

**BOARD MANUAL**

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SUBJECT: Board Financial Policy

Purpose

To fulfill the Board's responsibilities for governing the overall financial health and viability of the hospital, the following guidelines should be adhered to.

1) Grand River Hospital must live within its financial means

One of the key roles of the Board is to ensure that the hospital is financially sustainable and can continue to provide programs and services to its patients and community. To this end, the Board expects the hospital to strive towards funding all of its operating and capital needs (including building amortization and building grants received) each year using current year resources.

At a minimum, the hospital's budget from operations (excluding building amortization and building grants received) should be in a balanced, or surplus, position before it is approved by the Board. In the rare circumstance that a deficit from operations cannot be avoided, a plan should accompany the budget showing how the hospital will ensure the deficit does not continue in future years. The Board will require management to commit to implementing the steps in the plan prior to approving any deficit budget and the Resources Committee will regularly monitor management's implementation of the plan.

When additional operating dollars (that were not incorporated into the budget) are sought by management, the Board will consider the merits of the request in the context of its accountabilities for a balanced budget with the Ministry of Health and Long- Term Care (MOHLTC). (As an example, management would have to seek Board approval when the demand for services exceeds the target that was incorporated into the approved operating plan and when providing services to meet this demand would jeopardize the hospital's ability to achieve a balanced budget).

The Board is accountable to many stakeholders, one of whom is the MOHLTC. The Board, through reports received from the Resources Committee, will regularly monitor the financial performance indicator metrics used by the MOHLTC and outlined in the Hospital Accountability Agreement.

2) Business Case Analysis

Motions for program changes or expansions, replacements/changes to the medical staff, and capital projects, should be supported by a complete and thorough business case or impact analysis. These analyses should include a financing plan when the source of cash is not otherwise evident. When a business case analysis is not sufficiently thorough to support the motion, the motion should be deferred until the analysis is complete.

Additions or major changes to programs and/or services will not be approved unless the forecasted results from operations are revenue neutral or positive or unless an appropriate and stable source of funding has been identified.

Approved business cases should be tracked with a record of key items: business case approval, capital equipment approval, outcomes, and post implementation review analysis, etc.

3) Post-Implementation Reviews

The Board should review management's post-implementation reviews of business cases on major investments/projects to monitor the achievement of savings and revenue forecasts.

4) Capital Equipment Budgeting

The Board annually receives a recommendation for approval of a capital plan. Prior to Board consideration the Resources Committee reviews the capital plan and ensures that management has followed an appropriate process for identifying and prioritizing the hospital's capital needs. This process should include a discussion of any risks to the hospital and how the proposed capital plan adequately addresses these risks.