



## **P012, Budget Approval Policy Review: Phase 1**

**To:** Governance and Policy Committee

**Date:** 26 March, 2019

**Report No.:** 03-09-3614

### **Strategic Directions**

- Allocate Human and Financial Resources Strategically to Support Student Needs
- Create a Culture for Student and Staff Well-Being
- Provide Equity of Access to Learning Opportunities for All Students

### **Recommendation**

It is recommended that the Work Plan for review of the Budget Approval Policy (P012), as presented in this report, be approved.

### **Context**

The Budget Approval Policy (P012) (the “Policy”) (see Appendix A) is being reviewed in accordance with the Policy Review Schedule approved by the Board of Trustees on February 6, 2019.

The proposed revisions to the Policy as outlined in the Policy Review Work Plan (see Appendix B) are based on the Multi-Year Strategic Plan, principles of the Equity Policy (P037), operational requirements, scan of other school board policies (see Appendix C), as well as the legislative requirements, including, Ontario Regulation 361/10 under the *Education Act*.

### **Action Plan and Associated Timeline**

Subject to the Governance and Policy Committee’s directions, the Policy will be reviewed in accordance with the Policy Review Work Plan and subsequently presented to the Governance and Policy Committee for consideration and recommendation. The document will then be presented to the Board of Trustees for final approval.

## **Resource Implications**

No additional resources will be required for the review of this Policy.

## **Communications Considerations**

The Policy will be communicated in accordance with the Policy Review Work Plan.

## **Board Policy and Procedure Reference(s)**

## **Appendices**

- Appendix A: Budget Approval Policy (P012) – Current
- Appendix B: Policy Review Work Plan
- Appendix C: Scan of Selected Ontario School Boards – Budget Approval

## **From**

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## Toronto District School Board

**Policy P.012 BUS:**

**Budget Approval**

### Statement

The Toronto District School Board has adopted a process that will be followed by staff when presenting recommendations to the Board concerning the budget.

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### **Administrative Procedure**

1. A comprehensive review of current expenditures
2. Identification and addressing of inefficiencies
3. Establishment of equitable distribution of resources
4. Identification of provincial funding gap and impacts of proposed expenditure reductions
5. Identification of critical data to support the Boards efforts to improve provincial funding
6. Development of a strategy to seek support from other governments and organizations in the Boards advocacy to change the provincial funding model

## POLICY REVIEW WORK PLAN

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Date: [March 26, 2019](#)

All policies will be reviewed to ensure consistency with the TDSB's Mission, Values and Goals Policy (P002), the Equity Policy (P037) and the Board's Multi-Year Strategic Plan.

### POLICY INFORMATION

Policy Title and Policy Number: [Budget Approval Policy \(P012\)](#)

Review during fiscal year: [2019/20](#)

Last reviewed: [March 29, 2000](#)

Director's Council member responsible for this Policy review: [Associate Director, Business Operations and Service Excellence and Executive Officer, Finance](#)

### Phase I. PLANNING AND OBTAINING TRUSTEES' DIRECTIONS

This Policy Review Plan has been discussed with the Policy Coordinator:

- Yes  
 No

This Policy Review Plan will be discussed at the Governance and Policy Committee meeting held on: [March 26, 2019](#)

### Phase II. REVISIONS

#### Formatting Changes

The Policy will be reformatted to ensure alignment with the current Policy Template (Operational Procedure PR501, Policy Development and Management, Appendix A):

- Yes  
 No

#### Content Changes

The Policy requires content revisions:

- Yes  
 No

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The content changes are due to the following reason(s):

- Legislation
- Government directives/policies
- Board decisions
- Multi-Year Strategic Plan requirements
- Operational requirements
- Simplify and/or update using plain language
- Alignment with Equity Policy

Detailed information on the proposed content changes, including findings of the policy equity assessment:

- Define and clarify the purpose, roles and responsibilities and requirements around the annual budget development process.
- Ensure that budget process is reflective of the principles of equity and inclusion as stated in the Equity Policy (P037).
  - Ensure budget practices are in place to distribute funding equitably among schools and school programs, recognizing that certain disparities exist in many school's fundraising capacity which lead to inequality of resources.
  - Conduct annual resource audits of school needs and assets, engage in community consultations, and collect and examine supplemental data (in addition to the Learning Opportunities Index) to ensure greater equity among schools with different socio-economic Status.
  - Ensure there are no biases, barriers, or inequity both within and/ or between schools and school programs. This includes economic, funding, and budgetary disparities.
- Ensure alignment of the revised Budget Approval Policy (P021) and corresponding operational procedure to the Education Act (Subsection 232) and related Ontario regulations. The legislation, Ministry directives and policies define the processes and requirements for Boards to operate effectively within the provisions and expectations of provincial government and local communities.
- Emphasize that the annual budget development process is a transparent and documented process. It provides the opportunity for key stakeholders, including the Board school communities, parents, students and Community Advisory Committees to provide input regarding the strategic budget plans.
- Management shall identify and consider significant risks and changes that may impact the Board's revenues and expenditures, and develop strategies to mitigate risks in order to achieve a balanced budget.

- The annual budget presented for approval shall demonstrate alignment to the Board's approved goals and priorities, including commitment to student achievement and equity.
- Financial and human resources will be prioritized and devoted to promoting and embedding principles, practices and structures of Equity, anti- Oppression and Inclusion within the school system.

A review of leading practices for similar policies across jurisdictions has been completed and is included with this Work Plan.

### **Phase III. INTERNAL REVIEWS AND SIGN-OFFS**

The Policy review will include TDSB divisions affected by the Policy:

- Business Operations and Service Excellence
- Equity, Well-Being and School Improvement
- Human Rights and Indigenous Education
- Learning and School Improvement
- School Operations and Service Excellence

In addition, the following departments will be required to sign-off on the proposed Draft Policy:

- Legal Services
- Governance and Board Services
- Government, Public and Community Relations

A sign-off from the Director of Education will be obtained before proceeding with external consultations and/or Committee/Board approval.

- Director of Education

### **Phase IV. EXTERNAL CONSULTATIONS**

Are external consultations applicable to this Policy?

- Yes
- No (*Ministry of Education mandated policy or corporate policy without external stakeholders*)

Mandatory external consultations will include, at a minimum:

1. Posting of the working draft Policy on TDSB website for public feedback



(45 days minimum)

2. Extending invitations for consultation to:

Student Senate

and

all Community Advisory Committees of the Board and conducting consultations with the Community Advisory Committees that expressed interest (either individually with each interested committee or collectively with representatives of all interested committees): [September 2019](#)

- Aboriginal Community Advisory Committee
- Alternative Schools Community Advisory Committee
- Black Student Achievement Community Advisory Committee
- Community Use of Schools Community Advisory Committee
- Early Years Community Advisory Committee
- Environmental Sustainability Community Advisory Committee
- Equity Policy Community Advisory Committee
- French-as-a-Second-Language Community Advisory Committee
- Inner City Community Advisory Committee
- Parent Involvement Advisory Committee (PIAC)
- Special Education Advisory Committee (SEAC)

In addition to mandatory consultations, other external participants and projected dates of consultation(s) include:

- School Councils
- Professional Associations and Unions
- Other:

The following methods will be applied in the external consultations: [\[at least two or more methods must be selected\]](#)

- Public meeting
- Facilitated focus group
- Call for public delegations
- Expert panel discussion

- Survey
- Posting on the TDSB website
- Other: [Email Correspondence](#)

#### **Phase V. COMMITTEE/BOARD APPROVALS**

Following external consultations and revisions, the working draft Policy will be presented to the Governance and Policy Committee on the following date: [December 2019 – January 2020](#)

Following recommendation by the Governance and Policy Committee, the revised Policy will be presented to the Board on the following date: [January – February 2020](#)

Once approved, the revised Policy will replace the existing policy on the TDSB website.

#### **Phase VI. IMPLEMENTATION**

Following Board approval, the final revised Policy will be communicated through:

- Posting of the revised Policy on the TDSB website through the Policy Coordinator
- Sharing with staff through the System Leaders' Bulletin
- Informing departments at staff meetings and channeling information to the school principals through respective superintendents
- Implementation of a broad communication plan for internal and external audiences, include summary of policy revisions and expected outcomes

Policy implementation will include:

- Conducting information/training sessions to TDSB staff affected by the Policy

The projected time period for conducting information/training sessions to staff will be: [Winter 2019/20](#)

- Review of associated procedures or initiate development of new procedures  
[PRXXX Budget Procedure](#)

## **Scan of Selected Ontario School Boards – Budget Approval**

### **Overall Best Practices**

Most budget policies scanned clarify the respective Board's intention on how it will manage its resources by identifying acceptable and unacceptable course of financial action, establishing parameters in which the Board can operate, and providing a standard against which the Board's fiscal performance can be judged. Overall, many school boards' (e.g. Halton DSB, York Region DSB, Hamilton-Wentworth DSB) have policies related to its general fund reserve; financial emergency; long-term forecasting; asset maintenance and replacement; budgeting and management of categorical funds; budgeting for staff compensation; review and sun setting of programs; definition of a balanced budget; year-end savings; and funding for new programs.

### **Data and Outcomes Should Drive the Budget Process**

Most school boards' budgetary decisions were driven by evidence based data; Boards recommended funding programs and service providers that have a demonstrated track record of success in achieving the Board's desired outcomes (e.g. enhancing student achievement). For example, at the Hamilton-Wentworth DSB they use a "response to intervention" model to help struggling students. The response to intervention model emphasizes regular monitoring of student progress, reliance on rigorously tested and proven instructional methods, and use of data to make decisions on educational strategies. Moreover, many school boards (e.g. York Region DSB) prioritize strategies and programs with proven cost-effectiveness; strategies and programs that have proven to produce larger gains in student learning relative to their cost were given priority for funding. Thus many school boards have adopted practices that regularly review their programs/services with the objective of identifying programs/services that are not cost-effective and repurpose the funds accordingly.

### **Ensuring Equality and Equity for All Students**

In terms of equity within their respective budgetary policies, most school boards have included provisions that ensure every student is given an equal chance to succeed. As it relates to the budget process, this means promoting equality and equity in funding among the general student population, while providing extra support for struggling students to also provide them with the opportunity to succeed. For example, some school boards (e.g. Hamilton-Wentworth DSB) employ a site-based budgeting model, per-pupil allocations can be weighted based on student need. For Boards not using a site-based model (e.g. Thames Valley DSB); the Board identified groups in need of additional assistance and allocated additional resources as necessary.

In addition, most school boards' budgetary process is informed by valid and reliable data on fiscal and student achievement performance. Many school boards also use a consolidated budget approach. This ensures the budget process considers all available funds available while acknowledging constraints on categorical spending in order to make the most impact with the available dollars. Most budget policies clearly outline what actions are being funded in order to help the Board reach its student achievement goals, as opposed to outlining line items and broad expenditure categories.

**General Fund Reserve**

Many School boards have established a formal policy on the level of unrestricted fund balance that is maintained in the general fund as a reserve to hedge against risk. These provisions address the target level of fund balance to maintain; the appropriate uses of fund balance; who can authorize the use of fund balance; and guidance on how fund balance will be replenished to target levels after it has been used.

**Financial Emergency Provisions**

Some school boards have included provisions within their budget policies that provide guidelines on how to respond to a financial crisis. This includes clearly defining “financial emergency;” who invokes the provision when a financial crisis occurs; designating authority for managing the crisis; providing authorization to place a freeze on hiring and purchases and to use other retrenchment tactics; directing staff to develop monitoring and reporting tools to manage the crisis; directing staff to diagnose the reasons for the crisis and to present a financial recovery plan to the board; and, finally, directing staff to conduct a root cause analysis of the crisis and present the board with strategies to prevent a recurrence of the crisis.

**Long-Term Forecasting**

Many school boards have provisions in their policy which direct staff to develop long-term revenue and expenditure forecasts (typically covering three to five years) as part of the budget process and to consider these forecasts during budget development in order to address the Board’s future financial position. These provisions assist in directing the development of long-term enrollment forecasts in order to support financial decision making, including, where practical, trend analysis for students in categories that cost more to educate such as students in poverty, special needs, and English as a Second Language.

**Budgeting and Management of Categorical Funds**

School Boards in Ontario collect general tax revenue through such means as property taxes, leasing/selling of assets, and provincial allocations that can be used largely at the discretion of the Board and categorical funds that are intended for more specific purposes (e.g., Special Education Funds). Often, due to laws and grant regulations, a substantial barrier between categorical and general funds is created. For example money may be spent on duplicate resources, spending may be fragmented among incoherent initiatives, and Superintendent’s may have little understanding of the true breadth of resources available for increasing student learning. For these reasons, many school boards have directed that all Board spending be reflected in the budget and that staff make every possible effort to realize scale and coherence in the use of discretionary and categorical funds.

**Definition of a Balanced Budget**

Research suggests that while regulations require school boards to adopt a balanced budget, the regulations are often vague such that a budget that is balanced by the definition of the law or act may not be sustainable over time. For example, selling assets or using reserves may be considered acceptable means of balancing the budget, but is not

sustainable on an ongoing basis. Therefore, many school boards in the United States have embedded provisions within their budget policy with a more rigorous definition of a balanced budget. For example the Government Finance Officers Association (GFOA) in the United States uses the term “structurally balanced budget” to describe a budget where recurring revenues equal or exceed recurring expenditures, and recommends that school Board’s adopt rigorous policies, for all operating funds, aimed at achieving and maintaining a structurally balanced budget. They also recommend including parameters for achieving and maintaining structural balance where recurring revenues are equal to recurring expenditures in the adopted budget.

### **Year-End Savings**

It is not uncommon for a school board to spend less than its entire allocation and have funds remaining at fiscal year-end. Often these funds are rescinded and reallocated in the next budget. The GFOA recommends that Boards develop budget policies that encourage a more strategic use of underutilized funds. For example, the policy can embed provisions that may provide for a carryover from one year to the next. Carryover continues funding authority for a limited additional time period, usually on a case-by-case basis. This allows central management to grant carry-over authority where there is a clear justification or to rescind spending authority when the funds could be better used elsewhere. For example, the Thames Valley DSB have developed provisions for joint decision making between central office and school/department managers to identify constructive mutually beneficial uses of year-end savings. This may lead to budget carryovers and the associated spending will be considered more favorably when they are consistent with a comprehensive business plan or result in financial savings to the Board.

### **Funding New Programs**

Many school boards (e.g. York Region DSB, Thames Valley DSB, Halton DSB) have developed provisions within their policy that outline how the Board will fund and manage new programs. These provisions are aimed in encouraging practices that support budgeting decisions that best align resource allocation with improving student achievement, such as establishing a preference for “pilot” or “experimental” periods for new programs and estimation of cost and benefits up-front, followed by rigorous evaluation of actual results after a defined period.

**School Boards Scanned:** Halton DSB, York Region DSB, Hamilton-Wentworth DSB, Thames Valley DSB, Toronto DSB, Toronto Catholic DSB

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