



TO: Chair and Members of the Finance & Facilities Committee

FROM: Christopher Mackie, Medical Officer of Health

DATE: 2014 February 12

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## 2013 BUDGET VARIANCE REPORT TO DECEMBER 31<sup>ST</sup>

### **Recommendation**

*It is recommended that the Finance & Facilities Committee review and recommend to the Board of Health to:*

- *receive Report No 07-14FFC “2013 Budget Variance Report to December 31<sup>st</sup>”;*
- *that the Board of Health provide \$500,000.00 of the Health Unit’s 2013 surplus to the municipal funders at the same rate as they fund the municipal component of the Health Unit’s budget (\$420,000, or 84% to the City of London, and \$80,000, or 16% to the County of Middlesex); and*
- *that decisions regarding contributions to reserves and reserve funds be deferred until further discussions have occurred with municipal funders and audited financial statements are available.*

### **Key Points**

- The unaudited operating surplus for the cost-shared programs is approximately \$ 844,730. The health unit auditors, KPMG will be performing its annual audit beginning March 24th, 2014.
- An additional amount of \$101,250 from 2012 operations is available resulting from the Province approving 75% funding for the Shared Services Review project.
- Several specific budgets are anticipated to have modest surpluses or shortfalls, including a shortfall in the range of \$20,000 for the Dental Treatment Clinic.
- In order to support the municipal funders with their 2014 budget decisions, it is recommended that the Board of Health provide \$500,000.00 from the Health Unit’s 2013 surplus to the municipal funders at the same rate as they fund the municipal component of the Health Unit’s budget (\$420,000, or 84% to the City of London, and \$80,000, or 16% to the County of Middlesex).

### **Fourth Quarter Review (2013)**

The purpose of this report is to provide the Finance & Facilities Committee with a summary review of the Health Unit’s operating results and to provide projections of expenditures at the end of 2013.

The attached Budget Variance Summary ([Appendix A](#)) shows actual and budgeted expenditures net of offset revenues for the twelve months ending December 31<sup>st</sup>, 2013. For programs with a March 31<sup>st</sup> year-end, this report shows the actual and budgeted expenditures net of offset revenues for the nine month period April 1<sup>st</sup> to December 31<sup>st</sup>, 2013. The Budget Variance Summary provides management’s forecasted year-end balances and a brief explanation or comment.

### **Cost-Shared Programs**

The net budget for cost-shared programs for 2013 was Board approved at \$23,198,916. 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 \$844,730 or a 3.65% variance. Table 1 below provides the major reasons for the surplus.

**Table 1 – Summary of Cost-Shared Variances**

	Description	Amount
1.	Managed position vacancies	\$ 700,000
2.	- Less the planned or budgeted managed position vacancies	(280,000)
3.	Needle Exchange Program – recovery of prior year's surplus created by 2012 year-end purchases of needles and additional provincial funding.	84,800
4.	Savings in professional services (legal and other consulting services)	151,000
5.	Revenue from food handler training	35,000
6.	Savings in Furniture & Equipment (computer hardware and office furniture)	68,000
7.	Children In Need of Treatment (CINOT) fewer payments to dentists	63,000
8.	Other expenditures (materials, supplies, travel and professional development)	22,903
		<b>\$ 844,703</b>

As reported in the previous variance reports, an additional amount of \$101,250 is available as a result of the Province providing a one-time grant of 75% of the Shared Services Review costs. Originally the Board of Health approved this funding to come from the 2012 operating surplus. Therefore, the total surplus available to be allocated is expected to be approximately \$945,980.

### **Other 100% Funded Programs/Initiatives**

Programs in this category are funded 100% by the province or are cost-shared but one-time in nature or in the case of the Dental Treatment program funded through user fees. This group of programs is expected to end the operating year in a deficit position of approximately \$20,405 primarily due to unfavourable variances in both the Dental Treatment and Healthy Smiles Ontario programs. The unfavourable variance in the Healthy Smiles Ontario Program of \$19,228 is being reviewed by the Province for additional funding as they reduced the funding in 2013 by \$87,103 and the fees to local dentists increased approximately 13% from the previous year as a result of increased participation in the preventative program.

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

### **Surplus to Municipal Funders**

There are several needs for which the Health Unit could consider establishing or enhancing existing reserve funds. However, discussions with municipal funders to establish a framework for using surplus funds to accumulate reserves have not yet reached a conclusion. As such, and in consideration of the municipal funders' budget discussions that are currently ongoing and nearing conclusion, it is recommended that the Board of Health provide \$500,000.00 from the Health Unit's 2013 surplus to the municipal funders at the same rate as they fund the municipal component of the Health Unit's budget (\$420,000, or 84% to the City of London, and \$80,000, or 16% to the County of Middlesex).

In view of the surplus available, this level of disbursement would not put Health Unit programming at risk, and it is anticipated that the reserve and reserve fund needs of the Health Unit can be achieved in the coming years without this funding. There remains some uncertainty in the surplus amount until audited financial statements are available. Providing more than this amount at this point would limit the Board of Health's ability to meet other needs, and at the extreme end, could potentially put the health unit in a deficit position for the 2013 operating year.

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

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Medical Officer of Health