Durham Region – Children's Services Division

2024 Report on Regional Operated Child Care |

June 27, 2025

SCOPE OF LIMITATIONS

We have completed our review based on information provided by The Regional Municipality of Durham, noting the following:

1. We do not assume any responsibility or liability for losses incurred by the Regional Municipality of Durham, or any other parties as a result of the circulation, publication, or reproduction or use of this report contrary to the provisions of this report.
2. Our work does not constitute an audit or other form of assurance as defined by the Chartered Professional Accountants of Ontario. Therefore, this work and the resulting report do not represent an auditor's opinion. Additionally, our work cannot assure that all errors, omissions, or irregularities have been identified. Our conclusions are based on reviewing information according to specific criteria in the format of a consulting report.
3. This report should be read in its entirety. Considering portions of the report or specific factors separately may lead to a misleading understanding of the process underlying it. Attempting to do so could place undue emphasis on particular factors, calculations, or analyses.
4. This report is based on the information, documents, and explanations provided to us, with our conclusions dependent on the integrity of this information as outlined in our scope of review. We did not verify the accuracy of third-party information, nor did we conduct investigative procedures to independently confirm the accuracy of such information.
5. If any of the information provided was inaccurate or incorrect, or if different information or assumptions are considered, the conclusions may vary, potentially significantly, from those stated in this report. Errors, omissions or irregularities of the materials provided could limit the associated benefits of the recommendations.
6. Management of the Region is solely responsible for any and all activities associated with accepting and implementing the recommendations. The scope of our work did not include any considerations or activities related to implementation.
7. We reserve the right, but will be under no obligation, to review this report, and if we consider it necessary, to revise this report in light of any information which becomes known to us after the date of this report.

Disclaimer
No opinion, counsel, or interpretation is intended in matters that require legal, tax or other appropriate professional advice. It is assumed that such opinion, counsel, or interpretations have been, or will be, obtained outside of the scope of this report.

Executive Summary

PURPOSE

The Ministry of Education 2024 Ontario Child Care and EarlyON Child and Family Centres Service Management and Funding Guideline (2024 Guideline) requires Consolidated Municipal Service Managers ("CMSMs") to retain independent advice and to conduct a value-for-money review on their direct delivery of licensed child care services. The Regional Municipality of Durham (the "Region") engaged Deloitte LLP to perform these services.

The purpose of the value-for-money review was to determine whether federal and provincial funding is being used efficiently and effectively by directly operated centres, and whether the child care services could be more efficiently offered instead by a third-party provider. The report, recommendations and management responses must be posted publicly.

SCOPE

No criteria were set at the direction of the Ministry. Deloitte proposed to review the 2021-2024 operations against the following five criteria aligned with Canada-wide Early Learning and Childcare ("CWELCC") policy objectives: Affordability, Sustainability, Accessibility, Quality, and Inclusivity.

To support their conclusions, Deloitte reviewed existing Child Care policies, Regional monitoring practices and examples of their use in practice. Deloitte performed analysis when needed to draw conclusions on how the Region has ensured it is exhibiting positive behaviours for each of the five criteria.

OVERALL CONCLUSION

The Region of Durham's directly operated child care centres appear to achieve the CWELCC policy objectives of Affordability, Accessibility, Quality and Inclusivity.

Findings in the Sustainability objective noted that the Region is providing an annual regional contribution to the operational costs of the directly operated child care centres to fund investments in Affordability, Accessibility, Quality, and Inclusivity. Our review concluded that third-party child care providers, including both for-profit and not-for-profit centres, do not have the same access to Regional contributions. Consequently, for-profit and not-for-profit providers need to manage within a budget and/or above break-even financial positions, which likely impacts the scope of the service offerings, and the affordability, accessibility, quality, and inclusivity of their services.

Indirectly, Deloitte saw the connection between the investments in Affordability, Accessibility, Quality, and Inclusivity to the ability to demonstrate child care excellence to third-party providers under their Service System Manager role, in each policy objective respectively.

Overall, Deloitte concluded that the Region's directly operated child care centres appear to be a value for money as it relates to the efficient and effective use of federal and provincial funding and the ability to drive affordability, accessibility, quality, and inclusivity across both the directly operated and third-party providers.

SUMMARY OF FINDINGS AND RECOMMENDATIONS

In addition to the conclusions, Deloitte provided the Region with recommendations for improvement. The following pages summarize the observations, findings and recommendations. Management has been provided a detailed report.

SPECIFIC FINDINGS AND RECOMMENDATIONS

AFFORDABILITY

The analysis of the rates charged by the Region's directly operated centres reflects a commitment to affordability. The centres have consistently adhered to the CWELCC fee reduction guidelines, applying the required percentage reductions in fees for the 2022, 2023, and 2024 years. These reductions have resulted in lower child care costs for families, improving access to high-quality early learning and child care, in alignment with the objectives of the CWELCC program. Overall, the directly operated child care centres have successfully met the expectations of affordability.

Recommendation: Deloitte had no recommendations related to affordability.

Management Response Durham:

The Region of Durham's Directly Operated centers have remained in alignment and compliance with the evolving CWELCC funding models. We ensured timely refunds during the initial CWLECC enrollment phase, and annually adjusted parent fees according to the CWELCC guidelines, down to the current maximum of $22 per day. We are supportive of the current plan for the Province to further reduce parent fees to the average $10/day benchmark by 2026.

FISCAL SUSTAINABILITY

The analysis of the financial sustainability of revenues and expenses for the directly operated centres indicated a need for ongoing contribution from the Region. Despite efforts to manage costs effectively, the centres required regional contributions to achieve balanced budgets from 2021 to 2023, with a notable increase in contribution levels beginning after 2017. These elevated contributions were primarily driven by the freezing of parent fees, reduced enrolment during the pandemic recovery period, and the introduction of the CWELCC program, which reinforced the freeze on parent fees. The required contribution declined from $7.9 million in 2021 to $7.5 million in 2022, followed by a further decrease to $6 million in 2023. Salaries at the directly operated centres are the largest expense, representing approximately 86-88% of total expenses, and between 86-88% of operating costs.

The Region should assess its ongoing commitment to providing regional contributions to ensure the continued delivery of high-quality child care services. Overall, alongside effective cost management, the financial sustainability of the directly operated centres relies on these contributions.

Recommendation:

- It is recommended that if the Region of Durham decides to no longer provide the directly operated centres with contributions to their operating budgets, the Region should provide the directly operating centres with sufficient notice to allow them to adjust operations.

SPECIFIC FINDINGS AND RECOMMENDATIONS (cont'd)

FISCAL SUSTAINABILITY (cont'd)

Management Response Durham:

The Region of Durham has supported directly operated licensed child care since 1971, with seven of our eight centres operational by 1976. Our centres were founded on the commitment of Durham's eight consolidated municipalities to provide quality care to families living in high priority neighbourhoods. From the start, the Region has remained committed to providing operational funding to keep child care fees low while ensuring quality child care programs remain accessible to children and families in our highest need communities.

The introduction of the Canada-Wide Early Learning and Child Care system (CWELCC) and the new funding model implemented on January 1, 2025, changes how child care is funded across the province. As CWELCC is designed to keep fees low for all families, it is projected to decrease or eliminate the need for discretionary operational funding top up provided by the Region.

The management team in Durham will continue to monitor funding needs and work with our Regional Council through the annual budget process to determine the level of continued supports.

ACCESSIBILITY

The Region promotes accessibility through a waitlist policy, though it does not prioritize children with special needs or reserve spots for those terminated from other centres. The Region has also implemented a Diversity, Equity, Inclusion, and Accessibility (DEIA) policy to guide the centres in providing accessible care and education, and the centres comply with corporate policies and expectations concerning the accessibility of their buildings and environments. 71% of the Region's priority neighbourhoods have a directly operated child care centre situated within them, demonstrating accessibility to vulnerable populations.

Recommendations:

- It is recommended that the Region integrate considerations for prioritizing individuals with diverse learning needs into the waitlist policy. This would improve access to child care services for children requiring additional support and would enhance transparency for parents and caregivers.
- It is recommended that the Region further evaluates the trade-off between a potential increase in quality as a result of serving less children within the Region, which could reduce the Region's ability to be accessible (e.g. through the use of the childcare space to provide a permanent Simulation Training Room and Professional Resource Library).

Management Response Durham:

- The Region of Durham is committed to supporting children with unique learning needs both as a licensee and as the Consolidated Municipal Service Manager (CMSM). It is a long-held practice that our directly operated centres not only enroll children with diverse learning needs but actively accept children who have experienced an unsuccessful placement in other centres. We do this in alignment with our CMSM role whereby our awareness of children experiencing placement breakdown in non-Regionally operated centers are known through our special needs resourcing network, our fee subsidy team and our contract compliance team who support families to maintain and secure successful childcare placements.

SPECIFIC FINDINGS AND RECOMMENDATIONS (cont'd)

ACCESSSIBILITY (cont'd)

Our ability to support children with special needs is possible due to the skill and training of our Directly Operated center staff, comprised of many long-time employees with tremendous child care training and experience.

To ensure that support is maintained and to ensure transparency for parents and caregivers the management team is finalizing updates to our waitlist policy to include prioritization of children with special needs and children in receipt of fee subsidy. This will support our belief that all children are competent and capable and deserve to feel a sense of belonging.

- Prior to the introduction of CWELCC, the Region repurposed a portion of our Lakewoods childcare centre to operate a simulation training room and professional resource library focusing on indigenous culturally relevant programming. These spaces were used as training spaces to build the capacity of the early learning sector in Durham Region.

With the introduction of CWELCC, child care across the region including our Directly Operated centers, have experienced increased in enrollment leading to large wait lists for service.

In early 2025 the Region of Durham purchased the building at 600 Townline road in Oshawa. This building, located in a priority neighbourhood, has provided the opportunity to create a childcare early years hub including expanded programs and services. Among the programs and services to be offered, are an EarlyON child and family center, a licensed child care center and the relocation of the Sim room and Indigenous Resource library from our Lakewoods site. This will allow us to utilize more of our licensed capacity at Lakewoods for direct service delivery while maintaining the much-needed training facilities.

QUALITY

Delivery of How Does Learning Happen:

The Region has effectively incorporated the four foundations of the How Does Learning Happen? pedagogy into the daily operations of its directly operated centres. The Parent Handbook serves as a foundational document, outlining the approach to delivering high-quality early learning and child care and detailing the strategies employed by educators to guide daily curriculum planning. The integration of the four foundations of belonging, well-being, expression, and engagement was also evident during the site visits, providing meaningful insight into staff commitment to implementing *these principles in practice.*

The centres are subject to external monitoring by the Ministry of Education and internal monitoring by the Region through established practices designed to uphold high standards of care, including internal licensing audits and the Durham Region Operating Criteria (DROC).

SPECIFIC FINDINGS AND RECOMMENDATIONS (cont'd)

QUALITY (cont'd)

The Region has successfully embedded the four foundations into the daily practices and interactions within its directly operated centres. Deloitte has observed and the Region has demonstrated that these foundations are consistently reflected throughout the centres' environments, including classrooms, activities, and resources.

Staff Skills and Quality Delivery:

The Region has established policies and practices to ensure that employees possess the necessary skills and qualifications to deliver high-quality education and care. An extensive interview process, supported by detailed employee guidelines, helps to ensure that the most qualified candidates are employed as educators within the directly operated centres. Ongoing professional development is facilitated through internal training modules and support for employees pursuing further education. This commitment to employee development has contributed to workforce stability, with 28% of educators having served between 10 and 40 years, contributing valuable insight, experience, and institutional knowledge.

Recommendation:

- It is recommended that the directly operated centres establish structured knowledge transfer processes to mitigate the risk of knowledge loss due to staff retirements or departures.

Management Response Durham:

The Directly Operated management team is committed to supporting our staff to learn and grow and share the collective knowledge of our experienced educators. We value the contributions and recognize the importance of experienced staff in the mentorship of new educators.

To support this, the DOC management team has developed both voluntary and mandatory trainings to support knowledge retention and transfer and encourage retention and succession planning. The programs and training offered include:

- An assistant supervisor training session consisting of two modules offered twice per year. This program is voluntary and began in the Spring of 2025.
- Voluntary training for interested staff on understanding the job competition process, which allows staff to review and ask generalized questions to help staff feel comfortable applying for new and promotional roles.
- Mandatory joint staff training sessions began, allowing staff from different sites to gather and share programming ideas.
- The annual assistant supervisor network day, where assistant supervisors come together to share leadership and programming ideas and mentor one another in their roles as assistant supervisors with the support of DOC senior management.

Additionally, the recent expansion of our organization's cross-departmental mentorship programs has introduced formalized pathways for mentorship opportunities available to staff.

SPECIFIC FINDINGS AND RECOMMENDATIONS (cont'd)

INCLUSIVITY

The Region has implemented a range of policies and practices that reflect its commitment to diversity, equity, inclusion, and Truth and Reconciliation. This includes a comprehensive DEIA policy that sets clear expectations for educators and families and is supported by continuous staff training. These training initiatives are intended to build awareness and capacity around equity and inclusion, with content addressing systemic barriers and promoting diverse perspectives. The Region actively monitors the implementation of these practices through mechanisms such as employee feedback, tracking of DEIA and Indigenous training, and regular site visits conducted by the program manager. These commitments were also evident during site visits, where Deloitte observed the integration of diversity, equity, inclusion, and Truth and Reconciliation principles into daily programming and classroom activities.

Recommendation: Deloitte had no recommendations related to inclusivity.

Management Response Durham:

The Region of Durham is committed to continuous improvement of the programs and services we offer to our residents and staff through the lenses of diversity, equity, inclusion and accessibility.

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