

TO: Chair and Members of the Board of Health

FROM: Christopher Mackie, Medical Officer of Health
Emily Williams, Chief Executive Officer (Interim)

DATE: 2021 September 16

PROPOSED 2022 BUDGET PLANNING PROCESS

Recommendation

It is recommended that the Board of Health:

- 1. Approve the revised budget planning process for 2022 outlined herein;*
- 2. Approve the PBMA criteria and weighting that is proposed in [Appendix A](#) to Report No. 37-21.;*
- 3. Approve requesting the full amount of the provincial cost sharing reductions from the municipal funders, in the same amount as requested in 2021, recognizing there may be a request for additional funds to address any shortfall in surplus identified from the PBMA process; and*
- 4. Approve MLHU staff and the Board of Health to partner with the municipality Government Relations leads to advocate for additional funding from the Provincial government to offset inflationary pressures.*

Key Points

- MLHU is operating in a Volatile, Uncertain, Complex and Ambiguous (VUCA) environment which presents the need for a revised 2022 Budget Planning Process, including a review of the organization structure.
- The PBMA process remains a critical component of the budgeting process for 2022; no changes are currently proposed to the PBMA criteria and weightings for 2022.
- It is anticipated that base funding from the province will remain flat at 2019 levels; inflationary pressures for 2022 are approximately \$500,000.
- The provincial cost sharing reductions will be requested from the municipalities, despite confirmation of mitigation funding, to address inflationary pressures and required investments.

Background

The current Volatile, Uncertain, Complex and Ambiguous (VUCA) environment in which MLHU is operating has presented the organization with significant challenges in budget planning for 2022, due to a number of contributing factors. These include the rapidly evolving COVID-19 pandemic situation, uncertainty with respect to funding from the provincial government, inflationary pressures facing the organization, and the current status of public health programs and services. For example, MLHU only recently received confirmation of the 2021 budget on August 9th and received only partial funding for the year. Many public health services and programs have been paused due to staff redeployment to COVID-19 related work, making budget planning incredibly difficult for those teams. Staff and leaders have also identified several emerging needs for MLHU, as staff and leaders consider how to integrate COVID-19 ongoing operational requirements into existing structures and programs at the health unit, as well as plan for recovery and address related strategic priorities.

Program Budgeting Marginal Analysis (PBMA) is a criteria-based budgeting process that facilitates reallocation of resources based on maximizing service, which has been in place at MLHU for a number of years, and has served the health unit tremendously well in balancing its budget consistently. PBMA is done through the transparent application of pre-defined criteria and decision-making processes to prioritize where proposed funding investments and disinvestments are made. Changes can be proposed at the program, division, or agency-wide level, which are then reviewed collectively by the Senior Leadership Team (SLT) for viability prior to submission to the BOH. Feedback from SLT during the development of this year's budget process emphasized a concern that program leaders and staff found it extremely difficult to identify marginal savings within programs last year, and service-level reductions were made. For example, in 2021, Ultraviolet Radiation (UVR) Health Promotion services were discontinued, and Pre-conception Health services were deprioritized within the Healthy Living and Healthy Start divisions respectively. This experience influenced a desire from SLT to incorporate a process for strategic financial decisions at the organization-wide level, into the budget planning process.

As challenging as it has been for MLHU to operate in the current VUCA environment, it also offers an opportunity for the organization to reevaluate the programs and services provided. For example, staff and leaders can evaluate alignment to the strategy and mission of the organization, assess impact on and value for clients and partnering organizations, and incorporate any new learnings with respect to models of service delivery, such as the use of virtual platforms. From a financial perspective, a zero-based budgeting technique is a critical adjunct to this process, as funds are subsequently allocated based on prioritization and necessity, not historical budget amounts. Using zero-based budgeting, the leadership team essentially builds a program budget from scratch, to assess every aspect of program and service activity to determine its worth.

2022 Proposed Budget Planning Process

A revised budget process is being proposed in response to the feedback from SLT and the current complex environmental context in which the health unit is operating. In the proposed process, the current state of programs directly influences the type of budget planning the respective teams will undertake, and the work is divided into four tranches detailed below.

1) Programs offering full (or nearly full) service or program offerings.

These programs will undertake the traditional PBMA disinvestment process, using the attached criteria and weighting found in Appendix A.

2) Programs offering expanded service or program offerings due to demands related to the COVID-19 pandemic or related MLHU provisional strategic plan goals.

These programs will develop program proposals, which will be evaluated using the PBMA investment process, using the attached criteria and weighting found in Appendix A. Examples include the expansion of the Infectious Disease Control and Vaccine Preventable Disease teams, as well as the Health Equity and Occupational Health and Safety teams.

3) Programs offering reduced (or paused) service or program offerings due to staff redeployments to the COVID-19 CCM or Vaccine programs.

These teams will repatriate a small number of leadership and staff from COVID-19 work to undertake an Evaluation and Planning Exercise, to comprehensively assess the work of the division. For the 2022 budget, these programs and services will be attributed 2021 funding, plus inflation, and will undertake a zero-based budgeting exercise that will inform the 2023 budget and assist with funding allocation/re-allocation during the 2022 quarterly variance analysis process.

4) Review of organization structure.

As staff and leaders consider how to integrate COVID-19 ongoing operational requirements into existing structures and programs at the health unit, and as specific leadership positions have become vacant, opportunities have been identified to potentially realign programs and services. Additionally,

the use of the Supervisor role in the pandemic response at MLHU has highlighted an opportunity to evaluate the leadership structure across the organization. The staffing model utilized at the Mass Vaccination Clinics introduced the health unit to the use of Registered Practical Nurses (RPNs) and there is an opportunity to assess their use across the organization more broadly. There may be efficiencies associated with this review that would also be evaluated in alignment with the first tranche of work described above.

The 2022 PBMA process consists of:

- a) Validation of the assessment criteria and weighting for disinvestments by the Senior Leadership Team;
- b) Approval of criteria and weighting by the Board of Health;
- c) Proposal development and evaluation as outlined above;
- d) Proposal review and recommendations by the Senior Leadership Team;
- e) Review by the Finance and Facilities Committee and approval by the Board of Health.

Baseline Assumptions

From a funding perspective, the forecasting process is focused on assumptions with respect to provincial funding and the incremental costs related to salaries and benefits, as well as other inflationary pressures. For 2022, on August 19th, the MoH confirmed it will continue to provide mitigation funding to health units to offset the previously planned changes to cost sharing with the municipalities for public health services; MLHU will receive the amount identical to the past two years. Even with the mitigation funding, the base funding for MLHU is expected to remain unchanged at 2019 funded levels, which does not account for inflationary pressures or the need for expanded programs and services to address recovery and related strategic priorities. This places tremendous pressure on the organization, and the 2021 budget represented the first request for increased funding from the municipalities in 12 years.

For 2021, the province has currently funded approximately 50% of the COVID-19 CCM and Vaccine program costs budgeted by MLHU. They have committed to a process for further expense recovery throughout the remainder of the year; the first opportunity to do so includes an expense submission due September 17th. It is important to note that only extraordinary expenses are funded provincially, which means that MLHU must fully use its operating budget prior to submitting expenses for reimbursement. For example, in the case of staff who have been redeployed to COVID-19 related work, their salary is covered by operational funding, unless their position was backfilled. This is critical to understand as teams undertake the budget planning process. To date, no information related to funding for COVID-19 extraordinary costs for 2022 has been received.

As outlined in the process above, programs and services that are operating fully will attempt to identify proposed disinvestments and there may be efficiencies identified through the organization review. These will be considered, but it is anticipated that insufficient surplus funds will be available to address both inflationary pressures and the investments required. Inflationary pressures for 2022 represent a budget shortfall of approximately \$500,000. In light of this, and the other challenges noted, staff considered a number of options in building the 2022 budget which included the following:

- 1) Request the entire amount of the provincial cost sharing reductions and inflationary shortfall from the municipalities;
- 2) Disinvest in MLHU programs and services that represent the full amount of the cost-sharing reductions as well as the full amount of the inflationary pressures; or
- 3) Request the provincial cost sharing reductions from the municipalities and through the PBMA process, attempt to find MLHU disinvestments representing the remaining inflationary pressures.

Staff are recommending a hybrid of the above options. It is recommended that MLHU request any provincial cost sharing reductions from the municipalities (in the same amount as requested in 2021), and through the

PBMA process and organization review, attempt to find MLHU disinvestments representing the inflationary pressures. Any shortfall in the surplus required to address the needs of the organization would subsequently be requested from the municipalities. A critical adjunct to this proposal is the recommendation that MLHU staff and the Board of Health partner with the municipality Government Relations leads to advocate for additional funding from the Provincial government to offset inflationary pressures. Preliminary conversations to identify key stakeholders have been initiated with respect to this recommendation.

2023 Budget Planning

The zero-based budgeting approach utilized by teams participating in the Evaluation and Planning Exercise will be evaluated for lessons learned and applied to the remaining programs across MLHU during the 2023 budget planning process. It is anticipated that PBMA will continue to play a significant role in evaluating proposals for investment and disinvestment at MLHU.

Next Steps

Following approval of the proposed 2022 budget planning process, staff and leaders will develop proposals or initiate evaluation and planning accordingly, and the PBMA criteria and weights approved by the Board of Health will be applied as described. MLHU Leadership will also conduct a review of the organization structure. Recommended proposals will be brought to the Finance & Facilities Committee and the Board of Health for approval in October 2021. Staff will work towards the development of the 2022 budget based on the direction of the Board.

This report was prepared by the Chief Executive Officer (Interim).



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



Emily Williams, BScN, RN, MBA
Chief Executive Officer (Interim)