

Financial Leadership & Competencies

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Financial Leadership & Competencies

☐ Introductions

☐ Budget Overview

- Conceptual Understanding of Planning & Scenario Building
- Best Practices
- Budget development strategies

☐ Financial Leadership Competencies

☐ General Purpose Operating Grant

- overview to the College Funding Framework

Introductions

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Niagara College

- Joined the College system in April 2003
- Chair, Colleges of Ontario Finance Officers(COFO) for 5 years
- MTCU Financial Reporting Working Group member

Introductions

- 1) Name
- 2) College
- 3) How long have you been with the College
- 4) Position
- 5) One thing you enjoy about the College Sector

Planning vs. Budgeting vs. Forecasting

Planning

- a strategic prediction of business performance at a summary level
- how the College can respond to changing environment
- the process can be fairly frequent and usually completed quickly

Budgeting

- planning distributed to individual areas of responsibility in a College
- work at a much greater level of detail
- slower exercise, often taking weeks and performed once a year

Forecasting

- essentially a re-casting of the budget
- reflect changes in enrollments, strategic plan alterations, error corrections and revised assumptions in the original approved budget.
- typically prepared monthly or quarterly

Planning vs. Budgeting vs. Forecasting

	Centralized or Decentralized	Level of Detail	Frequency	Speed
Planning	Centralized	Summary	Often	Quick
Budgeting	Decentralized	Highly detailed	Annual	Slow
Forecasting	Combination	Mostly summary - light detail	Monthly or ad hoc	Quick

Budget Pitfalls

- We spend more time creating a budget than analyzing it
- The budget bears little or no relation to our underlying business plan
- After the budget is approved, no one looks at it again
- Budget holders dislike the tedious and lengthy process of creating, revising and submitting documents

Budget Pitfalls

- Planning, decision and allocation of resources are not connected
- Lack of understanding of budgets at various levels within the organization
- Decision making seems to be a closed process. Lack of understanding
- Budget process historically has been the consolidation of data that builds the annual budget rather than a strategic process that allocates resources to support the priorities for that fiscal year

Budget Best Practices

Strategic Plan



Financial Action Plan

Budget Best Practices

- integrate institutional planning activities and aligns resources with priorities
- process includes key stakeholder input
- budgets are multi-year focused
- budget process is accountable
- clear and consistent communication
- budget process is evaluated, continuously evolves and manages risk

Budget Development Strategies

Phases of Budget Development

- Planning
- Coordinating and Communicating
- Monitoring
- Evaluating Performance

Budget Development Strategies

Planning

Goal Setting

- Review the College strategic plan
- Focus on how to apply that plan to the individual department(s)
- Set goals that relate to the individual department

Reviewing Options and Predicting Results

- Determine direction, priorities and areas for focus
- Look at various alternatives to achieve the goals and predict the results

Deciding on Options

Budget Development Strategies

Coordination and Communication

Coordination is key

- College wide
- Department focus – compile the various functional areas into one unit budget

Communication is essential

- From the top; strategic objectives, basic assumptions
- From the department; particular needs, assumptions, expectations, goals
- Determine a basis for the allocation of scarce resources among competing needs

Budget Development Strategies

Budget Monitoring

- After the plan has been set in motion, periodically monitor the progress
- Identify and track the variances from budget
- Allows for corrective action on a timely basis

Budget Development Strategies

Evaluating Budget Performance

- Can determine the manager's overall success in achieving strategic goals
- Managers are aware they are accountable for their results
- Motivate performance
- Measure for future resource allocations

Budget Development Strategies

Types of Budgets

- Incremental or Base Plus
- Zero Based Budgets
- Hybrid Models

Budget Development Strategies

Incremental or Base Plus Budgets

- Build on historical

Advantages:

- Generally easier to prepare
- Incorporates both history and experience

Disadvantages:

- Temptation to use past period figures and increase by a set percentage, rather than evaluating the realities of current and future environment
- Managers can develop a “use it or lose it” attitude, to ensure budget remains at same level in future

Budget Development Strategies

Zero Based Budgets

- Begin each new budgeting process from a zero base, or the ground up, as though the budget was being prepared for the first time.

Advantages:

- Every assumption and expenditure receives a critical review
- Alternatives are considered
- Requests must be justified

Disadvantages:

- Time!
- The process may become more important than the budget

Budget Development Strategies

Hybrid Budgets

- A combination of traditional and zero based budgeting
- Could be used for various parts of the department or various types of expenditures
- Alignment of cost drivers and constraints

Budget Development Strategies

Budget Preparation

- Data + Assumptions = Projection
- Questions that must be asked before beginning.
 - Are the goals of the department going to achieve the larger and longer-term strategic goals of the College?
 - Does the College have access to the required resources to fund and staff the activities?
 - What are the expectations of the College and others with respect to this area?
- Identify discretionary and non-discretionary costs

Budget Development Strategies

Budget Preparation

▪ PROCESS

- Determine which items should be budgeted using zero based and which benefit from the traditional method

▪ RESPONSIBILITY

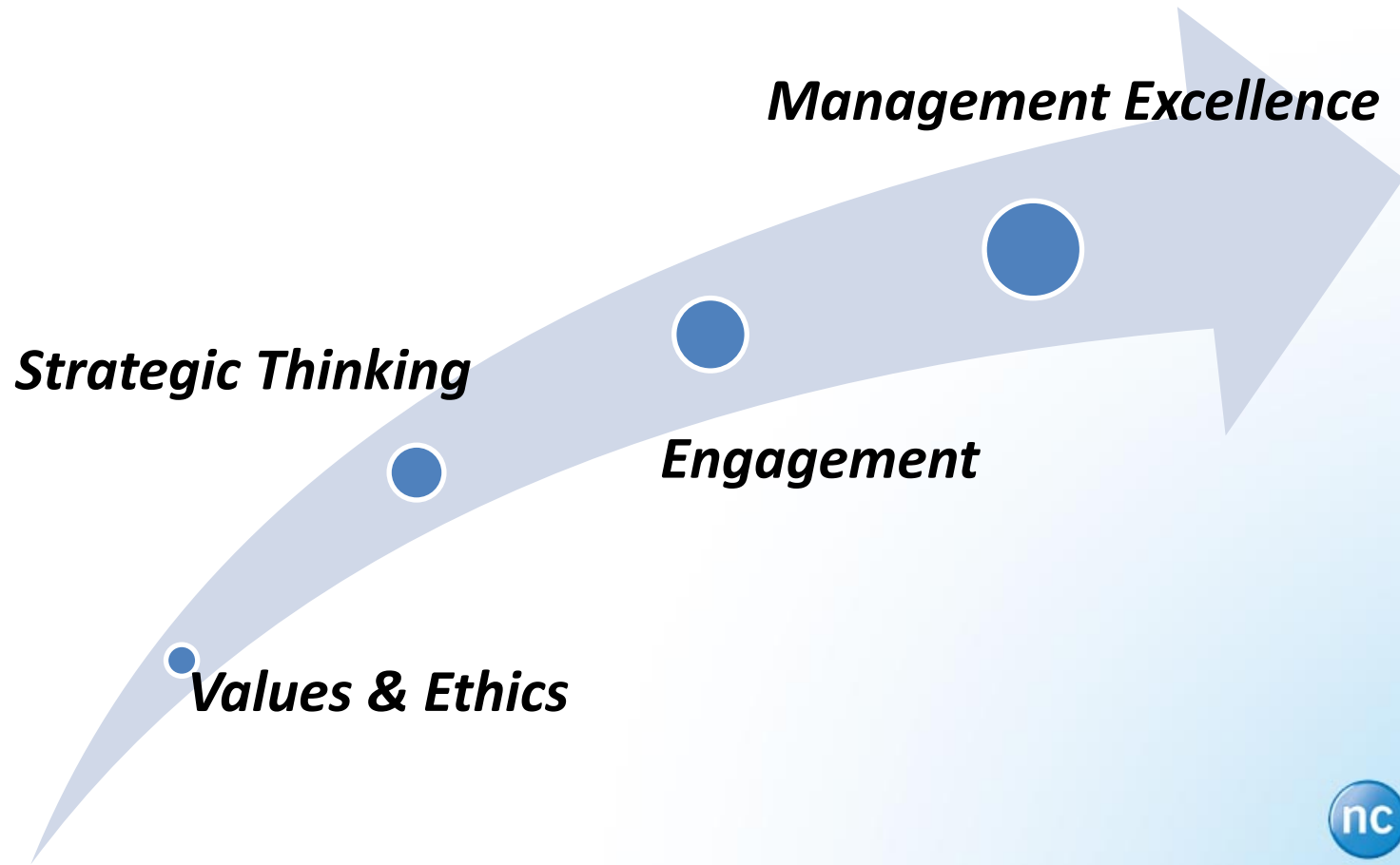
- Bring others into the process as much as possible
- For their base knowledge, ideas and buy in
- Communicate with others the reasons for any changes in their proposed budgets
- Monitor and update the budget as assumptions change

Budget Development Strategies

Budget Preparation

- Always consider both internal and external changes in assumptions, especially those which have occurred in the past year
- Understand each line item
- Avoid unpleasant surprises
- Think outside the box
- Consider efficiency
- Scenario planning and mitigate risks

Financial Leadership Competencies



Financial Leadership Competencies

Values & Ethics

- Integrity
- Respectful, diverse and inclusive workplace
- Transparent and fair decisions
- Accountability for Actions
- *“What would you do if it was your money?”*

Financial Leadership Competencies

Strategic Thinking

- Innovation through analysis and ideas
- Scan an ever-changing, complex environment in anticipation of emerging opportunities and /or crises
- Develop well informed advice and strategies that are sensitive to the multiple stakeholders, reflect the direction of the College and position the College for success

Financial Leadership Competencies

Management Excellence

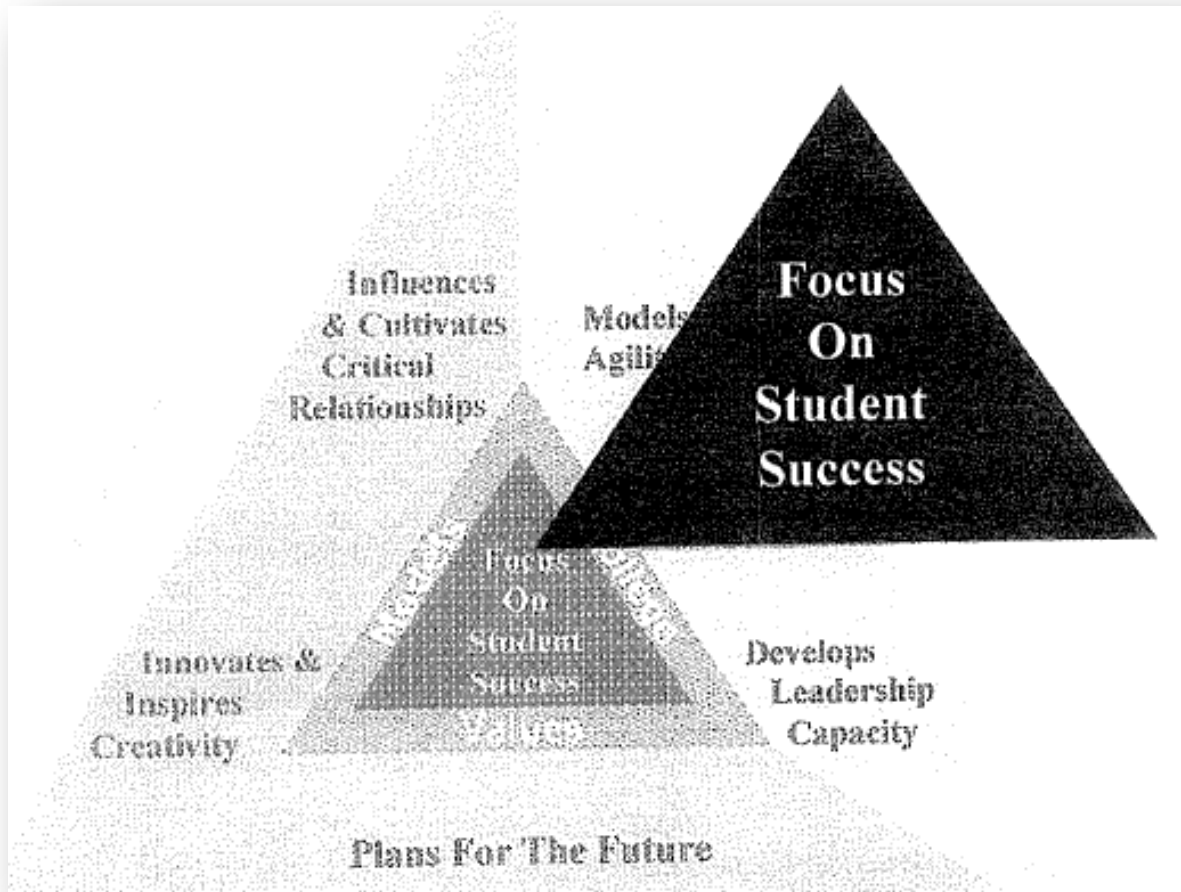
- Deliver results by maximizing organizational excellence
- Ensure your team has the support, tools, capacity and diversity to meet current and long term goals
- Align people, work and systems with the business strategy to harmonize how they work and what they do
- Accountability – lead and manage

Financial Leadership Competencies

Engagement

- Mobilize teams, build momentum to get things done by communicating clearly and consistently
- Lead across boundaries to engage a wide variety of stakeholders in a shared agenda and strategy

Financial Leadership Competencies



General Purpose Operating Grant (GPOG) Overview

The College Funding Framework

Background

- Until 2005-06, each college received a share of available funding based on its enrolment. This is referred to as the “divide the pie” model
- In 2006, a three-year Interim Funding Framework (IFF) was put in place to distribute additional funds provided by Reaching Higher and to address concerns with the previous funding model
- On June 17, 2009, Cabinet approved the implementation of a 2-year “base plus growth” funding model

The College Funding Framework

“Base Plus Growth” Model

The new College Funding Framework (CFF) was developed on several principles. The formula is designed to:

1. Provide equity among colleges through equal funding rate
2. Stabilize funding for base levels of enrolment while creating affordable growth
3. Provide a transparent, predictable allocation mechanism

The College Funding Framework

The CFF is distributed as follows:

GPOG or “Base Grant”

The Province would commit to funding each college at an equal per-student rate for base levels of enrolment

Growth Funding

Colleges with enrolment growth above the base level would be eligible for an enrolment-sensitive share of available government funding

The College Funding Framework

The CFF allocates funding based on enrolment expressed in weighted funding units (WFU)

Base Funding Envelope:

Base Reference Units (BRU) –

- 2009-10 base enrolment (average of 2005-06, 2006-07, 2007-08)
- This level would be adjusted periodically

Base funding is equal to the rate of funding per student multiplied by BRU

The College Funding Framework

Growth Envelope:

Growth Units (GU)

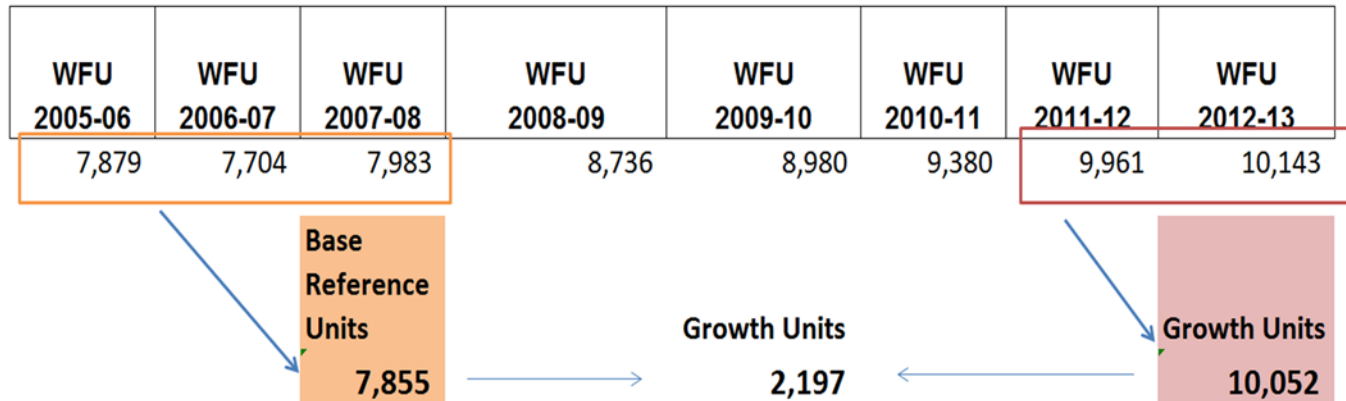
- growth units are determined by the moving 2 year average, 2 year slip less BRU

Growth funding is calculated by multiplying individual shares of growth enrolment by available growth funding

The College Funding Framework

2009-10 College System			
	WFU	Funding Rate \$ per WFU	Total Funding \$ (Millions)
Base Funding	219,930	4,360	958.9
Growth Funding	5,543	4,360	24.2
Sub-Total	225,473	4,360	983.1
Transition Funding			15.4
Total	225,473		998.5

The College Funding Framework



2014/2015 Fundng Simulaton - College A

	WFU	Funder per WFU	Total GPOG
Base Funding	7,855	\$ 4,276	\$ 33,588,463
Growth Funding	2,197	\$ 4,276	\$ 9,392,243
Total	10,052		\$ 42,980,706

Questions?