**UPDATE REPORT**

**TO DSFG**

**2013-02-24**

Hi everyone

I wanted to provide an update on some of the projects we have been working on. We have had moderate success in our efforts

**Supported Banking**

We are starting another pilot with CIBC in March 2014. We are hoping this time around we will succeed in making it work across our agency and then across the province. We are also working on leveraging the RBC process province wide currently used by Christian Horizons for use by the whole sector

**VOR Project**

Ministry of finance has approved the business case to fund a resource housed at OECM for 2 years. This resource will work with the DS sector to develop VOR for our sector. OBRC will act as the control group. OECM is currently waiting for the ministry to sign the Transfer payment agreement

**RDSP project**

The Law commission of Ontario invited the RDSP group to its focus session to provide input and has asked for a follow up face to face meeting to hear out our issues. The group which consists of a multidisciplinary group of Lawyers, and senior managers of agencies with knowledge of the issue met on March 4th with the Law Commission and made a series of recommendations to the Law Commission which are outlined below

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| **Individuals with a developmental disability have not been taking advantage of RDSP They have many barriers to over come**  **we have themed them below**  **Those individuals who can consent and have plan holders** –   * **For this group promotion programs are required to make them aware of RDSP, and connect them to RDSP Ontario for support and help in applying for RDSP** * **Alternative options are required in case the plan holder becomes unavailable**   **Those who can consent but have no plan holders**-   * **there are no options since only designated relatives can be plan holders by law** * **Alternative options are required to provide plan holders including agencies that care for them**   **For those who cannot give consent**-   * **PGT is the only option currently available. However there are concerns with PGT level of response, level of support and the overcoming of privacy issues** * **Alternative options are required besides PGT**   **RDSP groups primary concern is for those individuals who can provide consent but have no plan holders and for those who cannot provide consent at all. These individuals are losing out on RDSP.**  **For those who do have plan holders alternative options are required in case the plan holder becomes unavailable**  **For those individuals who can consent and have plan holders:**   * **An option should be included for these individuals to expand the plan holder for someone other than a parent** * **there should be a provision that if a parent is the primary decision maker in a person’s life and they prefer not get involved or are indifferent about pursuing an RDSP for their son/daughter that this shouldn’t be a barrier for the person.  They will be afforded to move ahead with another option.**   **Those who can provide consent but have no plan holders**   * **recommend person to be their own plan holder or** * **have access to an expanded list of plan holders which would also include qualifying agencies in a Supported Decision making model (similar to a BC model) as opposed to substitute decision making model which includes a modified POA restricted to RDSP and a representation agreement. Safeguards built against financial abuse as outlined in the LCO report**   **Those who cannot provide consent**   * **someone (including qualifying agencies) could appoint themselves as plan holder of another’s RDSP assuming that the process incorporates a high level of safeguards to minimize the risk of abuse** |

**Feedback on budget package**

DSFG group had provided feedback on the budget package which was provided to the ministry. They have incorporated most of the feedback into the current budget package. There are two items outstanding for them to consider- MPAC assessments and deductibility of mortgage interest expense. The feedback is detailed below.

MCSS has also requested to attend the DSFG meeting on March 7th to go over developing consistent policies on directives under the Broader Public sector accountability act – on Purchasing, Travel and hospitality and perquisites

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| **ISSUE** | **FEEDBACK** | **DISCUSSION** | **NEXT STEP**  **2013-07-24** | **FOLLOW UP**  **2013-11-25** |
| **NOC CODES** | NOC codes for staffing are not being done consistently across the province – we used only code 4212 and 9999  (from emails agencies were using a number of other codes) | Issue of the need for NOC was raised MCSS indicated that reporting of NOC codes is tied to the provincial reporting on labor categories  Options to simplify NOC were discussed –example recording in NOC codes 4212 and 9999 only. Group was not sure if this would cover all agencies | Ministry plans to analyze the NOC codes reported by the DS sector by Fall 2013  Based on that analysis, determination will be made on the best option to move forward | NOC Codes:  The ministry continues to assess the utilization of NOC codes within the 13/14 TP Budget Package. At this time there are no plans to revise NOC codes included in the 14/15 TP Budget Package. |
| **REPLACEMENTS OF ITEMS OVER $1000** | Replacements over $1,000 – we believe the Ministry still doesn’t think we spend more than $1,000 without asking them for permission – on our submission we noted that we included all replacements in Other Supplies and Equipment instead of trying to separate those that are over $1,000 into Other Transactions | Ministry indicated that they were looking for items that were capitalized. These items can be recorded under “Other Transactions” | Ministry confirmed that Capitalized items are to be reported as an “Approved Capitalized Asset Acquisition” for the purposes of TPAR. | Sector will report capitalized items as an “approved capitalized asset acquisition” for the purposes of TPAR |
| **MATERIALS VS SERVICES** | We made some estimates to separate Service vs. Supply for repairs/maintenance, IT, vehicles … the administration to split bills will take longer and I believe for limited (if any) benefit to the Ministry … also we don’t think this will be done consistently across the province so information may not be comparable. **Niagara and Windsor areas are advising the agencies that if there is a combination of services and materials, the whole amount should be charged to services. This may be a good guide for MCSS to use across the province** | Sector recommended that the guide used by Niagara and Windsor be adopted across all regions  Ministry indicated that it was not their intent to create additional work for agencies by breaking down materials and services | Ministry indicated that the combination of R&M “service” and “supply” costs are to be reported under “Services related to R&M”  Ministry will plan to highlight this reporting practice within 2014-15 communication materials | Combination of R&M “service” and “supply” costs will be reported under “services related to R&M” |
| **COMPENSATED ABSENCES** | Compensated absences- there will be inconsistent interpretation and application across the province- example on-site training will be recorded as worked hours and compensated absence by others | Ministry indicated that their goal was to record only traditional compensated absences- vacation, sick time, bereavement etc and NOT Training | Agencies are requested to record traditional items such as vacation, sick time, bereavement as compensated absences | Traditional items such as vacation, sick time, bereavement will be recorded as compensated absences |
| **STATUTORY BENEFITS** | Statutory Vs. non statutory benefits- this is another one that will be subject to inconsistent interpretation across the province- example –WSIB benefit will be recorded as statutory by some and non-statutory by others | Ministry indicated that their goal was to record benefits that were mandatory  Using the definition of mandatory, benefits such as WSIB should be included | Ministry is requesting that WSIB be included as a statutory benefit for 2013-14  For the next fiscal year, the ministry will provide a standard approach for the recording of WSIB | WSIB will be recorded as a statutory benefit for 2013-14 |
| **TAXES** | Municipal taxes.  The new categories allow municipal taxes that are part of a rental to be expensed under Rent/Lease/Mortgage Interest, but do not deal with municipal taxes when the building is owned.   Since MPAC has taken the position that buildings that we operate programs in are subject to municipal tax and are aggressively reassessing properties in our sector, is it acceptable to put municipal taxes for buildings we own in the Rent/Lease/Mortgage Interest category? | Ministry was unaware of the changes MPAC had made and of the impact of MPAC assessment as a result of this change on agencies  There was considerable discussion on whether the taxes were better recorded under utilities and taxes or on a separate line  It was felt that depending on the materiality of the amount taxes should be recorded under utilities and taxes or as a separate item | Agencies are requested to identify for their agency the tax amount and whether it is material so that a final determination on where to record is made | We have requested agencies to provide information on property taxes incurred as a result of MPAC.  From the information provided we recorded the following   1. For the overwhelming respondents there has been no reassessments – However we have noticed that there is a about a 15 month time lag between MPAC assessments and property tax assessments so it’s a matter of time before property taxes are assessed 2. For those who were reassessed on all the non-group homes  or assessed when they purchased new properties to deliver services considered non group home –the impact has been significant   **We therefore recommend to the ministry that a separate line for taxes be created rather than including property taxes in the utilities line** |
| **CAPITAL LEASES** | Vehicle loan payments.   Can they be charged to Other Services along with vehicle lease payments as a capital lease is essentially the same as a vehicle loan? | Capital leases generated a discussion on rules around being able to purchase vehicles  There was also considerable discussion on whether vehicle costs be it interest on loan or lease payments should be separated at all into different lines such as other services or whether they should all be part of travel | Ministry agreed to reflect on this issue and the discussions and get back with clarification | Vehicle Leases/Loans:  The ministry continues to assess whether all vehicle costs (including gas, leases, loans, etc.) should be reported under "Travel" for the 14/15 TP Budget Package. Any changes will be communicated with the 2014-15 TP Budget Package |
| **MORTGAGE INTEREST** | Mortgage interest is non-deductible unless there is ministry interest on title. However if there was a credit line then that interest is deductible  Mortgage interest.  Can mortgage interest on buildings already purchased and mortgaged before the current rules were instituted be reported under Rent/Lease/Mortgage Interest, even if the Ministry has no interest?  Interest on loans used for other purposes for which collateral mortgages are held by the financial institution as security.  Again, for transactions which took place before the current rules were instituted, can the interest be claimed as an expense?  Would it be under Rent/Lease/Mortgage interest or other services?  A common situation where this would occur is where the corporate line of credit is secured by the assets of the agency | Issue of interest generated considerable discussion on whether agencies should be mortgaging their properties and if so how would ministry be assured it was for provision of services as opposed to other leveraging activities  Sector representatives advanced the issue of equity in being able to claim an allowable expense- if a property is leased or rented, the costs are deductible but if the property is mortgaged then the interest is not  Agencies also do not charge any accommodation costs when the property is owned and there is no mortgage on the property  Ministry felt there should be limited (if at all) situations where interest from mortgages, credit lines and overdraft limits should be used or incurred since agencies have options of asking for cash flow advances from ministry for approved programs  Sector representatives provided examples where properties are purchased using capital campaigns for down payment and the balance mortgaged to deliver programs and there is budget for accommodation costs in the form of rent. Also often individuals are placed under the current individualized budgeting process well ahead of budgets being finally approved and contracts amended which often takes place at the end of the year  Sector representatives felt the principle of equity needed to apply in this case and requested ministry consider the request made by the sector | Sector will provide a brief on the issue of mortgage interest for ministry to consider  Ministry will reflect on this issue and the discussions and provide a clarification on deductibility of mortgage interest | We have drafted a document recommending deductibility of mortgage interest after consultation with the sector. This document is attached |
| **KEY CHANGES TO DOCUMENT ON ADMISSIBLE NON ADMISSIBLE EXPENSES** | Did these key changes in this attachment get implemented?  The changes related to non-arm’s length transactions do not seem to be in the version on admissible/inadmissible expenses currently on the MCSS website | Ministry indicated that the key changes were implemented | Closed |  |
| **TRAINING** |  | Sector expressed concerns about the training delivered on these changes  Regions delivered the training but were often unable to answer technical questions and often indicated that corporate wanted it a certain way. Also in some cases the examples used were contradictory to the proposed change  Ministry indicated that by protocol they had to go through regions and agreed that train the trainer process they used has its shortcomings  Sector recommended that one option may be for ministry to deliver training by webinars | Ministry will reflect on the feedback and explore other options such as webinars to deliver training | Training:  The ministry is evaluating how training is being delivered at a corporate and regional level. This evaluation is on-going |
| **TPAR** |  | Sector requested whether the model used in the North whereby financial statements are based on a template are used by agencies and as a result do not have to submit TPAR could be used across all regions  Ministry indicated that each time they had pursued the implementation across the province agencies had expressed concern about costs  Sector representatives indicated that with segmented financial statements implementation may be easier and cost may not be an issue | Sector will prepare a Brief to the Ministry on this issue for considering implementation across the province  Ministry will reflect on this issue and the feedback and provide clarification | We have consulted with the agencies in the sector and it was generally felt that given the new templates that are due to be released by ministry for 2014-15 this issue need not be addressed now |
| **Q AND A DOCUMENT AND ALERTS WHEN CHANGES TO ITEMS ON WEBSITE ARE MADE** |  | Sector had recommended that clarifications, changes etc could be drafted into a Q and A document  Ministry indicated that there was a Q and A document on the website  This generated a discussion on ensuring agencies are notified when changes are made to the items on website or when new items are added  Sector representatives recommended an email alert as an option to the executive directors and finance directors which would prompt agencies to go to the website to review the changes and apply them | Ministry will explore options to alert agencies when items on website are changed or new items are added | TP Budget Package Website:  The ministry is assessing any potential enhancements to the functionality of the TPBP website (e.g. automatic status updates via e-mail for TP Budget Package revisions). It is not anticipated that an RSS enhancement will be available for the release of the 2014/15 TP Budget Package. |

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| **DEDUCTIBILITY OF MORTGAGE INTEREST**  **BRIEF FOR CONSIDERATION BY MINISTRY**  **2014-01-15**  **Ministry Position**  Mortgage interest is non-deductible unless there is ministry interest on title. However if there was a credit line then that interest is deductible  **Following issues are not clear**  Can mortgage interest on buildings already purchased and mortgaged before the current rules were instituted be reported under Rent/Lease/Mortgage Interest, even if the Ministry has no interest?  Interest on loans used for other purposes for which collateral mortgages are held by the financial institution as security.  Again, for transactions which took place before the current rules were instituted, can the interest be claimed as an expense?  Would it be under Rent/Lease/Mortgage interest or other services?  A common situation where this would occur is where the corporate line of credit is secured by the assets of the agency  **Sector position**  Issue of interest generated considerable discussion on whether agencies should be mortgaging their properties and if so how would ministry be assured it was for provision of services as opposed to other leveraging activities  Sector representatives advanced the issue of equity in being able to claim an allowable expense- if a property is leased or rented, the costs are deductible but if the property is mortgaged then the interest is not  Agencies also do not charge any accommodation costs when the property is owned and there is no mortgage on the property  Ministry felt there should be limited (if at all) situations where interest from mortgages, credit lines and overdraft limits should be used or incurred since agencies have options of asking for cash flow advances from ministry for approved programs  Sector representatives provided examples where properties are purchased using capital campaigns for down payment and the balance mortgaged to deliver programs and there is budget for accommodation costs in the form of rent. Also often individuals are placed under the current individualized budgeting process well ahead of budgets being finally approved and contracts amended which often takes place at the end of the year  Sector representatives felt the principle of equity needed to apply in this case and requested ministry consider the request made by the sector  The Ministry position gives an advantage to agencies who have set up separate property corporations to hold their real estate, and encourages other agencies to set up such corporations. This results in a lack of transparency, and an opportunity to build equity in excess of what is fair – those agencies can continue to charge rent even after mortgages are repaid and generate a profit which they can retain for other purposes.  The Ministry position does not encourage sound business planning – for example an agency renting space may be able to operate less expensively by purchasing its own property, using its own equity or fundraising sources for the down payment. The smaller financed amount results in a lower cost than rent, which is established in typical business models to recover the interest and other costs at acquisition (and which does not result in reductions as the rental agency’s mortgage interest goes down as its equity increases). It is understandable that the principal portion of the payment would not be an admissible expense, because the principal portion builds equity in the hands of the agency only. However, the interest portion is a valid business cost in all rental property situations, and to not allow this puts owners of properties at a disadvantage to renters.  It also should be stressed and noted that donors do not like to fund operating deficits in programs they perceive to be a government responsibility – but they do like to fund tangible items such as buildings. Owning rather than renting the buildings in which we operate is a good way to tap community resources, and also to build for the future.  The Ministry position does not consider that agencies do incur annual operating deficits, and that these deficits may be necessary to change the direction of the agency in order to be sustainable in the future. Banks will not normally lend money to an agency without collateral mortgages on the assets of the agency. Examples of strategic initiatives resulting in temporary deficits are: 1) terminating staff to operate programs more efficiently – termination payments, as required by labour legislation are costly 2) terminating staff whose skill sets do not match those needed in our post-transformation sector, 3)investing in infrastructure such as computers or communications equipment. When agencies go into debt to cover such operating deficits, there is a safety control to ensure that it is not done wastefully because the banks will not advance funds unless there is a sustainable plan to not only operate without a deficit in future, but to generate sufficient funds to repay the debt.  The Ministry position also does not consider that change takes time, and operating deficits may be incurred in the meantime. The Ministry failure to provide increased operating dollars to cover wage increases and mandatory pay equity obligations for the past four years means that agencies have been compelled to incur deficits while they planned and executed new strategies. As described in the previous paragraph, banks require security for loans, even operating lines. The interest costs are valid business expenses and should be inadmissible. |