



TO: Chair and Members of the Finance & Facilities Committee

FROM: Christopher Mackie, Medical Officer of Health

DATE: 2014 November 6

THIRD QUARTER FINANCIAL UPDATE

Recommendation

It is recommended that the Finance & Facilities Committee receive Report No. 044-14FFC re: “Third Quarter Financial Update” for information.

Key Points

- The 2014 approved budget includes an anticipated 2% (\$308,024) increase in Mandatory Programs funding from the Ministry of Health and Long-Term Care, which is not yet confirmed.
- Overall the Health Unit is expected to achieve a breakeven position by the end of the year.
- Impact of factors such as ONA negotiations and level of provincial funding remain uncertain and may affect the year-end projections.

Background

The 2014 operating budget was approved by the Board of Health on February 26th, 2014 ([Report No. 015-14](#)). The approved operating budget anticipates an additional 2% (\$308,024) increase in the Mandatory Programs funding from the Ministry of Health and Long-Term Care (MOHLTC), which is not yet confirmed.

Financial Review to September 30th

The 2014 Budget Variance Summary is attached as [Appendix A](#). The summary provides actual and budgeted expenditures for the first six months and provides management’s best estimates (see pages 3-9 for comments) to the end of the operating year.

The Senior Leadership Team met to review financial results for the nine months ending September 30th and to discuss year end projections. Overall the Health Unit is expected to meet its financial plans by year end. Overall, the organization is expected to achieve a breakeven position. Position gapping and spending restraint across the organization are projected to offset Board approved contributions to reserve funds of \$450,000, and one-time Program Budget Marginal Analysis (PBMA) proposals totaling \$235,163.

Included in the year-end estimates are the following items:

- Receipt of a \$75,000 one-time funding request being made to the MOHLTC for the anticipated Healthy Smiles Ontario program deficit. For more information please see Report No. 046-14FFC.

- \$29,663 payable to the City of London for the Health Unit's annual contribution to the Self Insurance Reserve Fund (SIRF). Exploration on how to avoid this cost has been resisted. See [Report No. 022-14FFC](#) for more information.
- \$85,000 in unpredicted legal costs, and
- \$15,000 for the installation of security cameras.

Table 1 below provides a list of potential re-investments should further surpluses occur in the third and fourth quarter.

Table 1 – Potential Re-Investments

Description	Amount
1) Enhanced access to community data	12,000
2) AON Hewitt – predictive modeling for wellness initiative	10,000
3) Crucial Conversations – training toolkits	14,000
4) HVAC upgrades (humidification)	40,000
Total Potential Re-Investments	\$ 76,000

Factors That May Impact Estimates

There are two major uncertainties that remain which may negatively impact these estimates. First, the MOHLTC has not yet approved its grant allocations for 2014. The 2014 operating budget includes a 2% (\$308,024) increase in the Mandatory Programs grant. Secondly, the Ontario Nurses Association (ONA) collective bargaining process has not been completed, therefore any unplanned financial impact will result in increased costs and may impact the break-even position.

Conclusion

Health Unit staff performed a financial analysis to the end of September and have provided estimates to the end of the year. Based on this analysis it is expected that the Health Unit will complete the year with a break-even position. However uncertainty remains with the outcome of collective bargaining with ONA and the level of provincial funding the Board will receive for 2014.

This report was prepared by Mr. John Millson, Director of Finance & Operations.



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