

TO: Chair and Members of the Finance & Facilities Committee

FROM: Laura Di Cesare, Acting Chief Executive Officer

DATE: 2017 February 2

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## 2016 FOURTH QUARTER BUDGET VARIANCE REPORT & FACTUAL CERTIFICATE

### **Recommendation**

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

- 1) To receive Report No 004-17FFC re: “2016 Fourth Quarter Budget Variance Report & Factual Certificate” be received for information; and*
- 2) To fund the 2016 Dental Treatment program deficit from the general Cost-Shared program surplus.*

### **Key Points**

- An unaudited operating surplus for Health Unit programs of approximately \$188,000 is anticipated. The Health Unit auditor, KPMG, will perform its annual audit beginning April 3, 2017.
- The Dental Treatment Clinic anticipates a shortfall in the range of \$28,500 relating to lower claims revenue. The shortfall has been incorporated in the variance projections.
- Included in the financial update is a signed factual certificate which provides assurance that key financial and risk management functions are being performed.

### **Fourth Quarter Review (2016)**

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>, 2016. For programs with a March 31<sup>st</sup> year-end, this report shows the actual and budgeted expenditures and offset revenues for the nine month period April 1<sup>st</sup> to December 31<sup>st</sup>, 2016. The Budget Variance Summary provides management’s forecasted year-end balances and a brief explanation or comment. The 2016 operating surplus is expected to be in the range of \$188,000 with approximately \$91,000 returning to the Ministry of Health & Long-Term Care (MOHLTC) from the Vector-Borne Disease, Smoke Free Ontario, and the Health Smiles Ontario program funding. The remaining \$97,000 will be returned to the City of London and County of Middlesex (\$81,480 / \$15,520 respectively).

For a detailed program by program analysis please see [Appendix A](#).

### **Dental Treatment Deficit**

In 2016, the Dental Treatment Clinic will complete the year with an estimated deficit of \$28,500 resulting from lower fees from Healthy Smiles Ontario claims. The year-end variance for Oral Health includes this shortfall. In 2015, this shortfall was covered by the general surplus of the Health Unit’s cost-shared programs. Prior to 2015, operating deficits had been funded through a contribution from the Dental Treatment Reserve. The current balance of the Dental Treatment Reserve is \$128,360.

**In-year, One-time Funding Requests**

In November 2016, the MOHLTC allowed health units to make in-year, one-time funding requests for extraordinary costs that may have occurred during the year after the MOHLTC grant submission process. This year, the Health Unit made three requests for one-time funding. The first was for \$19,000 for additional costs associated with immunizing Syrian Newcomers. The second was for \$30,000 relating to outbreak management of a multi-drug-resistant TB case in a local healthcare worker. The last request was for \$60,000 for extraordinary legal costs. Should any of these requests be accepted, the surplus amount will increase accordingly.

**Factual Certificate**

Attached as [Appendix B](#), is a signed factual certificate. This certificate is signed by senior administrators of the Health Unit responsible for ensuring certain key financial and risk management functions are being performed to the best of their knowledge. The certificate is revised as appropriate on a quarterly basis and submitted with each financial update and again annually as part of the approval of the audit financial statements.

**Conclusion**

The unaudited operating surplus of the Health Unit's cost-shared programs is expected to be in the range of \$188,000. Each quarter, a signed factual certificate is included, along with the financial update, to provide increased assurance to Committee members that key financial and risk management functions are being performed.

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



Laura Di Cesare, CHRE  
Acting Chief Executive Officer