



Office of the Auditor General City of Hamilton

Directly-Operated Child Care Centre (Red Hill Family Centre) Value for Money Audit

Recommendations and Management Responses



June 12, 2025

Office of the Auditor General

Management Responses provided by:
Childrens and Community Services, Healthy and Safe Communities

Introduction

The following recommendations are intended to enable the Red Hill Family Centre to enhance their performance measurement and continuous improvement practices. In turn, the recommendations ultimately aim to reduce Red Hill's overall relative cost to provide child care services in comparison with similar operators. The management response is provided by the Childrens and Community Services Division.

Recommendation 1

That Red Hill annually submit a financial statement to the Service System Manager (SSM) in the same manner as other operators to allow for continued benchmarking, transparency and comparative analyses.

Note: Red Hill has been selected for a detailed cost review to be conducted on 2025 operating expenses. They were selected by the SSM based on criteria set by the Province under the revised funding formula currently being implemented. The review should produce a viable format for Red Hill to annually report on financial performance.

Management Response

Agree.

Divisional approach to work has shifted with the implementation of the new Canada-wide Early Learning and Child Care (CWELCC) Cost Based Funding Model. Red Hill is included in all data sets, including all operational, financial, and staffing information. These data sets are being utilized to monitor the overall financial health of Hamilton's child care system and to develop local child care system benchmarks which will help to inform the new cost review work that is a requirement under the new CWELCC funding model.

Expected Completion: Completed June 11, 2025.

Recommendation 2

That Red Hill pro-rate the Manager of Red Hill's time spent on Red Hill-focused duties versus time spent managing various system-wide responsibilities so that the respective time is funded and accounted for accordingly.

Management Response

Agree.

The Manager's workload spans both Red Hill operations and broader system-wide responsibilities.

A formal proration will be introduced as part of the 2026 budget planning process. This will allow for proper assessment of historical workload trends and ensure alignment with other related cost allocations. As part of this review, we will also examine allocations for other positions with cross-divisional responsibilities to ensure consistency and minimize pressure elsewhere in the budget. This approach supports improved cost attribution without mid-year disruption.

Estimated Completion: December 31, 2025.

Recommendation 3

That Red Hill evaluate and consider the financial impacts of increasing both operating and licensed capacity to achieve a 100% utilization rate.

Consideration should be given to space made available following recent conversion of office space to programming space.

Further, Red Hill should determine the optimal ratios and quantities of licensed and operating capacity by age group that will help to increase value for money. This will offer a target to work toward.

Management Response

Agree.

Red Hill will complete financial modeling to determine the financial impacts of increasing both operating and licensed capacity, including a review of current staffing ratios in relation to age group programming. The new CWELCC cost based funding model has introduced the utilization of benchmarking to develop cost drivers that are representative of costs typically incurred for the delivery of child care. Benchmarking has been established for all age groups, which will allow for easier analysis when determining Red Hill's funding feasibility around increasing operating capacity.

Estimated Completion: December 31, 2025.

Recommendation 4

That Red Hill update their cash handling standard operating procedures to align with the City-wide Corporate Cash Handling Policy, with emphasis on improving internal controls.

Management Response

Agree.

To date, the following steps have been taken to improve Red Hill's internal cash handling controls:

1. Supervisor is now part of the Corporate Cash Handling Work Group.
2. A safe has been installed in the manager's office. All envelopes containing cash payments are placed in the safe.
3. A ledger including the date and amount of cash received has been implemented to track each time a cash payment is received.
4. Deposits are completed on a bi-weekly basis providing there is cash to deposit.
5. A monthly reconciliation process that includes Red Hill and Finance Administrative staff has been implemented.

A regular review of policies will take place to ensure compliance and changes will be made as needed.

Expected Completion: Completed April 2025.

Recommendation 5

That Red Hill adopt key performance indicators and service levels to monitor and continuously improve utilization rate, vacancy rate, and cost-per-required program staff.

The performance measures in this value for money audit used data that currently exists. Adopting them as a starting point could be implemented in short order.

Management Response

Agree.

Red Hill will work with the Performance, Planning and Evaluation team to develop a dashboard to identify key performance indicators to monitor utilization and vacancy rates and cost-per-required program staff.

Estimated Completion: December 31, 2025.

Recommendation 6

That Red Hill decrease their rolling 3-year average vacancy rate to be less than or equal to than the Province's contractual service target of less than 10%.

Lower vacancy rates won't necessarily result in lower direct costs; however, they will increase cost efficiency by providing more service with already-available resources.

Management Response

Agree.

Red Hill has maintained a high level of enrollment over the past 6 months. Red Hill's current vacancy rate is 2%. Red Hill will continue to monitor and align with the provincial target of less than 10% while ensuring adequate transition times for children. The vacancy rate will also be included in the development of a dashboard as described in Recommendation 5.

Expected Completion: Completed January 2025.

Recommendation 7

That Red Hill re-affirm Council's approval at regular intervals for maintaining a 100%-registered educator (RECE) staff complement, which significantly exceeds Provincial requirements.

Red Hill's approach aims to maximize the quality of care provided; affirming Council's approval at regular intervals ensures transparency and accountability for the enhanced level of service.

Management Response

Agree.

Red Hill will bring forward a recommendation to Council to re-affirm approval for maintaining a staff complement of Registered Early Childhood Educators (RECEs) which exceeds the minimum provincial licensing standards. This recommendation

reiterates the goal of setting a high standard for quality care in our community. RECEs are members of the College of Early Childhood Educators which regulates and governs Ontario's RECEs in the public interest. This strategy also ensures a commitment to the College's Code of Ethics and Standards of Practice. This recommendation will be brought forward at a regular interval of once every 5 years.

Expected Completion: December 31, 2025.

Recommendation 8

That Red Hill investigate the case load differences (between themselves and other providers) for special needs resources noted in the report and adjust their approach as necessary to optimize the number of children receiving support.

Red Hill's approach aims to maximize the quality of care provided; affirming Council's approval at regular intervals ensures transparency and accountability for the enhanced level of service.

Management Response

Agree.

Red Hill will conduct a review of current caseloads to ensure the optimal number of children are receiving support while respecting the needs of the children and staff at Red Hill. The review will take into consideration that Resource Teachers support individual children and their families with a hands-on approach, and also provide the necessary tools and resources for the educators to use in the classrooms more broadly with all children. The Resource Teachers will continue to work closely with the other core special needs service providers to share strategies, best practice, and engage with the families to ensure they feel supported and connected with the community. The role of the Resource Teacher including caseloads will be included in a report back to Council.

Expected Completion: December 31, 2025.

Recommendation 9

That Red Hill establish a medium- to long-term plan that addresses on-going changes by the Province, emerging challenges, and continuous improvement opportunities.

Current planning efforts are focused on the short-term. These efforts should be expanded to address a broader scope and longer timeline, considering both internal

and external factors that could impact their operations, while keeping a line of sight to the City's Strategic Plan.

Management Response

Agree.

With having transitioned over to the new cost-based funding model, Red Hill will now be able to shift focus from short-term to more longer-term business planning. The roll out of the new CWELCC funding model has provided a level of stability and consistency, allowing for improved strategy development and risk management while maintaining alignment with the City's Strategic Plan.

Estimated Completion: December 31, 2025.

Recommendation 10

That Red Hill develop a standardized template for standard operating procedures to ensure that both City and Provincial policy requirements are addressed consistently.

Management Response

Agree.

Red Hill will engage the Program Review Officer to standardize all policies and procedures.

Estimated Completion: December 31, 2025.

Recommendation 11

That the City of Hamilton, in its role as System Service Manager, undertake a data governance review to identify and address deficiencies that impact their ability to collect, monitor, and report on operators across the local child care system.

Management Response

Agree.

The Division has reviewed its previous financial and operational data collection methods and has now implemented more robust data collection practices, including:

1. Development of a singular data set that coordinates financial and operational data, including Red Hill, into a standard format.
2. Utilization of a unique identifier (license number) for analytical work.
3. Creation of standardized templates and reporting workbooks that allow for the collection of information at a more granular level.

Ongoing work is continuing with the goal of reducing administrative burden and improving customer experience through the exploration of various IT applications including Power BI, Power Forms and Power Query. The intent is to leverage these tools to minimize data entry, increase accuracy, and to accomplish better integration/consolidation of diverse data that exists in various different formats into a singular format.

Estimated Completion: December 31, 2025.

Recommendation 12

That the City of Hamilton, in its role as System Service Manager, include Red Hill's data in system-wide datasets, wherever possible, to improve performance monitoring and benchmarking with similar providers, enhancing Red Hill's ability to demonstrate value for money.

Management Response

Agree.

As identified under the management response for Recommendation #1, Red Hill's operational, financial, and staffing information is included in all data sets, which are now being utilized to:

1. Monitor the overall financial health of Hamilton's child care system.
2. Develop local child care system benchmarks which will help to inform the new cost review work that is a requirement under the new CWELCC funding model.
3. Support benchmarking analysis when reviewing and approving new Directed Growth applications to evaluate financial viability and determine budgeting reasonableness.

Expected Completion: Completed June 11, 2025.

Recommendation 13

That Red Hill consider formally establishing itself as a showcase for best practices in child care, with Council's approval if pursued.

Management Response

Agree.

Red Hill is committed to providing a high standard of quality care and is continuously seeking out innovative ways to improve experiences with the goal of being a showcase for best practices. Currently Red Hill has partnered with Arts For All to create a community HUB and a creative art room for children and Educators to experience learning through arts and medium. The HUB and art room can be accessed by Early Childhood Educators from other licensed child care programs to learn and apply these practices at their own centres. These strategies and other best practices will be included in a report back to Council.

Expected Completion: December 31, 2025.

Recommendation 14

That Red Hill advocate to the Province for:

- Well-defined service levels and methodologies that reliably relate to value for money; and,
- Commitment to legacy funding for operators whose cost review confirms a need for additional funding and is evidenced by appropriate value for money analysis.

Management Response

Agree.

The City of Hamilton, in its role as service system manager, will continue to work with other municipalities and various provincial associations including the Ontario Municipal Social Services Association (OMSSA) to advocate to the Ministry of Education for policies, guidelines and funding that support access to high quality, affordable child care. This will include advocating for the continuation of legacy funding as required.

Estimated Completion: December 31, 2025.