Eligible Cost Policy & Procedure

CWELCC Cost-Based Funding

County of Wellington

Children's Early Years Division (CEYD)

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Definitions

Actual Cost-Based Funding refers to the amount of Cost-Based Funding, determined at reconciliation, that the eligible programme/agency is entitled to retain. Actual Cost-Based Funding will never exceed a Cost-Based Funding Allocation.

Base Fee refers to any fee charged for the provision of child care, including any fees for services or items required by *O. Reg 137/15* and any other mandatory parent fees.

Cost-Based Funding Allocation refers to the notional funding amount a programme/agency is approved for throughout the funding year. It represents a programme's maximum eligible costs (programme cost allocation), maximum year-end profit/surplus, and minimum expected base fee revenue, based on the programme's operating plan.

Eligible Children has the same meaning as "eligible child" as per *O. Reg 137/15*. For the purposes of Cost-Based Funding, an eligible child must be enrolled in a licensed infant, toddler, preschool, kindergarten or family age group, or enrolled in home child care. Costs associated with children enrolled in primary/junior school age or junior school age programmes are ineligible costs under Cost-Based Funding. Eligible children must be charged a reduced base fee, even if enrolled in an ineligible age group.

Eligible Costs are costs that are permitted to be claimed through Cost-Based Funding. Costs are eligible if they were incurred in the funding year for the purpose of providing licensed child care for eligible children; meet the CWELCC eligibility principles of attributable, appropriate, and reasonable; adhere to the *Specific Rules for Assessing Eligible Costs*; and are not otherwise ineligible costs.

Funding Year, also referred to as the reporting year or calendar year-is the period from January 1 to December 31. Cost-Based Funding is allocated and reconciled based on services rendered and eligible costs incurred during the funding year.

Ineligible Costs are costs that are not permitted to be claimed under Cost-Based Funding. These include any costs that do not meet eligibility principles of attributable, appropriate, and reasonable as determined by the Children's Early Years Division (CEYD); any costs that are captured under the *Specific Rules for Assessing Eligible Costs*; or any costs otherwise ineligible, as per the Ministry of Education's direction and the CEYD's implementation.

Programme Cost Allocation refers to the maximum value of eligible costs that will be supported through Cost-Based Funding and/or base fee revenue. A programme/agency that incurs eligible costs above their programme cost allocation will not receive additional Cost-Based Funding.

Reconciliation refers to the calculation completed by CEYD that takes place following the end of the calendar year. Reconciliation is calculated as the difference between the amount of funding a programme/agency received during the funding year, and their Actual Cost Based Funding. Any amounts a programme received above their Actual Cost Based Funding are considered an overpayment and are subject to recovery.

Background

The Canada-Wide Early Learning and Child Care (CWELCC) system supports quality, accessibility, availability, affordability, and inclusivity within the licenced child care sector in Ontario. In 2025, the Ministry of Education implemented a Cost-Based Funding model.

Cost-Based Funding is intended to support a programme/agency's participation in CWELCC by providing the necessary funding to enable base fee reductions, enhance wages for child care workers, and improve access to high-quality, affordable child care.

Under Cost-Based Funding, each CWELCC-enrolled programme/agency is provided with a Cost-Based Funding Allocation allowing them to incur eligible costs during the funding year. To ensure accountability for public funds, Cost-Based Funding Allocations establish the maximum amount (i.e.: ceiling) of funding available to a programme/agency and do not constitute an entitlement to funding. Upon year-end reconciliation, only eligible costs incurred and assessed by CEYD may be funded, up to the allocated amount. For clarity, CEYD (the County) shall assess whether a programme/agency's submitted costs are eligible for Cost-Based Funding. Determinations of eligibility are made according to a principle-based definition of eligible costs, and specific rules and guidelines dictated by the Ministry of Education. Funds used on ineligible costs must be recovered by CEYD and returned to the Ministry of Education.

Purpose

This policy and procedure is intended to support eligible licensed child care Operators' participation in the CWELCC system by providing guidance related to cost eligibility under Cost-Based Funding.

The purpose of this document is to outline the responsibility of Operators when incurring costs using Cost-Based Funding. It also outlines CEYD's procedures for assessing the eligibility of costs.

Scope

This policy and procedure is intended to minimize the risk of unexpected cost recoveries due to ineligible expenses incurred during the funding year. Final determinizations of cost eligibility cannot be made until reconciliation and are based solely on County of Wellington Discretion.

Related Documents

Please see the following related documents on the County of Wellington website:
County of Wellington Cost-Based Funding Guidelines
County of Wellington Standardized Financial Report Guidelines
County of Wellington CWELCC Funding Dispute Resolution Policy

Ministry of Education Cost-Based Funding Guideline

Eligible Costs Policy and Procedure

CEYD is solely responsible for determining whether costs incurred by programmes/agencies are eligible for Cost-Based Funding. If a cost is eligible to be supported by Cost-Based Funding, it is referred to as an eligible cost.

In assessing for cost eligibility, CEYD shall apply the *CWELCC Eligibility Principles (1.0)* and *Specific Rules for Assessing Eligible Costs (2.0),* including any specific direction provided by the Ministry of Education.

CEYD will deem costs as eligible under Cost-Based Funding if they were:

(a) Incurred by an eligible centre/agency;
(b) Incurred during the funding year;
(c) Incurred for the purpose of providing licensed child care to eligible children;
(d) Meet all CWELCC eligibility principles;
(e) Fit within the Specific Rules for Assessing Eligible Costs; and,
(f) Are not otherwise ineligible costs, as dictated by the Ministry of Education.

1.0 CWELCC Eligibility Principles

To meet the CWELCC eligibility principles, a cost must be:

- **Attributable** to the provision of licensed child care included in the base fee for eligible children;
- **Appropriate** for the provision of licensed child care for eligible children; and,
- **Reasonable** in quality and amount incurred, having regard to all the relevant circumstances; the cost is proportionate and reflective of fair market value to achieve the programme's intended child care outcomes

1.1 Attributable

Costs are attributable if they are incurred, directly or indirectly, for the provision of child care to eligible children, as included in base fees. Base fees include items required by O. Reg 137/15 and any other mandatory fees a family is required to pay to receive care.

The intent of the attributable principle is to identify costs that are related to the provision of child care. Expenses associated with non-base fees or otherwise unrelated to the care received by families are non-attributable, and therefore ineligible costs.

1.2 Appropriate

Costs are appropriate for the provision of child care if they:

(a) Are necessary or would be reasonably expected to be incurred by a prudent, comparable Operator, to provide child care for eligible children; and,
(b) Provide due regard for access and inclusion, health and safety, and quality.

Appropriate costs include costs associated with administration of child care; costs incurred for health and safety; and costs incurred for religious or cultural purposes.

The intent of the appropriate principle is to identify costs that are required and suitable, given all relevant circumstances, for the delivery of safe and inclusive child care. Expenses that are excessive, of insufficient quality, or otherwise unnecessary for the delivery of child care to eligible children are inappropriate, and therefore ineligible costs.

1.3 Reasonable

Costs are reasonable if the quality and amount of the expense, given all relevant circumstances, does not exceed what would be incurred by a prudent, comparable Operator, and therefore reflect proportionality and fair market value. It is important to understand that eligible does not mean reasonable.

The intent of the reasonable principle is to ensure accountable and responsible use of public funding.

The County has full authority in determining appropriateness, attributability and reasonability and to adjust expenditures as required.

2.0 Specific Rules for Assessing Eligible Costs

CEYD shall apply the following Specific Rules for Assessing Eligible Costs:

- **Controlling owner's compensation for labour**
  Child care centre owner's salaries, wages, and benefits may be assessed as eligible expenses. CEYD will evaluate a controlling owner's compensation for labour to ensure it is attributable, appropriate, and reasonable.
- **Costs deemed to be in lieu of profits**
  Costs deemed to be in lieu of profits (such as in-kind benefits or perks directly or indirectly for the benefit of the controlling owner) are ineligible costs.
- **Costs funded or re-imbursed by another source**
  Costs funded by another public source are ineligible costs. This includes costs funded by CEYD outside of Cost-Based Funding (e.g. Start-Up Grants; Enhanced Support Staffing funding, etc.).

  The availability of other revenue sources (such as non-base fees, donations, or reserves) does not impact cost eligibility. However, programmes are encouraged to maximize their Cost-Based Funding Allocation. We also encourage programmes to use other revenue sources, if available, on ineligible expenses.
- **Amortization (and/or depreciation)**
  Expenses are only eligible if the related asset:
  - Was purchased before August 14, 2024;
  - Meets the CWELCC eligibility principles; and was not claimed as an eligible expense under previous government funding.

    - All eligible items purchased with Cost-Based Funding must be claimed at their full purchase price in the calendar year the expense was incurred. Operators may continue to amortize their assets; however, these are ineligible costs under Cost-Based Funding and must not be reported. Costs reimbursed by another source (such as insurance claims) are ineligible costs.

- **Major capital repairs and replacements**
  Costs for capital renewal, such as major repairs, replacement, renovations, and expansion, are ineligible costs. Operators shall refer to One-Time, Unexpected Cost (9.0) for information about funding to support non-discretionary capital renewal costs.
- **Programmes serving ineligible children and mixed age grouping**
  Costs incurred for both eligible and ineligible children that meet all other eligibility criteria must be split using a reasonable methodology. This includes costs associated with the care of ineligible children enrolled in an eligible age group (e.g. a 7-year-old child enrolled in a licensed kindergarten age group).

  No Cost-Based Funding is allocated to support eligible children enrolled in Primary/Junior School Age and Junior School age groups. Costs associated with the care of eligible children enrolled in school age groups are ineligible costs.
- **Financing costs**
  The principal on a non-mortgage loan or any other forms of debt is an ineligible cost. In addition, *interest* is an ineligible cost for operating loans. That said, *interest* on a loan for a *one-time* and *non-recurring* eligible cost may be considered for approval by CEYD; in this case, **Operators who are considering entering into a loan for a one-time and non-recurring cost must contact the County to determine if the interest is eligible under Cost-Based Funding.**
- **Penalties, Fines, Forfeitures or Liquidated Damages**
  Any penalties, fines, forfeitures, or liquidated damages incurred by Operators are ineligible costs.
- **Sale of Tangible Capital Assets Funded by Cost-Based Funding**
  Any gains or losses resulting from the sale of tangible capital assets purchased with Cost-Based Funding will impact programme cost allocations. Operators must contact CEYD for additional instructions on reporting gains or losses associated with the sale of CWELCC-funded assets.

3.0 Ineligible Costs

Costs that cannot be claimed or funded under Cost-Based Funding are referred to as ineligible costs. A cost being deemed "ineligible" for Cost-Based Funding does not mean the cost is not a permissible business expense. Programmes/agencies are often required to incur ineligible costs as part of their operations. However, these costs cannot be supported by Cost-Based Funding.

Ineligible costs include, but are not limited to:

- Costs that are not reasonable, attributable, and appropriate
- Costs attributable to other reporting years
- Costs associated with the care of ineligible children
- Costs associated with eligible children enrolled in ineligible age groups
- Costs associated with the delivery of non-base fee goods or services
- Costs funded by another public source, including interest on loans or amortization costs associated with expenses funded by or reimbursed by public funding
- Qualification upgrades, credentialling programmes and tuition[1].
- Costs reimbursed by another source, such as insurance
- Amortization or depreciation related to assets purchased after August 14, 2024
- Expenses for major capital repairs, renewal, replacement, and expansion
- Principal on debt, excluding third-party mortgages on eligible child care facilities
- Financing costs exceeding the Canada Small Business Financing Rates
- Fines, penalties, forfeitures, and liquidated damages
- Costs deemed to be in lieu of profits; such as perks, in-kind benefits, allowances, and/or performance bonuses directly or indirectly benefitting the controlling owner
- Dividends and royalty fees
- Accrued interest on shareholder equity
- Personal and corporate income taxes
- Personal driving and vehicle expenses
- Maintenance, insurance, gas, and lease of passenger vehicles
- Undocumented mileage claims; per-kilometer rates that exceed the CRA rate
- Donations and fundraising expenses
- Gifts, awards, and honoraria for staff, including gift cards
- Corporate events and functions for networking, entertainment, and marketing; where the event is not hosted for children and families or professional learning, and not historically or reasonably funded by base fees
- Repayments to CEYD for recoveries

Operators must use other sources of revenue, such as reserves, profit/surplus, donations, or non-base fees to fund ineligible costs.

4.0 Cost Reporting and Accountability Mechanisms

CEYD shall use Standardized Financial Reports (SFR), Cost Reviews, and Direct Engagement to Report on Compliance to evaluate cost eligibility and assess compliance with Cost-Based Funding guidelines. CEYD may also perform additional reviews of Operator's financial records and practices to assess cost eligibility and compliance.

[1]Operators are encouraged to explore available funding for employers and individual staff through the Early Childhood Education Upgrade Programme and/or the Ontario Job Grant.

4.1 Standardized Financial Reports

SFR is a reporting and accountability tool for Cost-Based Funding. Operators are required to complete and submit a SFR to CEYD in-year and year-end (December 31). After review, information reported on the year-end SFR will be reported to the Ministry of Education.

With each SFR, Operators shall submit an annual attestation, signed by an officer with appropriate signing authority (that is, director or equivalent), confirming that CWELCC funding has been used in accordance with its intended purpose, as outlined within the parameters provided by CEYD. CEYD's SFR Guidelines provide additional direction to Operators in completing the SFR.

4.2 Cost Reviews

Cost Reviews are a cost control measure designed to gradually shift the overall cost of providing child care (represented in base fees) towards more standardized costs, as represented by benchmark allocations. CEYD is required to conduct Cost Reviews with programmes/agencies with the most disproportionately high top-up allocations. Cost Reviews will seek to identify potential cost reductions by identifying ineligible costs and seeking opportunities for improved efficiencies in eligible costs.

4.3 Direct Engagement to Report on Compliance

A Direct Engagement to Report on Compliance is an assurance engagement performed by an independent third-party auditor. The auditor's responsibility is to provide CEYD with an opinion on an Operator's compliance with Cost-Based Funding guidelines.

Each year, following year-end SFR submissions, CEYD is required to select a 5% sample of programmes/agencies to undergo a Direct Engagement to Report on Compliance. The auditor will verify revenues and eligibility of costs as reported on the SFR, and that reasonable methodologies used to track and pro-rate costs (e.g. between eligible and ineligible children) were used. The methodology for the Direct Engagement to Report on Compliance is developed by the external auditor. CEYD will recover funds associated with ineligible costs or reporting errors, if identified.

Operators are not responsible for the costs associated with this audit.

5.0 Operator Responsibilities

The definition of eligible costs and the associated reporting requirements under Cost-Based Funding may be inconsistent with Operator's bookkeeping requirements and/or accounting principles. Therefore, in order to effectively participate in CWELCC, Operators shall incur, document, and report costs incurred with Cost-Based Funding based on the requirements set out by CEYD.

Operators are responsible for ensuring they are aware of updates issued by the Ministry of Education, including changes to the Funding Guidelines, Questions and Answers and, any other relevant communication.

5.1 Incurring Costs

Operators must only incur costs with Cost-Based Funding that they believe, based on the guidance provided in this document and instructions provided by CEYD, are eligible costs.

When incurring costs, Operators must:

- Apply the CWELCC Eligibility Principles;
- Apply direction in the Specific Rules for Assessing Eligible Costs (2.0);
- Follow purchasing requirements;
- Comply with party transaction requirements;
- Contact CEYD if they have questions about eligibility; and,
- Not report ineligible costs.

5.2 Documenting Costs

Operators shall ensure they have effective financial processes in place to track costs incurred with Cost-Based Funding in a manner that is consistent with eligibility principles and reporting requirements.

With this, Operators must:

- Track costs based on costs incurred within the funding year;
- Track costs separately for eligible and ineligible children, and have an appropriate method to prorate or split shared costs;
- Track costs separately for each eligible programme/agency (license), and have an appropriate method to prorate or split shared administrative costs;
- Track costs associated with non-base fees separately from attributable costs;
- Track all other potentially ineligible costs separately from eligible costs;
- Maintain all documentation associated with costs, including receipts, invoices, details of circumstances, and relevant communication;
- Document the methodology used to track and split eligible costs and ineligible costs; and
- Make all supporting documentation available to CEYD upon request.

5.3 Reporting Costs

Operators are required to report costs on a SFR. SFRs are completed and submitted individually for each licensed programme/agency. Operators shall reference CEYD SFR Guidelines to ensure they are reporting costs correctly on the SFR.

When completing the SFR, Operators must only report costs that:

- Relate to the relevant CWELCC-enrolled programme/agency;
- Were incurred in the funding year;
- Were incurred in respect of eligible-age children enrolled in eligible licensed age group, or in Licensed Home Child Care; and,
- They believe are eligible, based on this document and all additional information and direction provided to them by CEYD.

When completing the SFR, Operators must not report costs that:

- Are associated with non-CWELCC enrolled programmes;
- Relate to ineligible children, including those enrolled in eligible licensed age groups;
- Are funded by other public sources or reimbursed by other sources (e.g. Start-Up Grants, Infrastructure Funding, insurance claims, Enhanced Support Staff funding, etc.);
- Are unattributable, inappropriate, or unreasonable; or,
- Are otherwise ineligible, based on this document and all additional information and direction provided to them by CEYD.

In addition to the SFR, Operators may also be asked to provide financial information to assess cost eligibility throughout the year. Operators are required to fully cooperate with CEYD and contracted external auditors, in a timely manner, and provide requested documentation relevant to the assessment of cost eligibility and compliance with this guideline. Accuracy and completeness of documentation is required.

Operators that disagree with an eligibility decision are required to follow CEYD's CWELCC Funding Dispute Resolution Policy.

6.0 CEYD Responsibilities

CEYD is solely responsible for assessing whether a programme/agency's costs are eligible for Cost-Based Funding. When assessing for eligibility, CEYD will balance the principles of the Cost-Based Funding programme:

- **Transparent** – CEYD will make eligibility decision-making criteria and processes accessible to Operators.
- **Representative** – CEYD will assess reasonableness based on local costs and fair market value that represent actual expenses for delivering child care in the region.
- **Clear –** CEYD will aim to explain eligibility decisions in a clear way and provide tools and resources to minimize administrative burden.
- **Accountable –** CEYD will implement accountability measures to ensure the responsible use of public funds and will recover funds used on ineligible costs.
- **Consistency –** CEYD will implement this Policy and Procedure, Ministry Funding Guidelines, and other supporting documentation in a consistent and fair manner across all enrolled programmes/agencies.

The following sections outline CEYD's processes for reviewing costs when conducting Cost Reviews and reviewing SFR. These processes are outlined to provide Operators with information on the steps of an eligibility decision. CEYD may amend processes or conduct additional reviews as required to confirm compliance with funding guidelines and assess cost eligibility.

6.1 Conducting Cost Reviews

CEYD will complete Cost Reviews annually in accordance with the requirements set out by the Ministry of Education. Programmes/agencies with a rolling top-up ratio exceeding CEYD's growth multiplier may be selected for a Cost Review.

The purpose of Cost Reviews is to identify potential cost reductions. CEYD will work with Operators to identify:

- Ineligible costs incurred in previous funding years, which resulted in a programme/agency's high rolling top-up ratio; and,
- Opportunities for improved efficiencies in eligible costs for current and future funding years.

When significant ineligible costs are identified in a previous reporting period, CEYD must reduce the centre/agencies Cost-Based Funding Allocation. In-year adjustments to Cost-Based Funding Allocations are calculated on a "Go-Forward" basis.

Opportunities for improved efficiencies may be identified when costs are approaching the threshold of "unreasonable" in quantity or amount. This includes costs that:

- May not provide significant value to the quality of child care being provided;
- Are redundant and can be eliminated; or
- Could be incurred in more efficient ways.

CEYD acknowledges that in some instances, cost reductions may not be possible – for example, where costs are incurred due to reasonable circumstances, such as an existing long-term lease. In these instances, no action may be required. However, Operators are expected to maintain costs at a level that will not be deemed "unreasonable" in future funding years.

When efficiencies in eligible costs are identified and agreed upon between the Operator and the CEYD, CEYD may reduce a programme's Cost-Based Funding Allocation in accordance with a reasonable schedule. The schedule may extend beyond the calendar year but will not exceed December 31 of the third subsequent calendar year.

6.2 In-Year Standardized Financial Reports

The in-year SFR requires Operators to report actual costs incurred within the reporting year as well as project costs for the remainder of the reporting year. The in-year SFR will allow Operators to familiarize themselves with the Cost-Based Funding reporting structure and CEYD's eligible cost criteria. Review of the in-year SFR allows CEYD to identify ineligible costs before reconciliation and support Operators in updating their reporting practices.

CEYD will review in-year SFRs for potentially ineligible costs. If CEYD identifies a cost that may be ineligible:

- CEYD will contact the Operator and request additional information that might be required to complete their assessment.

CEYD will consider any additional information or documentation provided by the Operator related to the potentially ineligible expense.

If CEYD assesses the cost as ineligible, it will:

- Document the decision;
- Explain, in writing, the reason costs have been assessed as ineligible; and,
- Direct the Operator to exclude the ineligible costs from future reports.

CEYD may require Operators to participate in additional reporting to mitigate the chances of inaccurate reporting on the year-end SFR.

CEYD will reduce monthly payments or recover funds based on the following:

- A programme requests a voluntary funding reduction.
- The County determines that the Operator's Cost-Based Funding Allocation is significantly higher than the Operator requires to cover eligible expenses. The County will reduce monthly payments while maintaining the Operator's Cost-Based Funding Allocation. In the event payments are reduced, Operators can request to have payments increased where it is deemed necessary.
- The County identifies that a programme/agency has been funded incorrectly due to errors in, or unreported updates to, operating plans used to calculate Cost-Based Funding Allocations.
- The County identifies significant ineligible costs or errors in a previous reporting period.

The County's review of the in-year SFR review does not indicate that all costs reported will be considered eligible costs at year-end. Final cost eligibility decisions cannot be made until after year-end, during reconciliation.

6.3 Year-End Standardized Financial Reports

CEYD uses a risk-based approach in reviewing year-end SFRs. A risk-based review means that CEYD does not validate all costs reported on the SFR.

After review by CEYD, information reported on the year-end SFR, excluding any ineligible costs, will be reported to the Ministry of Education.

CEYD will review year-end SFR submissions for ineligible costs:

- CEYD will use pre-existing and available data of Operators and eligible programmes/agencies when assessing for ineligible costs. This may include reviewing audited financial statements, funding applications, in-year SFRs, and additional documentation available.
- CEYD will compare costs incurred across programmes/agencies and between reporting years.

- CEYD may contact Operators to request additional information about the costs claimed on their programme's SFR. Operators must comply with these requests in a timely, accurate and complete way.
- CEYD has final determination on cost eligibility.

If CEYD determines that a cost reported on a SFR is ineligible, it will:

- Document the rationale for identifying costs as ineligible.
- Remove or adjust ineligible costs identified in the review:
    - Costs that are identified as inappropriate or unattributable will be removed from the programme's SFR submission.
    - Costs that are identified as unreasonable will be adjusted to a reasonable value.
- With their reconciliation letter, notify each programme of any costs removed or reduced during the SFR review process and provide an updated SFR reflecting the final costs assessed as eligible.

Costs that remain on a SFR - after CEYD review - are eligible for the purposes of reconciliation and will be used to assess a programme's Actual Cost Based Funding. CEYD will calculate the year-end reconciliation amount and Actual Cost Based Funding for each programme after ineligible costs have been identified and removed.

7.0 Reconciliation and Recovery

Initial reconciliation and recovery notifications, if applicable, shall be issued following the review of year-end SRFs. Operators must immediately return all recoverable funds to CEYD. CEYD reserves the right to issue recovery notifications outside of year-end reconciliation. Additional recoveries may be required if further information becomes available through audits, subsequent Cost Reviews, Direct Engagement on Compliance and in-year SFRs, or other compliance reviews.

Repayment plans may be considered by CEYD. Operators must contact CEYD if they are unable to immediately remit recoverable funds. CEYD will consider the need for timely recovery of funds and the Operator's financial position. CEYD may withhold or reduce future Cost-Based Funding payments to recover funds.

7.1 Ineligible Costs Reported in Previous Reporting Periods

If CEYD identifies an Operator claimed significant ineligible costs or made significant errors in a previous reporting period (i.e. funding years where reconciliation has been completed), CEYD will recover all ineligible costs. Operators must immediately return all funds associated with claiming ineligible costs, including amounts in lieu of profit/surplus.

The recovery of funds may also result in a recalculation of a programme/agency's rolling-top up ratio and a correction to an Operator's existing allocation on a go-forward basis.

8.0 Procurement of Goods and Services Policy

Operators shall adhere to the following procurement policy when incurring costs under Cost-Based Funding. This policy has been established to balance Operator autonomy and empower Operators to make eligible purchases and minimize the chance of unexpected cost recoveries due to ineligible costs.

8.1 Purchasing Requirements

All expenditures, regardless of purchase amount, are subject to assessment for eligibility. Purchasing requirements have been put in place to support Operators in assessing eligibility principles for large purchases. Purchasing requirements apply on a per-project basis.

Operators shall follow the purchasing requirements below:

Purchase Amount	Purchasing Requirements
Less than $10,000	• No quotes required • A direct purchase is permitted
$10,000 - $24,999	• 3 quotes obtained whenever possible • Keep all documentation on file for County review upon request • A direct purchase is permitted
$25,000 or Greater	• 3 quotes are required • Submit a Cost-Based Purchasing Request Form with required supporting documentation • The County will review the request for eligibility and provide a written decision on whether the Operator can proceed with the purchase using Cost-Based Funding

8.2 Related Party Transaction Requirements

Related party transactions include any deal or arrangement between two parties (individuals or entities) who have a pre-existing relationship that could influence the terms of the transaction. This may include a transaction between parties with an existing personal or business relationship or other transaction where one party has undue influence over the other.

Operators must demonstrate that goods or services purchased through a related party meet all eligibility criteria. Related party transaction requirements have been put in place to support Operators in assessing reasonability of non-arms-length transactions and ensure the responsible use of public funds.

Operators who plan to undertake a related-party transaction must:

- Contact CEYD;
- Provide details of the planned transaction in writing;

- Wait to proceed with the transaction until confirmation of approval is received;
- Only incur approved related-party transactions with Cost-Based Funding; and
- Provide additional information as requested by CEYD; including supporting documentation to demonstrate costs are transacted at a fair market value.

CEYD will:

- Review the request for a related party transaction;
- Request additional information from Operators, as required;
- determine if the requested transaction meets the eligibility principles at the time of the request; and
- If approved, provide Operators with written confirmation of approval; or,
- If denied; provide Operators with a written explanation for why the expense is ineligible for Cost-Based Funding.

Failing to comply with the steps outlined above may result in the related-party transaction to be deemed an ineligible cost.

9.0 One-Time, Unexpected Cost Funding

Programmes are expected to use their Cost-Based Funding Allocation to support eligible costs. Additional funding may be available for programmes that experience one-time, unexpected, non-discretionary costs that cannot be supported through Cost-Based Funding or reserves.

To be considered for additional funding, costs must be:

- **One-time**, meaning a one-time cost or project not associated with regular, ongoing operational expenses;
- **Unexpected**, meaning not reasonably foreseeable, related to normal wear and tear, or a result of poor planning; and,
- **Non-discretionary**, meaning the cost is necessary for the continued operation of the programme, including costs associated with addressing health and safety concerns for staff and children, or costs necessary to maintain compliance under the Child Care and Early Years Act (CCEYA).

To apply for One-Time, Unexpected Cost Funding, Operators must:

- Contact CEYD to assess their eligibility to apply for funding;
- If eligible to apply; complete and submit a One Time, Unexpected Cost Funding Application;
- Provide any additional supporting documentation required to support the review; and,
- If successful, track and report approved one-time expenses separately from eligible costs under Cost-Based Funding.

Approval for One-Time, Unexpected Cost Funding is subject to limited funding availability and County of Wellington discretion and is not guaranteed. CEYD may consider other revenue sources available to Operators, such as reserves and non-base fee revenue, when considering approval. Projects may be prioritized based on urgency, risk, the availability of funds and potential impact on service delivery.

At reconciliation, the County will review the actual expenses associated with the approved one-time cost funding amount. The County will ensure the entire programme cost allocation is used on eligible costs before applying One-Time, Unexpected Cost Funding.



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Alternate Formats Available Upon Request.