



## Financial Services Staff Report

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### **Recommendation:**

That the Council of the Township of Woolwich, considering Report F18-2024 respecting 2024 Finance Staffing Plan approve a pre-budget request to add a Senior Financial Analyst position to the Finance Department with the full annual salary / benefit impact of up to \$120,000 be included in the 2025 proposed budget.

### **Background:**

The staff capacity of the finance department has not kept pace with the increasing demands of the organization over the years. Despite a significant increase in the size and complexity of the operating and capital budgets there has been little change in finance headcount.

As a result, the finance department has struggled to meet day to day operational demands with much of the long-term planning, policy, system and process improvement work not been given the needed attention.

The lack of finance capacity and planning carries increased risk to the Township's long term financial position as the Township's financial policies, models and systems have not kept up to date.

The finance department is in a period of transition with a new Finance Director recently onboarded who has identified several departments needs. Most critically, there a shortage of finance staff skills and capacity to assist senior staff with workload and to perform long range planning and analysis. This report includes the need for a Senior

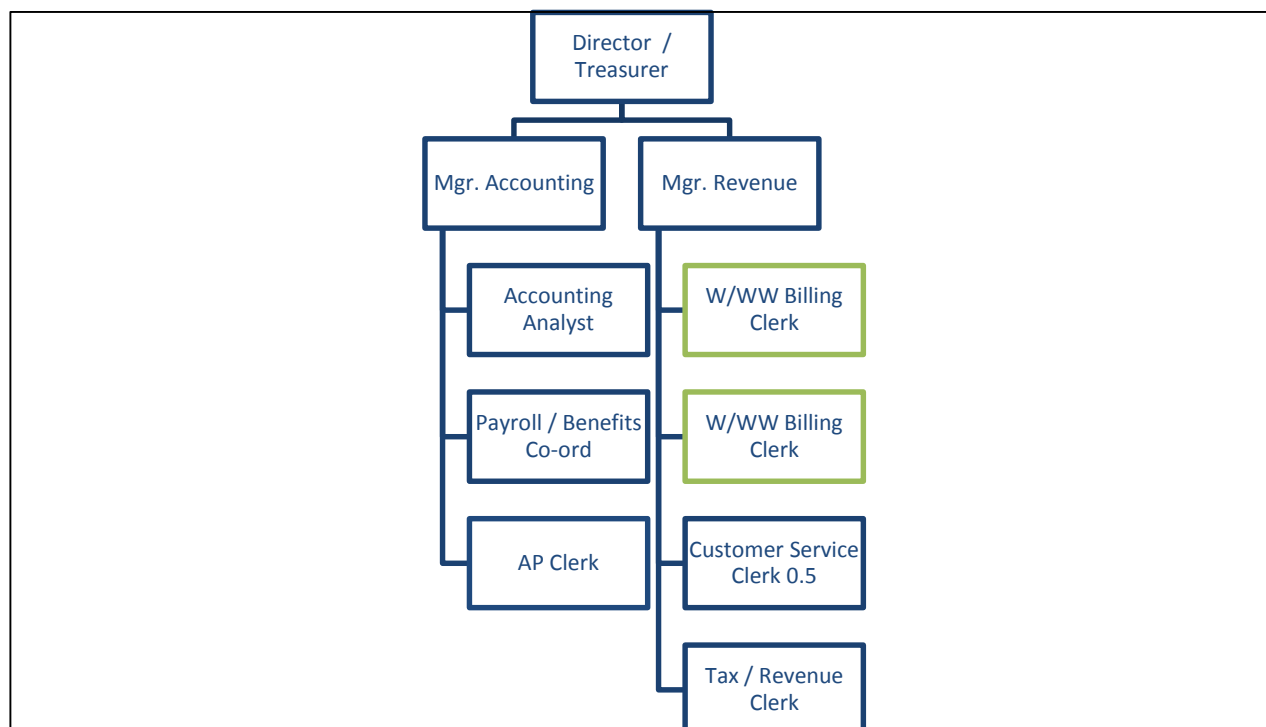
Financial Analyst to support assist with the pressures facing existing finance staff and to undertake additional work related to the development of long-term financial models. Pre budget approval is sought to begin the recruitment process to address these gaps as soon as possible.

**Comments:**

**Current Staffing Levels**

Existing Structure

The finance department has a current complement of 9.5 FTE’s including the Director. The current structure can be found in figure 1 below:



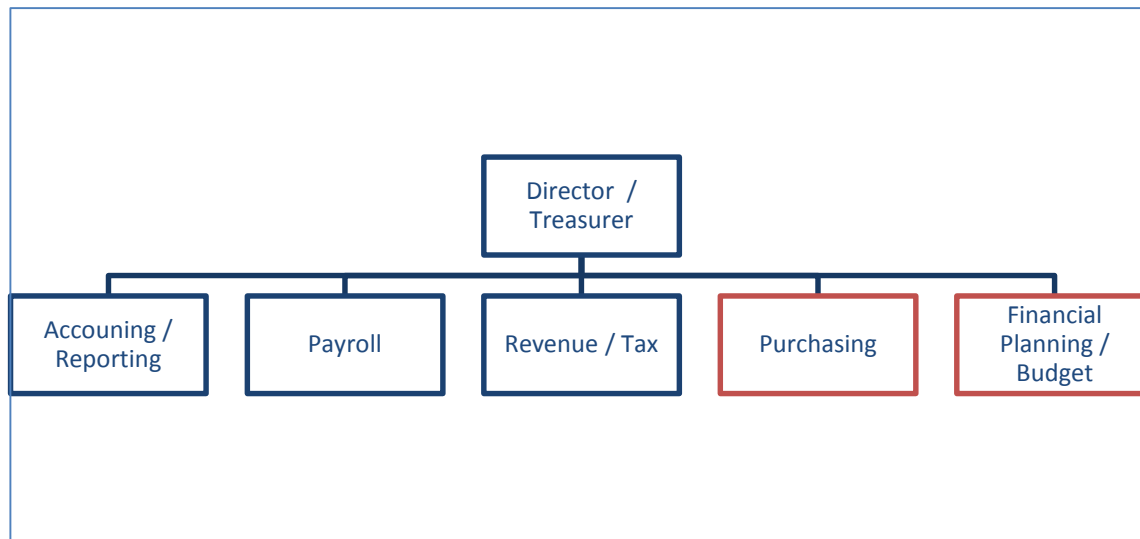
**Figure 1 – 2024 Finance Organization Chart**

Approximately half of the existing complement is dedicated to front line customer support including water and wastewater billing (which are outlined in green). These positions are funded directly from utility rates. The remainder of finance staff assist with day-to-day financial operations including tax collection, procurement, processing invoices, payroll and benefits administration, daily banking, account reconciliations, financial statement preparation and other analysis.

Finance Structure

While the structure of finance departments varies between municipalities, the most common structure is shown in figure 2 below. Often in smaller municipalities, many of these finance functions are combined with a single staff member taking on several

responsibilities. The functions in red below are functions that are performed without dedicated finance staff and are performed by existing staff with limited capacity.

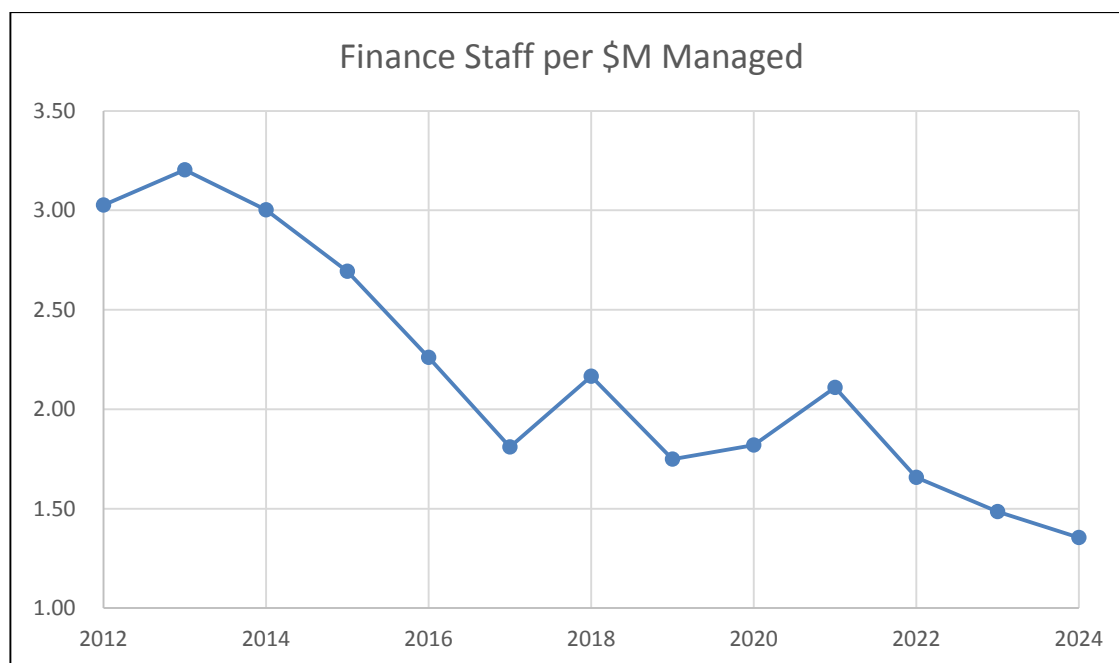


**Figure 2 – Typical Finance Department Breakdown**

Finance Staff History

The total finance complement has remained relatively static since pre 2012 and has not kept pace with the increased demands from internal departments or external bodies.

In the same time horizon, the total capital and operating budgets have increased by 137% (see Figure 2 below) with no corresponding increase in finance staff. This has meant an increased focus on day to day operations and long term planning and analysis work cannot be prioritized.



**Figure 3 – Number of Finance staff per \$1M budget**

### Increased complexity

Beyond the absolute increase of the operating and capital budget, the complexity of financial requirements has significantly increased over the years. This includes the introduction of complex PSAB accounting standards which increased the requirements for financial reporting for municipalities. In addition, grant reporting requirements have increased as well as changing financial standards, asset management, provincial legislation and growth mandates. These activities have all required increased financial attention and analysis but been managed by a relatively static complement of finance staff in the Township.

### New Finance Leadership

The finance department is currently in a transition period. The former finance director was in their role for almost 20 years while taking on additional work without additional resources. In November 2023, the former director took an extended leave, and the corporation struggled to adapt.

An interim director was appointed in late 2023 who guided the Township through the 2024 budget process. The interim director made several observations which were confirmed by the new finance director who was onboarded in June 2024. These include an overall lack of staff capacity, limited long term planning and analysis, dated financial systems and higher risk budgeting practices.

### Finance staff job grades

The finance staff positions are not evenly distributed. There are several senior management positions along with primarily front-line customer facing positions. The Township evaluates non union job grades on a grid from 1-9. The median job grade in the finance department is a grade 2 which highlights an uneven distribution of responsibilities. Finance leadership have identified a need for future positions at the intermediate level to provide increased analytical capacity and enhanced career opportunities for staff.

### Finance staff demographics

An aging workforce is a concern for many organizations and the finance department is not immune. The average age of existing finance staff is 51 with a median age of 53. While this means that finance staff have a strong level of experience, it also presents several challenges for long term sustainability and department succession planning.

### **Ongoing financial risks**

Due to limited finance staff complement, the primary focus for finance has been on day-to-day financial operations. While invoices have been processed and taxes have been collected, longer term financial planning and analysis has been performed on a limited basis. In addition, many finance systems and processes are out of date.

Also, due to limited finance capacity, much of the financial work which *could* be performed by finance staff must often be completed by non finance experts. This approach carries an increased risk of financial decisions being made without fully understanding the long-term implications.

### **Senior Analyst Position**

The most critical staffing position identified by the Finance Director is the creation of a Senior Financial Analyst. This position would assist with the existing workload of existing finance staff and to improve the quality of financial reporting and analysis that Council has begun to expect.

The senior analyst will assist with the development of long-term financial plans, models, and policies as well as providing critical support to other department staff during high volume periods such as year end and budget development.

#### Specific work to be performed by the Senior Analyst

- **Investment and cash flow management.** Monitoring cash flows and investments are a core finance function. Historically, Investments have been managed by an external agent with little integration of an overall Treasury strategy. As the organization proceeds with its growth and infrastructure renewal plans, treasury management and liquidity will become increasingly important. The Township is paying a premium for existing investments to be externally managed which may result in lower overall investment revenue. Bringing these functions in house could improve cash flow management and investment returns.
- **Long-term forecasting and modelling.** The Township has primarily been focused on day-to-day financial operations with limited long-term forecasting and modelling. As a result, decisions can be made without fully understanding the long-term financial implications. The Senior Analyst role would assist finance and other staff in developing long term financing plans including identifying appropriate funding sources.
- **Policy development and process improvement.** Financial policies are the critical to ensure appropriate financial controls are in place and ensure long term financial health. Many of the Townships need to be updated while others financial policies still need to be developed. This position would assist the Township in updating financial policies and identifying and implementing process improvements.
- **Assisting with budget development and capital planning.** Due to limited financial capacity, many of tasks which could be supported by financial staff are often performed by non-finance staff. This includes the annual budget process and reviewing financial implications in Council reports. This position would assist finance and other departments to improve analysis during budget development and assist with the review of financial implications in projects and reports.

- **Reviewing ongoing projects and studies.** There is an ongoing need for financial modelling and other analytical work with the limited finance capacity to assist. This results in an increased reliance on external consultants to perform analytical work which could result in increased costs and loss of in-house knowledge. This position would assist staff to understand the impacts of major capital projects and plans including growth and development.
- **Assisting with grant applications and reporting.** Grant applications are prepared and submitted by departments with limited involvement from finance due to capacity limitations. This position would assist departments to support grant applications and reporting and understand the broader financial implications.
- **Improving the use of data and analytics.** The Township's finance systems, policies and processes have not kept up with best practices. Industry trends include the increased the use of data analysis, data visualization, and key performance indicators to track performance. This position could assist with developing these analytical tools to improve decision making and presentation of information to the public.
- **Assisting the department during peak periods.** This position would support the other members of the finance team during high activity periods such as during the year end closing process, audit and budget development. This would help ensure that critical deadlines are met.

#### Job Position and Grade

This position would need to follow the Township job evaluation process. However, as shown in the job duties above, there would be a high level of skill and seniority required. This position would likely require a degree in accounting and a professional CPA designation. As a result, it is anticipated that this position should be placed around a job grade 5 or 6 to reflect the responsibility of the job and to attract suitable candidates.

#### Urgent Need

As outlined above in the financial risks section, this position is required to address urgent financial planning needs which there is limited current capacity within the department. Pre budget Council approval would allow for this position to be posted and filled many months earlier which would allow for an earlier start on this essential work.

#### **Future Needs**

##### Finance Software Implementation

The current financial software ASYST is an old MS Access driven database system that is past its useful life. This software causes many issues which require manual workarounds and less efficient processes. While many improvements can be made with additional capacity using excel, the lack of current financial software will result in less efficient day to day operations and reduce the ability to perform long term forecasting.

Finance has recently undertaken an RFP for new finance software but do not have existing staff capacity to oversee the implementation of such a large project. Additional temporary staff resources would be required to undertake this work including a project manager and backfill support for existing finance staff. Temporary support for the new financial software implementation will be requested through the 2025 budget.

### Training and Development

Finance leadership has been reviewing current staff positions and organizational requirements and working on developing a long-term finance staffing plan. This will be incorporated into existing training plans to increase the skillset of existing finance staff. The overall objective is to have a staff complement that can more quickly respond to the changing needs of the organization.

### Data and KPI Development

With a focus on day-to-day financial operations and many finance systems, there is limited use of data and analysis. Current best practices have shifted to increased use of data, dashboards, key performance indicators, and future AI generated insights. There will be an increased need for analytical, data and financial skills in the future which will be considered in future staff selection and existing training plans. The intention is to improve the overall data maturity in the organisation.

### **Interdepartmental Impacts:**

Finance has limited capacity to assist departments with financial analysis, budget development and understanding of the financial implications of decisions. Additional finance support capacity would enable other departments to spend less time on financial matters and focus on core areas of expertise. Improving financial structures and frameworks should improve the financial decision making and overall fiscal health of the organization.

### **Financial Impacts:**

Depending on the final job grade, the estimated salary of the senior financial analyst position of between \$80,000 and \$100,000. Benefits would amount to roughly 20% of salary cost for a maximum total annual budget impact of \$120,000 for 2025.

If this position is approved, there would be additional capacity to take the externally managed investment portfolio in house. This would likely result in increased investment revenue which could offset approximately 50% of the cost of this position. However, this revenue amount would fluctuate each year based on interest rates and would take time to transition this function in house as investments are locked in over a number of years.

## **Community Strategic Plan Impacts:**

Improving financial capacity and frameworks should improve the financial decision making and overall fiscal health of the organization and will ensure the strategic goals of fiscal sustainability and long-term prosperity.

## **Conclusion:**

The staff capacity of the finance department has not kept pace with the increasing demands of organization over the years. As a result, the finance department has struggled to meet day to day operational demands, and this has meant much of the long-term financial planning and analysis has fallen behind.

There is an urgent need for a senior financial analyst to support existing analytical needs and to improve long term decision making. Having an effective finance department with sufficient staff capacity is essential to protect the financial health of the organisation and to ensure long term sustainability.

## **Attachments:**

1. Senior Analyst Job DRAFT Description