

TERMS OF REFERENCE FINANCE COMMITTEE

(Approved July 29, 2016; Amended September 28, 2017, December 12, 2018)

A. PURPOSE

The Finance Committee (the **Committee**) is a standing committee established by the Board (the **Board**) of Alberta Health Services (**AHS**). The purpose of the Committee is to assist the Board in fulfilling the financial oversight responsibilities of the Board and in overseeing management's administration of AHS on the following matters:

- financial sustainability;
- health and business planning, including operating and capital budgets;
- unaudited financial reports;
- capital submissions including facilities, equipment and IMIT;
- banking, borrowing and investments;
- contracts and agreements; and
- financial risk management oversight.

Such oversight includes AHS, AHS' subsidiaries and where applicable, the health advisory councils, foundations, trusts and other entities for which AHS has a financial obligation or legal obligation or both ("**Other Entities**").

B. SCOPE

1. Committee Approval and Recommendations

The Committee may consider and provide feedback relating to matters forwarded by management or the Board, or on its own initiative, and:

- (a) may approve matters which are administrative and non-substantive in nature such as those customarily made to: confirm the accuracy and completeness of the Committee's own minutes; conduct all or a portion of the Committee meetings *in camera*; and approve the Committee's meeting agenda and changes to the agenda;
- (b) may refer matters to another committee of the Board for further consideration; and
- (c) may make recommendations for approval to the Board on matters of a substantive nature.

2. Financial Sustainability

The Committee shall provide oversight and where appropriate review and make recommendations to the Board on financial sustainability.

The Committee shall make the necessary inquiries to assess the trends and projections in demand for services, in capacity to provide needed services, and in costs to provide the services as well as to assess the expected outputs and outcomes. Specifically, the Committee shall review the following matters:

- (a) the planning and performance of management with respect to improving the financial sustainability of the organization;
- (b) reports regarding trends affecting AHS and the multi-year implications of those trends on finances and property;
- (c) reports comparing AHS financial performance with other jurisdictions;
- (d) opportunities to increase revenues including grants, fees and charges, recoveries, ancillary operations and donations;
- (e) opportunities to reduce expenses through improving business process efficiencies and clinical effectiveness;
- (f) identification and management of financial risks, including budget forecasts and budget management strategies, which may jeopardize the achievement of the strategic vision; and
- (g) the strategic value and operational sustainability of AHS related parties including the subsidiaries, joint ventures, contracted health service providers, health advisory councils, foundations and other related parties.

3. Health and Business Planning, including Operating and Capital Budgets

The Committee shall provide oversight and where appropriate review and make recommendations to the Board on the following matters:

- (a) the Health Plan, in alignment with the mandate and roles document or the accountability letters provided by the Minister of Health to the Board Chair and the Deputy Minister of Health to the President & CEO (**CEO**);
- (b) the organizational Business Plan, supportive of the strategic direction in the Health Plan . In addition to Alberta Health requirements, the Business Plan will include at a minimum:
 - (i) a multi-year outlook including key risks affecting future sustainability;

- (ii) a financial plan comprising operating, capital and financing budgets; and
 - (iii) key strategic actions to take in deploying resources in the next fiscal year.
- (c) the Action Plan, supportive of the Health Plan and Business Plan;
 - (d) quarterly performance reports measuring progress;
 - (e) the health and business planning process which must include transparency, integration and collaboration, rigour, accountability for results and a multi-year perspective;
 - (f) allocation of funds including global and other revenues, use of borrowing capacity, and unrestricted accumulated operating surplus;
 - (g) where applicable, operating, capital and any other budgets of AHS or Other Entities and major issues of policy related to budgets; and
 - (h) if necessary, recommendation for approval of an interim authorization to spend pending approval of the operating and capital budgets by the Minister.

4. Unaudited Financial Reports

The Committee shall receive the financial results of AHS for information, to assist with their other responsibilities, including:

- (a) the unaudited quarterly consolidated financial statements and reports and related analysis;
- (b) where applicable, any other financial reports or summary financial information related to AHS or Other Entities that have a significant impact on AHS financial operations.

5. Capital Submissions, including Facilities, Equipment and Information Management and Technology (IM/IT)

The Committee shall provide oversight and where appropriate review and make recommendations to the Board on the following matters:

- (a) the long term capital submission, supportive of the AHS vision and Health Plan. In addition to the Alberta Health requirements, the capital submission will include at a minimum:
 - (i) future capital expenditures needed to effectively maintain or modify the asset base to support service delivery strategies;
 - (ii) context for the Minister to assess provincial capital project priorities as the basis for annual decisions on project approvals; and

- (iii) a preliminary estimate of the operating cost implications of the proposed investment.
- (b) the long term capital planning process which must include transparency, integration and collaboration, rigour, and anticipation of future changes in health service delivery and demands;
- (c) strategies for information management and information technology;
- (d) strategies for equipment and addressing deferred infrastructure maintenance;
- (e) implications of short and long range capital plans on the strategic vision;
- (f) acquisition, management, control, and disposition of land and buildings; and
- (g) intellectual property and technology transfer strategies.

6. Banking, Borrowing and Investments

The Committee shall provide oversight and where appropriate make recommendations to the Board on the following matters for AHS and AHS' subsidiaries:

- (a) approvals of signing officers for banking, borrowing and investing activities;
- (b) actual borrowings or changes in borrowing capacity, terms, and utilization;
- (c) quarterly investment reports;
- (d) annual investment management discussion including changes in investment strategies and risk tolerances;
- (e) interest rates, exchange rates, and commodity price risk mitigation and other investment strategies;
- (f) policies and practices related to assessing financial instruments, banking, investments, and acquisition of funds, including borrowing and leasing; and
- (g) compliance with the applicable legislation, government directives, and AHS bylaws (including the borrowing and investment bylaws), as applicable.

7. Contracts and Agreements

The Committee shall provide oversight and where appropriate review and make recommendations to the Board on the:

- (a) delegation of authority to the CEO; and

- (b) approval of, and authority to execute, financial commitments that exceed the CEO approval limit for matters such as significant service provider contracts and grant agreements.

8. Financial Risk Management Oversight

The Committee shall provide oversight of financial risk management for the organization. This oversight would include obtaining information from management on:

- (i) significant financial risks or exposures facing the organization;
- (ii) management's assessment of current risks, targets and risk tolerance for financial risks; and
- (iii) management's plans, processes and initiatives to mitigate the financial risks.

9. Governance Responsibilities

The Committee shall:

- (a) evaluate, on an annual basis, its performance and review its Terms of Reference and shall, as it considers appropriate, propose any changes to the Governance Committee for recommendation for approval by the Board, as required;
- (b) ensure adequate resources and support are in place to enable the Committee to fulfill its duties effectively and efficiently;
- (c) fulfill such other duties as may be assigned to the Committee by the Board;
- (d) review any applicable bylaws and policies annually and make recommendations to the Board for revision, as required; and
- (e) review policies for:
 - (i) capital expenditure for the Committee; and
 - (ii) reimbursable expenses of the Board in accordance with directives from the Minister.

C. MEMBERSHIP

1. Members

The Committee comprises:

- (a) a minimum of two members of the Board (**Members**) appointed to the Committee by the Chair of the Board, each of whom shall have voting rights;
- (b) any other individuals who are not Members, appointed by the Board, whose voting status shall be determined at the time of appointment;
- (c) the Chair of the Board shall be an *ex officio* member of the Committee and shall have full voting rights; and
- (d) the CEO shall be a non-voting *ex officio* member of the Committee and all other Members not appointed by the Chair of the Board shall be non-voting members of the Committee. The CEO may appoint another individual to attend a Committee meeting as an *ex officio* non-voting Committee member in his or her absence.

2. Committee Member Qualifications

At least one voting member must be financially literate and have accounting or related financial expertise. Fundamental literacy requirements that may be considered include:

- (a) ability to read, comprehend, and analyze financial statements and related notes;
- (b) ability to understand accounting policies, estimates, and judgments;
- (c) understanding of AHS business and any unique features that may impact business strategies or financial reporting;
- (d) knowledge and understanding of business strategies adopted, including any inherent or associated risk; and
- (e) ability to understand AHS' risk environment.

3. Term of Office

The terms of individuals appointed under C.1.(b) shall be determined at the time of appointment.

4. Committee Chair and Vice Chair

The Chair of the Board shall appoint a Committee chair and a vice chair from among the voting members of the Committee. In the absence of the Committee chair, the vice chair shall chair the meeting.

5. Vacancies

The Chair of the Board may appoint a successor to serve for the balance of a vacated Committee member's term.

6. Advisors

The Committee may request the participation of advisors from time to time, including but not limited to AHS' employees, management, or external consultants, to provide advice or information to the Committee or to its members independently, with respect to any matter before or related to the Committee, at AHS' expense.

D. MEETINGS

1. Confidentiality

The nature and subject of discussions and deliberations on matters before the Committee are confidential until such time as an item is approved by the Board and released publicly.

2. Frequency

The Committee shall meet at least four times each year at the call of the Committee chair, or at the discretion of the Chair of the Board.

3. Quorum

A majority of Committee members entitled to vote shall constitute a quorum. Committee members may participate in person or by any other method that permits them to hear and participate in the meeting.

4. Notice

Notice of the time and place of every meeting of the Committee shall be given electronically, by postal service, or as agreed to by the Committee members, at least seven days in advance of a meeting. In the event the Committee chair or the Chair of the Board determines an urgent requirement to meet, notice of the time and place of the meeting may be given electronically or by telephone at least 24 hours in advance. Notice may be waived by a Committee member in any manner, including by unanimous consent of all Committee members. Attendance of a Committee member at a meeting is a waiver of the notice of the meeting, except where the Committee member attends for the express purpose of objecting to the transaction of any business on the grounds that the Committee member was not given adequate notice of the meeting.

5. Report and Recommendations

Subject to confidentiality requirements, the Committee shall submit an overview report on the business conducted at each meeting, and shall make recommendations, if appropriate, to the Board at its next public meeting.

6. Minutes

The Corporate Secretary or such other person acceptable to the Committee shall act as recording secretary to attend at every Committee meeting to take minutes. Minutes shall be approved by the Committee at its next meeting.

7. *In camera* discussions

The Committee shall meet *in camera* with management in separate sessions to discuss any matters that should be discussed privately with the Committee.

8. Rules of Order

Unless provided otherwise in the AHS Amended General Bylaws or these Terms of Reference, Committee business and conduct of the Committee members shall follow Robert's Rules of Order as may be modified by the Committee chair.