

SURPLUS

Board Approved: May 30, 2018

Last Revised: May 18, 2022

Description:

The purpose of this Policy is to provide the board with guideline and rules to ensure accountable and transparent financial planning, and develop procedures that guide the accumulation, spending and reporting of operating surplus funds. This policy aligns with and ensures compliance with the Ministry of Education (Ministry) Accumulated Operating Surplus Policy (AOS) and Financial Planning and Reporting Policy (FPAR).

An operating surplus is achieved by spending less than the revenue the school districts receives in a given year; surpluses can accumulate year over year. The Board of Education is required by the School Act to prepare a balanced annual budget. Estimated spending in the annual budget must not exceed estimated revenue plus accumulated operating surplus. Operating surplus, with consistent rules and guidelines in place, enables the Board of Education to engage in long-term planning, mitigate financial risk and support consistent service to students.

The School District's financial plans and budgets, including the use of operating surplus, should clearly identify how they support strategic plans and other operational priorities of the school district including improving student educational outcomes. The Board of Education will review a summary of the school district surplus position during the Preliminary and Amended Annual Budget processes and when approving the Financial Statements. To increase transparency, any surplus appropriations or interfund transfers will require board approval. Capital assets purchased for departmental operating plans from approved budget expenditures do not require subsequent board approval.

When developing local budgets (including the use of operating surplus funds) the board will ensure that it consults and engages their local communities, education partner groups, local First Nations and Métis Nation BC by providing public information on the entry page of its website about:

- where, when and how long the community partners above will have the opportunity to provide input, feedback and ask questions on the board's annual budget and board's accumulation, reporting and planned use of operating surplus;
- how the feedback will be used;
- any specific opportunities for the local community partners to provide feedback on the matter; and
- how the board will report out to the local community partners on its progress towards meeting its strategic plans (including surplus funds) ie. post this information on its website.

The board will use the following categories to manage accumulated operating surplus:

Internally Restricted Operating Surplus

Restrictions can be made for items that are identified by the board, have defined timelines, are directly related to a board's goal outlined in their strategic, operational and financial plans, or that meet the specific needs of the school district.

There are three categories under which the Board may designate funds as internally restricted surplus.

1. Restricted due to the nature of constraints on the funds
2. Restricted for anticipated unusual expenses identified by the board
3. Restricted for operations spanning multiple school years (not beyond the next two fiscal years)

Unrestricted Operating Surplus

To support effective planning, including risk mitigation strategies, the board will attempt to maintain a sufficient unrestricted operating surplus balance. This will mitigate financial risks related to unforeseen events and fluctuations in budgetary estimates.

Excess funds above the desired target may be considered for allocation through the subsequent budget process.

When use of the contingency reserve reduces the balance below what is determined to be sufficient, the Board of Education will adopt strategies for replenishing the contingency reserve within an appropriate time frame.

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. When a project has been approved for concept plan or business case development, the Board may restrict operating surplus funds for that project.

Local Capital

Local Capital includes the board's portion of any proceeds from the disposition of capital assets, transfers from operating funds, and interest earned on Local Capital funds.

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, and renovation or replacement of administrative and operational buildings.