

COMMITTEE OF THE WHOLE-BUDGET (PUBLIC) **Report No. 15-032**

10 February 2015

2015-2016 BUDGET PROCESS AND OVERVIEW

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PURPOSE:

1. To provide preliminary information about the 2015-2016 budget cycle, the budget schedule and the plan for public consultation. This report will be supplemented by a staff presentation at the meeting.

CONTEXT:

2. The OCDSB, like all school districts, is required to approve and submit its annual budget in June for the coming school year. The annual budget is a key part of the annual planning process in support of the priorities contained in the strategic plan.

This report identifies the background for this process, including both the provincial and local perspective, as well as affirming the key dates in the budget development and approval process.

The discussion at this meeting is an opportunity for members of the Committee to provide input on some assumptions made by staff in developing preliminary estimates to identify their budget priorities for the coming year, and to discuss the process including consultation.

Annually, the Board is required to make certain decisions with respect to academic staffing in March, prior to the Ministry's funding announcements. This requires the commitment of a significant portion of the District's discretionary spending prior to consideration of, and approval of the overall District budget. In a year when the Ministry has consistently warned of expenditure restraint measures as part of their strategy, this becomes an especially challenging process for staff and the Board.

KEY CONSIDERATIONS:

3. Board and staff have expressed our commitment over the past 3 years to ensuring that the recommendations and decisions made in the development and approval of the annual budget align with, and support the achievement of the 10 objectives identified in the District's strategic plan as summarized in Appendix A. While development of the next plan has just begun, we will remain focused on the need to maintain the progress that has been made in serving our students.

4. **Funding Issues**

The Ministry provided a web-based financial orientation session for trustees on 08 December 2014. The session presented an overview of the Grants for Student Needs (GSNs), explained the role of trustees in the budget development process and gave details on the capital investment approval process. A copy of the Ministry's slide presentation is attached as Appendix B.

The GSNs provided by the province are the primary source of revenue for school districts. The calculation of these provincial grants is mainly driven by student enrolment numbers, as well as a number of different elements such as special education needs, the level and nature of second language instruction, the age and type of schools, and unique geographic needs. Some of the grants are special purpose in nature and their use is restricted.

At this point in the year, the discussions on budget are complicated by uncertainty as to the exact amount and nature of provincial funding. Specific information about the GSNs is normally not available until after the release of the federal and provincial budgets. The Ministry has indicated that they anticipate the release of the grant regulation by the end of March.

The Ministry has been clear, however, that districts can expect to see continued reductions in grants, such as top up funding for schools with less than 100% occupancy which in the Ministry's view, support the maintenance of empty space.

Notwithstanding the above, the development of forecasts for 2015-2016 have begun based on the 2014-2015 experience, anticipated cost pressures such as inflation, the ongoing impact of the last collective agreements and related memoranda of understanding (MOU's), as well as ongoing regulatory changes and service demands.

5. **Provincial Budget Situation**

The Ontario Economic Outlook and Fiscal Review 2014 published by the Ministry of Finance reaffirms the government's intent to eliminate the annual provincial deficit by 2017-2018. In fact, the actual deficits reported in each of the last five years have been lower than originally forecast.

The recent uncertainty as a result of volatile oil pricing has delayed the federal budget, but Ministry staff has said they are committed to issuing the Regulations for the GSNs in the usual time frame which is in late March.

The deficit reduction plan requires reductions in program spending over the next three years and it is clear that education sector will be expected to share in those reductions. The Minister and Ministry staff has made it clear they expect funding reductions which will require school districts to look at strategies to reduce surplus spaces in the system. The forthcoming changes to the Pupil Accommodation Review Guidelines are also expected to support that initiative.

All signals from the government and the Ministry make it clear that we will need to plan for a reduction in our expenditures over the next two or three years.

6. **OCDSB Budget Situation**

While there is uncertainty about future years, the District is in a good financial position. As previously reported, the District incurred a deficit of \$11.8 million in 2013-2014. This left the District with an accumulated surplus of \$34.0 million as of 31 August 2014.

As discussed in the recently approved Revised Estimates, staff is projecting a deficit in 2014-2015 of \$16.8 million which is slightly less than budgeted. Table 1 uses this amount and shows the accumulated surplus projected to be available for compliance at the end of 2014-2015 as compared to the previous year's actual. The table also shows the amounts that have been internally appropriated for specific purposes and amounts that have not been appropriated.

Table 1 – Accumulated Surplus Available for Compliance

	Projected as at 31 Aug 2015	Actual as at 31 Aug 2014	Change increase (decrease)
	\$	\$	\$
Internally appropriated			
Gratuities/WSIB Liabilities	4,338,000	8,588,000	(4,250,000)
Supplies and Equipment	3,581,000	3,945,000	(364,000)
Committed Capital	7,817,000	8,129,000	(312,000)
Total internally appropriated	15,736,000	20,662,000	(4,926,000)
Unappropriated	1,457,000	13,314,000	(11,857,000)
Total available	17,193,000	33,976,000	(16,783,000)

At the end of 2012-2013 the District had an accumulated surplus of \$46.0 million. Staff recommended, and Board approved a strategy of a more aggressive use of reserves. This has allowed the district to make important investments to support students, staff and schools, but the reduction in reserves makes it important to begin planning to operate within the Ministry's allocation.

At this stage in the budget cycle, staff is of the opinion that even with some reductions in expenditures, the recommended budget will likely require the use of reserves of the maximum of the 1% as allowed by the Ministry to balance the budget. In addition, we are not in a position to budget for the anticipated transportation revenue adjustment which could arise through the Effectiveness and Efficiency (E & E) review. We will also recommend that this be funded from reserves, if required.

To be able to respond to cost pressures and to meet the above guidelines, staff anticipates the need for a reduction of other expenditures of approximately \$8.0 million in 2015-2016. Staff has begun to identify ways to capture these savings in a manner that minimize the impact on students.

Depending on the specifics of the GSNs, it is clear that reliance on reserves cannot be a part of our strategy in successive years beginning in 2016-2017. In fact, planning for year 2 and 3 of the cycle will begin in parallel with the development of this year's budget. Achieving the next \$8.0 million of savings will require changes to the way we operate, and perhaps to service levels.

7. Risk Factors in Budgeting

In developing the budget, staff will consider the element of risk in its estimates, whether they relate to revenues or expenses.

One of the major risk factors in budget preparation lies in enrolment projections. In November 2014 staff projected a slight decrease in enrollment for 2015-2016, of 200 average daily enrolment (ADE) across the system, less than 1/3 of 1 %.

On a system basis, enrolment projections have usually been well within 1% of actuals; however, there can be larger school-by-school variances which can create staffing pressures in the fall.

Approximately 80% of the District's total expenditures are for salary and benefit costs. A significant part of the budget-setting process will be completed based upon teaching staffing decisions which are made by the Board in March. As noted previously, these decisions must be made based on estimates and projections for the coming year, without final confirmation of the grants for the coming year.

The remaining 20% of the budget relates to supplies and services covering the entire spectrum of costs including computer and telephone networks, student supplies, custodial supplies, maintenance, student transportation and utility costs.

8. Budget Pressures for 2015-2016

The OCDSB faces a number of financial pressures in 2015-2016, some of which are shared by all school districts; however, the extent of the impact will vary from district to district. Presentations to Board on progress towards achievement of the goals in the strategic plan, a review of issues raised by trustees and others throughout the year, as well as staff discussions, has identified a preliminary list of budget pressures.

We have divided these pressures into two categories for discussion purposes, but many pressures cross both categories. In addition, alignment to the objectives identified in the strategic plan is noted.

a) Program and Practice

- As part of the District's commitment to "Closing the Gap", staff is considering additional supports for English language learners (ELLs). This could include additional staffing. (Objective 1)
- The continued work on implementing the revised special education policy along with the geographic model. A number of options are being considered in this area to continue to support the implementation of the central IPRC process and to respond to the expected need for additional Autism classes. (Objectives 4 and 7)
- Curriculum Services is evaluating options that would respond to the need for additional support to serve increasing numbers of students in the Co-op and Student Success programs. The need to support schools in their well-being work is also being considered in the assignment of work among the instructional coaches. (Objectives 2 and 4)
- Staff is looking at the impact of differentiated allocation of resources to better meet the diverse demands of our schools. In a year where we cannot increase the overall allocations, it will be challenging to mitigate the possible negative impacts on those where resources must be reduced. (Objectives 1, 4 and 8)
- Our continued focus on digital learners and digital citizenship requires a continued investment in people as well as hardware and software. The Ministry shares this focus, but our progress will depend on the ability to devote sufficient time and money to maintain the momentum from this year's grant. (Objectives 4 and 7)

b) Infrastructure

Staff has identified a number of areas which support students and teachers in the classroom. These range beyond the usual definition of bricks and mortar and computer networks, although they continue to be of ongoing concern.

- As the District continues to move to a more data-driven approach it is clear that a combination of capacity building and some additional resources are required. The demand for analysis of student achievement data, surveys such as Tell Them From Me, is being examined to ensure that we can meet our expectations in the areas of "Closing the Gap", improving school climate and supporting our student well-being initiatives (Objectives 2,3,8,9)
- For several years the District has identified the continued backlog in deferred maintenance. Like most of the public sector organizations, there has never been sufficient funding to meet these demands. This situation exists in our facilities, our schools' external environments, our specialty classrooms such as labs, and our IT infrastructure. The continuation of the increased funding for School Condition Improvement will be used to offset some of the reliance on reserves, required in the past year. (Objective 7)

- The focus of technology investments has always been to provide the best possible classroom experience. The Ministry's messages about "efficiencies" and changes to the grant structure for administration make it clear that we need to identify strategies to investigate and develop new business practices that will allow us to meet ever expanding expectations of stakeholders, despite of the potential need for future staff reductions. (Objective 7)
- The full introduction of Full-Day Kindergarten, significant changes to health and safety legislation, as well as the ongoing implementation of the most recent collective agreements has placed large demands on staff in schools and all support departments. Staff is considering a range of potential approaches to address this, in the absence of additional funding. (Objective 9)
- The District has already committed to providing busing to secondary students who reside inside the urban transit area (UTA) in September 2014. (Objective 7)

9. **Approach to 2015-2016 Budget**

In June 2011, the Board adopted a new strategic plan which established a clear set of priorities for the District based on the pillars of well-being, engagement, leadership, and learning. The strategic plan provided a framework for the allocation of budget resources commencing with the 2012-2013 budget. Staff intends to continue moving towards a better alignment of resources with strategic priorities and objectives.

The OCDSB remains committed to "Closing the Gap" and ensuring that the needs of all students are being addressed. It is clear that not all budget pressures can or should be solved with an infusion of new funding and, in fact, discussions have begun with principals and managers with a view to identifying expenditure reductions which could be implemented next year. The goal is to find areas where a reduction of dollars has the minimum impact on students and their learning.

However, staff remains committed to bringing forward recommendations that will continue to address the needs of all our students. The focus on "Closing the Gap" means there will be a focus on meeting the needs of those groups which have been previously identified.

Statements by the federal and provincial governments have made it clear that they continue to be focused on deficit reduction, and that additional funding to transfer payment organizations should not be expected. As a result, staff will be unable to recommend any new expenditure commitments without offsetting reduction proposals.

It is staff's intent to develop a budget that utilizes up to the 1% threshold previously identified. As cost estimates are revised and better estimates of revenues become available, staff may also recommend some further expenditure beyond the 1%. Additionally, staff will recommend that the shortfall in transportation continue to be funded from reserves pending the results of the E&E review.

While it is always prudent to expend slightly less than that provided in grants, it is our responsibility to use the funds received to provide the best possible learning opportunities for our students and families. Our experience in recent years has shown that a break-even year-end position can only be achieved by budgeting for a deficit. This is due to the strong culture of economic and financial controls which have resulted in surpluses in recent years.

At the same time it is also important to ensure stability and sustainability of programs and services. With the volatility of the current federal and provincial situation, it will be important to balance all of the coming demands for additional expenditures.

Based on our preliminary review of 2014-2015 revenue and expense projections, staff is confident that the OCDSB budget for 2015-2016 will allow us to maintain services to meet the needs of our students and allow continued progress towards the achievement of our strategic objectives. However it is also clear that we will also need to look at a reduction in expenditures, and changes in our practices that will allow us to balance the budget in 2016-2017, without jeopardizing services to students

10. **Budget Schedule**

The Budget Committee schedule is currently shown on the Board calendar as follows:

Date	Purpose of Meeting
Tuesday, 10 February 2015	Review of 2013-2014 results/ Budget process discussion
Wednesday, 01 April 2015	Memo regarding GSNs announcement
Tuesday, 12 May 2015	Presentation of staff's recommended budget
Monday, 25 May 2015	Delegations
Monday, 01 June 2015	Delegations (if required)/Budget debate
Monday, 08 June 2015	Budget debate (if required)
Monday, 15 June 2015	Budget debate (if required)
Monday, 22 June 2015	Budget approval (Board meeting)

In addition to the Budget Committee meeting schedule, academic staffing decisions will be made at the 24 March 2015 meeting of the Committee of the Whole.

RESOURCE IMPLICATIONS:

11. The budget will set the Board's fiscal operating plan for 2015-2016. The Board cannot approve a budget with a deficit, but can use reserves as part of balancing revenue and expenditures. The process will need to recognize the need for caution in expenditure commitments, prior to the anticipated release of the GSNs in March.

COMMUNICATION/CONSULTATION ISSUES:

12. The goal of the consultation process is to make the community aware that the budget process is underway and that the District is planning a budget without significant changes to service levels pending further information from the Ministry and the government. It will also highlight the need for increased restraint and the significant decrease in flexibility which the District will have in responding to requests for new and expanded services.

Until the release of the GSNs, staff cannot predict with certainty the direction of the recommended budget. If it becomes obvious that more drastic measures are required to develop a balanced budget, staff will recommend changes to the existing schedule in the approved Board calendar.

The budget consultation process will reach out to parents, school councils, students, OCDSB advisory groups, staff and the public at large. In order to maximize the opportunity to reach these groups, the consultation process will involve a variety of formats.

Following the Budget Committee meeting of 10 February 2015, staff will prepare a budget information document that will include some of the background information being provided that evening. The same document will be used for all consultations and will be posted to the Board website, linked to our social media sites, and made available at all consultation meetings.

Trustees may wish to consider a similar approach for zone meetings during the February/March timeframe. Any trustee or group of trustees with a scheduled zone meeting during that period may choose to invite a staff member to attend the meeting to support the budget discussions. All input during this phase of consultation should be submitted by the end of March 2015.

As in the past, an email link for budget questions and comments will be established. While individual responses will likely not be possible, every effort will be made to answer these questions in a timely manner. Answers will be posted to the website and will be considered by staff in developing the budget recommendations.

STRATEGIC LINKS:

13. The budget will set the Board's operating plan for 2015-2016. An effective debate leading to approval of the budget is a cornerstone of sound governance practice. The Board's stewardship of the District's financial resources has always been one of its primary functions.

GUIDING QUESTIONS:

14. The following questions are provided to support the discussion of this item:
- Are the general assumptions about the financial environment reasonable?
 - Have the appropriate risk factors been identified?
 - Are there specific priorities or initiatives that require additional resources to be achieved?
 - Should staff be even more conservative when developing budget recommendations?

Michael Carson
Chief Financial Officer
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Jennifer Adams
Director of Education and
Secretary of the Board

APPENDIX

Appendix A - 2011-2015 OCDSB Strategy Map
Appendix B - Financial Orientation for Trustees



2011–2015 OCDSB Strategy Map



Vision for 2015

The OCDSB is a dynamic, creative learning organization that fosters the achievement, well-being, and dignity of every student. As a global leader in public education, we:

1.	<i>Inspire</i> educational excellence in our schools, which are important community hubs reflecting local needs;
2.	<i>Provide</i> equity of access to programs and pathways for all students;
3.	<i>Raise</i> the overall achievement level and close the achievement gap through the equitable allocation of available resources;
4.	<i>Implement</i> a comprehensive framework for student well-being;
5.	<i>Engage</i> students, staff and parents in the learning process, encouraging the full potential of every student;
6.	<i>Provide</i> an inspiring place to work that attracts, retains, nurtures, values, and engages our employees;
7.	<i>Model</i> outstanding governance, leadership, and citizenship; and
8.	<i>Draw from, and contribute to, the talent and rich diversity of the</i> Ottawa community.



Well-being

WB1.	Enhance safe, caring and respectful learning, and working environments.
WB2.	Create a framework for student and staff well-being that recognizes the mental, physical, and emotional health of students and staff.
WB3.	In collaboration with community partners, develop specific strategies to further the cultural proficiency of the school district in terms of inclusive and accessible practices and a workplace representative of the community we serve.
WB4.	Nurture an emotionally intelligent organizational culture that recognizes and supports innovation, productivity and employee wellness.

Public Education: *Doing it W.E.L.L.*

Objectives for 2015

How we will know we have achieved our vision:

1.	The 90% graduation rate goal is on track to be met by, or in advance of the 2020 target.
2.	The Board is meeting annual targets for student achievement results established in the Board Improvement Plan, that exceed provincial results, on average, by 5% and reduce the gaps for identified sub-groups.
3.	All school Improvement Plans are developed in partnership with the school community and establish targets for student achievement and well-being, in alignment with the Board Improvement Plan and student well-being framework.
4.	The District has a framework for student well-being, including measures and indicators of success and attains annual targets for improvement to services and supports for student well-being.
5.	All of our schools have active community partnership programs that support the school as a community hub.
6.	Full-day kindergarten is offered in all of our schools, supported by vibrant extended day programs.
7.	All students have equitable access to a choice of high-quality programs.
8.	The school climate survey results indicate improvement in students' level of comfort and safety at school.
9.	The school district is recognized as a top employer in the community.
10.	The District has a clear and commonly understood governance framework and an efficient and effective decision-making process.

Mission

Our mission is educating for success — inspiring learning and building citizenship, using the pillars of well-being, engagement, leadership, and learning to support and inspire students and staff by:

1.	Promoting student and staff well-being to support their physical, emotional, and mental health;
2.	Developing a culture in which all people are welcome and challenged to be creative and contributing members; feel valued and respected, and where the success and creativity of our District is recognized and celebrated;
3.	Enhancing leadership and governance capacities and practices that demonstrate our District, and its representatives as models of good character and effective community partners; and
4.	Improving student achievement through focused instructional practice, effective use of data and strategies that challenge all schools to make significant gains in student achievement no matter where they start.

4 Key Priority Areas W.E.L.L.



Engagement

EN1.	Enhance parental engagement and outreach to all parents.
EN2.	Create a framework for and initiate effective partnerships with organizations that enrich our schools as community hubs.
EN3.	Encourage broad community engagement in school and District initiatives.
EN4.	Develop a strategy that supports and encourages engagement in provincial, national, and international initiatives to encourage organizational learning and global citizenship.



Leadership

LD1.	Implement sound governance structures and practices.
LD2.	Develop specific strategies for leadership development and succession planning with a focus on developing emotionally intelligent leaders who foster innovation, collaboration, and the celebration of success.
LD3.	Enhance our risk management culture, focusing on effective financial, information, and human resources management practices, and internal audit controls.
LD4.	Encourage and support student leadership and citizenship to promote global competencies.



Learning

LN1.	Enhance instructional practice to encourage and support critical and creative thinking skills.
LN2.	Maintain a cyclical program development, monitoring and review framework to improve equity of access to programs, pathways, and services for all students.
LN3.	Use student survey data to identify and understand groups that require additional services and supports.
LN4.	Develop an organizational culture that is committed to lifelong learning.



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FINANCIAL ORIENTATION FOR TRUSTEES

Appendix B
to Report 15-032

December 2014

A strong publicly funded

education system is at the

centre of this government's

mandate and is the foundation of

the province's future prosperity. To

support this, the ministry is

focused on four goals:

- # I. Achieving excellence

- ## 2. Ensuring equity

- ### 3. Promoting well-being

- ## 4. Enhancing public

confidence



Quick Facts About Ontario's Education Sector

- 72 district school boards
- Four school board systems:
 - English-language public,
 - English-language Catholic,
 - French-language public, and
 - French-language Catholic.
- 1,357,055 elementary students in almost 4,000 schools
- 613,825 secondary students in more than 900 schools
- 213,700 staff (including 126,629 school-based teachers)



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Role of the Trustee

- Financial planning is a vital and integral part of *Trustees'* overall planning responsibilities in areas of program, capital; facilities and long-term strategy that school boards undertake to ensure effective stewardship of the board's resources.
- Boards are required to develop and approve a balanced budget within the funding allocated to them by the Ministry of Education.
- Budget is a reflection of the Board's strategic plan and mission/vision.



Overview

- This presentation provides an overview of:
 - The Grants for Student Needs (GSN) funding formula;
 - School Board Financial Management and Budgeting; and
 - The Capital Approvals process.



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PART I: GRANTS FOR STUDENT NEEDS

Purpose

- This section provides an overview of the Grants for Student Needs (GSN), including:
 - Historical background to the GSN funding formula
 - Roles and responsibilities of the government and school boards for funding Ontario's education system
 - Structure and components of the GSN, including how the funding formula is applied in response to diverse regional circumstances e.g. geography.
 - Key accountability mechanisms that govern funding and reporting
 - Announced changes to the GSN for the 2014-15 school year
 - 2015-16 Education Funding Consultations



I. Education Funding In Ontario

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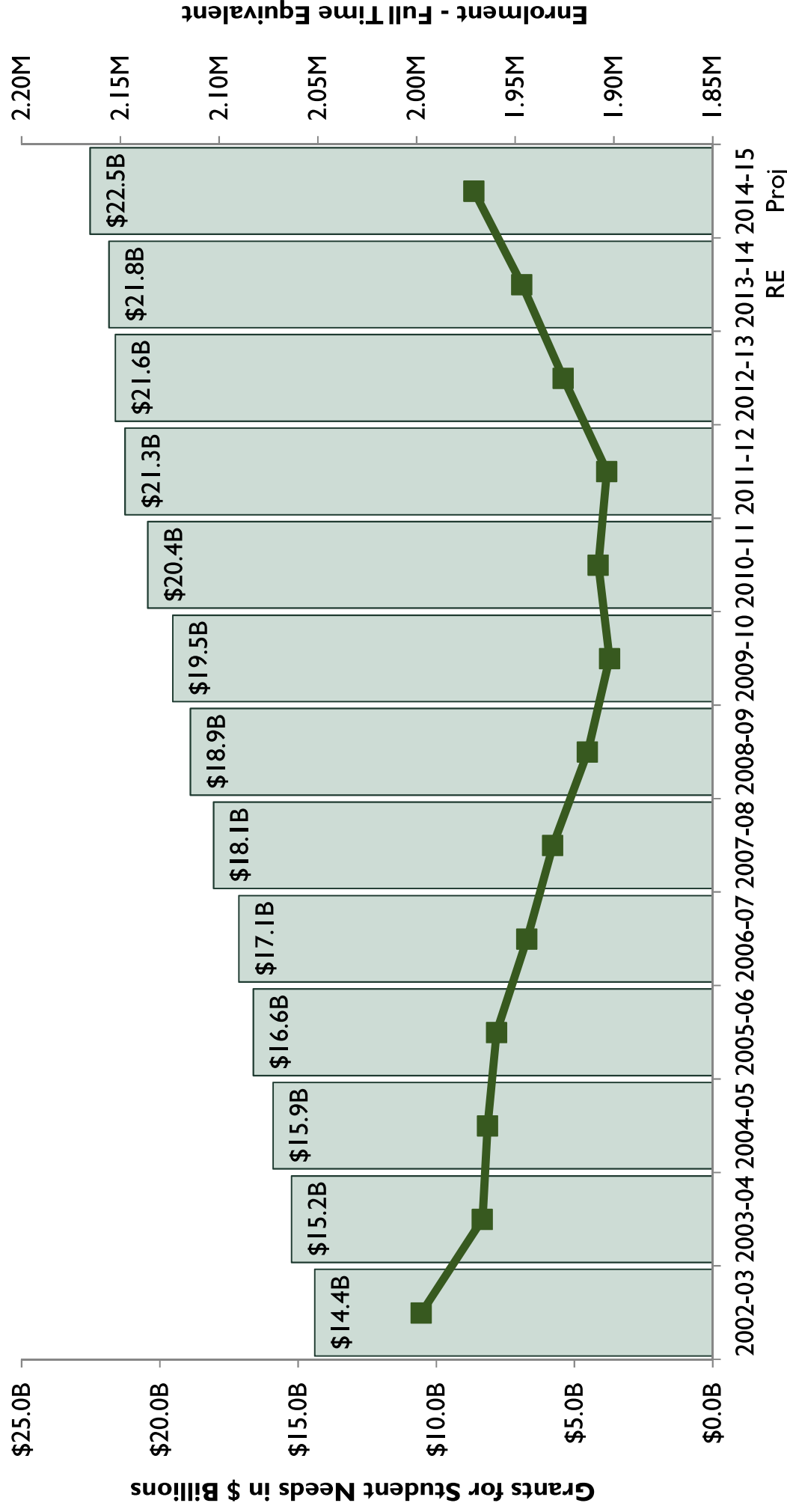
Ontario

What are the Grants for Student Needs?

- The GSN is an open-ended entitlement transfer payment program with funding determined by formulas set out in regulation each year.
- The same set of formulas are used to determine funding for each of the 72 district school boards in Ontario.
- For the school board sector as a whole, GSN funding represents the overwhelming majority of revenues (over 90%).
- The regulations, which also provide the government with the authority to flow funding to boards for the coming school year, are usually released each March/April.



GSN Funding and Enrolment



Note: To provide a clear year-over year comparison, we have added FDK funding, which was previously outside the GSN, to previous years' GSN funding totals.

Note: A significant portion of the increase in enrolment is as a result of FDK

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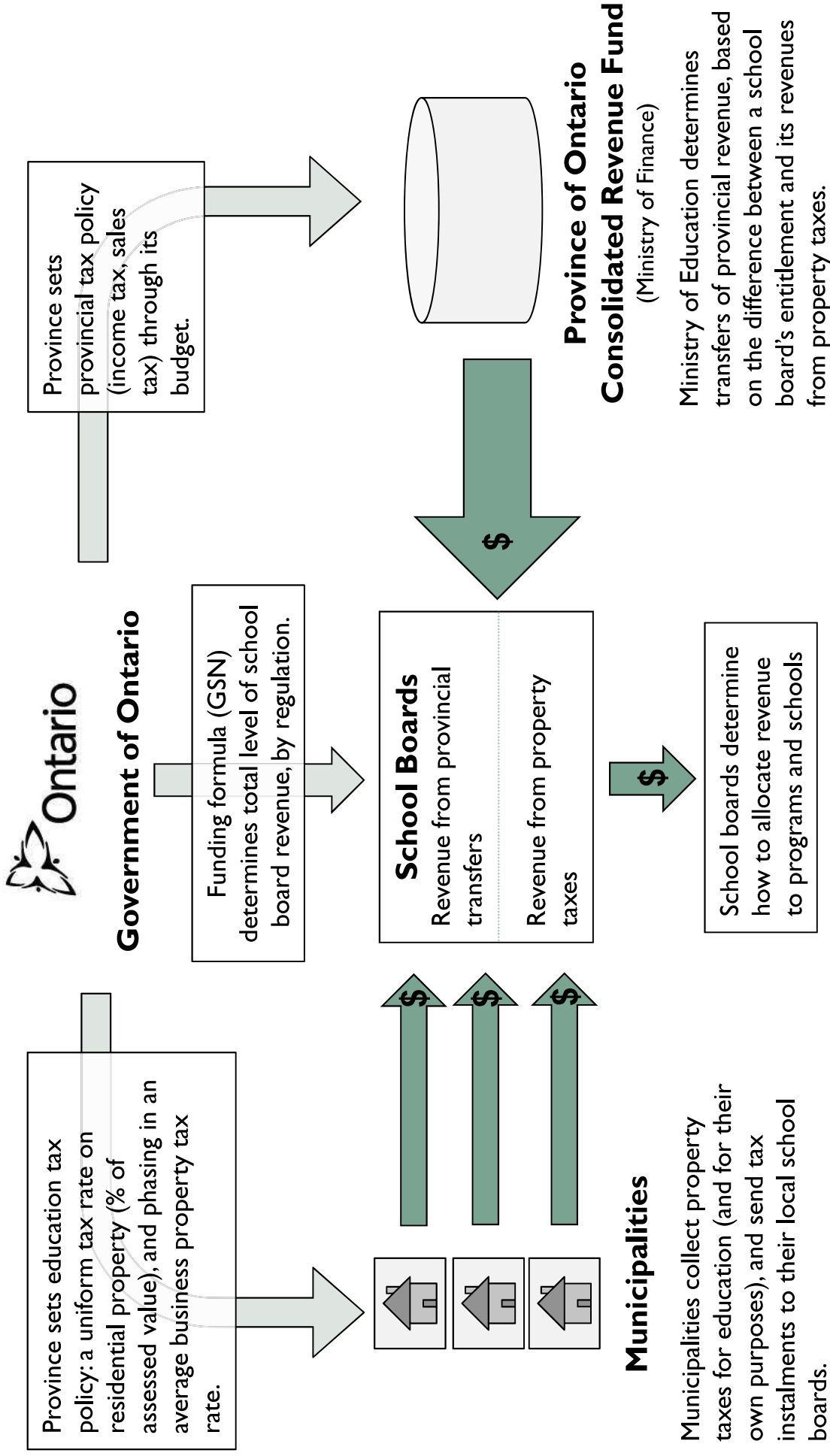


Two Sources For Education Funding

- Under the current education funding system, the province sets the total allocation amount using the formulas in the Grants for Student Needs, also known as “the funding formula.”
- Each board’s allocation comes from two sources:
 - **Education Property Tax:** collected by the municipality with rates set by the Ministry of Finance;
 - **School Board Operating Grant (SBOG):** funding provided to boards by the Province to cover the difference between the property tax collected and the total allocation as determined by the funding formula.
- Total 2014–15 GSN funding is projected to be \$22.53B. This consists of approximately (30%) property tax and (70%) SBOG.



Components of the Funding System



II. Historical Background of the GSN

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Major Reform Launched in 1990s

- Prior to 1997–98, school boards set local education property tax rates.
- School boards raised and spent different amounts on a per-pupil basis, depending on the wealth of a board's property tax base.
 - Rural, northern and Catholic school boards tended to raise less than large urban public boards.
 - Large urban public boards offered a range of community programs that were not provided by other boards.
 - By the 1990s, there was a growing concern with the inequities in funding, programs, and services among school boards and school board systems.



GSN Guiding Principles

- Several key principles of the modern funding formula have emerged:
 - **Equity:** the *Scott Act* of 1863 and the *Education Act* require that there be equitable financial support across school systems.
 - **Fairness:** funding should be allocated based on the unique needs of students and boards, so that students get a comparable level of programs and services regardless of their location.
 - **Adequacy:** funding levels should be adjusted to reflect increasing costs so student achievement goals are not compromised.
 - **Affordability:** outcomes and service levels should be reviewed regularly to ensure that funding is spent efficiently and effectively.
 - **Accountability versus Flexibility:** accountability requirements should be balanced against the need for school board flexibility to address local priorities and to balance their budgets.



Review of the GSN Funding Formula

- Over the past decade and half, the funding formula's basic approach has been examined several times:
 - **Constitutional Challenge (1998)**: the courts ultimately ruled that the new formula was constitutional and all challenges were dismissed.

Key legal underpinning: equity of inputs

- **Education Equality Task Force (2002)**: after a lengthy public review, Dr. Rozanski concluded that the funding formula was an equitable allocation vehicle but, that funding was inadequate.
- **Legislative Review (2003)**: the four trustee associations tabled a report with the Legislature that concluded that, although the funding was inadequate, the funding formula was fair and non-discriminatory as between Catholic and public boards in both language systems.
- **GSN Consultations (Annual)**: the Ministry regularly consults with the sector leading to regular refinements to the funding formula.

III. Structure of the GSN

Complexity of the GSN

- To address the principles of equity, fairness and adequacy, the funding system has evolved a structure that responds to classroom cost structures, as well as the unique characteristics of boards, schools, staff, and students.
- The GSN has many distinct grant components that each have distinct sub-components, objectives and formulas.
- This structure makes the GSN complex and the GSN regulations lengthy.

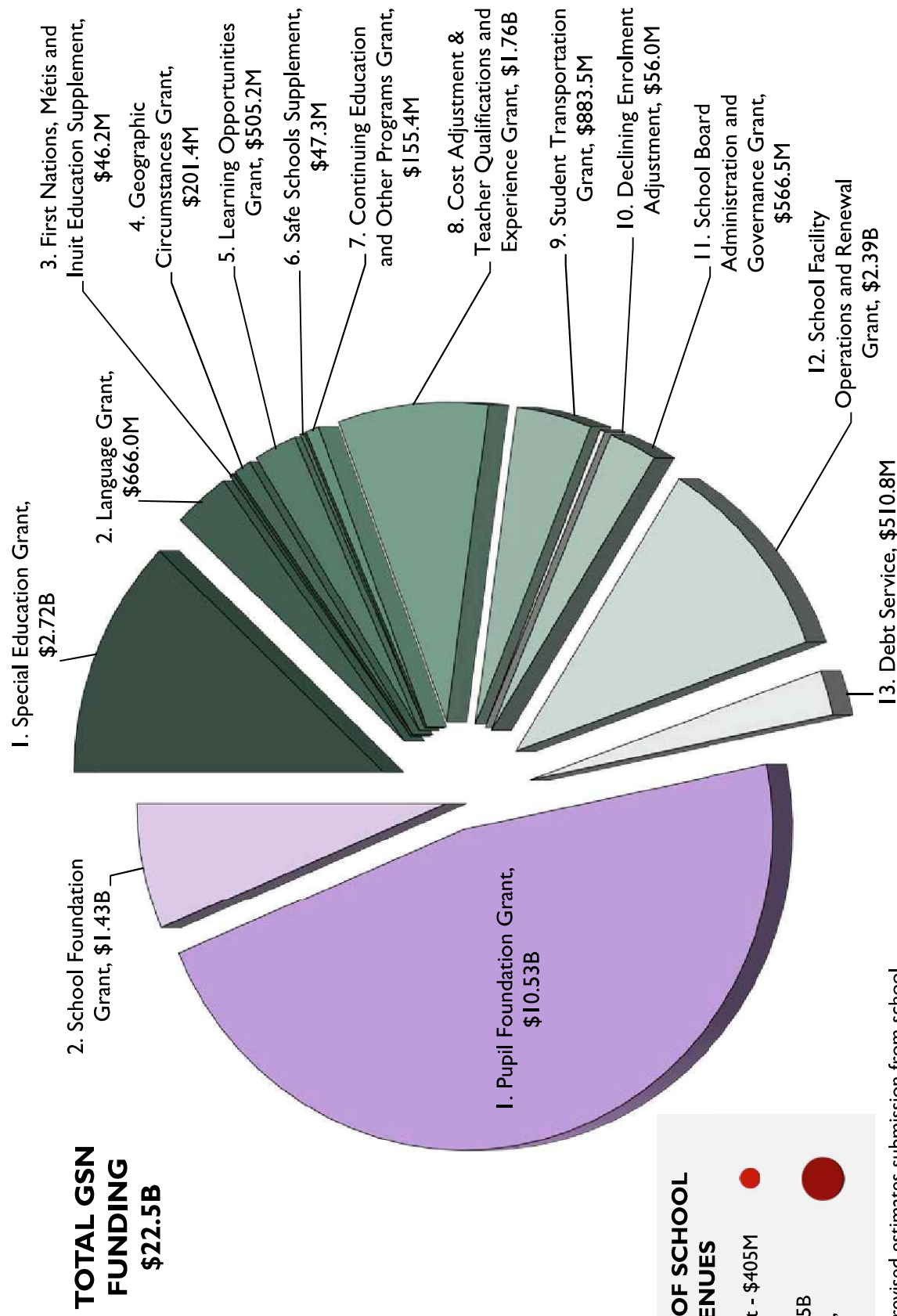


General Structure

- At a high level, the GSN has two major components that each account for about a half of the GSN's funding:
 - **2 Foundation Grants**, which cover the basic costs of education common to all students and schools, and are largely driven by enrolment multiplied by cost per student, and the school administration cost for each school;
 - **13 Special Purpose Grants**, which address the unique needs of students, schools, and school boards.

These special purpose grants allow the GSN to meet the test of equity and fairness by responding to factors such as: board demographic profiles, individual school location, specific program take-up, and student special equipment needs.

Structure of the 2014-15 GSN



Source: Most recent (2013-14) revised estimates submission from school boards – provided for comparison reasons.



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Differences in Funding to School Boards

- The **Pupil Foundation Grant** provides each school board with the same per-pupil allocation:
 - Kindergarten (JK/SK) = \$6,045 per pupil.
 - Primary (Grades 1 to 3) = \$5,526 per pupil.
 - Junior & Intermediate (Grades 4 to 8) = \$4,603 per pupil.
 - Secondary (Grades 9 to 12) = \$5,741 per pupil.
- However, because of the school foundation grants and special purpose grants, per-pupil funding varies from board to board,
 - For 2014–15, per-pupil levels are projected to vary across the province by slightly more than \$16,800 – from \$10,125 to \$26,950.
 - The average per-pupil amount across the system is \$11,424.

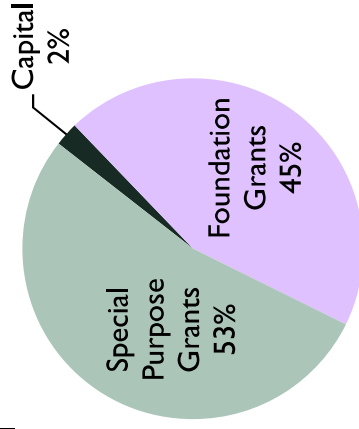


Equitable GSN Funding Based On “Need”

- Examples of varying funding across the province:

Provincial Total

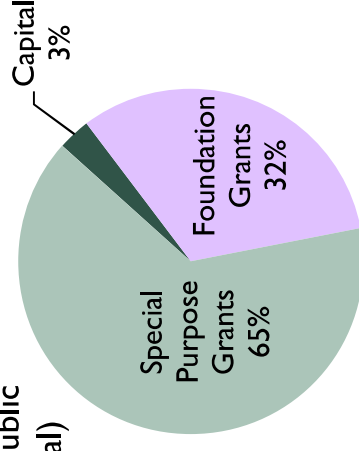
Per-pupil:
\$11,424



Superior Greenstone DSB

(Northern English Public
School Board – Rural)

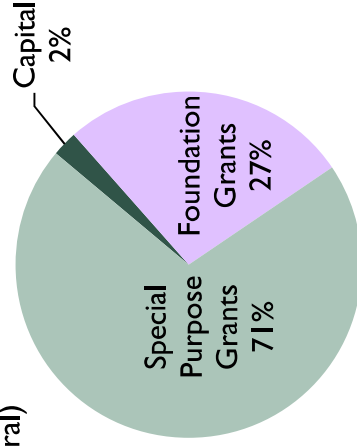
Per-pupil:
\$22,443



CSDC des Aurores boréales

(Northern French Catholic
School Board – Rural)

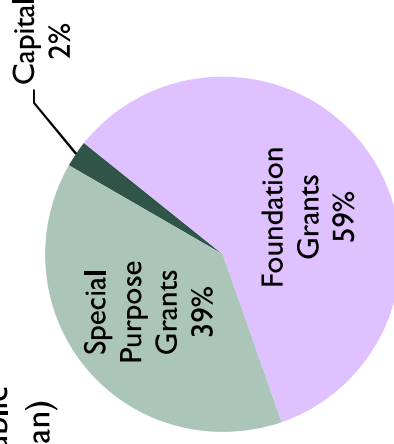
Per-pupil:
\$26,950



Halton DSB

(Southern English Public
School Board – Urban)

Per-pupil:
\$10,125



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Accountability Mechanisms

- The GSN uses four broad accountability streams to control and monitor board spending practices:
 - **Legislative requirements**, such as balanced budget requirements;
 - **Financial Reporting and monitoring controls**, including budget reporting and monitoring, as well as audit, review, and in some cases, supervisory activities; and
 - **Enveloping**, which includes formal enveloping of specific allocations (e.g., Special Education Grant), effective enveloping restrictions (e.g., regulated class sizes), and functional enveloping (e.g., transportation).
 - **Program/grant specific reporting requirements** overseen by various branches within the Ministry (e.g., Safe Schools allocation, Specialist High Skills Major) .



IV. GSN Changes for the 2014-15 School Year

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Key Changes

- The 2014-15 GSN reflects several new elements:
 1. Full implementation of FDK
 2. Setting the stage for the next round of labour discussions
 3. School Board Efficiencies and Modernization (SBEM) strategy
 4. Capital renewal investments
 5. Funding model reforms to special education and board administration funding
 6. Adjustments to keep up with costs (e.g., transportation, utilities)
 7. Strengthening accountability



2015-16 Education Funding Consultations

- This fall, the ministry renewed its commitment to move forward together on GSN consultations for 2015-16 education funding.
- The consultations focussed on the following topics:
 1. Identifying efficiencies
 2. Making more efficient use of school space
 3. Community partnerships
 4. Accountability
 5. Sharing savings





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PART II: FINANCIAL MANAGEMENT AND BUDGETING

Purpose

- The purpose of this section is to provide an overview of key responsibilities in relation to budgeting and financial management.



I. Budgeting & Planning

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Balanced Budgets

- Boards are required to have balanced budgets.
 - Under section 231 of the *Education Act*, when preparing and adopting Estimates for the fiscal year, boards are required to ensure that estimated expenditures do not exceed estimated revenues.
- The Education Act contains provisions that allow for an in-year deficit for a fiscal year of up to 1% of the board's operating revenue provided it does not exceed the board's accumulated surplus of the preceding fiscal year.
- Boards may make a request to the Minister to receive an exemption from the above requirements. If approved a board may have an in-year deficit that is greater than the amount determined above if the in-year deficit is permitted as a part of a financial recovery plan.



Balanced Budget Accountability

- Under the *Education Act*, boards are required to approve a balanced budget each year. If they are in deficit, or analysis shows a high risk of future deficit, the Ministry will ask for a Deficit Management Plan, which depending on the outcome, may lead to further action (below):

Ministry Tools

Deficit Management Plan

Boards are required to prepare Deficit Management Plans when their projected deficit is in excess of 1% of their operating budget, or when they have an unsustainable use of their accumulated surplus.

Depending on the outcome of the plans, subsequent measures may include the appointment of Special Assistance Teams, or an Investigator. (subsection 257.29)

Investigation

The Minister may direct an investigation of the financial affairs of a board if, for example:

- The financial statements of the board indicate that the board has a deficit for a particular year
- The Minister has concerns about the board's ability to meet its financial obligations. (subsection 257.30)

Supervision

The Minister may request the Lieutenant Governor in Council to vest control and charge over the administration of the affairs of the board to the Ministry.

As a result, the Minister would have control and charge over the exercise and performance by the board of its powers, duties and obligations with respect to all matters. (subsection 257.31)

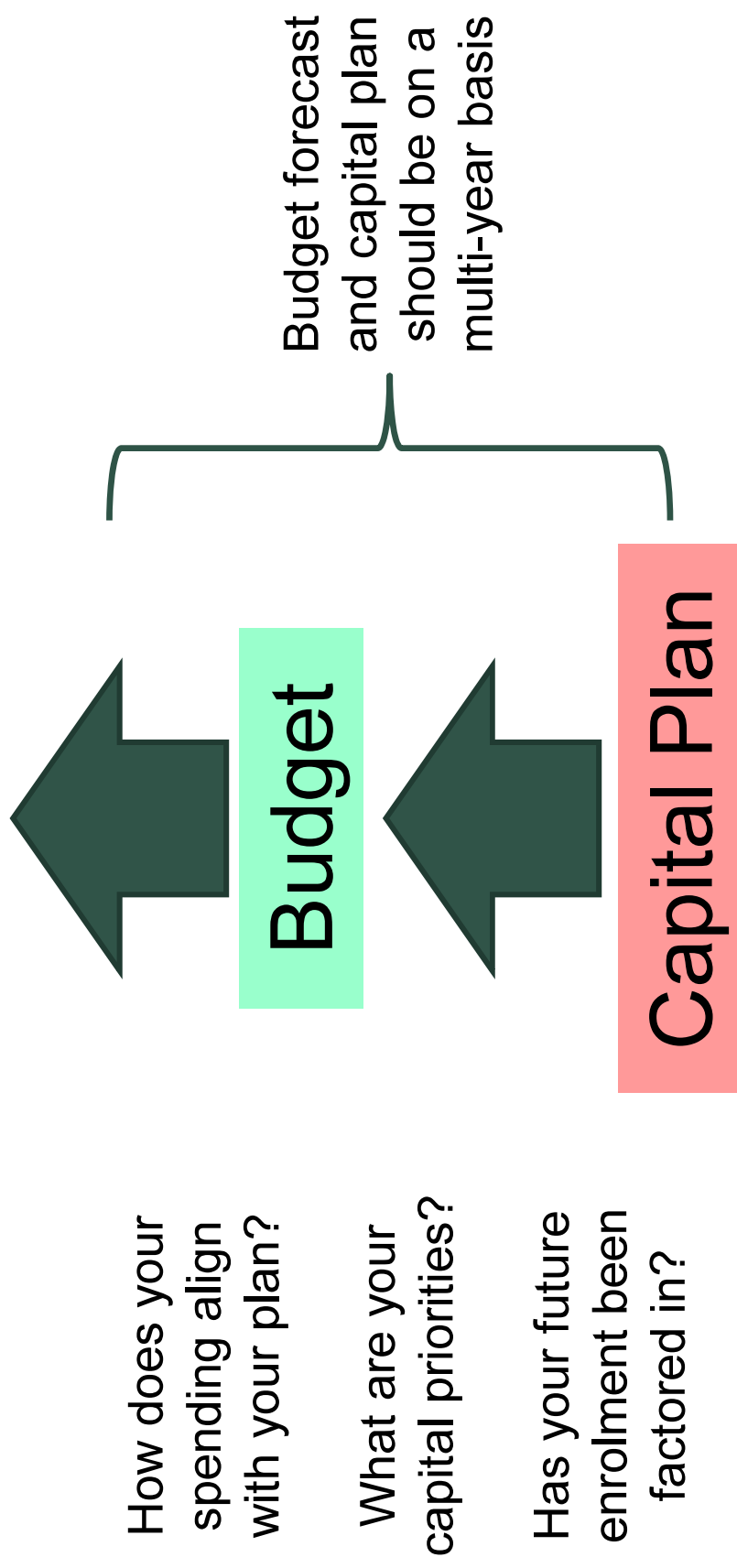
Budget Development

- Critical task that demonstrates a board's effectiveness and transparency.
- Budgeting cannot solely belong to finance departments
- Directors, Superintendents and other senior program staff must be involved in the planning processes and be held accountable for budget performance
- It is a consultative process with the following key principles;
 - The educational needs of its students are met
 - It is prepared within the funding allocation
 - It reflects the board's vision and supports the goals of the board's multi-year strategic plan

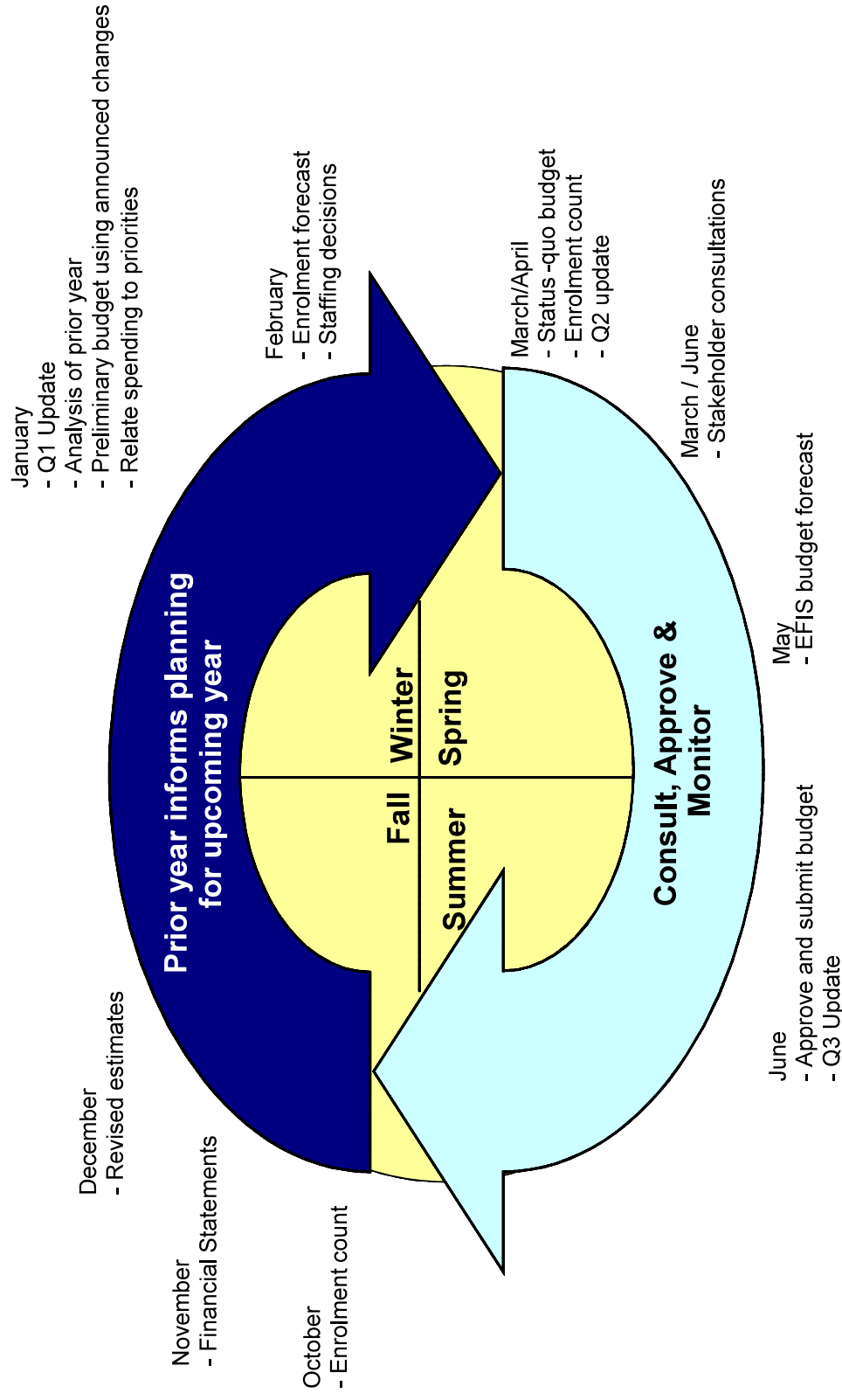


Strategic Plan

Strategic Plan



Board Budget Cycle



II. Financial Management

Financial Management

- **Role of the trustees:-**
 - Boards are required to review and approve Financial Management policies. For example: Expense policies, Procurement policies, etc
 - Receive and seek any clarifications about the Audited Financial Statements prepared and presented by the treasurer of the board, through the Audit Committee



Financial Management

- A transparent and thorough budget planning process analyzes:
 - All major revenues and expenditures
 - Spending patterns are compared to the grants
 - For example, how does the facility budget compare to the grants for facilities.
 - The funding may not be enveloped, but where there are variations these should be conscious decisions.
 - Risks and mitigation strategies should be developed
 - Decisions are looked at from a multi-year perspective (are these decisions fiscally sustainable in the future)



Financial Reporting and Monitoring

- School Boards are required to submit financial reports to the ministry three times per financial cycle;
 - June 30 for Estimates, December 15 for Revised Estimates and November 15 for Financial Statements
- Financial data is submitted using the Education Finance Information System (EFIS) which calculates the board's funding based on enrolment and other information provided.
- The data collected is used for monitoring and review purposes; data is also used to support policy decisions.
- Enrolment audits of selected boards occur annually to ensure compliance with enrolment legislation and policy. The audit planning ensures that all 72 boards are audited every 5 years.



Financial Reporting and Monitoring

Sign Off: The Director of Education is required to certify that the board's financial statements and other reports are prepared in accordance with the Education Act and the financial regulations.

External Audits: School board external auditor appointed by the board for a term not exceeding five years (subsection 253(1)). The external auditor reports on financial statements to ensure proper controls are in place and the financial statements are prepared in accordance with CICA accounting standards.

Ministry Review: Ministry staff conducts standard review procedures to verify a board's financial status, the enveloping provisions, and the grant entitlements. As a result, grants may be adjusted.

Provincial Auditor: The provincial auditor has the authority, and has exercised this authority in the past, to conduct financial audits of a school board.

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Risk Management

- The Ministry monitors boards at risk of deficits.
 - The risk assessment is based off current spending patterns in relation to the size of the Accumulated Surplus
- High risk boards are sometimes asked to develop:
 - Deficit Management Plans or Multi-Year Financial Recovery Plans
- If outside support is needed, sometimes Special Assistance Teams are used.
- Consequences of ineffective budgeting can be high. A board that misses targets in a recovery plan or has an accumulated deficit could be subject to an investigation and could lead to budget decision making powers being suspended until the budget is balanced.
- Good internal controls and identifying risks early are key to avoiding these negative consequences.

Interim Financial Reporting

- Interim Financial Reporting tool is available to school boards, if required; assist with monitoring board's financial progress during the fiscal year and identify variances from budget.
- Ministry encourages school boards to implement interim reporting as it is a good practice in financial management.
- High risk school boards can be required to implement this practice.
- Refer to Appendix A for Sample



III. Audit & Audit Committee



Audit Committees & Internal Audit - Why?

- Grants for Student Needs > \$22.5 billion – oversight critical
- Opportunity to modernize governance in the sector through audit committee and internal audit functions
- Contribute to good governance, transparency and accountability
 - Key to enhancing/regaining public confidence
- Determine whether risks are appropriately identified and managed
 - Can help to prevent or mitigate damage to reputation, financial loss, impact to student outcomes, etc.
- **Helps to keep focus on real priority – students**

What are Audit Committees?

- Standing committee of the board of trustees
- Assists the board of trustees to oversee and objectively assess the performance of the school board's management, internal audit and external audit
- Makes recommendations to the board of trustees



Ontario Regulation 361/10

- Requires an audit committee in every school board
- Specifies committee composition – 2 - 4 trustee members, 2 - 3 external representatives with financial expertise (based on size of board)
- Minimum 3 meetings per year
- Outlines duties in 6 main areas:
 - Financial reporting process
 - Internal controls
 - Internal audit
 - External audit
 - Risk management
 - Compliance
- Sets out powers of audit committees
 - To obtain professional advice/assistance, as needed (with prior approval of the board)
 - To require various parties to attend meetings (including private sessions as appropriate)
 - To obtain/access information, records, reports as specified in the regulation

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Internal Audit & Regional Model

- Internal audit objectively assesses the effectiveness of a school board's risk management, control and governance processes
- Regional Internal Audit Teams *made up of professional staff* were created in eight regions in Ontario, with a “host board” in each region receiving the funding
- Objectives of regional model:
 - Efficient use of resources through collaboration among boards
 - Share best practices using a team approach
 - Equitable distribution of resources (considering board size, language and geographic coverage)
- Report to audit committees in *their* region
- *Professional staff are employees of the host board, NOT the Ministry*
- Training for Audit Committee members is planned for early 2015, details to follow shortly

Appendix A: Interim Financial Reporting:

Forecast

Springfield DSB

2013-14 Interim Financial Report

For the Month Ending May 31, 2014

Summary of Financial Results

(\$Thousands)	Estimates	Revised Estimates	Forecast	In-Year Change	
				\$	%
Revenue					
Operating Grants	126,300	129,510	130,540	1,030	0.8%
Capital Grants	20,400	20,400	20,400	-	0.0%
Other	15,500	15,500	15,500	-	0.0%
Total Revenue	162,200	165,410	166,440	1,030	0.6%
Expenditures					
Classroom	110,100	111,000	111,450	450	0.4%
Other Operating	7,114	7,164	7,274	110	1.5%
Transportation	12,000	12,100	12,200	100	0.8%
Pupil Accommodation	23,500	23,600	23,400	(200)	(0.8%)
Other	9,600	10,600	10,500	(100)	(0.9%)
PSAB Adjustments	1,800	1,900	1,900	-	0.0%
Total Expenditures	164,114	166,364	166,724	360	0.22%
In-Year Surplus (Deficit)	(1,914)	(954)	(284)	670	n/a
Prior Year Accumulated Surplus (Deficit)	5,000	5,100	5,100	-	0.0%
Accumulated Surplus (Deficit) for Compliance	3,086	4,146	4,816	670	21.7%

Note: Forecast based on year-to-date actuals up to September 30.

Changes in Revenue

Change in Expenditures

Change in Reserve

Change in Surplus/Deficit

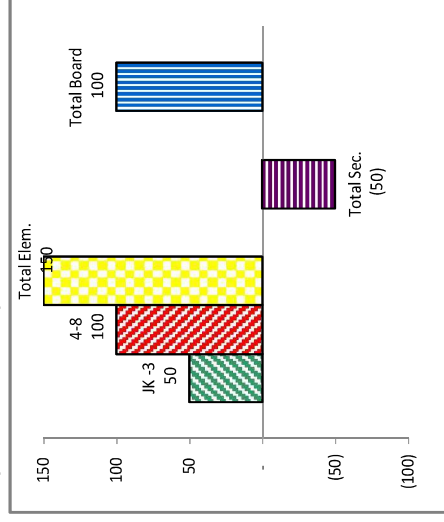
Risks & Recommendations

Summary of Enrolment

ADE	Estimates	Forecast	In-Year Change	
			#	%
Elementary				
JK -3	3,000	3,050	50	1.7%
4-8	4,000	4,100	100	2.5%
Total Elementary	7,000	7,150	150	2.1%
Secondary <21				
Pupils of the Board	4,200	4,150	(50)	-1.2%
Other Pupils	-	-	-	0.0%
Total Secondary	4,200	4,150	(50)	-1.2%
Total	11,200	11,300	100	0.9%

Note: Forecast will be based on October 31st count date

Changes in Enrolment: Budget v. Forecast



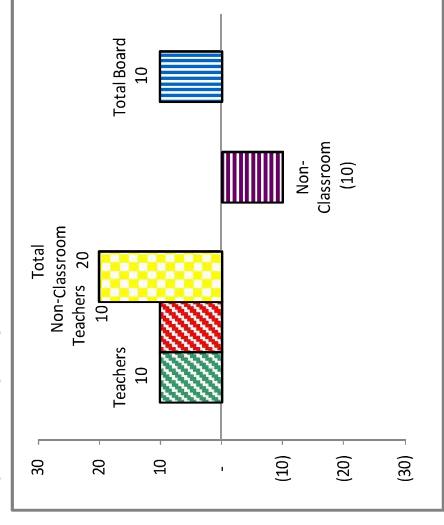
Highlights of Changes in Enrolment:

Summary of Staffing

FTE	Estimates	Forecast	In-Year Change	
			#	%
Classroom				
Teachers	690	700	10	1.4%
Non-Teachers	120	130	10	8.3%
Total Classroom	810	830	20	2.5%
Non-Classroom	300	290	(10)	-3.3%
Total	1,110	1,120	10	0.9%

Note: Actual as of September 30, 2013.

Changes in Staffing: Budget v. Forecast



Highlights of Changes in Staffing:



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PART III: EDUCATION CAPITAL

Pupil Accommodation Roles & Responsibilities

- **Ministry**
 - Provides financial resources via the development and implementation of capital funding programs and policies to enable boards to meet their pupil accommodation responsibilities.
 - Monitors board actions to ensure accountability to taxpayers.
 - Develops fair and equitable capital policies, programs and guidelines to support school boards.
- **Trustees**
 - Responsible for decisions related to pupil accommodation and safety.
 - Accountable for ensuring students have access to adequate learning environments and program opportunities while ensuring best use of public funding.
 - Determine school board policies and priorities related to constructing, repairing , and renovating schools as well as opening, closing, selling, and buying schools.
 - Ensure school board capital plans and projects adhere to the Ministry’s objectives and funding benchmarks.



Capital Funding Programs

- The Ministry provides funding for capital purposes to school boards through a number of programs:
 - Capital Priorities Grant – for new schools, additions, and major renovations
 - School Consolidation Capital Grant – for the consolidation of schools and right sizing of the board’s capital footprint
 - School Condition Improvement Funding – for renewal needs



Capital Priorities Grant

- **Ministry**
 - Provides annual funding for new schools, additions and major renovations to address enrolment growth pressures, replace schools in poor condition and support school consolidations
 - Reviews school board's business case submissions for new, major capital projects and evaluates alignment with program objectives
 - Establish provincial accommodation space standards and funding benchmarks
 - Based upon recommendations made by board construction experts
 - Includes all construction costs, fees, permits, furniture and equipment
- **Trustees**
 - Responsible for ranking and prioritizing capital proposals based on urgency and need
 - Endorse school board submission of up to 8 Business Cases to request Ministry funding and/or approval to proceed with a project using board's own funds
 - Accountable for having explored reasonable alternate solutions prior to requesting capital support
 - Ensure approved projects are completed within Ministry benchmarks



School Consolidation Capital Grant

- **Ministry**
 - Allocate \$750M over the next four years to support the right sizing of a board's capital footprint by for example, consolidating two schools into one
 - Provide additional timely approvals for new schools, additions and major renovations to address consolidation projects that reduce excess capacity and reduce capital footprint
 - Review board submissions and evaluate alignment with the School Board Efficiencies and Modernization (SBEM) initiative
 - Provide funding based upon construction benchmarks
- **Trustees**
 - Rank and prioritize proposals and ensuring that proposals meet program eligibility parameters and reduce ongoing operating and renewal costs
 - Endorse school board submission of up to 8 Business Cases to request Ministry funding and/or approval
 - Explored alternate solutions to determine the best option that maximizes value for money
 - Ensure approved projects are completed within Ministry benchmarks



School Condition Improvement

- **Ministry**
 - Provides annual funding through the GSN to target renewal needs in schools that need to remain open
 - Funds and oversees the ongoing School Condition Assessment Program to review the condition of each school in the province over a five year period. The Ministry is in the fourth year of the program.
 - As announced in the 2014-15 Ontario Budget, to address the significant backlog of renewal needs, SCl allocation has been extended three years to 2016-17 where total funding over the three years has increased to \$1.25B
 - \$250M to be allocated in 2014-15 and \$500M each to be allocated in 2015-16 and 2016-17.
 - 2015-16 and 2016-17 board funding levels to be aligned with renewal needs identified through the assessment program.
- **Trustees**
 - Ensure prudent use of renewal dollars to address facility condition and provide safe facilities for students
 - Develop long term strategy for dealing with ongoing renewal needs



School Utilization

- Ministry
 - Provide programs and incentives to either use or remove unused space, including:

Making More Efficient Use of Under-Utilized Space	School Closure and Disposition
<ul style="list-style-type: none">• Facility Partnerships Guideline	<ul style="list-style-type: none">• Pupil Accommodation Review Guideline
<ul style="list-style-type: none">• Schools-First Child Care Capital Retrofit Policy	<ul style="list-style-type: none">• Administrative Review Process
<ul style="list-style-type: none">• Joint use of schools initiative	<ul style="list-style-type: none">• Disposition of Surplus Real Property

- Trustees
 - Make the difficult decisions regarding the ongoing purposing of school space including:
 - Finding other students for the space
 - School area boundary changes
 - New grade configurations
 - New program offerings
 - Finding other purposes for the space
 - Child Care Centres
 - Community Partners/Hubs
 - Joint use with co-terminous School Boards
 - Decisions regarding the closure of surplus schools
 - Decisions regarding the sale of surplus schools



School Board Planning Process for Excess Space

STEP 1: PLANNING FOR EFFECTIVE USE OF SPACE

STEP 2: ACCOMMODATION REVIEW

STEP 3: DISPOSITION OF SURPLUS PROPERTIES

EDU Policy
or Initiative

- Facility Partnerships Guideline.
- Schools-First Child Care Capital Retrofit Policy.
- Joint use of schools initiative.

Government
Commitment

- Develop/support school-community hubs to promote efficient use of public assets, build better ties between schools and municipalities and other community organizations, ensure more viable schools are able to remain open.

Ministry Support

- Pupil Accommodation Review Guideline (PARG).
- Administrative Review Process.

- Ontario Regulation 444/98.

- School Board Efficiencies and Modernization (SBEM) strategy.
- Revise PARG to make process more effective for school boards and community.

- Revise Ontario Regulation 444/98.
- Work with MMAH on land use planning/green space initiative.

Trustee Actions

- Combined grades.
- Attendance boundary and/or special program changes.
- Joint use of school with coterminous board.
- Partnerships (Community Hubs).

- Accommodation Review Committee formed to assist with review of school(s) subject to closure or consolidation (may include attendance boundary and/or special program changes).

- School board declares a closed school as surplus.
- Property offered to government agencies first, and if no interest in purchasing property it can then be offered on the market.

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Pupil Accommodation Review Guideline (Accommodation Review Committees (ARCs))

- **Ministry**
 - Develop Pupil Accommodation Review Guideline that requires school boards to undertake a meaningful community consultation prior to closing schools.
 - Consulting with stakeholders with the intent to release revised guidelines expected later this year. The revised guideline will make the school closure and consolidation process more flexible for school boards while still ensuring that affected communities have meaningful input into the process.
 - Allow provision for communities to request reviews of school board accommodation review processes through the Administrative Review Policy to determine compliance
- **Trustees**
 - Develop/revise & implement accommodation policy in accordance with PARG
 - Final decisions about school closures are made by school board trustees.
 - Trustees have to approve their board's ARC policy. This policy should adhere to the Ministry's Pupil Accommodation Review Guideline.

Funding Documents

- Ministry's public website – Education Funding (<http://www.edu.gov.on.ca/eng/policyfunding/funding.html>)
 - GSN Technical Paper
 - School Board Funding Projections (“Grey Book”)
 - Grant Regulation
 - Business (B) Memos – memoranda issued to school boards to provide direction on funding policy and other financial matters



QUESTIONS?

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