



MNP

Governance, Budgeting, and Fiscal Management Review – WRHA

Winnipeg Regional Health Authority

Prepared for the Government of Manitoba

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Executive Summary

Under the Health System Governance and Accountability Act, and the terms of the accountability agreements, the Health Service Delivery Organizations (SDOs) are expected to operate within the annual budget allocated to them by the minister. Over the last several years, SDO's have not been able to achieve balance and have been reporting operating deficits. The accumulated deficits have reached the level where they have become unsustainable for the SDOs on their own and government intervention may be required. Deficits impede the ability of organizations to make the best decisions for patient care, plan effectively for future health care needs and support front line staff. In addition, the ongoing deficits of the SDOs are incompatible with the Government of Manitoba's overall goal of a balanced summary budget by the end of its current term.

The report contained herein provides a detailed review of the governance, budgeting, and fiscal management practices of the Winnipeg Regional Health Authority (WRHA). The time examined included fiscal 2019/2020 to fiscal 2023/2024. It should be noted that a new board chair was appointed in the fall of 2024.

MNP began this review with the development of a detailed evaluation matrix including review questions, indicators, and evidence factors which was circulated and approved by Manitoba Health, Seniors and Long-Term Care (MHSLTC). The primary methods used for data collection and analysis consisted of document reviews and interviews with key WRHA representatives. The resulting report identifies gaps in practice and provides recommendations and a plan of action for the consideration of the department to mitigate the identified gaps.

We would like to express our gratitude and appreciation to those individuals at the WRHA who sourced documents, participated in interviews, and who made time available for follow-up discussions and clarifications. We acknowledge the time this took and appreciate their cooperation and willingness to identify areas for improvement with a shared goal of improving health care for Manitobans.

The following sections highlight some of the most noteworthy and significant findings and recommendations from this report. A complete summary of findings is found in Appendix 5 along with a complete summary of recommendations in Appendix 6.

Key Findings

Governance

The ability of the board to effectively navigate the complexities of the Annual Operating Plan ("AOP") and budgeting processes is hindered by the limited number of board members with financial training or backgrounds.

Historically, the board and SDO leadership have felt challenged to address mid-year requirements for service level or capital expenditure changes placing downward pressure on performance against budget, and financial results.

Inflation and population growth have led to increased pressure on efficiencies and cost savings to improve or maintain previous years' performance against budget.

Budgeting

The WRHA adheres to the procedures and requirements of the Annual Operating Plan (AOP) framework and follows deadlines for submitting compliance and financial reporting.

The WRHA has not used the annual operating plan to link ongoing service needs and demands to change in the operating budget. It is unable to change course and adapt quickly when funding allocations differ significantly from budget guidance.

The AOP process does not facilitate better compliance or budgeting by the WRHA. Rather, the AOP only provides budgeting visibility to MHSBTC and a framework for ongoing compliance reporting.

The AOP framework provides flexibility for managing past volume pressures in various healthcare categories, however the WRHA has not used it to integrate analytical data to accurately reflect and address the actual demand and needs for all service lines.

The budgetary components of the Annual Operating Plan process have not necessarily facilitated better compliance or budgeting by the WRHA. The AOP does have a mechanism for the SDO to provide narrative explanation regarding variances, that then become a part of the AOP that the SDO is held accountable to.

Fiscal Management

The WRHA is regularly operating in a deficit as defined by the Annual Operating Plan budget, and as a result, is not in compliance with the Accountability Agreement.

A combination of deficits early in the fiscal year, and the timing of cashflow payments contributed to a reliance on a line of credit for operating needs.

The WRHA has not provided adequate visibility to MHSBTC on their projected cash position as part of its standard reporting requirements.

Governance

1. The impact of mid-year service delivery standard changes should be tracked to better enable analysis of SDO's ability to manage to budget.
2. The SDO should consider adopting zero based budgeting and scenario planning approaches in their budgeting process that allow for increased granularity, more fulsome planning, and increased flexibility.

3. A policy should be implemented so that any additional service requirements implemented mid-year are fully funded from within.

Budgeting

1. The AOP should incorporate a scenario-based planning element to enable a better understanding of potential budget changes and greater flexibility to respond to change. Scenario-based budgeting is described in the body of the report.
2. MHSLTC should consider adopting a zero-based budgeting approach for all SDO's to justify expenses annually.
3. Incorporate demand projections in the budgeting process to ensure an appropriate level of resourcing and to respond proactively to developing needs.
4. The WRHA should be mandated to propose a list of cost-saving measures equal to three-times the reported deficit within 90 days when a deficit is reported on the WRHA's quarterly reporting.
5. The WRHA should be required to carry a pre-determined contingency in its annual budgeting to prepare for unexpected costs.
6. MHSLTC should direct the immediate procurement of a single budgeting and forecasting software across all SDOs, and expedite implementation to improve the speed, accuracy, and reliability of reporting, and significantly reduce manual effort.

Fiscal Management

1. MHSLTC should require all SDOs to provide quarterly cash position statements and include cash position planning in the Annual Operational Plans.
2. If cash position shortfalls are projected in the Annual Operating Plan, MHSLTC should consider adjusting the timing of payments to the WRHA and providing more front-loaded cashflow to offset the effects of delays in implementing the approved increase to annual funding.

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Introduction

Manitoba Health, Seniors and Long-Term Care (MHS LTC) administers the most complex and visible social program provided by the government. The program is delivered partially by the department and partially through grant agencies, arm's length health authorities, independent physicians, or other service providers paid through fee-for-service or alternate means.

Under the Health System Governance and Accountability Act, and the terms of the accountability agreements, the Health Service Delivery Organizations (SDOs) are expected to operate within the annual budget allocated to them by the minister. Over the last several years, SDO's have not been able to achieve balance and have been reporting operating deficits. The accumulated deficits have reached the level where it has become unsustainable for the SDOs on their own and government intervention may be required. In addition, the ongoing deficits of the SDOs are jeopardizing Government of Manitoba's overall goal of a balanced summary budget by the end of its current term (2026/27).

MNP was engaged to support MHS LTC by employing a consultative approach to evaluate the governance, budgeting, and fiscal management practices of the selected SDOs, identifying gaps, and providing recommendations to address them.

Accurate budgeting, forecasting, accounting, and analysis are always important, but are particularly critical to making informed decisions about healthcare transformation and the allocation of resources to meet citizen needs and achieve desired outcomes.

Scope

The engagement is a critical review of the governance, budgeting, and fiscal management practices of the Winnipeg Regional Health Authority (WRHA) in order to identify gaps in practice and provide recommendations to address those gaps with best practices.

Development of a plan of action for the consideration and approval of the department to mitigate the identified gaps. The plan needs to be practical and achievable within the prevailing broad economic and human resources challenges in the province. Specifically, the scope of the review included:

Governance: The Winnipeg Regional Health Authority is governed by a board of directors who provide oversight to the organization. The review focuses specifically on the governance role of the board of directors as it relates to budgeting and fiscal management, rather than a broad review of all board activities.

Budgeting: The review evaluates whether the WRHA is compliant with the required annual planning processes, and whether the current budgeting processes enable the WRHA to meet its obligations under the Accountability Agreement.

Fiscal management: The review identifies whether the WRHA is managing its finances as budgeted and planned, and whether appropriate processes are in place for communication of variances and delegation of authority.

Report Format

To guide the review, a review matrix was prepared that outlines the three review areas. Each area has a set of questions with associated indicators that are used to evaluate that specific question. The review matrix is provided in Appendix 1. The report is structured as follows.

Detailed Findings - for each of the three review areas.

- Governance
- Budgeting
- Fiscal Management

Summary of Recommendations - A summary of all the recommendations.

Implementation Plan – A plan that details a strategy for implementing the recommendations.

Appendices – Including:

- Review Matrix
- Documents reviewed
- Actual vs. budget expense analysis
- Key deficit drivers – a section that details analysis of elements identified as the most significant drivers of the deficit
- Summary of findings
- Summary of recommendations

Methodology

The primary methods used for data collection and analysis included financial statement review, document review, and interviews. The data and information obtained through financial statement and document review were further explored through focused interviews with key representatives from the SDO.

Document reviews: A full list of the statements and documents reviewed is provided in Appendix 2.

Interviews: Interviews were conducted with key representatives including:

- Members of the SDO's Finance department
- Executive team
- Board of Directors
- Members of Board committees

Limitations of this Review

MNP has relied upon the completeness, accuracy, and fair presentation of all information and data that were made available by June 28, 2024. The accuracy and reliability of the findings and opinions expressed in this report are conditional upon the quality of this same information.

Additionally, the findings and expressed opinions constitute judgments as of the date of the report and are subject to change without notice. MNP is under no obligation to advise of any such change brought to its attention which would alter those findings or opinions.

Disclaimer

In preparing this report, MNP relied upon the completeness, accuracy, and fair presentation of all information and data that was made available by the Government of Manitoba and the Winnipeg Regional Health Authority by June 28, 2024. The accuracy and reliability of the findings and opinions expressed in this report are conditional upon the quality of this same information. MNP did not audit or independently verify the accuracy or completeness of the supporting information. Accordingly, MNP expresses no opinion or other forms of assurance in respect to the supporting information and does not accept any responsibility for errors or omissions, or any loss or damage because of any persons relying on this Report for any purpose other than that for which it has been prepared.

The findings and expressed opinions constitute judgments as of the date of the report and are subject to change without notice. MNP is under no obligation to advise of any such change brought to its attention which would alter those findings or opinion. MNP reserves the right to revise any analysis, observations or comments referred to in this Report, if additional supporting information becomes available to us after the release of this Report.

Acknowledgements

We would like to express our gratitude and appreciation to those individuals at the Winnipeg Regional Health Authority who sourced documents, participated in interviews, and were always available for follow-up discussions and clarifications. We acknowledge the time this took and appreciate their input.

Governance Findings and Recommendations

The following section provides governance findings and recommendations based on the questions listed in the review matrix. Each question from the review matrix is listed first, followed by the corresponding findings and recommendations.

The WRHA is governed by a board of directors who provide oversight to the organization. MNP interviewed WRHA's board members and members of executive leadership, with the summary of our findings and recommendations presented below. MNP notes this section focuses specifically on the governance role of the board of directors as it relates to budgeting and fiscal management, rather than a broad review of all board activities.

Question #1

Do board members in key roles possess the necessary skills and experience to provide appropriate financial oversight given the scale and complexity of the SDOs?

Findings

Finding #1

Most board members have experience in senior management or board experience at large, complex organizations. However, MNP notes that only one board member with a key role has the necessary skills and experience to provide appropriate financial oversight given the scale and complexity of the SDO.

- There are a total of four board members who have a financial designation, however:
 - Only one board member in what is identified as a key role has a financial designation, the chair of the Resources Committee.
 - The board chair and all other board members on the Resources Committee do not have financial designations, or specific financial training.
- The Resource Committee chair has experience in directly overseeing the finances of a large, complex organization. The board chair and one other member of the Resources Committee have indirect experience in overseeing the finances of large, complex organizations. The board chair's experience is in the healthcare industry.
- Seven of eleven board members have experience in senior management of large, complex organizations.

- No board members have financial senior management experience in a large, complex healthcare environment.
- Six of eleven board members have experience as a board member of a large, complex organization.

Finding #2

Onboarding training for new board members has been prioritized by the board and ongoing training modules are a board agenda item.

- Onboarding training for new board members includes providing a governance manual to each new board member, meetings with the CEO, the Chair of the Board, and the executive team.
- Board training is an ongoing agenda item with new topics added to keep the board apprised of changes.
- WRHA is a member of the Institute of Corporate Directors (ICD) and board members are encouraged to attend ICD lunch and learns largely focused on governance.
- It was mentioned by one member of the executive team that in the past there had been board retreats, but that funding is limited. It was felt that this is an area of weakness since there are people appointed to the board that do not have governance experience or training.
- It was noted by a member of the executive team that there had not been as much focus on board governance training as there had been in the past.

Finding #3

Turnover of board members and executive staff has been high in WRHA with many board members not fulfilling their full term.

- It was noted by a member of the executive that since 2017, there have been four board chairs, four CEOs, and three CFOs, plus a full turnover of the board two times. It was indicated that people in these positions have left due to the high burden placed on them due to the ongoing budget deficit and number of meetings required.
- As outlined in Table 1, a board members' time commitment includes time to read through meeting materials, board meetings that generally last three hours as well as the requirement to be on at least one committee. It is estimated that board members spend two hours to prepare for meetings, which is unpaid. It is also not uncommon for there to be additional board and committee meetings added.
- Board members have six-year terms; however, they are not fulfilling their terms. Management indicated that, despite the turnover, board members have consistently been engaged, conducive to developing and sustaining a culture of board members being prepared and asking questions in meetings.

- With a baseline total estimated compensation of \$1,600 (Table 1), and an assumed 90 hours of time spent in preparation for and at meetings, board members are compensated at the equivalent of \$17 per hour, only slightly more than the \$15.30 minimum wage in Manitoba.
- WRHA board members are paid less than board members at other Manitoba public entities, such as Manitoba Hydro-Electric Board, Manitoba Liquor and Lotteries Corp., and Manitoba Public Insurance. Shared Health board members receive the same estimated baseline annual compensation as WRHA board members (Table 2).

Table 1: Board Member Compensation Comparison

Board Member Requirements	Time Commitment (in hours)	Annual Number of Meetings	Total Annual Time Commitment	Compensation Per Half-Day	Total Compensation
Meeting Preparation (Estimated)	2	10	20	\$0	\$0
Board Meetings	3	10	30	\$80	\$800
Committee Meeting Preparation (Estimated)	2	10	20	\$0	\$0
Committee Meetings	2	10	20	\$80	\$800
Total	9	40	90	\$160	\$1,600

Table 2: Board Member Compensation Comparison

Entity Name	Annual Revenue	Baseline Annual Number of Board Meetings	Baseline Estimated Annual Compensation
Manitoba Hydro-Electric Board	\$3,835,000,000	6	\$7,500
Manitoba Liquor and Lotteries Corp.	\$985,143,000	4	\$7,500
Manitoba Public Insurance	\$1,519,748,000	9	\$7,500
Winnipeg Regional Health Authority	\$2,319,521,000	10	\$1,600 (\$4,000 maximum)

Entity Name	Annual Revenue	Baseline Annual Number of Board Meetings	Baseline Estimated Annual Compensation
Shared Health	\$1,780,032,000	10	\$1,600 (\$4,000 maximum)

Recommendations

Based on the principal findings outlined above, MNP developed five recommendations to strengthen the SDO’s financial governance.

Recommendation #1

A desired skills matrix should be developed and used to evaluate existing board members.

- Skills gaps should be identified, and recommendations for skills required should be communicated to the cabinet minister when a position is to be appointed to ensure appropriate balance of skills and that board member’s skills align with the needs of the organization.

Recommendation #2

Open board positions should be posted publicly.

- Transparency regarding the specific skills required would help ensure the broadest pool of candidates are available for consideration.

Recommendation #3

Compensation for SDO board members should be reviewed and increased.

- Remuneration of board members is at the lowest level paid when compared to the three most comparable Manitoba not-for-profit or crown corporations and this discrepancy is felt to contribute to the reduction in quality appointments and high turnover rate.
- Given the workload and visibility of these positions, higher remuneration is believed to be warranted and appropriate.

Recommendation #4

The SDO should introduce staggered board terms.

- Staggering terms would provide continuity and preserve institutional knowledge.

Recommendation #5

Formal board governance education should be reinstated and required of all board members.

- Governance education would ensure board members are aware of their responsibilities and that their actions are aligned with government and other stakeholder expectations.

Question #2

Are board members provided with fulsome, accurate, timely, and actionable information regarding the financial position of the organization and material changes as they occur?

Findings

Finding #1

Board members receive regular communication that provides them with a thorough understanding of the organization's financial position.

- The executive team attends board meetings as does the President of the Medical Staff (ex officio) to answer questions, if needed.
- Meeting materials and meeting minutes, including financial statements, and supporting documentation, are posted to WRHA's Diligent portal.

Finding #2

Board members are kept apprised of the annual budgeting process and are aware of the cost and service delivery trade-offs incorporated in the proposed budgets. There are instances where board approved savings or reallocations have been subsequently rejected by the MHSBTC. Opposite to that, there have also been instances where board approved savings or reallocations that have been recommended to MHSBTC have included items that it would be reasonable to assume the WRHA would have known would be rejected.

- Management prepares a budget based on anticipated service levels and costs, which has historically resulted in a budget deficit. Each site is given their proportional amount of the deficit and told to focus on the allocative side of the efficiency to determine if there is anything that can be divested off and/or reduced. Each site's recommendations are taken to a scoring committee and the proposals are reviewed against specific criteria and evaluated. The executive team reviews the scoring and provides their report to the board.
- Management indicated that there has been a recent change to MHSBTC's approach to considering cost savings that now includes allocative efficiencies and feel that this will allow for a higher value of potential cost savings to be developed, considered and potentially approved.

Finding #3

Board members indicated that the historical budgeting process did not allow for as collaborative an effort between management, the board, and the government as would be beneficial.

- The Annual Operating Plan (AOP) submission cycle, and the manner with which this cycle has historically been implemented, has reduced opportunities for timely collaboration. For example, while the SDO receives budget guidance at the outset of the cycle, the actual budget number may come later in the cycle once issued by Treasury Board. Accordingly,

the SDO's AOP submission has been based on a set of assumptions that quite often change, and lead to increased financial pressures that can have significant impacts on performance against the budget.

Finding #4

Board members receive additional information or clarification when requested.

- Requests for additional information are made through committee chairs directly to management. A recent example of this was a special meeting that was called in April 2024 to workshop budget impacts related to new information received from MHSBTC.

Finding #5

Management provides timely information and updates when material changes affect the organization's ability to meet its established budget.

- The CFO presents the year-to-date financial report and forecast at every board meeting.
- The financial report and forecast are included in meeting materials and board members have time to review the information prior to meeting.
- Material financial changes are discussed by the CFO in the Resource committee in advance of board meetings.
- Deficit increases caused by a delay in funding or because there is no associated funding are pointed out to the board.
- Management indicated that the board recently requested a simplified reporting format to allow for an easier to understand explanation of deficits, the drivers of the deficit and the mitigation plans since board members had stated that the accounting of the deficit can cause confusion.

Finding #6

There are strong governance practices being followed around agenda setting and distribution of meeting materials.

- The corporate secretary, CFO, and resources committee chair meet a month in advance to review upcoming meeting agendas to ensure recurring and annual items are scheduled for review by being incorporated into their meeting agendas.
- Board workplans have been developed to ensure meeting agendas cover areas of responsibility for the board. The resources committee has a three-year workplan calendar that aligns with the annual audit schedule.
- Executive team reviews meeting materials prior to distribution to board and meeting materials are generally distributed seven days in advance of meetings.

Finding #7

Historically, the board and SDO leadership have felt challenged to address mid-year requirements for service level or capital expenditure changes that place downward pressure on performance against budget, and financial results.

- MNP notes, that pressures on performance against budget and financial results have led in part to a higher than ideal turnover rate of board members.
- MNP heard that the government's listening tours have not included representation from finance or other administrative functions and heard several comments from WRHA representatives that when internal processes such as administration are described as red tape, it has detrimental effects on administrative staff morale.¹

Finding #8

Inflation and population growth have led to increased pressure on efficiencies and cost savings as to improve or maintain previous years' performance against budget.

- Historical global increases have not aligned with the year-over-year population increase of the population of Winnipeg of 3.9%² (2022 increase was 1.9%).
- The consumer price index rose 3.9% in 2023, which follows an inflationary increase of 6.8% increase in 2022.³

Recommendations

Based on the principal findings outlined above, MNP developed one recommendation to strengthen the SDO's communication of the financial position of the organization.

Recommendation #1

The SDO and MHSBTC should mutually explore opportunities to reduce the time that elapses between AOP draft delivery and approval, and the process for development of, and making changes to the AOP.

¹ <https://news.gov.mb.ca/news/index.html?item=62437&posted=2024-03-12>.

² <https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=1710014801>.

³ <https://www150.statcan.gc.ca/n1/daily-quotidien/240116/dq240116b-eng.htm>.

Question #3

Does the board exercise independence from management and provide sufficient oversight of the annual budget development process before approving the budget?

Findings

Finding #1

The board does exercise independence from management but must pivot on budgetary matters alongside management when insertions or deletions to the SDO budget come from outside the organization.

- The fluid nature of budget guidance, and the timing of that guidance decreases the ability of the board to provide independent and thoughtful input before budget information is submitted to MHSBTC.
- The summary budget is completed and finalized a year in advance and guidance provided has historically suggested using use the previous fiscal year's budget as the starting point, regardless of actual and anticipated service delivery levels.
- The timing of the receipt of funding letters by the SDO which include approved budget amounts that can be different than the assumptions included in the draft budget results in discrepancies, and a requirement to re-cast the budget. This is a limiting factor in the SDO's board's ability to effectively plan.
- A Community Health Assessment, which historically has been used as an input into the budgeting process was not completed for fiscal 2023/2024.

Finding #2

The board is aware of the service delivery and cost trade-offs proposed in the budget. However, the board has at times been challenged by the perceived removal of their decision-making authority over budgetary decisions.

Finding #3

The ability of the board to effectively navigate the complexities of the AOP and budgeting processes is hindered by the limited number of board members with financial training or backgrounds.

Finding #4

The SDO board has not been able to ensure compliance with accountability agreements.

- There have been several factors contributing to this outcome. Namely, the SDO's feeling challenged given what is perceived to be the use of unsound planning assumptions, budgetary insertions from outside the organization, and a forward-looking approach that has not accounted for these realities.

- Given the realities of unplanned insertions being likely, and the potential receipt of lower than assumed funding (as has been the case historically), it would have been reasonable to expect that SDO's would consider these realities and have adjusted their budgeting process accordingly. Similarly, it would have been reasonable to expect that MHSLTC acknowledge these realities and work with the SDO collaboratively to identify new budget planning guidance and process. For example, utilizing a scenario planning approach to budget development would allow both the SDO and MHSLTC to understand and be prepared for "what if" scenarios more fully. What if our budget was reduced by "x" dollars in the coming year? What if we do not receive inflationary increases?

Recommendations

Based on the principal findings outlined above, MNP developed one recommendation to strengthen the SDO's oversight of the annual budget development process.

Recommendation #1

The SDO should consider adopting zero based budgeting and scenario planning approaches in their multi-year budgeting process that allow for increased granularity, more fulsome planning, and increased flexibility.

Question #4

Does the board approve material changes to the budget or variances from budget as they become apparent?

Findings

Finding #1

The board is aware of material changes and variances from budget as they occur during the fiscal year.

- The board is provided updates from management.
- MHSLTC Data Science team is tracking performance and actual service delivery against the operating plan on a provincial dashboard prepared by the Provincial Information Management and Analytics group (PIMA).
 - The Data Service Team, which reports to Deputy Minister Sinclair, heads performance monitoring and has recently moved into MHSLTC from Finance to bring it closer to the data source.
 - The monitoring includes data analysis, on the floor observation, and sharing of the data compiled and findings.

- MNP gleaned that this is going well and there is a partnership between this team and WRHA, which has resulted in uncovering areas where changes could be beneficial.

Finding #2

The board authorizes significant variances or revised budgets as information on the variances becomes available.

- A year-to-date sector by site report goes to the board each month.
- It was noted by management though that while everyone is aware of the variances, there is limited person power to analyze the variance reports.

Finding #3

MNP found that there are policies in place that assist in financial oversight:

- Expenditures over \$5 million require board approval.
- Purchase orders are escalated through SAP for authorization.
- Monthly variance reporting is done.
- Health Care Provider's budget versus actual expenses are compared.
- All sites now use the WRHA's accounting system.
- Finance teams from each site have recently been restructured and brought internal to the WRHA.

Recommendations

Based on the principal findings outlined above, MNP developed three recommendations to enhance the SDO's oversight of material changes to the budget or variances from budget as they become apparent.

Recommendation #1

The impact of mid-year service delivery standard changes should be tracked to better enable analysis of SDO's ability to manage to budget.

- Unbudgeted items in budget updates should be separately stated to ensure the reader is aware that there has been a change made, whether it was initiated by the SDO or government in required services offered, service levels, or general service requirements of the SDO.

Recommendation #2

A policy should be implemented so that any additional service requirements implemented mid-year are fully funded from within.

- MHS LTC would keep cumulative track of changes to service requirements.

Recommendation #3

A comprehensive analysis should be completed to understand why staffing positions are not being filled.

- Filling vacancies would reduce overtime pay requirements, prevent staff burnout, and, ultimately, reduce budget variances for wages.

Question #5

Does the board identify the financial risks facing the organization and ensure they are well-informed on the impacts?

Findings

Finding #1

A risk register was prepared by management as a part of their Integrated Risk Management (IRM) program.

- The register was prepared and approved by the board just over a year ago, it is currently in the annual review process.
- The board has stated that it identifies and adds new risks as circumstances change.

Finding #2

Financial risks are identified in the risk assessment along with their potential impacts. However, the report format is not conducive to accountability.

- The risk register identifies financial risks and impacts in summary form. The format used does not align the individual risks with their controls, actions, and gaps and potential issues.
- There are no timelines for completion of the mitigation actions.

Finding #3

Financial risks identified do not properly identify the root causes of the risks.

- Actions for further mitigation are focused on additional funding rather than cost control, efficiencies, and analysis of service levels.
- For example, Financial Sustainability, Achievement of Balanced Budget is identified as a risk area, with Financial Instability, Achievement of Balanced Budget as a main risk driver. MNP believes logical actions for further mitigation would be working with government to ensure revenue payments align with cash needs and implementing efficiency controls.

Recommendations

Based on the principal findings outlined above, MNP developed two recommendations to strengthen the SDO's ability to identify the financial risks facing the organization and ensure they are well-informed on the impacts to the SDO.

Recommendation #1

Risk register should include the status of actions to be taken for further mitigation and the person/department responsible for these actions.

- Mitigation accountability would improve with timelines and the status of actions to be taken.

Recommendation #2

A standardized enterprise risk register format should be used to report to the board.

- Register should include a clear description of each risk, the risk rating, the risk owner, the mitigating actions to be taken, the current mitigation actions taken, and the status of each of those actions.

Question #6

Does the board act adequately to mitigate the financial risks identified?

Findings

Finding #1

It is not clear whether the strategies identified to mitigate risks are effective or being actioned in an appropriate timeline since these accountabilities are not included in the risk register.

- As mentioned in the findings and recommendations for Question #5, the timelines for implementation of risk mitigation strategies are not discussed.

Recommendations

Based on the principal findings outlined above, MNP developed two recommendations to strengthen the SDO's ability to act adequately to mitigate the financial risks identified.

Recommendation #1

WRHA should involve the MHSLTC directly in its risk and mitigation identification process to ensure mitigating factors are realistic given government mandates.

Recommendation #2

The existing risk register should be further developed and include the status of the implementation of mitigation strategies.

Budgeting Findings and Recommendations

The following sections provide budgeting findings and recommendations based on the questions listed in the review matrix. Each question from the review matrix is listed first, followed by the corresponding findings and recommendations. The questions evaluate whether the WRHA is compliant with the required annual planning processes, and whether the current budgeting processes enable the WRHA to meet its obligations under the Accountability Agreement.

Question #1

Is the SDO compliant with the required planning frameworks?

Findings

Finding #1

The WRHA adheres to the procedures and requirements of the Annual Operating Plan (AOP) framework and follows deadlines for submitting compliance and financial reporting.

- The WRHA follows the established deadlines for submitting required documents as part of the planning framework, which include:
 - Accounts Receivable and Accounts Payable Templates
 - Annual Operational Plan
 - Annual Report
 - Bad Debt Reports
 - Debt held by the Department of Finance Treasury Division
 - Fiscal Year-End Reporting Requirements
 - Medical Remuneration Templates
 - Monthly Forecast Reports
 - Strategic Plan
 - Summary Forecast Reports

Finding #2

The WRHA's strategic priorities are directly aligned with provincial priorities.

- The 2023-28 WRHA Strategic Plan lays out a clear connection between the WRHA's strategic priorities and the strategic priorities of MHSBTC, as shown in Table 3. The strategic

priorities of Housing, Addictions and Homelessness are also aligned with the WRHA strategic priorities.

Table 3: Alignment of WRHA and MHSBTC Priorities (Information drawn from WRHA Strategic Plan 2023-28, Table 1.4)

WRHA Strategic Priority	Link to Provincial Priorities
<p>Our Team</p> <p>Invest in, listen to, and empower every team member to achieve their best health and performance.</p>	<ul style="list-style-type: none"> Empowered, adaptable and high performing workforce
<p>Our Care</p> <p>Consistently provide the highest quality care experience anywhere.</p>	<ul style="list-style-type: none"> Positive health care experience for Manitobans, with a focus on quality health services
<p>Our System</p> <p>Deliver an effective and efficient healthcare system today and for generations to come.</p>	<ul style="list-style-type: none"> Strengthen fiscal sustainability and value for money Improved health system capacity, performance and accountability
<p>For All</p> <p>Support everyone we serve in achieving their full health and well-being potential</p>	<ul style="list-style-type: none"> Aligns with values from MHSBTC Plan, including health equity, diversity and Indigenous reconciliation. Work in partnership with Indigenous organizations towards Indigenous led, accessible health care services. Create a healthy Manitoba through evidence informed core public health strategies to optimize health and reduce the impact of adverse health outcomes. Promote a person centered healthcare experience that is equitable and accessible to all.

Recommendations

No recommendations are noted in connection with Question 1 as the WRHA is compliant with the required planning frameworks.

Question #2

Does the AOP planning framework and related processes enable compliance with the accountability agreements?

Findings

Finding #1

The AOP process does not facilitate better compliance or budgeting by the WRHA. Rather, the AOP only provides budgeting visibility to MHSBTC and a framework for ongoing compliance reporting.

- The annual planning process provides important budgeting visibility to MHSBTC and serves as a gathering point for funding requests relating to new initiatives and potential cost-saving measures. The value in the annual planning process to the WRHA, however, is currently as a communication tool rather than as a tool to enable better planning. The SDOs, including the WRHA, must undertake separate internal budgeting exercises to plan for the upcoming year. Several reasons necessitate the separation of the annual planning process from internal budgeting activities:
 - The WRHA internal budget categorizes its revenue and expenses using different category labels and groupings than required in the AOP. This is driven by the internal structure and needs of the WRHA while the AOP is organized based on the reporting needs of MHSBTC.
 - Funding guidance provided by MHSBTC during the annual planning process is not binding and actual funding approved by MHSBTC may differ from the guidance provided.
 - The AOP can change both prior to and during the planned fiscal year. These changes can include additional service delivery directives and may also include funding for separate initiatives throughout the year in addition to the annual funding letter.

Recommendations

Based on the findings outlined above, MNP developed one recommendation to strengthen the SDO's budgeting process and outcomes.

Recommendation #1

The AOP should incorporate a scenario-based planning element to enable a better understanding of potential budget changes and greater flexibility to respond to change. All SDO's should be encouraged to employ this method to their planning.

- The budget component of the AOP is currently designed as a static document with budgeting based on the funding guidance provided by MHSBTC. If the approved funding is different from the budgeted funding guidance, the SDO is given an opportunity to update

- their AOP. The WRHA did not update their AOP last year. Further, the SDO's are expected to advise MHSBTC of the impacts of receiving different funding than originally forecast in the AOP, providing MHSBTC an opportunity to provide additional advice to the SDO.
- A scenario-based approach would continue to identify a primary funding guidance target but also ask SDOs to identify how they would plan to meet a "worst case" scenario with a lower funding target.
 - For example, SDOs should be prepared with cost saving initiatives if no annual funding increase is implemented. This additional scenario should include the specific initiatives and related service delivery impacts that would be required to meet the lower funding level. As a result, MHSBTC would gain greater visibility on any potential service delivery impacts of funding being approved below the primary guidance target, and the SDOs would already have plans in place that can be implemented if additional budget savings are required.

Question #3

Does the SDO use funding received pursuant to the Accountability Agreement to provide the services outlined unless otherwise agreed to in writing and approved by Manitoba?

Findings

Finding #1

The WRHA ensures funding received pursuant to the Accountability Agreement is dedicated to its intended purpose through strict protocols for the transfer and allocation of funds.

- The WRHA's Funding Letters Process documents the WRHA's facility and grant funding business cycle, detailing how funding from MHSBTC and Housing, Addictions, and Homelessness (HAH) is used to cover global operating costs incurred during the year. Any changes to the budget, such as the need for additional funding for new programs, program expansion, or unexpected cost increases, are reviewed and approved internally by the WRHA Executive before being submitted to MHSBTC and HAH.
- When program costs are incurred in anticipation of funding approval, the WRHA maintains rigorous tracking and reconciliation processes. Approved funding letters are closely monitored to ensure accurate reconciliation with the annual budget. Funding is received semi-monthly via electronic funds transfer (EFT), reviewed, and allocated appropriately to various sectors by the Senior Financial Analyst and the Director of Financial Reporting. This structured process ensures that all funds are used responsibly and as intended, in alignment with the Accountability Agreement.
- Revenue and cash received are journalized and recognized evenly over the fiscal year to maintain regional cash flow and budget accuracy. This ensures transparent and accountable financial management within the WRHA.

Finding #2

The current financial reporting formats make it challenging to directly link the use of funds to the list of core services outlined in the Accountability Agreement schedules.

- The core services listed in the Accountability Agreement differ from the categories used in the AOP core financial schedules and the reporting categories used in the financial statements. This creates a situation where it is challenging to compare how funds are used between each type of service schedule or reporting tool.
- The Accountability Agreement outlines the following core services to be delivered by the Health Authorities:
 - Acute care facilities (based on facility type)
 - Ambulatory and outpatient services
 - Pharmacy
 - Long-term care facilities
 - Substance abuse and addictions
 - Primary and community care
 - Population and public health
 - Community health services
 - Home-based care services (home care)
- Section 3 (Core Financial Schedules – Volume Pressures) of the AOP provides an estimate for the following categories, which are different from the above core service groupings:
 - Acute care
 - Long-term care
 - Home care
 - Community and mental health
 - EMS and land ambulance
 - Other
- The WRHA financial statements provide categorization by sector and expense type, both of which include different categories the AOP categories and the list of core services. The sector categories include:
 - Acute care
 - Community care
 - Long-term care
 - Medical remuneration
- The expense type categories include:
 - Salaries and wages

- Medical remuneration
 - General supplies
 - Food and dietary Supplies
 - Medical and surgical supplies
 - Pharmaceutical supplies
 - Utilities
 - Miscellaneous
 - Software, equipment, maintenance, and rentals
 - Contracted out services
 - Buildings and grounds
 - Interest
 - Amortization
 - ARO – amortization and accretion
 - Loss on disposal of tangible capital assets
- In addition to the above financial reporting, annual reports prepared by the WRHA provide key statistics regarding the delivered services, including:
 - Number of beds
 - Average occupancy
 - Emergency department/urgent care visits
 - Total number of inpatient discharges
 - Average length of stay
 - Total number of day surgery cases
 - And more

Recommendations

Based on the findings outlined above, MNP developed one recommendation to strengthen the SDO's budgeting process and outcomes.

Recommendation #1

The WRHA should consider preparing an annual reconciliation or statement, reporting the budgeted and actual revenue and expense amounts using the same statement categories as the AOP.

- Annual financial statements currently categorize revenue and expenses in different categories than those used in the AOP. This makes it challenging to easily compare past performance in each AOP category against the budget.

- An annual reconciliation or statement presenting the WRHA's revenue and expenses using the same categories as the AOP would enable better evaluation of WRHA performance against the AOP.

Recommendation #2

The WRHA should segregate Home Care in their audited financial statements.

- As mentioned above, only Acute care, Community care, Long-term care, and Medical remuneration are currently segregated. Home Care represents a significant and distinct category of care which should be reported separately.

Question #4

Is there a clear link between expected service need and demand and the budgeting process?

Findings

Finding #1

The SDO has not used the annual operating plan process as a means to link ongoing service needs and demand to changes in the operating budget.

- The AOP is developed using the prior year's budget as a starting point and assumes the status quo service delivery as a baseline starting point before incorporating proposals for new service delivery and cost savings. New initiatives and cost saving measures contain strong analyses on their merits, the related needs, and their benefits. In contrast, ongoing service delivery does not receive the same level of analysis, both to ensure that resources are still deployed in the best way possible and to ensure that adequate resources are still in place to meet changing levels of demand since a program was initiated. Thus, the needs relating to increased demand for services are often not recognized at a budgeting level until additional resources are proposed as a new initiative or itemized funding request.

Finding #2

The AOP framework provides flexibility for managing past volume pressures in various healthcare categories, however the WRHA has not used it to integrate analytical data to accurately reflect and address the actual demand and needs for all service lines.

- The AOP process begins with the previous year's budget as an assumed starting point and provides flexibility to request additional support to meet volume pressures experienced over the previous year for five different health care sectors:
 - Acute care
 - Long-term care
 - Home care
 - Community and mental health

- Emergency services and land ambulance
- Other

This approach assumes that the future will reflect the past year but does not anticipate future volume pressures which may be reasonable expected in the years ahead. For example, the planning framework does not readily allow for consideration of factors such as population growth, changes in population age profile, or population health trends such as changes in obesity or chronic disease rates. The planning framework addresses current volume needs but excludes emerging volume trends and the potential related need for program enhancements or the annualization of previously approved projects.

The AOP framework does not preclude the SDO from examining and adjusting their expenditures and determining a go forward strategy within approved MHS LTC guidelines.

Finding #3

Minimum service levels were set out in the Accountability Agreement for select services but were not consistently met.

- Schedules A to AA in the 2022-23 Accountability Agreement state that within the funding provided in Schedule B, the WRHA is expected to meet minimum certain performance levels for services. These are baseline expectations, and the WRHA has the discretion to allocate additional resources within its global budget to increase service volumes throughout the year. Service levels are not capped by Manitoba, and no service delivery site within the HA should consider these as maximum levels set by the province.
- The WRHA Annual Report 2022-23 indicates that certain minimum service levels were not met; only coronary artery bypass graft (CABG) procedures were confirmed as meeting the minimum threshold. Some procedures were not reported on in the annual report, and the reasons for minimum service levels not being met were not noted. Similarly, the Accountability Agreement does not explain or provide a reference to how the minimum service levels were estimated or how this estimation reflects the actual service needs and demand. Table 4 provides a comparison between the minimum service levels in the Accountability Agreement and the actual service levels provided as outlined in the 2022-23 annual report.

Table 4: Comparison of Minimum and Actual Service Levels for 2022-23

Minimum Service Levels		Actual Service Levels (per Annual Report)		
Service	Level	Service	Level	Outcome
Cardiac catheterization	2,860	Therapeutic Interventions on the Heart and Related Structures, excluding	2,454	Not met (2,423)
All other cardiac surgery	726 1,291			

Minimum Service Levels		Actual Service Levels (per Annual Report)		
Percutaneous coronary intervention (PCI)	4,877	Coronary Artery Bypass Graft		
Total				
Coronary artery Bypass Graft (CABG)	425	<i>No information</i>	502	Met +77
Cataracts, Misericordia Health Centre	9,045	<i>No information</i>	6,516	Not met (2,529)
Hip and Knee (elective)	3,600	WRHA Hip Replacements	1,592	Not met (275)
		WRHA Knee Replacements	1,733	
		Total	3,325	
Pain Management – Clinic Visits Face to Face/Virtual/C-Arm procedures	8,136	<i>No information</i>	<i>No information</i>	<i>No information</i>
Pediatric Dental Surgery, Churchill Health Centre	387	WRHA Pediatric Dental (Includes Churchill)	868	Not met (281)
Pediatric Dental Surgery, Misericordia Health Centre	762			
Total	1,149			
Sleep Studies	3,710	<i>No information</i>	<i>No information</i>	<i>No information</i>

As can be seen in Table 4, the Accountability Agreement only assigns minimum service levels to a small number of services relative to the range of services provided by the WRHA. As a result, these numbers do not truly reflect the level of service demand on the organization, or how effectively the WRHA is using its resources across the entire organization.

Recommendations

Based on the findings outlined above, MNP developed three recommendations to strengthen the SDO's budgeting process and outcomes.

Recommendation #1

MHSLTC should consider requiring all SDOs to implement a zero-based budgeting process to justify all expenses annually.

- The historical budgeting approach which assumes the prior year's budget as a starting point has not inherently led to SDO's evaluating their expenditures in a dynamic fashion that would allow them to adjust and reallocate funds, within the guidelines articulated by MHSLTC.
- Zero-based budgeting will better reflect service delivery demands in the budgeting process as service delivery demands will support budget allocations.
- Zero-based budgeting will ensure better alignment with strategic planning as status quo programs will be monitored for continuing alignment with organizational objectives.

Recommendation #2

Implement a mid-year and year-end report with a comparison between minimum and actual service levels.

- The Accountability Agreement currently lacks clear reporting requirements comparing actual results against minimum service levels.
- Implementing a mid-year and year-end report comparing minimum and actual service levels will help to identify areas for improvement and ongoing monitoring.

Recommendation #3

Incorporate demand projections in the budgeting process to ensure an appropriate level of resourcing and to respond proactively to developing needs.

- The current annual planning process is isolated from the projected level of demand and can result in the WRHA being 1-2 years behind demand trends since the budgeting process is largely based on past costs and demand. To mitigate this risk, it is recommended that the planning process include a submission from the WRHA outlining historical and projected demand for key services. This submission should also include an analysis of key demographic drivers (population count, age, etc.) and their expected impact on service demand in the coming years.
- It is recommended that the demand analysis correspond with the key service delivery areas in the AOP, including but not limited to, acute, long-term, and home care, to enable a better understanding of demand pressures when evaluating budgeted expenses in each category.

Question #5

Does the budgeting process fully capture the trade-offs inherent in having limited funds available?

Findings

Finding #1

The budgeting process fails to fully capture the impact of the service delivery trade-offs associated with cost savings including impacts on the WRHA's strategic goals and key performance indicators.

- The current annual budgeting process partially reflects the trade-offs inherent in limited funding by allowing for narrative explanation of the trade-offs in the AOP submission. While it enables the WRHA to prioritize spending, it fails to fully capture the true impact of these trade-offs on achieving the strategic goals and objectives of both the WRHA and MHSBTC, as well as how they will affect the WRHA's key performance indicators.
- Under the current budgeting process, the assumption of status quo as the starting point for budget development avoids the analysis of service delivery and cost trade-offs for existing programs and services unless a proposal is put forward for cost savings that impacts service delivery. This approach can potentially allow services with escalating costs or declining utility or value to continue without weighing the trade-offs between cost and service delivery benefits.
- The current planning process requires the WRHA to submit a balanced budget using the status quo current-year budget amounts combined with guidance on an overall percentage increase as the base scenario.
- Key elements of the planning process include⁴:
 - SDO must present balanced budget scenarios.
 - SDO is required to recommend strategies or proposals to achieve the projected balance, including new expenditure reduction and cost-saving ideas not previously implemented.
 - Strategies must be listed in order of priority, highlighting the necessity of making tough decisions about which initiatives to fund first based on their impact and alignment with organizational goals.
 - Ensures that limited funds are directed towards the correct mix of health services, aligning with the preferences of those funding the services (i.e., doing the right things).

⁴ AOP Guidelines for 2023-24, Schedule 6: Strategies to Balance.

- Focuses on securing the minimum cost for the maximum quality in delivering agreed outputs, assessing operational performance, and minimizing resource wastage (i.e., doing things right).
- The WRHA lists strategies to balance based on their impact and alignment with organizational goals and provides some narrative on the strategies in its submission. In the 2022-23 submission for example, it was noted that there would be no service delivery impacts with the proposed cost savings.

Recommendations

No new recommendations are noted in connection with Question #5 as the recommendations associated with Questions #2 and #4 are sufficient to address the findings in connection with Question #5.

Question #6

Do current budget processes support service delivery innovation and improvement?

Findings

The AOP template was viewed as an important part of the SDOs budget process, and accordingly, two findings are provided below related to how the AOP supports service delivery, innovation, and improvement.

Finding #1

The AOP framework provides room for service delivery innovation and improvement initiatives in capital projects.

- The AOP framework consolidates health authority infrastructure requests into a master list which is ranked by priority by the WRHA. Shared Health then completes a provincial prioritization, and the Minister approves selected projects before they are incorporated into the Provincial Health Capital Plan (PHCP). The PHCP is made up of the following components:
 - Safety and security projects
 - Major capital projects
 - Medical equipment (specialized capital)
 - Health system ICT
- The capital prioritization process allows for the most important and urgent projects to be prioritized and receive funding first, which in turn supports service delivery improvement. While innovation is not specifically prioritized, innovation which leads to cost savings or better service delivery will likely be recognized as a higher priority through the current process.

Finding #2

The AOP supports service delivery innovation in operating programs if the proposed innovation is cost-neutral or results in cost savings within the year the innovation is implemented.

- The 2023-24 AOP Guidelines introduced a new section for New Program Initiatives. This section supports new initiatives that have measurable cost savings that could offset the associated expenses and allow for reallocation of current funds. Health authorities had the option of submitting a prioritized list of proposed new program initiatives.
- A new initiative was defined as:
 - A new service, program, or expansion of an existing program to an additional catchment area (e.g., new Primary Health Care Centre, Adult Day Care additional site, an additional local Dialysis Centre).
 - An additional service to an existing program such as Minimum Data Set (MDS) implementation in home care/long term care, implementation of a Crisis Stabilization Unit, etc.
 - Implementing a new program or service that currently does not exist.
- There was no budget allocated for new initiatives in 2023-24; it was explained that any proposed initiative would need to have measurable cost savings that could offset the expenses and allow for reallocation of current funds before it could be considered.
- WRHA did not proposed any new program initiatives in its 2023-24 AOP.

Recommendations

Based on the finding outlined above, MNP developed two recommendations to strengthen the SDO's budgeting process and outcomes.

Recommendation #1

Consider incorporating scoring criteria in the AOP outlining how Shared Health will evaluate proposed capital projects.

- The AOP template does not currently outline how proposed capital projects will be scored by Shared Health and asks SDOs to rank projects by their priority. This creates an opportunity for misalignment where an SDO ranks a project priority on separate internal metrics while being scored on external metrics.
- Increased transparency with the scoring criteria communicated during the AOP development cycle would enable SDOs to better align their proposed capital plans with provincial priorities.
- Incorporating scoring criteria in the AOP would not impact that all capital decisions ultimately will remain with government.

Recommendation #2

The WRHA should actively propose new program initiatives in the AOP, even if no budget is allocated.

- The guidelines support cost-neutral innovations or those with measurable cost savings. By submitting a prioritized list of new initiatives, WRHA can enhance service delivery and increase the likelihood of approval and funding. Ignoring this section may result in missed opportunities for improvement and innovation.
- Key opportunities for new program initiatives that could lead to service delivery innovation and improvement include data analysis, research and process improvement, staff training, and staff engagement to identify improvements.

Question #7

Does the SDO have access to clear, accurate, timely and relevant information to enable the development of accurate budgets?

Findings

Finding #1

The WRHA receives adequate information for development of the Annual Operating Plan (AOP), but key elements remain open to change which can impact the accuracy of the AOP.

- MHSLTC provides guidance on a projected annual increase to global funding to guide budget development. This guidance provides the basis for planning but is also subject to change.
- Capital projects are prioritized but must be assessed and approved prior to authorization. The capital planning process provides sufficient information and SDO's anticipate that projects will be assessed, and only selected projects approved.
- AOP development guidelines are available in advance.

Recommendations

No new recommendations are made in connection with Question #7. The recommendation connected to Question #2 to incorporate a scenario-planning element into the budgeting process will mitigate some of the uncertainty connected to the current budgeting process.

Question #8

Are the budgeting and planning processes and timelines of the SDO effectively integrated with MHSBTC processes and timelines?

Findings

Finding #1

The WRHA's budgeting processes and timelines are compatible and integrate with the AOP.

- The WRHA begins its annual budgeting process at least a year in advance and undertakes several iterations of budget planning. Its internal budgeting processes are compatible with the AOP requirements and the WRHA can meet the AOP timelines and requirements.
- The integration of budgeting processes does require effort, however, as the AOP requires a manual approach to budgeting inputs with an Excel workbook format. Additionally, the AOP requires different budget categories than the WRHA uses for its internal budgeting which requires budget subcategories to be rolled up into different line items for the AOP than internal budgets.

Finding #2

The AOP process has a generally defined cadence but does not have an annual schedule of milestones and due dates for submissions, because of its dependency on government timelines.

- The annual financial planning cycle for the WRHA fiscal year begins in February or March of the year prior to the year being planned. Key elements through the planning cycle include:
 - The planning process begins with MHSBTC and HAH's initial call for the AOP to identify the WRHA's funding needs.
 - The Finance department, with assistance from sites and programs, prepares the AOP. The CFO and appropriate Directors review the AOP before it is approved by the Board of Directors. Once approved, the AOP is submitted to MHSBTC and HAH, with an early June deadline.
 - More detailed planning then takes place with the completion and submission of the Summary Budget document to Manitoba Health and HAH. This high-level forecast provides the first notice of expected results for the upcoming fiscal year, typically beginning in July or August.
 - Aligned to the commencement of the AOP process, the site/sector-level financial forecast process is initiated. The WRHA requires all consolidated sites and programs (Acute, Continuing Care, and Community) to complete a site/sector-based forecast for submission in early January. This detailed forecast is used to validate the Summary Budget forecast and will be used to measure the site/program performance in the next fiscal year. Concurrent with the detailed forecast process, the WRHA also undergoes an operating planning process for the new fiscal year.

- The funding allocation for all sites is finalized once the WRHA receives the annual commissioning letters from MHSBTC and HAH.
- While the above activities have a similar cadence each year, there is not a consolidated document that lays out the specific due dates for each step in the process on an annual basis. Rather, the WRHA is notified of individual due dates several weeks or months in advance while maintaining the past cadence of other years. MNP, notes that detailing specific due dates will be challenging given the reality that Treasury Board and government decision-making timelines are as one would expect, a fluid process.
- A lack of clear due dates at an annual calendar level can make it more challenging than otherwise necessary to align certain activities that need to occur in sequence. For example, budget submissions require discussion and approval at a committee level, before receiving approval by the board and the dates of these meetings need to be aligned before submission due dates.

Finding #3

Confirmation of funding allocations is typically received at the start of the fiscal year or after the fiscal year has already begun which can lead to a need for sudden budget adjustments if allocations differ from prior guidance.

- Funding letters with approval of the funding allocations typically arrive at the start of the fiscal year or after the fiscal year has already started.
- If the approved funding is significantly different than the budget guidance provided during the AOP development process, SDOs will need to make sudden budget adjustments to immediately align their budget plans with the confirmed funding.
- If there are delays in receiving funding confirmation, this causes subsequent delays in the WRHA preparing and approving individual funding letters or site/sector forecasts for each facility or business unit.

Finding #4

The WRHA is unable to change course and adapt quickly when funding allocations differ significantly from budget guidance.

- If actual budget allocations are approved at levels below the budget guidance given, the WRHA currently requires time to change course, or it will inherently run a deficit during the adjustment period. Given the current processes, budget adjustments require time for several activities including:
 - To identify and submit cost-saving proposals to meet the approved budget
 - For MHSBTC to review and respond to cost-saving proposals
 - For resubmission or submission of additional cost-saving proposals if the submitted cost-saving proposals are not approved as submitted
 - For implementation of the approved proposals for cost savings to take effect

Recommendations

As outlined under the Budgeting, Question #2 recommendations, scenario-based planning will have a key role in enabling the identification of cost-saving initiatives in advance and shortening the response time to unanticipated budget changes. Three additional recommendations are outlined in the sections below.

Recommendation #1

The WRHA should be mandated to propose a list of cost-saving measures equal to three-times the reported deficit within 90 days when a deficit is reported on the WRHA's quarterly reporting.

- A deficit is an indication that the WRHA has been unable adapt quickly enough to the current service demand and funding available. Quick action is required following the identification of a deficit to mitigate the accrual of further deficits throughout the year.
- The WRHA should be mandated to propose three-fold the required value of cost-saving measures to ensure that MHSBTC can review and approve the measures with impacts that are most aligned with provincial priorities.

Recommendation #2

The WRHA should be required to carry a pre-determined contingency in its annual budgeting to prepare for unexpected costs.

- In any given year, there will most likely be unexpected expenses which need to be accommodated by the WRHA. Examples include:
 - Unexpected demand for specific services
 - Department directives to undertake new services
 - Unanticipated supplier cost increases
- A budget contingency prepares the WRHA to respond to a certain level of unexpected costs without entering a deficit and provides funds to cover expenses during adjustment periods if sudden changes in funding expectations or service demand occur.
- A budget contingency could be self-directed by the WRHA or mandated at a specific level by MHSBTC.

Question #9

Are the SDO service delivery needs and financial trade-offs clearly communicated and visible to decision-makers?

Findings

Finding #1

The proposed strategies to balance in the AOP provide limited details on how the strategies will achieve the stated cost savings.

- The 2022-23 AOP (Schedule 6: Strategies to Balance) contains a high-level list of initiatives that are expected to result in cost savings.
- Further details can be found in the WRHA 2022-23 Strategic and Operating Plan submission paper, which includes the 2022-23 Strategic and Operational Plan Impact Statement. The paper outlines that a reduction in expenditures could be achieved through the reduction of overtime, meeting HPPD standards in staffing and implementing quality and safety improvements. It also provides an implementation strategy.
- The 2023-24 AOP template (Schedule 6: Strategies to Balance) was improved to accommodate more details such as:
 - Expense category
 - Projected savings for five years ahead
 - Description and rationale for requested and proposed increases and decreases respectively
 - Assumptions/calculations used to determine change
 - Impact on service delivery and clients
 - Alternatives within proposal
 - Other financial impacts, including future years
 - Implementation strategy
 - Workforce impact
- This enhanced template provides clearer information to the reader and a better understanding of the related challenges and outcomes of each suggested strategy. Despite these improvements to the Excel template, the WRHA 2023-24 AOP submission paper provides very brief highlights to this section. It lacks detailed explanations and potentially leaves gaps in clarity regarding the financial strategies and their anticipated viability and impacts.

Recommendations

Based on the finding outlined above, MNP developed one recommendation to strengthen the SDO's budgeting process and outcomes.

Recommendation #1

The WRHA should ensure that its AOP submission includes comprehensive explanations and context for each cost-saving strategy to facilitate a thorough understanding of the financial savings, the likelihood of achieving these savings, impacts to service delivery, and any related risks.

- MHS LTC should receive enough information to understand how a cost-saving strategy will be implemented and what will result in the savings so that there is certainty that the proposed savings have a high likelihood of being achieved.
- The WRHA could enhance its submission by including specific examples and case studies illustrating how the strategies affect day-to-day operations and service delivery. This can include more detailed impact analyses, visual aids like charts and graphs, and narratives that connect abstract figures to real-world outcomes, ensuring that budget decision-makers have a concrete understanding of the issues.

Question #10

Are changes in service delivery and budget expectations effectively communicated and supported between budget cycles?

Findings

Finding #1

The AOP is considered a high-level planning document that needs to be updated dynamically to reflect the changing environment. There is a procedure in place to communicate and address such changes, however it does not guarantee timely and adequate funding.

- The AOP is acknowledged as a high-level plan and summary of activities that will guide the organization. It represents the organization's plan at a specific point in time but is also recognized as a dynamic, living document that will evolve with the changing environment (AOP Guidelines 2022-23, Introduction).
- To address changes to the budget, the following mechanism is in place:
 - The historical practice has been that during the year, when a need for additional funding is identified for new programs, expansion of programs, or unexpected cost increases, a briefing note and related detailed costing schedules are prepared by the affected sites/programs and provided to WRHA Executive for review and approval. The costing schedule includes detailed information on staffing requirements,

supplies needed, medical remuneration (if applicable) and capital equipment needs and is reviewed by Corporate Finance prior to consideration by WRHA Executive. If approved internally, the briefing note is then sent to MHSBTC and/or HAH.

- If MHSBTC and/or HAH approve the additional funding requests, and a funding letter is issued, the WRHA will issue a funding letter to the related site or program, authorizing the program to hire staff or to start the program expansion. Funding requests are approved at the discretion of the department and are typically reserved for select unexpected cost increases and not new programs or expansions.

Finding #2

Monthly forecast reports adequately inform MHSBTC on performance to date and on projected year-end variances.

- The WRHA submits monthly and quarterly forecast reports based on updated financial and statistical data from the current year's operations. Each quarterly report is accompanied by a forecast submission letter explaining the changes impacting the budget and planning assumptions.
- The WRHA was forecasting a deficit for the year ended March 31, 2024, as follows:
 - August 25, 2023, submission – \$67M
 - October 25, 2023, submission – \$74M
 - December 27, 2023, submission – \$62M

The submission letters indicate that WRHA's plan to balance the 2022-23 budget relies on the successful implementation of one-time and ongoing Sustainability Initiatives. These strategies aim to curb expenditures and were discussed in bilateral meetings between MHSBTC and the WRHA. Additionally, the 3rd Quarter Forecast for 2023-24, submitted on December 25th, highlights cashflow pressures due to a large outstanding receivable. A briefing note on WRHA's cashflow situation has been forwarded to the Department separately.

Recommendations

Based on the finding outlined above, MNP developed one recommendation to strengthen the SDO's budgeting process and outcomes.

Recommendation #1

Establish regular, structured discussions between the WRHA and MHSBTC to review quarterly forecasts, and if a deficit is forecast, to present deficit mitigation strategies to MHSBTC and agree on next steps for addressing that deficit.

- While there are indications that some meetings focused on reviewing forecasts are taking place, further steps should be taken to institute a regular cadence for these meetings following quarterly reports.

- The outcomes of these meetings should be documented by the SDO with action items reflected in the monthly forecast reports to provide a clearer understanding of the decision-making process and mutual agreements, and to enable monitoring of outcomes against these agreements in future reporting.

Question #11

Are the current SDO finance tools and staffing adequate to fully meet the budgeting needs and financial reporting obligations of the organization?

Findings

Finding #1

The WRHA lacks appropriate budgeting and forecasting software leading to resource-intensive, manual budgeting processes and a lack of standardization.

- The WRHA uses SAP software for all internal budgeting and financial management activities but lacks a dedicated budgeting and forecasting module.
- Budgeting, forecasting, and reporting processes are highly manual and resource intensive.
- Separate reports are currently being created for different purposes (board information requests, AOP submissions, monthly forecasts, etc.).
- AOP, budget, and forecast schedules are prepared separately using Excel workbooks and templates provided by MHSLTC.
- Manual data entry increases risk of errors and creates significant re-work if adjustments are needed to reflect changes or perform a scenario analysis.
- Manual processes reduce time that can be devoted to investigative analysis to support operational decision-making, scenario analysis, and identifying efficiencies.

Finding #2

The use of different accounting software and manual processes between SDO's leads to inconsistencies and less comparability between SDO's reporting.

- Different methods of reporting and recording financial information across SDOs creates comparison challenges
- Reporting to MHSLTC is less standardized as a result, as SDOs undertake different manual processes to compile information from financial systems into MHSLTC reporting templates in an Excel workbook format.

Finding #3

Evidence suggests that the WRHA has sufficient staffing for current budget processes.

- The WRHA has structured its human resources to effectively meet its budgeting needs and financial reporting obligations. Under the Regional Lead Corporate Services & CFO, there are two main branches: Financial Planning and Financial Reporting.
- The Financial Planning Branch which is responsible for budgeting is comprised of 45 staff members including the following:
 - Director (1)
 - Lead (1)
 - Administrative Assistant (1)
 - Manager (4)
 - Senior Financial Analyst (21)
 - Financial Analyst (17)

Finding #4

The WRHA has below average corporate services expenses as compared to other SDOs and other jurisdictions nationally.

- The Canadian Institute for Health Information (CIHR) tracks and defines the Corporate Services Expense Ratio (CSER). According to the CIHR, the CSER “measures the percentage of the legal entity’s total expenses that were spent in administrative departments such as finance and human resources. A high percentage indicates that administrative costs are a large portion of total expenses; a low percentage indicates that administrative costs are a small portion of total expenses.”⁵
- As shown in Table 5, the WRHA’s CSER was below average as compared to Manitoba’s other SDOs in 2022-23. The degree to which the capital loss on the transfer of HSC to Shared Health impacted the WRHA CSER is unknown but likely contributed to a lower CSER in 2022-23.

⁵ Canadian Institute for Health Information, <https://www.cihi.ca/en/indicators/corporate-services-expense-ratio-cser>.

Table 5: 2022-23 Provincial Health System Administrative Costs and Percentages (WRHA Annual Report 2022-23, p. 52)

Region	Corporate	Patient-Care Related	Human Resources & Recruitment	Total Administration	Above / Below Provincial Average
CancerCare Manitoba	2.05%	0.61%	0.60%	3.26%	Below Average
Prairie Mountain Health	2.71%	0.37%	0.77%	3.85%	Below Average
Winnipeg Regional Health Authority	2.60%	0.50%	0.80%	3.90%	Below Average
Southern Health Santé- Sud	2.96%	0.26%	1.16%	4.38%	Below Average
Northern Regional Health Authority	3.51%	0.99%	1.20%	5.70%	Above Average
Interlake-Eastern Regional Health Authority	3.12%	0.77%	1.83%	5.72%	Above Average
Shared Health	5.41%	1.15%	1.78%	8.34%	Above Average
Provincial – Percent	3.37%	0.67%	1.12%	5.16%	

- Using a 5-year average, Manitoba’s CSER ranks 8th of 12 reported provinces and territories (Nunavut excluded). In the most recent year available (2021-22), Manitoba’s CSER matches the national average.

Table 6: Corporate Services Expenses Ratio (2017-21)⁶

	Rank	2017-18	2018-19	2019-20	2020-21	2021-22	5-Year Average
Alberta	1	3.3%	3.5%	3.0%	2.9%	2.7%	3.1%
New Brunswick	2	3.3%	3.3%	3.2%	3.1%	3.4%	3.3%
British Columbia	3	3.5%	3.7%	3.4%	3.3%	3.3%	3.4%
Prince Edward Island	4	3.4%	3.4%	3.6%	3.9%	3.8%	3.6%
Newfoundland and Labrador	5	3.8%	4.1%	3.7%	3.5%	3.5%	3.7%
Quebec	6	4.6%	4.5%	4.3%	4.2%	4.0%	4.3%
Canada	n/a	4.5%	4.4%	4.3%	4.4%	4.3%	4.4%
Nova Scotia	7	4.6%	4.7%	4.3%	4.4%	4.3%	4.5%
Manitoba	8	4.6%	4.7%	4.5%	4.5%	4.3%	4.5%
Saskatchewan	9	4.5%	4.7%	5.0%	5.1%	4.9%	4.8%
Ontario	10	6.1%	6.0%	5.9%	6.5%	5.9%	6.1%
Northwest Territories	11	5.9%	6.7%	7.0%	7.5%	7.3%	6.9%
Yukon	12	9.0%	9.1%	9.3%	8.1%	8.5%	8.8%

Recommendations

Based on the finding outlined above, MNP developed one recommendation to strengthen the SDO’s budgeting process and outcomes.

Recommendation #1

MHSLTC should direct the immediate procurement of a single budgeting and forecasting software across all SDOs, and expedite implementation to improve the speed, accuracy, and reliability of reporting, and significantly reduce manual effort.

- It is understood that MHSLTC is in the process of implementing a S/4Hana software solution which could provide the required standardization of budgeting and forecasting. However, it is also noted that the installation of this software is likely a multi-year process so appropriate interim measures such as adding a budgeting module should also be considered. Note, it will be important that any interim measures taken do not result in excessive costs or barriers to the implementation of the S/4Hana software.

⁶ Canadian Institute for Health Information, <https://www.cihi.ca/en/indicators/corporate-services-expense-ratio-cser>.

- The use of a single system across all SDOs will increase transparency, enable standardized reporting to MHSBTC, and facilitate better comparison across SDOs.
- SDOs will receive better access to financial information to enable management decisions.
- Integrated budgeting and forecasting tools will reduce manual processes, enable greater scenario analysis, and provide increased time available for finance staff to focus on analysis.

Fiscal Management Findings and Recommendations

The following sections provide fiscal management findings and recommendations based on the questions listed in the review matrix. Each question from the review matrix is listed first, followed by the corresponding findings and recommendations. The questions evaluate whether the WRHA is managing its finances as budgeted and planned, and whether appropriate processes are in place for communication of variances and delegation of authority.

Question #1

Is the SDO compliant with its AOP?

Findings

Finding #1

The WRHA is regularly operating in a deficit as defined by the Annual Operating Plan budget, and as a result, is not in compliance with the Accountability Agreement.

- The Accountability Agreement requires prudent financial management of resources (Section 5.A.) and that the WRHA operate within the annual budget allocated to it by MHSBTC and HAH (Section 5.F.).
- Operating deficits occur early in the fiscal year, with a forecasted deficit projected for year-end being identified within the first quarter. Forecasted deficits were noted as follows:
 - 2021-22: First monthly report based on May actuals and delivered in June
 - 2022-23: First monthly report based on June actuals and delivered in July
 - 2023-24: First monthly report based on July actuals and delivered in August

Finding #2

A combination of deficits early in the fiscal year, and the timing of cashflow payments contributes to a reliance on a line of credit for operating needs.

- The WRHA continues to receive funding twice monthly based the previous year's core funding levels until several months into the new fiscal year. Discussions indicate that in past years it has taken until September or October for core funding to be increased to the new year's approved funding level and for the difference between the previous and current year's core funding over those months to be paid as a lump sum.
- To account for the delay in providing the approved increase to the WRHA, MHSBTC has typically provided three monthly payments in April instead of the standard two monthly

payments so that the WRHA has additional operating funds until the catch-up payment and increased monthly payments. This equates to approximately 4% of the previous year's budget that is front-loaded in the new year to account for six or seven months of operating without any funding increases.

- If the WRHA is expected to roll out new programs or initiatives, or budget for a significant funding increase in the new year, this cashflow structure can constrain the WRHA and necessitate the WRHA using a line of credit to manage cashflow timing differences.
- The presence of deficits starting in the first quarter of recent fiscal years has also contributed to cashflow pressures in the first half of the fiscal year. Further, cost-saving measures have typically taken months to compile, approve, and implement in the past which has resulted in deficit cash outflows continuing before the effects of the cost-saving measures are fully realized.
- The reliance on a line of credit has led to interest charges that could potentially be avoided with a different timing of payments and a quicker response to implement cost-saving measures once deficits are identified.

Finding #3

MHSLTC currently does not have adequate visibility on the WRHA's projected cashflows as part of its standard reporting requirements.

- The Annual Operational Plan and quarterly reporting templates do not include a requirement to provide a cash flow forecast.
- Cashflow management discussions currently take place in a reactive way as SDOs communicate separately through meetings and letters to MHSLTC when they anticipate cashflow challenges.
- MHSLTC does not have adequate information to proactively anticipate SDO cashflow constraints using the current reporting.

Recommendations

Based on the findings outlined above, MNP developed two recommendations to strengthen the SDO's cashflow management and fiscal management.

Recommendation #1

MHSLTC should require all SDOs to provide quarterly cash position statements and include cash position planning in the Annual Operational Plans.

- SDOs should be asked to identify in their AOP submissions whether the number of new programs or the annual funding increase planned for the year will result in cash position shortfalls in the first half of the fiscal year given the standard timing of payments.

- The inclusion of a quarterly cash position statements would provide MHSLTC with visibility on anticipated cash position shortfalls and enable proactive conversations to identify the shortfall drivers.

Recommendation #2

If cashflow shortfalls are projected in the Annual Operating Plan, MHSLTC should consider adjusting the timing of payments to the WRHA and providing more front-loaded cashflow to offset the effects of delays in implementing the approved increase to annual funding.

- If a cashflow shortfall is projected in the AOP due to the size of the annual funding increase or the number of new initiatives which are being funded, MHSLTC should consider increasing the amount of the additional April payment to cover the projected shortfall.
- Other recommendations in this report are expected to mitigate the potential cashflow impacts related to deficits in future years.

Question #2

Are the financial impacts of unexpected changes in demand identified in a timely way and incorporated into ongoing planning and operations?

Findings

Finding #1

Unexpected changes in demand are incorporated into financial forecasts once the related costs become apparent but are managed on a reactive basis.

- SDOs can identify unexpected changes in demand but it takes time to quantify the financial impacts.
- Monthly forecasts reflect the impact of unexpected demand increases once the related costs flow or are known.
- In the past, large, unexpected increases in demand have led to additional funding requests from MHSLTC with no guarantee of whether the request will be approved.
- The acceptance of increased service demands, and the related costs, has not resulted in significant efforts to offset these costs or to identify corresponding savings that can be implemented in other areas.

Finding #2

The budget articulated in the Annual Operating Plan is static and is not updated to reflect any changing needs or demand, per central government directives.

- While the budget amounts contained in the AOP are static, SDO's have been provided opportunity to modify the narrative explanations for the 2024/2025 fiscal year.

Recommendations

MNP has not developed any new recommendations based on the finding above. Previous recommendations will enable SDOs to better respond to unexpected changes in demand including the practice of carrying a budget contingency, budget scenario planning, and the rapid identification and implementation of cost saving measures when a budget deficit is first identified.

Question #3

Are budget shortfalls and variances identified and communicated to MHSLTC and MHCW in a timely way?

Findings

Finding #1

Financial reporting and forecasting are supplied on a regular basis, and identifies variances compared to the budget defined in the AOP.

- MNP found monthly and quarterly reports accurately identify when variances occur throughout the fiscal year. These reports are being submitted on a timely basis, ensuring any variances are being communicated. The reports highlight the drivers of a variance, including information such as unexpected or unbudgeted for changes in specific service demand.
- MNP found budgets are maintained on a regular basis and continually incorporate changes that occur throughout the year. A variety of budget forecasting tools are utilized to identify where the changes in demand occur. Budgets are updated to include the new forecasts through to the end of the year.
- MNP found - at times - new programs are added by government or the SDO themselves that are not fully funded and the SDO must find a way to cover the additional costs. This is not always possible and can lead to an increase in the budget deficit.
- When necessary, mitigation strategies and initiatives are developed to offset the financial challenges due to demand changes.

Recommendations

No recommendations were noted in connection with the above finding as communication of budget variances is sufficient and timely. Other recommendations in this report address the causes of budget deficits and propose solutions for prevention and mitigation.

Question #4

Does the SDO have an effective process for the delegation of authority?

Findings

Finding #1

A clearly defined Delegation of Authority policy is in place which provides an effective process for spending approvals.

- There is a clearly defined, current (December 2023) Delegation of Authority policy. The policy has clear definitions (including minimum dollar amounts for specific definitions) and calculation examples where applicable for a clear understanding. The policy also clearly indicates who can sign for each of the levels and provides detail on when exceptions can be made and other scenarios.

The signing authority limits include levels one through seven, and includes detailed requirements on who has the authority to approve at that level:

Table 7: WRHA Signing Authority Limits

Level	Allowable Amount
Level 1	> \$5,000,000
Level 2	< \$5,000,000
Level 3	< \$2,000,000
Level 4	< \$1,000,000
Level 5	< \$250,000
Level 6	< \$100,000
Level 7	< \$10,000

The policy also highlights additional information which is to be provided to the following specific roles when they have authorization to approve and sign specific financial commitments with specified values.

- WRHA Board of Directors
- WRHA President and CEO
- WRHA Regional Lead Medical and CMO
- WRHA Regional Lead HR and CHR officer
- Integrated Site COO

Finding #2

Current procurement processes provide safeguards to ensure appropriate approvals are granted.

- Spending controls are managed through the WRHA's SAP finance software which reduces the chances for human error. The process for approvals is quite automated, as individuals all have spending limits associated with their roles. Purchase orders are escalated to the appropriate levels through SAP to ensure there is proper authorization for approval.

There are also indications of a culture of compliance where purchases near (but still within) a person's approved limit typically involve a verbal conversation with a higher approval level role to confirm support for the spending before proceeding.

Recommendations

No recommendations are noted in connection with the above findings.

Implementation Plan

MNP has developed a high-level implementation plan articulating the advised timelines for implementing each of the recommendations. MNP notes, given the urgency of addressing the financial challenges being faced by the SDO, we are advising that all recommendations be fully implemented by the end of fiscal 2026.

Recommendation	2024/2025				2024/2026											
	D	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M
Governance																
1	A desired skills matrix should be developed and used to evaluate existing board members.															
2	Open board positions should be posted publicly.															
3	Compensation for SDO board members should be reviewed and increased.															
4	The SDO should introduce staggered board terms.															
5	Formal board governance education should be reinstated and required of all board members.															
6	The SDO and MHSBTC should mutually explore opportunities to reduce the time that elapses between AOP draft delivery and approval, and the process for development of, and making changes to the AOP.															
7	The SDO should consider adopting a zero-based budgeting and scenario planning approaches in their budgeting process that allow for increased granularity, more fulsome planning, and increased flexibility.															

Recommendation	2024/2025				2025/2026											
	D	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M
Governance																
8	The impact of mid-year service delivery standard changes should be tracked to better enable analysis of SDO's ability to manage to budget.				[Redacted]											
9	A policy should be implemented so that any additional service requirements implemented mid-year are fully funded from within.				[Redacted]											
10	A comprehensive analysis should be completed to understand why staffing positions are not being filled.				[Redacted]											
11	Risk register should include the status of actions to be taken for further mitigation and the person/department responsible for these actions.				[Redacted]											
12	A standardized enterprise risk register format should be used to report to the board.				[Redacted]											
13	WRHA should involve the MHSLTC directly in its risk and mitigation identification process to ensure mitigating factors are realistic given government mandates.				[Redacted]											
14	The existing risk register should be further developed and include the status of the implementation of mitigation strategies.				[Redacted]											

Recommendation	2024/2025				2025/2026											
	D	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M
Budgeting																
15					*											
16						*										
17																
18				*												
19						*										
20						*										
21						*										
22						*										

* Indicates recurring task.

Recommendation	2024/2025				2025/2026											
	D	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M
Budgeting																
23	The WRHA should be required to carry a pre-determined contingency in its annual budgeting to prepare for unexpected costs.				*											
24	The WRHA should ensure that its AOP submission includes comprehensive explanations and context for each cost-saving strategy to facilitate a thorough understanding of the financial savings, the likelihood of achieving these savings, impacts to service delivery, and any related risks.				*											
25	Establish regular, structured discussions between the WRHA and MHSBTC to review and reconcile budget changes and planning assumptions in quarterly forecasts.															
26	MHSBTC should direct the immediate procurement of a single budgeting and forecasting software across all SDOs, and expedite implementation to improve the speed, accuracy, and reliability of reporting, and significantly reduce manual effort.															

* Indicates recurring task.

Recommendation	2024/2025				2025/2026											
	D	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M
Fiscal Management																
27	MHSLTC should require all SDOs to provide quarterly cash position statements and include cash position planning in the Annual Operational Plans.				*											
28	If cash position shortfalls are projected in the Annual Operating Plan, MHSLTC should consider adjusting the timing of payments to the WRHA and providing more front-loaded cashflow to offset the effects of delays in implementing the approved increase to annual funding.				*											

*Indicates recurring task.

Appendices

Appendix 1: Review Matrix

Area Reviewed	Questions	Indicators	Qualitative Evidence	Quantitative Evidence	Method/ Information Source
Governance					
Board Composition	1. Do board members in key roles possess the necessary skills and experience to provide appropriate financial oversight given the scale and complexity of the SDOs?	<ul style="list-style-type: none"> Board members in key roles such as chair roles, and resources committee roles possess accounting or finance designations, or have other training or backgrounds in finance Board members in chair roles, and resources committee roles possess experience overseeing the finances of large, complex organizations, including health-care organizations 	<ul style="list-style-type: none"> Board member experience in senior management or board roles of large, complex organizations including those in healthcare Board member experience in key financial roles (Controller, CFO, etc.) Board member experience serving on boards of large, complex organizations with a high level of impact and accountability Onboarding training 	<ul style="list-style-type: none"> Percentage of board and committee members with accounting or finance designations (CPA, CMA, MBA, etc.) 	<ul style="list-style-type: none"> Board member resumes and bios Public source information Board policies and bylaws

Area Reviewed	Questions	Indicators	Qualitative Evidence	Quantitative Evidence	Method/ Information Source
			<p>provided for each board member.</p> <ul style="list-style-type: none"> Board members have completed Manitoba Agency, Board or Commission orientation session training. 		
Board Communication	<p>2. Are board members provided with fulsome, accurate, timely, and actionable information regarding the financial position of the organization and material changes as they occur?</p>	<ul style="list-style-type: none"> Board members receive regular communication that provides them with a thorough understanding of the organization’s financial position Board members are well-informed during the annual budgeting process and are aware of the cost and service delivery trade-offs incorporated in the proposed budgets Board members receive additional information or clarification when requested 	<ul style="list-style-type: none"> Meeting materials for the board and resources committee are provided with sufficient time to review prior to meetings Board and resources committee members have sufficient access to information to support their informed approval of the annual budget Communication to the board relating to material financial changes closely aligns with the timing of when these changes took 	<ul style="list-style-type: none"> Frequency of board meetings Frequency of resources committee meetings Timing of communication to board members relative to information availability Frequency and timing of board briefings 	<ul style="list-style-type: none"> Board meeting minutes Resources committee meeting minutes Board and resources committee briefings Internal and public source information on timing of material changes Communication from MHSBTC providing budget and service delivery directives

Area Reviewed	Questions	Indicators	Qualitative Evidence	Quantitative Evidence	Method/ Information Source
		<ul style="list-style-type: none"> Management provides timely information and updates when material changes affect the organization’s ability to meet its established budget 	<ul style="list-style-type: none"> place Material changes in financial position are disclosed and discussed in resources committee and general board meetings The impacts and risks of material financial changes are fully communicated to committee and board members 		
Board Budget Approval Process	3. Does the board exercise independence from management and provide sufficient oversight of the annual budget development process before approving the budget?	<ul style="list-style-type: none"> The board comes to independent judgements on financial matters based on the available information The board is aware of the service delivery and cost trade-offs proposed in the budget The board provides direction to management on navigating budget trade-offs 	<ul style="list-style-type: none"> Evidence of board and resources committee members asking probing questions and verifying management assertions Evidence of board and resources committee members ensuring budget alignment with the mandate of the organization Evidence of a thorough 	<ul style="list-style-type: none"> Budget compliance with accountability agreements 	<ul style="list-style-type: none"> Board meeting minutes Resources committee meeting minutes Board policies and bylaws AOP Guidelines Accountability Agreements

Area Reviewed	Questions	Indicators	Qualitative Evidence	Quantitative Evidence	Method/ Information Source
		<ul style="list-style-type: none"> The board ensures that the organization’s obligations under the accountability agreement are met 	<p>review of financial materials by board members such as well-informed lines of questioning, healthy debate, non-unanimous decisions, or board disagreement with management positions.</p> <ul style="list-style-type: none"> Evidence of the board providing guidance on service delivery and cost trade-offs 		
	<p>4. Does the board approve material changes to the budget or variances from budget as they become apparent?</p>	<ul style="list-style-type: none"> The board is aware of material changes and variances from budget as they occur during the fiscal year The board authorizes significant variances or revised budgets as information on the variances becomes available 	<ul style="list-style-type: none"> Evidence of board and resources committee review of variances as they develop 	<ul style="list-style-type: none"> Board and resources committee votes relating to budget and variance approvals 	<ul style="list-style-type: none"> Board meeting minutes Resources committee meeting minutes Board policies and bylaws Quarterly and monthly forecast reports Board briefings

Area Reviewed	Questions	Indicators	Qualitative Evidence	Quantitative Evidence	Method/ Information Source
Risk Management	5. Does the board identify the financial risks facing the organization and ensure they are well-informed on the impacts?	<ul style="list-style-type: none"> • Risk register maintained and updated regularly by board • Key financial risks are identified in the risk register along with their potential impacts • The board identifies new risks as circumstances change 	<ul style="list-style-type: none"> • Evidence of risks being added to the risk register, or the risk register being reviewed and updated • The risks identified accurately reflect the risks facing the organization and include key financial risks • Decision-making processes take the associated risks into account when deciding on a course of action 	<ul style="list-style-type: none"> • Existence of risk register and regular review process 	<ul style="list-style-type: none"> • Board meeting minutes • Resources committee meeting minutes • Data requests to SDOs • Board briefings
	6. Does the board act adequately to mitigate the financial risks identified?	<ul style="list-style-type: none"> • Effective risk mitigation strategies have been developed for financial risks identified in the risk register • The board takes proactive action to mitigate identified risks and reduce their likelihood, severity, or 	<ul style="list-style-type: none"> • Evidence of proactive risk mitigation measures taken by the board • Risks are acted on in a timely way after being identified • Mitigation strategies are effective and 	<ul style="list-style-type: none"> • Time between risk identification and implementation of mitigation measures 	<ul style="list-style-type: none"> • Board meeting minutes • Resources committee meeting minutes • Data requests to SDOs

Area Reviewed	Questions	Indicators	Qualitative Evidence	Quantitative Evidence	Method/ Information Source
		impact.	appropriate		
Budgeting					
Compliance with Planning Frameworks	1. Is the SDO compliant with the required planning frameworks?	<ul style="list-style-type: none"> The SDO follows the AOP planning process AOP is approved by Manitoba Health AOP complies with the cross-referenced strategic plans and mandate letters The outlined plan is realistic and achievable 	<ul style="list-style-type: none"> Resource allocation is compliant with AOP requirements, ministerial directives, and strategic priorities The identified cost saving measures are viable and achievable MH approval of AOP 	<ul style="list-style-type: none"> All required AOP documentation is accurate and complete The allocated budget matches the available funds AOP submission timelines have been adhered to 	<ul style="list-style-type: none"> Annual Operational Plan Guidelines SDO Annual Operational Plans MH Five-Year Strategic Plan Ministerial mandate letters Board mandate letters Mental Health and Community Wellness (“MHCW”) strategic plan SDO strategic plan Annual planning cycle Commissioning and accountability tools
	2. Does the AOP planning framework	<ul style="list-style-type: none"> The AOP process produces an achievable plan based on the 	<ul style="list-style-type: none"> Variances from budget can be directly attributed to 	<ul style="list-style-type: none"> Analysis of actual results indicates that budget 	<ul style="list-style-type: none"> Annual Operational Plan Guidelines SDO Annual

Area Reviewed	Questions	Indicators	Qualitative Evidence	Quantitative Evidence	Method/ Information Source
	<p>and related processes enable compliance with the accountability agreements?</p>	<p>current environment</p> <ul style="list-style-type: none"> The AOP planning process adequately prepares the SDOs to respond to normal service delivery demand fluctuations The AOP planning process enables communication between MH and MHCW and the SDOs 	<p>circumstances which were unforeseen at the start of the fiscal year (e.g., restructuring initiated mid-year, pandemics, etc.)</p> <ul style="list-style-type: none"> SDO communicates adequately with MH and MHCW during planning process SDOs have adequate visibility on upcoming service delivery directives 	<p>assumptions in AOP were reasonable</p>	<p>Operational Plans</p> <ul style="list-style-type: none"> Financial statements Forecast summaries Ministerial mandate letters Board meeting minutes Resources committee meeting minutes Annual planning cycle SDO Data requests Interviews with MH and SDO Finance staff
	<p>3. Does the SDO use funding received pursuant to the Accountability Agreement to provide the services outlined unless otherwise agreed to by Manitoba in</p>	<ul style="list-style-type: none"> Funding from MHSLTC is used in alignment with the Accountability Agreement and the stated funding allocation purposes 	<ul style="list-style-type: none"> Written approvals for funding used for purposes that are not approved within the Agreement or the stated funding allocations 	<ul style="list-style-type: none"> Expenditures reflect the approved funding uses and allocations 	<ul style="list-style-type: none"> Annual Operational Plan Guidelines SDO Annual Operational Plans Financial statements Forecast summaries Ministerial mandate letters

Area Reviewed	Questions	Indicators	Qualitative Evidence	Quantitative Evidence	Method/ Information Source
	writing and approved by Manitoba?				<ul style="list-style-type: none"> Board meeting minutes Resources committee meeting minutes
Budgeting for Service Need and Demand	4. Is there a clear link between expected service need and demand and the budgeting process?	<ul style="list-style-type: none"> The AOP process adequately captures expected demand and anticipated changes to service delivery The AOP process can adapt to changes during the planning process including changes in demand or changes in service delivery directives 	<ul style="list-style-type: none"> Demand forecasts are made in advance and adequately reflected in the resulting budgets and operational plans Variances from budget can be directly attributed to circumstances which were unforeseen at the start of the fiscal year (e.g., restructuring initiated mid-year, pandemics, etc.) Final AOP incorporates changes in environment that occurred during planning process 	<ul style="list-style-type: none"> Analysis of actual results indicates that anticipated demand was adequately incorporated in financial planning 	<ul style="list-style-type: none"> Annual Operational Plan Guidelines SDO Annual Operational Plans Financial statements Forecast summaries Ministerial mandate letters Board meeting minutes Resources committee meeting minutes Annual planning cycle SDO Data requests Interviews with MH and SDO Finance staff

Area Reviewed	Questions	Indicators	Qualitative Evidence	Quantitative Evidence	Method/ Information Source
	<p>5. Does the budgeting process fully capture the trade-offs inherent in having limited funds available?</p>	<ul style="list-style-type: none"> An effective process exists for identifying tradeoffs between service levels and budget An effective process exists for reviewing tradeoffs and determining the appropriate level of funding and service provided 	<ul style="list-style-type: none"> Proposed changes to service delivery articulate the related service delivery and financial impacts Actual service delivery impacts closely align with projected service delivery impacts Board discussion of trade-offs MH and MHCW review of the financial and service delivery trade-offs involved 	<ul style="list-style-type: none"> Actual cost savings closely match proposed cost savings Actual expenditures for increased service delivery closely match proposed costs for increased service delivery 	<ul style="list-style-type: none"> Annual Operational Plan Guidelines SDO Annual Operational Plans Ministerial mandate letters Board meeting minutes Resources committee meeting minutes Financial statements Forecast summaries Interviews with MH and SDO staff
	<p>6. Do current budget processes support service delivery innovation and improvement?</p>	<ul style="list-style-type: none"> Whole-of-system costs and multi-year timeframes are considered when developing a case for innovation or improvement Projects with a positive net present value that also improve service 	<ul style="list-style-type: none"> Funding is allocated for projects with a net positive return over a multi-year time horizon, not only those with a single-year payback Planning and project selection recognizes whole-of-system 	<ul style="list-style-type: none"> Quantified cost savings from investment in innovation and improvement 	<ul style="list-style-type: none"> Annual Operational Plan Guidelines SDO Annual Operational Plans Board meeting minutes Resources committee meeting minutes Finance staff

Area Reviewed	Questions	Indicators	Qualitative Evidence	Quantitative Evidence	Method/ Information Source
		<p>delivery are prioritized for investment</p> <ul style="list-style-type: none"> Innovation and improvement are incentivized as part of the planning process 	<p>benefits and cost savings from innovation</p> <ul style="list-style-type: none"> Projects are identified in AOP that result in savings and service delivery improvements, not simply trade-offs between cost and service delivery 		<p>interviews</p>
<p>Communication with External Partners</p>	<p>7. Does the SDO have access to clear, accurate, timely and relevant information to enable the development of accurate budgets?</p>	<ul style="list-style-type: none"> MH and MHCW provide clear guidance on available funding and expected changes to service delivery in a timely way Health Care Organizations (HCO) provide clear, timely, and accurate budgets or cost estimates for their expected services in the planned year 	<ul style="list-style-type: none"> MH and MHCW guidance are provided at an appropriate time in the planning cycle MH and MHCW guidance are clear and accurate and reflect the expected service delivery changes for the planned year Health Care Organizations provide clear, accurate budgets at an appropriate time during the planning cycle 	<ul style="list-style-type: none"> HCO projections closely align with actual expenditures 	<ul style="list-style-type: none"> SDO Annual Operational Plans Ministerial mandate letters Board meeting minutes Resources committee meeting minutes Financial statements Forecast summaries Finance staff interviews

Area Reviewed	Questions	Indicators	Qualitative Evidence	Quantitative Evidence	Method/ Information Source
	<p>8. Are the budgeting and planning processes and timelines of the SDO effectively integrated with Manitoba Health processes and timelines?</p>	<ul style="list-style-type: none"> MH has visibility on the AOP planning process at the appropriate times The current AOP process effectively integrates into the separate budgeting and planning processes of the SDO and MH There is effective and responsive communication between MH and MHCW and the SDO to support the planning process 	<ul style="list-style-type: none"> Sufficient budget guidance is provided in a timely way by MH and MHCW SDO communicates information on trade-offs between service delivery and cost to MH and MHCW in a timely way Communication takes place between SDO and MH and MHCW at key points throughout the AOP development process Questions and requests for information between MH, MHCW, and the SDO are responded to in a timely and fulsome way 		<ul style="list-style-type: none"> Annual Operational Plan Guidelines Commissioning and Accountability tools SDO Annual Operational Plans Ministerial mandate letters Board meeting minutes Resources committee meeting minutes Interviews with Finance staff Interviews with MH
	<p>9. Are the SDO service delivery needs and financial trade-offs</p>	<ul style="list-style-type: none"> Clear communication is provided on the financial costs of providing status quo service 	<ul style="list-style-type: none"> Proposed service delivery changes are described with sufficient detail on 	<ul style="list-style-type: none"> Status quo budget costs Budget allocations for service delivery 	<ul style="list-style-type: none"> Annual Operational Plan Guidelines Commissioning and

Area Reviewed	Questions	Indicators	Qualitative Evidence	Quantitative Evidence	Method/ Information Source
	clearly communicated and visible to decision-makers?	<ul style="list-style-type: none"> • Clear communication is provided on the financial and service delivery impacts associated with increased or decreased service delivery from status quo • Appropriate decision-makers have access to comprehensive information on these trade-offs including SDO management, board members, MH, and MHCW 	<p>expected patient impacts and SDO operational impacts</p> <ul style="list-style-type: none"> • Rationale for proposed service delivery changes are clearly articulated • SDO executives, board members, MH and MHCW have access to information on the rationale, patient impacts, and operational impacts in a timely way. 	changes	<p>Accountability tools</p> <ul style="list-style-type: none"> • SDO Annual Operational Plans • Board meeting minutes • Resources committee meeting minutes • Interviews with Finance staff • Interviews with MH
	10. Are changes in service delivery and budget expectations effectively communicated and supported between budget cycles?	<ul style="list-style-type: none"> • MH and MHCW communicate changes in service delivery expectations in a timely way • Where appropriate, MH and MHCW consult the SDOs to understand the full service delivery and financial impacts of proposed changes 	<ul style="list-style-type: none"> • Communication and coordination of planning for new or increased services between budget cycles • Appropriate funding is allocated by MH and MHCW for service delivery changes initiated by the department(s) between 	<ul style="list-style-type: none"> • Government funding to support new department announcements for increased services 	<ul style="list-style-type: none"> • Board meeting minutes • Resources committee meeting minutes • Interviews with Finance staff • Interviews with MH • MH, MHCW, and SDO press releases

Area Reviewed	Questions	Indicators	Qualitative Evidence	Quantitative Evidence	Method/ Information Source
		<ul style="list-style-type: none"> SDO-led changes in service delivery between budget cycles are communicated to MH and MHCW in a timely way along with their financial impacts 	<ul style="list-style-type: none"> budget cycles SDO-led service delivery changes are communicated to MH and/or MHCW prior to implementation where they present material financial impacts 		
Resources	11. Are the current SDO finance tools and staffing adequate to fully meet the budgeting needs and financial reporting obligations of the organization?	<ul style="list-style-type: none"> SDO Finance departments have the necessary number of staff to effectively meet the needs of the organization SDO Finance departments have the appropriate software and tools available to meet their budgeting, planning, and financial reporting obligations 	<ul style="list-style-type: none"> Finance department capacity to meet necessary deadlines and reporting requirements Individual finance staff member workloads Current software and tools offer appropriate features and integration with other systems 	<ul style="list-style-type: none"> Number and type of finance staff Number and type of staff mandated to work on budgeting Type and functionality of finance software Availability and use of software tools 	<ul style="list-style-type: none"> SDO Finance Organizational Structure Interviews with Finance Staff Interviews with MH

Area Reviewed	Questions	Indicators	Qualitative Evidence	Quantitative Evidence	Method/ Information Source
Fiscal Management					
Compliance with Annual Operating Plans (AOP)	1. Is the SDO compliant with its AOP?	<ul style="list-style-type: none"> The SDO meets its defined budget in the AOP The SDO executes its operational plan outlined in the AOP 	<ul style="list-style-type: none"> Actual service delivery closely aligns with planned service delivery 	<ul style="list-style-type: none"> Financial actuals closely align with the AOP budget 	<ul style="list-style-type: none"> SDO Annual Operational Plans Financial statements Quarterly and monthly forecast reports Board meeting minutes Resources committee meeting minutes Interviews with Finance staff Interviews with MH
Managing Financial Changes	2. Are the financial impacts of unexpected changes in demand identified in a timely way and incorporated into ongoing planning and operations?	<ul style="list-style-type: none"> Unexpected changes in demand are identified as they occur The financial impacts of unexpected service delivery demands are quantified in a timely way Financial impacts are 	<ul style="list-style-type: none"> The AOP process maintains flexibility to incorporate changes in demand throughout the planning process prior to AOP approval Material changes in demand which occur mid-year are quantified 	<ul style="list-style-type: none"> Monthly and quarterly reporting accurately captures actual results to date compared to budgeted 	<ul style="list-style-type: none"> SDO Annual Operational Plans Board meeting minutes Resources committee meeting minutes Interviews with Finance staff

Area Reviewed	Questions	Indicators	Qualitative Evidence	Quantitative Evidence	Method/ Information Source
		<p>incorporated into ongoing reporting and operational plans</p> <ul style="list-style-type: none"> Monthly and quarterly reports accurately identify when variances occur throughout the fiscal year 	<p>including their expected impact on the remaining part of the fiscal year</p> <ul style="list-style-type: none"> An updated internal budget is maintained incorporating mid-year changes and any additional measures taken to meet the increased demand and/or offset the related financial impacts The timing of variance reporting aligns with the occurrence of the events driving the same variances 		<ul style="list-style-type: none"> Financial statements Monthly and Quarterly Forecast Reports
	<p>3. Are budget shortfalls and variances identified and communicated to Manitoba Health and MHCW in a</p>	<ul style="list-style-type: none"> MH and MHCW are notified of budget shortfalls in a timely way following internal identification by the SDO Current reporting methods sufficiently 	<ul style="list-style-type: none"> Significant mid-year variances are quantified and communicated to MH and MHCW as soon as they are identified Ongoing 	<ul style="list-style-type: none"> Monthly and quarterly forecasts accurately capture the projected year-end results based on the current levels of 	<ul style="list-style-type: none"> Board meeting minutes Resources committee meeting minutes Interviews with Finance staff

Area Reviewed	Questions	Indicators	Qualitative Evidence	Quantitative Evidence	Method/ Information Source
	timely way?	capture the up-to-date financial picture of the SDO as it evolves throughout the year <ul style="list-style-type: none"> Ongoing communication takes place between MH and/or MHCW and the SDO when significant variances become apparent 	communication takes place between the SDO and departments to identify mitigation strategies and funding sources for variances prior to year-end	service delivery and demand	<ul style="list-style-type: none"> Interviews with MH staff Financial statements Monthly and Quarterly Forecast Reports
Delegation of Authority	4. Does the SDO have an effective process for the delegation of authority?	<ul style="list-style-type: none"> The SDO has a clearly defined Delegation of Authority policy and authorization limits The delegation of authority policy and authorization limits are effectively communicated throughout the organization Invoices are approved in accordance with the delegation of authority 	<ul style="list-style-type: none"> Invoices are approved in accordance with the delegation of authority Relevant staff are aware of and consistently follow the delegation of authority policy and authorization limits 	<ul style="list-style-type: none"> A clear delegation of authority policy exists Clear authorization limits have been established 	<ul style="list-style-type: none"> SDO Policies Interviews with SDO staff

Appendix 2: Documents Reviewed

- Accountability Agreements
- Monthly briefing notes
- Monthly forecasts
- ORE Quarterly Reports
- Quarterly forecasts
- Quarterly briefing notes
- Agreement Execution and Authorization of Expenditures policy
- Annual Operating Plan
- Planning guidelines
- Board, finance committee, and audit committee meeting agendas and minutes
- Financial statements
- Commissioning and accountability tools
- Mandate letters
- MHSLTC Strategic plan
- The Health System Governance and Accountability Act
- WRHA Strategic plan
- Organizational structure
- Financial policies

Appendix 3: Actual vs Budget Expense Analysis

Table 8: WRHA Actual vs Budget analysis by expense sector and key expense type, 2019-2023 (in thousands of dollars)

	2019/2020	2020/2021	2021/2022	2022/2023	2023/2024
Expenses Total					
Budget	\$2,954,459	\$2,102,797	\$2,183,737	\$2,157,242	\$2,164,781
Actual	\$3,005,778	\$2,175,761	\$2,248,124	\$2,499,919	\$2,330,181
Variance, \$	\$51,319	\$72,964	\$64,387	\$342,677	\$165,400
Variance, %	1.7%	3.5%	2.9%	15.9%	7.6%
Expenses by Sector					
Acute Care					
Share of Total Expenses (actual)	64%	53%	46%	47%	45%
Budget	\$1,852,798	\$1,079,797	\$997,402	\$985,300	\$938,187
Actual	\$1,938,189	\$1,159,178	\$1,035,668	\$1,165,669	\$1,047,887
Variance, \$	\$85,391	\$79,381	\$38,266	\$180,369	\$109,700
Variance, %	4.6%	7.4%	3.8%	18.3%	11.7%
Community care					
Share of Total Expenses (actual)	14%	20%	20%	20%	20%
Budget	\$450,937	\$435,000	\$440,000	\$434,662	\$536,970
Actual	\$435,250	\$435,930	\$459,672	\$506,008	\$475,439
Variance, \$	(\$15,687)	\$930	\$19,672	\$71,346	(\$61,531)
Variance, %	(3.5%)	0.2%	4.5%	16.4%	(11.5%)
Long-term care					
Share of Total Expenses (actual)	12%	16%	24%	24%	24%
Budget	\$385,536	\$360,000	\$480,000	\$474,176	\$473,353
Actual	\$353,960	\$355,557	\$529,202	\$592,993	\$561,705
Variance, \$	(\$31,576)	(\$4,443)	\$49,202	\$118,817	\$88,352
Variance, %	(8.2%)	(1.2%)	10.3%	25.1%	18.7%
Medical remuneration					
Share of Total Expenses (actual)	9%	10%	10%	9%	11%
Budget	\$265,188	\$228,000	\$266,335	\$263,104	\$216,271

	2019/2020	2020/2021	2021/2022	2022/2023	2023/2024
Actual	\$278,379	\$225,096	\$223,582	\$235,249	\$245,150
Variance, \$	\$13,191	(\$2,904)	(\$42,753)	(\$27,855)	\$28,879
Variance, %	5.0%	(1.3%)	(16.1%)	(10.6%)	13.4%
Key Expenses by Type					
Salaries and Wages					
Share of Total Expenses (actual)	64%	61%	60%	64%	64%
Budget	\$1,663,739	\$1,071,834	\$1,084,563	\$1,051,424	\$1,098,081
Actual	\$1,646,864	\$1,089,134	\$1,132,186	\$1,283,104	\$1,194,799
Variance, \$	(\$16,875)	\$17,300	\$47,623	\$231,680	\$96,718
Variance, %	(1.0%)	1.6%	4.4%	22.0%	8.8%
Medical remuneration					
Share of Total	11%	13%	15%	12%	13%
Budget	\$278,206	\$264,885	\$266,335	\$258,197	\$216,271
Actual	\$281,442	\$228,335	\$227,349	\$238,511	\$246,768
Variance, \$	\$3,236	(\$36,550)	(\$38,986)	(\$19,686)	\$30,497
Variance, %	1.2%	(13.8%)	(14.6%)	(7.6%)	14.1%
Pharmaceutical supplies					
Share of Total	3%	3%	3%	3%	3%
Budget	\$72,049	\$58,842	\$58,123	\$58,064	\$86,318
Actual	\$77,123	\$57,894	\$60,438	\$65,641	\$61,420
Variance, \$	\$5,074	(\$948)	\$2,315	\$7,577	(\$24,898)
Variance, %	7.0%	(1.6%)	4.0%	13.0%	(28.8%)
General Supplies					
Share of Total	2%	1%	1%	2%	2%
Budget	\$43,750	\$24,786	\$24,630	\$24,605	\$32,388
Actual	\$41,327	\$23,301	\$31,202	\$42,636	\$41,748
Variance, \$	(\$2,423)	(\$1,485)	\$6,572	\$18,031	\$9,360
Variance, %	(5.5%)	(6.0%)	26.7%	73.3%	28.9%
Software, equipment, maintenance and rentals					
Share of Total	3%	1%	1%	1%	1%

	2019/2020	2020/2021	2021/2022	2022/2023	2023/2024
Budget	\$61,662	\$22,168	\$21,675	\$21,653	\$4,871
Actual	\$73,210	\$21,405	\$21,698	\$23,853	\$23,710
Variance, \$	\$11,548	(\$763)	\$23	\$2,200	\$18,839
Variance, %	18.7%	(3.4%)	0.1%	10.2%	386.8%
Contracted out services					
Share of Total	2%	2%	2%	1%	1%
Budget	\$31,518	\$29,833	\$29,579	\$29,549	\$3,140
Actual	\$44,546	\$29,211	\$14,924	\$16,074	\$17,083
Variance, \$	\$13,028	(\$622)	(\$14,655)	(\$13,475)	\$13,943
Variance, %	41.3%	(2.1%)	(49.5%)	(45.6%)	444.0%

Appendix 4: Key Deficit Drivers

The WRHA is expected to operate within the Minister’s annual operating budget. In the last five years, the WRHA - and other SDOs - have struggled to achieve financial balance. The accumulated deficits have now reached an unsustainable level.

Understanding the deficit and the corresponding drivers of the deficit is integral information to help evaluate the fiscal management of WRHA and provides an understanding of the financial results of WRHA.

Management’s Assertions

WRHA’s management team presented the following key deficit drivers in their presentation to the WRHA board on April 30, 2024:

- COVID pandemic costs
- Salaries and wages
- Supplies, food, and drugs
- Overtime
- Access and flow initiatives
- New programs, Ministry directives, and other factors

Deficit Drivers

WRHA’s actual expenses consistently exceeded budgeted amounts from 2019 to 2023.

- The variances ranged from \$51 million (1.7% of the budget) in 2019 to \$342 million (15.9% of the budget) in 2022 as shown in dollars in Figure 2 and in percentages in Figure 3 below.

Figure 1: WRHA Expenses vs Budget, 2019-2023, (in thousands of CAD)

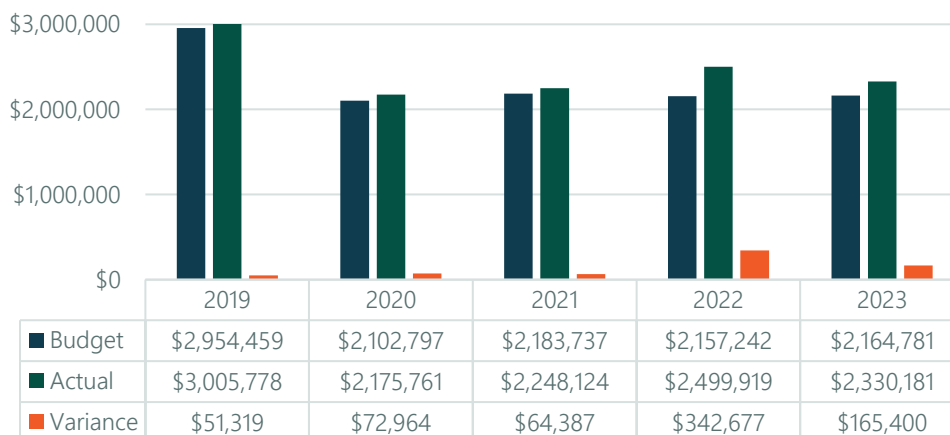
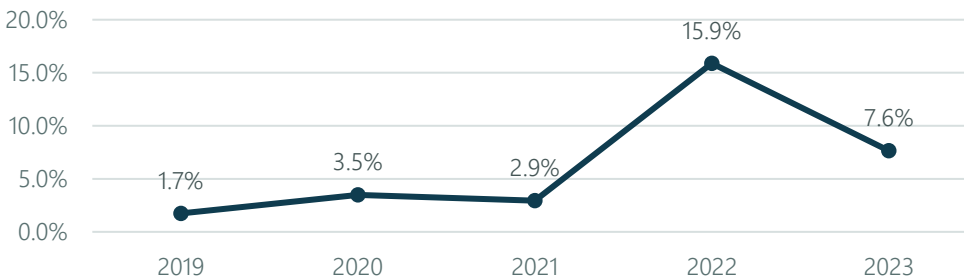


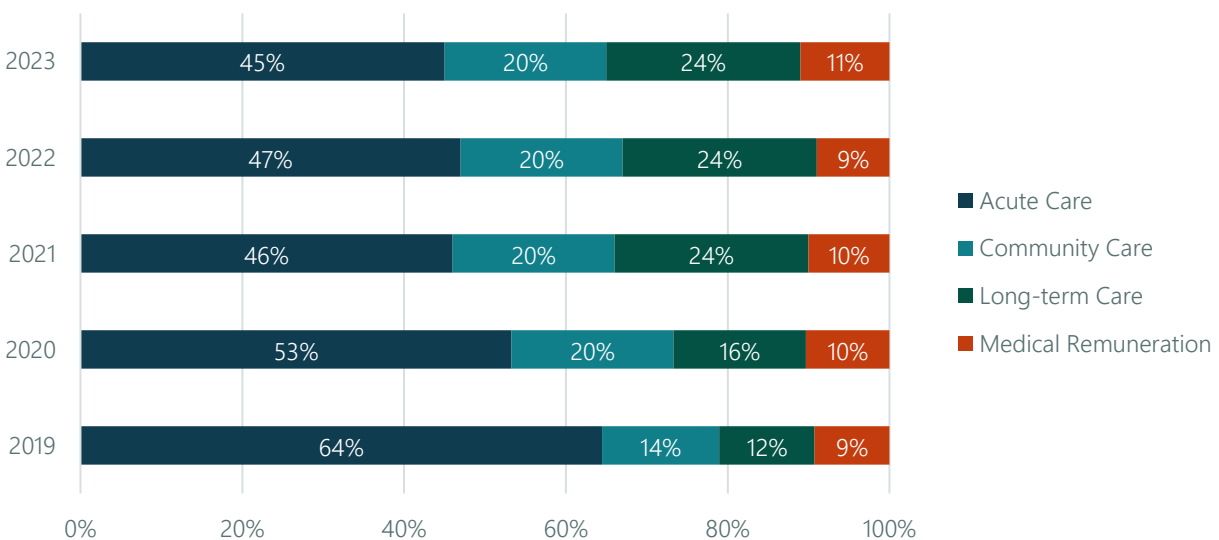
Figure 2: WRHA Percentage expense variance from budget, %, 2019-2023



The proportion of expenses allocated to Acute Care decreased over the years, dropping from 65% in 2019 to 45% in 2023, but it still represents the largest share of expenses.

- Community Care is the second largest sector by expense, accounting for 20% of the total.
- Long-term Care's share increased to 24% in 2023 from 12% in 2019. Medical Remuneration ranged between 9% and 11% of total expenses from 2019 to 2023.

Figure 3: WRHA Share of Expense by Sectors, 2019-2023



Findings

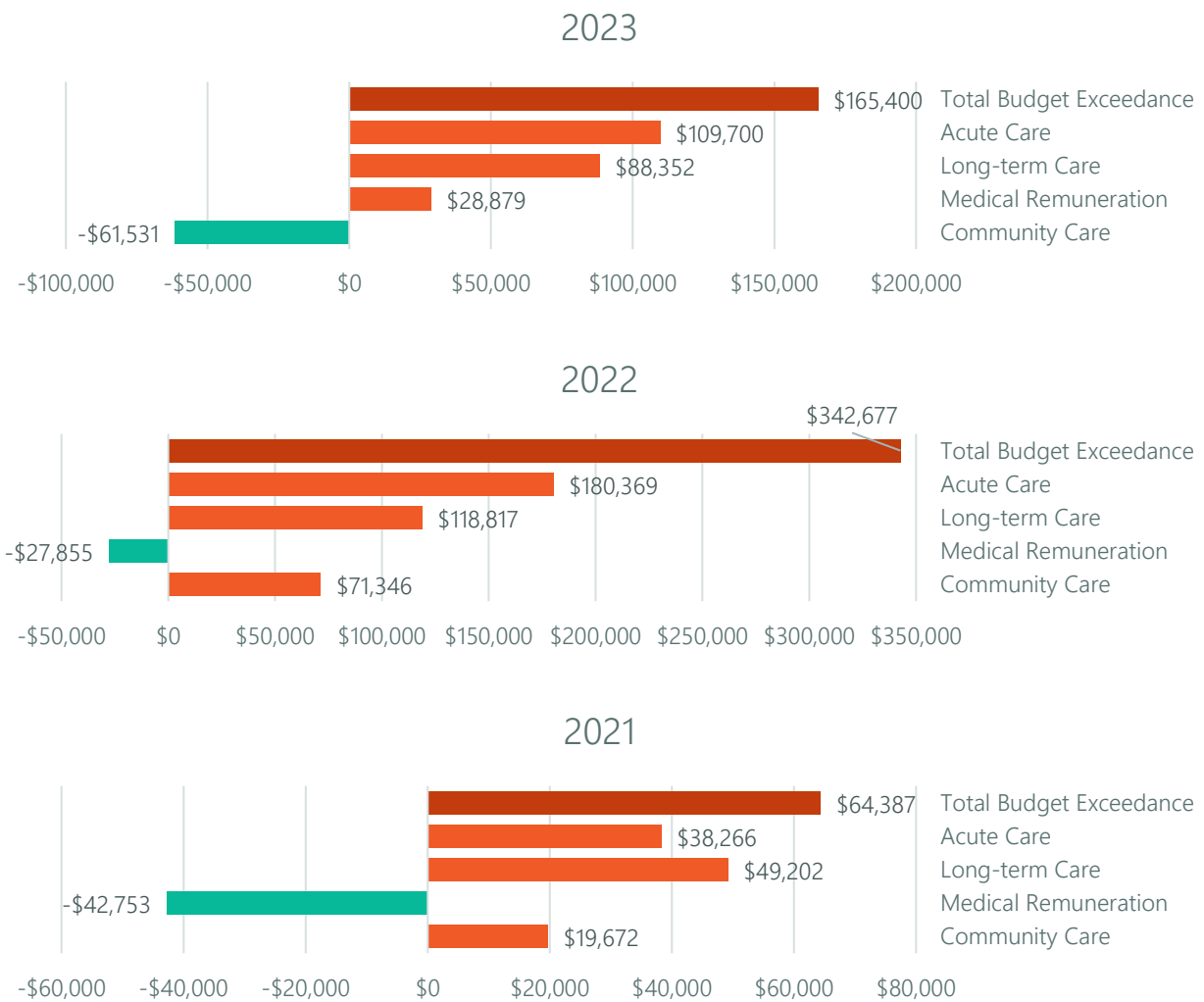
Budgeted amounts for software, equipment and maintenance and contracted out services show tremendous variance increases of over 300% from 2022 to 2023. The budgeted amounts were a significant deviation from historical budgets.

Overall, the financial statements indicate varying degrees of deviation between budgeted and actual expenses across different sectors.

- Figure 4 below illustrates the total variance in actual spend to budget and each sector's contribution to this variance for the years 2021-2023.

- Acute Care expenses were consistently underestimated, with deviations ranging from 1.7% to 15.9% above the budget.
- Medical Remuneration was overestimated for 2021 and 2022 but underestimated in 2023.
- Community Care expenses tended to be underestimated during 2021-2022 and were significantly lower than the budget by 11.5% in 2023.
- Long-term Care expenses substantially exceeded the budget for the years 2021 to 2023.

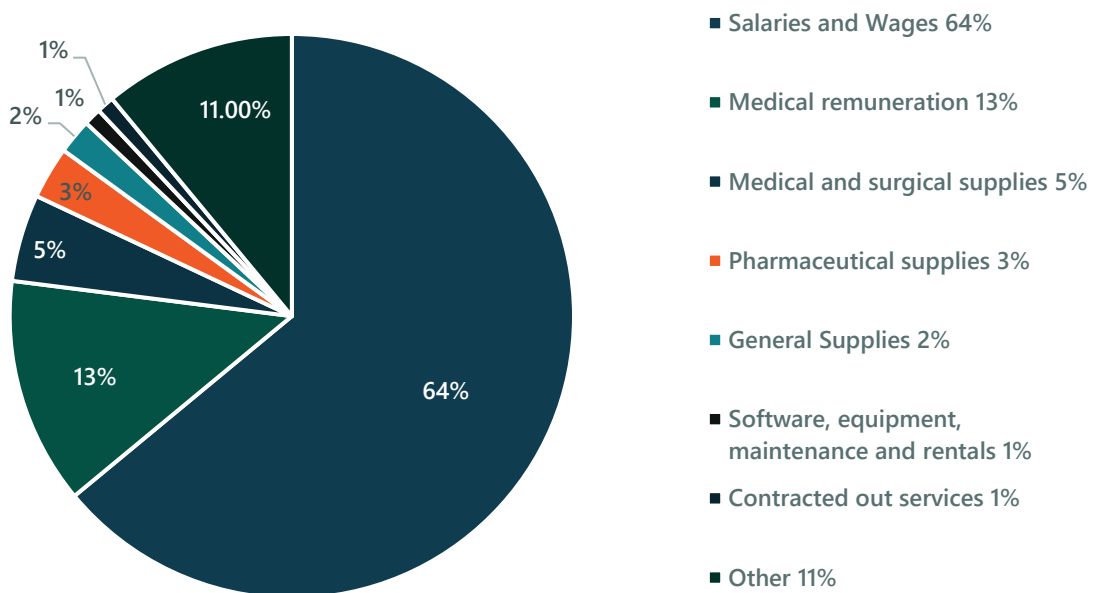
Figure 4: Total budget exceedance and each sector's contribution, 2021-2023, (in thousands of CAD)



- Broken down by expense type, Salaries and Wages make up the largest share, 64%, of the total expenses, followed by medical remuneration at 13%.
- Medical, pharmaceutical, and general supplies also account for a significant portion of the total expenses.

Figure 5 illustrates the expense structure by type for the year 2023.

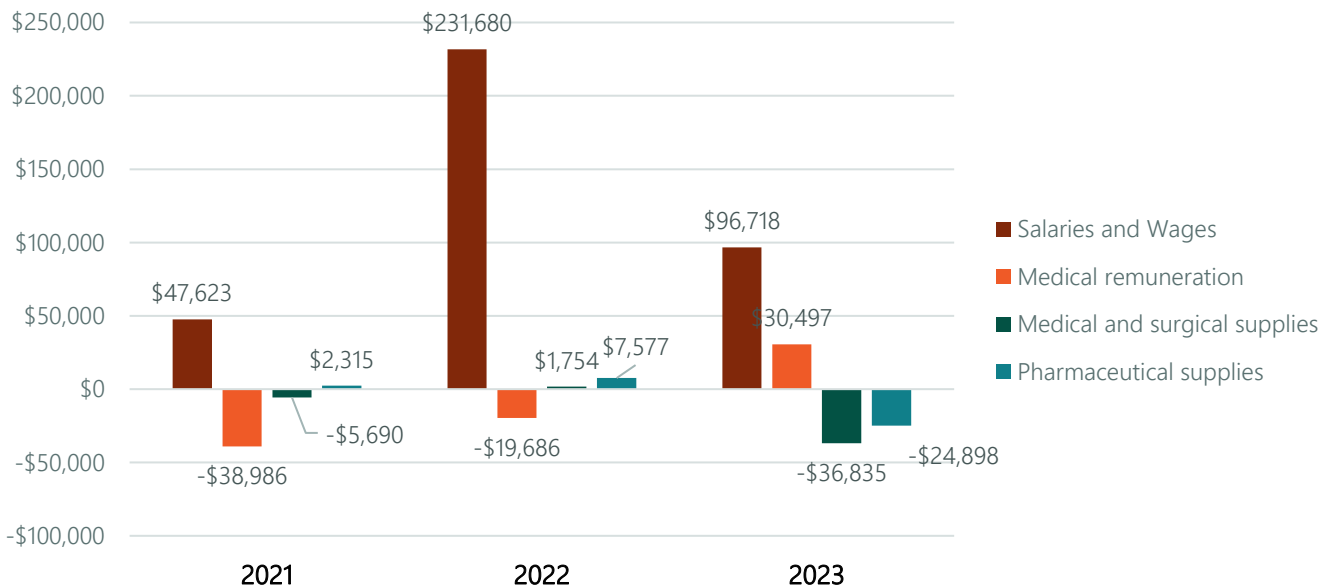
Figure 5: WRHA Expense Structure by Type



- From 2021-2023, the main budget deficit driver, Salaries and Wages, consistently exceeded the budget by 4.4% in 2021, 22% in 2022, and 8.8% in 2023.
 - The budget variance in Salaries and Wages, particularly in 2022 and 2023 was in large part due to the number of collective agreements that were negotiated and settled during this time. It is also noted that these agreements were funded by MHSLTC.
 - Medical remuneration exceeded the budget in 2023 by 14.1% but was lower than budgeted by 14.6% in 2021 and by 7.6% in 2022.
 - Other key budget drivers, such as Medical and Pharmaceutical supplies, exceeded the budget in 2022 but were substantially lower than planned in 2023, by 26.6% and 28.8% respectively.

Figure 6 below displays the variances from the budget for the key budget drivers.

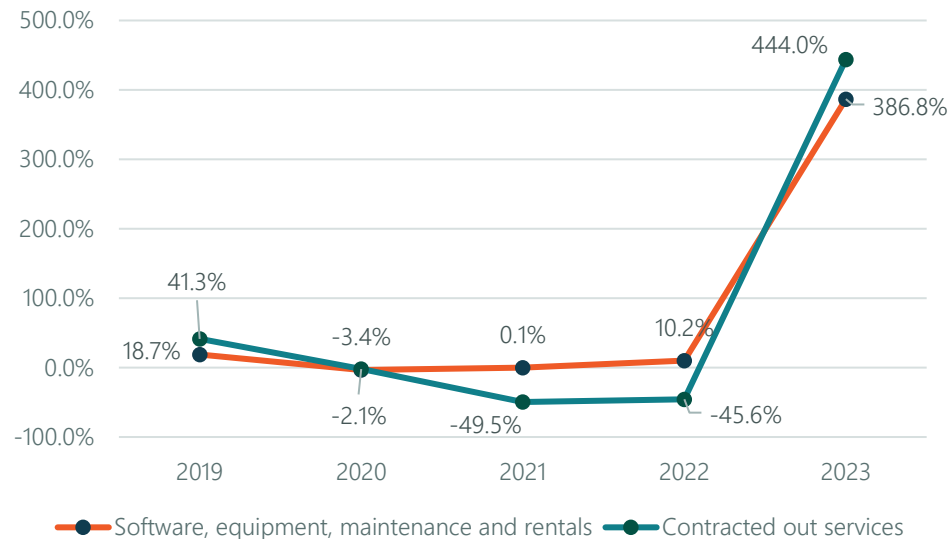
Figure 6: WRHA Expense by Type Variance from the budget, 2021-2023, (in thousands of CAD)



- In 2023, expenses for software, equipment, maintenance, rentals, and contracted services were budgeted significantly lower than the historical average.
 - The average spending for software, equipment, and maintenance from 2020-2022 was \$22 million, but it was budgeted at just under \$5 million for 2023. Actual spending in 2023 reached \$23 million, close to the historical average.
 - Similarly, contracted services were budgeted at \$3 million for 2023, while the average for the previous three years was \$20 million. Actual spending in 2023 was \$17 million, again, closer to the historical average. As a result, there was a budget overspend of 386.8% for software, equipment, and maintenance, and 444.0% for contracted services in 2023.

Figure 7 below depicts just how steep the variance increases were from 2022 to 2023.

Figure 7: Variance from budget, %, 2019-2023 for Software, equipment and maintenance and Contracted out services



Note: More details regarding analysis by expense sector and expense type are available in Appendix 3.

There were numerous financial constraints and strategic adjustments in WRHA's 2024/25 Annual Operating Plan:

- Examples of further fiscal pressures included:
 - A lower than originally anticipated increase in overall budget
 - Wage Increases and Relief
 - Unplanned Diagnostic and Surgical Recovery Task Force (DSRTF) expenditures
 - Unexpected Increase in Security Requirement Expenditures
 - Emergency Department Overcrowding
 - Non-Funded Initiatives

Appendix 5: Summary of Findings

Governance Findings	
Question #1 Do board members in key roles possess the necessary skills and experience to provide appropriate financial oversight given the scale and complexity of the SDOs?	
1	Most board members have experience in senior management or board experience at large, complex organizations. However, MNP notes that only one board member with a key role has the necessary skills and experience to provide appropriate financial oversight given the scale and complexity of the SDO.
2	Onboarding training for new board members has been prioritized by the board and ongoing training modules are a board agenda item.
3	Turnover of board members and executive staff has been high in WRHA with many board members not fulfilling their full term.
Question #2 Are board members provided with fulsome, accurate, timely, and actionable information regarding the financial position of the organization and material changes as they occur?	
1	Board members receive regular communication that provides them with a thorough understanding of the organization's financial position.
2	Board members are kept apprised of the annual budgeting process and are aware of the cost and service delivery trade-offs incorporated in the proposed budgets. There are instances where board approved savings or reallocations have been subsequently rejected by the MHSLTC, which as is reasonable to expect, can lead to frustration.
3	Board members indicated that the historical budgeting process did not allow for as collaborative an effort between management, the board, and the government as would be beneficial.
4	Board members receive additional information or clarification when requested.
5	Management provides timely information and updates when material changes affect the organization's ability to meet its established budget.
6	There are strong governance practices being followed around agenda setting and distribution of meeting materials.
7	Historically, the board and SDO leadership have felt challenged to address mid-year requirements for service level or capital expenditure changes that place downward pressure on performance against budget, and financial results.
8	Inflation and population growth have led to increased pressure on efficiencies and cost savings to improve or maintain previous years' performance against budget.
Question #3 Does the board exercise independence from management and provide sufficient oversight of the annual budget development process before approving the budget?	

Governance Findings	
1	The board does exercise independence from management but must pivot on budgetary matters alongside management when insertions or deletions to the SDO budget come from outside the organization.
2	The board is aware of the service delivery and cost trade-offs proposed in the budget. However, the board has at times been frustrated by removal of their decision-making authority over budgetary decisions.
3	The ability of the board to effectively navigate the complexities of the AOP and budgeting processes is hindered by the limited number of board members with financial training or backgrounds.
4	The SDO board has not been able to ensure compliance with accountability agreements.
Question #4 Does the board approve material changes to the budget or variances from budget as they become apparent?	
1	The board is aware of material changes and variances from budget as they occur during the fiscal year.
2	The board authorizes significant variances or revised budgets as information on the variances becomes available.
3	<p>MNP found that there are policies in place that assist in financial oversight:</p> <ul style="list-style-type: none"> • Expenditures over \$5 million require board approval. • Purchase orders are escalated through SAP for authorization. • Monthly variance reporting is done. • Health Care Provider’s budget versus actual expenses are compared. • All sites now use the WRHA’s accounting system. • Finance teams from each site have recently been restructured and brought internal to the WRHA.
Question #5 Does the board identify the financial risks facing the organization and ensure they are well-informed on the impacts?	
1	A risk register was prepared by management as a part of their Integrated Risk Management (IRM) program.
2	Financial risks are identified in the risk assessment along with their potential impacts. However, the report format is not conducive to accountability.
3	Financial risks identified do not properly identify the root causes of the risks.
Question #6 Does the board act adequately to mitigate the financial risks identified?	
1	It is not clear whether the strategies identified to mitigate risks are effective or being actioned in an appropriate timeline since these accountabilities are not included in the risk register.

Budgeting Findings	
Question #1	
Is the SDO compliant with the required planning frameworks?	
1	The WRHA adheres to the procedures and requirements of the Annual Operating Plan (AOP) framework and follows deadlines for submitting compliance and financial reporting.
2	The WRHA's strategic priorities are directly aligned with provincial priorities.
Question #2	
Does the AOP planning framework and related processes enable compliance with the accountability agreements?	
1	The AOP process does not facilitate better compliance or budgeting by the WRHA. Rather, the AOP only provides budgeting visibility to MHSLTC and a framework for ongoing compliance reporting.
Question #3	
Does the SDO use funding received pursuant to the Accountability Agreement to provide the services outlined unless otherwise agreed to by Manitoba in writing and approved by Manitoba?	
1	The WRHA ensures funding received pursuant to the Accountability Agreement is dedicated to its intended purpose through strict protocols for the transfer and allocation of funds.
2	The current financial reporting formats make it challenging to directly link the use of funds to the list of core services outlined in the Accountability Agreement schedules.
Question #4	
Is there a clear link between expected service need and demand and the budgeting process?	
1	The annual operating plan process lacks a clear link between expected service needs and demand and the operating budget.
2	The AOP framework provides flexibility for managing past volume pressures in various healthcare categories, however the WRHA has not used it to integrate analytical data to accurately reflect and address the actual demand and needs for all service lines.
3	Minimum service levels were set out in the Accountability Agreement for select services but were not consistently met.
Question #5	
Does the budgeting process fully capture the trade-offs inherent in having limited funds available?	
1	The budgeting process fails to fully capture the impact of the service delivery trade-offs associated with cost savings including impacts on the WRHA's strategic goals and key performance indicators.
Question #6	
Do current budget processes support service delivery innovation and improvement?	
1	The AOP framework provides room for service delivery innovation and improvement initiatives in capital projects.

Budgeting Findings	
2	The AOP supports service delivery innovation in operating programs if the proposed innovation is cost-neutral or results in cost savings within the year the innovation is implemented.
Question #7 Does the SDO have access to clear, accurate, timely and relevant information to enable the development of accurate budgets?	
1	The WRHA receives adequate information for development of the Annual Operating Plan (AOP) but key elements remain open to change which can impact the accuracy of the AOP.
Question #8 Are the budgeting and planning processes and timelines of the SDO effectively integrated with MHSLTC processes and timelines?	
1	The WRHA's budgeting processes and timelines are compatible and integrate with the AOP.
2	The AOP process has a generally defined cadence but does not have an annual schedule of milestones and due dates for submissions, because of its dependency on government timelines
3	Confirmation of funding allocations is typically received at the start of the fiscal year or after the fiscal year has already begun which can lead to a need for sudden budget adjustments if allocations differ from prior guidance.
4	The WRHA is unable to change course and adapt quickly when funding allocations differ significantly from budget guidance.
Question #9 Are the SDO service delivery needs and financial trade-offs clearly communicated and visible to decision-makers?	
1	The proposed strategies to balance in the AOP provide limited details on how the strategies will achieve the stated cost savings.
Question #10 Are changes in service delivery and budget expectations effectively communicated and supported between budget cycles?	
1	The AOP is considered a high-level planning document that needs to be updated dynamically to reflect the changing environment. There is a procedure in place to communicate and address such changes, however it does not guarantee timely and adequate funding.
2	Monthly forecast reports adequately inform MHSLTC on performance to date and on projected year-end variances.
Question #11 Are the current SDO finance tools and staffing adequate to fully meet the budgeting needs and financial reporting obligations of the organization?	
1	The WRHA lacks appropriate budgeting and forecasting software leading to resource-intensive, manual budgeting processes and a lack of standardization.

Budgeting Findings	
2	The use of different accounting software and manual processes between SDO's leads to inconsistencies and less comparability between SDO's reporting.
3	Evidence suggests that the WRHA has sufficient staffing for current budget processes.
4	The WRHA has below average corporate services expenses as compared to other SDOs and other jurisdictions nationally.

Fiscal Management Findings	
Question #1	
Is the SDO compliant with its AOP?	
1	The WRHA is regularly operating in a deficit as defined by the Annual Operating Plan budget, and as a result, is not in compliance with the Accountability Agreement.
2	A combination of deficits early in the fiscal year, and the timing of cashflow payments contributes to a reliance on a line of credit for operating needs.
3	MHSLTC currently does not have adequate visibility on the WRHA's projected cash position as part of its standard reporting requirements.
Question #2	
Are the financial impacts of unexpected changes in demand identified in a timely way and incorporated into ongoing planning and operations?	
1	Unexpected changes in demand are incorporated into financial forecasts once the related costs become apparent but are managed on a reactive basis.
2	The budget articulated in the Annual Operating Plan is static and is not updated to reflect any changing needs or demand, per central government directives.
Question #3	
Are budget shortfalls and variances identified and communicated to MHSLTC and MHCW in a timely way?	
1	Financial reporting and forecasting are supplied on a regular basis, and identifies variances compared to the budget defined in the AOP.
Question #4	
Does the SDO have an effective process for the delegation of authority?	
1	A clearly defined Delegation of Authority policy is in place which provides an effective process for spending approvals.
2	Current procurement processes provide safeguards to ensure appropriate approvals are granted.

Appendix 6: Summary of Recommendations

Governance Recommendations	
Question #1	
Do board members in key roles possess the necessary skills and experience to provide appropriate financial oversight given the scale and complexity of the SDOs?	
1	A desired skills matrix should be developed and used to evaluate existing board members.
2	Open board positions should be posted publicly.
3	Compensation for SDO board members should be reviewed and increased.
4	The SDO should introduce staggered board terms.
5	Formal board governance education should be reinstated and required of all board members.
Question #2	
Are board members provided with fulsome, accurate, timely, and actionable information regarding the financial position of the organization and material changes as they occur?	
1	The SDO and MHSBTC should mutually explore opportunities to reduce the time that elapses between AOP draft delivery and approval, and the process for development of, and making changes to the AOP.
Question #3	
Does the board exercise independence from management and provide sufficient oversight of the annual budget development process before approving the budget?	
1	The SDO should consider adopting zero based budgeting and scenario planning approaches in their budgeting process that allow for increased granularity, more fulsome planning, and increased flexibility.
Question #4	
Does the board approve material changes to the budget or variances from budget as they become apparent?	
1	The impact of mid-year service delivery standard changes should be tracked to better enable analysis of SDO's ability to manage to budget.
2	A policy should be implemented so that any additional service requirements implemented mid-year are fully funded from within.
3	A comprehensive analysis should be completed to understand why staffing positions are not being filled.
Question #5	

Governance Recommendations	
Does the board identify the financial risks facing the organization and ensure they are well-informed on the impacts?	
1	Risk register should include the status of actions to be taken for further mitigation and the person/department responsible for these actions.
2	A standardized enterprise risk register format should be used to report to the board.
Question #6	
Does the board act adequately to mitigate the financial risks identified?	
1	WRHA should involve the MHSLTC directly in its risk and mitigation identification process to ensure mitigating factors are realistic given government mandates.
2	The existing risk register should be further developed and include the status of the implementation of mitigation strategies.

Budgeting Recommendations	
Question #1 Is the SDO compliant with the required planning frameworks?	
1	No recommendations are noted in connection with Question 1 as the WRHA is compliant with the required planning frameworks.
Question #2 Does the AOP planning framework and related processes enable compliance with the accountability agreements?	
1	The AOP should incorporate a scenario-based planning element to enable a better understanding of potential budget changes and greater flexibility to respond to change.
Question #3 Does the SDO use funding received pursuant to the Accountability Agreement to provide the services outlined unless otherwise agreed to by Manitoba in writing and approved by Manitoba?	
1	The WRHA should consider preparing an annual reconciliation or statement, reporting the budgeted and actual revenue and expense amounts using statement categories, which are aligned with the AOP.
Question #4 Is there a clear link between expected service need and demand and the budgeting process?	
1	MHSLTC should consider requiring all SDOs to implement a zero-based budgeting process to justify all expenses annually.
2	Implement a mid-year and year-end report with a comparison between minimum and actual service levels.
3	Incorporate demand projections in the budgeting process to ensure an appropriate level of resourcing and to respond proactively to developing needs.
Question #5 Does the budgeting process fully capture the trade-offs inherent in having limited funds available?	
1	No new recommendations are noted in connection with Question #5 as the recommendations associated with Questions #2 and #4 are sufficient to address the findings in connection with Question #5.
Question #6 Do current budget processes support service delivery innovation and improvement?	
1	Consider incorporating scoring criteria in the AOP outlining how Shared Health will evaluate proposed capital projects.

Budgeting Recommendations	
2	The WRHA should actively propose new program initiatives in the AOP, even if no budget is allocated.
Question #7 Does the SDO have access to clear, accurate, timely and relevant information to enable the development of accurate budgets?	
1	No new recommendations are made in connection with Question #7. The recommendation connected to Question #2 to incorporate a scenario-planning element into the budgeting process will mitigate some of the uncertainty connected to the current budgeting process.
Question #8 Are the budgeting and planning processes and timelines of the SDO effectively integrated with MHSBTC processes and timelines?	
1	The WRHA should be mandated to propose a list of cost-saving measures equal to three-times the reported deficit within 90 days when a deficit is reported on the WRHA's quarterly reporting.
2	The WRHA should be required to carry a pre-determined contingency in its annual budgeting to prepare for unexpected costs.
Question #9 Are the SDO service delivery needs and financial trade-offs clearly communicated and visible to decision-makers?	
1	The WRHA should ensure that its AOP submission includes comprehensive explanations and context for each cost-saving strategy to facilitate a thorough understanding of the financial savings, the likelihood of achieving these savings, impacts to service delivery, and any related risks.
Question #10 Are changes in service delivery and budget expectations effectively communicated and supported between budget cycles?	
1	Establish regular, structured discussions between the WRHA and MHSBTC to review and reconcile budget changes and planning assumptions in quarterly forecasts.
Question #11 Are the current SDO finance tools and staffing adequate to fully meet the budgeting needs and financial reporting obligations of the organization?	
1	MHSBTC should direct the immediate procurement of a single budgeting and forecasting software across all SDOs, and expedite implementation to improve the speed, accuracy, and reliability of reporting, and significantly reduce manual effort.

Fiscal Management Recommendations	
Question #1	
Is the SDO compliant with its AOP?	
1	MHSLTC should require all SDOs to provide quarterly cash position statements and include cash position planning in the Annual Operational Plans.
2	If cash position shortfalls are projected in the Annual Operating Plan, MHSLTC should consider adjusting the timing of payments to the WRHA and providing more front-loaded cashflow to offset the effects of delays in implementing the approved increase to annual funding.
Question #2	
Are the financial impacts of unexpected changes in demand identified in a timely way and incorporated into ongoing planning and operations?	
1	MNP has not developed any new recommendations based on the finding above. Previous recommendations will enable SDOs to better respond to unexpected changes in demand including the practice of carrying a budget contingency, budget scenario planning, and the rapid identification and implementation of cost saving measures when a budget deficit is first identified.
Question #3	
Are budget shortfalls and variances identified and communicated to MHSLTC and MHCW in a timely way?	
1	No recommendations were noted in connection with the above finding as communication of budget variances is sufficient and timely. Other recommendations in this report address the causes of budget deficits and propose solutions for prevention and mitigation.
Question #4	
Does the SDO have an effective process for the delegation of authority?	
1	No recommendations are noted in connection with the above findings.



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