



TO: Chair and Members of the Finance & Facilities Committee

FROM: Christopher Mackie, Medical Officer of Health

DATE: 2013 September 5

2013 BUDGET VARIANCE REPORT TO JUNE 30TH

Recommendation

It is recommended that the Finance & Facilities Committee make the following recommendations to the Board of Health:

- 1) To receive the Budget Variance Summary found in Appendix A of this report for information; and further*
- 2) To approve expenditures in the amount of \$110,000 as identified in Table 1 of Appendix B, it being noted that the funding will come from anticipated 2013 surplus; and*
- 3) To identify a target of at least \$302,000 of the anticipated year end surplus to be contributed to the Funding Stabilization Reserve.*

Key Points

- The Cost-Shared programs are anticipated to generate an operating surplus of \$331,306 by year end taking into account the recommendations above.
- An additional amount of \$101,250 surplus will be created as a result of the Province approving its grant for the Shared Services Review project.
- The Dental Treatment Clinic is anticipated to have a shortfall in 2013, however strategies are being examined to mitigate this.
- The Healthy Babies Healthy Children program is anticipated to generate a modest surplus of approximately \$50,000. Unused funds from this 100% provincially funded program must be returned to the Province.

2nd Quarter Review

The purpose of this report is to provide the Finance & Facilities Committee with a summary review of the health unit's operating accounts and to provide initial projections to a year-end position. On August 15th, 2013 the health unit received notice of Ministry of Health and Long-Term Care (MOHLTC) approvals of the grant request made in April 2013. These approvals complete the 2013 budget development process as it pertains to the programs and services with a December 31st year-end. Report No. 004-13C of this agenda provides information in regards to the MOHLTC approvals.

The attached Budget Variance Summary ([Appendix A](#)) shows actual and budgeted expenditures net of offset revenues for the six month period January 1st to June 30th, 2013. For the programs with a March 31st year-end this report shows the actual and budgeted expenditures net of offset revenues for the three-month period April 1st to June 30th, 2013. The Budget Variance Summary also provides management's forecasted year-end balances. These projections are a better indicator of how the programs expect to complete the year from a financial perspective as the program's annual budgets are divided equally over a 12 month period. Finally, the Budget Variance Summary includes, where appropriate, a brief explanation or comment in regards to the projection. For programs with a March 31st year-end no projections are being provided as there has only been three months of operations.

Cost-Shared Programs

The net budget for cost-shared programs for 2013 was Board approved at \$23,213,670. As can be seen from reviewing the Budget Variance Summary ([Appendix A](#)), the cost-shared programs are projected to complete the operating year with a surplus of \$441,306. The projected surplus is primarily due to staffing vacancies over and above the amount estimated in the 2013 budget, increase revenue from vaccines, continued 100% provincial funding for the needle exchange program, and lower than anticipated use of legal services.

On August 12th the Senior Leadership Team met to review financial results to June 30th and to confirm the year-end projections. As part of the review additional requirements totaling \$110,000 were considered. These additional requirements can be found in Table 1 of [Appendix B](#).

In addition to the above, an amount of \$101,250 will be returned to surplus as a result of the Province providing a one-time grant of 75% of the costs of the Shared Services Review that was conducted by PricewaterhouseCoopers. Originally the Board of Health approved this funding to come from any 2012 operating surpluses.

If the additional requirements are approved and the amount due to the Province funding 75% of the Shared Services Review is considered, the estimated amount of available funds at year end would be \$432,556. A summary of this can be found in Table 2 of Appendix B.

Given the fact that this review of expenditures to June 30th and estimated requirements to the end of the year should produce a surplus of \$432,556, it is recommended that the Finance & Facilities Committee endorse a target of \$302,000 to be contributed to the Funding Stabilization Reserve Fund. This will help start building a healthy contingency fund to address future funding pressures and program needs as identified in [Report No. 117-12](#) “2013 Budget – Protecting the Gains”.

Other 100% Funded Programs/Initiatives

For the December 31st programs that are 100% funded it is expected that they will end the operating year in a breakeven position except for the Healthy Babies Healthy Children (HBHC) program, and the Dental Treatment Clinic. The HBHC program is forecasted to generate a modest surplus of approximately \$50,000 due to position vacancies being experienced in the program. The Dental Treatment Clinic, as explained in Report No. 007-13C of this report, is currently projecting a deficit. The report identifies strategies that are being considered to mitigate this anticipated shortfall.

For the March 31st programs it is not anticipated at this time that these programs will generate significant favourable variances by March 31st, 2014.

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

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Medical Officer of Health