

Policy/Procedure Name:	Financial Planning and Performance
Number:	
Effective Date:	10 JAN 2008
Revision Date:	08 MAY 2025

Manual:	Governance
Section:	Financial and Organizational Viability
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Purpose

This policy outlines the Board's responsibilities with respect to financial planning and performance.

Scope

The policy pertains to the Board of Directors for Muskoka Algonquin Healthcare (MAHC).

Policy

The Board will review the Hospital Annual Planning Submission ("HAPS"), including the operating and capital budget, and approve the Hospital Services Accountability Agreement ("HSAA") for submission to Ontario Health by a date in compliance with its requirements. The HSAA will be approved by the Board and signed by the Chair and the President and Chief Executive Officer or other authorized signing officers on behalf of the Corporation.

The Board will not approve an annual budget that projects a deficit position, unless explicitly directed or permitted to do so by the Ministry of Health or Ontario Health. The HAPS and operating plan will be aligned with the Board's established priorities, and will not place the Corporation at financial risk. The Board will require that the operating plan and annual budget include adequate working capital to meet the needs of the Corporation.

The President and Chief Executive Officer is responsible for preparing a draft HAPS and a draft operating plan and capital budget for each fiscal year. Prior to the Board granting its approval, the Resources & Audit Committee will review and approve these documents for presentation to the Board. The Resources & Audit Committee will:

- set the overriding parameters and objectives for hospital operations, including establishing the time frame for planning, broad service distribution and volume targets, desired operating bottom-line, Ministry of Health revenue assumptions, capital financing direction, and desired cash flow position;
- review and approve the detailed budget assumptions and rationale including service volumes, occupancy rates, length of stay, salary, and benefit estimates;
- review and approve the final operating plan on a timely basis, ensuring broad planning parameters and detailed budget assumptions have been utilized; and

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- regularly monitor actual performance against the approved operating plan to ensure management is in compliance with the plan and resources are being appropriately utilized.

The President and Chief Executive Officer will ensure that appropriate and effective administrative policies and procedures exist to manage operating expenses within the annual budget, and that these policies and procedures are monitored for compliance and reviewed annually by the Resources & Audit Committee.

The annual budget will contain sufficient information to provide:

- a reasonable projection of revenues and expenses;
- a separation of capital and operational items;
- a cash flow analysis;
- subsequent audit trails;
- a borrowing requirements analysis;
- disclosure of significant changes in financial position;
- disclosure of all material planning assumptions; and
- material changes to accounting treatment.

A material deviation of actual expenditures from Board approved priorities will not occur without prior approval of the Board, unless in accordance with the Approval and Signing Authority Policy. (Material deviation is defined as any expenditures deviating from the board approved budget amount that exceeds \$500,000 or any cumulative expenditure variances which will result in the Corporation violating the requirement to have a balanced budget as required by HSAA will require prior approval of the Board. This amount should be reviewed in context with the audit materiality level set out by the corporate auditors.

Monitoring of Financial Performance

The President and Chief Executive Officer is responsible for ensuring that the Corporation establishes and maintains financial reporting systems in accordance with generally accepted accounting principles and its accountability agreements.

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The Corporation's Financial Report will be presented to the Resources & Audit Committee at a frequency determined by the committee through its annual work plan and subsequently recommended to the Board for approval . The financial statements will be prepared in conformance with generally accepted accounting principles and will include performance indicators relevant to:

- financial position (including the approved fiscal budget, actual expenditure to date, variances between actual expenditures compared to annual budget, together with a written explanation whenever a variance is significant, a comparative balance sheet, and a forecast for the current year together with the annual budget);
- operations;
- changes in fund balances; and
- cash flows.

If the Board monitoring and assessment of these indicators identifies problems, the President and Chief Executive Officer will be directed to devise and implement a plan to correct them. Such plans must be submitted to and discussed with the Resources & Audit Committee.

Capital Projects and Capital Planning

The Resources & Audit Committee will establish guidelines for the definition of capital assets and will annually review these guidelines.

The President and Chief Executive Officer or their designate will ensure that a process is in place to establish an annual capital project plan which will comprise part of the annual operating plan approved by the Board. Yearly capital assets budgets will be recommended for approval to the Board based on prioritized submissions in accordance with this policy. The capital budgeting process will be aligned with the requirements of the HAPS and guidelines of the Ministry of Health. In addition, the Board may consider approval of capital assets/projects, as may be required outside of these timelines, based on appropriate information.

Any capital purchases and contracts must be approved by the Board or provided for in the Board approved capital project plan.

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Capital assets will be funded from the following sources:

- **Equipment Depreciation:** Depreciation funds are only available for replacement equipment. Equipment will not normally be replaced until fully depreciated.
- **Donations:** Periodically, donations may be made to various organizational departments.
- **Estate Bequests:** The Corporation may have estate bequest donations. These funds may be used to fund acquisition of capital assets.
- **The Foundations:** The Foundations may be requested to consider funding capital assets.
- **Auxiliaries:** The Auxiliaries may be requested to consider funding items of capital assets.
- **Government Grants:** The Corporation may periodically receive government grants for the purchase of capital assets.
- **Debt**

The President and Chief Executive Officer is responsible for overseeing the planning, development, construction, commissioning, and decommissioning aspects of capital projects. The President and Chief Executive Officer is also responsible for developing appropriate policies, procedures, and controls to ensure that approved projects are completed within budgeted cost and time constraints. The Resources & Audit Committee will review quarterly reports on the capital budget, plans for capital restructuring, and report significant variances to the Board from approved plans including the master plan.

Notes

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