
**Department of
Health and Social Services****Operations and Maintenance Funding
Surplus and Deficit Retention Policy**

Policy Statement

The Department believes that boards of management should be responsible for deficits and be able to retain surpluses. By making boards responsible for deficits, boards will have the incentive to scrutinize all costs carefully. With the ability to retain surpluses, boards will be better prepared to deal with fluctuations in annual health care and social service delivery costs as well as address regional priorities.

Policy Objectives

- 1) Match accountability with expenditure authority;
- 2) Control costs.

Principles

Boards are accountable to the Minister of Health and Social Services for the efficient and effective use of their funding allocation and ensuring that core services are provided to clients.

Scope

The policy does not apply to capital funding including minor capital funded through the Department's capital plan. The policy applies to all other departmental core funding programs unless otherwise stated.

For the purposes of calculating surpluses and deficits, all revenues sources (both departmental and non-departmental) and expenditures are to be included. However, funds that are liable to be returned to funding sources are to be excluded.

Definitions

Core services - services which are eligible for public funding and available or accessible to residents of the Northwest Territories.

Provisions

Generally Accepted Accounting Principles must be used in recognizing revenues and expenditures and the calculation of accumulated surpluses and deficits. Generally Accepted Accounting Principles will also be used for calculating an annual surplus or deficit for a specific fiscal year. All annual and accumulated surpluses and deficits must be identified within 90 days of the end of the previous fiscal year.

1. Surpluses:

- A) Boards are required to contribute 50 percent of any annual surplus to a reserve fund to offset any future deficits. In the event that a board has an accumulated deficit, all of an annual surplus must be used to reduce the accumulated deficit.
- B) Within 90 days of the end of the previous fiscal year, boards are required to submit to the Department plans to spend accumulated surpluses over and above the required reserve amounts in subsequent fiscal years. Boards can use the proportion of their accumulated surplus not required for the deficit reserve fund for the following purposes:
 - i) to contribute to a reserve fund as required (i.e., liabilities not otherwise funded) for the Accrued Employee Leave and Termination of Benefits;
 - ii) for program related purposes or one time special projects and not for any purpose that would result in the need for increased financial support from the Government of the Northwest Territories.

2. Deficits:

- A) Boards will be entirely responsible for accumulated deficits.

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- B) In the course of their normal operations, boards cannot budget for a deficit.
- C) If unexpected circumstances are likely to produce an accumulated deficit in any fiscal year, the board must notify the Minister. The board must develop a plan to recover the deficit within one year.
- D) Boards requiring additional working capital to offset a deficit will be required to give the Department a proposal to borrow from the private sector. (See appendix II).

Dispute Resolution:

In the event that a dispute arises between the Department and a board the dispute resolution procedures outlined in the Memorandum of Understanding will be used.



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Health and Social Services

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**Department of
Health and Social Services**

**Capital Funding Surplus
and Deficit Retention Policy**

Policy Statement

The Department believes that boards of management should be responsible for the administration and management of capital funding on a year-to-year basis. With the ability to carry-over capital funding from one year to another boards will be better prepared to address regional health and social service priorities.

Policy Objectives

- 1) Match accountability with expenditure authority;
- 2) Allow boards increased flexibility to address regional priorities.

Principles

Boards are accountable to the Minister of Health and Social Services for the efficient and effective use of their funding allocation and ensuring that core services are provided to clients.

Scope

The policy does not apply to operations and maintenance funding or the purchase of capital items with operations and maintenance funding.

Definitions

Core services - services which are eligible for public funding and available or accessible to residents of the Northwest Territories.

Capital - as defined in the Government of the Northwest Territories' Financial Administration Manual.

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Accumulated surplus - the dollar amount of capital funding received by the board in excess of the legitimate expenditures on capital.

Accumulated deficit - the dollar amount of legitimate expenditures on capital items over and above the capital funding received by the board.

Provisions

Generally Accepted Accounting Principles must be used in recognizing revenues and expenditures and the calculation of accumulated surpluses and deficits. Generally Accepted Accounting Principles will also be used for calculating an annual surplus or deficit for a specific fiscal year. All annual and accumulated surpluses and deficits must be identified within 90 days of the end of the previous fiscal year.

All capital funding must be spent on capital items. Boards must maintain a record of capital items purchased with this funding. Boards must include a reconciliation of all capital funding received and expenditures made in each fiscal year as a separate schedule in their audited financial statements. The reconciliation should state the amount of any accumulated surplus or deficit.

1. Accumulated Surpluses:

- A) Boards can only use accumulated surpluses for capital expenditures.
- B) For capital expenditures that create associated O&M expenditures, the O&M spending must be included in the board's O&M budget for the year, from within existing funds.

2. Accumulated Deficits:

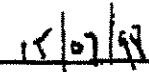
- A) Boards are responsible for covering all deficits.
- B) In the course of their normal operations, boards cannot budget for a deficit.
- C) If unexpected circumstances are likely to produce a deficit in a capital project in any fiscal year, the board must notify the Minister. The board must develop a plan to recover the deficit within one year.

Dispute Resolution:

In the event that a dispute arises between the Department and a board the dispute resolution procedures outlined in the Memorandum of Understanding will be used.



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