



TO: Chair and Members of the Finance & Facilities Committee

FROM: Christopher Mackie, Medical Officer of Health

DATE: 2014 February 12

2014 BUDGET OVERVIEW

Recommendation

It is recommended that the Finance & Facilities Committee make the following recommendations regarding the 2014 Operating Budget to the Board of Health:

- 1) *That the Board of Health approve the 2014 Operating Budget in the gross amount of \$33,305, 620 as appended to Report No. 006-14FFC “2014 Budget Overview”; and further*
- 2) *That Report No. 006-14FFC be forwarded to the City of London and the County of Middlesex for information; and*
- 3) *That staff submit the 2014 Operating Budget in the Ministry of Health & Long-Term Care’s Program Based Grant format.*

Key Points

- The development of the 2014 Proposed Operating Budget began to address the recommendation from PricewaterhouseCoopers for the Health Unit to include both planning and budgeting information in its annual budget process.
- The 2014 Proposed Operating Budget was developed with an estimated 2% increase in Mandatory Program funding from the Ministry of Health and Long-Term Care, a 0% increase from the City of London and the County of Middlesex, and a 0% increase for all other programs.
- The overall 2014 Operating Budget as presented in Appendix B is increasing \$303,286 or 0.92%. This is due to expected increases in staff-related costs, and is to be funded mainly through provincial grants.

Background

A key recommendation of the PricewaterhouseCoopers (PwC) Shared Services Review was for the Health Unit to become a more integrated and cohesive organization. An identified supporting initiative was to 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.

Table 1 below lists some of PwC’s observations regarding this recommendation. The budget development process for 2014 was revisited to address this recommendation and these observations.

Table 1 – PricewaterhouseCoopers Observations and Steps Taken to Respond

PwC Observations (Pre-2014 Budget Process)	Steps Taken in 2014 Budget Process
<ol style="list-style-type: none"> 1. In general, the MLHU’s operational plans are based on available budget. Finance provides estimates of grant revenues to the senior leadership team who then decides on the allocation of resources to departments. 2. Budgeting at the department level is based on historical “carry-over” budgets as opposed to using a ground-up budgeting approach. 3. Operational plans are driven more by the budget than by actual operational requirements – there is an inherent disconnect between planning and budgeting activities. 4. Operational plans are also not known or available at the time resources are allocated. 5. There is a need to formalize a process to reallocate resources “in-year,” after the original budget has been approved. 	<ul style="list-style-type: none"> • New budget document template • Relevant planning is conducted prior to budget decisions, and relevant information is included in budget documents • Program Budgeting and Marginal Analysis process (PBMA) implemented • Board of Health approved criteria used to guide budget recommendations • Over 100 proposals reviewed and prioritized based on criteria • Priorities for use of available funds included for consideration by Finance and Facilities Committee and the Board of Health as part of the budget process • Indicators of efficiency, service levels and program impacts included as part of budget documents

Program Budget Marginal Analysis

New for the development of the 2014 budget, the use of “Program Budgeting and Marginal Analysis [PBMA], which transparently applies pre-defined criteria to prioritize where proposed decreases or increases could be made,” to facilitate “reallocation of resources based on maximizing the value of services across the four principles of the Ontario Public Health Standards [OPHS] (Need, Impact, Capacity, and Partnerships/Collaboration).” Attached as [Appendix A](#), is a list of the revised proposals for dis-investment, re-investment and one-time investments. The proposals have been incorporated in to the draft 2014 planning & budgeting templates.

Planning & Budgeting Templates

Also new for the 2014 budget is the introduction of Planning & Budgeting Templates. These templates provide both planning & budgeting information and are meant to increase transparency and provide additional program information for the Board to make resource allocation decisions. Over the past two Finance & Facilities Committee meetings the members reviewed the Planning & Budget Templates for Finance & Operations Services, Information Technology Services, Environmental Health, Chronic Disease and Injury Prevention Services, Office of the Medical Officer of Health, and Oral Health, Communicable Diseases and Sexual Health Services. As part of this agenda, [Report No. 005-14FFC](#) provides the last three templates for the committees review. The templates are for Human Resources & Labour Relations Services, Family Health Services, and Corporate Expenses & Revenues.

2014 Proposed Board of Health Budget

On June 20th, 2013 the Board of Health reviewed [Report No. 078-13](#) and directed staff to develop the 2014 Cost-Shared budget and associated plans based on a 0% increase from the City of London and the County of Middlesex. Attached as [Appendix B](#), is the 2014 Proposed Budget Summary that provides gross expenditures and revenues for the various programs and provides. For ease of accessing this information all templates have been consolidated into one document and links created to each of the Planning & Budgeting Templates.

The proposed budget includes an anticipated 2% increase in provincial funding for the Mandatory Programs and a 0% increase for the remaining programs. As can be seen, the proposed 2014 budget includes an increase of \$303,286 or 0.92%. This increase is mainly related to increased staffing costs and is to be funded through the expected 2% increase to the Mandatory Programs grant from the MOHLTC of \$308,024, reductions in 100% ministry grants of \$27,738, and an increase of \$23,000 in other revenue and user fees.

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

Christopher Mackie, MD, MHSc, CCFP, FRCPC
Medical Officer of Health