

AGENDA
MIDDLESEX-LONDON BOARD OF HEALTH
Finance & Facilities Committee

Microsoft Teams
Thursday, October 6, 2022 at 9 a.m.

1. DISCLOSURE OF CONFLICTS OF INTEREST

2. APPROVAL OF AGENDA – October 6, 2022

3. APPROVAL OF MINUTES – August 4, 2022

4. NEW BUSINESS

4.1 MLHU2 Financial Statements – Fiscal 2022 from April 1, 2021 to March 31, 2022
(Report No. 15-22FFC)

4.2 Proposed 2023 Budget Planning Process (Report No. 16-22FFC)

5. CONFIDENTIAL

The Middlesex-London Board of Health (Finance and Facilities Committee) will move into a confidential session to discuss matters which pertain to one or more of the following, as per section 239(2) of the *Municipal Act, 2001, S.O. 2001, c. 25*:

- (a) the security of the property of the municipality or local board;
- (b) personal matters about an identifiable individual, including municipal or local board employees;
- (c) a proposed or pending acquisition or disposition of land by the municipality or local board;
- (d) labour relations or employee negotiations;
- (e) litigation or potential litigation, including matters before administrative tribunals, affecting the municipality or local board;
- (f) advice that is subject to solicitor-client privilege, including communications necessary for that purpose;
- (g) a matter in respect of which a council, board, committee or other body may hold a closed meeting under another Act;
- (h) information explicitly supplied in confidence to the municipality or local board by Canada, a province or territory or a Crown agency of any of them;
- (i) a trade secret or scientific, technical, commercial, financial or labour relations information, supplied in confidence to the municipality or local board, which, if disclosed, could reasonably be expected to prejudice significantly the competitive

position or interfere significantly with the contractual or other negotiations of a person, group of persons, or organization;

(j) a trade secret or scientific, technical, commercial or financial information that belongs to the municipality or local board and has monetary value or potential monetary value; or

(k) a position, plan, procedure, criteria or instruction to be applied to any negotiations carried on or to be carried on by or on behalf of the municipality or local board.

6. OTHER BUSINESS

6.1 Next meeting: November 3, 2022 at 9 a.m.

7. ADJOURNMENT



**PUBLIC MINUTES
FINANCE & FACILITIES COMMITTEE**

Microsoft Teams
Thursday, August 4, 2022 at 9 a.m.

MEMBERS PRESENT: Mr. Mike Steele (Chair)
Mr. Matt Reid
Ms. Maureen Cassidy
Mr. Selomon Menghsha (arrived 9:06 a.m.)

REGRETS: Ms. Kelly Elliott

OTHERS PRESENT: Ms. Stephanie Egelton, Senior Executive Assistant to the Medical Officer of Health (Recorder)
Ms. Emily Williams, Chief Executive Officer
Mr. David Jansseune, Assistant Director, Finance
Ms. Carolynne Gabriel, Communications Coordinator and Executive Assistant to the Board of Health
Ms. Mary Lou Albanese, Director, Environmental Health and Infectious Diseases

At **9:02 a.m.**, Chair Mike Steele called the meeting to order.

DISCLOSURES OF CONFLICT OF INTEREST

Chair Steele inquired if there were any disclosures of conflict of interest. None were declared.

APPROVAL OF AGENDA

It was moved by **Mr. Matt Reid, seconded by Ms. Maureen Cassidy**, that the **AGENDA** for the August 4, 2022 Finance & Facilities Committee meeting be approved.

Carried

APPROVAL OF MINUTES

It was moved by **Ms. Cassidy, seconded by Mr. Reid**, that the **MINUTES** of the July 7, 2022 Finance & Facilities Committee meeting be approved.

Carried

NEW BUSINESS

2022 Q2 Financial Update and Factual Certificate (Report No. 14-22FFC)

Ms. Emily Williams, Chief Executive Officer introduced Mr. David Jansseune, Assistant Director, Finance.

Ms. Williams recognized and acknowledged the Health Unit's Finance team for their timeliness and efforts for Q2 reporting, as it is improving the Senior Leadership Team's ability to make financial decisions in a timely way.

Mr. Jansseune shared the Q2 Financial Update and Factual Certificate in the following quadrants: forecast, variance analysis, revenue, including 100% funded programs, and cashflow.

Variance Analysis

The Health Unit's Shared Funding Programs were \$1.9 million, and favourable to the budget. This included \$559,251 (total \$991,748) for the Nurses Retention Incentive. Salaries and benefits were favourable to the budget, due to vacancies (temporary contracts and attrition) despite unfavourable overtime costs due to efforts related to the pandemic and recovery projects. General health unit expenses such as professional services and program materials were favourable due to reduced spending as a result of the pandemic.

The Health Unit's COVID-19 Programs (COVID-19 Case and Contact Management and COVID-19 Vaccine) were approximately \$4.4 million unfavourable to the budget. 50% of the approved budget created a \$6.5 million unfavourable variance due to the timing of funding from the Ministry of Health being received. In addition, there is increased spending at COVID-19 Vaccine Clinics which was partially offset by decreased spending in COVID-19 Case and Contact Management. Overtime spending was split across COVID-19 clinics and the COVID-19 Case and Contact Management teams, causing an approximate \$779,000 unfavourable variance because overtime was unbudgeted for Case and Contact Management.

Forecast

Salaries for Shared Funding Programs are forecasted using Q2 department vacancy rates in Q3 and planning for full complement for Q4. COVID-19 Vaccine Clinics have increased spending (similar to Q1 and Q2) and COVID Case and Contact Management are forecasted at 75% of Q1 and Q2 spending. Shared Funding Programs are forecasting a surplus of approximately \$862,961. COVID-19 programming is forecasting a deficit of \$9.9 million, based on the current funding rate of 50% of program budget.

100% Funded Programs

It was noted that the Nurses Retention Incentive will be flowed through and offset with approximately \$992,000 in total funding. The payments to MLHU eligible nurses may be split into installments due to concerns of maximizing income tax claims.

The Health Unit receives funding from the City of London's Cannabis-Tobacco Enforcement initiative (CLIF). \$415,798 in funding was received, with \$89,701 spent as of June.

It was noted that the Health Unit received \$1,643,700 in funding for school focused health nurses. Due to the current low forecasted spend for the year, it is anticipated that the Ministry will be clawing back these funds in October 2022.

Ms. Williams provided updates on the Seniors Dental Program, for which the Health Unit received \$1,050,100 of additional operating funds, in addition to capital funding. Ms. Williams noted that the Health Unit is looking into spaces in Strathroy, which included a site visit with a dental consultant. Their report on a potential space was favourable and feasible, and the site project launches on August 8.

COVID-19 funding was approved for \$13.6 million, with forecasted expenses of \$23.5 million. It was also noted that the Ministry of Health has approved mandatory program surplus to be used for recovery or special projects within public health.

Ms. Williams noted that vacancies are evident at the Health Unit, as temporary contracts are difficult to recruit for. Nursing and Health Inspectors have the largest vacancies, as health human resources are

limited. There is a push within the College of Nurses to bring internationally trained nurses to Ontario, but this takes time. There is ongoing advocacy to ministry partners for improved access to health human resources.

Ms. Williams added that in regard to COVID-19 funding, it is highly likely that 2022 spend will be covered but there is no certainty for 2023. In order to be considered for funding, health units submit a budget for their COVID-19 program (including case and contact management and vaccine clinics). The Health Unit's budget to date for COVID-19 is \$29 million, forecasted to \$25 million with a \$9.1 million shortfall. It is projected that these funds will be needed in 2023, due to expansion of vaccine availability. The COVID-19 Case and Contact Management program costs have been reduced as the team has adapted to current needs and changing guidance from the Ministry.

Mr. Jansseune concluded with an overview of the Health Unit's cashflow at the time of the meeting:

- As of June 30, \$4.1 million positive in cash.
- Q1 cash depleted due to no COVID funding.
- Q2 cash replenished due to receipt of COVID funding to \$6.8 million.
- It is forecasted that there will be further COVID funding received, making cash approximately \$9.1 million in December.
- Current bank loan has \$3.9 million owing, with payback over 20 years at \$260,000 per year.

It was moved by **Ms. Cassidy, seconded by Mr. Reid**, that the Finance & Facilities Committee make a recommendation to the Board of Health to receive Report No. 14-22FFC re: "2022 Q2 Financial Update and Factual Certificate" for information.

Carried

OTHER BUSINESS

It was moved by **Ms. Cassidy, seconded by Mr. Reid**, that the Finance & Facilities Committee cancel the September 1, 2022 Finance and Facilities Committee meeting.

Carried

The next Finance and Facilities Committee meeting will be held Thursday, October 6 at 9 a.m.

ADJOURNMENT

At 9:27 a.m., it was moved by **Mr. Reid, seconded by Mr. Selomon Menghsha**, that the meeting be adjourned.

Carried

MICHAEL STEELE
Chair

EMILY WILLIAMS
Secretary



MIDDLESEX-LONDON HEALTH UNIT

REPORT NO. 15-22FFC

TO: Chair and Members of the Finance & Facilities Committee

FROM: Emily Williams, Chief Executive Officer

DATE: 2022 October 6

MLHU2 FINANCIAL STATEMENTS Fiscal 2022 from April 1, 2021 to March 31, 2022

Recommendation

It is recommended that the Finance & Facilities Committee recommend to the Board of Health to approve the audited Financial Statements of Middlesex-London Health Unit for programs ended March 31, 2022.

Key Points

- Five programs are consolidated within the attached audited Financial Statements for the Middlesex-London Health Unit for the fiscal year April 1, 2021 to March 31, 2022.
- The financial statements are attached as [Appendix A](#).

Background

Each year, the Board of Health is required to provide audited financial statements to specified funding agencies for programs funded from April 1st to March 31st. The purpose of these statements is to assure these agencies that funds were expended for their intended purpose. The agencies use this information both as confirmation and as a part of their settlement process.

The following five 100% funded programs are consolidated in the attached audited financial statements:

1. Healthy Babies/Healthy Children. Funded from the Ministry of Children, Community & Social Services.
 2. Smart Start for Babies.
 3. FoodNet Canada.
 4. HIV/HEP C Program.
 5. Shared Library Services. Funded from Public Health Ontario.
- } Funded from Public Health Canada.

The above programs represent approximately 4.5% or \$2.9 million of the Middlesex-London Health Unit's total operating budget (base plus COVID-19 extraordinary funding) of \$65.3 million.

These programs were also included in the consolidated audited financial statements of the Middlesex-London Health Unit which were approved by the Board of Health earlier this year, but their revenue and expenditures were calculated from January 1 to December 31st to coincide with that reporting period. The funding agencies require audited financial statements that coincide with the funding period of April 1 to March 31st and is the reason for this set of financial statements.

Financial Review

The Consolidated Statement of Financial Position (balance sheet) can be found on page 1 of [Appendix A](#). Its purpose is to provide the current value of assets and liabilities. There is minimal change from 2021 to 2022.

The Consolidated Statement of Operations (income statement) can be found on page 2 of [Appendix A](#). Its purpose is to illustrate how funding was spent throughout the year. The following are key points that can be taken from this statement:

- 1) Revenue – the revenue is comprised of grants from the funding agencies (Ontario Ministry of Children, Community and Social Services, Public Health Agency of Canada, and Public Health Ontario).
- 2) Expenditures – the majority of program costs, \$2,714,219 (95.0%) relate to personnel costs. Program resources account for \$76,932 (2.7%), equipment costs account for \$30,000 (1.0%), professional development accounts for \$7,969 (0.3%) and the remaining expenses (rent, travel, telephone, audit, office and supplies) account for \$28,450 (1.0%).

Combined, the programs completed the operating year with a deficit of \$6,007. This can also be seen on the Consolidated Statement of Financial Position (page 1 of [Appendix A](#)) under Current Assets as the “Due from Middlesex-London Health Unit” also decreased by \$6,007.

A breakdown by program can be found on page 7 and 8 of [Appendix A](#).

This report was prepared by the Finance Team, Healthy Organization Division.



Emily Williams, BScN, RN, MBA, CHE
Chief Executive Officer

Consolidated Financial Statements of

**MIDDLESEX-LONDON
HEALTH UNIT MARCH 31ST
PROGRAMS**

And Independent Auditors' Report thereon

Year ended March 31, 2022



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INDEPENDENT AUDITORS' REPORT

To the Ministry of Children, Community and Social Services, Public Health Ontario, Public Health Agency of Canada and Chair and Members, Middlesex-London Board of Health.

Opinion

We have audited the consolidated financial statements of Middlesex-London Health Unit March 31st Programs (the "Programs"), which comprise:

- the consolidated statement of financial position as at March 31, 2022
- the consolidated statement of operations for the year then ended
- the consolidated statement of cash flows for the year then ended
- and notes and schedules to the consolidated financial statements, including a summary of significant accounting policies and other explanatory schedules

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Programs as at March 31, 2022, and their consolidated results of operations and consolidated cash flows for the year then ended in accordance with the financial reporting framework described in Note 1 to the financial statements.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

We are independent of the Health Unit in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



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Emphasis of Matter – Basis of Accounting

We draw attention to Note 1 to the financial statements, which describes the applicable financial reporting framework and the purpose of the financial statements.

The financial statements are prepared to meet the requirements of government reporting entities.

Our opinion is not modified in respect of this matter.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Health Unit's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Health Unit or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Health Unit's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.



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We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Health Unit's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Health Unit's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Health Unit to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

A handwritten signature in black ink that reads 'KPMG LLP' in a cursive, slightly slanted font. A horizontal line is drawn underneath the signature.

Chartered Professional Accountants, Licensed Public Accountants

London, Canada

September 9, 2022

MIDDLESEX-LONDON HEALTH UNIT MARCH 31ST PROGRAMS

Consolidated Statement of Financial Position

March 31, 2022, with comparative information for 2021

	2022		2021
Assets			
Current assets:			
Prepaid expenses	\$ 1,800	\$	1,800
Due from Middlesex-London Health Unit	33,876		39,883
	\$ 35,676	\$	41,683
Liabilities			
Current liability:			
Due to funding agencies (note 3)	\$ 35,676	\$	41,683
	\$ 35,676	\$	41,683

The accompanying notes are an integral part of these consolidated financial statements.

On behalf of the Middlesex-London Health Unit:



Mr. Matt Reid
Chair, Board of Health



Ms. Emily Williams
Chief Executive Officer

MIDDLESEX-LONDON HEALTH UNIT MARCH 31ST PROGRAMS

Consolidated Statement of Operations

Year ended March 31, 2022, with comparative information for 2021

	2022 Budget	2022 Actual	2021 Actual
Revenue:			
Programs revenue, funding agencies (note 4)	\$ 3,008,562	\$ 2,851,563	\$ 2,817,217
Interest income	-	-	312
	3,008,562	2,851,563	2,817,529
Expenditures:			
Personnel costs:			
Salaries and wages	2,241,591	2,342,994	2,189,998
Allocated benefits	558,529	362,419	506,695
Contract services	17,800	8,806	4,959
	2,817,920	2,714,219	2,701,652
Operating costs:			
Program resources	99,381	76,932	45,713
Equipment	30,000	30,000	30,000
Professional development	24,900	7,969	14,072
Rent	7,336	7,336	7,336
Travel	18,185	9,079	7,306
Telephone	5,077	3,567	5,092
Audit	4,903	7,632	4,632
Office and supplies	860	836	4,441
	190,642	143,351	118,592
Net surplus (deficit) (note 2)	-	(6,007)	(2,715)
Due to funding agencies, beginning of year (note 3)	-	41,683	77,171
Repayments during the year	-	-	(32,773)
Due to funding agencies, end of year (note 3)	\$ -	\$ 35,676	\$ 41,683

The accompanying notes are an integral part of these consolidated financial statements.

MIDDLESEX-LONDON HEALTH UNIT MARCH 31ST PROGRAMS

Consolidated Statement of Cash Flows

Year ended March 31, 2022, with comparative information for 2021

	2022	2021
Cash provided by (used in):		
Operating activities:		
Net deficit	\$ (6,007)	\$ (2,715)
Changes in non-cash operating working capital:		
Prepaid expenses	-	-
Deferred revenue	-	-
	<u>(6,007)</u>	<u>(2,715)</u>
Financing activities:		
Due from Middlesex-London Health Unit	6,007	35,488
Repayments to funding agencies	-	<u>(32,773)</u>
	<u>6,007</u>	<u>2,715</u>
Change in cash, being cash, end of year	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of these consolidated financial statements.

MIDDLESEX-LONDON HEALTH UNIT MARCH 31ST PROGRAMS

Notes to Consolidated Financial Statements

Year ended March 31, 2022

The Middlesex-London Health Unit March 31st Programs (the "Programs") are 100% funded by the Province of Ontario, the Government of Canada, and Public Health Ontario and is delivered by Public Health Units in partnership with local and social service agencies.

1. Significant accounting policies:

The consolidated financial statements have been prepared by management in accordance with Canadian Public Sector Accounting Standards, including the 4200 standards for government not-for-profit organizations.

(a) Basis of accounting:

Revenue and expenditures are reported using the accrual basis of accounting with the exception of employees' sick leave and vacation benefits which are charged against operations in the year in which they are paid.

Government transfers are recognized in the consolidated financial statements as revenue in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met and reasonable estimates of the amounts can be made. Government transfers not received at year end are recorded as grants receivable due from the related funding organization in the consolidated balance sheet.

(b) Deferred revenue:

Funds received for expenses of future periods are deferred and recognized as income when the costs for which the revenue is received are incurred.

(c) Use of estimates:

The preparation of these consolidated financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

MIDDLESEX-LONDON HEALTH UNIT MARCH 31ST PROGRAMS

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2022

2. Surplus repayments:

The Programs' funding agreements with funding agencies (the "Agencies"), provide for repayment of any Programs' surpluses to the Agencies. Programs' deficits are the responsibility of the Programs' and must be funded through efficiencies in future years. As such, surpluses net of any deficits from prior years are recorded on the consolidated balance sheet as accounts payable to the Agencies.

3. Due to funding agencies:

Due to funding agencies consists of the following:

	2022	2021
Ministry of Children, Community and Social Services:		
Blind-low vision	\$ 240	\$ 240
Preschool speech and language	524	524
Infant hearing	153	153
Healthy Babies/Healthy Children	312	312
	1,229	1,229
Public Health Ontario:		
Shared library services	31,999	38,006
Public Health Agency of Canada:		
Smart start for babies	2,448	2,448
	\$ 35,676	\$ 41,683

MIDDLESEX-LONDON HEALTH UNIT MARCH 31ST PROGRAMS

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2022

4. Program revenue, funding agencies:

Program revenue, funding agencies consists of the following:

	2022	2021
Ministry of Children, Community and Social Services:		
Health Babies/Healthy Children	2,483,313	2,483,313
Public Health Ontario:		
Shared Library services	108,007	102,962
Public Health Agency of Canada:		
Smart start for babies	70,914	34,254
FoodNet Canada program	65,716	77,465
HIV/HEP C program	123,613	119,223
	260,243	230,942
	\$ 2,851,563	\$ 2,817,217

MIDDLESEX-LONDON HEALTH UNIT MARCH 31ST PROGRAMS

Schedule - Consolidated Balance Sheet

Year ended March 31, 2022

	Blind-low Vision	Preschool speech and language	Infant Hearing	Preschool Smart Start for Babies	Library Shared Services	Healthy Babies/ Healthy Children	Total
Balance Sheet:							
Assets:							
Receivable from Middlesex-London Health Unit	\$ 240	\$ 524	\$ 153	\$ 648	\$ 31,999	\$ 312	\$ 33,876
Prepaid expenses	-	-	-	1,800	-	-	1,800
Total assets	\$ 240	\$ 524	\$ 153	\$ 2,448	\$ 31,999	\$ 312	\$ 35,676
Liabilities:							
Due to funding agencies	\$ 240	\$ 524	\$ 153	\$ 2,448	\$ 31,999	\$ 312	\$ 35,676
Total liabilities	\$ 240	\$ 524	\$ 153	\$ 2,448	\$ 31,999	\$ 312	\$ 35,676

MIDDLESEX-LONDON HEALTH UNIT MARCH 31ST PROGRAMS

Appendix A: Report No. 15-22FFC

Schedule - Consolidated Statement of Operations

Year ended March 31, 2022

	Blind-low Vision	Preschool speech and language	Infant hearing	Smart start for babies	HIV / HEP C	Library shared services	FoodNet Canada program	Healthy Babies/ Healthy Children	Total
Revenues:									
Program revenue,									
Funding agencies	\$ -	\$ -	\$ -	\$ 70,914	\$ 123,613	\$ 108,007	\$ 65,716	\$ 2,483,313	\$ 2,851,563
Interest income	-	-	-	-	-	-	-	-	-
	-	-	-	70,914	123,613	108,007	65,716	2,483,313	2,851,563
Expenditures:									
Personnel costs:									
Salaries and wages	-	-	-	28,550	94,695	71,804	49,954	2,097,991	2,342,994
Contract services	-	-	-	338	-	-	3,000	5,469	8,807
Allocated benefits	-	-	-	5,488	18,779	16,195	6,944	315,012	362,418
	-	-	-	34,376	113,474	87,999	59,898	2,418,472	2,714,219
Total salaries, wages and benefits	-	-	-	34,376	113,474	87,999	59,898	2,418,472	2,714,219
Services and supplies:									
Office and supplies	-	-	-	-	-	-	-	836	836
Professional development	-	-	-	-	-	-	-	7,969	7,969
Travel	-	-	-	112	1,803	-	1,284	5,880	9,079
Program resources and supplies	-	-	-	32,610	1,000	26,015	4,341	12,966	76,932
Audit	-	-	-	3,816	-	-	-	3,816	7,632
Rent	-	-	-	-	7,336	-	-	-	7,336
Telephone	-	-	-	-	-	-	193	3,374	3,567
Equipment	-	-	-	-	-	-	-	30,000	30,000
	-	-	-	36,538	10,139	26,015	5,818	64,841	143,351
Total services and supplies	-	-	-	36,538	10,139	26,015	5,818	64,841	143,351
Total expenditures	-	-	-	70,914	126,613	114,014	65,716	2,483,313	2,857,570
Net deficit (note 2)	-	-	-	-	-	(6,007)	-	-	(6,007)
Due to funding agencies, beginning of year (note 3)	240	524	154	2,448	-	38,006	-	311	41,683
Repayments, during the year	-	-	-	-	-	-	-	-	-
Due to funding agencies, end of year (note 3)	\$ 240	\$ 524	\$ 154	\$ 2,448	\$ -	\$ 31,999	\$ -	\$ 311	\$ 35,676



MIDDLESEX-LONDON HEALTH UNIT

REPORT NO. 16-22FFC

TO: Finance and Facilities Committee

FROM: Emily Williams, Chief Executive Officer
Alexander Summers, Medical Officer of Health

DATE: 2022 October 6

PROPOSED 2023 BUDGET PLANNING PROCESS

Recommendation

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

- 1. Approve the revised budget planning process for 2023 outlined herein;*
- 2. Approve the modified zero-base budgeting approach to General Expenses; and*
- 3. Receive the Public Health Program Pyramid and Critical Business Infrastructure frameworks outlined in [Appendix A](#) and [Appendix B](#) to Report No 16-22FFC for information.*

Key Points

- MLHU continues to operate in an environment with a high degree of uncertainty, presenting challenges for budget planning for the 2023 cycle.
- To plan effectively, it was assumed that base funding from the province will remain flat at 2019 levels. Inflationary pressures for 2022 are approximately \$897,000.
- As with 2022 budget planning, feedback from the Senior Leadership Team emphasized a concern that program leaders and staff found it extremely difficult to identify marginal savings within programs, and the need for a framework to guide service-level reductions was required.
- As outlined in 2022 budget planning, zero-based budgeting was introduced across the organization as part of the 2023 budget planning, specifically for the review of General Expenses.

Background

The current environment in which the Middlesex London Health Unit (MLHU) is operating continues to present the organization with significant challenges in budget planning for 2023, due to several contributing factors. These include the ongoing COVID-19 pandemic response, uncertainty with respect to funding and prioritization of public health work from the provincial government, and inflationary pressures facing the organization. These conditions require the Health Unit to make informed assumptions with which to plan, including the possibility of flat funding levels in the face of rising inflationary pressures.

In past years at the MLHU, Program Budgeting Marginal Analysis (PBMA) was used to prioritize incremental funding investments and disinvestments made at the Health Unit in response to evolving priorities. While a one percent increase in base funding from 2019 levels was received in 2022, the provincial funding levels remain well below incremental inflationary pressures over the past four years, and the use of marginal analysis and incremental investment/disinvestment has become increasingly difficult to address the significant funding shortfalls. As well, within the PBMA approach, corporate services were rated using the same criteria as public health programs, creating a challenge related to the applicability of the criteria to both. Feedback from the Senior Leadership Team (SLT) during the

development of the 2022 and 2023 budget planning processes emphasized that strategic decision making related to service-level reductions will be required if funding continues to be insufficient. The MLHU can no longer reduce ‘at the margins’; it is now necessary to make very difficult decisions about program and service-level changes.

Funding Assumptions and Pressures

Funding Assumptions

As noted above, it is necessary to make informed assumptions about funding levels to undertake budget planning. The forecasting process at the MLHU is focused on assumptions with respect to provincial and municipal funding and the incremental costs related to salaries and benefits, as well as other inflationary pressures. COVID-19 related programs (Case and Contact Management and Vaccine) will continue to be budgeted separately to support both planning and reporting activities.

For 2023, 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; the MLHU will receive the amount identical to the past three years which was assessed at 2019 levels. Unfortunately, the Funding and Oversight division of the MoH has communicated that baseline funding levels for public health units in 2023 will not be released until early in the calendar year. Given the lack of further information, the SLT supported the recommendation of the Chief Executive Officer (CEO) to assume that provincial funding will remain flat to 2022 levels.

With respect to municipal funding, the MLHU requested increases to funding in 2021 for the first time in 12 years; though the funds were later returned when they were unspent due to the lack of organizational capacity to resume public health programs due to COVID-19. The same increased amounts of municipal funding were requested and approved by both Middlesex County and the City of London again in 2022, and it is anticipated that they will be fully spent and required to continue in 2023. Given inflationary pressures impacting both municipalities in 2023, it was determined that further increases would not be requested by the MLHU.

For 2022, the province is utilizing the identical process for cost-recovery from 2021 and 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; second quarter reporting was completed, and further cash flow is expected in October. It is important to note that, as in 2021, only extraordinary expenses continue to be funded provincially, which means that MLHU must fully use its operating budget prior to submitting expenses for reimbursement. This is critical to understand as teams undertake the 2023 budget planning process related to COVID-19 work. To date, no information related to funding for COVID-19 extraordinary costs for 2023 has been received, though recent communication from the MoH Funding and Oversight division indicated the information should be forthcoming in advance of base funding information. It is anticipated that the province will continue to fund COVID-19 activities as extraordinary expenses in 2023, using the same process for cost recovery as in 2021 and 2022.

Inflationary pressures

For 2023, salary, wage, and benefit increases, including step-increases, equate to \$596,000 in inflationary pressures for the MLHU. Based on market inflation rates and increases experienced in 2022, corporate expenses are also expected to increase up to an additional \$300,000 over the next year. This represents a total \$896,000 funding pressure for the organization for 2023.

Other pressures

Historically the MLHU has used a ‘gapping’ budget to present a balanced budget to the Board of Health (BOH) and the MoH. In the 2022 budget, this grew to its highest amount ever at \$1.5 million. The Health Unit typically made up this gap through vacant positions, differences in staff wage step-levels, and unspent general expense funds. Given the historically low turnover rate (8.9%) at the MLHU and the plan to introduce zero-based budgeting in 2023, the CEO and Assistant Director of Finance recommended to SLT that this gap be reduced to 2021 levels at \$1.2 million, with the ultimate goal of eliminating it entirely over the next four years. This was supported by SLT and contributes an additional \$336,000 to the funding pressure in 2023 for a total of \$1.2 million.

In 2020, the Health Unit moved from 50 King Street to CitiPlaza, incurring \$4.2 million in bank loan debt for the fit-up of the new location. This is comprised of a fixed-term loan and a variable loan, which is subject to current interest rates. The CEO and Assistant Director of Finance also recommended to SLT that an increase in repayment of the debt be added to the budget above the required annual amount, with the caveat that this would only be paid if a surplus was achieved at year end and therefore not contributing further to the overall pressure. Due to the COVID-19 extraordinary funding process, the organization can direct operational surplus funding to budgeted items prior to it being directed to COVID-19 activities; this necessitates including it in the budget to ensure the organization has the option to repay. SLT supported this strategy.

2023 Budget Planning

A revised budget process is being proposed to address the issues identified regarding the PBMA process and the current complex environmental context in which the health unit is operating. Two frameworks, the Public Health Program Pyramid ([Appendix A](#)) and Critical Business Infrastructure Framework ([Appendix B](#)), were created by the Medical Officer of Health (MOH) and the CEO respectively, to guide programs in determining which services to disinvest. The SLT provided input and endorsed both frameworks, which include the assessment of applicable risk factors, leveraging the strengths of the PBMA process. Each framework applies a ‘triage’ process to analyze public health programs and corporate services, beginning with those that are critical to operate, either by legislative mechanisms or to ensure business continuity. Subsequent factors of analysis include programs and services that are aligned with the organizational strategy and the core understanding of public health work. Leadership teams will review programs and services in the context of these frameworks and identify areas to disinvest, which will subsequently be reviewed by the SLT. Final decision-making rests with the MOH and CEO to formulate recommendations to the BOH.

In conjunction with the two frameworks, a zero-based budgeting technique was introduced across the health unit to review General Expenses. Through this process, funds are allocated by the Finance Team based on prioritization and necessity, informed by historical data related to actual spending, and not historical budget amounts. Programs are provided an opportunity to request increases to the allocated amounts by providing rationale, and these are reviewed by SLT for consideration. The reduction in General Expenses is then applied to the overall funding pressure and the remaining amount becomes the overall organization target that is required for program and service-level disinvestment in 2023.

Next Steps


Following approval of the proposed 2023 budget planning process, the Finance team will finalize the General Expense zero-based budgeting amount yielded by this exercise. This will inform the overall organization target that is required for program and service-level disinvestment in 2023. Teams will apply the frameworks to review programs and services and finalize proposals for submission and review to the SLT. Recommended proposals will be brought to the Finance & Facilities Committee and the Board of Health

for approval in November 2022. Staff will work towards the development of the 2023 budget based on the direction of the Board.

This report was prepared by the Chief Executive Officer.

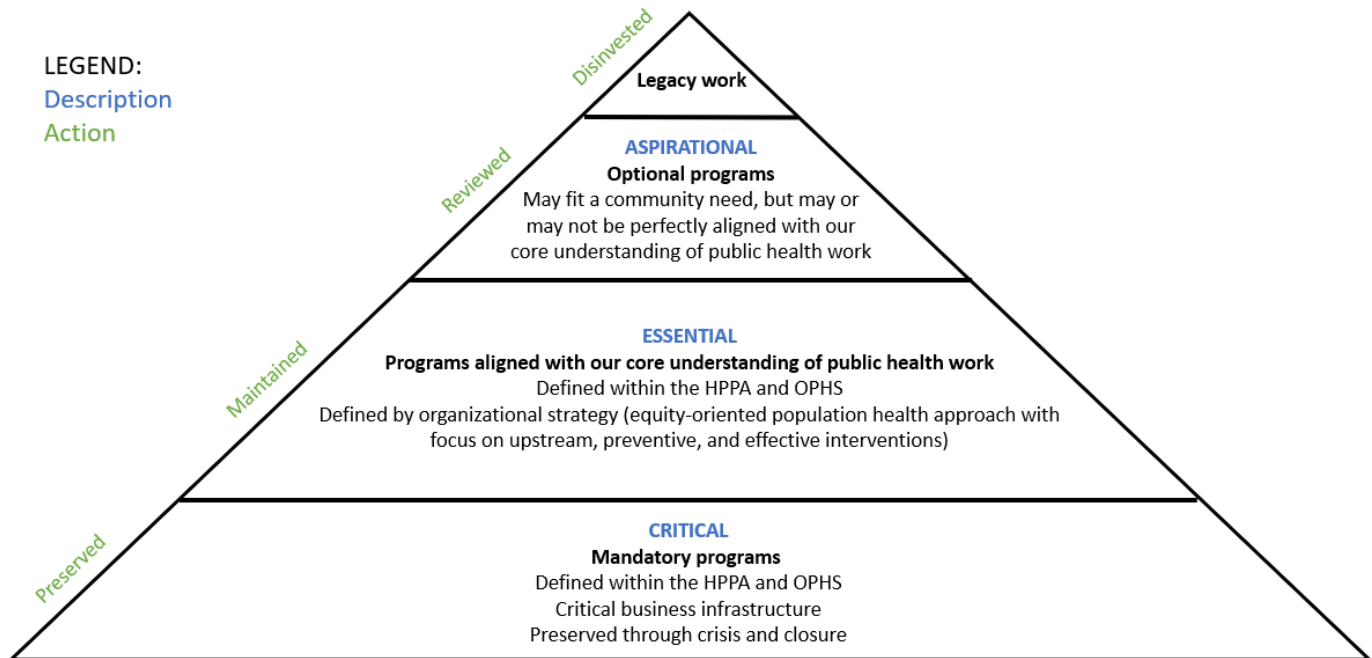
A handwritten signature in black ink that reads "EWilliams". The signature is written in a cursive style with a large, prominent 'E'.

Emily Williams, BScN, RN, MBA, CHE
Chief Executive Officer

A handwritten signature in black ink that reads "Alexander T. Summers". The signature is written in a cursive style with a large, prominent 'A' and a long, sweeping underline.

Alexander Summers, MD, MPH, CCFP, FRCPC
Medical Officer of Health

Public Health Program Pyramid



- Considerations regarding our core understanding of public health work at a local public health unit
 - Interventions protect and promote the health of the community
 - Interventions have a population-level impact on health
 - Interventions are equity-oriented with consideration of proportionate universalism
 - Interventions are upstream
 - Interventions are focused on primordial and primary prevention
 - Secondary prevention interventions may occur, but will often have primary preventive impacts on other individuals as well
 - Programs must:
 - Have sufficient resource allocation to enable appropriate dose and intensity to generate reasonable impact
 - Have definable interventions
 - Have evidence-informed interventions grounded in public health principles and evaluation
 - One-to-one interventions must be scalable (within resources) to have a population-level impact, and will often have an impact beyond the individual receiving the intervention
 - Filling gaps in the community do not, in isolation, justify a program
 - Interventions are not done by other community or sector partners

Critical Business Infrastructure Framework

- Criteria for 'Critical' Corporate Services
 - Cross-organizational service
 - Impacts all staff
 - Supports all divisions equally
 - Provides consultative/problem-solving services to other parts of the organization
 - Supports legislated requirements
 - Provides business continuity/critical infrastructure
 - Includes support to emergency response
 - Ensures the protection of the organization's assets
 - Supports external stakeholders
 - Provides information
 - Supports stakeholder relations