The Scarborough Hospital

Policy & Procedure Manual

Finance – Capital Budgeting, Planning and Expenditures

Policy

Capital shall be defined as all equipment and computer software with a unit cost greater than $10,000, and new building construction or renovations to existing facilities with a cost greater than $10,000.

Every two years the Senior Management Team (SMT) will determine the amount of funds available for capital equipment, information systems projects, facility renovation & new construction projects and contingency funds. SMT will present these amounts to the Board of Directors for approval (the Capital Budget).

A Capital Plan, composed of a capital list of items recommended by SMT, will be submitted to the Audit & Accountability Committee of the Board of Directors for approval. All capital items recommended for purchase must be compatible with the hospital’s strategic and clinical plans.

Approval in accordance with the Expenditure Approval Policy must be received prior to the issuance of a Purchase Order for capital acquisitions.

Procedure

The capital planning cycle shall be initiated every two years by the Vice President Finance & Information Services. The outcome of the process will be a prioritized list of capital equipment expenditures, information system projects and renovation & new construction projects (the Capital Plan).

Capital Equipment

1. Prior to the start of the two year capital period, Financial Planning will issue a report to all Managers/Directors that identifies a list of unapproved capital requests from the prior two year period and will include a Capital Equipment Request Forms (or an electronic version) for new capital equipment requests.
2. All Patient Service Groups (PSG) and other Divisions shall submit completed Capital Equipment Requests Forms to Financial Planning. Total cost shall include equipment costs as well as renovation and installation costs. All request forms must be signed by the Manager, Director, appropriate Vice President and Division Chief and Medical Director for clinical items.

3. All capital equipment requests must be categorized and prioritized by the PSG or the Division making the request. The Manager/Director must categorize and rank (prioritize) all items (from prior year list and new requests) in order of priority and by fiscal year to be considered for purchasing. There can only be one number one priority within each category for each department for each fiscal year.

**Classification A:**
Equipment that is absolutely essential for patient or staff safety or is necessary to eliminate an absolutely unacceptable risk management issue.

**Classification B:**
Equipment required to provide a priority service (i.e. service cannot continue without this item) which is absolutely essential to the operation of the department. Impact of not purchasing these items must be documented and assessed by the Performance Improvement Committee (PIC).

**Classification C:**
Equipment which will provide operating efficiencies or is revenue generating, with an acceptable payback.

**Classification D:**
All other equipment requests including equipment that:
- is required for new programs/services, changes in practice or new technology.
- will increase patient or staff comfort or increase customer satisfaction.
- requires replacement due to age and has extenuating circumstances for not being purchased through contingency allowance when it breaks or fails.

5. Financial Planning shall consolidate the capital submissions by all PSG/Divisions into an overall capital equipment list.

6. The capital equipment list will be reviewed and prioritized by PIC. This Committee will consider the funds available for capital equipment purposes and make recommendations to the Senior Management Team. Priority will be given to items that:
- address risk or safety issues
- have previously been identified as a priority.
• reflect the directions of the TSH strategic plan
• specific funds have been designated for; or
• demonstrate a favourable return on investment

7. Managers and Directors shall work with Purchasing to acquire capital equipment from the approved Capital Plan. Purchase Requisitions for capital equipment expenditures must be approved in accordance with the Expenditure Approval Policy and include the Capital Reference number assigned to the item or project.

8. PIC will consider all capital equipment allocation appeals and make recommendations to SMT.

**Information Systems (IS) Projects**

1. The Project Management Office will issue a request for Business Cases for information system and technology projects nine months in advance of the start of the next capital period.

2. Requests for information systems and technology projects such as software implementations and computer equipment purchases must be supported by a Business Case, using the TSH Project Management Office template.

3. Business Cases will be reviewed and prioritized by PIC. The Committee will consider the funds available for information system project purposes and make recommendations to the Senior Management Team.

4. Managers and Directors shall work with Purchasing to acquire software, hardware and services for approved projects. Purchase Requisitions for software, hardware and services must be approved in accordance with the Expenditure Approval Policy:

5. PIC will consider all information system allocation appeals and make recommendations to the Senior Management Team.

**Facility Renovation & New Construction Projects**

1. All renovation and construction projects must be approved by the Director, Capital Planning.

2. Departments, programs, clinical areas wishing to undertake renovation projects within their own existing areas must first consult with the Director Capital Planning. He/she must sign off on all projects, regardless of the source of funding.
3. Directors wishing to add a new project to the official space plan or to advance the order of a project on the plan must create a business plan for presentation to the Space Planning Committee. The plan must be endorsed by the Director of Facilities, the relevant vice president, program/department director and medical director (if applicable). The case must include a cost estimate (order of magnitude) and a source of funding.

4. Business Cases will be reviewed and prioritized by the Space Planning Committee, chaired by the Vice President of Patient Experience and composed of representatives from PSGs and other departments and the Foundation. This group will consider the need, the funds available.

5. Managers/directors should not initiate any design, planning or fundraising work without the endorsement of the Space Planning Committee.

**Contingency Funding**

1. Contingency Funding is intended to address unforeseen requirements due to
   a. unreparable equipment failures
   b. approved requests that exceed the initial budgeted amount
   c. unanticipated requires purchases.

2. Requests to access Contingency Funds must be endorsed by the appropriate Vice-President and brought to SMT for discussion and approval.

**Senior Management Team (SMT)**

Recommended expenditures for capital equipment, information systems projects and facility renovations & new construction projects from PIC and the Space Planning Committee will be collated by Financial Planning (the Capital Plan) and forwarded to SMT for approval.

Once the Capital Plan is approved by SMT, the Vice-President Finance & Information Services will bring it to the Audit & Accountability Committee of the Board of Directors for final approval.

SMT will approve requests for Contingency Funds.

The Capital Plan Budget and Spending report will be updated monthly and posted on iConnect.