

# BUDGET DEVELOPMENT, MONITORING, AND REPORTING

## Background

The Board's annual operating budget and financial plan reflecting the implementation and maintenance of the District's Educational and Operational Plan. The budget and financial plan reflect the objectives established by the Board for the school/fiscal year(s) to which the budget and financial plan applies. The objectives reflected in the budget and financial plan are to be consistent with the Board's vision, mission and value statements.

Annual budgets shall be developed based on instructions received from the Ministry of Education. At the beginning of each budget development cycle, the Secretary Treasurer, in collaboration with the Superintendent, shall prepare and present, to the Finance and Audit Committee a recommendation to the Board, for final approval of the budget development plan or budget process.

The original annual budget and 3-year financial plan form the financial planning process and are aimed at ensuring transparency and accountability for the development of the financial forecast of the school district. The process shall include a proposed schedule of engagement activities to sharing the Board's budget information with partner groups and the public as well as receiving budget balancing proposals and feedback on proposed budget balancing options. The schedule of engagements activities will be posted on the school district website.

The 3-year financial plan will build a financial strategy to complete longer-term initiatives and shall include the following:

- 3-year enrolment estimates;
- Alignment with the Framework for Enhancing Student Learning to ensure funds are allocated for the improvement of student learning; and
- Opportunities for DPAC, PAC, union representatives, local First Nations, Métis Community, Indigenous Community partner groups and the general public to provide input into the development.

The annual budget process utilizes the components from the three-year financial plan to clarify the funding commitments for the given year. The annual budget shall include the following:

- Proposed preliminary budget including base budget estimates and detailed proposed budget balancing proposals presentation;
- Opportunities for local First Nations, Métis Community, partner groups, and the public to provide input in budget development; and
- Preliminary budget including detailed budget balancing proposals presentation.

## Procedures

### 1. Operating Budget and Financial Planning Development Principles

- 1.1. The two underlying principles for all budget decisions are that the students come first and that the District obtains the most effective results for the dollars spent.
- 1.2. The budget allocations are aligned to meet the goals of the District as outlined in the District's Plans for Student Success.
- 1.3. The Board meets all legal requirements in that the budget is balanced and all statutory requirements be met.
  - 1.3.1. The budget for any fiscal year shall not deviate materially from the Board's policies and strategic priorities.
  - 1.3.2. Annual recurring expenditures must not be funded from non-recurring revenues.
  - 1.3.3. Revenues and expenditures must be projected in a manner that avoids fiscal jeopardy.
  - 1.3.4. Ancillary programs and activities must be operated to cover all direct and indirect operating costs.
  - 1.3.5. The Board shall not proceed with major building projects unless funding for the full capital and operating costs has been identified.
- 1.4. The Board is required by the School Act to develop an annual operating budget and submit it to the Ministry of Education (MOE) in a prescribed form by prescribed dates.
- 1.5. The annual operating budget and financial plan will generally be developed by a Committee-of-the-Whole Board established as the "Budget Committee" which is assisted by senior District administrative personnel. An invitation is extended to employee and constituent groups (DPAC, PAC, union representatives, local First Nations, Métis Community, Indigenous Community, partner groups) as well as the general public to provide input to the Budget Committee at a designated time each year.
- 1.6. The Budget Committee will recommend a budget to the Board in a timely manner, ideally providing opportunities at two regularly scheduled Board meetings for the Board to deal with the recommendations.
- 1.7. The budget document presented to the Board will contain estimates of revenue and expenditures in a format that is consistent with that required by the Ministry.
- 1.8. When the Budget Committee is in the process of developing or reviewing the budget, a detailed report of revenue and expenditure will be prepared by the Secretary Treasurer to be used as a working document.
- 1.9. Whether a preliminary budget, or a final budget, once approved by the Board, for purposes of managing the District, shall be binding.
- 1.10. Principals will share school budgets with school staff and Parents' Advisory Councils (PAC).
- 1.11. A public information session for all stakeholders (DPAC, PAC, union representatives, local First Nations, Métis Community, Indigenous Community, partner groups) and the general public will be conducted on an annual basis to explain the District's budget and financial plan.

1.12. Annually upon reflection, and if the Board determines that funding for education does not adequately meet the needs of its students, it shall submit a 'needs' budget explaining the District's shortfall.

## 2. Budget Calendar

2.1. Typically, the District's annual budget process will start in the fall when District staff, under the direction of the Secretary Treasurer, will start to gather preliminary budget data for the next fiscal period. Officially, a Board has until June 30 to adopt the budget bylaw, but there are many steps leading to budget adoption.

2.2. Often, as a starting point, an adjusted status quo budget will be developed. This adjusted status quo budget would start with the same service levels of the current year's budget and then revisions would be made for expected or known cost changes. Adjustments would also be made for any previously decided service level changes made by the Board for the coming year and projected enrolment changes would be factored in. Developing such an adjusted status quo budget requires much attention to details as costs are constantly changing and each budget will contain many anomalies from year to year that must be thought through and dealt with appropriately.

2.3. The adjusted status quo budget coupled with any anticipated changes to the operating grants and what plans the Board might want to consider for the coming year, will provide the Secretary Treasurer and senior staff a context to develop an appropriate budget calendar for the Board to consider. At this stage, the Secretary Treasurer and senior management would also be able to project the financial impact of the challenges the Board might likely face in the next budget year.

2.4. A key date in the budget process is February 1. It is by this date that the Minister must announce the total amount of funding for education that will be available for the District for the next budget year. This amount, referred to as the block funding, will give the Board a pretty good idea of what to expect for the next year, but it's not until March 15 that the Minister must announce the detailed operating formulae and grants for each District. This is when Districts can really start budgeting in earnest. With government grants (both provincial and federal) making up almost 96% of Districts' revenues, one can readily appreciate the importance of these announcements.

2.5. Once the funding levels are known, theoretically Boards have about three- and one-half months to finalize the budget to meet the June 30 deadline, however, the reality is that many key budget decisions relating to the next year must be made much earlier to accommodate compliance with collective agreements and other practical matters for planning for the next school year.

2.6. A good example where earlier than June 30 decisions must be made relates to school-based teaching staff. When teacher layoffs, transfers or new hires are anticipated, collective agreements usually have earlier employee notice requirements than June 30. Also, good personnel practices require more lead time for employee recruitment and hiring. If the Board leaves these decisions until June 30, recruiting in the summer and fall period may not result in a district getting the best staff that might have been available earlier. District staff recruitment can be very competitive, particularly in specialized teaching and support staff positions and an early start is most often advantageous to a district.

2.7. Because of these and other realities, most Boards adopt their budgets earlier than June 30 or at least make specific decisions relating to the budget ahead of its' final adoption.

2.8. Board approved preliminary, amended budget and financial planning documents shall be posted on the school district website.

### 3. Nature of the Budget

3.1. The budget is a “living” document that identifies the financial resources appropriated by the Board to provide the human and material resources necessary to meet the District’s educational and operational objectives. To this end the Board, through policy, intends to provide appropriate flexibility in budget management to enable administration to maximize the use of fiscal resources while exercising effective budget control.

### 4. Responsibilities for Managing the Budget

4.1. Responsibility for the overall management of the educational and operational programs that are supported by the annual budget is that of the Superintendent. The Secretary Treasurer is responsible for the financial management of the budget, and all financial reports.

4.2. Each budget expenditure and revenue account shall be assigned to a member of management (including principals). They will be responsible for ensuring that the funds are used for the purpose intended, that the expenditure is appropriate, for monitoring expenditures to ensure they do not exceed funds allocated without proper authority and that revenue objectives are achieved.

### 5. Budget Management

5.1. Budget management and reporting will be conducted at a district and department level. Typically, the Board and senior executives would receive reports and oversee the budget at a district level, reviewing information presented by major objects of expenditure. Managers are expected to manage the budget at the department level, reviewing expenses against budget accounts assigned.

5.2. Financial data to assist in the management of budgets will be provided by the Secretary Treasurer who is responsible for the proper coding of all revenues and expenditures.

5.3. The implementation or maintenance of programs shall be carried out in accordance with the policies, decisions and directions of the Board, generally within the amount budgeted for them.

5.4. It is recognized that the fiscal resources allocated may be greater or less than the cost of providing the service. All those involved in managing the budget are expected to at all times be governed by prudence, remembering that the object is to meet the District’s educational and operational objectives. Any funds remaining after the objectives have been met will become reserved for general budget management purposes. Principals will have the benefit of managing year end fund balances as a carry over. Year end balances are subject to review by the Secretary Treasurer. Where funds are obviously insufficient, budget transfers or excess expenditures may be approved, in accordance with the provisions of this Administrative Procedure.

### 6. Budget Transfers

6.1. The Secretary Treasurer may authorize budget transfers to facilitate meeting contractual obligations, statutory requirements, approved staffing complement, or approved educational operational objectives.

6.2. Budget transfers that would cause over-expenditure in the account from which funds are transferred are not approved under any circumstances.

## 7. Requests for Change in Staff Complement

7.1. A staff control document will be used to reflect the District's approved staff allocation, and to control the salaries and benefit costs.

7.2. If the staff allocation budget needs to be increased, prior Board approval will be required.

7.3. Any request submitted by administration to the Board that would result in additional cost, shall identify a funding source.

7.4. The foregoing in Section 7 does not apply to trust accounts and self-funded activities.

## 8. Process for Over Expenditures

8.1. It is recognized that some costs are "on demand" and therefore difficult to control. Examples include teacher on call and casual costs, payroll taxes, contractual benefit premiums, statutory and contractual obligations, utilities, debt services and uninsured losses. Administration is authorized to incur such expenditures when transfers can be made in accordance with Section 7 above to accommodate the expense.

8.2. When the Secretary Treasurer has projected that the approved District budget will be insufficient to cover the expense and transfers cannot be made, the Board shall be notified and provided with options.

8.3. Expenditure estimates may be exceeded where directly related revenue sources (e.g., cafeteria sales) fully provide for the increased expenditure.

## 9. Reporting

9.1. Monthly financial reports shall be presented to the Board providing a summative status of the performance against budget. Reporting will include an analysis and explanation of significant budget variances.

9.2. The Board will use the existing Ministry of Education financial planning and reporting requirements to demonstrate how financial resources are used to support the strategic planning and operational needs, including enhancing student educational outcomes. The Board will use the Financial Statement Discussion and Analysis Report to annually report on progress towards meeting board objectives as outlined in the three-year financial plans.

## 10. Capital Budgets and Financing

This section will highlight a district's capital budgets and provides an overview of how a district acquires and funds capital assets.

### 10.1. Five Year Capital Plan

10.1.1. Annually, districts must submit an updated Five-year Capital Plan to the MOE. This plan requests approvals and funding for: site acquisitions, construction costs for new schools and other facilities, additions and major renovations to existing facilities and the purchase of portable classrooms and school buses. As the name implies, the plan includes the Board's desired projects for the next five years.

- 10.1.2. The MOE has a Capital Planning Branch that works closely with Districts to ensure Boards are undertaking appropriate long-term capital planning. This branch will scrutinize closely all of the Districts' five-year plans and make recommendations to the Minister and the government's Treasury Board for approvals for funding each year. The criteria the Ministry uses in making these recommendations are:
  - 10.1.2.1. In the case of requested additions to schools or the construction of new schools, evidence of continued increased enrolment;
  - 10.1.2.2. The condition of the building, as determined by its 'audit score';
  - 10.1.2.3. The consolidation of existing sites;
  - 10.1.2.4. The amount of funding the District can provide locally.
- 10.1.3. A Board may have its own capital project or enhance an approved project by using their own funds and/or through a joint partnership agreement with a municipality, college, university or other agency.
- 10.1.4. The MOE's Capital Planning Branch has many policies and programs in place to help ensure that Districts are using appropriate space, construction and maintenance standards. These capital policies and programs provide the provincial government comfort that there is space equity amongst the Districts and that it is receiving good value for the capital funds borrowed on behalf of Districts.
- 10.1.5. One of the most important and difficult tasks of the Capital Planning Branch is to rank the priority of all the proposed District capital projects to determine the recommendations for approval by the Minister each year. There is always limited funding available and not all projects can be approved. Boards sometimes may have to wait several years for an approval for a project which may have a very high Board priority but on a provincial basis does not rank high enough for approval.
- 10.1.6. As mentioned, student enrolment projections are a key element in determining a district's future space needs and these enrolments are fundamental to the District's Five-Year Capital Plan. A district must take care in monitoring the demographics within the District and district staff will usually work hand in hand with the local municipal governments to ensure realistic enrolment forecasting. The MOE also has an enrolment projection model and when a district's capital plan growth exceeds the MOE numbers, the District has to provide substantial evidence to support its projections.
- 10.1.7. The MOE continues to support 'capacity utilization' which, along with facilities' audit scores, is used to prioritize requested projects. Districts need to demonstrate they are using their existing school facilities efficiently before any approval is given to increase space or renovate existing space. Minimum thresholds for capacity utilization have been established at the District level that have to be exceeded before a district is eligible for new space. There are thresholds for elementary schools (100%) and secondary schools (110%) as well as an overall District threshold (95%).

## 10.2. Annual Facility Grant (AFG)

- 10.2.1. The Annual Facility Grant (AFG) was put in place to help ensure that Districts have an appropriate program of maintenance and upgrading of their facilities to prevent any premature deterioration of these assets.
- 10.2.2. The amount of a district's AFG is calculated by the MOE using a formula based on their student enrolment and the average age of their facilities, with an adjustment made for unique geographic factors. The AFG grants for all Districts may be viewed at the Ministry of Education website.
- 10.2.3. A Board may spend these AFG funds on any of the following twelve categories of eligible AFG expenditures:
  - 10.2.3.1. Roof Replacements (including scheduled roof replacements and major roof repairs)
  - 10.2.3.2. Mechanical System Upgrades (improvements, replacements or provision of heating, ventilation, air conditioning or plumbing systems)
  - 10.2.3.3. Electrical System Upgrades (improvements or replacements of power supply and distribution systems)
  - 10.2.3.4. Facility Upgrades (improvements to protect the fabric of the plant, including exterior painting, window and door replacement, building envelope repair and replacement and nonstructural seismic mitigation)
  - 10.2.3.5. Loss Prevention Projects (improvements, replacements or provision of fire protection system)
  - 10.2.3.6. Functional Improvements (improvements of school facilities related to the provision of educational programming)
  - 10.2.3.7. Technology Infrastructure Upgrades ("behind the wall" improvements to accommodate computer and telecommunications wiring and cabling)
  - 10.2.3.8. Site Upgrades (site improvements including positive site drainage, repairs to sidewalks, parking lots, site access/egress, paved work areas, paved play areas and playfields, perimeter safety fencing, contaminated soil remediation and underground storage tank removal)
  - 10.2.3.9. Disabled Access (improvements related to access for person with physical disabilities)
  - 10.2.3.10. Asbestos Abatement
  - 10.2.3.11. Health and Safety Upgrades (improvements related to indoor air quality, seismic vulnerability, traffic safety and structural upgrades)
  - 10.2.3.12. Site Servicing (improvements, replacements or provision of sewer, drainage or water services and underground irrigation systems).

### 10.3. Local Capital Budget

- 10.3.1. The local capital budget is used for the acquisition of any additional capital items required by the District. It is not used for replacement of capital assets that are budgeted for within the operating budget.
- 10.3.2. Local capital is generated from the sale of capital assets the District has previously purchased. With respect to the disposal of sites and buildings that were jointly funded by the MOE and the District the proceeds are shared in the same proportion as the original respective contributions. The District's share becomes local capital and the Ministry's share becomes what is referred to as Ministry Capital. Ministry Capital is maintained on the books for the District but cannot be used for any projects until approval by the Minister has been received. Local capital can be spent on capital items by the District without obtaining ministerial approval.
- 10.3.3. The MOE has a policy entitled Allocation of Proceeds from the Disposition of Capital Assets Policy. This policy establishes a default allocation of 25% of the proceeds from the disposal of a capital asset to the Board where contributions to the original capital expenditure by the Board and the Province cannot be determined or where the contribution to the original capital expenditure by the Board is known to be equal to or less than 25%.

Reference: Sections 22, 23, 65, 85, 106.2, 106.3, 106.4, 110, 111, 112, 112.1, 113, 114, 115, 115.1, 115.2, 117, 118, 137, 153 School Act

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