

BOARD MANUAL

SUBJECT: Financial Planning and Performance		NUMBER: 2-C-31
SECTION: Corporate Performance and Oversight	APPROVED BY: Board of Directors	
DATE: March 26, 2012	REVISED/REVIEWED: May 27, 2015, April 25, 2018, April 28, 2021	

Policy

The Board of Directors shall ensure that the organization undertakes the necessary financial planning activities so that resources are allocated effectively and address strategic priorities while balancing issues of affordability and sustainability.

To achieve this, the Board will review, amend as necessary and approve the Hospital Annual Planning Submission (HAPS), the Hospital Services Accountability Agreement (HSAA), the Community Annual Planning Submission (CAPS), the Multi-Sector Service Accountability Agreement (MSAA), the annual operating and capital budgets and any other such financial agreements for submission to the appropriate government agency by a date in compliance with the agency's requirements. All agreements will be signed by the Board Chair and the Chief Executive Officer (CEO), or other authorized signing officers on behalf of the Corporation.

The Board will not approve an operating budget that projects a deficit position, unless explicitly directed or permitted to do so by the Ministry of Health (MOH) or other government agency. The Hospital Annual Planning Submission (HAPS) and operating and capital plans will be aligned with the Board's established priorities and will minimize the financial risk to the Corporation. The Board will require that the operating and capital plans include adequate working capital to meet the needs of the Corporation, or a plan to mitigate any working capital shortfall.

Annual Plan

The CEO is responsible for preparing a draft HAPS, and an annual operating plan each fiscal year. Prior to the Board granting its approval, the Resources Committee will review and

recommend these documents for presentation to the Board. The Resources Committee will, on behalf of the Board:

- 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; MOH revenue assumptions; capital financing direction; and desired cash flow position
- Review and approve the detailed budget assumptions and rationale including service volumes, occupancy rates and salaries and benefit estimates
- Ensure that the draft HAPS, CAPS and operating plan are reviewed by the Fiscal Advisory Committee¹ before approval by the Board in order to fulfill the legislated requirements
- Review and make recommendations to the Board on the final operating plan, ensuring broad planning parameters and detailed budget assumptions have been utilized
- 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 CEO will ensure that appropriate and effective administrative policies and procedures exist to manage operating expenses within the annual operating plan and that these policies and procedures are monitored for compliance and reviewed periodically by the Resources Committee.

The annual operating plan will contain sufficient information to provide:

- (a) A reasonable projection of revenues and expenses
- (b) A separation of capital and operational items
- (c) A cash flow analysis
- (d) Subsequent audit trails
- (e) A borrowing requirements analysis
- (f) Disclosure of significant changes in financial position
- (g) Disclosure of all material planning assumptions
- (h) Material changes to accounting treatment
- (i) A measure of risk including any impact on quality of service

Board approval is required to implement any plan that is at variance from the Board approved priorities.

Monitoring of Financial Performance

On a regular basis, the Board, with the assistance of the Resources Committee, will conduct a thorough assessment of the organization's financial performance employing a range of indicators.

The CEO is responsible to ensure that the organization establishes and maintains financial reporting systems in accordance with generally accepted accounting principles and its accountability agreements.

Financial statements will be prepared in conformance with generally accepted accounting principles and will be presented to the Resources Committee and the Board for review on a regular basis. The statements will include performance indicators relevant to:

- (a) Financial position (including approved operating budget, actual expenditures to-date, projections to year end, and variances of projections to year end compared to annual budget)
- (b) Operations
- (c) Changes in fund balances
- (d) Cash flow

If the Board identifies problems when monitoring and assessing these indicators, the CEO will be directed to devise and implement a plan to correct them. Such plans must be submitted to and discussed with the Resources Committee, as directed by the Board.

Capital Purchases and Capital Planning

The Resources Committee will establish guidelines for the definition of capital equipment and will review these guidelines during the annual planning process.

The CEO will ensure that a process is in place to establish an annual capital plan which will be approved by the Board. Annually, capital equipment 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 guidelines of the MOH. In addition, the Board may consider approval of capital purchases, as may be required outside of these timelines, based on appropriate information.

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

Capital equipment may be funded from the following sources:

- (a) Hospital operations: cash generated through operations either as a result of capital amortization or from planned surpluses
- (b) Cambridge Memorial Hospital donations: periodically, donations may be made to various organizational departments
- (c) Estate bequests
- (d) Cambridge Memorial Hospital Foundation (CMHF)

- (e) Cambridge Memorial Hospital Volunteer Association (CMHVA)
- (f) Government grants
- (g) Debt: however, any planned use of debt financing is conditional on;
 - i. a debt repayment strategy
 - ii. the ability of the operating plan to cover the anticipated annual financing costs
 - iii. Board approval of both the debt repayment strategy and an annual strategy to cover the cost of financing.

The CEO is responsible for overseeing the planning, development, construction, commissioning and decommissioning aspects of capital projects. The CEO 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 Committee or an appropriate subcommittee will review regular reports on the capital budget, plans for capital restructuring, and report significant variances to the Board from approved plans including the master plan.

I Fiscal Advisory Committee as defined in Regulation 965.