FINANCIAL HEALTH AND TRANSPARENCY FRAMEWORK PLAN

ONTARIO'S UNIVERSITIES

Ontario's universities are committed to strong fiscal management, transparency and accountability to students, the communities they serve and in which they reside, and to government for the funding they receive.

To further enhance existing transparency and accountability measures, and to provide ongoing financial monitoring and oversight for the sector, universities have developed a Financial Health and Transparency Framework Plan. The Framework would serve to: provide ongoing monitoring on the financial position of institutions; help ensure action is taken in a timely manner; demonstrate the sector's continued commitment to sustainability, accountability and transparency; articulate and affirm the role of university Boards in the financial oversight of autonomous institutions; and articulate the government's role in the financial health of the institution, such as policies related to operating grants and domestic tuition.

Building on well-established financial metrics, this Framework further strengthens financial monitoring and oversight to help ensure the financial health and sustainability of institutions.

Under this Framework, institutions commit to:

1 **Annual public reporting on five common core financial health indicators:**

Net Income/Loss Ratio; Primary Reserve Ratio; Interest Burden Ratio; Viability Ratio and Net Operating Revenues Ratio. These ratios reflect cash levels/liquidity, revenue and expense management, financial strength and flexibility, and debt management and affordability. Universities also may refer to and calculate additional financial health metrics for their planning purposes.

In addition to the five core indicators, universities that carry external debt commit to **third-party credit rating reviews**. Credit reviews are generally agreed to be the best forward-looking indicator.

2 **Set appropriate minimum thresholds** for the five financial health indicators and confirm the key indicators that would drive financial health actions. Key financial health indicators, plus credit rating, will provide a balanced look at an institution's financial health.

A band/range approach for each metric, plus credit rating, will serve as a guide for what variance from the minimum threshold would prompt an action.

3 **Engage in actions:** the minimum thresholds, in combination with external credit ratings, would provide guidance to institutions to take proactive action to mitigate emerging financial risks. The action would depend on the level of risk faced by the institution and would include:

a. **Internal Management Strategy** – where an institution would more closely monitor risks to its financial situation and would develop financial management strategies with its Board as appropriate.

b. **Internal Recovery Plan** – an institution would develop an internal recovery plan with its Board that would mitigate and address financial risks.

c. **Third-Party-Assisted Recovery Plan** – the Executive Head and Board of the institution will, in consultation with key stakeholders, retain a third-party or expert external advisor to review the institution's finances and its recovery plan/ management strategies.

Actions would be suited to the context of each institution and be commensurate with that context to ensure its financial health and sustainability.

4 **Continue sector leadership in transparency** by ensuring financial metrics, and other financial information, including operating budgets and credit rating reviews, are publicly available on websites.

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