

ISSUED BY: Board of Directors

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PAGE: 1 of 4

CATEGORY: Part IV – Ensure Financial Viability

SUBJECT: **FINANCIAL OBJECTIVES, PLANNING AND PERFORMANCE**

Purpose and Application

Under the terms of the Hospital Service Accountability Agreement (HSAA), the Hospital is obligated to plan for and maintain an Annual Balanced Operating Budget. Additionally, the Board of Directors (Board) must be informed periodically on the Hospital's performance in meeting its obligations under the HSAA and any other contractual obligations. The Board must advise Ontario Health North when projecting a deficit.

The Financial Objectives, Planning and Performance Policy provides guidance and direction on the development, management and reporting of the Hospital's Annual Operating and Capital budgets.

Guiding Principles

The CEO is responsible for preparing the Annual Operating and Capital budgets for each fiscal year. Budget development will be informed by multi-year financial forecasts and sustainability planning. Prior to the Board granting its approval, the Finance Committee will review and recommend these documents for presentation to the Board.

The Finance Committee of the Board will:

- Recommend to the Board the approval of the annual budget parameters and objectives based on recommendations from the CEO which will guide the development of the annual budget.
- Review the detailed budget assumptions including revenues, expenditures, service volumes and occupancy rates.
- Recommend to the Board approval of the annual budget.
- Regularly monitor actual performance against the approved budget to ensure management is in compliance and resources are being appropriately utilized.

All Board members, employees, professional staff members, students, and volunteers will act in a fiscally responsible manner, fulfilling their responsibilities for stewardship of the resources entrusted to the Hospital, and appropriately exercising the authority delegated to them.

Policy

1. Financial stewardship for the Hospital
 - a. Financial resources are allocated annually according to the strategic directions of the Hospital.

- b. The Hospital's departments and units are responsible for cost-effective operations of their functional areas, and exploring all opportunities for cost-containment, integration opportunities, savings and revenue-generation.
- c. The annual budget will meet the Hospital's needs as approved by the Board of Directors.

2. Annual Operating Budget.

The CEO shall ensure that an annual operating budget is prepared for presentation to the Finance Committee and contains sufficient information to provide:

- Assumptions regarding volume and patient access projections.
- A reasonable projection of revenues and expenses.
- A separation of capital and operational items.
- A cash flow analysis.
- A borrowing requirements analysis.
- Disclosure of significant changes in financial position.
- Disclosure of all material planning assumptions.
- Material changes to accounting treatment.
- Working capital position.

3. Annual Capital Budget

The CEO shall ensure that an annual capital budget is prepared for presentation to the Finance Committee that will outline:

- An annual expenditure plan based on multi-year capital plans for equipment, information technology infrastructure, and facility investments with appropriate levels of annual contingency reserves to meet unanticipated investment demands.
- Investments for sustainment of day-to-day operations and strategic initiatives.
- Prioritized submissions in accordance with the Hospital's Capital Resources Committee prioritization process.
- A borrowing requirements analysis.

Consideration and approval of capital equipment/projects by the Board outside of the annual planning cycle may be required based on appropriate information.

4. Major Capital Redevelopment and Infrastructure Projects

This section applies to major redevelopment and infrastructure projects beyond routine annual equipment and capital purchases.

The CEO is responsible for overseeing the planning, development, construction, commissioning and decommissioning aspects of capital construction and redevelopment projects.

Major capital redevelopment and infrastructure projects will be overseen through the Long Range Planning Committee and reflected in the annual capital plan presented to the Finance Committee and Board.

Major change orders, project re-scoping, significant cost, or schedule changes to approved capital projects shall be reported to the Board and submitted for approval where required.

The CEO is also responsible for developing appropriate policies, procedures and controls to ensure that approved construction projects are completed within budgeted cost and time constraints.

The Finance Committee of the Board will review revenues and expenses on active capital projects and report significant variances to the Board from approved plans.

5. Material Deviations from the Board-Approved Budgets

A material deviation is one that exceeds thresholds established by the Board (i.e., % variance, dollar amount, or risk impact) upon recommendation of the Finance Committee or that may result in a deficit position.

The CEO will endeavor to ensure that there is no opportunity for fiscal jeopardy within the organization. A material deviation of actual expenditures from Board-approved directions should not occur without timely notification to, and where required, approval of the Board.

Accordingly, the CEO shall not, without Board approval:

- Direct or approve the expenditure of designated revenue other than for its intended purpose.
- Direct or approve the expenditure of more funds than have been budgeted, or expend more funds than have been received or are reasonably forecast to be received.
- Use any reserves except as approved by the Board.
- Direct or approve the accumulation of debt for operational requirements in an amount greater than provided within the budget and indicated by the cash flow projections associated with the budget.
- Direct or approve the cash position falling, at any time, below the amount needed to settle payroll and all other obligations in a timely manner, in accordance with generally accepted good business practices or the agreed terms inherent with the obligation.
- Knowingly allow any governmental, regulatory and agency filings and payments thereon to be overdue or inaccurately filed.

6. Monitoring of Financial and Performance Indicators.

In accordance with the HSAA the Hospital is obligated to achieve financial and service performance standards.

Financial monitoring will include consideration of liquidity, borrowing capacity, and other financial risk indicators.

The Finance Committee will provide regular reporting and recommendations to the Board regarding financial performance and corrective actions.

On a quarterly basis, the Board, with the assistance of the Finance and Quality Committees, will assess the Hospital's financial and service performance under the terms of the HSAA.

If there is a deviation from the Board-approved operating or capital budgets, management will present an explanation and appropriate recovery plan.

Where a deficit is projected, management shall present a recovery plan to the Board in a timely manner in accordance with HSAA requirements.

Any deficit recovery plan shall be reviewed by the Finance Committee and submitted to the Board for approval.

Policy Review Log

Date	Action
September 25, 2018	Issued
June 2, 2020	Reviewed
March 28, 2023	Revised
March 31, 2026	Revised