



TO: Chair and Members of the Board of Health

FROM: Christopher Mackie, Medical Officer of Health

DATE: 2013 June 20

2014 COST-SHARED BUDGET – CITY OF LONDON TARGET

Recommendations

It is recommended:

- 1) That the Board of Health direct staff to develop the 2014 Cost-Shared budget and associated operational plans based on 0% increase from the City of London and Middlesex County; and further*
- 2) That the Board of Health direct staff, in consultation with the Finance and Facilities Committee, to develop a budget process that aligns the Health Unit's planning and budget processes and provides the Board with more information to fulfill its fiduciary role*

Key Points

- The City of London has begun its 2014 budget process. The Board of Health has been provided a budget target of 0% increase over the 2013 budget and has been requested to provide business planning information and implications of the budget target to the City by September 13.
- Guidance is required from the Board on how to prioritize the implementation of a rationalized budget process relative to the City of London budget target and information requests.

Cost-Shared Budget Development & Planning Process

In 2005, the Board of Health set a policy direction to use provincial grant increases to maintain or enhance public health programs and services while keeping the municipal contribution to Health Unit funding at the 2004 level (or 0% per year). This was on the premise that with provincial increases, the 75%/25% cost-sharing arrangement would eventually be reached and public health programs and services would be enhanced. However, the provincial increases of 5% up to 2009 have fallen such that in 2013 the Board of Health is expecting only a 2% increase in certain provincial grants. The reduction in growth of provincial grants has delayed the Board achieving a 75%/25% cost-sharing arrangement, and has required the Health Unit to further explore administrative and program efficiencies to maintain current levels of service. The latest PricewaterhouseCoopers review makes some recommendations to help address this ([Report No. 063-13](#) "PricewaterhouseCoopers Interim Report").

Historically, the Board of Health has used the City of London's budget targets for budget planning purposes. This process usually focused on developing high level expenditure estimates and comparing them to the amount of funding the Board of Health expects to receive from the Ministry of Health and Long-Term Care (MOHLTC), The City of London and from the County of Middlesex. The high level expenditure estimates focused on known or estimated amounts required to fund existing staff complement, increases in global expenditures such as rents, utility costs, or changes in revenue patterns such as changes in interest rates. The process rarely considered individual program needs or requirements. At the October 18, 2012 Board of

Health meeting [Report No. 117-12](#), “Protecting the Gains” was reviewed and demonstrated past practice as it relates to the Health Unit’s budget process, high level expenditure estimates and anticipated revenue changes for 2013.

Typically, the Board approves the operating budget with these changes and then within the first 3 months of the budget year in question, and prior to submitting the Health Unit’s operating budget to the MOHLTC, Health Unit staff develop the current year’s operational plans. The operational plans provide programmatic details that identify:

- a) Planned activities
- b) Rationale/evidence for doing the activity
- c) Timelines
- d) Activity lead
- e) Dedicated resources
- f) Partners to be involved/consulted
- g) Expected output/outcomes

Currently, the budget development process and the program planning activities are separate. This creates a situation where the planning process and program needs do not directly inform the budget process. This circumstance was highlighted in the PricewaterhouseCoopers (PwC) interim report and formed the basis of recommendation #2a.

“Integrate and align service area planning and budgeting activities to mitigate against risk of unplanned expenditures and to support optimal allocation of resources to key initiatives.”

Addressing this recommendation has major implications to the current budget development and planning process for the Board of Health. Guidance is required from the Board on how to prioritize this recommendation relative to the City of London budget target and information requests.

City of London 2014 Budget Process & Target for the Board of Health

On May 22, 2013 Mr. John Millson, Director of Finance & Operations, took part in a meeting with Boards and Commissions of the City of London. At this meeting the City’s 2014 budget guidelines were released and each organization was provided their 2014 budget target. The Board of Health’s initial target is a 0% increase over the 2013 City of London appropriation of \$6,095,059 and it is requested that the Board of Health provide the implications of achieving a 0% target through a “Service Change Business Case”.

The budget guidelines package included a draft budget timetable, a business plan template, a service change business case, and budget documents collectively called Program Plans which include a Budget Summary by Service, Object of Expenditure, and Budget Forecast and Staffing overview. As part of the City’s budget timetable, the budget and planning information is required to be submitted by September 13, 2013. For the 2013 budget the Health Unit did not participate in the City’s business planning process but did provide the high level expenditure and revenue estimates which was reported to the Board in [Appendix C](#) of [Report No. 132-12](#) “2013 Cost-Shared Budget”. Attached as [Appendix A](#) is the draft City of London budget timetable and an excerpt from the City’s guidelines illustrating the type of information requested in the City’s Business Plan.

2014 Cost-Shared Budget - Board of Health Direction

Given the PwC recommendation to align health unit planning and budget processes, the Board’s consideration of a new Finance & Facilities committee, and the fact that the City of London’s 2014 budget target and information expectations have been set, the Board needs to provide direction to staff in regards to

how it wishes to proceed in regards to the 2014 Cost-Shared Budget. Specifically, the Board needs to provide direction as it pertains to:

A) The City of London Budget Target

While the Municipal funders can set targets for the Board, the final decision regarding budget requirements rests with the Board of Health. It is therefore essential that the Board of Health determine its approach to the development of the 2014 budget. Three options the Board may consider are:

- 1) Adopt the City of London direction of a 0% increase on the municipal share of the Cost-Shared programs.
- 2) Determine an alternative direction for staff to develop the 2014 Cost-Shared Programs budget.
- 3) Request more analysis before selecting a budget target for municipal funding.

B) The Middlesex-London Health Unit Budget Process

Due to time constraints, if the Board of Health participated in the City of London's planning and budget process, an additional Board of Health meeting would be required in August in order to meet the City's timelines. Further, the budget estimates provided would not be based on a new aligned planning and budget process as recommended by PwC. Three options or approaches the Board may consider are:

- 1) Follow the City of London's budget process.
- 2) Develop a Board budget process that aligns the Health Unit's planning and budget process as per the recommendation of PwC and participate in the City process as much as is feasible.
- 3) Follow a process similar to that used in 2013, which parallels the City process and approximates the City timelines where feasible.

Summary

The City of London has provided a 2014 budget target of 0% increase over the 2013 budget. As part of the City of London budget process, the Board is being requested to provide business planning information and implications of the budget target to the City by September 13. Guidance is required from the Board on how to prioritize the implementation of a rationalized budget process relative to the City of London budget target and information requests.

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

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