



TO: Chair and Members of the Finance & Facilities Committee

FROM: Emily Williams, Chief Executive Officer

DATE: 2022 February 3

2022 BUDGET PROCESS UPDATE

Recommendation

That the Finance and Facilities Committee recommend to the Board of Health to receive Report No. 04-22FFC re: “2022 Budget Process Update” for information.

Key Points

- MLHU undertook a revised 2022 Budget Planning Process, adjusting the approach based on the current state of programming in each Division.
- To maintain baseline budgets in 2022, the costs of programs will be calculated assuming the program is operational for a full year. COVID-19 related costs will be added to the baseline budget to form a consolidated MLHU budget.
- The outcome of the PBMA process was approved by the Board of Health on November 18, 2021 ([Report No. 022-21FFC-R](#)). Approved initiatives will be included in the 2022 budget.
- Due to the Provincial Election, the Ministry of Health has significantly shortened timelines for the 2022 budget submission, creating a compressed timeline for the budget completion.
- The 2022 MLHU Budget will be tabled at FFC in March 2022, one month later than planned.

Background

Significant challenges in the operating environment, such as uncertainty in funding levels and inflationary pressures, required a revised Budget Planning Process for MLHU as outlined in [Report No. 37-21](#). This included changes to the Program Budgeting Marginal Analysis (PBMA) process based on the current state of programming, and a review of organizational structures in certain divisions. The PBMA proposals were reviewed and approved at the BOH in November 2021 and are an important part of the 2022 MLHU Budget. Additional information provided by the Ministry of Health (MoH) Funding and Oversight Accountability and Liaison Branch, and Municipal funding approvals will also guide the formation of the Health Unit budget.

Updated Budget Planning Assumptions

From a funding perspective, the MoH confirmed in writing on January 21st, 2022 that it will continue to provide mitigation funding to the Health Unit to offset the previously planned changes to cost sharing with the municipalities for public health services; MLHU will receive the amount identical to last year (\$1,361k). During a meeting on January 13 with the MoH Manager, Funding and Oversight, it was suggested that, in addition to continued funding for COVID-19 Extraordinary Expenses, there may be an opportunity to request inflationary funding adjustments to the base budget for the Health Unit, as well as additional funding to support expanded programs and services to address pandemic recovery. This will be undertaken through the Annual Service Plan (ASP) budget submission, the template for which is expected from the MoH in the middle of February.

MLHU is facing salary inflationary pressures representing a budget shortfall of approximately \$500,000 in 2022 and, as such, the BOH approved requesting additional funding from the municipalities for the first time in 12 years in September 2021. The City of London approved this increase on December 2, 2021, with approval still pending from the County of Middlesex as its budget process has yet to be completed.

Updated Budget Timing

Given that there is a Provincial Election planned for 2022, this has resulted in a shortened timeline for public health financial reporting to the MoH. The fourth quarter results were due January 31, requiring the full team to focus on ensuring compliance with this deadline. As well, the ASP template has yet to be received and there is a lack of clarity regarding what will be required for this submission. Given these two factors, the 2022 MLHU Budget will be tabled to the FFC at the March 3 meeting, one month later than planned.

2023 Budget Planning

As noted in the FFC Reporting Calendar ([Report No. 01-22FFC](#)), the 2023 MLHU Budget Planning Process will be shifted to occur earlier in the year to enhance planning and communication. Zero-based budgeting will be expanded, and it is anticipated that PBMA will continue to play a significant role in evaluating proposals for investment and disinvestment at MLHU.

Next Steps

Following completion of the fourth quarter financial reporting, the Finance Team will pivot back to working with the Health Unit leadership team in finalizing the 2022 MLHU Budget. It will be tabled at the FFC meeting on March 3, 2022 for review and approval.

This report was prepared by the Healthy Organization Division.



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Chief Executive Officer