

POLICY COMMITTEE AGENDA



September 12, 2023 – 5:00 p.m.

WELCOME AND ACKNOWLEDGEMENT

This meeting is being held on the traditional and unceded territory of the Secwépemc People.

1. June 13, 2023, Committee Report – meeting canceled.
2. Draft Policy 665 Financial Planning and Reporting
3. Updated Policy 630 Accumulated Operating Surplus - Original Policy for review
4. Future Meeting Dates:

MEETING	DATE	TIME	LOCATION
Policy Committee	October 10, 2023	5:00 p.m.	Board Office
Policy Committee	November 7, 2023	5:00 p.m.	Board Office
Policy Committee	December 5, 2023	5:00 p.m.	Board Office
Policy Committee	January 9, 2024	5:00 p.m.	Board Office
Policy Committee	February 6, 2024	5:00 p.m.	Board Office
Policy Committee	February 28, 2024	5:00 p.m.	Board Office
Policy Committee	April 9, 2024	5:00 p.m.	Board Office
Policy Committee	May 14, 2024	5:00 p.m.	Board Office
Policy Committee	June 11, 2024	5:00 p.m.	Board Office

“Learning, Growing, and Belonging Together”



POLICY 665 FINANCIAL PLANNING AND REPORTING

The purpose of the Financial Planning and Reporting Policy (Policy) is to provide greater transparency and accountability for the planning and reporting of financial resources managed by the Board of Education of School District No. 27 (Cariboo-Chilcotin) (Board). This Policy aligns with and ensures compliance with the Ministry of Education and Child Care (Ministry) Financial Planning and Reporting Policy, Accumulated Operating Surplus Policy, and the Framework for Enhancing Student Learning. These legislative requirements mandate that the Board develop, implement, and provide to the Ministry multi-year financial plans to show how funding and resources have been allocated in support of the Board's strategic priorities and operational needs with a focus on improving educational outcomes for all students.

Specifically

The Board will:

1. Ensure that it adequately plans for core educational programs.
2. Develop a multi-year financial plan which includes the efficient and effective allocation of resources.
3. Align financial planning decisions with the strategic priorities set by the Board.
4. Identify a process of engagement with the local community, education partners, First Nations and the BC Metis Nation that will provide an opportunity for stakeholders to provide input into the development of the Annual Budget and multi-year financial plan.
5. Engagement requesting feedback can include in person meetings, virtual consultation, web-based surveys, or email submissions.
6. Ensure that the Annual Budget and multi-year financial plans are developed in accordance with applicable legislation, regulations, and Treasury Board policy.
7. Report annually on the progress towards alignment of funding with the Board's strategic plan and priorities, operational goals, and student educational outcomes.
8. The policy incorporates financial management including transparency, demonstrated accountability and consistent outcome-based planning, monitoring, and reporting.

Budget Development and Multi-Year Plan

The Board authorizes the Superintendent and Secretary-Treasurer to develop the Annual Budget and the multi-year financial plan.

The Annual Budget will be compiled and submitted on the specified form and containing the content required by the Ministry of Education and Child Care.

The Annual Budget and multi-year financial plan will prioritize funding for mandated educational programs and, where available, may support the Board's strategic priorities and operational plans.

Each year, through the Finance and Facilities Committee, the Board will develop the Annual Budget timelines which will include opportunities for engagement with the local community and educational partners. Additionally, the process will include engagement of Local First Nations and the BC Metis Nation. The multi-year financial plan will be presented to the Board for approval along with the draft Annual Budget.

The Budget and multi-year financial plans must adhere to the Budget and Transparency and Accountability Act which required that the Ministry of Education use 3 year rolling services plans. The intent of the Policy is for Boards to follow similar practices to that of the Ministry.

The Board is responsible for their own approval process for the annual budget and multi-year financial plan.

Overall, the purpose of the multi-year financial plan is to disclose to the public the board's long-term objectives.

Financial Reporting

The Board authorizes the Superintendent and Secretary-Treasurer to monitor financial reporting of the Annual Budget.

The Secretary-Treasurer will provide financial updates to the Board of Education on the progress towards meeting the financial objectives and goals contained in their strategic plan. This will be achieved through the current reporting structures in place, as well as the Management Discussion and Analysis

Specifically:

Year-End Financial Projections will occur monthly beginning in February of each year.

Quarterly financial reports will be compiled and submitted to the Ministry in the form and containing the content specified by the Ministry of Education and Child Care.

Annually, the Board of Education will communicate its progress towards the alignment of funding and resources with the Board's strategic priorities, operational goals, and student outcomes.

Progress will be reported annually through the publication of the audited financial statements and an accompanying Financial Statement Discussion and Analysis Report.



POLICY 630 ACCUMULATED OPERATING SURPLUS

The Board of Education believes that adequate surplus levels are important in supporting educational goals, ensuring financial health, stability, and mitigating risk. Accumulated Operating Surplus is the cumulative excess of operating revenues over operating expenses. The Board considers an Accumulated Operating Surplus balance to provide a measure of resiliency to address annual fluctuations in funding, and address one-time costs or unforeseen expenditures.

The Board's accumulated operating surplus will serve as:

1. A contingency reserve for the risks associated with unexpected increases in expenses and/or decreases in revenues;
2. One-time costs not included in the annual operating budget; and
3. Intermittent projects and initiatives.

Regulations

Accumulated Operating Surplus may be subject to internal restrictions as directed by the Board. The target Accumulated Operating Surplus balance, net of internal restrictions, is established in the range of 2-4% of operating expenses.

Internally Restricted Operating Surplus

Surpluses may be restricted for varying reasons based on constraints, there are generally three types:

1. Internally restricted due to the nature of constraints on the funding. Examples include but are not limited to:
 - a. Contractual Obligations
 - b. Indigenous Education
 - c. Special Purpose Funds
 - d. School Generated Funds
2. Internally restricted due to anticipated unusual or one time identified expenses. Examples include but are not limited to:
 - a. Unfunded compensation
 - b. Labour Relations based on the collective agreement cycle(s)
 - c. Anticipated severances
 - d. Implementation of new curriculum or programs

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3. Internally restricted due to practice and use spanning more than the current school year. Examples include but are not limited to:
 - a. School and department surpluses or carry-forwards
 - b. Technology or departmental transitions or implementations
 - c. Operating projects in progress
 - d. Strategic and/or Long-Range planning
 - e. Purchase Order commitments

Unrestricted Operating Surplus (Contingency Reserve Fund)

In conjunction with the Board of Education's review and approval of the annual financial statements, the Board will establish a contingency reserve fund from available operating surplus. This fund will be used to mitigate any financial impact from unforeseen risk or circumstances that could negatively impact the resources allocated for educational programs. The Board should maintain a contingency reserve of a minimum of 1.5% and a maximum of 2.5% of annual operating expenditures. The Board may approve the use of the contingency reserve under the following circumstances:

1. The elimination of any deficit arising at the end of a fiscal year of operations;
2. Initial one-time cost outlays for new education programs;
3. The replacement of equipment or facilities essential to educational programming;
4. The financing of one-time capital projects;
5. The funding of unexpected new cost pressures;
6. Provide emergency funds from time to time for unforeseen costs.

The Board recognizes that the contingency reserve fund should be used as a one-time source of funding, Should the contingency reserve drop below target the Board will incorporate into its future budget planning processes, strategies to re-establish the contingency reserve. Such strategies may be implemented over a period of two years.

Local Capital

There are three sources of Local Capital:

1. The board's portion of any proceeds from the disposition of capital assets;
2. Transfers from operating funds; and
3. Interest earned on local capital funds restricted for the purchase of tangible capital assets.

Transfers from operating funds to Local Capital will be for specific initiatives related to the Board's strategic plan or other operational needs of the district. Examples include vehicle replacement, computer system upgrades, special projects to address deferred maintenance, and renovation or replacement of administrative and operational buildings. If these transferred funds are not linked to strategic goals or they have not been used within the timeline identified for the relevant initiative, the Ministry may require boards to use these Local Capital funds for other capital projects.

Restricted for Future Capital Cost Sharing

The Treasury Board requires the Ministry of Education to review district surplus funds and determine funds that are available to contribute towards major capital projects in the Board's 5-year Capital plan. When a project has been approved for concept plan or business case development, the Board may restrict operating surplus funds to meet the cost sharing expectations for that project.

Inter-Fund Transfers

In some cases, funds need to be transferred between the operating fund, special purpose funds. In some cases, funds need to be transferred between the operating fund, special purpose funds and the capital fund. These transfers are authorized through a board motion. In some cases, this approval will be done through the approval of the budget or annual financial statements. Approval of inter-fund transfers related to confidential matters (such as land, legal or personnel) will be considered in an in-camera board meeting.

Reporting and Communication

Proposed uses of Accumulated Operating Surplus should be clearly displayed and referred to the Board for approval during the Annual Budget process. Boards are required to provide the Ministry with an annual report on their budget allocation decisions (including operating surplus and Local Capital) demonstrating that approved allocations support the Board's strategic objectives. The Board's annual Financial Statement Discussion and Analysis (FSD&A) was developed based on the Ministries Companion Guide.

Detailed information regarding the change in Accumulated Operating Surplus balance will be included in a management report to the Board each year as part of the year-end Audited Financial Statement presentation.

Should the Accumulated Operating Surplus balance decline below target, a replenishment strategy will be developed and approved by the Board to be implemented over a three-year period, or an alternate approved timeline.

The Ministry may take actions to monitor and evaluate operating surplus as outlined in the Companion Guide to the Ministry's Accumulated Operating Surplus Policy.

Definitions

- ***Accumulated Operating Deficit*** means the accumulated excess of Operating Expenses over Operating Revenues Less Inter-Fund Transfers from current and prior years.

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- **Accumulated Operating Surplus** means the accumulated excess of Operating Revenues over Operating Expenses Less Inter-Fund Transfers from current and prior years. Accumulated Operating Surplus is a term defined by the Public Sector Accounting Standards (PS1201). While boards of education may use the term Reserves to denote 'Surplus', when it comes to financial statements and budgets the term Surplus should be used.
 - **Annual Operating Deficit** is the amount by which a fiscal year's Operating Expenses and Inter-Fund Transfers exceed that same fiscal year's Operating Revenues.
 - **Annual Operating Surplus** is the amount by which a fiscal year's Operating Revenue exceeds that same fiscal year's Operating Expenses and Inter-Fund Transfers.
 - **Inter-Fund Transfers** means the transfer of funds from one fund to another (e.g., between Operating Fund and Capital Fund).
 - **Internally Restricted Operating Surplus** means a portion of an Accumulated Operating Surplus that has been set aside through a board motion for specified use in future years.
 - **Local Capital** is comprised of previous years' available operating surpluses, which are transferred to Local Capital with board approval; revenues from sale of capital assets; and investment income earned on these funds.
 - **Operating Expenses** are the total of all expenses in the Operating Fund as disclosed on Schedule 2 of the annual financial statements.
 - **Operating Revenue** is the total of all revenue in the Operating Fund as disclosed on Schedule 2 of the annual financial statements.
 - **Special Purpose Funds** consists of targeted funding provided to the school district for a specific purpose. Pursuant to Sections 156(4) and (5) of the School Act, each special purpose fund must be accounted for in accordance with the terms of that special purpose fund. Treasury Board Restricted Contribution Regulation 198/2011, issued in November 2011, defines a restricted contribution as 'a contribution that is subject to a legislative or contractual stipulation or restriction as to its use'. Special purpose fund expenses are contingent on the amount of revenue received for the purpose of providing a specific service or program.
 - **Unrestricted Operating Surplus (Contingency)** means the accumulated Operating Surplus built up in the School District's Operating Fund that has not been designated for specific uses.

Legal Reference: Sections 65, 85.2, 110, *School Act*

Other References:

K-12 Public Education Financial Planning and Reporting Policy

K-12 Public Education Accumulated Operating Surplus Policy

Framework for Enhancing Student Learning Policy

Board Policy 665 (Financial Planning and Reporting Policy)

District Strategic Plan

Budget and Transparency and Accountability Act

Legal Reference: Sections 65, 85.2, 110, *School Act*

Other References:

K-12 Public Education Financial Planning and Reporting Policy

Framework for Enhancing Student Learning Policy

Board Policy 630 (Accumulated Operating Surplus Policy)

District Strategic Plan

Budget and Transparency and Accountability Act