**BUDGET PACKAGE**

**Interpretation problems/inconsistent application**

**Summary of discussions between Ministry and the OBRC/DSFG group**

**CONTEXT**

* Ministry changed the expenditure alignment in the budget for 2013-14
* Sector had questions/feedback on these changes
* DSFG/OBRC groups themed the questions/feedback that would/could lead to inconsistent interpretation
* This feedback was raised with MCSS on behalf of the sector for resolution/clarification on July 23rd 2013
* Summary of issues raised, discussion on the issues and resolution/next steps are tabled below

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| **ISSUE** | **FEEDBACK** | **DISCUSSION** | **NEXT STEP** |
| **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 |
| **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. |
| **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 |
| **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 |
| **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 |
| **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 |
| **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 |
| **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 |
| **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 |
| **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 |
| **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 |