



City of
Peterborough

To: Members of the Peterborough Regional Liaison Committee

From: Sheldon Laidman, Commissioner of Community Services

Meeting Date: September 9, 2021

Subject: Report CSSSPRLC21-007
Ontario Works Funding Implications for the 2022 Budget

Purpose

To provide the Peterborough Regional Liaison Committee with information regarding the impacts of the four-year Provincial freeze on Ontario Works (OW) Administration costs.

Recommendations

That the Peterborough Regional Liaison Committee approve the recommendations outlined in Report CSSSPRLC21-007, dated September 9, 2021, of the Commissioner of Community Services, as follows:

- a) That Report CSSSPRLC21-007 Ontario Works Funding Implications for the 2022 Budget be received for information; and
- b) That the Peterborough Regional Liaison Committee endorse the Mayor of the City of Peterborough sending a letter to the Minister of Children, Community and Social Services requesting additional funds to bring the provincial share of the Ontario Works Administration budget back to its original 50% cost share.

Budget and Financial Implications

There are no immediate budget or financial implications associated with the recommendations in this Report. In the current working draft of the 2022 Social Services Budget the proposed increase for Ontario Works Administration is 0.8% amounting to \$31,157. The standard funding formula for OW administration is a 50/50 Provincial/Municipal split. Given that the Province has been working on a new funding

formula which was supposed to be announced in 2021 and provincial funding has been held at 0% for the last four budget cycles, the municipal share of funding is now at 53% and the Province at 47%. This represents a funding gap in the 2022 budget where the City and County are contributing \$484,610 more than its traditional share for Ontario Works Administration. The funding share between the City and County for OW administration is 83% City and 17% County meaning for the 2022 budget year that this additional municipal share is split \$82,384 County and \$402,226 City.

Background

On May 13, 2021 the City was notified of the Ministry of Children, Community and Social Services' (MCCSS) Interim 2022 funding approach. The email advised:

“...as part of the social assistance renewed operating model co-design starting this spring, the province and municipalities will work together to develop a new funding approach that addresses administrative costs appropriately and re-invests administrative savings to enhance the system. We will design the new approach and plan for its implementation together, making the right changes at the right time to align with broader social assistance system transformation. At the same time as co-design, we are expanding changes to reduce municipal administration through ongoing centralized and automated delivery, starting with centralized intake, as well as digital initiatives. This creates more municipal capacity to respond to program shifts, prepare for anticipated caseload increases when Federal COVID-19 benefits end and enhance outcomes for clients. To support municipal budget planning activities for 2022, it is important to note that:

- The new funding approach will not be implemented for 2022;
- Notional funding allocations for 2022 will be communicated no later than July 2021;
- Municipalities should plan based on the assumption, and subject to approval of ministry estimates, that Ontario Works program delivery funding levels will remain at 2021 levels;
- While timing of the full provincial roll-out of Employment Services Transformation (EST) is currently unknown, EST transfers will continue to apply to those in prototype catchment areas; and,

There will be an opportunity for one-time requests for extraordinary costs in priority areas. Further information will be provided on the one-time funding criteria and process.”

To clarify, while the email states that the 2022 budget is based on 2021 funding, the Provincial OW administration funding has been capped since 2018 and is based on

2018 actual expenditures. Therefore, this will result in the fourth successive budget where Provincial funding has been kept to a 0% increase. This budget freeze has resulted in increasing demands on municipal taxes to maintain services and client benefits.

After receiving this notification and drafting the 2022 budget for the Social Services Division, a staff letter was sent to MCCSS requesting reconsideration for the City of Peterborough which has been significantly impacted by an administration funding freeze for four municipal budget cycles. This was sent prior to this Council Report given the timelines dictated by MCCSS' deadlines.

The following sections highlights the rationale for the request.

2018 Budget Did Not Maximize Provincial Funding Allocation

The City has a proven track record of efficient use of funding and had several years when more administration funding could have been used to expand programming. OW Program Delivery Funding (PDF) is the Provincial funding assigned to each Social Assistance delivery agent to administer and deliver services with specific Provincial/municipal cost shares. It is calculated on a formula based on caseload size and other factors such as location and type of local service delivery required. Many municipalities had fully used their full PDF allocation while the City of Peterborough had not utilized the full provincial notional allocation since it was rolled out as the City of Peterborough was able to operate this service at a lower cost. The full PDF available for the City was \$14,989,200 in 2018. When the provincial freeze was implemented the City had \$3,425,002 funding available within its PDF. This meant that when the funding freeze was implemented at the Provincial level, the impact to the City was disproportionate. Without this funding freeze, the City would have essentially had an additional \$3,425,000 of available room in its PDF that the Province would have been obligated to cost share 50/50.

Funding Reductions as an Employment Services Transformation (EST) Prototype

In 2021 the City's provincial funding budget was cut by \$1,600,000 as part of the EST prototype implementation where the City was one of the first nine CMSMs across the Province to transition out of employment services. As a result, the Division developed a new integrated, seamless service delivery model and cut both staffing and client benefits by equal proportions. While it is recognized that this was a 'transfer' of funding along with the corresponding responsibilities, it also further amplified the impact of the funding freeze at 2018 levels as these reduced funding was calculated from 2018 actuals versus the City's true costs to operate this service in 2021.

Third Party Review of OW Delivery and Financial Efficiency

In 2019 the City used the Provincial Audit and Accountability Fund to conduct a thorough analysis and audit of Social Services spending and programming using the services of KPMG. The following comments are from the final report:

“In comparison to other similar sized Service Managers (based on population served), we note the following with respect to the City’s staffing, personnel costs, and organizational structure:

The City’s reported staffing costs for Ontario Works is the lowest of the selected Service Managers on a cost per caseload basis. (comparators were Sudbury, Kingston, Hastings, Brantford, Lambton, Oxford)

While information concerning staffing levels is not publicly available for all of the comparator service managers, we note that where information is available, the City’s monthly caseload per staff is consistent with other service managers:

- Peterborough 41.4 cases per staff member
- Greater Sudbury 46.0 cases per staff member
- Lambton 41.6 cases per staff member

The above indicators are based on all staff, including case managers, clerks, managers, and administrative personnel.

The City’s current organizational structure for Ontario Works reflects a limited number of non-union employees (program managers and the Division manager), which is consistent with other selected service managers which appear to have limited numbers of non-union employees.”

KPMG also noted in a Comparative Analysis around Ontario Works that:

“The City has a relatively high caseload, as a percentage of total population, in comparison to the selected service managers. During 2018, the City’s average monthly Ontario Works caseload amounted to 26.04 cases per thousand residents, compared to an average of 19.58 cases per thousand residents for the comparator municipalities. We consider this to be reflective of higher incidences of unemployment and low-income individuals and families within the Division’s service area.

In comparison to the selected comparator service managers, the City’s operational effectiveness is consistent with or better than average:

The number of days from receipt of an application to the determination of eligibility is in the mid-range of the comparator municipalities, with the City requiring an average of five days to determine eligibility in comparison to one to seven days for the comparator municipalities.

The City has the second highest percentage of caseload reporting income (19.82%) and percentage of caseload exiting to employment (1.49%), which reflects on the effectiveness of its employment support services.

The City’s cost per caseload of \$1,170 per month is slightly higher than the average of the comparator municipalities (\$1,069), recognizing that the amount

of financial assistance provided to Ontario Works clients is not under the control of the City (i.e., determined by factors specific to the client). However, the higher-than-average cost may also reflect the City's provision of discretionary benefits at a level above the Provincial standard.

The rationale provided to CMSMs by the Ministry during the initial funding freeze was that CMSMs should be able to find efficiency savings to withstand the funding freeze. As indicated by KPMG, the City was already offering an efficient system compared to other CMSMs. Prior to the EST reductions, the City of Peterborough was among the lowest cost per case municipalities (based on MCCSS figures):

Year	Highest	Lowest	Peterborough	Ranking
2018	\$6,236	\$2,734	\$3,401	6 th lowest in the province
2019	\$6,079	\$2,878	\$3,508	11 th lowest in the province

Further work has been done to create an integrated, efficient, and modernized Social Services model

Key themes in the 2019 KPMG review of business processes have led to significant process improvements and service integration in the Social Services Division. The Division has been actively building on both Provincial prototypes—the EST and a Centralized Intake process. This means that the Division has considered all mechanisms to reduce unnecessary administrative processes and offer seamless services to community members. This included actively participating with Ministry initiated programs to reduce administrative overhead and inefficient processes. New efficiencies include Electronic Document Management (EDM), centralized intake, and development of streamlined approaches to approval of discretionary benefits.

It should be noted that while initiatives such as these have allowed the Division to reduce staffing, they also increase costs for other supports such as technology, courier services, and processing. Additionally, the efforts do not translate easily into savings given that municipal and provincial social services are in fluctuating states of change.

2022 Budget Implications

MCCSS staff have met with the Division's management to discuss these funding implications, rationale for considering additional funding for the City's circumstances, and options. The issue has been escalated by senior Ministry staff for a final decision which should be available by the time City Council engages in budget deliberations for the 2022 municipal budget.

The first draft of the 2022 budget reflects a 53% municipal contribution which represents an extra \$484,610 of 100% municipal cost. The working draft budget includes only a 0.8% increase reflecting the Division's commitment to keeping cost increases to a minimum and finding efficiencies knowing the provincial funding freeze. At this point

staff have worked to reduce costs in all areas within its control but has not assumed any further staff reductions or client benefit reductions.

If MCCSS does not opt to provide the additional \$242,305 to meet the 50/50 cost share standard and City Council wishes for staff to revise the 2022 budget to meet the 50/50 cost share standard then the options available would include:

1. Reduction to staffing which would increase the number of cases per worker which would reduce service during a period of anticipated caseload increase due to the end of Federal income benefits related to COVID-19;
2. Reduction to client benefits within the authority of the CMSM;

Summary

The provincial funding for the administration of the Ontario Works program has been held to 2018 actuals now for four budget cycles. While meant to be a temporary freeze, the impacts are substantial as the traditional 50/50 cost share is being skewed towards the City and County bearing more of the costs. It is apparent that the City of Peterborough has been impacted by this funding freeze to a greater degree than other CMSMs. The report is meant to bring this issue to the attention of the PRLC in preparation of the 2022 budget and to ensure that the issue is brought to the attention of the Ministry.

Submitted by,

Sheldon Laidman
Commissioner of Community Services

Contact Name:

Ellen Armstrong
Social Services Division Manager
Phone: 705-742-7777 Ext. 3770
Toll Free: 1-855-738-3755
E-Mail: earmstrong@peterborough.ca