service Plan reflects a drawdown and planned allocation of \$1 million to the Fee Subsidy program from the Child Care and Early Childhood Development Reserve Fund which will allow the CMSM to maintain all service levels at their 2014 year-end level.

Child care funding is based on a blended cost-sharing methodology, whereby a portion is cost shared at 50% municipal/50% Provincial, a portion cost shared at 80% Provincial and 20% municipal, and the remainder at 100% Provincially funded. The required minimum municipal contribution has been fixed at approximately \$5.8 million annually. Additional municipal contributions beyond the minimum required by the Ministry are recognized and eligible for potential additional Provincial funding in future years.

The total CMSM Child Care 2015 budget is projected to be approximately \$39.9 million, consisting of approximately \$33.1 million from the Ministry of Education; the required minimum CMSM contribution of \$5.8 million and the anticipated drawdown of \$1 million from the Child Care and Early Childhood Development Reserve Fund. The CMSM's required contribution is the same amount as in 2014, and the City's portion is included in the approved 2015 City budget.



SUBMITTED BY:	RECOMMENDED BY:
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