Report to the Board of Education

December 15, 2021 Public Board meeting

2022/23 BUDGET UPDATE

Adrian Johnson, Acting Secretary-Treasurer

PURPOSE

This document provides the Board with information on:

- Ministry of Education expectations for the 2022/23 original budget process and proposed Board policy
- The budget development process, including consultation and engagement
- A forecast of the Board's financial position in 2022/23 based on current knowledge

MINISTRY OF EDUCATION EXPECTATIONS

As in previous years, the School Act requires the Board to prepare an annual budget bylaw by June 30 for the subsequent school year. In practice, the Board aims to have settled on a budget by the end of April to provide the necessary time for management to put the right number and mix of staff in place prior to school being in session.

During the past year, the Ministry of Education has published two policies that influence the District's budget development process.

- The Accumulated Operating Surplus policy, which guides the accumulation, spending and reporting of operating surplus funds and the Board's engagement with stakeholders and rights holders; and
- The Financial Planning and Reporting policy, which provides direction and guidelines to align the Board's multi-year financial planning and reporting processes with provincial requirements.

To addresses these policies, management have proposed updates to the Board's existing Financial Surplus and Inter-Fund Transfer policy and also drafted a new Financial Planning and Reporting policy. These two policies are presented for first reading at this Board meeting, and if adopted create a requirement for:

- The creation of a financial plan that spans at least three years which is linked to the Board's strategic and operating plans.
- Consultation with local community and education partner groups, including the Okanagan Indian Band, on the Board's financial plan and the spending of any accumulated surplus.

THE BUDGET DEVELOPMENT PROCESS

The table below lays out the timelines approved by the Board in the October regular Board meeting for the creation of the annual budget bylaw.

Dates	Activity
December 15, 2021 (Wednesday) 5:30pm	REGULAR BOARD MEETING - Preliminary Budget Report
February 9, 2022 (Wednesday) 5:30pm	Public Budget Committee Meeting - Preliminary Budget Input
February 16, 2022 (Wednesday) 5:30pm	REGULAR BOARD MEETING - Budget Update
March 15, 2022	Ministry Funding Announcement
March 16, 2022 (Wednesday) 5:30pm	REGULAR BOARD MEETING - Budget Update
March 19– April 3, 2022	Spring Break
April 6, 2022 (Wednesday) 5:30pm	SPECIAL Public Board Meeting - Draft 2022/23 Budget Adjustment Plan
April 13, 2022 (Wednesday) 5:30	Budget Information / Feedback Meeting for Staff and Public
April 20, 2022 (Wednesday) 5:30pm	REGULAR BOARD MEETING - Approve 2022/23 Budget Adjustment Plan - First & Second Reading of 2022/23 Budget Bylaw
May 18, 2022 (Wednesday) 5:30pm	REGULAR BOARD MEETING - Final Reading & Adoption of 2022/23 Budget Bylaw

In parallel to this budget development process, the Board will be developing a strategic plan, and staff will be preparing operational plans to align with the Province's Framework for Enhancing Student Learning. Management will use information gathered through this process, and through the consultation process indicated in the table above, to guide and inform resource allocation recommendations.

Management will also prepare a three-year financial plan covering the 2022/23, 2023/24 and 2024/25 fiscal years for the Board's consideration in April.

FORECAST FINANCIAL POSITION

COST PRESSURES

The cost of providing existing services changes from year to year. The following table outlines expected changes for the next school year. Management may identify other changes, as new information becomes known during the budget process.

Pressure	Comments	Net financial impact
Unionised staff wage increases	It is likely that unionised staff (teachers and support staff) will receive a wage increase going into next year. Collective agreement bargaining is ongoing, so the amount of increase is not yet known. However, management expect that the Provincial Government will provide additional grant revenue to offset this cost increase.	$nil
Enrolment increases	An increase in enrolment is anticipated, which will result in more divisions, blocks and staff. Management expect an increase in grant revenue to offset the associated increased cost.	$nil

Pressure	Comments	Net financial impact
Non-unionised staff wage increases	The Board pays Management staff, including Principals and Vice-Principals, on a scale provided by BCPSEA. This scale typically increases in line with the wage increases provided to unionised staff. The Province does not typically provide additional grant funding to offset the cost increase.	$180,000
Cost inflation	BC's consumer price index (CPI) in October 2021 was 3.8% higher than in October 2020. This impacts the cost of the services and supplies used to run our schools and support education. The Province does not typically provide additional grant funding to offset the cost increase.	$440,000
Recurring deficit from 2021/22	The current school year budget includes about $1.6 million of ongoing expenditure that is not offset by ongoing revenue. The Board is utilising surplus carried forward from last school year to cover this cost. There is no source of funds identified yet to cover this expenditure next school year.	$1,580,000
Total	**Preliminary estimate of total cost pressures**	**$2,200,000**

REVENUE CHANGES

The year-to-date financial performance update to the Board presented in the October regular board meeting identified an additional $1,252,000 of revenue created by the identification of students with funded special needs designations. The Board added additional education assistant and School Based Resource Teacher positions to support these students with a cost of about $752,000, resulting in net revenue of $500,000.

NET FINANCIAL POSITION

Cost pressures of $2.2 million offset by net revenue increases of $500,000 result in a net cost pressure of $1.7 million.

> If the Board does not identify other funds, the Board may have to cut $1.7 million of existing ongoing services to balance next year's budget.

Management's current forecast for this school year is that the Board will end this school year with about $450,000 of unallocated surplus due to the increase in students with funded special needs designations. Should that materialise, it would allow the board to delay making $450,000 of these reductions for a year.

OTHER CONSIDERATIONS

POSITIONS CREATED FOR THIS YEAR ONLY

The Board allocated $487,200 of surplus to fund expenditures that the Board added for the current school year only. This is in addition to the costs noted earlier in this document. The related positions will not continue into 2022/23. These positions are:

- One additional school psychologist (this position remains unfilled);
- Enhanced cleaners;
- 0.1 FTE of additional administration time at each elementary school; and
- One additional literacy teacher.

LOCAL CAPITAL

The Board has $1,940,493 set aside in Local Capital to fund future facility improvements. Most of our elementary schools are at or over capacity. Expected enrolment increases class composition issues mean it is likely that the Board will add additional divisions at some elementary schools next year. It is not yet clear how many additional divisions will be needed, and at what schools.

Supply chain constraints mean it takes many months between ordering a portable classroom and receiving it. To ensure we have space next year, **Management recommend that the Board allocate $750,000 of this local capital to acquire three portable classrooms for use next school year**. If it later becomes apparent that the Board will not need one or more of these portables next year, it is relatively inexpensive to keep them in inventory.

INTERNATIONAL PROGRAM

The District's international program continues to be successful. Based on current enrolment, management forecast to generate about $600,000 of profit this year. The Board has not yet allocated this profit.