



Institut sur la gouvernance  
d'organisations privées et publiques

# **Self-Financed Services**

**Policy and Accountability Elements**

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This document is intended to help CEGEPs strengthen their institutional governance by providing their governors and managers with guidance on how to draft a policy on self-financed services and accountability.

## **General principle**

Policies and by-laws are governance levers used by a college Board of Governors (the “Board”) to fulfill its mission and mandate. The Board’s role is therefore to define policies that reflect its public service vision and values, to guide action, and to establish by-laws to support their implementation.

The Board is responsible for ensuring that institutional resources, procedures and other management practices are effective and compliant with the law, its policies and its strategic, financial and budgetary plans. To fully discharge this responsibility, the Board relies on full, honest and clear rendering of accounts by the college’s administration.

The fact that a college administration reports on its activities and budgetary management to the Secrétariat du Conseil du trésor (SCT), the Ministère de l’Éducation et de l’Enseignement supérieur (MÉES) or other government entities according to a pre-established administrative format and schedule in no way releases it from full accountability to the institution’s governing body, the Board of Governors.

When adopting or modifying a policy, the Board should consider the following general accountability and good governance rules:

### *Implementation accountability requirements*

Concerning the implementation of a policy or by-law, should the Director General report to the Board on a regular or ad hoc basis, i.e. monthly, bi-annually or yearly, or only when an event or situation occurs that triggers a mechanism or procedure described in the policy or by-law?

*Deviation and risk*

When (appropriate time) should the Board be informed of a significant deviation from a plan, budget or procedure and, if applicable, justification provided and/or corrective action taken?

*Review calendar*

How often will the Board conduct a critical policy review (yearly, in three years or in five years)?

A competent, effective Board is not timid, knows its role, respects management's role and holds it to account.

## SELF-FINANCED SERVICES

Self-financed services are services offered to students and to an external clientele and that provide CEGEPs with operating revenues. In 2014-2015, revenues from self-financed services were \$321 million or 15% of total revenues. Self-financed services include:

- ✓ college centres for technology transfers;
- ✓ food services;
- ✓ cultural and sports facilities open to the public (e.g. performance hall, training centre, pool);
- ✓ student residences;
- ✓ continuing education, remote CEGEPs and other courses (e.g. summer courses);
- ✓ other services such as daycare, parking and school store.

CEGEPs conduct these activities directly or through operating partnership arrangements with other entities, particularly cities and NPOs.

### Recommendations of the Auditor General

- 10 Adopt tools to obtain reliable and sufficient management information, particularly about costs, to support managers in their decision-making regarding the assessment of self-financed services' results.
- 11 Clarify agreements with partners in order to decrease financial risks for CEGEPs.
- 17 Ensure that governance bodies receive sufficient and timely information so that they can fulfill their role in strategic decision-making and in overseeing the effectiveness of controls pertaining to:  
[...]
  - the financial situation of self-financed services.

## **Roles and responsibilities**

- ✓ The Board needs to provide clear guidance on its operating revenue expectations, set targets, and analyze results. Revenue from self-financed services should be a key element of an institutional strategic development plan that is paired with a financial plan.
  
- ✓ The Board must provide firm guidance on cost recovery for services rendered to third parties such as accommodation in a college dormitory, the availability of certain equipment (e.g. photocopy machine), management and administration of central services, building security, janitorial service, etc.
  
- ✓ The Director General is responsible for updating and maintaining the financial information on commercial activities to which the college is a party so that it can inform the Board of changes in these activities, budget monitoring and, as the case may be, repercussions (deviations and risks) on the college's financial situation and reputation.
  
- ✓ The Audit and Finance Committee reviews contracts, policies, and budgeting and accounting rules and processes related to self-financed services in order to make recommendations in their regard to the Board.

## Policy elements

- ✓ Self-financed services must finance all their expenses from their own revenues. These revenues and expenses make up the college's self-financed budget.
- ✓ Any surplus or overpayment is deposited in the college's general fund.
- ✓ The college must plan a periodic review of partnership arrangements with third parties.
- ✓ The Board approves and reviews the fee policy each year by adopting the budget. This policy is part of the budget strategy.
- ✓ A business partnership agreement should include a graduated profit-sharing provision, provide for a statutory review of the business relationship and include a termination clause, if applicable.
- ✓ The policy states that the college must recover its cost of services rendered to third parties.
- ✓ The Board can adjust the rate for social and community purposes. In this case, it enters the value of these free or discounted services as a gift in kind or in service to community organizations.

NOTE: The college's annual report should contain a social report of its community involvement and actions, including donations and sponsorships.