

January 29, 2024

ITEM 5.2.2.1

TO: Board of Education

FROM: Finance and Personnel Committee

RE: 2024-2025 Financial Planning Process

*Reference to
Education Plan*

**GOAL 2:
OBJECTIVE:**

The Vancouver School Board will increase equity by...
Improving stewardship of the district’s resources by focusing on effectiveness, efficiency, and sustainability.

INTRODUCTION

The Board of Education is responsible, through the Superintendent of Schools, for overseeing the educational and operational activities of the District and for all statutory requirements of provincial legislation to implement educational standards and policies. The approval of the Annual Budget is one of those responsibilities under the *School Act*, specifically school districts must annually approve, by bylaw, a balanced budget for the next fiscal year and submit it to the Ministry of Education and Child Care by June 30 of the current fiscal year. In addition, under Section 9.1 of Board [Policy 2](#), the Board must approve the budget process and timeline at the outset of the budget process.

This budget development process and timeline document is presented for the committee’s consideration and recommendation to the Board of Education for approval.

BACKGROUND

The school district is required to prepare and submit budgets to the Minister of Education and Child Care, in the form, with the information, and at the time required by the Minister (see Appendix A). The annual budget must be prepared in accordance with the [Accounting Practices Order](#), Section 23.1 of the [Budget Transparency and Accountability Act](#), Regulations [257/2010](#) and [198/2011](#) issued by the Province of BC Treasury Board the [Financial Planning and Reporting Policy](#) and the [K-12 Accumulated Operating Surplus Policy](#).

The school district reports revenues and expenses under three separate funds as described below.

OPERATING FUND: The operating fund includes operating grants and other revenue used to fund instructional programs, school and district administration, facilities operations, maintenance, and transportation.

SPECIAL PURPOSE FUND: The special purpose fund is comprised of separate funds established to track revenue and expenditures received from the Ministry of Education and Child Care and other sources that have restrictions on how they may be spent (e.g. Classroom Enhancement Fund, Annual Facilities Grant, Feeding Futures School Food Programs Fund, Community LINK, Ready Set Learn and School Generated Funds).

CAPITAL FUND: The capital fund includes capital expenditures related to facilities (purchases and enhancements) and equipment (purchases) that are funded by Ministry of Education and Child Care capital grants, operating funds, and special purpose funds. An annual deficit in the capital fund that is a result of amortization expense and budgeted capital assets purchased from operating and special purpose funds exceeding the amortization of deferred capital revenue plus budgeted local capital revenue is permitted under the Accounting Practices Order of the Ministry of Education and Child Care.

DIRECTION FOR BUDGET DEVELOPMENT

Guiding Direction for Budget Development

The development of the District’s budget for 2024-2025 will be guided by two significant directions:

- Education Plan
- Framework for Enhancing Student Learning (the Framework)

Education Plan

The [Education Plan](#) provides the foundational direction for budget development in Goal 2 where “Improving stewardship of the district’s resources by focusing on effectiveness, efficiency, and sustainability” is essential for the VSB to achieve its goal of “increasing equity.” The foundational [Education Plan Equity Statement](#) refers to creating an equitable learning environment where every child can experience a deep sense of belonging and is free to pursue pathways of learning in ways that are authentic to themselves. This relates to budget development in the second objective: prioritizing student needs by making informed decisions and engaging in open communication with rights holders and stakeholders

Framework for Enhancing Student Learning

The [Framework](#) formalizes the planning and reporting expectations for the District to enhance student learning and success. The framework reflects a commitment by Indigenous rightsholders and Indigenous peoples, education partners and communities to work together to continuously improve student learning in relation to intellectual, human and social, and career development. The Framework recognizes the importance of long-term planning in achieving strategic objectives.

Balanced Budget Concept & Connection to Education Plan

At the October 24, 2022 meeting of the Board of Education, the Board approved a motion to adopt strategies to address VSB’s structural deficit. A structural deficit occurs when an organization’s ongoing expenditures are continually greater than revenue received, including government funding. The District reported a deficit of \$8.3 million in its 2023 fiscal year and has limited accumulated operating surplus to absorb future deficits.

The focus of the 2023-2024 budget was to ensure a balanced budget for VSB’s 2024 fiscal year, which is reflected in the Annual Budget approved by the Board of Education on May 10, 2023. The Minister is requiring all school districts to prepare Amended Annual Budgets for 2023-2024. The Amended Annual Budget must be adopted by bylaw and submitted to the ministry by February 29, 2024.

Maintaining a balanced budget is essential for VSB to continue its mission of fostering school communities where students can learn, see themselves, feel supported and connected so that they develop a love of learning and become lifelong learners. To achieve the goals in the Education Plan, VSB will need to create additional financial capacity to support strategic initiatives that will be required to reach those goals. VSB’s senior team will continue to ensure that the District’s financial resources are being used effectively, by ensuring that expenditures have a funding source and do not rely on surplus funds.

It is essential to ensure that the connection between the goals and objectives in the Education Plan and the allocation of resources in the budget is well understood. This plan will guide the budget development process in planning spending priorities to ensure the goals and objectives are met. The Framework will also play a key role in developing spending plans to ensure the focus is on enhancing student learning and success.

The Framework, along with [Administrative Procedure 503 – Financial Planning and Reporting](#), highlights the importance of multi-year financial plans which are to be informed by operational plans for key areas such as Facilities, Information Technology and Employee Services. This will enable VSB to assess the impact of planned initiatives which are expected to span multiple fiscal periods on VSB’s financial position. VSB is working to enhance the organization’s planning capabilities as outlined in the framework and develop multi-year forecasts as part of the 2024-2025 budget process.

BUDGET DEVELOPMENT PROCESS

In developing the balanced budget for the operating fund for 2024-2025 the overall goal is to provide, to the extent possible, a comparable level of programs and services as provided in 2023-2024. Priority will be given to initiatives that support the goals in the Education Plan, while also ensuring that VSB maintains a balanced budget. VSB is exposed to potential cost pressures due to numerous factors such as inflation, collective agreement wages lifts and costs of maintaining older buildings which may not be offset by additional funding.

The development of the annual budget for 2024-2025 will include:

- development and approval of the 2023-2024 amended annual budget;
- development and submission to MECC of three-year enrolment projections;
- development of base budget which includes revenue and expense estimates and budget assumptions validation through a zero-based budget review process, estimated enrolment driven changes to revenue and expenditures, estimated changes to employee salaries and benefits; estimated changes to services, supplies, and utilities due to contractual rate changes; and adjustments for one-time revenue or expenditures included in the prior year budget;
- the creation of the balanced status quo budget;
- inclusion of structural deficit reduction strategies and additional costs included in multi-year plans consideration of using prior years’ surpluses to balance the budget.

FINANCIAL PLANNING TIMELINE



ENGAGEMENT PROCESS

The public engagement process will include meetings with rights holders and stakeholders, a public survey and opportunities for the public and stakeholders to delegate to the Board.

CONCLUSION

The budget process outlined in this document represents a transparent and accountable way to develop the annual budget for the Vancouver School Board. The process will be challenging due to the existence of the structural deficit and expected cost pressures, particularly those related to inflation and rising utility costs. In developing the budget, the focus should be on the foundational direction for budget development in Goal 2 of the Education Plan where “increasing equity” is addressed as “Improving stewardship of the district’s resources by focusing on effectiveness, efficiency, and sustainability.”

It is incumbent on the Board to undertake a focused examination of how the limited resources are being allocated in the system so that the cost structure, which is largely based on staffing and high building operational costs, more closely reflects the funding received. That examination must look at the budget structurally and identify strategies where programs can be delivered more cost effectively, where the cost of maintaining buildings can be reduced, where the cost of delivering educational programming per student can be reduced and where costs that are not needed in the budget can be removed. Failure to do so will result in the eventual inability of the District to create a balanced budget, as required by the *School Act*.

The senior team believes the budget development process outlined in this document lays the foundation for looking at resource allocation from a district perspective, striving for equity for students and creating a cost consciousness; all of which will serve to enhance learning experiences for Vancouver students.

RECOMMENDATION

That the Board of Education approve the 2024-2025 Financial Planning Process.

Attachment: Appendix A: MECC Prescribed Budget Format

APPENDIX A

The Ministry of Education and Child Care requires that the annual budget contains the statements and schedules outlined below.

Statement 2 – Annual Budget – Revenue and Expense - This statement consolidates all revenue and expense by function for the operating fund (Schedule 2), the special purpose fund (Schedule 3) and the capital fund (Schedule 4). The total budget bylaw is presented at the end and includes expenses and asset purchases from all funds.

Statement 4 – Change in Net Financial Assets (Debt) - This statement contains information about the changes in net financial assets, which include non-financial assets such as tangible capital assets, prepaid expenses, supplies inventory, and restricted assets. The statement details the acquisition of tangible capital assets from various funding sources. If any tangible capital assets are disposed of or written down, these amounts are also included in the statement.

Schedule 2 – Operating Revenue and Expense – This schedule contains a summary of operating revenue by source and expenses by type.

Schedule 2A – Schedule of Operating Revenue by Source - This schedule contains a detailed breakdown of operating revenue by source.

Schedule 2B – Schedule of Operating Expense by Source – This schedule contains a detailed breakdown of operating expenses by type.

Schedule 2C – Operating Expense by Function, Program and Object - This schedule provides a further breakdown operating expenses by function, program and type.

Schedule 3 – Special Purpose Revenue and Expense and Schedule 3A – Changes in Special Purpose Funds - These schedules contain revenue by source and expense by type information for individual special purpose funds.

Schedule 4 – Capital Revenue and Expense - This schedule contains revenue by source and expense by type information for the capital fund.