



LiRN

Legal Information and Resource Network

LiRN Budget Primer

LiRN Budget Primer

LiRN's Requirement to Submit a Budget

LiRN is funded through the Library Legal Information and Services Levy placed on lawyer licenses by the Law Society of Ontario (the "LSO").

The Unanimous Shareholder's Agreement between the LSO, the Toronto Lawyer's Association, and the Federation of Ontario Law Associations ("the USA") requires that LiRN's Board of Directors oversee the preparation of and approve the budget for the upcoming year.

The USA and [Section 13 of LSO By-Law 13](#) specify that LiRN must submit an annual budget to the LSO.¹

The USA specifies that LiRN's budget include annual grants for each association to operate the library:

Included in each annual Budget will be an annual grant ("Annual Grant") for each County Law Library (defined as "each county and district law library established by a county or district law association in pursuance of LSO By-law #13") for the budgeted fiscal year for the purposes of providing legal information and library services, including staffing, in accordance with any policies, strategies, business objectives and performance criteria established by the Corporation.

(USA Section 5.4)

Budget Development

The three major factors to consider in developing LiRN's budget are:

1. Annual Grants to County and District Law Libraries
2. LiRN's Non-Grant Expenses
3. Additional Revenue Sources

¹ By-Law 13 also states that LiRN must submit regular financial statements to the LSO.

Annual Grants to County and District Law Libraries

Step One

Business cases are required for capital expenses (such as computer equipment or furniture), if the budget is expected to increase by more than a certain percentage, or if the association is requesting a bursary for library staff to attend a Library Technician diploma program.

These are due prior to the association's grant request and supporting budget so there is more time for LiRN's management to review the businesses cases and seek clarifications where needed.

If an association has an Excess Fund Balance (EFB), they may submit a proposal to use it (more on that below). These are due at the same time as business cases.

The Managing Director reviews all business cases and EFB proposals and requests additional information or clarifications where required.

Using the information in the business cases and EFB proposals, as well as information about non-grant expenses (see below), the Managing Director also identifies trends in for the upcoming fiscal year. Management uses this information to develop assumptions for the budget.

The Board considers business cases and EFB proposals and may approve, decline, ask for additional information, or ask to see the request in the context of the overall budget.

Step Two

The associations next submit their grant request. This should be accompanied by:

- A signed grant request form,
- A supporting budget in the approved template,
- Any approved business cases, and
- Any approved EFB proposals.

The Managing Director considers each association's budget both individually and as part of LiRN's overall budget and may reach out to associations for further information about their grant requests or supporting budgets.

This review allows management to put forward a proposed grant for the association in the overall LiRN budget. In most cases, the proposed grant will match the grant requested by the association, but this will not always be the case. Examples of circumstances that have led to an adjustment to the proposed grant include:

- The budget contains calculation or data entry errors.
- Funds requested for electronic resources that are / will be a part of e-LiRN.

LiRN's Non-Grant Expenses

Concurrently, the Managing Director considers non-grant expenses. This includes:

- Negotiations with e-LiRN vendors. This includes a comprehensive review of usage stats and network outreach. It also includes a review of which electronic resources are independently acquired by libraries and whether it would be cost-effective to centralize those resources.
- Discussion with the benefits provider to project costs.
- Review of insurance contracts.
- Projecting costs for:
 - The *Learn with LiRN* Annual Conference and bursaries for library technician programs.
 - Other centralized network administration.
 - Staff salary adjustments and other related expenses.
 - Travel needs for the upcoming year.
 - Board and Governance support.
 - Financial and audit services.
 - Advisory services.
- Special projects. To determine what projects to request funding for, the Managing Director identifies and prioritizes network needs and staff capacity. This includes reviewing the strategic plan, reviewing the recommendations emanating from the Key Network Processes (KNP) project, and other sources.

Additional Revenue Sources Beyond the LSO Grant

In addition to the LSO Grant, LiRN's funding sources may include:

- EFB Recovery from associations
- LiRN's available fund balance in the General Fund

Excess Fund Balances ("EFBs")

The USA provides that Annual Grants that are not used in the budgeted fiscal year will be returned to LiRN or taken into account when setting the following year's grant. The Board adopted the [Grant Administration Policy](#) on September 3, 2021. Sections 15 – 17 of the Policy state:

15. The USA notes that annual grants paid to any Law Association not used in the budgeted fiscal year will be returned to LiRN or carried forward and taken into account by LiRN in setting the next annual grant.

16. Law Associations or LiRN may not accumulate and retain more than 10% of the current year's grant in any fiscal year.

17. In the event a Law Association exceeds the maximum of 10%, LiRN will work with the Law Association to address the excess employing one or more of the following options:

- a) returning the excess to LiRN,
- b) carrying forward the excess to the following year and incorporating the excess in determining the following year's grant amount, or
- c) with the agreement of LiRN using the excess for improvement initiatives across the legal information services network.

If an association has more than 10% of its grant in its library fund, that is considered an EFB. This calculation is made and communicated in the second quarter, and associations may, at that time, propose using the excess funds in accordance with this Policy.

The Grant Administration Policy was implemented in 2022 and, for the most part, associations are no longer carrying accumulated EFBs. With the policy now in place for 4 years, the number of libraries with EFB each year has decreased.

If an EFB proposal is accepted, the association will include the expenses in its budget and include their fund balance as an additional source of funding. As they spend in accordance with their budget, the fund balance should decrease, bringing them into compliance with the Policy.

Where EFB proposals are not submitted or declined, the funds are recovered by deducting the EFB from the association's grant. Those funds are included in LiRN's budget as another funding source.

General Fund

LiRN may also use some its available fund balance in the General Fund to supplement its revenue and keep the amount of the LSO grant request down provided a reasonable fund balance is maintained. It is a not-for-profit budgeting best practice to use excess fund balance to fund operations and is in keeping with LiRN's Policy.

Budget Approval Process

MONTH	Budget Activities
May	Business cases and EFB proposals are due from associations.
May	As described above, the Managing Director reviews and seeks clarification on business cases and EFB proposals, begins reviewing non-grant expenses, and develops budget assumptions.
May	LiRN's Audit and Finance Committee reviews LiRN's budget assumptions, business cases and EFB proposals, provides direction and makes recommendations to the Board of Directors.
May	The Board of Directors reviews the Audit and Finance Committee's recommendations. It may approve, deny, or request to see business cases or EFB proposals in the context of the draft budget.
June	Grant requests are due from associations, including: • A signed grant request form, • A supporting budget in the approved template, • Any approved business cases, and • Any approved EFB proposals.
July	As described above, the Managing Director reviews the grant requests and creates a draft budget along with explanatory notes providing context for budget increases.
July	LiRN's Audit and Finance Committee reviews the draft budget and explanatory notes, providing feedback and direction to management.
July/August	The Managing Director finalizes the budget and explanatory notes.
August	LiRN's Audit and Finance Committee reviews the budget and makes recommendations to the Board. This includes an in-depth discussion of individual association grant requests.
August	The Board of Directors reviews the Audit and Finance Committee's recommendations and votes to approve the budget. This includes an in-depth discussion of individual association grant requests.
September	The Board of Directors submits its budget to the LSO's Audit and Finance Committee. The LSO's Audit and Finance Committee considers the Budget and makes recommendations to Convocation.

MONTH	Budget Activities
	Since it began operations in 2020, LiRN's chair has been invited to this meeting to present and answer questions on the Budget. The budget and explanatory notes provide a top-level view of trends in association grants and other expenses. It provides data such as consolidated library usage statistics. Typically, neither the LSO's Audit and Finance Committee nor Convocation review individual association grants.
September / October	Section 5.3 of the USA states that: If the LSO does not approve the Budget as presented, the Board and LSO shall co-operate in good faith to resolve any disputes with a view to developing a Budget that is mutually acceptable, prior to the commencement of the Fiscal Year. In the event a mutually acceptable Budget is not developed within a reasonable period of time, nothing herein shall fetter the budgetary discretion of LSO to determine the level of funding for the Corporation. LiRN would typically be informed if the LSO's Audit and Finance Committee will recommend approving its budget after its September meeting. If changes are required to the budget under this section of the USA, LiRN's Managing Director and Board would work on these changes prior to Convocation. Please note that Convocation may require changes to LiRN's budget even if the LSO's Audit and Finance Committee recommends approval. In that case, the work of revising the budget would fall on the Managing Director and Board in November.
October	Convocation considers the LSO's Audit and Finance Committee's recommendations and votes to approve the budget.
November	Revisions in accordance with Section 5.3 of the USA if required.
November	Grant letters provided to associations by LiRN.